



**Auditor of State
Betty Montgomery**

CITY OF WILMINGTON
CLINTON COUNTY

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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, 2004, 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 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, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2005, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing 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 accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine 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.



Betty Montgomery
Auditor of State

September 26, 2005

CITY OF WILMINGTON, OHIO

CLINTON COUNTY

Management's Discussion and Analysis

For the Year Ended December 31, 2004

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, 2004. 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 2004 are as follows:

- The General Fund showed a positive net change in fund balance of \$105,666, a 3.13% increase.
- Proprietary fund operations posted operating losses of \$2,623, contributing to a decrease in net assets of \$1,510,566.
- 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 \$2,290,382.

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 2004?" 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

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

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

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

Reporting the City's Most Significant Funds

Fund Financial Statements

The analysis of the City's major funds begins on page 7. Fund financial statements, beginning on page 14, provide the detailed information about those major funds. The City uses many different funds, some of which are required by law and others are used to help segregate and control revenues intended for specific purposes. The City has three kinds of funds - "governmental", "proprietary" and "fiduciary".

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

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

CITY OF WILMINGTON, OHIO
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Fiduciary Funds – The City is the agent for assets that are to be remitted to private organizations or other governments. The City's role is purely custodial, in that we record the receipt and subsequent remittance to the proper entity. The City's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets on page 22. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations.

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

THE CITY AS A WHOLE

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

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 \$2,013,492. The following table presents a condensed presentation of net assets.

Table 1
Net Assets, December 31,

	2004			2003		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
Assets:						
Current and Other						
Assets	\$ 9,520,284	5,218,626	14,738,910	10,196,514	5,594,781	15,791,295
Capital Assets	<u>14,976,503</u>	<u>36,651,739</u>	<u>51,628,242</u>	<u>15,291,618</u>	<u>38,359,744</u>	<u>53,651,362</u>
Total Assets	<u>24,496,787</u>	<u>41,870,365</u>	<u>66,367,152</u>	<u>25,488,132</u>	<u>43,954,525</u>	<u>69,442,657</u>
Liabilities:						
Current and Other						
Liabilities	2,374,934	236,121	2,611,055	2,721,069	294,223	3,015,292
Long-term Liabilities	<u>8,383,389</u>	<u>19,216,354</u>	<u>27,599,743</u>	<u>8,525,673</u>	<u>19,731,846</u>	<u>28,257,519</u>
Total Liabilities	<u>10,758,323</u>	<u>19,452,475</u>	<u>30,210,798</u>	<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	7,591,503	19,135,445	26,726,948	7,441,618	18,844,693	26,286,311
Restricted	123,625	1,305,171	1,428,796	393,799	1,294,518	1,688,317
Unrestricted	<u>6,023,336</u>	<u>1,977,274</u>	<u>8,000,610</u>	<u>6,405,973</u>	<u>3,789,245</u>	<u>10,195,218</u>
Total Net Assets	<u>\$ 13,738,464</u>	<u>22,417,890</u>	<u>36,156,354</u>	<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, 2004
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The amount by which the City's assets exceeded its liabilities is called net assets. As of December 31, 2004, the City's net assets were \$36.1 million. Of this amount, \$25.2 million was invested in capital assets and \$1.4 million was subject to external restrictions for its use. The remaining amount, \$9.5 million, was unrestricted and available for future use as directed by City Council and the City administration.

In total, net assets of the City decreased by \$2,013,492. The governmental activities accounted for \$502,926 of this decrease, with the remainder accounted for in the business-type activities. The decrease was attributed primarily to the recognition of depreciation expense. \$680,948 and \$1,554,432 was recorded as depreciation expense in the governmental and business-type activities, respectively.

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

Table 2
Change in Net Assets, December 31,

	2004			2003		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
Revenues:						
Program Revenues:						
Charges for Services	\$ 2,171,362	6,023,804	8,195,166	1,917,499	5,939,373	7,856,872
Operating Grants and Contributions	1,440,206	-	1,440,206	816,796	-	816,796
Capital Grants and Contributions	99,768	-	99,768	168,814	-	168,814
General Revenues:						
Property Taxes	2,524,001	-	2,524,001	2,050,965	-	2,050,965
Municipal Income Taxes	4,131,716	-	4,131,716	3,995,685	-	3,995,685
Hotel Excise Taxes	69,595	-	69,595	66,240	-	66,240
Grants and Contributions not Restricted	1,496,517	-	1,496,517	2,687,319	-	2,687,319
Investment Income	82,044	58,779	140,823	56,836	67,464	124,300
Other Revenue	370,810	228,218	599,028	424,862	75,042	499,904
Total Revenue	<u>12,386,019</u>	<u>6,310,801</u>	<u>18,696,820</u>	<u>12,185,016</u>	<u>6,081,879</u>	<u>18,266,895</u>
Expenses:						
General Government	4,172,228	-	4,172,228	2,885,457	-	2,885,457
Security of Persons & Property	4,678,677	-	4,678,677	5,364,308	-	5,364,308
Public Health and Welfare Services	455,724	-	455,724	147,437	-	147,437
Leisure Time Activities	547,446	-	547,446	560,528	-	560,528
Transportation	2,593,917	-	2,593,917	2,726,234	-	2,726,234
Water	-	4,104,485	4,104,485	-	3,769,990	3,769,990
Sewer	-	2,274,453	2,274,453	-	2,026,937	2,026,937
Waste	-	1,442,429	1,442,429	-	1,705,295	1,705,295
Interest Expense	440,953	-	440,953	330,350	-	330,350
Total Expenses	<u>12,888,945</u>	<u>7,821,367</u>	<u>20,710,312</u>	<u>12,014,314</u>	<u>7,502,222</u>	<u>19,516,536</u>
Increase (Decrease) in Net Assets	(502,926)	(1,510,566)	(2,013,492)	170,702	(1,420,343)	(1,249,641)
Net Assets, Beginning of Year	14,241,390	23,928,456	38,169,846	14,070,688	25,348,799	39,419,487
Net Assets, End of Year	<u>\$ 13,738,464</u>	<u>22,417,890</u>	<u>36,156,354</u>	<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, 2004
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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 \$1,417,090 in property tax revenues, we see that approximately 49% of the net expense of \$2,875,626 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 \$3,431,454. The change in expenses in General Government expenses also relates to certain reclassifications made from 2003 to more accurately reflect the type of expense being made by the City. The third function, Transportation, covers the roads and streets of the City, has a total cost to taxpayers of \$1,486,302. As indicated in Table 2, total expenses increased \$874,631, which represents a 7.28% increase. The most significant increases took place in salaries and related personnel costs over 2003.

Business-Type Activities

Overall, the City's business-type activities generated \$6.0 million in operating revenues, which fell short of covering the cost of doing business by \$1.5 million. The largest cause of the shortfall is due to interest expense for business-type debt in the amount of \$1,033,524. Also, the increase in expenses from 2003 is due largely in part to the cost of obtaining water from Caesers Creek Lake through the Army Corp of Engineers and repairs and maintenance to the sewer system throughout the City. Fees for usage will be 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 presented on pages 14 – 15. These funds are reported using a modified accrual basis of accounting, allowing for a reasonable comparison to last year balances. Total governmental fund balances are \$5.0 million, of which \$4.3 million is unreserved. Revenues and expenditures are reflected on pages 16 – 17. The net decrease in fund balance was \$219,852.

The General Fund balance increased by \$105,666, caused by an increase in revenue of just over \$1 million. The majority of this increase was due to an increase in both grant revenue and charges for services. Also, expenditures increased slightly by \$151,351, while transfers to other funds increased over \$500,000.

The Police Fund showed a balance increase of \$10,272, due to transfers from the general fund.

Governmental fund expenditures showed a decrease over 2003 of \$3,668,528, or 22.4%. Of this figure, \$2,695,383 was related to debt service payments. Expenditures within the functions of the City were fairly consistent with prior years.

CITY OF WILMINGTON, OHIO
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Management's Discussion and Analysis
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The proprietary funds showed a net operating loss of \$2,623. 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 water fund reported positive cash flows for the year ended December 31, 2004. 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 \$7,462,404 while actual revenues exceeded this amount by \$61,547 during the year. The revenues budgeted to be received were in line with what was anticipated to be received.

During the year, there were several appropriation amendments. Increased appropriations in the General Government function were for the following reasons: 1) increases in salaries and related expenses in the amount of approximately \$94,500, 2) \$24,000 for additional consulting services, 3) Emergency Medical Services billing in the amount of \$25,000, and 4) additional income tax refunds for \$50,000. Budgeted amounts for expenditures were \$4,639,169 while actual expenditures amounted to \$4,048,720. 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

	2004			2003		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
Land	\$ 2,709,998	1,449,154	4,159,152	2,709,998	1,323,886	4,033,884
Infrastructure	1,252,835	-	1,252,835	1,136,847	-	1,136,847
Buildings	8,866,982	19,233,602	28,100,584	6,704,526	22,583,602	29,288,128
Improvements	121,202	25,670,196	25,791,398	121,202	25,670,196	25,791,398
Equipment	2,599,168	6,779,392	9,378,560	2,507,014	6,838,502	9,345,516
Vehicles	4,407,964	1,258,461	5,666,425	4,418,466	1,042,033	5,460,499
Office Furniture and Fixtures	25,053	-	25,053	25,053	-	25,053
Construction in Progress	-	-	-	2,145,991	-	2,145,991
Less:						
Accumulated Depreciation	(5,006,699)	(17,739,066)	(22,745,765)	(4,477,579)	(19,098,475)	(23,576,054)
Totals	\$ 14,976,503	36,651,739	51,628,242	15,291,518	38,359,744	53,651,262

**CITY OF WILMINGTON, OHIO
CLINTON COUNTY**

Management's Discussion and Analysis
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Capital assets, net of accumulated depreciation, in governmental activities decreased during 2004 because the amount of depreciation expense recorded exceeded the amount of new equipment purchases. Capital assets in the business-type activities decreased during 2004 as a result of limited funds and depreciation expense.

Infrastructure

This is the second year of reporting under the new GASB 34 guidelines. During 2003, the City recorded the Lowe's Road addition and Farquhar Avenue reconstruction as infrastructure. Current year additions to infrastructure amounted to \$115,988, which was part of the Lowe's Road project.

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, 2004, the City had total bonded debt in the amount of \$24,755,000. Of this amount, \$6,660,000 is general obligation debt backed by the full faith and credit of the City, with the remaining \$18,095,000 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 \$109,538. The amount due within one year is \$1,810. Principal payments for the 2003 year totaled \$860,000.

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, 2004 was \$15,867,016. 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.

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CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Statement of Net Assets
December 31, 2004

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Equity in Pooled Cash and Cash Equivalents	\$ 4,271,060	3,639,446	7,910,506
Receivables (net of allowances for uncollectibles):			
Taxes	3,177,892	-	3,177,892
Accounts	254,461	270,452	524,913
Special Assessments	144,288	3,557	147,845
Loans Receivable	429,020	-	429,020
Accrued Interest	567	-	567
Due from Other Governments	1,242,996	-	1,242,996
Restricted Assets:			
Cash and Cash Equivalents	-	1,305,171	1,305,171
Capital Assets:			
Capital Assets not subject to depreciation:			
Land	2,709,998	1,449,154	4,159,152
Capital Assets, net of accumulated depreciation	<u>12,266,505</u>	<u>35,202,585</u>	<u>47,469,090</u>
 Total Assets	 <u>\$ 24,496,787</u>	 <u>41,870,365</u>	 <u>66,367,152</u>
LIABILITIES:			
Accounts Payable	\$ 179,187	48,784	227,971
Accrued Wages and Benefits	335,273	99,595	434,868
Deferred Revenue	1,592,679	-	1,592,679
Accrued Interest Payable	267,795	87,742	355,537
Noncurrent Liabilities:			
Due Within One Year	1,426,195	484,329	1,910,524
Due In More Than One Year	<u>6,957,194</u>	<u>18,732,025</u>	<u>25,689,219</u>
 Total Liabilities	 <u>10,758,323</u>	 <u>19,452,475</u>	 <u>30,210,798</u>
NET ASSETS:			
Invested in Capital Assets, net of related debt	7,591,503	19,135,445	26,726,948
Restricted for:			
Security of Persons & Property	36,337	-	36,337
Parks and Recreation	52,288	-	52,288
Utility Services	-	1,305,171	1,305,171
Perpetual Care:			
Nonexpendable	35,000	-	35,000
Unrestricted	<u>6,023,336</u>	<u>1,977,274</u>	<u>8,000,610</u>
 Total Net Assets	 <u>\$ 13,738,464</u>	 <u>22,417,890</u>	 <u>36,156,354</u>

See accompanying notes to the basic financial statements.

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CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Statement of Activities
For the Year Ended December 31, 2004

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	\$ 4,172,228	159,609	581,165	-	(3,431,454)		(3,431,454)
Security of Persons & Property	4,678,677	1,803,051	-	-	(2,875,626)		(2,875,626)
Public Health & Welfare Services	455,724	-	59,031	-	(396,693)		(396,693)
Leisure Time Activities	547,446	865	-	-	(546,581)		(546,581)
Transportation	2,593,917	207,837	800,010	99,768	(1,486,302)		(1,486,302)
Interest Expense	440,953	-	-	-	(440,953)		(440,953)
Total Governmental Activities	<u>12,888,945</u>	<u>2,171,362</u>	<u>1,440,206</u>	<u>99,768</u>	<u>(9,177,609)</u>		<u>(9,177,609)</u>
Business-Type Activities:							
Water	4,104,485	3,026,290	-	-		(1,078,195)	(1,078,195)
Sewer	2,274,453	1,418,852	-	-		(855,601)	(855,601)
Waste	1,442,429	1,578,662	-	-		136,233	136,233
Total Business-Type Activities	<u>7,821,367</u>	<u>6,023,804</u>	<u>-</u>	<u>-</u>		<u>(1,797,563)</u>	<u>(1,797,563)</u>
Total	\$ <u>20,710,312</u>	<u>8,195,166</u>	<u>1,440,206</u>	<u>99,768</u>	<u>(9,177,609)</u>	<u>(1,797,563)</u>	<u>(10,975,172)</u>
General Revenues:							
Taxes:							
Property Taxes Levied for:							
General Purposes					657,160	-	657,160
Security of Persons & Property					1,417,090	-	1,417,090
Street Lighting					125,454	-	125,454
Leisure Time Activities					324,297	-	324,297
Municipal Income					4,131,716	-	4,131,716
Hotel Excise					69,595	-	69,595
Grants and Contributions not Restricted to Specific Programs					1,496,517	-	1,496,517
Investment Income					82,044	58,779	140,823
Other Revenue					370,810	228,218	599,028
Total General Revenues					<u>8,674,683</u>	<u>286,997</u>	<u>8,961,680</u>
Change in Net Assets					(502,926)	(1,510,566)	(2,013,492)
Net Assets, Beginning of Year					<u>14,241,390</u>	<u>23,928,456</u>	<u>38,169,846</u>
Net Assets, End of Year					\$ <u>13,738,464</u>	<u>22,417,890</u>	<u>36,156,354</u>

See accompanying notes to the basic financial statements.

**CITY OF WILMINGTON, OHIO
CLINTON COUNTY**

Balance Sheet
Governmental Funds
December 31, 2004

	General Fund	Police Fund	Nonmajor Governmental Funds
ASSETS:			
Equity in Pooled Cash and Cash Equivalents	\$ 2,290,381	54,925	1,925,754
Receivables (net of allowance for uncollectibles):			
Taxes	1,767,995	292,254	1,117,643
Accounts	243,499	1,141	9,821
Special Assessments	-	-	144,288
Loans Receivable	-	-	429,020
Accrued Interest	567	-	-
Due from Other Governments	395,207	11,121	836,668
Due from Other Funds	-	-	18,354
	<u> </u>	<u> </u>	<u> </u>
Total Assets	\$ <u>4,697,649</u>	<u>359,441</u>	<u>4,481,548</u>
LIABILITIES:			
Accounts Payable	\$ 137,325	5,795	36,067
Accrued Wages and Benefits	85,289	19,091	99,368
Due to Other Funds	18,354	-	-
Deferred Revenue	978,592	258,375	1,810,868
Bond Anticipation Notes Payable	-	-	1,070,000
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>1,219,560</u>	<u>283,261</u>	<u>3,016,303</u>
FUND BALANCES:			
Reserved for:			
Encumbrances	137,709	21,654	129,327
Loans Receivable	-	-	429,020
Permanent Fund	-	-	35,000
Unreserved, Undesignated:			
General Fund	3,340,380	-	-
Special Revenue Funds	-	54,526	722,376
Debt Service Funds	-	-	139,510
Capital Projects Fund	-	-	4,129
Permanent Fund	-	-	5,883
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>3,478,089</u>	<u>76,180</u>	<u>1,465,245</u>
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balances	\$ <u>4,697,649</u>	<u>359,441</u>	<u>4,481,548</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, 2004

<p style="text-align: center;">Total Governmental Funds</p> <hr/> <p style="text-align: right;">4,271,060</p> <p style="text-align: right;">3,177,892</p> <p style="text-align: right;">254,461</p> <p style="text-align: right;">144,288</p> <p style="text-align: right;">429,020</p> <p style="text-align: right;">567</p> <p style="text-align: right;">1,242,996</p> <p style="text-align: right;">18,354</p> <hr/> <p style="text-align: right;">9,538,638</p> <p style="text-align: right;">179,187</p> <p style="text-align: right;">203,748</p> <p style="text-align: right;">18,354</p> <p style="text-align: right;">3,047,835</p> <p style="text-align: right;">1,070,000</p> <hr/> <p style="text-align: right;">4,519,124</p> <p style="text-align: right;">288,690</p> <p style="text-align: right;">429,020</p> <p style="text-align: right;">35,000</p> <p style="text-align: right;">3,340,380</p> <p style="text-align: right;">776,902</p> <p style="text-align: right;">139,510</p> <p style="text-align: right;">4,129</p> <p style="text-align: right;">5,883</p> <hr/> <p style="text-align: right;">5,019,514</p> <hr/> <p style="text-align: right;">9,538,638</p>	<p>Total Governmental Fund Balances</p> <p>Amounts reported for governmental activities in the Statement of Net Assets are different because:</p> <p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.</p> <p>Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.</p> <p>Long-term liabilities, including Issue II loans payable, are not due and payable in the current period and therefore are not reported in the funds:</p> <p style="padding-left: 40px;">Police and Fire Pension Obligations</p> <p style="padding-left: 40px;">General Obligation Bonds Payable</p> <p style="padding-left: 40px;">Accrued Interest on Long-Term Debt</p> <p style="padding-left: 40px;">Compensated Absences</p> <p>Net Assets of Governmental Activities</p> <p>See accompanying notes to the basic financial statements.</p>	<p>\$ 5,019,514</p> <p>14,976,503</p> <p>1,455,156</p> <p>(241,063)</p> <p>(6,660,000)</p> <p>(267,795)</p> <p><u>(543,851)</u></p> <p>\$ <u>13,738,464</u></p>
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CITY OF WILMINGTON, OHIO
CLINTON COUNTY

Statement of Revenues, Expenditures and
Changes in Fund Balances

Governmental Funds

For the Year Ended December 31, 2004

	General Fund	Police Fund	Nonmajor Governmental Funds
REVENUES:			
Taxes	\$ 4,798,606	360,373	1,555,012
Special Assessments	65,661	-	-
Intergovernmental Revenue	1,034,530	-	2,125,672
Charges for Services	1,133,721	-	195,756
Licenses and Permits	84,688	11,861	-
Fees, Fines and Forfeitures	556,199	-	123,476
Investment Income	64,011	-	18,029
Other Revenue	275,199	8,860	86,755
Total Revenues	8,012,615	381,094	4,104,700
EXPENDITURES:			
Current:			
General Government	3,719,988	-	-
Security of Persons & Property	371,557	1,928,745	2,147,437
Public Health and Welfare Services	-	-	455,724
Leisure Time Activities	-	-	511,391
Transportation	-	-	2,303,345
Capital Outlay	18,856	60,377	627,579
Debt Service:			
Principal	-	-	291,735
Interest	-	-	281,527
Total Expenditures	4,110,401	1,989,122	6,618,738
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	3,902,214	(1,608,028)	(2,514,038)
OTHER FINANCING SOURCES (USES):			
Transfers In	-	1,618,300	4,884,821
Transfers Out	(3,796,548)	-	(2,706,573)
Total Other Financing Sources (Uses)	(3,796,548)	1,618,300	2,178,248
Net Change in Fund Balances	105,666	10,272	(335,790)
Fund Balance, Beginning of Year	3,372,423	65,908	1,801,035
Fund Balance, End of Year	\$ 3,478,089	76,180	1,465,245

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, 2004

Total Governmental Funds		
6,713,991	Total Net Change in Fund Balances - Governmental Funds	\$ (219,852)
65,661		
3,160,202	Amounts reported for governmental activities in the statement of activities are different because:	
1,329,477		
96,549	Governmental funds report capital outlays as expenditures.	
679,675	However, in the statement of activities, the cost of those exceeded capital outlay in the current period.	
82,040	Capital Asset Additions	365,834
370,814	Depreciation	(680,948)
<u>12,498,409</u>		
3,719,988	Governmental funds report only the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each sale.	(1)
4,447,739		
455,724	Revenues in the statement of activities that do not provide current financial resources are not reported as revenues on the funds.	(112,390)
511,391		
2,303,345	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.	291,735
706,812		
291,735		
281,527		
<u>12,718,261</u>		
(219,852)	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:	
6,503,121	Compensated Absences	20,549
(6,503,121)	Accrued Wages and Benefits	(8,427)
-	Accrued Interest Payable	<u>(159,426)</u>
(219,852)		
<u>5,239,366</u>	Change in Net Assets of Governmental Activities	\$ <u>(502,926)</u>
<u>5,019,514</u>		

See accompanying notes to the basic financial statements.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Statement of Net Assets
Proprietary Funds
December 31, 2004

	Water Fund	Sewer Fund	Waste Fund	Total
ASSETS:				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 1,793,139	1,397,546	448,761	3,639,446
Receivables (net of allowance for uncollectibles):				
Accounts	138,621	63,663	68,168	270,452
Special Assessments	-	3,557	-	3,557
Restricted Assets:				
Cash and Cash Equivalents	<u>600,474</u>	<u>704,697</u>	<u>-</u>	<u>1,305,171</u>
Total Current Assets	<u>2,532,234</u>	<u>2,169,463</u>	<u>516,929</u>	<u>5,218,626</u>
Capital Assets:				
Land	742,972	179,314	526,868	1,449,154
Capital Assets, net of accumulated depreciation	<u>21,542,804</u>	<u>10,435,769</u>	<u>3,224,012</u>	<u>35,202,585</u>
Total Capital Assets	<u>22,285,776</u>	<u>10,615,083</u>	<u>3,750,880</u>	<u>36,651,739</u>
Total Assets	<u>\$ 24,818,010</u>	<u>12,784,546</u>	<u>4,267,809</u>	<u>41,870,365</u>
LIABILITIES:				
Current Liabilities:				
Accounts Payable	\$ 13,765	14,309	20,710	48,784
Accrued Wages and Benefits	34,712	31,207	33,676	99,595
Accrued Interest Payable	<u>36,365</u>	<u>51,377</u>	<u>-</u>	<u>87,742</u>
Total Current Liabilities	<u>84,842</u>	<u>96,893</u>	<u>54,386</u>	<u>236,121</u>
Noncurrent Liabilities:				
Accrued Compensated Absences	80,783	87,016	46,179	213,978
Estimated Liability for Landfill Closure & Postclosure Care	-	-	1,486,082	1,486,082
Mortgage Revenue Bonds Payable	15,380,000	2,715,000	-	18,095,000
Deferred Amount on Refunding	-	(134,716)	-	(134,716)
Unamortized Bond Issue Costs	<u>(404,477)</u>	<u>(39,513)</u>	<u>-</u>	<u>(443,990)</u>
Total Noncurrent Liabilities	<u>15,056,306</u>	<u>2,627,787</u>	<u>1,532,261</u>	<u>19,216,354</u>
Total Liabilities	<u>15,141,148</u>	<u>2,724,680</u>	<u>1,586,647</u>	<u>19,452,475</u>
NET ASSETS:				
Invested in capital assets, net of related debt	7,310,253	8,074,312	3,750,880	19,135,445
Unrestricted	<u>2,366,609</u>	<u>1,985,554</u>	<u>(1,069,718)</u>	<u>3,282,445</u>
Total Net Assets	<u>9,676,862</u>	<u>10,059,866</u>	<u>2,681,162</u>	<u>22,417,890</u>
Total Liabilities and Net Assets	<u>\$ 24,818,010</u>	<u>12,784,546</u>	<u>4,267,809</u>	<u>41,870,365</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, 2004

	Water Fund	Sewer Fund	Waste Fund	Total
OPERATING REVENUES:				
Charges for Services	\$ 3,026,290	1,418,852	1,578,662	6,023,804
Other Revenues	<u>217,764</u>	<u>9,665</u>	<u>789</u>	<u>228,218</u>
Total Operating Revenues	<u>3,244,054</u>	<u>1,428,517</u>	<u>1,579,451</u>	<u>6,252,022</u>
OPERATING EXPENSES:				
Personnel Services	896,606	771,002	907,727	2,575,335
Contractual Services	724,440	345,045	329,261	1,398,746
Materials and Supplies	203,571	423,566	85,584	712,721
Depreciation	898,661	549,325	106,446	1,554,432
Closure and Postclosure Care	<u>-</u>	<u>-</u>	<u>13,411</u>	<u>13,411</u>
Total Operating Expenses	<u>2,723,278</u>	<u>2,088,938</u>	<u>1,442,429</u>	<u>6,254,645</u>
Operating Income (Loss)	<u>520,776</u>	<u>(660,421)</u>	<u>137,022</u>	<u>(2,623)</u>
NON-OPERATING REVENUES (EXPENSES);				
Investment Income	21,998	36,781	-	58,779
Loss on Disposal of Capital Assets	(531,585)	(1,613)	-	(533,198)
Interest and Fiscal Charges	<u>(849,622)</u>	<u>(183,902)</u>	<u>-</u>	<u>(1,033,524)</u>
Total Non-Operating Revenues (Expenses)	(1,359,209)	(148,734)	-	(1,507,943)
Change in Net Assets	(838,433)	(809,155)	137,022	(1,510,566)
Net Assets, Beginning of Year	<u>10,515,295</u>	<u>10,869,021</u>	<u>2,544,140</u>	<u>23,928,456</u>
Net Assets, End of Year	<u>\$ 9,676,862</u>	<u>10,059,866</u>	<u>2,681,162</u>	<u>22,417,890</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, 2004

	Water Fund	Sewer Fund	Waste Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from Customers	\$ 3,021,681	1,417,406	1,570,329	6,009,416
Cash Paid for Employees Salaries and Benefits	(912,223)	(774,597)	(942,762)	(2,629,582)
Cash Paid to Suppliers	(931,470)	(765,190)	(419,037)	(2,115,697)
Other Operating Revenues	<u>217,764</u>	<u>9,665</u>	<u>8,728</u>	<u>236,157</u>
Net Cash Provided (Used) by Operating Activities	<u>1,395,752</u>	<u>(112,716)</u>	<u>217,258</u>	<u>1,500,294</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Capital Expenditures	(1,796)	(31,143)	(346,686)	(379,625)
Principal on General Obligation Bonds	(150,000)	-	-	(150,000)
Principal on Mortgage Revenue Bonds	(285,000)	(135,000)	-	(420,000)
Interest Paid	<u>(849,809)</u>	<u>(142,243)</u>	<u>-</u>	<u>(992,052)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(1,286,605)</u>	<u>(308,386)</u>	<u>(346,686)</u>	<u>(1,941,677)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment Income	<u>21,998</u>	<u>36,781</u>	<u>-</u>	<u>58,779</u>
Increase (Decrease) in Cash and Cash Equivalents	131,145	(384,321)	(129,428)	(382,604)
Equity in Pooled Cash and Cash Equivalents, Beginning of Year	<u>2,262,468</u>	<u>2,486,564</u>	<u>578,189</u>	<u>5,327,221</u>
Equity in Pooled Cash and Cash Equivalents, End of Year	\$ <u>2,393,613</u>	<u>2,102,243</u>	<u>448,761</u>	<u>4,944,617</u>
Reconciliation of Equity in Pooled Cash and Cash Equivalents per Statement of Net Assets to Cash and Cash Equivalents, End of Year, per Statement of Cash Flows:				
Equity in Pooled Cash and Cash Equivalents, per Statement of Net Assets	\$ 1,793,139	1,397,546	448,761	3,639,446
Plus: Restricted Cash and Cash Equivalents	<u>600,474</u>	<u>704,697</u>	<u>-</u>	<u>1,305,171</u>
Cash and Cash Equivalents, End of Year, per Statement of Cash Flows	\$ <u>2,393,613</u>	<u>2,102,243</u>	<u>448,761</u>	<u>4,944,617</u>

(Continued)

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2004
(Continued)

	Water Fund	Sewer Fund	Waste Fund	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ 520,776	(660,421)	137,022	(2,623)
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	898,661	549,325	106,446	1,554,432
Landfill Closure and Postclosure Costs	-	-	13,411	13,411
Changes in Assets and Liabilities:				
Accounts Receivable	(8,837)	(1,666)	(395)	(10,898)
Special Assessment Receivable	4,229	220	-	4,449
Accounts Payable	(3,460)	3,421	(4,191)	(4,230)
Accrued Wages & Benefits	(17,820)	(11,467)	(22,143)	(51,430)
Accrued Compensated Absences	2,203	7,872	(12,892)	(2,817)
Net Cash Provided (Used) by Operating Activities	\$ <u>1,395,752</u>	<u>(112,716)</u>	<u>217,258</u>	<u>1,500,294</u>

See accompanying notes to the basic financial statements.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY

Statement of Fiduciary Net Assets
Fiduciary Fund
December 31, 2004

	Agency Fund
ASSETS:	
Cash and Cash Equivalents	\$ <u>53,623</u>
LIABILITIES:	
Undistributed Monies	<u>53,623</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, 2004

NOTE 1 – REPORTING ENTITY AND BASIS OF PRESENTATION

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

Reporting Entity

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

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

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

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

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

The Miami Valley Risk Management Association, Inc. (MVRMA, Inc.), also a jointly governed organization, was established as a joint self-insurance pool for the purpose of enabling subscribing political subdivisions to obtain liability insurance and provide for a formalized, jointly administered self-insurance fund for its members. The members formed a not-for-profit corporation known as MVRMA, Inc. for the purpose of administering the Pool. The subscribing members of the self-insurance pool include the Cities of Beavercreek, Blue Ash, Indian Hill, Kettering, Maderia, Mason, Miamisburg, Montgomery, Sidney, Springdale, Tipp City, Troy, Vandalia, West Carrollton, Wilmington and Wyoming. The City has no explicit and measurable equity interest in MVRMA and no ongoing financial responsibility for MVRMA and, accordingly, is not included in the financial reporting entity. See Note 13.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting

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

Governmental Funds

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

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

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

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

Proprietary Funds

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

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

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

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

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

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

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, 2004

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, 2004, but which were levied to finance 2005 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, 2004

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 2004, investments were limited to U.S. treasury notes, money market mutual funds, repurchase agreements and non-negotiable certificates of deposit. Except for nonparticipating investments, investments are reported at fair market value, which is based on quoted market prices. Nonparticipating investments such as repurchase agreements and certificates of deposit are reported at cost. See Note 4, Deposits and Investments. For purposes of the combined statement of cash flows, the proprietary fund type's portion of pooled cash and cash equivalents is considered a cash equivalent because the City is able to withdraw resources from these funds without prior notice or penalty.

Capital Assets

General capital assets are those not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported in the respective fund financial statements with the enterprise funds capital assets being reported in the business-type activities column of the government-wide statement of net assets 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	10-50 years
Improvements	4-20 years	5-50 years
Equipment	5-45 years	5-50 years
Vehicles	4-30 years	5-10 years
Infrastructure:		
Sewer and Water Lines	N/A	30-45 years
Other	60 years	N/A

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

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

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, 2004, 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, 2004

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

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

Operating Revenues and Expenses

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

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditure/expenses in the purchaser funds. Flows of cash or goods from one fund to another without requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and are eliminated in the Statement of Activities. Repayment from funds responsible for particular expenditures/expenses to funds that initially paid for them are not presented on the financial statements.

Estimates

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

NOTE 3 – ACCOUNTABILITY

The Lowe's Drive BAN Fund within the Special Revenue Fund Type had deficit fund balances of \$717,739 due to short term notes being recorded in the fund.

NOTE 4 – 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 financial statements as "Equity in Pooled Cash and Cash Equivalents".

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

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.

Deposits

At year-end, the carrying amount of the City's deposits was \$8,548,463 and the bank balance was \$8,418,071. Of the bank balance, \$512,398 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	\$ -	720,837	720,837

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:

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

		<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$	9,269,300	-
Investments:			
US Treasury/Equivalents		<u>(720,837)</u>	<u>720,837</u>
GASB Statement No. 3	\$	<u>8,548,463</u>	<u>720,837</u>

Cash on Hand

The City’s petty cash funds totaled \$1,200 on December 31, 2004.

NOTE 5 – RECEIVABLES

Receivables at December 31, 2004 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 2004 for real and public utility property taxes represents collections of the 2003 taxes. Property tax payments received during 2004 for tangible personal property (other than public utility property) is for 2004 taxes.

2004 real property taxes are levied after October 1, 2004, on the assessed value as of January 1, 2004, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2004 real property taxes collected in and intended to finance 2005.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2004 public utility property taxes became a lien December 31, 2003, are levied after October 1, 2004, and are collected in 2005 with real property taxes.

2004 tangible personal property taxes are levied after October 1, 2003, on the value as of December 31, 2003. Collections are made in 2004. 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.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 5 – RECEIVABLES (Continued)

The full tax rate of for all City operations for the year ended December 31, 2004 was \$7.35 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2004 property tax receipts were based are as follows:

Real Property Tax Assessed Valuation	\$ 182,945,990
Public Utility Tangible Personal Property Assessed Valuation	6,718,280
Tangible Personal Property Assessed Valuation	<u>60,635,903</u>
Total	<u>\$ 250,300,173</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.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Wilmington. The County Auditor periodically remits to the City its portion of the taxes collected. Accrued property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2004, 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 2004 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On the full accrual basis, collectible delinquent property taxes have been recorded as revenue.

Income Tax

The City increased its municipal income tax from .8 percent to 1.0 percent effective January 1, 1991. The tax is levied on all salaries, wages, commissions and other compensation, and net profits earned within the City, as well as incomes of residents earned outside of the City. In the later case, the City allows a credit of 100% of the tax to another municipality to a maximum of the total amount assessed.

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

Due from Other Governments

A summary of the governmental activities intergovernmental receivables follows:

<u>Governmental Activities:</u>	
Local government assistance	\$ 376,373
Homestead/Rollback	71,394
Gasoline tax	214,142
Motor vehicle license fees	102,983
Federal and State grants	<u>478,104</u>
Total	<u>\$ 1,242,996</u>

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 6 - INTERFUND TRANSFERS AND BALANCES

Interfund transfers for the year ended December 31, 2004, consisted of the following:

<u>Transfer To</u>	<u>Transfer From</u>			<u>Total</u>
	<u>General Fund</u>	<u>Nonmajor Special Revenue Funds</u>	<u>Nonmajor Debt Service Funds</u>	
Police Fund	\$ 1,618,300	-	-	1,618,300
Nonmajor Special Revenue Funds	1,515,701	943,591	-	2,459,292
Nonmajor Debt Service Fund	<u>662,547</u>	<u>-</u>	<u>1,762,982</u>	<u>2,425,529</u>
 Total	 \$ <u>3,796,548</u>	 <u>943,591</u>	 <u>1,762,982</u>	 <u>6,503,121</u>

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

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

Interfund balances at December 31, 2004, consisted of \$18,354 due the Hotel Lodging Excise Tax Fund from the General Fund. The amount represents amounts collected by the General Fund for services or reimbursable expenses except approved and authorized in 2004 but not made until 2005. The amounts are expected to be paid within one year.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 7 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2004 was as follows:

	Balance 12/31/2003	Additions	Deletions	Balance 12/31/2004
<u>Governmental Activities:</u>				
Non-depreciable capital assets:				
Land	\$ 2,709,998	-	-	2,709,998
Construction in Progress	2,145,991	2,350	(2,148,341)	-
Non-depreciable capital assets	<u>4,855,989</u>	<u>2,350</u>	<u>(2,148,341)</u>	<u>2,709,998</u>
Depreciable capital assets:				
Buildings	6,704,526	2,162,456		8,866,982
Improvements	121,202	-		121,202
Equipment	2,507,014	134,285	(42,131)	2,599,168
Vehicles	4,418,466	99,096	(109,598)	4,407,964
Furniture & Fixtures	25,053	-		25,053
Infrastructure	1,136,847	115,988		1,252,835
Depreciable capital assets	<u>14,913,108</u>	<u>2,511,825</u>	<u>(151,729)</u>	<u>17,273,204</u>
Less: accumulated depreciation				
Buildings	(767,129)	(156,316)		(923,445)
Improvements	(44,251)	(11,251)		(55,502)
Equipment	(1,705,323)	(203,818)	42,131	(1,867,010)
Vehicles	(1,941,084)	(283,942)	109,597	(2,115,429)
Furniture & Fixtures	(10,218)	(3,774)		(13,992)
Infrastructure	(9,474)	(21,847)		(31,321)
Accumulated depreciation	<u>(4,477,479)</u>	<u>(680,948) *</u>	<u>151,728</u>	<u>(5,006,699)</u>
Depreciable capital assets, net	<u>10,435,629</u>	<u>1,830,877</u>	<u>(1)</u>	<u>12,266,505</u>
Governmental activities capital assets, net	<u>\$ 15,291,618</u>	<u>1,833,227</u>	<u>(2,148,342)</u>	<u>14,976,503</u>

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 7 – CAPITAL ASSETS (Continued)

	Balance 12/31/2003	Additions	Deletions	Balance 12/31/2004
Business-Type Activities:				
Non-depreciable capital assets:				
Land	\$ 1,323,886	125,268	-	1,449,154
Non-depreciable capital assets	<u>1,323,886</u>	<u>125,268</u>	<u>-</u>	<u>1,449,154</u>
Depreciable capital assets:				
Buildings	22,583,602	-	(3,350,000)	19,233,602
Improvements	25,670,196	-	-	25,670,196
Equipment	6,838,502	37,929	(97,039)	6,779,392
Vehicles	1,042,033	216,428	-	1,258,461
Depreciable capital assets	<u>56,134,333</u>	<u>254,357</u>	<u>(3,447,039)</u>	<u>52,941,651</u>
Less: accumulated depreciation				
Buildings	(5,217,611)	(598,543)	2,832,872	(2,983,282)
Improvements	(9,379,277)	(606,061)	-	(9,985,338)
Equipment	(3,778,192)	(251,158)	80,969	(3,948,381)
Vehicles	(723,395)	(98,670)	-	(822,065)
Accumulated depreciation	<u>(19,098,475)</u>	<u>(1,554,432)</u>	<u>2,913,841</u>	<u>(17,739,066)</u>
Depreciable capital assets, net	<u>37,035,858</u>	<u>(1,300,075)</u>	<u>(533,198)</u>	<u>35,202,585</u>
Business-Type activities capital assets, net	<u>\$ 38,359,744</u>	<u>(1,174,807)</u>	<u>(533,198)</u>	<u>36,651,739</u>

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

General Government	\$ 135,356
Security of Persons & Property	220,709
Leisure Time Activities	35,876
Transportation	<u>289,007</u>
	<u>\$ 680,948</u>

NOTE 8 – DEFINED BENEFIT PENSION PLANS

Both the Police and Firemen’s Disability and 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 Police and Firemen’s Disability and Pension Fund or the Public Employees Retirement System of Ohio (PERS). 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, 2004

NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)

A. Public Employees Retirement System

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

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

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

The Ohio Revised Code provides statutory authority for member and employer contributions. Member and employer contribution rates were consistent across all three plans. The member contribution rates were 8.5% of their annual covered salary to fund pension obligations. The 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, 2004, 2003, and 2002 were \$676,620, \$657,695, \$622,639, respectively.

B. Police and Firemen's Disability and Pension Fund

The City of Eaton contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined pension plan. OP&F provides retirement and disability benefits, 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, 2004, 2003, and 2002 were \$437,304, \$399,068, and \$365,098, 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, 2004

NOTE 9 – POSTEMPLOYMENT BENEFITS

A. Public Employees Retirement System

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

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

In order to qualify for postretirement health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS is considered to be an Other Postemployment Benefit (OPEB) as described in GASB Statement 12.

A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The PERS law enforcement program is separated into two divisions, law enforcement and public safety, with separate employee contribution rates and benefits. The 2004 employer contribution rate for local government employer units the rate was 13.31% of covered payroll; 4.00% was the portion used to fund health care for the year. For both the public safety and law enforcement divisions, the 2004 employer rate was 16.70%, and 4.00% was used to fund health care.

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement 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, 2003.

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 2003 was 8.00%.

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

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 9 – POSTEMPLOYMENT BENEFITS (Continued)

A. Public Employees Retirement System (Continued)

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

OPEBs are advance-funded on an actuarially determined basis. The number of active contributing participants was 369,885. The portion of the City's contributions that were used to fund postemployment benefits was \$199,738. \$10.5 billion represents the actuarial value of the Retirement System's net assets available for OPEB at December 31, 2003. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$26.9 billion and \$16.4 billion, respectively.

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

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

B. Police and Firemen's Disability and Pension Fund

The Ohio Police and Fire Pension Fund provides post-retirement health care coverage to any person who received or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such persons. 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 full-time or on a 2/3 basis. The health care coverage provided by the retirement system is considered an Other Postemployment 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 2003 and 2004. 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.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 9 – POSTEMPLOYMENT BENEFITS (Continued)

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

The number of participants eligible to receive health care benefits as of December 31, 2003, the date of the last actuarial valuation available, are 13,662 for Police and 10,474 for Firefighters. The City’s annual contribution for 2004 that were used to fund postemployment benefits was \$84,904 for Police and \$72,171 for Firefighters. OP&F’s total health care expenses for the year ending December 31, 2003, the date of the last actuarial valuation available, was \$150,853,148, which was net of members contributions of \$17,207,506.

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, 2004, the estimated total absences payable of the City was \$757,829.

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 2004 were as follows:

	Amount Outstanding <u>12/31/2003</u>	<u>Additions</u>	<u>Retirements</u>	Amount Outstanding <u>12/31/2004</u>	Amounts Due Within <u>One Year</u>
<u>Governmental Activities:</u>					
<u>General Obligation Bonds</u>					
2.0% to 5.8% - 2003					
Municipal Building Refunding	2,990,000	-	125,000	2,865,000	130,000
2.0% to 5.8% - 2003					
Fire Department	3,960,000	-	165,000	3,795,000	170,000
Compensated Absences	564,400	543,851	564,400	543,851	54,385
Police and Fire Pension	111,273	-	1,735	109,538	1,810
Total Governmental Activities	<u>7,625,673</u>	<u>543,851</u>	<u>856,135</u>	<u>7,313,389</u>	<u>356,195</u>

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

NOTE 11 – LONG-TERM OBLIGATIONS (Continued)

	Amount Outstanding <u>12/31/2003</u>	<u>Additions</u>	<u>Retirements</u>	Amount Outstanding <u>12/31/2004</u>	Amounts Due Within One Year
<u>Business-Type Activities:</u>					
<u>General Obligation Bonds</u>					
9.5% - 1983 Waterworks	150,000	-	150,000	-	-
<u>Mortgage Revenue Bonds</u>					
3.3% to 5.3% - 1996 Sewer	2,850,000	-	135,000	2,715,000	140,000
4.35% to 5.25% - 1998 Waterworks	9,995,000	-	95,000	9,900,000	100,000
3.9% to 6.0% - 1996 Waterworks	5,670,000	-	190,000	5,480,000	200,000
Less: Deferred Amounts					
Deferred Amount on Refunding	(168,671)	33,955	-	(134,716)	(33,834)
Unamortized Bond Issue Costs	<u>(453,949)</u>	<u>9,959</u>	<u>-</u>	<u>(443,990)</u>	<u>(28,826)</u>
Total General Obligation and Mortgage Revenue Bonds	18,042,380	43,914	570,000	17,516,294	377,340
Estimated Liability for Landfill Closure & Postclosure Care					
	1,472,671	13,411	-	1,486,082	-
Compensated Absences	<u>216,795</u>	<u>213,978</u>	<u>216,795</u>	<u>213,978</u>	<u>106,989</u>
Total Business-Type Activities	<u>19,731,846</u>	<u>271,303</u>	<u>786,795</u>	<u>19,216,354</u>	<u>484,329</u>
	\$ <u>27,357,519</u>	<u>815,154</u>	<u>1,642,930</u>	<u>26,529,743</u>	<u>840,524</u>

During fiscal year 2003, the City issued General Obligation Bonds in the aggregate total of \$7,020,000. The issue consisted of two obligations; \$4,000,000 Fire Department Bonds and \$3,020,000 Municipal Building Refunding Bonds. The bonds are dated May 1, 2003 and mature August 1, 2021 and carrying an interest rate of 2.0% to 5.8%. The Municipal Building Refunding Bonds refunded the 1992 Municipal Building bonds in the amount of \$2,975,000. The bonds are direct obligations of the City for which its full faith, credit and resources are pledged and are payable from taxes levied on all taxable property in the government. The bonds will be retired from the Debt Service Fund.

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, 2004

NOTE 11 – LONG-TERM OBLIGATIONS (Continued)

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

	Governmental Activities			
	General		Police and	
	Obligation Bonds		Fire Pension	
	Principal	Interest	Principal	Interest
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	325,000	229,593	2,141	4,304
2010-2014	1,800,000	982,802	12,166	20,057
2015-2019	2,255,000	523,355	15,013	17,210
2020-2024	1,045,000	66,641	18,553	13,670
2025-2030	-	-	22,862	9,361
2031-2035	-	-	28,212	4,011
2036	-	-	2,871	61
	\$ 6,660,000	2,794,086	109,536	86,734
	Business-Type Activities			
	Mortgage			
	Revenue Bonds			
	Principal	Interest		
2005	440,000	958,168		
2006	460,000	936,626		
2007	480,000	913,650		
2008	505,000	888,660		
2009	530,000	861,625		
2010-2014	3,130,000	3,831,555		
2015-2019	3,845,000	2,841,780		
2020-2024	3,785,000	1,807,643		
2025-2029	4,920,000	672,787		
	\$ 18,095,000	13,712,494		

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, 2004

NOTE 12 – SHORT-TERM OBLIGATIONS

A summary of the short-term note transactions for the year ended December 31, 2004 follows:

	Amount Outstanding <u>12/31/2003</u>	<u>Additions</u>	<u>Retirements</u>	Amount Outstanding <u>12/31/2004</u>
<u>Governmental Activities:</u>				
1.53% - 2003 Lowes Road Construction BAN	\$ 900,000	-	900,000	-
1.53% - 2004 Lowes Road Construction BAN	-	725,000	-	725,000
2.20% - 2004 Park Land Acquisition BAN	-	345,000	-	345,000
	<u>\$ 900,000</u>	<u>1,070,000</u>	<u>900,000</u>	<u>1,070,000</u>
Total Governmental Activities	\$ <u>900,000</u>	<u>1,070,000</u>	<u>900,000</u>	<u>1,070,000</u>

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

On October 1, 2004, the City issued a \$345,000 2.20% Bond Anticipation Note for paying a portion of the cost of acquiring park land maturing on May 2, 2005. As of December 31, 2004, the amount outstanding is \$345,000.

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.

General Liability	\$7,000,000 per occurrence
Automobile Liability	\$7,000,000 per occurrence
Public Officials Liability	\$1,000,000 per occurrence (\$6,000,000 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.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

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, 2004 the pool has twenty 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, 2004 the participants cities and their percentage shares based on the pool contribution factors are: Beavercreek 5.51%, Bellbrook 1.92%, Blue Ash 6.24 %, Centerville 2.04%, Englewood 3.03%, Indian Hill 2.42%, Kettering 16.45%, Maderia 1.61%, Mason 8.69%, Miamisburg 6.01%, Montgomery 3.16%, Piqua 6.18%, Sidney 7.16%, Springdale 4.05%, Tipp City 2.39%, Troy 6.64%, Vandalia 4.56%, West Carrollton 3.09%, Wilmington 5.65% and Wyoming 3.20%.

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 2004 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, 2003 (the latest information available).

Assets	<u>\$ 7,462,934</u>
Liabilities	5,015,363
Fund Equity	<u>2,447,571</u>
Total Liabilities and Fund Equity	<u>\$ 7,462,934</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.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

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, 2004. The \$1,486,082 reported as landfill closure and post-closure care liability at December 31, 2004, represents the cumulative amount reported to date based on the use of 90.6% of the estimated capacity of the landfill. The sum of current final closure, post-closure and/or corrective measures cost estimates is \$1,640,216. 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 4.8 years.

NOTE 17 – SUBSEQUENT EVENT

On February 15, 2005, the City issued \$5,525,000 First Mortgage Waterworks System Refunding Bonds to fund an Escrow Account for the purpose of redeeming on June 15, 2006 and paying the principal of, interest on and premium (if any) with respect to the First Mortgage Revenue Bonds dated July 1, 1996.

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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, 2004

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Taxes	\$ 4,438,669	4,525,677	4,562,399	36,722
Special Assessments	65,125	65,661	65,661	-
Licenses and Permits	70,210	84,568	84,688	120
Intergovernmental	741,586	933,270	939,943	6,673
Charges for Services	902,376	921,624	936,560	14,936
Investment Income	81,500	60,543	63,524	2,981
Fees, Fines and Forfeitures	691,950	564,551	564,591	40
Other Revenue	479,567	306,510	306,585	75
	<u>7,470,983</u>	<u>7,462,404</u>	<u>7,523,951</u>	<u>61,547</u>
EXPENDITURES:				
Current:				
General Government	3,853,848	4,170,162	3,649,851	520,311
Security of Persons & Property	447,440	449,854	380,013	69,841
Capital Outlay	-	19,153	18,856	297
	<u>4,301,288</u>	<u>4,639,169</u>	<u>4,048,720</u>	<u>590,449</u>
Excess (Deficit) Revenues Over/ (Under) Expenditures	<u>3,169,695</u>	<u>2,823,235</u>	<u>3,475,231</u>	<u>651,996</u>
OTHER FINANCING SOURCES (USES):				
Transfers Out	(4,183,214)	(4,163,552)	(3,796,548)	367,004
	<u>(4,183,214)</u>	<u>(4,163,552)</u>	<u>(3,796,548)</u>	<u>367,004</u>
Net Change in Fund Balance	(1,013,519)	(1,340,317)	(321,317)	1,019,000
Fund Balance, Beginning of Year	2,473,990	2,473,990	2,473,990	-
Prior Year Encumbrances Appropriated	137,709	137,709	137,709	-
Fund Balance, End of Year	\$ <u>1,598,180</u>	<u>1,271,382</u>	<u>2,290,382</u>	<u>1,019,000</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, 2004

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Taxes	\$ 261,258	299,960	324,297	24,337
Intergovernmental	25,000	24,337	-	(24,337)
Fees, Fines and Forfeitures	-	10,925	10,925	-
Other Revenue	-	8,757	8,860	103
Total Revenues	<u>286,258</u>	<u>343,979</u>	<u>344,082</u>	<u>103</u>
EXPENDITURES:				
Current:				
Security of Persons & Property	2,071,734	2,009,251	1,967,157	42,094
Capital Outlay	53,300	67,599	60,377	7,222
Total Expenditures	<u>2,125,034</u>	<u>2,076,850</u>	<u>2,027,534</u>	<u>49,316</u>
Excess (Deficit) Revenues Over/ (Under) Expenditures	<u>(1,838,776)</u>	<u>(1,732,871)</u>	<u>(1,683,452)</u>	<u>49,419</u>
OTHER FINANCING SOURCES (USES):				
Operating Transfers-In	<u>1,838,776</u>	<u>1,618,300</u>	<u>1,618,300</u>	-
Net Change in Fund Balance	-	(114,571)	(65,152)	49,419
Fund Balance, Beginning of Year	89,978	89,978	89,978	-
Prior Year Encumbrances Appropriated	<u>30,098</u>	<u>30,098</u>	<u>30,098</u>	-
Fund Balance, End of Year	<u>\$ 120,076</u>	<u>5,505</u>	<u>54,924</u>	<u>49,419</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, 2004

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 2004.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY

Notes to the Required Supplementary Information
For the Year Ended December 31, 2004

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, 2004

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

	<u>Changes in Fund Balances</u>	
	<u>General Fund</u>	<u>Police Fund</u>
GAAP Basis	\$ 105,666	10,272
Revenue Accruals	(488,664)	(37,012)
Expenditure Accruals	<u>61,681</u>	<u>(38,412)</u>
Budget Basis	\$ <u>(321,317)</u>	<u>(65,152)</u>

**CITY OF WILMINGTON
CLINTON COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2004**

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	\$ 18,022
Community Development Block Grant	A-F-02-201-1	14.228	47,050
Community Development Block Grant	A-F-03-201-1	14.228	12,250
Community Housing Improvement Program	A-C-03-201-1	14.228	<u>64,027</u>
Total Community Development Block Grant			141,349
Small Cities Emergency Shelter Grant	A-L-03-201-1	14.231	56,400
Small Cities Emergency Shelter Grant	A-L-04-201-1	14.231	<u>6,775</u>
Total Small Cities Emergency Shelter Grant			63,175
Community Housing Improvement Program	A-C-03-201-2	14.228	<u>93,500</u>
Total Community Housing Improvement Program			93,500
Total U.S. Department of Housing and Urban Development			<u>298,024</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
<i>Passed Through Ohio Department of Transportation:</i>			
Urban Mass Transit Operating Grant - 2004	RPT-4014-023-042	20.509	359,013
Urban Mass Transit Capital Grant - 2004	RPT-4014-023-041	20.509	<u>30,866</u>
Total U.S. Department of Transportation			<u>389,879</u>
Total			<u>\$ 687,903</u>

**CITY OF WILMINGTON
CLINTON COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FISCAL YEAR ENDED DECEMBER 31, 2004**

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the City'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 City has established a revolving loan program to provide low-interest loans to stimulate economic activity that will strengthen the economics, employment and tax base in the City. The 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, 2004, the gross amount of loans outstanding under this program were \$429,020. Delinquent amounts due represent \$79,426 of the gross amount of loans payable.

NOTE C -- MATCHING REQUIREMENTS

Certain Federal programs require that the City contribute non-Federal funds (matching funds) to support the Federally-funded programs. The City 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 INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

To the City Council:

We have audited 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, 2004, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 26, 2005. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. However, in a separate letter to the City's management dated September 26, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. However, in a separate letter to the City's management dated September 26, 2005, we reported a matter related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of management, City Council federal awarding agencies, and pass-through entities. It is not intended for 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

September 26, 2005



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON 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 apply to each of its major federal programs for the year ended December 31, 2004. The summary of auditor's results section of the accompanying schedule of findings identifies the City's major federal programs. The City's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City of Wilmington complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended December 31, 2004. However, in a separate letter to the City's management dated September 26, 2005, we reported another matter related to federal noncompliance not requiring inclusion in this report.

Internal Control Over Compliance

The City's management 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's internal control over compliance with requirements that could directly and materially affect a major federal program 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.

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

We intend this report solely for the information and use of management, City Council, federal awarding agencies, and pass-through entities. It is not intended for 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

September 26, 2005

CITY OF WILMINGTON
CLINTON COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2004

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Mass Transit, CFDA # 20.509 Community Development Block Grant, CFDA # 14.228
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	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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Facsimile 614-466-4490

CITY OF WILMINGTON

CLINTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 13, 2005**