CITY OF WILMINGTON, OHIO

Basic Financial Statements

Year Ended December 31, 2007

With

Independent Auditors' Report

Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the City of Wilmington, Clinton County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2007 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 18, 2009

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CITY OF WILMINGTON, OHIO

Table of Contents

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

INDEPENDENT AUDITORS' REPORT

To the City Council
City of Wilmington, Ohio:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wilmington, Ohio (the City), as of and for the year ended December 31, 2007, which collectively comprise the City's basic financial statements. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Wilmington, Ohio as of December 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 30, 2008, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and the budgetary comparison information on pages 3 through 10 and 48 through 52, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
July 30, 2008

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, 2007. 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 2007 are as follows:

- Total net assets of the City decreased by $234,638 during 2007 consisting of a $1.1 million increase in governmental activities and a $1.3 million decrease in business-type activities.

- The General Fund showed a negative net change in fund balance of $763,066 a 22.1% decrease.

- Proprietary fund operations posted operating loss of $840,899 due primarily to the $1.4 million expense reported during the year for the estimated cost of closing and maintaining the City's landfill.

- 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 $1,841,825.

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 2007?" 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.

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

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

- Governmental Activities – Most of the City's services are reported here and include police, fire, emergency medical, public maintenance, parks and recreation, judicial, legislative, and executive.

- Business-Type Activities – These services include water, sewer, and waste. Service fees for these operations are charged based upon usage. The intent is that the fees are sufficient to cover the costs of operation.

Reporting the City's Most Significant Funds

Fund Financial Statements

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

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

Proprietary Funds – City utility services for water, sewer and waste are operated as enterprise funds. These are business-type activities that receive a significant portion of their funding from user charges. These funds are listed under the heading of "business-type activities" on the Statement of Net Assets and the Statement of Activities 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".

Fiduciary Funds – The City is the agent for assets that are to be remitted to private organizations or other governments. The City's role is purely custodial, in that we record the receipt and subsequent remittance to the proper entity. The City's fiduciary activities are reported in a separate Statement of Fiduciary Assets and Liabilities on page 20. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations.

Notes to the 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 21.

THE CITY AS A WHOLE

The following table provides a summary of the City's net assets for 2007 as compared to 2006.

Table 1
Net Assets, December 31,

	2007			2006		
	Governmental Activities	**Business-Type Activities**	**Total**	**Restated - Governmental Activities**	**Business-Type Activities**	**Total**
Assets:						
Current and Other Assets	$ 10,659,789	9,212,703	19,872,492	10,365,815	7,006,013	17,371,828
Capital Assets	16,775,462	38,505,302	55,280,764	14,695,831	40,269,020	54,964,851
Total Assets	27,435,251	47,718,005	75,153,256	25,061,646	47,275,033	72,336,679
Liabilities:						
Current and Other Liabilities	4,683,976	251,396	4,935,372	3,765,235	352,253	4,117,488
Long-term Liabilities	7,072,067	20,616,362	27,688,429	6,740,530	18,714,568	25,455,098
Total Liabilities	11,756,043	20,867,758	32,623,801	10,505,765	19,066,821	29,572,586
Net Assets:						
Invested in Capital Assets, Net of Related Debt	9,195,462	20,685,557	29,881,019	7,330,831	23,435,051	30,765,882
Restricted	457,519	1,478,638	1,936,157	305,866	1,408,355	1,714,221
Unrestricted	6,026,227	4,686,052	10,712,279	6,919,184	3,364,806	10,283,990
Total Net Assets	$ 15,679,208	26,850,247	42,529,455	14,555,881	28,208,212	42,764,093

The amount by which the City's assets exceeded its liabilities is called net assets. As of December 31, 2007, the City's net assets were $42.5 million. Of this amount, $29.9 million was invested in capital assets and $1.9 million was subject to external restrictions for its use. The remaining amount, $10.7 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 $234,638. The governmental activities increased by $1,123,327 and business-type activities decreased by $1,357,965 during 2007. The increase in the governmental activities is due primarily to increase in capital assets during the year. The decrease in the business-type activities was due to the large increase in the estimated cost of closing and maintaining the City's landfill which is nearing capacity. The liability associated with the closure and post-closure activity will continue to increase until the landfill is closed and the necessary activity is undertaken.

The following table provides a summary of the City's changes in net assets for 2007 as compared to 2006.

Table 2
Change in Net Assets, December 31,

	2007			2006		
	Governmental Activities	Business-Type Activities	Total	Restated - Governmental Activities	Business-Type Activities	Total
Revenues:						
Program Revenues:						
Charges for Services	$ 2,571,179	7,793,943	10,365,122	2,811,709	7,490,836	10,302,545
Operating Grants and Contributions	2,793,668	-	2,793,668	1,540,276	-	1,540,276
Capital Grants and Contributions	706,975	-	706,975	308,058	25,000	333,058
General Revenues:						
Property Taxes	2,017,633	-	2,017,633	2,317,542	-	2,317,542
Municipal Income Taxes	4,599,161	-	4,599,161	4,825,809	-	4,825,809
Grants and Contributions not Restricted	1,106,944	-	1,106,944	1,514,010	-	1,514,010
Investment Income	308,525	312,004	620,529	286,472	302,265	588,737
Other Revenue	803,648	-	803,648	350,401	136,976	487,377
Total Revenue	14,907,733	8,105,947	23,013,680	13,954,277	7,955,077	21,909,354
Expenses:						
General Government	5,367,541		5,367,541	5,980,349		5,980,349
Security of Persons & Property	4,321,847		4,321,847	4,362,986		4,362,986
Public Health and Welfare Services	633,764		633,764	526,148		526,148
Leisure Time Activities	687,491		687,491	606,362		606,362
Transportation	2,453,297		2,453,297	2,506,677		2,506,677
Water		3,554,044	3,554,044		3,441,271	3,441,271
Sewer		2,460,134	2,460,134		2,747,549	2,747,549
Waste		3,449,734	3,449,734		2,045,042	2,045,042
Interest Expense	320,466	-	320,466	285,565	-	285,565
Total Expenses	13,784,406	9,463,912	23,248,318	14,268,087	8,233,862	22,501,949
Increase (Decrease) in Net Assets	1,123,327	(1,357,965)	(234,638)	(313,810)	(278,785)	(592,595)
Net Assets, Begininng of Year - Restated	14,555,881	28,208,212	42,764,093	14,869,691	28,486,997	43,356,688
Net Assets, End of Year	$ 15,679,208	26,850,247	42,529,455	14,555,881	28,208,212	42,764,093

Governmental Activities

The three functions with the largest expenditures are Security of Persons and Property, General Government, and Transportation. General Government, the next highest function, includes all administrative activities, City Council, Municipal Court, and facility maintenance. This function costs taxpayers $3,895,283 after program revenue is accounted for. Security of Persons and Property includes Police, Fire, and Emergency Medical Services, reports the second highest expenses for the year. 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 $1,020,831 in property tax revenues, we see that approximately 37% of the net expense of $2,743,740 is paid by property tax revenues with the remaining 63% paid by income taxes, grants and other revenue. The third function, Transportation, covers the roads and streets of the City, which reports a net surplus for 2007 of $143,264 due to the large amount of operating grants and contributions received. As indicated in Table 2, total governmental expenses decreased by $483,681, which represents a 3.4% decrease.

Business-Type Activities

Overall, the City's business-type activities generated $8.1 million of revenues, which fell short of the cost of doing business by $1.4 million. While the Water and Sewer operations both reported an increase in net assets for the year, the Waste Fund reported a decrease in net assets of $1.9 million in 2007. In addition to the normal increases in the cost of doing business experienced, the Waste Fund reported a $1.4 million expense due to the increase in the estimated liability for the closing of the City's landfill as well as costs associated with the post-closure maintenance of the site. This liability will continue to increase as the landfill nears capacity.

Table 3
Total and Cost of Program Services

		2007		2006	
		Total Cost of Service	**Net Cost of Service**	**Total Cost of Service**	**Net Cost of Service**
GOVERNMENTAL ACTIVITIES:					
General Government	$	5,367,541	(3,895,283)	5,980,349	(4,441,357)
Security of Persons & Property		4,321,847	(2,743,740)	4,362,986	(2,367,345)
Public Health & Welfare Services		633,764	(208,913)	526,148	(386,235)
Leisure Time Activities		687,491	(687,446)	606,362	(604,754)
Transportation		2,453,297	143,264	2,506,677	(1,522,788)
Interest Expense		320,466	(320,466)	285,565	(285,565)
Total	$	13,784,406	(7,712,584)	14,268,087	(9,608,044)
BUSINESS-TYPE ACTIVITIES:					
Water	$	3,554,044	(146,010)	3,441,271	(108,399)
Sewer		2,460,134	332,512	2,747,549	(332,714)
Waste		3,449,734	(1,856,471)	2,045,042	(276,913)
Total	$	9,463,912	(1,669,969)	8,233,862	(718,026)

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted federal and state entitlement grants. General revenues were not sufficient to cover the total net cost of service for either the governmental or business-type activities therefore a reduction in overall net assets was reported for the year.

THE CITY'S FUNDS

The financial statements for the City's major governmental funds are presented after the statement of activities. These funds are reported using a modified accrual basis of accounting, allowing for a reasonable comparison to last year balances. Total governmental fund balances are $5.0 million, of which $4.1 million is unreserved. The total governmental funds balance of all governmental funds decreased by $581,617 during 2007.

The General Fund balance decreased by $763,066, caused by an increase in expenditures of $405,991 and a decrease in revenues reported by $127,388. The decrease in revenues was primarily related to less than expected receipts of income tax revenue for the year. Increases in expenses items were related to increases in personnel costs (salary and benefits) as well as additional funding for capital items during the year.

The Police Fund showed a balance decrease of $61,987, also due to an increase in salaries and related personnel costs.

Governmental fund expenditures showed an increase over 2006 of $1,766,814 or 12.3%. The largest increase in expenditures was reported for capital outlay, accounting for $1.1 million of the increase with the other functions remaining fairly consistent with prior years. The significant increase in capital outlay relates to increased capital expenditures related to David's Drive and Lowe's Drive projects.

The proprietary funds showed net operating loss of $840,899, due solely to the operating loss reported by the waste fund of $1.9 million. Charges for services for water, sewer, and waste services have historically been established to ensure that on a cash basis, fees are adequate to cover operations. Council has not set fees with the intention of funding capital improvements, however, capital items are charged to enterprise funds, including the ever increasing estimated cost of closing and maintaining the City's landfill as previously mentioned. The Water Fund and the Sewer Fund both reported positive cash flow for the year ended December 31, 2007, with a slight decrease being reported for the Waste Fund. User fees will continue to be monitored in order to determine if user fees will need to be increased to pay for the debt service that will be needed for the expansion of the water facilities. This is in keeping with the philosophy that a proprietary fund be treated as a business-type activity.

General Fund Budgeting Highlights

The General Fund's final budgeted revenues were $8,653,753 while actual revenues exceeded this amount by $220,675 during the year. The revenues budgeted to be received were in line with what was anticipated to be received. Original revenue estimates were lowered during the year as tax receipts and amounts received for charges for services were coming in lower than originally expected.

Final budgeted amounts for expenditures and other financing uses were $10,486,530 while actual budgetary expenditures and other financing uses amounted to $9,359,394. Actual expenditures were in line with the original budget. Therefore, the positive variances for the expenditures were expected.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Table 4
Capital Assets

		2007			2006		
		Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Land	$	2,569,198	1,640,927	4,210,125	2,569,198	1,640,927	4,210,125
Infrastructure		1,278,552	-	1,278,552	1,252,835	-	1,252,835
Buildings		8,871,491	19,428,300	28,299,791	8,871,491	19,428,300	28,299,791
Improvements		175,347	25,670,196	25,845,543	175,347	25,670,196	25,845,543
Equipment		2,844,972	6,961,888	9,806,860	2,735,551	6,861,080	9,596,631
Vehicles		6,030,178	1,345,485	7,375,663	5,034,198	1,345,485	6,379,683
Office Furniture and Fixtures		25,053	-	25,053	25,053	-	25,053
Construction in Progress		1,715,130	-	1,715,130	-	-	-
Less:							
Accumulated Depreciation		(6,734,459)	(16,541,494)	(23,275,953)	(5,967,842)	(14,676,968)	(20,644,810)
Totals	$	16,775,462	38,505,302	55,280,764	14,695,831	40,269,020	54,964,851

The City's investment in capital assets for governmental and business-type activities as of December 31, 2007, amounts to $55.3 million (net of accumulated depreciation). This investment in capital assets includes: land; construction in progress; buildings; improvements; machinery and equipment; infrastructure and vehicles. During the year, total capital assets, net of accumulated depreciation, increased by approximately $315,913, less than 1.0%. Governmental activity capital assets, net of accumulated depreciation, reflect a net increase during the year of $2.1 million. Major capital asset additions during 2007 were $1.7 million of construction in progress related to David Drive construction, the purchase of a $655,000 fire truck as well as other vehicles and equipment. Depreciation expense for the year totaled $766,617. Capital assets, net of accumulated depreciation in the business-type activities decreased $1,763,718 as a result of depreciation expense recognized exceeding the cost of assets acquired during the year. See Note 8 to the basic financial statements for additional details on capital assets.

Debt Administration

At December 31, 2007, the City had total bonded debt in the amount of $24.6 million, of which $985,000 is due during 2008. Of the total bonded debt amount, $6,345,000 is general obligation debt backed by the full faith and credit of the City, with the remaining $18,285,000 being mortgage revenue bonds for waterworks improvements and sewer bond refunding. The City also has outstanding amounts due the Ohio Police and Fire Pension Fund of $103,873. The amount due within one year is $2,053.

Principal payments for the 2007 year totaled $8,806,968, including an advance refunding of $7,950,000 of water mortgage revenue bonds, series 1998. To facilitate this refunding, as well as to provide financing for other capital improvements to the waterworks system, the City issued $9,330,000 of Waterworks mortgage revenue bonds during the year. These are reported in the business-type activities within the financial statements. In addition, during the year, the City issued a $605,000 general obligation bond within the governmental activities to finance the acquisition of the new fire truck.

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

See Note 12 to the basic financial statements for additional details on the long-term debt of the City.

CONTACTING THE CITY'S FINANCE DEPARTMENT

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

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
STATEMENT OF NET ASSETS
DECEMBER 31, 2007

	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in Pooled Cash and Cash Equivalents	$ 5,668,184	$ 7,028,352	$ 12,696,536
Receivables:			
Taxes	3,844,622	-	3,844,622
Accounts	121,999	705,713	827,712
Loans	277,342	-	277,342
Accrued Interest	413	-	413
Due from Other Governments	747,229	-	747,229
Restricted Assets:			
Cash and Cash Equivalents	-	1,478,638	1,478,638
Capital Assets:			
Non-depreciable	4,284,328	1,640,927	5,925,255
Depreciable, Net of Accumulated Depreciation	12,491,134	36,864,375	49,355,509
Total Assets	27,435,251	47,718,005	75,153,256
Liabilities:			
Accounts Payable	717,944	49,275	767,219
Accrued Wages and Benefits	381,150	109,694	490,844
Accrued Interest Payable	133,426	92,427	225,853
Unearned revenue	2,216,456	-	2,216,456
Bond Anticipation Notes Payable	1,235,000	-	1,235,000
Long Term Liabilities:			
Due within one year	440,372	690,594	1,130,966
Due in more than one year	6,631,695	19,925,768	26,557,463
Total Liabilities	11,756,043	20,867,758	32,623,801
Net Assets:			
Invested in Capital Assets, Net of Related Debt	9,195,462	20,685,557	29,881,019
Restricted for:			
Security of Persons & Property	261,498	-	261,498
Debt Service	161,021	-	161,021
Utility Debt Service	-	1,478,638	1,478,638
Perpetual Care:			
Nonexpendable	35,000	-	35,000
Unrestricted	6,026,227	4,686,052	10,712,279
Total Net Assets	$ 15,679,208	$ 26,850,247	$ 42,529,455

See accompanying notes to the basic financial statements.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
Functions/Programs:	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government	$ 5,367,541	$ 783,801	$ 95,954	$ 592,503	$ (3,895,283)		$ (3,895,283)
Security of Persons & Property	4,321,847	1,528,107	-	50,000	(2,743,740)		(2,743,740)
Public Health & Welfare Services	633,764	13,316	411,535	-	(208,913)		(208,913)
Leisure Time Activities	687,491	45	-	-	(687,446)		(687,446)
Transportation	2,453,297	245,910	2,286,179	64,472	143,264		143,264
Interest and fiscal charges	320,466	-	-	-	(320,466)		(320,466)
Total Governmental Activities	13,784,406	2,571,179	2,793,668	706,975	(7,712,584)		(7,712,584)
Business-Type Activities:							
Water	3,554,044	3,408,034	-	-		(146,010)	(146,010)
Sewer	2,460,134	2,792,646	-	-		332,512	332,512
Waste	3,449,734	1,593,263	-	-		(1,856,471)	(1,856,471)
Total Business-Type Activities	9,463,912	7,793,943	-	-		(1,669,969)	(1,669,969)
Total	$ 23,248,318	$ 10,365,122	$ 2,793,668	$ 706,975	(7,712,584)	(1,669,969)	(9,382,553)

	Governmental Activities	Business-Type Activities	Total
General Revenues:			
Municipal income taxes, levied for:			
General purposes	3,679,329	-	3,679,329
Capital projects	919,832	-	919,832
Property and other local taxes levied for:			
General purposes	522,845	-	522,845
Security of Persons & Property	1,020,831	-	1,020,831
Street Lighting	190,816	-	190,816
Leisure Time Activities	283,141	-	283,141
Grants and Contributions not Restricted to Specific Programs	1,106,944	-	1,106,944
Investment earnings	308,525	312,004	620,529
Miscellaneous	803,648	-	803,648
Total General Revenues	8,835,911	312,004	9,147,915
Changes in Net Assets	1,123,327	(1,357,965)	(234,638)
Net Assets, Beginning of Year - restated	14,555,881	28,208,212	42,764,093
Net Assets, End of Year	$ 15,679,208	$ 26,850,247	$ 42,529,455

See accompanying notes to the basic financial statements.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2007

	General Fund	Police Fund	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in Pooled Cash and Cash Equivalents	$ 1,964,325	$ 13,026	$ 3,690,833	$ 5,668,184
Receivables:				
Taxes	2,292,799	316,868	1,234,955	3,844,622
Accounts	107,926	656	13,417	121,999
Loans	-	-	277,342	277,342
Accrued Interest	96	-	317	413
Due from Other Governments	320,940	6,760	419,529	747,229
Total Assets	$ 4,686,086	$ 337,310	$ 5,636,393	$ 10,659,789
Liabilities:				
Accounts Payable	$ 322,500	$ 26,628	$ 368,816	$ 717,944
Accrued Wages and Benefits	99,500	35,200	246,450	381,150
Deferred Revenue	1,567,363	323,628	1,472,156	3,363,147
Bond Anticipation Notes Payable	-	-	1,235,000	1,235,000
Total Liabilities	1,989,363	385,456	3,322,422	5,697,241
Fund Balances:				
Reserved for:				
Encumbrances	107,503	5,019	439,523	552,045
Loans Receivable	-	-	277,342	277,342
Permanent Fund	-	-	35,000	35,000
Undesignated, Reported in:				
General Fund	2,589,220	-	-	2,589,220
Special Revenue Funds	-	(53,165)	1,391,906	1,338,741
Debt Service Funds	-	-	161,021	161,021
Capital Project Fund	-	-	4,129	4,129
Permanent Fund	-	-	5,050	5,050
Total Fund Balance	2,696,723	(48,146)	2,313,971	4,962,548
Total Liabilities and Fund Balance	$ 4,686,086	$ 337,310	$ 5,636,393	$ 10,659,789

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, 2007

Total Governmental Fund Balances		$ 4,962,548
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		16,775,462
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds		1,146,691
Some liabilities, including long-term debt obligations and compensated absences payable, are not due and payable in the current period and therefore are not reported in the funds:		
Police and Fire Pension Obligations	(103,873)	
General Obligation Bonds Payable	(6,345,000)	
Accrued Interest Payable	(133,426)	
Compensated Absences	(623,194)	
Total		(7,205,493)
Net Assets of Governmental Activities		$ 15,679,208

See accompanying notes to the basic financial statements.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

	General Fund	Police Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Municipal Income Taxes	$ 4,441,695	$ -	$ -	$ 4,441,695
Property and Other Taxes	623,983	266,768	1,042,016	1,932,767
Intergovernmental	1,072,743	-	3,614,303	4,687,046
Charges for Services	1,318,990	-	247,208	1,566,198
Licenses and Permits	44,232	-	-	44,232
Fees, Fines and Forfeitures	664,689	2,946	218,294	885,929
Special Assessments	74,820	-	190,816	265,636
Investment Income	221,042	-	87,483	308,525
Other Revenue	259,372	13,368	530,908	803,648
Total Revenues	8,721,566	283,082	5,931,028	14,935,676
Expenditures:				
Current:				
General Government	4,867,303	-	320,934	5,188,237
Security of Persons & Property	1,801	2,224,113	2,408,890	4,634,804
Transportation	-	-	2,364,894	2,364,894
Public Health & Welfare Services	-	-	633,764	633,764
Leisure Time Activities	-	-	650,825	650,825
Capital Outlay	55,336	63,656	1,908,550	2,027,542
Debt Service:				
Principal Retirement	-	-	316,968	316,968
Interest and Fiscal Charges	-	-	305,259	305,259
Total Expenditures	4,924,440	2,287,769	8,910,084	16,122,293
Excess of Revenues Over(Under) Expenditures	3,797,126	(2,004,687)	(2,979,056)	(1,186,617)
Other Financing Sources (Uses):				
Proceeds from Sale of Bonds	-	-	605,000	605,000
Transfers-In	-	1,942,700	3,053,008	4,995,708
Transfers-Out	(4,560,192)	-	(435,516)	(4,995,708)
Total Other Financing Sources (Uses)	(4,560,192)	1,942,700	3,222,492	605,000
Net Change in Fund Balance	(763,066)	(61,987)	243,436	(581,617)
Fund Balance, Beginning of Year	3,459,789	13,841	2,070,535	5,544,165
Fund Balance, End of Year	$ 2,696,723	$ (48,146)	$ 2,313,971	$ 4,962,548

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, 2007

Net Change in Fund Balance - Total Governmental Funds		$ (581,617)
Amounts reported for govermental activities in the statement of activities are different because:		
Govermental funds report capital outlays as expenditures. However in the statement of activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital Asset Additions	2,846,248	
Depreciation Expense	(766,617)	
Total		2,079,631
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, rather these revenues are deferred.		(27,943)
Proceeds from the sale of bonds is considered a source of financing in the governmental funds, but are reported as an increase in bond obligation liability in the statement of net assets.		(605,000)
Repayment of long-term obligations is reported as an expenditure in the governmental funds, but the repayment reduces the long-term liabilities in the statement of net assets.		316,968
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds. These activities consist of:		
Compensated Absences	(43,505)	
Accrued Interest Payable	(15,207)	
Total		(58,712)
Change in Net Assets of Governmental Activities		$ 1,123,327

See accompanying notes to the basic financial statements.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
BALANCE SHEET
PROPRIETARY FUNDS
DECEMBER 31, 2007

	Water Fund	Sewer Fund	Waste Fund	Total
Assets:				
Current Assets				
Equity in Pooled Cash and Cash Equivalents	$ 3,866,513	$ 2,761,545	$ 400,294	$ 7,028,352
Receivables:				
Accounts	275,566	254,097	176,050	705,713
Restricted Assets:				
Cash and Cash Equivalents	716,154	762,484	-	1,478,638
Total Current Assets	4,858,233	3,778,126	576,344	9,212,703
Non-Current Assets				
Capital Assets:				
Non-Depreciable	742,972	184,314	713,641	1,640,927
Depreciable, Net of Accumulated Depreciation	21,472,232	12,837,973	2,554,170	36,864,375
Total Non-Current Assets	22,215,204	13,022,287	3,267,811	38,505,302
Total Assets	$ 27,073,437	$ 16,800,413	$ 3,844,155	$ 47,718,005
Liabilities:				
Current Liabilities				
Accounts Payable	16,701	11,553	21,021	49,275
Accrued Wages and Benefits	35,964	34,714	39,016	109,694
Accrued Interest Payable	48,115	44,312	-	92,427
Accrued Compensated Absences - Current	20,518	44,235	15,841	80,594
Mortgage Revenue Bonds Payable - Current	450,000	160,000	-	610,000
Total Current Liabilities	571,298	294,814	75,878	941,990
Noncurrent Liabilities:				
Accrued Compensated Absences	53,408	87,089	45,063	185,560
Postclosure Care	-	-	3,070,992	3,070,992
Mortgage Revenue Bonds Payable	15,555,000	2,120,000	-	17,675,000
Accrued Bond Premium	47,808	-	-	47,808
Deferred Amount on Refunding	(479,310)	(33,753)	-	(513,063)
Unamortized Bond Issuance Cost	(530,629)	(9,900)	-	(540,529)
Total Noncurrent Liabilities	14,646,277	2,163,436	3,116,055	19,925,768
Total Liabilities	15,217,575	2,458,250	3,191,933	20,867,758
Net Assets:				
Invested in Capital Assets, Net of Related Debt	6,641,706	10,776,040	3,267,811	20,685,557
Restricted for Utility Debt Service	716,154	762,484	-	1,478,638
Unrestricted	4,498,002	2,803,639	(2,615,589)	4,686,052
Total Net Assets	11,855,862	14,342,163	652,222	26,850,247
Total Liabilities and Net Assets	$ 27,073,437	$ 16,800,413	$ 3,844,155	$ 47,718,005

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, 2007

	Water Fund	Sewer Fund	Waste Fund	Total
Operating Revenues:				
Charges for Services	$ 3,247,248	$ 2,774,298	$ 1,592,139	$ 7,613,685
Other Revenue	160,786	18,348	1,124	180,258
Total Operating Revenue	3,408,034	2,792,646	1,593,263	7,793,943
Operating Expenses:				
Personal Services	955,847	889,166	973,478	2,818,491
Contractual Services	569,391	256,854	484,524	1,310,769
Materials and Supplies	581,935	322,430	186,600	1,090,965
Depreciation	678,348	828,123	358,055	1,864,526
Closure and Postclosure Care	-	-	1,436,915	1,436,915
Other Expenses	103,014	-	10,162	113,176
Total Operating Expenses	2,888,535	2,296,573	3,449,734	8,634,842
Operating Income (Loss)	519,499	496,073	(1,856,471)	(840,899)
Non-Operating Revenues (Expenses):				
Investment Income	180,011	131,993	-	312,004
Interest and Fiscal Charges	(665,509)	(163,561)	-	(829,070)
Total Non-Operating Revenues (Expenses)	(485,498)	(31,568)	-	(517,066)
Change in Net Assets	34,001	464,505	(1,856,471)	(1,357,965)
Net Assets, Beginning of the Year	11,821,861	13,877,658	2,508,693	28,208,212
Net Assets, End of the Year	$ 11,855,862	$ 14,342,163	$ 652,222	$ 26,850,247

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, 2007

	Water Fund	Sewer Fund	Waste Fund	Total
Cash Flows from Operating Activities:				
Cash Received from Customers	$ 3,246,210	$ 2,728,832	$ 1,597,333	$ 7,572,375
Cash Paid for Employees Salaries and Benefits	(945,311)	(862,074)	(954,400)	(2,761,785)
Cash Paid to Supplies for Goods and Services	(1,260,377)	(736,095)	(671,147)	(2,667,619)
Other Operating Revenues	160,786	18,348	1,124	180,258
Net Cash Provided (Used) by Operating Activities	1,201,308	1,149,011	(27,090)	2,323,229
Cash Flows from Capital and Related Financing Activities:				
Acquistion of Capital Assets	(57,203)	(43,605)	-	(100,808)
Proceeds from Sale of Mortgage Revenue Bonds	9,052,715	-	-	9,052,715
Payment to Refunding Escrow Agent	(8,148,534)	-	-	(8,148,534)
Principal Paid on Mortgage Revenue Bonds	(390,000)	(150,000)	-	(540,000)
Interest Paid on Mortgage Revenue Bonds	(610,021)	(123,205)	-	(733,226)
Net Cash Used in Capital and Related Financing Activities	(153,043)	(316,810)	-	(469,853)
Cash Flows from Investing Activities:				
Investment Income	180,912	132,651	-	313,563
Net Cash Provided by Investing Activities	180,912	132,651	-	313,563
Net Increase (Decrease) in Cash and Cash Equivalents	1,229,177	964,852	(27,090)	2,166,939
Cash and Cash Equivalents, Beginning of Year	3,353,490	2,559,177	427,384	6,340,051
Cash and Cash Equivalents, End of Year	$ 4,582,667	$ 3,524,029	$ 400,294	$ 8,506,990
Cash and Cash Equivalents per Financial Statements:				
Equity in Pooled Cash and Cash Equivalents	$ 3,866,513	$ 2,761,545	$ 400,294	$ 7,028,352
Restricted Cash and Cash Equivalents	716,154	762,484	-	1,478,638
Total per Financial Statements	$ 4,582,667	$ 3,524,029	$ 400,294	$ 8,506,990
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income(Loss)	$ 519,499	$ 496,073	$ (1,856,471)	$ (840,899)
Adjustments to Reconcile Operating Income(Loss) to Net Cash Provided(Used) by Operating Activities:				
Depreciation	678,348	828,123	358,055	1,864,526
Landfill Closure and Postclosure Costs	-	-	1,436,915	1,436,915
Changes in Assets and Liabilities:				
Accounts Receivable	(1,038)	(45,466)	5,194	(41,310)
Accounts Payable	3,532	(148,179)	18,982	(125,665)
Accrued Wages and Benefits	1,834	4,454	3,741	10,029
Compensated Absences Payable	(867)	14,006	6,494	19,633
Net Cash Provided(Used) by Operating Activities	$ 1,201,308	$ 1,149,011	$ (27,090)	$ 2,323,229

See accompanying notes to the basic financial statements.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUND
DECEMBER 31, 2007

Assets:		
Equity in Pooled Cash and Cash Equivalents	$	66,811
Total Assets	$	66,811
Liabilities:		
Undistributed Monies	$	66,811
Total Liabilities	$	66,811

See accompanying notes to the basic financial statements.

NOTE 1 – REPORTING ENTITY AND BASIS OF PRESENTATION

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

Reporting Entity

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

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

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

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

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

The Miami Valley Risk Management Association, Inc. (MVRMA, Inc.), also a jointly governed organization, was established as a joint self-insurance pool for the purpose of enabling subscribing political subdivisions to obtain liability insurance and provide for a formalized, jointly administered self-insurance fund for its members. The members formed a not-for-profit corporation known as MVRMA, Inc. for the purpose of administering the Pool. There are twenty subscribing member cities of the self-insurance pool, including the City of Wilmington. The City has no explicit and measurable equity interest in MVRMA and no ongoing financial responsibility for MVRMA and, accordingly, is not included in the financial reporting entity. See Note 14 for additional details.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting

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

Governmental Funds

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

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

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

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

Proprietary Funds

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

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

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Funds

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

Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

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

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

Basis of Accounting

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues – Exchange and Non-exchange Transaction

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

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

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

Unearned/Deferred Revenue

Unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of December 31, 2007, but which were levied to finance 2008 operations, have been recorded as unearned revenues in the statement of net assets. Grants and entitlements received before the eligibility requirements are met are also recorded as unearned revenue.

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

Expenses/Expenditures

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

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

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 2007, investments were limited to U.S. treasury notes, money market mutual funds, repurchase agreements and non-negotiable certificates of deposit. Except for nonparticipating investments, investments are reported at fair market value, which is based on quoted market prices. Nonparticipating investments such as repurchase agreements and certificates of deposit are reported at cost. See Note 5, Deposits and Investments. For purposes of the statement of cash flows, the proprietary fund type's portion of pooled cash and cash equivalents is considered a cash equivalent because the City is able to withdraw resources from these funds without prior notice or penalty.

Capital Assets

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

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

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

	Governmental Activities	Business-type Activities
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

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, 2007, 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 debt 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.

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 solid waste collection programs. Operating expenses are necessary costs incurred to provide goods or services that are the primary activity of the fund. Revenues and expenses that do not meet these definitions are reported as non-operating.

Interfund Activity

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

Estimates

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

NOTE 3 – PRIOR PERIOD ADJUSTMENT

In prior years, the City has been provided and prepared its financial statements using incorrect amounts for delinquent property taxes and therefore the amount reported as property taxes receivables was overstated. On the fund financial statements, this overstatement had no effect on ending fund balance since the overstated receivables were not received in the current period and were included as a component of deferred revenue. However, in the statement of net assets, the ending net assets of the governmental activities was overstated as these delinquent taxes were recorded as current year tax revenue. As a result, the ending net assets reported for governmental activities at December 31, 2006 have been restated as follows:

	Governmental Activities
Net assets, reported at 12/31/06	$ 16,169,561
Correction for delinquent property taxes	(1,613,680)
Restated net assets at 12/31/06	$ 14,555,881

NOTE 4 – ACCOUNTABILITY

At December 31, 2007 the following individual funds reported deficit fund balances: Police, Lowe's Drive BAN, David's Drive BAN, Police Pension, Fire, Fire Pension, Emergency Ambulance, and Recreation Special Revenue Funds. The deficit fund balance in each of these funds occurred due to the recognition of current liabilities within the funds. None of the funds reported a deficit fund balance on the budgetary basis of accounting, which is the accounting method used by the City to record transactions throughout the year. The General Fund provides operating revenues through transfers and/or advances when funds are needed on the budgetary basis.

NOTE 5 – DEPOSITS AND INVESTMENTS

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

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

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

NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)

Deposits

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

At year end the carrying amount of the City's deposits was $12,770,598 and the bank balance was $12,209,872. Federal depository insurance covered $521,704 of the bank balance and $12,688,168 was uninsured. Of the remaining uninsured bank balance, the City was exposed to custodial risk as follows:

	Balance
Uninsured and uncollateralized	$ 12,688,168
Total Balance	$ 12,688,168

Investment earnings of $90,584 earned by other funds were credited to the General Fund as required by state statute.

Investments

The City's investments at December 31, 2007 were as follows:

			Investment Maturities (in Years)		
	Fair Value	Credit Rating	less than 1	1-3	3-5
US Treasury/Equivalents	$ 1,471,387	N/A	$ 1,471,387	$ -	$ -
Total Investments	$ 1,471,387		$ 1,471,387	$ -	$ -

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

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

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

NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)

Reconciliation of Cash, Cash Equivalents and Investments

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

	Cash and Cash Equivalents/Deposits	Investments
Per Financial Statements	$ 14,241,985	-
Investments:		
US Treasury/Equivalents	(1,471,387)	1,471,387
Per Footnote	$ 12,770,598	1,471,387

NOTE 6 – RECEIVABLES

Receivables at December 31, 2007 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 2007 for real and public utility property taxes represents collections of the 2006 taxes. Property tax payments received during 2007 for tangible personal property (other than public utility property) is for 2007 taxes.

2007 real property taxes are levied after October 1, 2007, on the assessed value as of January 1, 2007, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2007 real property taxes collected in and intended to finance 2007.

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. 2007 public utility property taxes became a lien December 31, 2006, are levied after October 1, 2007, and are collected in 2007 with real property taxes.

2007 tangible personal property taxes are levied after October 1, 2006, on the value as of December 31, 2006. Collections are made in 2007. Tangible personal property assessments are 25 percent of true value for capital assets and 24 percent of true value for inventory.

NOTE 6 – RECEIVABLES (Continued)

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

The full tax rate of for all City operations for the year ended December 31, 2007 was $7.35 per $1,000 of assessed value. The assessed values of real and tangible personal property upon which 2007 property tax receipts were based are as follows:

Real Property Tax Assessed Valuation	$ 216,153,690
Public Utility Tangible Personal Property Assessed Valuation	4,612,960
Tangible Personal Property Assessed Valuation	36,187,037
Total	$ 256,953,687

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, 2007, and for which there is an enforceable legal claim. In the governmental funds, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2007 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On the full accrual basis, collectible delinquent property taxes have been recorded as revenue.

Income Tax

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

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

NOTE 6 – RECEIVABLES (Continued)

Due from Other Governments

A summary of the governmental activities intergovernmental receivables follows:

Governmental Activities:	
Local government assistance	$ 315,031
Homestead/Rollback	45,212
Gasoline tax	264,232
Motor vehicle license fees	60,983
Federal and State grants	61,771
Total	$ 747,229

NOTE 7 - INTERFUND TRANSFERS AND BALANCES

Interfund transfers for the year ended December 31, 2007, consisted of the following:

	Transfer From		
Transfer To	General Fund	Nonmajor Governmental Funds	Total
Police Fund	$ 1,942,700	-	1,942,700
Nonmajor Governmental Funds	2,617,492	435,516	3,053,008
Total	$ 4,560,192	435,516	4,995,708

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.

NOTE 8 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2007 was as follows:

	Balance 12/31/2006	Additions	Deletions	Balance 12/31/2007
Governmental Activities:				
Non-depreciable capital assets:				
Land	$ 2,569,198	-	-	2,569,198
Construction in Progress	-	1,715,130	-	1,715,130
Non-depreciable capital assets	2,569,198	1,715,130	-	4,284,328
Depreciable capital assets:				
Buildings	8,871,491	-	-	8,871,491
Improvements	175,347	-	-	175,347
Equipment	2,735,551	109,421	-	2,844,972
Vehicles	5,034,198	995,980	-	6,030,178
Furniture & Fixtures	25,053	-	-	25,053
Infrastructure	1,252,835	25,717	-	1,278,552
Depreciable capital assets	18,094,475	1,131,118	-	19,225,593
Less: accumulated depreciation				
Buildings	(1,320,683)	(211,325)	-	(1,532,008)
Improvements	(76,429)	(16,215)	-	(92,644)
Equipment	(2,081,472)	(170,280)	-	(2,251,752)
Vehicles	(2,419,595)	(341,307)	-	(2,760,902)
Furniture & Fixtures	(19,550)	(2,433)	-	(21,983)
Infrastructure	(50,113)	(25,057)	-	(75,170)
Accumulated depreciation	(5,967,842)	(766,617) *	-	(6,734,459)
Depreciable capital assets, net	12,126,633	364,501	-	12,491,134
Governmental activities capital assets, net	$ 14,695,831	2,079,631	-	16,775,462

NOTE 8 – CAPITAL ASSETS (Continued)

	Balance 12/31/2006	Additions	Deletions	Balance 12/31/2007
Business-Type Activities:				
Non-depreciable capital assets:				
Land	$ 1,640,927	-	-	1,640,927
Non-depreciable capital assets	1,640,927	-	-	1,640,927
Depreciable capital assets:				
Buildings	19,428,300	-	-	19,428,300
Improvements	25,670,196	-	-	25,670,196
Equipment	6,861,080	100,808	-	6,961,888
Vehicles	1,345,485	-	-	1,345,485
Depreciable capital assets	53,305,061	100,808	-	53,405,869
Less: accumulated depreciation				
Buildings	(1,961,134)	(431,192)	-	(2,392,326)
Improvements	(8,144,063)	(1,121,834)	-	(9,265,897)
Equipment	(3,570,053)	(246,006)	-	(3,816,059)
Vehicles	(1,001,718)	(65,494)	-	(1,067,212)
Accumulated depreciation	(14,676,968)	(1,864,526)	-	(16,541,494)
Depreciable capital assets, net	38,628,093	(1,763,718)	-	36,864,375
Business-Type activities capital assets, net	$ 40,269,020	(1,763,718)	-	38,505,302

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

General Government	$ 156,707
Security of Persons & Property	332,089
Leisure Time Activities	33,661
Transportation	244,160
	$ 766,617

NOTE 9 – DEFINED BENEFIT PENSION PLANS

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

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

A. Ohio Public Employees Retirement System

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

1. The Traditional Pension Plan — a cost sharing, multiple-employer defined benefit pension plan.

2. The Member-Directed Plan — a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.

3. The Combined Plan — a cost sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2007, member and employer contribution rates were consistent across all three plans. Separate divisions for law enforcement and public safety exist only within the Traditional Pension Plan. The 2007 member contribution rates were 9.5% for members in state and local classifications. Public safety members contributed 9.75. Members in the law enforcement classification, which consists generally of sheriffs, deputy sheriffs and township police, contributed at a rate of 10.1%.The 2007 employer contribution rate for state employers was 13.77% of covered payroll. For local government employer units, the rate was 13.85% of covered payroll. For both the law enforcement and public safety divisions, the employer contribution rate for 2007 was 17.17%. The City's contributions, representing 100% of employer contributions for the periods ended December 31, 2007, 2006, and 2005 were $779,227, $731,822, and $736,910, respectively.

B. Ohio Police and Fire Pension Fund

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

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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, 2007, 2006, and 2005 were $504,880 $486,684, and $446,180, respectively, equal to 100% of the required contribution for each year.

NOTE 10 – POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

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

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

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

A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. In 2007, state employers contributed at a rate of 13.77% of covered payroll, local government employer units, contributed at 13.85% of covered payroll and public safety and law enforcement employer units contributed at 17.17%. The portion of employer contributions, for all employers, allocated to health care was 5.00% from January 1 through June 30, 2007 and 6.00% from July 1 through December 31, 2007.

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

Actuarial Review: The following assumptions and calculations were based on OPERS' latest actuarial review, performed as of December 31, 2006.

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

Assets Valuation Method: All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor.

NOTE 10 – POSTEMPLOYMENT BENEFITS (Continued)

A. Ohio Public Employees Retirement System (Continued)

Investment Return: The investment assumption rate for 2006 was 6.50%.

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. In addition, annual pay increases over and above the 4.00% base increase, were assumed to range from 0.50% to 6.30%.

Health Care: Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 0.50% to 5.00% for the next 8 years. In subsequent years, (9 and beyond) health care costs were assumed to increase 4% (the projected wage inflation rate).

OPEB is advance-funded on an actuarially determined basis. The Traditional Pension and Combined Plans had 374,979 active contributing participants as of December 31, 2007. The number of active contributing participants for both plans used in the December 31, 2006, actuarial valuation was 362,130. The portion of City's contributions that were used to fund post-employment benefits was $309,431. The amount of $12.0 billion represents the actuarial value of OPERS' net assets available for OPEB at December 31, 2006. The Actuarial Valuation as of December 31, 2006, reported the actuarially accrued liability and the unfunded actuarial accrued liability for OPEB, based on the actuarial cost method used, at $30.7 billion and $18.7 billion, respectively.

OPERS Retirement Board of Trustees implemented its Health Care Preservation Plan (HCPP), adopted on September 9, 2004, effective January 1, 2007. Member and employee contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

B. Police and Firemen's Disability and Pension Fund

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

NOTE 10 – POSTEMPLOYMENT BENEFITS (Continued)

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

Health care funding and accounting is on a pay-as-you go basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expenses. The Board defined allocation was 7.75% of covered payroll in 2006 and 6.75% of covered payroll in 2007. In addition, since July 1, 1992, most retirees and survivors were required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The number of participants eligible to receive health care benefits as of December 31, 2006, the date of the last actuarial valuation available, are 14,120 for Police and 10,563 for Firefighters. The City's annual contribution for 2006 that were used to fund postemployment benefits was $90,947 for Police and $68,010 for Firefighters. OP&F's total health care expenses for the year ending December 31, 2006, the date of the last actuarial valuation available, was $120,373,722, which was net of members contributions of $58,532,848.

NOTE 11 – 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, 2007, the estimated total absences payable of the City was $889,348.

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

NOTE 12 – LONG-TERM OBLIGATIONS

A schedule of changes in long-term obligations of the City during 2007 were as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental Activities:					
General Obligation Bonds Payable	$ 6,055,000	$ 605,000	$ 315,000	$ 6,345,000	$ 375,000
Compensated Absences	579,689	623,194	579,689	623,194	63,319
Police and Fire Pension	105,841	-	1,968	103,873	2,053
Total Governmental Activities	$ 6,740,530	$ 1,228,194	$ 896,657	$ 7,072,067	$ 440,372
Business-Type Activities:					
Mortgage Revenue Bonds Payable	$ 17,445,000	$ 9,330,000	$ 8,490,000	$ 18,285,000	$ 610,000
Accrued Bond Premium	51,223	-	3,415	47,808	-
Less: Deferred Amounts					
Deferred Amount on Refunding	(270,041)	(295,497)	(52,475)	(513,063)	-
Unamortized Bond Issue Costs	(392,213)	(277,285)	(128,969)	(540,529)	-
Total Mortgage Revenue Bonds	16,833,969	8,757,218	8,311,971	17,279,216	610,000
Estimated Liability for Landfill					
Closure and Postclosure Care	1,634,077	1,436,915	-	3,070,992	-
Compensated Absences	246,522	266,154	246,522	266,154	80,594
Total Business-Type Activities	$ 18,714,568	$ 10,460,287	$ 8,558,493	$ 20,616,362	$ 690,594

General Obligation Bonds

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

During 2007, the City issued $605,000 in general obligation bonds to finance the acquisition of a new fire truck. Prior to 2007, the City had two general obligation bond issues outstanding. All general obligation bonds have been issued for governmental activities. General obligation bonds currently outstanding are as follows:

Issue Year	Purpose	Interest Rate	Issue Amount	Amount Outstanding at Year End
2003	Municipal Building Refunding	2.0% to 5.8%	$ 3,020,000	$ 2,470,000
2003	Fire Department	2.0% to 5.8%	4,000,000	3,270,000
2007	Fire Truck Acquisition	4.25%	605,000	605,000
			$ 7,625,000	$ 6,345,000

NOTE 12 – LONG-TERM OBLIGATIONS (Continued)

General Obligation Bonds (Continued)

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

Year Ending December 31	Principal	Interest	Total
2008	$ 375,000	$ 263,654	$ 638,654
2009	385,000	252,754	637,754
2010	395,000	240,618	635,618
2011	410,000	227,179	637,179
2012	420,000	212,731	632,731
2013-2017	2,350,000	774,140	3,124,140
2018-2021	2,010,000	213,625	2,223,625
Total	$ 6,345,000	$ 2,184,701	$ 8,529,701

Mortgage Revenue Bonds

The City issues bonds where income generated by the operation benefiting from the bonds pays the annual debt service requirements. In 2007, the City issued $9,330,000 of Waterworks Mortgage Revenue Bonds to advance refund a portion of the 1998 Waterworks Mortgage Revenue Bonds as well as a current waterworks capital project. All revenue bonds are for business-type activities and outstanding revenue bonds at December 31, 2007 are as follows:

Issue Year	Purpose	Interest Rate	Issue Amount	Amount Oustanding at Year End
1996	Sewer System Improvements	3.3% to 5.3%	$ 3,645,000	$ 2,280,000
1998	Water Works Improvements	4.35% to 5.25%	9,695,000	1,635,000
2005	Water Works Improvements	3.9% to 6.0%	5,525,000	5,040,000
2007	Water Works Improvements	4.0% to 4.25%	9,330,000	9,330,000
			$ 28,195,000	$ 18,285,000

A portion of the 2007 Waterworks Mortgage Revenue Bonds were used to provide resources to purchase U.S. Government securities that were placed in an irrevocable trust for the purpose of generating resources for future debt service payments of $7,950,000 of the 1998 Waterworks Mortgage Revenue Bonds. As a result, the refunded bonds are considered to be defeased and the liability associated with these bonds has been removed from the financial statements. The reacquisition price exceeded the net carrying amount of the old debt by $295,497. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is the same as the life of the new debt issued. This advanced refunding was undertaken to reduce total debt service payments over the next 23 years by approximately $1.7 million and resulted in an economic gain of $1,107,525.

NOTE 12 – LONG-TERM OBLIGATIONS (Continued)

Mortgage Revenue Bonds (Continued)

The City has pledged future water and sewer revenue, net of specified operating expenses, to repay the above noted mortgage revenue bonds. These bonds are payable solely from net water and sewer revenues. Total principal and interest paid during 2007 for the Water mortgage revenue bonds was $1,000,021 compared with net revenue of $1,377,858. Total principal and interest paid during the year for the Sewer mortgage revenue bonds was $273,205 and net revenue was $1,456,189.

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

Year Ending December 31	Principal	Interest	Total
2008	610,000	774,087	1,384,087
2009	630,000	750,178	1,380,178
2010	655,000	724,641	1,379,641
2011	680,000	697,563	1,377,563
2012	735,000	668,335	1,403,335
2013-2017	4,165,000	2,817,705	6,982,705
2018-2022	4,000,000	1,899,871	5,899,871
2023-2027	4,645,000	1,008,382	5,653,382
2028-2029	2,165,000	98,438	2,263,438
Total	$ 18,285,000	$ 9,439,200	$ 27,724,200

Police and Fire Pension Liability

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

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

Year Ending December 31	Principal	Interest	Total
2008	2,053	4,392	6,445
2009	2,141	4,304	6,445
2010	2,233	4,212	6,445
2011	2,329	4,116	6,445
2012	2,429	4,016	6,445
2013-2017	13,802	18,421	32,223
2018-2022	17,032	15,192	32,224
2023-2027	21,045	11,179	32,224
2028-2032	25,937	6,287	32,224
2033-2035	14,872	949	15,821
Total	$ 103,873	$ 73,068	$ 176,941

NOTE 13 – SHORT-TERM OBLIGATIONS

A summary of the short-term note transactions for the year ended December 31, 2007 follows:

		Amount Outstanding 12/31/2006	Additions	Retirements	Amount Outstanding 12/31/2007
Governmental Activities:					
4.25% - 2006 Lowes Road Construction BAN		325,000	-	325,000	-
4.50% - 2006 David's Road Construction BAN		985,000	-	985,000	-
4.50% - 2007 Lowes/Davids Drive BAN		-	1,235,000	-	1,235,000
Total Governmental Activities	$	1,310,000	1,235,000	1,310,000	1,235,000

On July 27, 2007, the City issued a $1,235,000 4.50% Bond Anticipation Note (BAN) to pay for a portion of the $325,000 Lowes Road Construction BAN, which matured on July 26, 2007, and the $985,000 David's Road Construction BAN, which also matured on July 26, 2007. The 2007 BAN matures on July 25, 2008.

NOTE 14 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. In 1992 the City entered into a joint insurance pool, Miami Valley Risk Management Association, Inc. (MVRMA, Inc.) with other local cities. As of December 31, 2007, the pool has twenty members. The pool has been operational since December of 1988 and was formed in accordance with Section 2744 of the Ohio Revised Code. This jointly governed organization provides real and personal property, crime, surety, general liability, boiler and machinery, employment practices liability, police professional and public official liability coverage up to the limits stated below. Membership in MVRMA is intended to provide broad based coverage up to the limits stated below, with increased emphasis on safety and loss prevention and to create an opportunity for other local governments to participate. MVRMA is a non-profit corporation governed by a twenty-member board of trustees, consisting of a representative appointed by each of the member cities. The board of trustees elects the officers of the corporation, with each trustee having a single vote. Management is provided by an Executive Director, who is assisted by a Claims Manager, a full-time Loss Control Manager and professional office staff. The board is responsible for its own financial matters and the corporation maintains its own books of account. Budgeting and financing of MVRMA is subject to the approval of the board, and the organization is covered by policies, procedures, and formally adopted bylaws.

NOTE 14 – RISK MANAGEMENT (Continued)

The twenty participating cities and their respective pool contribution factors for the loss year ended December 31, 2007 are:

Entity	Percentage	Entity	Percentage
Beavercreek	10.23%	Montgomery	4.66%
Bellbrook	0.53%	Piqua	3.17%
Blue Ash	7.35%	Sidney	5.07%
Centerville	1.54%	Springdale	6.66%
Englewood	0.95%	Tipp City	1.94%
Indian Hill	2.35%	Troy	8.01%
Kettering	8.81%	Vandalia	6.67%
Madeira	2.60%	West Carollton	2.91%
Mason	5.86%	Wilmington	6.64%
Miamisburg	11.70%	Wyoming	2.32%
Subtotal	51.93%	Subtotal	48.07%
		Total	100.00%

The 2007 pool contribution from the City of Wilmington was $238,955 representing 6.64% of the total collected from all members for that year's operating costs and projected loss reserves.

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

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

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

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

NOTE 14 – RISK MANAGEMENT (Continued)

The member deductible per occurrence for most types of claims is $2,500. The pool’s self insured retention (SIR) for property claims is $2,501 - $200,000 per occurrence. The SIR for Boiler and Machinery is $5,000. The pool's SIR for liability claims is $1,000,000 per occurrence. Excess insurance coverage, provided by commercial companies and an excess insurance pool is $1,000,000 to the limits stated above. The City pays an annual premium to MVRMA which is intended to cover administrative expenses and any claims covered by the pool. The MVRMA Board of Trustees has the ability to require the member cities to make supplemental payments in the event reserves are not adequate to cover claims in a particular loss year. The City was not required to make any supplemental payments as of December 31, 2007.

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

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

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

NOTE 15 – CONTINGENT LIABILITIES

Litigation

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

NOTE 16 - LANDFILL CLOSURE AND POST-CLOSURE CARE COST

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

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

NOTE 16 - LANDFILL CLOSURE AND POST-CLOSURE CARE COST (Continued)

The City is required by state and federal laws and regulations to prove financial assurance to finance closure and post-closure care. The City is in compliance with these requirements as of April 1, 2005. The $3,070,992 reported as landfill closure and post-closure care liability at December 31, 2007, represents the cumulative amount reported to date based on the use of 97.37% of the estimated capacity of the landfill. The sum of current final closure, post-closure and/or corrective measures cost estimates is $3,154,006. The Ohio Environmental Protection Agency has established certain rules applicable to the City, requiring that the permittee of a Solid Waste Disposal Facility ensure adequate funds will be available when needed for final closure and/or post-closure care of the facility. The City has elected to provide a letter from the Chief Financial Officer, as specified in paragraph (F) of Rule 3745-27-15 or in paragraph (F) of Rule 3745-27-16 of the Ohio Administrative Code as the mechanism to demonstrate the City's Financial Assurance as specified in Chapter 3745-27 of the Ohio Administrative Code. The estimated remaining landfill life in years is .83 years.

NOTE 17 – CHANGES IN ACCOUNTING PRINCIPLES

For 2007 the City has implemented GASB Statement No. 48 “Sales and Pledges of Receivables and Future Revenues and Intra-Equity Transfers of Assets and Future Revenues”. GASB Statement No. 48 establishes the accounting and reporting standards for sales of revenue streams as well as the pledging of revenues. The implementation of this statement had no effect on the City’s financial statements for 2007 however the note disclosure for the mortgage revenue bonds has been modified to meet the requirements of this statement.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET (NON-GAAP) AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Taxes	$ 5,288,818	$ 5,106,078	$ 5,154,441	$ 48,363
Special Assessments	76,771	74,820	74,820	-
Licenses and Permits	39,070	38,057	38,077	20
Intergovernmental	1,136,756	1,107,874	1,107,874	-
Charges for Services	1,342,527	1,142,184	1,308,416	166,232
Investment Income	228,230	217,262	222,431	5,169
Fees, Fines and Forfeitures	729,321	710,541	710,791	250
Other	264,293	256,937	257,578	641
Total Revenues	9,105,786	8,653,753	8,874,428	220,675
Expenditures:				
Current:				
General Government	4,637,442	4,737,244	4,167,030	570,214
Security of Persons and Property	583,629	597,909	531,437	66,472
Capital Outlay	57,774	111,048	100,735	10,313
Total Expenditures	5,278,845	5,446,201	4,799,202	646,999
Excess of Revenues Over Disbursements	3,826,941	3,207,552	4,075,226	867,674
Other Financing (Uses):				
Transfers Out	(5,040,329)	(5,040,329)	(4,560,192)	480,137
Net Change in Fund Balance	(1,213,388)	(1,832,777)	(484,966)	1,347,811
Fund Balance, Beginning of Year	2,201,471	2,201,471	2,201,471	-
Prior Year Encumbrances Appropriated	125,320	125,320	125,320	-
Fund Balance, End of Year	$ 1,113,403	$ 494,014	$ 1,841,825	$ 1,347,811

See accompanying notes to the required supplementary information.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET (NON-GAAP) AND ACTUAL
POLICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Taxes	$ 329,914	$ 303,668	$ 303,668	$ -
Fees, Fines and Forfeitures	3,143	2,893	2,893	-
Other	14,792	13,615	13,615	-
Total Revenues	347,849	320,176	320,176	-
Expenditures:				
Current:				
Security of Persons and Property	2,363,606	2,209,022	2,201,661	7,361
Capital Outlay	65,000	64,171	64,171	-
Total Expenditures	2,428,606	2,273,193	2,265,832	7,361
Excess of Revenues Over/(Under) Disbursements	(2,080,757)	(1,953,017)	(1,945,656)	7,361
Other Financing (Uses):				
Transfers In	2,110,606	1,942,700	1,942,700	-
Net Change in Fund Balance	29,849	(10,317)	(2,956)	7,361
Fund Balance, Beginning of Year	2,809	2,809	2,809	-
Prior Year Encumbrances Appropriated	8,153	8,153	8,153	-
Fund Balance, End of Year	$ 40,811	$ 645	$ 8,006	$ 7,361

See accompanying notes to the required supplementary information.

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 2007.

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).

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

Changes in Fund Balances

		General Fund	Police Fund
GAAP Basis	$	(763,066)	(61,987)
Revenue Accruals		152,862	37,094
Expenditure Accruals		232,741	26,956
Encumbrances		(107,503)	(5,019)
Budget Basis	$	(484,966)	(2,956)

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

REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the City Council
City of Wilmington, Ohio:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wilmington, Ohio (the City), as of and for the year ended December 31, 2007, and have issued our report thereon dated July 30, 2008. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
July 30, 2008
(except for Note D, as to
which the date is March 9, 2009)

CITY OF WILMINGTON, OHIO

Schedule of Expenditures of Federal Awards (Restated)

Year Ended December 31, 2007

Federal Grantor/Program Title	Pass Through Entity Number	Federal CFDA Number		Expenditures
U.S. Department of Housing and Urban Development:				
(Passed through Ohio Department of Development)				
Community Development Block Grant	A-F-05-201-1	14.218	$	1,613
Community Development Block Grant	A-F-06-201-1	14.218		17,836
Community Development Block Grant	A-T-04-201-1	14.218		95,954
				115,403
Community Housing Improvement Program	A-C-03-201-1	14.228	$	350
Community Housing Improvement Program	A-C-03-201-2	14.228		33,515
Community Housing Improvement Program	A-C-05-201-1	14.228		121,659
Community Housing Improvement Program	A-C-05-201-2	14.228		143,785
				299,309
Small Cities Emergency Shelter Grant	AL-05-201-1	14.231		5,141
Small Cities Emergency Shelter Grant	AL-06-201-1	14.231		58,000
				63,141
Total U.S. Department of Housing and Urban Development				477,853
U.S. Department of Agriculture				
Community Facilities Loans and Grants	N/A	10.766		655,000
Total U.S. Department Agriculture				655,000
U.S. Department of Transportation				
(Passed through Ohio Department of Transportation)				
Urban Mass Transit Operating Grant	RPT-4014-023-042	20.509		50,053
Urban Mass Transit Capital Grant	RPT-4014-023-041	20.509		475,801
Elderly and Handicapped Grant	EHTA-0014-004-041	20.509		51,838
Total U.S. Department Transportation				577,692
Total Federal Awards			$	1,710,545

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

NOTE A - OUTSTANDING LOANS

The City has established a revolving loan program to provide low-interest loans to stimulate economic activity that will strengthen the economics, employment and tax base in the City. The U.S Department of Housing and Urban Development (HUD) grants money for these loans to the City passed through the Ohio Department of Development. The initial loan of this money is recorded as a disbursement on the Schedule of Expenditures of Federal Awards Expenditures. Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule. At December 31, 2007, the gross amount of loans outstanding under this program were $277,342.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C - MATCHING REQUIREMENTS

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

NOTE D - RESTATEMENT

The schedule of expenditures of federal awards has been restated to include the Community Facilities Loans and Grants program (CFDA 10.766) which had been previously omitted.

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

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

To the City Council
City of Wilmington, Ohio:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wilmington, Ohio ("City") as of and for the year ended December 31, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 30, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency labeled as 2007-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe that the significant deficiency described above is a material weakness.

Compliance and Other Matters

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

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

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
July 30, 2008

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

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

To the City Council
City of Wilmington, Ohio:

Compliance

We have audited the compliance of City of Wilmington, Ohio ("City") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2007. The City’s major federal programs are identified in the summary of auditors’ results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City’s management. Our responsibility is to express an opinion on the City’s compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2007.

Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in the City's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2007-2 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control. We do not consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness.

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

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
July 30, 2008
(except for Note D, as to
which the date is March 9, 2009)

CITY OF WILMINGTON, OHIO

Schedule of Findings and Questioned Costs (Restated)

Year Ended December 31, 2007

Section I - Summary of Auditors' Results

Financial Statements

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

Federal Awards

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

Identification of major programs:

CFDA 20.509 Urban Mass Transit Grant
CFDA 10.766 Community Facilities Loans and Grants

Dollar threshold to distinguish between Type A and Type B Programs:	$300,000
Auditee qualified as low-risk auditee?	yes

Section II - Financial Statement Findings

Finding 2007-1 – Audit Adjustment

During the course of our audit, we identified a material misstatement in the financial statements for the year under audit that was not initially identified by the City's internal control. Throughout the year, the City maintains its books and records on the cash-basis of accounting and converts its financial statements at year-end to generally accepted accounting principles. The audit adjustment was necessary to correct errors in the City's conversion process. The City inadvertently omitted obligations from accounts payable resulting in an understatement of liabilities by approximately $313,000. An audit was necessary to correct accounts payable in the financial statements.

Management response: *Management concurs with the finding.*

Section III – Federal Award Findings and Questioned Costs

Finding 2007-2 – Schedule of Expenditures of Federal Awards

In accordance with the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* management is responsible for identifying all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity. The City's schedule of expenditure of federal awards was not complete as a major program was omitted. The program was subsequently added to the schedule. We recommend the City review fiscal year activity to ensure that all federal programs have been accounted for accurately on the schedule.

Management response: *Management concurs with the finding.*

Section IV – Summary of Prior Audit Findings and Questioned Costs

None

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
MARCH 31, 2009

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