



**Auditor of State
Betty Montgomery**

**CITY OF WILMINGTON
CLINTON COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the City Council:

We have audited the accompanying general purpose financial statements of the City of Wilmington, Clinton County, Ohio (the City), as of and for the year ended December 31, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose 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 opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Wilmington as of December 31, 2002, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust fund 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 11, 2003 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying schedule of federal awards expenditures is presented for 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 general purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, it is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

A handwritten signature in black ink that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

July 11, 2003

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CITY OF WILMINGTON, OHIO
 Combined Balance Sheet
 All Fund Types and Account Groups
 December 31, 2002

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 2,831,440	\$ 4,186,510	\$ -	\$ 4,129
Cash and Cash Equivalents with Fiscal Agents	-	-	-	-
Receivables:				
Taxes	1,512,184	1,210,308	-	-
Accounts	66,028	12,915	-	-
Special Assessments	-	130,161	-	-
Loans Receivable	-	447,621	-	-
Accrued Interest	104	-	-	-
Due from Other Funds	7,730	13,697	-	-
Due from Other Governments	396,143	576,391	-	-
Restricted Assets:				
Cash and Cash Equivalents	-	-	-	-
Property, Plant & Equipment	-	-	-	-
Accumulated Depreciation	-	-	-	-
Other Debits:				
Amount to be Provided for Payment for Compensated Absences	-	-	-	-
Amount to be Provided for Retirement of General Long-Term Obligations	-	-	-	-
Amount to be Provided for Police and Fire Pension	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Other Debits	<u>\$ 4,813,629</u>	<u>\$ 6,577,603</u>	<u>\$ -</u>	<u>\$ 4,129</u>
Liabilities, Fund Equity and Other Credits:				
Liabilities:				
Accounts Payable	\$ 116,794	\$ 91,049	\$ -	\$ -
Accrued Wages and Benefits	135,309	186,835	-	-
Compensated Absences Payable	9,936	19,635	-	-
Due to Other Funds	13,697	-	-	-
Due to Other Governments	-	-	-	-
Undistributed Monies	-	-	-	-
Deferred Revenue	921,491	1,836,979	-	-
Accrued Interest Payable	-	-	-	-
Bond Anticipation Notes Payable	-	5,100,000	-	-
General Obligation Bonds Payable	-	-	-	-
Mortgage Revenue Bonds Payable	-	-	-	-
Unamortized Bond Issue Costs	-	-	-	-
Deferred Amount on Refunding	-	-	-	-
Estimated Liability for Landfill Closure & Postclosure Care	-	-	-	-
Police & Fire Pension Payable	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>1,197,227</u>	<u>7,234,498</u>	<u>-</u>	<u>-</u>
Fund Equity and Other Credits:				
Fund Equity:				
Investments in General Fixed Assets	-	-	-	-
Contributed Capital	-	-	-	-
Retained Earnings:				
Reserved for:				
Debt Service	-	-	-	-
Replacement & Improvement	-	-	-	-
EDA Grant-Caesar Creek Project	-	-	-	-
Unreserved	-	-	-	-
Fund Balance:				
Reserved for:				
Encumbrances	258,904	938,373	-	-
Revolving Loan	-	447,621	-	-
Nonexpendable Trust Funds	-	-	-	-
Unreserved	<u>3,357,498</u>	<u>(2,042,889)</u>	<u>-</u>	<u>4,129</u>
Total Fund Equity and Other Credits	<u>3,616,402</u>	<u>(656,895)</u>	<u>-</u>	<u>4,129</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$ 4,813,629</u>	<u>\$ 6,577,603</u>	<u>\$ -</u>	<u>\$ 4,129</u>

See accompanying notes to the general purpose financial statements.

Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Debt	
Enterprise	Trust & Agency			
\$ 4,223,423	\$ 40,011	\$ -	\$ -	\$ 11,285,513
-	59,880	-	-	59,880
-	-	-	-	2,722,492
252,025	-	-	-	330,968
4,926	-	-	-	135,087
-	-	-	-	447,621
-	-	-	-	104
-	-	-	-	21,427
-	-	-	-	972,534
1,277,470	-	-	-	1,277,470
50,582,642	-	11,030,106	-	61,612,748
(15,069,507)	-	-	-	(15,069,507)
-	-	-	363,085	363,085
-	-	-	3,088,094	3,088,094
-	-	-	112,937	112,937
<u>\$ 41,270,979</u>	<u>\$ 99,891</u>	<u>\$ 11,030,106</u>	<u>\$ 3,564,116</u>	<u>\$ 67,360,453</u>
\$ 6,911	\$ -	\$ -	\$ -	\$ 214,754
132,022	-	-	113,094	567,260
139,563	-	-	363,085	532,219
-	7,730	-	-	21,427
-	1,658	-	-	1,658
-	50,492	-	-	50,492
-	-	-	-	2,758,470
94,706	-	-	-	94,706
350,000	-	-	-	5,450,000
180,000	-	-	2,975,000	3,155,000
18,820,000	-	-	-	18,820,000
(482,775)	-	-	-	(482,775)
(202,078)	-	-	-	(202,078)
1,167,709	-	-	-	1,167,709
-	-	-	112,937	112,937
<u>20,206,058</u>	<u>59,880</u>	<u>-</u>	<u>3,564,116</u>	<u>32,261,779</u>
-	-	11,030,106	-	11,030,106
8,298,724	-	-	-	8,298,724
570,158	-	-	-	570,158
500,726	-	-	-	500,726
246,022	-	-	-	246,022
11,449,291	-	-	-	11,449,291
-	-	-	-	1,197,277
-	-	-	-	447,621
-	35,000	-	-	35,000
-	5,011	-	-	1,323,749
<u>21,064,921</u>	<u>40,011</u>	<u>11,030,106</u>	<u>-</u>	<u>35,098,674</u>
<u>\$ 41,270,979</u>	<u>\$ 99,891</u>	<u>\$ 11,030,106</u>	<u>\$ 3,564,116</u>	<u>\$ 67,360,453</u>

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CITY OF WILMINGTON, OHIO
 Combined Statement of Revenues, Expenditures, and Changes in Fund
 Balances - All Governmental Fund Types
 For the Year Ended December 31, 2002

	GOVERNMENTAL FUND TYPES				TOTALS
	General	Special Revenue	Debt Service	Capital Projects	(Memorandum Only)
REVENUES:					
Taxes	\$ 4,338,520	\$ 1,604,951	\$ -	\$ -	\$ 5,943,471
Special Revenues	64,305	-	-	-	64,305
Licenses and Permits	62,600	-	-	-	62,600
Intergovernmental	995,839	2,849,818	-	-	3,845,657
Charges for Services	322,197	187,912	-	-	510,109
Investment Income	194,018	73,940	-	-	267,958
Fees, Fines and Forfeitures	548,585	180,961	-	-	729,546
Other Revenue	856,330	125,255	-	215	981,800
Total Revenues	7,382,394	5,022,837	-	215	12,405,446
EXPENDITURES:					
Current:					
Security of Persons & Property	481,529	3,531,913	-	-	4,013,442
Public Health & Welfare Services	-	183,875	-	-	183,875
Leisure Time Activities	-	524,301	-	-	524,301
Transportation	-	2,284,793	-	-	2,284,793
General Government	3,361,609	49,424	-	-	3,411,033
Capital Outlay	165,745	3,584,730	-	-	3,750,475
Debt Service:					
Principal Retirement	-	1,595	120,000	-	121,595
Interest and Fiscal Charges	-	199,595	184,803	-	384,398
Total Expenditures	4,008,883	10,360,226	304,803	-	14,673,912
Excess (Deficit) of Revenues Over/ (Under) Expenditures	3,373,511	(5,337,389)	(304,803)	215	(2,268,466)
OTHER FINANCING SOURCES (USES):					
Operating Transfers-In	4,031	3,093,162	304,803	-	3,401,996
Operating Transfers-Out	(3,397,964)	(4,032)	-	-	(3,401,996)
Total Other Financing Sources (Uses)	(3,393,933)	3,089,130	304,803	-	-
Excess (Deficit) Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	(20,422)	(2,248,259)	-	215	(2,268,466)
Fund Balance, Beginning of Year	3,636,824	1,591,364	-	3,914	5,232,102
Fund Balance, End of Year	<u>\$ 3,616,402</u>	<u>\$ (656,895)</u>	<u>\$ -</u>	<u>\$ 4,129</u>	<u>\$ 2,963,636</u>

See accompanying notes to the general purpose financial statements.

CITY OF WILMINGTON, OHIO

Combined Statement of Revenues, Expenditures and Changes in Fund Balances
 - Budget and Actual (Budget Basis) - All Governmental Fund Types
 For the Year Ended December 31, 2002

	GENERAL FUND			SPECIAL REVENUE FUNDS		
	Revised Budget	Actual	Variance Favorable/ (Unfavorable)	Revised Budget	Actual	Variance Favorable/ (Unfavorable)
REVENUES:						
Taxes	\$ 4,255,369	4,255,369	-	1,605,947	1,605,947	-
Special Assessments	64,305	64,305	-	-	-	-
Licenses and Permits	62,600	62,600	-	-	-	-
Intergovernmental	866,958	866,958	-	3,126,876	3,127,877	1,001
Charges for Services	322,197	322,197	-	184,626	188,960	4,334
Investment Income	147,564	147,564	-	44,483	53,659	9,176
Fees, Fines and Forfeitures	617,235	617,235	-	175,942	175,942	-
Other Revenue	847,959	861,734	13,775	182,075	184,440	2,365
Total Revenues	7,184,187	7,197,962	13,775	5,319,949	5,336,825	16,876
EXPENDITURES:						
Current:						
General Government	3,976,058	3,597,736	378,322	75,932	71,901	4,031
Security of Persons & Property	529,992	495,405	34,587	4,256,023	4,126,869	129,154
Public Health & Welfare Services	-	-	-	288,286	237,136	51,150
Leisure Time Activities	-	-	-	575,961	560,835	15,126
Transportation	-	-	-	2,559,651	2,321,301	238,350
Capital Outlay	215,994	181,294	34,700	4,840,523	3,828,897	1,011,626
Debt Service:						
Principal Retirement	-	-	-	-	7,715,000	(7,715,000)
Total Expenditures	4,722,044	4,274,435	447,609	12,596,376	18,861,939	(6,265,563)
Excess (Deficit) Revenues Over/ (Under) Expenditures	2,462,143	2,923,527	461,384	(7,276,427)	(13,525,114)	(6,248,687)
OTHER FINANCING SOURCES (USES):						
Proceeds of Notes	-	-	-	1,385,000	9,100,000	7,715,000
Operating Transfers-In	-	4,031	4,031	2,898,416	2,898,416	-
Operating Transfers-Out	(3,258,414)	(3,397,964)	(139,550)	-	(4,301)	(4,301)
Total Other Financing Sources (Uses)	(3,258,414)	(3,393,933)	(135,519)	4,283,416	11,994,115	7,710,699
Excess (Deficit) Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	(796,271)	(470,406)	325,865	(2,993,011)	(1,530,999)	1,462,012
Fund Balance, Beginning of Year	2,925,275	2,925,275	-	4,681,814	4,681,814	-
Prior Year Encumbrances Appropriated	117,667	117,667	-	97,334	97,334	-
Fund Balances, End of Year	\$ 2,246,671	2,572,536	325,865	1,786,137	3,248,149	1,462,012

See accompanying notes to the general purpose financial statements.

DEBT SERVICE FUNDS			CAPITAL PROJECTS FUNDS		
Revised Budget	Actual	Variance Favorable/ (Unfavorable)	Revised Budget	Actual	Variance Favorable/ (Unfavorable)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
4,000,000	4,000,000	-	215	215	-
<u>4,000,000</u>	<u>4,000,000</u>	<u>-</u>	<u>215</u>	<u>215</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	3,900	-	3,900
-	-	-	-	-	-
-	-	-	-	-	-
5,013,559	5,013,559	-	-	-	-
<u>5,013,559</u>	<u>5,013,559</u>	<u>-</u>	<u>3,900</u>	<u>-</u>	<u>3,900</u>
(1,013,559)	(1,013,559)	-	(3,685)	215	3,900
-	-	-	-	-	-
1,062,721	1,062,721	-	-	-	-
(49,162)	(49,162)	-	-	-	-
<u>1,013,559</u>	<u>1,013,559</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	(3,685)	215	3,900
-	-	-	3,914	3,914	-
-	-	-	-	-	-
-	-	-	229	4,129	3,900

CITY OF WILMINGTON, OHIO
 Combined Statement of Revenues, Expenses, and Changes in Retained
 Earnings/Fund Balance - Proprietary Fund Type and Non-Expendable Trust Fund
 For the Year Ended December 31, 2002

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Non-Expendable Trust	(Memorandum Only)
Operating Revenues:			
Charges for Services	\$ 5,813,732	\$ -	\$ 5,813,732
Investment Income	-	741	741
Other Revenue	<u>55,256</u>	<u>-</u>	<u>55,256</u>
 Total Operating Revenue	 <u>5,868,988</u>	 <u>741</u>	 <u>5,869,729</u>
Operating Expenses:			
Personal Services	2,345,858	-	2,345,858
Contractual Services	1,646,540	-	1,646,540
Materials & Services	256,508	-	256,508
Depreciation	996,554	-	996,554
Closure and Postclosure Care	72,342	-	72,342
Other Operating Expenses	<u>17,794</u>	<u>-</u>	<u>17,794</u>
 Total Operating Expenses	 <u>5,335,596</u>	 <u>-</u>	 <u>5,335,596</u>
 Operating Income	 <u>533,392</u>	 <u>741</u>	 <u>534,133</u>
Non-Operating Revenues (Expenses):			
Interest income	89,876	-	89,876
Loss on Disposal of Fixed Assets	(10,141)	-	(10,141)
Interest and Fiscal Charges	<u>(1,098,664)</u>	<u>-</u>	<u>(1,098,664)</u>
 Total Non-Operating Revenues (Expenses)	 <u>(1,018,929)</u>	 <u>-</u>	 <u>(1,018,929)</u>
 Net (Loss) Income	 (485,537)	 741	 (484,796)
 Depreciation on Contributed Capital Assets	 253,540	 -	 253,540
 Retained Earnings/Fund Balance, Beginning of Year	 <u>12,998,194</u>	 <u>39,270</u>	 <u>13,037,464</u>
 Retained Earnings/Fund Balance, End of Year	 <u>\$ 12,766,197</u>	 <u>\$ 40,011</u>	 <u>\$ 12,806,208</u>

See accompanying notes to the general purpose financial statements.

CITY OF WILMINGTON
 Combined Statement of Cash Flows -
 Proprietary Fund Type and Non-Expendable Trust Fund
 For the Year Ended December 31, 2002

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Non-Expendable Trust	(Memorandum Only)
Cash Flows from Operating Activities:			
Operating Income	\$ 533,392	\$ 741	\$ 534,133
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	996,554	-	996,554
Landfill Closure and Postclosure Cost	72,342	-	72,342
Changes in Assets & Liabilities:			
(Increase)Decrease in Accounts Receivable	(27,331)	-	(27,331)
(Increase)Decrease in Special Assessment Receivable	(1,504)	-	(1,504)
Increase(Decrease) in Accounts Payable	(15,674)	-	(15,674)
Increase(Decrease) in Accrued Wages & Benefits	11,772	-	11,772
Increase(Decrease) in Compensated Absences Payable	(29,799)	-	(29,799)
Increase(Decrease) in Accrued Interest	(5,659)	-	(5,659)
Net Cash Provided by Operating Activities	<u>1,534,093</u>	<u>741</u>	<u>1,534,834</u>
Cash Flows from Investing Activities:			
Interest	<u>89,876</u>	<u>-</u>	<u>89,876</u>
Cash Flows from Capital and Related Financing Activities:			
Capital Expenditures	(596,723)	-	(596,723)
Proceeds From Bond Anticipation Note	350,000	-	350,000
Bond Anticipation Note Payment	(500,000)	-	(500,000)
General Obligation Bond Principal Payment	(30,000)	-	(30,000)
Mortgage Revenue Bond Principal Payment	(295,000)	-	(295,000)
Interest & Fiscal Charges	<u>(1,036,418)</u>	<u>-</u>	<u>(1,036,418)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(2,108,141)</u>	<u>-</u>	<u>(2,108,141)</u>
(Decrease) Increase in Cash and Cash Equivalents	(484,172)	741	(483,431)
Cash and Cash Equivalents, Beginning of Year	<u>5,985,065</u>	<u>39,270</u>	<u>6,024,335</u>
Cash and Cash Equivalents, End of Year	<u>\$ 5,500,893</u>	<u>\$ 40,011</u>	<u>\$ 5,540,904</u>
Reconciliation of Equity in Pooled Cash and Cash Equivalents per Combined Balance Sheet to Cash and Cash Equivalents, End of Year, per Statement of Cash Flows:			
Equity in Pooled Cash and Cash Equivalents, per Balance Sheet	\$ 4,223,423	\$ 40,011	\$ 4,263,434
Plus: Restricted Cash and Cash Equivalents	<u>1,277,470</u>	<u>-</u>	<u>1,277,470</u>
Cash and Cash Equivalents, End of Year, per Statement of Cash Flows	<u>\$ 5,500,893</u>	<u>\$ 40,011</u>	<u>\$ 5,540,904</u>

See accompanying notes to the general purpose financial statements.

CITY OF WILMINGTON, OHIO
Notes To The General Purpose Financial Statements
For The Year Ended December 31, 2002

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, parks and recreation, planning zoning, street maintenance and repair, community development, public health and welfare, water, sewer, electric and refuse collection. The City Council has direct responsibility for these activities.

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

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

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

The Miami Valley Risk Management Association, Inc. (MVRMA, Inc.), also a jointly governed organization, was established as a joint self-insurance pool for the purpose of enabling subscribing political subdivisions to obtain liability insurance and provide for a formalized, jointly administered self-insurance fund for its members. The members formed a not-for-profit corporation known as MVRMA, Inc. for the purpose of administering the Pool. The subscribing members of the self-insurance pool include the Cities of Beavercreek, Blue Ash, Indian Hill, Kettering, Maderia, Mason, Miamisburg, Montgomery, Sidney, Springdale, Tipp City, Troy, Vandalia, West Carrollton, Wilmington and Wyoming. The City has no explicit and measurable equity interest in MVRMA and no ongoing financial responsibility for MVRMA and, accordingly, is not included in the financial reporting entity. See Note 16.

CITY OF WILMINGTON, OHIO
Notes To The General Purpose Financial Statements
For The Year Ended December 31, 2002

Basis of Presentation – Fund Accounting

The City uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain City functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

For financial statement presentation purposes, the various funds of the City are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

Governmental Fund Types

Governmental funds are those through which most governmental functions typically are financed. The acquisition, use and balances of the City's expendable financial resources and the related current liabilities (except for those accounted for in proprietary funds) are accounted for through governmental funds. The following are the City's governmental fund types:

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 laws of Ohio.

Special Revenue Funds – These funds are established to account for the proceeds of specific revenue sources (other than amounts relating to major capital projects) that are legally restricted to expenditure for specific purposes.

Debt Service Fund – This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs; and for the payment of interest on general obligation notes payable, as required by Ohio law.

Capital Projects Funds – These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary and trust funds).

Proprietary Fund Type

The proprietary funds are used to account for the City's ongoing activities that are similar to those found in the private sector. The following is the City's proprietary fund type:

Enterprise Funds – These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs (expenses, including depreciation) of providing services to the general public on a continuing basis be recovered or

CITY OF WILMINGTON, OHIO
Notes To The General Purpose Financial Statements
For The Year Ended December 31, 2002

financed primarily through user charges or where it has been decided that a periodic determination of revenues earned, expense incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments and other funds. The City's fiduciary funds include a non-expendable trust fund and agency funds. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

Account Groups

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Asset Account Group – This account group is used to account for all general fixed assets of the City other than those accounted for in proprietary funds.

General Long-Term Obligations Account Group – This account group is used to account for all unmatured general long-term indebtedness of the City that is not a specific liability of the proprietary funds.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to generally accepted accounting principals (GAAP) for local governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board and other recognized authoritative sources.

Measurement Focus and Basis of Accounting

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financing uses) in net current assets.

All proprietary funds and the non-expendable trust fund are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Proprietary fund type and the non-expendable trust fund's operating statements present increases (e.g. revenues) and decreases (e.g. expenses) in net total assets. Proprietary fund's fund equity (i.e. net total assets) is segregated in contributed capital and retained earnings components.

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Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

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

Non-exchange transactions, in which the City receives value without directly giving equal value in return, includes 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, hotel/motel taxes, state-levied locally shared taxes (including local government assistance, gasoline tax and vehicle license tax), intergovernmental grants, fines and forfeitures, and investment earnings.

The City reports deferred revenues in its combined balance sheet. Deferred revenues arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period. In a subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Current and delinquent property taxes and income tax, state-levied shared taxes (including local government assistance, gasoline tax, homestead/rollback and vehicle license tax), intergovernmental grants measurable as of December 31, 2002, whose availability is indeterminate and which are not intended to finance current period obligations, have been recorded as a receivable and deferred revenue.

Under the modified accrual basis, expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt, which is recognized when due, and certain compensated absences which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Allocations of cost, such as depreciation and amortization, are not recognized under the modified accrual basis.

The accrual basis of accounting is utilized for reporting purposes by the proprietary funds. Revenues are recognized when they are earned and become measurable and expenses are recognized when incurred, if measurable. Unbilled service charges receivables are recognized as revenue at year-end.

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Under the guidelines of GASB Statement No. 20, the City applies Financial Accounting Standards Board Statements and interpretations issued on or before November 30, 1989 to its proprietary activities provided they do not conflict or contradict GASB pronouncements.

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.

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 2002.

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.

CITY OF WILMINGTON, OHIO
Notes To The General Purpose Financial Statements
For The Year Ended December 31, 2002

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.

Cash and Investments

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 2002, investments were limited to U.S. treasury notes, money market mutual funds, repurchase agreements and non-negotiable certificates of deposit. Except for nonparticipating investments, investments are reported at fair market value, which is based on quoted market prices. Nonparticipating investments such as repurchase agreements and certificates of deposit are reported at cost. See Note 5, Equity in Pooled Cash and Investments. For purposes of the combined statement of cash flows, the proprietary fund types' and non-expendable trust fund'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.

Restricted Assets

Restricted assets in the enterprise funds represent cash and cash equivalents and investments set aside to satisfy bond indentured requirements and for the payment of contractors. Reserved retained earnings reflect the restricted assets funded from enterprise operations.

Fixed Assets and Depreciation

The accounting and reporting treatment applied to fixed assets is determined by its ultimate use. General Fixed Assets are long-lived assets of the City as a whole. When purchased, such assets are recorded as expenditures in the governmental funds type and capitalized (recorded and accounted for) in the General Fixed Asset Account Group.

Infrastructure fixed assets such as streets, storm sewers and drains, and traffic signals and signs are not capitalized by the City and are not reported as part of the General Fixed Asset Group.

The fixed asset values were initially determined at December 31, 1987 by identifying historical costs when such information was available. In cases where information supporting original costs was not practicably determinable, estimated historical costs were developed. For certain fixed assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition. Donated fixed assets are capitalized at estimated fair value on the date donated. During the initial development of the fixed asset records, it was not practical to determine the source of the fixed asset financing.

Fixed assets utilized in the proprietary funds are capitalized in the respective Enterprise Funds. The valuation bases for the proprietary fund fixed assets are the same as those used for the general fixed assets. Donated fixed assets are capitalized at estimated fair value on the date donated.

CITY OF WILMINGTON, OHIO
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For The Year Ended December 31, 2002

The City has elected not to record depreciation in the General Fixed Asset Account Group.

Depreciation for the Proprietary Fund is determined by allocating the cost of fixed assets over the estimated useful lives of the assets on a straight-line basis. The estimated useful lives are as follows:

Machinery and Equipment	6 – 30 years
Buildings and Improvements	45 years
Improvements other than Buildings	20 years
Sewer Lines	30 years
Water Lines	30 years

Long-Term Obligations

Long-term liabilities are being repaid from the following funds:

<u>Obligation</u>	<u>Fund</u>
Mortgage Revenue Bonds	Sewer and Water
General Obligation Bonds	Water and General
Police Pension Liability	Police Pension
Firemen's Pension Liability	Fire Pension

Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds. The most significant of these transactions are operating transfers.

Compensated Absences

The City records a liability for vacation time and sick leave when the obligation is attributable to services previously rendered, the obligation is probable and the amount of the obligations can be reasonably determined. For Governmental Funds, the current portion of unpaid leave is reported as an expenditure in the fund from which the individuals earning the leave are paid, with a corresponding liability reflected in the account "accrued benefits payable". In the proprietary funds, compensated absences are expensed when earned. The entire amount of unpaid compensated absences is reported as a fund liability.

Contributed Capital

Contributed capital represents resources from other funds, federal and state grants, other governments, and private sources provided to the City's proprietary funds prior to January 1, 2001 that are not subject to repayment.

Because the City, prior to 1988, had not prepared its financial statements in accordance with generally accepted accounting principals, the exact amount of contributed capital pertaining to years prior to 1988 cannot be determined. Only those amounts that could be specifically identified have been classified as contributed capital in the accompanying general purpose financial statements.

CITY OF WILMINGTON, OHIO
Notes To The General Purpose Financial Statements
For The Year Ended December 31, 2002

Total Columns on General Purpose Financial Statements

Total columns on the General Purpose Financial Statements overview are captioned “Memorandum Only” to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3 – BUDGET TO GAAP RECONCILIATION

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

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

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

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the governmental funds.

CITY OF WILMINGTON, OHIO
Notes To The General Purpose Financial Statements
For The Year Ended December 31, 2002

Excess of Revenues and Other Financing Sources Over/(Under)
Expenditures and Other Financing Uses –
Governmental Fund Types

	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds
GAAP Basis	\$ (20,422)	\$ (2,248,259)	\$ -	\$ 215
Revenue Accruals	(184,432)	313,988	4,000,000	-
Expenditure Accruals	(265,552)	(8,501,713)	(4,708,756)	-
Other Financing Sources (Uses)	-	<u>8,904,985</u>	<u>708,756</u>	-
Budget Basis	<u>\$ (470,406)</u>	<u>\$ (1,530,999)</u>	<u>\$ -</u>	<u>\$ 215</u>

NOTE 4 – ACCOUNTABILITY

The Lowe’s Drive BAN Fund and the Fire Department BAN Fund within the Special Revenue Fund Type had deficit fund balances of \$401,730 and \$3,117,462 due to short term notes being recorded in the funds.

NOTE 5 – DEPOSITS AND INVESTMENTS

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

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

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

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

CITY OF WILMINGTON, OHIO
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For The Year Ended December 31, 2002

Deposits

At year-end, the carrying amount of the City's deposits was \$12,074,192 and the bank balance was \$12,535,329. Of the bank balance, \$300,000 was covered by FDIC and the remaining amount was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the City to a successful claim by the Federal Deposit Insurance Corporation.

Investments

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

	Category 2	Carrying Value	Fair Value
US Treasury/Equivalents	\$ -	\$ 548,671	\$ 548,671

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

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

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$ 12,622,863	\$ -
Investments:		
US Treasury/Equivalents	(548,671)	548,671
GASB Statement No. 3	\$ 12,074,192	\$ 548,671

Cash on Hand

The City's petty cash funds totaled \$1,200 on December 31, 2002.

NOTES 6 – TAXES

Property Taxes

Property Taxes include amounts levied against all real and public utility property, and tangible personal property, which is used in business, located in the City. Real property taxes are collected in the year subsequent to the year in which they are levied. Tangible personal property taxes are levied and attached

CITY OF WILMINGTON, OHIO
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For The Year Ended December 31, 2002

as a lien on January 1 of the current year. Real property taxes are payable annually or semi-annually. The first payment is due December 31, with the remainder payable by June 20. Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid 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 Clinton County including the City of Wilmington. The County Auditor periodically remits to the City its portion of taxes collected.

Assessed values are established by the state statues at 35 percent of appraised market value for real property and 25 percent for tangible personal property. A reappraisal of all property is required to be completed no less than every six years, with triennial updates. The last reappraisal took place in 1999. The assessed value upon which the 2001 levy was based was \$233,901,345. This amount constitutes \$163,626,230 in real property assessed value, \$6,534,230 in public utility assessed value, and \$63,740,885 in tangible personal property assessed value. The tax rate applicable to 2002 was \$7.35 per \$1000 of assessed valuation.

Income Taxes

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

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

NOTE 7 - FIXED ASSETS

Fixed assets in the General Fixed Asset Account Group have been restated at January 1, 2002 due to amounts that were recorded twice. The adjustments are as follows:

<u>Class</u>	<u>Balance December 31, 2001</u>	<u>Restatement</u>	<u>Balance January 1, 2002</u>
Land and buildings	\$ 5,577,108	\$ (612,538)	\$ 4,964,570
Improvements other than buildings	331,351	(278,397)	52,954
Machinery and equipment	3,418,085	(1,149,700)	2,268,385
Office furniture and fixtures	223,461	(42,589)	180,872
Vehicles	1,640,234	(1,343,350)	296,884
Totals	<u>\$ 11,190,239</u>	<u>\$(3,426,574)</u>	<u>\$ 7,763,665</u>

CITY OF WILMINGTON, OHIO
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For The Year Ended December 31, 2002

Changes in general fixed assets during the year ended December 31, 2002 were as follows:

<u>Class</u>	<u>Balance January 1, 2002</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2002</u>
Land and buildings	\$ 4,964,570	\$ 2,499,255	\$ -	\$ 7,463,825
Improvements other than buildings	52,954	-	-	52,954
Machinery and equipment	2,268,385	352,804	(1,586,378)	1,034,811
Office furniture and fixtures	180,872	6,412	-	187,284
Vehicles	296,884	1,994,348	-	2,291,232
Totals	<u>\$ 7,763,665</u>	<u>\$4,852,819</u>	<u>\$ (1,586,378)</u>	<u>\$ 11,030,106</u>

Changes in fixed assets recorded in the enterprise funds were as follows:

<u>Class</u>	<u>Balance January 1, 2002</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2002</u>
Land and buildings	\$ 22,579,806	\$ 341,843	\$ (9,236)	\$ 22,912,413
Improvements other than buildings	19,397,995	3,730,878	-	23,128,873
Machinery and equipment	3,346,651	196,621	(50,014)	3,493,258
Office furniture and fixtures	45,193	-	-	45,193
Vehicles	944,646	58,259	-	1,002,905
Construction in Progress	3,730,878	-	(3,730,878)	-
Totals	<u>\$ 50,045,169</u>	<u>\$4,327,601</u>	<u>\$ (3,790,128)</u>	<u>\$ 50,582,642</u>

NOTE 8 – DEFINED BENEFIT PENSION PLANS

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

Public Employees Retirement System

The City of Wilmington participates in the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability

CITY OF WILMINGTON, OHIO
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For The Year Ended December 31, 2002

benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. PERS issues a publicly available stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 466-2085 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rates are 8.5% for employees other than law enforcement. The 2002 employer contribution rate for local government employers was 13.55% of covered payroll. The City's contributions, representing 100% of employer contribution's for the periods ending December 31 2002, 2001, and 2000 were \$622,639, \$598,771, and \$435,037, respectively.

Police and Firemen's Disability and Pension Fund

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

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, 2002, 2001, and 2000 were \$365,098, \$359,103, and \$333,876, respectively, equal to the required contribution for each year.

NOTE 9 – POSTEMPLOYMENT BENEFITS

Public Employees Retirement System

The Public Employees Retirement System (PERS) of Ohio provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The PERS law enforcement program is separated into two divisions, law enforcement and public safety, with separate employee contribution rates and benefits. The 2002 employer contribution rate for local government employer units the rate was 13.55% of covered payroll; 5.00% was the portion used to fund health care for the year.

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to PERS.

Actuarial Review: The following assumptions and calculations were based on the System's latest Actuarial Review as of December 31, 2001.

CITY OF WILMINGTON, OHIO
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For The Year Ended December 31, 2002

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

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

Investment Return: The investment assumption rate for 2001 was 8.00%.

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

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

OPEBs are advance-funded on an actuarially determined basis. The number of active contributing participants was 402,041. The portion of City's contributions that were used to fund postemployment benefits was \$229,754. \$11.6 billion represents the actuarial value of the Retirement System's net assets available for OPEB at December 31, 2001. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$16.4 billion and \$4.8 billion, respectively.

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

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

Police and Firemen's Disability and Pension Fund

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

CITY OF WILMINGTON, OHIO
Notes To The General Purpose Financial Statements
For The Year Ended December 31, 2002

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

Health care funding and accounting is on a pay-as-you go basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expenses. The Board defined allocation was 7.50% and 7.75% of covered payroll in 2001 and 2002, respectively. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The number of participants eligible to receive health care benefits as of December 31, 2001, the date of the last actuarial valuation available, are 13,174 for Police and 10,239 for Firefighters. The City's annual contribution for 2002 that were used to fund postemployment benefits was \$72,981 for Police and \$58,549 for Firefighters. OP&F's total health care expenses for the year ending December 31, 2001, the date of the last actuarial valuation available, was \$122,298,771, which was net of members contributions of \$6,874,699.

NOTE 10 - OTHER EMPLOYEE BENEFITS

Compensated Absences

Each full-time employee is entitled, for each completed 80 hours of service, to four and six-tenths hours of sick leave. Fire personnel earn 6.4 hours of sick leave bi-weekly. Part-time employees accrue sick leave on a proportional basis to the hours paid each pay period. Sick leave accruals may be increased by no more than 15 days a year to a maximum of 1200 hours in "Sick Leave Bank II".

Upon qualifying for eligibility to receive retirement benefits, each full-time City employee shall be entitled to receive payment for sick leave accumulated in the amount to three-fourths the number of hours of such accumulated sick leave in "Sick Leave Bank I" and one-fourth the number of hours of such person's daily pay on the date of retirement. At December 31, 2002, the estimated total absences payable of the City was \$532,219.

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

CITY OF WILMINGTON, OHIO
Notes To The General Purpose Financial Statements
For The Year Ended December 31, 2002

NOTE 11 – LONG-TERM OBLIGATIONS

Long-term obligations at December 31, 2002 were as follows:

	Balance December 31, 2001	Increase	Decrease	Balance December 31, 2002
<u>ENTERPRISE FUNDS</u>				
<u>General Obligation Bonds:</u>				
1983 – 9.5% Waterworks	\$ 210,000	\$ -	\$ 30,000	\$ 180,000
<u>Mortgage Revenue Bonds:</u>				
1996 – 3.3 to 5.3% Sewer	3,095,000	-	120,000	2,975,000
1998 – 4.35 to 5.25% Waterworks	9,995,000	-	-	9,995,000
1996 – 3.9 to 6.0% Waterworks	6,025,000	-	175,000	5,850,000
Total Enterprise Funds	19,325,000	-	325,000	19,000,000
<u>OTHER GENERAL OBLIGATION DEBT:</u>				
1992 – 5.10 to 6.05% Municipal Bldg.	3,095,000	-	120,000	2,975,000
Compensated Absences	447,209	-	84,124	363,085
Accrued Wage and Benefit	101,351	113,094	101,351	113,094
Police and Fire Pension	114,532	-	1,595	112,937
Total General Obligation Debt	3,758,092	113,094	307,070	3,564,116
TOTALS	\$ 23,083,092	\$ 113,094	\$ 632,070	\$ 22,564,116

Outstanding general obligation bonds consist of waterworks improvement issues. 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. It is the City's intent, however, to continue to use revenue from the Enterprise Fund to pay its debt.

Mortgage revenue bonds are for waterworks improvement and sewer bond refunding. Property and revenue of the City's utility system have been pledged to repay these debts.

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

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2002, including interest payments of \$17,470,159 are as follows:

CITY OF WILMINGTON, OHIO
Notes To The General Purpose Financial Statements
For The Year Ended December 31, 2002

	General Obligation Bonds	Mortgage Revenue Bonds	Police and Fire Pension
2003	\$ 354,688	\$ 1,300,165	\$ 6,445
2004	349,800	1,398,364	6,445
2005	349,503	1,398,168	6,445
2006	343,065	1,396,626	6,445
2007	341,328	1,393,650	6,445
2008-2012	1,565,408	6,962,628	32,225
2013-2017	1,539,117	6,958,983	32,225
2018-2022	-	5,867,691	32,225
2023-2029	-	7,829,749	80,263
Totals	<u>\$ 4,842,909</u>	<u>\$ 34,506,024</u>	<u>\$ 209,163</u>

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

In prior years, the City has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the City's long-term debt obligations. As of December 31, 2002, the amount of defeased debt outstanding amounted to \$310,000.

NOTE 12 – SHORT-TERM OBLIGATIONS

A summary of the short-term note transactions for the year ended December 31, 2002 follows:

Issue	Balance December 31, 2001	Increase	Decrease	Balance December 31, 2002
2001 – 3.64% Fire Department BAN	\$ 3,715,000	\$ -	\$ 3,715,000	\$ -
2002 – 2.03% Fire Department BAN	-	3,715,000	3,715,000	-
2002 – 2.14% Fire Apparatus BAN	-	285,000	285,000	-
2002 – 1.85% Fire Department BAN	-	4,000,000	-	4,000,000
2001 – 2.81% Landfill Improvement BAN	500,000	-	500,000	-
2002 – 1.86% Landfill Improvement BAN	-	350,000	-	350,000
2002 – 1.84% Lowes Road Construction BAN	-	1,100,000	-	1,100,000
Total	<u>\$ 4,215,000</u>	<u>\$ 9,450,000</u>	<u>\$ 8,215,000</u>	<u>\$ 5,450,000</u>

CITY OF WILMINGTON, OHIO
Notes To The General Purpose Financial Statements
For The Year Ended December 31, 2002

On September 12, 2002, the City issued a \$350,000 1.86% Bond Anticipation Note for constructing of improvements to the Wilmington Sanitary Landfill maturing on September 11, 2003.

On October 3, 2002, the City issued a \$1,100,000 1.84% Bond Anticipation Note for the construction of Lowes Road maturing on October 2, 2003.

On December 12, 2002, the City issued a \$4,000,000 1.85% Bond Anticipation Note for the Fire Department for equipment and land purchase maturing on May 1, 2003. This issue combined the \$3,715,000 Fire Department and \$285,000 Fire Apparatus BANs issued earlier in the year.

NOTE 13 – SEGMENT INFORMATION

The City's enterprise funds account for the provision of water, sewer and sanitation services. Key financial information for the year ended December 31, 2002 for each enterprise fund is as follows:

	Water Fund	Sewer Fund	Waste Fund	Total
Operating revenues	\$ 2,842,311	\$ 1,426,604	\$ 1,600,073	\$ 5,868,988
Operating expenses before depreciation & amortization	1,966,893	997,689	1,374,460	4,339,042
Depreciation & amortization	430,540	531,980	34,034	996,554
Operating income (loss)	444,878	(103,065)	191,579	533,392
Net non-operating revenue(expense)	(880,796)	(128,092)	(10,041)	(1,018,929)
Net income (loss)	(435,918)	(231,157)	181,538	(485,537)
Additions to property, plant and equipment	452,429	63,065	81,229	596,723
Net working capital	2,344,636	2,513,309	526,697	5,384,642
Total assets	\$ 26,316,607	\$ 11,028,971	\$ 3,925,401	\$ 41,270,979
Bonds and other long-term liabilities:				
Mortgage/Revenue bonds	15,845,000	2,975,000	-	18,820,000
General obligation bonds	180,000	-	-	180,000
Bond anticipation notes	-	-	350,000	350,000
Landfill closure liability	-	-	1,167,709	1,167,709
Unamortized Bond Issue Cost	(423,505)	(59,270)	-	(482,775)
Deferred amount on Refunding	-	(202,078)	-	(202,078)
Total bonds/long-term liabilities	15,601,495	2,713,652	1,517,709	19,832,856
Total Equity	10,568,864	8,171,591	2,324,466	21,064,921
Encumbrances Outstanding at December 31, 2002	\$ 230,163	\$ 92,659	\$ 78,342	\$ 401,164

CITY OF WILMINGTON, OHIO
Notes To The General Purpose Financial Statements
For The Year Ended December 31, 2002

NOTE 14 – CONTRIBUTED CAPITAL

The following is a summary of contributed capital for the year ended December 31, 2002:

<u>Source</u>	<u>Water Fund</u>	<u>Sanitary Sewer Fund</u>	<u>Total</u>
Contributed Capital – January 1, 2002	\$ 4,949,151	3,603,113	8,552,264
Depreciation on Contributed Capital Assets	<u>(123,350)</u>	<u>(130,190)</u>	<u>(253,540)</u>
Contributed Capital – December 31, 2002	\$ <u>4,825,801</u>	<u>3,472,923</u>	<u>8,298,724</u>

NOTE 15 – RISK MANAGEMENT

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

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

General Liability	\$10,500,000 per occurrence
Automobile Liability	\$10,500,000 per occurrence
Public Officials Liability	\$500,000 per occurrence (\$10,000,000 aggregate per city)
Boiler and Machinery	\$477,066,039 blanket limit
Property	\$477,066,039 blanket limit
Flood and Earthquake	\$100,000,000 annual aggregate

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

NOTE 16 – JOINTLY GOVERNED ORGANIZATION

The City is a member of Miami Valley Risk Management Association, Inc. (MVRMA, Inc.), which is a joint insurance pool. As of December 31, 2002 the pool has sixteen members. The jointly governed organization covers all property, crime, liability, boiler and machinery, and public officials liability insurance. It is intended to provide broad based coverage up to the limits stated in Note 14 with increased emphasis on safety and loss prevention and to create an opportunity for other local governments to participate.

MVRMA, Inc. is a corporation governed by a sixteen member board of trustees, consisting of a representative appointed by each of the member cities. The board of trustees elects the officers of the corporation, with each trustee having a single vote. The board is responsible for its own financial matters

CITY OF WILMINGTON, OHIO
Notes To The General Purpose Financial Statements
For The Year Ended December 31, 2002

and the corporation maintains its own books of account. Budgeting and financing of MVRMA, Inc. is subject to the approval of the board.

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

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

Under the terms of membership, should annual member contributions not be sufficient to fund ultimate losses, establish adequate reserves and cover administrative expenses, the board of trustees may require supplemental contributions. Supplementary contributions may be assessed whenever claims or expenses need to be paid which are attributable to any membership year during which the event or claim occurred. During 2002 there were no special assessments paid.

The following is a summary of the financial statements presented in conformity with generally accepted accounting principles as of and for the year ended December 31, 2001 (the latest information available).

Assets	<u>\$ 6,227,638</u>
Liabilities	3,643,395
Fund Equity	<u>2,584,243</u>
Total Liabilities and Fund Equity	<u>\$ 6,227,638</u>

NOTE 17 – 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 18 - LANDFILL CLOSURE AND POST-CLOSURE CARE COST

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

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

CITY OF WILMINGTON, OHIO
Notes To The General Purpose Financial Statements
For The Year Ended December 31, 2002

The City is required by state and federal laws and regulations to provide financial assurance to finance closure and post-closure care. The City is in compliance with these requirements as of April 1, 2002. The \$1,167,709 reported as landfill closure and post-closure care liability at December 31, 2002, represents the cumulative amount reported to date based on the use of 84.70% of the estimated capacity of the landfill. The sum of current final closure, post-closure and/or corrective measures cost estimates is \$1,378,682. The Ohio Environmental Protection Agency has established certain rules applicable to the City, requiring that the permittee of a Solid Waste Disposal Facility provide that funds will be available when needed for final closure and/or post-closure care of the facility. The City has elected to provide a letter from the Chief Financial Officer, as specified in paragraph (F) of Rule 3745-27-15 or in paragraph (F) of Rule 3745-27-16 of the Ohio Administrative Code as the mechanism to demonstrate the City's Financial Assurance as specified in Chapter 3745-27 of the Ohio Administrative Code. The estimated remaining landfill life in years is 8.0 years.

**CITY OF WILMINGTON
CLINTON COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2002**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed Through Ohio Department of Development:</i>			
Community Development Block Grant	A-F-98-201-1	14.228	(\$6,299)
Community Development Block Grant	A-F-99-201-1	14.228	55,700
Community Development Block Grant	A-F-00-201-1	14.228	13,000
Community Development Block Grant	A-F-01-201-1	14.228	9,500
Total Community Development Block Grant			<u>71,901</u>
Small Cities Emergency Shelter Grant	AL-00-201-1	14.231	8,482
Small Cities Emergency Shelter Grant	AL-01-201-1	14.231	39,900
Small Cities Emergency Shelter Grant	AL-02-201-1	14.231	18,474
Total Small Cities Emergency Shelter Grant			<u>66,856</u>
Total U.S. Department of Housing and Urban Development			<u>138,757</u>
U.S. DEPARTMENT OF TRANSPORTATION			
<i>Passed Through Ohio Department of Transportation:</i>			
Urban Mass Transit Capital Grant - 2000	RPT-4014-019-002	20.509	10,201
Urban Mass Transit Capital Grant - 2001	RPT-0014-020-012	20.509	9,775
Urban Mass Transit Capital Grant - 2001	RPT-0014-020-013	20.509	667,747
Urban Mass Transit Operating Grant - 2002	RPT-4014-021-021	20.509	224,412
Urban Mass Transit Capital Grant - 2002	RPT-4014-021-022	20.509	52,781
Total U.S. Department of Transportation			<u>964,916</u>
Total			<u><u>\$1,103,673</u></u>

**CITY OF WILMINGTON
CLINTON COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2002**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The City of Wilmington administers a loan program with funds provided by the U.S. Department of Housing and Urban Development through the Ohio Department of Development under the Urban Development Action Grant (UDAG) Program. The purpose of this program is to stimulate economic activity that will strengthen the economics, employment, and taxbase in the City. As of December 31, 2002, the total amount of the loans outstanding was \$ 447,621.

The City of Wilmington's 2001 federal schedule reported \$6,700 in expenditures for the 1998 program that should have been reported for the 1999 program. The City has corrected the program expenditures on the 2002 federal schedule, which resulted in a negative expenditure for the 1998 program. This error did not affect the total CDBG program or total federal expenditures in 2001 or 2002. Both grants were fully expended during the year ended December 31, 2002.



Auditor of State Betty Montgomery

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

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

To the City Council:

We have audited the financial statements of the City of Wilmington, Clinton County, Ohio (the City), as of and for the year ended December 31, 2002, and have issued our report thereon dated July 11, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Wilmington's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated July 11, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the City in a separate letter dated July 11, 2003.

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

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

Betty Montgomery
Auditor of State

July 11, 2003



Auditor of State Betty Montgomery

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

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

To the City Council:

Compliance

We have audited the compliance of the City of Wilmington, Clinton County, Ohio (the City), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that are applicable to its major federal program for the year ended December 31, 2002. The City of Wilmington's major federal programs is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable its major federal program is the responsibility of the City of Wilmington's management. Our responsibility is to express an opinion on the City of Wilmington's compliance based on our audit.

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

In our opinion, the City of Wilmington complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2002.

Internal Control Over Compliance

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

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

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



Betty Montgomery
Auditor of State

July 11, 2003

**CITY OF WILMINGTON
CLINTON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2002**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



**Auditor of State
Betty Montgomery**

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CITY OF WILMINGTON

CLINTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 19, 2003**