



Dave Yost • Auditor of State



**CITY OF WILMINGTON  
CLINTON COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the City Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wilmington, Clinton County, Ohio (the City), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wilmington, Clinton County as of December 31, 2016, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, *Required budgetary comparison schedules* and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2017, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

September 19, 2017

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2016  
(Unaudited)

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The discussion and analysis of the City of Wilmington's financial performance provides an overview of the City's financial activities for the year ended December 31, 2016. 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 2016 are as follows:

- Total net position of the City increased by \$1.1 million during 2016 due to a \$0.8 million increase in governmental activities and a \$0.3 million increase in business-type activities.
- The General Fund had a decrease in fund balance of \$173,531, or 5.8%, compared with the fund balance reported one year prior.
- Enterprise fund operations posted operating income of \$832,842 due primarily to an increase in charges for services related to an increase in utility rates for 2016.
- General Fund actual expenditures were less than the budgeted amounts. The General Fund reported a \$408,839 increase in the budgetary fund balance for the year.

**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 Position 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 Position and the Statement of Activities*

"How did the City of Wilmington do financially in 2016?" The broad answer to this question can be obtained with a look at the Statement of Net Position and the Statement of Activities. These statements include all assets, liabilities and deferred outflows/inflows 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 expenses, regardless of when the actual cash was received or paid.

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These two statements report the City's net position and the change in that net position. 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 Position 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 10. Fund financial statements, beginning on page 15, 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 position of governmental activities, as reported in the Statement of Net Position and the Statement of Activities, and governmental fund balances in a reconciliation on pages 16 and 18.

*Enterprise 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 Position and the Statement of Activities since they are reported in much the same manner as other business-type activities. 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 23. 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 24.

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**THE CITY AS A WHOLE**

The following table provides a summary of the City's net position for 2016 as compared to 2015.

**Table 1**  
Net Position, December 31.

	2016			2015		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
<b>Assets:</b>						
Current and Other Assets	\$ 8,991,279	7,948,953	16,940,232	9,169,668	6,385,815	15,555,483
Capital Assets	<u>16,448,857</u>	<u>28,399,384</u>	<u>44,848,241</u>	<u>14,860,940</u>	<u>28,796,807</u>	<u>43,657,747</u>
Total Assets	<u>25,440,136</u>	<u>36,348,337</u>	<u>61,788,473</u>	<u>24,030,608</u>	<u>35,182,622</u>	<u>59,213,230</u>
Deferred Outflows of Resources	<u>3,256,023</u>	<u>1,358,903</u>	<u>4,614,926</u>	<u>1,274,142</u>	<u>609,761</u>	<u>1,883,903</u>
<b>Liabilities:</b>						
Current Liabilities	1,373,406	292,147	1,665,553	822,568	245,802	1,068,370
Long-term Liabilities:						
Due Within One Year	739,536	777,746	1,517,282	678,608	661,609	1,340,217
Due in More Than One Year:						
Net Pension Liability	10,967,123	2,900,438	13,867,561	8,622,198	1,978,320	10,600,518
Other Amounts Due in More Than One Year	<u>3,470,445</u>	<u>16,593,291</u>	<u>20,063,736</u>	<u>4,178,466</u>	<u>16,095,309</u>	<u>20,273,775</u>
Total Liabilities	<u>16,550,510</u>	<u>20,563,622</u>	<u>37,114,132</u>	<u>14,301,840</u>	<u>18,981,040</u>	<u>33,282,880</u>
Deferred Inflows of Resources	<u>2,251,038</u>	<u>55,689</u>	<u>2,306,727</u>	<u>1,935,124</u>	<u>34,755</u>	<u>1,969,879</u>
<b>Net Position:</b>						
Net Investment in Capital Assets	13,649,051	15,551,584	29,200,635	11,441,371	16,488,929	27,930,300
Restricted	1,815,910	249,098	2,065,008	1,865,915	288,431	2,154,346
Unrestricted	<u>(5,570,350)</u>	<u>1,287,247</u>	<u>(4,283,103)</u>	<u>(4,239,500)</u>	<u>(772)</u>	<u>(4,240,272)</u>
Total Net Position	\$ <u>9,894,611</u>	<u>17,087,929</u>	<u>26,982,540</u>	<u>9,067,786</u>	<u>16,776,588</u>	<u>25,844,374</u>

During 2015, the City adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions— an Amendment of GASB Statement 27," which significantly revised accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

The amount by which the City's assets and deferred outflows exceeded its liabilities and deferred inflows is called net position. As of December 31, 2016, the City's net position was \$27.0 million. Of this amount, \$29.2 million was invested in capital assets and \$2.1 million was subject to external restrictions for its use. At December 31, 2016, the City reported a deficit unrestricted balance of \$4.3 million due to the recognition of the net pension liability required by GASB 68.

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In total, net position of the City increased by \$1.1 million. The governmental activities increased by \$0.8 million and business-type activities increased by \$0.3 million during 2016. The increase in the governmental activities is due to increased revenues of 3.8% as the City received additional federal funding to purchase vehicles for the City's transit program. In addition, expenditures increased \$536,020 from the prior year primary due to an increase in personnel related costs. The increase in the business-type activities was due to an increase in utility user charges during the current year. Additionally, expenditures in the sewer fund decreased \$681,894 in the current year as the City incurred significant repair and maintenances costs associated with the City's Textron building during 2015.

The following table provides a summary of the City's changes in net position for 2016 as compared to 2015.

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

	2016			2015		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
Revenues:						
Program Revenues:						
Charges for Services	\$ 3,110,372	8,884,771	11,995,143	2,997,851	8,627,468	11,625,319
Operating Grants and Contributions	1,465,271	-	1,465,271	1,778,117	-	1,778,117
Capital Grants and Contributions	1,456,932	5,000	1,461,932	950,784	83,500	1,034,284
General Revenues:						
Property Taxes	1,872,972	-	1,872,972	1,867,440	-	1,867,440
Service Payments	231,002	-	231,002	-	-	-
Municipal Income Taxes	4,826,836	-	4,826,836	4,750,554	-	4,750,554
Other Local Taxes	152,453	-	152,453	149,569	-	149,569
Grants and Contributions not Restricted	381,007	-	381,007	409,707	-	409,707
Investment Income	36,571	117,094	153,665	30,820	32,352	63,172
Other Revenue	536,924	152,302	689,226	615,699	136,183	751,882
<b>Total Revenue</b>	<b>14,070,340</b>	<b>9,159,167</b>	<b>23,229,507</b>	<b>13,550,541</b>	<b>8,879,503</b>	<b>22,430,044</b>
Expenses:						
General Government	4,181,258	-	4,181,258	3,547,105	-	3,547,105
Security of Persons & Property	5,525,524	-	5,525,524	5,657,540	-	5,657,540
Public Health and Welfare Services	512,242	-	512,242	309,659	-	309,659
Leisure Time Activities	506,846	-	506,846	569,236	-	569,236
Transportation	2,423,827	-	2,423,827	2,568,454	-	2,568,454
Water	-	3,530,610	3,530,610	-	3,472,518	3,472,518
Sewer	-	2,908,184	2,908,184	-	3,590,078	3,590,078
Waste	-	2,331,914	2,331,914	-	2,013,420	2,013,420
Interest and Bond Issuance Expenses	170,936	-	170,936	132,619	-	132,619
<b>Total Expenses</b>	<b>13,320,633</b>	<b>8,770,708</b>	<b>22,091,341</b>	<b>12,784,613</b>	<b>9,076,016</b>	<b>21,860,629</b>
Special Item - Transfer of Cemetery	-	-	-	352,807	-	352,807
Transfers	77,118	(77,118)	-	40,417	(40,417)	-
Increase (Decrease) in Net Position	826,825	311,341	1,138,166	1,159,152	(236,930)	922,222
Net Position, Beginning of Year	9,067,786	16,776,588	25,844,374	7,908,634	17,013,518	24,922,152
<b>Net Position, End of Year</b>	<b>\$ 9,894,611</b>	<b>17,087,929</b>	<b>26,982,540</b>	<b>9,067,786</b>	<b>16,776,588</b>	<b>25,844,374</b>

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**Governmental Activities**

The three functions with the largest expenditures are General Government, Security of Persons and Property and Transportation. General Government includes all administrative activities, City Council, Municipal Court, and facility maintenance. This function costs taxpayers \$2.5 million after program revenue is accounted for. Security of Persons and Property includes Police, Fire, and Emergency Medical Services. In addition to the revenue received for charges for services, which are those fees paid by the neighboring townships for fire and ambulance service, those funds receive property tax revenues which are used to help support each of the programs. With those departments receiving over \$900 thousand in property tax revenues, we see that approximately \$0.9 of the net expense of \$4.2 million is paid by property tax revenues with the remaining 78.3% paid by income taxes, general subsidies and other general revenues. The third function, Transportation, covers the roads and streets of the City, which reported net revenue for 2016 of \$0.5 million as related expenses decreased 5.6% in the current year compared to the prior year. As indicated in Table 3, total governmental expenses increased by approximately \$0.5 million from those reported in the prior year, which represents a 4.2% increase.

The \$6.9 million in income and property taxes reported for the year is \$0.3 million more than the amount reported for 2015 as the City continues to realize the impact of improved economic conditions in the City.

**Business-Type Activities**

Overall, the City's business-type activities generated \$8.9 million of revenues, which exceeded of the cost of doing business by \$0.1 million. In the current year, the Water, Sewer and Waste Funds reported increases in net position of \$152,054, \$28,079 and \$131,208, respectively. While each enterprise fund reported increases in total revenues compared to the prior year, the Sewer Fund expense decreased considerably as the City incurred significant expenses related to building repairs during the prior year. The increases in charges for services revenue in the current year for each enterprise fund were able to offset the increases in personal services costs over to the prior year.

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

	2016		2015	
	<u>Total Cost of Service</u>	<u>Net Cost of Service</u>	<u>Total Cost of Service</u>	<u>Net Cost of Service</u>
<b>GOVERNMENTAL ACTIVITIES:</b>				
General Government	\$ 4,181,258	(2,512,092)	3,547,105	(2,180,854)
Security of Persons & Property	5,525,524	(4,220,752)	5,657,540	(4,135,183)
Public Health & Welfare Services	512,242	(449,140)	309,659	601,847
Leisure Time Activities	506,846	(481,436)	569,236	(500,509)
Transportation	2,423,827	546,298	2,568,454	(710,543)
Interest Expense	170,936	(170,936)	132,619	(132,619)
Total	<u>\$ 13,320,633</u>	<u>(7,288,058)</u>	<u>12,784,613</u>	<u>(7,057,861)</u>
<b>BUSINESS-TYPE ACTIVITIES:</b>				
Water	\$ 3,530,610	101,110	3,472,518	93,575
Sewer	2,908,184	(83,239)	3,590,078	(835,311)
Waste	2,331,914	101,192	2,013,420	376,688
Total	<u>\$ 8,770,708</u>	<u>119,063</u>	<u>9,076,016</u>	<u>(365,048)</u>

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 state entitlement grants.

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**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. Total governmental fund balances are \$5.0 million, of which \$1.7 million is unassigned. The total governmental funds balance of all governmental funds decreased by \$0.4 million during 2016.

The General Fund balance decreased by \$0.2 million; compared to the \$0.6 million decrease in fund balance reported for 2015. Total revenues reported for 2016 were \$0.5 million more than those of the prior year due primarily to the increase reported in municipal income tax and fees, fines and forfeitures. This increase can be attributed primarily to an improved local economy, along with an growth in fees collected at the Municipal Court. Total expenditures reported by the General Fund remained consistent with those reported for 2015.

The fund balances reported in the Taxi Fund decreased by \$21,086 from the balances reported one year prior as ridership decreased during 2016 compared to 2015.

The fund balance reported in the Police Fund increased by \$21,230 from the balances reported one year prior as the increase in miscellaneous revenue partially offset the 2.8% increase in expenditures as the City realized an increase in personnel related costs during 2016.

Total governmental fund revenues showed an increase from 2015 of \$1.5 million or 11.4%. This was primarily due to a 8.4% increase in income tax revenue and a \$1.1 million increase in grant revenues received from ODOT for the Airborne Connector road project.

Explanation of the changes in the major enterprise funds of the City follow the same explanation as those provided in the assessment of the business-type activities noted above since enterprise funds are accounted for using full accrual accounting, the same basis used in the City-wide statements.

***General Fund Budgeting Highlights***

The General Fund's final budgeted revenues were \$11.1 million and actual revenues were \$11.8 million for the year. The revenue estimates included in the City's final budget documents were \$0.3 million higher than original budget amounts due to tax revenue amounts received during the year being slightly higher than estimates used in the development of the original budget.

Final budgeted amounts for expenditures and other financing uses were \$12.2 million while actual budgetary expenditures and other financing uses amounted to \$11.4 million. As the City continues to adjust to the new normal, management continues its effort to limit expenditures while providing the necessary services to the City residents.

The budgetary fund balance for the General Fund at December 31, 2016 was \$2.6 million; a \$0.4 million increase from the amount reported one year prior. The ending budgetary fund balance amount at year end represents 22.9% of the total budgetary expenditures and transfers out reported for 2016.

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**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

**Table 4**  
Capital Assets

	2016			2015		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
Land	\$ 3,327,268	2,431,007	5,758,275	3,264,268	2,431,007	5,695,275
Infrastructure	5,480,443	-	5,480,443	3,538,413	-	3,538,413
Buildings	8,843,976	19,488,314	28,332,290	8,843,976	19,488,314	28,332,290
Improvements	532,287	28,450,415	28,982,702	532,287	27,995,291	28,527,578
Equipment	3,130,418	7,828,438	10,958,856	2,993,662	7,795,018	10,788,680
Vehicles	6,630,731	2,131,211	8,761,942	6,543,254	1,546,635	8,089,889
Office Furniture and Fixtures	25,053	-	25,053	25,053	-	25,053
Less:						
Accumulated Depreciation	<u>(11,521,319)</u>	<u>(31,930,001)</u>	<u>(43,451,320)</u>	<u>(10,879,973)</u>	<u>(30,459,458)</u>	<u>(41,339,431)</u>
Totals	\$ <u>16,448,857</u>	<u>28,399,384</u>	<u>44,848,241</u>	<u>14,860,940</u>	<u>28,796,807</u>	<u>43,657,747</u>

The City's investment in capital assets for governmental and business-type activities as of December 31, 2016, amounts to \$44.8 million (net of accumulated depreciation). This investment in capital assets includes: land; buildings; improvements; machinery and equipment; infrastructure and vehicles. During the year, total capital assets, net of accumulated depreciation, increased by \$1.2 million or 2.7%. Governmental activity capital assets, net of accumulated depreciation, reflect a net increase during the year of \$1.6 million. Depreciation expense for the year totaled \$789,564. Capital assets, net of accumulated depreciation in the business-type activities decreased \$0.4 million as a result of the 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, 2016, the City had total bonded debt in the amount of \$13.8 million, of which \$1.0 million is due within one year. Of the total bonded debt amount, \$2.4 million is general obligation debt backed by the full faith and credit of the City, with the remaining \$8.8 million being mortgage revenue bonds for waterworks improvements and \$2.6 million for bond anticipation notes. The City also has outstanding amounts due the Ohio Police and Fire Pension Fund of \$81,883.

During 2016, City issued \$2,620,000 2.00% Bond Anticipation Notes (BAN) to refinance a previously issued BAN that was used to refund \$2,490,000 of outstanding 2005 Waterworks Improvement bonds. Included in this BAN, is an additional \$500,000 to finance a portion the vertical expansion costs incurred at the landfill facility during 2016.

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.

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(Unaudited)

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**CURRENT ISSUES**

In November 2016, the voters approved an additional temporary 0.5% income tax levy for a period of five years beginning January 1, 2017.

**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 Position  
December 31, 2016

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 4,662,168	\$ 7,077,023	\$ 11,739,191
Receivables			
Taxes	2,926,617	-	2,926,617
Accounts	180,064	868,949	1,049,013
Loans Receivable	560,777	-	560,777
Due from Other Governments	415,536	-	415,536
Interfund Balance	246,117	(246,117)	-
Restricted Assets:			
Cash and Cash Equivalents	-	249,098	249,098
Capital Assets:			
Capital Assets not subject to depreciation			
Land	3,327,268	2,431,007	5,758,275
Capital Assets, net of accumulated depreciation	<u>13,121,589</u>	<u>25,968,377</u>	<u>39,089,966</u>
 Total Assets	 <u>25,440,136</u>	 <u>36,348,337</u>	 <u>61,788,473</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Pensions	3,244,325	1,129,543	4,373,868
Deferred Amount on Refunding	<u>11,698</u>	<u>229,360</u>	<u>241,058</u>
 Total Deferred Outflows of Resources	 <u>3,256,023</u>	 <u>1,358,903</u>	 <u>4,614,926</u>
<b>LIABILITIES:</b>			
Accounts Payable	826,422	158,550	984,972
Accrued Wages and Benefits	174,230	61,763	235,993
Insurance Claims Payable	325,400	-	325,400
Accrued Interest Payable	47,354	71,834	119,188
Noncurrent Liabilities:			
Due Within One Year	739,536	777,746	1,517,282
Due In More than One Year			
Net Pension Liability	10,967,123	2,900,438	13,867,561
Other Amounts Due in More Than One Year	<u>3,470,445</u>	<u>16,593,291</u>	<u>20,063,736</u>
 Total Liabilities	 <u>16,550,510</u>	 <u>20,563,622</u>	 <u>37,114,132</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Pensions	383,235	55,689	438,924
Property Taxes	1,636,800	-	1,636,800
Tax Increment Financing	<u>231,003</u>	<u>-</u>	<u>231,003</u>
 Total Deferred Inflows of Resources	 <u>2,251,038</u>	 <u>55,689</u>	 <u>2,306,727</u>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	13,649,051	15,551,584	29,200,635
Restricted for:			
Debt Service	7,171	-	7,171
Utility Debt Service	-	249,098	249,098
Social Services	30,638	-	30,638
Public Safety	640,089	-	640,089
Road Construction / Public Works	352,392	-	352,392
Leisure Activities	356,461	-	356,461
Public Health and Welfare Services	394,159	-	394,159
Perpetual Care:			
Nonexpendable	35,000	-	35,000
Unrestricted	<u>(5,570,350)</u>	<u>1,287,247</u>	<u>(4,283,103)</u>
 Total Net Position	 <u>\$ 9,894,611</u>	 <u>\$ 17,087,929</u>	 <u>\$ 26,982,540</u>

See accompanying notes to the basic financial statements.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Statement of Activities  
For the Year Ended December 31, 2016

Functions/Programs:	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>							
General Government	\$ 4,181,258	\$ 1,669,166	\$ -	\$ -	\$ (2,512,092)		\$ (2,512,092)
Security of Persons & Property	5,525,524	1,023,882	280,890	-	(4,220,752)		(4,220,752)
Public Health & Welfare Services	512,242	63,102	-	-	(449,140)		(449,140)
Leisure Time Activities	506,846	-	25,410	-	(481,436)		(481,436)
Transportation	2,423,827	354,222	1,158,971	1,456,932	546,298		546,298
Interest	170,936	-	-	-	(170,936)		(170,936)
Total Governmental Activities	<u>13,320,633</u>	<u>3,110,372</u>	<u>1,465,271</u>	<u>1,456,932</u>	<u>(7,288,058)</u>		<u>(7,288,058)</u>
<b>Business-Type Activities:</b>							
Water	3,530,610	3,631,720	-	-		101,110	101,110
Sewer	2,908,184	2,824,945	-	-		(83,239)	(83,239)
Waste	2,331,914	2,428,106	-	5,000		101,192	101,192
Total Business-Type Activities	<u>8,770,708</u>	<u>8,884,771</u>	<u>-</u>	<u>5,000</u>		<u>119,063</u>	<u>119,063</u>
Total	<u>\$ 22,091,341</u>	<u>\$ 11,995,143</u>	<u>\$ 1,465,271</u>	<u>\$ 1,461,932</u>	<u>(7,288,058)</u>	<u>119,063</u>	<u>(7,168,995)</u>
<b>General Revenues:</b>							
Municipal Income Taxes, Levied for:							
General Purposes					4,826,836	-	4,826,836
Other Local Taxes					152,453	-	152,453
Property Taxes Levied for:							
General Purposes					416,251	-	416,251
Security of Persons & Property					917,921	-	917,921
Street Lighting					152,118	-	152,118
Leisure Time Activities					386,682	-	386,682
Service Payments					231,002	-	231,002
Grants and Contributions not Restricted to Specific Programs					381,007	-	381,007
Investment Earnings					36,571	117,094	153,665
Miscellaneous					523,896	152,302	676,198
Gain on sale of capital assets					13,028	-	13,028
Transfers					77,118	(77,118)	-
Total					<u>8,114,883</u>	<u>192,278</u>	<u>8,307,161</u>
Change in Net Position					826,825	311,341	1,138,166
Net Position, Beginning of Year					<u>9,067,786</u>	<u>16,776,588</u>	<u>25,844,374</u>
Net Position, End of Year					<u>\$ 9,894,611</u>	<u>\$ 17,087,929</u>	<u>\$ 26,982,540</u>

See accompanying notes to the basic financial statements.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Balance Sheet  
Governmental Funds  
December 31, 2016

	General Fund	Taxi Fund	Police Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>					
Equity in Pooled Cash and Cash Equivalents	\$ 2,407,464	\$ 33,041	\$ 10,342	\$ 2,211,321	\$ 4,662,168
Receivables:					
Taxes	1,304,740	-	287,284	1,334,593	2,926,617
Accounts	116,198	-	25,666	38,200	180,064
Loans Receivable	-	-	-	560,777	560,777
Due from Other Funds	487,000	5,260	24,453	32,110	548,823
Due from Other Governments	<u>152,299</u>	<u>-</u>	<u>6,823</u>	<u>256,414</u>	<u>415,536</u>
 Total Assets	 <u>\$ 4,467,701</u>	 <u>\$ 38,301</u>	 <u>\$ 354,568</u>	 <u>\$ 4,433,415</u>	 <u>\$ 9,293,985</u>
<b>LIABILITIES:</b>					
Accounts Payable	\$ 295,205	\$ 11,049	\$ 8,730	\$ 511,438	\$ 826,422
Accrued Wages and Benefits	54,674	24,153	26,012	69,391	174,230
Insurance Claims Payable	325,400	-	-	-	325,400
Due to Other Funds	<u>115,706</u>	<u>-</u>	<u>-</u>	<u>187,000</u>	<u>302,706</u>
 Total Liabilities	 <u>790,985</u>	 <u>35,202</u>	 <u>34,742</u>	 <u>767,829</u>	 <u>1,628,758</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>					
Property Taxes	415,008	-	252,365	969,427	1,636,800
Tax Increment Financing	-	-	-	231,003	231,003
Unavailable Resources for:					
Municipal Income Taxes	276,410	-	-	-	276,410
Delinquent Property Taxes	57,235	-	34,919	134,163	226,317
Intergovernmental	<u>101,716</u>	<u>-</u>	<u>6,823</u>	<u>167,928</u>	<u>276,467</u>
 Total Deferred Inflows of Resources	 <u>850,369</u>	 <u>-</u>	 <u>294,107</u>	 <u>1,502,521</u>	 <u>2,646,997</u>
<b>FUND BALANCES:</b>					
Nonspendable - Endowment Corpus	-	-	-	35,000	35,000
Restricted for:					
Debt Service	-	-	-	7,171	7,171
Social Services	-	-	-	30,638	30,638
Public Safety	-	-	25,719	650,047	675,766
Road Construction / Public Works	-	3,099	-	263,015	266,114
Leisure Activities	-	-	-	318,423	318,423
Public Health and Welfare Services	-	-	-	394,205	394,205
Committed to:					
Social Services	-	-	-	905,835	905,835
Leisure Activities	-	-	-	86,156	86,156
Assigned to:					
Self Insurance	299,271	-	-	-	299,271
Other Purposes	301,799	-	-	-	301,799
Unassigned	<u>2,225,277</u>	<u>-</u>	<u>-</u>	<u>(527,425)</u>	<u>1,697,852</u>
 Total Fund Balances	 <u>2,826,347</u>	 <u>3,099</u>	 <u>25,719</u>	 <u>2,163,065</u>	 <u>5,018,230</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	 <u>\$ 4,467,701</u>	 <u>\$ 38,301</u>	 <u>\$ 354,568</u>	 <u>\$ 4,433,415</u>	 <u>\$ 9,293,985</u>

See accompanying notes to the basic financial statements.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Reconciliation of the Balance Sheet of Governmental Funds  
to the Statement of Net Position  
December 31, 2016

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Total Governmental Fund Balances	\$	5,018,230
<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		16,448,857
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		779,194
The deferred loss on refunding does not represent a use of current resources and therefore it is not reported in the funds		11,698
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not the liability and related deferred inflows/outflows are not reported in the governmental funds:		
Deferred Outflows - Pension	3,244,325	
Deferred Inflows - Pension	(383,235)	
Net Pension Liability	(10,967,123)	(8,106,033)
Other long-term liabilities not due and payable in the current period and therefore are not reported in the funds:		
Note Payable		(843,244)
Capital Lease Payable		(116,090)
Accrued Interest on Long-Term Debt		(47,354)
Police and Fire Pension Obligations		(81,883)
General Obligation Bonds Payable		(2,410,000)
Bond Premium		(98,414)
Compensated Absences		(660,350)
Net Position of Governmental Activities	\$	9,894,611

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, 2016

	General Fund	Taxi Fund	Police Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>					
Property Taxes	\$ 427,232	\$ -	\$ 246,437	\$ 1,473,999	\$ 2,147,668
Municipal Income Taxes	5,052,935	-	-	-	5,052,935
Intergovernmental	383,038	861,812	49,749	2,010,642	3,305,241
Charges for Services	1,291,699	304,222	2,749	44,974	1,643,644
Licenses and Permits	63,544	-	-	-	63,544
Fees, Fines and Forfeitures	955,936	-	1,594	367,189	1,324,719
Special Assessments	78,465	-	-	152,118	230,583
Investment Income	36,213	-	-	358	36,571
Other Revenue	<u>195,432</u>	<u>8,024</u>	<u>71,037</u>	<u>226,346</u>	<u>500,839</u>
Total Revenues	<u>8,484,494</u>	<u>1,174,058</u>	<u>371,566</u>	<u>4,275,626</u>	<u>14,305,744</u>
<b>EXPENDITURES:</b>					
Current:					
General Government	3,702,682	-	-	230,893	3,933,575
Security of Persons & Property	33,947	-	2,257,467	2,384,463	4,675,877
Transportation	-	1,284,912	-	827,102	2,112,014
Public Health & Welfare Services	-	-	-	509,510	509,510
Leisure Time Activities	-	-	-	457,185	457,185
Capital Outlay	267,081	177,232	77,614	1,758,625	2,280,552
Debt Service:					
Principal	83,357	-	-	554,054	637,411
Interest	<u>45,530</u>	<u>-</u>	<u>-</u>	<u>151,219</u>	<u>196,749</u>
Total Expenditures	<u>4,132,597</u>	<u>1,462,144</u>	<u>2,335,081</u>	<u>6,873,051</u>	<u>14,802,873</u>
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	<u>4,351,897</u>	<u>(288,086)</u>	<u>(1,963,515)</u>	<u>(2,597,425)</u>	<u>(497,129)</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers In	40,417	267,000	1,984,745	2,350,801	4,642,963
Transfers Out	<u>(4,565,845)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,565,845)</u>
Total Other Financing Sources (Uses):	<u>(4,525,428)</u>	<u>267,000</u>	<u>1,984,745</u>	<u>2,350,801</u>	<u>77,118</u>
Net Change in Fund Balance	(173,531)	(21,086)	21,230	(246,624)	(420,011)
Fund Balance (Deficit), Beginning of Year	<u>2,999,878</u>	<u>24,185</u>	<u>4,489</u>	<u>2,409,689</u>	<u>5,438,241</u>
Fund Balance (Deficit), End of Year	<u>\$ 2,826,347</u>	<u>\$ 3,099</u>	<u>\$ 25,719</u>	<u>\$ 2,163,065</u>	<u>\$ 5,018,230</u>

See accompanying notes to the basic financial statements.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Reconciliation of the Statement of Revenues, Expenditures  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
For the Year Ended December 31, 2016

Total Change in Fund Balances - Governmental Funds \$ (420,011)

*Amounts reported for governmental activities in the statement of activities are different because:*

Governmental 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. Also, donated capital assets are not reported in the governmental funds as they do not provide current financial resources, however, donated capital assets are reported in the statement of net position and as capital contributions in the statement of activities. The amounts for the current period are:

Capital Outlay	2,404,396	
Depreciation	<u>(789,564)</u>	1,614,832

Governmental funds report disposals of capital assets only to the extent proceeds are received from a sale. In the statement of activities, a gain or loss is reported for each sale. This amount represents the current year loss on disposal of capital assets which is reported in the functional expenses on the statement of activities. (26,915)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues on the funds:

Property Taxes	(43,359)	
Income Taxes	(226,099)	
Intergovernmental Revenue	<u>(2,031)</u>	(271,489)

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows. 861,438

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (1,551,685)

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 637,411

Some expenses reported in the statement of activities do not require the use of governmental funds:

Compensated Absences	(42,569)	
Accrued Interest Payable	7,230	
Amortization of Deferred Amount on Refunding	(2,506)	
Amortization of Bond Premium	<u>21,089</u>	<u>(16,756)</u>

Change in Net Position of Governmental Activities \$ 826,825

See accompanying notes to the basic financial statements.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Balance Sheet  
Enterprise Funds  
December 31, 2016

	Water Fund	Sewer Fund	Waste Fund	Total
<b>ASSETS:</b>				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 2,273,585	\$ 3,960,846	\$ 842,592	\$ 7,077,023
Accounts Receivable	329,617	280,340	258,992	868,949
Due from Other Funds	18,861	17,914	17,108	53,883
Restricted Assets:				
Cash and Cash Equivalents	<u>248,958</u>	<u>140</u>	<u>-</u>	<u>249,098</u>
Total Current Assets	<u>2,871,021</u>	<u>4,259,240</u>	<u>1,118,692</u>	<u>8,248,953</u>
Noncurrent Assets:				
Land	659,657	1,057,709	713,641	2,431,007
Capital Assets, net of accumulated depreciation	<u>16,476,447</u>	<u>7,870,961</u>	<u>1,620,969</u>	<u>25,968,377</u>
Total Noncurrent Assets	<u>17,136,104</u>	<u>8,928,670</u>	<u>2,334,610</u>	<u>28,399,384</u>
Total Assets	<u>20,007,125</u>	<u>13,187,910</u>	<u>3,453,302</u>	<u>36,648,337</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>				
Pensions	371,467	400,426	357,650	1,129,543
Deferred Amount on Refunding	<u>229,360</u>	<u>-</u>	<u>-</u>	<u>229,360</u>
Total Deferred Outflows of Resources	<u>600,827</u>	<u>400,426</u>	<u>357,650</u>	<u>1,358,903</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 20,607,952</u>	<u>\$ 13,588,336</u>	<u>\$ 3,810,952</u>	<u>\$ 38,007,240</u>
<b>LIABILITIES:</b>				
Current Liabilities:				
Accounts Payable	\$ 25,599	\$ 79,332	\$ 53,619	\$ 158,550
Accrued Wages and Benefits	22,359	20,810	18,594	61,763
Due to Other Funds	-	-	300,000	300,000
Accrued Compensated Absences	24,706	24,050	18,301	67,057
Accrued Interest Payable	39,251	20,637	11,946	71,834
Long-Term Notes Payable - current	390,000	52,777	-	442,777
Capital Lease Payable - current	-	-	167,912	167,912
Mortgage Revenue Bonds Payable - current	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>100,000</u>
Total Current Liabilities	<u>601,915</u>	<u>197,606</u>	<u>570,372</u>	<u>1,369,893</u>
Noncurrent Liabilities:				
Accrued Compensated Absences	77,652	75,594	57,522	210,768
Postclosure Care	-	-	4,016,052	4,016,052
Notes Payable	1,730,000	925,507	500,000	3,155,507
Capital Lease Payable	-	-	553,365	553,365
Mortgage Revenue Bonds Payable	8,645,000	-	-	8,645,000
Accrued Bond Premium	12,599	-	-	12,599
Net Pension Liability	<u>934,660</u>	<u>1,026,882</u>	<u>938,896</u>	<u>2,900,438</u>
Total Noncurrent Liabilities	<u>11,399,911</u>	<u>2,027,983</u>	<u>6,065,835</u>	<u>19,493,729</u>
Total Liabilities	<u>12,001,826</u>	<u>2,225,589</u>	<u>6,636,207</u>	<u>20,863,622</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Pensions	<u>18,342</u>	<u>19,781</u>	<u>17,566</u>	<u>55,689</u>
Total Deferred Inflows of Resources	<u>18,342</u>	<u>19,781</u>	<u>17,566</u>	<u>55,689</u>
<b>NET POSITION:</b>				
Net Investment in Capital Assets	6,487,865	7,950,386	1,113,333	15,551,584
Restricted for:				
Utility Debt Service	248,958	140	-	249,098
Unrestricted	<u>1,850,961</u>	<u>3,392,440</u>	<u>(3,956,154)</u>	<u>1,287,247</u>
Total Net Position	<u>8,587,784</u>	<u>11,342,966</u>	<u>(2,842,821)</u>	<u>17,087,929</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 20,607,952</u>	<u>\$ 13,588,336</u>	<u>\$ 3,810,952</u>	<u>\$ 38,007,240</u>

See accompanying notes to the basic financial statements.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Statement of Revenues, Expenses and  
Changes in Net Position  
Enterprise Funds  
For the Year Ended December 31, 2016

	Water Fund	Sewer Fund	Waste Fund	Total
<b>OPERATING REVENUES:</b>				
Charges for Services	\$ 3,631,720	\$ 2,824,945	\$ 2,428,106	\$ 8,884,771
Other Revenue	<u>3,229</u>	<u>114,843</u>	<u>34,230</u>	<u>152,302</u>
Total Operating Revenues	<u>3,634,949</u>	<u>2,939,788</u>	<u>2,462,336</u>	<u>9,037,073</u>
<b>OPERATING EXPENSES:</b>				
Personal Services	1,197,657	1,244,154	1,213,939	3,655,750
Contractual Services	854,970	571,232	779,969	2,206,171
Materials and Supplies	336,086	288,191	49,014	673,291
Depreciation	630,322	765,020	155,140	1,550,482
Closure and Postclosure Care	<u>-</u>	<u>-</u>	<u>118,537</u>	<u>118,537</u>
Total Operating Expenses	<u>3,019,035</u>	<u>2,868,597</u>	<u>2,316,599</u>	<u>8,204,231</u>
Operating Income	<u>615,914</u>	<u>71,191</u>	<u>145,737</u>	<u>832,842</u>
<b>NON-OPERATING REVENUE (EXPENSES):</b>				
Intergovernmental	-	-	5,000	5,000
Investment Income	94,563	22,531	-	117,094
Interest and Fiscal Charges	<u>(511,575)</u>	<u>(39,587)</u>	<u>(15,315)</u>	<u>(566,477)</u>
Total Non-Operating Revenues (Expenses)	<u>(417,012)</u>	<u>(17,056)</u>	<u>(10,315)</u>	<u>(444,383)</u>
Income (Loss) Before Transfers	198,902	54,135	135,422	388,459
Transfers-Out	<u>(46,848)</u>	<u>(26,056)</u>	<u>(4,214)</u>	<u>(77,118)</u>
Change in Net Position	152,054	28,079	131,208	311,341
Net Position, Beginning of Year	<u>8,435,730</u>	<u>11,314,887</u>	<u>(2,974,029)</u>	<u>16,776,588</u>
Net Position, End of Year	<u>\$ 8,587,784</u>	<u>\$ 11,342,966</u>	<u>\$ (2,842,821)</u>	<u>\$ 17,087,929</u>

See accompanying notes to the basic financial statements.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Statement of Cash Flows  
Enterprise Funds  
For the Year Ended December 31, 2016

	Water Fund	Sewer Fund	Waste Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash Received from Customers	\$ 3,622,005	\$ 2,807,061	\$ 2,409,484	\$ 8,838,550
Cash Paid for Employees Salaries and Benefits	(1,140,489)	(1,222,487)	(1,143,785)	(3,506,761)
Cash Paid to Suppliers	(1,198,484)	(841,295)	(808,751)	(2,848,530)
Other Operating Revenues	<u>(1,634)</u>	<u>110,927</u>	<u>31,478</u>	<u>140,771</u>
Net Cash Provided by Operating Activities	<u>1,281,398</u>	<u>854,206</u>	<u>488,426</u>	<u>2,624,030</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Transfers	<u>(46,848)</u>	<u>(26,056)</u>	<u>(4,214)</u>	<u>(77,118)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Grants	-	-	5,000	5,000
Capital Expenditures	(65,799)	(23,420)	(462,924)	(552,143)
Issuance of Bond Anticipation Note	2,120,000	-	500,000	2,620,000
Principal on Mortgage Revenue Bonds	(2,575,000)	-	-	(2,575,000)
Principal on Note Payable	-	(50,654)	-	(50,654)
Principal on Capital Lease	-	-	(76,775)	(76,775)
Interest Paid	<u>(481,547)</u>	<u>(40,656)</u>	<u>(6,845)</u>	<u>(529,048)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(1,002,346)</u>	<u>(114,730)</u>	<u>(41,544)</u>	<u>(1,158,620)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Proceeds from Internal Borrowing	-	-	300,000	300,000
Repayment of Internal Borrowing	<u>-</u>	<u>-</u>	<u>(400,000)</u>	<u>(400,000)</u>
Net Cash Provided by Noncapital Financing Activities	<u>-</u>	<u>-</u>	<u>(100,000)</u>	<u>(100,000)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Investment Income	<u>94,563</u>	<u>22,531</u>	<u>-</u>	<u>117,094</u>
Increase in Cash and Cash Equivalents	326,767	735,951	342,668	1,405,386
Equity in Pooled Cash and Cash Equivalents, Beginning of Year	<u>2,195,776</u>	<u>3,225,035</u>	<u>499,924</u>	<u>5,920,735</u>
Equity in Pooled Cash and Cash Equivalents, End of Year	<u>\$ 2,522,543</u>	<u>\$ 3,960,986</u>	<u>\$ 842,592</u>	<u>\$ 7,326,121</u>
Reconciliation of Equity in Pooled Cash and Cash Equivalents per Statement of Net Position to Cash and Cash Equivalents, End of Year, per Statement of Cash Flows:				
Equity in Pooled Cash and Cash Equivalents, per Statement of Net Position	\$ 2,273,585	\$ 3,960,846	\$ 842,592	\$ 7,077,023
Plus: Restricted Cash and Cash Equivalents	<u>248,958</u>	<u>140</u>	<u>-</u>	<u>249,098</u>
Cash and Cash Equivalents, End of Year, per Statement of Cash Flows	<u>\$ 2,522,543</u>	<u>\$ 3,960,986</u>	<u>\$ 842,592</u>	<u>\$ 7,326,121</u>

(Continued)

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Statement of Cash Flows  
Enterprise Funds  
For the Year Ended December 31, 2016  
(Continued)

	Water Fund	Sewer Fund	Waste Fund	Total
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating Income	\$ 615,914	\$ 71,191	\$ 145,737	\$ 832,842
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation	630,322	765,020	155,140	1,550,482
Landfill Closure and Postclosure Costs	-	-	118,537	118,537
Change in Deferred Outflows of Resources - Pension	(253,210)	(272,626)	(247,032)	(772,868)
Changes in Assets and Liabilities:				
Accounts Receivable	(9,715)	(17,884)	(18,622)	(46,221)
Due from Other Funds	(4,863)	(3,916)	(2,752)	(11,531)
Accounts Payable	(7,428)	18,128	20,232	30,932
Accrued Wages & Benefits	3,441	(1,169)	(2,853)	(581)
Accrued Compensated Absences	(246)	(34,671)	14,303	(20,614)
Net Pension Liability	300,364	322,805	298,949	922,118
Change in Deferred Inflows of Resources - Pension	<u>6,819</u>	<u>7,328</u>	<u>6,787</u>	<u>20,934</u>
Net Cash Provided by Operating Activities	<u>\$ 1,281,398</u>	<u>\$ 854,206</u>	<u>\$ 488,426</u>	<u>\$ 2,624,030</u>
Supplemental Disclosure of Noncash Investing and Financing Activities				
Capital Expenditures Funded by Capital Lease Borrowings	\$ -	\$ -	\$ 600,916	\$ 600,916

See accompanying notes to the basic financial statements.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Statement of Fiduciary Assets and Liabilities  
Agency Fund  
December 31, 2016

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**ASSETS:**

Equity in Pooled Cash and Cash Equivalents	\$ 181,674
Total Assets	<u>\$ 181,674</u>

**LIABILITIES:**

Undistributed Monies	\$ 181,674
Total Liabilities	<u>\$ 181,674</u>

See accompanying notes to the basic financial statements.

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**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2016

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**NOTE 1 – REPORTING ENTITY**

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-one 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.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2016

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

**Basis of Presentation**

The City's basic financial statements consist of government-wide statements, including a statement of net position 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 position 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 position 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.

**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 and deferred outflows of resources are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities and deferred inflows of resources are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2016

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

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.

Taxi Fund – The Taxi Fund is used to account for restricted grants received for general operations of public transportation for the City.

Police Fund – The Police Fund is used to account for restricted property taxes levied 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 or committed to a particular purpose.

**Proprietary Funds**

The proprietary fund reporting focuses on the determination of operating income, changes in net position, 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.

**Fiduciary Funds**

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. The City's 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 deferred outflows of resources as well as all liabilities and deferred inflows of resources associated with the operations of the City are included on the statement of net position. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2016

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

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 deferred outflows of resources and current liabilities and deferred inflows of resources 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 deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the balance sheet. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. 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 outflows/inflows of resources and in the presentation of expenses versus expenditures.

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.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2016

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refunding and for pension. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension are explained further in Note 9.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, tax increment financing, pension, and unavailable revenue. Property taxes and tax increment financing represent amounts for which there is an enforceable legal claim as of December 31, 2016, but which were levied to finance fiscal year 2017 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, income taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position and are further explained in Note 9.

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.

**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 2016, investments were limited to U.S. agency securities, certificates of deposit and money market funds. Investments are reported at fair value, which is based on quoted market prices. 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 position 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 position.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2016

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

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 values as of the date received. The City maintains a capitalization threshold of two-thousand five-hundred dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed. Interest incurred during the construction of 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:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Buildings	10-99 years	10-50 years
Improvements	4-20 years	5-50 years
Equipment	5-45 years	5-50 years
Vehicles	4-30 years	5-10 years
Infrastructure:		
Sewer and Water Lines	N/A	30-45 years
Other	60 years	N/A

**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 the vesting method 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 ten 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. The noncurrent portion of the liability is not reported. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

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

**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, certain expenses, such as compensated absences, that will be paid from the governmental funds 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.

**Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments, or are imposed law through constitutional provisions or enabling legislation.

Restricted assets in the enterprise funds represent cash and cash equivalents, as well as investments, set aside in separate depository accounts for the repayment of revenue mortgage debt.

**Fund Balance Classifications**

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable – resources that are not in spendable form or have legal or contractual requirements to maintain the balance intact.

Restricted – resources that have external purpose restraints imposed on them by providers, such as creditors, grantors, or other regulators.

Committed – resources that are constrained for specific purposes that are internally imposed by the government through an affirmative vote of its highest level of decision making authority, the City Council, an ordinance.

Assigned – resources that are intended for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council or through the City Council delegating this responsibility to the City Auditor through the formal purchasing procedures.

Unassigned – residual fund balance within the General Fund that is not restricted, committed, or assigned. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from incurred expenditures for specific purposes exceeding amounts which had been restricted, committed or assigned for said purposes.

The City applies restricted resources first when an expenditure is incurred for purposes which both restricted and unrestricted fund balance are available. The City considers committed, assigned, and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2016

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

**Net Position**

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net investment in capital assets 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 position is reported as restricted when there are limitations imposed on its 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 position is 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.

**Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

**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.

**Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. There were no such transactions or events for 2016.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2016

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**NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES**

Change in Accounting Principle

For 2016, the City implemented the Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, GASB Statement No. 77, *Tax Abatement Disclosures*, GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, and GASB Statement No. 82, *Pension Issues an Amendment of GASB Statements No. 67, No. 68 and No. 73*.

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes for applying fair value to certain investments and disclosures related to all fair value measurements. These changes are incorporated into the City's 2016 financial statements; however, there was no effect on beginning net position or fund balance.

GASB Statement No. 73 establishes requirements for defined benefit pension plans that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing for those pensions. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68. The implementation of this GASB Statement did not result in any changes to the City's financial statements.

GASB Statement No. 76 identifies, in the context of the current governmental financial reporting environment, the sources of accounting principles used to prepare the financial statements of state and local governmental entities in conformity with generally accepted accounting principles (GAAP) and the framework for selecting those principles. The implementation of this Statement did not result in any changes to the City's financial statements.

GASB Statement No. 77 requires financial statement disclosures that will provide users with information concerning the reporting government's tax abatement programs – nature and magnitude – which will provide information on ability to raise resources and the impact abatement programs have on financial position of the government. The City has evaluated its abated tax revenues for the year and deemed the amount insignificant to the financial statements and therefore the required disclosures have not been included within these financial statements.

GASB Statement No. 79 establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement provides accounting and financial reporting guidance also establishes additional note disclosure requirements that participate in those pools. The City participates in STAROhio which implemented GASB Statement No. 79 for 2016. The City incorporated the corresponding GASB 79 guidance into its 2016 financial statements; however, there was no effect on beginning net position or fund balance.

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the City's 2016 financial statements; however, there was no effect on beginning net position or fund balance.

**CITY OF WILMINGTON, OHIO**  
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**NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES** (Continued)

Issued but Not Implemented Accounting Standard

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which will require the City to recognize on the face of the financial statements, its proportionate share of the net OPEB liability related to its participation in the Ohio Public Employees Retirement System (OPERS) and the Ohio Police and Fire Pension Fund (OP&F). This Standard also enhances accountability and transparency through revised note disclosures and required supplementary information. The provisions of this Standard are required to be implemented for reporting periods beginning after June 15, 2017. The City has not early implemented GASB Statement No. 75 and is currently in the process of evaluating the impact this Standard will have on its financial statements; however, that effect is anticipated to be significant.

**NOTE 4 – ACCOUNTABILITY**

At December 31, 2016 the following individual funds reported deficit fund balances: Permissive Tax, Police Pension, Chip Program Income, Fire Pension, Jobs Ohio, ODOT Grant and Hotel Lodging Excise Tax Special Revenue Funds and Waste Proprietary Fund. 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. Each of the activities' portion of this pool is displayed on the Statement of Net Position 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;

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**NOTE 5 – DEPOSITS AND INVESTMENTS** (Continued)

- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions, and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

Deposits

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

At year end the carrying amount of the City's deposits was \$5,688,043 and the bank balance was \$5,864,098. Of the bank balance, \$680,573 was covered by federal deposit insurance and \$5,183,525 was exposed to custodial risk and was collateralized with securities held by the pledging financial institutions trust department or agent but not in the City's name.

Investments

The City's investments at December 31, 2016 were as follows:

	Fair Value	Credit Rating	Investment Maturities (in Years)			Percentage of Portfolio
			less than 1	1 to 3	3 to 5	
Money Market Funds	\$ 260,155	N/A	\$ 260,155	\$ -	\$ -	4.0%
Negotiable Certificates of Deposit	2,117,176	N/A	730,714	1,386,462	-	32.7%
Federal Home Loan Mortgage Corporation	1,680,429	AA+	-	-	1,680,429	25.9%
Federal Home Loan Bank	1,423,731	AA+	-	-	1,423,731	22.0%
Federal National Mortgage Association	751,051	AA+	-	-	751,051	11.6%
Federal Farm Credit Bank	249,378	AA+	249,378	-	-	3.8%
<b>Total Investments</b>	<b>\$ 6,481,920</b>		<b>\$ 1,240,247</b>	<b>\$ 1,386,462</b>	<b>\$ 3,855,211</b>	<b>100.0%</b>

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

*Credit Risk* – The City's investment policy restricts investments in obligations of the United States Treasury and Federal Agencies to direct obligations of the issuing entity. The City's policy requires commercial paper to have a credit rating in the highest classification established by at least two nationally recognized standard rating services and the aggregate value of the notes cannot exceed ten per cent of the outstanding commercial paper of the issuing corporation. Bankers acceptances are restricted to those insured by the federal deposit insurance corporation, are eligible for purchase by the Federal Reserve System and the obligations mature not later than one hundred eighty days after purchase. All negotiable certificates of deposit are covered by FDIC.

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

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**NOTE 5 – DEPOSITS AND INVESTMENTS** (Continued)

*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.

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. 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	\$ 12,169,963	-
Investments:		
Money Market Funds	(260,155)	260,155
Certificates of Deposit	(2,117,176)	2,117,176
US Government Agency Obligations	(4,104,589)	4,104,589
Per Footnote	\$ 5,688,043	6,481,920

Fair Value Measurement

The City’s investments measured and reported at fair value are classified according to the following hierarchy:

- Level 1 — Investments reflect prices quoted in active markets.
- Level 2 — Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active.
- Level 3 — Investments reflect prices based upon unobservable sources.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment’s risk.

Debt, equities, and investment derivatives classified in Level 1 of the fair value hierarchy are valued directly from a predetermined primary external pricing vendor. Assets classified in Level 2 are subject to pricing by an alternative pricing source due to lack of information available by the primary vendor. Mortgage and asset backed securities classified in Level 3, due to lack of an independent pricing source, are valued using an internal fair value as provided by the investment manager.

		Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level	Fair Value			
Negotiable Certificates of Deposit	2,117,176	-	2,117,176	-
US Government Agency Obligations	4,104,589	4,104,589	-	-
Total Investments	\$ 6,221,765	\$ 4,104,589	\$ 2,117,176	\$ -

**CITY OF WILMINGTON, OHIO**  
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**NOTE 6 – RECEIVABLES**

Receivables at December 31, 2016 consisted primarily of municipal income taxes, property and other taxes, intergovernmental receivables arising from entitlements, shared revenues, 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 and public utility property located in the City. Property tax revenue received during 2016 for real and public utility property taxes represents collections of the 2015 taxes.

2016 real property taxes are levied after October 1, 2016, on the assessed value as of January 1, 2016, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2016 real property taxes are collected in and intended to finance operations in the subsequent year. 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.

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. 2016 public utility property taxes became a lien December 31, 2015, are levied after October 1, 2016, and are collected in 2016 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2016 was \$7.35 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2016 property tax receipts were based are as follows:

Real Property Tax Assessed Valuation	\$ 214,411,110
Public Utility Tangible Personal Property Assessed Valuation	<u>6,718,400</u>
Total	\$ <u>221,129,510</u>

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, 2016, and for which there is an enforceable legal claim. In the governmental funds, the entire receivable has been offset by deferred inflows of resources since the current taxes were not levied to finance 2016 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.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2016

**NOTE 6 – RECEIVABLES** (Continued)

**Due from Other Governments**

A summary of the governmental activities intergovernmental receivables follows:

<u>Governmental Activities:</u>	
Local government assistance	\$ 140,842
Homestead/Rollback	43,437
Gasoline tax	214,724
Motor vehicle license fees	7,242
Other	9,291
Total	\$ 415,536

**NOTE 7 - INTERFUND ACTIVITY**

Transfers are used to subsidize ongoing operations or functions of the recipient funds, as well as to pay scheduled debt service payments as they become due, and are not intended to be repaid. Interfund transfers for the year ended December 31, 2016, consisted of the following:

Transfer To	Transfer From				Total
	General Fund	Water Fund	Sewer Fund	Waste Fund	
General Fund	\$ -	\$ 30,038	\$ 6,165	\$ 4,214	\$ 40,417
Taxi Fund	267,000	-	-	-	267,000
Police Fund	1,984,745	-	-	-	1,984,745
Nonmajor Governmental Funds	2,314,100	16,810	19,891	-	2,350,801
Total	\$ 4,565,845	\$ 46,848	\$ 26,056	\$ 4,214	\$ 4,642,963

Amounts due to one fund from another occurred during the year as the amounts paid from the City's various funds to the self-insurance program exceeded the current year claims expense plus the year-end accrual for claims payable. The table below also includes \$487,000 in notes outstanding which were held by the City. A summary of the interfund due to and due from amounts as of December 31, 2016 is below:

Due To	Due From		
	General Fund	Waste Fund	Nonmajor Governmental Funds
General Fund	\$ -	300,000	187,000
Taxi Fund	5,260	-	-
Police Fund	24,453	-	-
Water Fund	18,861	-	-
Sewer Fund	17,914	-	-
Waste Fund	17,108	-	-
Nonmajor Governmental Funds	32,110	-	-
Total	\$ 115,706	\$ 300,000	\$ 187,000

**CITY OF WILMINGTON, OHIO**  
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**NOTE 8 – CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2016 was as follows:

	Balance 12/31/2015	Additions	Deletions	Balance 12/31/2016
<b><u>Governmental Activities:</u></b>				
Non-depreciable capital assets:				
Land	\$ 3,264,268	63,000	-	3,327,268
Depreciable capital assets:				
Buildings	8,843,976	-	-	8,843,976
Improvements	532,287	-	-	532,287
Equipment	2,993,662	136,756	-	3,130,418
Vehicles	6,543,254	262,610	(175,133)	6,630,731
Furniture & Fixtures	25,053	-	-	25,053
Infrastructure	3,538,413	1,942,030	-	5,480,443
Depreciable capital assets	<u>22,476,645</u>	<u>2,341,396</u>	<u>(175,133)</u>	<u>24,642,908</u>
Less: accumulated depreciation				
Buildings	(2,976,295)	(184,057)	-	(3,160,352)
Improvements	(294,040)	(22,305)	-	(316,345)
Equipment	(2,873,696)	(148,047)	-	(3,021,743)
Vehicles	(4,071,606)	(365,403)	148,218	(4,288,791)
Furniture & Fixtures	(25,053)	-	-	(25,053)
Infrastructure	(639,283)	(69,752)	-	(709,035)
Accumulated depreciation	<u>(10,879,973)</u>	<u>(789,564) *</u>	<u>148,218</u>	<u>(11,521,319)</u>
Depreciable capital assets, net	<u>11,596,672</u>	<u>1,551,832</u>	<u>(26,915)</u>	<u>13,121,589</u>
Governmental activities capital assets, net	\$ <u>14,860,940</u>	<u>1,614,832</u>	<u>(26,915)</u>	<u>16,448,857</u>

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

General Government	\$ 98,539
Security of Persons & Property	396,217
Leisure Time Activities	37,085
Transportation	<u>257,723</u>
	\$ <u><u>789,564</u></u>

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Notes to the Basic Financial Statements  
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**NOTE 8 – CAPITAL ASSETS** (Continued)

	Balance 12/31/2015	Additions	Deletions	Balance 12/31/2016
<b><u>Business-Type Activities:</u></b>				
Non-depreciable capital assets:				
Land	\$ 2,431,007	-	-	2,431,007
Non-depreciable capital assets	<u>2,431,007</u>	<u>-</u>	<u>-</u>	<u>2,431,007</u>
Depreciable capital assets:				
Buildings	19,488,314	-	-	19,488,314
Improvements	27,995,291	455,124	-	28,450,415
Equipment	7,795,018	33,420	-	7,828,438
Vehicles	1,546,635	664,515	(79,939)	2,131,211
Depreciable capital assets	<u>56,825,258</u>	<u>1,153,059</u>	<u>(79,939)</u>	<u>57,898,378</u>
Less: accumulated depreciation				
Buildings	(5,795,557)	(402,012)	-	(6,197,569)
Improvements	(17,839,823)	(718,897)	-	(18,558,720)
Equipment	(5,675,023)	(381,842)	-	(6,056,865)
Vehicles	(1,149,055)	(47,731)	79,939	(1,116,847)
Accumulated depreciation	<u>(30,459,458)</u>	<u>(1,550,482)</u>	<u>79,939</u>	<u>(31,930,001)</u>
Depreciable capital assets, net	<u>26,365,800</u>	<u>(397,423)</u>	<u>-</u>	<u>25,968,377</u>
Business-Type activities capital assets, net	<u>\$ 28,796,807</u>	<u>(397,423)</u>	<u>-</u>	<u>28,399,384</u>

**NOTE 9 – DEFINED BENEFIT PENSION PLANS**

***Net Pension Liability***

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the City’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the City’s obligation for this liability to annually required payments. The City cannot control benefit terms or the manner in which pensions are financed; however, the City does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities

**CITY OF WILMINGTON, OHIO  
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**NOTE 9 – DEFINED BENEFIT PENSION PLANS** (Continued)

within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan’s unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in salaries and benefits payable on both the accrual and modified accrual bases of accounting.

**Plan Description – Ohio Public Employees Retirement System (OPERS)**

Plan Description - City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS’ traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS’ fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

<b>Group A</b> Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	<b>Group B</b> 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	<b>Group C</b> Members not in other Groups and members hired on or after January 7, 2013
<b>State and Local Employees</b>		
<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit <b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 years	<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit <b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 years	<b>Age and Service Requirements:</b> Age 57 with 25 years of service credit or Age 62 with 5 years of service credit <b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35 years

**CITY OF WILMINGTON, OHIO  
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**NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)**

<b>Group A</b> Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	<b>Group B</b> 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	<b>Group C</b> Members not in other Groups and members hired on or after January 7, 2013
<b>Public Safety Employees</b>		
<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 52 with 15 years of service credit <b>Formula:</b> 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25 years	<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 52 with 15 years of service credit <b>Formula:</b> 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25 years	<b>Age and Service Requirements:</b> Age 52 with 25 years of service credit or Age 56 with 15 years of service credit <b>Formula:</b> 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25 years
<b>Law Enforcement Employees</b>		
<b>Age and Service Requirements:</b> Age 52 with 15 years of service credit <b>Formula:</b> 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25 years	<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 52 with 15 years of service credit <b>Formula:</b> 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25 years	<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 56 with 15 years of service credit <b>Formula:</b> 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25 years

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	<u>State and Local</u>	<u>Public Safety</u>	<u>Law Enforcement</u>
<b>2016 Statutory Maximum Contribution Rates:</b>			
Employer	14.0%	18.1%	18.1%
Employee	10.0%	*	**
<b>2016 Actual Contribution Rates:</b>			
Employer:			
Pension	12.0%	16.1%	16.1%
Post-employment Health Care Benefits	2.0%	2.0%	2.0%
Total Employer	<u>14.0%</u>	<u>18.1%</u>	<u>18.1%</u>
Employee	<u>10.0%</u>	<u>12.0%</u>	<u>13.0%</u>

\* This rate is determined by OPERS' Board and has no maximum rate established by ORC.

\*\* This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2% greater than the Public Safety rate.

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**NOTE 9 – DEFINED BENEFIT PENSION PLANS** (Continued)

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required pension contribution was \$637,638 for 2016; \$60,914 is reported in accrued wages and benefits payable.

***Plan Description - Ohio Police & Fire Pension Fund (OP&F)***

Plan Description - City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. OP&F provides retirement and disability pension 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 and detailed information about OP&F fiduciary net position. The report that may be obtained by visiting the OP&F website at [www.op-f.org](http://www.op-f.org) or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OP&F may retire and receive a lifetime monthly pension. OP&F offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OP&F benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to three percent of their base pension or disability benefit.

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**NOTE 9 – DEFINED BENEFIT PENSION PLANS** (Continued)

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	<u>Police</u>	<u>Firefighters</u>
<b>2016 Statutory Maximum Contribution Rates:</b>		
Employer	19.50%	24.00%
Employee	12.25%	12.25%
<b>2016 Actual Contribution Rates:</b>		
Employer:		
Pension	19.00%	23.50%
Post-employment Health Care Benefits	<u>0.50%</u>	<u>0.50%</u>
Total Employer	<u>19.50%</u>	<u>24.00%</u>
Employee	12.25%	12.25%

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$475,862 for 2016; \$35,798 is reported in accrued wages and benefits payable.

In addition to current contributions, the City pays installments on a specific liability of the City incurred to fund their unfunded pension costs associated with police and fire services. As of December 31, 2016, the specific liability of the City was \$81,883 payable in semi-annual payments through the year 2035.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

The net pension liability for OPERS was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2015, and was determined by rolling forward the total pension liability as of January 1, 2015, to December 31, 2015. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
Proportionate share of the net pension liability	\$ 7,357,807	\$ 6,509,754	\$ 13,867,561
Proportion of the net pension liability	0.042478%	0.101192%	
Pension expense	\$ 1,065,526	\$ 908,406	\$ 1,973,932

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**NOTE 9 – DEFINED BENEFIT PENSION PLANS** (Continued)

At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
<u>Deferred Outflows of Resources:</u>			
Net difference between projected and actual earnings on pension plan investments	\$ 2,158,800	\$ 1,034,266	\$ 3,193,066
Change in City's proportionate share	67,302	-	67,302
City contributions subsequent to the measurement date	<u>637,638</u>	<u>475,862</u>	<u>1,113,500</u>
Total	<u>\$ 2,863,740</u>	<u>\$ 1,510,128</u>	<u>\$ 4,373,868</u>
<u>Deferred Inflows of Resources:</u>			
Change in City's proportionate share	-	279,408	279,408
Differences between expected and actual experience	<u>141,237</u>	<u>18,279</u>	<u>159,516</u>
Total	<u>\$ 141,237</u>	<u>\$ 297,687</u>	<u>\$ 438,924</u>

\$1,113,500 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
Fiscal Year Ending December 31:			
2017	\$ 503,550	\$ 213,223	\$ 716,773
2018	537,466	213,223	750,689
2019	554,420	213,223	767,643
2020	489,429	165,165	654,594
2021	-	(57,358)	(57,358)
Thereafter	-	<u>(10,897)</u>	<u>(10,897)</u>
	<u>\$ 2,084,865</u>	<u>\$ 736,579</u>	<u>\$ 2,821,444</u>

**Actuarial Assumptions - OPERS**

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage inflation	3.75 percent
Future salary increases, including inflation	4.25% to 10.05% including wage inflation
COLA or Ad Hoc COLA	3.00%, simple
Investment rate of return	8.00%
Actuarial cost method	Individual Entry Age

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**NOTE 9 – DEFINED BENEFIT PENSION PLANS** (Continued)

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 0.4 percent for 2015.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2015 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	23.00%	2.31%
Domestic Equities	19.90%	5.84%
Real Estate	10.00%	4.25%
Private Equity	10.00%	9.25%
International Equities	19.10%	7.40%
Other Investments	<u>18.00%</u>	4.59%
Total	<u>100.00%</u>	

***Discount Rate***

The discount rate used to measure the total pension liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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**NOTE 9 – DEFINED BENEFIT PENSION PLANS** (Continued)

***Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate***

The following table presents the City's proportionate share of the net pension liability calculated using the current period discount rate assumption of 8 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	\$ 11,722,785	\$ 7,357,807	\$ 3,676,087

***Changes between Measurement Date and Report Date***

In October 2016, the OPERS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of December 31, 2016. The most significant change is a reduction in the discount rate from 8.0 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the City's net pension liability is expected to be significant.

***Actuarial Assumptions - OP&F***

OP&F's total pension liability as of December 31, 2015 is based on the results of an actuarial valuation date of January 1, 2015, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2015, are presented below:

Valuation Date	January 1, 2014
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.25%
Projected Salary Increases	4.25% to 11.00%
Payroll Increases	3.75%
Inflation Assumptions	3.25%
Cost of Living Adjustments	2.60% and 3.00%

Rates of death are based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

The most recent experience study was completed January 1, 2012.

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**NOTE 9 – DEFINED BENEFIT PENSION PLANS** (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes.

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F’s target asset allocation as of December 31, 2015 are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash & Cash Equivalents	0.00%	-0.25%
Domestic Equity	16.00%	4.47%
Non-US Equity	16.00%	4.47%
Core Fixed Income *	20.00%	1.62%
Global Inflation Protected *	20.00%	1.33%
High Yield	15.00%	3.39%
Real Estate	12.00%	3.93%
Private Markets	8.00%	6.98%
Timber	5.00%	4.92%
Master Limited Partnerships	<u>8.00%</u>	7.03%
Total	<u>120.00%</u>	

\* - levered 2x

OPF’s Board of Trustees has incorporated the “risk parity” concept into OPF’s asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

**Discount Rate** The total pension liability was calculated using the discount rate of 8.25 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.25 percent. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.25 percent), or one percentage point higher (9.25 percent) than the current rate.

	<u>1% Decrease (7.25%)</u>	<u>Current Discount Rate (8.25%)</u>	<u>1% Increase (9.25%)</u>
City’s proportionate share of the net pension liability	\$ 8,585,491	\$ 6,509,754	\$ 4,751,397

**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.

In March 2016, OPERS received two favorable rulings from the Internal Revenue Service (IRS) allowing OPERS to consolidate all health care assets into the OPERS 115 Health Care Trust. Transition to the new health care trust structure was completed July 1, 2016. As of December 31, 2016, OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage. OPERS funds a Retiree Medical Account (RMA) for participants in the Member-Directed Plan. At retirement or refund, participants can be reimbursed for qualified medical expenses from their vested RMA balance.

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 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 meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. Please see the Plan Statement in the OPERS 2015 CAFR for details.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the OPERS Board of Trustees (OPERS Board) in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml#CAFR>, 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 the statutory authority requiring public employers to fund health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2016, State and Local employers contributed at a rate of 14.0% of earnable salary and Public Safety and Law Enforcement employers contributed at 18.1%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0% during calendar year 2016. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2017 decreased to 1.0% for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2016 was 4.0%.

**CITY OF WILMINGTON, OHIO**  
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**NOTE 10 – POSTEMPLOYMENT BENEFITS** (Continued)

The City's actual contributions for 2016, 2015 and 2014, which were used to fund post-employment benefits, were \$109,579, \$109,800 and \$105,506, respectively. The actual contribution and the actuarially required contribution amounts are the same.

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

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost-sharing multiple-employer defined postemployment health care plan administered by OP&F.

OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents. 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 statutory survivor benefit or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits 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. That report is also available on OP&F's website at [www.op-f.org](http://www.op-f.org).

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5% and 24% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5% of covered payroll for police employer units and 24% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. The portion of employer contributions allocated to health care was .5% of covered payroll from January 1, 2016 thru December 31, 2016. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's actual contributions for 2016, 2015 and 2014 that were used to fund post-employment benefits were \$11,520, \$11,309 and \$10,800 for police and firefighters, respectively.

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**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, 2016, the estimated total absences payable of the City was \$938,175.

**NOTE 12 – LONG-TERM OBLIGATIONS**

A schedule of changes in long-term obligations of the City during 2016 is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
<i><u>Governmental Activities:</u></i>					
General Obligation Bonds Payable	\$ 2,905,000	\$ -	\$ 495,000	\$ 2,410,000	\$ 515,000
Accrued Bond Premium	119,503	-	21,089	98,414	-
Total General Obligation Bonds	3,024,503	-	516,089	2,508,414	515,000
Note Payable	926,601	-	83,357	843,244	87,793
Capital Leases Payable	172,270	-	56,180	116,090	57,092
Compensated Absences	648,943	76,654	65,247	660,350	76,654
Police and Fire Pension	84,757	-	2,874	81,883	2,997
Net Pension Liability:					
OPERS	3,046,816	1,410,553	-	4,457,369	
OP&F	5,575,382	934,372	-	6,509,754	-
Total Governmental Activities	<u>\$ 13,479,272</u>	<u>\$ 2,421,579</u>	<u>\$ 723,747</u>	<u>\$ 15,177,104</u>	<u>\$ 739,536</u>
<i><u>Business-Type Activities:</u></i>					
Mortgage Revenue Bonds Payable	\$ 8,830,000	\$ -	\$ 85,000	\$ 8,745,000	\$ 100,000
Accrued Bond Premium	14,890	-	2,291	12,599	-
Total Mortgage Revenue Bonds	8,844,890	-	87,291	8,757,599	100,000
Note Payable	1,028,938	-	50,654	978,284	52,777
Bond Anticipation Notes	2,490,000	2,620,000	2,490,000	2,620,000	390,000
Capital Leases Payable	197,136	600,916	76,775	721,277	167,912
Estimated Liability for Landfill					
Closure and Postclosure Care	3,897,515	118,537	-	4,016,052	-
Compensated Absences	298,439	131,638	152,252	277,825	67,057
Net Pension Liability:					
OPERS	1,978,320	922,118	-	2,900,438	-
Total Business-Type Activities	<u>\$ 18,735,238</u>	<u>\$ 4,393,209</u>	<u>\$ 2,856,972</u>	<u>\$ 20,271,475</u>	<u>\$ 777,746</u>

**CITY OF WILMINGTON, OHIO**  
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**NOTE 12 – LONG-TERM OBLIGATIONS** (Continued)

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.

The City has 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	Maturity Year	Issue Amount	Amount Outstanding at Year End
2007	Fire Truck Acquisition	4.25%	2017	\$ 605,000	\$ 65,000
2013	Mun Bldg/Fire Refunding	2.0% to 4.0%	2021	3,635,000	2,345,000
				<u>\$ 4,240,000</u>	<u>\$ 2,410,000</u>

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

Year Ending December 31	Principal	Interest	Total
2017	515,000	78,463	593,463
2018	455,000	66,700	521,700
2019	465,000	57,600	522,600
2020	475,000	39,000	514,000
2021	500,000	20,000	520,000
Total	<u>\$ 2,410,000</u>	<u>\$ 261,763</u>	<u>\$ 2,671,763</u>

Bond Anticipation Notes

As discussed in Note 18, in May 2017, the City issued \$10,485,000 of waterworks system refunding revenue bonds and \$500,000 of 2017 bond anticipation notes to pay-off a portion of the 2016 bond anticipation notes payable and existing mortgage revenue bonds. As the new notes extended the maturity date of the bond anticipation notes past 12 months after the date of these financial statements, the bond anticipation notes will be treated as long-term obligations of the City. When the 2017 notes were issued, the City reduced the obligations of the business-type activities obligation by \$390,000.

Mortgage Revenue Bonds

The City issues bonds where income generated by the operation benefiting from the bonds pays the annual debt service requirements. All revenue bonds are for business-type activities and outstanding revenue bonds at December 31, 2016 are as follows:

Issue Year	Purpose	Interest Rate	Maturity Year	Issue Amount	Amount Outstanding at Year End
2007	Water Works Improvements	4.0% to 4.25%	2029	\$ 9,330,000	\$ 8,745,000

The City has pledged future water revenue, net of specified operating expenses, to repay the above noted mortgage revenue bonds. These bonds are payable solely from net water revenues. Total principal and interest paid during 2016 for the Water mortgage revenue bonds was \$464,961 compared with net revenue of \$1,246,236.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2016

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**NOTE 12 – LONG-TERM OBLIGATIONS** (Continued)

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

Year Ending December 31	Principal	Interest	Total
2017	\$ 100,000	\$ 376,199	\$ 476,199
2018	100,000	372,074	472,074
2019	295,000	363,927	658,927
2020	310,000	351,333	661,333
2021	315,000	338,208	653,208
2022-2026	4,450,000	1,202,709	5,652,709
2027-2029	3,175,000	218,588	3,393,588
Total	<u>\$ 8,745,000</u>	<u>\$ 3,223,038</u>	<u>\$ 11,968,038</u>

OWDA Loan Payable

The City has a long-term loan outstanding with the Ohio Water Development Authority (OWDA). This loan was used to finance improvements of the City's sewer system infrastructure. The loan has a 4.15 percent interest rate and matures in 2030. The following is the annual debt service requirements to maturity, which is to be repaid through receipts collected in the Sewer fund:

Year Ending December 31	Principal	Interest	Total
2017	52,777	40,057	\$ 92,834
2018	54,991	37,847	92,838
2019	57,296	35,538	92,834
2020	59,699	33,136	92,835
2021	62,202	30,633	92,835
2022-2026	352,388	89,306	441,694
2027-2030	338,931	54,881	393,812
Total	<u>\$ 978,284</u>	<u>\$ 321,398</u>	<u>\$ 1,299,682</u>

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
2017	2,997	3,447	\$ 6,444
2018	3,126	3,319	6,445
2019	3,260	3,184	6,444
2020	3,400	3,044	6,444
2021	3,546	2,898	6,444
2022-2026	20,179	12,045	32,224
2027-2031	24,868	7,355	32,223
2032-2035	20,507	1,761	22,268
Total	<u>\$ 81,883</u>	<u>\$ 37,053</u>	<u>\$ 118,936</u>

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2016

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**NOTE 12 – LONG-TERM OBLIGATIONS** (Continued)

Energy Conservation Improvement Note

The Energy Conservation Improvement Note was entered into in 2009, with a total principal amount financed of \$1,353,708, maturing on October 1, 2024, with an interest rate of 5 percent. This note was issued for the purpose of funding energy conservation improvements to City buildings and facilities.

Annual debt service requirements to maturity for the energy conservation improvement note is as follows.

Year Ending December 31	Principal	Interest	Total
2017	87,793	41,094	128,887
2018	92,328	36,559	128,887
2019	97,099	31,788	128,887
2020	102,038	26,849	128,887
2021	107,387	21,499	128,886
2022-2024	356,599	30,060	386,659
Total	\$ 843,244	\$ 187,849	\$ 1,031,093

Capital Leases

The City has active capital leases for a fire truck and a Ford Fusion that are recorded in governmental activities. The lease periods are for ten and four years, respectively with annual principal and interest payments. These assets were capitalized for \$461,117 and \$17,595, respectively. The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments.

Year Ending December 31	
2017	62,104
2018	62,104
Total Minimum Lease Payments	124,208
Less: Amount Representing Interest	(7,918)
Present Value of Minimum Lease Payments	\$ 116,290

The City has an active capital lease for a Volvo Truck that is recorded in business-type activities. The cost of the vehicle was capitalized for \$235,000. The lease period is for a period of 66 months and semi-annual payments are required. Additionally, during 2016, the City entered into capital leases for a tractor and loader/carts. The cost of the equipment was capitalized for \$118,933 and \$481,983, respectively. The lease periods are for three and five years, respectively and require both annual and semi-annual principal and interest payments. \$39,653 was paid for these leases in the current year. The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments.

Year Ending December 31	
2017	189,299
2018	189,299
2019	148,419
2020	148,419
2021	105,678
Total Minimum Lease Payments	781,114
Less: Amount Representing Interest	(59,837)
Present Value of Minimum Lease Payments	\$ 721,277

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2016

**NOTE 13 – SHORT-TERM OBLIGATIONS**

A summary of the short-term note transactions for the year ended December 31, 2016 follows:

	Amount Outstanding 12/31/2015	Additions	Retirements	Amount Outstanding 12/31/2016
<b><u>Governmental Activities:</u></b>				
0.40% - 2015 Various Purpose General Obligation BAN	\$ 237,000	\$ -	\$ 237,000	\$ -
0.60% - 2016 Various Purpose General Obligation BAN	-	187,000	-	187,000
Total Governmental Activities	\$ 237,000	\$ 187,000	\$ 237,000	\$ 187,000
	Amount Outstanding 12/31/2015	Additions	Retirements	Amount Outstanding 12/31/2016
<b><u>Business-Type Activities:</u></b>				
0.40% - 2015 Various Purpose General Obligation BAN	\$ 400,000	\$ -	\$ 400,000	\$ -
0.60% - 2016 Various Purpose General Obligation BAN	-	300,000	-	300,000
Total Business-Type Activities	\$ 400,000	\$ 300,000	\$ 400,000	\$ 300,000

On July 15, 2016, the City issued \$487,000 0.60% Bond Anticipation Notes (BAN) to refinance a previously issued BAN used to pay for a portion of the construction for Lowes Road and David's Drive (\$187,000) and the construction for the landfill facility expansion (\$300,000), respectively. The BAN's issued during the period and outstanding at the end of the period were City issued notes that were purchased by the City. In the financial statements these notes are shown as Due From Other Funds that purchased the notes and Due To Other Funds by the funds that received the note proceeds. The 2016 BAN matures on July 14, 2017.

On June 15, 2016, the City issued \$2,620,000 2.00% Bond Anticipation Notes (BAN) to refinance a previously issued BAN that was used to refund \$2,470,000 of outstanding 2005 Waterworks Improvement bonds. Included in this BAN, is an additional \$500,000 to finance a portion the vertical expansion costs incurred at the landfill facility during 2016. The BAN will mature on June 13, 2017.

**NOTE 14 – RISK MANAGEMENT**

**Property and Liability**

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 entities. As of December 31, 2015, the pool has twenty-one 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-one member board of trustees, consisting of a representative appointed by each of the member entities. The board of trustees elects the officers of the corporation, with each trustee having a single vote. Management is provided by an Executive Director, who is assisted by a Claims Manager, a full-time Loss Control Manager and professional office staff. The board is responsible for its own financial matters and the corporation maintains its own books of account. Budgeting and financing of MVRMA is subject to the approval of the board, and the organization is covered by policies, procedures, and formally adopted bylaws.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2016

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**NOTE 14 – RISK MANAGEMENT** (Continued)

The individual MVRMA, Inc. members are not considered "participants having equity interest" 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.

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

General Liability	\$	12,000,000	per occurrence
Automobile		12,000,000	per occurrence
Police Professional Liability		12,000,000	per occurrence
Employment Practices & Public Officials Liability		12,000,000	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
Cyber Coverage		2,000,000	per occurrence
Pollution Liability		1,000,000	per condition

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 - \$250,000 per occurrence. The SIR for Boiler and Machinery is \$10,000 - \$500,000 per occurrence. The SIR for Pollution Liability is \$75,000 - \$750,000 per pollution condition. 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, 2015.

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 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.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2016

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**NOTE 14 – RISK MANAGEMENT** (Continued)

Self-Insured Health Insurance

Beginning in 2009, the City provides health, dental and vision insurance coverage for its employees through a self-insurance plan administered by Anthem. Anthem provides claims review and processing services. This program is accounted for in the General Fund and is funded through premium contributions provided by the City as well as a portion from City employees. Program year runs from April 1 through March 31 of each year. Stop loss insurance is purchased through Anthem to cover loss in excess of \$65,000 per subscriber or \$2,658,189 in aggregate for the plan year ended March 31, 2017. The City expects that all claims will be settled within one year.

Changes in claims activity for employee health insurance benefits for the past two fiscal years are as follows:

Year	Beginning Balance	Current Year Claims	Current Year Claim Payments	Ending Balance
2016	\$ 273,800	2,171,328	2,119,728	325,400
2015	\$ 275,200	2,110,217	2,111,617	273,800

**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.

Grants

For the period January 1, 2016 to December 31, 2016, the City received federal and state grants for specific purposes that are subject to review and audit by grantor agencies or their designee. Such audits could result to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowances, if any, would be financially insignificant.

**NOTE 16 - COMMITMENTS**

Encumbrances

At December 31, 2016, the City had the following amounts encumbered for purchase obligations:

Fund	Year-End Encumbrances
General Fund	\$ 178,778
Taxi Fund	30,767
Police Fund	5,576
Non-major Governmental Funds	106,427
Total	<u>\$ 321,548</u>

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2016

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**NOTE 17 - LANDFILL CLOSURE AND POST-CLOSURE CARE COST**

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

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

The City is required by state and federal laws and regulations to provide financial assurance to finance closure and post-closure care. The \$4,016,052 reported as landfill closure and post-closure care liability at December 31, 2016, represents the cumulative amount reported to date based on the use of 100% of the estimated capacity of the landfill prior to vertical expansion and the additional capacity gained by phase III of the vertical expansion. The sum of current final closure, post-closure and/or corrective measures cost estimates is \$4,202,306. 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.

**NOTE 18 – SUBSEQUENT EVENTS**

In May 2017, the City issued bond anticipation notes in the amount of \$500,000 that provided funding to rollover a portion of the bond anticipation note originally issued in June 2016 for the amount attributable to the landfill. These notes were issued at 3.25% and will mature on June 12, 2018.

Additionally, in May 2017, the City issued Waterworks System Refunding Revenue Bonds in the amount of \$10,485,000 to provide resources to refund the 2007 Wastewater Revenue Bonds outstanding at December 31, 2016 and a portion of the bond anticipation note originally issued in June 2016. These bonds were issued at a variable rate of interest and will mature on December 31, 2032.

**CITY OF WILMINGTON  
CLINTON COUNTY  
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
LAST THREE YEARS (1)**

	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b><u>Ohio Public Employees Retirement System - Traditional Plan:</u></b>			
City's Proportion of the Net Pension Liability	0.042478%	0.041663%	0.041663%
City's Proportionate Share of the Net Pension Liability	\$ 7,357,807	\$ 5,025,136	\$ 4,911,525
City's Covered-Employee Payroll	\$ 5,315,675	\$ 5,107,958	\$ 4,926,883
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	138.42%	98.38%	99.69%
Plan Fiduciary Net Pension as a Percentage of the Total Pension Liability	81.08%	86.45%	86.36%
<b><u>Ohio Police and Fire Pension Fund:</u></b>			
City's Proportion of the Net Pension Liability	0.101192%	0.107624%	0.107624%
City's Proportionate Share of the Net Pension Liability	\$ 6,509,754	\$ 5,575,382	\$ 5,241,636
City's Covered-Employee Payroll	\$ 2,341,055	\$ 2,212,181	\$ 2,500,867
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	278.07%	252.03%	209.59%
Plan Fiduciary Net Pension as a Percentage of the Total Pension Liability	66.77%	71.71%	73.00%

Note: Information prior to 2013 is not available. The City will continue to present information for years available until a full ten-year trend is presented.

(1) Amount presented as of the City's measurement date which is the prior fiscal year.

**CITY OF WILMINGTON  
CLINTON COUNTY  
SCHEDULE OF THE CITY'S CONTRIBUTIONS  
LAST FOUR YEARS**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b><u>Ohio Public Employees Retirement System - Traditional Plan:</u></b>				
Contractually Required Contribution	\$ 637,638	\$ 637,881	\$ 612,955	\$ 591,226
Contributions in Relation to the Contractually Required Contributions	<u>(637,638)</u>	<u>(637,881)</u>	<u>(612,955)</u>	<u>(591,226)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City Covered-Employee Payroll	\$ 5,313,650	\$ 5,315,675	\$ 5,107,958	\$ 4,926,883
Contributions as a Percentage of Covered-Employee Payroll	12.00%	12.00%	12.00%	12.00%
<b><u>Ohio Police and Fire Pension Fund:</u></b>				
Contractually Required Contribution	\$ 475,862	\$ 470,318	\$ 450,400	\$ 427,148
Contributions in Relation to the Contractually Required Contributions	<u>(475,862)</u>	<u>(470,318)</u>	<u>(450,400)</u>	<u>(427,148)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City Covered-Employee Payroll	\$ 2,368,651	\$ 2,341,055	\$ 2,212,181	\$ 2,500,867
Contributions as a Percentage of Covered-Employee Payroll	20.09%	20.09%	20.36%	17.08%

Note: Information prior to 2013 is not available. The City will continue to present information for years available until a full ten-year trend is presented.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Schedule of Revenues, Expenditures and Changes  
In Fund Balance - Budget and Actual (Budget Basis)  
General Fund  
For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES:</b>				
Taxes	\$ 5,288,077	5,491,473	6,125,208	633,735
Special Assessments	68,093	70,712	78,872	8,160
Licenses and Permits	54,859	56,970	63,544	6,574
Intergovernmental	330,712	343,432	383,065	39,633
Charges for Services	1,115,163	1,158,056	1,291,699	133,643
Investment Income	1,878	1,950	2,175	225
Fees, Fines and Forfeitures	735,552	763,844	851,994	88,150
Other Revenue	<u>3,229,825</u>	<u>3,237,703</u>	<u>3,016,093</u>	<u>(221,610)</u>
 Total Revenues	 <u>10,824,159</u>	 <u>11,124,140</u>	 <u>11,812,650</u>	 <u>688,510</u>
<b>EXPENDITURES:</b>				
Current:				
General Government	6,707,735	7,232,819	6,181,633	1,051,186
Security of Persons & Property	<u>498,237</u>	<u>498,237</u>	<u>456,915</u>	<u>41,322</u>
 Total Expenditures	 <u>7,205,972</u>	 <u>7,731,056</u>	 <u>6,638,548</u>	 <u>1,092,508</u>
 Excess (Deficit) Revenues Over/ (Under) Expenditures	 <u>3,618,187</u>	 <u>3,393,084</u>	 <u>5,174,102</u>	 <u>1,781,018</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers-Out	<u>(5,016,695)</u>	<u>(4,820,327)</u>	<u>(4,765,263)</u>	<u>55,064</u>
 Total Other Financing Sources (Uses)	 <u>(5,016,695)</u>	 <u>(4,820,327)</u>	 <u>(4,765,263)</u>	 <u>55,064</u>
 Net Change in Fund Balance	 (1,398,508)	 (1,427,243)	 408,839	 1,836,082
Fund Balance, Beginning of Year	2,158,704	2,158,704	2,158,704	-
Prior Year Encumbrances Appropriated	<u>43,739</u>	<u>43,739</u>	<u>43,739</u>	<u>-</u>
Fund Balances, End of Year	\$ <u>803,935</u>	<u>775,200</u>	<u>2,611,282</u>	<u>1,836,082</u>

See accompanying notes to the required supplementary information.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Schedule of Revenues, Expenditures and Changes  
In Fund Balance - Budget and Actual (Budget Basis)  
Taxi Fund  
For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES:</b>				
Intergovernmental	\$ 839,952	881,152	721,128	(160,024)
Charges for Services	354,350	371,731	304,222	(67,509)
Other Revenue	<u>23,758</u>	<u>24,922</u>	<u>20,396</u>	<u>(4,526)</u>
Total Revenues	<u>1,218,060</u>	<u>1,277,805</u>	<u>1,045,746</u>	<u>(232,059)</u>
<b>EXPENDITURES:</b>				
Current:				
Transportation	1,591,230	1,450,546	1,302,646	147,900
Capital Outlay	<u>87,400</u>	<u>228,084</u>	<u>207,796</u>	<u>20,288</u>
Total Expenditures	<u>1,678,630</u>	<u>1,678,630</u>	<u>1,510,442</u>	<u>168,188</u>
Excess (Deficit) Revenues Over/ (Under) Expenditures	<u>(460,570)</u>	<u>(400,825)</u>	<u>(464,696)</u>	<u>(63,871)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers-In	<u>310,994</u>	<u>326,249</u>	<u>267,000</u>	<u>(59,249)</u>
Total Other Financing Sources (Uses)	<u>310,994</u>	<u>326,249</u>	<u>267,000</u>	<u>(59,249)</u>
Net Change in Fund Balance	(149,576)	(74,576)	(197,696)	(123,120)
Fund Balance, Beginning of Year	50,559	50,559	50,559	-
Prior Year Encumbrances Appropriated	<u>149,681</u>	<u>149,681</u>	<u>149,681</u>	<u>-</u>
Fund Balances, End of Year	\$ <u>50,664</u>	<u>125,664</u>	<u>2,544</u>	<u>(123,120)</u>

See accompanying notes to the required supplementary information.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Schedule of Revenues, Expenditures and Changes  
In Fund Balance - Budget and Actual (Budget Basis)  
Police Fund  
For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES:</b>				
Taxes	\$ 251,135	257,260	246,437	(10,823)
Intergovernmental	50,697	51,934	49,749	(2,185)
Charges for Services	2,801	2,870	2,749	(121)
Fees, Fines and Forfeitures	1,803	1,847	1,769	(78)
Other Revenue	<u>46,321</u>	<u>47,451</u>	<u>45,455</u>	<u>(1,996)</u>
Total Revenues	<u>352,757</u>	<u>361,362</u>	<u>346,159</u>	<u>(15,203)</u>
<b>EXPENDITURES:</b>				
Current:				
Security of Persons & Property	2,380,774	2,319,674	2,263,994	55,680
Capital Outlay	<u>-</u>	<u>81,287</u>	<u>78,867</u>	<u>2,420</u>
Total Expenditures	<u>2,380,774</u>	<u>2,400,961</u>	<u>2,342,861</u>	<u>58,100</u>
Excess (Deficit) Revenues Over/ (Under) Expenditures	<u>(2,028,017)</u>	<u>(2,039,599)</u>	<u>(1,996,702)</u>	<u>42,897</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers-In	<u>2,022,578</u>	<u>2,071,911</u>	<u>1,984,745</u>	<u>(87,166)</u>
Total Other Financing Sources (Uses)	<u>2,022,578</u>	<u>2,071,911</u>	<u>1,984,745</u>	<u>(87,166)</u>
Net Change in Fund Balance	(5,439)	32,312	(11,957)	(44,269)
Fund Balance, Beginning of Year	11,369	11,369	11,369	-
Prior Year Encumbrances Appropriated	<u>5,438</u>	<u>5,438</u>	<u>5,438</u>	<u>-</u>
Fund Balances, End of Year	\$ <u>11,368</u>	<u>49,119</u>	<u>4,850</u>	<u>(44,269)</u>

See accompanying notes to the required supplementary information.

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**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Notes to the Required Supplementary Information  
For the Year Ended December 31, 2016

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Budgets and Budgetary Accounting

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

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

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

Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and revises estimated revenues. The commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation ordinance. On or about January 1, the certificate of estimated resources is amended to include unencumbered fund balances at December 31 of the preceding year. The certificate may be further amended during the year if the fiscal officer determines that the revenue collected is greater or less than the current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2016.

**CITY OF WILMINGTON, OHIO**  
**CLINTON COUNTY**  
Notes to the Required Supplementary Information  
For the Year Ended December 31, 2016

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Appropriations

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

Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations. On the GAAP basis, encumbrances are included as part of the appropriate fund balance within governmental 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 Schedules of Revenues, Expenditures and Changes in Fund Balances, Budget and Actual (Budget Basis), The General Fund, Taxi Fund and Police Fund are 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. Encumbrances are recorded as the equivalent of expenditures (budget basis) as opposed to a component of fund balances (GAAP basis).

**CITY OF WILMINGTON, OHIO**  
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The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund and the major special revenue funds.

<u>Changes in Fund Balances</u>				
		General Fund	Taxi Fund	Police Fund
GAAP Basis	\$	(173,531)	(21,086)	21,230
Revenue Accruals		3,395,843	(128,312)	(25,407)
Expenditure Accruals		(2,366,464)	(17,531)	(2,204)
Transfers		(239,835)	-	-
Encumbrances		(178,778)	(30,767)	(5,576)
Other Funds Legally Budgeted Separately		(28,396)	-	-
Budget Basis	\$	408,839	(197,696)	(11,957)

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wilmington, Clinton County, (the City) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 19, 2017.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the City's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the City's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***Compliance and Other Matters***

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

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

Columbus, Ohio

September 19, 2017



# Dave Yost • Auditor of State

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  
SEPTEMBER 28, 2017