

CITY OF TRENTON, OHIO

Basic Financial Statements

Year Ended December 31, 2017

With Independent Auditors' Report



CLARK SCHAEFER HACKETT
CPAS & ADVISORS



Dave Yost • Auditor of State

City Council
City of Trenton
22 E. State St.
Trenton, OH 45067

We have reviewed the *Independent Auditor's Report* of the City of Trenton, Butler County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2017 through December 31, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

July 11, 2018

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INDEPENDENT AUDITORS' REPORT

To the City Council
City of Trenton:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Trenton ("the City"), as of and for the year ended December 31, 2017, 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 the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Trenton as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund, Street Fund, Police Levy Fund and the Fire Levy Fund, for the year then ended in accordance with 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 that the management's discussion and analysis, the schedules of proportionate share of net pension liability and contributions on pages 4 through 15, and 75 through 78 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2018 on our consideration of City of Trenton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's 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 City of Trenton's internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 21, 2018

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CITY OF TRENTON, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)

The discussion and analysis of the City of Trenton's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2017. While 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 and notes to enhance their understanding of the City's fiscal performance.

Financial Highlights

Key highlights for 2017 are as follows:

- Total assets and deferred outflows of the City exceeded its total liabilities and deferred inflows at the close of the year ended December 31, 2017, by \$16,468,230 (net position). This amount was reduced by the negative governmental unrestricted net position which resulted from the City's reporting of \$4,259,780 of net pension liability in the governmental type activities.
- The City's net position increased by \$3,152,685, which represents a 23.68% increase from 2016. The increase was split across the governmental (37%) and business type activities (63%.)
- At the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$5,316,668. Of this amount \$2,241,508 is available for spending (unassigned General Fund balance) on behalf of its citizens, mainly for the necessary services, such as general government operations.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,241,508, or 155% of total General Fund expenditures.
- The City's major enterprise funds reflected positive ending net positions: Water Fund \$3,308,408; Sewer Fund \$3,265,407; and Refuse Fund \$527,602.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the City of Trenton as a complete operating entity.

The Statement of Net Position and Statement of Activities present both an aggregate view of the City's finances and longer-term view of those assets. Major 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 dollars remain 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.

CITY OF TRENTON, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)

Reporting City of Trenton as a Whole

Statement of Net Position and the Statement of Activities

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2017?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets, deferred outflows, liabilities and deferred inflows using the accrual basis of accounting similar to the accounting used by private sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when the cash is received or paid.

These two statements report the City's net position and the change in that position. This change in net position is important because it tells the reader whether, for the City as a whole, the financial position of the City has improved or diminished. However, in evaluating the overall position of the City, nonfinancial information such as changes in the City's tax base and the condition of City capital assets will also need to be evaluated.

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, including police, fire, social services programs, administration, and all departments with the exception of our water, sewer, refuse, utility deposits and stormwater management functions.
- **Business-Type Activities** – These services have a charge based upon the amount of usage. The City charges fees to recoup the cost of the entire operation of our water, sewer, refuse, utility deposits and stormwater management systems as well as all capital expenses associated with these facilities.
- **Component units** are legally separate entities that the City has voting control over or fiscal responsibility for the entity. The City presents one component unit.

Reporting the City of Trenton's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objects. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. Fund financial reports provide detailed information about the City's major funds. Based on restrictions

CITY OF TRENTON, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)

on the use of monies, the City has established many funds which account for the multitude of services provided to our residents.

However, these fund financial statements focus on the City's most significant funds. In the case of Trenton, our major funds are the General, Street, Police Levy, Fire Levy, Water, Sewer and Refuse funds.

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains a number of individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures and changes in fund balances for the major funds, which were identified earlier. Data from the other governmental funds are combined into a single, aggregated presentation.

Proprietary Funds: The City maintains only one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Water, Sewer, Refuse, Utility Deposits and Stormwater Management operations.

Fiduciary Funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The City maintains one fiduciary agency fund: Municipal Mayor's Court that accounts for the collection and distribution of court fines and forfeitures. The agency fund has no measurement focus and uses the full accrual basis of accounting.

CITY OF TRENTON, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the governmental-wide and fund financial statements.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows exceeded liabilities and deferred inflows by \$16,468,230 (\$8,899,864 in governmental activities and \$7,568,366 in business-type activities) as of December 31, 2017. The City reflects an investment in capital assets (e.g., land, buildings, machinery and equipment) less any related debt used to acquire those assets that are still outstanding of \$6,880,413. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Table 1 provides a summary of the City's statement of net position for 2017 compared to 2016.

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and Other Assets	\$11,402,754	\$8,366,211	\$7,955,152	\$5,720,638	\$19,357,906	\$14,086,849
Capital Assets	6,199,359	5,101,821	9,771,757	9,676,816	15,971,116	14,778,637
Total Assets	17,602,113	13,468,032	17,726,909	15,397,454	35,329,022	28,865,486
Deferred Outflows	1,138,414	1,109,815	960,220	819,415	2,098,634	1,929,230
Total Assets and Deferred Outflows	18,740,527	14,577,847	18,687,129	16,216,869	37,427,656	30,794,716
Long-term liabilities	4,681,318	4,460,741	8,355,826	10,228,562	13,037,144	14,689,303
Other liabilities	2,944,298	129,386	2,738,180	377,830	5,682,478	507,216
Total Liabilities	7,625,616	4,590,127	11,094,006	10,606,392	18,719,622	15,196,519
Deferred Inflows	2,215,047	2,257,552	24,757	25,100	2,239,804	2,282,652
Total Liabilities and Deferred Inflows	9,840,663	6,847,679	11,118,763	10,631,492	20,959,426	17,479,171
Net Position:						
Net Investment in						
Capital Assets	5,199,896	4,862,030	1,680,517	1,231,521	6,880,413	6,093,551
Restricted	4,049,200	3,187,966	0	0	4,049,200	3,187,966
Unrestricted	(349,232)	(319,828)	5,887,849	4,353,856	5,538,617	4,034,028
Total Net Position	\$8,899,864	\$7,730,168	\$7,568,366	\$5,585,377	\$16,468,230	\$13,315,545

In prior years, 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.

CITY OF TRENTON, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under GASB 68, the net pension liability equals the City's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
- 2 Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

CITY OF TRENTON, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
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In accordance with GASB 68, the City's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the City is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This statement requirement reduced the net position at December 31, 2017, from \$20,722,073 to \$16,468,230.

An additional portion of the City's net position represents resources that are subject to external restrictions on how they may be used. In the current fiscal year, this represented \$4,049,200 or 24.59% of net position. The remaining unrestricted \$5,538,617 net position may be used to meet the City's ongoing obligations to its citizens and creditors and for business-type activities.

During 2017, the City saw the cash and cash equivalents (current and other assets) in governmental activities increase over 34% from 2016 as the City had \$2.3 million in unspent bond proceeds accounted for in the current assets. The remaining increase was from the City's operating efficiency increasing the cash balance. The City reported a net pension liability of over \$5.9 million which was a 14% increase from December 31, 2016. The main reason the liabilities increased relates to three new bond anticipation notes being issued during the year for the new fire station, sewer line at the industrial park and the City's amphitheater project.

Table 2 provides a summary of the City's statement of activities for 2017 compared to 2016.

CITY OF TRENTON, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)

Statement of Activities

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program Revenues:						
Charges for Services	\$562,537	\$602,222	\$4,931,106	\$4,830,299	\$5,493,643	\$5,432,521
Operating Grants and Contributions	505,040	1,267,525	0	0	505,040	1,267,525
Capital Grants and Contributions	0	0	1,679,906	0	1,679,906	0
General Revenues:						
Income Taxes	1,788,235	1,757,057	0	0	1,788,235	1,757,057
Property Taxes	1,943,991	1,146,639	0	0	1,943,991	1,146,639
Other Taxes	435,114	398,030	0	0	435,114	398,030
Unrestricted Grants	564,274	373,068	0	0	564,274	373,068
Investment Earnings	84,656	50,062	6,141	3,421	90,797	53,483
Other Revenues	52,125	56,483	0	0	52,625	56,483
Total Revenues	5,935,472	5,651,086	6,617,153	4,833,720	12,552,625	10,484,803
Expenses:						
Security of Persons and Property	2,824,230	3,216,520	0	0	2,824,230	3,216,520
Public Health and Welfare	55,949	46,450	0	0	55,949	46,450
Leisure Time Activities	140,506	117,182	0	0	140,506	117,182
Community Environment	236,725	212,722	0	0	236,725	212,722
Transportation	781,248	479,205	0	0	781,248	479,205
General Government	666,344	698,294	0	0	666,344	698,294
Other	58,481	140,775	0	0	58,481	140,775
Interest and Fiscal Charges	8,793	1,664	0	0	8,793	1,664
Water	0	0	1,473,044	1,387,378	1,473,044	1,387,378
Sewer	0	0	1,306,533	1,231,500	1,306,533	1,231,500
Stormwater Management	0	0	199,931	203,208	199,931	203,208
Refuse	0	0	1,074,899	997,680	1,074,899	997,680
Total Expenses	4,772,276	4,912,812	4,054,427	3,819,766	8,826,703	8,732,578
Transfers	6,000	6,866	(6,000)	(6,866)	0	0
Intra-Entity Transfer with CIC	0	0	(573,737)	0	(573,737)	0
Change in Net Position	1,169,696	745,140	1,982,89	1,007,088	3,152,685	1,752,228
Beginning Net Position	7,730,168	6,985,028	5,585,377	4,578,289	13,315,545	11,563,317
Ending Net Position	\$8,899,864	\$7,730,168	\$7,568,366	\$5,585,377	\$16,468,230	\$13,315,545

Governmental Activities

The main focus of governmental activities is security of persons and property, which represents the police and fire services of the City. For 2017, the expenses were \$2.82 million, representing 59.16% (compared to 65.47% for 2016) of governmental activity spending, yielding a reliance on general revenues to fund the program of approximately \$2.55 million after direct support to their programs.

The transportation function saw the largest increase as additional street resurfacing occurred in both the street and permissive tax funds along with higher depreciation amounts associated with the activity.

CITY OF TRENTON, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)

Business-Type Activities

The City's business-type activities include the water, sewer, refuse, utility deposits and stormwater management systems. All of the individual business-type activities had sufficient revenues to cover expenses. The water and sewer activities account for 97% of the change in net position.

Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds: The focus of these City funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements as well as its ability to meet the needs of its citizens. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

As of the end of 2017, the City's governmental funds reported combined ending fund balances of \$5.32 million (up from \$5.11 million in 2016). Approximately \$2.24 million constitutes unassigned fund balance in the General Fund available for spending for citizens. The remainder of the balance is subject to a particular revenue source under GASB 54 to indicate that it has been spoken for already and not available to be spent for a variety of purposes.

The General Fund is the chief operating fund of the City. As of December 31, 2017, the unassigned General Fund balance was \$2.24 million with a total fund balance of \$2.29 million. As a measure of liquidity, it is often useful to compare these numbers to total General Fund expenditures. Unassigned fund balance represents approximately 155% of the total expenditures, while total fund balance represents 173% of that same amount. This is significantly higher than the prior year as the police expenditures are now reported in the Police Levy fund.

During 2017, the City's General Fund ending balance increased by \$368,069 even though \$1.21 million was transferred out to other funds, specifically \$1.16 million to the Police Levy Fund.

The City's other major governmental funds are the Street Fund, Police Levy and Fire Levy. The Street Fund receives the majority of revenue from gas tax and motor vehicle licenses intergovernmental receipts (95.51%). The Street Fund is responsible for maintenance on most of the City streets. For 2017, revenues were less than expenditures by \$36,023 as the fund spent over \$536,000 on capital related expenses. The City passed a fund balance policy that states the Street Fund will maintain a cash balance of one year's operating expenditures. The Street Fund's ending cash balance was 59% (down from 102% in 2015) of the current year cash expenditures for the transportation function.

CITY OF TRENTON, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
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(UNAUDITED)

The Police Levy Fund saw new property tax collections of \$790,000 but needed over \$1.16 million from the General Fund to cover operating expenditures of almost \$2 million. The fund balance did end with a positive \$166,384 balance.

The Fire Levy Fund's main source of revenue is property tax which is 67.48% of all revenues and the EMS charges account for 18.84% of revenues. The fund balance decreased by \$0.42 million as the new construction project was underway.

The City saw the fund balance in the nonmajor funds increase by \$274,449, with General Fund transfers of \$66,800 into those nonmajor funds to help support the specific programs. The majority of the increase is from the payment in lieu of taxes revenue with only the school district reimbursement expended from that fund.

General Fund Budgeting Highlights

The City's budget is prepared according to Ohio law and the Charter of the City. The budget is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During the course of 2017, the City amended its total and General Fund budget several times, the most significant noted below. All recommendations for the budget came from the City Manager after consultation with individual directors and the Finance Department before submission to City Council. The City Council also ministerially approves small interdepartmental budget changes that modify line items within departments within the same fund.

With the General Fund supporting a majority of our major activities such as public safety programs, as well as most legislative and executive activities, the General Fund is monitored closely, looking for possible revenue shortfalls or over spending by individual departments.

CITY OF TRENTON, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)

The following table summarizes the major revenue sources and expenditures from original to final budget for 2017:

Description	Original Budget	Final Budget	Change
Revenues:			
Property and Other Taxes	\$525,000	\$468,000	(\$57,000)
Income Taxes	1,860,000	1,803,000	(57,000)
Intergovernmental	272,820	264,175	(8,645)
Other	358,659	370,896	12,237
Total Revenues	<u>3,016,479</u>	<u>2,906,071</u>	<u>(110,408)</u>
Expenditures:			
Security of Persons/Property	497,345	579,279	81,934
Public Health and Welfare	84,281	97,410	13,129
Community Environment	211,824	218,299	6,475
General Government	542,435	535,560	(6,875)
Other Expenditures	40,000	45,000	5,000
Total Expenditures	<u>1,375,885</u>	<u>1,475,548</u>	<u>99,663</u>

The City amended the original revenue budget several times as the City realized the total revenue would be less for property and income tax although various items classified as other revenues increase such as interest earnings.

For expenditures, the City increased the security of persons and property line item anticipating more capital expenditures for the final budget figure. The City did reduce the general government expenditures as the expenditures were delayed as the City worked towards meeting the fund balance minimums.

CITY OF TRENTON, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)

The following table summarizes the major revenue sources and expenditures from final budget to actual results for 2017:

Description	Final Budget	Actual	Change
Revenues:			
Property and Other Taxes	\$468,000	\$468,346	\$346
Income Taxes	1,803,000	1,820,812	17,812
Intergovernmental Revenue	264,175	257,777	(6,398)
Other Revenues	370,896	458,131	87,235
Total Revenues	2,906,071	3,005,066	98,995
Expenditures:			
Security of Persons/Property	579,279	498,491	80,788
Public Health and Welfare	97,410	72,656	24,754
Community Environment	218,299	219,561	(1,260)
General Government	535,560	505,702	29,858
Other Expenditures	45,000	68,022	23,002
Total Expenditures	\$1,475,548	\$1,364,432	\$111,116

The City's final revenues exceeded the final budget by 3.4% as the other revenues accounted for the majority of the increase offsetting other line items that did not meet the final budget figures. The City's continued efforts to update the estimated certificate allowed these amounts to remain close although income taxes continued to improve during the year.

As stated above, the City continued to reduce final expenditures across most functions from final budget amounts in an effort to protect the City's operating fund balance and meet the fund balance policy. The City emphasized reducing the operating budget by year end and was successful in bringing actual costs in under that economic decision. For fiscal year 2017, this effort resulted in bringing actual expenses in approximately \$111,000 less than what was budgeted. The largest variance was in security of persons and property as the capital purchases did not occur.

Capital Assets and Debt Administration

Capital Assets: The City's net investment in capital assets for its governmental and business type activities as of December 31, 2017, amounts to \$6.88 million (net of accumulated depreciation and related debt). This investment in capital assets includes land, buildings and systems, improvements, equipment and machinery.

CITY OF TRENTON, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)

Note 9 (Capital Assets) provides capital asset activity during 2017. The City has had limited funding to provide for governmental capital asset acquisition and construction. The City saw governmental-type activities capital assets add \$1,030,055 as several construction projects were underway during the year. For more information on the governmental and business-type capital assets see Note 9 in the notes to the financial statements.

Long-term Debt: At the end of 2017, the City had \$6.03 million in revenue bonds outstanding on the refunding water system improvements bonds. The City issued several new bond anticipation notes increasing the total outstanding for various projects totaling \$4.98 million. See Note 14 for further information on the City's long term debt.

Economic Factors affecting the City

Located towards the center of Butler County, the City provides the home town appeal to more than 12,200 residents. The City is ideal for those families looking to locate here as the median age of the residents is just over thirty-two. Information is from 2014 www.city-data.com.

The City's largest industries are supported by manufacturing as MillerCoors Brewery is located just outside of the City's southeastern corner. The City's full accrual income tax revenue increased about \$31,000 from 2016 (after increasing \$44,000 between 2015 and 2016). The income tax covers the general fund functions of the City by 137%(cash basis). Although a significant amount of the general fund revenue is transferred to the Police Levy fund to help support those operating expenditures.

The City continues to promote itself to business owners trying to increase retail and industrial growth. The City's outer limits are prime areas for development and will continue to emphasize those types of developments as the City has focused on creating an industrial park type development in the southeastern corner of the City including upgrading a significant portion of the infrastructure in the area. The City continues to work through its economic development department to market City owned land and other industrial land to insure the City's tax base will grow in the future.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, creditors, investors and elected officials with a general overview of the City's finances and to show accountability for the money it receives. If you have any questions about this report or need additional information, contact the City of Trenton Treasurer, 11 East State Street, Trenton, Ohio 45067, (513) 988-6304 or visit the City website at www.ci.trenton.oh.us.

CITY OF TRENTON, OHIO
STATEMENT OF NET POSITION
DECEMBER 31, 2017

	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>	<u>Component Unit</u>
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 7,969,592	\$ 6,849,503	\$ 14,819,095	\$ 125
Receivables (net of allowance for doubtful accounts):				
Taxes - Real and Personal Property	1,960,904	-	1,960,904	-
Taxes - Municipal Income	668,661	-	668,661	-
Accounts	31,067	637,095	668,162	-
Interest	6,703	-	6,703	-
Special Assessments	-	20,267	20,267	-
Payment in Lieu of Taxes	235,727	-	235,727	-
Due from Other Governments	530,100	407,097	937,197	-
Prepaid Bond Insurance	-	41,190	41,190	-
Nondepreciable Assets:				
Land	473,473	1,934,961	2,408,434	-
Construction In Progress	1,034,973	318,318	1,353,291	-
Depreciable Assets:				
Plant	-	5,427,601	5,427,601	-
Water and Sewer Lines	-	5,195,364	5,195,364	-
Buildings and Improvements	1,915,639	-	1,915,639	-
Improvements other than Buildings	3,188,952	480,318	3,669,270	-
Machinery, Equipment and Vehicles	3,547,173	2,255,312	5,802,485	-
Less: Accumulated Depreciation	(3,960,851)	(5,840,117)	(9,800,968)	-
Total Assets	17,602,113	17,726,909	35,329,022	125
Deferred Outflows of Resources:				
Pensions	1,138,414	660,396	1,798,810	-
Deferred Charge on Refunding	-	299,824	299,824	-
Total Deferred Outflow of Resources	1,138,414	960,220	2,098,634	-
Liabilities:				
Accounts Payable	67,268	29,062	96,330	-
Contracts Payable	-	147,060	147,060	-
Retainage Payable	52,125	7,684	59,809	-
Accrued Wages and Benefits	89,609	40,138	129,747	-
Due to Other Governments	9,279	60,224	69,503	-
Deposits Payable	-	186,398	186,398	-
Accrued Interest Payable	7,018	5,613	12,631	-
General Obligation Notes Payable	2,718,999	2,262,001	4,981,000	-
Long Term Liabilities due within 1 year	110,553	387,950	498,503	-
Long Term Liabilities due over 1 year				
Net Pension Liabilities	4,259,780	1,693,343	5,953,123	-
Other Long Term Liabilities	310,985	6,274,533	6,585,518	-
Total Liabilities	7,625,616	11,094,006	18,719,622	-
Deferred Inflows of Resources:				
Pensions	74,773	24,757	99,530	-
Payments in Lieu of Taxes	235,727	-	235,727	-
Property Tax Levy for Next Fiscal Year	1,904,547	-	1,904,547	-
Total Deferred Inflow of Resources	2,215,047	24,757	2,239,804	-
Net Position:				
Net Investment in Capital Assets	5,199,896	1,680,517	6,880,413	-
Restricted:				
Transportation	766,325	-	766,325	-
Protection of Citizens	2,092,300	-	2,092,300	-
Debt Service	41,226	-	41,226	-
Capital Improvements	1,149,349	-	1,149,349	-
Unrestricted	(349,232)	5,887,849	5,538,617	125
Total Net Position	\$ 8,899,864	\$ 7,568,366	\$ 16,468,230	\$ 125

See accompanying notes to the basic financial statements

CITY OF TRENTON, OHIO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

Function/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	
Governmental Activities:							
Security of Persons and Property	\$ (2,824,230)	\$ 273,614	\$ -	\$ -	\$ (2,550,616)	\$ -	\$ -
Public Health and Welfare	(55,949)	-	-	-	(55,949)	-	-
Leisure Time Activities	(140,506)	11,275	-	-	(129,231)	-	-
Community Environment	(236,725)	27,941	-	-	(208,784)	-	-
Transportation	(781,248)	-	505,040	-	(276,208)	-	-
General Government	(666,344)	-	-	-	(503,851)	-	-
Other Expenditures	(58,481)	162,493	-	-	28,733	-	-
Interest and Fiscal Charges	(8,793)	87,214	-	-	(8,793)	-	-
Total Governmental Activities	<u>(4,772,276)</u>	<u>562,537</u>	<u>505,040</u>	<u>-</u>	<u>(3,704,699)</u>	<u>-</u>	<u>(3,704,699)</u>
Business-Type Activities:							
Water	(1,473,044)	2,074,957	-	1,679,906	-	2,281,819	-
Sewer	(1,306,553)	1,526,729	-	-	220,176	-	-
Stormwater Management	(199,931)	206,883	-	-	6,952	-	-
Refuse	(1,074,899)	1,122,537	-	-	47,638	-	-
Total Business -Type Activities	<u>(4,054,427)</u>	<u>4,931,106</u>	<u>-</u>	<u>1,679,906</u>	<u>2,556,585</u>	<u>-</u>	<u>-</u>
Total	<u>\$(8,826,703)</u>	<u>\$ 5,493,643</u>	<u>\$ 505,040</u>	<u>\$ 1,679,906</u>	<u>\$(3,704,699)</u>	<u>2,556,585</u>	<u>\$(1,148,114)</u>
Component Unit:							
Community Improvement Corporation	\$ (1,330,000)	\$ -	\$ -	\$ 756,263	\$ -	\$ -	\$ (573,737)
General Revenues and Transfers:							
Income Taxes					1,788,235		
Property Taxes					1,943,991		
Franchise Fee Taxes					112,006		
Payment in Lieu of Taxes					235,727		
Permissive Sales Tax					87,381		
Grants and Contributions not restricted to specific programs					564,274		
Unrestricted investment earnings					84,656		
Miscellaneous					52,125		
Total General Revenues					4,868,395		
Transfers					6,141		
Intra-Entity Transfers					(6,000)		
Changes in Net Position					(573,737)		573,737
Net Position - Beginning					1,169,696		
Net Position - Ending					7,730,168		125
					<u>\$ 8,899,864</u>	<u>\$ 7,568,366</u>	<u>\$ 16,468,230</u>

See accompanying notes to the basic financial statements

**CITY OF TRENTON, OHIO
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017**

	General	Street	Police Levy	Fire Levy	Other Governmental Funds	Total Governmental Funds
Assets:						
Equity in Pooled Cash and Cash Equivalents	\$ 2,325,171	\$ 314,955	\$ 224,771	\$ 3,648,497	\$ 1,456,198	\$ 7,969,592
Receivables (net of allowance for doubtful accounts):						
Taxes - Real and Personal Property	474,380	-	800,436	686,088	-	1,960,904
Taxes - Municipal Income	668,661	-	-	-	-	668,661
Accounts	28,767	840	1,046	414	-	31,067
Interest	6,703	-	-	-	-	6,703
Payment in Lieu of Taxes	-	-	-	-	235,727	235,727
Due from Other Governments	127,580	257,300	55,350	46,605	43,265	530,100
Total Assets	3,631,262	573,095	1,081,603	4,381,604	1,735,190	11,402,754
Liabilities:						
Accounts Payable	24,586	6,731	10,325	6,129	19,497	67,268
Retainage Payable	-	-	-	52,125	-	52,125
Accrued Wages and Benefits	27,428	9,841	49,108	3,232	-	89,609
Due to Other Governments	9,279	-	-	-	-	9,279
General Obligation Notes Payable	210,000	10,333	-	2,488,333	10,333	2,718,999
Total Liabilities	271,293	26,905	59,433	2,549,819	29,830	2,937,280
Deferred Inflows of Resources:						
Property Tax Levy for Next Fiscal Year	460,530	-	777,547	666,470	-	1,904,547
Delinquent Property Tax	13,850	-	22,889	19,618	-	56,357
Payments in Lieu of Taxes	-	-	-	-	235,727	235,727
Income Taxes	449,891	-	-	-	-	449,891
Intergovernmental Revenue	112,776	222,637	55,350	46,605	36,400	473,768
Miscellaneous revenues	28,516	-	-	-	-	28,516
Total Deferred Inflows of Resources:	1,065,563	222,637	855,786	732,693	272,127	3,148,806
Fund Balances:						
Nonspendable	2,063	-	-	-	-	2,063
Restricted	-	323,553	166,384	1,099,092	1,346,881	2,935,910
Assigned	117,483	-	-	-	86,352	203,835
Unassigned	2,174,860	-	-	-	-	2,174,860
Total Fund Balances	2,294,406	323,553	166,384	1,099,092	1,433,233	5,316,668
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 3,631,262	\$ 573,095	\$ 1,081,603	\$ 4,381,604	\$ 1,735,190	\$ 11,402,754

See accompanying notes to the basic financial statements

**CITY OF TRENTON, OHIO
RECONCILIATION OF THE BALANCE SHEET
OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET POSITION
DECEMBER 31, 2017**

Fund Balances - Governmental Funds		\$ 5,316,668
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		6,199,359
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred inflows in the funds.		1,008,532
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.		
Deferred Outflows - Pension	1,138,414	
Deferred Inflows - Pension	(74,773)	
Net Pension Liability	<u>(4,259,780)</u>	
Total		(3,196,139)
Long-term liabilities, including loans payable are not due and payable in the current period and therefore are not reported in the funds.		<u>(428,556)</u>
Net Position of governmental activities		<u>\$ 8,899,864</u>

See accompanying notes to the basic financial statements

CITY OF TRENTON, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	General	Street	Police Levy	Fire Levy	Other Governmental Funds	Total Governmental Funds
Revenues:						
Income Taxes	\$ 1,814,675	\$ -	\$ -	\$ -	\$ -	\$ 1,814,675
Property and Other Taxes	468,346	-	790,390	677,477	-	1,936,213
Intergovernmental	260,366	486,313	148,171	99,547	96,803	1,091,200
Charges for Services	111,354	-	-	189,126	-	300,480
Licenses and Permits	33,049	-	-	-	-	33,049
Investment Earnings	60,697	2,393	835	19,987	744	84,656
Special Assessments	85,814	-	-	-	-	85,814
Fines and Forfeitures	74,421	-	35,160	-	2,734	112,315
Payment in Lieu of Taxes	-	-	-	-	235,727	235,727
All Other Revenues	114,936	20,473	28,734	17,860	8,353	190,356
Total Revenues	3,023,658	509,179	1,003,290	1,003,997	344,361	5,884,485
Expenditures:						
Current:						
Security of Persons and Property	432,519	-	1,982,303	723,708	24,985	3,163,515
Public Health and Welfare	60,486	-	-	-	-	60,486
Leisure Time Activities	226,915	-	-	-	-	226,915
Community Environment	203,091	-	-	-	-	203,091
Transportation	-	536,012	-	-	-	536,012
General Government	489,631	-	-	-	4,806	494,437
Other	34,147	-	-	-	24,334	58,481
Capital Outlay	-	-	-	696,482	81,895	778,377
Debt Service:						
Principal Retirement	-	8,846	-	-	-	8,846
Interest and Fiscal Charges	-	344	-	987	692	2,023
Total Expenditures	1,446,789	545,202	1,982,303	1,421,177	136,712	5,532,183
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,576,869	(36,023)	(979,013)	(417,180)	207,649	352,302
Other Financing Sources (Uses):						
Transfers - In	13,000	-	1,155,000	-	66,800	1,234,800
Transfers - Out	(1,221,800)	(2,000)	(5,000)	-	-	(1,228,800)
Total Other Financing Sources (Uses)	(1,208,800)	(2,000)	1,150,000	-	66,800	6,000
Change in Fund Balance	368,069	(38,023)	170,987	(417,180)	274,449	358,302
Fund Balances (Deficit) at Beginning of Year	1,926,337	387,576	(4,603)	1,590,606	1,209,784	5,109,700
Prior Period Adjustment	-	(26,000)	-	(74,334)	(51,000)	(151,334)
Fund Balances at End of Year	\$ 2,294,406	\$ 323,553	\$ 166,384	\$ 1,099,092	\$ 1,433,233	\$ 5,316,668

See accompanying notes to the basic financial statements

CITY OF TRENTON, OHIO
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

Net Change in Fund Balances - total governmental funds	\$	358,302
Amounts reported in governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		1,097,538
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		51,487
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction however, has any affect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		2,076
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		323,022
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		(646,981)
Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		<u>(15,748)</u>
Change in net position of governmental activities	\$	<u><u>1,169,696</u></u>

See accompanying notes to the basic financial statements

CITY OF TRENTON, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2017

GENERAL FUND

	Budget		Actual	Variance Positive (Negative)
	Initial	Final		
<u>Revenues:</u>				
Property and Other Local Taxes	\$ 525,000	\$ 468,000	\$ 468,346	\$ 346
Income Taxes	1,860,000	1,803,000	1,820,812	17,812
Intergovernmental	272,820	264,175	257,777	(6,398)
Charges for Services	114,000	114,000	111,354	(2,646)
Licenses and Permits	30,391	30,671	27,649	(3,022)
Investment Earnings	35,245	47,262	68,166	20,904
Special Assessments	85,000	85,000	85,814	814
Fines and Forfeitures	77,000	74,520	73,021	(1,499)
Other All Revenue	17,023	19,443	92,127	72,684
Total Revenue	3,016,479	2,906,071	3,005,066	98,995
<u>Expenditures:</u>				
Current:				
Security of Persons and Property	497,345	579,279	498,491	80,788
Public Health and Welfare Services	84,281	97,410	72,656	24,754
Community Environment	211,824	218,299	219,561	(1,262)
General Government	542,435	535,560	505,702	29,858
Other	40,000	45,000	68,022	(23,022)
Total Expenditures	1,375,885	1,475,548	1,364,432	111,116
Excess of Revenues Over Expenditures	1,640,594	1,430,523	1,640,634	210,111
<u>Other Financing Sources\Uses:</u>				
Income Tax Refunds	-	(63,820)	(61,943)	1,877
Transfers - In	-	12,923	10,000	(2,923)
Transfers - Out	(1,418,790)	(1,328,800)	(1,326,800)	2,000
Total Other Financing Sources\Uses	(1,418,790)	(1,379,697)	(1,378,743)	954
Change in Net Position	221,804	50,826	261,891	211,065
Fund Balances at Beginning of Year	1,623,407	1,623,407	1,623,407	-
Prior Year Encumbrances	126,371	126,371	126,371	-
Fund Balances at End of Year	\$ 1,971,582	\$ 1,800,604	\$ 2,011,669	\$ 211,065

See accompanying notes to the basic financial statements

CITY OF TRENTON, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2017

STREET FUND

	Budget		Actual	Variance Positive (Negative)
	Initial	Final		
Revenues:				
Intergovernmental	\$ 474,000	\$ 487,145	\$ 488,635	\$ 1,490
Investment Earnings	1,190	2,460	2,393	(67)
Other All Revenue	14,600	19,640	19,633	(7)
Total Revenue	<u>489,790</u>	<u>509,245</u>	<u>510,661</u>	<u>1,416</u>
Expenditures:				
Current:				
Transportation	574,886	644,886	719,326	(74,440)
Debt Service:				
Principal Retirement	34,846	34,846	34,846	-
Interest and Fiscal Charges	344	344	344	-
Total Expenditures	<u>610,076</u>	<u>680,076</u>	<u>754,516</u>	<u>(74,440)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(120,286)	(170,831)	(243,855)	(73,024)
Other Financing Sources (Uses):				
Proceeds of Notes	10,333	10,333	10,333	-
Transfers - Out	-	(2,000)	(2,000)	-
Total Other Financing Sources (Uses)	<u>10,333</u>	<u>8,333</u>	<u>8,333</u>	<u>-</u>
Change in Net Position	(109,953)	(162,498)	(235,522)	(73,024)
Fund Balances at Beginning of Year	285,736	285,736	285,736	-
Prior Year Encumbrances	79,657	79,657	79,657	-
Fund Balances at End of Year	<u>\$ 255,440</u>	<u>\$ 202,895</u>	<u>\$ 129,871</u>	<u>\$ (73,024)</u>

See accompanying notes to the basic financial statements

CITY OF TRENTON, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2017

POLICE LEVY FUND

	Budget		Actual	Variance Postive (Negative)
	Initial	Final		
<u>Revenues:</u>				
Property and Other Local Taxes	\$ 890,000	\$ 790,390	\$ 790,390	\$ -
Intergovernmental	2,500	148,171	148,171	-
Investment Earnings	200	200	835	635
Fines and Forfeitures	39,000	36,280	35,160	(1,120)
Other All Revenue	16,500	26,369	27,688	1,319
Total Revenue	948,200	1,001,410	1,002,244	834
<u>Expenditures:</u>				
Current:				
Security of Persons and Property	2,056,515	2,064,015	2,009,851	54,164
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,108,315)	(1,062,605)	(1,007,607)	54,998
<u>Other Financing Sources (Uses):</u>				
Transfers - In	1,155,000	1,155,000	1,155,000	-
Transfers - Out	-	(7,500)	(7,500)	-
Total Other Financing Sources	1,155,000	1,147,500	1,147,500	-
Change in Net Position	46,685	84,895	139,893	54,998
Fund Balances at Beginning of Year	-	-	-	-
Fund Balances at End of Year	\$ 46,685	\$ 84,895	\$ 139,893	\$ 54,998

See accompanying notes to the basic financial statements

CITY OF TRENTON, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2017

FIRE LEVY FUND

	Budget		Actual	Variance Positive (Negative)
	Initial	Final		
Revenues:				
Property and Other Local Taxes	\$ 730,000	\$ 677,477	\$ 677,477	\$ -
Intergovernmental	107,000	97,880	99,547	1,667
Charges for Services	180,000	190,535	189,126	(1,409)
Investment Earnings	6,000	17,580	19,987	2,407
Other All Revenue	2,000	17,738	17,446	(292)
	<u>1,025,100</u>	<u>1,001,310</u>	<u>1,003,583</u>	<u>2,273</u>
Expenditures:				
Current:				
Security of Persons and Property	743,939	786,939	739,201	47,738
Debt Service:				
Principal Retirement	74,334	74,334	74,334	-
Interest and Fiscal Charges	987	987	987	-
	<u>819,260</u>	<u>862,260</u>	<u>814,522</u>	<u>47,738</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	205,840	139,050	189,061	50,011
Other Financing Sources (Uses):				
Proceeds of Notes	10,333	10,333	10,333	-
Transfers - Out	(720,000)	(720,000)	(720,000)	-
	<u>(709,667)</u>	<u>(709,667)</u>	<u>(709,667)</u>	<u>-</u>
Change in Net Position	(503,827)	(570,617)	(520,606)	50,011
Fund Balances at Beginning of Year - Restated	985,540	985,540	985,540	-
Prior Year Encumbrances	11,801	11,801	11,801	-
Fund Balances at End of Year	<u>\$ 493,514</u>	<u>\$ 426,724</u>	<u>\$ 476,735</u>	<u>\$ 50,011</u>

See accompanying notes to the basic financial statements

**CITY OF TRENTON, OHIO
STATEMENT OF NET POSITION
ENTERPRISE FUNDS
DECEMBER 31, 2017**

BUSINESS-TYPE ACTIVITIES--ENTERPRISE FUNDS

	Water	Sewer	Refuse	Nonmajor Enterprise Funds	Totals
Assets:					
<i>Current Assets:</i>					
Equity in Pooled Cash and Cash Equivalents	\$ 2,133,192	\$ 3,599,237	\$ 671,638	\$ 445,436	\$ 6,849,503
Receivables (net of allowances for doubtful accounts)					
Accounts	236,848	214,774	150,839	34,634	637,095
Special Assessments	-	20,267	-	-	20,267
Due from Other Governments	407,097	-	-	-	407,097
Total Current Assets	<u>2,777,137</u>	<u>3,834,278</u>	<u>822,477</u>	<u>480,070</u>	<u>7,913,962</u>
<i>Noncurrent Assets:</i>					
Prepaid Bond Insurance	41,190	-	-	-	41,190
<i>Nondepreciable Capital Assets:</i>					
Land	1,934,961	-	-	-	1,934,961
Construction in Progress	96,055	222,263	-	-	318,318
<i>Depreciable Capital Assets:</i>					
Plant	5,427,601	-	-	-	5,427,601
Water and Sewer Lines	3,349,744	1,845,620	-	-	5,195,364
Improvements Other than Buildings	238,771	94,470	-	147,077	480,318
Machinery, Equipment and Vehicles	1,267,886	591,984	77,732	317,710	2,255,312
Less: Accumulated Depreciation	(3,840,814)	(1,840,285)	(45,197)	(113,821)	(5,840,117)
Total Capital Assets (net of accumulated depreciation)	<u>8,474,204</u>	<u>914,052</u>	<u>32,535</u>	<u>350,966</u>	<u>9,771,757</u>
Total Noncurrent Assets	<u>8,515,394</u>	<u>914,052</u>	<u>32,535</u>	<u>350,966</u>	<u>9,812,947</u>
Total Assets	<u>11,292,531</u>	<u>4,748,330</u>	<u>855,012</u>	<u>831,036</u>	<u>17,726,909</u>
Deferred Outflows of Resources:					
Pensions	301,675	276,352	60,407	21,962	660,396
Deferred Charge on Refunding	299,824	-	-	-	299,824
Total Deferred Outflows of Resources	<u>601,499</u>	<u>276,352</u>	<u>60,407</u>	<u>21,962</u>	<u>960,220</u>

**CITY OF TRENTON, OHIO
STATEMENT OF NET POSITION
ENTERPRISE FUNDS
DECEMBER 31, 2017**

BUSINESS-TYPE ACTIVITIES--ENTERPRISE FUNDS

	Water	Sewer	Refuse	Nonmajor Enterprise Funds	Totals
Liabilities:					
<i>Current Liabilities:</i>					
Accounts Payable	\$ 19,368	\$ 6,810	\$ 916	\$ 1,968	\$ 29,062
Contracts Payable	88,371	-	58,689	-	147,060
Accrued Wages and Benefits	18,292	12,077	8,585	1,184	40,138
Retainage Payable	7,684	-	-	-	7,684
Due to Other Governments	480	59,744	-	-	60,224
Accrued Interest Payable	4,087	1,374	-	152	5,613
Notes Payable	1,620,333	510,333	-	131,335	2,262,001
Compensated Absences Payable - Current	21,937	16,694	14,149	2,520	55,300
OPWC Loans Payable - Current	-	42,650	-	-	42,650
Refunded Revenue Bonds Payable - Current	290,000	-	-	-	290,000
Total Current Liabilities	<u>2,070,552</u>	<u>649,682</u>	<u>82,339</u>	<u>137,159</u>	<u>2,939,732</u>
<i>Noncurrent Liabilities:</i>					
Customer Deposits Payable	-	-	-	186,398	186,398
Compensated Absences Payable	46,677	35,521	30,106	5,364	117,668
OPWC Loans Payable	-	469,150	-	-	469,150
Refunded Revenue Bonds Payable	5,687,715	-	-	-	5,687,715
Net Pension Liability	769,431	596,255	271,352	56,305	1,693,343
Total Noncurrent Liabilities	<u>6,503,823</u>	<u>1,100,926</u>	<u>301,458</u>	<u>248,067</u>	<u>8,154,274</u>
Total Liabilities	<u>8,574,375</u>	<u>1,750,608</u>	<u>383,797</u>	<u>385,226</u>	<u>11,094,006</u>
Deferred Inflows of Resources:					
Pensions	11,247	8,667	4,020	823	24,757
Net Position:					
Net Investment in Capital Assets	1,079,925	348,426	32,535	219,631	1,680,517
Unrestricted	2,228,483	2,916,981	495,067	247,318	5,887,849
Total Net Position	<u>\$ 3,308,408</u>	<u>\$ 3,265,407</u>	<u>\$ 527,602</u>	<u>\$ 466,949</u>	<u>\$ 7,568,366</u>

See accompanying notes to the basic financial statements

CITY OF TRENTON, OHIO
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

BUSINESS-TYPE ACTIVITIES--ENTERPRISE FUNDS					
	Water	Sewer	Refuse	Nonmajor Enterprise Funds	Totals
<u>Operating Revenues:</u>					
Charges for Services	\$ 2,024,152	\$ 1,516,143	\$ 1,120,371	\$ 206,429	\$ 4,867,095
Other Operating Revenues	50,805	10,586	2,166	454	64,011
Total Operating Revenues	2,074,957	1,526,729	1,122,537	206,883	4,931,106
<u>Operating Expenses:</u>					
Personal Services	708,400	485,099	330,674	53,599	1,577,772
Materials and Supplies	146,960	31,769	32,623	38,731	250,083
Contractual Services	162,670	685,771	668,399	77,996	1,594,836
Other Operating Expenses	46,609	50,298	38,719	3,583	139,209
Depreciation	194,058	52,224	4,460	23,166	273,908
Total Operating Expenses	1,258,697	1,305,161	1,074,875	197,075	3,835,808
Operating Income	816,260	221,568	47,662	9,808	1,095,298
<u>Non-Operating Revenues (Expenses):</u>					
Investment Earnings	4,169	-	-	1,972	6,141
Capital Grants and Contributions	1,679,906	-	-	-	1,679,906
Interest and Fiscal Charges	(214,347)	(1,392)	(24)	(2,856)	(218,619)
Total Non-Operating Revenues (Expenses)	1,469,728	(1,392)	(24)	(884)	1,467,428
Income Before Transfers	2,285,988	220,176	47,638	8,924	2,562,726
Transfers Out	(2,000)	(2,000)	(2,000)	-	(6,000)
Intra-Entity Transfer Out to Component Unit	(573,737)	-	-	-	(573,737)
Total Transfers	(575,737)	(2,000)	(2,000)	-	(579,737)
Change in Net Position	1,710,251	218,176	45,638	8,924	1,982,989
Total net position - Beginning	1,598,157	3,047,231	481,964	458,025	5,585,377
Total net position - Ending	<u>\$ 3,308,408</u>	<u>\$ 3,265,407</u>	<u>\$ 527,602</u>	<u>\$ 466,949</u>	<u>\$ 7,568,366</u>

See accompanying notes to the basic financial statements

**CITY OF TRENTON, OHIO
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

BUSINESS-TYPE ACTIVITIES--ENTERPRISE FUNDS					
	Water	Sewer	Refuse	Nonmajor Enterprise Funds	Totals
Change in Cash and Cash Equivalents					
<u>Cash Flows from Operating Activities:</u>					
Cash Received from Customers	\$ 2,033,194	\$ 1,532,463	\$ 1,115,664	\$ 229,402	\$ 4,910,723
Cash Paid for Employee Services and Benefits	(596,028)	(396,210)	(292,378)	(44,577)	(1,329,193)
Cash Paid to Suppliers for Goods and Services	(234,334)	(711,107)	(696,486)	(116,044)	(1,757,971)
Other Operating Revenues	50,755	3,706	2,166	454	57,081
Other Operating Expenses	(109,745)	(50,856)	(39,147)	(3,980)	(203,728)
Net Cash Provided by Operating Activities	<u>1,143,842</u>	<u>377,996</u>	<u>89,819</u>	<u>65,255</u>	<u>1,676,912</u>
<u>Cash Flows from Noncapital Financing Activities:</u>					
Transfers to other funds	(2,000)	(2,000)	(2,000)	-	(6,000)
Net Cash Used for Noncapital Financing Activities	<u>(2,000)</u>	<u>(2,000)</u>	<u>(2,000)</u>	<u>-</u>	<u>(6,000)</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>					
Face Value from Sale of Long Term Notes	1,620,333	510,333	-	131,335	2,262,001
Acquisition and Construction of Capital Assets	(764,108)	(82,531)	(31,000)	(61,567)	(939,206)
Principal Paid on Notes	(1,715,000)	(27,000)	(2,000)	(204,666)	(1,948,666)
Principal Paid on Revenue Bonds	(285,000)	-	-	-	(285,000)
Principal Paid on OPWC Payable	-	(42,650)	-	-	(42,650)
Interest and Fiscal Charges Paid on All Debt	(192,358)	(358)	(27)	(2,742)	(195,485)
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(6,133)</u>	<u>357,794</u>	<u>(33,027)</u>	<u>(137,640)</u>	<u>180,994</u>
<u>Cash Flows from Investing Activities:</u>					
Interest (net of market fluctuations)	4,169	-	-	1,972	6,141
Net Cash Provided By Investing Activities	<u>4,169</u>	<u>-</u>	<u>-</u>	<u>1,972</u>	<u>6,141</u>
Net Change in Cash and Cash Equivalents	1,139,878	733,790	54,792	(70,413)	1,858,047
Cash and Cash Equivalents at Beginning of Year	993,314	2,865,447	616,846	515,849	4,991,456
Cash and Cash Equivalents at End of Year	<u>\$ 2,133,192</u>	<u>\$ 3,599,237</u>	<u>\$ 671,638</u>	<u>\$ 445,436</u>	<u>\$ 6,849,503</u>
Net Cash Provided by Operating Activities:					
Operating Income	\$ 816,260	\$ 221,568	\$ 47,662	\$ 9,808	\$ 1,095,298
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:					
Depreciation Expense	194,058	52,224	4,460	23,166	273,908
Change in Assets, Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources:					
Decrease (Increase) in Accounts Receivable	8,992	9,440	(4,732)	14,507	28,207
Decrease in Prepaid Bond Insurance	2,423	-	-	-	2,423
Increase (Decrease) in Accounts Payables	9,737	5,562	(78)	286	15,507
Increase in Contracts Payables	-	-	4,211	-	4,211
Increase in Accrued Wages and Benefits	3,624	2,423	178	634	6,859
Increase in Due to Other Governments	-	313	-	-	313
Increase in Compensated Absences Payable	4,231	3,940	2,930	728	11,829
Increase in Deposits Payable	-	-	-	8,466	8,466
Increase for Pension Related Items	104,517	82,526	35,188	7,660	229,891
Total Adjustments	<u>327,582</u>	<u>156,428</u>	<u>42,157</u>	<u>55,447</u>	<u>581,614</u>
Net Cash Provided by Operating Activities	<u>\$ 1,143,842</u>	<u>\$ 377,996</u>	<u>\$ 89,819</u>	<u>\$ 65,255</u>	<u>\$ 1,676,912</u>

Non-cash disclosure:

The City reports \$96,055 of acquisition and construction of capital assets that are included in accounts payable at year-end in the Water fund.
The City transferred land valued at \$573,737 to the Trenton Community Improvement Corporation (CIC) during the year.
The City reported \$35,484 of acquisition and construction of capital assets that were included in contracts payable at 12/31/16 in the Water Fund.

See accompanying notes to the basic financial statements

**CITY OF TRENTON, OHIO
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
DECEMBER 31, 2017**

	<u>Agency</u>
Assets:	
Cash and Cash Equivalents in Segregated Accounts	<u>\$ 7,265</u>
Total Assets	<u><u>7,265</u></u>
Liabilities:	
Due to Other Governments	7,265
Total Liabilities	<u><u>\$ 7,265</u></u>

See accompanying notes to the basic financial statements

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

1. Reporting Entity and Basis of Presentation:

The City of Trenton (the “City”) is a home rule municipal corporation organized under the laws of the State of Ohio that operates under its own charter. The current charter, which provides for a Council - Manager form of government, was adopted in 1971. The seven-member Council is elected to four-year terms. Biennially, Council selects one of its members to serve as Mayor. The Council appoints a City Manager who executes the laws and administers the government of the City. The City Manager appoints all of the department managers of the City, with the exception of the Treasurer, who is appointed by City Council.

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 are not misleading. The primary government of the City consists of all funds and departments that are not legally separate from the City. For the City, these services include the police force, fire fighting and prevention force, maintenance and construction of public improvements, water and wastewater treatment, recreation and parks, and other general government services.

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 board 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 that are fiscally dependent on the City in that the City approves their budget, the issuance of their debt or the levying of their taxes for the organization. The City has included the Trenton Community Improvement Corporation as a discretely presented component unit.

The Mayor’s Court has been included in the City’s financial statements as an agency fund. The Mayor is the City official who has fiduciary responsibility for the collection and distribution of the court fees and fines.

The City is associated with one organization which is defined as a jointly governed organization, the Ohio-Kentucky-Indiana Regional Council of Governments (OKI). This organization is presented in Note 17 of the Basic Financial Statements.

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

Discretely Presented Component Units

The component unit column in the government-wide financial statements includes the financial data of the City's component unit. It is reported in a separate column to emphasize that it is legally separate from the City. The following is included as legally separate, discretely presented component of the City:

Trenton Community Improvement Corporation (CIC): The CIC is responsible for advancing, encouraging, and promoting the industrial, economic, commercial, and civic development of the City of Trenton. The City Council appoints the voting majority of the board and there is a financial benefit/burden relationship between the CIC and the City. Copies of the CIC financial report are on file at the City's Finance Department.

Basis of presentation – fund accounting

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. The effect of inter-fund activity has been removed from these statements. Taxes and intergovernmental revenues normally support governmental activities. *Business type activities* are supported by charges for services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, enterprise funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

2. Summary of Significant Accounting Policies:

The financial statements of the City of Trenton have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

Measurement focus and basis of accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the enterprise and fiduciary fund financial statements, although the fiduciary fund statements do not reflect a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within thirty-one days of the end of the current fiscal period. Expenditures generally are recorded when a liability is expected to be liquidated with expendable, available resources. However, debt service expenditures including long term notes, as well as compensated absences, are recorded only when payment is due.

Property taxes, income taxes, payments in lieu of taxes, licenses, state shared revenues, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when the City receives cash.

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. The City employs the use of three categories of funds: governmental, enterprise, and fiduciary.

Governmental Funds

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

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

The City reports the following major governmental funds:

General Fund

The General Fund is the City's primary operating fund. It accounts for all the financial resources of the general government, except those required to be accounted for in another fund.

Street Fund

The Street Fund accounts for that portion of the state gasoline tax and motor vehicle registration fees restricted for maintenance and repair of streets within the City.

Police Levy Fund

The Police Levy Fund mainly accounts for the tax levy for the police department that was put in place for tax year 2016 (collection 2017) and the services provided by the police department.

Fire Levy Fund

The Fire Levy Fund mainly accounts for the tax levy for the fire department and also reports EMS charges the City collects and the services provided by the fire department.

The City reports the following major enterprise funds:

Water Fund

To account for activities of the City's water system.

Sewer Fund

To account for activities of the City's sewer system.

Refuse Fund

The Refuse Fund accounts for the charges for service and expenses related to garbage collection within the City.

When both restricted and unrestricted resources are available for use, it is the City's policy to use the restricted resources first, then unrestricted resources, as they are needed.

Enterprise funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the City enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

Additionally, the City reports the following fund type:

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: private purpose trust funds, pension trust funds, investment trust funds and agency funds. The City maintains one fiduciary agency fund: Municipal Mayor's Court that accounts for the collection and distribution of court fines and forfeitures. The City's agency fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations.

Budgetary data

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, the certificate of estimated resources, and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated at the fund, department and object level.

Tax budget

A tax budget of estimated revenues and expenditures for all budgeted funds is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

Estimated resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by October 1. As part of this certification, the City receives the official certificate of estimated resources that 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 available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual 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, and the Budget Commission agrees, that an estimate needs to be either increased or decreased.

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 fixes spending authority at the fund, department and object level. The appropriation ordinance may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The allocation of appropriations among departments and objects within a fund may be modified with approval of City Council. During the year several supplemental appropriation measures were passed. The budget figures, which appear in the statements of budgetary comparisons, represent the final appropriation amounts, including all amendments and modifications.

Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations. On the GAAP basis, encumbrances outstanding at year-end are classified within the respective fund balance classification for special revenue and capital projects funds. The general fund reports the amount as assigned fund balance.

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

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 calendar year and need not be re-appropriated.

Cash and cash equivalents

Cash balances of the City's funds are pooled and invested in short-term investments in order to provide improved cash management. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the statement of net position and fund balance sheets. Interest income is distributed to the funds according to Ohio Constitution, state statutes and the City's investment policy that was adopted by local ordinance. Investment income credit to the General Fund during 2017 was \$60,697, which includes \$44,833 assigned from other funds. The Street, Police Levy, Fire Levy, Motor Vehicle License and Indigent Driver's Alcohol Treatment Nonmajor Special Revenue Funds and Water and Utility Deposit Enterprise Funds also received \$2,393; \$835, \$19,987; \$480; \$264; \$4,169 and \$1,972 respectively in interest during 2017.

During 2017, investments were limited to STAR Ohio and money market funds. The City has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during 2017. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio and money market funds are valued at the net asset value per share provided by STAR Ohio on an amortized cost basis at December 31, 2017, which approximates fair value.

For 2017, there were no limitations or restrictions on any participants withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

For purposes of the statement of cash flows and for presentation on the statement of net position, the City's cash management pool and investments with original maturities of three months or less are considered to be cash equivalents. Investments, not part of the cash management pool, with an initial maturity of more than three months are reported as investments.

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS
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Capital assets and depreciation

The accounting and reporting treatment applied to capital assets is determined by the ultimate use.

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and funds on the enterprise fund balance sheet. Capital assets are defined by the City as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value on the date of donation. Infrastructure, such as streets, bridges, stormwater systems and dams are capitalized if the life expectancy is five years or more and a designated value exceeding \$25,000.

Depreciation has been provided using the straight-line method over the following estimated useful lives:

Plant/Buildings	20-45 Years
Improvements other than Buildings	10-50
Machinery, Equipment, and Vehicles	3-20
Water and Sewer Lines	40-65

The City has elected to not report major general infrastructure assets retroactively which is allowed by GASB Statement No. 34 paragraph 148. The City felt with limited staff time to research the infrastructure maintained by the City the retroactive reporting would not be cost beneficial.

Compensated absences

The City follows the provisions of *Governmental Accounting Standards Board Statement No. 16, "Accounting for Compensated Absences"*. Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The City records a liability for accumulated unused vacation time when earned for all employees.

Sick leave benefits are accrued using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the City has identified as probable of receiving payment in the future. 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 City records a liability for accumulated unused sick leave for all employees based on the policy implemented during 2016 that pays out the employee if they terminate service.

CITY OF TRENTON, OHIO
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For governmental funds, the current portion of unpaid compensated absences is the amount normally due for payment during the current year. Matured leave payable in the fund financial statements represents the entire current portion. These amounts are reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements. The entire liability is reported on the government-wide statements. In enterprise funds, the entire amount of unpaid compensated absences is reported as a fund liability.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, compensated absences, net pension liability, long term notes payable and general obligations payable that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be expected to be liquidated with expendable, available financial resources. In general, payments made within thirty-one days after year-end are considered to have been made with current available financial resources. Long-term debt and other obligations financed by enterprise funds are reported as liabilities in the appropriate enterprise fund.

Interfund transactions

During the course of normal operations, the City has numerous transactions between funds. Interfund transactions are generally classified as follows:

Transfers are reported as “Other Financing Sources and Uses” in the governmental funds, as “Transfers In” by the recipient fund and “Transfers Out” by the disbursing fund on the fund financial statements. These transfers are consolidated within the governmental and business-type activities columns, and also from the “total” column on the statement of activities.

Transactions that would be treated as revenues and expenditures if the transactions involved organizations external to the City are similarly treated when involving other funds of the City.

CITY OF TRENTON, OHIO
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Capitalization of interest

The City's policy is to capitalize net interest on enterprise fund construction projects until substantial completion of the project. The amount of capitalized interest equals the difference between the interest cost associated with the tax-exempt borrowing used to finance the project and the interest earned from temporary investments of the debt proceeds over the same period. Capitalized interest is amortized on the straight-line basis over the estimated useful life of the asset. For 2017, no net interest expense was incurred on enterprise fund construction projects.

Fund Balance

The City reports the following categories of fund balance:

- Nonspendable fund balance relates to the value of consumable inventories, prepaids or unclaimed funds.

- Restricted fund balances related to grants, other restricted revenue sources like state shared revenues or charges for specific services are reported as restricted in the fund receiving those resources.

- Assigned fund balances are balances for which the City administration has specified the future use such as encumbrances and other specific funds without a restricted revenue source.

- Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The City applies restricted resources first then assigned resources when expenditures are incurred for purposes for which either restricted, assigned or unrestricted amounts are available.

Estimates

The preparation of 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.

CITY OF TRENTON, OHIO
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Net Position

Net position represents the difference between assets, deferred outflows, liabilities and deferred inflows in the statement of net position. Net position investment in net capital assets is capital assets calculated, net of accumulated depreciation and 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 their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Deferred Outflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources until then. The City only has two items that qualify for reporting in this category. One is a deferred charge on refunding reported in the government-wide statement of net position and enterprise fund statement of net position. 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 remaining life of the refunded debt. The City also reports deferred outflows of resources on the government-wide and enterprise fund statements of net position for pension. The deferred outflows of resources related to pension are explained in Note 10.

Deferred Inflows of Resources

In addition to liabilities, the statements of financial position, the City reports 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 until that time.

Property taxes and payment in lieu of taxes for which there is an enforceable legal claim as of December 31, 2017, but which were levied to finance fiscal year 2018 operations, have been recorded as deferred inflows of resources. Grants and entitlements and other revenue received before the eligibility requirements are met are also recorded as deferred inflows of resources. Deferred inflows of resources related to pension are reported on the government-wide statement of net position (see Note 10.)

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred inflows of resources.

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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.

Exchange/Non-Exchange Transactions

Revenues 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 become 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.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes 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 to be used for a specified purpose, 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.

Reconciliation of Government-Wide and Fund Financial Statements

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net position - governmental activities* as reported in the government-wide statement of net position.

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An element of that reconciliation explains that “capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.” The details of \$6,199,359 difference are as follows:

Capital Assets	\$10,160,210
Accumulated Depreciation	(3,960,851)

Net Adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	\$6,199,359

One element of that reconciliation explains that “long-term liabilities, including loans payable are not due and payable in the current period and therefore are not reported in the funds.” The details of this (\$428,556) difference are as follows:

Loans Payables	(\$79,611)
Accrued Interest Payable	(7,018)
Compensated Absences	(341,927)

Net Adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	(\$428,556)

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between *net change in fund balances – total governmental funds* and *change in net position of government activities* as reported in the government-wide statement of activities. One element of that reconciliation states that capital additions are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.

This is the amount by which capital outlays exceeded depreciation in the current period. The details of this are as follows:

Current capital additions	\$1,385,404
Depreciation Expense	(287,866)

Net Adjustment – capital assets to decrease <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	\$1,097,538

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An element of that reconciliation states that “The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction however, has any affect of net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.” The details of this \$2,076 are as follows:

Principal paid on long term debt	\$8,846
Change in interest payable	(6,770)
Net Adjustment - current financial resources focus to increase <i>fund balance – total governmental funds</i> to arrive at <i>net position – governmental activities</i>	\$2,076

3. Change in Accounting Principle

For fiscal year 2017, the City implemented the following Governmental Accounting Standards Board (GASB) Statements that no impact of the beginning net position:

GASB Statement No. 81 “Irrevocable Split-Interest Agreements”. The Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the City.

GASB Statement No. 82 “Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73”. The statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of GASB Statement No. 82 did not have an effect on the financial statements of the City.

4. Budget to GAAP Reconciliation:

Budgetary basis of accounting

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

The Statement of Revenues, Expenditures and Changes in Fund Balances, Budget and Actual (Budget Basis), General Fund is presented on the budgetary basis to provide a meaningful

CITY OF TRENTON, OHIO
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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 (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year-end encumbrances are treated as expenditures/expenses (budget basis) rather than as a restriction or assignment of fund balance for governmental funds.
4. Proceeds from issuance of short term notes and principal paid on short term notes are recorded when paid (budget basis) but are reported as liabilities or reduction of liabilities on a GAAP basis.
5. The reporting for several funds are classified as general fund (GAAP basis) rather than as special revenue or agency funds (budget basis.)

The adjustments necessary to convert the results of operations for the year on the GAAP basis to the budget basis are as follows:

	<u>General Fund</u>	<u>Street Fund</u>	<u>Police Levy</u>	<u>Fire Levy</u>
GAAP Basis	\$368,069	(\$38,023)	\$170,987	(\$417,180)
Adjustments:				
Revenue Accruals	(66,261)	1,482	(1,046)	(414)
Expenditure Accruals	(41,315)	1,769	54,830	54,635
Encumbrances	(104,646)	(185,083)	(84,878)	(18,003)
Principal retirement	0	(26,000)	0	(74,334)
Debt proceeds	0	10,333	0	10,333
Transfers	(105,000)	0	0	(720,000)
Fund Reclassification	211,044	0	0	644,357
Budget Basis	<u>\$261,891</u>	<u>(\$235,522)</u>	<u>\$139,893</u>	<u>(\$520,606)</u>

5. Deposits and Investments:

Cash resources of several individual funds are combined to form a pool of cash and investments. In addition, investments are separately held by a number of individual funds. The following is a list of the allowable investments for the City:

- 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;

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- 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;
- Deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- The State Treasury Asset Reserve of Ohio (STAR Ohio); and
- Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time.

The City may also invest any moneys not required to be used for period of time of six months or more in the following:

- Bonds of the State of Ohio;
- Bonds of any municipal corporation, Village, City, Township or other political subdivision of this State, as to which there is no default of principal, interest or coupons; and
- Obligations of the City.

CITY OF TRENTON, OHIO
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Investments in stripped principal and interest obligations, reverse repurchase agreements and derivative investments are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Deposits

At year-end, the carrying amount of the City's deposits was \$6,727,457.

Custodial Credit Risk

As of December 31, 2017, \$2,445,516 of the City's bank balance of \$7,033,116 was exposed to custodial credit risk as discussed below.

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. Protection of City cash and deposits are provided by the Federal Depository Insurance Corporation (FDIC) 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. Under the Ohio Pooled Collateral Program the Bank pledges (102% at December 31, 2017) to the Treasurer of the State of Ohio a pool of eligible securities for the benefit of all public depositors at the Bank to secure the repayment of uninsured public deposits at the Bank.

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 parties of the financial institutions. The City does not have a custodial credit risk policy.

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B. Investments

The City's investments at December 31, 2017 are summarized below:

<u>Categorized Investments</u>	<u>Fair Value Under One Year</u>	<u>Credit Rating</u>	<u>Concentration Percentage</u>
STAR Ohio	\$8,046,217	S& P - AAAM	99.35%
Money Market Funds	52,686	S& P - AAAM	0.65%
Total	<u>\$8,098,903</u>		

Fair Value Measurement

Fair value as defined by GASB Statement No. 72 requires the City to apply valuation techniques that best represent fair value in the circumstances-market approach, cost approach and income approach. The following are the levels for which inputs can be measured. Level 1 – quoted prices (unadjusted) in active markets for identical assets/liabilities (most reliable); Level 2 – quoted prices for similar assets/liabilities, quoted price for identical assets/liabilities or similar assets/liabilities in markets that are not active, or other quoted prices that are observable; and Level 3 – unobservable inputs (least reliable).

The City's investments in money market funds and STAR Ohio are excluded from fair value measurement requirements under GASB Statement No. 72, and instead are reported at amortized cost.

Custodial Credit Risk

The risk that, in the event of a failure of a counter party, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City employs the use of "safekeeping" accounts to hold and maintain custody of its investments as identified within this policy and as a means of mitigating this risk.

Interest Rate Risk

The risk that the City will incur fair value losses arising from rising interest rates. Such risk is mitigated by the investment policy by limiting investments to certain maximum maturities. As a rule, unless specified otherwise within the policy, investments are to have a maximum maturity of five years unless the investment is matched to a specific expenditure. The context of a specific investment purchase must be weighed in proportion to the remainder of the existing investment portfolio and the "prudent investor" rule to attempt to limit such risk.

Concentration of Credit Risk

The City places no limit on the amount it may invest in any one issuer. These are the only investments greater than five percent required to be disclosed.

CITY OF TRENTON, OHIO
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6. Property Taxes:

Property taxes include amounts levied against all real and public utility property located in the City. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. The triennial was completed during the 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 unless extended.

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

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Trenton. The County Auditor periodically remits to the City its portion of the taxes collected. The full tax rate for all City operations for the year ended December 31, 2017, was \$12.99 (\$3.24 operating, \$5.25 police levy and \$4.50 fire levy) per \$1,000 of assessed valuation.

The assessed values of real and public utility property upon which 2017 property tax receipts were based are as follows:

Category	Assessed Value
Real Property	\$162,562,930
Public Utility Property	9,190,810
Total Property Tax	\$171,753,740

Property taxes receivable represents real and public utility property taxes, public utility taxes and outstanding delinquencies that are measurable as of December 31, 2017. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31, nor are they intended to finance 2017 operations. The receivable is therefore offset by a credit reported as deferred inflows of resources on financial statements.

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7. Income Tax:

The City levies a municipal income tax of 1.5 percent on substantially all income earned within the City. In addition, the residents of the City are required to pay income tax on income earned outside of the City; however, the City allows a credit for income taxes paid to another municipality up to 100 percent of the City's current tax rate.

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually.

Income tax proceeds are to be used to pay the cost of administering the tax, General Fund operations, capital improvements, debt service and other governmental functions when needed, as determined by Council. In 2017, the proceeds were allocated to the General Fund. Net income tax revenue for 2017 was \$1,814,675.

8. Receivables:

Receivables at December 31, 2017, consisted of property taxes, income taxes, special assessments, due to other governments arising from grants, entitlements and shared revenues, interest on investments and utility accounts. All receivables are considered fully collectible.

A summary of due to other governments follows:

<u>Fund/Description</u>	<u>Amount</u>
<u>MAJOR FUNDS</u>	
<i>General Fund:</i>	
Local Government Revenue	\$91,888
Homestead and Rollback	35,692
Total General Fund	<u>127,580</u>
<i>Street Fund:</i>	
Motor Vehicle License Tax	38,592
Gas Tax	218,708
Total Street Fund	<u>257,300</u>
<i>Police Levy Fund:</i>	
Homestead and Rollback	<u>55,350</u>
<i>Fire Levy Fund:</i>	
Homestead and Rollback	<u>46,605</u>
<i>Water Fund:</i>	
Ohio Public Works Commission	<u>407,097</u>
<u>NONMAJOR FUNDS</u>	
<i>Permissive Motor Vehicle License Fund</i>	
Permissive Tax	<u>43,265</u>
Total for Governmental Activities	<u>\$937,197</u>

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9. Capital Assets:

Changes in Capital Assets during the year ended December 31, 2017, were as follows:

	Balance 12/31/16	Increases	Decreases	Balance 12/31/17
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	\$473,473	\$0	\$0	\$473,473
Construction In Progress	4,918	1,030,055	0	1,034,973
Total Capital Assets not being depreciated	478,391	1,030,055	0	1,508,446
Capital Assets, being depreciated:				
Buildings	1,915,639	0	0	1,915,639
Improvements other than Buildings	3,188,952	0	0	3,188,952
Machinery, Equipment and Vehicles	3,221,324	355,349	(29,500)	3,547,173
Total Capital Assets being depreciated	8,325,915	355,349	(29,500)	8,651,764
Accumulated Depreciation:				
Buildings	(859,929)	(44,168)	0	(904,097)
Improvements other than Buildings	(225,906)	(98,893)	0	(324,799)
Machinery, Equipment and Vehicles	(2,616,650)	(144,805)	29,500	(2,731,955)
Total Accumulated Depreciation	(3,702,485)	(287,866)	29,500	(3,960,851)
Net Capital Assets, being depreciated	4,623,430	67,483	0	4,690,913
Governmental Activities Capital Assets	\$5,101,821	\$1,097,538	\$0	\$6,199,359
Business Type Activities				
Capital Assets, not being depreciated				
Land	\$2,508,698	\$0	(\$573,737)	\$1,934,961
Construction In Progress	214,254	104,064	0	318,318
Total Capital Assets not being depreciated	2,722,952	104,064	(573,737)	2,253,279
Capital Assets, being depreciated				
Plant	5,427,601	0	0	5,427,601
Water and Sewer Lines	4,613,158	582,206	0	5,195,364
Improvements other than Buildings	430,318	50,000	0	480,318
Machinery, Equipment and Vehicles	2,048,996	206,316	0	2,255,312
Total Capital Assets being depreciated	12,520,073	838,522	0	13,358,595
Accumulated Depreciation:				
Plant	(1,361,181)	(109,205)	0	(1,470,386)
Water and Sewer Lines	(2,515,639)	(77,599)	0	(2,593,238)
Improvements other than Buildings	(83,263)	(5,002)	0	(88,265)
Machinery, Equipment and Vehicles	(1,606,126)	(82,102)	0	(1,688,228)
Total Accumulated Depreciation	(5,566,209)	(273,908)	0	(5,840,117)
Net Capital Assets, being depreciated	6,953,864	564,614	0	7,518,478
Business Type Activities Capital Assets	\$9,676,816	\$668,678	(\$573,737)	\$9,771,757

* Depreciation expense was charged to governmental functions as follows:

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Governmental Activities:	
Security of Persons and Property	\$97,597
Leisure Time Activities	17,924
Community Environment	3,005
Public Health and Welfare	2,243
Transportation	118,722
General Government	48,375
	<hr/>
Total Depreciation Expense - governmental activities	<u><u>\$287,866</u></u>

** Depreciation expense was charged to business-type activities as follows:

Business Type Activities:	
Water	\$194,058
Sewer	52,224
Refuse	4,460
Non-major enterprise	23,166
	<hr/>
Total Depreciation Expense - business-type activities	<u><u>\$273,908</u></u>

10. 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.

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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 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 *due to other governments* 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 (District 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):

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	Group A Eligible to retire on or before January 7, 2013*	Group B Eligible to retire on or before January 7, 2013	Group C Eligible to retire after January 7, 2013
Full Benefits	Any age with 30 years or service credit; or Age 65 with 5 years of service credit	Any age with 32 years or service credit; or Age 60 with 5 years of service credit; or Age 52 with 31 years of service credit.	Age 55 with 32 years or service credit; or Age 67 with 5 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit; or Age 55 with 25 years of service credit	Age 60 with 5 years of service credit; or Age 55 with 25 years of service credit	Age 62 with 5 years of service credit; or Age 57 with 25 years of service credit

* Members with 25 years of service credit as of January 2013 will be included in this plan.

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>
2017 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2017 Actual Contribution Rates	
Employer:	
Pension	13.0 %
Post-employment Health Care Benefits	<u>1.0</u>
Total Employer	<u>14.0 %</u>
Employee	<u>10.0 %</u>

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Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$253,669 for the year ending December 31, 2017. Of this amount, \$31,025 is reported as due to other governments.

Plan Description – Ohio Police & Fire Pension Fund (OPF)

Plan Description - City full-time police participate in Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan administered by OPF. OPF 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. OPF issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OPF fiduciary net position. The report that may be obtained by visiting the OPF website at 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 OPF may retire and receive a lifetime monthly pension. OPF 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 OPF 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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Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	Police	Firefighters
2017 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee:	12.25 %	12.25 %
 2017 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50 %	0.50 %
 Total Employer	 19.50 %	 24.00 %
 Employee:	 12.25 %	 12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OPF was \$197,365 for 2017. Of this amount \$22,626 is reported as due to other governments.

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, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OPF's total pension liability was measured as of December 31, 2016, and was determined by rolling forward the total pension liability as of January 1, 2016, to December 31, 2016. 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:

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	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Proportion of the Net Pension Liability - Prior Measurement Year	0.015134%	0.0400750%	
Proportion of the Net Pension Liability - Current Measurement Year	<u>0.014804%</u>	<u>0.0409130%</u>	
Change in proportion	<u>-0.000330%</u>	<u>0.000838%</u>	
Proportionate Share of the Net Pension Liability	\$3,361,738	\$2,591,385	\$5,953,123
Pension Expense	\$566,510	\$208,483	\$774,993

At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred Outflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$509,475	\$253,403	\$762,878
Changes in proportion and differences Differences between expected and actual experience	8,542	37,853	46,395
Change in assumptions	4,557	733	5,290
City contributions subsequent to the measurement date	533,213	0	533,213
Total Deferred Outflows of Resources	<u>253,669</u>	<u>197,365</u>	<u>451,034</u>
	<u>\$1,309,456</u>	<u>\$489,354</u>	<u>\$1,798,810</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$21,406	\$5,966	\$27,372
Changes in proportion and differences	28,036	44,122	72,158
Total Deferred Inflows of Resources	<u>\$49,442</u>	<u>\$50,088</u>	<u>\$99,530</u>

\$451,034 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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Year Ending December 31:	OPERS	OP&F	Total
2018	\$431,157	\$93,217	\$524,374
2019	438,498	93,217	531,715
2020	151,365	69,681	221,046
2021	(14,675)	(20,257)	(34,932)
2022	0	5,286	5,286
Thereafter	0	757	757
Total	<u>\$1,006,345</u>	<u>\$241,901</u>	<u>\$1,248,246</u>

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the value 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 was determined by an actuarial valuation as of December 31, 2016, using the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. In 2016, the Board's actuarial consultants conducted an experience study for the period 2011 through 2015, comparing assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 8.0% down to 7.5%, for the defined benefit investments. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below.

Wage Inflation	3.25 percent
Projected Salary Increases	3.25 percent to 10.75 percent (Includes wage inflation %)
COLA or Ad Hoc COLA	Pre 1/7/2013 Retirees: 3 percent Simple Post 1/7/13 Retirees: 3% simple through 2018, then 2.15% simple
Investment Rate of Return	7.50 percent
Actuarial Cost Method	Individual Entry Age

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The most recent experience study was completed for the five-year period ended December 31, 2015.

Mortality rates are based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

The long-term expected 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.

During 2016, OPERS managed investments in four investment portfolios: the Defined Benefit portfolio, the 401(h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The 401(h) Health Care Trust portfolio was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. The Defined Benefit portfolio historically included the assets of the Member-Directed retiree medical accounts funded through the VEBA Trust. However, the VEBA Trust was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. 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 annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 8.3% for 2016.

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 2016 and the long-term expected real rates of return:

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Asset Class	Target		Weighted Average	
	Allocation		Long-Term Expected	
				Real Rate of Return
Fixed Income	23.00	%		2.75 %
Domestic Equities	20.70			6.34
Real Estate	10.00			4.75
Private Equity	10.00			8.97
International Equities	18.30			7.95
Other Investments	18.00			4.92
Total	100.00	%		5.66%

Discount Rate

The discount rate used to measure the total pension liability was 7.5 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.

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 7.5 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 (6.5 percent) or one-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$5,135,804	\$3,361,738	\$1,883,365

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Actuarial Assumptions – OPF

OPF’s total pension liability as of December 31, 2016 is based on the results of an actuarial valuation date of January 1, 2016, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OPF’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, 2016, are presented below:

Valuation Date	January 1, 2016
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.25 percent
Projected Salary Increases	4.25 percent to 11 percent
Payroll Increases	3.75 percent
Inflation Assumptions	3.25 percent
Cost of Living Adjustments	2.60 percent and 3.00 percent simple

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 December 31, 2011.

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 OPF’s target asset allocation as of December 31, 2016 are summarized below:

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<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash and Cash Equivalents	- %	- %
Domestic Equity	16.00	5.21
Non-US Equity	16.00	5.40
Core Fixed Income *	20.00	2.37
Global Inflation Protected *	20.00	2.33
High Yield	15.00	4.48
Real Estate	12.00	5.65
Private Markets	8.00	7.99
Timber	5.00	6.87
Master Limited Partnerships	8.00	7.36
 Total	 <u>120.00 %</u>	 Note: 10 year rate

* 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.

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	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability	\$3,451,422	\$2,591,385	\$1,862,498

11. Post-Employment Benefits

Public Employees Retirement System (OPERS)

The Public Employees Retirement System of Ohio (OPERS) maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Tradition Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-retirement health care coverage, age-and-service retirees under the Tradition Pension and Combined Plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and qualified survivor benefits 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. OPERS' eligibility requirements for post-employment health care coverage changed for those retiring on and after January 1, 2017. Please see the Plan Statement in the OPERS 2016 CAFR for details.

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

The Ohio Revised Code provides the statutory authority requiring public employees to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2017, state and local employers contributed at a rate of 14% of earnable salary. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB plan.

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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 1.0% during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0.0% 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 to the RMA for participants in the Member-Directed Plan for 2017 was 4.0%.

The City's actual contributions for health care to OPERS for the years ending December 31, 2017, 2016, and 2015 were \$19,515, \$37,350, and \$37,538 respectively. The full amount has been contributed for 2016 and 2015. 97 percent has been contributed for 2017 with the remainder being reported as a liability within the respective funds.

Ohio Police and Fire Pension Fund

The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost-sharing multiple-employer defined benefit post-employment health care plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drug, 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 or on OP&F's website at www.op-f.org.

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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 is for health care benefits under IRS Code Section 115 trust and the other is for Medicare Part B reimbursements administered 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 contribution 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. For the year ended December 31, 2017, the employer contribution allocated to the health care plan was 0.50% of covered amount. The amount of the 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 provision of Section 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 dependents and the coverage selected.

The City's contributions for health care to OP&F for the years ending December 31, 2017, 2016, and 2015 were \$5,234, \$4,876, and \$4,553 respectively. The full amount has been contributed for 2016 and 2015. 98 percent has been contributed for 2017 with the remainder being reported as a liability within the respective funds.

12. Other Employee Benefits:

Compensated absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. City employees earn vacation leave at varying rates based upon length of service. Accumulated unused vacation time is paid to employees upon termination of employment. Full time employees of the City of Trenton are credited with sick leave of eighty hours per year.

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Upon separation from service for any reason, all employees shall be paid for one-half of any accrued but unused sick leave credit. In addition, full time employees receive thirty-two hours of personal leave each year. Personal leave hours do not accumulate except that a maximum of sixteen hours may be carried forward at the end of each year. In addition, City employees may convert personal leave hours to sick leave hours at a two to one ratio.

Insurance benefits

The City has elected to provide employee medical/surgical and life insurance benefits through Community Mutual Anthem Blue Cross/Blue Shield for all full-time employees. The City pays the City pays for 90% of the monthly premium and the employee pays for 10% of the monthly premium. This coverage continues through 2018. The premium varies with each employee depending on the coverage elected such as employee only, employee plus spouse, employee plus children, or family plan. Dental insurance is offered to employees through Dental Care Plus for all full-time employees. The City pays 100 percent of the monthly premium. The premium varies with each employee depending on the coverage elected, just as with healthcare. The City was given the option and chose to offer Blue View Vision to the employees. This is an elective coverage offered to employees through Anthem Vision Coverage for all full-time employees. The premium varies with each employee depending on the coverage elected, just as with healthcare, and the employees pay 100% of the monthly premium. Life insurance is provided through Standard Life Insurance to all full-time employees with \$20,000 coverage at no cost to the employees.

The City provides a high deductible healthcare plan with Community Mutual Anthem Blue Cross/Blue Shield, which provided the employees with the opportunity to participate in employee Health Savings Accounts (HSA). The health savings account is a tax exempt trust or custodial account that is set up with a qualified HSA trustee to pay or reimburse certain medical expenses incurred. The City offered a traditional insurance plan as a second option at the renewal in 2017. The employee is required to pay the premium cost above the premium cost of the high deductible plan.

13. Risk Management:

Property and liability

The City is exposed to various risk of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City received insurance from the Public Entities Pool of Ohio, (PEP), a joint self-insurance pool. The coverage period is December 20, 2016 to December 20, 2017 extended to December 20, 2018. This pool provides joint and cooperative pooling of financial and administrative resources, as well as risk management services and risk sharing facilities to its members, and defends and protects against liability.

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

General liability, police professional liability, employee practices liability, stop gap liability, and public officials' liability have a \$5 million limit each occurrence (no annual aggregate). Auto liability has a \$5 million limit of liability per accident. Property coverage is limited to the value of the property, as is boiler and machinery, EDP equipment and Inland Marine equipment.

Property insurance has a \$1,000 deductible, and boiler and machinery has a \$1,000 deductible, EDP has a \$500 deductible, while Inland Marine also has a \$500 deductible. General liability and Stop Gap have a \$0 deductible, employee practice liability, police professional and public officials' have deductibles of \$1,000. Auto liability and physical damage has \$500 deductible for comprehensive and collision.

Crime coverage was underwritten by Travelers Insurance Company, with a policy period of December 20, 2016 to December 20, 2017 extended to December 20, 2018. The limit is \$100,000 and the deductible is \$1,000.

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

Workers' Compensation

For fiscal year 2017, the City participated in the Ohio Municipal League of Ohio Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the City by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating cities is calculated as one experience and a common premium rate is applied to all cities in the GRP.

Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to cities that can meet the GRP's selection criteria. The firm of Comp Management provides administrative, cost control and actuarial services to the GRP.

The City may withdraw from the GRP if written notice is provided sixty days prior to the prescribed application deadline of the Ohio Bureau of Workers' Compensation. However, the participant is not relieved of the obligation to pay any amounts owed to the GRP prior to withdrawal, and any participant leaving the GRP allows the representative of the GRP to assess loss experience for three years following the last year of participation.

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

14. Long-Term Obligations:

Changes in long-term obligations during 2017 were as follows:

	Restated Balance 12/31/16	Increase	Decrease	Balance 12/31/17	Due within one year
Governmental Activities:					
Ohio Public Works Commission Loan	\$88,457	\$0	\$8,846	\$79,611	\$8,846
Compensated Absences Payable	326,179	212,565	196,817	341,927	101,707
Net Pension Liability					
OPERS	1,316,732	351,663	0	1,668,395	0
OP&F	2,578,039	13,346	0	2,591,385	0
Total – Governmental Activities	4,309,407	577,574	205,663	4,681,318	110,553
Business -Type Activities:					
Refunding Water Revenue Bond	6,315,000	0	285,000	6,030,000	290,000
Discount on Revenue Bonds	(55,361)	0	3,076	(52,285)	0
Ohio Public Works Commission Loan	554,450	0	42,650	511,800	42,650
Compensated Absences Payable	161,139	111,393	99,563	172,968	55,300
Net Pension Liability					
OPERS	1,304,668	388,675	0	1,693,343	0
Total – Business - Type Activities	\$8,279,896	\$500,068	\$430,289	\$8,355,826	\$387,950

The water system improvement refunding revenue bond was issued in February 2013 at a variable interest rate from 0.60% to 3.47% over twenty-two years. Interest is paid semi-annually. The bond was issued at a net discount which is being amortized over the life of the bond on the straight line method. The City has pledged user charges from the Water Fund to repay the principal and interest on the bonds. The bonds are payable from pledged revenues through 2034. Annual principal and interest payments on the bonds are expected to require approximately 35% of annual pledged revenues. The proceeds from the refunding bond issuance retired the 2004 revenue bonds on December 1, 2014 which were defeased during fiscal year 2013. The City paid \$285,000 in principal and \$169,368 in interest during the year from \$1,010,318 of pledged revenue.

The business-type Ohio Public Works Commission loan was finalized during 2009 with payments starting in 2010. The loan is a zero interest loan payable from sewer revenues. The loan is amortized over twenty years. The governmental type Ohio Public Works Commission loan was finalized in 2016 with payments starting in 2017. The loan is a zero interest loan payable from gas tax revenues. The loan is amortized over ten years.

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

Compensated absences will be paid from the fund from which the employee is paid. As of December 31, 2017 the City's overall voted legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$20,884,312 and the unvoted legal debt margin was \$12,296,625.

Annual debt service requirements to maturity for the Water Revenue Refunding Bonds are as follows:

BUSINESS-TYPE ACTIVITIES			
Water Refunding Revenue Bonds			
Years	Principal	Interest	Total
2018	\$290,000	\$163,668	\$453,668
2019	295,000	157,868	452,868
2020	305,000	151,968	456,968
2021	310,000	145,868	455,868
2022	315,000	139,668	454,668
2023-2027	1,695,000	579,620	2,274,620
2028-2032	1,950,000	329,204	2,279,204
2033-2034	870,000	42,574	912,574
Totals	<u>\$6,030,000</u>	<u>\$1,710,438</u>	<u>\$7,740,438</u>

Annual debt service requirements to maturity for Ohio Public Works Commission loan are as follows:

BUSINESS-TYPE ACTIVITIES			
OPWC Loans			
Years	Principal	Interest	Total
2018	\$42,650	\$0	\$42,650
2019	42,650	0	42,650
2020	42,650	0	42,650
2021	42,650	0	42,650
2022	42,650	0	42,650
2023-2027	213,250	0	213,250
2028-2029	85,300	0	85,300
Totals	<u>\$511,800</u>	<u>\$0</u>	<u>\$511,800</u>

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

Annual debt service requirements to maturity for Ohio Public Works Commission loan are as follows:

GOVERNMENTAL ACTIVITIES			
OPWC Loans			
Years	Principal	Interest	Total
2018	\$8,846	\$0	\$8,846
2019	8,846	0	8,846
2020	8,845	0	8,845
2021	8,845	0	8,845
2022	8,845	0	8,845
2023-2026	35,384	0	35,384
Totals	<u>\$79,611</u>	<u>\$0</u>	<u>\$79,611</u>

The City had issued debt obligations on behalf of the McCullough-Hyde Memorial Hospital Incorporated (the “Hospital”) for the purpose of leasing a facility in the City limits to provide medical services to the Trenton residents. This bond and the interest thereon do not constitute debt or liability by the City of Trenton, Butler County or the State of Ohio, but are special obligations between investors and the debtors payable solely from the payments received by the trustee under the loan agreements and meet the definition of conduit debt in GASB Interpretation No. 2, *Disclosure of Conduit Debt Obligations*. The City has elected to not report the liability and respective asset on the face of the financial statements. The bond was retired on March 22, 2017.

15. Short-Term Obligations:

Changes in short-term obligations during 2017 were as follows:

	Balance 12/31/16	Increase	Decrease	Balance 12/31/17
Governmental Funds				
Notes Payable – Building	\$62,000	\$30,999	\$62,000	\$30,999
Notes Payable – Vehicles	89,334	0	89,334	0
Notes Payable – Amphitheater	0	210,000	0	210,000
Notes Payable – Fire Station	0	2,478,000	0	2,478,000
Total Governmental Funds	<u>151,334</u>	<u>2,718,999</u>	<u>151,334</u>	<u>2,718,999</u>
Enterprise Funds				
Notes Payable – Water	1,650,000	1,590,000	1,650,000	1,590,000
Notes Payable – Orbit	45,000	20,000	45,000	20,000
Notes Payable – Building	62,000	31,001	62,000	31,001
Notes Payable – Vehicles	10,666	0	10,666	0
Notes Payable – Sweeper	181,000	121,000	181,000	121,000
Notes Payable – Sewer Ext	0	500,000	0	500,000
Total Enterprise Funds	<u>\$1,948,666</u>	<u>\$2,262,001</u>	<u>\$1,948,666</u>	<u>\$2,262,001</u>

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

The \$1,590,000 enterprise notes were issued in anticipation of long-term bond financing and will be refinanced until such bonds are issued. They are backed by the full faith and credit of the Water operating revenue and mature within one year. The \$1,590,000 notes were issued on November 17, 2017 at a 2 percent interest rate and mature on November 17, 2018.

The \$20,000 enterprise notes were issued as part of the Orbit Sheet Metal settlement. The notes will be retired with water revenue. They are backed by the full faith and credit of the Water operating revenue. The \$20,000 notes were issued on November 17, 2017 at a 2 percent interest rate and mature on November 17, 2018.

The \$62,000 notes were issued for building acquisition that will be used by different services within the City. The notes will be retired from the six funds (three governmental and three enterprise). They are backed by the full faith and credit of the respective operating revenue or general obligation credit of the City. The \$62,000 notes were issued on November 17, 2017 at a 2 percent interest rate and mature on November 17, 2018.

The \$121,000 notes were issued for street sweeper acquisition that will be used by stormwater department. The note will be retired from the stormwater management enterprise fund. They are backed by the full faith and credit of the respective operating revenue. The \$121,000 notes were issued on November 17, 2017 at a 2 percent interest rate and mature on November 17, 2018.

The \$210,000 notes were issued for construction of a new community park amphitheater that will be used by parks department. The note will be retired from the parks and recreation budgetary fund, which is reported within the general fund under GASB 54. They are backed by the full faith and credit of the respective operating revenue. The \$210,000 notes were issued on November 17, 2017 at a 2 percent interest rate and mature on November 17, 2018.

The \$500,000 notes were issued for sewer main at the City's industrial park that will be used by sewer department. The note will be retired from the sewer enterprise fund. They are backed by the full faith and credit of the respective operating revenue. The \$500,000 notes were issued on November 17, 2017 at a 2 percent interest rate and mature on November 17, 2018.

The \$2,478,000 notes were issued for construction of a new fire station on North Miami Street that will be used by fire department. The note will be retired from the fire levy special revenue fund. They are backed by the full faith and credit of the respective operating revenue. The \$2,478,000 notes were issued on November 17, 2017 at a 2 percent interest rate and mature on November 17, 2018.

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

16. Transfers

Following is a summary of transfers in and out for all funds for 2017:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$13,000	\$1,221,800
Street	0	2,000
Police Levy	1,155,000	5,000
Water	0	2,000
Sewer	0	2,000
Refuse	0	2,000
Non-Major Governmental Funds	66,800	0
Total All Funds	<u>\$1,234,800</u>	<u>\$1,234,800</u>

The transfers from the general funds are to help support those various other functions. The General Fund transfers of \$105,000 to the Parks and Recreation Fund and \$3,000 to Community Night Out funds (which are reported within the General Fund under GASB 54 so that transfer was consolidated); and \$1,155,000 to the Police Levy Fund from the General Fund to supplement the Police levy funds. The Employee Termination Fund is also included with the General Fund for GASB 54 purposes which accounts for the remaining \$10,000 transferred in from other funds to cover future termination costs, in accordance with fund balance policy.

17. Jointly Governed Organization

Ohio-Kentucky-Indiana Regional Council of Governments - The City participates in the Ohio-Kentucky-Indiana Regional Council of Governments (OKI). OKI members include Butler, Clermont and Warren Counties in Ohio, Boone, Campbell and Kenton Counties in Kentucky and Dearborn and Ohio Counties in Indiana. The purpose of OKI is to provide coordinated planning services to the appropriate federal, state and local governments, their political subdivisions, agencies, departments, instrumentalities, and special districts, in connection with the preparation and development of comprehensive and continuing regional transportation and development plan within the OKI Region. OKI also serves as an area wide review agency in conjunction with comprehensive planning within the OKI Region.

OKI contracts periodically for local funds and other support with the governing board of each of the counties who are members of OKI or with such other persons as may be appropriate to provide such funds and support. The support is based on the population of the area represented. A Board of Trustees was created for conducting the activities of the OKI. This Board consists of one elected official of each county-and-municipal corporation, one individual selected by each County planning agency or commission and one person selected

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

by each planning agency or commission of each municipal corporation located in each member county. This Board of Trustees then selects not more than ten residents of the OKI Region. The total membership of the Board of Trustees shall not exceed 100. Any member of OKI may withdraw its membership upon written notice to OKI to be effective two years after receipt of the notice by OKI. If the organization were to dissolve, OKI's net assets shall revert to the said public bodies in proportion to each body's contribution towards the assets.

Payments to OKI are made from the General Fund. The City paid \$3,680 to OKI during 2017. To obtain financial information, write to Director of Finance and Administration of the Ohio-Kentucky-Indiana Regional Council of Governments at 920 Pete Rose Way, Suite 420, Cincinnati, Ohio, 45202.

18. Fund Balance Allocation

The City has chosen to present the consolidated summary of fund balance classification on the financial statements. The detail of those fund balance classifications are outlined below:

Fund Balance	General	Street	Police Levy	Fire Levy	Other
Nonspendable:					
Unclaimed Monies	\$2,063	\$0	\$0	\$0	\$0
Restricted:					
Public Works	0	323,553	0	0	1,245,022
Public Safety	0	0	166,384	1,099,092	45,300
Debt Service	0	0	0	0	41,226
Capital Improvements	0	0	0	0	15,333
Assigned:					
Employee accounts	212	0	0	0	0
Cash Bond	2,275	0	0	0	0
Community Night Out	8,287	0	0	0	0
Bi-Centennial	45,856	0	0	0	0
Capital Improvements	0	0	0	0	86,352
Encumbrances	60,853	0	0	0	0
Unassigned					
Budget Stabilization	398,366	0	0	0	0
Unassigned	1,776,494	0	0	0	0
Total Fund Balance	\$2,294,406	\$323,533	\$166,384	\$1,099,092	\$1,433,233

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

The City has established by ordinance the General Stabilization Fund for the purpose of general budget stabilization which should not exceed five percent of the General Fund's revenue for the preceding year. The Stabilization Fund may be reduced or eliminated by City Council and the ordinance did not specify the criteria for the use of the resources. Thus, the Stabilization Fund is reported within unassigned fund balance.

19. Contingent Liabilities:

Litigation

The City is of the opinion that the ultimate disposition of claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

20. Contractual Commitments

The City has several outstanding contracts for construction projects. The following amounts remain on these contracts as of December 31, 2017:

Vendor	Outstanding Balance
Venture One Construction – Fire Station	\$1,884,686
Commercial Development Solutions - Amphitheater	72,147

21. Restatement of Fund Balance

In the prior year, the City reported short term notes payable as long term obligations as those notes were being rolled over and reissued in the next fiscal year. The notes were evaluated during the current year and do not meet the requirements as established in GASB 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The following tables shows the effect of the restatements on the various fund balances where the short term notes are reported:

	Street	Fire Levy	Other Governmental Funds
Fund Balance at 12/31/2016	\$387,576	\$1,590,606	\$1,209,784
Restatement:			
Reporting Short Term Note Payable	(26,000)	(74,334)	(51,000)
Restated Fund Balance at 12/31/2016	\$361,576	\$1,516,272	\$1,158,784

CITY OF TRENTON, OHIO
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM - TRADITIONAL PENSION PLAN
LAST FOUR FISCAL YEARS (1) (2)

	2017	2016	2015	2014
The City's Proportion of the Net Pension Liability	0.014804%	0.015134%	0.014942%	0.014942%
The City's Proportion Share of the Net Pension Liability	\$ 3,361,738	\$ 2,621,400	\$ 1,802,156	\$ 1,761,451
The City's Covered Payroll	\$ 1,867,500	\$ 1,876,108	\$ 1,986,550	\$ 1,046,315
The City's Proportion Share of the Net Pension Liability as a Percentage of its Covered Payroll	180.01%	139.73%	90.72%	168.35%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.25%	81.08%	86.45%	86.36%

(1) Information prior to 2014 is not available

(2) Amounts presented for each year were determined as of the City's measurement date, which is the prior year end.

Notes to the Schedule:

Changes in assumptions: In 2017, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended December 31, 2015. Significant changes included a reduction of the discount rate from 8.0% to 7.5%, 3.75% to a reduction in the wage inflation rate from 3.25%, and transitions from the RP-Zero mortality tables to the RP-2014 mortality tables.

CITY OF TRENTON, OHIO
 SCHEDULE OF CITY'S CONTRIBUTIONS
 OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM - TRADITIONAL PENSION PLAN
 LAST TEN FISCAL YEARS

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually Required Contributions	\$ 253,699	\$ 224,100	\$ 225,133	\$ 238,386	\$ 136,021	\$ 213,875	\$ 186,969	\$ 166,696	\$ 140,487	\$ 96,697
Contributions in Relation to the Contractually Required Contribution	(253,699)	(224,100)	(225,133)	(238,386)	(136,021)	(213,875)	(186,969)	(166,696)	(140,487)	(96,697)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
The City Covered Payroll	\$ 1,951,531	\$ 1,867,500	\$ 1,876,108	\$ 1,986,550	\$ 1,046,315	\$ 2,138,750	\$ 1,869,690	\$ 1,920,461	\$ 1,729,071	\$ 1,381,386
Contributions as a Percentage of Employee Payroll	13.00%	12.00%	12.00%	12.00%	13.00%	10.00%	10.00%	8.68%	8.13%	7.00%

CITY OF TRENTON, OHIO
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
OHIO POLICE AND FIRE FUND
LAST FOUR FISCAL YEARS (1) (2)

	2017	2016	2015	2014
The City's Proportion of the Net Pension Liability	0.040913%	0.040075%	0.041303%	0.041303%
The City's Proportion Share of the Net Pension Liability	\$ 2,591,385	\$ 2,578,039	\$ 2,139,675	\$ 2,011,593
The City's Covered Payroll	\$ 950,253	\$ 911,205	\$ 684,442	\$ 863,584
The City's Proportion Share of the Net Pension Liability as a Percentage of its Covered Payroll	272.70%	282.93%	312.62%	232.94%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.36%	66.77%	72.20%	73.00%

(1) Information prior to 2014 is not available

(2) Amounts presented for each year were determined as of the City's measurement date, which is the prior year end.

CITY OF TRENTON, OHIO
 SCHEDULE OF CITY'S CONTRIBUTIONS
 OHIO POLICE AND FIRE FUND
 LAST TEN FISCAL YEARS

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually Required Contributions	\$ 197,365	\$ 180,548	\$ 173,129	\$ 122,036	\$ 110,107	\$ 131,583	\$ 126,516	\$ 115,082	\$ 158,043	\$ 165,047
Contributions in Relation to the Contractually Required Contribution	(197,365)	(180,548)	(173,129)	(122,036)	(110,107)	(131,583)	(126,516)	(115,082)	(158,043)	(165,047)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
The City Covered Payroll	\$ 1,038,763	\$ 950,253	\$ 911,205	\$ 684,442	\$ 863,584	\$ 1,032,024	\$ 992,282	\$ 902,604	\$ 1,239,553	\$ 1,294,486
Contributions as a Percentage of Employee Payroll	19.00%	19.00%	19.00%	17.83%	12.75%	12.75%	12.75%	12.75%	12.75%	12.75%

Note: The percentages shown are only the police portion since the firefighters do not contribute to OPF.

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

To the City Council
City of Trenton:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Trenton ("the City") as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 21, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *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 deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as 2017-001 that we consider to be a material weakness.

Compliance and Other Matters

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

City Response to the Finding

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 21, 2018

City of Trenton
Schedule of Findings and Responses
Year Ended December 31, 2017

2017-001 Financial Reporting

During the course of our audit, we identified misstatements in the financial statements that were not initially identified by the City's internal control over financial reporting. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. In this case, the internal controls over the preparation and review of the City's financial statements did not operate as designed. The City contracts with a third-party consultant to prepare its year-end financial statements. While the City may rely on the consultant to provide technical assistance and financial statement preparation, it is still the responsibility of the City to review the financials prepared by the consultant for errors and omissions.

We proposed audit adjustments related to the reporting of notes payables and the classification of the components of net position for the Governmental Activities. In addition, we proposed an audit adjustment to record an intergovernmental receivable in the Water Fund.

We recommend the City enhance its internal controls over financial reporting with steps such as management's review of conversion documentation for completeness and accuracy and improved communication with hired consultants to ensure the preparation of complete, accurate and reliable financial statements in conformity with generally accepted accounting principles.

Views of Responsible Officials: The City concurs with these adjustments which have been posted to the financial statements.

City of Trenton
Schedule of Prior Audit Findings
Year Ended December 31, 2017

2016-001 Audit Adjustments

Misstatements in the financial statements were identified that were not initially identified by the City's internal control over financial reporting.

Status: Repeated as Finding 2017-001.



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Dave Yost • Auditor of State

CITY OF TRENTON

BUTLER 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
JULY 24, 2018