

CITY OF TRENTON, OHIO

Basic Financial Statements

Year Ended December 31, 2018

With Independent Auditors' Report



CLARK SCHAEFER HACKETT
CPAS & ADVISORS



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City of Trenton
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We have reviewed the *Independent Auditors' Report* of the City of Trenton, Butler County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2018 through December 31, 2018. 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.

Keith Faber
Auditor of State
Columbus, Ohio

July 1, 2019

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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, 2018, 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 above 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General 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.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended December 31, 2018, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as identified in the table of contents, 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 17, 2019 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 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 17, 2019

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CITY OF TRENTON, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
(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, 2018. 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 2018 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, 2018, by \$15,196,429 (net position). This amount was reduced by the negative governmental unrestricted net position which resulted from the City's reporting of \$7,028,507 of net pension/OPEB liability in the governmental type activities.
- ❑ The City's net position increased by \$2,062,163, which represents a 15.70% increase from the 2017 restated net position. The increase was split across the governmental (58%) and business type activities (42%).
- ❑ At the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$4,692,059. Of this amount \$2,603,058 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 \$2,603,058, or 166% of total General Fund expenditures.
- ❑ The City's major enterprise funds reflected positive ending net positions: Water Fund \$3,467,321; Sewer Fund \$3,304,900; and Refuse Fund \$517,021.

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, 2018
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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 2018?" 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
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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, Police Levy, Fire Levy, Tax Increment Equivalent, 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, 2018
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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.

Required Supplementary Information (RSI): The RSI provide additional information about the City's net pension/OPEB liabilities and the required contributions under the respective plans.

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 \$15,196,429 (\$7,469,264 in governmental activities and \$7,727,165 in business-type activities) as of December 31, 2018. 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 \$8,728,158. 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 2018 compared to 2017.

	Governmental Activities		Business-Type Activities		Total	
	2018	2017 Restated	2018	2017 Restated	2018	2017 Restated
Current and Other Assets	\$11,163,864	\$11,402,754	\$7,295,310	\$7,955,152	\$18,459,174	\$19,357,906
Capital Assets	8,277,937	6,199,359	9,861,739	9,771,757	18,139,676	15,971,116
Total Assets	19,441,801	17,602,113	17,157,049	17,726,909	36,598,850	35,329,022
Deferred Outflows	1,324,165	1,153,314	625,150	970,070	1,949,315	2,123,384
Total Assets and Deferred Outflows	20,765,966	18,755,427	17,782,199	18,696,979	38,548,165	37,452,406
Long-term liabilities	7,427,630	7,325,041	8,357,353	9,070,817	15,784,983	16,395,858
Other liabilities	3,117,683	2,944,298	1,350,073	2,738,180	4,467,756	5,682,478
Total Liabilities	10,545,313	10,269,339	9,707,426	11,808,997	20,252,739	22,078,336
Deferred Inflows	2,751,389	2,215,047	347,608	24,757	3,098,997	2,239,804
Total Liabilities and Deferred Inflows	13,296,702	12,484,386	10,055,034	11,833,754	23,351,736	24,318,140
Net Position:						
Net Investment in						
Capital Assets	5,464,172	5,199,896	3,263,986	1,680,517	8,728,158	6,880,413
Restricted	2,731,291	4,049,200	0	0	2,731,291	4,049,200
Unrestricted	(726,199)	(2,978,055)	4,463,179	5,182,708	3,736,980	2,204,653
Total Net Position	\$7,469,264	\$6,271,041	\$7,727,165	\$6,863,225	\$15,196,429	\$13,134,266

CITY OF TRENTON, OHIO
MANAGEMENT’S DISCUSSION AND ANALYSIS
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In prior years, the City adopted GASB Statement 68, “Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27,” which significantly revises accounting for pension costs and liabilities. During the current year, the City adopted GASB Statement 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pension,” which significantly revises accounting for other postemployment benefit (OPEB) 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 OPEB, the net pension liability and net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

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/OPEB costs, GASB 27 and GASB 45 focused on a funding approach. This approach limited pension/OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan’s *net pension/net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension/OPEB accounting; however, the nature of Ohio’s statewide pension/OPEB systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and net OPEB liability to equal 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 and OPEB 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/OPEB 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 Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefits recipients. The retirement systems may allocate a portion of the employer contributions to provide these OPEB benefits.

CITY OF TRENTON, OHIO
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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/OPEB plan *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 retirement 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/OPEB liability. As explained above, changes in pension/OPEB benefits, contribution rates, and return on investments affect the balance of the net pension/OPEB 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/OPEB payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension/OPEB liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the City's statements prepared on an accrual basis of accounting include an annual pension/OPEB 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 75, the City is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on an accrual basis of accounting. This implementation also had the effect of restating the net position at December 31, 2017 from \$16,468,230 to \$13,134,266.

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 \$2,731,291 or 17.97% of net position. The remaining unrestricted \$3,736,980 net position may be used to meet the City's ongoing obligations to its citizens and creditors and for business-type activities.

During 2018, the City saw the capital assets in governmental activities increase over 33% as the City finished the construction on the fire station and was wrapping up the amphitheater construction. The City saw the current and other assets decrease as the drop in cash and cash equivalents (\$767,512) was partially offset by increases in the taxes receivable (\$166,281) during the year. The City recognized an 8% decrease in the long term liabilities in the business-type activities as the City reduced the notes payable by \$1.3 million using additional cash from land sales in 2017. Overall the net position for the City increased by over 15% with the reduction in total debt outstanding and the net pension liability dropping by \$944,807 as well.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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Table 2 provides a summary of the City's statement of activities for 2018 compared to 2017.

Statement of Activities

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program Revenues:						
Charges for Services	\$1,024,810	\$562,537	\$5,196,950	\$4,931,106	\$6,221,760	\$5,493,643
Operating Grants and Contributions	481,118	505,040	0	0	481,118	505,040
Capital Grants and Contributions	42,416	0	0	1,679,906	42,416	1,679,906
General Revenues:						
Income Taxes	2,033,311	1,788,235	0	0	2,033,311	1,788,235
Property Taxes	1,994,819	1,943,991	0	0	1,994,819	1,943,991
Other Taxes	419,839	435,114	0	0	419,839	435,114
Unrestricted Grants	563,144	564,274	0	0	563,144	564,274
Investment Earnings	213,147	84,656	14,274	6,141	227,421	90,797
Other Revenues	34,658	52,125	0	0	34,658	52,125
Total Revenues	6,807,332	5,935,972	5,211,224	6,617,153	12,018,556	12,553,125
Expenses:						
Security of Persons and Property	3,880,965	2,824,230	0	0	3,880,965	2,824,230
Public Health and Welfare	51,973	55,949	0	0	51,973	55,949
Leisure Time Activities	102,131	140,506	0	0	102,131	140,506
Community Environment	228,822	236,725	0	0	228,822	236,725
Transportation	560,946	781,248	0	0	560,946	781,248
General Government	561,346	666,344	0	0	561,346	666,344
Other	181,527	58,481	0	0	181,527	58,481
Interest and Fiscal Charges	61,399	8,793	0	0	61,399	8,793
Water	0	0	1,712,636	1,473,044	1,712,636	1,473,044
Sewer	0	0	1,262,132	1,306,553	1,262,132	1,306,553
Stormwater Management	0	0	238,676	199,931	238,676	199,931
Refuse	0	0	1,113,840	1,074,899	1,113,840	1,074,899
Total Expenses	5,629,109	4,772,276	4,327,284	4,054,427	9,956,393	8,826,703
Transfers	20,000	6,000	(20,000)	(6,000)	0	0
Intra-Entity Transfer to CIC	0	0	0	(573,737)	0	(573,737)
Change in Net Position	1,198,223	1,169,696	863,940	1,982,989	2,062,163	3,152,685
Beginning Net Position	8,899,864	7,730,168	7,568,366	5,585,377	16,468,230	13,315,545
Restatement	(2,628,823)	0	(705,141)	0	(3,333,964)	0
Ending Net Position	\$7,469,264	\$8,899,864	\$7,727,165	\$7,568,366	\$15,196,429	\$16,468,230

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 2018, the expenses were \$3.88 million, representing 68.94% (compared to 59.18% for 2017) of governmental activity spending, yielding a reliance on general revenues to fund the program of approximately \$3.52 million after direct support to their programs. The function also saw the largest increase with the additional expenses recognized with the OPEB liability. The amount

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presented for 2017 includes OPEB expenses as reported under GASB 45 that requires the City report the portion of 14% contribution as other postemployment benefits. For 2018, the City reports a proportionate share of OPEB expenses as calculated by the retirement system under GASB 75. The proportionate share under GASB 75 is greater than what the City actually contributed under GASB 45, which explains the large increase.

The remaining functions, except interest and fiscal charges, saw a net decrease of \$375,554 as the City controlled the expenses between the fiscal years.

Business-Type Activities

The City's business-type activities include the water, sewer, refuse, utility deposits and stormwater management systems. All of the major fund business-type activities had sufficient revenues to cover expenses. The water and sewer activities account for 94% of the change in net position.

The business-type activities saw the charges for services increase by just over 5% with the additional customers. The expenses for the Water increased as the City spent additional funds on items that didn't qualify for capitalization.

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 2018, the City's governmental funds reported combined ending fund balances of \$4.69 million (down from \$5.32 million in 2017). The decrease can be attributed to spend-down of cash for the two main construction projects during 2018. Approximately \$2.60 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, 2018, the unassigned General Fund balance was \$2.60 million with a total fund balance of \$2.99 million. As a measure of liquidity, it is often useful to compare these numbers to total General Fund expenditures. Unassigned fund balance represents approximately 166% of the total expenditures, while total fund balance represents 190% of that same amount.

CITY OF TRENTON, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
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During 2018, the City's General Fund ending balance increased by \$693,361 even though \$1.4 million was transferred out to other funds, specifically \$1.35 million to the Police Levy Fund.

The City's other major governmental funds are the Police Levy, Fire Levy and Tax Increment Equivalent. The Police Levy Fund saw property tax collections of \$807,000 but needed over \$1.35 million from the General Fund to cover operating expenditures of over \$2.1 million. The fund balance did increase to \$384,543.

The Fire Levy Fund's main source of revenue is property tax which is 62.74% of all revenues and the EMS charges account for 23.25% of revenues. The fund balance decreased by \$1.84 million with the construction of the new firehouse being completed during the year.

The Tax Increment Equivalent fund (new major fund in 2018) receives the majority of revenue from tax incremental revenue on three residential incentive districts (92.02%).

The City saw the fund balance in the nonmajor funds increase by \$97,588, with General Fund transfers of \$88,500 into the debt service, capital improvement and property rehab nonmajor funds to help offset the negative cash flow. The permissive tax revenues of \$90,215 help fund future capital improvement needs as there were no expenditures in the fund during 2018.

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 2018, 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, 2018
(UNAUDITED)

The following table summarizes the major revenue sources and expenditures from original to final budget for 2018:

Description	Original Budget	Final Budget	Change
Revenues:			
Property and Other Taxes	\$503,000	\$528,000	\$25,000
Income Taxes	1,734,351	1,999,290	264,939
Intergovernmental	269,635	269,635	0
Other	456,451	623,796	167,345
Total Revenues	<u>2,963,437</u>	<u>3,420,721</u>	<u>457,284</u>
Expenditures:			
Security of Persons/Property	505,950	514,207	8,257
Public Health and Welfare	75,820	79,000	3,180
Community Environment	231,387	251,572	20,185
General Government	552,726	572,530	19,804
Other Expenditures	136,669	153,906	17,237
Total Expenditures	<u>\$1,505,552</u>	<u>\$1,571,215</u>	<u>\$65,663</u>

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

For expenditures, the City increased the line item slightly as several items related to materials and supplies as well as professional services increased. The following table summarizes the major revenue sources and expenditures from final budget to actual results for 2018:

Description	Final Budget	Actual	Change
Revenues:			
Property and Other Taxes	\$528,000	\$529,313	\$1,313
Income Taxes	1,999,290	1,982,409	(16,881)
Intergovernmental Revenue	269,635	269,400	(235)
Other Revenues	623,796	613,606	(10,190)
Total Revenues	<u>3,420,721</u>	<u>3,394,728</u>	<u>(25,993)</u>
Expenditures:			
Security of Persons/Property	514,207	478,922	35,285
Public Health and Welfare	79,000	65,012	13,988
Community Environment	251,572	237,365	14,207
General Government	572,530	538,250	34,280
Other Expenditures	153,906	121,990	31,916
Total Expenditures	<u>\$1,571,215</u>	<u>\$1,441,539</u>	<u>\$129,676</u>

CITY OF TRENTON, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
(UNAUDITED)

The City's final revenues were just under the final budget as no one item really resulted in the variance. The City's certificate of estimated resources doesn't detail the lines other than property taxes. With a variance of 0.76 percent, the City was pretty accurate in their final budget. 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 2018, this effort resulted in bringing actual expenses in approximately \$130,000 less than what was budgeted.

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, 2018, amounts to \$8.73 million (net of accumulated depreciation and related debt). This investment in capital assets includes land, buildings and systems, improvements, equipment and machinery.

Note 9 (Capital Assets) provides capital asset activity during 2018. The City has had limited funding to provide for governmental capital asset acquisition and construction. The City saw governmental-type activities capital assets add net \$2,078,578 as several construction projects were completed 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 2018, the City had \$5.74 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 \$3.79 million. See Notes 14 and 15 for further information on the City's debt.

Economic Factors affecting the City

Located towards the center of Butler County, the City provides the home town appeal to almost 13,000 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 2017 <https://www.census.gov/quickfacts/fact/chart/trentoncityohio/PST045217>

CITY OF TRENTON, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
(UNAUDITED)

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 \$245,000 from 2017 (after increasing \$31,000 between 2016 and 2017). The income tax covers the general fund functions of the City by 140% (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, 2018

	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>	<u>Component Unit</u>
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 7,463,260	\$ 6,588,323	\$ 14,051,583	\$ 125
Receivables (net of allowance for doubtful accounts):				
Taxes - Real and Personal Property	2,009,956	-	2,009,956	-
Taxes - Municipal Income	785,890	-	785,890	-
Accounts	65,692	668,220	733,912	-
Interest	15,590	-	15,590	-
Payment in Lieu of Taxes	266,477	-	266,477	-
Due from Other Governments	556,999	-	556,999	-
Prepaid Bond Insurance	-	38,767	38,767	-
Nondepreciable Assets:				
Land	473,473	1,934,961	2,408,434	-
Construction In Progress	268,917	235,872	504,789	-
Depreciable Assets:				
Plant	-	5,427,601	5,427,601	-
Water and Sewer Lines	-	5,646,638	5,646,638	-
Buildings and Improvements	4,635,756	-	4,635,756	-
Improvements other than Buildings	3,461,417	480,318	3,941,735	-
Machinery, Equipment and Vehicles	3,656,763	2,309,762	5,966,525	-
Less: Accumulated Depreciation	(4,218,389)	(6,173,413)	(10,391,802)	-
Total Assets	19,441,801	17,157,049	36,598,850	125
Deferred Outflows of Resources:				
Pensions	868,813	284,473	1,153,286	-
OPEB	455,352	58,489	513,841	-
Deferred Charge on Refunding	-	282,188	282,188	-
Total Deferred Outflow of Resources	1,324,165	625,150	1,949,315	-
Liabilities:				
Accounts Payable	57,392	20,212	77,604	-
Contracts Payable	119,101	60,149	179,250	-
Accrued Wages and Benefits	94,683	39,951	134,634	-
Due to Other Governments	11,039	69,470	80,509	-
Deposits Payable	-	189,808	189,808	-
Accrued Interest Payable	11,218	6,733	17,951	-
General Obligation Notes Payable	2,824,250	963,750	3,788,000	-
Long Term Liabilities due within 1 year	129,041	402,245	531,286	-
Long Term Liabilities due over 1 year				
Net Pension Liabilities	3,753,300	1,255,016	5,008,316	-
Net OPEB Liabilities	3,275,207	771,486	4,046,693	-
Other Long Term Liabilities	270,082	5,928,606	6,198,688	-
Total Liabilities	10,545,313	9,707,426	20,252,739	-
Deferred Inflows of Resources:				
Pensions	412,857	290,316	703,173	-
OPEB	85,879	57,292	143,171	-
Payments in Lieu of Taxes	266,477	-	266,477	-
Property Tax Levy for Next Fiscal Year	1,986,176	-	1,986,176	-
Total Deferred Inflow of Resources	2,751,389	347,608	3,098,997	-
Net Position:				
Net Investment in Capital Assets	5,464,172	3,263,986	8,728,158	-
Restricted:				
Transportation	762,034	-	762,034	-
Protection of Citizens	531,892	-	531,892	-
Debt Service	46,981	-	46,981	-
Capital Improvements	1,390,384	-	1,390,384	-
Unrestricted	(726,199)	4,463,179	3,736,980	125
Total Net Position	\$ 7,469,264	\$ 7,727,165	\$ 15,196,429	\$ 125

See accompanying notes to the basic financial statements

**CITY OF TRENTON, OHIO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018**

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 Business-Type Activities		
					Governmental Activities	Business-Type Activities	
Governmental Activities:							
Security of Persons and Property	\$ (3,880,965)	\$ 360,875	-	-	\$ (3,520,090)	\$ -	\$ (3,520,090)
Public Health and Welfare	(51,973)	-	-	-	(51,973)	-	(51,973)
Leisure Time Activities	(102,131)	101,482	-	-	(649)	-	(649)
Community Environment	(228,822)	51,751	-	-	(177,071)	-	(177,071)
Transportation	(560,946)	-	481,118	42,416	(37,412)	-	(37,412)
General Government	(561,346)	184,760	-	-	(376,586)	-	(376,586)
Other Expenditures	(181,527)	325,942	-	-	144,415	-	144,415
Interest and Fiscal Charges	(61,399)	-	-	-	(61,399)	-	(61,399)
Total Governmental Activities	<u>(5,629,109)</u>	<u>1,024,810</u>	<u>481,118</u>	<u>42,416</u>	<u>(4,080,765)</u>	<u>-</u>	<u>(4,080,765)</u>
Business-Type Activities:							
Water	(1,712,636)	2,191,253	-	-	478,617	-	478,617
Sewer	(1,262,132)	1,602,563	-	-	340,431	-	340,431
Stormwater Management	(238,676)	229,467	-	-	(9,209)	-	(9,209)
Refuse	(1,113,840)	1,173,667	-	-	59,827	-	59,827
Total Business-Type Activities	<u>(4,327,284)</u>	<u>5,196,950</u>	<u>-</u>	<u>-</u>	<u>869,666</u>	<u>-</u>	<u>869,666</u>
Total	<u>\$ (9,956,393)</u>	<u>\$ 6,221,760</u>	<u>\$ 481,118</u>	<u>\$ 42,416</u>	<u>(4,080,765)</u>	<u>(3,211,099)</u>	<u>-</u>
General Revenues and Transfers:							
Income Taxes					2,033,311		2,033,311
Property Taxes					1,994,889		1,994,889
Franchise Fee Taxes					116,726		116,726
Payment in Lieu of Taxes					266,476		266,476
Permissive Sales Tax					36,637		36,637
Grants and Contributions not restricted to specific programs					563,144		563,144
Unrestricted investment earnings					213,147	14,274	227,421
Miscellaneous					34,658		34,658
Total General Revenues					<u>5,258,988</u>	<u>14,274</u>	<u>5,273,262</u>
Transfers						(20,000)	
Changes in Net Position					<u>1,198,223</u>	<u>863,940</u>	<u>2,062,163</u>
Net Position - Beginning (Restated)					<u>6,271,041</u>	<u>6,863,225</u>	<u>13,134,266</u>
Net Position - Ending					<u>\$ 7,469,264</u>	<u>\$ 7,727,165</u>	<u>\$ 15,196,429</u>

See accompanying notes to the basic financial statements

**CITY OF TRENTON, OHIO
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018**

	General	Police Levy	Fire Levy	Tax Increment Equivalent	Other Governmental Funds	Total Governmental Funds
Assets:						
Equity in Pooled Cash and Cash Equivalents	\$ 3,056,247	\$ 454,690	\$ 1,834,462	\$ 1,257,293	\$ 860,568	\$ 7,463,260
Receivables (net of allowance for doubtful accounts):						
Taxes - Real and Personal Property	524,701	799,752	685,503	-	-	2,009,956
Taxes - Municipal Income	785,890	-	-	-	-	785,890
Accounts	29,804	930	34,791	-	167	65,692
Interest	15,590	-	-	-	-	15,590
Payment in Lieu of Taxes	-	-	-	266,477	-	266,477
Due from Other Governments	128,474	55,167	46,452	-	326,906	556,999
Total Assets	4,540,706	1,310,539	2,601,208	1,523,770	1,187,641	11,163,864
Liabilities:						
Accounts Payable	31,417	11,002	5,850	187	8,936	57,392
Contracts Payable	-	-	119,101	-	-	119,101
Accrued Wages and Benefits	26,142	58,537	88	-	9,916	94,683
Due to Other Governments	9,063	1,538	438	-	-	11,039
Accrued Interest Payable	1,052	-	9,843	-	323	11,218
General Obligation Notes Payable	265,000	-	2,478,000	-	81,250	2,824,250
Total Liabilities	332,674	71,077	2,613,320	187	100,425	3,117,683
Deferred Inflows of Resources:						
Property Tax Levy for Next Fiscal Year	518,375	790,354	677,447	-	-	1,986,176
Delinquent Property Tax	6,326	9,398	8,056	-	-	23,780
Payments in Lieu of Taxes	-	-	-	266,477	-	266,477
Income Taxes	552,775	-	-	-	-	552,775
Intergovernmental Revenue	113,489	55,167	46,452	-	280,506	495,614
Miscellaneous revenues	29,300	-	-	-	-	29,300
Total Deferred Inflows of Resources:	1,220,265	854,919	731,955	266,477	280,506	3,354,122
Fund Balances:						
Nonspendable	2,433	-	-	-	-	2,433
Restricted	240,274	384,543	-	1,257,106	690,556	2,572,479
Assigned	142,002	-	-	-	116,154	258,156
Unassigned	2,603,058	-	(744,067)	-	-	1,858,991
Total Fund Balances (deficit)	2,987,767	384,543	(744,067)	1,257,106	806,710	4,692,059
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 4,540,706	\$ 1,310,539	\$ 2,601,208	\$ 1,523,770	\$ 1,187,641	\$ 11,163,864

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, 2018**

Fund Balances - Governmental Funds		\$ 4,692,059
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.		8,277,937
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred inflows in the funds.		1,101,469
The net pension and OPEB 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/OPEB	1,324,165	
Deferred Inflows - Pension/OPEB	(498,736)	
Net Pension/OPEB Liability	<u>(7,028,507)</u>	
Total		(6,203,078)
Long-term liabilities, including loans payable are not due and payable in the current period and therefore are not reported in the funds.		<u>(399,123)</u>
Net Position of governmental activities		<u>\$ 7,469,264</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, 2018

	General	Police Levy	Fire Levy	Tax Increment Equivalent	Other Governmental Funds	Total Governmental Funds
Revenues:						
Income Taxes	\$ 1,930,427	\$ -	\$ -	\$ -	\$ -	\$ 1,930,427
Property and Other Taxes	529,313	806,698	691,455	-	-	2,027,466
Intergovernmental	340,822	114,376	106,917	-	587,499	1,149,614
Charges for Services	150,842	-	256,307	-	-	407,149
Licenses and Permits	78,752	-	-	-	-	78,752
Investment Earnings	167,512	4,847	36,063	23,096	4,725	236,243
Special Assessments	85,103	-	-	-	-	85,103
Fines and Forfeitures	306,384	38,990	-	-	2,797	348,171
Payment in Lieu of Taxes	-	-	-	266,476	-	266,476
All Other Revenues	72,090	51,353	11,428	-	50,123	184,994
Total Revenues	3,661,245	1,016,264	1,102,170	289,572	645,144	6,714,395
Expenditures:						
Current:						
Security of Persons and Property	453,161	2,128,605	755,471	-	37,279	3,374,516
Public Health and Welfare	46,920	-	-	-	-	46,920
Leisure Time Activities	83,022	-	-	-	-	83,022
Community Environment	220,665	-	-	-	-	220,665
Transportation	-	-	-	-	441,854	441,854
General Government	518,749	-	-	187	538	519,474
Other	101,584	-	-	79,943	-	181,527
Capital Outlay	142,531	-	2,130,250	-	140,982	2,413,763
Debt Service:						
Principal Retirement	-	-	-	-	8,846	8,846
Interest and Fiscal Charges	5,252	-	59,608	-	3,557	68,417
Total Expenditures	1,571,884	2,128,605	2,945,329	80,130	633,056	7,359,004
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,089,361	(1,112,341)	(1,843,159)	209,442	12,088	(644,609)
Other Financing Sources (Uses):						
Transfers - In	42,500	1,350,000	-	-	88,500	1,481,000
Transfers - Out	(1,438,500)	(19,500)	-	-	(3,000)	(1,461,000)
Total Other Financing Sources (Uses)	(1,396,000)	1,330,500	-	-	85,500	20,000
Change in Fund Balance	693,361	218,159	(1,843,159)	209,442	97,588	(624,609)
Fund Balances at Beginning of Year	2,294,406	166,384	1,099,092	1,047,664	709,122	5,316,668
Fund Balances (Deficit) at End of Year	\$ 2,987,767	\$ 384,543	\$ (744,067)	\$ 1,257,106	\$ 806,710	\$ 4,692,059

See accompanying notes to the basic financial statements

CITY OF TRENTON, OHIO
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

Net Change in Fund Balances - total governmental funds	\$ (624,609)
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.	2,104,064
The proceeds from the sale of capital assets are reported as revenue in the governmental funds. However, the cost of capital assets are removed from the capital assets account in the Statement of Net Position and offset against the proceeds from the sale of capital assets resulting in a loss on the disposal of capital assets.	(25,486)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	92,937
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.	15,864
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.	522,986
Except for amounts reported as deferred inflows/outflows, changes in the net pension and OPEB liability are reported as pension and OPEB expense in the statement of activities.	(901,102)
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>13,569</u>
Change in net position of governmental activities	<u>\$ 1,198,223</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, 2018

GENERAL FUND

	Budget		Actual	Variance Positive (Negative)
	Initial	Final		
<u>Revenues:</u>				
Property and Other Local Taxes	\$ 503,000	\$ 528,000	\$ 529,313	\$ 1,313
Income Taxes	1,734,351	1,999,290	1,982,409	(16,881)
Intergovernmental	269,635	269,635	269,400	(235)
Charges for Services	111,000	111,000	150,842	39,842
Licenses and Permits	30,526	63,526	63,752	226
Investment Earnings	54,275	188,620	161,178	(27,442)
Special Assessments	85,500	85,500	85,103	(397)
Fines and Forfeitures	76,650	76,650	65,545	(11,105)
Other All Revenue	98,500	98,500	87,186	(11,314)
Total Revenue	2,963,437	3,420,721	3,394,728	(25,993)
<u>Expenditures:</u>				
Current:				
Security of Persons and Property	505,950	514,207	478,922	35,285
Public Health and Welfare Services	75,820	79,000	65,012	13,988
Community Environment	231,387	251,572	237,365	14,207
General Government	552,726	572,530	538,250	34,280
Other	136,669	153,906	121,990	31,916
Total Expenditures	1,502,552	1,571,215	1,441,539	129,676
Excess of Revenues Over Expenditures	1,460,885	1,849,506	1,953,189	103,683
<u>Other Financing Sources\Uses:</u>				
Income Tax Refunds	-	-	(66,327)	(66,327)
Proceeds of Notes	-	-	135,000	135,000
Transfers - In	-	20,061	39,500	19,439
Transfers - Out	(1,500,000)	(1,570,100)	(1,719,500)	(149,400)
Total Other Financing Sources\Uses	(1,500,000)	(1,550,039)	(1,611,327)	(61,288)
Change in Net Position	(39,115)	299,467	341,862	42,395
Fund Balances at Beginning of Year	2,011,669	2,011,669	2,011,669	-
Prior Year Encumbrances	106,092	106,092	106,092	-
Fund Balances at End of Year	\$ 2,078,646	\$ 2,417,228	\$ 2,459,623	\$ 42,395

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, 2018

POLICE LEVY FUND

	Budget		Actual	Variance Positive (Negative)
	Initial	Final		
<u>Revenues:</u>				
Property and Other Local Taxes	\$ 825,000	\$ 825,000	\$ 806,698	\$ (18,302)
Intergovernmental	115,500	115,500	114,376	(1,124)
Investment Earnings	500	500	4,847	4,347
Fines and Forfeitures	37,000	37,000	38,990	1,990
Other All Revenue	27,400	31,140	51,469	20,329
Total Revenue	1,005,400	1,009,140	1,016,380	7,240
<u>Expenditures:</u>				
Current:				
Security of Persons and Property	2,355,471	2,355,471	2,231,424	124,047
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,350,071)	(1,346,331)	(1,215,044)	131,287
<u>Other Financing Sources (Uses):</u>				
Transfers - In	1,350,000	1,350,000	1,350,000	-
Transfers - Out	(13,000)	(13,000)	(22,000)	(9,000)
Total Other Financing Sources	1,337,000	1,337,000	1,328,000	(9,000)
Change in Net Position	(13,071)	(9,331)	112,956	122,287
Fund Balances at Beginning of Year	139,893	139,893	139,893	-
Prior Year Encumbrances	84,878	84,878	84,878	-
Fund Balances at End of Year	\$ 211,700	\$ 215,440	\$ 337,727	\$ 122,287

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, 2018

FIRE LEVY FUND

	Budget		Actual	Variance Postive (Negative)
	Initial	Final		
Revenues:				
Property and Other Local Taxes	\$ 700,000	\$ 700,000	\$ 691,455	\$ (8,545)
Intergovernmental	100,000	100,000	106,917	6,917
Charges for Services	180,500	243,190	223,008	(20,182)
Investment Earnings	16,500	16,500	36,063	19,563
Other All Revenue	2,500	2,500	10,350	7,850
	<u>999,600</u>	<u>1,062,290</u>	<u>1,067,793</u>	<u>5,503</u>
Expenditures:				
Current:				
Security of Persons and Property	730,610	765,610	743,617	21,993
Debt Service:				
Principal Retirement	10,333	10,333	10,333	-
Interest and Fiscal Charges	206	206	205	1
	<u>741,149</u>	<u>776,149</u>	<u>754,155</u>	<u>21,994</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	258,451	286,141	313,638	27,497
Other Financing (Uses):				
Transfers - Out	<u>(500,000)</u>	<u>(500,000)</u>	<u>(375,005)</u>	<u>124,995</u>
Total Other Financing (Uses)	<u>(500,000)</u>	<u>(500,000)</u>	<u>(375,005)</u>	<u>124,995</u>
Change in Net Position	(241,549)	(213,859)	(61,367)	152,492
Fund Balances at Beginning of Year	476,735	476,735	476,735	-
Prior Year Encumbrances	<u>18,003</u>	<u>18,003</u>	<u>18,003</u>	<u>-</u>
Fund Balances at End of Year	<u>\$ 253,189</u>	<u>\$ 280,879</u>	<u>\$ 433,371</u>	<u>\$ 152,492</u>

See accompanying notes to the basic financial statements

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**CITY OF TRENTON, OHIO
STATEMENT OF NET POSITION
ENTERPRISE FUNDS
DECEMBER 31, 2018**

BUSINESS-TYPE ACTIVITIES--ENTERPRISE FUNDS

	Water	Sewer	Refuse	Nonmajor Enterprise Funds	Totals
Assets:					
Current Assets:					
Equity in Pooled Cash and Cash Equivalents	\$ 1,777,845	\$ 3,566,356	\$ 835,624	\$ 408,498	\$ 6,588,323
Receivables (net of allowances for doubtful accounts)	241,294	216,475	174,295	36,156	668,220
Accounts	2,019,139	3,782,831	1,009,919	444,654	7,256,543
Total Current Assets	38,767	-	-	-	38,767
Noncurrent Assets:					
Prepaid Bond Insurance	1,934,961	-	-	-	1,934,961
Nondepreciable Capital Assets:					
Land	13,609	222,263	-	-	235,872
Construction in Progress	5,427,601	-	-	-	5,427,601
Depreciable Capital Assets:					
Plant	3,349,744	2,296,894	-	-	5,646,638
Water and Sewer Lines	238,771	94,470	-	147,077	480,318
Improvements Other than Buildings	1,305,835	608,485	77,732	317,710	2,309,762
Machinery, Equipment and Vehicles	(4,081,662)	(1,896,920)	(52,756)	(142,075)	(6,173,413)
Less: Accumulated Depreciation	8,188,859	1,325,192	24,976	322,712	9,861,739
Total Capital Assets (net of accumulated depreciation)	8,227,626	1,325,192	24,976	322,712	9,900,506
Total Noncurrent Assets	10,246,765	5,108,023	1,034,895	767,366	17,157,049
Deferred Outflows of Resources:					
Pensions	129,890	116,305	28,924	9,354	284,473
OPEB	26,673	18,518	11,382	1,916	58,489
Deferred Charge on Refunding	282,188	-	-	-	282,188
Total Deferred Outflows of Resources	438,751	134,823	40,306	11,270	625,150

**CITY OF TRENTON, OHIO
STATEMENT OF NET POSITION
ENTERPRISE FUNDS
DECEMBER 31, 2018**

BUSINESS-TYPE ACTIVITIES--ENTERPRISE FUNDS

	Water	Sewer	Refuse	Nonmajor Enterprise Funds	Totals
Liabilities:					
<i>Current Liabilities:</i>					
Accounts Payable	\$ 16,175	\$ 1,250	\$ 1,070	\$ 1,717	\$ 20,212
Contracts Payable	-	-	60,149	-	60,149
Accrued Wages and Benefits	17,885	12,167	8,462	1,437	39,951
Due to Other Governments	555	68,650	265	-	69,470
Accrued Interest Payable	2,324	2,880	1,291	238	6,733
Notes Payable	341,250	481,250	81,250	60,000	963,750
Compensated Absences Payable - Current	26,100	20,040	15,193	3,262	64,595
OPWC Loans Payable - Current	-	42,650	-	-	42,650
Refunded Revenue Bonds Payable - Current	295,000	-	-	-	295,000
Total Current Liabilities	<u>699,289</u>	<u>628,887</u>	<u>167,690</u>	<u>66,654</u>	<u>1,562,510</u>
<i>Noncurrent Liabilities:</i>					
Customer Deposits Payable	-	-	-	189,808	189,808
Compensated Absences Payable	42,956	32,982	25,007	5,370	106,315
OPWC Loans Payable	-	426,500	-	-	426,500
Refunded Revenue Bonds Payable	5,395,791	-	-	-	5,395,791
Net OPEB Liability	352,437	315,782	77,483	25,784	771,486
Net Pension Liability	569,307	430,490	213,465	41,754	1,255,016
Total Noncurrent Liabilities	<u>6,360,491</u>	<u>1,205,754</u>	<u>315,955</u>	<u>262,716</u>	<u>8,144,916</u>
Total Liabilities	<u>7,059,780</u>	<u>1,834,641</u>	<u>483,635</u>	<u>329,370</u>	<u>9,707,426</u>
Deferred Inflows of Resources:					
OPEB	26,117	16,960	12,347	1,868	57,292
Pensions	132,298	86,345	62,198	9,475	290,316
Total Deferred Inflows of Resources	<u>158,415</u>	<u>103,305</u>	<u>74,545</u>	<u>11,343</u>	<u>347,608</u>
Net Position:					
Net Investment in Capital Assets	2,520,256	456,042	24,976	262,712	3,263,986
Unrestricted	947,065	2,848,858	492,045	175,211	4,463,179
Total Net Position	<u>\$ 3,467,321</u>	<u>\$ 3,304,900</u>	<u>\$ 517,021</u>	<u>\$ 437,923</u>	<u>\$ 7,727,165</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, 2018

	BUSINESS-TYPE ACTIVITIES--ENTERPRISE FUNDS				
	Water	Sewer	Refuse	Nonmajor Enterprise Funds	Totals
<u>Operating Revenues:</u>					
Charges for Services	\$ 2,134,230	\$ 1,594,839	\$ 1,170,281	\$ 228,989	\$ 5,128,339
Other Operating Revenues	57,023	7,724	3,386	478	68,611
Total Operating Revenues	2,191,253	1,602,563	1,173,667	229,467	5,196,950
<u>Operating Expenses:</u>					
Personal Services	745,945	496,094	339,690	55,287	1,637,016
Materials and Supplies	266,258	19,989	23,089	72,074	381,410
Contractual Services	127,910	620,723	700,970	76,220	1,525,823
Other Operating Expenses	116,650	56,978	41,241	4,128	218,997
Depreciation	240,848	56,635	7,559	28,254	333,296
Total Operating Expenses	1,497,611	1,250,419	1,112,549	235,963	4,096,542
Operating Income (Loss)	693,642	352,144	61,118	(6,496)	1,100,408
<u>Non-Operating Revenues (Expenses):</u>					
Investment Earnings	10,479	-	-	3,795	14,274
Interest and Fiscal Charges	(215,025)	(11,713)	(1,291)	(2,713)	(230,742)
Total Non-Operating Revenues (Expenses)	(204,546)	(11,713)	(1,291)	1,082	(216,468)
Income (Loss) Before Transfers	489,096	340,431	59,827	(5,414)	883,940
Transfers Out	(8,000)	(6,000)	(6,000)	-	(20,000)
Change in Net Position	481,096	334,431	53,827	(5,414)	863,940
Total net position - Beginning (Restated)	2,986,225	2,970,469	463,194	443,337	6,863,225
Total net position - Ending	\$ 3,467,321	\$ 3,304,900	\$ 517,021	\$ 437,923	\$ 7,727,165

See accompanying notes to the basic financial statements

**CITY OF TRENTON, OHIO
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	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	\$ 2,130,069	\$ 1,606,744	\$ 1,146,960	\$ 230,901	\$ 5,114,674
Cash Paid for Employee Services and Benefits	(622,945)	(403,589)	(297,789)	(45,413)	(1,369,736)
Cash Paid to Suppliers for Goods and Services	(404,662)	(638,369)	(722,908)	(148,585)	(1,914,524)
Other Operating Revenues	59,161	14,385	3,251	454	77,251
Other Operating Expenses	(109,829)	(56,337)	(40,778)	(4,128)	(211,072)
Net Cash Provided by Operating Activities	1,051,794	522,834	88,736	33,229	1,696,593
<u>Cash Flows from Noncapital Financing Activities:</u>					
Transfers to other funds	(8,000)	(6,000)	(6,000)	-	(20,000)
Net Cash Used for Noncapital Financing Activities	(8,000)	(6,000)	(6,000)	-	(20,000)
<u>Cash Flows from Capital and Related Financing Activities:</u>					
Capital Grants	407,097	-	-	-	407,097
Face Value from Sale of Notes	341,250	481,250	81,250	60,000	963,750
Acquisition and Construction of Capital Assets	(51,558)	(467,775)	-	-	(519,333)
Principal Paid on Notes	(1,620,333)	(510,333)	-	(131,335)	(2,262,001)
Principal Paid on Revenue Bonds	(290,000)	-	-	-	(290,000)
Principal Paid on OPWC Payable	-	(42,650)	-	-	(42,650)
Interest and Fiscal Charges Paid on All Debt	(196,076)	(10,207)	-	(2,627)	(208,910)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(1,409,620)	(549,715)	81,250	(73,962)	(1,952,047)
<u>Cash Flows from Investing Activities:</u>					
Interest	10,479	-	-	3,795	14,274
Net Cash Provided By Investing Activities	10,479	-	-	3,795	14,274
Net Change in Cash and Cash Equivalents	(355,347)	(32,881)	163,986	(36,938)	(261,180)
Cash and Cash Equivalents at Beginning of Year	2,133,192	3,599,237	671,638	445,436	6,849,503
Cash and Cash Equivalents at End of Year	<u>\$ 1,777,845</u>	<u>\$ 3,566,356</u>	<u>\$ 835,624</u>	<u>\$ 408,498</u>	<u>\$ 6,588,323</u>
Net Cash Provided by Operating Activities:					
Operating Income (Loss)	\$ 693,642	\$ 352,144	\$ 61,118	\$ (6,496)	\$ 1,100,408
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:					
Depreciation Expense	240,848	56,635	7,559	28,254	333,296
Change in Assets, Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources:					
(Increase) in Accounts Receivable	(4,446)	(1,701)	(23,456)	(1,522)	(31,125)
Decrease in Prepaid Insurance	2,423	-	-	-	2,423
Decrease in Special Assessments	-	20,267	-	-	20,267
Increase (Decrease) in Accounts Payables	(3,193)	(5,560)	154	(251)	(8,850)
Increase (Decrease) in Contracts Payables	-	-	1,460	-	1,460
Increase (Decrease) in Accrued Wages and Benefits	(407)	90	(123)	253	(187)
Increase in Due to Other Governments	75	8,906	265	-	9,246
Increase (Decrease) in Compensated Absences Payable	442	807	(4,055)	748	(2,058)
Increase in Deposits Payable	-	-	-	3,410	3,410
Increase for Pension/OPEB Related Items	122,410	91,246	45,814	8,833	268,303
Total Adjustments	358,152	170,690	27,618	39,725	596,185
Net Cash Provided by Operating Activities	<u>\$ 1,051,794</u>	<u>\$ 522,834</u>	<u>\$ 88,736</u>	<u>\$ 33,229</u>	<u>\$ 1,696,593</u>

Non-cash disclosure:

In the prior year, the City reported \$96,055 of acquisition and construction of capital assets that are included in accounts payable at 2017 year-end in the Water fund. The financial statement items should have been reported in the Sewer fund. When reviewing the capital asset note, the construction in progress is removed but it doesn't appear it was placed in service because it was reported in the wrong fund in 2017. There is no impact on the beginning net position of either the Water or Sewer fund. The capital item is correctly reported in the Sewer fund for fiscal year 2018.

See accompanying notes to the basic financial statements

CITY OF TRENTON, OHIO
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
DECEMBER 31, 2018

	<u>Agency</u>
Assets:	
Cash and Cash Equivalents in Segregated Accounts	<u>\$ 14,706</u>
Total Assets	<u><u>14,706</u></u>
Liabilities:	
Due to Other Governments	14,706
Total Liabilities	<u><u>\$ 14,706</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, 2018

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, 2018

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, 2018

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, 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, 2018

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.

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.

Tax Increment Equivalent Fund

The Tax Increment Equivalent Fund accounts for tax increment revenue generated on the following residential incentive districts: Centennial Run, Mapleville, and Elk Creek. The revenue is dedicated for further capital improvements as described in the City's resolution. The City is also required to reimburse a portion of the revenue to the Edgewood Local School District.

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.

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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.

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, 2018

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, 2018

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 credited to the General Fund during 2018 was \$167,512, which includes \$131,442 assigned from other funds. The Police Levy, Fire Levy, Tax Increment Equivalent, Street, Motor Vehicle License and Federal Asset Forfeiture Special Revenue Funds and Water and Utility Deposit Enterprise Funds also received \$4,847, \$36,063; \$23,096; \$3,364; \$1,330; \$31; \$10,479 and \$3,795 respectively in interest during 2018.

During 2018, 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 2018. 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, 2018, which approximates fair value.

For 2018, 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
FOR THE YEAR ENDED DECEMBER 31, 2018

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/OPEB 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
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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 2018, 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
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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 and other postemployment benefits (OPEB). The deferred outflows of resources related to pension and OPEB are explained in Notes 10 and 11.

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, 2018, but which were levied to finance fiscal year 2019 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 and OPEB are reported on the government-wide statement of net position (see Notes 10 and 11.)

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

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS
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Pensions/OPEB

For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB 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 \$8,277,937 difference are as follows:

Capital Assets	\$12,496,326
Accumulated Depreciation	(4,218,389)
Net Adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	\$8,277,937

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 (\$399,123) difference are as follows:

Loans Payables	(\$70,765)
Compensated Absences	(328,358)
Net Adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	(\$399,123)

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 \$2,104,064 are as follows:

Current capital additions	\$2,474,769
Depreciation Expense	(370,705)
Net Adjustment – capital assets to decrease <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	\$2,104,064

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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 \$15,864 are as follows:

Principal paid on long term debt	\$8,846
Change in interest payable	7,018

Net Adjustment - current financial resources focus to increase <i>fund balance – total governmental funds</i> to arrive at <i>net position – governmental activities</i>	\$15,864

3. Change in Accounting Principle

For fiscal year 2018, the City implemented the following Governmental Accounting Standards Board (GASB) Statements that had no impact on the beginning net position:

GASB Statement No. 85 “Omnibus 2017” to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The implementation of GASB Statement No. 85 did not have an effect on the financial statements of the City.

GASB Statement No. 86 “Certain Debt Extinguishment Issues” to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The implementation of GASB Statement No. 86 did not have an effect on the financial statements of the City.

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GASB Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other than Pensions” established standards for measuring and recognizing Postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources and expense. The implementation of this pronouncement has the following effect on net position as reported December 31, 2017:

	Governmental-Type Activities	Business-Type Activities
Net Position at December 31, 2017	\$8,899,864	\$7,568,366
Adjustments:		
Deferred Outflows – Net OPEB	14,900	9,850
Net OPEB Liability	(2,643,723)	(714,991)
Restated Net Position at December 31, 2017	\$6,271,041	\$6,863,225

	Water	Sewer	Refuse	Nonmsjor Enterprise
Net Position at December 31, 2017	\$3,308,408	\$3,265,407	\$527,602	\$466,949
Adjustments:				
Deferred Outflows – Net OPEB	4,500	4,120	900	330
Net OPEB Liability	(326,683)	(299,058)	(65,308)	(23,942)
Restated Net Position at December 31, 2017	\$2,986,225	\$2,970,469	\$463,194	\$443,337

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 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.

CITY OF TRENTON, OHIO
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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:

	General Fund	Police Levy	Fire Levy
GAAP Basis	\$693,361	\$218,159	(\$1,843,159)
Adjustments:			
Revenue Accruals	(1,994)	116	(34,377)
Expenditure Accruals	6,337	11,644	73,834
Encumbrances	(110,915)	(116,963)	(52,137)
Debt Proceeds	135,000	0	0
Principal retirement	0	0	(10,333)
Transfers	(284,000)	0	(375,005)
Fund Reclassification	(95,927)	0	2,179,810
Budget Basis	\$341,862	\$112,956	(\$61,367)

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;
- 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;

CITY OF TRENTON, OHIO
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- 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.

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 \$6,260,736.

CITY OF TRENTON, OHIO
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Custodial Credit Risk

As of December 31, 2018, \$1,651,813 of the City’s bank balance of \$6,303,839 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, 2018) 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.

B. Investments

The City’s investments at December 31, 2018 are summarized below:

<u>Categorized Investments</u>	<u>Value Under One Year</u>	<u>Credit Rating</u>	<u>Concentration Percentage</u>
STAR Ohio	\$7,741,934	S& P - AAAm	99.18%
Money Market Funds	63,619	S& P - AAAm	0.82%
Total	<u>\$7,805,553</u>		

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.

CITY OF TRENTON, OHIO
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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.

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, 2018, was \$12.99 (\$3.24 operating, \$5.25 police levy and \$4.50 fire levy) per \$1,000 of assessed valuation.

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The assessed values of real and public utility property upon which 2018 property tax receipts were based are as follows:

Category	Assessed Value
Real Property	\$174,333,190
Public Utility Property	9,896,350
Total Property Tax	\$184,229,540

Property taxes receivable represents real and public utility property taxes, public utility taxes and outstanding delinquencies that are measurable as of December 31, 2018. 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 2018 operations. The receivable is therefore offset by a credit reported as deferred inflows of resources on financial statements.

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 2018, the proceeds were allocated to the General Fund. Net income tax revenue for 2018 was \$1,930,427.

CITY OF TRENTON, OHIO
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8. Receivables:

Receivables at December 31, 2018, consisted of property taxes, income taxes, special assessments, due from 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 from other governments follows:

<u>Fund/Description</u>	<u>Amount</u>
<u>MAJOR FUNDS</u>	
<i>General Fund:</i>	
Local Government Revenue	\$92,905
Homestead and Rollback	35,569
Total General Fund	<u>128,474</u>
<i>Police Levy Fund:</i>	
Homestead and Rollback	<u>55,167</u>
<i>Fire Levy Fund:</i>	
Homestead and Rollback	<u>46,452</u>
<u>NONMAJOR FUNDS</u>	
<i>Street Fund:</i>	
ODOT refund for SR73 project	42,416
Motor Vehicle License Tax	37,104
Gas Tax	205,736
Total Street Fund	<u>285,256</u>
<i>Permissive Motor Vehicle License Fund</i>	
Permissive Tax	<u>41,650</u>
Total Non-Major Funds	<u>326,906</u>
Total for Governmental Activities	<u><u>\$556,999</u></u>

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

9. Capital Assets:

Changes in Capital Assets during the year ended December 31, 2018, were as follows:

	Balance 12/31/17	Increases	Decreases	Balance 12/31/18
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	\$473,473	\$0	\$0	\$473,473
Construction In Progress	1,034,973	56,355	(822,411)	268,917
Total Capital Assets not being depreciated	1,508,446	56,355	(822,411)	742,390
Capital Assets, being depreciated:				
Buildings	1,915,639	2,720,117	0	4,635,756
Improvements other than Buildings	3,188,952	272,465	0	3,461,417
Machinery, Equipment and Vehicles	3,547,173	248,243	(138,653)	3,656,763
Total Capital Assets being depreciated	8,651,764	3,240,825	(138,653)	11,753,936
Accumulated Depreciation:				
Buildings	(904,097)	(44,168)	0	(948,265)
Improvements other than Buildings	(324,799)	(137,838)	0	(462,637)
Machinery, Equipment and Vehicles	(2,731,955)	(188,699)	113,167	(2,807,487)
Total Accumulated Depreciation	(3,960,851)	(370,705)	113,167	(4,218,389)
Net Capital Assets, being depreciated	4,690,913	2,870,120	(25,486)	7,535,547
Governmental Activities Capital Assets	\$6,199,359	\$2,926,475	(\$847,897)	\$8,277,937
Business Type Activities				
Capital Assets, not being depreciated				
Land	\$1,934,961	\$0	\$0	\$1,934,961
Construction In Progress	318,318	13,609	(96,055)	235,872
Total Capital Assets not being depreciated	2,253,279	13,609	(96,055)	2,170,833
Capital Assets, being depreciated				
Plant	5,427,601	0	0	5,427,601
Water and Sewer Lines	5,195,364	451,274	0	5,646,638
Improvements other than Buildings	480,318	0	0	480,318
Machinery, Equipment and Vehicles	2,255,312	54,450	0	2,309,762
Total Capital Assets being depreciated	13,358,595	505,724	0	13,864,319
Accumulated Depreciation:				
Plant	(1,470,386)	(106,713)	0	(1,577,099)
Water and Sewer Lines	(2,593,238)	(89,313)	0	(2,682,551)
Improvements other than Buildings	(88,265)	(13,733)	0	(101,998)
Machinery, Equipment and Vehicles	(1,688,228)	(123,537)	0	(1,811,765)
Total Accumulated Depreciation	(5,840,117)	(333,296)	0	(6,173,413)
Net Capital Assets, being depreciated	7,518,478	172,428	0	7,690,906
Business Type Activities Capital Assets	\$9,771,757	\$186,037	(\$96,055)	\$9,861,739

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* Depreciation expense was charged to governmental functions as follows:

Governmental Activities:	
Security of Persons and Property	\$131,885
Leisure Time Activities	19,317
Community Environment	3,005
Public Health and Welfare	5,053
Transportation	162,455
General Government	48,990
	<hr/>
Total Depreciation Expense - governmental activities	<u><u>\$370,705</u></u>

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

Business Type Activities:	
Water	\$240,848
Sewer	56,635
Refuse	7,559
Non-major enterprise	28,254
	<hr/>
Total Depreciation Expense - business-type activities	<u><u>\$333,296</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.

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

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

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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):

Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
Age and Service Requirements: Age 60 with 60 months of service credit; or Age 55 with 25 years of service credit	Age 60 with 60 months of service credit; or Age 60 with 5 years of service credit; or	Age 55 with 25 years or service credit; or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service credit for the first 30 years and 2.5% for service years in excess of 30	2.2% of FAS multiplied by years of service credit for the first 30 years and 2.5% for service years in excess of 30	2.2% of FAS multiplied by years of service credit for the first 30 years and 2.5% for service years in excess of 35

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:

CITY OF TRENTON, OHIO
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	State and Local
2018 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
 2018 Actual Contribution Rates	
Employer:	
Pension	14.0 %
Post-employment Health Care Benefits	0.0
Total Employer	14.0 %
Employee	10.0 %

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

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$288,613 for the year ending December 31, 2018. Of this amount, \$32,042 is reported as accrued wages and benefits.

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.

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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.

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

	<u>Police</u>	<u>Firefighters</u>
2018 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee:	12.25 %	12.25 %
 2018 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	<u>0.50 %</u>	<u>0.50 %</u>
Total Employer	<u>19.50 %</u>	<u>24.00 %</u>
Employee:	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OPF was \$228,363 for 2018. Of this amount \$24,363 is reported as accrued wages and benefits.

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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, 2017, 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, 2017, and was determined by rolling forward the total pension liability as of January 1, 2017, to December 31, 2017. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Proportion of the Net Pension Liability - Prior Measurement Year	0.014804%	0.0409130%	
Proportion of the Net Pension Liability - Current Measurement Year	<u>0.014540%</u>	<u>0.0444370%</u>	
Change in proportion	<u>-0.000264%</u>	<u>0.003524%</u>	
Proportionate Share of the Net Pension Liability	\$2,281,044	\$2,727,272	\$5,008,316
Pension Expense	\$474,236	\$347,098	\$821,334

At December 31, 2018, 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			
Changes in proportion and differences Differences between expected and actual experience	\$ 1,226	\$ 199,923	\$ 201,149
Change in assumptions	2,330	41,389	43,719
City contributions subsequent to the measurement date	272,599	118,843	391,442
Total Deferred Outflows of Resources	<u>288,613</u>	<u>228,363</u>	<u>516,976</u>
	<u>\$564,768</u>	<u>\$588,518</u>	<u>\$1,153,286</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$45,056	\$4,926	\$49,982
Net difference between projected and actual earnings on pension plan investments	483,862	93,588	577,450
Changes in proportion and differences	42,150	33,591	75,741
Total Deferred Inflows of Resources	<u>\$571,068</u>	<u>\$132,105</u>	<u>\$703,173</u>

CITY OF TRENTON, OHIO
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\$516,976 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:

	OPERS	OP&F	Total
Year Ending December 31:			
2019	\$180,731	\$98,609	\$279,340
2020	(59,225)	73,045	13,820
2021	(215,642)	(24,672)	(240,314)
2022	(200,777)	2,412	(198,365)
2023	0	63,585	63,585
Thereafter	0	15,071	15,071
Total	(\$294,913)	\$228,050	(\$66,863)

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, 2017, 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.

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Wage Inflation	3.25 percent
Projected Salary Increases	3.25 percent to 10.75 percent (Includes wage inflation 3.25%)
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

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

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of 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 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. 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 was 16.82% for 2017.

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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 2017 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Allocation</u>	<u>Real Rate of Return</u>
Fixed Income	23.00 %	2.20 %
Domestic Equities	19.00	6.37
Real Estate	10.00	5.26
Private Equity	10.00	8.97
International Equities	20.00	7.88
Other Investments	18.00	5.26
Total	<u>100.00 %</u>	

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:

	Current		
	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$4,050,553	\$2,281,044	\$805,807

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Actuarial Assumptions – OPF

OPF’s total pension liability as of December 31, 2017 is based on the results of an actuarial valuation date of January 1, 2017, 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, 2017, are presented below:

Valuation Date	January 1, 2017
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8 percent
Projected Salary Increases	3.75 percent to 10.50 percent
	Inflation rate of 2.75 percent plus productivity
Payroll Increases	increase rate of 0.5 percent
	3 percent simple; 2.2 percent simple for increases
	based on the lesser of the increase in CPI and 3
Cost of Living Adjustments	percent.

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, 2016.

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, 2017 are summarized below:

CITY OF TRENTON, OHIO
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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 8.0 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 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 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 percent), or one percentage point higher (9 percent) than the current rate.

CITY OF TRENTON, OHIO
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	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
City's proportionate share of the net pension liability	\$3,780,752	\$2,727,272	\$1,868,112

11. Net OPEB Liability

The net OPEB liability reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB 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 OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability represents the City’s proportionate share of each OPEB plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan’s fiduciary net position. The net OPEB 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 these estimates 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 OPEB are financed; however, the City does receive the benefit of employees’ services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS
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Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' CAFR referenced below for additional information.

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

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2018, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

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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 percent 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 percent for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2018 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$0 for 2018.

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

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment healthcare plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. OP&F provides health care benefits including coverage for medical, prescription drug, dental, vision, and Medicare Part B Premium to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to postretirement 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 Government Accounting Standards Board (GASB) Statement No. 75.

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 is 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. The report may be obtained by visiting the OP&F 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.

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Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and fire employer units, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24 percent 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. There is one account for health care benefits and one account for Medicare Part B reimbursements. A separate health care trust accrual account is maintained for health care benefits under IRS Code Section 115 trust. An Internal Revenue Code 401(h) account is maintained for Medicare Part B reimbursements.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2018, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees is also authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. The City's contractually required contribution to OP&F was \$6,010 for 2018. Of this amount, \$654 is reported as an intergovernmental payable.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2017, and was determined by rolling forward the total OPEB liability as of January 1, 2017, to December 31, 2017. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

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	<u>OPERS</u>	<u>OP&F</u>	
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.014080%	0.0409130%	
Prior Measurement Date	<u>0.014026%</u>	<u>0.0444370%</u>	
Change in Proportionate Share	<u>0.0000540%</u>	<u>-0.0035240%</u>	
			<u>Total</u>
Proportionate Share of the Net OPEB Liability	\$1,528,983	\$2,517,710	\$4,046,693
OPEB Expense	\$129,520	\$212,539	\$342,059

At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$1,191	\$0	\$1,191
Changes of assumptions between City contributions and proportionate share of contributions	111,326	245,678	357,004
City contributions subsequent to the measurement date	3,695	145,941	149,636
	<u>0</u>	<u>6,010</u>	<u>6,010</u>
Total Deferred Outflows of Resources	<u>\$116,212</u>	<u>\$397,629</u>	<u>\$513,841</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$0	\$12,698	\$12,698
Net difference between projected and actual earnings on OPEB plan investments	113,900	16,573	130,473
Total Deferred Inflows of Resources	<u>\$113,900</u>	<u>\$29,271</u>	<u>\$143,171</u>

\$6,010 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

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Year Ending December 31:	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
2019	\$27,087	\$51,254	\$78,341
2020	27,087	51,254	78,341
2021	(23,386)	51,254	27,868
2022	(28,476)	51,254	22,778
2023	0	55,398	55,398
Thereafter	<u>0</u>	<u>101,934</u>	<u>101,934</u>
Total	<u>\$2,312</u>	<u>\$362,348</u>	<u>\$364,660</u>

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.85 percent
Prior Measurement date	4.23 percent
Investment Rate of Return	6.50 percent
Municipal Bond Rate	3.31 percent
Health Care Cost Trend Rate	7.5 percent, initial 3.25 percent, ultimate in 2028
Actuarial Cost Method	Individual Entry Age

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Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

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

The long-term expected rate of return on health care 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 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. 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 Health Care portfolio is 15.2 percent for 2017.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

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<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	34.00 %	1.88 %
Domestic Equities	21.00	6.37
Real Estate Investment Trust	6.00	5.91
International Equities	22.00	7.88
Other investments	17.00	5.39
Total	<u>100.00 %</u>	<u>4.98 %</u>

Discount Rate

A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. A single discount rate of 4.23 percent was used to measure the OPEB liability on the measurement date of December 31, 2016. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.50 percent and a municipal bond rate of 3.31 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

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

The following table presents the City's proportionate share of the net OPEB liability calculated using the single discount rate of 3.85 percent, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.85 percent) or one-percentage-point higher (4.85 percent) than the current rate:

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	1% Decrease (2.85%)	Current Discount Rate (3.85%)	1% Increase (4.85%)
City's proportionate share of the net OPEB liability	\$2,031,322	\$1,528,983	\$1,122,598

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate

Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2018 is 7.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability	\$1,462,912	\$1,528,983	\$1,597,235

Actuarial Assumptions – OP&F

OP&F's total OPEB liability as of December 31, 2017, is based on the results of an actuarial valuation date of January 1, 2017, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F's actuaries in accordance with GASB Statement No. 74, 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.

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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 and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below.

Valuation Date	January 1, 2017, with actuarial liabilities rolled forward to December 31, 2017
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.0 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Single discount rate:	
Current measurement date	3.24 percent
Prior measurement date	3.79 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increased based on the lesser of the increase in CPI and 3 percent

Mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

<u>Age</u>	<u>Police</u>	<u>Fire</u>
67 or less	77 %	68 %
68-77	105	87
78 and up	115	120

Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale.

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Age	Police	Fire
59 or less	35 %	35 %
60-69	60	45
70-79	75	70
80 and up	100	90

The most recent experience study was completed for the five year period ended December 31, 2016, the prior experience study was completed December 31, 2011.

The long-term expected rate of return on OPEB 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 expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2017, are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and Cash Equivalents	- %	0.00 %
Domestic Equity	16.00	5.21
Non-US Equity	16.00	5.40
Core Fixed Income *	20.00	2.37
Global Inflation Protected Securities*	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	120.00 %	

Note: Assumptions are geometric.

* levered 2x

OP&F's Board of Trustees has incorporated the risk parity concept into OP&F'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 the 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.

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Discount Rate

The total OPEB liability was calculated using the discount rate of 3.24 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 8 percent. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 3.16 percent at December 31, 2017 and 3.71 percent at December 31, 2016, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 3.24 percent. The municipal bond rate was determined using the S&P Municipal Bond 20 Year High Grade Rate Index. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2025. The long-term expected rate of return on health care investments was applied to projected costs through 2025, and the municipal bond rate was applied to all health care costs after that date.

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

Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 3.24 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.24 percent), or one percentage point higher (4.24 percent) than the current rate.

	1% Decrease (2.24%)	Current Discount Rate (3.24%)	1% Increase (4.24%)
City's proportionate share of the net OPEB liability	\$3,147,203	\$2,517,710	\$2,033,393

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate

Net OPEB liability is sensitive to changes in the health care cost trend rate. The trend rate is the annual rate at which the cost of covered medical services is assumed to increase from the current year to the next year. Beginning in 2017, the per-capita costs are assumed to change by the following percentages each year:

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Year	Non-Medicare	Non-AARP	AARP	Rx Drug	Medicare Part B
2017	-0.47%	-2.50%	4.50%	-0.47%	5.20%
2018	7.00%	7.00%	4.50%	7.00%	5.10%
2019	6.50%	6.50%	4.50%	6.50%	5.00%
2020	6.00%	6.00%	4.50%	6.00%	5.00%
2021	5.50%	5.50%	4.50%	5.50%	5.00%
2022	5.00%	5.00%	4.50%	5.00%	5.00%
2023 and Later	4.50%	4.50%	4.50%	4.50%	5.00%

To illustrate the potential impact, the following table presents the net OPEB liability calculated using the current healthcare cost trend current rates as outlined in the table above, a one percent decrease in the trend rates and a one percent increase in the trend rates.

	1% Decrease	Current Rates	1% Increase
City's proportionate share of the net OPEB liability	\$1,955,824	\$2,517,710	\$3,275,008

Changes between Measurement Date and Report Date

In March 2018, the OP&F Board of Trustees approved the implementation date and framework for a new health care model. Beginning January 1, 2019, the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses. The impact to the City's NOL is not known.

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.

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.

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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 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 90 percent of the monthly premium and the employee pays for 10 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 2018. 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, 2017 to December 20, 2018 extended to December 20, 2019. 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.

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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, 2017 to December 20, 2018 extended to December 20, 2019. 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 2018, the City participated in the Ohio Association of Public Treasurers Workers 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.

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14. Long-Term Obligations:

Changes in long-term obligations during 2018 were as follows:

	Restated Balance 12/31/17	Increase	Decrease	Balance 12/31/18	Due within one year
Governmental Activities:					
Ohio Public Works Commission Loan	\$79,611	\$0	(\$8,846)	\$70,765	\$8,846
Compensated Absences Payable	341,927	172,236	(185,805)	328,358	120,195
Net Pension Liability					
OPERS	1,668,395	0	(642,367)	1,026,028	0
OP&F	2,591,385	135,887	0	2,727,272	0
Net OPEB Liability					
OPERS	701,675	55,822	0	757,497	0
OP&F	1,942,048	575,662	0	2,517,710	0
Total – Governmental Activities	<u>7,325,041</u>	<u>939,607</u>	<u>(837,018)</u>	<u>7,427,630</u>	<u>129,041</u>
Business -Type Activities:					
Refunding Water Revenue Bond	6,030,000	0	(290,000)	5,740,000	295,000
Discount on Revenue Bonds	(52,285)	3,076	0	(49,209)	0
Ohio Public Works Commission Loan	511,800	0	(42,650)	469,150	42,650
Compensated Absences Payable	172,968	94,462	(96,520)	170,910	64,595
Net Pension Liability					
OPERS	1,693,343	0	(438,327)	1,255,016	0
Net OPEB Liability					
OPERS	714,991	56,495	0	771,486	0
Total – Business - Type Activities	<u>\$9,070,817</u>	<u>\$154,033</u>	<u>(\$867,497)</u>	<u>\$8,357,353</u>	<u>\$402,245</u>

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 \$290,000 in principal and \$157,869 in interest during the year from the pledged revenue in the water fund.

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, 2018

Compensated absences will be paid from the fund from which the employee is paid. The net pension/OPEB liability are paid from the fund where the salaries are paid from to the extent the City is required to pay under the Ohio Revised Code.

As of December 31, 2018 the City's overall voted legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$22,297,316 and the unvoted legal debt margin was \$13,085,839.

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

BUSINESS-TYPE ACTIVITIES			
<u>Water Refunding Revenue Bonds</u>			
<u>Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	325,000	132,582	457,582
2024-2028	1,735,000	535,394	2,270,394
2029-2033	2,015,000	269,122	2,284,122
2034	440,000	14,300	454,300
Totals	<u>\$5,740,000</u>	<u>\$1,546,770</u>	<u>\$7,286,770</u>

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

BUSINESS-TYPE ACTIVITIES			
<u>OPWC Loans</u>			
<u>Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	42,650	0	42,650
2024-2028	213,250	0	213,250
2029	42,650	0	42,650
Totals	<u>\$469,150</u>	<u>\$0</u>	<u>\$469,150</u>

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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

GOVERNMENTAL ACTIVITIES			
OPWC Loans			
Years	Principal	Interest	Total
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	8,845	0	8,845
2024-2026	26,539	0	26,539
Totals	<u>\$70,765</u>	<u>\$0</u>	<u>\$70,765</u>

15. Short-Term Obligations:

Changes in short-term obligations during 2018 were as follows:

	Balance 12/31/17	Increase	Decrease	Balance 12/31/18
Governmental Funds				
Notes Payable – 2017 Building	\$30,999	\$0	(\$30,999)	\$0
Notes Payable – 2018 Building	0	81,250	0	81,250
Notes Payable – Gas extension	0	270,000	(135,000)	135,000
Notes Payable – Amphitheater	210,000	130,000	(210,000)	130,000
Notes Payable – Fire Station	2,478,000	2,478,000	(2,478,000)	2,478,000
Total Governmental Funds	<u>2,718,999</u>	<u>2,959,250</u>	<u>(2,718,999)</u>	<u>2,824,250</u>
Enterprise Funds				
Notes Payable – Water	1,590,000	260,000	(1,590,000)	260,000
Notes Payable – Orbit	20,000	0	(20,000)	0
Notes Payable – 2017 Building	31,001	0	(31,001)	0
Notes Payable – 2018 Building	0	243,750	0	243,750
Notes Payable – Sweeper	121,000	60,000	(121,000)	60,000
Notes Payable – Sewer Ext	500,000	400,000	(500,000)	400,000
Total Enterprise Funds	<u>\$2,262,001</u>	<u>\$963,750</u>	<u>\$2,262,001</u>	<u>\$963,750</u>

The \$260,000 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 \$260,000 notes were issued on November 16, 2018 at a 3.25 percent interest rate and mature on November 15, 2019.

The \$325,000 notes were issued for 2018 building acquisition that will be used by different services within the City. The notes will be retired from the four funds (one 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 \$325,000 notes were issued on November 16, 2018 at a 3.25 percent interest rate and mature on November 15, 2019.

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

The \$60,000 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 \$60,000 notes were issued on November 16, 2018 at a 3.25 percent interest rate and mature on November 15, 2019.

The \$130,000 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 \$130,000 notes were issued on November 16, 2018 at a 3.25 percent interest rate and mature on November 15, 2019.

The \$400,000 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 \$400,000 notes were issued on November 16, 2018 at a 3.25 percent interest rate and mature on November 15, 2019.

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 16, 2018 at a 3.25 percent interest rate and mature on November 15, 2019.

The \$135,000 notes were issued for extension of the gas main and electric lines through the City's industrial park. The note will be retired from the debt service fund. They are backed by the full faith and credit of the general fund. The \$135,000 notes were issued on November 16, 2018 at a 3.25 percent interest rate and mature on November 15, 2019.

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

16. Transfers

Following is a summary of transfers in and out for all funds for 2018:

Fund	Transfers In	Transfers Out
General	\$42,500	\$1,438,500
Police Levy	1,350,000	19,500
Water	0	8,000
Sewer	0	6,000
Refuse	0	6,000
Non-Major Governmental Funds	88,500	3,000
Total All Funds	\$1,481,000	\$1,481,000

The transfers from the general funds are to help support those various other functions. The General Fund transfers of \$281,000 to the Parks and Recreation Fund (which is reported within the General Fund under GASB 54 so that transfer was consolidated); and \$1,350,000 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 \$20,000 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.

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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 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 \$3,717 to OKI during 2018. 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.

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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	Police Levy	Fire Levy	Tax Increment Equivalent	Other
Nonspendable:					
Unclaimed Monies	\$2,433	\$0	\$0	\$0	\$0
Restricted:					
Public Works	0	0	0	0	586,957
Public Safety	0	384,543	0	0	28,276
Debt Service	0	0	0	0	58,199
Capital Improvements	0	0	0	1,257,106	17,124
Cash Bond	240,274	0	0	0	0
Assigned:					
Employee accounts	268	0	0	0	0
Community Night Out	7,037	0	0	0	0
Bi-Centennial	45,856	0	0	0	0
Capital Improvements	0	0	0	0	116,154
Encumbrances	88,841	0	0	0	0
Unassigned					
Budget Stabilization	398,366	0	0	0	0
Unassigned	2,204,692	0	(744,067)	0	0
Total Fund Balance	\$2,987,767	\$384,543	(\$744,067)	\$1,257,106	\$806,710

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.

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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.

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 FIVE FISCAL YEARS (1) (2)

	2018	2017	2016	2015	2014
The City's Proportion of the Net Pension Liability	0.014540%	0.014804%	0.015134%	0.014942%	0.014942%
The City's Proportion Share of the Net Pension Liability	\$ 2,281,044	\$ 3,361,738	\$ 2,621,400	\$ 1,802,156	\$ 1,761,451
The City's Covered Payroll	\$ 1,951,531	\$ 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	116.88%	180.01%	139.73%	90.72%	168.35%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.66%	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:

There were changes to the assumptions that would impact the figures.

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually Required Contributions	\$ 288,613	\$ 253,699	\$ 224,100	\$ 225,133	\$ 238,386	\$ 136,021	\$ 213,875	\$ 186,969	\$ 166,696	\$ 140,487
Contributions in Relation to the Contractually Required Contribution	(288,613)	(253,699)	(224,100)	(225,133)	(238,386)	(136,021)	(213,875)	(186,969)	(166,696)	(140,487)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
The City Covered Payroll	\$ 2,061,521	\$ 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
Contributions as a Percentage of Employee Payroll	14.00%	13.00%	12.00%	12.00%	12.00%	13.00%	10.00%	10.00%	8.68%	8.13%

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

	2018	2017	2016	2015	2014
The City's Proportion of the Net Pension Liability	0.044437%	0.040913%	0.040075%	0.041303%	0.041303%
The City's Proportion Share of the Net Pension Liability	\$ 2,727,272	\$ 2,591,385	\$ 2,578,039	\$ 2,139,675	\$ 2,011,593
The City's Covered Payroll	\$ 1,038,763	\$ 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	262.55%	272.70%	282.93%	312.62%	232.94%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.91%	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.

Notes to the Schedule:

There were changes to the assumptions that would impact the figures.

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually Required Contributions	\$ 228,363	\$ 197,365	\$ 180,548	\$ 173,129	\$ 122,036	\$ 110,107	\$ 131,583	\$ 126,516	\$ 115,082	\$ 158,043
Contributions in Relation to the Contractually Required Contribution	(228,363)	(197,365)	(180,548)	(173,129)	(122,036)	(110,107)	(131,583)	(126,516)	(115,082)	(158,043)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
The City Covered Payroll	\$ 1,201,911	\$ 1,038,763	\$ 950,253	\$ 911,205	\$ 684,442	\$ 863,584	\$ 1,032,024	\$ 992,282	\$ 902,604	\$ 1,239,553
Contributions as a Percentage of Employee Payroll	19.00%	19.00%	19.00%	19.00%	17.83%	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.

CITY OF TRENTON, OHIO
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TWO FISCAL YEARS (1) (2)

	2018	2017
The City's Proportion of the Net OPEB Liability	0.014080%	0.014026%
The City's Proportion Share of the Net OPEB Liability	\$ 1,528,983	\$ 1,416,667
The City's Covered Payroll	\$ 1,951,531	\$ 1,867,500
The City's Proportion Share of the Net OPEB Liability as a Percentage of its Covered Payroll	78.35%	75.86%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	54.14%	54.50%

(1) Information prior to 2017 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:

There were changes to the assumptions that would impact the figures.

CITY OF TRENTON, OHIO
 SCHEDULE OF CITY'S OPEB CONTRIBUTIONS
 OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
 LAST TEN FISCAL YEARS

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually Required Contributions	\$ -	\$ 19,515	\$ 37,350	\$ 37,522	\$ 39,731	\$ 10,463	\$ 85,550	\$ 74,788	\$ 102,169	\$ 101,496
Contributions in Relation to the Contractually Required Contribution	-	(19,515)	(37,350)	(37,522)	(39,731)	(10,463)	(85,550)	(74,788)	(102,169)	(101,496)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
The City Covered Payroll	\$ 2,061,521	\$ 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
Contributions as a Percentage of Covered Payroll	0.00%	1.00%	2.00%	2.00%	2.00%	1.00%	4.00%	4.00%	5.32%	5.87%

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

	2018	2017
The City's Proportion of the Net OPEB Liability	0.040913%	0.044437%
The City's Proportion Share of the Net OPEB Liability	\$ 2,517,710	\$ 1,942,048
The City's Covered Payroll	\$ 1,038,763	\$ 950,253
The City's Proportion Share of the Net OPEB Liability as a Percentage of its Covered Payroll	242.38%	204.37%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	14.13%	15.96%

(1) Information prior to 2017 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:

For fiscal year 2018, the discount rate was reduced from 8.25% to 8%. This impacted the projected inflows from investment earnings.

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually Required Contributions	\$ 6,010	\$ 5,194	\$ 4,751	\$ 4,556	\$ 11,430	\$ 58,292	\$ 69,662	\$ 66,979	\$ 60,926	\$ 83,670
Contributions in Relation to the Contractually Required Contribution	(6,010)	(5,194)	(4,751)	(4,556)	(11,430)	(58,292)	(69,662)	(66,979)	(60,926)	(83,670)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
The City Covered Payroll	\$ 1,201,911	\$ 1,038,763	\$ 950,253	\$ 911,205	\$ 684,442	\$ 863,584	\$ 1,032,024	\$ 992,282	\$ 902,604	\$ 1,239,553
Contributions as a Percentage of Employee Payroll	0.50%	0.50%	0.50%	0.50%	1.67%	6.75%	6.75%	6.75%	6.75%	6.75%

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, 2018, 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 17, 2019, wherein we noted the City adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*.

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 2018-001 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 17, 2019

City of Trenton
Schedule of Findings and Responses
Year Ended December 31, 2018

2018-001 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 an audit adjustment to correctly state fund balance classifications in the General 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, 2018

2017-001 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 2018-001.



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OHIO AUDITOR OF STATE KEITH FABER



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 11, 2019**