

CITY OF TRENTON

General Purpose Financial Statements

For the Year Ended December 31, 1999

with

Independent Auditors' Report

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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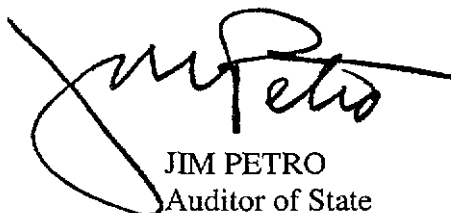
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City Council
City of Trenton
11 East State Street
Trenton, Ohio 45067

We have reviewed the independent auditor's report of the City of Trenton, Butler County, prepared by Clark, Schaefer, Hackett & Co., Certified Public Accountants, for the audit period January 1, 1999 through December 31, 1999. 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.



JIM PETRO
Auditor of State

July 6, 2000

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

Independent Auditors' Report

City Council
City of Trenton
11 East State Street
Trenton, Ohio 45067

We have audited the accompanying general-purpose financial statements of the City of Trenton, (the City) as of and for the year ended December 31, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Trenton, as of December 31, 1999, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2000 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Clark, Schaefer, Hackett & Co.

Middletown, Ohio
May 31, 2000

CITY OF TRENTON, OHIO

Combined Balance Sheet

All Fund Types and Account Groups

December 31, 1999

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets:				
Equity in pooled cash and cash equivalents	\$ 673,254	356,201	32,426	166,550
Cash and cash equivalents with fiscal agent	-	-	-	-
Receivables:				
Property taxes	93,916	112,878	185,206	-
Income taxes	98,031	-	-	-
Accounts	-	-	-	-
Special assessments	-	-	165,849	-
Accrued interest	1,808	-	-	-
Due from other governments	16,155	16,360	-	-
Fixed assets (net where applicable, of accumulated depreciation)	-	-	-	-
Other debits:				
Amount available in general obligation bond retirement debt service fund	-	-	-	-
Amount available in special assessment bond retirement debt service fund	-	-	-	-
Amount to be provided for retirement of general long-term obligations	-	-	-	-
Amount to be provided for retirement of special assessments bonds payable	-	-	-	-
Total assets and other debits	\$ 883,164	485,439	383,481	166,550
Liabilities:				
Accounts payable	\$ 16,542	15,629	-	-
Contracts payable	-	-	-	11,295
Retainage payable	-	-	-	27,767
Accrued salaries payable	11,255	3,044	-	-
Due to other governments	1,651	-	-	-
Deferred revenue	146,042	112,878	351,055	-
Accrued interest payable	-	-	-	-
Compensated absences payable	12,154	1,524	-	-
Capital leases payable	-	-	-	-
Undistributed monies	-	-	-	-
Loan payable	-	-	-	-
General obligation bonds payable	-	-	-	-
Special assessment bonds payable with government commitment	-	-	-	-
Total liabilities	187,644	133,075	351,055	39,062
Fund equity:				
Investment in general fixed assets	-	-	-	-
Retained earnings, unreserved	-	-	-	-
Fund balances:				
Reserved for encumbrances	6,264	51,764	-	44,062
Unreserved	689,256	300,600	32,426	83,426
Total fund equity	695,520	352,364	32,426	127,488
Total liabilities and fund equity	\$ 883,164	485,439	383,481	166,550

See accompanying notes to financial statements.

Proprietary Fund Type	Fiduciary Fund Types Trust and Agency	Account Groups		Total Memorandum Only
		General Fixed Assets	General Long-Term Obligations	
Enterprise				
1,167,815	78	-	-	2,396,324
-	8,963	-	-	8,963
-	-	-	-	392,000
-	-	-	-	98,031
138,377	-	-	-	138,377
-	-	-	-	165,849
-	-	-	-	1,808
-	-	-	-	32,515
3,666,970	-	3,249,430	-	6,916,400
-	-	-	2,006	2,006
-	-	-	30,420	30,420
-	-	-	1,137,807	1,137,807
-	-	-	94,320	94,320
<u>4,973,162</u>	<u>9,041</u>	<u>3,249,430</u>	<u>1,264,553</u>	<u>11,414,820</u>
51,960	-	-	-	84,131
-	-	-	-	11,295
-	-	-	-	27,767
5,914	-	-	-	20,213
-	-	-	1,887	3,538
-	-	-	-	609,975
17,265	-	-	-	17,265
53,086	-	-	136,778	203,542
-	-	-	82,221	82,221
-	8,963	-	-	8,963
446,699	-	-	-	446,699
-	-	-	928,667	928,667
-	-	-	115,000	115,000
<u>574,924</u>	<u>8,963</u>	<u>-</u>	<u>1,264,553</u>	<u>2,559,276</u>
-	-	3,249,430	-	3,249,430
4,398,238	-	-	-	4,398,238
-	-	-	-	102,090
-	78	-	-	1,105,786
<u>4,398,238</u>	<u>78</u>	<u>3,249,430</u>	<u>-</u>	<u>8,855,544</u>
<u>4,973,162</u>	<u>9,041</u>	<u>3,249,430</u>	<u>1,264,553</u>	<u>11,414,820</u>

CITY OF TRENTON, OHIO
 Combined Statement of Revenues, Expenditures and
 Changes in Fund Balances
 All Governmental Fund Types and Expendable Trust Fund
 For the Year Ended December 31, 1999

	Governmental Fund Types				Fiduciary Fund Types	(Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
Property taxes	\$ 222,706	132,351	130,054	-	-	485,111
Income taxes	897,599	-	-	-	-	897,599
Intergovernmental	267,495	290,067	-	-	-	557,562
Fines, licenses and permits	136,283	65,244	-	-	-	201,527
Special assessments	-	-	-	-	-	-
Investment income	27,827	9,053	1,096	9,549	-	47,525
Miscellaneous	7,190	14,824	-	-	-	22,014
Total revenues	<u>1,559,100</u>	<u>511,539</u>	<u>131,150</u>	<u>9,549</u>	<u>-</u>	<u>2,211,338</u>
Expenditures:						
Current:						
Security of persons and property	945,281	-	-	-	-	945,281
Transportation	-	203,841	-	-	-	203,841
Public health services	3,166	-	-	-	-	3,166
Leisure time activities	239	5,714	-	-	-	5,953
Community environment	119,638	-	-	-	-	119,638
General government	311,251	68,824	-	-	-	380,075
Capital outlay	85,735	150,794	-	58,851	-	295,380
Debt service:						
Principal retirement	37,779	-	76,333	-	-	114,112
Interest and fiscal charges	5,781	1,038	55,077	-	-	61,896
Total expenditures	<u>1,508,870</u>	<u>430,211</u>	<u>131,410</u>	<u>58,851</u>	<u>-</u>	<u>2,129,342</u>
Excess of revenues over (under) expenditures	<u>50,230</u>	<u>81,328</u>	<u>(260)</u>	<u>(49,302)</u>	<u>-</u>	<u>81,996</u>
Other financing sources (uses):						
Operating transfers-in	115,502	-	-	10,000	-	125,502
Operating transfers-out	<u>(125,502)</u>	-	-	-	-	<u>(125,502)</u>
Total other financing sources (uses)	<u>(10,000)</u>	<u>-</u>	<u>-</u>	<u>10,000</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	40,230	81,328	(260)	(39,302)	-	81,996
Fund balances at beginning of year	<u>655,290</u>	<u>271,036</u>	<u>32,686</u>	<u>166,790</u>	<u>78</u>	<u>1,125,880</u>
Fund balances at end of year	\$ <u>695,520</u>	<u>352,364</u>	<u>32,426</u>	<u>127,488</u>	<u>78</u>	<u>1,207,876</u>

See accompanying notes to financial statements.

CITY OF TRENTON, OHIO
 Combined Statement of Revenues, Expenditures and
 Changes in Fund Balances - Budget and Actual (Budget Basis)
 All Governmental Fund Types and Expendable Trust Fund
 For the Year Ended December 31, 1999

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property taxes	\$ 153,088	154,741	1,653	137,264	132,351	(4,913)
Income taxes	992,000	980,222	(11,778)	-	-	-
Intergovernmental	292,800	303,628	10,828	287,242	294,361	7,119
Fines, licenses and permits	95,400	99,375	3,975	65,500	65,244	(256)
Interest	65,250	61,284	(3,966)	14,450	16,359	1,909
Miscellaneous	11,700	9,712	(1,988)	13,950	13,781	(169)
Total revenues	1,610,238	1,608,962	(1,276)	518,406	522,096	3,690
Expenditures:						
Current:						
Security of persons and property	1,064,149	1,028,979	35,170	-	-	-
Transportation	-	-	-	195,465	171,827	23,638
Public health services	3,200	3,166	34	-	-	-
Leisure time activities	3,400	239	3,161	9,500	5,714	3,786
Community environment	211,837	169,212	42,625	-	-	-
General government	304,451	208,052	96,399	148,745	145,928	2,817
Capital outlay	104,147	85,735	18,412	208,094	91,653	116,441
Debt service:						
Principal retirement	-	-	-	42,500	42,500	-
Interest and fiscal charges	-	-	-	1,785	1,685	100
Total expenditures	1,691,184	1,495,383	195,801	606,089	459,307	146,782
Excess of revenues over (under) expenditures	(80,946)	113,579	(197,077)	(87,683)	62,789	(143,092)
Other financing sources (uses):						
Operating transfers-in	115,500	115,502	(2)	-	-	-
Operating transfers-out	(322,702)	(125,502)	(197,200)	-	-	-
Total other financing sources (uses)	(207,202)	(10,000)	(197,202)	-	-	-
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(288,148)	103,579	(391,727)	(87,683)	62,789	(150,472)
Fund balances at beginning of year	542,968	542,968	-	299,674	299,674	-
Prior year encumbrances appropriated	34,342	34,342	-	-	-	-
Fund balances at end of year	\$ 289,162	680,889	(391,727)	211,991	362,463	(150,472)

See accompanying notes to financial statements.

Debt Service Funds			Capital Projects Funds			Expendable Trust Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
131,163	130,054	(1,109)	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
1,500	1,796	296	7,800	16,148	8,348	-	-	-
-	-	-	-	-	-	-	-	-
<u>132,663</u>	<u>131,850</u>	<u>(813)</u>	<u>7,800</u>	<u>16,148</u>	<u>8,348</u>	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	15,000	-	15,000	-	-	-
-	-	-	367,269	147,441	219,828	-	-	-
76,333	76,333	-	-	-	-	-	-	-
56,110	55,077	1,033	-	-	-	-	-	-
<u>132,443</u>	<u>131,410</u>	<u>1,033</u>	<u>382,269</u>	<u>147,441</u>	<u>234,828</u>	-	-	-
220	440	(1,846)	(374,469)	(131,293)	(226,480)	-	-	-
-	-	-	10,000	10,000	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	10,000	10,000	-	-	-	-
220	440	(220)	(364,469)	(121,293)	(243,176)	-	-	-
32,686	32,686	-	145,147	145,147	-	78	78	-
-	-	-	21,643	21,643	-	-	-	-
<u>32,906</u>	<u>33,126</u>	<u>(220)</u>	<u>(197,679)</u>	<u>45,497</u>	<u>(243,176)</u>	<u>78</u>	<u>78</u>	-

CITY OF TRENTON, OHIO
 Combined Statement of Revenues, Expenses and
 Changes in Retained Earnings
 Proprietary Fund Type
 For the Year Ended December 31, 1999

Operating Revenues:	
Charges for services	\$ 2,118,734
Other operating revenues	<u>16,953</u>
Total operating revenues	<u>2,135,687</u>
 Operating Expenses:	
Personal services	577,031
Contractual services	858,861
Depreciation	100,346
Other expenses	<u>180,031</u>
Total operating expenses	<u>1,716,269</u>
Operating income	<u>419,418</u>
 Non-operating revenues (expenses):	
Interest	34,595
Interest and fiscal charges	<u>(37,691)</u>
Total non-operating revenues (expenses)	<u>(3,096)</u>
Net income before operating transfers	416,322
Operating transfers - in	234,423
Operating transfers - out	<u>(234,423)</u>
Net income	416,322
Retained earnings at beginning of year -	<u>3,981,916</u>
Retained earnings at end of year	\$ <u>4,398,238</u>

See accompanying notes to financial statements.

CITY OF TRENTON, OHIO
Combined Statement of Revenues, Expenses and Changes in
Retained Earnings - Budget and Actual (Budget Basis)
Proprietary Fund Type
For the Year Ended December 31, 1999

	<u>Revised</u> <u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
Revenues:			
Charges for services	\$ 2,065,600	2,036,498	29,102
Interest	45,400	56,692	(11,292)
Other operating revenues	<u>4,985</u>	<u>16,953</u>	<u>(11,968)</u>
 Total revenues	 <u>2,115,985</u>	 <u>2,110,143</u>	 <u>5,842</u>
Expenses:			
Personal services	553,098	551,199	1,899
Contractual services	903,805	899,857	3,948
Other expenses	304,009	180,031	123,978
Capital outlay	144,906	72,620	72,286
Debt Service:			
Principal retirement	157,703	157,703	-
Interest and fiscal charges	<u>46,720</u>	<u>46,720</u>	<u>-</u>
 Total expenses	 <u>2,110,241</u>	 <u>1,908,130</u>	 <u>202,111</u>
 Excess of revenues over (under) expenses before operating transfers	 5,744	 202,013	 (196,269)
 Operating transfers - in	 234,423	 234,423	 -
Operating transfers - out	<u>(234,423)</u>	<u>(234,423)</u>	<u>-</u>
 Excess of revenues over (under) expenses and operating transfers	 5,744	 202,013	 (196,269)
 Fund balance at beginning of year	 <u>952,826</u>	 <u>952,826</u>	 <u>-</u>
 Fund balance at end of year	 \$ <u>958,570</u>	 <u>1,154,839</u>	 <u>(196,269)</u>

See accompanying notes to financial statements.

CITY OF TRENTON, OHIO
 Combined Statement of Cash Flows
 Proprietary Fund Type
 For the Year Ended December 31, 1999

Increase (decrease) in cash and cash equivalents:	
Cash flows from operating activities:	
Cash received from customers	\$ 2,036,498
Other operating revenues	16,953
Cash payments for employee services and benefits	(551,199)
Cash payments to suppliers for goods and services	(899,857)
Other expenses	<u>(180,031)</u>
Net cash provided by operating activities	<u>422,364</u>
Cash flows from non-capital financing activities:	
Operating transfers	<u>-</u>
Net cash provided by non-capital financing activities	<u>-</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(72,620)
Principal paid on OWDA loans payable	(157,703)
Interest paid on OWDA loans payable	<u>(46,720)</u>
Net cash used for capital and related financing activities	<u>(277,043)</u>
Cash flows from investing activities:	
Interest	<u>34,595</u>
Net cash provided by investing activities	<u>34,595</u>
Net increase in cash and cash equivalents	179,916
Cash and cash equivalents at beginning of year	<u>987,899</u>
Cash and cash equivalents at end of year	\$ <u>1,167,815</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 419,418
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	100,346
Changes in assets and liabilities:	
Increase in accounts receivable	(82,236)
Decrease in accounts payable	(29,195)
Increase in accrued salaries payable	(237)
Decrease in due to other governments	(11,801)
Increase in compensated absences	<u>26,069</u>
Net cash provided by operating activities	\$ <u>422,364</u>

See accompanying notes to financial statements.

CITY OF TRENTON, OHIO

Notes to Financial Statements

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 which 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.

Reporting entity

A 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 does not have any component units included in its reporting entity.

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), and one organization that is defined as an insurance purchasing pool, the Ohio Municipal League Workers' Compensation Group Rating Plan (GRP). These organizations are presented in Notes 17 and 18 of the General Purpose Financial Statements.

CITY OF TRENTON, OHIO

Notes to Financial Statements

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

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

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

Governmental fund types

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

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

Special revenue funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than amounts relating to the expendable trust or major capital projects) that are legally restricted to expenditure for specified purposes.

Debt service funds - Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term and special assessment debt principal, interest and related costs.

Capital projects funds - Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by enterprise funds).

CITY OF TRENTON, OHIO

Notes to Financial Statements

Proprietary fund type

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

Enterprise funds - Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be recovered or financed primarily through user charges or where it has been decided that a periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Fiduciary fund types

Fiduciary funds are used to account for assets the City holds in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The City's fiduciary funds include an expendable trust fund and agency fund. The expendable trust fund is accounted for in essentially the same manner as governmental funds. The City's agency funds are purely custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account groups

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

General fixed assets account group - This account group is established to account for all general fixed assets of the City, other than those accounted for in the enterprise funds.

General long-term obligations account group - This account group is established to account for all long-term obligations of the City except those accounted for in enterprise funds.

CITY OF TRENTON, OHIO

Notes to 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 City also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to the enterprise funds provided they do not conflict with or contradict GASB pronouncements. The more significant of the City's accounting policies are described below.

Measurement focus and basis of accounting

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

The enterprise funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is recorded as retained earnings. Enterprise funds' operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

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

All governmental fund types, the expendable trust fund and agency funds are accounted for using the modified accrual basis of accounting. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current year or soon enough thereafter to be used to pay liabilities of the current year. The available period for the City is thirty-one days after year end.

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In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: taxpayer assessed income tax, interest, state-levied locally shared taxes (including gasoline tax) and fines and forfeitures.

The City reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability of deferred revenue is removed from the combined balance sheet and revenue is recognized. Current and delinquent property taxes measurable as of December 31, 1999, whose availability is indeterminable and which are intended to finance fiscal year 2000 operations have been recorded as a receivable and deferred revenue. Levied special assessments are measurable and have also been recorded as a receivable and deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Principal and interest on general and special assessment long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year, and the costs of accumulated unpaid vacation and sick leave are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period employees earn them. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

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

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. The legal level of budgetary control is at the object level (personal services and other expenditures) within each department.

CITY OF TRENTON, OHIO

Notes to Financial Statements

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.

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 which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing year will not exceed the amount 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. The amounts reported on the budgetary statements reflect the amounts in the final amended official certificate of estimated resources requested for 1999.

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.

CITY OF TRENTON, OHIO

Notes to Financial Statements

Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations. On the GAAP basis, encumbrances outstanding at year end are reported as reservations of fund balances for subsequent-year expenditure for governmental funds and reported in the notes to the financial statements for enterprise funds.

Lapsing of appropriations

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding calendar year and need not be reappropriated.

Cash and cash equivalents

Cash balances of the City's funds, except cash held by the fiscal agent, 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 combined balance sheet.

During 1999, investments were limited to STAR Ohio, certificates of deposit, and government securities. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

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 are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 1999.

For purposes of the statement of cash flows and for presentation on the combined balance sheet, 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 Financial Statements

Fixed assets and depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the enterprise funds are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are valued at their estimated fair market value on the date received. The City maintains a capitalization threshold of \$500 dollars.

Public domain (“infrastructure”) general fixed assets consisting of roads, bridges, curbs, gutters, sidewalks, and drainage systems are not capitalized, as these assets are immovable and of value only to the City.

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

Assets in the general fixed assets account group are not depreciated. Depreciation for enterprise fund fixed assets is computed using the straight-line method over the following useful lives:

Buildings	20-45 Years
Equipment, Furniture, and Vehicles	3-20 Years
Water and Sewer Lines	40-65 Years

Intergovernmental revenues

In governmental funds, intergovernmental revenues, such as entitlements, shared revenues, and grants awarded on a non-reimbursement basis are recorded as revenues when measurable and available. Reimbursable grants are recorded as receivables and revenues when the related expenditures are made.

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Notes to Financial Statements

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 employees after ten years of current service with the City.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In enterprise funds, the entire amount of compensated absences is reported as a fund liability.

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current expendable available financial resources. Payments made more than 31 days after year end are considered not to have been paid with current available financial resources. Bonds are recognized as a liability of the general long-term obligations account group until due. Long-term debt and other obligations to be paid from enterprise funds are reported as liabilities in the appropriate enterprise funds.

CITY OF TRENTON, OHIO

Notes to Financial Statements

Under Ohio law, a debt retirement fund may be created and used for the payment of all principal and interest. Generally accepted accounting principles require the allocation of the debt liability among the special revenue funds and the general long-term obligations account group, with principal and interest payments on matured general long-term debt being reported in the debt service fund. To comply with GAAP reporting requirements, the City's debt retirement fund has been split among the appropriate funds and account groups. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

Interfund transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

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 1999, no material interest costs were incurred on construction projects in enterprise funds.

The City reserves fund balances for amounts that are legally segregated for a specific purpose or which are not available for current appropriation or expenditure because of their non-monetary nature or lack of liquidity. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance has been reserved for encumbrances.

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 Financial Statements

Total columns on general purpose financial statements

Total columns on the general purpose financial statements are captioned "Totals - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

3. Budget to GAAP Reconciliation:

Budgetary Basis of Accounting

While reporting financial position and results of operations 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 Combined Statement of Revenues, Expenditures and Changes in Fund Balances, Budget and Actual (Budget Basis), All Governmental Fund Types and Expendable Trust Fund and Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis), All Enterprise Funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses 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 reservation of fund balance for governmental funds and as note disclosures in the enterprise funds (GAAP basis).
4. For enterprise funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Proceeds from and principal payments on short-term note obligations are reported on the operating statement (budget basis) rather than as a balance sheet transaction (GAAP Basis).

CITY OF TRENTON, OHIO

Notes to Financial Statements

6. State statute requires short-term note debt to be repaid from the debt service fund (budget basis) as opposed to the fund that received the proceeds (GAAP basis). Debt service fund resources used to pay both principal and interest have been allocated accordingly.

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

Excess of Revenues and Other Financing Sources Over
(Under) Expenditures and Other Financing Uses
All Governmental Fund Types and Expendable Trust Fund

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>
GAAP Basis	\$ 40,230	81,328	(260)	(39,302)	-
Adjustments:					
Revenue Accruals	101,228	10,554	700	9,549	-
Expenditure Accruals	(31,615)	22,671	-	(47,478)	-
Encumbrances	<u>(6,264)</u>	<u>(51,764)</u>	<u>-</u>	<u>(44,062)</u>	<u>-</u>
Budget Basis	<u>\$ 103,579</u>	<u>62,789</u>	<u>440</u>	<u>(121,293)</u>	<u>-</u>

Net Income/Excess of Revenues
Over Expenses
All Enterprise Funds

GAAP Basis	\$ 416,322
Adjustments:	
Revenue Accruals	(9,793)
Expense Accruals	(74,539)
Capital Outlay	(72,620)
Debt Principal Payments	(157,703)
Depreciation	<u>100,346</u>
Budget Basis	<u>\$ 202,013</u>

4. Deposits and Investments:

The City's investment policy classifies monies held by the City into three categories as allowed by its charter and the Ohio Revised Code.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the City Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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Notes to Financial Statements

Inactive deposits are public deposits that Council has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim moneys. Interim moneys are those moneys which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the finance director by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies can be deposited or invested in the following securities:

1. Negotiable direct obligations of the U.S. or obligations issued by Federal agencies the principal and interest of which are unconditionally guaranteed by the United States;
2. Obligations of Federal agencies and instrumentalities, whether or not they are guaranteed by the United States, including, but not limited to, obligations of the Government National Mortgage Association (GNMA), Small Business Administration (SBA), Federal Housing Administration (FHA), General Services Administration (GSA), Federal National Mortgage Association, (FNMA), Federal Home Loan Mortgage Corporation (FHLMC), Student Loan Marketing Association (SLMA), Federal Home Loan Bank (FHLB), Federal Farm Credit Banks (FFCB), and Export Import Bank;
3. Non-negotiable and negotiable interest bearing time certificates of deposit and saving accounts;
4. Money market fund portfolios consisting of the items listed in 1 to 3; and
5. The State Treasurer's investment pool (STAR Ohio)

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives 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.

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Notes to Financial Statements

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.

At year-end, the City had \$200 undeposited cash on hand which is included on the balance sheet of the City as part of "Equity in Pooled Cash and Cash Equivalents."

Deposits

At year end, the carrying amount of the City's deposits was \$461,325 and the bank balance was \$623,094. Of the bank balance, \$500,000 was covered by federal deposit insurance. The remaining amount, \$123,094, was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust departments in the City's name and all state statutory requirements for the investment of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the Federal Deposit Insurance Corporation.

Investments

GASB Statement No. 3, "Deposits with Financial Instruments, Investments and Reverse Repurchase Agreements," requires that the City's investments be classified in categories of risk. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the City's name. STAR Ohio, an investment pool operated by the Ohio State Treasurer, and the U.S. Treasury Money Market Fund, are unclassified since they are not evidenced by securities that exist in physical or book entry form.

	Category <u>1</u>	Category <u>2</u>	<u>Unclassified</u>	Fair <u>Value</u>
U.S. Treasury Money Market Fund \$	-	-	4,233	4,233
Federal National Mortgage Association (FNMA) Bonds	-	710,508	-	710,508
Federal Home Loan Mortgage STAR Ohio	918,235	-	-	918,235
	<u>-</u>	<u>-</u>	<u>310,786</u>	<u>310,786</u>
Total	<u>\$ 918,235</u>	<u>710,508</u>	<u>315,019</u>	<u>1,943,762</u>

CITY OF TRENTON, OHIO

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The City had \$918,235 of investments at year end with Morgan Stanley Dean Witter. These securities are categorized as Category 1 investments. These securities are covered by SIPC (Securities Investor Protection Corporation) and insurance coverage provided by a third party.

5. Property Taxes:

Property taxes include amounts levied against all real, public utility and tangible personal 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 last reevaluation was completed in 1996. 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.

Taxes collected on tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values listed on December 31 of the prior year, and at tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its assessed value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30 with the remainder payable by September 20.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property currently is assessed at 88 percent of its true value; public utility real property is assessed at 35 percent of 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, 1999, was \$4.99 per \$1,000 of assessed valuation. The assessed values of real and tangible personal property upon which 1999 property tax receipts were based are as follows:

Real Property Assessed Valuation	\$80,863,780	85.89%
Public Utility Real and Tangible Personal Property Assessed Valuation	7,434,600	7.90
Tangible Personal Property Assessed Valuation	<u>5,845,496</u>	<u>6.21</u>
Total	<u>\$94,143,876</u>	<u>100%</u>

CITY OF TRENTON, OHIO

Notes to Financial Statements

Property taxes receivable represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 1999. 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 1999 operations. The receivable is therefore offset by a credit to deferred revenue.

6. 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 1999, the proceeds were allocated to the general fund. Income tax revenue for 1999 was \$897,599.

7. Receivables:

Receivables at December 31, 1999, consisted of property taxes, income taxes, special assessments, *intergovernmental receivables arising from grants, entitlements and shared revenues*, interest on investments and utility accounts. All receivables are considered fully collectible.

A summary of intergovernmental receivables follows:

General Fund

Local Government Revenue Assistance	\$ 2,696
Undivided Local Government	<u>12,459</u>
Total General Fund	<u>16,155</u>
Special Revenue Funds	
Street Maintenance and Repair	
State Gasoline Excise Tax	11,677
Motor Vehicle Registration	<u>3,455</u>
Total Street Maintenance and Repair Fund	<u>15,132</u>

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State Highway Improvement Fund	
State Gasoline Excise Tax	948
Motor Vehicle Registration Fees	<u>280</u>
Total State Highway Fund	<u>1,278</u>
Total Special Revenue Funds	<u>16,360</u>
Total All Funds	<u>\$ 32,515</u>

8. Fixed Assets:

Changes in general fixed assets during the year ended December 31, 1999, were as follows:

<u>Asset Category</u>	<u>Balance at December 31, 1998</u>	<u>Additions</u>	<u>Deletions</u>	<u>1999</u>
Land	\$ 259,972	8,400	-	268,372
Buildings	1,521,063	98,076	-	1,619,139
Equipment, Furniture and Vehicles	<u>1,126,579</u>	<u>235,340</u>	<u>-</u>	<u>1,361,919</u>
Totals	<u>\$ 2,907,614</u>	<u>341,816</u>	<u>-</u>	<u>3,249,430</u>

A summary of the enterprise funds' fixed assets at December 31, 1999 follows:

Land	\$ 20,734
Buildings	171,663
Water and Sewer Lines	4,304,780
Equipment, Furniture, & Vehicles	<u>890,522</u>
Total	5,387,699
Less: Accumulated Depreciation	<u>(1,720,729)</u>
Net Fixed Assets	<u>\$ 3,666,970</u>

9. Defined Benefit Pension Plans:

Public employees retirement system

All City full-time employees, participate in the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple-employer public employee retirement system administered by the Public Employees Retirement Board. PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report which may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

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Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations and the City is required to contribute 13.55 percent. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City's required contributions to PERS for the years ended December 31, 1999, 1998, and 1997 were \$86,342, \$72,866, and \$90,894, respectively. The full amount has been contributed for 1999, 1998 and 1997.

Police and Firemen's Disability and Pension Fund

The City contributes to the Police and Firemen's Disability and Pension Fund of Ohio (the "Fund"), a cost-sharing multiple employer public employee retirement system administered by the Fund's Board of Trustees. The Fund provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provision are established by the Ohio State Legislature and by Chapter 742 of the Ohio Revised Code.

The Fund issues a publicly available financial report that includes financial information and required supplementary information for the Fund. That report may be obtained by writing to the Police and Firemen's Disability and Pension Fund of Ohio, 140 East Town Street, Columbus, Ohio 43215-5614

Police are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City is required to contribute 19.5% for police and 24% for firefighters. Contributions are authorized by State statute. The City's contributions to the Fund for police were \$56,779 for the year ended December 31, 1999, \$45,765 for 1998, and \$60,084 for 1997. The full amount has been contributed for 1998 and 1997. 98 percent has been contributed for 1999 with the remainder being reported as a liability in the general long-term obligations account group.

10. Postemployment Benefits:

Public Employees Retirement System

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care based on authority

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granted by State statute. The 1999 employer contribution rate was 13.31 percent of covered payroll for employees not engaged in law enforcement; 4.2 percent was the portion that was used to fund health-care for the year 1999.

For 1999, benefits were funded on a pay-as-you-go basis. OPEB are financed through employer contributions and investment earnings. The contributions allocated to retiree health and Medicare, along with investment income on allocated assets and periodic adjustments in health care provisions, are expected to be sufficient to sustain the program indefinitely. During 1999, OPEB expenditures made by PERS were \$523,599,349. As of December 31, 1999, the unaudited estimated net assets available for future OPEB payments were \$9,870,285,641. At December 31, 1999, the total number of benefit recipients eligible for OPEB through PERS was 118,062. The City's actual contributions for 1999 which were used to fund OPEB were \$86,342.

Police and Firemen's Disability and Pension Fund

The Police and Firemen's Disability and Pension Fund (the "Fund") provides postretirement health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such a person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. The Ohio Revised Code provides the authority allowing the Police and Firemen's Disability and Pension Fund's Board of Trustees to provide health care coverage and states that health care cost paid from the Police and Firemen's Disability and Pension Fund shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution is 19.5 percent of covered payroll, of which 7 percent of covered payroll is applied to postemployment health care program. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The number of participants eligible to receive health care benefits as of December 31, 1998, was 11,424 for police and 9,186 for firefighters. The City's actual contributions for 1999 that were used to fund postemployment benefits were \$56,779 for police. The Fund's total health care expenses for the year ended December 31, 1998, (the latest information available) were \$78,596,790.

CITY OF TRENTON, OHIO

Notes to Financial Statements

11. 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. Sick leave may be accumulated up to 1200 hours.

Upon retirement, payment is made to employees with ten or more continuous years of service with the City for one-half of the total sick leave accumulation. 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 one to two ratio.

Insurance benefits

The City has elected to provide employee medical/surgical and life insurance benefits through Community Mutual Anthem Blue Cross/Blue Shield for all full-time employees. The City pays 100 percent of the monthly premium. The premium varies with each employee depending on the coverage elected. Dental insurance is offered to employees through American Dental Plan of Ohio, Inc., but the employee pays 100 percent of the monthly premium; the City just makes the appropriate withholdings.

12. Risk Management:

Property and liability

The City is a participant in the Ohio Municipal League Joint Self-Insurance Pool (the Pool). The Pool was established in 1987 and is administered under contract by the Ohio Municipal League to provide a program of property and casualty insurance for its member organizations throughout the State of Ohio.

The Pool's general objectives are to formulate, develop, and administer a program of insurance, to obtain lower costs for that coverage, and to develop a comprehensive loss control program on behalf of the member political subdivisions. Political subdivisions joining the Pool may withdraw at the end of any coverage period upon 60 days prior written notice to the Pool. Under agreement, members who terminate participation in the Pool, as well as current members, are subject to a supplemental

CITY OF TRENTON, OHIO

Notes to Financial Statements

assessment or a refund at the discretion of the board of trustees, depending on the ultimate loss experience of all the entities it insures for each coverage year. To date, there have been no assessments or refunds, due to the limited period of time that the Pool has been in existence and the nature of the coverage that is afforded to the participants.

Each participant makes an annual "contribution" to the Pool for the coverage they are provided, based on rates established by the Pool, using anticipated and actual results of operation for the various coverages provided. Participants are also charged for a "surplus contribution" that is used to fund the activities of the pool. During 1999, the City of Trenton made contributions of \$23,028 to the pool.

In the ordinary course of business, the Pool cedes a portion of its exposure to other insurers. These arrangements limit the Pool's maximum net loss on individual risks.

The Pool is, and ultimately the participants are, contingently liable should any reinsurer become unable to meet its obligations under the reinsurance agreements.

The City obtained insurance coverage from the pool for losses related to general liability, including police professional and public officials liability, automobile, inland marine, and EDP equipment property.

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years. There has been no material change in this coverage from the prior year.

Boiler and machinery hold a \$0 deductible. Vehicle liability is limited to \$2,000,000 and deductibles are \$100 to \$250. Property coverage is \$2,631,000, with a \$1,000 deductible. General liability is limited to \$2,000,000, with a \$0 deductible. The City carries a \$1,000 deductible for police and a \$1,000 deductible for professional liability insurance.

Law enforcement liability is protected by the Western World Insurance Company. Liability is limited to \$500,000 per occurrence and \$1,000,000 in aggregate. The law enforcement liability carries a deductible of \$500 for claim deductible and \$1,500 for each law enforcement incident.

CITY OF TRENTON, OHIO

Notes to Financial Statements

Workers' compensation

For fiscal year 1999, the City participated in the Ohio Municipal League of Ohio Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 18). 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 Gates McDonald 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 access less experience for three years following the last year of participation.

13. Capital Leases - Lessee Disclosure:

In 1998, the City entered into a new lease for furniture and equipment. Lease payments are accounted for on a GAAP basis as an expenditure in the municipal building capital projects fund.

The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. New capital leases are reflected in the accounts "capital outlay" and "inception of capital lease" in the fund which will be making the payment. Equipment acquired by the lease has been capitalized in the general fixed assets account group in the amount of \$120,000, equal to the present value of the future minimum lease payments at the time of acquisition.

CITY OF TRENTON, OHIO

Notes to Financial Statements

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 1999:

For the Year Ending <u>December 31,</u>	<u>GLTDAG</u>
2000	\$ 43,560
2001	<u>43,560</u>
Subtotal	87,120
Less: Amount Representing Interest	<u>(4,899)</u>
Present Value of Minimum Lease Payments	\$ <u>82,221</u>

14. Long-Term Obligations:

Changes in long-term obligations during 1999 were as follows:

	Balance at December 31,		Balance at December 31,	
	<u>1998</u>	<u>Increases</u>	<u>Decreases</u>	<u>1999</u>
Special Assessment Bond – 7.75%	\$125,000	-	10,000	115,000
General Obligation Bond – 4.40% to 4.97%	995,000	-	66,333	928,667
Compensated Absences Payable	111,836	24,942	-	136,778
Due to Other Governments	<u>1,887</u>	<u>-</u>	<u>-</u>	<u>1,887</u>
TOTAL – General Long-Term Obligations	\$ <u>1,233,723</u>	<u>24,942</u>	<u>76,333</u>	<u>1,182,332</u>

The special assessments bond payable will be repaid from special assessment monies received in the special assessment debt service fund. In the event that an assessed property owner fails to make payments, the City will be required to pay the related debt.

The municipal building general obligation bond was issued in 1999 at a variable interest rate from 4.4% to 4.97% over fifteen years. Interest is paid semi-annually. The bond will be repaid from tax monies received in the general debt service fund.

Only increases are shown for compensated absences in the above table because it was impracticable to identify the specific amounts of increases and decreases. The due to other governments represents contractually required pension contributions paid outside the available period. Compensated absences and the due to other governments will be paid from the fund from which the employee is paid. The governmental funds pay all compensated absences, since the enterprise funds only pay salaries based on-the number of hours worked by governmental fund employees. The capital lease will be paid from the municipal building improvement capital projects fund.

CITY OF TRENTON, OHIO

Notes to Financial Statements

Changes in the long-term obligations reported in the sewer fund during 1999 were as follows:

	Balance at December 31, <u>1998</u>	<u>Increases</u>	<u>Decreases</u>	Balance at December 31, <u>1999</u>
OWDA Loan Payable:				
7.73% -1980 Sewer OWDA Loan	\$604,402	-	157,703	446,699

The OWDA loan payable represents amounts borrowed from Ohio Water Development Authority for the construction of water system improvements to the water reclamation center, part of the sewer enterprise fund. The loan will be paid from sewer enterprise fund revenue.

As of December 31, 1999, the City's overall voted legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$7,988,591 and the unvoted legal debt margin was \$3,706,017.

Principal and interest requirements to retire the City's outstanding obligations at December 31, 1999, were:

	Special Assessment <u>Bond</u>	OWDA <u>Loan</u>	<u>Bond</u>	General Obligation <u>Total</u>
2000	\$ 18,913	204,424	108,289	331,626
2001	23,138	204,424	105,371	332,933
2002	21,975	204,422	102,362	328,759
2003	20,813	-	99,533	120,346
2004-2008	71,625	-	452,229	523,854
2009-2013	-	-	<u>372,876</u>	<u>372,876</u>
Total	\$ <u>156,464</u>	<u>613,270</u>	<u>1,240,660</u>	<u>2,010,394</u>

15. Note Debt:

A summary of the short-term note transactions for the year ended December 31, 1999, follows:

	Balance at December 31, <u>1998</u>	<u>Increases</u>	<u>Decreases</u>	Balance at December 31, <u>1999</u>
Fire Equipment Acquisition - 4.44%	\$ 42,500	-	42,500	-

CITY OF TRENTON, OHIO

Notes to Financial Statements

16. Segment Information:

The City's enterprise funds account for the provision of water, sewer, and refuse collection services. Key financial information as of and for the year ended December 31, 1999, for each enterprise fund is as follows:

	<u>Water</u> <u>Fund</u>	<u>Sewer</u> <u>Fund</u>	<u>Refuse</u> <u>Fund</u>	<u>Total</u>
Operating Revenues	\$ 605,077	1,098,109	432,501	2,135,687
Operating Expenses				
Before Depreciation	340,233	878,815	396,875	1,615,923
Depreciation Expense	66,474	33,039	833	100,346
Operating Income (Loss)	198,370	186,255	34,793	419,418
Net Non-Operating				
Revenues (Expenses)	2,421	(6,852)	1,335	(3,096)
Transfers	(10,000)	(10,000)	20,000	-
Net Income (Loss)	190,791	169,403	56,128	416,322
Additions to Property,				
Plant and Equipment	72,620	-	-	72,620
Net Working Capital	367,036	827,430	36,587	1,231,053
Total Assets	3,217,042	1,706,158	49,962	4,973,162
Long-Term Liabilities				
Payable from Revenue	9,519	510,611	1,708	521,838
Long-Term				
Compensated Absences	24,262	18,154	10,670	53,086
Total Equity	3,183,261	1,177,393	37,584	4,398,238

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 Financial Statements

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. No contributions to OKI were made during 1999. To obtain financial information, write to the Ohio-Kentucky-Indiana Regional Council of Governments at 801-B W. Eighth St. - Suite 400, Cincinnati, Ohio, 45203.

18. Insurance Purchasing Pool:

Ohio Municipal League of Ohio Workers' Compensation Group Rating Plan - The City participates in the Ohio Municipal League of Ohio Workers' Compensation Group Rating Plan (GRP). The GRP's business and affairs are conducted by a twenty-five member Board of trustees consisting of fifteen mayors, two council members, three administrators, three finance officers and three law directors which are voted in by the members for staggered two-year terms. The Executive Director of the Ohio Municipal League serves as coordinator of the GRP. Each year, the participating cities pay an enrollment fee to the GRP to cover the costs of administering the GRP.

19. Contingent Liabilities:

Litigation

The City of Trenton is a party to legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending projects. The City management is of the opinion that ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

CITY OF TRENTON, OHIO

Notes to Financial Statements

Federal and state grants

For the period January 1, 1999 to December 31, 1999, the City received federal and state grants for specific purposes that are subject to review and audit by grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.



**Independent Auditors' Report on Compliance and on Internal Control
over Financial Reporting Based on an Audit of Financial Statements
Performed in Accordance with *Government Audit Standards***

City Council
City of Trenton
11 East State Street
Trenton, Ohio 45067

We have audited the financial statements of the City of Trenton (the City) as of and for the year ended December 31, 1999, and have issued our report thereon dated May 31, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the City in a separate letter dated May 31, 2000.

Internal Control Over Financial Reporting

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

This report is intended for the information and use of the audit committee, management and Council and is not intended to be and should not be used by anyone other than these specified parties.

Clark, Schaefer, Hackett & Co.
Middletown, Ohio
May 31, 2000



**STATE OF OHIO
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
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800-282-0370
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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.

By: *Susan Babbitt*

Date: JULY 18, 2000