

**CITY OF TRENTON, OHIO**

**Basic Financial Statements**

**December 31, 2004**





**Auditor of State  
Betty Montgomery**

Members of City Council  
City of Trenton  
Trenton, Ohio

We have reviewed the *Independent Auditors' Report* of the City of Trenton, Butler County, prepared by Bastin & Company, LLC, for the audit period January 1, 2004 through December 31, 2004. 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.

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BETTY MONTGOMERY  
Auditor of State

January 17, 2006

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**CITY OF TRENTON, OHIO**  
**BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

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# Bastin & Company, LLC

*Certified Public Accountants*

## INDEPENDENT AUDITORS' REPORT

To the Members of City Council  
City of Trenton, Ohio

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Trenton, Ohio, (the City) as of and for the year ended December 31, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's, management. 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 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 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, each major fund, and the aggregate remaining fund information of the City Trenton, Ohio, as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the General Fund and the Street Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 3 to the basic financial statements, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements for State and Local Governments: Omnibus*, GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, and GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation* for the year ended December 31, 2004.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2005 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report

is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report when assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 11 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Bastin & Company, L L C". The signature is written in black ink on a light-colored background.

Cincinnati, Ohio  
October 26, 2005



**CITY OF TRENTON, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

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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, 2004. 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 2004 are as follows:

- The assets of the City exceeded its liabilities at the close of the year ended December 31, 2004, by \$10,881,755 (net assets). Of this amount, \$1,843,446 (governmental unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors, and \$9,747,339 is classified as unrestricted in the business-type activities.
- The City's total net assets increased by \$743,394, which represents a 7.33% increase from 2003.
- At the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$1,855,494. Of this amount \$1,562,864 is available for spending (unreserved fund balance) on behalf of its citizens.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$1,365,334 or a little more than 56.23% of total general fund expenditures and other financing uses.
- The other governmental major fund: Street fund had an ending fund balance of \$107,443. The City's major enterprise funds reflected positive ending net assets: Water fund \$4,111,353; Sewer fund \$1,454,839; and Refuse fund \$108,209.

**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 Assets 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, 2004**

**Reporting City of Trenton as a Whole**

Statement of Net Assets 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 2004?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities 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 assets and the change in those assets. This change in net assets 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 Assets 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, 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 has no component units.

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

**CITY OF TRENTON, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

However, these fund financial statements focus on the City's most significant funds. In the case of Trenton, our major funds are the General, Street, 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 only maintains one agency fund which has no measurement focus and uses the modified basis of accounting.

*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.

**CITY OF TRENTON, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

**Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$10,881,755 (\$5,101,390 in governmental activities and \$5,780,365 in business-type activities) as of December 31, 2004. The City reflects a negative investment in capital assets (e.g., land, buildings, machinery and equipment) less any related debt used to acquire those assets that are still outstanding due to the fact that the City issued \$7,700,000 in revenue bonds during 2004. 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 assets for 2004 compared to 2003.

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Current and Other Assets	\$3,065,388	\$2,443,129	\$10,075,359	\$2,881,480	\$13,140,747	\$5,314,609
Capital Assets	3,624,012	3,651,806	3,818,721	3,683,133	7,442,733	7,334,939
Total Assets	<u>6,689,400</u>	<u>6,094,935</u>	<u>13,894,080</u>	<u>6,564,613</u>	<u>20,583,480</u>	<u>12,659,548</u>
Long-term liabilities	891,750	642,002	7,921,705	0	8,813,455	642,002
Other liabilities	696,260	1,041,784	192,010	837,401	888,270	1,879,185
Total Liabilities	<u>1,588,010</u>	<u>1,683,786</u>	<u>8,113,715</u>	<u>837,401</u>	<u>9,701,725</u>	<u>2,521,187</u>
Nets Assets:						
Invested in capital assets, net of related debt	2,938,012	2,796,774	(3,966,974)	3,028,133	(1,028,962)	5,824,907
Restricted	319,932	240,827	0	0	319,932	240,827
Unrestricted	1,843,446	1,373,548	9,747,399	2,699,079	11,590,845	4,072,627
Total Net Assets	<u>\$5,101,390</u>	<u>\$4,411,149</u>	<u>\$5,780,365</u>	<u>\$5,727,212</u>	<u>\$10,881,755</u>	<u>\$10,138,361</u>

An additional portion of the City's net assets represents resources that are subject to external restrictions on how they may be used. In the current fiscal year, this represented \$319,932 or 2.94% of net assets. The remaining unrestricted \$11,590,845 net assets may be used to meet the City's ongoing obligations to its citizens and creditors and for business-type activities.

**CITY OF TRENTON, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

*Statement of Activities*

	Governmental Activities 2004	Business-Type Activities 2004	Total 2004
Revenues:			
Program Revenues:			
Charges for Services	\$414,954	\$3,145,876	\$3,560,830
Operating Grants and Contributions	424,984	0	424,984
Capital Grants and Contributions	0	3,200	3,200
General Revenues:			
Income Taxes	1,617,481	0	1,617,481
Property Taxes	577,804	0	577,804
Other Taxes	249,640	0	249,640
Unrestricted Grants	494,703	0	494,703
Investment earnings	118,707	50,064	168,771
Other Revenues	63,663	0	63,663
Total Revenues	<u>3,961,936</u>	<u>3,199,140</u>	<u>7,161,076</u>
Expenses:			
Security of Persons and Property	1,926,310	0	1,926,310
Public Health and Welfare	88,043	0	88,043
Leisure Time Activities	69,268	0	69,268
Community Environment	123,171	0	123,171
Transportation	465,655	0	465,655
General Government	528,465	0	528,465
Other	68,782	0	68,782
Interest and Fiscal Charges	35,001	0	35,001
Water	0	1,108,310	1,108,310
Sewer	0	1,226,728	1,226,728
Stormwater Management	0	98,671	98,671
Refuse	0	624,643	624,643
Utility Trust	0	54,635	54,635
Total Expenses	<u>3,304,695</u>	<u>3,112,987</u>	<u>6,417,682</u>
Change in Net Assets			
Before Transfers	657,241	86,153	743,394
Transfers	33,000	(33,000)	0
Change in Net Assets	<u>690,241</u>	<u>53,153</u>	<u>743,394</u>
Beginning Net Assets	4,411,149	5,727,212	10,138,361
Ending Net Assets	<u>\$5,101,390</u>	<u>\$5,780,365</u>	<u>\$10,881,755</u>

*Governmental Activities*

The primary focus of governmental activities is in the area of security of persons and property, which represents the police and fire services of the City. For 2004, total expenses were \$1.93 Million representing 58.29% of governmental activity spending yielding a reliance on general revenues to fund the program of approximately \$1.82 Million after direct support to their programs.

The leisure time and community environment functions charge fees related to their activities were able to generate net revenue at the end of the year for \$69,185 and \$17,941; respectively.

**CITY OF TRENTON, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

*Business-Type Activities*

The City's business-type activities include the Water, Sewer, Refuse, Utility Deposits and Stormwater Management systems. The Water and Stormwater Management were able to boast positive net revenue amounts of \$55,013 and \$91,730, respectively. Combined change in net assets figured to \$53,153 with the refuse operations posting a negative change in net assets of \$48,789, due to outstanding payables.

**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, unreserved 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 2004, the City's governmental funds reported combined ending fund balances of \$1.86 Million. Approximately \$1.56 Million constitutes unreserved fund balance available for spending for citizens. The remainder of the balance is reserved to indicate that it has been spoken for already and not available to be spent for a variety of purposes, most notably to liquidate contracts and purchase orders from the prior year (\$0.29 Million).

The General Fund is the chief operating fund of the City. As of December 31, 2004, the unreserved general fund balance was \$1.24 Million with a total fund balance of \$1.36 Million. As a measure of liquidity, it is often useful to compare these numbers to total general fund expenditures and other financing uses. Unreserved fund balance represents approximately 45.87% of the total expenditures and other financing uses, while total fund balance represents 50.44% of that same amount.

During 2004, the City's general fund increased by \$210,000 with revenues exceeding expenditures by \$460,000. This is primarily due to the general fund controlling expenditures during the fiscal year.

The City's other major governmental fund, Street fund, increased the fund balance from \$97,000 to \$107,000 during 2004.

**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 transaction on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

**CITY OF TRENTON, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

During the course of 2004, the City amended its total and general fund budget three 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.

The following table summarizes the major revenue sources and expenditures from original to final budget for 2004:

<u>Description</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Change</u>
Expenditures:			
Security of Persons/Property	\$1,513,300	\$1,612,250	\$98,950
Community Environment	482,900	482,900	0
General Government	541,900	549,400	7,500
Other Expenditures	<u>536,600</u>	<u>365,764</u>	<u>(170,836)</u>
Total Expenditures	<u>\$3,074,700</u>	<u>3,010,314</u>	<u>(\$64,386)</u>

The City had no change from original to final budget in revenues as the City did not amend the Certificate of Estimated Resources during 2004.

The largest variance in the expenditures was in other expenditures. Most of the change was a reflection of the City correcting original appropriations and bring them in line with expected year end expenditures. The City increased the budgeted security of persons and property amount to account for additional equipment in the police department.

**CITY OF TRENTON, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

The following table summarizes the major revenue sources and expenditures from final budget to actual results for 2004:

Description	Final Budget	Actual	Change
Revenues:			
Property and Other Taxes	\$312,000	\$308,381	(\$3,619)
Income Taxes	1,678,000	1,491,722	(186,278)
Intergovernmental Revenue	363,300	478,845	115,545
Other Revenues	362,950	489,286	126,336
Total Revenues	<u>2,716,250</u>	<u>2,768,234</u>	<u>51,984</u>
Expenditures:			
Security of Persons/Property	1,612,250	1,646,380	(34,130)
General Government	482,900	239,991	242,909
Community Environment	549,400	504,982	44,418
Other Expenditures	365,764	160,329	205,435
Total Expenditures	<u>3,010,314</u>	<u>2,551,682</u>	<u>458,632</u>

The City's final budget for revenues was within 1.91% of the actual results despite significant changes within individual sources. The City anticipated increased revenue in income taxes over the prior year. The City is evaluating alternative to increase filing and income tax collections for future years. The intergovernmental revenue exceeded the City's expectations by year end. With the State's budget situation, the City was conservative on the amount of local government funding and other State sources they would receive in their budgeted figures.

The City was able to complete the fiscal year with the actual expenditures at 15.23% below the final budgeted figured. The City maintains a strong fiscal policy for expenditures on an annual basis. The differences are derived from the City's policy.

**Capital Assets and Debt Administration**

*Capital Assets:* The City's investment in capital assets for its governmental and business type activities as of December 31, 2004, amounts to (\$1.03) Million (net of accumulated depreciation and related debt) mainly due to the City's issuance of \$7.7 Million in water revenue bonds during 2004. This investment in capital assets includes land, buildings and systems, improvements, equipment and machinery.

Note 9 (Capital Assets) provides capital asset activity during 2004. The City has had extremely limited funding to provide for capital asset acquisition and construction. The City did increase government-wide capital assets by \$107,794. For more information on the governmental and business-type capital assets see Note 9 in the notes to the financial statements.



**CITY OF TRENTON, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

*Long-term Debt:* At the end of 2004, the City had general obligation bonds outstanding of \$0.59 Million in governmental activities. The City did issue \$7.7 Million in revenue bonds for the water system improvements. The City retired two bond anticipation notes during 2004. See Note 15 for further information on the City's long-term debt.

**Economic Factors affecting the City**

Located towards the center of Butler County, the City provides the home town appeal to more than 8,700 residents. The City is ideal for those families looking to locate here as over forty percent of the population is from twenty to forty-four years in age.

The City's largest industries are supported by manufacturing as Miller Brewery is located on the City's southeastern corner. Despite being located thirty minutes from Interstate 75, the City's median household income is \$50,993 which continues to provide the City with income tax revenue to support the governmental functions of the City.

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 for the City.

**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](http://www.ci.trenton.oh.us).



**CITY OF TRENTON, OHIO**  
**STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2004**

	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
<b>Assets:</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 1,754,418	\$ 2,449,924	\$ 4,204,342
Receivables (net of allowance for doubtful accounts):			
Taxes - Real and Personal Property	417,041	-	417,041
Taxes - Municipal Income	203,661	-	203,661
Accounts	156,471	169,350	325,821
Interest	10,517	7,200	17,717
Special Assessments	61,804	-	61,804
Due from Other Governments	461,476	-	461,476
Deferred Charges	-	304,577	304,577
Restricted Cash and Cash Equivalents	-	7,144,308	7,144,308
Nondepreciable Assets:			
Land	367,473	43,250	410,723
Construction In Progress	-	207,404	207,404
Depreciable Assets:			
Plant	-	176,830	176,830
Water and Sewer Lines	-	4,442,628	4,442,628
Buildings and Improvements	1,696,208	-	1,696,208
Improvements other than Buildings	486,476	28,410	514,886
Furniture, Equipment and Vehicles	2,488,689	1,526,215	4,014,904
Less: Accumulated Depreciation	(1,414,834)	(2,606,016)	(4,020,850)
<b>Total Assets</b>	<u>6,689,400</u>	<u>13,894,080</u>	<u>20,583,480</u>
<b>Liabilities:</b>			
Accounts Payable	24,870	137,074	161,944
Contracts Payable	125,453	-	125,453
Accrued Wages and Benefits	84,291	31,098	115,389
Deposits Payable	-	23,838	23,838
Accrued Interest Payable	2,289	-	2,289
Deferred Revenue	459,357	-	459,357
Long Term Liabilities due within 1 year	195,578	59,068	254,646
Long Term Liabilities due over 1 year	696,172	7,862,637	8,558,809
<b>Total Liabilities</b>	<u>1,588,010</u>	<u>8,113,715</u>	<u>9,701,725</u>
<b>Net Assets:</b>			
Investment in Capital Assets, net related debt	2,938,012	(3,966,974)	(1,028,962)
Restricted:			
Transportation	113,251	-	113,251
Culture and Recreation	6,091	-	6,091
Protection of Citizens	137,993	-	137,993
Debt Service	35,112	-	35,112
Capital Improvements	27,485	-	27,485
Unrestricted	1,843,446	9,747,339	11,590,785
<b>Total Net Assets</b>	<u>5,101,390</u>	<u>5,780,365</u>	<u>10,881,755</u>
<b>Total Net Assets and Liabilities</b>	<u>\$ 6,689,400</u>	<u>\$ 13,894,080</u>	<u>\$ 20,583,480</u>

See accompanying notes to the basic financial statements

**CITY OF TRENTON, OHIO  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2004**

Function/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>						
Security of Persons and Property	\$ (1,926,310)	\$ 50,420	\$ -	\$ (1,825,321)	\$ -	\$ (1,825,321)
Public Health and Welfare	(88,043)	-	-	(88,043)	-	(88,043)
Leisure Time Activities	(69,268)	-	-	69,185	-	69,185
Community Environment	(123,171)	-	-	17,941	-	17,941
Transportation	(465,655)	374,564	-	(91,091)	-	(91,091)
General Government	(528,465)	-	-	(443,645)	-	(443,645)
Other Expenditures	(68,782)	-	-	(68,782)	-	(68,782)
Interest and Fiscal Charges	(35,001)	-	-	(35,001)	-	(35,001)
Total Governmental Activities	<u>(3,304,695)</u>	<u>424,984</u>	<u>-</u>	<u>(2,464,757)</u>	<u>-</u>	<u>(2,464,757)</u>
<b>Business-Type Activities:</b>						
Water	(1,108,310)	-	-	-	55,013	55,013
Sewer	(1,226,728)	-	3,200	-	(50,197)	(50,197)
Stormwater Management	(98,671)	-	-	-	91,730	91,730
Refuse	(624,643)	-	-	-	(37,789)	(37,789)
Utility Trust	(54,635)	-	-	-	(22,668)	(22,668)
Total Business - Type Activities	<u>(3,112,987)</u>	<u>-</u>	<u>3,200</u>	<u>-</u>	<u>36,089</u>	<u>36,089</u>
Total	<u>\$ (6,417,682)</u>	<u>\$ 424,984</u>	<u>\$ 3,200</u>	<u>(2,464,757)</u>	<u>36,089</u>	<u>(2,428,668)</u>
General Revenues:						
Income Taxes				1,617,481	-	1,617,481
Property Taxes				577,804	-	577,804
Estate Taxes				57,200	-	57,200
Franchise Fee Taxes				91,984	-	91,984
Special Assessment Taxes				19,039	-	19,039
Permissive Sales Tax				81,417	-	81,417
Grants and Contributions not restricted to specific programs				494,703	-	494,703
Unrestricted investment earnings				118,707	50,064	168,771
Miscellaneous				63,663	-	63,663
Net Transfers				33,000	(33,000)	-
Total General Revenues and Transfers				<u>3,154,998</u>	<u>17,064</u>	<u>3,172,062</u>
Changes in Net Assets				690,241	53,153	743,394
Net Assets - Beginning (Restated)				4,411,149	5,727,212	10,138,361
Net Assets - Ending				<u>\$ 5,101,390</u>	<u>\$ 5,780,365</u>	<u>\$ 10,881,755</u>

See accompanying notes to the basic financial statements



**CITY OF TRENTON, OHIO  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2004**

	General	Street	Other Governmental Funds
<b>Assets:</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 1,177,070	\$ 217,690	\$ 359,658
Receivables (net of allowance for doubtful accounts):			
Taxes - Real and Personal Property	414,830	-	2,211
Taxes - Municipal Income	203,661	-	-
Accounts	105,786	-	50,685
Interest	10,517	-	-
Special Assessments	-	-	61,804
Interfund Receivable	20,578	-	-
Due from Other Governments	245,688	168,198	47,590
<b>Total Assets</b>	<b>2,178,130</b>	<b>385,888</b>	<b>521,948</b>
<b>Liabilities:</b>			
Accounts Payable	18,490	1,613	4,767
Contracts Payable	-	125,453	-
Accrued Wages and Benefits	66,969	8,851	8,471
Interfund Payable	-	-	20,578
Deferred Revenue	727,229	142,528	105,415
Matured Leave Payable	108	-	-
<b>Total Liabilities</b>	<b>812,796</b>	<b>278,445</b>	<b>139,231</b>
<b>Fund Balances:</b>			
Reserved for Encumbrances	123,928	11,441	157,261
Unreserved, reported in:			
General	1,241,406	-	-
Special Revenue	-	96,002	187,415
Debt Service	-	-	35,112
Capital Projects	-	-	2,929
<b>Total Fund Balances</b>	<b>1,365,334</b>	<b>107,443</b>	<b>382,717</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,178,130</b>	<b>\$ 385,888</b>	<b>\$ 521,948</b>

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 ASSETS  
DECEMBER 31, 2004**

<u>Total Governmental Funds</u>		
\$ 1,754,418	Fund Balances - Governmental Funds	\$ 1,855,494
	Amounts reported for governmental activities in the statement of net assets are different because:	
417,041		
203,661		
156,471	Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	3,624,012
10,517		
61,804		
20,578		
461,476	Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	515,815
3,085,966		
	Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.	<u>(893,931)</u>
24,870		
125,453		
84,291		
20,578		
975,172		
108		
1,230,472	Net Assets of governmental activities	<u>\$ 5,101,390</u>
292,630		
1,241,406		
283,417		
35,112		
2,929		
1,855,494		
\$ 3,085,966		

**CITY OF TRENTON, OHIO**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

	General	Street	Other Governmental Funds
<b>Revenues:</b>			
Income Taxes	\$ 1,639,247	\$ -	\$ -
Property and Other Taxes	308,381	-	249,936
Intergovernmental	480,146	307,432	168,318
Licenses and Permits	196,598	-	81,853
Investment Earnings	131,439	-	-
Special Assessments	-	-	19,039
Fines and Forfeitures	84,820	-	864
All Other Revenues	45,359	7,977	11,526
<b>Total Revenues</b>	<b>2,885,990</b>	<b>315,409</b>	<b>531,536</b>
<b>Expenditures:</b>			
<b>Current:</b>			
Security of Persons and Property	1,695,979	-	170,315
Public Health and Welfare	88,043	-	-
Leisure Time Activities	-	-	109,065
Community Environment	135,513	-	-
Transportation	-	454,983	27,197
General Government	439,635	-	1,319
Other	68,782	-	-
Capital Outlay	-	-	21,267
<b>Debt Service:</b>			
Principal Retirement	-	-	169,131
Interest and Fiscal Charges	-	-	37,798
<b>Total Expenditures</b>	<b>2,427,952</b>	<b>454,983</b>	<b>536,092</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	458,038	(139,574)	(4,556)
<b>Other Financing Sources (Uses):</b>			
Transfers - In	33,000	150,000	128,600
Transfers - Out	(278,600)	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(245,600)</b>	<b>150,000</b>	<b>128,600</b>
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	212,438	10,426	124,044
Fund Balances at Beginning of Year	1,152,896	97,017	258,673
Fund Balances at End of Year	<u>\$ 1,365,334</u>	<u>\$ 107,443</u>	<u>\$ 382,717</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, 2004**

<u>Total Governmental Funds</u>		
	Amounts reported in governmental activities in the statement of activities are different because:	
\$ 1,639,247 558,317 955,896 278,451 131,439 19,039 85,684 64,862 <hr/> 3,732,935 <hr/> 1,866,294 88,043 109,065 135,513 482,180 440,954 68,782 21,267 <hr/> 169,131 37,798 <hr/> 3,419,027 <hr/> 313,908  311,600 (278,600) <hr/> 33,000 <hr/> 346,908  1,508,586 <hr/> \$ 1,855,494	Net Change in Fund Balances - total governmental funds  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 exceed depreciation in the current period.  Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.  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 assets. Also, governmental funds report the effect of issuance costs and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.  Some items reported in the statement of activities do not require the use of current financial current financial resources and, therefore, are not reported as expenditures in governmental funds.  Change in net assets of governmental activities	\$ 346,908   (27,794)  229,001   171,928  (29,802)  <u>\$ 690,241</u>

**THE 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, 2004**

**GENERAL FUND**

	Budget		Actual	Variance Positive (Negative)
	Initial	Final		
<u>Revenues:</u>				
Property and Other Local Taxes	\$ 312,000	\$ 312,000	\$ 308,381	\$ (3,619)
Income Taxes	1,678,000	1,678,000	1,491,722	(186,278)
Intergovernmental	363,300	363,300	478,845	115,545
Licenses and Permits	163,100	163,100	196,598	33,498
Investment Earnings	90,000	90,000	158,366	68,366
Fines and Forfeitures	84,600	84,600	71,018	(13,582)
Other All Revenue	25,250	25,250	63,304	38,054
Total Revenue	<u>2,716,250</u>	<u>2,716,250</u>	<u>2,768,234</u>	<u>51,984</u>
<u>Expenditures:</u>				
Current:				
Security of Persons and Property	1,513,300	1,612,250	1,646,380	(34,130)
Public Health and Welfare Services	87,300	87,300	88,887	(1,587)
Community Environment	482,900	482,900	239,991	242,909
General Government	541,900	549,400	504,982	44,418
Other	449,300	278,464	71,442	207,022
Total Expenditures	<u>3,074,700</u>	<u>3,010,314</u>	<u>2,551,682</u>	<u>458,632</u>
Excess of Revenues Over (Under) Expenditures	(358,450)	(294,064)	216,552	510,616
<u>Other Financing Sources (Uses):</u>				
Transfers - In	-	33,000	33,000	-
Transfers - Out	-	(278,600)	(278,600)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(245,600)</u>	<u>(245,600)</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(358,450)	(539,664)	(29,048)	510,616
Fund Balances at Beginning of Year	<u>1,140,127</u>	<u>1,140,127</u>	<u>1,140,127</u>	<u>-</u>
Fund Balances at End of Year	<u>\$ 781,677</u>	<u>\$ 600,463</u>	<u>\$ 1,111,079</u>	<u>\$ 510,616</u>

See accompanying notes to the basic financial statements

**THE 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, 2004**

**STREET FUND**

	Budget		Actual	Variance Positive (Negative)
	Initial	Final		
<u>Revenues:</u>				
Intergovernmental	\$ 235,000	\$ 235,000	\$ 302,452	\$ 67,452
Other All Revenue	3,500	3,500	7,977	4,477
Total Revenue	<u>238,500</u>	<u>238,500</u>	<u>310,429</u>	<u>71,929</u>
<u>Expenditures:</u>				
Current:				
Transportation	<u>461,499</u>	<u>471,499</u>	<u>462,116</u>	<u>9,383</u>
Total Expenditures	<u>461,499</u>	<u>471,499</u>	<u>462,116</u>	<u>9,383</u>
Excess of Revenues Under Expenditures	(222,999)	(232,999)	(151,687)	81,312
<u>Other Financing Sources:</u>				
Transfers - In	<u>-</u>	<u>-</u>	<u>150,000</u>	<u>150,000</u>
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>150,000</u>	<u>150,000</u>
Deficiency of Revenues and Other Financing Sources Under Expenditures	(222,999)	(232,999)	(1,687)	231,312
Fund Balances at Beginning of Year	82,692	82,692	82,692	-
Prior Year Encumbrances	<u>699</u>	<u>699</u>	<u>699</u>	<u>-</u>
Fund Balances (Deficit) at End of Year	<u>\$ (139,608)</u>	<u>\$ (149,608)</u>	<u>\$ 81,704</u>	<u>\$ 231,312</u>

See accompanying notes to the basic financial statements

**CITY OF TRENTON, OHIO**  
**STATEMENT OF NET ASSETS**  
**ENTERPRISE FUNDS**  
**DECEMBER 31, 2004**

BUSINESS-TYPE ACTIVITIES--ENTERPRISE FUNDS

	Water	Sewer	Refuse	Nonmajor Enterprise Funds	Totals
<b>Assets:</b>					
<i>Current Assets:</i>					
Equity in Pooled Cash and Cash Equivalents	\$ 1,474,567	\$ 641,146	\$ 102,394	\$ 231,817	\$ 2,449,924
Receivables (net of allowances for doubtful accounts)	45,132	79,219	32,402	12,597	169,350
Accounts Interest	7,200	-	-	-	7,200
Total Current Assets	1,526,899	720,365	134,796	244,414	2,626,474
<i>Noncurrent Assets:</i>					
Restricted Assets:					
Cash and Cash Equivalents	7,144,308	-	-	-	7,144,308
Bond Issuance Costs	304,577	-	-	-	304,577
Nondepreciable Capital Assets:					
Land	43,250	-	-	-	43,250
Construction in Progress	207,404	-	-	-	207,404
Depreciable Capital Assets:					
Improvements Other than Buildings	-	28,410	-	-	28,410
Furniture, Fixtures, and Equipment	1,058,668	393,232	17,580	56,735	1,526,215
Water and Sewer Lines	2,911,527	1,531,101	-	-	4,442,628
Plant	160,509	16,321	-	-	176,830
Less: Accumulated Depreciation	(1,361,823)	(1,234,590)	(9,603)	-	(2,606,016)
Total Capital Assets (net of accumulated depreciation)	3,019,535	734,474	7,977	56,735	3,818,721
Total Noncurrent Assets	10,468,420	734,474	7,977	56,735	11,267,606
Total Assets	\$ 11,995,319	\$ 1,454,839	\$ 142,773	\$ 301,149	\$ 13,894,080

**CITY OF TRENTON, OHIO  
STATEMENT OF NET ASSETS  
ENTERPRISE FUNDS  
DECEMBER 31, 2004**

**BUSINESS-TYPE ACTIVITIES--ENTERPRISE FUNDS**

	Water	Sewer	Refuse	Nonmajor Enterprise Funds	Totals
<b>Liabilities:</b>					
<i>Current Liabilities:</i>					
Accounts Payable	6,434	\$ 68,798	\$ 845	\$ 60,997	\$ 137,074
Accrued Wages and Benefits	12,331	10,839	7,452	476	31,098
Capital Leases Payable - Current	19,260	-	-	-	19,260
Revenue Bonds Payable - Current	15,000	-	-	-	15,000
Total Current Liabilities	<u>53,025</u>	<u>79,637</u>	<u>8,297</u>	<u>61,473</u>	<u>202,432</u>
<i>Noncurrent Liabilities:</i>					
Customer Deposits Payable	-	-	-	23,838	23,838
Compensated Absences Payable	36,329	29,133	26,267	1,104	92,833
Capital Leases Payable	23,917	-	-	-	23,917
Revenue Bonds Payable	7,770,695	-	-	-	7,770,695
Total Noncurrent Liabilities	<u>7,830,941</u>	<u>29,133</u>	<u>26,267</u>	<u>24,942</u>	<u>7,911,283</u>
Total Liabilities	<u>7,883,966</u>	<u>108,770</u>	<u>34,564</u>	<u>86,415</u>	<u>8,113,715</u>
<b>Net Assets:</b>					
Invested in capital assets, net of related debt	(4,766,160)	734,474	7,977	56,735	(3,966,974)
Unrestricted	8,877,513	611,595	100,232	157,999	9,747,339
Total Net Assets	<u>4,111,353</u>	<u>1,346,069</u>	<u>108,209</u>	<u>214,734</u>	<u>5,780,365</u>
Total Net Assets and Liabilities	<u>\$ 11,995,319</u>	<u>\$ 1,454,839</u>	<u>\$ 142,773</u>	<u>\$ 301,149</u>	<u>\$ 13,894,080</u>

See accompanying notes to the basic financial statements

**CITY OF TRENTON, OHIO**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**ENTERPRISE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

	BUSINESS-TYPE ACTIVITIES--ENTERPRISE FUNDS				
	Water	Sewer	Refuse	Nonmajor Enterprise Funds	Totals
<u>Operating Revenues:</u>					
Charges for Services	\$ 1,156,499	\$ 1,172,238	\$ 586,854	\$ 203,638	\$ 3,119,229
Other Operating Revenues	6,824	4,293	-	18,730	29,847
Total Operating Revenues	<u>1,163,323</u>	<u>1,176,531</u>	<u>586,854</u>	<u>222,368</u>	<u>3,149,076</u>
<u>Operating Expenses:</u>					
Personal Services	364,483	291,670	210,803	20,720	887,676
Materials and Supplies	168,508	73,973	23,338	54,997	320,816
Contractual Services	71,715	794,742	389,533	77,589	1,333,579
Depreciation	123,239	66,343	969	-	190,551
Total Operating Expenses	<u>727,945</u>	<u>1,226,728</u>	<u>624,643</u>	<u>153,306</u>	<u>2,732,622</u>
Operating Income (Loss)	435,378	(50,197)	(37,789)	69,062	416,454
<u>Non-Operating Revenues (Expenses):</u>					
Investment Earnings	50,064	-	-	-	50,064
Loss on Disposal of Capital Assets	(66,380)	-	-	-	(66,380)
Interest and Fiscal Charges	(313,985)	-	-	-	(313,985)
Total Non-Operating Revenues (Expenses)	<u>(330,301)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(330,301)</u>
Income (Loss) Before Transfers	105,077	(50,197)	(37,789)	69,062	86,153
<u>Transfers:</u>					
Transfers Out	(11,000)	(11,000)	(11,000)	-	(33,000)
Total Transfers	<u>(11,000)</u>	<u>(11,000)</u>	<u>(11,000)</u>	<u>-</u>	<u>(33,000)</u>
Change in Net Assets	94,077	(61,197)	(48,789)	69,062	53,153
Total net assets - Beginning	<u>4,017,276</u>	<u>1,407,266</u>	<u>156,998</u>	<u>145,672</u>	<u>5,727,212</u>
Total net assets - Ending	<u>\$ 4,111,353</u>	<u>\$ 1,346,069</u>	<u>\$ 108,209</u>	<u>\$ 214,734</u>	<u>\$ 5,780,365</u>

See accompanying notes to the basic financial statements

**CITY OF TRENTON, OHIO  
STATEMENT OF CASH FLOWS  
ENTERPRISE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

BUSINESS-TYPE ACTIVITIES--ENTERPRISE FUNDS					
	Water	Sewer	Refuse	Nonmajor Enterprise Funds	Totals
<b>Change in Cash and Cash Equivalents</b>					
<u>Cash Flows from Operating Activities:</u>					
Cash Received from Customers	\$ 1,158,805	\$ 1,163,405	\$ 599,511	\$ 228,995	\$ 3,150,716
Cash Paid for Employee Services and Benefits	(351,321)	(286,316)	(202,779)	(19,140)	(859,556)
Cash Paid to Suppliers for Goods and Services	(269,865)	(828,233)	(415,313)	(17,135)	(1,530,546)
Other Operating Revenues	6,824	4,293	-	-	11,117
Other Operating Expenses	-	-	-	(54,635)	(54,635)
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b>544,443</b>	<b>53,149</b>	<b>(18,581)</b>	<b>138,085</b>	<b>717,096</b>
<u>Cash Flows from Noncapital Financing Activities:</u>					
Transfers-out to Other Funds	(11,000)	(11,000)	(11,000)	-	(33,000)
<b>Net Cash Used for Noncapital Financing Activities</b>	<b>(11,000)</b>	<b>(11,000)</b>	<b>(11,000)</b>	<b>-</b>	<b>(33,000)</b>
<u>Cash Flows from Capital and Related Financing Activities:</u>					
Face Value from the Sale of Debt	7,700,000	-	-	-	7,700,000
Premium from Sale of Debt	87,147	-	-	-	87,147
Acquisition and Construction of Assets	(302,314)	(78,110)	-	(56,735)	(437,159)
Principal Paid on Notes Payable	(655,000)	-	-	-	(655,000)
Interest and Fiscal Charges Paid on All Debt	(620,014)	-	-	-	(620,014)
<b>Net Cash Provided by (Used for) Capital and Related Financing Activities</b>	<b>6,209,819</b>	<b>(78,110)</b>	<b>-</b>	<b>(56,735)</b>	<b>6,074,974</b>
<u>Cash Flows from Investing Activities:</u>					
Interest	42,864	-	-	-	42,864
<b>Net Cash Provided By Investing Activities</b>	<b>42,864</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>42,864</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>6,786,126</b>	<b>(35,961)</b>	<b>(29,581)</b>	<b>81,350</b>	<b>6,801,934</b>
Cash and Cash Equivalents at Beginning of Year	1,832,749	677,107	131,975	150,467	2,792,298
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 8,618,875</b>	<b>\$ 641,146</b>	<b>\$ 102,394</b>	<b>\$ 231,817</b>	<b>\$ 9,594,232</b>
 <u>Net Cash Provided by (Used for) Operating Activities:</u>					
Operating Income (Loss)	\$ 435,378	\$ (50,197)	\$ (37,789)	\$ 69,062	\$ 416,454
<u>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</u>					
Depreciation Expense	123,239	66,343	969	-	190,551
<u>Change in Assets and Liabilities:</u>					
(Increase) Decrease in Accounts Receivable	2,306	(8,833)	12,657	1,519	7,649
Increase (Decrease) in Accounts Payables	(29,642)	40,483	(2,442)	60,997	69,396
Increase in Accrued Wages and Benefits	9,841	8,594	5,908	295	24,638
Increase (Decrease) in Compensated Absences Payable	3,321	(3,241)	2,116	1,104	3,300
Increase in Deposits Payable	-	-	-	5,108	5,108
<b>Total Adjustments</b>	<b>109,065</b>	<b>103,346</b>	<b>19,208</b>	<b>69,023</b>	<b>300,642</b>
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b>\$ 544,443</b>	<b>\$ 53,149</b>	<b>\$ (18,581)</b>	<b>\$ 138,085</b>	<b>\$ 717,096</b>

See accompanying notes to the basic financial statements

**CITY OF TRENTON, OHIO**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**FIDUCIARY FUNDS**  
**DECEMBER 31, 2004**

	<u>Totals</u>
<b>Assets:</b>	
Cash and Cash Equivalents	\$ 78
Cash and Cash Equivalents in Segregated Accounts	<u>142,959</u>
Total Assets	<u><u>143,037</u></u>
<b>Liabilities:</b>	
Due to Other Governments	101,494
Undistributed Monies	<u>41,543</u>
Total Liabilities	<u><u>\$ 143,037</u></u>

See accompanying notes to the basic financial statements



**CITY OF TRENTON, OHIO**  
**NOTES TO THE 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 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.

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 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.

**CITY OF TRENTON, OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**

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 18 and 19 of the Basic Financial Statements.

Basis of presentation – fund accounting

The government-wide financial statements (i.e., the statement of net assets 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.

**CITY OF TRENTON, OHIO**  
**NOTES TO THE 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.

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 of 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, 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.

**CITY OF TRENTON, OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**

*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 is reported as fund balance.

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 account for in another fund.

**Street Fund**

To account for state levied and controlled gasoline tax and motor vehicle license fees designated for local street construction, maintenance and repair.

The City reports the following major proprietary funds:

**Water Fund**

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

**CITY OF TRENTON, OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**

**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.

Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary and Other Governmental Entities that Use Proprietary Fund Accounting*, the City has elected to follow FASB Statements and Interpretations issued prior to December 1, 1989, to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

The City also has the option of following subsequent FASB guidance for their business-type and enterprises funds, subject to this same limitation. The City has elected not to apply those FASB Statements and Interpretations issued after November 30, 1989, to its enterprise funds.

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.

Additionally, the City reports the following fund type:

*Fiduciary Funds*

Fiduciary fund reporting focuses on net assets and changes in net assets. 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 funds. The City's agency fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations.

**CITY OF TRENTON, OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**

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 principle ongoing operations. The principal operating revenues of the City enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service 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.

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 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**

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.

**CITY OF TRENTON, OHIO**  
**NOTES TO THE 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 basic 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 re-appropriated.

Cash and cash equivalents

Cash balances of the City's funds, except cash held by the fiscal agent and restricted cash, 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 assets and fund balance sheets. Interest income is distributed to the funds according to Ohio Constitution, state statutes and the City's investment policy that was adopted by local ordinance. Investment income credit to the general fund during 2004 was \$131,439, which includes \$19,220 assigned from other funds. The water enterprise fund also received \$50,064 in interest during 2004.

During 2004, 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.



**CITY OF TRENTON, OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**

For purposes of the statement of cash flows and for presentation on the statement of net assets and fund balance sheets, 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.

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, 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 \$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.

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

Buildings	20-45 Years
Equipment, Furniture, 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.

**CITY OF TRENTON, OHIO**  
**NOTES TO THE 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 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.

**CITY OF TRENTON, OHIO**  
**NOTES TO THE 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, contractually required pension contributions and capital leases 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.

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 2004, no net interest expense was incurred on enterprise fund construction projects.

**CITY OF TRENTON, OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**

Reservation and designation of fund equity

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 that 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.

Restricted Assets

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the combined statement of net assets and in the business-type activities column of the statement of net assets because their use is limited for debt service payments, rate stabilization and capital improvements.

Net Assets

Net assets represent the difference between assets and liabilities in the statement of net assets. Net assets invested in capital assets are 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 assets are 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.

**CITY OF TRENTON, OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**

Deferred Revenues

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenues. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenues.

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

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.

**CITY OF TRENTON, OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**

Reconciliation of Government-Wide and Fund Financial Statements

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.” The details of this (\$893,931) difference are as follows:

Capital Leases Payable	(\$43,899)
Long Term Debt	(642,002)
Accrued Interest Payable	(2,289)
Compensated Absences Payable	(205,741)
	(205,741)
Net Adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	(\$893,931)

Another element of that reconciliation explains that “capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund.” The details of \$3,624,012 difference are as follows:

Capital Assets	\$5,038,846
Accumulated Depreciation	(1,414,834)
	(1,414,834)
Net Adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	\$3,624,012

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 assets 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.

**CITY OF TRENTON, OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**

This is the amount by which capital outlays exceeded depreciation in the current period. The details of this (\$27,794) are as follows:

Current capital additions	\$264,731
Loss on disposal of capital assets	(67,841)
Depreciation Expense	<u>(224,684)</u>
Net Adjustment - capital assets to increase <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u><u>(\$27,794)</u></u>

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 assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.” The details of this \$171,928 are as follows:

Principal paid on Long Term Debt	\$81,333
Principal paid on Capital Leases Obligation	87,798
Change in Interest Payable	<u>2,797</u>
Net Adjustment - current financial resources focus to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	<u><u>\$171,928</u></u>

3. Basic Financial Statement Presentation:

For fiscal year 2004, the City has implemented the following GASB Statements:

- GASB Statement No. 34, “*Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments.*”
- GASB Statement No. 37, “*Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus.*”
- GASB Statement No. 38, “*Certain Financial Statement Note Disclosures.*”
- GASB Statement No. 46, “*Net Assets Restricted by Enabling Legislation*”

**CITY OF TRENTON, OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**

- GASB Statement No. 6, *“Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.”*

GASB Statements No. 34, No. 37, No. 38 and No. 46 create and amend new basic financial statements and note disclosure for reporting on the City’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Non-major funds are presented in total in one column.

Implementation had the following effect of the City’s on retained earnings and net assets for fiscal year ended December 31, 2003:

	Governmental	
	Activities	Enterprise
12/31/03 Retained Earnings/Net Assets	\$1,508,586	\$5,712,212
Correction of Capital Asset Balances	0	15,000
Revenue recognized	286,814	0
Long Term Debt Obligations	(855,032)	0
Long Term Liabilities Allocated	(181,025)	0
Capital Asset, net depreciation	3,651,806	0
Restated 12/31/03 Retained Earnings/Net Assets	<u>\$4,411,149</u>	<u>\$5,727,212</u>

The beginning net assets for the Water and Non-Major Enterprise Funds have also been individually restated due to the proper classification of the Utility Deposit Trust Fund as a non-major enterprise fund.

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.



**CITY OF TRENTON, OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (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 reservation of fund balance for governmental funds.

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	Street Fund
GAAP Basis	\$212,438	\$10,426
Adjustments:		
Revenue Accruals	(117,756)	(4,980)
Expenditure Accruals	283	128,852
Encumbrances	(124,013)	(135,985)
Budget Basis	(\$29,048)	(\$1,687)

5. 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.

**CITY OF TRENTON, OHIO**  
**NOTES TO THE 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 that 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.

STAR Ohio is an investment pool managed by the State Treasurer's office that 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 not 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 that is the price the investment could be sold for on December 31, 2004.

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;

**CITY OF TRENTON, OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**

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.

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.

**CITY OF TRENTON, OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**

Deposits

At year-end, the carrying amount of the City’s deposits was \$2,671,666 and the bank balance was \$1,768,334. Of the bank balance, \$200,000 was covered by federal deposit insurance. The remaining amount, \$1,568,334, 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.

	<u>Category 2</u>	<u>Unclassified</u>	<u>Fair Value</u>
Federal Home Loan Mortgage Corp Bonds	\$550,294	\$0	\$550,294
Federal Home Loan Bank Bonds	5,112,958	0	5,112,958
Federal Nat. Mortgage Association Bonds	1,052,893	0	1,052,893
Money Market Mutual Funds	1,861,847	0	1,861,847
STAR Ohio	0	98,992	98,992
Total Investments	<u>\$8,577,992</u>	<u>\$98,992</u>	<u>\$8,676,984</u>

The City had \$3,502,400 in cash and securities at year-end with Morgan Stanley, Smith Barney and Merrill Lynch. The securities are categorized as Cash and Cash Equivalents and Category 2 investments and are covered by SIPC (Securities Investor Protection Corporation) and insurance coverage provided by a third party.

**CITY OF TRENTON, OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**

A reconciliation between classifications of cash and cash equivalents and investments on the basic financial statements and the classification of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents	Investments
Cash and Cash Equivalents – Financial Statements	\$11,348,650	\$0
Investments:		
Federal Home Loan Mortgage Corp Bonds	(550,294)	550,294
Federal Home Loan Bank Bonds	(5,112,958)	5,112,958
Federal National Mortgage Association Bonds	(1,052,893)	1,052,893
Money Market Mutual Funds	(1,861,847)	1,861,847
STAR Ohio	(98,992)	98,992
GASB Statement No. 3	\$2,671,666	\$8,676,984

6. 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 2003. 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.

**CITY OF TRENTON, OHIO**  
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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, 2004, was \$4.74 per \$1,000 of assessed valuation. The assessed values of real and tangible personal property upon which 2004 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>
Real Property	\$140,034,230
Tangible Personal Property	6,078,680
Public Utility Tangible Personal Property	5,871,420
Total Property Tax	\$151,984,330

Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies that are measurable as of December 31, 2004. 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 2004 operations. The receivable is therefore offset by a credit to deferred revenue.

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.

**CITY OF TRENTON, OHIO**  
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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 2004, the proceeds were allocated to the general fund. Income tax revenue for 2004 was \$1,639,247.

8. Receivables:

Receivables at December 31, 2004, 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:

<u>Fund/Description</u>	<u>Amount</u>
<u>MAJOR FUNDS</u>	
<i>General Fund:</i>	
Local Government	\$174,848
Homestead and Rollback	53,493
Municipal Income Tax Refund Credit	8,101
Personal Property Tax Exemption	966
Liquor Fees	737
Estate Tax	7,543
Total General Fund	<u>245,688</u>
<i>Street Fund:</i>	
Motor Vehicle License Tax	36,220
Gas Tax	131,978
Total Street Fund	<u>168,198</u>
<u>NONMAJOR FUNDS</u>	
<i>State Highway Fund</i>	
Motor Vehicle License Tax	2,898
Gas Tax	10,702
Total State Highway Fund	<u>13,600</u>
<i>Permissive Motor Vehicle License Fund</i>	
Permissive Tax	33,990
Total All Funds	<u><u>\$461,476</u></u>

**CITY OF TRENTON, OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**

9. Capital Assets:

Changes in capital assets during the year ended December 31, 2004, were as follows:

	Restated Balance 12/31/03	Increases	Decreases	Balance 12/31/04
<b>Governmental Activities:</b>				
Capital Assets, not being depreciated:				
Land	\$367,473	\$0	\$0	\$367,473
Capital Assets, being depreciated:				
Buildings	1,696,208	0	0	1,696,208
Improvements other than Buildings	454,852	31,624	0	486,476
Machinery, Equipment and Vehicles	2,592,495	233,107	(336,913)	2,488,689
Total capital assets being depreciated	4,743,555	264,731	(336,913)	4,671,373
Less Accumulated Depreciation	(1,459,222)	*(224,684)	269,072	(1,414,834)
Total capital assets, being depreciated,	3,284,333	40,047	(67,841)	3,256,539
Governmental Activities Capital	\$3,651,806	\$40,047	(\$67,841)	\$3,624,012
<b>Business Type Activities</b>				
Capital Assets, not being depreciated				
Land	\$43,250	\$0	\$0	\$43,250
Construction in Progress	0	207,404	0	207,404
Total capital assets, not being	43,250	207,404	0	250,654
Capital Assets, being depreciated				
Plant	176,830	0	0	176,830
Water and Sewer Lines	4,442,628	0	0	4,442,628
Improvements other than Buildings	0	28,410	0	28,410
Machinery, Equipment and Vehicles	1,391,250	201,345	(66,380)	1,526,215
Total capital assets, being depreciated	6,010,348	229,755	(66,380)	6,173,723
Less Accumulated Depreciation	(2,415,465)	**(190,551)	0	(2,606,016)
Total capital assets, being depreciated,	3,594,883	39,204	(66,380)	3,568,067
Business Type Activities Capital	\$3,683,133	\$246,608	(\$66,380)	\$3,818,721



**CITY OF TRENTON, OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**

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

<b>Governmental Activities:</b>	
Security of Persons and Property	\$118,524
Leisure Time Activities	11,108
Community Environment	2,444
Transportation	27,820
General Government	<u>64,788</u>
 Total Depreciation Expense - governmental activities	 <u><u>224,684</u></u>

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

<b>Business Type Activities:</b>	
Water	123,239
Sewer	66,343
Refuse	<u>969</u>
 Total Depreciation Expense - business-type activities	 <u><u>\$190,551</u></u>

10. Defined Benefit Pension Plans:

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

**CITY OF TRENTON, OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**

Public Employees Retirement System

The City participates 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 in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member Directed Plan, members accumulate retirement assets, equal to the value of the member and vested employer contributions plus any investment earnings.
- The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional and Combined Plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to the OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-6705.

For the year ending December 31, 2004, the members of all three plans were required to contribute 8.5 percent of their annual covered salary. The City's employer rate for 2004 was 13.55 percent and 4 percent was used to fund health care for the year. The Ohio Revised Code provides statutory authority for member and employer contributions. The City's required contributions, representing 100 percent of employer contributions for the periods ending December 31, 2004, 2003, and 2002 were \$171,495, \$92,328, and \$52,190 respectively. 98 percent has been contributed for 2004 and the full amount for 2003 and 2002.

**CITY OF TRENTON, OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**

Police and Firemen's Disability and Pension Fund

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

Plan members are required to contribute 10 percent of their annual covered salary, while employers are required to contribute 19.5 percent for police and 24 percent for firefighters. The City's contributions to OP&F for the years ending December 31, 2004, 2003, and 2002 were \$83,920, \$60,971, and \$50,526. 97 percent has been contributed for 2004 and the full amount for 2003 and 2002.

11. Postemployment Benefits:

Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. 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 the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2004 local government employer contribution rate was 13.55 percent of covered payroll; 4 percent of covered payroll was the portion that was used to fund health care.

**CITY OF TRENTON, OHIO**  
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Benefits are advance-funded using an entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed December 31, 2003 include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.00 percent annually.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets.

As of December 31, 2004, the unaudited estimated net assets available for future OPEB payments were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability based on the actuarial cost method used, were \$26.9 billion and \$16.4 billion, respectively. At December 31, 2004, the total number of benefit recipients eligible for OPEB through PERS was 369,885. The City's actual contributions for 2004 that were used to fund OPEB were \$49,107.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

**CITY OF TRENTON, OHIO**  
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Police and Firemen's Disability and Pension Fund

The Ohio Police and Firemen's Disability and Pension 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 Ohio 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 Fund shall be included in the employer's contribution rate. The total police employer contribution is 19.5 percent of covered payroll and the total firemen's employer contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2003 and 2004. 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. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The City's actual contributions for 2004 that were used to fund postemployment benefits were \$54,863 for police. The OP&F's total health care expenses for the year ended December 31, 2003, (the latest information available) were \$150,853,148, which was net of members contributions of \$17,207,506. The number of OP&F participants eligible to receive health care benefits as of December 31, 2003, was 13,662 for police and 10,474 for firefighters.

**CITY OF TRENTON, OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**

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. Sick leave may be accumulated up to 1,200 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.

13. 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.

**CITY OF TRENTON, OHIO**  
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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 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.

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 currently re-insured through Lloyds of London and AIG.

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

The City obtained insurance coverage from the Pool for losses related to general liability, police professional liability, public officials' liability, employee benefits liability, automobile, property, inland marine, EDP equipment, and boiler and machinery.

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 form the prior year.

**CITY OF TRENTON, OHIO**  
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General liability, police professional liability, public officials' liability, and automobile liability have a \$5 million limit, while employee benefits liability has a \$1 million limit. Property coverage is limited to the value of the property, as is boiler and machinery. General liability has a \$1,000 deductible, police professional and public officials' have deductibles of \$2,500, while the deductible on automotive is \$500 for comprehensive and collision. The deductible for property, and boiler and machinery is \$1,000.

Workers' compensation

For fiscal year 2004 the City participated in the Ohio Municipal League of Ohio Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 19). 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.

14. Short-Term Notes Payable:

The City retired \$655,000 in bond anticipation notes from water fund during the fiscal year. The notes were issued for engineering services related to the new water storage tank and related improvements.



**CITY OF TRENTON, OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**

15. Long-Term Obligations:

Changes in long-term obligations during 2004 were as follows:

	Restated			Balance 12/31/04	Due within one year
	Balance 12/31/03	Increase	Decrease		
<b>Governmental Activities:</b>					
Special Assessment Bonds – 7.75%	\$60,000	\$0	\$15,000	\$45,000	\$15,000
General Obligation Bond – 4.40% to 4.97%	663,335	0	66,333	597,002	66,333
Capital Leases Payable	131,697	0	87,798	43,899	43,899
Compensated Absences Payable	175,939	205,849	175,939	205,849	70,346
<b>Total – Governmental Activities</b>	<b>1,030,971</b>	<b>205,849</b>	<b>345,070</b>	<b>891,750</b>	<b>195,578</b>
<b>Business -Type Activities:</b>					
Water Revenue Bonds 2%-5.25%	0	7,700,000	0	7,700,000	15,000
Premium on Revenue Bonds	0	87,147	1,452	85,695	0
Compensated Absences Payable	89,533	92,833	89,533	92,833	24,808
Capital Leases Payable	0	43,177	0	43,177	19,260
<b>Total – Business - Type Activities</b>	<b>\$89,533</b>	<b>\$7,923,157</b>	<b>\$90,985</b>	<b>\$7,921,705</b>	<b>\$59,068</b>

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.

The water system improvement revenue bond was issued in June 2004 at a variable interest rate from 2.00% to 5.25% over twenty years with a balloon payment in 2034 at 5.125% interest rate. Interest is paid semi-annually. The bond was issued at a premium which is being amortized over the life of the bond on the straight line method. The bond will be repaid from user charges in the water fund.

**CITY OF TRENTON, OHIO**  
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Compensated absences will be paid from the fund from which the employee is paid. The capital leases will be paid from the municipal building improvement capital projects fund and the water enterprise fund.

As of December 31, 2004, the City's overall voted legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$15,351,465 and the unvoted legal debt margin was \$8,038,857.

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

<b>GOVERNMENTAL ACTIVITIES</b>			
<u>General Obligation Bonds</u>			
<u>Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$66,333	\$27,462	\$93,795
2006	66,333	24,411	90,744
2007	66,334	21,359	87,693
2008	66,333	18,308	84,641
2009	66,333	16,484	82,817
2010-2014	<u>265,336</u>	<u>32,968</u>	<u>298,304</u>
Totals	<u>\$597,002</u>	<u>\$140,992</u>	<u>\$737,994</u>

Annual debt service requirements to maturity for special assessment bonds are as follows:

<b>GOVERNMENTAL ACTIVITIES</b>			
<u>Special Assessment Bonds</u>			
<u>Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$15,000	\$3,488	\$18,488
2006	15,000	2,325	17,325
2007	<u>15,000</u>	<u>1,125</u>	<u>16,125</u>
Totals	<u>\$45,000</u>	<u>\$6,938</u>	<u>\$51,938</u>

**CITY OF TRENTON, OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**

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

<b>BUSINESS-TYPE ACTIVITIES</b>			
Revenue Bonds			
Years	Principal	Interest	Total
2005	\$15,000	\$154,000	\$169,000
2006	55,000	172,913	227,913
2007	95,000	206,010	301,010
2008	150,000	222,283	372,283
2009	155,000	243,705	398,705
2010-2014	850,000	1,308,240	2,158,240
2015-2019	1,050,000	1,499,570	2,549,570
2020-2024	1,355,000	1,264,200	2,619,200
2025-2029	0	1,018,594	1,018,594
2030-2034	3,975,000	814,875	4,789,875
Totals	<u>\$7,700,000</u>	<u>\$7,108,108</u>	<u>\$14,808,108</u>

16. Capital Leases - Lessee Disclosure:

In 2000, 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. During 2004, the City entered into a lease agreement to finance the purchase of a dump truck for the Water fund.

The leases meet 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 governmental fund that will be making the payment and capitalized in the enterprise fund. Equipment acquired by the lease has been capitalized on the government-wide statement in the amount of \$535,177, equal to the present value of the future minimum lease payments at the time of acquisition.

**CITY OF TRENTON, OHIO**  
**NOTES TO THE 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, 2004.

Fiscal Year Ending June 30,	Governmental Activities	Business-Type Activities
2005	\$46,268	\$20,825
2006	0	20,827
2007	0	3,787
Total	46,268	45,439
Less: Amount Representing Interest	(2,369)	(2,262)
Present Value of Net Minimum Lease Payments	\$43,899	\$43,177

The annual debt service requirements to maturity for the capital lease paid from the Water Fund are as follows:

Fiscal Year Ending June 30,	Business-Type Activities		
	Principal	Interest	Total
2005	\$19,260	\$1,565	\$20,825
2006	20,237	590	20,827
2007	3,680	107	3,787
Total	\$43,177	\$2,262	\$45,439

**CITY OF TRENTON, OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**

17. Transfers and Interfund Transactions

Following is a summary of transfers in and out and interfund receivables and payables for all funds for 2004:

Fund	Transfers In	Transfers Out	Interfund	
			Receivables	Payables
<b>MAJOR FUNDS</b>				
General	\$33,000	\$278,600	\$20,578	\$0
Street	150,000	0	0	0
Water	0	11,000	0	0
Sewer	0	11,000	0	0
Refuse	0	11,000	0	0
Non-Major				
Governmental Funds	<u>128,600</u>	<u>0</u>	<u>0</u>	<u>20,578</u>
Total All Funds	<u><u>\$311,600</u></u>	<u><u>\$311,600</u></u>	<u><u>\$20,578</u></u>	<u><u>\$20,578</u></u>

The transfers from the major enterprise funds to the general fund relate to the City's overhead allocation policy and the payment of those general government services provided to the enterprise funds. The transfers from the general fund to the other governmental funds are to help support those functions. The City's COPS Grant non-major special revenue fund had expended more than its equity in pooled cash as part of the grant reimbursement program. The receivable will be repaid within the next year from grant proceeds.

18. 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**

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 \$13,644 to OKI during 2004. 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.

19. 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.

**CITY OF TRENTON, OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**

20. Compliance

Ohio Rev. Code Section 5705.41(B) states that, “no subdivision or taxing unit is to expend money unless it has been appropriated”. The following City funds had expenditures, which exceeded appropriations:

<u>Fund Type/Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
Water Funds	\$2,274,827	\$3,485,553	\$1,210,726
Sewer Funds	1,272,745	1,581,166	308,421
Utility Trust Fund	36,000	36,485	485
COPS Grant	21,004	26,495	5,491

Ohio Rev. Code Section 5705.39 requires that the total appropriation from each fund should not exceed the total estimated resources available. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official certificate. The following City funds had appropriations that exceeded the total estimated resources available:

<u>Fund Type/Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Excess</u>
Street Fund	\$321,891	\$471,499	\$149,608
Parks & Recreation Fund	123,490	160,134	36,644
Drug Law Enforcement Fund	4,278	5,415	1,137
Enforcement & Education Fund	6,324	7,000	676

21. 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**

**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***

**December 31, 2004**

# Bastin & Company, LLC

*Certified Public Accountants*

## **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***

City of Trenton  
Butler County  
11 East State Street  
Trenton, Ohio 45067

To the Members of City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Trenton, Butler County, Ohio (the City) as of and for the year ended December 31, 2004, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 26, 2005 in which we noted the City revised its financial presentation to conform to the requirements of Governmental Accounting Standard No. 34. 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.

### **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 an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2004-03 through 2004-07.

A material weakness is a reportable 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 caused by error or fraud 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. We consider reportable conditions 2004-03 through 2004-07 listed above to be material weaknesses.

### **Compliance and Other Matters**

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings as items 2004-01 and 2004-02.

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

A handwritten signature in cursive script that reads "Bastin & Company, LLC". The signature is written in black ink on a light-colored background.

Cincinnati, Ohio  
October 26, 2005

**CITY OF TRENTON  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2004**

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

**Finding Number 2004 – 01**

**Noncompliance Citation – Expenditures Exceeding Appropriations**

Ohio Rev. Code Section 5705.41(B) states that, “no subdivision or taxing unit is to expend money unless it has been appropriated”. The following City funds had expenditures, which exceeded appropriations:

<u>Fund Type/Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
Water Funds	\$2,274,827	\$3,485,553	\$1,210,726
Sewer Funds	1,272,745	1,581,166	308,421
Utility Trust Fund	36,000	36,485	485
COPS Grant	21,004	26,495	5,491

Procedures should be implemented to compare expenditure activity to approved appropriated amounts to ensure that budgetary expenditures do not exceed legally appropriated amounts.

**City’s Response**

The City has implemented a procedure of regular budgetary review by the Treasurer, City Manager, and Department Heads, accompanied by periodic supplemental appropriations and adjustments.

**Finding Number 2004 – 02**

**Noncompliance Citation – Appropriations Exceeding Estimated Resources Available**

Ohio Rev. Code Section 5705.39 requires that the total appropriation from each fund should not exceed the total estimated resources available. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official certificate. The following City funds had appropriations that exceeded the total estimated resources available:

<u>Fund Type/Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Excess</u>
Street Fund	\$321,891	\$471,499	\$149,608
Parks & Recreation Fund	123,490	160,134	36,644
Drug Law Enforcement Fund	4,278	5,415	1,137
Enforcement & Education Fund	6,324	7,000	676

Procedures should be implemented to ensure that approved appropriations do not exceed estimated resources available.

**City’s Response**

The Treasurer will review this in November/December in order to make adjustments through an amended certificate filing.

## **Finding Number 2004 – 03**

### **Material Weakness – Supporting Documentation For Disbursements**

Testing of disbursement transactions disclosed that 9 of 60 (15 percent) selected disbursement transactions were not adequately supported by original documentation to support the purpose, or the appropriate approval for payment.

We noted 8 instances where the documentation supplied consisted solely of a handwritten note indicating a purchase order number. We also noted 1 instance where no documentation was provided to support a payment.

Procedures should be implemented to ensure that all transactions are adequately supported for payment and appropriate approval of the payment is noted in accordance with City procedures.

### **City's Response**

Corrective procedures were implemented in October. Hand written notes are not acceptable, and all department heads have been advised. All requests for payment are reviewed by the Finance clerk and the Treasurer to ensure proper documentation and support are attached.

## **Finding Number 2004 – 04**

### **Material Weakness – Income Tax Collections**

Our testing of the City's income tax collection system consisted of selecting a sample of 40 addresses representing addresses potentially located within the taxing authority of the City. The results of our testing disclosed the following:

1. In 5 instances (13 percent) of the items tested, City personnel could not locate any records or information other than to confirm the resident's name, and could not justify whether the resident was subject to taxation.
2. In 8 instances (20 percent) of the items tested, City personnel only had records stating the selections had not filed or paid prior year taxes as justification for no record of tax filing for 2004. In 6 of these instances, records were located by audit that indicated taxes had been filed and paid by these residences in prior years.
3. In 3 instances (8 percent) of the items tested, tax records reflect tax amounts due, however the City could not provide any records to support whether payment had been received.
4. In addition, we noted one instance where a City employee prepared a resident's tax return in error, resulting in the resident paying the incorrect amount of tax due. The City could not provide any evidence of whether the error was corrected.

We recommend that the City institute procedures to identify all residences and businesses within the taxing authority of the City and adequately maintain and monitor its taxpayer database to ensure that all taxes due to the City are being collected on a timely basis.

### **City's Response**

Internal record keeping cleanup began in July and continues. All unfiled forms in the office are being filed in their proper place. File folders are being created for all accounts. This should be just about

finished up by year-end. Collection letters have been sent to citizens owing balances. Non-filer letters have been sent to those in the system showing returns not filed. Follow up is on going with second letters going out. Any returns found to have been prepared in error are being corrected as detected. A procedure is in place to assign a tax account for every utility sign up. For 2006, a complete audit of addresses in the City is being planned, to match existing tax file addresses against all city addresses, and follow up with letters of inquiry to all citizens not in the tax system.

### **Finding Number 2004 – 05**

#### **Material Weakness – Payroll System**

Our testing of the City's payroll system disclosed the following:

1. In 22 of 40 selected transactions (55 percent), City personnel could not readily match the pay rate paid to employees with the pay rate schedule provided as support as the master list of pay rates for all employees of the City.
2. In 4 instances (10 percent) of the items tested, employee timesheets did not contain evidence of proper approval as required by City policies.
3. Payroll tax returns (941's) were not filed on a timely basis during 2004 resulting in penalties to be assessed.
4. The City processes payroll on a weekly basis. The actual payment to employees is not made on a defined pay date. We noted the actual pay dates may vary from week to week based on when personnel complete the payroll processing.

We recommend that pay rate backup supporting the rates paid to employees be updated for the latest applicable rates in a simplified format. We recommend that all timesheets be appropriately approved prior to processing payments and that payroll tax returns be prepared on a timely basis. Additionally, we recommend that the City consider revising its payroll policies to possibly going to a bi-weekly payroll system to potentially reduce the administrative burden of processing payroll on a weekly basis and to establish and adhere to a defined pay date.

#### **City's Response**

1. There are some special features that make the payroll a difficult system to audit, such as uniform allowance, shift differential, and benefit conversion. These items will cause the actual pay rate to change from that standard rate which is posted in the pay Ordinance. These items can be contractual, or otherwise approved by separate Ordinance. It seems as if we are not getting the information to you, which you need to complete your review in an expeditious manner. I would like to explore options with you to facilitate the audit and review process of the payroll system.
2. This is being closely monitored by the Finance clerk and the Treasurer to ensure approvals are received.
3. The 941s for 2004 were filed in September, along with amended 941s for all of 2002, 2003, 4th quarter 2004, and 1st quarter of 2005. The 2005, 2nd and 3rd quarter reports have been filed on a timely basis.
4. The City will consider the possibility of revising its pay timetable and institute procedures to ensure that payroll is made on a consistent basis.

## **Finding Number 2004 – 06**

### **Material Weakness – Mayor’s Court**

Our testing of the records for the City’s Mayor Court records disclosed that bank reconciliations were not being performed on a timely basis. In addition, the distributions of collected amounts to the City and other entities were not being made on a timely or consistent basis. There was a bank balance in excess of \$100,000 in the Mayor’s Court bank account at December 31, 2004. Distributions were made for prior month’s collections in December 2004, leaving a significant undistributed balance at year-end. The City could not readily provide a reconciliation of undistributed amounts in the account.

We recommend that the procedures utilized in the Mayor’s court be modified to require that all funds on hand be readily distributed to the appropriate entities at month end and that monthly bank reconciliations be prepared on a timely basis.

### **City’s Response**

Corrective action is currently underway. Additional resources are being applied to bring Mayor’s Court current. This is anticipated to be current by mid-December. Much duplication exists in the processing. We are also looking into a software solution to eliminate duplication and help keep this current on a long-term basis. This will be monitored by the Treasurer on an on going basis.

## **Finding Number 2004 – 07**

### **Material Weakness – Bank Reconciliations**

The City’s bank reconciliations at December 31, 2004 and through all of 2004 were not completed on a timely basis.

We recommend that all bank accounts be reconciled on a monthly basis.

### **City’s Response**

The payroll account was reconciled as of October 31, and the general checking account is expected to be reconciled shortly as of October 31, as well.

**CITY OF TRENTON  
SCHEDULE OF PRIOR YEAR FINDINGS**

Finding Number	Finding Summary	Fully Corrected?	Explanation:
39289-001	Material Noncompliance Appropriations exceeded estimated resources	No	Finding repeated as it relates to 2004 activities as finding number 2004-02
39289-002	Bank reconciliations were not completed in a timely matter	No	Finding repeated for 2004 as finding number 2004-07





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**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  
FEBRUARY 9, 2006**