CITY OF TRENTON, OHIO

General Purpose Financial Statements

December 31, 2003

Auditor of State
Betty Montgomery

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

We have reviewed the Independent Auditor's Report of the City of Trenton, Butler County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2003 December 31, 2003. 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.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

May 10, 2005

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CITY OF TRENTON, OHIO

General Purpose Financial Statements

December 31, 2003

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

Independent Auditors' Report

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

We have audited the accompanying general purpose financial statements of the City of Trenton, Ohio (the City) as of and for the year ended December 31, 2003, as listed in the table of contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the Untied 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 opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Trenton, Ohio as of December 31, 2003, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards,* we have also issued our report dated December 8, 2004 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Clark, Schaefer, Hackett & Co.

Middletown, Ohio
December 8, 2004

CITY OF TRENTON, OHIO

Combined Balance Sheet

All Fund Types and Account Groups

December 31, 2003

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets:				
Equity in pooled cash and cash equivalents	$ 1,144,688	285,970	32,466	24,196
Cash and cash equivalents with fiscal agent	-	-	-	-
Receivables:				
Property taxes	342,012	129,966	-	-
Income taxes	77,903	-	-	-
Accounts	-	-	-	-
Special assessments	-	-	80,844	-
Accrued interest	21,903	-	-	-
Due from other governments	141,821	161,360	-	-
Fixed assets (net where applicable, of accumulated depreciation)	-	-	-	-
Other debits:				
Amount available in special assessment bond retirement debt service fund	-	-	-	-
Amount to be provided for retirement of general long-term obligations	-	-	-	-
Total assets and other debits	$ 1,728,327	577,296	113,310	24,196
Liabilities:				
Accounts payable	$ 69,348	8,295	-	-
Accrued wages	11,723	5,540	-	-
Deferred revenue	494,360	264,433	80,844	-
Compensated absences payable	-	-	-	-
Capital leases payable	-	-	-	-
Undistributed monies	-	-	-	-
General obligation bonds payable	-	-	-	-
Special assessment bonds payable with government commitment	-	-	-	-
Total liabilities	575,431	278,268	80,844	-
Fund equity:				
Investment in general fixed assets	-	-	-	-
Contributed capital	-	-	-	-
Retained earnings, unreserved	-	-	-	-
Fund balances:				
Reserved for encumbrances	-	-	-	-
Unreserved	1,152,896	299,028	32,466	24,196
Total fund equity	1,152,896	299,028	32,466	24,196
Total liabilities and fund equity	$ 1,728,327	577,296	113,310	24,196

See accompanying notes to financial statements.

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		
	Trust and	General Fixed	General Long-Term	Total (Memorandum
Enterprise	Agency	Assets	Obligations	Only)
2,792,298	93	-	-	4,279,711
-	36,582	-	-	36,582
-	-	-	-	471,978
-	-	-	-	77,903
176,999	-	-	-	176,999
-	-	-	-	80,844
-	-	-	-	21,903
-	-	-	-	303,181
3,595,316	-	5,111,029	-	8,706,345
-	-	-	32,466	32,466
-	-	-	998,505	998,505
6,564,613	36,675	5,111,029	1,030,971	15,186,417
67,678	-	-	-	145,321
6,460	-	-	-	23,723
-	-	-	-	839,637
89,533	-	-	175,939	265,472
-	-	-	131,697	131,697
18,730	36,582	-	-	55,312
655,000	-	-	663,335	1,318,335
-	-	-	60,000	60,000
837,401	36,582	-	1,030,971	2,839,497
-	-	5,111,029	-	5,111,029
15,000	-	-	-	15,000
5,712,212	-	-	-	5,712,212
-	-	-	-	-
-	93	-	-	1,508,679
5,727,212	93	5,111,029	-	12,346,920
6,564,613	36,675	5,111,029	1,030,971	15,186,417

CITY OF TRENTON, OHIO
Combined Statement of Revenues, Expenditures and
Changes in Fund Balances
All Governmental Fund Types and Expendable Trust Fund
For the Year Ended December 31, 2003

	Governmental Fund Types				Fiduciary Fund Types	Total
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	(Memorandum Only)
Revenues:						
Property taxes	$ 293,632	165,052	121,851	-	-	580,535
Income taxes	1,177,871	-	-	-	-	1,177,871
Intergovernmental	367,192	647,993	-	-	-	1,015,185
Fines, licenses and permits	248,592	81,158	-	-	-	329,750
Investment income	74,919	150	-	-	-	75,069
Miscellaneous	149,014	5,978	-	692	15	155,699
Total revenues	2,311,220	900,331	121,851	692	15	3,334,109
Expenditures:						
Current:						
Security of persons and property	1,472,922	110,946	-	-	-	1,583,868
Transportation	-	465,301	-	-	-	465,301
Leisure time activities	-	92,086	-	-	-	92,086
Community environment	228,063	-	-	-	-	228,063
General government	410,076	107,469	260	-	-	517,805
Capital outlay	-	102,368	-	-	-	102,368
Debt service:						
Principal retirement	-	82,179	81,333	-	-	163,512
Interest and fiscal charges	-	10,357	39,012	-	-	49,369
Total expenditures	2,111,061	970,706	120,605	-	-	3,202,372
Excess of revenues over (under) expenditures	200,159	(70,375)	1,246	692	15	131,737
Other financing sources (uses):						
Operating transfers-in	30,000	21,700	-	-	-	51,700
Operating transfers-out	(21,700)	-	-	-	-	(21,700)
Total other financing sources	8,300	21,700	-	-	-	30,000
Excess of revenues and other financing sources over (under) expenditures and other financing uses	208,459	(48,675)	1,246	692	15	161,737
Fund balances at beginning of year-	944,437	347,703	31,220	23,504	78	1,346,942
Fund balances at end of year	$ 1,152,896	299,028	32,466	24,196	93	1,508,679

See accompanying notes to financial statements.

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CITY OF TRENTON, OHIO
Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Budget Basis)
All Governmental Fund Types and Expendable Trust Fund
For the Year Ended December 31, 2003

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property taxes	$ 320,500	344,191	23,691	140,000	165,052	25,052
Income taxes	1,200,000	1,145,305	(54,695)	-	-	-
Intergovernmental	346,656	343,220	(3,436)	396,414	643,538	247,124
Fines, licenses and permits	248,592	248,592	-	78,906	81,158	2,252
Interest	305,600	62,820	(242,780)	10,508	150	(10,358)
Miscellaneous	203,233	149,016	(54,217)	26,422	5,978	(20,444)
Total revenues	2,624,581	2,293,144	(331,437)	652,250	895,876	243,626
Expenditures:						
Current:						
Security of persons and property	1,509,257	1,466,781	42,476	116,485	110,666	5,819
Transportation	-	-	-	637,944	459,358	178,586
Leisure time activities	-	-	-	99,286	92,079	7,207
Community environment	355,453	228,063	127,390	-	-	-
General government	965,204	361,324	603,880	201,643	105,112	96,531
Capital outlay	-	-	-	8,000	102,368	(94,368)
Debt service:						
Principal retirement	-	-	-	82,179	82,179	-
Interest and fiscal charges	-	-	-	10,357	10,357	-
Total expenditures	2,829,914	2,056,168	773,746	1,155,894	962,119	193,775
Excess of revenues over (under) expenditures	(205,333)	236,976	442,309	(503,644)	(66,243)	437,401
Other financing sources (uses):						
Operating transfers-in	30,000	30,000	-	21,700	21,700	-
Operating transfers-out	(21,700)	(21,700)	-	-	-	-
Total other financing sources (uses)	8,300	8,300	-	21,700	21,700	-
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(197,033)	245,276	442,309	(481,944)	(44,543)	437,401
Fund balances at beginning of year	926,607	926,607	-	393,580	393,580	-
Prior year encumbrances approriated	50,148	50,148	-	16,329	16,329	-
Fund balances at end of year	$ 779,722	1,222,031	442,309	(72,035)	365,366	437,401

See accompanying notes to financial statements.

Debt Service Funds			Capital Projects Funds			Expendable Trust Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
125,700	121,851	(3,849)	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	692	692	-	15	15
125,700	121,851	(3,849)	-	692	692	-	15	15
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
550	260	290	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
			-	-		-	-	
81,333	81,333	-	-	-	-	-	-	-
43,200	39,012	4,188	-	-	-	-	-	-
125,083	120,605	4,478	-	-	-	-	-	-
617	1,246	629	-	692	692	-	15	15
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
617	1,246	(2,039)	-	692	692	-	15	15
31,221	31,221	-	(19,645)	(19,645)	-	78	78	-
-	-	-	-	-	-	-	-	-
31,838	32,467	(2,039)	(19,645)	(18,953)	692	78	93	15

CITY OF TRENTON, OHIO
Combined Statement of Revenues, Expenses and
Changes in Retained Earnings
All Enterprise Funds
For the Year Ended December 31, 2003

Operating revenues:	
Charges for services	$ 2,794,128
Other operating revenues	147
Total operating revenues	2,794,275
Operating expenses:	
Personal services	778,999
Contractual services	1,096,349
Depreciation	216,577
Other expenses	248,041
Total operating expenses	2,339,966
Operating income	454,309
Non-operating revenues:	
Interest	219
Total non-operating revenues	219
Net income before operating transfers	454,528
Operating transfers:	
Operating transfers - out	30,000
	30,000
Net income	424,528
Retained earnings at beginning of year	5,287,684
Retained earnings at end of year	$ 5,712,212

See accompanying notes to financial statements.

CITY OF TRENTON, OHIO

Combined Statement of Revenues, Expenses and Changes in
Fund Equity - Budget and Actual (Budget Basis)
All Enterprise Funds
For the Year Ended December 31, 2003

	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Charges for services	$ 2,721,930	2,781,087	59,157
Interest	800	219	(581)
Other operating revenues	14,510	147	(14,363)
Total revenues	2,737,240	2,781,453	44,213
Expenses:			
Personal services	806,019	766,230	39,789
Contractual services	1,170,800	1,100,811	69,989
Other expenses	641,573	321,005	320,568
Debt Service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenses	2,618,392	2,188,046	430,346
Excess of revenues over (under) expenses before other financing sources (uses):	118,848	593,407	474,559
Other financing sources (uses):			
Proceeds from notes payable	-	655,000	655,000
Operating transfers - out	(30,000)	(30,000)	-
Excess of revenues over (under) expenses and operating transfers	88,848	1,218,407	1,129,559
Fund equity at beginning of year	1,857,506	1,857,506	-
Fund equity at end of year	$ 1,946,354	3,075,913	1,129,559

See accompanying notes to financial statements.

CITY OF TRENTON, OHIO
Combined Statement of Cash Flows
All Enterprise Funds
For the Year Ended December 31, 2003

Increase (decrease) in cash and cash equivalents:	
Cash flows from operating activities:	
Cash received from customers	$ 2,799,384
Cash payments for employee services and benefits	(766,230)
Cash payments to suppliers for goods and services	(1,356,355)
Net cash provided by operating activities	676,799
Cash flows from non-capital financing activities:	
Operating transfers	(30,000)
Net cash used by non-capital financing activities	(30,000)
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(65,461)
Proceeds from issuance of notes	655,000
Net cash provided by capital and related financing activities	589,539
Cash flows from investing activities:	
Interest	219
Net cash provided by investing activities	219
Net increase in cash and cash equivalents	1,236,557
Cash and cash equivalents at beginning of year	1,555,741
Cash and cash equivalents at end of year	$ 2,792,298
Reconciliation of operating income to net cash provided operating activities:	
Operating income	$ 454,309
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	216,577
Changes in assets and liabilities:	
Increase in accounts receivable	(16,421)
Increase in deposits	3,380
Increase in accounts payable	489
Increase in accrued wages	2,475
Increase in compensated absences	15,990
Net cash provided by operating activities	$ 676,799

See accompanying notes to financial statements.

CITY OF TRENTON, OHIO

Notes to Financial Statements

1. Reporting Entity and Basis of Presentation:

The City of Trenton (the "City") is a home rule municipal corporation organized under the laws of the State of Ohio 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

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds and departments that are not legally separate from the City. For the City, these services include the police force, fire fighting and prevention force, maintenance and construction of public improvements, water and wastewater treatment, recreation and parks, and other general government services.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves their budget, the issuance of their debt or the levying of their taxes for the organization. The City does not have any component units included in its reporting entity.

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

The City is associated with one organization which is defined as a jointly governed organization, the Ohio-Kentucky-Indiana Regional Council of Governments (OKI), and one organization that is defined as an insurance purchasing pool, the Ohio Municipal League Workers' Compensation Group Rating Plan (GRP). These organizations are presented in Notes 16 and 17 of the General Purpose Financial Statements.

Basis of presentation – fund accounting

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

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

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

Governmental fund types

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

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

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

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

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

Proprietary fund type

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

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

Fiduciary fund types

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

Account groups

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

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

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

2. Summary of Significant Accounting Policies:

The financial statements of the City of Trenton have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to the enterprise funds provided they do not conflict with or contradict GASB pronouncements. The more significant of the City's accounting policies are described below.

Measurement focus and basis of accounting

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

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

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

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the City is thirty-one days after year-end.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, includes income tax, property tax, grants, entitlements and donations. On an accrual basis, revenue from income tax is recognized in the year in which the imposed tax takes place and revenue from property tax is recognized in the year in which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which the eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the City must provide local resources, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

The City reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability of deferred revenue is removed from the combined balance sheet and revenue is recognized. Current and delinquent property taxes measurable as of December 31,2003, whose availability is indeterminable and which are intended to finance fiscal year 2004 operations have been recorded as a receivable and deferred revenue. Levied special assessments are measurable and have also been recorded as a receivable and deferred revenue.

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

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

Budgetary data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated.

Tax budget

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

Estimated resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by October 1. As part of this certification, the City receives the official certificate of estimated resources that states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation ordinance. On or about January 1, the certificate of estimated resources is amended to include unencumbered fund balances at December 31 of the preceding year. The certificate may be further amended during the year if the fiscal officer determines, and the Budget Commission agrees, that an estimate needs to be either increased or decreased.

Appropriations

A temporary appropriation measure to control expenditures may be passed on or about January 1 of each year for the period from January 1 to March 31. The annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance fixes spending authority at the fund, department and object level. The appropriation ordinance may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The allocation of appropriations among departments and objects within a fund may be modified with approval of City Council. During the year several supplemental appropriation measures were passed. The budget figures, which appear in the statements of budgetary comparisons, represent the final appropriation amounts, including all amendments and modifications.

Encumbrances

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

Lapsing of appropriations

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

Cash and cash equivalents

Cash balances of the City's funds, except cash held by the fiscal agent, are pooled and invested in short-term investments in order to provide improved cash management. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the combined balance sheet. 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 during 2003 was $75,288.

During 2003, 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.

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

Fixed assets and depreciation

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

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

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

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

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

Compensated absences

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

Sick leave benefits are accrued using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at year end, taking into consideration any limits specified in the City's termination policy. The City records a liability for accumulated unused sick leave for employees after ten years of current service with the City.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The remainder is reportable in the general long-term obligations account group. The City did not have any current unpaid compensated absences at December 31, 2003. In enterprise funds, the entire amount of compensated absences is reported as a fund liability.

Long-term obligations

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

Interfund transactions

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

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

Capitalization of interest

The City's policy is to capitalize net interest on enterprise fund construction projects until substantial completion of the project. The amount of capitalized interest equals the difference between the interest cost associated with the tax-exempt borrowing used to finance the project and the interest earned from temporary investments of the debt proceeds over the same period. Capitalized interest is amortized on the straight-line basis over the estimated useful life of the asset. For 2003, no material interest costs were incurred on construction projects in enterprise funds.

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.

Contributed capital

Contributed capital represents resources from other funds, federal and state grants, other governments, and private sources provided to the City's proprietary funds that are not subject to repayment.

Total columns on general purpose financial statements

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

3. Budget to GAAP Reconciliation:

Budgetary basis of accounting

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

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

3. Outstanding year-end encumbrances are treated as expenditures/expenses (budget basis) rather than as a reservation of fund balance for governmental funds and as note disclosures in the enterprise funds (GAAP basis).

4. For enterprise funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

5. Proceeds from and principal payments on short-term note obligations are reported on the operating statement (budget basis) rather than as a balance sheet transaction (GAAP Basis).

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

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

	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
GAAP Basis	$ 208,459	(48,675)	1,246	692	15
Adjustments:					
Revenue Accruals	(18,078)	(4,455)	-	-	-
Expenditure Accruals	4,747	(7,742)	-	-	-
Encumbrances	50,148	16,329	-	-	-
Budget Basis	$ 245,276	(44,543)	1,246	692	15

Net Income/Excess of Revenues
Over Expenses
All Enterprise Funds

GAAP Basis	$ 424,528
Adjustments:	
Revenue Accruals	(13,041)
Proceeds of notes	655,000
Expense Accruals	804
Capital Outlay	(65,461)
Depreciation	216,577
Budget Basis	$ 1,218,407

4. Deposits and Investments:

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

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

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, 2003.

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

1. Negotiable direct obligations of the U.S. or obligations issued by Federal agencies the principal and interest of which are unconditionally guaranteed by the United States;

2. Obligations of Federal agencies and instrumentalities, whether or not they are guaranteed by the United States, including, but not limited to, obligations of the Government National Mortgage Association (GNMA), Small Business Administration (SBA), Federal Housing Administration (FHA), General Services Administration (GSA), Federal National Mortgage Association, (FNMA), Federal Home Loan Mortgage Corporation (FHLMC), Student Loan Marketing Association (SLMA), Federal Home Loan Bank (FHLB), Federal Farm Credit Banks (FFCB), and Export Import Bank;

3. Non-negotiable and negotiable interest bearing time certificates of deposit and saving accounts;

4. Money market fund portfolios consisting of the items listed in 1 to 3; and

5. The State Treasurer's investment pool (STAR Ohio)

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City.

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.

Deposits

At year-end, the carrying amount of the City's deposits was $3,427,464 and the bank balance was $3,542,182. Of the bank balance, $473,743 was covered by federal deposit insurance. The remaining amount, $3,023,523, was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust departments in the City's name and all state statutory requirements for the investment of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the Federal Deposit Insurance Corporation.

Investments

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

	Category 2	Unclassified	Fair Value
Government securities	$ 797,385	-	797,385
STAR Ohio	-	91,444	91,444
Total	$ 797,385	91,444	888,829

The City had $3,504,196 in cash and securities at year-end with Morgan Stanley, Smith Barney and Merrill Lynch. The securities are categorized as Cash and Category 2 investments and are covered by SIPC (Securities Investor Protection Corporation) and insurance coverage provided by a third party.

5. Property Taxes:

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by

State law at 35 percent of appraised market value. All property is required to be revalued every six years. The last reevaluation was completed in 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.

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, 2003, was $5.91 per $1,000 of assessed valuation. The assessed values of real and tangible personal property upon which 2003 property tax receipts were based are as follows:

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

Property taxes receivable represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies that are measurable as of December 31, 2003. 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 2003 operations. The receivable is therefore offset by a credit to deferred revenue.

6. Income Tax:

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

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

Income tax proceeds are to be used to pay the cost of administering the tax, general fund operations, capital improvements, debt service and other governmental functions when needed, as determined by Council. In 2003, the proceeds were allocated to the general fund. Income tax revenue for 2003 was $1,177,871.

7. Receivables:

Receivables at December 31, 2003, consisted of property taxes, income taxes, special assessments, intergovernmental receivables arising from grants, entitlements and shared revenues, interest on investments and utility accounts. All receivables are considered fully collectible.

A summary of intergovernmental receivables follows:

General Fund	
Local Government Revenue Assistance	$ 29,502
Liquor permit fees	402
Undivided Local Government	111,917
Total General Fund	141,821
Special Revenue Funds	
Street Maintenance and Repair	
State Gasoline Excise Tax	53,645
Municipal Cents-Per-Gallon	46,520
Motor Vehicle Registration	23,978
Total Street Maintenance and Repair Fund	124,143
State Highway Improvement Fund	
State Gasoline Excise Tax	4,350
Motor Vehicle Registration	1,944
Municipal Cents-Per-Gallon	3,772
Total State Highway Fund	10,066
Municipal Motor License Permissive Tax	27,151
Total Special Revenue Funds	161,360
Total All Funds	$ 303,181

8. Fixed Assets:

Changes in general fixed assets during the year ended December 31, 2003, were as follows:

Asset Category	Balance at December 31, 2002	Additions	Deletions	Balance at December 31, 2003
Land	$ 517,766	-	-	517,766
Buildings	1,780,801	-	-	1,780,801
Equipment, Furniture and Vehicles	2,372,430	440,032	-	2,812,462
Totals	$ 4,670,997	440,032	-	5,111,029

A summary of the enterprise funds' fixed assets at December 31, 2003 follows:

Land	$ 43,250
Buildings	176,830
Water and Sewer Lines	4,442,629
Equipment, Furniture, & Vehicles	1,348,071
Total	6,010,780
Less: Accumulated Depreciation	(2,415,464)
Net Fixed Assets	$ 3,595,316

9. 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.

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% 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, 2003, the members of all three plans were required to contribute 8.5 percent of their annual covered salary. The City's employer rate for 2003 was 13.55 percent and 4% 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% of employer contributions for the periods ending December 31, 2003, 2002, and 2001 were $92,328, $52,190, and $20,844, respectively. The full amount has been contributed for 2003, 2002 and 2001.

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% for police and 24% for firefighters. The City's contributions to OP&F for the years ending December 31, 2003, 2002, and 2001 were $60,971, $50,526 and $41,542. The full amount has been contributed for 2003, 2002, and 2001.

10. 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 13.31% of covered payroll; 4% of covered payroll was the portion that was used to fund health care.

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% compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50% and 6.3% 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.

The number of active contributing participants was 369,885. Actual employer contributions for 2003 which were used to fund OPEB were $86,342. The actual contribution and the actuarially required contribution amounts were the same. OPERS net assets available for payment of benefits at December 31, 2003 (the latest information available) were $10.5 billion. The actuarially accrued liability and the unfunded actuarially accrued liability were $26.9 billion and $16.4 billion, respectively.

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.

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 2003 that were used to fund postemployment benefits were $56,779 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.

11. Other Employee Benefits:

Compensated absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. City employees earn vacation leave at varying rates based upon length of service. Accumulated unused vacation time is paid to employees upon termination of employment. Full time employees of the City of Trenton are credited with sick leave of eighty hours per year. Sick leave may be accumulated up to 1200 hours.

Upon retirement, payment is made to employees with ten or more continuous years of service with the City for one-half of the total sick leave accumulation. In addition, full time employees receive thirty-two hours of personal leave each year. Personal leave hours do not accumulate except that a maximum of sixteen hours may be carried forward at the end of each year. In addition, City employees may convert personal leave hours to sick leave hours at a one to two ratio.

Insurance benefits

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

12. Risk Management:

Property and liability

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

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

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

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

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

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

Workers' compensation

For fiscal year 2003 the City participated in the Ohio Municipal League of Ohio Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the City by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating cities is calculated as one experience and a common premium rate is applied to all cities in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to cities that can meet the GRP's selection criteria. The firm of Gates McDonald provides administrative, cost control and actuarial services to the GRP.

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

13. Capital Leases - Lessee Disclosure:

In 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.

The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. New capital leases are reflected in the accounts "capital outlay" and "inception of capital lease" in the fund that will be making the payment. Equipment acquired by the lease has been capitalized in the general fixed assets account group in the amount of $492,000, equal to the present value of the future minimum lease payments at the time of acquisition.

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, 2003:

For the Year Ending December 31,	GLTDAG
2004	$ 92,536
2005	46,268
Subtotal	138,804
Less: Amount Representing Interest	(7,107)
Present Value of Minimum Lease Payments	$ 131,697

14. Long-Term Obligations:

Changes in long-term obligations during 2003 were as follows:

	Balance at December 31, 2002	Increases	Decreases	Balance at December 31, 2003
Special Assessment Bond – 7.75%	$ 75,000	-	15,000	60,000
General Obligation Bond – 4.40% to 4.97%	729,668	-	66,333	663,335
Capital Leases	213,876	-	82,179	131,697
Compensated Absences Payable	172,216	3,723	-	175,939
Total-General Long-Term Obligations	$ 1,190,760	3,723	163,512	1,030,971

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.

Compensated absences will be paid from the fund from which the employee is paid. The governmental funds pay all compensated absences, since the enterprise funds only pay salaries based on-the number of hours worked by governmental fund employees. The capital lease will be paid from the municipal building improvement capital projects fund.

Changes in the long-term obligations reported in the water fund during 2003 were as follows:

	Balance at December 31, 2002	Increases	Decreases	Balance at December 31, 2003
Various Purpose Bond Anticipation Notes	$ -	655,000	-	$ 655,000

The notes carry an interest rate of 2% and are due in December 2004.

As of December 31, 2003, the City's overall voted legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was $7,988,591 and the unvoted legal debt margin was $3,706,017.

Principal and interest requirements to retire the City's outstanding obligations at December 31, 2003, were:

	Special Assessment Bond	Bond	General Obligation Total
2004	$ 19,699	96,848	116,547
2005	19,055	93,797	112,852
2006	18,345	90,445	108,790
2007	14,526	87,394	101,920
2008	-	84,343	84,343
2008-2013	-	304,894	304,894
Total	$ 71,625	757,721	829,346

15. Segment Information:

The City's enterprise funds account for the provision of water, sewer, and refuse collection services. Key financial information as of and for the year ended December 31, 2003, for each enterprise fund is as follows:

	Water Fund	Sewer Fund	Refuse Fund	Stormwater Phase II
Operating Revenues	$ 896,295	1,136,035	606,266	155,679
Operating Expenses Before Depreciation	523,168	1,004,378	563,168	32,675
Depreciation Expense	134,657	81,019	901	-
Operating Income (Loss)	238,470	50,639	42,197	123,004
Net Non-Operating Revenues (Expenses)	219	-	-	-
Transfers Out	(10,000)	(10,000)	(10,000)	-
Net Income (Loss)	228,689	40,638	32,197	123,004
Additions to Property, Plant and Equipment	41,517	23,265	679	-
Net Working Capital	1,864,289	716,933	172,203	123,004
Total Assets	4,785,248	1,470,200	185,980	123,185
Total Equity	4,039,944	1,407,266	156,998	123,004

16. Jointly Governed Organization:

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

OKI contracts periodically for local funds and other support with the governing board of each of the counties who are members of OKI or with such other persons as may be appropriate to provide such funds and support. The support is based on the population of the area represented. A Board of Trustees was created for conducting the activities of the OKI. This Board consists of one elected official of each county-and-municipal corporation, one individual selected by each County planning agency or commission and one person selected by each planning agency or commission of each municipal corporation located in each member county. This Board of Trustees then selects not more than ten residents of the OKI Region. The total membership of the Board of Trustees shall not exceed 100. Any member of OKI may withdraw its membership upon written notice to OKI to be effective two years after receipt of the notice by OKI. If the organization were to dissolve, OKI's net assets shall revert to the said public bodies in proportion to each body's contribution towards the assets.

Payments to OKI are made from the general fund. No contributions to OKI were made during 2002. To obtain financial information, write to the Ohio-Kentucky-Indiana Regional Council of Governments at 801-B W. Eighth St. - Suite 400, Cincinnati, Ohio, 45203.

17. 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.

18. 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.

Federal and state grants

For the period January 1, 2003 to December 31, 2003, the City received federal and state grants for specific purposes that are subject to review and audit by grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

19. Subsequent Event:

On June 4, 2004, the City issued $7,700,000 in water improvement revenue bonds. The bonds have a stated interest rate of 2.00 – 5.25% and will be repaid from water enterprise fund revenue beginning in 2005 through 2024.

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

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 Audit Standards*

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

We have audited the financial statements of the City of Trenton, Ohio (the City) as of and for the year ended December 31,2003, and have issued our report thereon dated December 8, 2004. 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 a certain matter involving internal control over financial reporting and its operation that we consider a reportable condition. 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 the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings and responses as item 39289-002.

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 to be material weaknesses. We believe the reportable condition described above is a material weakness.

We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the City in a separate letter dated December 8, 2004.

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 39289-001.

We also noted certain immaterial instances of noncompliance that we have reported to the management of the City in a separate letter dated December 8, 2004.

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

Clark, Schaefer, Hackett & Co.

Middletown, Ohio
December 8, 2004

SCHEDULE OF FINDINGS

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

39289-001 (Compliance - Budgetary)

Per Ohio Revised Code Section 5705.39, appropriations from each fund should not exceed estimated resources. However, we noted instances during the year, and at year-end, in which the City amended appropriations but did not amend the corresponding estimated resources, causing appropriations to exceed estimated resources. As of December 31, 2003, appropriations exceeded estimated resources in the following funds:

	Estimated Resources	Appropriations	Variance
Special Revenue Funds:			
County Motor Vehicle License	-	250,000	(250,000)
Municipal Motor License	168,431	190,000	(21,569)
City Employee	1,980	3,000	(1,020)
Enforcement and Education	1,253	8,000	(6,747)
Fire Levy	197,561	389,830	(192,269)
SR73 Repaving	-	364,920	(364,920)
CDBG SR73	-	126,500	(126,500)
Furtherance of Justice	1,106	5,400	(4,294)
Enterprise Fund:			
Stormwater Phase II	-	169,150	(169,150)

39289-002 (Internal Control Over Financial Reporting – Bank Reconciliations)

During our audit fieldwork, we noted that the December 31, 2003 bank reconciliations were not completed until November, 2004. Bank reconciliations for all accounts should be completed in a timely manner.

Auditor of State
Betty Montgomery

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CITY OF TRENTON

BUTLER COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MAY 24, 2005