

CITY OF TRENTON, OHIO

Basic Financial Statements

December 31, 2008



Mary Taylor, CPA
Auditor of State

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

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, 2008 through December 31, 2008. 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.

Mary Taylor

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Auditor of State

July 14, 2009

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CITY OF TRENTON, OHIO
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

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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 as of and for the year ended December 31, 2008, which collectively comprise the City of Trenton, Ohio's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Trenton, Ohio'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 of Trenton, Ohio, as of December 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparisons for the General Fund, Street Fund and Fire Levy Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2009, on our consideration of the City of Trenton, Ohio'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 conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 3 through 12 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.

Bastin & Company, LLC

Cincinnati, Ohio
June 19, 2009



CITY OF TRENTON, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
(UNAUDITED)

The discussion and analysis of the City of Trenton's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2008. 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 2008 are as follows:

- The assets of the City exceeded its liabilities at the close of the year ended December 31, 2008, by \$10,973,729 (net assets). Of this amount, \$2,700,111 (governmental unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors, and \$2,813,405 is classified as unrestricted in the business-type activities.
- The City's total net assets decreased by \$12,890, which represents a 0.11% decrease from 2007. This decrease can be attributed to the normal operating procedures for the City in which more funds were expended than received, mainly in expenses related to the street resurfacing projects.
- At the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$3,002,243. Of this amount \$2,249,392 is available for spending (unreserved fund balance) on behalf of its citizens, mainly for the necessary services, such as law enforcement and general government operations.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$2,249,392 or 84.67% of total General Fund expenditures.
- The City's major enterprise funds reflected positive ending net assets: Water Fund \$2,519,832; Sewer Fund \$1,608,408; and Refuse Fund \$203,455.

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

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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.

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 2008?" 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

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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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.

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, Fire Levy, Water, Sewer and Refuse funds.

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

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

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

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

Fiduciary Funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The City maintains two fiduciary agency funds: Municipal Mayor's Court that accounts for the collection and distribution of court fines and forfeitures and an unclaimed monies fund used to account for various funds the City holds but doesn't have legal title. Agency funds have no measurement focus and use the full accrual basis of accounting.

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

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

Government-Wide Financial Analysis

As noted earlier, net 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 \$10,973,729 (\$6,204,533 in governmental activities and \$4,769,196 in business-type activities) as of December 31, 2008. The City reflects an investment in capital assets (e.g., land, buildings, machinery and equipment) less any related debt used to acquire those assets that are still outstanding of \$4,026,630. 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 2008 compared to 2007.

	Governmental Activities		Business-Type Activities		Total	
	2008	Restated 2007	2008	Restated 2007	2008	Restated 2007
Current and Other Assets	\$4,328,425	\$3,961,261	\$4,081,554	\$3,901,997	\$8,409,979	\$7,863,258
Capital Assets	3,150,829	3,332,398	10,946,824	11,228,498	14,097,653	14,560,896
Total Assets	<u>7,479,254</u>	<u>7,293,659</u>	<u>15,028,378</u>	<u>15,130,495</u>	<u>22,507,632</u>	<u>22,424,154</u>
Long-term liabilities	594,473	540,771	7,560,601	7,684,755	8,155,074	8,225,526
Other liabilities	680,248	629,600	2,698,581	2,582,409	3,378,829	3,212,009
Total Liabilities	<u>1,274,721</u>	<u>1,170,371</u>	<u>10,259,182</u>	<u>10,267,164</u>	<u>10,259,182</u>	<u>11,437,535</u>
Nets Assets:						
Invested in capital assets, net of related debt	2,700,111	2,927,621	1,326,519	1,589,240	4,026,630	4,516,861
Restricted	743,871	657,336	629,272	543,775	1,373,143	1,201,111
Unrestricted	2,760,551	2,538,331	2,813,405	2,730,316	5,573,956	5,268,647
Total Net Assets	<u>\$6,204,533</u>	<u>\$6,123,288</u>	<u>\$4,769,196</u>	<u>\$4,863,331</u>	<u>\$10,973,729</u>	<u>\$10,986,619</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 \$1,373,143 or 12.51% of net assets. The remaining unrestricted \$5,573,956 net assets may be used to meet the City's ongoing obligations to its citizens and creditors and for business-type activities.

During 2008, the City saw depreciation exceed the capital additions resulting in a total decrease in capital assets of \$463,243. The City actually saw unrestricted cash increase by \$188,922 over the prior year due to increased revenues. The City continued to pay down the outstanding debt reducing total long term liabilities by 0.86% from the prior year.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
(UNAUDITED)

Statement of Activities

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program Revenues:						
Charges for Services	\$515,401	\$473,957	\$3,701,378	\$3,514,329	\$4,216,779	\$3,988,286
Operating Grants and Contributions	603,661	546,446	0	0	603,661	546,446
Capital Grants and Contributions	0	0	53,256	5,755	53,256	5,755
General Revenues:						
Income Taxes	1,519,069	1,399,908	0	0	1,519,069	1,399,908
Property Taxes	522,912	505,588	0	0	522,912	505,588
Other Taxes	214,940	281,818	0	0	214,940	281,818
Unrestricted Grants	411,891	362,446	0	0	411,891	362,446
Investment Earnings	236,355	344,683	13,916	35,146	250,271	379,829
Other Revenues	80,152	36,628	0	0	80,152	36,628
Total Revenues	4,104,381	3,951,474	3,768,550	3,555,230	7,872,931	7,506,704
Expenses:						
Security of Persons and Property	2,495,850	2,743,866	0	0	2,495,850	2,743,866
Public Health and Welfare	72,783	57,681	0	0	72,783	57,681
Leisure Time Activities	100,277	117,525	0	0	100,277	117,525
Community Environment	319,660	129,748	0	0	319,660	129,748
Transportation	438,474	370,990	0	0	438,474	370,990
General Government	508,639	532,800	0	0	508,639	532,800
Other	65,594	55,109	0	0	65,594	55,109
Interest and Fiscal Charges	21,859	22,639	0	0	21,859	22,639
Water	0	0	1,491,381	1,474,898	1,491,381	1,474,898
Sewer	0	0	1,314,462	1,260,539	1,314,462	1,260,539
Stormwater Management	0	0	162,176	150,706	162,176	150,706
Refuse	0	0	858,738	726,213	858,738	726,213
Utility Trust	0	0	35,928	33,416	35,928	33,416
Total Expenses	4,023,136	4,030,358	3,862,685	3,645,772	7,885,821	7,676,130
Change in Net Assets	81,245	(78,884)	(94,135)	(90,542)	(12,890)	(169,426)
Beginning Net Assets	6,123,288	6,202,172	4,863,331	4,953,873	10,986,619	11,156,045
Ending Net Assets	\$6,204,533	\$6,123,288	\$4,769,196	\$4,863,331	\$10,973,729	\$10,986,619

Governmental Activities

The main focus of governmental activities is security of persons and property, which represents the police and fire services of the City. For 2008, the expenses were \$2.50 million, representing 61.65% (9.44% decrease from 2007) of governmental activity spending, yielding a reliance on general revenues to fund the program of approximately \$2.12 million after direct support to their programs.

The transportation function receives state shared revenues related to the activities and was able to generate net revenue at the end of the year for \$81,359 mainly due to state shared revenues and the capitalization of some of the expenses as capital assets.

CITY OF TRENTON, OHIO
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Business-Type Activities

The City's business-type activities include the water, sewer, refuse, utility deposits and stormwater management systems. The Sewer, Stormwater Management and Refuse Funds were able to boast positive net revenue amounts of \$128,920, \$35,959 and \$59,154, respectively. The Water and Utility Deposit funds produced negative net revenues resulting in a combined change in net assets figured to (\$94,135), with the water operations posting a negative change in net assets of \$295,259 due in part to current year depreciation recognized in the fund.

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 2008, the City's governmental funds reported combined ending fund balances of \$3.00 million. Approximately \$2.96 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.

The General Fund is the chief operating fund of the City. As of December 31, 2008, the unreserved General Fund balance was \$2.25 million with a total fund balance of \$2.26 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 75.51% of the total expenditures and other financing uses, while total fund balance represents 75.92% of that same amount.

During 2008, the City's General Fund ending balance increased by \$177,572 as revenues exceeded expenditures by \$487,359. This variance is really caused by the fund's transfer of monies to other operations of the City that needed the subsidized revenue of property and income taxes from the General Fund. The increase was attributed to the City receiving more revenues than spent during the year, although General Fund expenditures did increase 11.43% from 2007 as the City implemented some programs that have been delayed in prior years. Despite difficult financial times, the City increased revenues by just under \$10,000 from 2007.

CITY OF TRENTON, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
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The City's other major governmental funds were the Street and Fire Levy Funds. The Street Fund receives the majority of revenue from gas tax and motor vehicle licenses intergovernmental receipts (94.72%). The Street Fund is also responsible for maintenance on most of the City streets. For 2008, revenues exceeded expenditures by \$38,409, eliminating any need of the General Fund transferring monies.

The City recognizes a new major fund for 2008 in the Fire Levy Fund as the total expenditures met the requirements for classification. The fund receives the majority of the revenue from EMS service calls (98.69%). The Fire Levy Fund spends the majority of the funds each year on activities that support the community.

The City saw the fund balance in the nonmajor funds increase by \$27,685, with General Fund transfers of \$0.17 million into those nonmajor funds to help support the specific programs. No one fund either produced or drew funds out too much more than other funds. The largest two funds, Municipal Motor License Tax and Parks and Recreation, both saw positive changes.

General Fund Budgeting Highlights

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

During the course of 2008, the City amended its total and General Fund budget several times, the most significant noted below. All recommendations for the budget came from the City Manager after consultation with individual directors and the Finance Department before submission to City Council. The City Council also ministerially approves small interdepartmental budget changes that modify line items within departments within the same fund.

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

The following table summarizes the major revenue sources and expenditures from original to final budget for 2008:

CITY OF TRENTON, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Description	Original Budget	Final Budget	Change
Revenues:			
Property and Other Taxes	\$512,030	\$530,000	\$17,970
Income Taxes	1,459,321	1,510,538	51,217
Intergovernmental	412,860	427,350	14,490
Other	630,439	652,566	22,127
Total Revenues	3,014,650	3,120,454	105,804
Expenditures:			
Security of Persons/Property	2,045,948	2,053,390	7,442
Public Health and Welfare	110,444	110,847	403
Community Environment	321,837	323,009	1,172
General Government	533,461	535,389	1,928
Other Expenditures	99,437	99,800	363
Total Expenditures	3,111,127	3,122,434	11,307

The City amended the original revenue budget several times as the City saw increases across all revenue line items with the different state law changes and the City's income tax collections exceed the prior year month over month.

For expenditures, the City had spent significant time at the department level to determine the initial budget and only needed to modify it in total by less than one percent during the year. The following table summarizes the major revenue sources and expenditures from final budget to actual results for 2008:

Description	Final Budget	Actual	Change
Revenues:			
Property and Other Taxes	\$530,000	\$527,426	(\$2,574)
Income Taxes	1,510,538	1,541,518	30,980
Intergovernmental Revenue	427,350	420,221	(7,129)
Other Revenues	652,566	650,274	(2,292)
Total Revenues	3,120,454	3,139,439	18,985
Expenditures:			
Security of Persons/Property	2,053,390	1,974,885	78,505
Public Health and Welfare	110,847	62,904	47,943
Community Environment	323,008	150,491	172,517
General Government	535,389	423,890	111,499
Other Expenditures	99,800	61,862	37,938
Total Expenditures	3,122,434	2,674,032	448,402

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The City had amended the final revenue budget to reflect slight changes from the original tax budget. By the end of the year, the City had collected just under the intergovernmental revenue line due to state reimbursements, phased out tax revenues and decreased local government revenues compared to the budgeted amount.

The City continued to reduce final expenditures across all functions from final budget amounts in an effort to protect the City's operating fund balance. The City emphasized reducing the operating budget by year end and was successful in bringing actual costs in under that economic decision. For fiscal year 2008, this effort resulted in the GAAP basis General Fund unrestricted cash increasing \$132,215 from 2007.

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, 2008, amounts to \$4.02 million (net of accumulated depreciation and related debt). This investment in capital assets includes land, buildings and systems, improvements, equipment and machinery.

Note 9 (Capital Assets) provides capital asset activity during 2008. The City has had limited funding to provide for governmental capital asset acquisition and construction. The City saw government-wide capital assets decrease by \$181,569 after current year depreciation. For more information on the governmental and business-type capital assets see Note 9 in the notes to the financial statements.

Long-term Debt: At the end of 2008, the City had general obligation bonds and loans outstanding of \$0.45 million in governmental activities, an increase of \$0.05 million from 2007 as the City issued two new issues. The City had \$7.39 million in revenue bonds outstanding on the water system improvements. See Notes 14 and 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 11,000 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 MillerCoors Brewery is located just outside of the City's southeastern corner. Despite being located fifteen minutes from Interstate 75, the City's income tax revenue rose by 8.51% from 2007 and continues to support the governmental functions of the City.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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The City continues to promote itself to business owners trying to increase retail and industrial growth. The City's outer limits are prime areas for development and will continue to emphasize those types of developments as the City has started to create a focus on creating an industrial park type development in the southeastern corner. The City continues to work through its economic development department to market City owned land and other industrial land to insure the City's tax base will grow in the future.

Requests for Information

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

CITY OF TRENTON, OHIO
STATEMENT OF NET ASSETS
DECEMBER 31, 2008

	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$ 2,920,075	\$ 2,817,259	\$ 5,737,334
Restricted Cash and Cash Equivalents	-	629,272	629,272
Receivables (net of allowance for doubtful accounts):			
Taxes - Real and Personal Property	551,122	-	551,122
Taxes - Municipal Income	121,546	-	121,546
Accounts	156,165	320,961	477,126
Interest	40,385	-	40,385
Special Assessments	6,267	50,785	57,052
Due from Other Governments	532,865	-	532,865
Bond Issuance Costs	-	263,277	263,277
Nondepreciable Assets:			
Land	369,473	2,810,498	3,179,971
Depreciable Assets:			
Plant	-	5,336,768	5,336,768
Water and Sewer Lines	-	4,516,492	4,516,492
Buildings and Improvements	1,683,944	-	1,683,944
Improvements other than Buildings	663,018	40,980	703,998
Furniture, Equipment and Vehicles	2,565,102	1,704,521	4,269,623
Less: Accumulated Depreciation	(2,130,708)	(3,462,435)	(5,593,143)
Total Assets	<u><u>7,479,254</u></u>	<u><u>15,028,378</u></u>	<u><u>22,507,632</u></u>
Liabilities:			
Accounts Payable	40,446	40,856	81,302
Contracts Payable	-	46,513	46,513
Accrued Wages and Benefits	108,520	47,129	155,649
Due to Other Governments	581	81,481	82,062
Deposits Payable	-	49,074	49,074
Notes Payable	-	2,385,000	2,385,000
Accrued Interest Payable	2,747	48,528	51,275
Unearned Revenue	527,954	-	527,954
Long Term Liabilities due within 1 year	144,751	188,147	332,898
Long Term Liabilities due over 1 year	449,722	7,372,454	7,822,176
Total Liabilities	<u><u>1,274,721</u></u>	<u><u>10,259,182</u></u>	<u><u>11,533,903</u></u>
Net Assets:			
Investment in Capital Assets, net related debt	2,700,111	1,326,519	4,026,630
Restricted:			
Transportation	466,832	-	466,832
Culture and Recreation	42,041	-	42,041
Protection of Citizens	140,130	-	140,130
Debt Service	33,506	629,272	662,778
Capital Improvements	61,362	-	61,362
Unrestricted	2,760,551	2,813,405	5,573,956
Total Net Assets	<u><u>6,204,533</u></u>	<u><u>4,769,196</u></u>	<u><u>10,973,729</u></u>
Total Net Assets and Liabilities	<u><u>\$ 7,479,254</u></u>	<u><u>\$ 15,028,378</u></u>	<u><u>\$ 22,507,632</u></u>

See accompanying notes to the basic financial statements

**CITY OF TRENTON, OHIO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008**

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	Primary Government Business-Type Activities	Total
Governmental Activities:						
Security of Persons and Property	\$ 355,120	\$ 25,116	\$ -	\$ (2,115,614)	\$ -	\$ (2,115,614)
Public Health and Welfare	-	40,693	-	(32,090)	-	(32,090)
Leisure Time Activities	17,461	18,000	-	(64,816)	-	(64,816)
Community Environment	36,530	-	-	(283,130)	-	(283,130)
Transportation	-	519,833	-	81,359	-	81,359
General Government	106,290	19	-	(402,330)	-	(402,330)
Other Expenditures	-	-	-	(65,594)	-	(65,594)
Interest and Fiscal Charges	-	-	-	(21,859)	-	(21,859)
Total Governmental Activities	515,401	603,661	-	(2,904,074)	-	(2,904,074)
Business-Type Activities:						
Water	1,183,718	-	-	-	(307,663)	(307,663)
Sewer	1,390,126	-	53,256	-	128,920	128,920
Stormwater Management	198,135	-	-	-	35,959	35,959
Refuse	917,892	-	-	-	59,154	59,154
Utility Trust	11,507	-	-	-	(24,421)	(24,421)
Total Business - Type Activities	3,701,378	-	53,256	-	(108,051)	(108,051)
Total	\$ 4,216,779	\$ 603,661	\$ 53,256	(2,904,074)	(108,051)	(3,012,125)
General Revenues:						
Income Taxes				1,519,069	-	1,519,069
Property Taxes				522,912	-	522,912
Estate Taxes				24,262	-	24,262
Franchise Fee Taxes				109,997	-	109,997
Payment in Lieu of Taxes				3,114	-	3,114
Permissive Sales Tax				77,567	-	77,567
Grants and Contributions not restricted to specific programs				411,891	-	411,891
Unrestricted investment earnings				236,355	13,916	250,271
Miscellaneous				80,152	-	80,152
Total General Revenues				2,985,319	13,916	2,999,235
Changes in Net Assets				81,245	(94,135)	(12,890)
Net Assets - Beginning				6,123,288	4,863,331	10,986,619
Net Assets - Ending				\$ 6,204,533	\$ 4,769,196	\$ 10,973,729

See accompanying notes to the basic financial statements

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**CITY OF TRENTON, OHIO
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2008**

	General	Street	Fire Levy	Other Governmental Funds
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 2,185,703	\$ 417,878	\$ 25,862	\$ 290,632
Receivables (net of allowance for doubtful accounts):				
Taxes - Real and Personal Property	551,122	-	-	-
Taxes - Municipal Income	121,546	-	-	-
Accounts	130,116	-	26,031	18
Interest	40,385	-	-	-
Special Assessments	-	-	-	6,267
Due from Other Governments	223,434	209,639	-	99,792
Total Assets	3,252,306	627,517	51,893	396,709
Liabilities:				
Accounts Payable	26,962	2,655	8,982	1,847
Accrued Wages and Benefits	76,379	8,232	19,738	4,171
Due to Other Governments	255	-	326	-
Deferred Revenue	887,066	175,633	16,268	97,668
Total Liabilities	990,662	186,520	45,314	103,686
Fund Balances:				
Reserved for Encumbrances	12,252	13,783	4,779	13,227
Unreserved, reported in:				
General	2,249,392	-	-	-
Special Revenue	-	427,214	1,800	191,515
Debt Service	-	-	-	36,253
Capital Projects	-	-	-	52,028
Total Fund Balances	2,261,644	440,997	6,579	293,023
Total Liabilities and Fund Balances	\$ 3,252,306	\$ 627,517	\$ 51,893	\$ 396,709

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, 2008**

Total Governmental Funds		
\$ 2,920,075	Fund Balances - Governmental Funds	\$ 3,002,243
	Amounts reported for governmental activities in the statement of net assets are different because:	
551,122		
121,546		
156,165	Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	3,150,829
40,385		
6,267		
532,865	Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	648,681
4,328,425		
	Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.	(597,220)
40,446		
108,520		
581		
1,176,635		
1,326,182		
44,041		
2,249,392		
620,529		
36,253		
52,028		
3,002,243		
\$ 4,328,425	Net Assets of governmental activities	\$ 6,204,533

CITY OF TRENTON, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008

	General	Street	Fire Levy	Other Governmental Funds
Revenues:				
Income Taxes	\$ 1,501,954	\$ -	\$ -	\$ -
Property and Other Taxes	527,426	-	2,855	-
Intergovernmental	419,020	426,156	-	185,249
Charges for Services	1,524	-	222,429	-
Licenses and Permits	202,248	-	-	-
Investment Earnings	219,321	12,418	-	4,616
Special Assessments	89,842	-	-	9,716
Fines and Forfeitures	107,835	-	-	4,258
Payment in Lieu of Taxes	-	-	-	3,114
All Other Revenues	74,775	11,323	102	7,091
Total Revenues	3,143,945	449,897	225,386	214,044
Expenditures:				
Current:				
Security of Persons and Property	1,975,054	-	203,783	11,023
Public Health and Welfare	63,524	-	-	-
Leisure Time Activities	-	-	-	79,334
Community Environment	149,452	-	135,719	-
Transportation	-	325,136	-	47,296
General Government	402,962	-	-	1,173
Other	65,594	-	-	-
Capital Outlay	-	82,000	141,103	144,507
Debt Service:				
Principal Retirement	-	3,387	6,880	69,720
Interest and Fiscal Charges	-	965	2,428	18,975
Total Expenditures	2,656,586	411,488	489,913	372,028
Excess (Deficiency) of Revenues Over (Under) Expenditures	487,359	38,409	(264,527)	(157,984)
Other Financing Sources (Uses):				
Proceeds from Long Term Loans	-	13,169	99,590	13,169
Sale of Capital Assets	12,713	-	-	-
Transfers - In	-	-	150,000	172,500
Transfers - Out	(322,500)	-	-	-
Total Other Financing Sources (Uses)	(309,787)	13,169	249,590	185,669
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	177,572	51,578	(14,937)	27,685
Fund Balances at Beginning of Year	2,084,072	389,419	21,516	265,338
Fund Balances at End of Year	\$ 2,261,644	\$ 440,997	\$ 6,579	\$ 293,023

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, 2008

	Total Governmental Funds			
		Net Change in Fund Balances - total governmental funds	\$	241,898
\$	1,501,954			
	530,281	Amounts reported in governmental activities in the statement of activities are different because:		
	1,030,425			
	223,953	Governmental funds report capital outlays as expenditures. However, in the statement of activities		
	202,248	the cost of those assets is allocated over their estimated useful lives and reported as depreciation		
	236,355	expense. This is the amount by which depreciation exceed capital outlays in the current period.	(181,569)	
	99,558			
	112,093	Revenues in the statement of activities that do not provide current financial resources		
	3,114	are not reported as revenues in the funds.	71,109	
	93,291			
	4,033,272	The issuance of long-term debt provides current financial resources to governmental funds, while the		
		repayment of the principal of long-term debt consumes the current financial resources of governmental		
		funds. Neither transaction however, has any affect on net 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.	(45,432)	
	2,189,860			
	63,524			
	79,334	Some items reported in the statement of activities do not require the use of current financial		
	285,171	resources and, therefore, are not reported as expenditures in governmental funds.	(4,761)	
	372,432			
	404,135	Change in net assets of governmental activities	\$	81,245
	65,594			
	367,610			
	79,987			
	22,368			
	3,930,015			
	103,257			
	125,928			
	12,713			
	322,500			
	(322,500)			
	138,641			
	241,898			
	2,760,345			
\$	3,002,243			

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, 2008

GENERAL FUND

	Budget		Actual	Variance Positive (Negative)
	Initial	Final		
Revenues:				
Property and Other Local Taxes	\$ 512,030	\$ 530,000	\$ 527,426	\$ (2,574)
Income Taxes	1,459,321	1,510,538	1,541,518	30,980
Intergovernmental	412,860	427,350	420,221	(7,129)
Charges for Services	2,222	2,300	1,524	(776)
Licenses and Permits	189,597	196,251	202,273	6,022
Investment Earnings	220,269	228,000	175,593	(52,407)
Special Assessments	84,050	87,000	89,842	2,842
Fines and Forfeitures	93,711	97,000	104,998	7,998
Other All Revenue	40,590	42,015	76,044	34,029
Total Revenue	3,014,650	3,120,454	3,139,439	18,985
Expenditures:				
Current:				
Security of Persons and Property	2,045,948	2,053,390	1,974,885	78,505
Public Health and Welfare Services	110,444	110,847	62,904	47,943
Community Environment	321,837	323,008	150,491	172,517
General Government	533,461	535,389	423,890	111,499
Other	99,437	99,800	61,862	37,938
Total Expenditures	3,111,127	3,122,434	2,674,032	448,402
Excess of Revenues Over (Under) Expenditures	(96,477)	(1,980)	465,407	467,387
Other Financing Sources (Uses):				
Income Tax Refunds	(31,884)	(32,000)	(31,782)	218
Sale of Capital Assets	10,917	11,300	12,713	1,413
Transfers - In	104,338	10,000	-	(10,000)
Transfers - Out	(356,201)	(322,500)	(322,500)	-
Total Other Financing Sources (Uses)	(272,830)	(333,200)	(341,569)	(8,369)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(369,307)	(335,180)	123,838	459,018
Fund Balances at Beginning of Year	1,974,266	1,974,266	1,974,266	-
Prior Year Encumbrances	9,899	9,899	9,899	-
Fund Balances at End of Year	\$ 1,614,858	\$ 1,648,985	\$ 2,108,003	\$ 459,018

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, 2008

STREET FUND

	Budget		Actual	Variance Positive (Negative)
	Initial	Final		
Revenues:				
Intergovernmental	\$ 402,580	\$ 433,514	\$ 427,654	\$ (5,860)
Investment Earnings	14,000	14,000	12,418	(1,582)
Other All Revenue	1,000	1,000	11,399	10,399
Total Revenue	<u>417,580</u>	<u>448,514</u>	<u>451,471</u>	<u>2,957</u>
Expenditures:				
Current:				
Transportation	320,304	324,600	323,978	622
Capital Outlay	116,472	116,380	95,783	20,597
Debt Service:				
Principal Retirement	4,052	4,052	3,387	665
Interest and Fiscal Charges	1,528	1,528	965	563
Total Expenditures	<u>442,356</u>	<u>446,560</u>	<u>424,113</u>	<u>22,447</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(24,776)	1,954	27,358	25,404
Other Financing Sources (Uses):				
Proceeds of Bonds	-	13,000	13,169	169
Total Other Financing Sources (Uses)	<u>-</u>	<u>13,000</u>	<u>13,169</u>	<u>169</u>
Excess (Deficiency) of Revenues and Other Deficiency of Revenues and Other Financing Sources Under Expenditures	(24,776)	14,954	40,527	25,573
Fund Balances at Beginning of Year	359,147	359,147	359,147	-
Prior Year Encumbrances	4,421	4,421	4,421	-
Fund Balances at End of Year	<u>\$ 338,792</u>	<u>\$ 378,522</u>	<u>\$ 404,095</u>	<u>\$ 25,573</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, 2008

FIRE LEVY FUND

	Budget		Actual	Variance Postive (Negative)
	Initial	Final		
<u>Revenues:</u>				
Property and Other Local Taxes	\$ -	\$ 3,000	\$ 2,855	\$ (145)
Charges for Services	200,992	330,297	212,768	(117,529)
Total Revenue	200,992	333,297	215,623	(117,674)
<u>Expenditures:</u>				
Current:				
Security of Persons and Property	215,149	211,026	196,612	14,414
Community Environment	141,477	141,477	135,719	5,758
Capital Outlay	9,090	175,770	145,372	30,398
Debt Service:				
Principal Retirement	6,900	6,900	6,880	20
Interest and Fiscal Charges	2,430	2,430	2,428	2
Total Expenditures	375,046	537,603	487,011	50,592
Deficiency of Revenues Under Expenditures	(174,054)	(204,306)	(271,388)	(67,082)
<u>Other Financing Sources:</u>				
Proceeds of Bonds	-	-	99,590	99,590
Transfers - In	150,000	150,000	150,000	-
Total Other Financing Sources	150,000	150,000	249,590	99,590
Deficiency of Revenues and Other Financing Sources Under Expenditures	(24,054)	(54,306)	(21,798)	32,508
Fund Balances at Beginning of Year	38,373	38,373	38,373	-
Prior Year Encumbrances	4,508	4,508	4,508	-
Fund Balances (Deficit) at End of Year	\$ 18,827	\$ (11,425)	\$ 21,083	\$ 32,508

See accompanying notes to the basic financial statements

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**CITY OF TRENTON, OHIO
STATEMENT OF NET ASSETS
ENTERPRISE FUNDS
DECEMBER 31, 2008**

BUSINESS-TYPE ACTIVITIES--ENTERPRISE FUNDS

	Water	Sewer	Refuse	Nonmajor Enterprise Funds	Totals
Assets:					
<i>Current Assets:</i>					
Equity in Pooled Cash and Cash Equivalents	\$ 1,325,379	\$ 956,930	\$ 185,255	\$ 349,695	\$ 2,817,259
Restricted Cash and Cash Equivalents	629,272	-	-	-	629,272
Receivables (net of allowances for doubtful accounts)	113,740	78,175	103,958	25,088	320,961
Accounts	-	50,785	-	-	50,785
Special Assessments	-	-	-	-	-
Total Current Assets	<u>2,068,391</u>	<u>1,085,890</u>	<u>289,213</u>	<u>374,783</u>	<u>3,818,277</u>
<i>Noncurrent Assets:</i>					
Bond Issuance Costs	263,277	-	-	-	263,277
<i>Nondepreciable Capital Assets:</i>					
Land	2,810,498	-	-	-	2,810,498
<i>Depreciable Capital Assets:</i>					
Plant	5,320,447	16,321	-	-	5,336,768
Water and Sewer Lines	2,911,727	1,604,765	-	-	4,516,492
Improvements Other than Buildings	12,570	28,410	-	-	40,980
Furniture, Fixtures, and Equipment	1,096,279	412,921	15,001	180,320	1,704,521
Less: Accumulated Depreciation	(1,977,482)	(1,412,317)	(10,832)	(61,804)	(3,462,435)
Total Capital Assets (net of accumulated depreciation)	<u>10,174,039</u>	<u>650,100</u>	<u>4,169</u>	<u>118,516</u>	<u>10,946,824</u>
Total Noncurrent Assets	<u>10,437,316</u>	<u>650,100</u>	<u>4,169</u>	<u>118,516</u>	<u>11,210,101</u>
Total Assets	<u>\$ 12,505,707</u>	<u>\$ 1,735,990</u>	<u>\$ 293,382</u>	<u>\$ 493,299</u>	<u>\$ 15,028,378</u>

**CITY OF TRENTON, OHIO
STATEMENT OF NET ASSETS
ENTERPRISE FUNDS
DECEMBER 31, 2008**

BUSINESS-TYPE ACTIVITIES--ENTERPRISE FUNDS

	Water	Sewer	Refuse	Nonmajor Enterprise Funds	Totals
Liabilities:					
<i>Current Liabilities:</i>					
Accounts Payable	\$ 33,339	\$ 1,820	\$ 452	\$ 5,245	\$ 40,856
Contracts Payable	-	-	46,513	-	46,513
Accrued Wages and Benefits	21,392	13,824	10,434	1,479	47,129
Due to Other Governments	552	80,929	-	-	81,481
Accrued Interest Payable	48,528	-	-	-	48,528
Notes Payable	2,385,000	-	-	-	2,385,000
Compensated Absences Payable - Current	4,720	2,974	3,238	-	10,932
General Obligation Bonds Payable - Current	6,437	6,437	6,436	-	19,310
Revenue Bonds Payable - Current	157,905	-	-	-	157,905
Total Current Liabilities	<u>2,657,873</u>	<u>105,984</u>	<u>67,073</u>	<u>6,724</u>	<u>2,837,654</u>
<i>Noncurrent Liabilities:</i>					
Customer Deposits Payable	-	-	-	49,074	49,074
Compensated Absences Payable	20,100	14,866	16,121	-	51,087
General Obligation Bonds Payable	6,732	6,732	6,733	-	20,197
Revenue Bonds Payable	7,301,170	-	-	-	7,301,170
Total Noncurrent Liabilities	<u>7,328,002</u>	<u>21,598</u>	<u>22,854</u>	<u>49,074</u>	<u>7,421,528</u>
Total Liabilities	<u>9,985,875</u>	<u>127,582</u>	<u>89,927</u>	<u>55,798</u>	<u>10,259,182</u>
Net Assets:					
Invested in capital assets, net of related debt	580,072	636,931	(9,000)	118,516	1,326,519
Reserved for Debt Service	629,272	-	-	-	629,272
Unrestricted	1,310,488	971,477	212,455	318,985	2,813,405
Total Net Assets	<u>2,519,832</u>	<u>1,608,408</u>	<u>203,455</u>	<u>437,501</u>	<u>4,769,196</u>
Total Net Assets and Liabilities	<u>\$ 12,505,707</u>	<u>\$ 1,735,990</u>	<u>\$ 293,382</u>	<u>\$ 493,299</u>	<u>\$ 15,028,378</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, 2008

BUSINESS-TYPE ACTIVITIES--ENTERPRISE FUNDS

	Water	Sewer	Refuse	Nonmajor Enterprise Funds	Totals
<u>Operating Revenues:</u>					
Charges for Services	\$ 1,166,273	\$ 1,390,126	\$ 915,205	\$ 208,110	\$ 3,679,714
Other Operating Revenues	17,445	-	2,687	1,532	21,664
Total Operating Revenues	1,183,718	1,390,126	917,892	209,642	3,701,378
<u>Operating Expenses:</u>					
Personal Services	469,168	322,358	279,080	40,222	1,110,828
Materials and Supplies	237,188	55,703	21,219	11,230	325,340
Contractual Services	63,755	872,817	552,240	89,082	1,577,894
Other Operating Expenses	55,215	17,033	5,366	35,928	113,542
Depreciation	221,689	45,704	833	21,642	289,868
Total Operating Expenses	1,047,015	1,313,615	858,738	198,104	3,417,472
Operating Income (Loss)	136,703	76,511	59,154	11,538	283,906
<u>Non-Operating Revenues (Expenses):</u>					
Investment Earnings	12,404	-	-	1,512	13,916
Interest and Fiscal Charges	(444,366)	(847)	-	-	(445,213)
Total Non-Operating Revenues (Expenses)	(431,962)	(847)	-	1,512	(431,297)
Income (Loss) Before Contributions	(295,259)	75,664	59,154	13,050	(147,391)
Capital Contributions	-	53,256	-	-	53,256
Change in Net Assets	(295,259)	128,920	59,154	13,050	(94,135)
Total net assets - Beginning	2,815,091	1,479,488	144,301	424,451	4,863,331
Total net assets - Ending	<u>\$ 2,519,832</u>	<u>\$ 1,608,408</u>	<u>\$ 203,455</u>	<u>\$ 437,501</u>	<u>\$ 4,769,196</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, 2008

BUSINESS-TYPE ACTIVITIES--ENTERPRISE FUNDS

	Water	Sewer	Refuse	Nonmajor Enterprise Funds	Totals
Change in Cash and Cash Equivalents					
Cash Flows from Operating Activities:					
Cash Received from Customers	\$ 1,128,878	\$ 1,398,118	\$ 855,378	\$ 225,025	\$ 3,607,399
Cash Paid for Employee Services and Benefits	(465,265)	(319,459)	(275,758)	(39,454)	(1,099,936)
Cash Paid to Suppliers for Goods and Services	(295,731)	(950,339)	(576,069)	(99,821)	(1,921,960)
Other Operating Revenues	17,445	-	2,687	1,532	21,664
Other Operating Expenses	(46,775)	(8,806)	(1,273)	(36,857)	(93,711)
Net Cash Provided by Operating Activities	338,552	119,514	4,965	50,425	513,456
Cash Flows from Capital and Related Financing Activities:					
Special Assessments	-	2,471	-	-	2,471
Face Value from Sale of Notes	2,385,000	-	-	-	2,385,000
Face Value from Sale of Bonds	13,169	13,169	13,169	-	39,507
Acquisition and Construction of Assets	(2,551)	-	-	(5,643)	(8,194)
Principal Paid on Revenue Anticipation Notes	(2,295,000)	-	-	-	(2,295,000)
Principal Paid on Loans Payable	(2,940)	(2,940)	-	-	(5,880)
Principal Paid on Revenue Bonds	(150,000)	-	-	-	(150,000)
Interest and Fiscal Charges Paid on All Debt	(459,155)	(847)	-	-	(460,002)
Net Cash Used for Capital and Related Financing Activities	(511,477)	11,853	13,169	(5,643)	(492,098)
Cash Flows from Investing Activities:					
Interest	12,404	-	-	1,512	13,916
Net Cash Provided By Investing Activities	12,404	-	-	1,512	13,916
Net Change in Cash and Cash Equivalents	(160,521)	131,367	18,134	46,294	35,274
Cash and Cash Equivalents at Beginning of Year	2,115,172	825,563	167,121	303,401	3,411,257
Cash and Cash Equivalents at End of Year	\$ 1,954,651	\$ 956,930	\$ 185,255	\$ 349,695	\$ 3,446,531
Net Cash Provided by Operating Activities:					
Operating Income	\$ 136,703	\$ 76,511	\$ 59,154	\$ 11,538	\$ 283,906
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:					
Depreciation Expense	221,689	45,704	833	21,642	289,868
Change in Assets and Liabilities:					
(Increase) Decrease in Accounts Receivable	(38,955)	6,219	(60,734)	(10,353)	(103,823)
Increase (Decrease) in Accounts Payables	15,260	831	229	(438)	15,882
Increase in Contracts Payables	-	-	2,161	-	2,161
Increase in Accrued Wages and Benefits	6,429	4,555	4,016	768	15,768
(Decrease) in Due to Other Governments	(48)	(12,650)	-	-	(12,698)
(Decrease) in Compensated Absences Payable	(2,526)	(1,656)	(694)	-	(4,876)
Increase in Deposits Payable	-	-	-	27,268	27,268
Total Adjustments	201,849	43,003	(54,189)	38,887	229,550
Net Cash Provided by Operating Activities	\$ 338,552	\$ 119,514	\$ 4,965	\$ 50,425	\$ 513,456

See accompanying notes to the basic financial statements

CITY OF TRENTON, OHIO
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
DECEMBER 31, 2008

	<u>Totals</u>
Assets:	
Cash and Cash Equivalents	\$ 31,251
Cash and Cash Equivalents in Segregated Accounts	<u>9,868</u>
Total Assets	<u><u>41,119</u></u>
Liabilities:	
Due to Other Governments	9,868
Undistributed Monies	<u>31,251</u>
Total Liabilities	<u><u>\$ 41,119</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 a Risk Sharing Pool, the Ohio Plan. These organizations are presented in Notes 17 and 18 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

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

Fire Levy Fund

The Fire Levy Fund accounts for revenue and expenditures associated with the fire and ambulance services provided by the City.

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 two fiduciary agency funds: Municipal Mayor's Court that accounts for the collection and distribution of court fines and forfeitures and an unclaimed monies fund used to account for various funds the City holds but doesn't have legal title. The City's agency funds are 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, department and object level.

Tax budget

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

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

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 2008 was \$219,321, which includes \$90,460 assigned from other funds. The Street, State Highway, Municipal Motor Vehicle License, and Indigent Driver's Alcohol Treatment Nonmajor Special Revenue Funds and Water and Utility Deposit Enterprise Funds also received \$12,418; \$799; \$1,298; \$2,519; \$12,404 and \$1,512, respectively in interest during 2008.

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

During 2008, investments were limited to STAR Ohio, money market mutual funds, 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 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, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and funds on the enterprise fund balance sheet. Capital assets are defined by the City as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value on the date of donation. Infrastructure, such as streets, bridges, stormwater systems and dams are capitalized if the life expectancy is five years or more and a designated value exceeding \$25,000.

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

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

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

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

Compensated absences

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

Sick leave benefits are accrued using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at year end, taking into consideration any limits specified in the City's termination policy. The City records a liability for accumulated unused sick leave for 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 and general obligations payable that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be expected to be liquidated with expendable, available financial resources. In general, payments made within thirty-one days after year-end are considered to have been made with current available financial resources. Long-term debt and other obligations financed by enterprise funds are reported as liabilities in the appropriate enterprise fund.

Interfund transactions

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

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

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

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 2008, 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 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

Unearned/Deferred Revenues

Unearned and 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, 2008, but which were levied to finance fiscal year 2009 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 (\$597,220) difference are as follows:

Long Term Debt	(\$450,718)
Accrued Interest Payable	(2,747)
Compensated Absences Payable	(143,755)
Net Adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	(\$597,220)

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 \$3,150,829 difference are as follows:

Capital Assets	\$5,281,537
Accumulated Depreciation	(2,130,708)
Net Adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	\$3,150,829

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 depreciation exceeded capital outlay in the current period. The details of this (\$181,569) are as follows:

Current capital additions	\$54,805
Loss on disposal of capital assets	(11,602)
Depreciation Expense	<u>(224,772)</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>(\$181,569)</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 (\$45,432) are as follows:

Principal paid on long term debt	\$79,987
Proceeds for sale of long term debt	(125,928)
Change in interest payable	<u>509</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>(\$45,432)</u></u>

3. Change in Accounting Principles Policy

For 2008, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 45, “Accounting for Financial Reporting by Employers for Postemployment Benefits other than Pensions”. GASB Statement No. 45 addresses how state and local governments should account for and disclose their costs and obligations related to postemployment healthcare and other non-pension benefits.

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

The City has also implemented GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations", and GASB No. 50, "Pension Disclosures", an amendment of GASB Statements No. 25 and No. 27. The implementation of these statements did not result in any change to the financial statements.

4. Budget to GAAP Reconciliation:

Budgetary basis of accounting

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

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year-end encumbrances are treated as expenditures/expenses (budget basis) rather than as a reservation of fund balance for governmental funds.

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

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

	<u>General Fund</u>	<u>Street Fund</u>	<u>Fire Levy Fund</u>
GAAP Basis	\$177,572	\$51,578	(\$14,937)
Adjustments:			
Revenue Accruals	(36,288)	1,574	(9,763)
Expenditure Accruals	(5,194)	1,158	7,681
Encumbrances	<u>(12,252)</u>	<u>(13,783)</u>	<u>(4,779)</u>
Budget Basis	<u>\$123,838</u>	<u>\$40,527</u>	<u>(\$21,798)</u>

5. Deposits and Investments:

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

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- deposits in eligible institutions applying for interim funds;

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

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

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

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

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

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

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Any public depository in which the City places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority.

A. Deposits

At year-end, the carrying amount of the City's deposits was \$4,326,609.

Custodial Credit Risk

As of December 31, 2008, \$1,020,013 of the City's bank balance of \$4,475,264 was exposed to custodial credit risk as discussed below.

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. Protection of City cash and deposits are provided by the Federal Depository Insurance Corporation (FDIC) as well as qualified securities pledged by the institution holding the assets. Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the City places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the FDIC. The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Collateral is held by trustees including the Federal Reserve Bank and designated third parties of the financial institutions. The City does not have a custodial credit risk policy.

CITY OF TRENTON, OHIO
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B. Investments

The City's investments at December 31, 2008 are summarized below:

Categorized Investments	Fair Value		Credit Rating
	Under One Year	One to Five Years	
U.S. Governmental Agencies	\$0	\$667,422	NA
STAR Ohio	671,311	0	S&P - AAAm
Money Market Mutual Funds	742,383	0	S&P - AAAm
Total	\$1,413,694	\$667,422	

Custodial Credit Risk

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

Interest Rate Risk

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

Concentration of Credit Risk

The City places no limit on the amount it may invest in any one issuer. The City has a thirty-five percent interest in the money market mutual funds, a thirty-two percent interest in STAR Ohio, an eighteen percent interest in Federal Home Loan Bank notes, and a twelve percent interest in Federal Home Loan Mortgage Corporation bonds. These are the only investments greater than five percent required to be disclosed.

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

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 triennial was completed during the year. Real property taxes are payable annually or semi-annually; if paid annually, the payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20 unless extended.

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, 2008, was \$3.24 per \$1,000 of assessed valuation.

CITY OF TRENTON, OHIO
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The assessed values of real and tangible personal property upon which 2008 property tax receipts were based are as follows:

Category	Assessed Value
Real Property	\$169,089,640
Tangible Personal Property	3,647,530
Public Utility Tangible Personal Property	7,306,190
Total Property Tax	\$180,043,360

Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies that are measurable as of December 31, 2008. 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 2008 operations. The receivable is therefore offset by a credit to deferred revenue and reported as unearned revenue on statement of net assets.

7. Income Tax:

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

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

Income tax proceeds are to be used to pay the cost of administering the tax, General Fund operations, capital improvements, debt service and other governmental functions when needed, as determined by Council. In 2008, the proceeds were allocated to the General Fund. Income tax revenue for 2008 was \$1,501,954.

CITY OF TRENTON, OHIO
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8. Receivables:

Receivables at December 31, 2008, 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>
Governmental Activities	
MAJOR FUNDS	
<i>General Fund:</i>	
Local Government Revenue	\$161,269
Homestead and Rollback	36,510
Estate Tax	25,655
Total General Fund	<u>223,434</u>
<i>Street Fund:</i>	
Motor Vehicle License Tax	39,252
Gas Tax	170,387
Total Street Fund	<u>209,639</u>
NONMAJOR FUNDS	
<i>FEMA Fund</i>	
Permissive Tax	<u>40,693</u>
<i>State Highway Fund</i>	
Motor Vehicle License Tax	3,017
Gas Tax	16,794
Total State Highway Fund	<u>19,811</u>
<i>Permissive Motor Vehicle License Fund</i>	
Permissive Tax	<u>39,288</u>
Total for Governmental Activities	<u>\$532,865</u>

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9. Capital Assets:

Changes in Capital Assets during the year ended December 31, 2008, were as follows:

	Balance 12/31/07	Increases	Decreases	Balance 12/31/08
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	\$369,473	\$0	\$0	\$369,473
Capital Assets, being depreciated:				
Buildings	1,683,944	0	0	1,683,944
Improvements other than Buildings	663,018	0	0	663,018
Machinery, Equipment and Vehicles	2,553,970	54,805	(43,673)	2,565,102
Total Capital Assets being depreciated	4,900,932	54,805	(43,673)	4,912,064
Accumulated Depreciation:				
Buildings	(515,886)	(35,947)	0	(551,833)
Improvements other than Buildings	(50,164)	(9,930)	0	(60,094)
Machinery, Equipment and Vehicles	(1,371,957)	(178,895)	32,071	(1,518,781)
Total Accumulated Depreciation	(1,938,007)	*(224,772)	32,071	(2,130,708)
Net Capital Assets, being depreciated	2,962,925	(169,967)	(11,602)	2,781,356
Governmental Activities Capital Assets	\$3,332,398	(\$169,967)	(\$11,602)	\$3,150,829
Business Type Activities				
Capital Assets, not being depreciated				
Land	\$2,810,498	\$0	\$0	\$2,810,498
Capital Assets, being depreciated				
Plant	5,336,768	0	0	5,336,768
Water and Sewer Lines	4,516,492	0	0	4,516,492
Improvements other than Buildings	40,980	0	0	40,980
Machinery, Equipment and Vehicles	1,696,327	8,194	0	1,704,521
Total Capital Assets being depreciated	11,590,567	8,194	0	11,598,761

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

	Restated Balance			Balance
	12/31/07	Increases	Decreases	12/31/08
Business Type Activities				
Accumulated Depreciation:				
Plant	(\$117,823)	(\$6,376)	\$0	(\$124,199)
Water and Sewer Lines	(1,865,704)	(66,286)	0	(1,931,990)
Improvements other than Buildings	(49,970)	(16,006)	0	(65,976)
Machinery, Equipment and Vehicles	(1,139,070)	(201,200)	0	(1,340,270)
Total Accumulated Depreciation	(3,172,567)	**(289,868)	0	(3,462,435)
Net Capital Assets, being depreciated	8,418,000	(281,674)	0	8,136,326
Business Type Activities Capital Assets	\$11,228,498	(\$281,674)	\$0	\$10,946,824

* Depreciation expense was charged to governmental functions as follows:

Governmental Activities:

Security of Persons and Property	\$116,319
Leisure Time Activities	15,131
Community Environment	5,080
Public Health and Welfare	1,907
Transportation	34,746
General Government	51,589

Total Depreciation Expense - governmental activities \$224,772

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

Business Type Activities:

Water	\$221,689
Sewer	45,704
Stormwater Management	21,642
Refuse	833

Total Depreciation Expense - business-type activities \$289,868

CITY OF TRENTON, OHIO
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10. Defined Benefit Pension Plans:

Public Employees Retirement System

The City contributes to the Public Employees Retirement System of Ohio (OPERS), a cost-sharing multiple-employer public employee retirement system administered by the Public Employees Retirement Board. OPERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 466-8025 or 1-800-222- PERS (7377).

OPERS administers three separate pension plans as described below:

- The Traditional Pension Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan
- The Member-Directed Plan (MD) – 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 member and (vested) employer contributions plus any investment earnings thereon.
- The Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan. Under the Combined Plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the Traditional Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

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Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations. Contributions are authorized by State statute. The employer pension contribution rate for the City is 14% of covered payroll. The contribution rates are determined actuarially. The City's pension required contributions to OPERS for the years ended December 31, 2008, 2007, and 2006, were \$96,697, \$107,180, and \$133,466, respectively. The full amount has been contributed for 2007 and 2006. Ninety-one percent has been contributed for 2008 with the remainder being reported as a liability within the respective funds.

Police and Firemen's Disability and Pension Fund

The City contributes to the Ohio Police and Firemen's Disability and Pension Fund (Fund), a cost-sharing multiple-employer defined benefit pension plan. The Fund provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and by Chapter 742 of the Ohio Revised Code. The Fund issues a publicly available financial report that includes financial statements and required supplementary information for the Fund. That report may be obtained by writing to the Police and Firemen's Disability and Pension Fund of Ohio, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City is required to contribute 19.5 and 24 percent respectively for police officers and firefighters. Contributions are authorized by State statute. The City's pension required contributions to the Fund for the years ended December 31, 2008, 2007, and 2006, were \$165,047, \$107,301, and \$105,227, respectively. The full amount has been contributed for 2007 and 2006. Ninety-one percent has been contributed for 2008 with the remainder being reported as a liability within the respective funds.

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11. Post Employment Benefits

Public Employees Retirement System (OPERS)

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

In order to qualify for post-retirement health care coverage, age and service retirees under the Tradition Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and qualified survivor benefits is available. The health care coverage provided by the retirement system meets the definition of an Other Post-employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2008, state and local employers contributed at a rate of 14% of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14% of covered payroll for state and local employer units. Active members do not make contributions to the OPEB plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of

CITY OF TRENTON, OHIO
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post employment health care benefits. For 2008, the employer contribution allocated to the health care plan was 7% of covered payroll. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. The City's actual contributions for health care to OPERS for the years ending December 31, 2008, 2007 and 2006 were \$96,697, \$84,700 and \$65,058, respectively, which were equal to the required contributions for each year.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

Police and Firemen's Disability and Pension Fund

The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost-sharing multiple-employer defined benefit postemployment health care plan administered by OP&F. O&F provides healthcare benefits including coverage for medical, prescription drug, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits are codified in Chapter 742 of the Ohio Revised Code.

CITY OF TRENTON, OHIO
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OP&F maintains funds for health care in two separate accounts. One for health care benefits under IRS Code Section 115 trust and one for Medicare Part B reimbursements administered as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contribution made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2008, the employer contribution allocated to the health care plan was 6.75% of covered amount. The amount of the employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provision of Section 115 and 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of dependents and the coverage selected.

The City's contributions for health care to OP&F for the years ending December 31, 2008, 2007 and 2006 were \$83,474, \$57,804 and \$67,283, respectively, which were equal to the required contributions for each year.

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

CITY OF TRENTON, OHIO
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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 less than 90 percent of the monthly premium. The premium varies with each employee depending on the coverage elected. Dental insurance is offered to employees through Dental Care Plus, the City pays less than 90 percent of the monthly premium. In both cases the employee pays the remaining premium through payroll deduction. The employee pay 10 percent plus \$10 each week for medical and dental coverage.

13. Risk Management:

Property and liability

The City is exposed to various risk of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in The Ohio Plan (Plan), an association of approximately 500 public entities from the state of Ohio joined together in the largest alternative insurance program in Ohio. The Ohio Plan provides comprehensive, liability and property coverage in addition to risk management services.

The coverage period is September 20 to September 20 with an occurrence form of coverage. Occurrence form coverage covers claims that arise out of damage or injury that took place during the policy period, regardless of when claims are made.

The Ohio Plan is managed by a ten-member, Board of Directors consisting of individual representatives of the Ohio Plan membership from different regions of the state. Hylant Administrative Services, a third party administrator, provides claims services while all lines of coverage are reinsured with multiple A- rated carriers. The additional information on the Plan can be attained at: P.O. Box 2083, Toledo, Ohio 43603-2083.

CITY OF TRENTON, OHIO
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General liability, police professional liability, public officials' liability, and automobile liability have a \$5 million limit each occurrence (\$7 million annual aggregate), while employee benefits liability has a \$1 million limit (\$3 million annual aggregate). Property coverage is limited to the value of the property, as is boiler and machinery. General liability has a \$0 deductible, police professional and public officials' have deductibles of \$1,000, while the deductible on automotive is \$500 for comprehensive and collision. The deductible for property, and boiler and machinery is \$1,000.

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.

Workers' compensation

For fiscal year 2008, 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.

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14. Long-Term Obligations:

Changes in long-term obligations during 2008 were as follows:

	Balance			Balance	Due within
	12/31/07	Increase	Decrease	12/31/08	one year
Governmental Activities:					
General Obligation Bond – Building					
4.40% to 4.97%	\$398,003	\$0	\$66,333	\$331,670	\$66,333
General Obligation Bond – Ambulance	0	99,590	6,880	92,710	18,520
General Obligation Bond – Backhoe	0	26,338	0	26,338	12,876
Loans Payable	6,774	0	6,774	0	0
Compensated Absences Payable	138,994	129,457	124,696	143,755	47,022
Total – Governmental Activities	543,771	255,385	204,683	594,473	144,751
Business -Type Activities:					
Water Revenue Bonds 2%-5.25%	7,535,000	0	150,000	7,385,000	155,000
Premium on Revenue Bonds	76,980	0	2,905	74,075	2,905
General Obligation Bond – Backhoe	0	39,507	0	39,507	19,310
Compensated Absences Payable	66,895	48,920	53,796	62,019	10,932
Loans Payable	5,880	0	5,880	0	0
Total – Business - Type Activities	\$7,684,755	\$88,427	\$212,581	\$7,560,601	\$188,147

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 ambulance general obligation bond was issued in 2008 at an interest rate of 4.50% over five years. Principal and interest is paid monthly. The bond will be repaid from charges for services received in the Fire Levy Fund.

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The backhoe general obligation bond was issued in 2008 at an interest rate of 4.40% over two years. Principal and interest is paid monthly. The bond will be repaid from revenues received in the Street, Parks and Recreation Special Revenue funds, Water, Sewer and Refuse enterprise funds.

The water system improvement revenue bond was issued in June 2004 at a variable interest rate from 2.00% to 5.25% over thirty years. 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 City has pledged user charges from the water fund to repay the principal and interest on the bonds. The bonds are payable from pledged revenues through 2034. Annual principal and interest payments on the bonds are expected to require approximately 35% of annual pledged revenues.

Compensated absences will be paid from the fund from which the employee is paid. As of December 31, 2008, the City's overall voted legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$18,450,581 and the unvoted legal debt margin was \$9,448,413.

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

GOVERNMENTAL ACTIVITIES			
<u>General Obligation Bonds – Building</u>			
<u>Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$66,333	\$16,484	\$82,817
2010	66,334	11,539	77,873
2011	66,333	8,242	74,575
2012	66,333	4,945	71,278
2013	66,337	1,648	67,985
Totals	<u>\$331,670</u>	<u>\$42,858</u>	<u>\$374,528</u>

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

General Obligation Bonds Payable – Backhoe						
	GOVERNMENTAL ACTIVITIES			BUSINESS TYPE ACTIVITIES		
Years	Principal	Interest	Total	Principal	Interest	Total
2009	\$12,876	\$913	\$13,789	\$19,310	\$1,369	\$20,679
2010	13,462	332	13,794	20,197	497	20,694
Total	\$26,338	\$1,245	\$27,583	\$39,507	\$1,866	\$41,373

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

GOVERNMENTAL ACTIVITIES			
General Obligation Bonds – Ambulance			
Years	Principal	Interest	Total
2009	\$18,520	\$3,767	\$22,287
2010	19,360	2,916	22,276
2011	20,250	2,026	22,276
2012	21,190	1,096	22,286
2013	13,390	194	13,584
Totals	\$92,710	\$9,999	\$102,709

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

BUSINESS-TYPE ACTIVITIES			
Revenue Bonds			
Years	Principal	Interest	Total
2009	\$155,000	\$365,387	\$520,387
2010	160,000	360,274	520,274
2011	165,000	354,754	519,754
2012	170,000	348,731	518,731
2013	175,000	269,400	444,440
2014-2018	1,000,000	1,591,155	2,591,155
2019-2023	1,285,000	1,306,818	2,591,818
2024-2028	1,655,000	934,407	2,589,407
2029-2033	2,130,000	463,813	2,593,813
2034	490,000	25,112	515,112
Totals	<u>\$7,385,000</u>	<u>\$6,109,851</u>	<u>\$13,404,891</u>

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

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

The following bond was collateralized by either both of a pledge of the revenues of the borrowing institution or by first mortgages on the physical property financed with the proceeds of the debt offerings and by the City's assignment of its interest in the mortgage properties to the trustee of the bond issue at December 31, 2008:

Revenue Bond	Maturity Date	Interest Rate	Principal Balance as of 12/31/07
McCullough-Hyde Memorial Hospital Inc.	03/22/2017	4.66	\$713,718

15. Short Term Note

A summary of the note transactions for the year ended December 31, 2008, follows:

<u>Fund</u>	<u>Balance 12/31/07</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/08</u>
Water Fund	\$2,295,000	\$2,385,000	\$2,295,000	\$2,385,000

The note was issued in anticipation of long-term bond financing and will be refinanced until such bonds are issued. They are backed by the full faith and credit of the Water operating revenue and mature within one year. The notes were issued on March 13, 2008 at a 2.50 percent interest rate.

16. Transfers

Following is a summary of transfers in and out for all funds for 2008:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
MAJOR FUNDS		
General	\$0	\$322,500
Fire	150,000	0
Non-Major Governmental Funds	172,500	0
Total All Funds	<u>\$322,500</u>	<u>\$322,500</u>

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

The transfers from the General Fund to the other governmental funds are to help support those functions. The General Fund transfers of \$88,000 to Parks and Recreation Fund; \$150,000 to the Fire Levy Fund; and \$84,500 to the Debt Service Fund allowed these funds to pay expenditures as these funds do not generate sufficient revenues to cover all expenditures.

17. Jointly Governed Organization

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

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

Payments to OKI are made from the General Fund. The City paid \$3,543 to OKI during 2008. To obtain financial information, write to Director of Finance and Administration of the Ohio-Kentucky-Indiana Regional Council of Governments at 920 Pete Rose Way Suite 420, Cincinnati, Ohio, 45202.

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

18. Risk Sharing Pool

The City belongs to the Ohio Plan (the “Plan”), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 500 Ohio governments (“Members”).

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, marine and other coverages, modified for each Member’s needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member’s deductible.

The Plan issues its own policies and reinsures with A- VII or better rated carriers, except for a five percent portion retained by the Plan. After September 1, 2002, the Plan pays the lesser of five percent or \$25,000 for casualty losses up to the coverage limit and the lesser of five percent or \$50,000 for property losses up to the coverage limit. The individual members are only responsible for their self-retention (deductible) amounts, which vary from Member to Member

19. Contingent Liabilities:

Litigation

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

CITY OF TRENTON, OHIO
NOTES TO THE FIANCIAL STATEMENTS

20. Compliance

- Contrary to Ohio Revised Code, Section 5705.39, the City's total appropriations exceeded the total estimated resources during 2008 for the Fire Levy Fund by \$11,425.

- Contrary to Ohio Revised Code, Section 5705.41 (D), the City did not properly certify the availability of funds for 57 percent of the commitments that were tested by audit.

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*

To the Members of City Council
City of Trenton, Ohio

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, Ohio, as of and for the year ended December 31, 2008, which collectively comprise the City of Trenton, Ohio's basic financial statements, and have issued our report thereon dated June 19, 2009. 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 of Trenton, Ohio's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Trenton, Ohio's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Trenton, Ohio's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Trenton, Ohio's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Trenton, Ohio's financial statements that is more than inconsequential will not be prevented or detected by the City of Trenton, Ohio's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Trenton, Ohio's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Trenton, Ohio'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 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 2008-01, and 2008-02.

We noted certain matters that we have reported to management of the City in a separate letter dated June 19, 2009.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the City's responses and, accordingly, express no opinion on them.

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, L L C". The signature is written in black ink on a light-colored background.

Cincinnati, Ohio
June 19, 2009

**CITY OF TRENTON
SCHEDULE OF FINDINGS
DECEMBER 31, 2008**

Finding Number 2008-01

Ohio Rev. Code, Section 5705.39, states that the total appropriations from each fund should not exceed the total of estimated resources available (cash available at the beginning of the year plus estimated receipts for the year). The following fund had appropriations that exceeded the total estimated resources available:

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Excess</u>
Fire Levy Fund	\$526,178	\$537,603	\$11,425

City's Response

The City concurs with the finding. Please note that actual budgetary expenditures did not exceed actual available resources as the fund maintains a positive actual year end budgetary balance of \$21,083.

Finding Number 2008-02

Ohio Rev. Code, Section 5705.41(D), requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the City can authorize the drawing of a warrant for the payment of the amount due. The City has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the City.

2. Blanket Certificate - Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate - The City may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The availability of funds was not certified prior to the time of commitment in 57% of expenditures tested nor did the City use the aforementioned exceptions.

City’s Response

The City will continue to implement procedures to comply with ORC requirements.

**CITY OF TRENTON
SCHEDULE OF PRIOR YEAR FINDINGS
DECEMBER 31, 2008**

Finding Number	Finding Summary	Fully Corrected?	Status Explanation:
2007-01	ORC Section 5705.39. Appropriations exceeded estimated resources	No	Condition existed during current audit period, reissued as finding 2008-01
2007-02	ORC Section 5705.41. Failure to properly encumber prior to incurring the obligation.	No	Condition existed during current audit period, reissued as finding 2008-02



Mary Taylor, CPA
Auditor of State

CITY OF TRENTON

BUTLER COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 28, 2009**