

**CITY OF TRENTON**  
**General Purpose Financial Statements**  
**For the Year Ended December 31, 2000**  
**with**  
**Independent Auditors' Report**





**STATE OF OHIO**  
**OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

35 North Fourth Street,  
1<sup>st</sup> Floor  
Columbus, Ohio 43215  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-728-7398  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

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

We have reviewed the Independent Auditor's Report of the City of Trenton, Butler County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2000 through December 31, 2000. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The City of Trenton is responsible for compliance with these laws and regulations.

JIM PETRO  
Auditor of State

August 8, 2001

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**CITY OF TRENTON**  
**General Purpose Financial Statements**  
**For the Year Ended December 31, 2000**

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

Independent Auditors' Report

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

We have audited the accompanying general purpose financial statements of the City of Trenton, Ohio (the City) as of and for the year ended December 31, 2000, as listed in the table of contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Trenton, Ohio as of December 31, 2000, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2001 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Clark, Schaefer, Hackett & Co.*

Middletown, Ohio  
May 24, 2001

**CITY OF TRENTON, OHIO**

Combined Balance Sheet

All Fund Types and Account Groups

December 31, 2000

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>Assets:</b>				
Equity in pooled cash and cash equivalents	\$ 892,351	301,987	35,601	116,321
Cash and cash equivalents with fiscal agent	-	-	-	-
<b>Receivables:</b>				
Property taxes	106,948	117,804	193,656	-
Income taxes	107,505	-	-	-
Accounts	-	-	-	-
Special assessments	-	-	146,937	-
Accrued interest	36,059	-	-	-
Due from other governments	1,255	21,328	-	-
Fixed assets (net where applicable, of accumulated depreciation)	-	-	-	-
<b>Other debits:</b>				
Amount available in general obligation bond retirement debt service fund	-	-	-	-
Amount available in special assessment bond retirement debt service fund	-	-	-	-
Amount to be provided for retirement of general long-term obligations	-	-	-	-
Amount to be provided for retirement of special assessments bonds payable	-	-	-	-
<b>Total assets and other debits</b>	<b>\$ <u>1,144,118</u></b>	<b><u>441,119</u></b>	<b><u>376,194</u></b>	<b><u>116,321</u></b>
<b>Liabilities:</b>				
Accounts payable	\$ 11,617	1,174	-	-
Due to other governments	-	-	-	-
Deposits	-	-	-	-
Deferred revenue	180,324	117,804	340,593	-
Accrued interest payable	-	4,892	-	-
Compensated absences payable	10,823	1,562	-	-
Capital leases payable	-	-	-	-
Undistributed monies	-	-	-	-
Loan payable	-	-	-	-
General obligation bonds payable	-	-	-	-
Special assessment bonds payable with government commitment	-	-	-	-
<b>Total liabilities</b>	<b><u>202,764</u></b>	<b><u>125,432</u></b>	<b><u>340,593</u></b>	<b><u>-</u></b>
<b>Fund equity:</b>				
Investment in general fixed assets	-	-	-	-
Contributed capital	-	-	-	-
Retained earnings, unreserved	-	-	-	-
<b>Fund balances:</b>				
Reserved for encumbrances	22,549	218	-	-
Unreserved	918,805	315,469	35,601	116,321
<b>Total fund equity and other credits</b>	<b><u>941,354</u></b>	<b><u>315,687</u></b>	<b><u>35,601</u></b>	<b><u>116,321</u></b>
<b>Total liabilities and fund equity</b>	<b>\$ <u>1,144,118</u></b>	<b><u>441,119</u></b>	<b><u>376,194</u></b>	<b><u>116,321</u></b>

See accompanying notes to general purpose financial statements.



Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
1,181,333	78	-	-	2,527,671
-	9,421	-	-	9,421
	-	-	-	418,408
	-	-	-	107,505
171,414	-	-	-	171,414
	-	-	-	146,937
	-	-	-	36,059
	-	-	-	22,583
3,856,562	-	4,208,681	-	8,065,243
-	-	-	3,000	3,000
-	-	-	32,601	32,601
-	-	-	1,391,209	1,391,209
-	-	-	72,399	72,399
<u>5,209,309</u>	<u>9,499</u>	<u>4,208,681</u>	<u>1,499,209</u>	<u>13,004,450</u>
73,392	-	-	-	86,183
3,206	-	-	-	3,206
10,635	-	-	-	10,635
-	-	-	-	638,721
-	-	-	-	4,892
55,836	-	-	123,849	192,070
-	-	-	408,026	408,026
-	9,421	-	-	9,421
276,806	-	-	-	276,806
-	-	-	862,334	862,334
-	-	-	105,000	105,000
<u>419,875</u>	<u>9,421</u>	<u>-</u>	<u>1,499,209</u>	<u>2,597,294</u>
-	-	4,208,681	-	4,208,681
15,000	-	-	-	15,000
4,774,434	-	-	-	4,774,434
-	-	-	-	22,767
-	78	-	-	1,386,274
<u>4,789,434</u>	<u>78</u>	<u>4,208,681</u>	<u>-</u>	<u>10,407,156</u>
<u>5,209,309</u>	<u>9,499</u>	<u>4,208,681</u>	<u>1,499,209</u>	<u>13,004,450</u>

**CITY OF TRENTON, OHIO**  
**Combined Statement of Revenues, Expenditures and**  
**Changes in Fund Balances**  
**All Governmental Fund Types and Expendable Trust Fund**  
**For the Year Ended December 31, 2000**

	Governmental Fund Types				Fiduciary	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
<b>Revenues:</b>						
Property taxes	\$ 234,711	145,975	127,190	-	-	507,876
Income taxes	1,035,386	-	-	-	-	1,035,386
Intergovernmental	278,923	297,660	-	-	-	576,583
Fines, licenses and permits	161,146	32,424	-	-	-	193,570
Investment income	199,513	6,587	700	5,905	-	212,705
Miscellaneous	<u>131,072</u>	<u>15,691</u>	<u>-</u>	<u>28,339</u>	<u>-</u>	<u>175,102</u>
<b>Total revenues</b>	<u>2,040,751</u>	<u>498,337</u>	<u>127,890</u>	<u>34,244</u>	<u>-</u>	<u>2,701,222</u>
<b>Expenditures:</b>						
<b>Current:</b>						
Security of persons and property	1,088,984	-	-	-	-	1,088,984
Transportation	-	176,400	-	-	-	176,400
Public health services	3,254	-	-	-	-	3,254
Leisure time activities	101,412	-	-	-	-	101,412
Community environment	165,921	23,936	-	-	-	189,857
General government	353,946	3,290	-	-	-	357,236
Capital outlay	8,400	786,496	-	1,850	-	796,746
<b>Debt service:</b>						
Principal retirement	-	126,227	76,333	39,968	-	242,528
Interest and fiscal charges	-	<u>13,665</u>	<u>48,382</u>	<u>3,593</u>	<u>-</u>	<u>65,640</u>
<b>Total expenditures</b>	<u>1,721,917</u>	<u>1,130,014</u>	<u>124,715</u>	<u>45,411</u>	<u>-</u>	<u>3,022,057</u>
<b>Excess of revenues over (under) expenditures</b>	<u>318,834</u>	<u>(631,677)</u>	<u>3,175</u>	<u>(11,167)</u>	<u>-</u>	<u>(320,835)</u>
<b>Other financing sources (uses):</b>						
Proceeds from capital leases	-	492,000	-	-	-	492,000
Operating transfers-in	170,000	103,000	-	-	-	273,000
Operating transfers-out	<u>(243,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(243,000)</u>
<b>Total other financing sources (uses)</b>	<u>(73,000)</u>	<u>595,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>522,000</u>
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses</b>	245,834	(36,677)	3,175	(11,167)	-	201,165
<b>Fund balances at beginning of year</b>	<u>695,520</u>	<u>352,364</u>	<u>32,426</u>	<u>127,488</u>	<u>78</u>	<u>1,207,876</u>
<b>Fund balances at end of year</b>	<u>\$ 941,354</u>	<u>315,687</u>	<u>35,601</u>	<u>116,321</u>	<u>78</u>	<u>1,409,041</u>

See accompanying notes to general purpose financial statements.

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**CITY OF TRENTON, OHIO**  
 Combined Statement of Revenues, Expenditures and  
 Changes in Fund Balances - Budget and Actual (Budget Basis)  
 All Governmental Fund Types and Expendable Trust Fund  
 For the Year Ended December 31, 2000

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>						
Property taxes	\$ 230,000	234,711	4,711	146,600	145,975	(625)
Income taxes	984,000	1,021,421	37,421	-	-	-
Intergovernmental	266,720	293,823	27,103	324,050	292,692	(31,358)
Fines, licenses and permits	143,800	161,146	17,346	32,800	32,749	(51)
Interest	320,000	178,063	(141,937)	-	-	-
Miscellaneous	222,000	131,072	(90,928)	14,903	15,691	788
<b>Total revenues</b>	<b>2,166,520</b>	<b>2,020,236</b>	<b>(146,284)</b>	<b>518,353</b>	<b>487,107</b>	<b>(31,246)</b>
<b>Expenditures:</b>						
<b>Current:</b>						
Security of persons and property	1,180,746	1,090,755	89,991	38,000	-	38,000
Transportation	-	-	-	249,785	195,035	54,750
Public health services	3,300	3,254	46	-	-	-
Leisure time activities	103,400	101,412	1,988	35,500	23,936	11,564
Community environment	198,105	165,827	32,278	-	-	-
General government	488,590	371,431	117,159	139,810	137,116	2,694
Capital outlay	103,733	8,400	95,333	879,793	786,496	93,297
<b>Debt service:</b>						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
<b>Total expenditures</b>	<b>2,077,874</b>	<b>1,741,079</b>	<b>336,795</b>	<b>1,342,888</b>	<b>1,142,583</b>	<b>200,305</b>
<b>Excess of revenues over (under) expenditures</b>	<b>88,646</b>	<b>279,157</b>	<b>190,511</b>	<b>(824,535)</b>	<b>(655,476)</b>	<b>169,059</b>
<b>Other financing sources (uses):</b>						
Proceeds from capital leases	-	-	-	492,000	492,000	-
Operating transfers-in	170,000	170,000	-	113,000	103,000	10,000
Operating transfers-out	(511,000)	(243,000)	268,000	-	-	-
<b>Total other financing sources (uses)</b>	<b>(341,000)</b>	<b>(73,000)</b>	<b>268,000</b>	<b>605,000</b>	<b>595,000</b>	<b>10,000</b>
<b>Excess of revenues and other financing sources over (under) expenditures and other financing uses</b>	<b>(252,354)</b>	<b>206,157</b>	<b>458,511</b>	<b>(219,535)</b>	<b>(60,476)</b>	<b>(159,059)</b>
Fund balances at beginning of year	680,889	680,889	-	362,463	362,463	-
Prior year encumbrances appropriated	6,264	6,264	-	51,764	51,764	-
<b>Fund balances at end of year</b>	<b>\$ 434,799</b>	<b>893,310</b>	<b>458,511</b>	<b>194,692</b>	<b>353,751</b>	<b>(159,059)</b>

See accompanying notes to general purpose financial statements.

Debt Service Funds			Capital Projects Funds			Expendable Trust Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
128,978	127,190	(1,788)	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>128,978</u>	<u>127,190</u>	<u>(1,788)</u>	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	12,900	53,134	(40,234)	-	-	-
76,333	76,333	-	-	-	-	-	-	-
<u>50,841</u>	<u>48,382</u>	<u>2,459</u>	<u>3,000</u>	<u>3,000</u>	<u>-</u>	-	-	-
<u>127,174</u>	<u>124,715</u>	<u>2,459</u>	<u>15,900</u>	<u>56,134</u>	<u>(40,234)</u>	-	-	-
<u>1,804</u>	<u>2,475</u>	<u>671</u>	<u>(15,900)</u>	<u>(56,134)</u>	<u>(40,234)</u>	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	(106,905)	-	106,905	-	-	-
-	-	-	(106,905)	-	106,905	-	-	-
1,804	2,475	(671)	(122,805)	(56,134)	66,671	-	-	-
32,126	33,126	(1,000)	45,497	45,497	-	78	78	-
-	-	-	44,062	44,062	-	-	-	-
<u>33,930</u>	<u>35,601</u>	<u>(1,671)</u>	<u>(33,246)</u>	<u>33,425</u>	<u>66,671</u>	<u>78</u>	<u>78</u>	-

**CITY OF TRENTON, OHIO**  
 Combined Statement of Revenues, Expenses and  
 Changes in Retained Earnings  
 Proprietary Fund Type  
 For the Year Ended December 31, 2000

	<u>Enterprise</u>
Operating Revenues:	
Charges for services	\$ 2,277,423
Other operating revenues	<u>760</u>
Total operating revenues	<u>2,278,183</u>
Operating Expenses:	
Personal services	561,154
Contractual services	1,010,327
Depreciation	132,902
Other expenses	<u>173,078</u>
Total operating expenses	<u>1,877,461</u>
Operating income	<u>400,722</u>
Non-operating revenues (expenses):	
Interest	22,739
Interest and fiscal charges	<u>(17,265)</u>
Total non-operating revenues	<u>5,474</u>
Net income before operating transfers	406,196
Operating transfers - in	243,423
Operating transfers - out	<u>(273,423)</u>
Net income	376,196
Retained earnings at beginning of year	<u>4,398,238</u>
Retained earnings at end of year	\$ <u>4,774,434</u>

See accompanying notes to general purpose financial statements.

**CITY OF TRENTON, OHIO**  
 Combined Statement of Revenues, Expenses and Changes in  
 Retained Earnings - Budget and Actual (Budget Basis)  
 Proprietary Fund Type  
 For the Year Ended December 31, 2000

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Charges for services	\$ 2,306,920	2,260,536	(46,384)
Interest	750	22,739	(21,989)
Other operating revenues	515	760	(245)
Total revenues	2,308,185	2,284,035	(68,618)
Expenses:			
Personal services	579,560	552,268	27,292
Contractual services	955,040	951,924	3,116
Other expenses	675,109	531,901	143,208
Capital outlay	-	-	-
Debt Service:			
Principal retirement	169,893	169,893	-
Interest and fiscal charges	34,531	34,531	-
Total expenses	2,414,133	2,240,517	173,616
Excess of revenues over (under) expenses before operating transfers	(105,948)	43,518	(149,466)
Operating transfers - in	289,443	243,423	(46,020)
Operating transfers - out	(273,423)	(273,423)	-
Excess of revenues over (under) expenses and operating transfers	(89,928)	13,518	(195,486)
Fund balance at beginning of year	1,154,839	1,154,839	-
Prior year encumbrances appropriated	39,126	39,126	-
Fund balance at end of year	\$ 1,104,037	1,207,483	(195,486)

See accompanying notes to general purpose financial statements.

**CITY OF TRENTON, OHIO**  
 Combined Statement of Cash Flows  
 Proprietary Fund Type  
 For the Year Ended December 31, 2000

	<u>Enterprise Fund</u>
Increase (decrease) in cash and cash equivalents:	
Cash flows from operating activities:	
Cash received from customers	\$ 2,260,536
Other operating revenues	760
Cash payments for employee services and benefits	(552,268)
Cash payments to suppliers for goods and services	(951,924)
Other expenses	<u>(224,407)</u>
Net cash provided by operating activities	<u>532,697</u>
Cash flows from non-capital financing activities:	
Operating transfers	<u>(30,000)</u>
Net cash used by non-capital financing activities	<u>(30,000)</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(307,494)
Principal paid on OWDA loans payable	(169,893)
Interest paid on OWDA loans payable	<u>(34,531)</u>
Net cash used for capital and related financing activities	<u>(511,918)</u>
Cash flows from investing activities:	
Interest	<u>22,739</u>
Net cash provided by investing activities	<u>22,739</u>
Net increase in cash and cash equivalents	13,518
Cash and cash equivalents at beginning of year	<u>1,167,815</u>
Cash and cash equivalents at end of year	\$ <u>1,181,333</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 400,722
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	132,902
Changes in assets and liabilities:	
Increase in accounts receivable	(33,037)
Decrease in accounts payable	21,430
Increase in accrued salaries payable	(5,914)
Decrease in due to other governments	3,206
Increase in deposits	10,635
Increase in compensated absences	<u>2,753</u>
Net cash provided by operating activities	\$ <u>532,697</u>

See accompanying notes to general purpose financial statements.



# CITY OF TRENTON, OHIO

## Notes to Financial Statements

December 31, 2000

### 1. Reporting Entity and Basis of Presentation:

The City of Trenton (the "City") is a home rule municipal corporation organized under the laws of the State of Ohio which operates under its own charter. The current charter, which provides for a Council - Manager form of government, was adopted in 1971. The seven-member Council is elected to four-year terms. Biennially, Council selects one of its members to serve as Mayor. The Council appoints a City Manager who executes the laws and administers the government of the City. The City Manager appoints all of the department managers of the City.

#### Reporting entity

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

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

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

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

#### Basis of Presentation - Fund Accounting

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

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

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

# CITY OF TRENTON, OHIO

## Notes to Financial Statements

December 31, 2000

### Governmental fund types

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

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

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

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

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

### Proprietary fund type

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

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

### Fiduciary fund types

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

# CITY OF TRENTON, OHIO

## Notes to Financial Statements

December 31, 2000

### Account groups

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

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

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

### 2. Summary of Significant Accounting Policies:

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

#### Measurement focus and basis of accounting

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

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

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

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

# CITY OF TRENTON, OHIO

## Notes to Financial Statements

December 31, 2000

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

The City reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability of deferred revenue is removed from the combined balance sheet and revenue is recognized. Current and delinquent property taxes measurable as of December 31, 2000, whose availability is indeterminable and which are intended to finance fiscal year 2001 operations have been recorded as a receivable and deferred revenue. Levied special assessments are measurable and have also been recorded as a receivable and deferred revenue.

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

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

### Budgetary data

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

### 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 Financial Statements

December 31, 2000

### Estimated resources

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

### Appropriations

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

### Encumbrances

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

### Lapsing of appropriations

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

# CITY OF TRENTON, OHIO

## Notes to Financial Statements

December 31, 2000

### Cash and cash equivalents

Cash balances of the City's funds, except cash held by the fiscal agent, are pooled and invested in investments maturing within five years in order to provide improved cash management. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the combined balance sheet. Interest income is distributed to the funds according to Ohio Constitution, state statutes and local ordinances adopted under City Charter. Interest income during 2000 amounted to \$235,444.

During 2000, investments were limited to STAR Ohio, certificates of deposit, and government securities. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

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

### Fixed assets and depreciation

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

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

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

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

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

### Intergovernmental revenues

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

# CITY OF TRENTON, OHIO

## Notes to Financial Statements

December 31, 2000

### Compensated absences

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

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

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

### Long-term obligations

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

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

### Interfund transactions

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

# CITY OF TRENTON, OHIO

## Notes to Financial Statements

December 31, 2000

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

### Capitalization of interest

The City's policy is to capitalize net interest on proprietary 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 2000, no material interest costs were incurred on construction projects in enterprise funds.

### Reservation and designation of fund equity

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

### Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

### Contributed capital

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

### Total columns on general purpose financial statements

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

### 3. Budget to GAAP Reconciliation:

#### Budgetary basis of accounting

While reporting financial position, 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, appropriations and encumbrances. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations.



**CITY OF TRENTON, OHIO**

Notes to Financial Statements

December 31, 2000

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year-end encumbrances are treated as expenditures/expenses (budget basis) rather than as a reservation of fund balance for governmental funds or note disclosure in the proprietary funds (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Proceeds from and principal payments on short-term note obligations are reported on the operating statement (budget basis) rather than as a balance sheet transaction (GAAP Basis).

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

	Excess of Revenues and Other Financing Sources Over/ (Under) Expenditures and Other Financing Uses All Governmental Fund Types and Expendable Trust Fund				
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>
GAAP Basis	\$ 245,834	(36,677)	3,175	(11,167)	-
Adjustments:					
Revenue Accruals	2,034	(11,012)	(700)	(5,905)	-
Expenditure Accruals	(19,162)	(12,569)	-	(39,062)	-
Encumbrances	<u>(22,549)</u>	<u>(218)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Budget Basis	\$ <u>206,157</u>	<u>(60,476)</u>	<u>2,475</u>	<u>(56,134)</u>	<u>-</u>

Net Income/Excess of Revenues  
Over Expenses  
All Proprietary Fund Types

GAAP Basis	\$ 376,196
Adjustments:	
Revenue Accruals	(33,037)
Expense Accruals	14,844
Capital Outlay	(307,494)
Debt Principal Payments	(169,893)
Depreciation	<u>132,902</u>
Budget Basis	\$ <u>13,518</u>

# CITY OF TRENTON, OHIO

## Notes to Financial Statements

December 31, 2000

### 4. Deposits and Investments:

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

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

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

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

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

STAR Ohio is an investment pool managed by the State Treasurer's office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2000.

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

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

**CITY OF TRENTON, OHIO**

Notes to Financial Statements

December 31, 2000

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

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

Deposits

At year end, the carrying amount of the City's deposits was \$123,717 and the bank balance was \$454,337. Of the bank balance, \$244,679 was covered by federal deposit insurance. The remaining amount, \$209,658, was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust departments in the City's name and all state statutory requirements for the investment of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the Federal Deposit Insurance Corporation.

Investments

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

	Category <u>1</u>	Category <u>2</u>	<u>Unclassified</u>	<u>Fair Value</u>
US Treasury Money Market Fund	\$ -	-	23,604	23,604
Federal National Mortgage Association (FNMA) Bonds	-	777,808	-	777,808
Federal Home Loan Mortgage STAR Ohio	1,381,971	-	-	1,381,971
	-	-	<u>229,992</u>	<u>229,992</u>
Total	\$ <u>1,381,971</u>	<u>777,808</u>	<u>253,596</u>	<u>2,413,375</u>

The City had \$1,381,971 of investments at year-end with Morgan Stanley Dean Witter and Merrill Lynch. These securities are categorized as Category 1 investments. These securities are covered by SIPC (Securities Investor Protection Corporation) and insurance coverage provided by a third party.

5. Property Taxes:

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by County Auditor at 35 percent of appraised market value. All property is required to be revalued every six years. The last revaluation was completed in 1996. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by July 20.

CITY OF TRENTON, OHIO

Notes to Financial Statements

December 31, 2000

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, 2000, was \$4.99 per \$1,000 of assessed valuation. The assessed values of real and tangible personal property upon which 2000 property tax receipts were based are as follows:

Real Property Assessed Valuation	\$ 97,979,408	85.89%
Public Utility Real and Tangible Personal Property Assessed Valuation	9,011,961	7.90
Tangible Personal Property Assessed Valuation	<u>7,084,086</u>	<u>6.21</u>
Total	<u>\$114,075,455</u>	<u>100%</u>

Property taxes receivable represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2000. 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 2000 operations. The receivable is therefore offset by a credit to deferred revenue.

6. Income Tax:

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

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

Income tax proceeds are to be used to pay the cost of administering the tax, general fund operations, capital improvements, debt service and other governmental functions when needed, as determined by Council. In 2000, the proceeds were allocated to the general fund. Income tax revenue for 2000 was \$1,035,386.

**CITY OF TRENTON, OHIO**

Notes to Financial Statements

December 31, 2000

7. Receivables:

Receivables at December 31, 2000, consisted of property taxes, income taxes, special assessments, intergovernmental receivables arising from grants, entitlements and shared revenues, interest on investments and utility accounts. All receivables are considered fully collectible.

A summary of intergovernmental receivables follows:

General Fund		
Undivided Local Government		\$ <u>1,255</u>
Total General Fund		<u>1,255</u>
Special Revenue Funds		
Street Maintenance and Repair		
State Gasoline Excise Tax		12,718
Motor Vehicle Registration		<u>3,416</u>
Total Street Maintenance and Repair Fund		<u>16,134</u>
State Highway Improvement Fund		
State Gasoline Excise Tax		1,031
Motor Vehicle Registration Fees		<u>277</u>
Total State Highway Fund		<u>1,308</u>
Municipal Motor License Fund		
Permissive Tax		<u>3,886</u>
Total Special Revenue Funds		<u>21,328</u>
Total All Funds		\$ <u>22,583</u>

8. Fixed Assets:

Changes in general fixed assets during the year ended December 31, 2000, were as follows:

<u>Asset Category</u>	<u>Balance at</u> <u>December 31,</u> <u>1999</u>	<u>Additions</u>	<u>Deletions</u>	<u>2000</u>
Land and improvements	\$ 268,372	147,339	-	415,711
Buildings	1,619,139	161,662	-	1,780,801
Equipment, Furniture and Vehicles	<u>1,361,919</u>	<u>681,154</u>	<u>30,904</u>	<u>2,012,169</u>
Totals	\$ <u>3,249,430</u>	<u>990,155</u>	<u>30,904</u>	<u>4,208,681</u>

A summary of the enterprise funds' fixed assets at December 31, 2000 follows:

Land and improvements	\$ 43,250
Buildings	176,830
Water and Sewer Lines	4,369,751
Equipment, Furniture, & Vehicles	<u>1,120,362</u>
Total	5,710,193
Less: Accumulated Depreciation	<u>(1,853,631)</u>
Net Fixed Assets	\$ <u>3,856,562</u>

# CITY OF TRENTON, OHIO

## Notes to Financial Statements

December 31, 2000

### 9. Defined Benefit Pension Plans:

#### Public Employees Retirement System

All City full-time employees, other than police and fire, participate in the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple-employer public employee retirement system administered by the Public Employees Retirement Board. PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits based on eligible service credit to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report which may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222-PERS(7377).

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations and the City is required to contribute 10.84 percent. The Retirement Board instituted a temporary employer contribution rate rollback for calendar year 2000. The rate roll back was 20% for state and local government divisions. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City's required contributions to PERS for the years ended December 31, 2000, 1999, and 1998 were \$20,844, \$86,342, and \$72,866, respectively. The full amount has been contributed for 2000, 1999, and 1998.

#### Police and Firemen's Disability and Pension Fund

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

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

Members are required to contribute 10% of their annual covered salary to fund pension obligations and the City is required to contribute 19.5% for police and 24% for firefighters. Contributions are authorized by State statute. The City's contributions to the Fund were \$41,542 for the year ended December 31, 2000, \$56,779 for 1999 and \$45,765 for 1998. The full amount has been contributed for 2000, 1999, and 1998.

### 10. Postemployment Benefits:

#### Public Employees Retirement System

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

## CITY OF TRENTON, OHIO

### Notes to Financial Statements

December 31, 2000

granted by State statute. The employer contribution rate was rolled back for the year 2000. For local government employer units, the rate was 10.84% of covered payroll; 4.30% was the portion that was used to fund health care for the year. The law enforcement employer rate was 15.70% and 4.30% was used to fund health care for the year.

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to PERS.

OPEBs are advanced funded on an actuarially determined basis. The following assumptions and calculations are based on the latest Actuarial Review as of December 31, 1999. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of the unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 1999 was 7.75%. An annual increase of 4.75% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.75% base increase, were assumed to range from 0.54% to 5.1%. Health care costs were assumed to increase 4.75% annually.

The number of active contributing participants was 401,339. The amount of the City's contributions that were used to fund postemployment benefits was \$896. The actuarial value of net assets available as of December 31, 1999 was \$10,805.5. The actuarially accrued liability and the unfounded actuarial accrued liability, based on the actuarial cost method used, were \$12,473.6 million and \$1,668.1 million, respectively.

In 2000, the Retirement Board enacted a temporary employer contribution rate rollback for calendar year 2000. The decision to rollback rates was based on a December 31, 1998 actuarial study, which indicated that actuarial assets exceeded actuarial liabilities. The temporary rate rollback was 20% for both the state and local government divisions and 6% for law enforcement divisions. The Board reallocated employer contributions from 4.20% to 4.30% at the beginning of the year to improve health care financing. The proportion of contributions dedicated to funding OPEB increased during the year for those reasons.

#### Police and Firemen's Disability and Pension Fund

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

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. The Ohio Revised Code provides the authority allowing the Police and Firemen's Disability and Pension Fund's Board of Trustees to provide health care coverage and states that health care cost paid from the Police and Firemen's Disability and Pension Fund shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution is 19.5 percent and the total firefighter employer contribution is 24% of covered payroll, of which 7.25% of covered payroll is applied to postemployment health care program. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

# CITY OF TRENTON, OHIO

## Notes to Financial Statements

December 31, 2000

The number of participants eligible to receive health care benefits as of December 31, 1999, was 12,467 for police and 9,807 for firefighters. The City's actual contributions for 2000 that were used to fund postemployment benefits were \$15,454 for police and \$12,546 for firefighters. The Fund's total health care expenses for the year ended December 31, 1999, (the latest information available) were \$95,004,633.

### 11. Other Employee Benefits:

#### Compensated absences

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

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

#### Insurance benefits

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

### 12. Risk Management:

#### Property and liability

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

The Pool's general objectives are to formulate, develop, and administer a program of insurance, to obtain lower costs for that coverage, and to develop a comprehensive loss control program on behalf of the member political subdivisions. Political subdivisions joining the Pool may withdraw at the end of any coverage period upon 60 days prior written notice to the Pool. Under agreement, members who terminate participation in the Pool, as well as current members, are subject to a supplemental assessment or a refund at the discretion of the board of trustees, depending on the ultimate loss experience of all the entities it insures for each coverage year. To date, there have been no assessments or refunds, due to the limited period of time that the Pool has been in existence and the nature of the coverage that is afforded to the participants.



## CITY OF TRENTON, OHIO

### Notes to Financial Statements

December 31, 2000

Each participant makes an annual "contribution" to the Pool for the coverage they are provided, based on rates established by the Pool, using anticipated and actual results of operation for the various coverages provided. Participants are also charged for a "surplus contribution" that is used to fund the activities of the pool. During 2000, the City of Trenton made contributions of \$23,875 to the pool.

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

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

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

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

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

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

#### Workers' compensation

For fiscal year 2000, the City participated in the Ohio Municipal League of Ohio Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the City by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating cities is calculated as one experience and a common premium rate is applied to all cities in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the

GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to cities that can meet the GRP's selection criteria. The firm of Gates McDonald provides administrative, cost control and actuarial services to the GRP.

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

**CITY OF TRENTON, OHIO**

Notes to Financial Statements

December 31, 2000

13. Capital Leases - Lessee Disclosure:

In 1998, the City entered into a lease for furniture and equipment. Lease payments are accounted for on a GAAP basis as an expenditure in the municipal building capital projects fund. In 2000, the City entered into a lease for fire equipment. Lease payments are accounted for on a GAAP basis as an expenditure in the fire levy special revenue fund.

The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. New capital leases are reflected in the accounts "capital outlay" and "proceeds from capital lease" in the fund which will be making the payment. Equipment acquired by the leases have been capitalized in the general fixed assets account group in the amount of \$612,000, equal to the present value of the future minimum lease payments at the time of acquisition.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2000:

For the Year Ending December 31,	<u>GLTDAG</u>
2001	\$ 136,096
2002	92,536
2003	92,536
2004	92,536
2005	<u>46,268</u>
Subtotal	459,972
Less: Amount Representing Interest	<u>(51,946)</u>
Present Value of Minimum Lease Payments	\$ <u>408,026</u>

14. Long-Term Obligations:

Changes in long-term obligations during 2000 were as follows:

	Balance at December 31, <u>1999</u>	<u>Increases</u>	<u>Decreases</u>	Balance at December 31, <u>2000</u>
Special Assessment Bond – 7.75%	\$ 115,000	-	10,000	105,000
General Obligation Bond – 4.40% to 4.97%	928,667	-	66,333	862,334
Capital Leases	82,221	492,000	166,195	408,026
Compensated Absences Payable	136,778	-	12,929	123,849
Due to Other Governments	<u>1,887</u>	-	<u>1,887</u>	-
TOTAL – General Long-Term Obligations	\$ <u>1,264,553</u>	<u>492,000</u>	<u>257,344</u>	<u>1,499,209</u>

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

**CITY OF TRENTON, OHIO**

Notes to Financial Statements

December 31, 2000

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

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

Changes in the long-term obligations reported in the sewer fund during 2000 were as follows:

	Balance at December 31, <u>1999</u>	<u>Increases</u>	<u>Decreases</u>	Balance at December 31, <u>2000</u>
OWDA Loan Payable:				
7.73% -1980 Sewer OWDA Loan	\$ 446,699	-	169,893	276,806

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

As of December 31, 2000, the City's overall voted legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$7,988,591 and the unvoted legal debt margin was \$3,706,017.

Principal and interest requirements to retire the City's outstanding obligations at December 31, 2000, were:

	Special Assessment <u>Bond</u>	OWDA <u>Loan</u>	<u>Bond</u>	General Obligation <u>Total</u>
2001	\$ 23,138	204,424	105,371	332,933
2002	21,975	204,422	102,362	328,759
2003	20,813	-	99,533	120,346
2004-2008	71,625	-	452,229	523,854
2009-2013	-	-	<u>372,876</u>	<u>372,876</u>
<b>Total</b>	<b>\$ <u>137,551</u></b>	<b><u>408,846</u></b>	<b><u>1,132,371</u></b>	<b><u>1,678,768</u></b>

**CITY OF TRENTON, OHIO**

Notes to Financial Statements

December 31, 2000

15. Segment Information:

The City's enterprise funds account for the provision of water, sewer, and refuse collection services. Key financial information as of and for the year ended December 31, 2000, for each enterprise fund is as follows:

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Refuse Fund</u>	<u>Total</u>
Operating Revenues	\$ 768,392	1,021,259	488,532	2,278,183
Operating Expenses				
Before Depreciation	386,849	889,803	467,907	1,744,559
Depreciation Expense	82,031	50,038	833	132,902
Operating Income	299,512	81,418	19,792	400,722
Net Non-Operating				
Revenues (Expenses)	4,116	764	594	5,474
Transfers (30,000)	10,000	(10,000)	(30,000)	
Net Income (Loss)	273,628	92,181	10,387	376,196
Additions to Property,				
Plant and Equipment	193,056	129,438	-	322,494
Net Working Capital	560,153	1,556,318	64,728	2,181,199
Total Assets	3,520,817	1,620,232	68,260	5,209,309
Long-Term Liabilities				
Payable from Revenue	-	276,806	-	276,806
Long-Term				
Compensated Absences	25,527	18,931	11,378	55,836
Total Equity	3,475,503	1,260,581	53,350	4,789,434

16. Jointly Governed Organization:

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

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

CITY OF TRENTON, OHIO

Notes to Financial Statements

December 31, 2000

Payments to OKI are made from the general fund. No contributions to OKI were made during 2000. To obtain financial information, write to the Ohio-Kentucky-Indiana Regional Council of Governments at 801-B W. Eighth St. - Suite 400, Cincinnati, Ohio, 45203.

17. Insurance Purchasing Pool:

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

18. Contingent Liabilities:

Litigation

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

Federal and state grants

For the period January 1, 2000 to December 31, 2000, the City received federal and state grants for specific purposes that are subject to review and audit by grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

19. Contributed Capital:

The changes in the City's contributed capital for its proprietary funds were as follows:

	<u>Water</u>	<u>Sewer</u>
Beginning balance, contributed capital	\$ -	-
Contributed from general fund	<u>3,000</u>	<u>12,000</u>
Ending balance, contributed capital	\$ <u>3,000</u>	<u>12,000</u>

All assets were transferred from governmental funds. As such, no depreciation is allocated to contributed capital.

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

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

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

We have audited the financial statements of the City of Trenton, Ohio (the City) as of and for the year ended December 31, 2000, and have issued our report thereon dated May 24, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the City in a separate letter dated May 24, 2001.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management in a separate letter dated May 24, 2001.

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

*Clark, Schaefer, Hackett & Co.*

Middletown, Ohio  
May 24, 2001

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STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**CITY OF TRENTON**

**BUTLER COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
AUGUST 21, 2001**