



**JIM PETRO**  
**AUDITOR OF STATE**  

---

**STATE OF OHIO**



**CITY OF TROTWOOD  
MONTGOMERY COUNTY**

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STATE OF OHIO  
OFFICE OF THE AUDITOR  
JIM PETRO, AUDITOR OF STATE

One First National Plaza  
130 West Second Street  
Suite 2040  
Dayton, Ohio 45402  
Telephone 937-285-6677  
800-443-9274  
Facsimile 937-285-6688  
www.auditor.state.oh.us

## REPORT OF INDEPENDENT ACCOUNTANTS

City of Trotwood  
Montgomery County  
35 North Olive Road  
Trotwood, Ohio 45426

To the City Council:

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2000 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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.

**Jim Petro**  
Auditor of State

December 27, 2000

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**CITY OF TROTWOOD  
MONTGOMERY COUNTY**

**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
AS OF DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<b>Assets and other debits</b>				
Assets:				
Cash and cash equivalents	\$ 1,643,836	847,647	5,451	116,200
Cash with fiscal agent	0	0	5,325	0
Investments	1,065,830	549,597	3,535	75,342
Receivables (net of allowances for uncollectibles, if applicable):				
Property taxes	1,407,682	2,501,280	152,644	0
Income taxes	454,860	0	0	0
Accounts	0	0	0	0
Special assessments	312,653	69,022	0	0
Interest	33,955	12,215	87	0
Due from other governments	53,960	1,674,730	0	0
Due from other funds	537,987	0	0	0
Inventories	0	39,512	0	0
Prepaid items	56,505	31,182	0	0
Fixed assets (net of accumulated depreciation, if applicable):				
	0	0	0	0
Other debits:				
Amount available in debt service fund	0	0	0	0
Amount to be provided for retirement of general long-term debt	0	0	0	0
Total assets and other debits	<u>\$ 5,567,268</u>	<u>5,725,185</u>	<u>167,042</u>	<u>191,542</u>



Proprietary Fund Types		Fund Type	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service		Agency	General Fixed Assets	
303,328	50,598	96,078	0	0	3,063,138
0	0	0	0	0	5,325
196,672	32,806	0	0	0	1,923,782
0	0	0	0	0	4,061,606
0	0	0	0	0	454,860
763,907	0	0	0	0	763,907
281,657	0	0	0	0	663,332
4,837	807	0	0	0	51,901
0	0	0	0	0	1,728,690
0	0	0	0	0	537,987
0	0	0	0	0	39,512
782	0	0	0	0	88,469
1,167,638	0	0	5,322,287	0	6,489,925
0	0	0	0	9,112	9,112
0	0	0	0	2,569,545	2,569,545
<u>2,718,821</u>	<u>84,211</u>	<u>96,078</u>	<u>5,322,287</u>	<u>2,578,657</u>	<u>22,451,091</u>

(continued)

**CITY OF TROTWOOD  
MONTGOMERY COUNTY**

**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
AS OF DECEMBER 31, 1999  
(Continued)**

	<b>Governmental Fund Types</b>			
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>
<b>Liabilities, equity and other credits</b>				
Liabilities:				
Accounts payable	\$ 49,068	69,081	0	5,061
Accrued wages	194,844	120,718	0	0
Compensated absences payable	0	0	0	0
Capital lease payable	0	0	0	0
Due to other governments	223,111	78,281	0	0
Due to other funds	0	537,987	0	0
Interest payable	0	7,738	0	0
Due to customers	0	0	0	0
Deferred revenue	1,718,566	2,567,693	152,605	0
Matured bonds payable	0	0	5,000	0
Matured interest payable	0	0	325	0
General obligation bonds payable	0	0	0	0
Special assessment bonds with government commitment	0	0	0	0
Total liabilities	<u>2,185,589</u>	<u>3,381,498</u>	<u>157,930</u>	<u>5,061</u>
Equity and other credits:				
Investment in general fixed assets	0	0	0	0
Contributed capital	0	0	0	0
Retained earnings, unreserved	0	0	0	0
Fund balances:				
Reserved for encumbrances	101,948	226,202	0	192,111
Reserved for inventories	0	39,512	0	0
Reserved for prepaid items	56,505	31,182	0	0
Unreserved, undesignated	3,223,226	2,046,791	9,112	(5,630)
Total equity and other credits	<u>3,381,679</u>	<u>2,343,687</u>	<u>9,112</u>	<u>186,481</u>
Total liabilities, equity and other credits	<u>\$ 5,567,268</u>	<u>5,725,185</u>	<u>167,042</u>	<u>191,542</u>

The notes to the financial statements are an integral part of this statement.

Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Agency	General Fixed Assets	General Long-term Obligations	
622,137	0	41,952	0	0	787,299
5,997	0	0	0	0	321,559
22,626	0	0	0	813,977	836,603
138,086	0	0	0	294,680	432,766
5,626	0	19,703	0	0	326,721
0	0	0	0	0	537,987
0	0	0	0	0	7,738
0	0	34,423	0	0	34,423
281,657	0	0	0	0	4,720,521
0	0	0	0	0	5,000
0	0	0	0	0	325
0	0	0	0	710,000	710,000
0	0	0	0	760,000	760,000
<u>1,076,129</u>	<u>0</u>	<u>96,078</u>	<u>0</u>	<u>2,578,657</u>	<u>9,480,942</u>
0	0	0	5,322,287	0	5,322,287
34,325	59,240	0	0	0	93,565
1,608,367	24,971	0	0	0	1,633,338
0	0	0	0	0	520,261
0	0	0	0	0	39,512
0	0	0	0	0	87,687
0	0	0	0	0	5,273,499
<u>1,642,692</u>	<u>84,211</u>	<u>0</u>	<u>5,322,287</u>	<u>0</u>	<u>12,970,149</u>
<u>2,718,821</u>	<u>84,211</u>	<u>96,078</u>	<u>5,322,287</u>	<u>2,578,657</u>	<u>22,451,091</u>

**CITY OF TROTWOOD  
MONTGOMERY COUNTY**

**COMBINED STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
ALL GOVERNMENTAL FUND TYPES  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 1999**

	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Totals (Memorandum Only)</b>
<b>Revenues:</b>					
Local taxes	\$ 6,292,546	\$ 1,905,700	\$ 24,360	\$ 0	\$ 8,222,606
Intergovernmental	1,431,806	1,270,974	2,951	78,767	2,784,498
Charges for services	193,336	1,055	0	0	194,391
Licenses, permits and fees	49,584	0	0	0	49,584
Fines and forfeits	65,692	1,731	0	0	67,423
Special assessments	31,085	128,385	5,306	0	164,776
Interest and rent	326,175	87,156	3,563	0	416,894
Miscellaneous	103,171	50,189	13,011	735	167,106
Total revenues	<u>8,493,395</u>	<u>3,445,190</u>	<u>49,191</u>	<u>79,502</u>	<u>12,067,278</u>
<b>Expenditures:</b>					
<b>Current:</b>					
Safety services	4,617,642	2,635,066	0	0	7,252,708
Leisure services	609,445	0	0	0	609,445
Development services	558,555	37,857	0	0	596,412
Transportation services	0	1,246,778	0	0	1,246,778
Administrative services	2,377,437	0	0	0	2,377,437
Capital outlay	737,700	969,865	0	179,875	1,887,440
<b>Debt service:</b>					
Principal	0	0	55,000	0	55,000
Interest and fiscal charges	0	0	102,206	0	102,206
Total expenditures	<u>8,900,779</u>	<u>4,889,566</u>	<u>157,206</u>	<u>179,875</u>	<u>14,127,426</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(407,384)</u>	<u>(1,444,376)</u>	<u>(108,015)</u>	<u>(100,373)</u>	<u>(2,060,148)</u>
<b>Other Financing Sources (Uses):</b>					
Operating transfers-in	0	1,225,200	70,000	368,000	1,663,200
Operating transfers-out	<u>(1,663,200)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1,663,200)</u>
Net other financing sources (uses)	<u>(1,663,200)</u>	<u>1,225,200</u>	<u>70,000</u>	<u>368,000</u>	<u>0</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	<u>(2,070,584)</u>	<u>(219,176)</u>	<u>(38,015)</u>	<u>267,627</u>	<u>(2,060,148)</u>
Fund Balances - January 1 (Restated)	5,371,117	2,562,863	47,127	0	7,981,107
Residual Equity Transfer in (out)	<u>81,146</u>	<u>0</u>	<u>0</u>	<u>(81,146)</u>	<u>0</u>
Fund Balances - December 31	<u>\$ 3,381,679</u>	<u>\$ 2,343,687</u>	<u>\$ 9,112</u>	<u>\$ 186,481</u>	<u>\$ 5,920,959</u>

*The notes to the financial statements are an integral part of this statement.*

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**CITY OF TROTWOOD  
MONTGOMERY COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) -  
ALL GOVERNMENTAL FUND TYPES  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 1999**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>						
Local taxes:						
Property	\$ 1,149,682	\$ 1,167,612	\$ 17,930	\$ 2,296,730	\$ 1,959,347	\$ (337,383)
Income	4,915,742	4,927,369	11,627	0	0	0
Other	103,831	119,785	15,954	144,000	0	(144,000)
Intergovernmental	1,450,837	1,547,683	96,846	1,904,206	1,339,604	(564,602)
Charges for services	183,345	193,337	9,992	15,100	1,055	(14,045)
Licenses, permits and fees	52,379	49,584	(2,795)	0	0	0
Fines and forfeits	51,915	65,692	13,777	121,200	1,731	(119,469)
Special assessments	16,687	31,085	14,398	147,273	128,385	(18,888)
Interest and rent	307,043	338,370	31,327	180,128	96,846	(83,282)
Miscellaneous	30,129	103,785	73,656	1,653	150,106	148,453
Total revenues	<u>8,261,590</u>	<u>8,544,302</u>	<u>282,712</u>	<u>4,810,290</u>	<u>3,677,074</u>	<u>(1,133,216)</u>
<b>Expenditures:</b>						
Current:						
Safety services	4,685,550	4,559,598	125,952	3,162,160	2,936,448	225,712
Leisure services	717,630	635,118	82,512	0	0	0
Development services	663,950	593,828	70,122	225,700	23,123	202,577
Transportation services	0	0	0	3,678,400	3,470,304	208,096
Administrative services	3,059,390	2,920,769	138,621	0	0	0
Capital Outlay	0	0	0	0	0	0
Debt service:						
Principal	0	0	0	0	0	0
Interest and fiscal charges	0	0	0	0	0	0
Total expenditures	<u>9,126,520</u>	<u>8,709,313</u>	<u>417,207</u>	<u>7,066,260</u>	<u>6,429,875</u>	<u>636,385</u>
Deficiency of revenues under expenditures	(864,930)	(165,011)	699,919	(2,255,970)	(2,752,801)	(496,831)
<b>Other Financing Sources (Uses):</b>						
Operating transfers-in	0	0	0	1,225,200	1,225,200	0
Operating transfers-out	(1,663,200)	(1,663,200)	0	0	0	0
Total other financing sources (uses)	<u>(1,663,200)</u>	<u>(1,663,200)</u>	<u>0</u>	<u>1,225,200</u>	<u>1,225,200</u>	<u>0</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(2,528,130)	(1,828,211)	699,919	(1,030,770)	(1,527,601)	(496,831)
Recovery of prior year encumbrances	0	(22,372)	(22,372)	0	89,741	89,741
Fund balance - January 1	4,915,145	4,915,145	0	2,069,587	2,069,587	0
Residual equity transfers in (out)	0	81,146	81,146	0	0	0
Fund balance - December 31	<u>\$ 2,387,015</u>	<u>\$ 3,145,708</u>	<u>\$ 758,693</u>	<u>\$ 1,038,817</u>	<u>\$ 631,727</u>	<u>\$ (407,090)</u>

*The notes to the financial statements are an integral part of this statement.*

Debt Service Fund			Capital Projects Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
28,071	25,110	(2,961)	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
3,360	2,950	(410)	100,000	78,766	(21,234)
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
3,000	5,306	2,306	0	0	0
1,500	3,892	2,392	0	0	0
52,000	13,011	(38,989)	0	735	735
87,931	50,269	(37,662)	100,000	79,501	(20,499)
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	1,456,500	366,925	1,089,575
55,000	55,000	0	0	0	0
102,620	102,206	414	0	0	0
157,620	157,206	414	1,456,500	366,925	1,089,575
(69,689)	(106,937)	(37,248)	(1,356,500)	(287,424)	1,069,076
70,000	70,000	0	298,000	368,002	70,002
0	0	0	0	0	0
70,000	70,000	0	298,000	368,002	70,002
311	(36,937)	(37,248)	(1,058,500)	80,578	1,139,078
0	0	0	0	0	0
45,923	45,923	0	0	0	0
0	0	0	0	(81,146)	(81,146)
46,234	8,986	(37,248)	(1,058,500)	(568)	1,057,932

**CITY OF TROTWOOD  
MONTGOMERY COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS -  
ALL PROPRIETARY FUND TYPES  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 1999**

	<b>Enterprise</b>	<b>Internal Service</b>	<b>Totals (Memorandum Only)</b>
Operating revenues:			
Charges for services	\$2,055,995	\$0	\$2,055,995
Other	34,009	0	34,009
Total operating revenues	2,090,004	0	2,090,004
Operating expenses:			
Salaries and wages	151,354	0	151,354
Benefits	48,337	0	48,337
Contractual services	2,338,699	0	2,338,699
Supplies and materials	61,459	0	61,459
Depreciation	183,654	0	183,654
Total operating expenses	2,783,503	0	2,783,503
Operating income (loss)	(693,499)	0	(693,499)
Nonoperating revenues/expenses:			
Interest revenue	38,538	4,846	43,384
Interest and fiscal charges	(1,103)	0	(1,103)
Other nonoperating revenues	5,584	0	5,584
Total nonoperating revenues	43,019	4,846	47,865
Net income	(650,480)	4,846	(645,634)
Retained earnings - January 1	2,258,847	20,125	2,278,972
Retained earnings - December 31	\$1,608,367	\$24,971	\$1,633,338

*The notes to the financial statements are an integral part of this statement.*



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**CITY OF TROTWOOD  
MONTGOMERY COUNTY**

**COMBINED STATEMENT OF CASH FLOWS -  
ALL PROPRIETARY FUND TYPES  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 1999**

	<b>Enterprise</b>	<b>Internal Service</b>	<b>Totals (Memorandum Only)</b>
Cash flows from operating activities:			
Cash received from customers and users	\$ 2,152,354	0	2,152,354
Cash paid to suppliers for goods and services	(2,250,451)	0	(2,250,451)
Cash paid to employees for services	(150,747)	0	(150,747)
Other operating revenue	34,009	0	34,009
Net cash provided (used) by operating activities	(214,835)	0	(214,835)
Cash flows from noncapital financing activities:			
Special assessments received	5,584	0	5,584
Permit fees	0	0	0
Net cash provided by noncapital financing activities	5,584	0	5,584
Cash flows from capital and related financing activities:			
Principal payments - capital leases	(37,234)	0	(37,234)
Interest payments - capital leases	(1,103)	0	(1,103)
Acquisition of capital assets	(178,759)	0	(178,759)
Net cash provided (used) by capital and related financing activities	(217,096)	0	(217,096)
Cash flows from investing activities:			
Proceeds from sale of investments	592,965	52,721	645,686
Purchase of investments	(196,672)	(32,806)	(229,478)
Interest on investments	41,716	4,751	46,467
Net cash provided (used) by investing activities	438,009	24,666	462,675
Net increase in cash and cash equivalents	11,662	24,666	36,328
Cash and cash equivalents - January 1	291,666	25,932	317,598
Cash and cash equivalents - December 31	\$ 303,328	50,598	353,926

*The notes to the financial statements are an integral part of this statement.*

(continued)

**CITY OF TROTWOOD  
MONTGOMERY COUNTY**

**COMBINED STATEMENT OF CASH FLOWS -  
ALL PROPRIETARY FUND TYPES  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 1999  
(Continued)**

	<b>Enterprise</b>	<b>Internal Service</b>	<b>Totals (Memorandum Only)</b>
Reconciliation of operating income to net cash provided by operating activities			
Operating income (loss)	\$ (693,499)	0	(693,499)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	183,654	0	183,654
Change in assets and liabilities:			
(Increase) in accounts receivable	73,105	0	73,105
Increase in allowance for uncollectibles	23,255	0	23,255
(Increase) decrease in prepaid items	(140)	0	(140)
Increase (decrease) in accounts payable	22,513	0	22,513
Increase in wages payable	(441)	0	(441)
Increase in capital leases payable	138,086	0	138,086
Decrease in amounts payable related to equipment purchase	37,234	0	37,234
Increase (decrease) in compensated absences payable	1,049	0	1,049
Increase in due to other governments	349	0	349
Net cash provided (used) by operating activities	\$ (214,835)	0	(214,835)

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**CITY OF TROTWOOD  
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 1999**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Trotwood, Ohio 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 reporting principles. The City also applies Financial Accounting Standard Board (FASB) statements and interpretations issued on or before November 30, 1989, to proprietary funds provided they do not conflict with or contradict GASB pronouncements. The following is a summary of the City's significant accounting policies presented to assist the reader in interpreting the financial statements and other data in this report.

**A. Financial Reporting Entity**

The City of Trotwood is a political subdivision incorporated in 1901 under the laws and constitution of the State of Ohio. The City is a suburb of Dayton located in Montgomery County in the southwestern portion of the state. Trotwood is located approximately 70 miles west of Columbus and sixty miles north of Cincinnati. Interstates 70 and 75 intersect approximately five miles northeast of the City.

The City is a home rule municipal corporation under Article XVIII of the Ohio Constitution utilizing the council-manager form of government. Governing direction is provided by the city charter first adopted in 1964 and subsequently amended. Overall policy direction is the responsibility of the City Council which is composed of the Mayor and six Councilpersons, four elected from geographic districts and two at-large. The City provides many services for the benefit of its citizens including police protection, fire protection, emergency medical service, street maintenance and repair, parks maintenance, recreation programs, water distribution, sewerage collection and refuse collection. On January 1, 1996, the City merged with Madison Township more than tripling its population and land area. The resulting community is the fourth most populous city in Montgomery County and is surpassed in landmass only by the City of Dayton.

In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 14.

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the City are not misleading. The primary government consists of all funds, department and agencies that are not legally separate from the City.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if it appoints a voting majority of the potential component unit's governing board and the City 1) is able to impose its will on the organization; and/or 2) is in a relationship of financial benefit or burden with the organization. Component units may also include organizations that are fiscally dependent on the City. Fiscal dependency results from one of three conditions: 1) the primary government's approval is needed for the potential component unit's budget; 2) the primary government's approval is needed by the potential component unit to set taxes or charges; or 3) the primary government's approval is needed for the potential component unit to issue bonded debt.

Based on these criteria, no component units were included in the financial statements.

**CITY OF TROTWOOD  
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 1999  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Basis of Presentation**

The accounts of the City are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

The City utilizes the following fund types and account groups:

**1. Governmental Fund Types:**

Governmental funds are used to account for the City's general government programs and activities. Governmental funds include the following fund types:

**General Fund**

This is the City's primary operating fund and accounts for resources devoted to financing the general services that the City provides to its citizens. It accounts for all financial transactions except those required to be accounted for in another fund.

**Special Revenue Funds**

These funds are used to account for revenue sources that are legally restricted to expenditure for specific purposes (not including major capital projects).

**Debt Service Fund**

The purpose of this fund is to account for the accumulation of resources for the payment of principal and interest on the City's long-term general obligation debt other than those payable from enterprise funds.

**Capital Project Funds**

These funds account for the acquisition of fixed assets or the construction of major capital projects not being financed by proprietary funds.

**2. Proprietary Funds:**

These funds account for City activities, which are similar in nature to private businesses.

**Enterprise Funds**

Operations that are financed and operated in a manner similar to private businesses are accounted for in enterprise funds. The intent is that all costs of operation (including depreciation) are to be recovered primarily through user charges.

**CITY OF TROTWOOD  
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 1999  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Internal Service Fund**

The financing of goods or services provided by one fund to other funds of the City and other related agencies on a cost-reimbursement basis are accounted for by this type of fund.

**3. Fiduciary Funds:**

Fiduciary fund are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units or funds.

**Agency Funds**

These funds are custodial in nature and account for assets held by the City for other entities.

**4. Account Groups:**

Account groups are not funds but do contain self-balancing accounts. They are used to differentiate between fixed assets and long-term obligations of governmental fund type operations and those relating to proprietary operations. Account groups are concerned only with the measurement of financial position, not results of operations.

**General Fixed Assets Account Group**

Property, plant and equipment acquired by governmental and similar fiduciary fund types are accounted for in the account group.

**General Long-term Obligations Account Group**

Unmatured, long-term obligations backed by the "full faith and credit" of the municipality and certain other liabilities that are not specific liabilities of proprietary or trust funds are accounted in this account group.

**C. Basis of Accounting and Measurement Focus**

Basis of accounting refers to the timing of recognition of revenues and expenditures or expenses. Basis of accounting determines when transactions are recognized in the accounts and reported in the financial statements regardless of the measurement focus. Measurement focus refers to the determination of which assets and liabilities are included on a fund's balance sheet and whether the fund presents information on the flow of financial resources (revenues and expenditures) or information on the flow of economic resources (revenues and expenses).

Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to be used to pay the liabilities of the current period. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. Unmatured principal and interest on general long-term debts are recognized when due and certain compensated absences and claims and judgments are recognized when obligations are expected to be liquidated with expendable available financial resources.

**CITY OF TROTWOOD  
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 1999  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

With respect to revenue recognition, the City considers the following revenue sources available if they are collected within thirty (30) days after year end: special assessments due in the current year, income taxes withheld by employers and state-levied locally shared taxes (including motor vehicle taxes). Property taxes and special assessments received to service special assessment debt, though measurable, are not available soon enough in the subsequent year to finance current period obligations and are, therefore, deferred until they become available. Expenditure-driven grants are recognized as revenue when qualifying expenditures have been incurred and all other grant requirements have been met.

Other revenues including license and permit fees, certain charges for services, income taxes other than those withheld by employers and miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received.

The measurement focus of governmental funds is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related liability is incurred except for unmatured principal and interest on general long-term debt which are recognized when paid. Allocation of cost, such as depreciation and amortization are not recognized in the governmental funds.

Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Allocations of cost such as depreciation are recorded in proprietary funds. Unbilled utility service receivables are accrued and reported in the financial statements.

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds utilize the modified accrual basis of accounting.

**D. Assets, Liabilities and Equity**

**1. Deposits and Investments**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash balances of the City's funds are pooled and invested in short-term investments in order to provide improved cash management.

The City's adopted investment policy allows the City to invest in U.S. Treasury obligations, repurchase agreements, certificates of deposit and the State Treasurer's investment pool, commonly known as STAR Ohio. In accordance with GASB Statement No. 31, investments are stated at fair value except for non-negotiable certificates of deposit, non-participating repurchase agreements and STAR Ohio which are reported at cost or amortized cost.

**2. Receivables and Payables**

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets and service debt. Operating subsidies are recorded as operating transfers. Outstanding balances between funds are reported as "due to/from other funds," unless such balances represent interfund loans in which case they are reported as "advances to/from other funds."



**CITY OF TROTWOOD  
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 1999  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

All trade accounts receivable recorded in the City's enterprise funds are shown net of an allowance for uncollectibles.

**3. Inventories and Prepaid Items**

Inventories are valued at cost using the first-in/first-out (FIFO) method. Governmental fund inventory costs are recorded as expenditures at the time of purchase. The inventory amount reported by the City represents its stockpile of road salt used to clear streets of snow and ice.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Governmental fund inventory and prepaid item amounts are equally offset by reserves to the fund balances to indicate that they do not constitute "available expendable resources" even though they are components of net current assets.

**4. Fixed Assets and Depreciation**

In 1997, the City contracted with an appraisal firm to provide an inventory of its fixed assets. Their report, dated as of May 1, 1997, estimated original costs and dates of acquisition for all City assets. The original cost of most assets was estimated using the normal costing method. This method involves determining an asset's cost of reproduction new indexed by a reciprocal factor of the price increase from the estimated date acquired to the appraisal date.

Fixed assets used in governmental fund types of the City are recorded in the general fixed assets account group at cost or estimated historical cost if purchased or constructed; expenditures for the asset are recorded in the funds financing the acquisition/construction. Donated fixed assets are recorded at their estimated fair value at the date of donation. Interest incurred during the construction of general fixed assets is not capitalized. Although not required by generally accepted accounting principles as applied to local governments, assets in the general fixed assets account group are depreciated utilizing the straight-line method over their estimated useful lives. Infrastructure general fixed assets (e.g., roads, bridges, parking lots, sidewalks and other assets that are immovable and of value only to the City) are not capitalized.

Property, plant and equipment in the proprietary funds of the City are recorded at cost. Donated property, plant and equipment are recorded at estimated fair value at the time of donation. Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of proprietary fund assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. Depreciation of proprietary fund fixed assets is charged over the estimated useful life of the asset utilizing the straight-line method.

Estimated useful lives used for both general governmental and proprietary fund fixed assets are as follows:

Buildings and structures	20-45 years
Infrastructure	15-45 years
Vehicles and equipment	3-20 years

**CITY OF TROTWOOD  
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 1999  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**5. Compensated Absences**

Employees earn vacation leave ranging from 10 to 25 days per year based on length of service, except for firefighters who earn vacation leave on a pro-rated basis utilizing a 2,912 hour work year. The maximum accrual, which can be carried forward in a year, is 160 hours or one year's accumulation, whichever is greater. The City is liable for all accrued vacation upon separation or retirement.

Sick leave is accrued at the rate of 1-1/4 days for each month of service completed; firefighters accrue sick leave at the rate of 1-3/4 days per month. Accumulated sick leave in excess of 600 hours may be converted to vacation time on a 3-to-1 basis with a maximum of 10 days in any calendar year or to pay on a 3-to-1 basis with a maximum of 10 days in any calendar year. Upon retirement from active service with the City, employees with 10 to 20 years of service may convert one-third of unused sick leave (maximum 125 days) to pay; employees retiring with over 20 years of active service may convert one-half unused sick leave (maximum 130 days).

Compensatory time off in lieu of overtime pay is an option granted certain employees of the City, including safety forces. Compensatory time off may also be granted in lieu of holiday pay. Compensatory time off is granted on the basis of time and one-half for actual hours worked and must be used before the end of the following pay period.

Five personal days are granted to each full-time employee of the City. Personal days must be taken within the calendar year and may not be carried forward. Additional personal time may be earned by employees who do not use any sick leave.

**6. Deferred Revenues**

Deferred revenues are revenues that are measurable but not yet available to finance current operations. Most prominent of these revenues reflected in the financial statements are property taxes and special assessments. Property tax advances available at year-end are recognized as revenue.

**7. Long-term Obligations**

The City reports long-term debt of governmental funds at face value in the general long-term obligations account group. Certain other governmental fund obligations not expected to be financed with current available resources are also reported in the general long-term obligations account group.

For governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are recorded as an other financing source net of the applicable premium or discount. Issuance costs, even if withheld from actual net proceeds received, are reported as debt service expenditures.

**8. Fund Equity**

Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The proprietary fund's contributed capital represents equity acquired through capital grants and capital contributions from developers, customers or other funds.

**CITY OF TROTWOOD  
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 1999  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**9. Interfund Transactions**

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transactions are reported as operating transfers.

**10. Memorandum Only – Total Columns**

Total columns of the general purpose financial statements are captioned as “memorandum only” because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations or cash flows in accordance with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

**2. BUDGET, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Process**

The City follows procedures established by state law in establishing the budgetary data reflected in the financial statements. These are:

- City Council must adopt a budget of estimated receipts by July 15<sup>th</sup> of each year for the subsequent fiscal year. These estimates are submitted to the County Budget Commission by July 20<sup>th</sup> for its approval.
- The County Budget Commission certifies its actions by September 1<sup>st</sup> and issues a “Certificate of Estimated Resources” establishing the maximum amount the City may expend from its various funds during the upcoming fiscal year.
- An appropriation ordinance is adopted by City Council at its final meeting in December for the subsequent fiscal year. Appropriations may not exceed estimated resources certified by the County Budget Commission.
- In January, the Certificate of estimated resources is amended to include any unencumbered balances from the preceding year.
- Unencumbered appropriations lapse at year end. In governmental funds, outstanding encumbrances at year end are reported as reservations of fund balances for subsequent year expenditures and this amount is not reappropriated in the subsequent year.
- Modifications to the original appropriations are approved by City Council throughout the year.

**CITY OF TROTWOOD  
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 1999  
(Continued)**

**2. BUDGET, COMPLIANCE, AND ACCOUNTABILITY (Continued)**

For FY 1999, the City's legal level of budgetary control for the General Fund is at the budget center or department level (e.g., Police Patrol, Street Maintenance, Fleet Maintenance). The legal level of budgetary control for other funds is at the fund level. Transfers between budget centers require the approval of City Council. Budgets are adopted for the General, Special Revenue, Debt Service, Enterprise and Internal Service funds. In addition, project length budgets are adopted for all Capital Project funds. These budgets are adopted on a non-GAAP budgetary basis. No budgets are adopted for the City's Agency funds. The major differences between the City's budget basis and GAAP basis are as follows:

- (1) Revenues are recorded when received in cash for budget purposes as opposed to when susceptible to accrual for GAAP purposes;
- (2) Expenditures are recorded when paid in cash for budget purposes but when a liability has been incurred for GAAP purposes; and
- (3) Encumbrances are recorded as expenditures for budget purposes as opposed to reservations of fund balance for GAAP purposes.

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

	Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) <u>Expenditures and Other Financing Uses</u>			
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds
GAAP Basis (as reported)	(\$2,070,584)	(\$219,176)	(\$38,015)	\$267,627
Adjustments:				
Revenue accruals, net	50,907	231,884	1078	1
Expenditures accruals, net	293,414	(1,314,107)	0	5,061
Encumbrances	<u>(101,948)</u>	<u>(226,202)</u>	<u>0</u>	<u>(192,222)</u>
<b>BUDGET BASIS</b>	<b><u>(\$1,828,211)</u></b>	<b><u>(\$1,527,601)</u></b>	<b><u>(\$36,937)</u></b>	<b><u>\$80,578</u></b>

**B. Encumbrances**

Encumbrance accounting is employed in all budgeted funds. Encumbrances (e.g., purchase orders, contracts) are reported as expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation. On the GAAP basis, encumbrances outstanding in governmental funds at year end are reported as reservations of fund balance since they do not represent expenditures or liabilities of the governmental funds.

**CITY OF TROTWOOD  
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 1999  
(Continued)**

**2. BUDGET, COMPLIANCE, AND ACCOUNTABILITY (Continued)**

**C. Budget Modifications**

The City's adopted budget may be modified by City Council throughout the year. Generally, this is done near the end of the fiscal year. Budget amounts presented in the accompanying combined financial statements represent final amended amounts.

**D. Compliance and Accountability**

The Special Revenue Street Fund had a deficit fund balance (budget basis) of (\$635,639) and the Capital Projects Townview Revitalization Fund had a deficit fund balance (budget basis) of (\$568) as of December 31, 1999.

At December 31, 1999, the following three funds did not have available resources sufficient to cover appropriations: Special Revenue Street Fund, Special Revenue Grants Fund, and the Enterprise Water Fund.

At December 31, 1999, three of the City's Capital Projects funds had appropriations in excess of the amount certified as available by the budget commission in the following amounts: Madison Park Bridge (\$5,000), Townview Revitalization (\$1,005,000), and East Main Street Widening (\$346,500).

At December 31, 1999, actual expenditures plus outstanding encumbrances exceeded appropriations at the legal level of control, in the following amounts in two funds: Capital Projects Madison Park Pedestrian Bridge (\$73,767) and Enterprise Refuse Collection (\$60,685).

**3. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

**A. Prior Period Adjustments**

The beginning fund balances of the General fund and the Fire Levy Special Revenue Fund have been adjusted for corrections to accrued wages as follows:

	General Fund	Fire Levy Fund
Balance previously stated, December 31, 1998	\$5,221,400	\$518,597
Prior period adjustment	<u>149,717</u>	<u>(149,717)</u>
As restated, January 1, 1999	<u>\$5,371,117</u>	<u>\$368,880</u>

**B. Deposits and Investments**

The deposit and investment of City monies are governed by the Ohio Revised Code and a locally adopted investment policy.

State statutes classify monies held by the City into three categories. The first, active deposits, are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the City treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts or in money market deposit accounts.

**CITY OF TROTWOOD  
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 1999  
(Continued)**

**3. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)**

Inactive deposits are public deposits that City 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 monies. Interim monies are those monies 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 certificate of deposits maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Protection of City deposits is provided by the Federal Deposit Insurance Corporation, 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. Depositories may pool eligible collateral securities so long as their value exceeds 110% of total public deposits. Although all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the City to a successful claim by the Federal Deposit Insurance Corporation.

The City's investment policy, adopted by City Council, makes the Finance Director directly responsible for investment of the City's inactive resources. Investments of public monies are competitively bid. No one depository may hold more than forty percent of funds available for investment and at least fifteen percent of the portfolio must be invested in highly liquid vehicles. The following securities may be utilized by the Finance Director for investment purposes:

1. U.S. Treasury bills, notes and bonds;
2. U.S. government agency/instrumentality issues;
3. Certificates of deposit;
4. Repurchase agreements (with institutions having a signed master repurchase agreement with the City);
5. State of Ohio obligations;
6. No-load money market mutual funds; and
7. State of Ohio Treasurer's investment pool (STAR Ohio).

Investments in derivatives, reverse repurchase agreements, pooled investment funds of other political subdivisions (other than STAR Ohio) and stripped principal or interest obligations are prohibited. An investment must mature within three years from the date of purchase unless matched to a specific obligation.

At year-end, the City's carrying amount of deposits was \$3,068,463 and the bank balance was \$3,393,922 (including certificates of deposit). Of the bank balance, \$405,325 was covered by federal depository insurance and \$250,000 was covered by surety bonds. The remaining balance of \$2,738,597 was collateralized by securities held by the pledging institution, its trust department or agent but not in the City's name.

The following information classifies investments by categories of risk as defined in GASB Statement No. 3 "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements."

**CITY OF TROTWOOD  
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 1999  
(Continued)**

**3. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)**

- (1) Insured or registered, or securities held by the government or its agent in the government's name.
- (2) Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name.
- (3) Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the government's name.

At year end, the City's investment balances were as follows:

	Category 3	Carrying Amount	Market Value
Repurchase agreements	<u>\$662,903</u>	<u>\$662,903</u>	<u>\$662,903</u>

Investments not subject to categorization:

State Treasurer's pool	<u>\$1,260,879</u>	<u>\$1,260,879</u>
Total investments	<u>\$1,923,782</u>	<u>\$1,923,782</u>

The classification of cash and cash equivalents and investments on the combined financial statements is based on the criteria set forth in GASB No. 9. The reconciliation between classifications of cash and investments on the general purpose financial statements and the classifications per GASB Statement No. 3 is as follows:

Cash on hand	\$ 500
Carrying amount of deposits	3,067,963
Carrying amount of investments	<u>1,923,782</u>
Total	<u>\$4,992,245</u>
Cash and cash equivalents	\$3,063,138
Cash with fiscal agent	5,325
Investments	<u>1,923,782</u>
Total	<u>\$4,992,245</u>

Interest income derived from invested deposits is distributed to various funds based on the ratio of each fund's month-end cash balance for the month in which the investment matures. Two funds, Grants and Trust and Agency, are not credited with interest income.

**CITY OF TROTWOOD  
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 1999  
(Continued)**

**3. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)**

**C. Fixed Assets**

Activity in the general fixed assets account group for the government for the fiscal year-end was as follows:

	<u>Balance</u> <u>January 1</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>December 31</u>
Land	\$ 940,540	\$ 563,457	\$ 0	\$1,503,997
Buildings and structures	2,214,600	292,998	0	2,507,598
Vehicles and equipment	4,441,087	1,457,263	(374,832)	5,523,518
Construction in progress	25,816	0	(25,816)	0
Accumulated depreciation	<u>(3,712,789)</u>	<u>(837,387)</u>	<u>337,350</u>	<u>(4,212,826)</u>
Total general fixed assets	<u>\$3,909,254</u>	<u>\$1,476,331</u>	<u>(\$ 63,298)</u>	<u>\$5,322,287</u>

The following is a summary of changes in enterprise fund fixed assets:

	<u>Balance</u> <u>January 1</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>December 31</u>
Infrastructure	\$7,948,900	\$30,215	\$ 0	\$7,979,115
Vehicles and equipment	63,036	181,485	0	244,521
Accumulated depreciation	<u>(6,872,344)</u>	<u>(183,654)</u>	<u>0</u>	<u>(7,055,998)</u>
Total enterprise fund fixed assets	<u>\$1,139,592</u>	<u>\$28,046</u>	<u>\$ 0</u>	<u>\$1,167,638</u>

**D. Interfund Transactions**

Due to/from other funds data for fiscal year-end is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Street Construction, Maintenance & Repair	<u>\$537,987</u>

Operating transfers during the fiscal year-end were:

<u>Transfer-in Fund</u>	<u>Transfer-out Fund</u>	<u>Amount</u>
Street Construction, Maintenance and Repair	General	\$ 450,000
Light Assessment	General	75,200
Fire Levy	General	700,000
Debt Service	General	70,000
Capital Projects	General	<u>368,000</u>
Total		<u>\$1,663,200</u>



**CITY OF TROTWOOD  
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 1999  
(Continued)**

**3. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)**

**E. Long-term Debt and Obligations**

**1. General Obligation Bonds**

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations of the City for which its full faith, credit and resources are pledged and are payable from taxes levied on all taxable property in the City. These bonds generally are issued as 20-year serial bonds with various principal amounts maturing each year. General obligation bonds currently outstanding were issued to purchase and subsequently renovate the City's Government Center.

**2. Special Assessment Bonds with a Governmental Commitment**

Special assessment bonds are payable from special assessments levied against properties which benefited from the capital improvement financed by the bond issuance. Such bonds may include a provision by which the issuer is obligated to supplement any shortfall in special assessments received during the life of the bonds. Such bonds are said to carry a governmental commitment. Special assessment bonds with a governmental commitment currently outstanding were issued to finance street and other infrastructure improvements in the Oakview Estates development. It is currently anticipated that special assessment proceeds alone will not be sufficient to retire these bonds. Thus, for purposes of calculating the City's debt capacity, these bonds are treated as general obligation bonds.

**3. Capitalized Leases - Lessee Disclosure**

The City entered into capitalized leases for vehicles and equipment. The leases meet the criteria of capital leases 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.

Fixed assets acquired by lease have been capitalized in the general fixed asset account group in the amount of \$294,680, which is equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group.

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

Ending December 31,	General Long-Term Obligations
2000	\$70,702
2001	70,702
2002	70,702
2003	62,306
2004	<u>61,837</u>
Total minimum lease payments	336,249
Less: amount representing interest	<u>(41,569)</u>
Present value of minimum lease payments	\$294,680

**CITY OF TROTWOOD  
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 1999  
(Continued)**

**3. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)**

**4. Compensated Absences**

The liability associated with accumulated leave benefits earned by general governmental employees is recorded in the General Long-term Obligations Account Group since annual payments of these obligations are indeterminable. Accrued leave amounts incurred by employees of proprietary funds are recorded as liabilities in the appropriate fund.

**5. Summary of Long-term Debt and Obligations**

Activity associated with the long-term debt and other long-term obligations of the City for the fiscal year-end are summarized below:

	<u>Balance January 1</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance December 31</u>
General obligation bonds:				
1982 Government Center purchase, 13.00%, maturing 2002	\$35,000	0	(\$5,000)	\$30,000
1992 Government Center renovation, 6.7^, maturing 2016	700,000	0	(20,000)	680,000
Special assessment bonds with governmental commitment:				
1994 Oakview Estates street improvements, 6.35%, maturing 2014	790,000	0	(30,000)	760,000
Capital Lease Payable	0	294,680	0	294,680
Compensated absences	<u>739,334</u>	<u>104,759</u>	<u>(30,116)</u>	<u>813,977</u>
Total debt and long-term obligations	<u>\$2,264,334</u>	<u>\$399,439</u>	<u>(\$85,116)</u>	<u>\$2,578,657</u>

Annual debt service amounts required to pay principal and interest on bonds outstanding at fiscal year-end follow:

<u>Year(s)</u>	<u>General Obligation Bonds</u>		<u>Special Assessment Bonds with Governmental Commitment</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2000	\$30,000	\$49,460	\$35,000	\$48,260
2001	35,000	46,820	35,000	46,038
2002	35,000	43,845	35,000	43,815
2003	25,000	40,870	40,000	41,593
2004	30,000	39,195	40,000	41,593
2005-2009	180,000	163,480	245,000	153,035
2010-2014	250,000	94,135	330,000	65,405
2015-2017	<u>125,000</u>	<u>12,730</u>	<u>0</u>	<u>0</u>
Totals	<u>\$710,000</u>	<u>\$490,535</u>	<u>\$760,000</u>	<u>\$437,199</u>

**CITY OF TROTWOOD  
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 1999  
(Continued)**

**3. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)**

**F. Contributed Capital**

For the fiscal year-end changes in proprietary fund contributed capital amounts were as follows:

		<u>Enterprise</u>		<u>Internal Service</u>	
	<u>Water</u>	<u>Sewer</u>	<u>Refuse Collection</u>	<u>Fleet Insurance</u>	
Contributed capital, January 1	\$ 0	\$ 1,382	\$ 0	\$59,240	
Contributed capital, December 31	0	34,325	0	59,240	

**G. Fund Equity**

Reservations of fund balances in governmental funds are employed to satisfy legal covenants that require a portion of the fund balance to be segregated or to identify that portion of the fund balance that is not appropriable for future expenditures. Specific reservations of fund balance accounts are detailed below.

Reserved for encumbrances – This reserve represents encumbrances outstanding at the end of the year based upon purchase orders and contracts executed by the City but not completed as of the close of the fiscal year.

Reserved for inventories – This reserve represents the portion of fund balance that is not available for expenditure because the City expects to use these resources within the next budgetary period.

Reserved for prepaid items – This reserve represents the portion of fund balance that is not available for expenditure because the City expects to use these resources within the next budgetary period.

**H. Local Income Tax**

During 1999, the City levied an income tax of 2.25% on substantially all income earned within the City. In addition, residents are required to pay City income tax on income earned outside the City with a credit of up to 2.25% allowed for income taxes paid to other municipalities. The City contracts with the City of Dayton to collect income taxes and otherwise administer its income tax ordinance. For 1999, gross income tax revenue amounted to \$4,927,369.

**I. Property Tax**

Real property taxes are levied against all real, public utility and tangible personal property located in the City. The assessed value upon which the 1999 levy was based amounted to \$288,264,354 summarized as follows:

**CITY OF TROTWOOD  
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 1999  
(Continued)**

**3. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)**

Real property – 1998 valuation	
Residential/agricultural	\$170,420,780
Commercial/industrial	70,546,890
Public utilities	<u>16,520</u>
Subtotal real property	<u>240,984,190</u>
Tangible personal property – 1999 valuation	
General	27,730,484
Public utilities	<u>19,549,680</u>
Subtotal tangible personal property	<u>47,280,164</u>
Total valuation	<u>\$288,264,354</u>

Real property taxes received by the City in any calendar year are levied on January 1 of the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are determined by the county auditor at 35% of appraised market value. The county auditor reappraises all real property every six years with a triennial update. The last reappraisal was completed for the tax year 1996. Real property owners' tax bills are reduced by homestead and rollback deductions, when applicable. The amount of these deductions is reimbursed to the City by the State of Ohio.

Property taxes are levied against public utility tangible personal property and land improvements at 88% of its true value, i.e., net book value. Tangible personal property utilized by businesses other than public utilities is assessed at 25% of average value for inventories and 25% of true value for substantially all other personal property.

The county treasurer collects property taxes on behalf of all taxing districts in the county including the City of Trotwood. Taxes are payable in two equal installments due in February and July and if not paid by the due date, become delinquent and, therefore, subject to interest and penalty charges. The county auditor periodically remits to the City its portion of property taxes collected. Property taxes are recognized as revenues when they are measurable and available.

**4. OTHER FINANCIAL INFORMATION**

**A. Risk Management**

The City maintains comprehensive insurance coverage with private carriers for real property, building contents and vehicles. The City's vehicle policy includes liability coverage for bodily injury and property damage. At no time in the past three years have claim settlements exceeded insurance coverage.

In the early 1980's, the City established a self-insurance fund to finance deductible costs incurred by the City. Over the years, the Fleet Insurance Fund has been funded by transfers from the General Fund. No claims were made against the fund in 1999 or in 1998. Although the fund has not been active in recent years, resources continue to accumulate to offset collision repair costs incurred by the City.

**CITY OF TROTWOOD  
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 1999  
(Continued)**

**4. OTHER FINANCIAL INFORMATION (Continued)**

**B. Segment Information**

The City maintains three enterprise funds, which provide water, sewer and refuse collection services. Water and sewer services are provided to a portion of the City while refuse collection services are provided to all residents of the City of Trotwood. Selected segment information for the fiscal year-end is as follows:

	<u>Water</u>	<u>Sewer</u>	<u>Refuse Collection</u>	<u>Total Enterprise Funds</u>
Operating revenues	\$711,475	\$699,179	\$679,350	\$2,090,004
Operating expenses	979,940	779,721	840,188	2,599,849
Depreciation	77,042	106,612	0	183,654
Operating (loss)	(345,507)	(187,154)	(160,838)	(693,499)
Net income (loss)	(331,597)	(173,439)	(145,444)	(650,480)
Fixed asset additions	5,063	206,637	0	211,700
Net working capital	136,263	27,487	311,304	475,054
Total assets	1,210,076	919,324	589,421	2,718,821
Total equity	873,538	457,850	311,304	1,642,692

**C. Loss Contingencies and Commitments**

There are several lawsuits pending in which the City is involved. City management estimates that the potential claims against the City not covered by insurance would not materially affect the financial statements of the City.

Due to the default of a subdivision developer, the City issued special assessment bonds in 1994 to complete infrastructure improvements begun but not completed by the developer. Although a favorable court judgement granted the City assessments and a portion of individual lot sales proceeds, it does not appear likely that these amounts will be sufficient to retire these bonds. Thus, the City will be liable for any difference. However, management does not believe that such payments will adversely affect the City's financial position.

The City anticipates probable litigation involving an alleged breach of lease agreement. If suit is filed, counsel for the city estimates that it is reasonably possible it will result in an unfavorable outcome. The amount of loss cannot be reasonably estimated at this time.

Under the terms of federal and state grants, periodic audits are required and certain expenditures may be questioned as not appropriate under the terms of the grants. Such audits could lead to reimbursement of the grantor agencies. City management believes reimbursements, if any, will be immaterial.

The City had no material operating lease commitments at December 31, 1999.

**CITY OF TROTWOOD  
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 1999  
(Continued)**

**4. OTHER FINANCIAL INFORMATION (Continued)**

**D. Deferred Compensation Plans**

The City offers its employees two deferred compensation plans created in accordance with Section 457 of the Internal Revenue Code. The plans, available to all full-time City employees, permit them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

**E. Employee Retirement Systems and Plans**

**1. Public Employees Retirement System**

The City of Trotwood contributes to the Public Employees Retirement System of Ohio (PERS), a cost-sharing, multiple-employer defined benefit pension plan. PERS 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 are codified in Chapter 145 of the Ohio Revised Code. PERS issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Public Employees Retirement System of Ohio, 277 East Town Street, Columbus, Ohio 43125-4642 or by calling (614) 466-2085 or 1-800-222-PERS (7377).

Plan members other than law enforcement members are required to contribute 8.5% of their annual covered salary; law enforcement members are required to contribute 9.0%. The City is required to contribute 13.55% for non-law enforcement employees and 16.70% for law enforcement employees. The City's required contributions to PERS for the years ending December 31, 1999, 1998 and 1997 were \$375,035, \$350,708 and \$324,379, respectively. The full amount has been contributed for 1998 and 1997. A total of 73% has been contributed for 1999 with the remainder reported as a liability in the appropriate funds.

**2. Police and Firemen's Disability and Pension Fund**

The City of Trotwood contributes to the Police and Firemen's Disability and Pension Fund (PFDPF), a cost-sharing, multiple-employer defined pension plan. PFDPF 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 are codified in Chapter 742 of the Ohio Revised Code. The PFDPF issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Police and Firemen's Disability and Pension Fund, 140 East Town Street, Columbus, Ohio 43125-5164.

Plan members are required to contribute 10% of their annual covered salaries, while the City of Trotwood is required to contribute 19.5% and 24.0% respectively for police officers and firefighters. The City's required contributions to PFDPF for the years ending December 31, 1999, 1998 and 1997 were \$668,403, \$591,574 and \$521,129, respectively. The full amount has been contributed for 1998 and 1997. A total of 71% has been contributed for 1999 with the remainder reported as a liability in the appropriate funds.

**CITY OF TROTWOOD  
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 1999  
(Continued)**

**4. OTHER FINANCIAL INFORMATION (Continued)**

**F. Postemployment Benefits**

**1. 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. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an "other postemployment benefit" 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 granted by state statute. The 1999 employer contribution rate was 13.55% of covered payroll for employees not engaged in law enforcement and 16.70% for law enforcement employees. Of these amounts, 4.2% of each were used to fund health care in 1999.

The number of participants eligible to receive health care benefits as of December 31, 1999 was 118,062. The City's actual contributions for 1999 that were used to fund postemployment benefits amounted to \$110,668. The actual contribution and the actuarially required contribution are the same. PERS's net assets (unaudited) available for payment of benefits at December 31, 1999 were \$9,870 million. The System's total health care expenses for the year ended December 31, 1999 were \$523,559,349.

**2. Police and Firemen's Disability and Pension Fund**

The Police and Firemen's Disability and Pension Fund (PFDPF) provides postretirement health care coverage to any person who received or is eligible to receive a monthly benefit check or is a spouse or eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such 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 school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an "other postemployment benefit (OPEB)" as described in *GASB Statement No. 12*. The Ohio Revised Code provides the authority allowing the PFDPF's Board of Trustees to provide health care coverage and states that health care costs paid from the funds of the PFDPF 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 rate is 19.5% of covered payroll and total firefighter employer contribution rate is 24% of covered payroll, of which 6.5% of covered payroll is applied to the postemployment health care program. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The number of participants eligible to receive health care benefits as of December 31, 1998 (the latest information available) was 11,424 for police and 9,186 for firefighters. The City's actual contributions for 1999 that were used to fund postemployment benefits were \$228,801. PFDPF's total health care expenses for the year ended December 31, 1998 (the latest available information) was \$78,596,790.

**CITY OF TROTWOOD  
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 1999  
(Continued)**

**4. OTHER FINANCIAL INFORMATION (Continued)**

**G. Jointly Governed Organizations**

The Miami Valley Regional Planning Commission (the Commission) is a jointly governed organization between Preble, Clark, Clinton, Darke, Greene, Miami and Montgomery Counties, the City of Dayton and the City of Huber Heights. The Commission prepares plans, including studies, maps, recommendations and reports concerning the physical, environmental, social, economic and governmental characteristics, functions and services of the region. These reports show recommendations for systems of transportation, highways, parks and recreation facilities, water supply, sewage disposal, garbage disposal, civic centers and other public improvements and land uses which affect the development of the region. The degree of control exercised by any participating government is limited to its representation on the Board. Members of the Board are as follows: the officers of the Commission (elected by member representatives), the immediate past Chair of the Commission, the Commission member representing the City of Dayton, the Commission member representing each of the respective counties, the representatives selected by each county caucus, a nongovernmental member and two at-large representatives. Payments to the Commission are made from the General Fund. The City contributed \$13,504 for the operation of the Commission during 1999.

The Miami Valley Fire/EMS Alliance (the Alliance) is a jointly governed organization between municipal corporations and townships in Montgomery, Greene and Warren Counties. The purpose of the Alliance is to foster cooperation among the political subdivisions by promoting programs and recommending matters which will result in more efficient methods of delivering fire and emergency medical services in the region. The Board of the Alliance is made up of a representative appointed by the City of Dayton, a representative appointed by the members who are provided Fire/EMS services by volunteers, two representatives appointed by the members who are provided Fire/EMS services by a combination of full-time employees and volunteers and a representative appointed by members who are provided Fire/EMS services by full-time employees. Payments to the Alliance are made from the General Fund. The City contributed \$6,964 for the operation of the Alliance during 1999.

The Economic Development/Government Equity Program (ED/GE) was established pursuant to Ohio Revised Code Chapter 307 for the purpose of developing and promoting plans and programs designed to assure that County resources are efficiently used, economic growth is properly balanced and that County economic development is coordinated with that of the State of Ohio and other local governments. Members include villages, townships and cities within Montgomery County and the County itself. Cooperation and coordination between the members is intended to promote economic health and improve the economic opportunities of the people in Montgomery County by assisting in the establishment or expansion within the County of industrial, commercial or research facilities and by creating and preserving job and employment opportunities for the people of the County. The ED/GE Advisory Committee, made up of alternating member entities' representatives, decides which proposed projects will be granted each year. Sales tax revenues, set aside by Montgomery County, are used to fund the projects. Members annually contribute or receive benefits based on an elaborate zero-based formula designed to distribute growth in contributing communities to those in communities experiencing less economic growth. The City has agreed to be a member for nine years, ending December 31, 2001. Any member in default of paying its contributions will be liable for the amount of the contribution, any interest accrued and penalties. During this time, the member will not be entitled to any allocations from ED/GE. Payments to ED/GE are made from the General Fund. The City did not contribute to the operation of ED/GE during 1999.



**CITY OF TROTWOOD  
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 1999  
(Continued)**

**4. OTHER FINANCIAL INFORMATION (Continued)**

**H. Residual Equity Transfer**

The improvements related to the Madison Park Pedestrian Bridge Capital Projects Fund was completed during the year. The remaining fund balance of \$81,146 was returned to the general fund and has been accounted for as a residual equity transfer.

**I. Subsequent Events**

The property tax levy renewal for the City was not approved by voters in November 2000. This levy generates over \$800,000 a year in property tax receipts. The City has indicated that personnel reductions will commence in January 2001.

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STATE OF OHIO  
OFFICE OF THE AUDITOR  
JIM PETRO, AUDITOR OF STATE

One First National Plaza  
130 West Second Street  
Suite 2040  
Dayton, Ohio 45402  
Telephone 937-285-6677  
800-443-9274  
Facsimile 937-285-6688  
www.auditor.state.oh.us

## REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

City of Trotwood  
Montgomery County  
35 North Olive Road  
Trotwood, Ohio 45426

To the City Council:

We have audited the financial statements of the City of Trotwood, Montgomery County, (the City), as of and for the year ended December 31, 1999, and have issued our report thereon dated December 27, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 1999-20357-001 to 1999-20357-004. We also noted certain immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated December 27, 2000.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 1999-20357-005.

**Internal Control Over Financial Reporting  
(Continued)**

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the City in a separate letter dated December 27, 2000.

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

**Jim Petro**  
Auditor of State

December 27, 2000

**CITY OF TROTWOOD  
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 1999**

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

**FINDING NUMBER 1999-20357-001**

Ohio Rev. Code Section 5705.41 (B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. At December 31, 1999, actual expenditures plus outstanding encumbrances exceeded appropriations at the legal level of control, in the following amounts in the funds indicated.

Fund	Prior Year Encumbrances	Permanent Appropriation	Year-To-Date Expenditures	Year-To-Date Encumbrances	Variance
<i>Capital Projects</i>					
Madison Park Pedestrian Bridge	\$0	\$105,000	\$178,767	\$0	(\$73,767)
<i>Enterprise</i>					
Refuse Collection	\$0	\$780,650	\$841,335	\$0	(\$60,685)

Additionally, at July 31, 1999, actual expenditures plus outstanding encumbrances exceeded appropriations at the legal level of control in three special revenue funds (Street, Permissive Use Tax, Drug Law Enforcement) totaling \$69,871 and one capital projects fund (Madison Park Pedestrian Bridge) in the amount of \$97,622. The variances in the special revenue funds were corrected by fiscal year end.

The City should monitor appropriations and expenditures throughout the fiscal year. The Finance Director should deny payment requests exceeding appropriations. The Finance Director may request Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary. Implementing these procedures will also reduce the risk that the City expends and encumbers more than what was legally appropriated by City Council.

**FINDING NUMBER 1999-20357-002**

Ohio Rev. Code Section 5705.39 states that the total appropriations from each fund should not exceed the total estimated revenue. At December 31, 1999, three of the City's funds had appropriations in excess of the amount certified as available by the budget commission in the following amounts.

Fund	Appropriation	Estimated Resources	Variance
<i>Capital Projects</i>			
Madison Park Bridge	\$105,000	\$100,000	(\$5,000)
Townview Revitalization	\$1,005,000	\$0	(\$1,005,000)
East Main Street Widening	\$346,500	\$0	(\$346,500)

The City should monitor appropriations and estimated revenue throughout the fiscal year. The Finance Director should request City Council to approve appropriation modifications or resource re-allocations, as necessary to assure appropriations are within estimated resources. Implementing these procedures will reduce the risk that expenditures will exceed available resources.

**CITY OF TROTWOOD  
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 1999  
(Continued)**

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

**FINDING NUMBER 1999-20357-003**

Ohio Rev. Code Section 5705.36 provides, in part, that “upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency.” The intent of this statutory requirement is to require the fiscal officer to obtain an amended certificate when it appears that budgetary resources will fall short of earlier estimates, reducing the possibility of deficit spending.

At December 31, 1999, the following three funds did not have available resources sufficient to cover appropriations.

<b>Fund</b>	<b>Available Resources (including Transfers-In)</b>	<b>Appropriations</b>
<u>Special Revenue</u>		
Street	\$2,710,853	\$3,552,042
Grants	\$291,655	\$432,862
<u>Enterprise</u>		
Water	\$951,660	\$1,149,077

The City should monitor actual revenue and estimated revenue throughout the fiscal year. When available resources fall significantly below estimated levels, the Finance Director should obtain an amended official certificate of estimated resources and make corresponding appropriation/expenditure or transfer modifications. Implementing these procedures will reduce the risk that expenditures will exceed available resources.

**FINDING NUMBER 1999-20357-004**

Ohio Rev. Code Section 5705.10 states that monies paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund. At December 31, 1999, the following funds had negative unencumbered cash balances.

<b>Fund</b>	<b>Unencumbered Cash Balance</b>
<u>Special Revenue</u>	
Street	(\$635,639)
<u>Capital Projects</u>	
Townview Revitalization	(\$568)

The City should monitor fund balances throughout the fiscal year. When fund balances amounts become negative, the Finance Director should take appropriate corrective action, such as making transfer modifications. Implementing these procedures will help assure that monies are utilized for proper purposes.

**CITY OF TROTWOOD  
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 1999  
(Continued)**

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

**FINDING NUMBER 1999-20357-005**

The City's FY 1999 financial statements as presented to the Auditor of State were not supported by adequate documentation. As a result, numerous adjustments were necessary and additional time was spent locating and examining accounting records. The lack of procedures to properly maintain documentation to support financial statements in conformity with generally accepted accounting principles does not allow for the preparation of accurate financial statements and does not facilitate timely reporting of financial data to City Council for use in decision-making.

The City should implement procedures to assure financial statements in conformity with generally accepted accounting principles are properly supported by adequate documentation.







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 TROTWOOD**  
**MONTGOMERY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 01, 2001**