

CITY OF TRENTON, OHIO
BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005



**Auditor of State
Betty Montgomery**

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

We have reviewed the *Independent Auditors' Report* of the City of Trenton, Butler County, prepared by Bastin & Company, LLC, for the audit period January 1, 2005 through December 31, 2005. 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.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

October 25, 2006

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CITY OF TRENTON, OHIO
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

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Bastin & Company, LLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Members of City Council
City of Trenton, Ohio

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Trenton, Ohio, (the City) as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Trenton, Ohio, as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2006, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 3 through 11 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the

methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Bastin & Company, L L C

Cincinnati, Ohio
August 30, 2006

CITY OF TRENTON, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005

The discussion and analysis of the City of Trenton's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2005. While the intent of this discussion and analysis is to look at the City's financial performance as a whole, readers should also review the basic financial statements and notes to enhance their understanding of the City's fiscal performance.

Financial Highlights

Key highlights for 2005 are as follows:

- The assets of the City exceeded its liabilities at the close of the year ended December 31, 2005, by \$12,429,009 (net assets). Of this amount, \$2,278,849 (governmental unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors, and \$5,304,507 is classified as unrestricted in the business-type activities.
- The City's total net assets increased by \$1,547,254, which represents a 14.22% increase from 2004.
- At the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$2,853,436. Of this amount \$2,537,440 is available for spending (unreserved fund balance) on behalf of its citizens.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$1,826,703 or a little more than 63.68% of total general fund expenditures and other financing uses.
- The City's major enterprise funds reflected positive ending net assets: Water fund \$4,356,316; Sewer fund \$1,356,544; and Refuse fund \$83,045.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the City of Trenton as a complete operating entity.

The Statement of Net Assets and Statement of Activities present both an aggregate view of the City's finances and longer-term view of those assets. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what dollars remain for future spending. The fund financial statements also look at the City's most significant funds with all other non-major funds presented in total in one column.

CITY OF TRENTON, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005

Reporting City of Trenton as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2005?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when the cash is received or paid.

These two statements report the City's net assets and the change in those assets. This change in net assets is important because it tells the reader whether, for the City as a whole, the financial position of the City has improved or diminished. However, in evaluating the overall position of the City, nonfinancial information such as changes in the City's tax base and the condition of City capital assets will also need to be evaluated.

In the Statement of Net Assets and the Statement of Activities, the City is divided into two kinds of activities:

- **Governmental; Activities** – Most of the City's services are reported here including police, social services programs, administration, and all departments with the exception of our Water, Sewer, Refuse, Utility Deposits and Stormwater Management functions.
- **Business-Type Activities** – These services have a charge based upon the amount of usage. The City charges fees to recoup the cost of the entire operation of our Water, Sewer, Refuse, Utility Deposits and Stormwater Management systems as well as all capital expenses associated with these facilities.
- **Component units** are legally separate entities that the City has voting control over or fiscal responsibility for the entity. The City has no component units.

Reporting the City of Trenton's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objects. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. Fund financial reports provide detailed information about the City's major funds. Based on restrictions on the use of monies, the City has established many funds which account for the multitude of services provided to our residents.

CITY OF TRENTON, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005

However, these fund financial statements focus on the City's most significant funds. In the case of Trenton, our major funds are the General, Water, Sewer and Refuse funds.

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

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

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

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

Fiduciary Funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The City only maintains one agency fund which has no measurement focus and uses the modified basis of accounting.

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

CITY OF TRENTON, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$12,429,009 (\$6,266,265 in governmental activities and \$6,162,744 in business-type activities) as of December 31, 2005. The City reflects an investment in capital assets (e.g., land, buildings, machinery and equipment) less any related debt used to acquire those assets that are still outstanding of \$3,960,453. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Table 1 provides a summary of the City's statement of net assets for 2005 compared to 2004.

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and Other Assets	\$4,010,877	\$3,065,388	\$5,959,846	\$10,075,359	\$9,970,723	\$13,140,747
Capital Assets	3,667,352	3,624,012	8,944,196	3,818,721	12,611,548	7,442,733
Total Assets	<u>\$7,678,229</u>	<u>6,689,400</u>	<u>14,904,042</u>	<u>13,894,080</u>	<u>22,582,271</u>	<u>20,583,480</u>
Long-term liabilities	772,034	891,750	7,886,481	7,921,705	8,658,515	8,813,455
Other liabilities	639,930	696,260	854,817	192,010	1,494,747	888,270
Total Liabilities	<u>1,411,964</u>	<u>1,588,010</u>	<u>8,741,298</u>	<u>8,113,715</u>	<u>10,153,262</u>	<u>9,701,725</u>
Nets Assets:						
Invested in capital assets, net of related debt	3,102,216	2,938,012	858,237	(3,966,974)	3,960,453	(1,028,962)
Restricted	885,200	319,932	0	0	885,200	319,932
Unrestricted	2,278,849	1,843,446	5,304,507	9,747,339	7,472,245	11,590,785
Total Net Assets	<u>\$6,266,265</u>	<u>\$5,101,390</u>	<u>\$6,162,744</u>	<u>\$5,780,365</u>	<u>\$12,429,009</u>	<u>\$10,881,755</u>

An additional portion of the City's net assets represents resources that are subject to external restrictions on how they may be used. In the current fiscal year, this represented \$885,200 or 7.12% of net assets. The remaining unrestricted \$7,472,245 net assets may be used to meet the City's ongoing obligations to its citizens and creditors and for business-type activities.

The large increase in capital and invested in capital assets, net of related debt is due to the City's construction of a new water plant and tank. The City has reflected over \$5.20 Million in construction in progress for the year. The short term liabilities increased significantly in the business-type funds as several large contracts were outstanding at the end of the fiscal year.

CITY OF TRENTON, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005

Statement of Activities

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program Revenues:						
Charges for Services	\$694,616	\$414,954	\$3,260,929	\$3,145,876	\$3,955,545	\$3,560,830
Operating Grants and Contributions	489,354	424,984	0	0	489,354	424,984
Capital Grants and Contributions	0	0	510,143	3,200	510,143	3,200
General Revenues:						
Income Taxes	1,722,673	1,617,481	0	0	1,722,673	1,617,481
Property Taxes	574,698	577,804	0	0	574,698	577,804
Other Taxes	124,347	249,640	0	0	124,347	249,640
Unrestricted Grants	316,204	494,703	0	0	316,204	494,703
Investment earnings	289,848	118,707	132,101	50,064	421,949	168,771
Other Revenues	95,431	63,663	0	0	95,431	63,663
Total Revenues	4,307,171	3,961,936	3,903,173	3,199,140	8,210,344	7,161,076
Expenses:						
Security of Persons and Property	1,839,443	1,926,310	0	0	1,839,443	1,926,310
Public Health and Welfare	81,103	88,043	0	0	81,103	88,043
Leisure Time Activities	74,824	69,268	0	0	74,824	69,268
Community Environment	97,844	123,171	0	0	97,844	123,171
Transportation	170,776	465,655	0	0	170,776	465,655
General Government	776,134	528,465	0	0	776,134	528,465
Other	66,454	68,782	0	0	66,454	68,782
Interest and Fiscal Charges	35,718	35,001	0	0	35,718	35,001
Water	0	0	1,033,458	1,108,310	1,033,458	1,108,310
Sewer	0	0	1,754,768	1,226,728	1,754,768	1,226,728
Stormwater Management	0	0	67,662	98,671	67,662	98,671
Refuse	0	0	626,382	624,643	626,382	624,643
Utility Trust	0	0	38,524	54,635	38,524	54,635
Total Expenses	3,142,296	3,304,695	3,520,794	3,112,987	6,663,090	6,417,682
Change in Net Assets						
Before Transfers	1,164,875	657,241	382,379	86,153	1,547,254	743,394
Transfers	0	33,000	0	(33,000)	0	0
Change in Net Assets	1,164,875	690,241	382,379	53,153	1,547,254	743,394
Beginning Net Assets	5,101,390	4,411,149	5,780,365	5,727,212	10,881,755	10,138,361
Ending Net Assets	\$6,266,265	\$5,101,390	\$6,162,744	\$5,780,365	\$12,429,009	\$10,881,755

Governmental Activities

The primary focus of governmental activities is in the area of security of persons and property, which represents the police and fire services of the City. For 2005, total expenses were \$1.84 Million representing 58.54% of governmental activity spending yielding a reliance on general revenues to fund the program of approximately \$1.46 Million after direct support to their programs.

The leisure time and transportation functions charge fees or receive grants related to their activities were able to generate net revenue at the end of the year for \$22,026 and \$241,870; respectively.

**CITY OF TRENTON, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005**

Business-Type Activities

The City's business-type activities include the Water, Sewer, Refuse, Utility Deposits and Stormwater Management systems. The Water, Stormwater Management and Utility Trust were able to boast positive net revenue amounts of \$162,862; \$140,589 and \$11,516, respectively. Combined change in net assets figured to \$382,379 with the sewer and refuse operations posting a negative change in net assets of \$39,525 and \$25,164, due to outstanding payables.

Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds: The focus of these City funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements as well as its ability to meet the needs of its citizens. In particular, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

As of the end of 2005, the City's governmental funds reported combined ending fund balances of \$2.85 Million. Approximately \$2.54 Million constitutes unreserved fund balance available for spending for citizens. The remainder of the balance is reserved to indicate that it has been spoken for already and not available to be spent for a variety of purposes, most notably to liquidate contracts and purchase orders from the prior year (\$0.32 Million).

The General Fund is the chief operating fund of the City. As of December 31, 2005, the unreserved general fund balance was \$1.83 Million with a total fund balance of \$1.95 Million. As a measure of liquidity, it is often useful to compare these numbers to total general fund expenditures and other financing uses. Unreserved fund balance represents approximately 63.86% of the total expenditures and other financing uses, while total fund balance represents 67.83% of that same amount.

During 2005, the City's general fund increased by \$580,331 with revenues exceeding expenditures by \$859,502. This is primarily due to the increase in income tax collections and general fund controlling expenditures during the fiscal year.

The City saw the fund balance in the nonmajor funds increase by \$417,611 as the City controlled spending in the funds based on the revenue generated within those particular funds.

CITY OF TRENTON, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005

General Fund Budgeting Highlights

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

During the course of 2005, the City amended its total and general fund budget two times, the most significant noted below. All recommendations for the budget came from the City Manager after consultation with individual directors and the Finance Department before submission to City Council. The City Council also ministerially approves small interdepartmental budget changes that modify line items within departments within the same fund. With the General fund supporting a majority of our major activities such as public safety programs, as well as most legislative and executive activities, the General Fund is monitored closely looking for possible revenue shortfalls or over spending by individual departments.

The following table summarizes the major revenue sources and expenditures from original to final budget for 2005:

Description	Original Budget	Final Budget	Change
Revenues:			
Property and Other Taxes	\$343,007	\$320,000	(\$23,007)
Income Taxes	1,763,268	1,645,000	(118,268)
Intergovernmental	336,489	313,920	(22,569)
Other	641,369	598,350	(43,019)
Total Revenues	<u>3,084,133</u>	<u>2,877,270</u>	<u>(206,863)</u>
Expenditures:			
Security of Persons/Property	2,291,489	1,953,722	(337,767)
Community Environment	470,797	209,100	(261,697)
General Government	640,851	740,632	99,781
Other Expenditures	235,555	267,579	32,024
Total Expenditures	<u>3,638,692</u>	<u>3,171,033</u>	<u>(467,659)</u>

The City amended the original revenue budget several times as the City saw a reduction in their income tax revenue base with the implementation of a tax credit. The City also estimated a decrease in state local government funding from what was originally budgeted.

For expenditures, the City had originally budgeted out a significant portion of the general fund reserve. After review within each department and decisions made within management, the City was able to delay some costs in every department to reflect the large budgeted decrease.

CITY OF TRENTON, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005

The following table summarizes the major revenue sources and expenditures from final budget to actual results for 2005:

Description	Final Budget	Actual	Change
Revenues:			
Property and Other Taxes	\$320,000	\$441,267	\$121,267
Income Taxes	1,645,000	1,812,399	167,399
Intergovernmental Revenue	313,920	424,765	110,845
Other Revenues	598,350	729,476	131,126
Total Revenues	<u>2,877,270</u>	<u>3,407,907</u>	<u>530,637</u>
Expenditures:			
Security of Persons/Property	1,953,722	1,690,537	(263,185)
Community Environment	209,100	192,843	(16,257)
General Government	740,632	635,022	(105,610)
Other Expenditures	267,579	140,627	(126,952)
Total Expenditures	<u>3,171,033</u>	<u>2,659,029</u>	<u>(512,004)</u>

The City had amended the final revenue budget to reflect more conservative balances based on the information above: implementation of a tax credit and state local government funding issues. The City was able to collect the full amount of the tax credit for the fiscal year as it was delayed in implementation until fiscal year 2006. The City also saw the interest earned increase largely from higher interest rates as reflected in the difference in other revenues.

The City reduced final expenditures across all functions from final budget amounts in an effort to protect the City's operating fund balance. The City emphasized reducing the operating budget by year and was successful in bringing actual costs in under that economic decision.

Capital Assets and Debt Administration

Capital Assets: The City's investment in capital assets for its governmental and business type activities as of December 31, 2005, amounts to \$3.96 Million (net of accumulated depreciation and related debt). This investment in capital assets includes land, buildings and systems, improvements, equipment and machinery.

Note 9 (Capital Assets) provides capital asset activity during 2005. The City has had limited funding to provide for governmental capital asset acquisition and construction. The City did increase government-wide capital assets by \$275,758. For more information on the governmental and business-type capital assets see Note 9 in the notes to the financial statements.

CITY OF TRENTON, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005

Long-term Debt: At the end of 2005, the City had general obligation bonds outstanding of \$0.53 Million in governmental activities. The City had \$7.68 Million in revenue bonds outstanding on the water system improvements. See Note 14 for further information on the City's long-term debt.

Economic Factors affecting the City

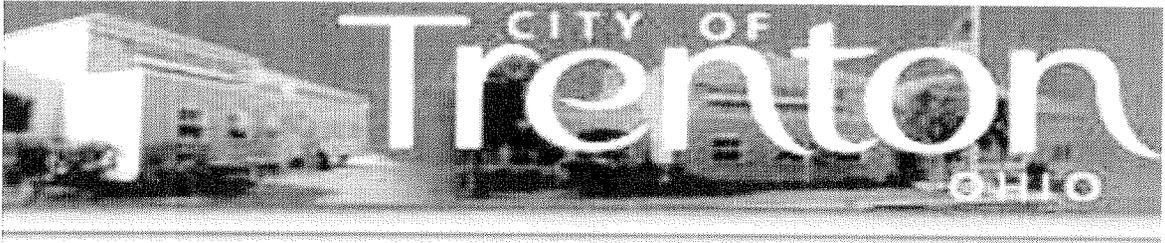
Located towards the center of Butler County, the City provides the home town appeal to more than 8,700 residents. The City is ideal for those families looking to locate here as over forty percent of the population is from twenty to forty-four years in age.

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

The City continues to promote itself to business owners trying to increase retail and industrial growth. The City's outer limits are prime areas for development and will continue to emphasize those types of developments for the City.

Requests for Information

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



CITY OF TRENTON, OHIO
STATEMENT OF NET ASSETS
DECEMBER 31, 2005

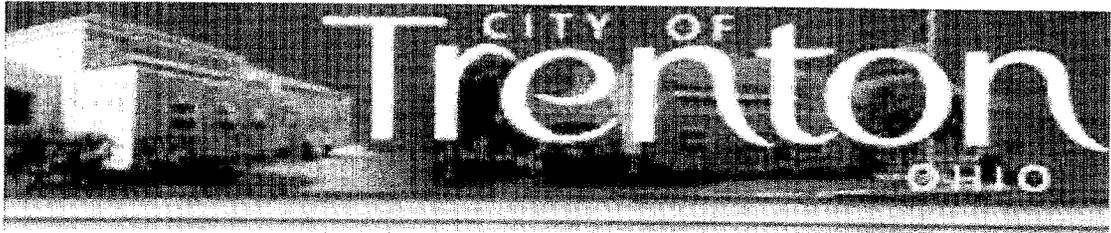
	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$ 2,627,226	\$ 2,980,214	\$ 5,607,440
Restricted Cash and Cash Equivalents	-	2,505,939	2,505,939
Receivables (net of allowance for doubtful accounts):			
Taxes - Real and Personal Property	578,962	-	578,962
Taxes - Municipal Income Accounts	175,434	-	175,434
Interest	101,819	179,441	281,260
Special Assessments	41,341	-	41,341
Due from Other Governments	43,037	-	43,037
Deferred Charges	443,058	-	443,058
Nondepreciable Assets:			
Land	-	294,252	294,252
Construction In Progress	367,473	43,250	410,723
Depreciable Assets:			
Plant	-	5,425,652	5,425,652
Water and Sewer Lines	-	176,830	176,830
Buildings and Improvements	1,696,208	4,516,492	4,516,492
Improvements other than Buildings	652,018	-	1,696,208
Furniture, Equipment and Vehicles	2,598,905	28,410	680,428
Less: Accumulated Depreciation	(1,647,252)	(2,774,549)	(4,421,801)
Total Assets	<u><u>7,678,229</u></u>	<u><u>14,904,042</u></u>	<u><u>22,582,271</u></u>
Liabilities:			
Accounts Payable	80,212	26,062	106,274
Contracts Payable	4,560	714,941	719,501
Accrued Wages and Benefits	72,713	29,529	102,242
Due to Other Governments	2,438	75,476	77,914
Deposits Payable	-	8,809	8,809
Accrued Interest Payable	4,467	-	4,467
Unearned Revenue	475,540	-	475,540
Long Term Liabilities due within 1 year	139,250	105,978	245,228
Long Term Liabilities due over 1 year	632,784	7,780,503	8,413,287
Total Liabilities	<u><u>1,411,964</u></u>	<u><u>8,741,298</u></u>	<u><u>10,153,262</u></u>
Net Assets:			
Investment in Capital Assets, net related debt	3,102,216	858,237	3,960,453
Restricted:			
Transportation	592,592	-	592,592
Culture and Recreation	28,394	-	28,394
Protection of Citizens	207,821	-	207,821
Debt Service	28,908	-	28,908
Capital Improvements	27,485	-	27,485
Unrestricted	2,278,849	5,304,507	7,583,356
Total Net Assets	<u><u>6,266,265</u></u>	<u><u>6,162,744</u></u>	<u><u>12,429,009</u></u>
Total Net Assets and Liabilities	<u><u>\$ 7,678,229</u></u>	<u><u>\$ 14,904,042</u></u>	<u><u>\$ 22,582,271</u></u>

See accompanying notes to the basic financial statements

CITY OF TRENTON, OHIO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2005

Function/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total
Governmental Activities:						
Security of Persons and Property	\$ (1,839,443)	\$ 64,126	\$ -	\$ (1,460,251)	\$ -	\$ (1,460,251)
Public Health and Welfare	(81,103)	12,582	-	(68,521)	-	(68,521)
Leisure Time Activities	(74,824)	-	-	22,026	-	22,026
Community Environment	(97,844)	-	-	(11,032)	-	(11,032)
Transportation	(170,776)	412,646	-	241,870	-	241,870
General Government	(776,134)	-	-	(580,246)	-	(580,246)
Other Expenditures	(66,454)	-	-	(66,454)	-	(66,454)
Interest and Fiscal Charges	(35,718)	-	-	(35,718)	-	(35,718)
Total Governmental Activities	<u>(3,142,296)</u>	<u>489,354</u>	<u>-</u>	<u>(1,958,326)</u>	<u>-</u>	<u>(1,958,326)</u>
Business-Type Activities:						
Water	(1,033,458)	-	-	-	162,862	162,862
Sewer	(1,754,768)	-	510,143	-	(39,525)	(39,525)
Stormwater Management	(67,662)	-	-	-	140,589	140,589
Refuse	(626,382)	-	-	-	(25,164)	(25,164)
Utility Trust	(38,524)	-	-	-	11,516	11,516
Total Business - Type Activities	<u>(3,520,794)</u>	<u>-</u>	<u>510,143</u>	<u>-</u>	<u>250,278</u>	<u>250,278</u>
Total	<u>\$ (6,663,090)</u>	<u>\$ 489,354</u>	<u>\$ 510,143</u>	<u>(1,958,326)</u>	<u>250,278</u>	<u>(1,708,048)</u>
General Revenues:						
Income Taxes				1,722,673	-	1,722,673
Property Taxes				574,698	-	574,698
Estate Taxes				2,907	-	2,907
Franchise Fee Taxes				53,561	-	53,561
Special Assessment Taxes				18,767	-	18,767
Permissive Sales Tax				49,112	-	49,112
Grants and Contributions not restricted to specific programs				316,204	-	316,204
Unrestricted investment earnings				289,848	132,101	421,949
Miscellaneous				95,431	-	95,431
Total General Revenues and Transfers				<u>3,123,201</u>	<u>132,101</u>	<u>3,255,302</u>
Changes in Net Assets				<u>1,164,875</u>	<u>382,379</u>	<u>1,547,254</u>
Net Assets - Beginning				<u>5,101,390</u>	<u>5,780,365</u>	<u>10,881,755</u>
Net Assets - Ending				<u>\$ 6,266,265</u>	<u>\$ 6,162,744</u>	<u>\$ 12,429,009</u>

See accompanying notes to the basic financial statements



**CITY OF TRENTON, OHIO
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2005**

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$ 1,767,550	\$ 859,676	\$ 2,627,226
Receivables (net of allowance for doubtful accounts):			
Taxes - Real and Personal Property	578,962	-	578,962
Taxes - Municipal Income	175,434	-	175,434
Accounts	101,819	-	101,819
Interest	41,341	-	41,341
Special Assessments	-	43,037	43,037
Due from Other Governments	180,786	262,272	443,058
Total Assets	2,845,892	1,164,985	4,010,877
Liabilities:			
Accounts Payable	65,584	14,628	80,212
Contracts Payable	4,560	-	4,560
Accrued Wages and Benefits	63,380	9,333	72,713
Due to Other Governments	2,438	-	2,438
Deferred Revenue	764,265	233,253	997,518
Total Liabilities	900,227	257,214	1,157,441
Fund Balances:			
Reserved for Encumbrances	118,962	197,034	315,996
Unreserved, reported in:			
General	1,826,703	-	1,826,703
Special Revenue	-	674,433	674,433
Debt Service	-	33,375	33,375
Capital Projects	-	2,929	2,929
Total Fund Balances	1,945,665	907,771	2,853,436
Total Liabilities and Fund Balances	\$ 2,845,892	\$ 1,164,985	\$ 4,010,877

See accompanying notes to the basic financial statements

CITY OF TRENTON, OHIO

*RECONCILIATION OF THE BALANCE SHEET
OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET ASSETS
DECEMBER 31, 2005*

Fund Balances - Governmental Funds	\$ 2,853,436
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	3,667,352
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	521,978
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.	<u>(776,501)</u>
Net Assets of governmental activities	<u>\$ 6,266,265</u>

CITY OF TRENTON, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

	General	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>			
Income Taxes	\$ 1,697,518	\$ -	\$ 1,697,518
Property and Other Taxes	541,553	25,227	566,780
Intergovernmental	423,749	528,443	952,192
Charges for Services	47,494	-	47,494
Licenses and Permits	211,511	42,650	254,161
Investment Earnings	256,451	33,397	289,848
Fines and Forfeitures	162,732	247,275	410,007
All Other Revenues	63,893	11,865	75,758
Total Revenues	3,404,901	888,857	4,293,758
<u>Expenditures:</u>			
Current:			
Security of Persons and Property	1,690,794	118,321	1,809,115
Public Health and Welfare	68,521	12,582	81,103
Leisure Time Activities	-	60,099	60,099
Community Environment	94,661	-	94,661
Transportation	-	130,647	130,647
General Government	624,969	104,207	729,176
Other	66,454	-	66,454
Capital Outlay	-	173,039	173,039
Debt Service:			
Principal Retirement	-	125,232	125,232
Interest and Fiscal Charges	-	33,540	33,540
Total Expenditures	2,545,399	757,667	3,303,066
Excess of Revenues Over Expenditures	859,502	131,190	990,692
<u>Other Financing Sources (Uses):</u>			
Sale of Capital Assets	7,250	-	7,250
Transfers - In	36,500	322,921	359,421
Transfers - Out	(322,921)	(36,500)	(359,421)
Total Other Financing Sources (Uses)	(279,171)	286,421	7,250
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	580,331	417,611	997,942
Fund Balances at Beginning of Year	1,365,334	490,160	1,855,494
Fund Balances at End of Year	<u>\$ 1,945,665</u>	<u>\$ 907,771</u>	<u>\$ 2,853,436</u>

See accompanying notes to the basic financial statements

*CITY OF TRENTON, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005*

Amounts reported in governmental activities in the statement of activities are different because:

Net Change in Fund Balances - total governmental funds	\$ 997,942
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceed depreciation in the current period.	43,340
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	6,163
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction however, has any affect on net assets. Also, governmental funds report the effect of issuance costs and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	123,054
Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.K33	<u>(5,624)</u>
Change in net assets of governmental activities	<u>\$ 1,164,875</u>

THE CITY OF TRENTON, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2005

GENERAL FUND

	Budget		Actual	Variance Positive (Negative)
	Initial	Final		
<u>Revenues:</u>				
Property and Other Local Taxes	\$ 343,007	\$ 320,000	\$ 441,267	\$ 121,267
Income Taxes	1,763,268	1,645,000	1,812,399	167,399
Intergovernmental	336,489	313,920	424,765	110,845
Charges for Services	35,373	33,000	43,006	10,006
Licenses and Permits	271,458	253,250	211,486	(41,764)
Investment Earnings	214,379	200,000	234,632	34,632
Special Assessments	8,575	8,000	-	(8,000)
Fines and Forfeitures	80,499	75,100	176,534	101,434
Other All Revenue	31,085	29,000	63,818	34,818
	<u>3,084,133</u>	<u>2,877,270</u>	<u>3,407,907</u>	<u>530,637</u>
<u>Expenditures:</u>				
Current:				
Security of Persons and Property	2,291,489	1,953,722	1,690,537	263,185
Public Health and Welfare Services	119,920	89,208	74,672	14,536
Community Environment	470,797	209,100	192,843	16,257
General Government	640,851	740,632	635,022	105,610
Other	115,635	178,371	65,955	112,416
	<u>3,638,692</u>	<u>3,171,033</u>	<u>2,659,029</u>	<u>512,004</u>
Excess of Revenues Over (Under) Expenditures	(554,559)	(293,763)	748,878	1,042,641
<u>Other Financing Sources (Uses):</u>				
Income Tax Refunds	-	(27,000)	(26,246)	754
Sale of Capital Assets	-	-	7,250	7,250
Transfers - In	-	406,598	36,500	(370,098)
Transfers - Out	-	(597,925)	(322,921)	275,004
	<u>-</u>	<u>(218,327)</u>	<u>(305,417)</u>	<u>(87,090)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(554,559)	(512,090)	443,461	955,551
Fund Balances at Beginning of Year	1,111,079	1,111,079	1,111,079	-
Prior Year Encumbrances	124,012	124,012	124,012	-
Fund Balances at End of Year	<u>\$ 680,532</u>	<u>\$ 723,001</u>	<u>\$ 1,678,552</u>	<u>\$ 955,551</u>

See accompanying notes to the basic financial statements



CITY OF TRENTON, OHIO
STATEMENT OF NET ASSETS
ENTERPRISE FUNDS
DECEMBER 31, 2005

BUSINESS-TYPE ACTIVITIES--ENTERPRISE FUNDS

	Water	Sewer	Refuse	Nonmajor Enterprise Funds	Totals
Assets:					
<i>Current Assets:</i>					
Equity in Pooled Cash and Cash Equivalents	\$ 1,921,069	\$ 627,453	\$ 105,327	\$ 326,365	\$ 2,980,214
Restricted Cash and Cash Equivalents	2,505,939	-	-	-	2,505,939
Receivables (net of allowances for doubtful accounts)					
Accounts	49,662	82,505	36,371	10,903	179,441
Total Current Assets	4,476,670	709,958	141,698	337,268	5,665,594
<i>Noncurrent Assets:</i>					
Bond Issuance Costs	294,252	-	-	-	294,252
<i>Nondepreciable Capital Assets:</i>					
Land	43,250	-	-	-	43,250
Construction in Progress	5,425,652	-	-	-	5,425,652
<i>Depreciable Capital Assets:</i>					
Improvements Other than Buildings	-	28,410	-	-	28,410
Furniture, Fixtures, and Equipment	1,058,668	393,232	17,580	58,631	1,528,111
Water and Sewer Lines	2,911,527	1,604,965	-	-	4,516,492
Plant	160,509	16,321	-	-	176,830
Less: Accumulated Depreciation	(1,473,189)	(1,281,234)	(10,572)	(9,554)	(2,774,549)
Total Capital Assets (net of accumulated depreciation)	8,126,417	761,694	7,008	49,077	8,944,196
Total Noncurrent Assets	8,420,669	761,694	7,008	49,077	9,238,448
Total Assets	\$ 12,897,339	\$ 1,471,652	\$ 148,706	\$ 386,345	\$ 14,904,042

CITY OF TRENTON, OHIO
STATEMENT OF NET ASSETS
ENTERPRISE FUNDS
DECEMBER 31, 2005

BUSINESS-TYPE ACTIVITIES--ENTERPRISE FUNDS

	Water	Sewer	Refuse	Nonmajor Enterprise Funds	Totals
Liabilities:					
<i>Current Liabilities:</i>					
Accounts Payable	\$ 14,930	\$ 2,854	\$ 585	\$ 7,693	\$ 26,062
Contracts Payable	684,438	-	30,503	-	714,941
Accrued Wages and Benefits	11,739	9,479	7,620	691	29,529
Due to Other Governments	1,356	74,120	-	-	75,476
Capital Leases Payable - Current	23,917	-	-	-	23,917
Revenue Bonds Payable - Current	55,000	-	-	-	55,000
Total Current Liabilities	791,380	86,453	38,708	8,384	924,925
<i>Noncurrent Liabilities:</i>					
Customer Deposits Payable	-	-	-	8,809	8,809
Compensated Absences Payable	36,853	28,655	26,953	2,313	94,774
Revenue Bonds Payable	7,712,790	-	-	-	7,712,790
Total Noncurrent Liabilities	7,749,643	28,655	26,953	11,122	7,816,373
Total Liabilities	8,541,023	115,108	65,661	19,506	8,741,298
Net Assets:					
Invested in capital assets, net of related debt	40,458	761,694	7,008	49,077	858,237
Unrestricted	4,315,858	594,850	76,037	317,762	5,304,507
Total Net Assets	4,356,316	1,356,544	83,045	366,839	6,162,744
Total Net Assets and Liabilities	\$ 12,897,339	\$ 1,471,652	\$ 148,706	\$ 386,345	\$ 14,904,042

See accompanying notes to the basic financial statements

CITY OF TRENTON, OHIO
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

BUSINESS-TYPE ACTIVITIES--ENTERPRISE FUNDS

	Water	Sewer	Refuse	Nonmajor Enterprise Funds	Totals
<u>Operating Revenues:</u>					
Charges for Services	\$ 1,145,810	\$ 1,201,912	\$ 600,563	\$ 255,990	\$ 3,204,275
Other Operating Revenues	7,517	3,188	655	2,301	13,661
Total Operating Revenues	<u>1,153,327</u>	<u>1,205,100</u>	<u>601,218</u>	<u>258,291</u>	<u>3,217,936</u>
<u>Operating Expenses:</u>					
Personal Services	363,336	273,246	204,967	29,588	871,137
Materials and Supplies	33,771	534,389	8,192	4,711	581,063
Contractual Services	73,840	899,960	411,953	23,809	1,409,562
Other Operating Expenses	31,878	529	301	38,524	71,232
Depreciation	111,366	46,644	969	9,554	168,533
Total Operating Expenses	<u>614,191</u>	<u>1,754,768</u>	<u>626,382</u>	<u>106,186</u>	<u>3,101,527</u>
Operating Income (Loss)	539,136	(549,668)	(25,164)	152,105	116,409
<u>Non-Operating Revenues (Expenses):</u>					
Investment Earnings	132,101	-	-	-	132,101
Gain on Disposal of Capital Assets	42,993	-	-	-	42,993
Other Non-Operating Revenues	-	3,733	-	-	3,733
Interest and Fiscal Charges	(419,267)	-	-	-	(419,267)
Grants	-	506,410	-	-	506,410
Total Non-Operating Revenues (Expenses)	<u>(244,173)</u>	<u>510,143</u>	<u>-</u>	<u>-</u>	<u>265,970</u>
Change in Net Assets	294,963	(39,525)	(25,164)	152,105	382,379
Total net assets - Beginning (Restated)	<u>4,061,353</u>	<u>1,396,069</u>	<u>108,209</u>	<u>214,734</u>	<u>5,780,365</u>
Total net assets - Ending	<u>\$ 4,356,316</u>	<u>\$ 1,356,544</u>	<u>\$ 83,045</u>	<u>\$ 366,839</u>	<u>\$ 6,162,744</u>

See accompanying notes to the basic financial statements

CITY OF TRENTON, OHIO
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

BUSINESS-TYPE ACTIVITIES--ENTERPRISE FUNDS

	Water	Sewer	Refuse	Nonmajor Enterprise Funds	Totals
Change in Cash and Cash Equivalents					
<u>Cash Flows from Operating Activities:</u>					
Cash Received from Customers	\$ 1,141,280	\$ 1,198,626	\$ 596,594	\$ 242,655	\$ 3,179,155
Cash Paid for Employee Services and Benefits	(363,404)	(275,084)	(204,113)	(28,164)	(870,765)
Cash Paid to Suppliers for Goods and Services	586,679	(1,426,173)	(389,902)	(88,483)	(1,317,879)
Other Operating Revenues	4,612	3,188	655	2,301	10,756
Other Operating Expenses	(31,878)	(529)	(301)	(31,865)	(64,573)
Other Non-Operating Revenues	-	3,733	-	-	3,733
Net Cash Provided by (Used for) Operating Activities	<u>1,337,289</u>	<u>(496,239)</u>	<u>2,933</u>	<u>96,444</u>	<u>940,427</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>					
Capital Grant Contributions	-	506,410	-	-	506,410
Proceeds from Sale of Assets	42,993	-	-	-	42,993
Acquisition and Construction of Assets	(5,218,248)	(73,864)	-	(1,896)	(5,294,008)
Principal Paid on Capital Leases	(19,260)	-	-	-	(19,260)
Principal Paid on Revenue Anticipation Bonds	(21,668)	-	-	-	(21,668)
Interest and Fiscal Charges Paid on All Debt	(402,274)	-	-	-	(402,274)
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(5,618,457)</u>	<u>432,546</u>	<u>-</u>	<u>(1,896)</u>	<u>(5,187,807)</u>
<u>Cash Flows from Investing Activities:</u>					
Interest	139,301	-	-	-	139,301
Net Cash Provided By Investing Activities	<u>139,301</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>139,301</u>
Net Change in Cash and Cash Equivalents	(4,141,867)	(63,693)	2,933	94,548	(4,108,079)
Cash and Cash Equivalents at Beginning of Year	8,568,875	691,146	102,394	231,817	9,594,232
Cash and Cash Equivalents at End of Year	<u>\$ 4,427,008</u>	<u>\$ 627,453</u>	<u>\$ 105,327</u>	<u>\$ 326,365</u>	<u>\$ 5,486,153</u>
<u>Net Cash Provided by (Used for) Operating Activities:</u>					
Operating Income (Loss)	\$ 539,136	\$ (549,668)	\$ (25,164)	\$ 152,105	\$ 116,409
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:					
Depreciation Expense	111,366	46,644	969	9,554	168,533
Other Non-Operating Revenues	-	3,733	-	-	3,733
Change in Assets and Liabilities:					
(Increase) Decrease in Accounts Receivable	(4,530)	(3,286)	(3,969)	1,694	(10,091)
Increase (Decrease) in Accounts Payables	108,496	(65,944)	(260)	(53,304)	(11,012)
Increase in Contracts Payables	584,438	-	30,503	-	614,941
Increase (Decrease) in Accrued Wages and Benefits	(592)	(1,360)	168	215	(1,569)
Increase in Due to Other Governments	1,356	74,120	-	-	75,476
Increase (Decrease) in Compensated Absences Payable	524	(478)	686	1,209	1,941
(Decrease) in Deposits Payable	-	-	-	(15,029)	(15,029)
(Decrease) in Premium	(2,905)	-	-	-	(2,905)
Total Adjustments	<u>798,153</u>	<u>53,429</u>	<u>28,097</u>	<u>(55,661)</u>	<u>824,018</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ 1,337,289</u>	<u>\$ (496,239)</u>	<u>\$ 2,933</u>	<u>\$ 96,444</u>	<u>\$ 940,427</u>

See accompanying notes to the basic financial statements

CITY OF TRENTON, OHIO
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
DECEMBER 31, 2005

	<u>Totals</u>
Assets:	
Cash and Cash Equivalents	\$ 78
Cash and Cash Equivalents in Segregated Accounts	<u>36,730</u>
Total Assets	<u><u>36,808</u></u>
Liabilities:	
Due to Other Governments	32,423
Undistributed Monies	<u>4,385</u>
Total Liabilities	<u><u>\$ 36,808</u></u>

See accompanying notes to the basic financial statements

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

1. Reporting Entity and Basis of Presentation:

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

Reporting entity

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

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

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

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

The City is associated with one organization which is defined as a jointly governed organization, the Ohio-Kentucky-Indiana Regional Council of Governments (OKI), and one organization that is defined as an insurance purchasing pool, the Ohio Municipal League Workers' Compensation Group Rating Plan (GRP). These organizations are presented in Notes 17 and 18 of the Basic Financial Statements.

Basis of presentation – fund accounting

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. The effect of inter-fund activity has been removed from these statements. Taxes and intergovernmental revenues normally support governmental activities. *Business type activities* are supported by charges for services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, enterprise funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies:

The financial statements of the City of Trenton have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

Measurement focus and basis of accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the enterprise and fiduciary fund financial statements, although the fiduciary fund statements do not reflect a measurement of focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within thirty-one days of the end of the current fiscal period. Expenditures generally are recorded when a liability is expected to be liquidated with expendable, available resources. However, debt service expenditures, as well as compensated absences, are recorded only when payment is due.

Property taxes, income taxes, licenses, state shared revenues, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when the City receives cash.

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The City employs the use of three categories of funds: governmental, enterprise, and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose of which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

The City reports the following major governmental funds:

General Fund

The general fund is the City's primary operating fund. It accounts for all the financial resources of the general government, except those required to be account for in another fund.

The City reports the following major proprietary funds:

Water Fund

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

Sewer Fund

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

Refuse Fund

The refuse fund accounts for the charges for service and expenses related to garbage collection within the City.

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

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

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

When both restricted and unrestricted resources are available for use, it is the City's policy to use the restricted resources first, then unrestricted resources, as they are needed.

Additionally, the City reports the following fund type:

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: private purpose trust funds, pension trust funds, investment trust funds and agency funds. The City maintains one fiduciary agency fund: Municipal Mayor's Court that accounts for the collection and distribution of court fines and forfeitures. The City's agency fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations.

Enterprise funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principle ongoing operations. The principal operating revenues of the City enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

Budgetary data

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

Tax budget

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

Estimated resources

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

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

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 basic financial statements for enterprise funds.

Lapsing of appropriations

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

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

Cash and cash equivalents

Cash balances of the City's funds, except cash held by the fiscal agent and restricted cash, are pooled and invested in short-term investments in order to provide improved cash management. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the statement of net assets and fund balance sheets. Interest income is distributed to the funds according to Ohio Constitution, state statutes and the City's investment policy that was adopted by local ordinance. Investment income credit to the general fund during 2005 was \$256,451, which includes \$162,292 assigned from other funds. The street, state highway, municipal motor vehicle license, COPS fast and indigent driver's alcohol treatment nonmajor special revenue funds and water enterprise fund also received \$13,785; \$1,791; \$9,016; \$2,779; \$6,026 and \$132,101 in interest during 2005.

During 2005, 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 statement of net assets and fund balance sheets, the City's cash management pool and investments with original maturities of three months or less are considered to be cash equivalents. Investments, not part of the cash management pool, with an initial maturity of more than three months are reported as investments.

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

Capital assets and depreciation

The accounting and reporting treatment applied to capital assets is determined by the ultimate use.

Capital assets, which include property, plant, equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and funds on the enterprise fund balance sheet. Capital assets are defined by the City as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value on the date of donation.

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

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

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

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.

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

For governmental funds, the current portion of unpaid compensated absences is the amount normally due for payment during the current year. Matured leave payable in the fund financial statements represents the entire current portion. These amounts are reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements. The entire liability is reported on the government-wide statements. In enterprise funds, the entire amount of unpaid compensated absences is reported as a fund liability

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, compensated absences, contractually required pension contributions and capital leases payable that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be expected to be liquidated with expendable, available financial resources. In general, payments made within thirty-one days after year-end are considered to have been made with current available financial resources. Long-term debt and other obligations financed by enterprise funds are reported as liabilities in the appropriate enterprise fund.

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

Interfund transactions

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

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

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

Capitalization of interest

The City’s policy is to capitalize net interest on enterprise fund construction projects until substantial completion of the project. The amount of capitalized interest equals the difference between the interest cost associated with the tax-exempt borrowing used to finance the project and the interest earned from temporary investments of the debt proceeds over the same period. Capitalized interest is amortized on the straight-line basis over the estimated useful life of the asset. For 2005, no net interest expense was incurred on enterprise fund construction projects.

Reservation and designation of fund equity

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

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

Estimates

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

Restricted Assets

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

Net Assets

Net assets represent the difference between assets and liabilities in the statement of net assets. Net assets invested in capital assets are calculated, net of accumulated depreciation and reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Unearned/Deferred Revenues

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

Property taxes for which there is an enforceable legal claim as of December 31, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenues. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenues.

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

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

Exchange/Non-Exchange Transactions

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

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

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

Reconciliation of Government-Wide and Fund Financial Statements

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.” The details of this (\$776,501) difference are as follows:

Long Term Debt	(\$560,669)
Accrued Interest Payable	(4,467)
Compensated Absences Payable	(211,365)
Net Adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	(\$776,501)

Another element of that reconciliation explains that “capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund.” The details of \$3,667,352 difference are as follows:

Capital Assets	\$5,314,604
Accumulated Depreciation	(1,647,252)
Net Adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	\$3,667,352

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between *net change in fund balances – total governmental funds* and *change in net assets of government activities* as reported in the government-wide statement of activities. One element of that reconciliation states that “Capital additions are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.

CITY OF TRENTON, OHIO
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This is the amount by which capital outlays exceeded depreciation in the current period. The details of this \$43,340 are as follows:

Current capital additions	\$275,758
Depreciation Expense	(232,418)
Net Adjustment - capital assets to increase <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	\$43,340

An element of that reconciliation states that “The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction however, has any affect of net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.” The details of this \$123,054 are as follows:

Principal paid on Long Term Debt	\$81,333
Principal paid on Capital Leases Obligation	43,899
Change in Interest Payable	(2,178)
Net Adjustment - current financial resources focus to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	\$123,054

3. Change in Accounting Principle and Accounting Statements

During fiscal year 2005, the City was required to implement GASB 40, “Deposit and Investment Risk Disclosures”. The statement requires additional disclosures for credit risk, concentration risk and interest rate risk in relation to the City’s investments. The City also had no impact from the implementation of GASB 42, “Accounting for Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries.”

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

The City also implemented GASB Technical Bulletin No. 2004-02 "Recognition of Pension and Other Postemployment Benefit Expenditure/Expense and Liabilities by Cost-Sharing Employers." The implementation of this bulletin had no impact on beginning fund balance or net assets.

4. Budget to GAAP Reconciliation:

Budgetary basis of accounting

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

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

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

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

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

	General fund
GAAP Basis	\$580,331
Adjustments:	
Revenue Accruals	(23,240)
Expenditure Accruals	21,816
Encumbrances	(135,446)
Budget Basis	\$443,461

5. Deposits and Investments:

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

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

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

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

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

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

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

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

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

A. Deposits

At year-end, the carrying amount of the City's deposits was \$1,511,220.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a custodial credit risk policy.

As of December 31, 2005, \$1,568,624 of the City's bank balance of \$1,868,624 was exposed to custodial credit risk as follows since it was uninsured and uncollaterized.

Concentration of Credit Risk

The City places no limit on the amount it may invest in any one issuer. The City's has no interest in any particular investment greater than thirty-three percent.

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

B. Investments

The City's investments at December 31, 2005 are summarized below:

<u>Categorized Investments</u>	<u>Fair Value</u>		<u>Credit Rating</u>
	<u>Under One Year</u>	<u>One to Five Years</u>	
U.S. Governmental Agencies	\$912,195	\$961,440	NA
U.S. Treasury Notes	1,100,785	282,094	NA
STAR Ohio	1,192,017	0	S& P - AAAm
Money Market Mutual Funds	2,190,436	0	
Total	\$5,395,433	\$1,243,534	

Custodial Credit Risk

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

Interest Rate Risk

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

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

6. Property Taxes:

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. The last reevaluation was completed in 2003. Real property taxes are payable annually or semi-annually; if paid annually, the payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20 unless extended.

Taxes collected on tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values listed on December 31 of the prior year, and at tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its assessed value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30 with the remainder payable by September 20.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property currently is assessed at 88 percent of its true value; public utility real property is assessed at 35 percent of appraised market value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Trenton. The County Auditor periodically remits to the City its portion of the taxes collected. The full tax rate for all City operations for the year ended December 31, 2005, was \$3.24 per \$1,000 of assessed valuation.

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

The assessed values of real and tangible personal property upon which 2005 property tax receipts were based are as follows:

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

Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies that are measurable as of December 31, 2005. 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 2005 operations. The receivable is therefore offset by a credit to deferred revenue and reported as unearned revenue on statement of net assets.

7. Income Tax:

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

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

Income tax proceeds are to be used to pay the cost of administering the tax, general fund operations, capital improvements, debt service and other governmental functions when needed, as determined by Council. In 2005, the proceeds were allocated to the general fund. Income tax revenue for 2005 was \$1,697,518.

CITY OF TRENTON, OHIO
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8. Receivables:

Receivables at December 31, 2005, consisted of property taxes, income taxes, special assessments, intergovernmental receivables arising from grants, entitlements and shared revenues, interest on investments and utility accounts. All receivables are considered fully collectible.

A summary of intergovernmental receivables follows:

<u>Fund/Description</u>	<u>Amount</u>
<u>MAJOR FUNDS</u>	
<i>General fund:</i>	
Local Government Revenue	\$177,283
City of Hamilton Task Force	467
Liquor Fees	220
Estate Tax	2,816
Total General fund	<u>180,786</u>
<u>NONMAJOR FUNDS</u>	
<i>Street fund:</i>	
Motor Vehicle License Tax	155,685
Gas Tax	39,117
Total Street fund	<u>194,802</u>
<i>State Highway fund</i>	
Motor Vehicle License Tax	12,621
Gas Tax	3,173
Total State Highway fund	<u>15,794</u>
<i>Permissive Motor Vehicle License fund</i>	
Permissive Tax	<u>13,923</u>
<i>COPS Fast Grant fund</i>	
Grant Proceeds	37,753
Total All Funds	<u><u>\$443,058</u></u>

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

9. Capital Assets:

Changes in Capital Assets during the year ended December 31, 2005, were as follows:

	Balance 12/31/04	Increases	Decreases	Balance 12/31/05
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	\$367,473	\$0	\$0	\$367,473
Capital Assets, being depreciated:				
Buildings	1,696,208	0	0	1,696,208
Improvements other than Buildings	486,476	165,542	0	652,018
Machinery, Equipment and Vehicles	2,488,689	110,216	0	2,598,905
Total Capital Assets being depreciated	4,671,373	275,758	0	4,947,131
Accumulated Depreciation:				
Buildings	(410,893)	(37,468)	0	(448,361)
Improvements other than Buildings	(17,391)	(9,730)	0	(27,121)
Machinery, Equipment and Vehicles	(986,550)	(185,220)	0	(1,171,770)
Total Accumulated Depreciation	(1,414,834)	*(232,418)	0	(1,647,252)
Net Capital Assets, being depreciated	3,256,539	43,340	0	3,299,879
Governmental Activities Capital Assets	\$3,624,012	\$43,340	0	\$3,667,352
Business Type Activities				
Capital Assets, not being depreciated				
Land	\$43,250	\$0	\$0	\$43,250
Construction in Progress	207,404	5,218,248	0	5,425,652
Total Capital Assets, not depreciated	250,654	5,218,248	0	5,468,902
Capital Assets, being depreciated				
Plant	176,830	0	0	176,830
Water and Sewer Lines	4,442,628	73,864	0	4,516,492
Improvements other than Buildings	28,410	0	0	28,410
Machinery, Equipment and Vehicles	1,526,215	1,896	0	1,528,111
Total Capital Assets being depreciated	6,174,083	75,760	0	6,249,843

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

	Balance 12/31/04	Increases	Decreases	Balance 12/31/05
Business Type Activities				
Accumulated Depreciation:				
Plant	(\$99,642)	(\$3,510)	\$0	(\$103,152)
Water and Sewer Lines	(1,649,091)	(84,005)	0	(1,733,096)
Improvements other than Buildings	(13,952)	(2,403)	0	(16,355)
Machinery, Equipment and Vehicles	(843,331)	(78,615)	0	(921,946)
Total Accumulated Depreciation	(2,606,016)	**(168,533)	0	(2,774,549)
Net Capital Assets, being depreciated	3,568,067	(92,773)	0	3,475,294
Business Type Activities Capital Assets	\$3,818,721	\$5,125,475	0	\$8,944,196

* Depreciation expense was charged to governmental functions as follows:

Governmental Activities:

Security of Persons and Property	\$122,866
Leisure Time Activities	13,868
Community Environment	3,183
Transportation	31,072
General Government	61,429
	<hr/>
Total Depreciation Expense - governmental activities	<u>\$232,418</u>

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

Business Type Activities:

Water	\$111,366
Sewer	46,644
Stormwater Management	9,554
Refuse	969
	<hr/>
Total Depreciation Expense - business-type activities	<u>\$168,533</u>

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

10. Defined Benefit Pension Plans:

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

Public Employees Retirement System

The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans.

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

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

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

For the year ending December 31, 2005, the members of all three plans were required to contribute 8.5 percent of their annual covered salary. The City's employer rate for 2005 was 13.55 percent and 4 percent was used to fund health care for the year. The Ohio Revised Code provides statutory authority for member and employer contributions. The City's required contributions, representing 100 percent of employer contributions for the periods ending December 31, 2005, 2004, and 2003 were \$168,422, \$171,495, and \$92,328, respectively. Ninety-eight percent has been contributed for 2005 and the full amount for 2004 and 2003.

Police and Firemen's Disability and Pension Fund

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

Plan members are required to contribute 10 percent of their annual covered salary, while employers are required to contribute 19.5 percent for police and 24 percent for firefighters. The City's contributions to OP&F for the years ending December 31, 2005, 2004, and 2003, were \$91,930, \$83,920, and \$60,971. Ninety-nine percent has been contributed for 2005 and the full amount for 2004 and 2003.

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

11. Postemployment Benefits:

Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll; 4 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using an entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed December 31, 2004 include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.00 percent annually.

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

As of December 31, 2004 (latest information available), the actuarial value net assets available for future OPEB payments were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$29.5 billion and \$18.7 billion, respectively. At December 31, 2005, the total number of benefit recipients eligible for OPEB through PERS was 376,109. The City's actual contributions for 2005 that were used to fund OPEB were \$51,613.

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

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

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

Police and Firemen's Disability and Pension Fund

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

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. The Ohio Revised Code provides the authority allowing the Ohio Police and Firemen's Disability and Pension Fund's Board of Trustees to provide health care coverage and states that health care cost paid from the Fund shall be included in the employer's contribution rate. The total police employer contribution is 19.5 percent of covered payroll and the total firemen's employer contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2004 and 2005. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

The City's actual contributions for 2005 that were used to fund postemployment benefits were \$60,581 for police. The OP&F's total health care expenses for the year ended December 31, 2004, (the latest information available) were \$102,173,796, which was net of members contributions of \$55,665,341. The number of OP&F participants eligible to receive health care benefits as of December 31, 2004, was 13,812 for police and 10,528 for firefighters.

12. Other Employee Benefits:

Compensated absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. City employees earn vacation leave at varying rates based upon length of service. Accumulated unused vacation time is paid to employees upon termination of employment. Full time employees of the City of Trenton are credited with sick leave of eighty hours per year. Sick leave may be accumulated up to 1,200 hours.

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

Insurance benefits

The City has elected to provide employee medical/surgical and life insurance benefits through Community Mutual Anthem Blue Cross/Blue Shield for all full-time employees. The City pays 90 percent of the monthly premium. The premium varies with each employee depending on the coverage elected. Dental insurance is offered to employees through Dental Care Plus, the City pays 90 percent of the monthly premium. In both cases the employee pays the remaining premium through payroll deduction. Vision insurance is offered to employees through Eye Care Plan of America, but the employee pays 100% of the monthly premium with the City making the appropriate withholding.

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

13. Risk Management:

Property and liability

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

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

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

In the ordinary course of business, the Pool cedes a portion of its exposure to other insurers. These arrangements limit the Pool's maximum net loss on individual risks. The Pool is currently re-insured through Lloyds of London and AIG.

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

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

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

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.

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

Workers' compensation

For fiscal year 2005, the City participated in the Ohio Municipal League of Ohio Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 19). The intent of the GRP is to achieve the benefit of a reduced premium for the City by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating cities is calculated as one experience and a common premium rate is applied to all cities in the GRP.

Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to cities that can meet the GRP's selection criteria. The firm of Gates McDonald provides administrative, cost control and actuarial services to the GRP.

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

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

14. Long-Term Obligations:

Changes in long-term obligations during 2005 were as follows:

	Balance 12/31/04	Increase	Decrease	Balance 12/31/05	Due within one year
Governmental Activities:					
Special Assessment Bonds – 7.75%	\$45,000	\$0	\$15,000	\$30,000	\$15,000
General Obligation Bond – 4.40% to 4.97%	597,002	0	66,333	530,669	66,333
Capital Leases Payable	43,899	0	43,899	0	0
Compensated Absences Payable	205,849	165,276	159,760	211,365	57,917
Total – Governmental Activities	891,750	165,276	284,992	772,034	139,250
Business -Type Activities:					
Water Revenue Bonds 2%-5.25%	7,700,000	0	15,000	7,685,000	55,000
Premium on Revenue Bonds	85,695	0	2,905	82,790	2,905
Compensated Absences Payable	92,833	73,577	71,636	94,774	24,156
Capital Leases Payable	43,177	0	19,260	23,917	23,917
Total – Business - Type Activities	\$7,921,705	\$73,577	\$108,801	\$7,886,481	\$105,978

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

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

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

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

Compensated absences will be paid from the fund from which the employee is paid. The capital leases will be paid from the water enterprise fund.

As of December 31, 2005, the City's overall voted legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$15,461,061 and the unvoted legal debt margin was \$7,861,844.

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

GOVERNMENTAL ACTIVITIES			
<u>General Obligation Bonds</u>			
<u>Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$66,333	\$24,411	\$90,744
2007	66,334	21,359	87,693
2008	66,333	18,308	84,641
2009	66,333	16,484	82,817
2010	66,334	11,539	77,873
2011-2014	199,002	14,835	213,837
Totals	<u>\$530,669</u>	<u>\$106,936</u>	<u>\$637,605</u>

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

GOVERNMENTAL ACTIVITIES			
<u>Special Assessment Bonds</u>			
<u>Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$15,000	\$2,325	\$17,325
2007	15,000	1,125	16,125
Totals	<u>\$30,000</u>	<u>\$3,450</u>	<u>\$33,450</u>

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

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

BUSINESS-TYPE ACTIVITIES			
Revenue Bonds			
Years	Principal	Interest	Total
2006	\$55,000	\$172,913	\$227,913
2007	95,000	206,010	301,010
2008	150,000	222,283	372,283
2009	155,000	243,705	398,705
2010	160,000	249,435	409,435
2011-2015	880,000	1,323,575	2,203,575
2016-2020	1,105,000	1,514,625	2,619,625
2021-2025	1,110,000	1,188,094	2,298,094
2026-2030	0	1,018,594	1,018,594
2031-2034	3,968,332	611,156	4,579,488
Totals	<u>\$7,678,332</u>	<u>\$6,750,390</u>	<u>\$14,428,722</u>

15. Capital Leases - Lessee Disclosure:

In 2000, the City entered into a new lease for furniture and equipment. Lease payments are accounted for on a GAAP basis as an expenditure in the municipal building capital projects fund. During 2004, the City entered into a lease agreement to finance the purchase of a dump truck for the Water fund.

The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Equipment acquired by the lease has been capitalized on the government-wide statement in the amount of \$535,177, equal to the present value of the future minimum lease payments at the time of acquisition.

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2005.

Fiscal Year Ending June 30,	Business-Type Activities
2006	\$20,827
2007	3,787
Total	24,614
Less: Amount Representing Interest	(697)
Present Value of Net Minimum Lease Payments	\$23,917

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

Fiscal Year Ending June 30,	Business-Type Activities		
	Principal	Interest	Total
2006	\$20,237	\$590	\$20,827
2007	3,680	107	3,787
Total	\$23,917	\$697	\$24,614

16. Transfers and Interfund Transactions

Following is a summary of transfers in and out for all funds for 2005:

Fund	Transfers In	Transfers Out
MAJOR FUNDS		
General	\$36,500	\$322,921
Non-Major Governmental Funds	322,921	36,500
Total All Funds	\$359,421	\$359,421

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

The transfers from the general fund to the other governmental funds are to help support those functions. The City's COPS Grant non-major special revenue fund had expended more than its equity in pooled cash as part of the grant reimbursement program during the year and reimbursed the general fund for the overdraft.

17. Jointly Governed Organization:

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

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

Payments to OKI are made from the general fund. The City paid \$25,868 to OKI during 2005. To obtain financial information, write to Director of Finance and Administration of the Ohio-Kentucky-Indiana Regional Council of Governments at 920 Pete Rose Way Suite 420, Cincinnati, Ohio, 45202.

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

18. 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.

19. Compliance

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

<u>Fund Type/Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
City Employee Fund	\$35	\$2,370	\$2,335

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

<u>Fund Type/Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Excess</u>
Parks & Recreation Fund	\$86,725	\$99,679	\$12,954
Fire Levy Fund	182,398	200,917	18,519
COPS Grant Fund	1,421	51,600	50,179

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

20. 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.

21. Prior Period Adjustment

The City corrected an improper entry to record principal paid on general obligation notes payable between the water and sewer funds in 2004. The entry had no impact on overall business-type activities beginning net assets or cash and cash equivalents. The correction restated the individual fund's beginning net assets and cash and cash equivalents by \$50,000.

CITY OF TRENTON, OHIO
**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

December 31, 2005

Bastin & Company, LLC

Certified Public Accountants

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Honorable Members of City Council
City of Trenton, Ohio

We have audited the basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Trenton, Butler County, Ohio (the City), as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 30, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. 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 internal control over financial reporting that we have reported to management in a separate letter dated August 30, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings as items 2005-01 and 2005-02.

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

Bastin & Company, LLC

Cincinnati, Ohio
August 30, 2006

**CITY OF TRENTON
SCHEDULE OF FINDINGS
DECEMBER 31, 2005**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number 2005– 01

Noncompliance Citation – Expenditures Exceeding Appropriations

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

<u>Fund Type/Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
City Employee Fund	\$35	\$2,370	\$2,335

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

City’s Response

The City implemented procedures for regular budgetary review by the Treasurer, City Manager, and Department Heads, accompanied by periodic supplemental appropriations and adjustments. Significant improvements have been made in 2005 when compared to prior years. The City will continue to perform appropriate budgetary monitoring to comply with the ORC.

Finding Number 2005– 02

Noncompliance Citation – Appropriations Exceeding Estimated Resources Available

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

<u>Fund Type/Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Excess</u>
Parks & Recreation Fund	\$86,725	\$99,679	\$12,954
Fire Levy Fund	182,398	200,917	18,519
COPS Grant Fund	1,421	51,600	50,179

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

City’s Response

The Treasurer will review this in November/December in order to make adjustments through an amended certificate filing. Again, significant improvements have been made in 2005 when compared to prior years. The City will continue to perform appropriate budgetary monitoring to comply with the ORC.

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

Finding Number	Finding Summary	Fully Corrected?	Explanation:
2004-01	Material Noncompliance Expenditures exceeded appropriations	No	Finding repeated as it relates to 2005 activities as finding number 2005-01
2004-02	Material Noncompliance Appropriations exceeded estimated resources	No	Finding repeated as it relates to 2005 activities as finding number 2005-02
2004-03	Inadequate documentation of transactions	Yes	Condition was not noted as it relates to 2005
2004-04	Income tax collection controls	Yes	Recommendations were implemented and improvements were noted during 2005
2004-05	Payroll system controls	Yes	Recommendations were implemented and improvements were noted during 2005
2004-06	Mayor's Court Controls	No	Improvements were noted, however, conditions were not fully corrected. Comments as they relate to 2005 have been made in the management letter
2004-07	Bank reconciliations were not completed in a timely matter	No	Improvements were noted, however, conditions were not fully corrected. Comments as they relate to 2005 have been made in the management letter



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CITY OF TRENTON

BUTLER COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 9, 2006**