

CITY OF TRENTON, OHIO

Basic Financial Statements

December 31, 2007



Mary Taylor, CPA
Auditor of State

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, 2007 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

August 19, 2008

This Page is Intentionally Left Blank.

CITY OF TRENTON, OHIO
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

TABLE OF CONTENTS

Independent Auditor's Report.....	1
Basic Financial Statements	
Management's Discussion and Analysis	3
Statement of Net Assets	13
Statement of Activities	14
Balance Sheet - Governmental Funds	16
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	18
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)	
General Fund	20
Street Fund.....	21
Statement of Net Assets - Enterprise Funds	22
Statement of Revenues, Expenses and Changes in Fund Net Assets - Enterprise Funds.....	24
Statement of Cash Flows - Enterprise Funds	25
Statement of Fiduciary Assets and Liabilities	26
Notes to the Financial Statements	27

This Page is Intentionally Left Blank.

Bastin & Company, LLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Members of City Council
City of Trenton, Ohio

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Trenton, Ohio, as of and for the year ended December 31, 2007, which collectively comprise the City of Trenton, Ohio's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Trenton, Ohio's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Trenton, Ohio, as of December 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the General Fund and Street Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2008, on our consideration of the City of Trenton, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 3 through 12 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Bastin & Company, LLC

Cincinnati, Ohio
June 18, 2008



CITY OF TRENTON, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007

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, 2007. 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 2007 are as follows:

- The assets of the City exceeded its liabilities at the close of the year ended December 31, 2007, by \$10,986,619 (net assets). Of this amount, \$2,545,448 (governmental unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors, and \$3,003,882 is classified as unrestricted in the business-type activities.
- The City's total net assets decreased by \$169,426, which represents a 1.52% decrease from 2006. This decrease can be attributed to the normal operating procedures for the City in which more funds were expended than received mainly in expenses related to the street resurfacing projects.
- At the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$2,760,345. Of this amount \$2,736,360 is available for spending (unreserved fund balance) on behalf of its citizens mainly for the necessary services, such as, law enforcement and general government operations.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$2,070,762 or 86.86% of total General Fund expenditures.
- The City's major enterprise funds reflected positive ending net assets: Water Fund \$2,815,091; Sewer Fund \$1,479,488; and Refuse Fund \$144,301.

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, 2007***

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 2007?" 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, 2007

However, these fund financial statements focus on the City's most significant funds. In the case of Trenton, our major funds are the General, Street, 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, 2007

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$10,986,619 (\$6,123,288 in governmental activities and \$4,863,331 in business-type activities) as of December 31, 2007. The City reflects an investment in capital assets (e.g., land, buildings, machinery and equipment) less any related debt used to acquire those assets that are still outstanding of \$4,236,178. 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 2007 compared to 2006.

	Governmental Activities		Business-Type Activities		Total	
	2007	2006 (restated)	2007	2006 (restated)	2007	2006 (restated)
Current and Other Assets	\$3,961,261	\$4,074,582	\$3,901,997	\$3,696,674	\$7,863,258	\$7,771,256
Capital Assets	3,332,398	3,464,006	11,228,498	11,505,590	14,560,896	14,969,596
Total Assets	7,293,659	\$7,538,588	15,130,495	15,202,264	22,424,154	22,740,852
Long-term liabilities	540,771	714,556	7,684,755	7,799,832	8,225,526	8,514,388
Other liabilities	629,600	621,860	2,582,409	2,448,559	3,212,009	3,070,419
Total Liabilities	1,170,371	1,336,416	10,267,164	10,248,391	11,437,535	11,584,807
Nets Assets:						
Invested in capital assets, net of related debt	2,920,504	2,965,845	1,315,674	1,511,448	4,236,178	4,477,293
Restricted	657,336	1,445,076	543,775	0	1,201,111	1,445,076
Unrestricted	2,545,448	1,791,251	3,003,882	3,442,425	5,549,330	5,233,676
Total Net Assets	\$6,123,288	\$6,202,172	\$4,863,331	\$4,953,873	\$10,986,619	\$11,156,045

An additional portion of the City's net assets represents resources that are subject to external restrictions on how they may be used. In the current fiscal year, this represented \$1,201,111 or 10.93% of net assets. The remaining unrestricted \$5,549,330 net assets may be used to meet the City's ongoing obligations to its citizens and creditors and for business-type activities.

During 2007, the City saw depreciation exceed the capital additions resulting in a total decrease in capital assets of \$408,700. Along with decreases in the amount of income tax receivable given the City's ability to collect the delinquent taxes from prior years, the City's current and other assets in governmental activities decreased over \$113,000 from 2006. The City continued to pay down the outstanding general obligation debt reducing total governmental liabilities by 12.42% from the prior year.

CITY OF TRENTON, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007

Statement of Activities

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program Revenues:						
Charges for Services	\$473,957	\$421,670	\$3,514,329	\$3,187,150	\$3,988,286	\$3,608,820
Operating Grants and Contributions	546,446	449,318	0	1,263	546,446	450,581
Capital Grants and Contributions	0	0	5,755	5,079	5,755	5,079
General Revenues:						
Income Taxes	1,399,908	1,584,826	0	0	1,399,908	1,584,826
Property Taxes	505,588	475,443	0	0	505,588	475,443
Other Taxes	281,818	134,230	0	0	281,818	134,230
Unrestricted Grants	362,446	395,662	0	0	362,446	395,662
Investment Earnings	344,683	114,220	35,146	43,987	379,829	158,207
Other Revenues	36,628	60,817	0	0	36,628	60,817
Total Revenues	3,951,474	3,636,186	3,555,230	3,237,479	7,506,704	6,873,665
Expenses:						
Security of Persons and Property	2,743,866	2,181,573	0	0	2,743,866	2,181,573
Public Health and Welfare	57,681	69,493	0	0	57,681	69,493
Leisure Time Activities	117,525	176,921	0	0	117,525	176,921
Community Environment	129,748	105,528	0	0	129,748	105,528
Transportation	370,990	308,725	0	0	370,990	308,725
General Government	532,800	659,289	0	0	532,800	659,289
Other	55,109	10,474	0	0	55,109	10,474
Interest and Fiscal Charges	22,639	26,353	0	0	22,639	26,353
Water	0	0	1,474,898	2,385,507	1,474,898	2,385,507
Sewer	0	0	1,260,539	1,229,932	1,260,539	1,229,932
Stormwater Management	0	0	150,706	137,337	150,706	137,337
Refuse	0	0	726,213	628,284	726,213	628,284
Utility Trust	0	0	33,416	33,286	33,416	33,286
Total Expenses	4,030,358	3,538,356	3,645,772	4,414,346	7,676,130	7,952,702
Change in Net Assets	(78,884)	97,830	(90,542)	(1,176,867)	(169,426)	(1,079,037)
Beginning Net Assets - Restated	6,202,172	6,266,265	4,953,873	6,162,744	11,156,045	12,429,009
Capital Asset Restatement	0	(161,923)	0	(32,004)	0	(193,927)
Ending Net Assets	\$6,123,288	\$6,202,172	\$4,863,331	\$4,953,873	\$10,986,619	\$11,156,045

Governmental Activities

The main focus of governmental activities is security of persons and property, which represents the police and fire services of the City. For 2007, the expenses were \$2.74 Million representing 68.08% (6.43% increase from 2006) of governmental activity spending yielding a reliance on general revenues to fund the program of approximately \$2.48 Million after direct support to their programs.

The transportation function receives state shared revenues related to the activities and was able to generate net revenue at the end of the year for \$201,048 mainly due to state shared revenues and the capitalization of some of the expenses as capital assets.

CITY OF TRENTON, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007

Business-Type Activities

The City's business-type activities include the Water, Sewer, Refuse, Utility Deposits and Stormwater Management systems. The Sewer, Stormwater Management and Refuse were able to boast positive net revenue amounts of \$114,776, \$27,134 and \$26,844, respectively. Combined change in net assets figured to (\$90,542) with only the water operations posting a negative change in net assets of \$292,860 due to current year of depreciation recognized in the fund.

Financial Analysis of the City's Funds

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

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

As of the end of 2007, the City's governmental funds reported combined ending fund balances of \$2.76 Million. Approximately \$2.73 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 (\$0.03 Million).

The General Fund is the chief operating fund of the City. As of December 31, 2007, the unreserved General Fund balance was \$2.07 Million with a total fund balance of \$2.08 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 77.83% of the total expenditures and other financing uses, while total fund balance represents 78.33% of that same amount.

During 2007, the City's General Fund ending balance increased by \$480,155 as revenues exceeded expenditures by \$749,917. This variance is really caused by the fund's transfer of monies to other operations of the City that needed the subsidized revenue of property and income taxes from the General Fund. The increase was attributed to the City controlling General Fund expenditures by reducing them over 5.10% from 2006 and increasing the revenues just over 8.01% also. The majority of the revenue increase is attributed to the City's increased investment income of \$292,461 from the 2006 with rising rates and better investment of operating funds.

CITY OF TRENTON, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007

The City's other major governmental fund was the Street Fund. The Street Fund receives the majority of revenue from gas tax and motor vehicle licenses intergovernmental receipts (93.51%). The Street Fund is also responsible for maintenance on most of the City streets. The General Fund typically will subsidize the Street Fund as evidenced by the \$150,000 transfer for 2006 although for 2007 the City did not have to provide a transfer to the fund. For 2007, revenues fell short of expenditures by \$100,180 but with a beginning balance of \$489,599 the City opted to not make any General Fund transfers during 2007.

The City saw the fund balance in the nonmajor funds decrease by \$436,588 even with General Fund transfers of \$0.28 Million into those nonmajor funds to help support the specific programs. The Municipal Motor Vehicle Tax Fund was one of the funds that had the most impact on this negative change as the fund expended \$282,000 more than it received on street resurfacing projects. The Fire Levy Fund was the other largely deficient fund using \$92,345 of the prior year's balance for operating purposes. The City continues to evaluate the billing system related to EMS runs for the department.

General Fund Budgeting Highlights

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

During the course of 2007, the City amended its total and General Fund budget several times, the most significant noted below. All recommendations for the budget came from the City Manager after consultation with individual directors and the Finance Department before submission to City Council. The City Council also ministerially approves small interdepartmental budget changes that modify line items within departments within the same fund.

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

The following table summarizes the major revenue sources and expenditures from original to final budget for 2007:

CITY OF TRENTON, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007

Description	Original Budget	Final Budget	Change
Revenues:			
Property and Other Taxes	\$521,802	\$565,000	\$43,198
Income Taxes	1,533,458	1,515,000	(18,458)
Intergovernmental	415,365	510,050	94,685
Other	630,472	752,047	121,575
Total Revenues	<u>3,101,097</u>	<u>3,342,097</u>	<u>241,000</u>
Expenditures:			
Security of Persons/Property	1,939,001	2,226,394	287,393
Community Environment	195,996	120,042	(75,954)
General Government	543,948	561,081	17,133
Other Expenditures	704,044	260,833	(443,211)
Total Expenditures	<u>3,382,989</u>	<u>3,168,350</u>	<u>(214,639)</u>

The City amended the original revenue budget several times as the City saw decreases across all revenue line items with the different state law changes and the City's income tax collections in the prior year included significant delinquent taxes. During 2006 citizens took advantage of the amnesty program which brought in additional revenues from prior year taxes owed.

For expenditures, the City had originally budgeted out a significant portion of the General Fund reserve. After review, the departments reduced their capital budgets and continued to monitor operating costs. The following table summarizes the major revenue sources and expenditures from final budget to actual results for 2007:

Description	Final Budget	Actual	Change
Revenues:			
Property and Other Taxes	\$565,000	\$491,850	(\$73,150)
Income Taxes	1,515,000	1,455,562	(59,438)
Intergovernmental Revenue	510,050	509,625	(425)
Other Revenues	752,047	608,508	(143,539)
Total Revenues	<u>3,342,097</u>	<u>3,065,545</u>	<u>(276,552)</u>
Expenditures:			
Security of Persons/Property	2,226,394	1,800,670	(425,724)
Community Environment	120,042	106,166	(13,876)
General Government	561,081	398,293	(162,788)
Other Expenditures	260,833	114,508	(146,325)
Total Expenditures	<u>3,168,350</u>	<u>2,419,637</u>	<u>(748,713)</u>

CITY OF TRENTON, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007

The City had amended the final revenue budget to reflect slight changes from the original tax budget. By the end of the year, the City had collected more from the intergovernmental revenue line due to increased state reimbursements for phased out tax revenues and increased local government revenues compared to the budgeted amount. The City's remaining revenue lines items pretty much hit the final budgeted figure.

The City continued to reduce final expenditures across all functions from final budget amounts in an effort to protect the City's operating fund balance. The City emphasized reducing the operating budget by year end and was successful in bringing actual costs in under that economic decision. For fiscal year 2007, this effort resulted in the GAAP basis General Fund cash increasing \$418,942 from 2006.

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, 2007, amounts to \$4.24 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 2007. The City has had limited funding to provide for governmental capital asset acquisition and construction. The City saw government-wide capital assets decrease by \$131,607 after current year depreciation. For more information on the governmental and business-type capital assets see Note 9 in the notes to the financial statements.

Long-term Debt: At the end of 2007, the City had general obligation bonds outstanding of \$0.40 Million in governmental activities. The City had \$7.54 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 11,000 residents. The City is ideal for those families looking to locate here as over forty percent of the population is from twenty to forty-four years in age.

The City's largest industries are supported by manufacturing as Miller Brewery is located just outside of the City's southeastern corner. Despite being located fifteen 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 as the City has started to create a focus on creating an industrial park type development in the southeastern corner.

***CITY OF TRENTON, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007***

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, 2007

	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$ 2,680,930	\$ 2,867,482	\$ 5,548,412
Restricted Cash and Cash Equivalents	-	543,775	543,775
Receivables (net of allowance for doubtful accounts):			
Taxes - Real and Personal Property	522,898	-	522,898
Taxes - Municipal Income	119,589	-	119,589
Accounts	142,215	217,138	359,353
Interest	33,519	-	33,519
Special Assessments	15,983	-	15,983
Due from Other Governments	446,127	-	446,127
Bond Issuance Costs	-	273,602	273,602
Nondepreciable Assets:			
Land	369,473	2,810,498	3,179,971
Depreciable Assets:			
Plant	-	5,336,768	5,336,768
Water and Sewer Lines	-	4,516,492	4,516,492
Buildings and Improvements	1,683,944	-	1,683,944
Improvements other than Buildings	663,018	40,980	703,998
Furniture, Equipment and Vehicles	2,553,970	1,696,327	4,250,297
Less: Accumulated Depreciation	<u>(1,938,007)</u>	<u>(3,172,567)</u>	<u>(5,110,574)</u>
Total Assets	<u><u>7,293,659</u></u>	<u><u>15,130,495</u></u>	<u><u>22,424,154</u></u>
Liabilities:			
Accounts Payable	46,551	24,974	71,525
Contracts Payable	-	44,352	44,352
Accrued Wages and Benefits	97,983	31,361	129,344
Due to Other Governments	236	94,179	94,415
Deposits Payable	-	21,806	21,806
Notes Payable	-	2,295,000	2,295,000
Accrued Interest Payable	3,256	70,737	73,993
Unearned Revenue	478,574	-	478,574
Long Term Liabilities due within 1 year	128,751	176,331	305,082
Long Term Liabilities due over 1 year	<u>415,020</u>	<u>7,508,424</u>	<u>7,923,444</u>
Total Liabilities	<u><u>1,170,371</u></u>	<u><u>10,267,164</u></u>	<u><u>11,437,535</u></u>
Net Assets:			
Investment in Capital Assets, net related debt	2,920,504	1,315,674	4,236,178
Restricted:			
Transportation	413,897	-	413,897
Culture and Recreation	23,340	-	23,340
Protection of Citizens	135,002	-	135,002
Debt Service	23,124	543,775	566,899
Capital Improvements	61,973	-	61,973
Unrestricted	<u>2,545,448</u>	<u>3,003,882</u>	<u>5,549,330</u>
Total Net Assets	<u>6,123,288</u>	<u>4,863,331</u>	<u>10,986,619</u>
Total Net Assets and Liabilities	<u><u>\$ 7,293,659</u></u>	<u><u>\$ 15,130,495</u></u>	<u><u>\$ 22,424,154</u></u>

See accompanying notes to the basic financial statements

**CITY OF TRENTON, OHIO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007**

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	Business-Type Activities	Total
Governmental Activities:						
Security of Persons and Property	\$ (2,743,866)	\$ -	\$ -	\$ (2,479,896)	\$ -	\$ (2,479,896)
Public Health and Welfare	(57,681)	539	-	(57,142)	-	(57,142)
Leisure Time Activities	(117,525)	-	-	(98,047)	-	(98,047)
Community Environment	(129,748)	19,478	-	(90,597)	-	(90,597)
Transportation	(370,990)	26,347	545,691	201,048	-	201,048
General Government	(532,800)	125,011	-	(407,573)	-	(407,573)
Other Expenditures	(55,109)	-	-	(55,109)	-	(55,109)
Interest and Fiscal Charges	(22,639)	-	-	(22,639)	-	(22,639)
Total Governmental Activities	(4,030,358)	473,957	546,446	(3,009,955)	-	(3,009,955)
Business-Type Activities:						
Water	(1,474,898)	1,182,038	-	-	(292,860)	(292,860)
Sewer	(1,260,539)	1,369,560	-	-	114,776	114,776
Stormwater Management	(150,706)	177,840	5,755	-	27,134	27,134
Refuse	(726,213)	753,057	-	-	26,844	26,844
Utility Trust	(33,416)	31,834	-	-	(1,582)	(1,582)
Total Business - Type Activities	(3,645,772)	3,514,329	5,755	(125,688)	(125,688)	(125,688)
Total	\$ (7,676,130)	\$ 3,988,286	\$ 5,755	(3,009,955)	(125,688)	(3,135,643)
General Revenues:						
Income Taxes				1,399,908	-	1,399,908
Property Taxes				505,588	-	505,588
Estate Taxes				92,331	-	92,331
Franchise Fee Taxes				106,316	-	106,316
Payment in Lieu of Taxes				6,220	-	6,220
Permissive Sales Tax				76,951	-	76,951
Grants and Contributions not restricted to specific programs				362,446	-	362,446
Unrestricted investment earnings				344,683	35,146	379,829
Miscellaneous				36,628	-	36,628
Total General Revenues				2,931,071	35,146	2,966,217
Changes in Net Assets				(78,884)	(90,542)	(169,426)
Net Assets - Beginning (Restated)				6,202,172	4,953,873	11,156,045
Net Assets - Ending				\$ 6,123,288	\$ 4,863,331	\$ 10,986,619

See accompanying notes to the basic financial statements



**CITY OF TRENTON, OHIO
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2007**

	General	Street	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 2,012,751	\$ 363,568	\$ 304,611	\$ 2,680,930
Receivables (net of allowance for doubtful accounts):				
Taxes - Real and Personal Property	522,898	-	-	522,898
Taxes - Municipal Income	119,589	-	-	119,589
Accounts	113,965	76	28,174	142,215
Interest	33,519	-	-	33,519
Special Assessments	-	-	15,983	15,983
Due from Other Governments	179,840	202,870	63,417	446,127
Total Assets	2,982,562	566,514	412,185	3,961,261
Liabilities:				
Accounts Payable	34,566	4,224	7,761	46,551
Accrued Wages and Benefits	73,988	5,505	18,490	97,983
Due to Other Governments	236	-	-	236
Deferred Revenue	789,700	167,366	99,080	1,056,146
Total Liabilities	898,490	177,095	125,331	1,200,916
Fund Balances:				
Reserved for Encumbrances	13,310	4,376	6,299	23,985
Unreserved, reported in:				
General	2,070,762	-	-	2,070,762
Special Revenue	-	385,043	192,202	577,245
Debt Service	-	-	26,380	26,380
Capital Projects	-	-	61,973	61,973
Total Fund Balances	2,084,072	389,419	286,854	2,760,345
Total Liabilities and Fund Balances	\$ 2,982,562	\$ 566,514	\$ 412,185	\$ 3,961,261

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, 2007**

Fund Balances - Governmental Funds	\$ 2,760,345
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.	3,332,398
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	577,572
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.	<u>(547,027)</u>
Net Assets of governmental activities	<u>\$ 6,123,288</u>

CITY OF TRENTON, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

	General	Street	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>				
Income Taxes	\$ 1,423,287	\$ -	\$ -	\$ 1,423,287
Property and Other Taxes	491,850	-	3,239	495,089
Intergovernmental	511,729	426,370	171,903	1,110,002
Charges for Services	-	-	158,525	158,525
Licenses and Permits	201,292	-	-	201,292
Investment Earnings	362,624	21,172	21,611	405,407
Special Assessments	2,745	-	10,364	13,109
Fines and Forfeitures	91,057	-	4,236	95,293
Payment in Lieu of Taxes	-	-	6,220	6,220
All Other Revenues	49,414	8,414	5,705	63,533
Total Revenues	3,133,998	455,956	381,803	3,971,757
<u>Expenditures:</u>				
Current:				
Security of Persons and Property	1,808,562	-	352,583	2,161,145
Public Health and Welfare	57,681	-	-	57,681
Leisure Time Activities	682	-	81,658	82,340
Community Environment	104,527	-	-	104,527
Transportation	-	281,477	32,087	313,564
General Government	357,520	-	35,231	392,751
Other	55,109	-	-	55,109
Capital Outlay	-	270,281	485,170	755,451
Debt Service:				
Principal Retirement	-	4,095	85,428	89,523
Interest and Fiscal Charges	-	360	22,884	23,244
Total Expenditures	2,384,081	556,213	1,095,041	4,035,335
Excess (Deficiency) of Revenues Over (Under) Expenditures	749,917	(100,257)	(713,238)	(63,578)
<u>Other Financing Sources (Uses):</u>				
Sale of Capital Assets	6,888	77	-	6,965
Transfers - In	-	-	276,650	276,650
Transfers - Out	(276,650)	-	-	(276,650)
Total Other Financing Sources (Uses)	(269,762)	77	276,650	6,965
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	480,155	(100,180)	(436,588)	(56,613)
Fund Balances at Beginning of Year	1,603,917	489,599	723,442	2,816,958
Fund Balances at End of Year	<u>\$ 2,084,072</u>	<u>\$ 389,419</u>	<u>\$ 286,854</u>	<u>\$ 2,760,345</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, 2007

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

Net Change in Fund Balances - total governmental funds	\$	(56,613)
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 depreciation exceed capital outlays in the current period.		(131,608)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(20,283)
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.		90,128
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.		<u>39,492</u>
Change in net assets of governmental activities	\$	<u><u>(78,884)</u></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, 2007

GENERAL FUND

	Budget		Actual	Variance Positive (Negative)
	Initial	Final		
<u>Revenues:</u>				
Property and Other Local Taxes	\$ 521,802	\$ 565,000	\$ 491,850	\$ (73,150)
Income Taxes	1,533,458	1,515,000	1,455,562	(59,438)
Intergovernmental	415,365	510,050	509,625	(425)
Licenses and Permits	255,790	290,201	201,267	(88,934)
Investment Earnings	215,914	252,755	249,676	(3,079)
Special Assessments	8,094	7,601	2,745	(4,856)
Fines and Forfeitures	99,062	143,025	91,022	(52,003)
Other All Revenue	51,610	58,465	63,798	5,333
Total Revenue	3,101,097	3,342,097	3,065,545	(276,552)
<u>Expenditures:</u>				
Current:				
Security of Persons and Property	1,939,001	2,226,394	1,800,670	425,724
Public Health and Welfare Services	123,042	120,042	54,016	66,026
Community Environment	195,996	136,911	106,166	30,745
General Government	543,948	561,081	398,293	162,788
Other	575,002	117,922	60,492	57,430
Capital Outlay	6,000	6,000	-	6,000
Total Expenditures	3,382,989	3,168,350	2,419,637	748,713
Excess of Revenues Over (Under) Expenditures	(281,892)	173,747	645,908	472,161
<u>Other Financing Sources (Uses):</u>				
Income Tax Refunds	-	(51,939)	(36,307)	15,632
Sale of Capital Assets	-	10,000	6,888	(3,112)
Transfers - In	-	73,000	-	(73,000)
Transfers - Out	-	(356,650)	(276,650)	80,000
Total Other Financing Sources (Uses)	-	(325,589)	(306,069)	19,520
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(281,892)	(151,842)	339,839	491,681
Fund Balances at Beginning of Year	1,581,798	1,581,798	1,581,798	-
Prior Year Encumbrances	52,629	52,629	52,629	-
Fund Balances at End of Year	\$ 1,352,535	\$ 1,482,585	\$ 1,974,266	\$ 491,681

See accompanying notes to the basic financial statements

THE CITY OF TRENTON, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2007

STREET FUND

	Budget		Actual	Variance Positive (Negative)
	Initial	Final		
<u>Revenues:</u>				
Intergovernmental	\$ 433,790	\$ 433,790	\$ 422,066	\$ (11,724)
Investment Earnings	15,246	15,246	21,172	5,926
Other All Revenue	2,915	2,915	8,415	5,500
Total Revenue	<u>451,951</u>	<u>451,951</u>	<u>451,653</u>	<u>(298)</u>
<u>Expenditures:</u>				
Current:				
Transportation	353,472	353,472	292,269	61,203
Capital Outlay	302,840	296,840	270,373	26,467
Debt Service:				
Principal Retirement	-	5,000	4,095	905
Interest and Fiscal Charges	-	1,000	720	280
Total Expenditures	<u>656,312</u>	<u>656,312</u>	<u>567,457</u>	<u>88,855</u>
Deficiency of Revenues Under Expenditures	(204,361)	(204,361)	(115,804)	88,557
Fund Balances at Beginning of Year	451,539	451,539	451,539	-
Prior Year Encumbrances	<u>23,412</u>	<u>23,412</u>	<u>23,412</u>	<u>-</u>
Fund Balances at End of Year	<u>\$ 270,590</u>	<u>\$ 270,590</u>	<u>\$ 359,147</u>	<u>\$ 88,557</u>

See accompanying notes to the basic financial statements

CITY OF TRENTON, OHIO
 STATEMENT OF NET ASSETS
 ENTERPRISE FUNDS
 DECEMBER 31, 2007

BUSINESS-TYPE ACTIVITIES--ENTERPRISE FUNDS

	Water	Sewer	Refuse	Nonmajor Enterprise Funds	Totals
Assets:					
<i>Current Assets:</i>					
Equity in Pooled Cash and Cash Equivalents	\$ 1,571,397	\$ 825,563	\$ 167,121	\$ 303,401	\$ 2,867,482
Restricted Cash and Cash Equivalents	543,775	-	-	-	543,775
Receivables (net of allowances for doubtful accounts)	74,785	84,394	43,224	14,735	217,138
Accounts	2,189,957	909,957	210,345	318,136	3,628,395
Total Current Assets	2,73,602	-	-	-	273,602
<i>Noncurrent Assets:</i>					
Bond Issuance Costs	2,810,498	-	-	-	2,810,498
<i>Nondepreciable Capital Assets:</i>					
Land	5,320,447	16,321	-	-	5,336,768
Plant	2,911,727	1,604,765	-	-	4,516,492
Water and Sewer Lines	12,570	28,410	-	-	40,980
Improvements Other than Buildings	1,093,728	412,921	15,001	174,677	1,696,327
Furniture, Fixtures, and Equipment	(1,755,793)	(1,366,613)	(9,999)	(40,162)	(3,172,567)
Less: Accumulated Depreciation	10,393,177	695,804	5,002	134,515	11,228,498
Total Capital Assets (net of accumulated depreciation)	10,666,779	695,804	5,002	134,515	11,502,100
Total Noncurrent Assets	\$ 12,856,736	\$ 1,605,761	\$ 215,347	\$ 452,651	\$ 15,130,495

**CITY OF TRENTON, OHIO
STATEMENT OF NET ASSETS
ENTERPRISE FUNDS
DECEMBER 31, 2007**

BUSINESS-TYPE ACTIVITIES--ENTERPRISE FUNDS

	Water	Sewer	Refuse	Nonmajor Enterprise Funds	Totals
Liabilities:					
<i>Current Liabilities:</i>					
Accounts Payable	\$ 18,079	\$ 989	\$ 223	\$ 5,683	\$ 24,974
Contracts Payable	-	-	44,352	-	44,352
Accrued Wages and Benefits	14,963	9,269	6,418	711	31,361
Due to Other Governments	600	93,579	-	-	94,179
Accrued Interest Payable	70,737	-	-	-	70,737
Notes Payable	2,295,000	-	-	-	2,295,000
Compensated Absences Payable - Current	8,398	5,077	4,831	-	18,306
Loans Payable - Current	2,560	2,560	-	-	5,120
Revenue Bonds Payable - Current	152,905	-	-	-	152,905
Total Current Liabilities	<u>2,563,242</u>	<u>111,474</u>	<u>55,824</u>	<u>6,394</u>	<u>2,736,934</u>
<i>Noncurrent Liabilities:</i>					
Customer Deposits Payable	-	-	-	21,806	21,806
Compensated Absences Payable	18,948	14,419	15,222	-	48,589
Loans Payable	380	380	-	-	760
Revenue Bonds Payable	7,459,075	-	-	-	7,459,075
Total Noncurrent Liabilities	<u>7,478,403</u>	<u>14,799</u>	<u>15,222</u>	<u>21,806</u>	<u>7,530,230</u>
Total Liabilities	<u>10,041,645</u>	<u>126,273</u>	<u>71,046</u>	<u>28,200</u>	<u>10,267,164</u>
Net Assets:					
Invested in capital assets, net of related debt	483,257	692,864	5,002	134,551	1,315,674
Reserved for Debt Service	543,775	-	-	-	543,775
Unrestricted	1,788,059	786,624	139,299	289,900	3,003,882
Total Net Assets	<u>2,815,091</u>	<u>1,479,488</u>	<u>144,301</u>	<u>424,451</u>	<u>4,863,331</u>
Total Net Assets and Liabilities	<u>\$ 12,856,736</u>	<u>\$ 1,605,761</u>	<u>\$ 215,347</u>	<u>\$ 452,651</u>	<u>\$ 15,130,495</u>

See accompanying notes to the basic financial statements

CITY OF TRENTON, OHIO
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

BUSINESS-TYPE ACTIVITIES--ENTERPRISE FUNDS

	Water	Sewer	Refuse	Nonmajor Enterprise Funds	Totals
<u>Operating Revenues:</u>					
Charges for Services	\$ 1,170,028	\$ 1,360,553	\$ 751,922	\$ 209,662	\$ 3,492,165
Other Operating Revenues	11,706	9,007	1,135	12	21,860
Total Operating Revenues	<u>1,181,734</u>	<u>1,369,560</u>	<u>753,057</u>	<u>209,674</u>	<u>3,514,025</u>
<u>Operating Expenses:</u>					
Personal Services	424,872	253,811	219,421	33,059	931,163
Materials and Supplies	132,362	14,928	13,216	616	161,122
Contractual Services	214,802	942,010	491,836	95,668	1,744,316
Other Operating Expenses	1,560	1,773	907	33,725	37,965
Depreciation	228,722	47,837	833	21,054	298,446
Total Operating Expenses	<u>1,002,318</u>	<u>1,260,359</u>	<u>726,213</u>	<u>184,122</u>	<u>3,173,012</u>
Operating Income (Loss)	179,416	109,201	26,844	25,552	341,013
<u>Non-Operating Revenues (Expenses):</u>					
Investment Earnings	33,014	-	-	2,132	35,146
Special Assessment	-	5,755	-	-	5,755
Gain on Disposal of Capital Assets	304	-	-	-	304
Interest and Fiscal Charges	(472,580)	(180)	-	-	(472,760)
Total Non-Operating Revenues (Expenses)	<u>(439,262)</u>	<u>5,575</u>	<u>-</u>	<u>2,132</u>	<u>(431,555)</u>
Change in Net Assets	(259,846)	114,776	26,844	27,684	(90,542)
Total net assets - Beginning (Restated)	<u>3,074,937</u>	<u>1,364,712</u>	<u>117,457</u>	<u>396,767</u>	<u>4,953,873</u>
Total net assets - Ending	<u>\$ 2,815,091</u>	<u>\$ 1,479,488</u>	<u>\$ 144,301</u>	<u>\$ 424,451</u>	<u>\$ 4,863,331</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, 2007

	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	\$ 1,143,262	\$ 1,350,185	\$ 744,996	\$ 213,337	\$ 3,451,780
Cash Paid for Employee Services and Benefits	(425,741)	(257,807)	(222,965)	(34,979)	(941,492)
Cash Paid to Suppliers for Goods and Services	(345,869)	(933,000)	(493,475)	(96,482)	(1,868,826)
Other Operating Revenues	11,709	9,007	2,398	12	23,126
Other Operating Expenses	-	-	-	(33,966)	(33,966)
Net Cash Provided by Operating Activities	383,361	168,385	30,954	47,922	630,622
<u>Cash Flows from Capital and Related Financing Activities:</u>					
Special Assessments	-	5,755	-	-	5,755
Face Value from Sale of Notes	2,295,000	-	-	-	2,295,000
Proceeds from Sale of Assets	304	-	-	-	304
Acquisition and Construction of Assets	(11,514)	(6,898)	-	(2,942)	(21,354)
Principal Paid on Revenue Anticipation Notes	(2,200,000)	-	-	-	(2,200,000)
Principal Paid on Loans Payable	(2,048)	(2,048)	-	-	(4,096)
Principal Paid on Capital Leases	(1,856)	-	-	-	(1,856)
Principal Paid on Revenue Bonds	(93,144)	-	-	-	(93,144)
Interest and Fiscal Charges Paid on All Debt	(470,563)	(180)	-	-	(470,743)
Net Cash Used for Capital and Related Financing Activities	(483,821)	(3,371)	-	(2,942)	(490,134)
<u>Cash Flows from Investing Activities:</u>					
Interest	33,014	-	-	2,132	35,146
Net Cash Provided By Investing Activities	33,014	-	-	2,132	35,146
Net Change in Cash and Cash Equivalents	(67,446)	165,014	30,954	47,112	175,634
Cash and Cash Equivalents at Beginning of Year	2,182,618	660,549	136,167	256,289	3,235,623
Cash and Cash Equivalents at End of Year	\$ 2,115,172	\$ 825,563	\$ 167,121	\$ 303,401	\$ 3,411,257
Net Cash Provided by Operating Activities:					
Operating Income	\$ 179,416	\$ 109,201	\$ 26,844	\$ 25,552	\$ 341,013
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:					
Depreciation Expense	228,722	47,837	833	21,054	298,446
Change in Assets and Liabilities:					
(Increase) in Accounts Receivable	(25,206)	(8,595)	(6,019)	(1,457)	(41,277)
Decrease in Due From Other Governments	-	-	1,263	-	1,263
Increase (Decrease) in Accounts Payables	698	(1,944)	(611)	5,272	3,415
Increase in Contracts Payables	-	-	12,188	-	12,188
Increase (Decrease) in Accrued Wages and Benefits	2,874	(318)	(1,545)	(120)	891
Increase in Due to Other Governments	600	25,882	-	-	26,482
(Decrease) in Compensated Absences Payable	(3,743)	(3,678)	(1,999)	(1,800)	(11,220)
(Decrease) in Deposits Payable	-	-	-	(579)	(579)
Total Adjustments	203,945	59,184	4,110	22,370	289,609
Net Cash Provided by Operating Activities	\$ 383,361	\$ 168,385	\$ 30,954	\$ 47,922	\$ 630,622

See accompanying notes to the basic financial statements

**CITY OF TRENTON, OHIO
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
DECEMBER 31, 2007**

	Totals
Assets:	
Cash and Cash Equivalents	\$ 27,383
Cash and Cash Equivalents in Segregated Accounts	22,198
Total Assets	49,581
Liabilities:	
Due to Other Governments	10,374
Undistributed Monies	39,207
Total Liabilities	\$ 49,581

See accompanying notes to the basic financial statements

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

1. Reporting Entity and Basis of Presentation:

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

Reporting entity

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

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

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

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

The City is associated with one organization which is defined as a jointly governed organization, the Ohio-Kentucky-Indiana Regional Council of Governments (OKI), and one organization that is defined as a Risk Sharing Pool, the Ohio Plan. These organizations are presented in Notes 18 and 19 of the Basic Financial Statements.

Basis of presentation – fund accounting

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

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

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

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies:

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

Measurement focus and basis of accounting

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

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

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

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

Fund Accounting

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

Governmental Funds

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

The City reports the following major governmental funds:

General Fund

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

Street Fund

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

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.

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

Refuse Fund

The Refuse Fund accounts for the charges for service and expenses related to garbage collection within the City.

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

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

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

Additionally, the City reports the following fund type:

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: private purpose trust funds, pension trust funds, investment trust funds and agency funds. The City maintains two fiduciary agency funds: Municipal Mayor's Court that accounts for the collection and distribution of court fines and forfeitures and an unclaimed monies fund used to account for various funds the City holds but doesn't have legal title. The City's agency funds are custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations.

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

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

Budgetary data

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

Tax budget

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

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

Estimated resources

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

Appropriations

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

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

Encumbrances

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

Lapsing of appropriations

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

Cash and cash equivalents

Cash balances of the City's funds, except cash held by the fiscal agent and restricted cash, are pooled and invested in short-term investments in order to provide improved cash management. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the statement of net assets and fund balance sheets. Interest income is distributed to the funds according to Ohio Constitution, state statutes and the City's investment policy that was adopted by local ordinance. Investment income credit to the General Fund during 2007 was \$362,624, which includes \$245,053 assigned from other funds. The Street, State Highway, Municipal Motor Vehicle License, and Indigent Driver's Alcohol Treatment Nonmajor Special Revenue Funds and Water and Utility Deposit Enterprise Funds also received \$21,172; \$1,285; \$15,392; \$4,934; \$33,014 and \$2,132, respectively in interest during 2007.

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

During 2007, investments were limited to STAR Ohio, money market mutual funds, and government securities. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

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

Capital assets and depreciation

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

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and funds on the enterprise fund balance sheet. During 2007, the City changed the capital asset policy. Capital assets are defined by the City as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value on the date of donation. Infrastructure, such as streets, bridges, stormwater systems and dams are capitalized if the life expectancy is five years or more and a designated value exceeding \$25,000.

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

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

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

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

Compensated absences

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

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

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

Accrued Liabilities and Long-Term Obligations

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

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

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

Interfund transactions

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

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

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

Capitalization of interest

The City’s policy is to capitalize net interest on enterprise fund construction projects until substantial completion of the project. The amount of capitalized interest equals the difference between the interest cost associated with the tax-exempt borrowing used to finance the project and the interest earned from temporary investments of the debt proceeds over the same period. Capitalized interest is amortized on the straight-line basis over the estimated useful life of the asset. For 2007, no net interest expense was incurred on enterprise fund construction projects.

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

Reservation and designation of fund equity

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

Estimates

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

Restricted Assets

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

Net Assets

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

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

Unearned/Deferred Revenues

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

Property taxes for which there is an enforceable legal claim as of December 31, 2007, but which were levied to finance fiscal year 2008 operations, have been recorded as deferred revenues. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenues.

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

Exchange/Non-Exchange Transactions

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

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

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

Reconciliation of Government-Wide and Fund Financial Statements

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.” The details of this (\$547,027) difference are as follows:

Long Term Debt	(\$404,777)
Accrued Interest Payable	(3,256)
Compensated Absences Payable	(138,994)
Net Adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	(\$547,027)

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 \$3,332,398 difference are as follows:

Capital Assets	\$5,270,405
Accumulated Depreciation	(1,938,007)
Net Adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	\$3,332,398

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

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

This is the amount by which depreciation exceeded capital outlay in the current period. The details of this (\$131,608) are as follows:

Current capital additions	\$97,051
Depreciation Expense	(228,659)

Net Adjustment - capital assets to increase <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	(\$131,608)

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 \$90,128 are as follows:

Principal paid on Long Term Debt	\$89,523
Change in Interest Payable	605

Net Adjustment - current financial resources focus to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	\$90,128

3. Change in Accounting Principles Policy and Restatement of Net Assets

Changes in Accounting Principles

For 2007, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 48, “Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues”.

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

GASB Statement No. 48 addresses how to account for the exchange of an interest in expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments. The statement established criteria used to determine whether the transaction should be recorded as revenue or as a liability (a sale or a collateralized borrowing). The implementation of this statement did not result in any change to the financial statements.

Change in Accounting Policy and Restatement of Net Assets

During fiscal year 2007, the City increased the capitalization threshold for recording capital assets from \$500 to \$2,500. The change had the following impact on the government-wide and proprietary net assets:

	Governmental Activities	Proprietary Funds/Business Type Activities
Net Assets as of December 31, 2006	\$6,364,095	\$4,985,877
Change in Capital Asset Threshold	(161,923)	(32,004)
Restated Net Assets as of December 31, 2006	<u>\$6,202,172</u>	<u>\$4,953,873</u>

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).

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

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.

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	Street Fund
GAAP Basis	\$480,155	(\$100,180)
Adjustments:		
Revenue Accruals	(68,453)	(4,380)
Expenditure Accruals	(61,964)	(10,088)
Encumbrances	(9,899)	(1,156)
Budget Basis	\$339,839	(\$115,804)

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;

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- deposits in eligible institutions applying for interim funds;
- 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.

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

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

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 \$1,516,514.

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, 2007, \$1,420,929 of the City's bank balance of \$1,620,929 was exposed to custodial credit risk as follows since it was uninsured and uncollateralized.

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

B. Investments

The City's investments at December 31, 2007 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	\$646,150	\$2,847,194	NA
STAR Ohio	474,512	0	S& P - AAAm
Money Market Mutual Funds	657,398	0	S& P - AAAm
Total	\$1,778,060	\$2,847,194	

Custodial Credit Risk

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

Interest Rate Risk

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

Concentration of Credit Risk

The City places no limit on the amount it may invest in any one issuer. The City's has a forty-four percent interest in Federal Home Loan Bank notes, nineteen percent interest in Federal National Mortgage Association notes, and an eleven percent interest in Federal Home Loan Mortgage Corporation bonds. These are the only investments greater than five percent required to be disclosed.

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

6. Property Taxes:

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

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

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

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Trenton. The County Auditor periodically remits to the City its portion of the taxes collected. The full tax rate for all City operations for the year ended December 31, 2007, 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 2007 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>
Real Property	\$162,390,500
Tangible Personal Property	4,992,107
Public Utility Tangible Personal Property	6,140,580
Total Property Tax	\$173,523,187

Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies that are measurable as of December 31, 2007. 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 2007 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 2007, the proceeds were allocated to the General Fund. Income tax revenue for 2007 was \$1,423,287.

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

8. Receivables:

Receivables at December 31, 2007, consisted of property taxes, income taxes, special assessments, intergovernmental receivables arising from grants, entitlements and shared revenues, interest on investments and utility accounts. All receivables are considered fully collectible.

A summary of intergovernmental receivables follows:

<u>Fund/Description</u>	<u>Amount</u>
Governmental Activities	
<u>MAJOR FUNDS</u>	
<i>General Fund:</i>	
Local Government Revenue	\$150,756
Homestead and Rollback	28,814
Estate Tax	270
Total General Fund	<u>179,840</u>
<u>NONMAJOR FUNDS</u>	
<i>Street Fund:</i>	
Motor Vehicle License Tax	37,798
Gas Tax	165,072
Total Street Fund	<u>202,870</u>
<i>State Highway Fund</i>	
Motor Vehicle License Tax	5,190
Gas Tax	20,632
Total State Highway Fund	<u>25,822</u>
<i>Permissive Motor Vehicle License Fund</i>	
Permissive Tax	37,595
Total for Governmental Activities	<u>\$446,127</u>

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

9. Capital Assets:

Changes in Capital Assets during the year ended December 31, 2007, were as follows:

	Restated Balance		Decreases	Balance
	12/31/06	Increases		12/31/07
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	\$369,473	\$0	\$0	\$369,473
Capital Assets, being depreciated:				
Buildings	1,683,944	0	0	1,683,944
Improvements other than Buildings	663,018	0	0	663,018
Machinery, Equipment and Vehicles	2,456,919	97,051	0	2,553,970
Total Capital Assets being depreciated	4,803,881	97,051	0	4,990,932
Accumulated Depreciation:				
Buildings	(479,939)	(35,947)	0	(515,886)
Improvements other than Buildings	(40,234)	(9,930)	0	(50,164)
Machinery, Equipment and Vehicles	(1,189,175)	(182,782)	0	(1,371,957)
Total Accumulated Depreciation	(1,709,348)	*(228,658)	0	(1,938,007)
Net Capital Assets, being depreciated	3,094,533	(131,607)	0	3,052,925
Governmental Activities Capital Assets	\$3,464,006	(\$131,607)	\$0	\$3,422,398
Business Type Activities				
Capital Assets, not being depreciated				
Land	\$2,810,498	\$0	\$0	\$2,810,498
Capital Assets, being depreciated				
Plant	5,336,768	0	0	5,336,768
Water and Sewer Lines	4,516,492	0	0	4,516,492
Improvements other than Buildings	40,980	0	0	40,980
Machinery, Equipment and Vehicles	1,680,912	21,354	(5,939)	1,696,327
Total Capital Assets being depreciated	11,575,152	21,354	(5,939)	11,590,567

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

	Restated Balance			Balance
	12/31/06	Increases	Decreases	12/31/07
Business Type Activities				
Accumulated Depreciation:				
Plant	(\$107,955)	(\$9,868)	\$0	(\$117,823)
Water and Sewer Lines	(1,799,418)	(66,286)	0	(1,865,704)
Improvements other than Buildings	(33,964)	(16,006)	0	(49,970)
Machinery, Equipment and Vehicles	(938,723)	(206,286)	5,939	(1,139,070)
Total Accumulated Depreciation	(2,880,060)	**(298,446)	5,939	(3,172,567)
Net Capital Assets, being depreciated	8,695,097	(277,092)	0	8,418,000
Business Type Activities Capital Assets	\$11,505,590	(\$277,092)	\$0	\$11,228,498

* Depreciation expense was charged to governmental functions as follows:

Governmental Activities:

Security of Persons and Property	\$119,587
Leisure Time Activities	14,847
Community Environment	4,843
Transportation	35,294
General Government	54,087
	<hr/>
Total Depreciation Expense - governmental activities	<u>\$228,658</u>

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

Business Type Activities:

Water	\$228,722
Sewer	47,837
Stormwater Management	21,054
Refuse	833
	<hr/>
Total Depreciation Expense - business-type activities	<u>\$298,446</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, 2007, the members of all three plans were required to contribute 9.5 percent of their annual covered salary. The City's employer rate for 2007 was 13.85 percent and 5.00 percent was used to fund health care from January 1 through June 30, 2007 and 6.00% from July 1 through December 31, 2007. 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, 2007, 2006, and 2005, were \$107,180, \$133,466 and \$168,422, respectively. Ninety-four percent has been contributed for 2007 and the full amount for 2006 and 2005.

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, 2006, 2005, and 2004, were \$107,301, \$105,227, and \$91,930. Ninety-nine percent has been contributed for 2007 and the full amount for 2006 and 2005.

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 2007 local government employer contribution rate was 13.85 percent of covered payroll; 5.00 percent of covered payroll was the portion that was used to fund health care from January 1 through June 30, 2007 and 6.00 percent from July 1 2007 through December 31, 2007.

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, 2006 include a rate of return on investments of 6.50 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, 2006 (latest information available), the actuarial value net assets available for future OPEB payments were \$12.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$30.7 billion and \$18.7 billion, respectively. At December 31, 2007, the total number of benefit recipients eligible for OPEB through OPERS was 362,130. The City's actual contributions for 2007 that were used to fund OPEB were \$84,770.

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 OPEB as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Police and Firemen's Disability and the Fund's Board of Trustees to provide health care coverage and states that health care cost paid from the Police and Firemen's Disability and Pension Fund shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution is 19.5 percent of covered payroll, of which 6.75 percent of covered payroll is applied to the postemployment health care program. The total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll is applied to the postemployment health care program. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

The City's actual contributions for 2007 that were used to fund postemployment benefits were \$57,804 for police. The OP&F's total health care expenses for the year ended December 31, 2006, (the latest information available) were \$120,373,722, which was net of members contributions of \$58,532,848. The number of OP&F participants eligible to receive health care benefits as of December 31, 2006, was 14,120 for police and 10,563 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.

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

13. Risk Management:

Property and liability

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

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

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

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 \$0 deductible, police professional and public officials' have deductibles of \$1,000, while the deductible on automotive is \$500 for comprehensive and collision. The deductible for property, and boiler and machinery is \$1,000.

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

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

Workers' compensation

For fiscal year 2007, 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 2007 were as follows:

	Balance 12/31/06	Increase	Decrease	Balance 12/31/07	Due within one year
Governmental Activities:					
Special Assessment Bonds – 7.75%	\$15,000	\$0	\$15,000	\$0	\$0
General Obligation Bond – 4.40% to 4.97%	464,336	0	66,333	398,003	66,333
Loans Payable	14,964	0	7,430	6,774	6,774
Compensated Absences Payable	220,256	36,868	118,130	138,994	55,644
Total – Governmental Activities	714,556	36,868	206,893	543,771	128,751
Business -Type Activities:					
Water Revenue Bonds 2%-5.25%	7,630,000	0	95,000	7,535,000	150,000
Premium on Revenue Bonds	79,885	0	2,905	76,980	2,905
Compensated Absences Payable	78,115	45,634	56,854	66,895	18,306
Loans Payable	9,976	0	4,096	5,880	5,120
Capital Leases Payable	1,856	0	1,856	0	0
Total – Business - Type Activities	\$7,799,832	\$45,634	\$160,711	\$7,684,755	\$176,331

The special assessments bond payable was repaid from special assessment monies received in the Special Assessment Debt Service Fund. In the event that an assessed property owner failed to make payments, the City would have been 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 thirty years. Interest is paid semi-annually. The bond was issued at a premium which is being amortized over the life of the bond on the straight line method. The City has pledged user charges from the water fund to repay the principal and interest on the bonds. The bonds are payable from pledged revenues through 2034. Annual principal and interest payments on the bonds are expected to require approximately 35% of annual pledged revenues.

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 were paid from the Water Enterprise Fund. The loans payable will be paid from the Street, Parks, Water and Sewer Funds. As of December 31, 2007, the City's overall voted legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$17,854,056 and the unvoted legal debt margin was \$9,168,896.

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>
2008	\$66,333	\$18,308	\$84,641
2009	66,333	16,484	82,817
2010	66,334	11,539	77,873
2011	66,333	8,242	74,575
2012	66,333	4,945	71,278
2013	66,337	1,648	67,985
Totals	<u>\$398,003</u>	<u>\$61,166</u>	<u>\$459,169</u>

Annual debt service requirements to maturity for loans payable are as follows:

<u>Loans Payable</u>						
GOVERNMENTAL ACTIVITIES				BUSINESS TYPE ACTIVITIES		
<u>Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$6,774	\$235	\$7,009	\$5,120	\$153	\$5,273
2009	<u>0</u>	<u>0</u>	<u>0</u>	<u>760</u>	<u>15</u>	<u>775</u>
Total	<u>\$6,774</u>	<u>\$235</u>	<u>\$7,009</u>	<u>\$5,880</u>	<u>\$168</u>	<u>\$6,048</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
2008	\$150,000	\$369,814	\$519,814
2009	155,000	365,387	520,387
2010	160,000	360,274	520,274
2011	165,000	354,754	519,754
2012	170,000	348,731	518,731
2013-2017	955,000	1,634,945	2,589,945
2018-2022	1,220,000	1,363,868	2,583,868
2023-2027	1,575,000	1,015,856	2,590,856
2028-2032	2,025,000	567,594	2,592,594
2033-2034	960,000	74,312	1,034,312
Totals	<u>\$7,535,000</u>	<u>\$6,455,535</u>	<u>\$13,990,535</u>

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

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

The following bond was collateralized by either both of a pledge of the revenues of the borrowing institution or by first mortgages on the physical property financed with the proceeds of the debt offerings and by the City's assignment of its interest in the mortgage properties to the trustee of the bond issue at December 31, 2007:

Revenue Bond	Maturity Date	Interest Rate	Principal Balance as of 12/31/07
McCullough-Hyde Memorial Hospital Inc.	03/22/2017	4.66	\$833,000

15. Short Term Note

A summary of the note transactions for the year ended December 31, 2007, follows:

<u>Fund</u>	<u>Balance 12/31/06</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/07</u>
Water Fund	\$2,200,000	\$2,295,000	\$2,200,000	\$2,295,000

The note was issued in anticipation of long-term bond financing and will be refinanced until such bonds are issued. They are backed by the full faith and credit of the Water operating revenue and mature within one year. The notes were issued on March 14, 2007 at a 3.80 percent interest rate.

16. 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. During 2007, the City paid \$1,856 in principal to close out the lease obligation.

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

17. Transfers

Following is a summary of transfers in and out for all funds for 2007:

Fund	Transfers In	Transfers Out
MAJOR FUNDS		
General	\$0	\$276,650
Non-Major Governmental Funds	276,650	0
Total All Funds	\$276,650	\$276,650

The transfers from the General Fund to the other governmental funds are to help support those functions. The General Fund transfers of \$76,000 to Parks and Recreation Fund; \$98,050 to the Fire Levy Fund; \$15,000 to the Capital Improvement Capital Projects Fund; and \$87,600 to the Debt Service Fund allowed these funds to pay expenditures as these funds do not generate sufficient revenues to cover all expenditures.

18. 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.

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

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

Payments to OKI are made from the General Fund. The City paid \$3,514 to OKI during 2007. 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.

19. Risk Sharing Pool

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

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

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

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

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. Compliance

Contrary to Ohio Revised Code, Section 5705.39, the City's total appropriations exceeded the total of estimated resources during 2007 for the Capital Improvement Fund by \$22,495.

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

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, 2007

Bastin & Company, LLC

Certified Public Accountants

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

To the Members of City Council
City of Trenton, Ohio

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Trenton, Ohio, as of and for the year ended December 31, 2007, which collectively comprise the City of Trenton, Ohio's basic financial statements, and have issued our report thereon dated June 18, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Trenton, Ohio's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Trenton, Ohio's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Trenton, Ohio's internal control over financial reporting.

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

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

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

We noted other matters involving internal control over financial reporting that we have reported to management in a separate letter dated June 18, 2008.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Trenton, Ohio's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. . The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings as items 2007-01 and 2007-02

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.

A handwritten signature in cursive script that reads "Bastin & Company, LLC". The signature is written in black ink on a light-colored background.

Cincinnati, Ohio
June 18, 2008

**CITY OF TRENTON
SCHEDULE OF FINDINGS
DECEMBER 31, 2007**

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

Finding Number 2007– 01

Noncompliance Citation

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 fund had appropriations that exceeded the total estimated resources available:

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Excess</u>
Capital Improvement	\$37,655	\$60,150	\$22,495

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

City’s Response

The above item was a result of incorrectly making an amended appropriation for items that were encumbered in 2006. This resulted in inflated appropriated amounts. Actual budgetary expenditures did not exceed available resources.

Finding Number 2007– 02

Noncompliance Citation

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

In 63% of the transactions tested, the purchase order was signed and certified after the date of incurring the expenditure.

City’s Response

During 2007 a new purchase order system was implemented. The City will implement procedures within the structure of the new system to comply with ORC requirements.

**CITY OF TRENTON
SCHEDULE OF PRIOR YEAR FINDINGS
DECEMBER 31, 2007**

There were no findings in the prior audit report.



Mary Taylor, CPA
Auditor of State

CITY OF TRENTON

BUTLER COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 2, 2008**