

CITY OF TRENTON, OHIO

Basic Financial Statements

December 31, 2012



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the City of Trenton, Butler County, prepared by Bastin & Company, LLC, for the audit period January 1, 2012 through December 31, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

August 22, 2013

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CITY OF TRENTON, OHIO
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

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Bastin & Company, LLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

The Honorable Members of City Council
City of Trenton, Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Trenton, Ohio (the City) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparisons for the General Fund, Street Fund and Fire Levy Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 3 to the financial statements, during 2012, the City adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Bastin & Company, L L C

Cincinnati, Ohio
June 18, 2013

CITY OF TRENTON, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)

The discussion and analysis of the City of Trenton's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2012. 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 2012 are as follows:

- The assets of the City exceeded its liabilities at the close of the year ended December 31, 2012, by \$9,623,632 (net position). Of this amount, \$2,197,742 (governmental unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors, and \$2,224,905 is classified as unrestricted in the business-type activities.
- The City's total net position increased by \$123,200, which represents a 1.30% increase from 2011. The increase can be attributed to the increased revenues of \$577,477 from 2011 including pass through revenue for the road improvement projects.
- At the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$3,123,154. Of this amount \$1,260,544 is available for spending (unassigned general 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, unassigned fund balance for the General Fund was \$1,260,544, or 45.29% of total General Fund expenditures.
- The City's major enterprise funds reflected positive ending net assets: Water Fund \$641,156; Sewer Fund \$1,876,677; and Refuse Fund \$299,076.

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 Position 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

***CITY OF TRENTON, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)***

spending. The fund financial statements also look at the City's most significant funds with all other non-major funds presented in total in one column.

Reporting City of Trenton as a Whole

Statement of Net Position 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 2012?" The Statement of Net Position 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 position and the change in that position. This change in net position 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 Position 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 presents one component unit.

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

CITY OF TRENTON, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)

categories: governmental funds, proprietary funds, and fiduciary funds. Fund financial reports provide detailed information about the City's major funds. Based on restrictions on the use of monies, the City has established many funds which account for the multitude of services provided to our residents.

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

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

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

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

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

Fiduciary Funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The City maintains one fiduciary agency fund: Municipal Mayor's Court that accounts for the collection and distribution of court fines and forfeitures. The agency fund has no measurement focus and uses the full accrual basis of accounting.

CITY OF TRENTON, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)

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

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$9,623,632 (\$6,398,709 in governmental activities and \$3,224,923 in business-type activities) as of December 31, 2012. The City reflects an investment in capital assets (e.g., land, buildings, machinery and equipment) less any related debt used to acquire those assets that are still outstanding of \$3,163,659. 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 position for 2012 compared to 2011.

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	Restated	2012	Restated
				2011		2011
Current and Other Assets	\$4,698,665	\$4,478,830	\$3,311,584	\$3,132,478	\$8,010,249	\$7,611,308
Capital Assets	2,926,713	3,019,510	10,048,585	10,271,659	12,975,298	13,291,169
Total Assets	<u>7,625,378</u>	<u>7,498,340</u>	<u>13,360,169</u>	<u>13,404,137</u>	<u>20,985,547</u>	<u>20,902,477</u>
Long-term liabilities	351,674	368,437	7,626,966	7,834,958	7,978,640	8,203,395
Other liabilities	874,995	821,374	2,508,280	2,377,276	3,383,275	3,198,650
Total Liabilities	<u>1,226,669</u>	<u>1,189,811</u>	<u>10,135,246</u>	<u>10,212,234</u>	<u>11,362,915</u>	<u>11,402,045</u>
Nets Position:						
Investment in net capital assets	2,727,579	2,691,966	436,080	418,599	3,163,659	3,110,565
Restricted	1,473,388	1,327,805	563,938	563,938	2,037,326	1,891,743
Unrestricted	2,197,742	2,288,758	2,224,905	2,209,366	4,422,647	4,498,124
Total Net Assets	<u>\$6,398,709</u>	<u>\$6,308,529</u>	<u>\$3,224,923</u>	<u>\$3,191,903</u>	<u>\$9,623,632</u>	<u>\$9,500,432</u>

An additional portion of the City's net position represents resources that are subject to external restrictions on how they may be used. In the current fiscal year, this represented \$2,037,326 or 21.17% of net position. The remaining unrestricted \$4,422,647 net position may be used to meet the City's ongoing obligations to its citizens and creditors and for business-type activities.

During 2012, the City saw depreciation exceed the capital additions resulting in a total decrease in capital assets of \$315,871. The City saw unrestricted cash increase by \$603,310 from the prior year mainly by seeing the balance in the business-type activities increase by over \$400,000 and \$200,000 in governmental funds. The City continued to pay down the prior year outstanding debt, reducing the total by 3.75% from the prior year.

CITY OF TRENTON, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)

Statement of Activities

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	Restated 2011	2012	Restated 2011
Revenues:						
Program Revenues:						
Charges for Services	\$909,396	\$292,853	\$4,101,244	\$4,217,347	\$5,010,640	\$4,510,200
Operating Grants and Contributions	526,186	941,557	178,141	0	704,327	941,557
General Revenues:						
Income Taxes	1,607,399	1,542,230	0	0	1,607,399	1,542,230
Property Taxes	494,574	485,164	0	0	494,574	485,164
Other Taxes	426,013	293,812	0	0	426,013	293,812
Unrestricted Grants	314,705	367,655	0	0	314,705	367,655
Investment Earnings	50,694	27,854	612	1,479	51,306	29,333
Other Revenues	79,728	60,700	0	0	79,728	60,700
Total Revenues	4,408,695	4,011,825	4,279,997	4,218,826	8,688,692	8,230,651
Expenses:						
Security of Persons and Property	2,613,815	2,582,137	0	0	2,613,815	2,582,137
Public Health and Welfare	53,871	55,355	0	0	53,871	55,355
Leisure Time Activities	97,480	101,242	0	0	97,480	101,242
Community Environment	143,522	154,909	0	0	143,522	154,909
Transportation	698,674	526,227	0	0	698,674	526,227
General Government	648,704	410,725	0	0	648,704	410,725
Other	52,490	47,386	0	0	52,490	47,386
Interest and Fiscal Charges	9,959	15,910	0	0	9,959	15,910
Water	0	0	1,795,253	1,593,162	1,795,253	1,593,162
Sewer	0	0	1,214,266	1,188,740	1,214,266	1,188,740
Stormwater Management	0	0	272,124	201,840	272,124	201,840
Refuse	0	0	926,754	946,765	926,754	946,765
Utility Trust	0	0	38,580	34,505	38,580	34,505
Total Expenses	4,318,515	3,893,891	4,246,977	3,965,012	8,565,492	7,858,903
Change in Net Position	90,180	117,934	33,020	253,814	123,200	371,748
Beginning Net Position (Restated)	6,308,529	6,190,595	3,191,903	2,938,089	9,500,432	9,128,684
Ending Net Position	\$6,398,709	\$6,308,529	\$3,224,923	\$3,191,903	\$9,623,632	\$9,500,432

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 2012, the expenses were \$2.61 million, representing 60.53% (5.80% decrease from 2011) of governmental activity spending, yielding a reliance on general revenues to fund the program of approximately \$2.17 million after direct support to their programs.

The transportation function is the next largest expense and receives state shared revenues reporting net revenue of \$63,335 for the year. The transportation program also saw expenses increase as the City received capital pass through grants for the widening project along Wayne Madison Road.

CITY OF TRENTON, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)

Business-Type Activities

The City's business-type activities include the water, sewer, refuse, utility deposits and stormwater management systems. The Water Fund produced a negative net change in position of (\$197,216), mainly due to current year depreciation of \$215,232. The Sewer Fund reported a positive change in net position of \$225,306 strictly from operations. The refuse fund also saw a positive change in net position of \$64,486 or 27.49% from 2011. The City's decrease in the Water Fund net position was a critical component to evaluating the refinancing of the current mortgage revenue bonds.

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 2012, the City's governmental funds reported combined ending fund balances of \$3.12 million. Approximately \$1.26 million constitutes unassigned fund balance in the general fund available for spending for citizens. The remainder of the balance is subject to a particular revenue source under GASB 54 to indicate that it has been spoken for already and not available to be spent for a variety of purposes.

The General Fund is the chief operating fund of the City. As of December 31, 2012, the unassigned General Fund balance was \$1.26 million with a total fund balance of \$1.82 million. As a measure of liquidity, it is often useful to compare these numbers to total General Fund expenditures. Unassigned fund balance represents approximately 45.29% of the total expenditures, while total fund balance represents 65.46% of that same amount.

During 2012, the City's General Fund ending balance decreased by \$36,779 even though revenues exceeded expenditures by \$320,221. This balance 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.

CITY OF TRENTON, OHIO
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(UNAUDITED)

The City's other major governmental funds are the Street Fund and Fire Levy. The Street Fund receives the majority of revenue from gas tax and motor vehicle licenses intergovernmental receipts (96.99%). The Street Fund is also responsible for maintenance on most of the City streets. For 2012, revenues were more than expenditures by \$232,931 resulting in increasing the beginning balance from 2011.

The City supplements the Fire Levy fund with the majority of the General Fund transfers being reported in this fund. The Fire Levy fund's main source of revenue is EMS charges, which account for 97.32% of revenue. Without the transfer, the fund drew down the beginning balance by \$294,724 that would have resulting in a negative fund balance.

The City saw the fund balance in the nonmajor funds decrease by \$15,521, with General Fund transfers of \$107,000 into those nonmajor funds to help support the specific programs. The County Motor Vehicle Permissive Tax Fund and the City Motor Vehicle Permissive Tax Fund saw a combined fund balance decrease \$52,983, resulting from additional costs for the road improvements that the City paid for from these two funds. The other funds each saw incremental increases that helped offset this decrease.

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 2012, 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 2012:

CITY OF TRENTON, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Description	Original Budget	Final Budget	Change
Revenues:			
Property and Other Taxes	\$453,924	\$485,000	\$31,076
Income Taxes	1,520,878	1,625,000	104,122
Intergovernmental	396,271	423,400	27,129
Other	655,122	699,974	44,852
Total Revenues	3,026,195	3,233,374	207,179
Expenditures:			
Security of Persons/Property	2,101,822	2,286,175	184,353
Public Health and Welfare	67,506	68,032	526
Community Environment	172,441	193,864	21,423
General Government	559,802	495,573	(64,229)
Other Expenditures	579,380	91,635	(487,745)
Total Expenditures	3,480,951	3,135,279	(345,672)

The City amended the original revenue budget several times as the City realized the total revenue would be less with the different state law changes and the City's expected income tax collections to increase as the economy improved.

For expenditures, the City increased the security of persons and property line item with the various personnel issues and expected capital costs. The City did reduce the other expenditures significantly as the capital costs were deferred until 2013. The following table summarizes the major revenue sources and expenditures from final budget to actual results for 2012:

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Description	Final Budget	Actual	Change
Revenues:			
Property and Other Taxes	\$485,000	\$479,927	(\$5,073)
Income Taxes	1,625,000	1,608,971	(16,029)
Intergovernmental Revenue	423,400	456,636	33,236
Other Revenues	699,974	659,780	(40,194)
Total Revenues	3,233,374	3,205,314	(28,060)
Expenditures:			
Security of Persons/Property	2,286,175	1,994,891	291,284
Public Health and Welfare	68,032	54,065	13,967
Community Environment	193,864	148,451	45,413
General Government	495,573	470,173	25,400
Other Expenditures	91,635	58,270	33,365
Total Expenditures	3,135,279	2,725,850	409,429

The City's largest variance in revenue relates to the other revenues being less than anticipated. The actual revenue for interest earnings were about half the budgeted amount and the licenses and permits revenue was almost \$29,000 under what was anticipated as there were less building permits issued.

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 2012, this effort resulted in bringing actual expenses in over \$409,000 less than what was budgeted. The largest variance was in security of persons and property. Despite increasing the final budget by \$184,353, the City actually brought actual expenditures in \$106,931 below the original budget amount. The City did not spend the capital outlay budgeted amount and saw reductions in personnel costs as well.

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, 2012, amounts to \$3.42 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 2012. The City has had limited funding to provide for governmental capital asset acquisition and construction. The City saw government-wide capital assets decrease by \$92,797 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.

CITY OF TRENTON, OHIO
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Long-term Debt: At the end of 2012, the City had general obligation bonds and loans outstanding of \$0.08 million in governmental activities, a decrease of \$0.09 million from 2011 as the City paid down on the two remaining issues. The City had \$6.74 million in revenue bonds outstanding on the water system improvements. See Notes 14 and 15 for further information on the City's long term and short-term debt.

Economic Factors affecting the City

Located towards the center of Butler County, the City provides the home town appeal to more than 11,000 residents. The City is ideal for those families looking to locate here as over forty percent of the population is from twenty to forty-four years in age.

The City's largest industries are supported by manufacturing as MillerCoors Brewery is located just outside of the City's southeastern corner. Despite being located fifteen minutes from Interstate 75, the City's full accrual income tax revenue increased slightly from 2011 and continues to provide about half the support for the general fund 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. The City continues to work through its economic development department to market City owned land and other industrial land to insure the City's tax base will grow in the future. During 2011, the City saw the Army Core of Engineers build a new facility in the land originally owned by the City which should start the development in the area.

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 POSITION
DECEMBER 31, 2012

	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>	<u>Component Unit</u>
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 3,353,281	\$ 2,508,289	\$ 5,861,570	\$ 25
Restricted Cash and Cash Equivalents	-	385,375	385,375	-
Receivables (net of allowance for doubtful accounts):				
Taxes - Real and Personal Property	482,902	-	482,902	-
Taxes - Municipal Income	170,856	-	170,856	-
Accounts	33,503	387,483	420,986	-
Interest	5,434	-	5,434	-
Special Assessments	6,267	30,437	36,704	-
Payment in Lieu of Taxes	134,121	-	134,121	-
Due from Other Governments	512,301	-	512,301	-
Nondepreciable Assets:				
Land	369,473	2,508,698	2,878,171	-
Construction In Progress	219,225	-	219,225	-
Depreciable Assets:				
Plant	-	5,336,768	5,336,768	-
Water and Sewer Lines	-	4,815,659	4,815,659	-
Buildings and Improvements	1,687,444	-	1,687,444	-
Improvements other than Buildings	690,477	40,980	731,457	-
Machinery, Equipment and Vehicles	2,918,214	1,937,205	4,855,419	-
Less: Accumulated Depreciation	(2,958,120)	(4,590,725)	(7,548,845)	-
Total Assets	<u>7,625,378</u>	<u>13,360,169</u>	<u>20,985,547</u>	<u>25</u>
Liabilities:				
Accounts Payable	108,367	109,841	218,208	-
Contracts Payable	35,000	46,350	81,350	-
Accrued Wages and Benefits	151,044	54,523	205,567	-
Due to Other Governments	-	116,557	116,557	-
Deposits Payable	-	66,739	66,739	-
Notes Payable	120,000	2,090,000	2,210,000	-
Accrued Interest Payable	1,924	24,270	26,194	-
Unearned Revenue	458,660	-	458,660	-
Long Term Liabilities due within 1 year	203,095	262,334	465,429	-
Long Term Liabilities due over 1 year	148,579	7,364,632	7,513,211	-
Total Liabilities	<u>1,226,669</u>	<u>10,135,246</u>	<u>11,361,915</u>	<u>-</u>
Net Position:				
Investment in Net Capital Assets	2,727,579	436,080	3,163,659	-
Restricted:				
Transportation	714,718	-	714,718	-
Culture and Recreation	33,729	-	33,729	-
Protection of Citizens	173,874	-	173,874	-
Debt Service	-	563,938	563,938	-
Capital Improvements	551,067	-	551,067	-
Unrestricted	2,197,742	2,224,905	4,422,647	25
Total Net Position	<u>6,398,709</u>	<u>3,224,923</u>	<u>9,623,632</u>	<u>25</u>
Total Net Position and Liabilities	<u>\$ 7,625,378</u>	<u>\$ 13,360,169</u>	<u>\$ 20,985,547</u>	<u>\$ 25</u>

See accompanying notes to the basic financial statements

**CITY OF TRENTON, OHIO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012**

Function/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government			
				Governmental Activities	Business-Type Activities	Total	
Governmental Activities:							
Security of Persons and Property	\$ (2,613,815)	\$ 445,134	-	\$ (2,168,681)	\$ -	\$ (2,168,681)	\$ -
Public Health and Welfare	(53,871)	-	-	(53,871)	-	(53,871)	-
Leisure Time Activities	(97,480)	20,069	3,516	(73,895)	-	(73,895)	-
Community Environment	(143,522)	33,070	-	(110,452)	-	(110,452)	-
Transportation	(698,674)	239,339	522,670	63,335	-	63,335	-
General Government	(648,704)	170,884	-	(477,820)	-	(477,820)	-
Other Expenditures	(52,490)	900	-	(51,590)	-	(51,590)	-
Interest and Fiscal Charges	(9,959)	-	-	(9,959)	-	(9,959)	-
Total Governmental Activities	(4,318,515)	909,396	526,186	(2,882,933)	-	(2,882,933)	-
Business-Type Activities:							
Water	(1,795,253)	1,419,338	178,141	-	(197,774)	(197,774)	-
Sewer	(1,214,266)	1,439,572	-	-	225,306	225,306	-
Stormwater Management	(272,124)	208,338	-	-	(63,786)	(63,786)	-
Refuse	(926,754)	991,240	-	-	64,486	64,486	-
Utility Trust	(38,580)	42,756	-	-	4,176	4,176	-
Total Business - Type Activities	(4,246,977)	4,101,244	178,141	-	32,408	32,408	-
Total	\$ (8,565,492)	\$ 5,010,640	\$ 704,327	(2,882,933)	32,408	(2,850,525)	-
General Revenues:							
Income Taxes				1,607,399	-	1,607,399	-
Property Taxes				494,574	-	494,574	-
Estate Taxes				135,317	-	135,317	-
Franchise Fee Taxes				60,245	-	60,245	-
Payment in Lieu of Taxes				150,069	-	150,069	-
Permissive Sales Tax				80,382	-	80,382	-
Grants and Contributions not restricted to specific programs				314,705	-	314,705	-
Unrestricted investment earnings				50,694	612	51,306	-
Miscellaneous				79,728	-	79,728	-
Total General Revenues				2,973,113	612	2,973,725	-
Changes in Net Position				90,180	33,020	123,200	-
Net Position - Beginning (Restated)				6,308,529	3,191,903	9,500,432	25
Net Position - Ending				\$ 6,398,709	\$ 3,224,923	\$ 9,623,632	\$ 25

See accompanying notes to the basic financial statements



**CITY OF TRENTON, OHIO
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2012**

	General	Street	Fire Levy	Other Governmental Funds	Total Governmental Funds
Assets:					
Equity in Pooled Cash and Cash Equivalents	\$ 1,880,939	\$ 645,795	\$ 132,758	\$ 693,789	\$ 3,353,281
Receivables (net of allowance for doubtful accounts):					
Taxes - Real and Personal Property	482,902	-	-	-	482,902
Taxes - Municipal Income	170,856	-	-	-	170,856
Accounts	31,910	196	1,397	-	33,503
Interest	5,434	-	-	-	5,434
Special Assessments	-	-	-	6,267	6,267
Payment in Lieu of Taxes	-	-	-	134,121	134,121
Due from Other Governments	186,288	251,608	-	74,405	512,301
Total Assets	2,758,329	897,599	134,155	908,582	4,698,665
Liabilities:					
Accounts Payable	40,373	49,372	18,622	-	108,367
Contracts Payable	-	-	-	35,000	35,000
Accrued Wages and Benefits	101,547	14,203	35,294	-	151,044
Accrued Interest Payable	-	-	-	1,375	1,375
Unearned Revenue	452,393	-	-	6,267	458,660
General Obligation Notes Payable	-	-	-	120,000	120,000
Total Liabilities	594,313	63,575	53,916	162,642	874,446
Deferred Inflows of Resources:					
Property Tax	30,549	-	-	134,121	164,670
Income Taxes	108,208	-	-	-	108,208
Intergovernmental Revenue	171,478	189,864	-	33,578	394,920
Miscellaneous revenues	31,870	-	1,397	-	33,267
Total Deferred Inflows of Resources:	342,105	189,864	1,397	167,699	701,065
Fund Balances:					
Nonspendable	5,015	-	-	-	5,015
Restricted	-	644,160	78,842	504,375	1,227,377
Committed	547,549	-	-	78,161	625,710
Assigned	8,803	-	-	-	8,803
Unassigned	1,260,544	-	-	(4,295)	1,256,249
Total Fund Balances	1,821,911	644,160	78,842	578,241	3,123,154
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 2,758,329	\$ 897,599	\$ 134,155	\$ 908,582	\$ 4,698,665

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 POSITION
DECEMBER 31, 2012**

Fund Balances - Governmental Funds	\$ 3,123,154
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,926,713
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred inflows in the funds.	701,065
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.	<u>(352,223)</u>
Net Position of governmental activities	<u>\$ 6,398,709</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, 2012

	General	Street	Fire Levy	Other Governmental Funds	Total Governmental Funds
Revenues:					
Income Taxes	\$ 1,499,191	\$ -	\$ -	\$ -	\$ 1,499,191
Property and Other Taxes	479,927	-	-	-	479,927
Intergovernmental	440,339	730,753	4,192	115,501	1,290,785
Charges for Services	151,297	-	218,484	-	369,781
Licenses and Permits	110,963	-	-	-	110,963
Investment Earnings	46,899	2,780	-	1,015	50,694
Special Assessments	82,755	-	-	-	82,755
Fines and Forfeitures	146,678	-	-	12,074	158,752
Payment in Lieu of Taxes	-	-	-	134,124	134,124
All Other Revenues	145,529	19,907	1,836	5,662	172,934
Total Revenues	3,103,578	753,440	224,512	268,376	4,349,906
Expenditures:					
Current:					
Security of Persons and Property	1,958,895	-	433,057	14,779	2,406,731
Public Health and Welfare	52,690	-	-	-	52,690
Leisure Time Activities	77,502	-	-	-	77,502
Community Environment	141,900	-	-	-	141,900
Transportation	-	393,579	-	-	393,579
General Government	495,280	-	-	109,765	605,045
Other	52,490	-	-	-	52,490
Capital Outlay	4,600	126,930	62,953	190,660	385,143
Debt Service:					
Principal Retirement	-	-	22,077	66,333	88,410
Interest and Fiscal Charges	-	-	1,149	9,360	10,509
Total Expenditures	2,783,357	520,509	519,236	390,897	4,213,999
Excess (Deficiency) of Revenues Over (Under) Expenditures	320,221	232,931	(294,724)	(122,521)	135,907
Other Financing Sources (Uses):					
Transfers - In	-	-	250,000	107,000	357,000
Transfers - Out	(357,000)	-	-	-	(357,000)
Total Other Financing Sources (Uses)	(357,000)	-	250,000	107,000	-
Change in Fund Balance	(36,779)	232,931	(44,724)	(15,521)	135,907
Fund Balances at Beginning of Year	1,858,690	411,229	123,566	593,762	2,987,247
Fund Balances at End of Year	\$ 1,821,911	\$ 644,160	\$ 78,842	\$ 578,241	\$ 3,123,154

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, 2012

Net Change in Fund Balances - total governmental funds	\$	135,907
Amounts reported in governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		(92,797)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		58,789
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 prepaid insurance 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.		88,960
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>(100,679)</u>
Change in net position of governmental activities	\$	<u>90,180</u>

See accompanying notes to the basic financial statements

THE CITY OF TRENTON, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2012

GENERAL FUND

	Budget		Actual	Variance Positive (Negative)
	Initial	Final		
Revenues:				
Property and Other Local Taxes	\$ 453,924	\$ 485,000	\$ 479,927	\$ (5,073)
Income Taxes	1,520,878	1,625,000	1,608,971	(16,029)
Intergovernmental	396,271	423,400	456,636	33,236
Charges for Services	146,003	155,999	151,297	(4,702)
Licenses and Permits	115,026	122,901	94,163	(28,738)
Investment Earnings	67,920	72,570	39,573	(32,997)
Special Assessments	65,515	70,000	82,755	12,755
Fines and Forfeitures	128,081	136,850	145,778	8,928
Other All Revenue	132,577	141,654	146,214	4,560
Total Revenue	3,026,195	3,233,374	3,205,314	(28,060)
Expenditures:				
Current:				
Security of Persons and Property	2,101,822	2,286,175	1,994,891	291,284
Public Health and Welfare Services	67,506	68,032	54,065	13,967
Community Environment	172,441	193,864	148,451	45,413
General Government	559,802	495,573	470,173	25,400
Other	579,380	91,635	58,270	33,365
Total Expenditures	3,480,951	3,135,279	2,725,850	409,429
Excess of Revenues Over (Under) Expenditures	(454,756)	98,095	479,464	381,369
Other Financing Uses:				
Income Tax Refunds	-	(37,500)	(20,181)	17,319
Transfers - Out	-	(387,000)	(387,000)	-
Total Other Financing Uses	-	(424,500)	(407,181)	17,319
Change in Net Position	(454,756)	(326,405)	72,283	398,688
Fund Balances at Beginning of Year	1,717,542	1,717,542	1,717,542	-
Prior Year Encumbrances	29,703	29,703	29,703	-
Fund Balances at End of Year	\$ 1,292,489	\$ 1,420,840	\$ 1,819,528	\$ 398,688

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, 2012

STREET FUND

	Budget		Actual	Variance Positive (Negative)
	Initial	Final		
Revenues:				
Intergovernmental	\$ 1,443,330	\$ 884,775	\$ 706,423	\$ (178,352)
Investment Earnings	4,200	4,200	2,780	(1,420)
Other All Revenue	13,700	13,700	19,711	6,011
Total Revenue	<u>1,461,230</u>	<u>902,675</u>	<u>728,914</u>	<u>(173,761)</u>
Expenditures:				
Current:				
Transportation	423,891	424,431	404,735	19,696
Capital Outlay	1,067,740	296,300	174,640	121,660
Total Expenditures	<u>1,491,631</u>	<u>720,731</u>	<u>579,375</u>	<u>141,356</u>
Change in Net Position	(30,401)	181,944	149,539	(32,405)
Fund Balances at Beginning of Year	383,277	383,277	383,277	-
Prior Year Encumbrances	<u>812</u>	<u>812</u>	<u>812</u>	<u>-</u>
Fund Balances at End of Year	<u>\$ 353,688</u>	<u>\$ 566,033</u>	<u>\$ 533,628</u>	<u>\$ (32,405)</u>

See accompanying notes to the basic financial statements

THE CITY OF TRENTON, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2012

FIRE LEVY FUND

	Budget		Actual	Variance Positive (Negative)
	Initial	Final		
Revenues:				
Intergovernmental	\$ 72,000	\$ 65,501	\$ 4,192	\$ (61,309)
Charges for Services	160,000	160,000	218,484	58,484
Other All Revenue	500	500	1,836	1,336
Total Revenue	232,500	226,001	224,512	(1,489)
Expenditures:				
Current:				
Security of Persons and Property	433,629	457,049	419,212	37,837
Capital Outlay	66,000	65,113	63,330	1,783
Debt Service:				
Principal Retirement	21,190	42,077	22,077	20,000
Interest and Fiscal Charges	1,096	3,096	1,149	1,947
Total Expenditures	521,915	567,335	505,768	61,567
Deficiency of Revenues Under Expenditures	(289,415)	(341,334)	(281,256)	60,078
Other Financing Sources:				
Transfers - In	250,000	250,000	250,000	-
Total Other Financing Sources	250,000	250,000	250,000	-
Change in Net Position	(39,415)	(91,334)	(31,256)	60,078
Fund Balances at Beginning of Year	152,261	152,261	152,261	-
Prior Year Encumbrances	7,970	7,970	7,970	-
Fund Balances at End of Year	\$ 120,816	\$ 68,897	\$ 128,975	\$ 60,078

See accompanying notes to the basic financial statements



**CITY OF TRENTON, OHIO
STATEMENT OF NET POSITION
ENTERPRISE FUNDS
DECEMBER 31, 2012**

BUSINESS-TYPE ACTIVITIES--ENTERPRISE FUNDS

	Water	Sewer	Refuse	Nonmajor Enterprise Funds	Totals
Assets:					
<i>Current Assets:</i>					
Equity in Pooled Cash and Cash Equivalents	-	\$ 1,795,767	\$ 276,189	\$ 436,333	\$ 2,508,289
Restricted Cash and Cash Equivalents	385,375	-	-	-	385,375
Receivables (net of allowances for doubtful accounts)					
Accounts	128,338	121,851	98,457	38,837	387,483
Special Assessments	-	30,437	-	-	30,437
Total Current Assets	<u>513,713</u>	<u>1,948,055</u>	<u>374,646</u>	<u>475,170</u>	<u>3,311,584</u>
<i>Nondepreciable Capital Assets:</i>					
Land	2,508,698	-	-	-	2,508,698
<i>Depreciable Capital Assets:</i>					
Plant	5,320,447	16,321	-	-	5,336,768
Water and Sewer Lines	2,911,727	1,903,932	-	-	4,815,659
Improvements Other than Buildings	12,570	28,410	-	-	40,980
Machinery, Equipment and Vehicles	1,228,693	467,216	40,958	200,337	1,937,204
Less: Accumulated Depreciation	<u>(2,842,091)</u>	<u>(1,598,251)</u>	<u>(23,217)</u>	<u>(127,165)</u>	<u>(4,590,724)</u>
Total Capital Assets (net of accumulated depreciation)	<u>9,140,044</u>	<u>817,628</u>	<u>17,741</u>	<u>73,172</u>	<u>10,048,585</u>
Total Noncurrent Assets	<u>9,140,044</u>	<u>817,628</u>	<u>17,741</u>	<u>73,172</u>	<u>10,048,585</u>
Total Assets	<u>\$ 9,653,757</u>	<u>\$ 2,765,683</u>	<u>\$ 392,387</u>	<u>\$ 548,342</u>	<u>\$ 13,360,169</u>

CITY OF TRENTON, OHIO
STATEMENT OF NET POSITION
ENTERPRISE FUNDS
DECEMBER 31, 2012

BUSINESS-TYPE ACTIVITIES--ENTERPRISE FUNDS

	Water	Sewer	Refuse	Nonmajor Enterprise Funds	Totals
Liabilities:					
<i>Current Liabilities:</i>					
Accounts Payable	\$ 34,217	\$ 1,312	\$ 2,521	\$ 71,791	\$ 109,841
Contracts Payable	-	-	46,350	-	46,350
Accrued Wages and Benefits	24,264	15,397	14,225	637	54,523
Due to Other Governments	528	116,029	-	-	116,557
Accrued Interest Payable	24,270	-	-	-	24,270
Notes Payable	2,090,000	-	-	-	2,090,000
Compensated Absences Payable - Current	17,909	13,354	12,925	496	44,684
OPWC Loans Payable - Current	-	42,650	-	-	42,650
Revenue Bonds Payable - Current	175,000	-	-	-	175,000
Total Current Liabilities	<u>2,366,188</u>	<u>188,742</u>	<u>76,021</u>	<u>72,924</u>	<u>2,703,875</u>
<i>Noncurrent Liabilities:</i>					
Customer Deposits Payable	-	-	-	66,739	66,739
Compensated Absences Payable	23,958	17,864	17,290	665	59,777
OPWC Loans Payable	-	682,400	-	-	682,400
Revenue Bonds Payable	6,622,455	-	-	-	6,622,455
Total Noncurrent Liabilities	<u>6,646,413</u>	<u>700,264</u>	<u>17,290</u>	<u>67,404</u>	<u>7,431,371</u>
Total Liabilities	<u>9,012,601</u>	<u>889,006</u>	<u>93,311</u>	<u>140,328</u>	<u>10,135,246</u>
Net Position:					
Invested in capital assets, net of related debt	252,589	92,578	17,741	73,172	436,080
Reserved for Debt Service	563,938	-	-	-	563,938
Unrestricted	(175,371)	1,784,099	281,335	334,842	2,224,905
Total Net Position	<u>641,156</u>	<u>1,876,677</u>	<u>299,076</u>	<u>408,014</u>	<u>3,224,923</u>
Total Net Position and Liabilities	<u>\$ 9,653,757</u>	<u>\$ 2,765,683</u>	<u>\$ 392,387</u>	<u>\$ 548,342</u>	<u>\$ 13,360,169</u>

See accompanying notes to the basic financial statements

CITY OF TRENTON, OHIO
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

BUSINESS-TYPE ACTIVITIES--ENTERPRISE FUNDS

	Water	Sewer	Refuse	Nonmajor Enterprise Funds	Totals
Operating Revenues:					
Charges for Services	\$ 1,386,741	\$ 1,439,441	\$ 991,141	\$ 251,080	\$ 4,068,403
Other Operating Revenues	32,597	131	99	14	32,841
Total Operating Revenues	1,419,338	1,439,572	991,240	251,094	4,101,244
Operating Expenses:					
Personal Services	594,235	371,122	291,200	40,485	1,297,042
Materials and Supplies	148,215	16,245	21,919	13,166	199,545
Contractual Services	375,056	751,297	604,349	199,319	1,930,021
Other Operating Expenses	84,242	26,954	4,570	42,742	158,508
Depreciation	215,232	48,648	4,716	14,992	283,588
Total Operating Expenses	1,416,980	1,214,266	926,754	310,704	3,868,704
Operating Income (Loss)	2,358	225,306	64,486	(59,610)	232,540
Non-Operating Revenues (Expenses):					
Investment Earnings	558	-	-	54	612
Interest and Fiscal Charges	(378,273)	-	-	-	(378,273)
Grants	178,141	-	-	-	178,141
Total Non-Operating Revenues (Expenses)	(199,574)	-	-	54	(199,520)
Change in Net Position	(197,216)	225,306	64,486	(59,556)	33,020
Total net position - Beginning (Restated)	838,372	1,651,371	234,590	467,570	3,191,903
Total net position - Ending	<u>\$ 641,156</u>	<u>\$ 1,876,677</u>	<u>\$ 299,076</u>	<u>\$ 408,014</u>	<u>\$ 3,224,923</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, 2012

BUSINESS-TYPE ACTIVITIES--ENTERPRISE FUNDS

	Water	Sewer	Refuse	Nonmajor Enterprise Funds	Totals
Change in Cash and Cash Equivalents					
Cash Flows from Operating Activities:					
Cash Received from Customers	\$ 1,370,617	\$ 1,483,686	\$ 1,003,077	\$ 270,471	\$ 4,127,851
Cash Paid for Employee Services and Benefits	(591,459)	(372,608)	(285,941)	(40,525)	(1,290,533)
Cash Paid to Suppliers for Goods and Services	(505,950)	(712,893)	(631,067)	(142,847)	(1,992,757)
Other Operating Revenues	32,597	131	99	14	32,841
Other Operating Expenses	(83,665)	(26,907)	(4,536)	(42,708)	(157,816)
Net Cash Provided by Operating Activities	222,140	371,409	81,632	44,405	719,586
Cash Flows from Noncapital Financing Activities:					
Cash Received from Assessments	-	5,078	-	-	5,078
Net Cash Provided by Noncapital Financing Activities	-	5,078	-	-	5,078
Cash Flows from Capital and Related Financing Activities:					
Face Value from Sale of Notes	2,090,000	-	-	-	2,090,000
Capital Grants	178,141	-	-	-	178,141
Acquisition and Construction of Assets	(57,610)	-	-	(2,904)	(60,514)
Principal Paid on Revenue Anticipation Notes	(2,115,000)	-	-	-	(2,115,000)
Principal Paid on Revenue Bonds	(170,000)	-	-	-	(170,000)
Principal Paid on OPWC Payable	-	(42,650)	-	-	(42,650)
Interest and Fiscal Charges Paid on All Debt	(381,290)	-	-	-	(381,290)
Net Cash Used for Capital and Related Financing Activities	(455,759)	(42,650)	-	(2,904)	(501,313)
Cash Flows from Investing Activities:					
Interest	558	-	-	54	612
Net Cash Provided By Investing Activities	558	-	-	54	612
Net Change in Cash and Cash Equivalents	(233,061)	333,837	81,632	41,555	223,963
Cash and Cash Equivalents at Beginning of Year	618,436	1,461,930	194,557	394,778	2,669,701
Cash and Cash Equivalents at End of Year	\$ 385,375	\$ 1,795,767	\$ 276,189	\$ 436,333	\$ 2,893,664
Net Cash Provided by Operating Activities:					
Operating Income (Loss)	\$ 2,358	\$ 225,306	\$ 64,486	\$ (59,610)	\$ 232,540
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Depreciation Expense	215,232	48,648	4,716	14,992	283,588
Change in Assets and Liabilities:					
(Increase) Decrease in Accounts Receivable	(16,124)	44,245	11,936	(278)	39,779
Increase in Accounts Payables	17,994	171	2,000	65,442	85,607
(Decrease) in Contracts Payables	-	-	(6,765)	-	(6,765)
Increase (Decrease) in Accrued Wages and Benefits	1,881	(3,498)	880	(317)	(1,054)
Increase (Decrease) in Due to Other Governments	(96)	54,525	-	-	54,429
Increase in Compensated Absences Payable	895	2,012	4,379	277	7,563
Increase in Deposits Payable	-	-	-	23,899	23,899
Total Adjustments	219,782	146,103	17,146	104,015	487,046
Net Cash Provided by Operating Activities	\$ 222,140	\$ 371,409	\$ 81,632	\$ 44,405	\$ 719,586

See accompanying notes to the basic financial statements

CITY OF TRENTON, OHIO
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
DECEMBER 31, 2012

	<u>Totals</u>
Assets:	
Cash and Cash Equivalents in Segregated Accounts	<u>\$ 13,328</u>
Total Assets	<u><u>13,328</u></u>
Liabilities:	
Due to Other Governments	13,328
Total Liabilities	<u><u>\$ 13,328</u></u>

See accompanying notes to the basic financial statements

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

1. Reporting Entity and Basis of Presentation:

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

Reporting entity

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

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization’s governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization’s resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves their budget, the issuance of their debt or the levying of their taxes for the organization. The City has included the Trenton Community Improvement Corporation as a discretely presented component unit.

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). This organization is presented in Note 17 of the Basic Financial Statements.

Discretely Presented Component Units

The component unit column in the government-wide financial statements includes the financial data of the City's component unit. It is reported in a separate column to emphasize that it is legally separate from the City. The following is included as legally separate, discretely presented component of the City:

Trenton Community Improvement Corporation (CIC): The CIC is responsible for advancing, encouraging, and promoting the industrial, economic, commercial, and civic development of the City of Trenton. The City Council appoints the voting majority of the board and there is a financial benefit/burden relationship between the CIC and the City. Copies of the CIC financial report are on file at the City's Finance Department.

Basis of presentation – fund accounting

The government-wide financial statements (i.e., the statement of net position 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*.

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

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.

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.

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

Property taxes, income taxes, payments in lieu of 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.

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 accounted for in another fund.

Street Fund

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

Fire Levy Fund

The Fire Levy Fund mainly accounts for EMS charges the City collects and the services provided by through the fire department.

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

The City reports the following major proprietary funds:

Water Fund

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

Sewer Fund

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

Refuse Fund

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

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.

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.

Additionally, the City reports the following fund type:

Fiduciary Funds

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

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

Component Units

Component units are either legally separate organizations for which the elected officials of the City are financially accountable, or legally separate organizations for which the nature and significance of its relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. Component unit disclosures represent a consolidation of various fund types.

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.

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

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

amended to include unencumbered fund balances at December 31 of the preceding year. The certificate may be further amended during the year if the fiscal officer determines, and the Budget Commission agrees, that an estimate needs to be either increased or decreased.

Appropriations

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

Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations. On the GAAP basis, encumbrances outstanding at year-end are classified within the respective fund balance classification for special revenue and capital projects funds. The general fund reports the amount as assigned fund balance.

Lapsing of appropriations

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

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

Cash and cash equivalents

Cash balances of the City's funds, except cash held by the fiscal agent and restricted cash, are pooled and invested in short-term investments in order to provide improved cash management. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the statement of net assets and fund balance sheets. Interest income is distributed to the funds according to Ohio Constitution, state statutes and the City's investment policy that was adopted by local ordinance. Investment income credit to the General Fund during 2012 was \$46,899, which includes \$16,874 assigned from other funds. The Street, Municipal Motor Vehicle License, and Indigent Driver's Alcohol Treatment Nonmajor Special Revenue Funds and Water and Utility Deposit Enterprise Funds also received \$2,780; \$612; \$403; \$558 and \$54 respectively in interest during 2012.

During 2012, investments were limited to STAR Ohio and money market mutual funds. 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 position and fund balance sheet, the City's cash management pool and investments with original maturities of three months or less are considered to be cash equivalents. Investments, not part of the cash management pool, with an initial maturity of more than three months are reported as investments.

Capital assets and depreciation

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

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and funds on the enterprise fund balance sheet. Capital assets are defined by the City as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

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

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.

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

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

Accrued Liabilities and Long-Term Obligations

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

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

Interfund transactions

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

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

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

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

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 2012, no net interest expense was incurred on enterprise fund construction projects.

Fund Balance

The City reports the following categories of fund balance:

- Nonspendable fund balance relates to the value of consumable inventories, prepaids or unclaimed funds.

- Restricted fund balances related to grants, other restricted revenue sources like state shared revenues or charges for specific services are reported as restricted in the fund receiving those resources.

- Committed fund balances are balances the City has formally allocated for specific services or areas like parks and recreation, budget stabilization or employee termination benefits as well as funds for future capital use not restricted through a bond issue or levy.

- Assigned fund balances are balances for which the City administration has specified the future use such as encumbrances.

- Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

The City applies restricted resources first then committed and assigned resources when expenditures are incurred for purposes for which either restricted, committed, assigned or unrestricted amounts are available.

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 position because their use is limited for debt service payments and capital improvements.

Net Position

Net position represents the difference between position and liabilities in the statement of net position. Net position investment in net capital assets is capital assets 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 position is 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 Revenues or Deferred Inflows of Resources

Unearned revenue and deferred inflows of resources 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, 2012, but which were levied to finance fiscal year 2013 operations, have been recorded as unearned revenues. Grants and entitlements received before the eligibility requirements are met are recorded as deferred inflows of resources.

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

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 position - governmental activities* as reported in the government-wide statement of net position. 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 (\$352,223) difference are as follows:

Long Term Debt	(\$79,134)
Accrued Interest Payable	(549)
Compensated Absences Payable	(272,540)
Net Adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	(\$352,223)

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 \$2,926,713 difference are as follows:

Capital Assets	\$5,884,833
Accumulated Depreciation	(2,958,120)
Net Adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	\$2,926,713

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 position 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 capital outlays were exceeded by depreciation in the current period. The details of this (\$92,797) are as follows:

Current capital additions	\$105,496
Depreciation Expense	(198,293)

Net Adjustment – capital assets to increase <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	(\$92,797)

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 position. Also, governmental funds report the effect of 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 \$88,960 are as follows:

Principal paid on long term debt	\$88,410
Change in interest payable	550

Net Adjustment - current financial resources focus to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net position – governmental activities</i>	\$88,960

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

3. Change in Accounting Principles Policy

The City implemented GASB 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*; and GASB 65, *Items Previously Reported as Assets and Liabilities*, during the fiscal year. The implementation of GASB 63 removed the issuances costs reported on the Statement of Net Position as those items, other than prepaid insurance, are considered current period costs. The change in accounting principles had the following impact on beginning net position:

	Business- Type Activities	Water
Net Assets at 12/31/11 as previously reported	\$3,424,205	\$1,070,674
Implementation of GASB pronouncements	(232,302)	(232,302)
Restated Fund Balance at 01/01/12	\$3,191,903	\$838,372

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.
4. The reporting for several funds are classified as general fund (GAAP basis) rather than as special revenue or agency funds (budget basis.)

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	Fire Levy
GAAP Basis	(\$36,779)	\$232,931	(\$44,724)
Adjustments:			
Revenue Accruals	106,240	(24,526)	0
Expenditure Accruals	(41,755)	53,301	17,251
Encumbrances	(10,700)	(112,167)	(3,783)
Fund Reclassification	55,277	0	0
Budget Basis	\$72,283	\$149,539	(\$31,256)

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

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

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

- Deposits in eligible institutions applying for interim funds;

- 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.

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

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

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

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

A. Deposits

At year-end, the carrying amount of the City's deposits was \$4,033,244.

Custodial Credit Risk

As of December 31, 2012, \$739,241 of the City's bank balance of \$4,143,398 was exposed to custodial credit risk as discussed below.

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. Protection of City cash and deposits are provided by the Federal Depository Insurance Corporation (FDIC) as well as qualified securities pledged by the institution holding the assets. Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the City places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

deposits not insured by the FDIC. The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution.

Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Collateral is held by trustees including the Federal Reserve Bank and designated third parties of the financial institutions. The City does not have a custodial credit risk policy.

B. Investments

The City’s investments at December 31, 2012 are summarized below:

<u>Categorized Investments</u>	<u>Fair Value</u>	
	<u>Under One Year</u>	<u>Credit Rating</u>
STAR Ohio	\$1,453,242	S& P - AAAm
Money Market Mutual Funds	773,787	S& P - AAAm
Total	<u>\$2,227,029</u>	

Custodial Credit Risk

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

Interest Rate Risk

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

CITY OF TRENTON, OHIO
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Concentration of Credit Risk

The City places no limit on the amount it may invest in any one issuer. The City has a sixty-five percent interest in the money market mutual funds and a thirty-five percent interest in STAR Ohio. These are the only investments greater than five percent required to be disclosed.

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.

CITY OF TRENTON, OHIO
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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, 2012, was \$3.24 per \$1,000 of assessed valuation.

The assessed values of real and tangible personal property upon which 2012 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>
Real Property	\$163,937,270
Public Utility Tangible Personal Property	7,714,810
Total Property Tax	<u>\$171,652,080</u>

Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies that are measurable as of December 31, 2012. 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 2012 operations. The receivable is therefore offset by a credit to reported as unearned revenue on financial statements.

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 2012, the proceeds were allocated to the General Fund. Net income tax revenue for 2012 was \$1,499,191.

CITY OF TRENTON, OHIO
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8. Receivables:

Receivables at December 31, 2012, 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:

Fund/Description	Amount
Governmental Activities	
<u>MAJOR FUNDS</u>	
<i>General Fund:</i>	
Local Government Revenue	\$100,429
Homestead and Rollback	85,859
Total General Fund	186,288
<i>Street Fund:</i>	
State of Ohio – Utility Relocation	35,000
Motor Vehicle License Tax	179,537
Gas Tax	37,071
Total Street Fund	251,608
<u>NONMAJOR FUNDS</u>	
<i>Motor Vehicle License Fund</i>	
State of Ohio – Utility Relocation	35,000
<i>Permissive Motor Vehicle License Fund</i>	
Permissive Tax	39,405
Total for Governmental Activities	\$512,301

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9. Capital Assets:

Changes in Capital Assets during the year ended December 31, 2012, were as follows:

	Balance 12/31/11	Increases	Decreases	Balance 12/31/12
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	\$369,473	\$0	\$0	\$369,473
Construction In Progress	149,225	70,000	0	219,225
Total Capital Assets not being depreciated	518,698	70,000	0	588,698
Capital Assets, being depreciated:				
Buildings	1,687,444	0	0	1,687,444
Improvements other than Buildings	690,477	0	0	690,477
Machinery, Equipment and Vehicles	2,882,718	35,496	0	2,918,214
Total Capital Assets being depreciated	5,260,639	35,496	0	5,296,135
Accumulated Depreciation:				
Buildings	(659,323)	(35,830)	0	(695,153)
Improvements other than Buildings	(90,044)	(10,010)	0	(100,054)
Machinery, Equipment and Vehicles	(2,010,460)	(152,453)	0	(2,162,913)
Total Accumulated Depreciation	(2,759,827)	(198,293)	0	(2,958,120)
Net Capital Assets, being depreciated	2,500,812	(198,293)	0	2,338,015
Governmental Activities Capital Assets	\$3,019,510	(\$92,797)	\$0	\$2,926,713
Business Type Activities				
Capital Assets, not being depreciated				
Land	\$2,508,698	\$0	\$0	\$2,508,698
Capital Assets, being depreciated				
Plant	5,336,768	0	0	5,336,768
Water and Sewer Lines	4,815,659	0	0	4,815,659
Improvements other than Buildings	40,980	0	0	40,980
Machinery, Equipment and Vehicles	1,876,690	60,515	0	1,937,205
Total Capital Assets being depreciated	12,070,097	60,515	0	12,130,612

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

	Balance 12/31/11	Increases	Decreases	Balance 12/31/12
Business Type Activities				
Accumulated Depreciation:				
Plant	(\$153,803)	(\$9,868)	\$0	(\$163,671)
Water and Sewer Lines	(2,149,703)	(77,100)	0	(2,226,803)
Improvements other than Buildings	(113,994)	(16,006)	0	(130,000)
Machinery, Equipment and Vehicles	(1,889,636)	(180,615)	0	(2,070,251)
Total Accumulated Depreciation	(4,307,136)	(283,589)	0	(4,590,725)
Net Capital Assets, being depreciated	7,762,961	(223,074)	0	7,539,887
Business Type Activities Capital Assets	\$10,271,659	(\$223,074)	\$0	\$10,048,585

* Depreciation expense was charged to governmental functions as follows:

Governmental Activities:

Security of Persons and Property	\$93,241
Leisure Time Activities	19,845
Community Environment	3,522
Public Health and Welfare	1,181
Transportation	33,021
General Government	47,483

Total Depreciation Expense - governmental activities	<u>\$198,293</u>
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** Depreciation expense was charged to business-type activities as follows:

Business Type Activities:

Water	\$215,232
Sewer	48,648
Refuse	4,716
Non-major enterprise	14,993

Total Depreciation Expense - business-type activities	<u>\$283,589</u>
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CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

10. Defined Benefit Pension Plans:

Public Employees Retirement System

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

OPERS administers three separate pension plans as described below:

- The Traditional Pension Plan (TP) – a cost-sharing, multiple-employer defined benefit pension plan.

- The Member-Directed Plan (MD) – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.

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

CITY OF TRENTON, OHIO
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Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations. Contributions are authorized by State statute. The employer pension contribution rate for the City is 14% of covered payroll. The contribution rates are determined actuarially. The City's pension required contributions to OPERS for the years ended December 31, 2012, 2011, and 2010, were \$213,875, \$186,969, and \$166,696, respectively. The full amount has been contributed for 2011 and 2010. Eighty percent has been contributed for 2012 with the remainder being reported as a liability within the respective funds.

Police and Firemen's Disability and Pension Fund

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

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City is required to contribute 19.5% for police officers. Contributions are authorized by State statute. The City's pension required contributions to the Fund for the years ended December 31, 2012, 2011, and 2010 were \$131,583, \$126,516, and \$115,082 respectively. The full amount has been contributed for 2011 and 2010. Ninety-nine percent has been contributed for 2012 with the remainder being reported as a liability within the respective funds.

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

11. Post-Employment Benefits

Public Employees Retirement System (OPERS)

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

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

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

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2012, state and local employers contributed at a rate of 14% of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14% of covered payroll for state and local employer units. Active members do not make contributions to the OPEB plan.

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

OPERS' Post-Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. For 2012, the employer contribution allocated to the health care plan was 4% of covered payroll. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. The City's actual contributions for health care to OPERS for the years ending December 31, 2012, 2011, and 2010 were \$85,761, \$73,745, and \$85,501 respectively. The full amount has been contributed for 2011 and 2010. Eight percent has been contributed for 2012 with the remainder being reported as a liability within the respective funds.

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

Police and Firemen's Disability and Pension Fund

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

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

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contribution made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2012, the employer contribution allocated to the health care plan was 6.75% of covered amount. The amount of the employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provision of Section 115 and 401(h).

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

The City's contributions for health care to OP&F for the years ending December 31, 2012, 2011, and 2010 were \$69,604, \$66,268, and \$60,929 respectively. The full amount has been contributed for 2011 and 2010. Ninety-nine percent has been contributed for 2012 with the remainder being reported as a liability within the respective funds.

CITY OF TRENTON, OHIO
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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 separation from service for any reason, employees hired prior to January 1, 2003 shall be paid for one-half of any accrued but unused sick leave credit. Employees hired on or after that date are not eligible for that benefit. 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 less than 90 percent of the monthly premium. In both cases the employee pays the remaining premium through payroll deduction. The employees pay 10 percent for medical and dental coverage.

CITY OF TRENTON, OHIO
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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 has engaged Wells Fargo to administer the insurance program underwritten by Argonaut Insurance Company which is an “A” rated plan and 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.

General liability, police professional liability, employee practices liability, and public officials’ liability have a \$1 million limit each occurrence (\$3 million annual aggregate), while employee benefits liability, stop gap liability coverage and auto liability has a \$1 million limit (\$1 million annual aggregate) and all are covered for an additional \$8 million umbrella limit for each occurrence and \$8 million annual aggregate. Property coverage is limited to the value of the property, as is boiler and machinery. General liability has a \$0 deductible, police professional and public officials’ have deductibles of \$1,000, while the deductible on automotive is \$500 for comprehensive and collision. The deductible for property, and boiler and machinery is \$1,000.

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

Workers' compensation

For fiscal year 2012, the City participated in the Ohio Municipal League of Ohio Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. 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 Comp Management 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 2012 were as follows:

	Balance			Balance	Due within
	12/31/11	Increase	Decrease	12/31/12	one year
Governmental Activities:					
General Obligation Bond – Building					
4.40% to 4.97%	\$132,671	\$0	\$66,333	\$66,338	\$66,338
General Obligation Bond – Ambulance	34,873	0	22,077	12,796	12,796
Compensated Absences Payable	200,893	336,676	265,029	272,540	123,961
Total – Governmental Activities	368,437	336,676	353,439	351,674	203,095
Business -Type Activities:					
Water Revenue Bonds 2%-5.25%	6,905,000	0	170,000	6,735,000	175,000
Premium on Revenue Bonds	65,360	0	2,905	62,455	0
Ohio Public Works Commission Loan	767,700	0	42,650	725,050	42,650
Compensated Absences Payable	96,898	109,145	101,582	104,461	44,684
Total – Business - Type Activities	\$7,834,958	\$109,145	\$317,137	\$7,626,966	\$262,334

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

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

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
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The Ohio Public Works Commission loan was finalized during 2009 with payments starting in 2010. The loan is a zero interest loan payable from sewer revenues. The loan is amortized over twenty years.

Compensated absences will be paid from the fund from which the employee is paid. As of December 31, 2012 the City's overall voted legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$17,837,130 and the unvoted legal debt margin was \$9,254,526.

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

GOVERNMENTAL ACTIVITIES			
<u>General Obligation Bonds – Building</u>			
<u>Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$66,338	\$1,648	\$67,986

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

GOVERNMENTAL ACTIVITIES			
<u>General Obligation Bonds – Ambulance</u>			
<u>Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$12,796	\$194	\$12,990

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

BUSINESS-TYPE ACTIVITIES			
Revenue Bonds			
Years	Principal	Interest	Total
2013	\$175,000	\$342,271	\$517,271
2014	180,000	335,271	515,271
2015	190,000	327,891	517,891
2016	200,000	320,006	520,006
2017	210,000	309,506	519,506
2018-2022	1,220,000	1,370,868	2,590,868
2023-2027	1,575,000	1,015,857	2,590,857
2028-2032	2,025,000	567,594	2,592,594
2033-2034	960,000	74,313	1,034,313
Totals	<u>\$6,735,000</u>	<u>\$4,663,577</u>	<u>\$11,398,577</u>

Annual debt service requirements to maturity for Ohio Public Works Commission loan are as follows:

BUSINESS-TYPE ACTIVITIES			
OPWC Loans			
Years	Principal	Interest	Total
2013	\$42,650	\$0	\$42,650
2014	42,650	0	42,650
2015	42,650	0	42,650
2016	42,650	0	42,650
2017	42,650	0	42,650
2018-2022	213,250	0	213,250
2023-2027	213,250	0	213,250
2028-2029	85,300	0	85,300
Totals	<u>\$725,050</u>	<u>\$0</u>	<u>\$725,050</u>

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

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.

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, 2012:

Revenue Bond	Maturity Date	Interest Rate	Principal Balance as of 12/31/12
McCullough-Hyde			
Memorial Hospital Inc.	03/22/2017	4.66	\$401,703

15. Short Term Note

A summary of the note transactions for the year ended December 31, 2012, follows:

<u>Fund</u>	<u>Balance 12/31/11</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/12</u>
MAJOR FUNDS				
Water Fund	\$1,920,000	\$1,920,000	\$1,920,000	\$1,920,000
	195,000	170,000	195,000	170,000
Total Water Fund	2,115,000	2,090,000	2,115,000	2,090,000
NONMAJOR FUNDS				
Capital Improvement	160,000	120,000	160,000	120,000
All Funds	<u>\$2,275,000</u>	<u>\$2,210,000</u>	<u>\$2,275,000</u>	<u>\$2,210,000</u>

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

The \$1,920,000 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 8, 2012 at a 1.35 percent interest rate and mature on March 7, 2013.

The \$170,000 note was issued as part of the Orbit Sheet Metal settlement. The note will be retired with water revenue. They are backed by the full faith and credit of the Water operating revenue and mature on March 7, 2013. The notes were issued on March 8, 2012 at a 2.00 percent interest rate.

The \$120,000 note was issued to extend a gas line to the Trenton business park. The note will be retired from the general debt service fund. They are backed by the full faith and credit of the respective operating revenue or general obligation credit of the City and mature on July 18, 2013. The notes were issued on July 19, 2012 at a 2.50 percent interest rate and are considered taxable.

16. Transfers

Following is a summary of transfers in and out for all funds for 2012:

Fund	Transfers In	Transfers Out
MAJOR FUNDS		
General	\$0	\$357,000
Fire Levy	250,000	0
Non-Major Governmental Funds	107,000	0
Total All Funds	\$357,000	\$357,000

The transfers from the General Fund to the other governmental funds are to help support those functions. The General Fund transfers of \$30,000 to Parks and Recreation Fund (which is reported within the General Fund under GASB 54 so that transfer was consolidated); \$250,000 to the Fire Levy Fund; \$17,000 to the Capital Improvement Fund and \$90,000 to the Debt Service Fund allowed these funds to pay expenditures as these funds do not generate sufficient revenues to cover all expenditures.

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

17. Jointly Governed Organization

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

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

Payments to OKI are made from the General Fund. The City paid \$3,645 to OKI during 2012. To obtain financial information, write to Director of Finance and Administration of the Ohio-Kentucky-Indiana Regional Council of Governments at 920 Pete Rose Way, Suite 420, Cincinnati, Ohio, 45202.

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

18. Fund Balance Allocation

The City has chosen to present the consolidated summary of fund balance classification on the financial statements. The detail of those fund balance classifications are outline below:

<u>Fund Balance</u>	<u>General</u>	<u>Street</u>	<u>Fire Levy</u>	<u>Other Governmental</u>
Nonspendable:				
Unclaimed Monies	\$5,015	\$0	\$0	\$0
Restricted:				
Public Works	0	644,160	0	427,555
Public Safety	0	0	78,842	64,523
Capital Improvements	0	0	0	12,297
Committed:				
Budget Stabilization	398,366	0	0	0
Employee Benefits	114,414	0	0	0
Parks and Recreation	33,729	0	0	0
Employee accounts	1,040	0	0	0
Capital Improvements	0	0	0	78,161
Assigned:				
Encumbrances	8,803	0	0	0
Unassigned	1,260,544	0	0	(4,295)
Total Fund Balance	<u>\$1,821,911</u>	<u>\$644,160</u>	<u>\$78,842</u>	<u>\$578,241</u>

19. Accountability

At December 31, 2012, the debt service had a deficit balance of \$4,295. The deficit was due to recognition of accrued payables in the fund. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS

20. Contingent Liabilities:

Litigation

The City is of the opinion that the ultimate disposition of claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

21. Subsequent Events

The City was successful in passing a fire levy that is effective for collection year 2013. The City's levy will generate 4.50 mills for fire department.

The City refunded the outstanding water mortgage revenue bonds in February 2013. The City issued \$7,120,000 in Water Revenue Refunding Bonds with a final maturity of December 1, 2034. The current mortgage revenue bonds will not be called until December 1, 2014.

The City issued bond anticipation notes in January 2013 for the purpose of acquiring property for a new services facility. The notes were issued for \$310,000 at 1.75% with a maturity of January 21, 2014.

The City rolled over bond anticipation notes within the Water Fund on March 7, 2013. The bond anticipation note of \$1,920,000 was rolled over for \$1,850,000 at 0.85% due on March 6, 2014. The bond anticipation note of \$170,000 was rolled over for \$145,000 at 1.75% due on March 6, 2014.

Bastin & Company, LLC

Certified Public Accountants

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

The Honorable Members of City Council
City of Trenton, Ohio

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Trenton, Ohio (the City), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 18, 2013, wherein we noted the City implemented Governmental Accounting Standards Board (GASB) Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated June 18, 2013.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Cincinnati, Ohio
June 18, 2013

CITY OF TRENTON, OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS
For the year ended December 31, 2012

Finding Number	Finding Summary	Fully Corrected?	Status Explanation:
2011-01	Audit adjustments	Yes	Condition not noted in current audit.



Dave Yost • 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 03, 2013**