



Dave Yost • Auditor of State

**CITY OF TRENTON
BUTLER COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

City of Trenton
Butler County
11 East State Street
Trenton, OH 45067

To the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Trenton, Butler County, Ohio (the City), as of and for the year ended December 31, 2014, 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 preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the City's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Trenton, Butler County, Ohio, as of December 31, 2014, and the respective changes in financial position and cash flows thereof and the respective budgetary comparison for the General Fund, Street Fund, and Fire Levy funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 6, 2015, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine 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.



Dave Yost
Auditor of State

Columbus, Ohio

August 6, 2015

CITY OF TRENTON, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
(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, 2014. 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 2014 are as follows:

- ❑ Total assets of the City exceeded its total liabilities at the close of the year ended December 31, 2014, by \$13,192,210 (net position). Of this amount, \$2,271,707 (governmental unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors, and \$4,261,882 is classified as unrestricted in the business-type activities.
- ❑ The City's governmental net position increased by \$1,892,467, which represents a 27.51% increase from 2013. The increase can be mostly attributed to the increase in capital assets over depreciation of over \$1,723,000.
- ❑ At the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$4,589,550. Of this amount \$940,606 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 \$940,606, or 32.80% of total General Fund expenditures.
- ❑ The City's major enterprise funds reflected positive ending net positions: Water Fund \$886,260; Sewer Fund \$2,579,796; and Refuse Fund \$479,940.

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

**CITY OF TRENTON, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)**

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 2014?" 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 categories: governmental funds, proprietary funds, and fiduciary funds. Fund financial reports provide detailed information about the City's major funds. Based on restrictions

CITY OF TRENTON, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)

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, 2014
(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 \$13,192,210 (\$8,770,448 in governmental activities and \$4,421,762 in business-type activities) as of December 31, 2014. 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 \$3,623,784. 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 2014 compared to 2013.

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|----------------------------|-------------|-----------------------------|-------------|--------------|--------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Current and Other Assets | \$7,003,564 | \$5,850,100 | \$4,428,479 | \$3,639,537 | \$11,432,043 | \$9,489,637 |
| Capital Assets | 4,645,904 | 2,922,811 | 9,684,118 | 9,918,093 | 14,330,022 | 12,840,904 |
| Total Assets | 11,649,468 | 8,772,911 | 14,112,597 | 13,557,630 | 25,762,054 | 22,330,541 |
| Deferred Outflow | 0 | 0 | 352,732 | 370,368 | 352,732 | 370,638 |
| Total Assets and Deferred Outflows | 11,649,468 | 8,772,911 | 14,465,329 | 13,927,998 | 26,114,797 | 22,700,909 |
| Long-term liabilities | 1,326,421 | 313,921 | 9,648,404 | 9,997,983 | 10,974,825 | 10,311,904 |
| Other liabilities | 323,649 | 319,937 | 395,163 | 314,588 | 718,812 | 634,525 |
| Total Liabilities | 1,650,070 | 633,858 | 10,043,567 | 10,312,571 | 11,693,637 | 10,946,429 |
| Deferred Inflow | 1,228,950 | 1,230,072 | 0 | 0 | 1,228,950 | 1,230,072 |
| Total Liabilities and Deferred Inflows | 2,879,020 | 1,863,930 | 10,043,567 | 10,312,571 | 12,922,587 | 12,176,501 |
| Net Position: | | | | | | |
| Net Investment in | | | | | | |
| Capital Assets | 3,463,904 | 2,718,811 | 159,880 | 39,282 | 3,623,784 | 2,758,093 |
| Restricted | 3,034,837 | 1,883,415 | 0 | 124,421 | 3,034,837 | 2,007,836 |
| Unrestricted | 2,271,707 | 2,306,755 | 4,261,882 | 3,451,724 | 6,533,589 | 5,758,479 |
| Total Net Position | \$8,770,448 | \$6,908,981 | \$4,421,762 | \$3,615,427 | \$13,192,210 | \$10,524,408 |

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 \$3,034,837 or 23.00% of net position. The remaining unrestricted \$6,533,589 net position may be used to meet the City's ongoing obligations to its citizens and creditors and for business-type activities.

CITY OF TRENTON, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)

During 2014, the City saw governmental capital additions exceed depreciation and disposals resulting in a total increase in capital assets of \$1,723,093 with the majority being construction in progress. The City saw the cash and cash equivalents (current and other assets) increase almost 30% from last year as the City operated very efficiently.

Statement of Activities

| | Governmental Activities | | Business-Type Activities | | Total | |
|------------------------------------|-------------------------|-------------|--------------------------|-------------|--------------|--------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Revenues: | | | | | | |
| Program Revenues: | | | | | | |
| Charges for Services | \$577,719 | \$628,680 | \$4,490,596 | \$4,461,388 | \$5,068,315 | \$5,090,068 |
| Operating Grants and Contributions | 1,914,259 | 562,794 | 0 | 0 | 1,914,259 | 562,794 |
| General Revenues: | | | | | | |
| Income Taxes | 1,686,976 | 1,524,740 | 0 | 0 | 1,686,976 | 1,524,740 |
| Property Taxes | 1,169,101 | 1,166,970 | 0 | 0 | 1,169,101 | 1,166,970 |
| Other Taxes | 414,011 | 465,127 | 0 | 0 | 414,011 | 465,127 |
| Unrestricted Grants | 322,983 | 440,020 | 0 | 0 | 322,983 | 440,020 |
| Investment Earnings | 21,719 | 10,192 | 30,981 | 138,154 | 52,700 | 148,346 |
| Other Revenues | 40,270 | 12,995 | 0 | 0 | 40,270 | 12,995 |
| Total Revenues | 6,147,038 | 4,811,518 | 4,521,577 | 4,599,542 | 10,668,615 | 9,411,060 |
| Expenses: | | | | | | |
| Security of Persons and Property | 2,739,539 | 2,792,728 | 0 | 0 | 2,739,539 | 2,792,728 |
| Public Health and Welfare | 37,980 | 106,236 | 0 | 0 | 37,980 | 106,236 |
| Leisure Time Activities | 93,647 | 4,791 | 0 | 0 | 93,647 | 4,791 |
| Community Environment | 169,882 | 165,424 | 0 | 0 | 169,882 | 165,424 |
| Transportation | 553,164 | 479,393 | 0 | 0 | 553,164 | 479,393 |
| General Government | 494,264 | 577,997 | 0 | 0 | 494,264 | 577,997 |
| Other | 156,065 | 168,857 | 0 | 0 | 156,065 | 168,857 |
| Interest and Fiscal Charges | 10,029 | 5,820 | 0 | 0 | 10,020 | 5,820 |
| Water | 0 | 0 | 1,308,862 | 1,914,505 | 1,308,862 | 1,914,505 |
| Sewer | 0 | 0 | 1,150,288 | 1,179,250 | 1,150,288 | 1,179,250 |
| Stormwater Management | 0 | 0 | 213,828 | 124,925 | 213,828 | 124,925 |
| Refuse | 0 | 0 | 876,995 | 928,759 | 876,995 | 928,759 |
| Utility Trust | 0 | 0 | 52,513 | 61,599 | 52,513 | 61,599 |
| Total Expenses | 4,254,571 | 4,301,246 | 3,602,486 | 4,209,038 | 7,857,057 | 8,510,284 |
| Change in Net Position | 1,892,467 | 510,272 | 919,091 | 390,504 | 2,811,558 | 900,776 |
| Beginning Net Position | 6,908,981 | 6,398,709 | 3,615,427 | 3,224,923 | 10,524,408 | 9,623,632 |
| Restatement | (31,000) | 0 | (112,756) | 0 | (143,756) | 0 |
| Ending Net Position | \$8,770,448 | \$6,908,981 | \$4,421,762 | \$3,615,427 | \$13,192,210 | \$10,524,408 |

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 2014, the expenses were \$2.74 million, representing 64.39% (compared to 64.93% for 2013) of governmental activity spending, yielding a reliance on general revenues to fund the program of approximately \$2.43 million after direct support to their programs.

CITY OF TRENTON, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)

The transportation function was the only function to generate a positive activity when comparing program revenues. The transportation function received \$1,913,259 in operating grants while the majority of the expenses were capitalized as part of the road construction projects.

Business-Type Activities

The City's business-type activities include the water, sewer, refuse, utility deposits and stormwater management systems. All of the individual business-type activities had sufficient revenues to cover expenses. The water and sewer activities account for 85% of the change in net position.

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 2014, the City's governmental funds reported combined ending fund balances of \$4.59 million (up from \$3.49 million in 2013). Approximately \$0.94 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, 2014, the unassigned General Fund balance was \$0.94 million with a total fund balance of \$1.58 million. As a measure of liquidity, it is often useful to compare these numbers to total General Fund expenditures. Unassigned fund balance represents approximately 32.80% of the total expenditures, while total fund balance represents 55.16% of that same amount.

During 2014, the City's General Fund ending balance decreased by \$49,463 with revenues being less than expenditures by \$59,266. 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
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
(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 (98.65%). The Street Fund is also responsible for maintenance on most of the City streets. For 2014, revenues were less than expenditures by \$218,692 although long term note proceeds actually resulted in the fund balance increasing. The City passed a fund balance policy that states the Street Fund will maintain a cash balance of one year's operating expense. The Street Fund's ending cash balance was 54.10% (down from 62.95% in 2013) of the current year cash expenses.

The Fire Levy Fund's main source of revenue since 2013 is now the property tax levy which resulted in 63.36% of all revenues. Including the EMS charges, which account for 18.65% of revenues, the fund balance increased by \$421,413.

The City saw the fund balance in the nonmajor funds increase by \$144,335, with General Fund transfers of \$90,333 into those nonmajor funds to help support the specific programs. Five funds saw decreases with the county motor vehicle license fund dropping the largest as the balance was used as local share on the construction projects.

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 2014, 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 2014:

CITY OF TRENTON, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)

| Description | Original Budget | Final Budget | Change |
|------------------------------|--------------------|------------------|------------------|
| Revenues: | | | |
| Property and Other Taxes | \$560,052 | \$521,500 | (\$38,552) |
| Income Taxes | 1,735,201 | 1,615,755 | (119,446) |
| Intergovernmental | 260,212 | 242,300 | (17,912) |
| Other | 505,797 | 470,980 | (34,817) |
| Total Revenues | <u>3,061,262</u> | <u>2,850,535</u> | <u>(210,727)</u> |
| Expenditures: | | | |
| Security of Persons/Property | 2,271,533 | 2,383,184 | 111,651 |
| Public Health and Welfare | 75,205 | 75,205 | 0 |
| Community Environment | 227,187 | 227,187 | 0 |
| General Government | 561,611 | 465,171 | (96,440) |
| Other Expenditures | 55,326 | 55,326 | 0 |
| Total Expenditures | <u>3,190,862</u> | <u>3,206,073</u> | <u>15,211</u> |

The City amended the original revenue budget several times as the City realized the total revenue would be less across all revenue items presented on the statements.

For expenditures, the City increased the security of persons and property line item looking additional capital costs that did not occur. The City did reduce the general government expenditures significantly as the expenditures were delayed as the City worked towards meeting the new fund balance minimums. The following table summarizes the major revenue sources and expenditures from final budget to actual results for 2014:

CITY OF TRENTON, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)

| Description | Final Budget | Actual | Change |
|------------------------------|------------------|------------------|-----------------|
| Revenues: | | | |
| Property and Other Taxes | \$521,500 | \$478,686 | (\$42,814) |
| Income Taxes | 1,615,755 | 1,590,392 | (25,363) |
| Intergovernmental Revenue | 242,300 | 256,016 | 13,716 |
| Other Revenues | 470,980 | 444,662 | (26,318) |
| Total Revenues | <u>2,850,535</u> | <u>2,769,756</u> | <u>(80,779)</u> |
| Expenditures: | | | |
| Security of Persons/Property | 2,383,184 | 2,131,244 | 251,940 |
| Public Health and Welfare | 75,205 | 69,384 | 5,821 |
| Community Environment | 227,187 | 175,236 | 51,951 |
| General Government | 465,171 | 489,929 | (24,758) |
| Other Expenditures | 55,326 | 67,671 | (12,345) |
| Total Expenditures | <u>3,206,073</u> | <u>2,933,464</u> | <u>272,609</u> |

The City's final revenues were within 2.83% of the final budget. The City's continued efforts to update the estimated certificate allowed these amounts to remain close.

As stated above, the City continued to reduce final expenditures across most functions from final budget amounts in an effort to protect the City's operating fund balance and meet the new fund balance policy. 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 2014, this effort resulted in bringing actual expenses in over \$308,000 less than what was budgeted. The largest variance was in security of persons and property as current capital costs were delayed.

Capital Assets and Debt Administration

Capital Assets: The City's net investment in capital assets for its governmental and business type activities as of December 31, 2014, amounts to \$3.62 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 2014. The City has had limited funding to provide for governmental capital asset acquisition and construction. The City saw governmental-type activities capital assets increase by \$1,723,193 after current year depreciation and net disposals. For more information on the governmental and business-type capital assets see Note 9 in the notes to the financial statements.

CITY OF TRENTON, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)

Long-term Debt: At the end of 2014, the City had \$6.87 million in revenue bonds outstanding on the refunding water system improvements bonds. The City has several long term bond anticipation notes outstanding for various projects totaling \$3,218,000. 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 12,000 residents. The City is ideal for those families looking to locate here as the median age of the residents is just over thirty-two. Information is from 2013 www.city-data.com.

The City's largest industries are supported by manufacturing as MillerCoors Brewery is located just outside of the City's southeastern corner. The City's full accrual income tax revenue increased about \$162,000 from 2013 (after decreasing \$282,000 between 2012 and 2013). The income tax provides about 57% of the support for the general fund functions of the City (cash basis).

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 focused on creating an industrial park type development in the southeastern corner of the City including upgrading a significant portion of the infrastructure in the area. 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.

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, 2014

| | <u>Governmental</u> | <u>Business-Type</u> | <u>Total</u> | <u>Component Unit</u> |
|--|----------------------|----------------------|----------------------|-----------------------|
| Assets: | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$ 4,721,311 | \$ 3,865,011 | \$ 8,586,322 | \$ 125 |
| Receivables (net of allowance for doubtful accounts): | | | | |
| Taxes - Real and Personal Property | 1,208,581 | - | 1,208,581 | - |
| Taxes - Municipal Income | 304,298 | - | 304,298 | - |
| Accounts | 31,919 | 494,010 | 525,929 | - |
| Interest | 5,434 | - | 5,434 | - |
| Special Assessments | - | 20,999 | 20,999 | - |
| Payment in Lieu of Taxes | 190,160 | - | 190,160 | - |
| Due from Other Governments | 541,861 | - | 541,861 | - |
| Prepaid Bond Insurance | - | 48,459 | 48,459 | - |
| Nondepreciable Assets: | | | | |
| Land | 423,473 | 2,508,698 | 2,932,171 | - |
| Construction In Progress | 1,755,814 | - | 1,755,814 | - |
| Depreciable Assets: | | | | |
| Plant | - | 5,427,601 | 5,427,601 | - |
| Water and Sewer Lines | - | 4,613,158 | 4,613,158 | - |
| Buildings and Improvements | 1,813,147 | - | 1,813,147 | - |
| Improvements other than Buildings | 696,477 | 345,196 | 1,041,673 | - |
| Machinery, Equipment and Vehicles | 3,266,553 | 1,957,361 | 5,223,914 | - |
| Less: Accumulated Depreciation | (3,309,560) | (5,167,896) | (8,477,456) | - |
| Total Assets | 11,649,468 | 14,112,597 | 25,762,065 | 125 |
| Deferred Outflows of Resources: | | | | |
| Deferred Charge on Refunding | - | 352,732 | 352,732 | - |
| Total Assets and Deferred Outflow of Resources | 11,649,468 | 14,465,329 | 26,114,797 | 125 |
| Liabilities: | | | | |
| Accounts Payable | 72,659 | 56,475 | 129,134 | - |
| Contracts Payable | 31,251 | 49,079 | 80,330 | - |
| Accrued Wages and Benefits | 158,134 | 61,225 | 219,359 | - |
| Due to Other Governments | 13,457 | 59,320 | 72,777 | - |
| Deposits Payable | - | 155,325 | 155,325 | - |
| Notes Payable | 40,000 | - | 40,000 | - |
| Accrued Interest Payable | 8,148 | 13,739 | 21,887 | - |
| Long Term Liabilities due within 1 year | 1,218,681 | 2,444,526 | 3,663,207 | - |
| Long Term Liabilities due over 1 year | 107,740 | 7,203,878 | 7,311,618 | - |
| Total Liabilities | 1,650,070 | 10,043,567 | 11,693,637 | - |
| Deferred Inflows of Resources: | | | | |
| Property Tax Levy for Next Fiscal Year | 1,228,950 | - | 1,228,950 | - |
| Net Position: | | | | |
| Net Investment in Capital Assets | 3,463,904 | 159,880 | 3,623,784 | - |
| Restricted: | | | | |
| Transportation | 1,075,006 | - | 1,075,006 | - |
| Protection of Citizens | 1,193,715 | - | 1,193,715 | - |
| Debt Service | 69,901 | - | 69,901 | - |
| Capital Improvements | 696,215 | - | 696,215 | - |
| Unrestricted | 2,271,707 | 4,261,882 | 6,533,589 | 125 |
| Total Net Position | 8,770,448 | 4,421,762 | 13,192,210 | 125 |
| Total Liabilities, Deferred Inflows of Resources and Net Position | \$ 11,649,468 | \$ 14,465,329 | \$ 26,114,797 | \$ 125 |

See accompanying notes to the basic financial statements

**CITY OF TRENTON, OHIO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014**

| Function/Programs | Program Revenues | | Net (Expense) Revenue and Changes in Net Position | | | Component Unit |
|--|----------------------|------------------------------------|---|----------------------------------|----------------|----------------|
| | Charges for Services | Operating Grants and Contributions | Governmental Activities | Primary Business-Type Activities | | |
| | | | | Total | Total | |
| Governmental Activities: | | | | | | |
| Security of Persons and Property | \$ 306,472 | \$ 1,000 | \$ (2,432,067) | \$ - | \$ (2,432,067) | \$ - |
| Public Health and Welfare | - | - | (37,980) | - | (37,980) | - |
| Leisure Time Activities | 15,804 | - | (77,843) | - | (77,843) | - |
| Community Environment | 23,498 | - | (146,384) | - | (146,384) | - |
| Transportation | 1,948 | 1,913,259 | 1,362,043 | - | 1,362,043 | - |
| General Government | 151,172 | - | (343,092) | - | (343,092) | - |
| Other Expenditures | 78,825 | - | (77,240) | - | (77,240) | - |
| Interest and Fiscal Charges | - | - | (10,029) | - | (10,029) | - |
| Total Governmental Activities | 577,719 | 1,914,259 | (1,762,593) | - | (1,762,593) | - |
| Business-Type Activities: | | | | | | |
| Water | 1,782,778 | - | - | 473,916 | 473,916 | - |
| Sewer | 1,465,668 | - | - | 315,380 | 315,380 | - |
| Stormwater Management | 217,925 | - | - | 4,097 | 4,097 | - |
| Refuse | 1,024,225 | - | - | 147,230 | 147,230 | - |
| Utility Trust | - | - | - | (52,513) | (52,513) | 100 |
| Total Business - Type Activities | 4,490,596 | - | - | 888,110 | 888,110 | 100 |
| Total | 5,068,315 | 1,914,259 | (1,762,593) | 888,110 | (874,483) | 100 |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| General Revenues: | | | | | | |
| Income Taxes | | | 1,686,976 | - | 1,686,976 | - |
| Property Taxes | | | 1,169,101 | - | 1,169,101 | - |
| Franchise Fee Taxes | | | 113,408 | - | 113,408 | - |
| Payment in Lieu of Taxes | | | 217,196 | - | 217,196 | - |
| Permissive Sales Tax | | | 83,407 | - | 83,407 | - |
| Grants and Contributions not restricted to specific programs | | | 322,983 | - | 322,983 | - |
| Unrestricted investment earnings | | | 21,719 | 30,981 | 52,700 | - |
| Miscellaneous | | | 40,270 | - | 40,270 | - |
| Total General Revenues | | | 3,655,060 | 30,981 | 3,686,041 | - |
| Changes in Net Position | | | 1,892,467 | 919,091 | 2,811,558 | 100 |
| Net Position - Beginning (Restated) | | | 6,877,981 | 3,502,671 | 10,380,652 | 25 |
| Net Position - Ending | | | \$ 8,770,448 | \$ 4,421,762 | \$ 13,192,210 | \$ 125 |

See accompanying notes to the basic financial statements

**CITY OF TRENTON, OHIO
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014**

| | General | Street | Fire Levy | Other Governmental Funds | Total Governmental Funds |
|---|---------------------|---------------------|---------------------|--------------------------------|--------------------------------|
| Assets: | | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$ 1,607,996 | \$ 1,107,952 | \$ 1,044,661 | \$ 960,702 | \$ 4,721,311 |
| Receivables (net of allowance for doubtful accounts): | | | | | |
| Taxes - Real and Personal Property | 500,355 | - | 708,226 | - | 1,208,581 |
| Taxes - Municipal Income | 304,298 | - | - | - | 304,298 |
| Accounts | 28,692 | 1,948 | 1,279 | - | 31,919 |
| Interest | 5,434 | - | - | - | 5,434 |
| Payment in Lieu of Taxes | - | - | - | 190,160 | 190,160 |
| Due from Other Governments | 161,083 | 236,970 | 103,428 | 40,380 | 541,861 |
| Total Assets | 2,607,858 | 1,346,870 | 1,857,594 | 1,191,242 | 7,003,564 |
| Liabilities: | | | | | |
| Accounts Payable | 41,007 | 23,046 | 7,916 | 690 | 72,659 |
| Contracts Payable | - | 31,251 | - | - | 31,251 |
| Accrued Wages and Benefits | 110,665 | 17,916 | 29,553 | - | 158,134 |
| Due to Other Governments | 13,457 | - | - | - | 13,457 |
| Accrued Interest Payable | - | - | - | 483 | 483 |
| General Obligation Notes Payable | - | - | - | 40,000 | 40,000 |
| Total Liabilities | 165,129 | 72,213 | 37,469 | 41,173 | 315,984 |
| Deferred Inflows of Resources: | | | | | |
| Property Tax Levy for Next Fiscal Year | 478,686 | - | 677,531 | - | 1,156,217 |
| Delinquent Property Tax | 21,695 | - | 30,695 | - | 52,390 |
| Payments in Lieu of Taxes | - | - | - | 190,160 | 190,160 |
| Income Taxes | 186,315 | - | - | - | 186,315 |
| Intergovernmental Revenue | 145,618 | 199,652 | 103,428 | 34,305 | 483,003 |
| Miscellaneous revenues | 28,666 | - | 1,279 | - | 29,945 |
| Total Deferred Inflows of Resources: | 860,980 | 199,652 | 812,933 | 224,465 | 2,098,030 |
| Fund Balances: | | | | | |
| Nonspendable | 1,197 | - | - | - | 1,197 |
| Restricted | - | 1,075,005 | 1,007,192 | 852,763 | 2,934,960 |
| Committed | 398,366 | - | - | - | 398,366 |
| Assigned | 241,580 | - | - | 72,841 | 314,421 |
| Unassigned | 940,606 | - | - | - | 940,606 |
| Total Fund Balances | 1,581,749 | 1,075,005 | 1,007,192 | 925,604 | 4,589,550 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | \$ 2,607,858 | \$ 1,346,870 | \$ 1,857,594 | \$ 1,191,242 | \$ 7,003,564 |

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, 2014**

| | |
|---|---------------------|
| Fund Balances - Governmental Funds | \$ 4,589,550 |
| 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. | 4,645,904 |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred inflows in the funds. | 869,080 |
| Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds. | <u>(1,334,086)</u> |
| Net Position of governmental activities | <u>\$ 8,770,448</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, 2014

| | General | Street | Fire Levy | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|---------------------|---------------------|--------------------------------|--------------------------------|
| Revenues: | | | | | |
| Income Taxes | \$ 1,609,437 | \$ - | \$ - | \$ - | \$ 1,609,437 |
| Property and Other Taxes | 478,686 | - | 677,530 | - | 1,156,216 |
| Intergovernmental | 256,782 | 1,908,371 | 138,638 | 82,669 | 2,386,460 |
| Charges for Services | 113,623 | - | 199,453 | - | 313,076 |
| Licenses and Permits | 75,325 | - | - | - | 75,325 |
| Investment Earnings | 19,373 | 977 | 1,174 | 195 | 21,719 |
| Special Assessments | 77,473 | - | - | - | 77,473 |
| Fines and Forfeitures | 107,173 | - | - | 5,864 | 113,037 |
| Payment in Lieu of Taxes | - | - | - | 190,160 | 190,160 |
| All Other Revenues | 70,591 | 25,138 | 52,486 | 3,214 | 151,429 |
| Total Revenues | 2,808,463 | 1,934,486 | 1,069,281 | 282,102 | 6,094,332 |
| Expenditures: | | | | | |
| Current: | | | | | |
| Security of Persons and Property | 2,111,025 | - | 796,667 | 6,753 | 2,914,445 |
| Public Health and Welfare | 46,262 | - | - | - | 46,262 |
| Leisure Time Activities | 75,443 | - | - | - | 75,443 |
| Community Environment | 161,862 | - | - | - | 161,862 |
| Transportation | - | 2,100,642 | - | - | 2,100,642 |
| General Government | 419,134 | - | - | - | 419,134 |
| Other | 54,003 | - | - | 98,017 | 152,020 |
| Capital Outlay | - | - | - | 110,463 | 110,463 |
| Debt Service: | | | | | |
| Principal Retirement | - | 51,667 | 51,666 | 51,667 | 155,000 |
| Interest and Fiscal Charges | - | 869 | 869 | 2,533 | 4,271 |
| Total Expenditures | 2,867,729 | 2,153,178 | 849,202 | 269,433 | 6,139,542 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (59,266) | (218,692) | 220,079 | 12,669 | (45,210) |
| Other Financing Sources (Uses): | | | | | |
| Proceeds from Long Term Loans | 93,000 | 806,333 | 201,334 | 41,333 | 1,142,000 |
| Sale of Capital Assets | 7,136 | - | - | - | 7,136 |
| Transfers - In | - | - | - | 110,333 | 110,333 |
| Transfers - Out | (90,333) | - | - | (20,000) | (110,333) |
| Total Other Financing Sources (Uses) | 9,803 | 806,333 | 201,334 | 131,666 | 1,149,136 |
| Change in Fund Balance | (49,463) | 587,641 | 421,413 | 144,335 | 1,103,926 |
| Fund Balances at Beginning of Year | 1,631,212 | 487,364 | 585,779 | 781,269 | 3,485,624 |
| Fund Balances at End of Year | <u>\$ 1,581,749</u> | <u>\$ 1,075,005</u> | <u>\$ 1,007,192</u> | <u>\$ 925,604</u> | <u>\$ 4,589,550</u> |

See accompanying notes to the basic financial statements

CITY OF TRENTON, OHIO
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

| | |
|---|----------------------------|
| Net Change in Fund Balances - total governmental funds | \$ 1,103,926 |
| 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. | 1,723,093 |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | 52,707 |
| 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. | (992,760) |
| 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>5,501</u> |
| Change in net position of governmental activities | <u><u>\$ 1,892,467</u></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, 2014

GENERAL FUND

| | Budget | | Actual | Variance Positive (Negative) |
|---|---------------------|---------------------|---------------------|------------------------------------|
| | Initial | Final | | |
| <u>Revenues:</u> | | | | |
| Property and Other Local Taxes | \$ 560,052 | \$ 521,500 | \$ 478,686 | \$ (42,814) |
| Income Taxes | 1,735,201 | 1,615,755 | 1,590,392 | (25,363) |
| Intergovernmental | 260,212 | 242,300 | 256,016 | 13,716 |
| Charges for Services | 131,556 | 122,500 | 113,623 | (8,877) |
| Licenses and Permits | 76,679 | 71,401 | 68,125 | (3,276) |
| Investment Earnings | 19,331 | 18,000 | 17,710 | (290) |
| Special Assessments | 86,451 | 80,500 | 77,473 | (3,027) |
| Fines and Forfeitures | 116,628 | 108,600 | 105,773 | (2,827) |
| Other All Revenue | 75,152 | 69,979 | 61,958 | (8,021) |
| Total Revenue | 3,061,262 | 2,850,535 | 2,769,756 | (80,779) |
| <u>Expenditures:</u> | | | | |
| Current: | | | | |
| Security of Persons and Property | 2,271,533 | 2,383,184 | 2,131,244 | 251,940 |
| Public Health and Welfare Services | 75,205 | 75,205 | 69,384 | 5,821 |
| Community Environment | 227,187 | 227,187 | 175,236 | 51,951 |
| General Government | 561,611 | 465,171 | 489,929 | (24,758) |
| Other | 55,326 | 55,326 | 67,671 | (12,345) |
| Total Expenditures | 3,190,862 | 3,206,073 | 2,933,464 | 272,609 |
| Excess of Revenues Over (Under) Expenditures | (129,600) | (355,538) | (163,708) | 191,830 |
| <u>Other Financing Sources (Uses):</u> | | | | |
| Other Financing Sources | - | - | 41,881 | 41,881 |
| Income Tax Refunds | (35,000) | (35,000) | (36,230) | (1,230) |
| Proceeds of Notes | - | - | 93,000 | 93,000 |
| Sale of Capital Assets | 7,517 | 7,000 | 7,136 | 136 |
| Transfers - In | - | - | - | - |
| Transfers - Out | (217,333) | (217,333) | (160,333) | 57,000 |
| Total Other Financing Sources (Uses) | (244,816) | (245,333) | (54,546) | 190,787 |
| Change in Net Position | (374,416) | (600,871) | (218,254) | 382,617 |
| Fund Balances at Beginning of Year | 1,612,124 | 1,612,124 | 1,612,124 | - |
| Prior Year Encumbrances | 60,866 | 60,866 | 60,866 | - |
| Fund Balances at End of Year | \$ 1,298,574 | \$ 1,072,119 | \$ 1,454,736 | \$ 382,617 |

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, 2014

STREET FUND

| | Budget | | Actual | Variance Positive (Negative) |
|--|-------------------|-------------------|-------------------|------------------------------------|
| | Initial | Final | | |
| <u>Revenues:</u> | | | | |
| Intergovernmental | \$ 2,169,329 | \$ 2,728,615 | \$ 1,907,633 | \$ (820,982) |
| Investment Earnings | 1,113 | 1,400 | 977 | (423) |
| Other All Revenue | 11,528 | 14,500 | 25,138 | 10,638 |
| Total Revenue | <u>2,181,970</u> | <u>2,744,515</u> | <u>1,933,748</u> | <u>(810,767)</u> |
| <u>Expenditures:</u> | | | | |
| Current: | | | | |
| Transportation | 2,349,976 | 2,354,576 | 2,192,145 | 162,431 |
| Debt Service: | | | | |
| Principal Retirement | 51,667 | 51,667 | 51,667 | - |
| Interest and Fiscal Charges | 869 | 869 | 869 | - |
| Total Expenditures | <u>2,402,512</u> | <u>2,407,112</u> | <u>2,244,681</u> | <u>162,431</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (220,542) | 337,403 | (310,933) | (648,336) |
| <u>Other Financing Sources:</u> | | | | |
| Proceeds of Notes | - | 56,333 | 806,333 | 750,000 |
| Total Other Financing Sources | <u>-</u> | <u>56,333</u> | <u>806,333</u> | <u>750,000</u> |
| Change in Net Position | (220,542) | 393,736 | 495,400 | 101,664 |
| Fund Balances at Beginning of Year | 397,688 | 397,688 | 397,688 | - |
| Prior Year Encumbrances | 79,479 | 79,479 | 79,479 | - |
| Fund Balances at End of Year | <u>\$ 256,625</u> | <u>\$ 870,903</u> | <u>\$ 972,567</u> | <u>\$ 101,664</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, 2014

FIRE LEVY FUND

| | Budget | | Actual | Variance Postive (Negative) |
|---|-------------------|-------------------|---------------------|-----------------------------------|
| | Initial | Final | | |
| Revenues: | | | | |
| Property and Other Local Taxes | \$ 742,468 | \$ 716,000 | \$ 677,530 | \$ (38,470) |
| Intergovernmental | 97,599 | 94,120 | 138,638 | 44,518 |
| Charges for Services | 207,393 | 200,000 | 199,453 | (547) |
| Investment Earnings | 104 | 100 | 1,174 | 1,074 |
| Other All Revenue | 2,074 | 2,000 | 52,486 | 50,486 |
| | <u>1,050,156</u> | <u>1,012,720</u> | <u>1,069,281</u> | <u>56,561</u> |
| Total Revenue | | | | |
| Expenditures: | | | | |
| Current: | | | | |
| Security of Persons and Property | 844,005 | 863,441 | 834,905 | 28,536 |
| Debt Service: | | | | |
| Principal Retirement | 51,666 | 71,666 | 51,666 | 20,000 |
| Interest and Fiscal Charges | 870 | 2,870 | 869 | 2,001 |
| | <u>896,541</u> | <u>937,977</u> | <u>887,440</u> | <u>50,537</u> |
| Total Expenditures | | | | |
| Excess of Revenues Over Expenditures | 153,615 | 74,743 | 181,841 | 107,098 |
| Other Financing Sources: | | | | |
| Proceeds of Notes | 208,777 | 201,334 | 201,334 | - |
| Change in Net Position | 362,392 | 276,077 | 383,175 | 107,098 |
| Fund Balances at Beginning of Year | 631,157 | 631,157 | 631,157 | - |
| Prior Year Encumbrances | 5,515 | 5,515 | 5,515 | - |
| | <u>\$ 999,064</u> | <u>\$ 912,749</u> | <u>\$ 1,019,847</u> | <u>\$ 107,098</u> |
| Fund Balances at End of Year | | | | |

See accompanying notes to the basic financial statements

CITY OF TRENTON, OHIO
STATEMENT OF NET POSITION
ENTERPRISE FUNDS
DECEMBER 31, 2014

BUSINESS-TYPE ACTIVITIES--ENTERPRISE FUNDS

| | Water | Sewer | Refuse | Nonmajor Enterprise Funds | Totals |
|--|---------------------|---------------------|-------------------|---------------------------------|----------------------|
| Assets: | | | | | |
| Current Assets: | | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$ 446,177 | \$ 2,424,362 | \$ 432,353 | \$ 562,119 | \$ 3,865,011 |
| Receivables (net of allowances for doubtful accounts) | | | | | |
| Accounts | 152,199 | 164,455 | 138,014 | 39,342 | 494,010 |
| Special Assessments | - | 20,999 | - | - | 20,999 |
| Total Current Assets | <u>598,376</u> | <u>2,609,816</u> | <u>570,367</u> | <u>601,461</u> | <u>4,380,020</u> |
| Noncurrent Assets: | | | | | |
| Prepaid Bond Insurance | 48,459 | - | - | - | 48,459 |
| Nondepreciable Capital Assets: | | | | | |
| Land | 2,508,698 | - | - | - | 2,508,698 |
| Depreciable Capital Assets: | | | | | |
| Plant | 5,427,601 | - | - | - | 5,427,601 |
| Water and Sewer Lines | 2,767,538 | 1,845,620 | - | - | 4,613,158 |
| Improvements Other than Buildings | 238,771 | 94,470 | - | - | 345,196 |
| Machinery, Equipment and Vehicles | 1,122,391 | 546,438 | 46,732 | 11,955 | 1,957,361 |
| Less: Accumulated Depreciation | <u>(3,286,099)</u> | <u>(1,694,487)</u> | <u>(31,817)</u> | <u>(155,493)</u> | <u>(5,167,896)</u> |
| Total Capital Assets (net of accumulated depreciation) | 8,778,900 | 792,041 | 14,915 | 98,262 | 9,684,118 |
| Total Noncurrent Assets | <u>8,827,359</u> | <u>792,041</u> | <u>14,915</u> | <u>98,262</u> | <u>9,732,577</u> |
| Total Assets | <u>9,425,735</u> | <u>3,401,857</u> | <u>585,282</u> | <u>699,723</u> | <u>14,112,597</u> |
| Deferred Outflows of Resources: | | | | | |
| Deferred Charge on Refunding | 352,732 | - | - | - | 352,732 |
| Total Assets and Deferred Outflows of Resources | <u>\$ 9,778,467</u> | <u>\$ 3,401,857</u> | <u>\$ 585,282</u> | <u>\$ 699,723</u> | <u>\$ 14,465,329</u> |

CITY OF TRENTON, OHIO
STATEMENT OF NET POSITION
ENTERPRISE FUNDS
DECEMBER 31, 2014

BUSINESS-TYPE ACTIVITIES--ENTERPRISE FUNDS

| | Water | Sewer | Refuse | Nonmajor Enterprise Funds | Totals |
|--|---------------------|---------------------|-------------------|---------------------------------|----------------------|
| Liabilities: | | | | | |
| <i>Current Liabilities:</i> | | | | | |
| Accounts Payable | \$ 34,136 | \$ 8,903 | \$ 1,053 | \$ 12,383 | \$ 56,475 |
| Contracts Payable | - | - | 49,079 | - | 49,079 |
| Accrued Wages and Benefits | 27,704 | 17,095 | 15,635 | 791 | 61,225 |
| Due to Other Governments | 480 | 58,840 | - | - | 59,320 |
| Accrued Interest Payable | 12,030 | 887 | 46 | 776 | 13,739 |
| Notes Payable | 1,961,333 | 59,334 | 6,000 | 49,333 | 2,076,000 |
| Compensated Absences Payable - Current | 19,683 | 15,264 | 13,738 | 2,192 | 50,876 |
| OPWC Loans Payable - Current | - | 42,650 | - | - | 42,650 |
| Refunded Revenue Bonds Payable - Current | 275,000 | - | - | - | 275,000 |
| Total Current Liabilities | <u>2,330,366</u> | <u>202,973</u> | <u>85,551</u> | <u>65,475</u> | <u>2,684,364</u> |
| <i>Noncurrent Liabilities:</i> | | | | | |
| Customer Deposits Payable | - | - | - | 155,325 | 155,325 |
| Compensated Absences Payable | 28,354 | 21,988 | 19,791 | 3,157 | 73,291 |
| OPWC Loans Payable | - | 597,100 | - | - | 597,100 |
| Refunded Revenue Bonds Payable | 6,533,487 | - | - | - | 6,533,487 |
| Total Noncurrent Liabilities | <u>6,561,841</u> | <u>619,088</u> | <u>19,791</u> | <u>158,482</u> | <u>7,359,203</u> |
| Total Liabilities | <u>8,892,207</u> | <u>822,061</u> | <u>105,342</u> | <u>223,957</u> | <u>10,043,567</u> |
| Net Position: | | | | | |
| Net Investment in Capital Assets | 9,080 | 92,957 | 8,915 | 48,928 | 159,880 |
| Unrestricted | 877,180 | 2,486,839 | 471,025 | 426,838 | 4,261,882 |
| Total Net Position | <u>886,260</u> | <u>2,579,796</u> | <u>479,940</u> | <u>475,766</u> | <u>4,421,762</u> |
| Total Net Position and Liabilities | <u>\$ 9,778,467</u> | <u>\$ 3,401,857</u> | <u>\$ 585,282</u> | <u>\$ 699,723</u> | <u>\$ 14,465,329</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, 2014

| | BUSINESS-TYPE ACTIVITIES--ENTERPRISE FUNDS | | | | |
|--|--|---------------------|-------------------|---------------------------------|---------------------|
| | Water | Sewer | Refuse | Nonmajor Enterprise Funds | Totals |
| <u>Operating Revenues:</u> | | | | | |
| Charges for Services | \$ 1,758,169 | \$ 1,462,155 | \$ 1,021,631 | \$ 217,484 | \$ 4,459,439 |
| Other Operating Revenues | 24,609 | 3,513 | 2,594 | 441 | 31,157 |
| Total Operating Revenues | <u>1,782,778</u> | <u>1,465,668</u> | <u>1,024,225</u> | <u>217,925</u> | <u>4,490,596</u> |
| <u>Operating Expenses:</u> | | | | | |
| Personal Services | 562,727 | 364,491 | 277,829 | 40,358 | 1,245,405 |
| Materials and Supplies | 262,987 | 45,643 | 19,933 | 26,840 | 355,403 |
| Contractual Services | 67,590 | 669,907 | 538,327 | 123,913 | 1,399,737 |
| Other Operating Expenses | 90,299 | 18,320 | 36,977 | 57,370 | 202,966 |
| Depreciation | 204,983 | 48,295 | 3,883 | 14,341 | 271,502 |
| Total Operating Expenses | <u>1,188,586</u> | <u>1,146,656</u> | <u>876,949</u> | <u>262,822</u> | <u>3,475,013</u> |
| Operating Income (Loss) | 594,192 | 319,012 | 147,276 | (44,897) | 1,015,583 |
| <u>Non-Operating Revenues (Expenses):</u> | | | | | |
| Investment Earnings | 30,932 | - | - | 49 | 30,981 |
| Interest and Fiscal Charges | (117,448) | (804) | (46) | (691) | (118,989) |
| Loss on Disposal of Capital Assets | (2,828) | (2,828) | - | (2,828) | (8,484) |
| Total Non-Operating Revenues (Expenses) | <u>(89,344)</u> | <u>(3,632)</u> | <u>(46)</u> | <u>(3,470)</u> | <u>(96,492)</u> |
| Change in Net Position | 504,848 | 315,380 | 147,230 | (48,367) | 919,091 |
| Total net position - Beginning (Restated) | <u>381,412</u> | <u>2,264,416</u> | <u>332,710</u> | <u>524,133</u> | <u>3,502,671</u> |
| Total net position - Ending | <u>\$ 886,260</u> | <u>\$ 2,579,796</u> | <u>\$ 479,940</u> | <u>\$ 475,766</u> | <u>\$ 4,421,762</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, 2014**

| | BUSINESS-TYPE ACTIVITIES--ENTERPRISE FUNDS | | | | |
|---|--|---------------------|-------------------|---------------------------------|---------------------|
| | Water | Sewer | Refuse | Nonmajor Enterprise Funds | Totals |
| Change in Cash and Cash Equivalents | | | | | |
| <u>Cash Flows from Operating Activities:</u> | | | | | |
| Cash Received from Customers | \$ 1,770,263 | \$ 1,495,487 | \$ 981,046 | \$ 305,587 | \$ 4,552,383 |
| Cash Paid for Employee Services and Benefits | (556,502) | (361,357) | (274,464) | (40,214) | (1,232,537) |
| Cash Paid to Suppliers for Goods and Services | (315,398) | (712,772) | (588,660) | (151,410) | (1,768,240) |
| Other Operating Revenues | 26,744 | 3,321 | 2,450 | 422 | 32,937 |
| Other Operating Expenses | (84,042) | (17,736) | (36,556) | (72,847) | (211,181) |
| Net Cash Provided by Operating Activities | 841,065 | 406,943 | 83,816 | 41,538 | 1,373,362 |
| <u>Cash Flows from Noncapital Financing Activities:</u> | | | | | |
| Cash Received from Assessments | - | 4,358 | - | - | 4,358 |
| Short term advance repayment | (14,781) | - | - | - | (14,781) |
| Net Cash Provided by Noncapital Financing Activities | (14,781) | 4,358 | - | - | (10,423) |
| <u>Cash Flows from Capital and Related Financing Activities:</u> | | | | | |
| Face Value from Sale of Long Term Notes | 1,961,333 | 59,333 | 6,000 | 49,334 | 2,076,000 |
| Acquisition and Construction of Assets | (7,904) | (24,782) | (5,774) | (7,551) | (46,011) |
| Principal Paid on Revenue Anticipation Notes | (2,046,666) | (51,667) | - | (51,667) | (2,150,000) |
| Principal Paid on Revenue Bonds | (210,000) | - | - | - | (210,000) |
| Principal Paid on OPWC Payable | - | (42,650) | - | - | (42,650) |
| Interest and Fiscal Charges Paid on All Debt | (234,340) | (869) | - | (869) | (236,078) |
| Net Cash Provided by (Used for) Capital and Related Financing Activities | (537,577) | (60,635) | 226 | (10,753) | (608,739) |
| <u>Cash Flows from Investing Activities:</u> | | | | | |
| Interest (net of market fluctuations) | 30,932 | - | - | 49 | 30,981 |
| Net Cash Provided By Investing Activities | 30,932 | - | - | 49 | 30,981 |
| Net Change in Cash and Cash Equivalents | 319,639 | 350,666 | 84,042 | 30,834 | 785,181 |
| Cash and Cash Equivalents at Beginning of Year | 126,538 | 2,073,696 | 348,311 | 531,285 | 3,079,830 |
| Cash and Cash Equivalents at End of Year | \$ 446,177 | \$ 2,424,362 | \$ 432,353 | \$ 562,119 | \$ 3,865,011 |
| Net Cash Provided by Operating Activities: | | | | | |
| Operating Income (Loss) | \$ 594,192 | \$ 319,012 | \$ 147,276 | \$ (44,897) | \$ 1,015,583 |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities: | | | | | |
| Depreciation Expense | 204,983 | 48,295 | 3,883 | 14,341 | 271,502 |
| Change in Assets and Liabilities: | | | | | |
| (Increase) Decrease in Accounts Receivable | 11,806 | 33,140 | (40,729) | 22 | 4,239 |
| Decrease in Prepaid Bond Insurance | 2,423 | - | - | - | 2,423 |
| Increase (Decrease) in Accounts Payables | 21,343 | 5,870 | (1,648) | 1,984 | 27,549 |
| (Decrease) in Contracts Payables | - | - | (28,283) | - | (28,283) |
| Increase (Decrease) in Accrued Wages and Benefits | 4,005 | 1,495 | 2,630 | (410) | 7,720 |
| Increase (Decrease) in Due to Other Governments | 160 | (2,470) | - | - | (2,310) |
| Increase in Compensated Absences Payable | 2,153 | 1,601 | 687 | 554 | 4,995 |
| Increase in Deposits Payable | - | - | - | 69,944 | 69,944 |
| Total Adjustments | 246,873 | 87,931 | (63,460) | 86,435 | 357,779 |
| Net Cash Provided by Operating Activities | \$ 841,065 | \$ 406,943 | \$ 83,816 | \$ 41,538 | \$ 1,373,362 |

See accompanying notes to the basic financial statements

CITY OF TRENTON, OHIO
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
DECEMBER 31, 2014

| | <u>Totals</u> |
|---|-------------------------|
| Assets: | |
| Cash and Cash Equivalents in Segregated Accounts | <u>\$ 19,072</u> |
| Total Assets | <u><u>19,072</u></u> |
| Liabilities: | |
| Due to Other Governments | 19,072 |
| Total Liabilities | <u><u>\$ 19,072</u></u> |

See accompanying notes to the basic financial statements

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

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, with the exception of the Treasurer, who is appointed by City Council.

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.

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.

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

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*.

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.

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

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 including long term notes, as well as compensated absences, are recorded only when payment is due.

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.

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

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 the fire department.

The City reports the following major enterprise 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.

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

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.

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.

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

Estimated resources

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

Appropriations

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

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.

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

Lapsing of appropriations

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

Cash and cash equivalents

Cash balances of the City's funds, except cash held by the fiscal agent and restricted cash, are pooled and invested in short-term investments in order to provide improved cash management. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the statement of net assets and fund balance sheets. Interest income is distributed to the funds according to Ohio Constitution, state statutes and the City's investment policy that was adopted by local ordinance. Investment income credit to the General Fund during 2014 was \$19,373, which includes \$5,897 assigned from other funds. The Street, Fire Levy, Motor Vehicle License and Indigent Driver's Alcohol Treatment Nonmajor Special Revenue Funds and Water and Utility Deposit Enterprise Funds also received \$977; \$1,174; \$123; \$72; \$30,932 and \$49 respectively in interest during 2014.

During 2014, investments were limited to STAR Ohio, U.S. governmental agency notes, certificates of deposit, and treasuries and money market mutual funds. Investments are reported at fair value which is based on quoted market prices.

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 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.

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

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.

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

Accrued Liabilities and Long-Term Obligations

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

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

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, long term notes payable 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.

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 2014, 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.

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

-Committed fund balances are balances the City Council has formally allocated as stabilization funds maintained in a separate fund.

-Assigned fund balances are balances for which the City administration has specified the future use such as encumbrances and other specific funds without a restricted revenue source.

-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.

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

The City passed a fund balance policy during 2013 that lays out the guidelines for minimum fund balance requirements. The policy attempts to maintain the following cash balances by fund: General Fund – five months operating expenditures; Water, Sewer and Stormwater Enterprise funds – six months operating expenses; Refuse fund – three months operating expenses; Street fund – annual operating expense, General fund stabilization fund – ten percent General Fund appropriations and Employee Termination Fund – GAAP calculation compensated absences due within one year amount.

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.

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
FOR THE YEAR ENDED DECEMBER 31, 2014

Deferred Outflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources until then. The City only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position and enterprise fund statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the remaining life of the refunded debt.

Deferred Inflows of Resources

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, 2014, but which were levied to finance fiscal year 2014 operations, have been recorded as deferred inflows of resources. Payment in lieu of taxes, grants and entitlements received before the eligibility requirements are met are also 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
FOR THE YEAR ENDED DECEMBER 31, 2014

Reconciliation of Government-Wide and Fund Financial Statements

An 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 \$4,645,904 difference are as follows:

| | |
|--|-------------|
| Capital Assets | \$7,955,464 |
| Accumulated Depreciation | (3,309,560) |
| Net Adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i> | \$4,645,904 |

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.

This is the amount by which capital outlays were exceeded by depreciation and disposals in the current period. The details of this \$1,723,093 are as follows:

| | |
|---|-------------|
| Current capital additions | \$1,914,525 |
| Net loss on disposal of assets | (3,152) |
| Depreciation Expense | (188,280) |
| Net Adjustment – capital assets to increase <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i> | \$1,723,093 |

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

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 (\$992,760) are as follows:

| | |
|--|-------------|
| Principal paid on long term debt | \$154,998 |
| Issuance of long term notes payable | (1,142,000) |
| Change in interest payable | (5,759) |
| Net Adjustment - current financial resources focus to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net position – governmental activities</i> | (\$992,760) |

3. Restatement of Net Position

In fiscal year 2013, the City refunded the mortgage revenue bonds in the Water Fund. As part of that refunding, the City purchased investments at a premium to generate greater interest revenue. The result was the bonds carrying value exceeded the par value. The proper treatment was to amortize that premium over the remaining life. The investments had two interest maturities in fiscal year 2013 that required \$143,756 amortization of the premium. The City recognized a \$287,512 carrying value loss in fiscal year 2014 when the investments matured at par value. The City has restated the business type activities and Water enterprise fund for \$143,756. In fiscal year 2013, the City reported the long term note payable in two governmental funds and three enterprise funds. During fiscal year 2014, the note was repaid from three governmental funds and three enterprise funds. The following table shows the restatement of the beginning net position:

| | Governmental- Type Activities | Business-Type Activities | Water Funds |
|--|-------------------------------------|-----------------------------|----------------|
| Net Position at December 31, 2013 | \$6,908,981 | \$3,615,427 | \$514,834 |
| Amortization of Investment Premium | 0 | (143,756) | (143,756) |
| Reclassification of Long Term Note | (31,000) | 31,000 | 10,334 |
| Restated Net Position at December 31, 2013 | \$6,877,981 | \$3,502,671 | \$381,412 |
| | Sewer Fund | Non-Major Enterprise | |
| Net Position at December 31, 2013 | \$2,254,083 | \$513,800 | |
| Reclassification of Long Term Note | 10,333 | 10,333 | |
| Restated Net Position at December 31, 2013 | \$2,264,416 | \$524,133 | |

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

4. Budget to GAAP Reconciliation:

Budgetary basis of accounting

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

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

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

| | <u>General Fund</u> | <u>Street Fund</u> | <u>Fire Levy</u> |
|-----------------------|---------------------|--------------------|------------------|
| GAAP Basis | (\$49,463) | \$587,641 | \$421,413 |
| Adjustments: | | | |
| Revenue Accruals | (57,704) | (738) | 0 |
| Expenditure Accruals | 16,681 | 43,882 | (13,424) |
| Encumbrances | (121,904) | (135,385) | (24,814) |
| Transfers | (70,000) | 0 | 0 |
| Fund Reclassification | 64,136 | 0 | 0 |
| Budget Basis | <u>(\$218,254)</u> | <u>\$495,400</u> | <u>\$383,175</u> |

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

5. Deposits and Investments:

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

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- 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

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS
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- Obligations of the City.

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the 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 \$4,430,581.

Custodial Credit Risk

As of December 31, 2014, \$880,448 of the City's bank balance of \$4,523,980 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 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.

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

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, 2014 are summarized below:

| <u>Categorized Investments</u> | <u>Fair Value</u> <u>Under One Year</u> | <u>Credit Rating</u> | <u>Concentration</u> <u>Percentage</u> |
|--------------------------------|--|----------------------|---|
| STAR Ohio | \$4,022,975 | S& P - AAAm | 96.36% |
| Money Market Mutual Funds | 151,838 | S& P - AAAm | 3.64% |
| Total | <u>\$4,174,813</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.

Concentration of Credit Risk

The City places no limit on the amount it may invest in any one issuer. These are the only investments greater than five percent required to be disclosed.

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

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.

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

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Trenton. The County Auditor periodically remits to the City its portion of the taxes collected. The full tax rate for all City operations for the year ended December 31, 2014, was \$7.74 (\$3.24 operating and \$4.50 fire levy) per \$1,000 of assessed valuation.

The assessed values of real and tangible personal property upon which 2014 property tax receipts were based are as follows:

| <u>Category</u> | <u>Assessed Value</u> |
|---|-----------------------|
| Real Property | \$164,590,180 |
| Public Utility Tangible Personal Property | 8,483,490 |
| Total Property Tax | \$173,073,670 |

Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies that are measurable as of December 31, 2014. 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 2014 operations. The receivable is therefore offset by a credit reported as deferred inflows of resources 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.

CITY OF TRENTON, OHIO
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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 2014, the proceeds were allocated to the General Fund. Net income tax revenue for 2014 was \$1,609,437.

8. Receivables:

Receivables at December 31, 2014, consisted of property taxes, income taxes, special assessments, intergovernmental receivables arising from grants, entitlements and shared revenues, interest on investments and utility accounts. All receivables are considered fully collectible.

A summary of intergovernmental receivables follows:

| <u>Fund/Description</u> | <u>Amount</u> |
|--|-------------------------|
| Governmental Activities | |
| <u>MAJOR FUNDS</u> | |
| <i>General Fund:</i> | |
| Local Government Revenue | \$87,950 |
| Homestead and Rollback | 73,133 |
| Total General Fund | <u>161,083</u> |
| <i>Street Fund:</i> | |
| Motor Vehicle License Tax | 199,654 |
| Gas Tax | 37,316 |
| Total Street Fund | <u>236,970</u> |
| <i>Fire Levy Fund:</i> | |
| Homestead and Rollback | <u>103,428</u> |
| <u>NONMAJOR FUNDS</u> | |
| <i>Permissive Motor Vehicle License Fund</i> | |
| Permissive Tax | <u>40,380</u> |
| Total for Governmental Activities | <u><u>\$541,861</u></u> |

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

9. Capital Assets:

Changes in Capital Assets during the year ended December 31, 2014, were as follows:

| | Balance 12/31/13 | Increases | Decreases | Balance 12/31/14 |
|--|---------------------|-------------|------------|---------------------|
| Governmental Activities: | | | | |
| Capital Assets, not being depreciated: | | | | |
| Land | \$423,473 | \$0 | \$0 | \$423,473 |
| Construction In Progress | 219,225 | 1,536,589 | 0 | 1,755,814 |
| Total Capital Assets not being depreciated | 642,698 | 1,536,589 | 0 | 2,179,287 |
| Capital Assets, being depreciated: | | | | |
| Buildings | 1,813,147 | 0 | 0 | 1,813,147 |
| Improvements other than Buildings | 690,477 | 6,000 | 0 | 696,477 |
| Machinery, Equipment and Vehicles | 2,901,465 | 371,936 | (6,848) | 3,266,553 |
| Total Capital Assets being depreciated | 5,405,089 | 377,936 | (6,848) | 5,776,177 |
| Accumulated Depreciation: | | | | |
| Buildings | (731,158) | (40,195) | 0 | (771,353) |
| Improvements other than Buildings | (113,936) | (13,882) | 0 | (127,818) |
| Machinery, Equipment and Vehicles | (2,279,882) | (134,203) | 3,696 | (2,410,389) |
| Total Accumulated Depreciation | (3,124,976) | (188,280) | 3,696 | (3,309,560) |
| Net Capital Assets, being depreciated | 2,280,113 | 189,656 | (3,152) | 2,466,617 |
| Governmental Activities Capital Assets | 2,922,811 | 1,726,245 | (\$3,152) | 4,645,904 |
| Business Type Activities | | | | |
| Capital Assets, not being depreciated | | | | |
| Land | 2,508,698 | \$0 | \$0 | \$2,508,698 |
| Capital Assets, being depreciated | | | | |
| Plant | 5,427,601 | 0 | 0 | 5,427,601 |
| Water and Sewer Lines | 4,613,158 | 0 | 0 | 4,613,158 |
| Improvements other than Buildings | 345,196 | 0 | 0 | 345,196 |
| Machinery, Equipment and Vehicles | 1,921,955 | 46,011 | (10,605) | 1,957,361 |
| Total Capital Assets being depreciated | 12,307,910 | 46,011 | (10,605) | 12,343,316 |
| Accumulated Depreciation: | | | | |
| Plant | (1,025,110) | (112,675) | 0 | (1,137,785) |
| Water and Sewer Lines | (2,284,341) | (77,100) | 0 | (2,361,441) |
| Improvements other than Buildings | (64,919) | (7,424) | 0 | (72,343) |
| Machinery, Equipment and Vehicles | (1,522,024) | (74,303) | 0 | (1,596,327) |
| Total Accumulated Depreciation | (4,896,394) | (271,502) | 0 | (5,167,896) |
| Net Capital Assets, being depreciated | 7,411,516 | (225,491) | (10,605) | 7,175,420 |
| Business Type Activities Capital Assets | \$9,920,214 | (\$225,491) | (\$10,605) | \$9,684,118 |

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

* Depreciation expense was charged to governmental functions as follows:

| | |
|--|-------------------------|
| Governmental Activities: | |
| Security of Persons and Property | \$47,326 |
| Leisure Time Activities | 21,462 |
| Community Environment | 3,617 |
| Public Health and Welfare | 1,181 |
| Transportation | 33,674 |
| General Government | 81,020 |
| | <hr/> |
| Total Depreciation Expense - governmental activities | <u><u>\$188,280</u></u> |

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

| | |
|---|-------------------------|
| Business Type Activities: | |
| Water | \$204,983 |
| Sewer | 48,295 |
| Refuse | 3,883 |
| Non-major enterprise | 14,341 |
| | <hr/> |
| Total Depreciation Expense - business-type activities | <u><u>\$271,502</u></u> |

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 retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Pension and Combined Plans. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 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.

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

- 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, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension 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.

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, 2014, 2013, and 2012 were \$130,850, \$136,021, and \$213,875 respectively. The full amount has been contributed for 2013 and 2012. 95 percent has been contributed for 2014 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.

From January 1, 2014 to July 1, 2014, plan members are required to contribute 10.75 percent of their annual covered salary. From July 2, 2014 to December 31, 2014, plan members are required to contribute 11.50 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, 2014, 2013, and 2012 were \$187,228, \$110,107, and \$131,583 respectively. The full amount has been contributed for 2013 and 2012. 97 percent has been contributed for 2014 with the remainder being reported as a liability within the respective funds.

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

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 OPERS meets the definition of an Other Post-employment Benefit (OPEB) as described in GASB Statement 45. OPERS' eligibility requirements for post-employment health care coverage changed for those retiring on and after January 1, 2015. Please see the Plan Statement in the OPERS 2013 CAFR for details.

The Ohio Revised Code permits, but does not require, OPERS to provide OPEB benefits to its eligible benefit recipients. Authority to establish and amend health care coverage 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 2014, state and local employers contributed at a rate of 14% of earnable salary. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB plan.

OPERS' Post-Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. For 2014, the employer contribution allocated to the members in the Traditional Plan and the Combined Plan was 2% of covered payroll. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

The City's actual contributions for health care to OPERS for the years ending December 31, 2014, 2013, and 2012 were \$27,110, \$3,934, and \$85,761 respectively. The full amount has been contributed for 2013 and 2012. 95 percent has been contributed for 2014 with the remainder being reported as a liability within the respective funds.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of employer contributions towards the health care fund after the end of the transition period.

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 statutory survivor benefit 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.

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, 2014, the employer contribution allocated to the health care plan was 0.50% 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).

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

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, 2014, 2013, and 2012 were \$4,615, \$59,213, and \$69,604 respectively. The full amount has been contributed for 2013 and 2012. 97 percent has been contributed for 2014 with the remainder being reported as a liability within the respective funds.

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 two to one 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, while the employees pay 10 percent of the monthly premium. The premium varies with each employee depending on the coverage elected such as employee only, employee plus spouse, employee plus children, or family plan. Dental insurance is offered to employees through Dental Care Plus for all full-time employees. The City pays 90 percent of the monthly premium, while the employees pay 10 percent of the monthly premium. The premium varies with each employee depending on the coverage elected, just as with healthcare. Life insurance is provided through Standard Life Insurance to all full-time employees with \$20,000 coverage at no cost to the employees.

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

The City changed to a high deductible healthcare plan with Community Mutual Anthem Blue Cross/Blue Shield during 2014, which provided the employees with the opportunity to participate in employee Health Savings Accounts (HSA). The health savings account is a tax exempt trust or custodial account that is set up with a qualified HSA trustee to pay or reimburse certain medical expenses incurred. The Anthem policy period was extended to December 1, 2015 upon conversion to the new plan.

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 received insurance from the Public Entities Pool of Ohio, (PEP), a joint self-insurance pool. The coverage period is December 20, 2013 to December 20, 2014 extended to December 20, 2015. This pool provides joint and cooperative pooling of financial and administrative resources, as well as risk management services and risk sharing facilities to its members, and defends and protects against liability.

General liability, police professional liability, employee practices liability, stop gap liability, and public officials' liability have a \$9 million limit each occurrence (no annual aggregate). Auto liability has a \$9 million limit of liability per accident. Property coverage is limited to the value of the property, as is boiler and machinery, EDP equipment and Inland Marine equipment.

Property insurance has a \$1,000 deductible, and boiler and machinery has a \$1,000 deductible, EDP has a \$500 deductible, while Inland Marine also has a \$500 deductible. General liability and Stop Gap have a \$0 deductible, employee practice liability, police professional and public officials' have deductibles of \$1,000. Auto liability and physical damage has \$500 deductible for comprehensive and collision.

Crime coverage was underwritten by Travelers Insurance Company, with a policy period of December 20, 2013 to December 20, 2014 extended to December 20, 2015. The limit is \$100,000 and the deductible 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
FOR THE YEAR ENDED DECEMBER 31, 2014

Workers' Compensation

For fiscal year 2014, 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 assess loss experience for three years following the last year of participation.

14. Long-Term Obligations:

Changes in long-term obligations during 2014 were as follows:

| | Restated Balance 12/31/13 | Increase | Decrease | Balance 12/31/14 | Due within one year |
|---|---------------------------------|--------------------|--------------------|---------------------|------------------------|
| Governmental Activities: | | | | | |
| Long Term Notes Payable – Building | \$155,000 | \$124,000 | \$155,000 | \$124,000 | \$124,000 |
| Long Term Notes Payable – Vehicles | 0 | 268,000 | 0 | 268,000 | 268,000 |
| Long Term Notes Payable – Street Imp. | 0 | 750,000 | 0 | 750,000 | 750,000 |
| Compensated Absences Payable | 189,921 | 841,579 | 847,079 | 184,421 | 76,681 |
| Total – Governmental Activities | 344,921 | 1,983,579 | 1,002,079 | 1,326,421 | 1,218,681 |
| Business -Type Activities: | | | | | |
| Refunding Water Revenue Bond | 7,080,000 | 0 | 210,000 | 6,870,000 | 275,000 |
| Discount on Revenue Bonds | (64,589) | 0 | 3,076 | (61,513) | 0 |
| Ohio Public Works Commission Loan | 682,400 | 0 | 42,650 | 639,750 | 42,650 |
| Long Term Notes Payable – Water | 1,850,000 | 1,800,000 | 1,850,000 | 1,800,000 | 1,800,000 |
| Long Term Notes Payable – Orbit | 145,000 | 120,000 | 145,000 | 120,000 | 120,000 |
| Long Term Notes Payable – Building | 155,000 | 124,000 | 155,000 | 124,000 | 124,000 |
| Long Term Notes Payable – Vehicles | 0 | 32,000 | 0 | 32,000 | 32,000 |
| Compensated Absences Payable | 119,172 | 575,316 | 570,321 | 124,167 | 50,876 |
| Total – Business - Type Activities | \$9,966,983 | \$2,651,316 | \$2,976,047 | \$9,648,404 | \$2,444,526 |

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

The water system improvement refunding revenue bond was issued in February 2013 at a variable interest rate from 0.60% to 3.47% over twenty-two years. Interest is paid semi-annually. The bond was issued at a net discount 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. The proceeds from the refunding bond issuance retired the 2004 revenue bonds on December 1, 2014 which were defeased during fiscal year 2013.

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.

The \$1,800,000 enterprise 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 6, 2014 at a 0.75 percent interest rate and mature on January 20, 2015.

The \$120,000 enterprise 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 January 20, 2015. The notes were issued on March 6, 2014 at a 1.75 percent interest rate.

The \$248,000 note was issued for building acquisition that will be used by different services within the City. The note will be retired from the six funds (three governmental and three enterprise). They are backed by the full faith and credit of the respective operating revenue or general obligation credit of the City and mature on January 20, 2015. The notes were issued on January 21, 2014 at a 1.75 percent interest rate.

The \$750,000 note was issued for street improvement that was used for the City's matching requirement in the Wayne Madison Road widening grant. The note will be retired from the debt service funds. They are backed by the general obligation credit of the City and mature on January 20, 2015. The notes were issued on July 17, 2014 at a 1.50 percent interest rate.

The \$300,000 note was issued for vehicle acquisition that will be used by different services within the City. The note will be retired from the six funds (three governmental and three enterprise). They are backed by the full faith and credit of the respective operating revenue or general obligation credit of the City and mature on January 20, 2015. The notes were issued on March 6, 2014 at a 1.50 percent interest rate.

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

Compensated absences will be paid from the fund from which the employee is paid. As of December 31, 2014 the City's overall voted legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$17,030,735 and the unvoted legal debt margin was \$8,377,052. Annual debt service requirements to maturity for the Water Revenue Refunding Bonds are as follows:

| BUSINESS-TYPE ACTIVITIES | | | |
|---------------------------------|--------------------|--------------------|--------------------|
| Water Refunding Revenue Bonds | | | |
| Years | Principal | Interest | Total |
| 2015 | \$275,000 | \$180,468 | \$455,468 |
| 2016 | 280,000 | 174,968 | 454,968 |
| 2017 | 285,000 | 169,368 | 454,368 |
| 2018 | 290,000 | 163,668 | 453,668 |
| 2019 | 295,000 | 157,868 | 452,868 |
| 2020-2024 | 1,585,000 | 694,868 | 2,279,868 |
| 2025-2029 | 1,785,000 | 488,474 | 2,273,474 |
| 2030-2034 | 2,075,000 | 205,560 | 2,280,560 |
| Totals | <u>\$6,870,000</u> | <u>\$2,235,242</u> | <u>\$9,105,242</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 |
| 2015 | \$42,650 | \$0 | \$42,650 |
| 2016 | 42,650 | 0 | 42,650 |
| 2017 | 42,650 | 0 | 42,650 |
| 2018 | 42,650 | 0 | 42,650 |
| 2019 | 42,650 | 0 | 42,650 |
| 2020-2024 | 213,250 | 0 | 213,250 |
| 2025-2029 | 213,250 | 0 | 213,250 |
| Totals | <u>\$639,750</u> | <u>\$0</u> | <u>\$639,750</u> |

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

CITY OF TRENTON, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

The following bond was collateralized by either 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, 2014:

| <u>Revenue Bond</u> | <u>Maturity Date</u> | <u>Interest Rate</u> | <u>Principal Balance as of 12/31/14</u> |
|--|----------------------|----------------------|---|
| McCullough-Hyde Memorial Hospital Inc. | 03/22/2017 | 4.66 | \$222,530 |

15. Short Term Note

A summary of the note transactions for the year ended December 31, 2014, follows:

| <u>Fund</u> | <u>Balance 12/31/13</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance 12/31/14</u> |
|-----------------------|-------------------------|------------------|------------------|-------------------------|
| NONMAJOR FUNDS | | | | |
| Capital Improvement | \$80,000 | \$40,000 | \$80,000 | \$40,000 |

The \$40,000 note was issued to extend a gas line to the Trenton business park. The note will be retired from the general Debt Service Fund. It is backed by the full faith and credit of the respective operating revenue or general obligation credit of the City and matures on January 20, 2015. The note was issued on July 17, 2014 at a 5.13 percent interest rate and is considered taxable.

16. Transfers

Following is a summary of transfers in and out for all funds for 2014:

| <u>Fund</u> | <u>Transfers In</u> | <u>Transfers Out</u> |
|------------------------------|---------------------|----------------------|
| MAJOR FUNDS | | |
| General | \$0 | \$90,333 |
| Non-Major Governmental Funds | 110,333 | 20,000 |
| Total All Funds | <u>\$110,333</u> | <u>\$110,333</u> |

The transfers from the General Fund to the other governmental funds are to help support those functions. The General Fund transfers of \$70,000 to the Parks and Recreation Fund (which is reported within the General Fund under GASB 54 so that transfer was consolidated); \$2,500 to the Enforcement and Education Fund; \$34,833 to the Capital Improvement Fund and \$53,000 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
FOR THE YEAR ENDED DECEMBER 31, 2014

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 \$3,658 to OKI during 2014. 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
FOR THE YEAR ENDED DECEMBER 31, 2014

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:

| Fund Balance | General | Street | Fire Levy | Other |
|---------------------------|--------------------|--------------------|--------------------|------------------|
| Nonspendable: | | | | |
| Unclaimed Monies | \$1,197 | \$0 | \$0 | \$0 |
| Restricted: | | | | |
| Public Works | 0 | 1,075,005 | 0 | 702,216 |
| Public Safety | 0 | 0 | 1,007,192 | 66,397 |
| Debt Service | 0 | 0 | 0 | 69,901 |
| Capital Improvements | 0 | 0 | 0 | 14,249 |
| Committed: | | | | |
| Budget Stabilization | 398,366 | 0 | 0 | 0 |
| Assigned: | | | | |
| Employee Benefits | 113,378 | 0 | 0 | 0 |
| Parks and Recreation | 28,998 | 0 | 0 | 0 |
| Employee accounts | 192 | 0 | 0 | 0 |
| Cash Bond | 275 | 0 | 0 | 0 |
| Capital Improvements | 0 | 0 | 0 | 72,841 |
| Encumbrances | 98,737 | 0 | 0 | 0 |
| Unassigned | 940,606 | 0 | 0 | 0 |
| Total Fund Balance | \$1,581,749 | \$1,075,005 | \$1,007,192 | \$925,604 |

19. 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.

20. Subsequent Events

On January 20, 2015, the City issued \$2,231,000 of bond anticipation notes at a 0.75 interest rate that retired the 2014 bond anticipation notes for the public services building, water system improvements, various purpose judgment and vehicle acquisition. The note will mature on January 19, 2016.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

City of Trenton
Butler County
11 East State Street
Trenton, OH 45067

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Trenton, Butler County (the City) as of and for the year ended December 31, 2014,, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 6, 2015.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the City's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the City's financial statements. 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. We consider finding 2014-001 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

City's Response to Findings

The City's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the City's response and, accordingly, we express no opinion on it.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

August 6, 2015

**CITY OF TRENTON
BUTLER COUNTY**

SCHEDULE OF FINDINGS

DECEMBER 31, 2014

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

Material Weakness

Ohio Admin. Code Section 117-2-02(A) states, in part, that all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code.

We identified the following conditions related to the City's accounting records and financial statements:

- Homestead and Rollback receipts totaling \$72,733 in the Fire Fund were include twice in Intergovernmental Revenues; this adjustment was posted to the financial statements and underlying accounting records.
- The City recorded an incorrect amount as Customer Deposits Payable in the Non Major Enterprise Funds at December 31, 2014, resulting in a proposed audit adjustment to increase the payable by \$69,944; this adjustment was posted to the financial statements and underlying accounting records.
- On-behalf payments totaling \$61,246 from the Ohio Department of Transportation for the Wayne Madison Road project were not posted to the City's revenue or expenditure ledger. This adjustment was not posted to the financial statements and underlying accounting records.
- Intergovernmental Receivable from Ohio Public Works Commission in the amount of \$67,358 was not reported. This adjustment was not posted to the financial statements and underlying accounting records.
- Accounts Receivable in the Water Fund, the Sewer Fund, the Refuse Fund and Non-Major Enterprise Funds were calculated using the wrong billing amounts resulting in an understatement of \$58,839, \$50,783, \$34,818 and \$3,249 respectively; the financial statements and underlying accounting records were adjusted for the error in the Refuse Fund.
- Two items were capitalized and included in Capital Assets that did not meet the requirements for capitalization resulting in an overstatement of \$11,319. This adjustment was not posted to the financial statements and underlying accounting records.

Failure to accurately post financial activity can lead to material misstatements in financial reporting. We recommend due care be exercised when posting entries to the financial records and annual financial report to prevent errors and to assist in accurately reflecting the City's financial activity in the underlying accounting records and the annual financial statements. We also recommend that management adopt procedures to periodically review posting of activity recorded in the underlying accounting records and reported in the annual financial statements.

Officials' Response

The City has put controls into place with the consultant to verify the proper amounts are reported for homestead/rollback receivables and evaluated procedures for reporting the accounts receivable/customer deposits in the various enterprise funds. Those procedures were discussed with the consultant for implementation in the conversion process starting next year, for the 2015 audit.

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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
AUGUST 25, 2015**