

**CITY OF TRENTON, OHIO**

Basic Financial Statements

Year Ended December 31, 2019

With Independent Auditors' Report





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City of Trenton  
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We have reviewed the *Independent Auditors' Report* of the City of Trenton, Butler County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2019 through December 31, 2019. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Keith Faber  
Auditor of State  
Columbus, Ohio

August 4, 2020

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## TABLE OF CONTENTS

Independent Auditors' Report.....	1 - 2	
Management's Discussion and Analysis .....	4 - 15	
Basic Financial Statements:		
Government-wide Financial Statements		
Statement of Net Position .....	16	
Statement of Activities .....	17	
Fund Financial Statements		
Balance Sheet – Governmental Funds .....	18 - 19	
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds .....	20 - 21	
Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual (Non-GAAP Budgetary Basis) – General Fund .....	22	
Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual (Non-GAAP Budgetary Basis) – Police Levy Fund .....	23	
Statement of Revenue, Expenditures and Changes in Fund Balance Budget and Actual (Non-GAAP Budgetary Basis) – Fire Levy Fund .....	24	
Statement of Net Position – Enterprise Funds .....	26 - 27	
Statement of Revenues, Expenses and Changes in Fund Net Position – Enterprise Funds .....	28	
Statement of Cash Flows – Enterprise Funds .....	29	
Notes to Basic Financial Statements .....	31 - 86	
Required Supplementary Information:		
Schedules of the City's Proportionate Share of the Net Pension Liability		
Ohio Public Employees Retirement System .....	87	
Schedules of City's Pension Contributions		
Ohio Public Employees Retirement System .....	88	
Schedules of the City's Proportionate Share of the Net Pension Liability		
Ohio Police and Fire Pension Fund .....	89	
Schedules of City's Pension Contributions		
Ohio Police and Fire Pension Fund .....	90	
Schedules of the City's Proportionate Share of the Net OPEB Liability		
Ohio Public Employees Retirement System .....	91	
Schedules of City's OPEB Contributions		
Ohio Public Employees Retirement System .....	92	
Schedules of the City's Proportionate Share of the Net OPEB Liability		
Ohio Police and Fire Pension Fund .....	93	
Schedules of City's Pension OPEB Contributions		
Ohio Police and Fire Pension Fund .....	94	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....		95 - 96
Schedule of Findings and Responses .....	97	
Schedule of Prior Audit Findings .....	98	

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## **INDEPENDENT AUDITORS' REPORT**

To the City Council  
City of Trenton:

### **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 ("the City"), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Trenton as of December 31, 2019, and the respective changes in financial position and, where applicable,

cash flows thereof and the respective budgetary comparisons for the General Fund, Police Levy Fund and the Fire Levy Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matters***

As discussed in Note 3 to the financial statements, during the year ended December 31, 2019, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

As discussed in Note 20 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures may impact subsequent periods of the City. Our opinion is not modified with respect to this matter.

***Other Matters***

***Required Supplementary Information***

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2020 on our consideration of City of Trenton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Trenton's internal control over financial reporting and compliance.

*Clark, Schaefer, Hackett & Co.*

Cincinnati, Ohio  
June 29, 2020



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**CITY OF TRENTON, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**  
**(UNAUDITED)**

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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, 2019. 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 2019 are as follows:

- ❑ Total assets and deferred outflows of the City exceeded its total liabilities and deferred inflows at the close of the year ended December 31, 2019, by \$18,112,295 (net position). This amount was reduced by the City's reporting of \$10,271,217 of net pension/OPEB liability in the governmental and business-type activities.
- ❑ The City's net position increased by \$2,901,160, which represents a 19.07% increase from the 2018 restated net position. The increase was split across the governmental (93%) and business type activities (7%.)
- ❑ At the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$8,540,296. Of this amount \$3,159,586 is available for spending (unassigned General Fund balance) on behalf of its citizens, mainly for the necessary services, such as general government operations.
- ❑ At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,159,586, or 207% of total General Fund expenditures.
- ❑ The City's major enterprise funds reflected positive ending net positions: Water Fund \$3,616,890; Sewer Fund \$3,464,247; and Refuse Fund \$457,450.

**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, 2019**  
**(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 2019?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets, deferred outflows, liabilities and deferred inflows 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, fire, 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 two categories: governmental funds and proprietary funds. Fund financial reports provide detailed information about the City's major funds. Based on restrictions on the use of

**CITY OF TRENTON, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**  
**(UNAUDITED)**

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, Police Levy, Fire Levy, Tax Increment Equivalent, 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.

*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.

*Required Supplementary Information (RSI):* The RSI provide additional information about the City's net pension/OPEB liabilities and the required contributions under the respective plans.

**CITY OF TRENTON, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**  
**(UNAUDITED)**

**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 and deferred outflows exceeded liabilities and deferred inflows by \$18,112,295 (\$10,176,905 in governmental activities and \$7,935,390 in business-type activities) as of December 31, 2019. 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 \$8,843,611. 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 2019 compared to 2018.

	Governmental Activities		Business-Type Activities		Total	
	2019	2018 Restated	2019	2018	2019	2018 Restated
Current and Other Assets	\$12,396,942	\$11,178,570	\$7,793,162	\$7,295,310	\$20,190,104	\$18,473,880
Capital Assets	8,299,312	8,277,937	9,697,033	9,861,739	17,996,345	18,139,676
Total Assets	20,696,254	19,456,507	17,490,195	17,157,049	38,186,449	36,613,556
Deferred Outflows	2,567,911	1,324,165	962,540	625,150	3,530,451	1,949,315
Total Assets and Deferred Outflows	23,264,165	20,780,672	18,452,735	17,782,199	41,716,900	38,562,871
Long-term liabilities	10,150,424	7,427,630	9,090,085	8,357,353	19,240,509	15,784,983
Other liabilities	447,009	3,117,683	1,390,121	1,350,073	1,837,130	4,467,756
Total Liabilities	10,597,433	10,545,313	10,480,206	9,707,426	21,077,639	20,252,739
Deferred Inflows	2,489,827	2,751,389	37,139	347,608	2,526,966	3,098,997
Total Liabilities and Deferred Inflows	13,087,260	13,296,702	10,517,345	10,055,034	23,604,605	23,351,736
Net Position:						
Net Investment in						
Capital Assets	5,497,393	5,464,172	3,346,218	3,263,986	8,843,611	8,728,158
Restricted	5,337,243	2,731,291	0	0	5,337,243	2,731,291
Unrestricted	(657,731)	(711,493)	4,589,172	4,463,179	3,931,441	3,751,686
Total Net Position	\$10,176,905	7,483,970	\$7,935,390	\$7,727,165	\$18,112,295	15,211,135
GASB 84 Restatement		(14,706)				(14,706)
Prior Year Report Net Position		\$7,469,264				\$15,196,429

**CITY OF TRENTON, OHIO**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**  
**(UNAUDITED)**

In prior years, the City adopted GASB Statement 68, “Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27,” which significantly revises accounting for pension costs and liabilities. The City also adopted GASB Statement 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pension,” which significantly revises accounting for other postemployment benefit (OPEB) costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City’s actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension/OPEB costs, GASB 27 and GASB 45 focused on a funding approach. This approach limited pension/OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan’s *net pension/net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension/OPEB accounting; however, the nature of Ohio’s statewide pension/OPEB systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and net OPEB liability to equal the City’s proportionate share of each plan’s collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees’ past service.
2. Minus plan assets available to pay these benefits

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the “employment exchange” – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension/OPEB promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefits recipients. The retirement systems may allocate a portion of the employer contributions to provide these OPEB benefits.

**CITY OF TRENTON, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**  
**(UNAUDITED)**

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension/OPEB liability. As explained above, changes in pension/OPEB benefits, contribution rates, and return on investments affect the balance of the net pension/OPEB liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension/OPEB payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension/OPEB liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the City's statements prepared on an accrual basis of accounting include an annual pension/OPEB expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

A 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 \$5,337,243 or 29.47% of net position. The remaining unrestricted \$3,931,441 net position may be used to meet the City's ongoing obligations to its citizens and creditors and for business-type activities.

During 2019, the City saw the total assets in governmental activities increase \$1,239,747 as the City saw the cash balance increase during the year due to solid fiscal management. The City saw governmental-activities long term liabilities increase by \$2,722,794 while the other liabilities decreased by \$2,670,674. The main reason for the variance is the short-term fire construction note payable was converted to a general obligation bond during the year. Overall, the net position for the City increased by over 36% with the cash balance increase and the large decrease in the Ohio Police and Fire net OPEB liability compared to the increases in the Ohio Public Employees Retirement System net pension and OPEB liabilities. The business-type activities saw very little net position increase during the year as all four activities only increased by \$208,225 for the year.

**CITY OF TRENTON, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**  
**(UNAUDITED)**

Table 2 provides a summary of the City's statement of activities for 2019 compared to 2018.

Statement of Activities

	Governmental Activities		Business-Type Activities		Total	
	2019	2018 restated	2019	2018	2019	2018 restated
Revenues:						
Program Revenues:						
Charges for Services	\$735,941	\$1,024,810	\$5,255,163	\$5,196,950	\$5,991,104	\$6,221,760
Operating Grants and Contributions	681,094	481,118	0	0	681,094	481,118
Capital Grants and Contributions	0	42,416	0	0	0	42,416
General Revenues:						
Income Taxes	2,023,865	2,033,311	0	0	2,023,865	2,033,311
Property Taxes	2,046,870	1,994,819	0	0	2,046,870	1,994,819
Other Taxes	480,385	419,839	0	0	480,385	419,839
Unrestricted Grants	544,484	563,144	0	0	544,484	563,144
Investment Earnings	333,299	213,147	20,356	14,274	353,655	227,421
Other Revenues	66,109	34,658	0	0	66,109	34,658
Total Revenues	6,912,047	6,807,332	5,275,519	5,211,224	12,187,566	12,018,556
Expenses:						
Security of Persons and Property	1,872,340	3,880,965	0	0	1,872,340	3,880,965
Public Health and Welfare	91,149	51,973	0	0	91,149	51,973
Leisure Time Activities	222,146	102,131	0	0	222,146	102,131
Community Environment	350,430	228,822	0	0	350,430	228,822
Transportation	916,452	560,946	0	0	916,452	560,946
General Government	522,141	561,346	0	0	522,141	561,346
Other	82,026	181,527	0	0	82,026	181,527
Interest and Fiscal Charges	178,428	61,399	0	0	178,428	61,399
Water	0	0	2,062,129	1,712,636	2,062,129	1,712,636
Sewer	0	0	1,514,985	1,262,132	1,514,985	1,262,132
Stormwater Management	0	0	290,097	238,676	290,097	238,676
Refuse	0	0	1,183,083	1,113,840	1,183,083	1,113,840
Total Expenses	4,236,112	5,629,109	5,050,294	4,327,284	9,286,406	9,956,393
Transfers	17,000	20,000	(17,000)	(20,000)	0	0
Change in Net Position	2,692,935	1,198,223	208,225	863,940	2,901,160	2,062,163
Beginning Net Position	7,469,264	8,899,864	7,727,165	7,568,366	15,196,429	16,468,230
Restatement	14,706	(2,628,823)	0	(705,141)	14,706	(3,333,964)
Ending Net Position	\$10,176,905	\$7,469,264	\$7,935,390	\$7,727,165	\$18,112,295	\$15,196,429

*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 2019, the expenses were \$1.87 million, representing 44.20% (compared to 68.94% for 2018) of governmental activity spending, yielding a reliance on general revenues to fund the program of approximately \$1.53 million after direct support to their programs. The function also saw the largest decrease with the negative Ohio Police and Fire OPEB expenses (\$2,124,091) recognized with the net OPEB liability. The amount presented for 2018 was \$212,539 representing a significant variance between the two years.



**CITY OF TRENTON, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**  
**(UNAUDITED)**

The remaining functions, except interest and fiscal charges, saw a net increase of \$498,599 as the other reported pension and OPEB expenses related to the Ohio Public Employees Retirement system exceeded the prior year amount by \$505,185.

*Business-Type Activities*

The City's business-type activities include the water, sewer, refuse, utility deposits and stormwater management systems. The water and sewer activities had sufficient revenues to cover expenses resulting in an increase in the net position by 4.56%. The other enterprise funds relied on the beginning net position to cover the operating deficit for the year.

The business-type activities saw the charges for services increase by just over 1% with the additional customers. The expenses for the Water increased over 20% as the City spent additional funds on items that didn't qualify for capitalization.

**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, unassigned 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 2019, the City's governmental funds reported combined ending fund balances of \$8.54 million (up from \$4.71 million in 2018). The increase can be attributed to the reported note payable in 2018 that was refinanced into a long-term general obligation bond. The cash balance also increased \$1.06 million as the City executed a solid financial plan for the year. Approximately \$3.16 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, 2019, the unassigned General Fund balance was \$3.16 million with a total fund balance of \$3.49 million. As a measure of liquidity, it is often useful to compare these numbers to total General Fund expenditures. Unassigned fund balance represents approximately 207% of the total expenditures, while total fund balance represents 229% of that same amount.

**CITY OF TRENTON, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**  
**(UNAUDITED)**

During 2019, the City's General Fund ending balance increased by \$0.50 million even though \$1.6 million was transferred out to other funds, specifically \$1.55 million to the Police Levy Fund.

The City's other major governmental funds are the Police Levy, Fire Levy and Tax Increment Equivalent. The Police Levy Fund saw property tax collections of \$0.81 million but needed \$1.55 million from the General Fund to cover operating expenditures of almost \$2.4 million. The fund balance did increase \$0.19 million.

The Fire Levy Fund's main source of revenue is property tax which is 64.38% of all revenues and the EMS charges account for 21.54% of revenues. The fund balance increased by \$2.78 million as the short term note payable was paid off with long term obligation bond proceeds, which are addressed on the statement of net position.

The Tax Increment Equivalent fund receives the majority of revenue from tax incremental revenue on three residential incentive districts (89.08%).

The City saw the fund balance in the nonmajor funds increase by \$0.14 million, with General Fund transfers of \$77,500 into the debt service, capital improvement and property rehab nonmajor funds to help offset the negative cash flow. The permissive tax revenues of \$88,211 helped fund future capital improvement needs as there were no expenditures in the fund during 2019.

**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 2019, 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.

**CITY OF TRENTON, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**  
**(UNAUDITED)**

The following table summarizes the major revenue sources and expenditures from original to final budget for 2019:

Description	Original Budget	Final Budget	Change
<b>Revenues:</b>			
Property and Other Taxes	\$551,000	\$561,000	\$10,000
Income Taxes	2,004,380	2,024,380	20,000
Intergovernmental	243,520	268,520	25,000
Other	590,871	619,753	28,882
<b>Total Revenues</b>	<b>3,389,771</b>	<b>3,473,653</b>	<b>83,882</b>
<b>Expenditures:</b>			
Security of Persons/Property	515,274	515,274	0
Public Health and Welfare	101,945	103,085	1,140
Community Environment	272,254	300,454	28,200
General Government	551,811	573,311	21,500
Other Expenditures	111,122	111,122	0
<b>Total Expenditures</b>	<b>1,552,406</b>	<b>1,603,246</b>	<b>50,840</b>

The City amended the original revenue budget several times as the City realized the total revenue would be more for property and income tax and various items classified as other revenues increased such as interest earnings.

For expenditures, the City increased the line items slightly as several items related to materials and supplies as well as professional services increased. The following table summarizes the major revenue sources and expenditures from final budget to actual results for 2019:

Description	Final Budget	Actual	Change
<b>Revenues:</b>			
Property and Other Taxes	\$561,000	\$530,556	(\$30,444)
Income Taxes	2,024,380	2,042,158	17,778
Intergovernmental Revenue	268,520	295,246	26,726
Other Revenues	619,753	648,912	29,159
<b>Total Revenues</b>	<b>3,473,653</b>	<b>3,516,872</b>	<b>43,219</b>
<b>Expenditures:</b>			
Security of Persons/Property	515,274	437,749	77,525
Public Health and Welfare	103,085	102,894	191
Community Environment	300,454	306,388	(5,934)
General Government	573,311	537,222	36,089
Other Expenditures	111,122	69,484	41,638
<b>Total Expenditures</b>	<b>1,603,246</b>	<b>1,453,737</b>	<b>149,509</b>

**CITY OF TRENTON, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**  
**(UNAUDITED)**

The City's final revenues were just 1.3% over the final budget although no one item really resulted in much of a variance. The City's certificate of estimated resources doesn't detail the lines other than property taxes. The City's continued efforts to update the estimated certificate allowed these amounts to remain close although income taxes continued to improve during the year.

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 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 2019, this effort resulted in bringing actual expenses in approximately \$150,000 less than what was budgeted.

### **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, 2019, amounts to \$8.84 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 2019. The City has had limited funding to provide for governmental capital asset acquisition and construction. The City saw governmental-type activities capital assets add net \$228,331 as the additions to the depreciable assets barely exceeded the current year depreciation. The City added several properties during the fiscal year. For more information on the governmental and business-type capital assets see Note 9 in the notes to the financial statements.

*Long-term Debt:* At the end of 2019, the City had \$5.45 million in revenue bonds outstanding on the refunding water system improvements bonds and \$2.565 million in general obligation bonds for the fire station project. The City issued several new bond anticipation notes for various projects totaling \$1.23 million. See Notes 14 and 15 for further information on the City's debt.

### **Economic Factors affecting the City**

Located towards the center of Butler County, the City provides the home town appeal to almost 14,000 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 2018 <https://www.census.gov/quickfacts/fact/chart/trentoncityohio/PST045218>

**CITY OF TRENTON, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**  
**(UNAUDITED)**

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 decreased about \$9,400 from 2018 (after increasing \$245,000 between 2017 and 2018). The income tax covers the general fund functions of the City by 140% (cash basis). Although a significant amount of the general fund revenue is transferred to the Police Levy fund to help support those operating expenditures.

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 ensure 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](http://www.ci.trenton.oh.us).

**CITY OF TRENTON, OHIO**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2019**

	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>	<u>Component Unit</u>
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 8,523,584	\$ 7,104,327	\$ 15,627,911	\$ 125
Receivables (net of allowance for doubtful accounts):				
Taxes - Real and Personal Property	2,051,623	-	2,051,623	-
Taxes - Municipal Income	824,259	-	824,259	-
Accounts	69,402	652,491	721,893	-
Interest	16,302	-	16,302	-
Payment in Lieu of Taxes	279,278	-	279,278	-
Due from Other Governments	632,494	-	632,494	-
Prepaid Bond Insurance	-	36,344	36,344	-
Nondepreciable Assets:				
Land	646,739	1,934,961	2,581,700	-
Construction In Progress	61,961	232,919	294,880	-
Depreciable Assets:				
Plant	-	5,427,601	5,427,601	-
Water and Sewer Lines	-	5,713,630	5,713,630	-
Buildings and Improvements	4,960,902	-	4,960,902	-
Improvements other than Buildings	3,485,411	480,318	3,965,729	-
Machinery, Equipment and Vehicles	3,849,338	2,431,128	6,280,466	-
Less: Accumulated Depreciation	(4,705,039)	(6,523,524)	(11,228,563)	-
<b>Total Assets</b>	<b>20,696,254</b>	<b>17,490,195</b>	<b>38,186,449</b>	<b>125</b>
<b>Deferred Outflows of Resources:</b>				
Pensions	1,953,440	622,779	2,576,219	-
OPEB	614,471	75,209	689,680	-
Deferred Charge on Refunding	-	264,552	264,552	-
<b>Total Deferred Outflows of Resources</b>	<b>2,567,911</b>	<b>962,540</b>	<b>3,530,451</b>	<b>-</b>
<b>Liabilities:</b>				
Accounts Payable	80,835	29,211	110,046	-
Contracts Payable	-	62,231	62,231	-
Accrued Wages and Benefits	106,636	47,074	153,710	-
Due to Other Governments	8,959	69,789	78,748	-
Deposits Payable	-	194,258	194,258	-
Accrued Interest Payable	10,579	2,558	13,137	-
General Obligation Notes Payable	240,000	985,000	1,225,000	-
Long Term Liabilities due within 1 year	174,437	417,795	592,232	-
Long Term Liabilities due over 1 year				
Net Pension Liabilities	5,840,521	2,150,678	7,991,199	-
Net OPEB Liabilities	1,351,157	928,861	2,280,018	-
Other Long Term Liabilities	2,784,309	5,592,751	8,377,060	-
<b>Total Liabilities</b>	<b>10,597,433</b>	<b>10,480,206</b>	<b>21,077,639</b>	<b>-</b>
<b>Deferred Inflows of Resources:</b>				
Pensions	60,391	34,222	94,613	-
OPEB	135,853	2,917	138,770	-
Payments in Lieu of Taxes	279,278	-	279,278	-
Property Tax Levy for Next Fiscal Year	2,014,305	-	2,014,305	-
<b>Total Deferred Inflows of Resources</b>	<b>2,489,827</b>	<b>37,139</b>	<b>2,526,966</b>	<b>-</b>
<b>Net Position:</b>				
Net Investment in Capital Assets	5,497,393	3,346,218	8,843,611	-
Restricted:				
Transportation	1,028,873	-	1,028,873	-
Protection of Citizens	2,770,175	-	2,770,175	-
Debt Service	43,571	-	43,571	-
Capital Improvements	1,494,624	-	1,494,624	-
Unrestricted	(657,731)	4,589,172	3,931,441	125
<b>Total Net Position</b>	<b>\$ 10,176,905</b>	<b>\$ 7,935,390</b>	<b>\$ 18,112,295</b>	<b>\$ 125</b>

See accompanying notes to the basic financial statements

**CITY OF TRENTON, OHIO  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2019**

Function/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government			
				Governmental Activities	Business-Type Activities	Total	
<b>Governmental Activities:</b>							
Security of Persons and Property	\$ (1,873,340)	\$ 347,042	-	\$ (1,526,298)	\$ -	\$ (1,526,298)	\$ -
Public Health and Welfare	(91,149)	-	-	(91,149)	-	(91,149)	-
Leisure Time Activities	(222,146)	58,719	-	(163,427)	-	(163,427)	-
Community Environment	(350,430)	88,772	50,000	(211,658)	-	(211,658)	-
Transportation	(916,452)	-	631,094	(285,358)	-	(285,358)	-
General Government	(522,141)	151,281	-	(370,860)	-	(370,860)	-
Other Expenditures	(82,026)	90,127	-	8,101	-	8,101	-
Interest and Fiscal Charges	(178,428)	-	-	(178,428)	-	(178,428)	-
Total Governmental Activities	(4,236,112)	735,941	681,094	(2,819,077)	-	(2,819,077)	-
<b>Business-Type Activities:</b>							
Water	(2,062,129)	2,203,170	-	-	141,041	141,041	-
Sewer	(1,514,985)	1,679,132	-	-	164,147	164,147	-
Stormwater Management	(290,097)	244,349	-	-	(45,748)	(45,748)	-
Refuse	(1,183,083)	1,128,512	-	-	(54,571)	(54,571)	-
Total Business - Type Activities	(5,050,294)	5,255,163	-	-	204,869	204,869	-
Total	(9,286,406)	5,991,104	681,094	(2,819,077)	204,869	(2,614,208)	-
<b>General Revenues and Transfers:</b>							
Income Taxes				2,023,865	-	2,023,865	-
Property Taxes				2,046,870	-	2,046,870	-
Franchise Fee Taxes				121,589	-	121,589	-
Payment in Lieu of Taxes				266,863	-	266,863	-
Permissive Sales Tax				91,933	-	91,933	-
Grants and Contributions not restricted to specific programs				544,484	-	544,484	-
Unrestricted investment earnings				333,299	20,356	353,655	-
Miscellaneous				66,109	-	66,109	-
Total General Revenues				5,495,012	20,356	5,515,368	-
Transfers				17,000	(17,000)	-	-
Changes in Net Position				2,692,935	208,225	2,901,160	-
Net Position - Beginning (Restated)				7,483,970	7,727,165	15,211,135	125
Net Position - Ending				\$ 10,176,905	\$ 7,935,390	\$ 18,112,295	\$ 125

See accompanying notes to the basic financial statements

**CITY OF TRENTON, OHIO  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2019**

	General	Police Levy	Fire Levy	Tax Increment Equivalent	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>						
Equity in Pooled Cash and Cash Equivalents	\$ 3,402,474	\$ 642,728	\$ 2,010,503	\$ 1,476,220	\$ 991,659	\$ 8,523,584
Receivables (net of allowance for doubtful accounts):						
Taxes - Real and Personal Property	535,514	816,368	699,741	-	-	2,051,623
Taxes - Municipal Income	824,259	-	-	-	-	824,259
Accounts	31,480	2,725	35,083	-	114	69,402
Interest	16,302	-	-	-	-	16,302
Payment in Lieu of Taxes	-	-	-	279,278	-	279,278
Due from Other Governments	149,363	57,557	49,928	-	375,646	632,494
<b>Total Assets</b>	<b>4,959,392</b>	<b>1,519,378</b>	<b>2,795,255</b>	<b>1,755,498</b>	<b>1,367,419</b>	<b>12,396,942</b>
<b>Liabilities:</b>						
Accounts Payable	43,139	10,846	5,892	-	20,958	80,835
Accrued Wages and Benefits	30,046	62,530	3,325	-	10,735	106,636
Due to Other Governments	8,959	-	-	-	-	8,959
Accrued Interest Payable	221	-	-	-	403	624
General Obligation Notes Payable	175,000	-	-	-	65,000	240,000
<b>Total Liabilities</b>	<b>257,365</b>	<b>73,376</b>	<b>9,217</b>	<b>-</b>	<b>97,096</b>	<b>437,054</b>
<b>Deferred Inflows of Resources:</b>						
Property Tax Levy for Next Fiscal Year	525,674	801,572	687,059	-	-	2,014,305
Delinquent Property Tax	9,840	14,796	12,682	-	-	37,318
Payments in Lieu of Taxes Levied for Next Fiscal Year	-	-	-	279,278	-	279,278
Income Taxes	516,202	-	-	-	-	516,202
Intergovernmental Revenue	129,998	55,364	46,518	-	309,474	541,354
Miscellaneous Revenues	31,135	-	-	-	-	31,135
<b>Total Deferred Inflows of Resources:</b>	<b>1,212,849</b>	<b>871,732</b>	<b>746,259</b>	<b>279,278</b>	<b>309,474</b>	<b>3,419,592</b>
<b>Fund Balances:</b>						
Nonspendable	3,078	-	-	-	-	3,078
Restricted	242,914	574,270	2,039,779	1,476,220	908,395	5,241,578
Assigned	83,600	-	-	-	52,454	136,054
Unassigned	3,159,586	-	-	-	-	3,159,586
<b>Total Fund Balances</b>	<b>3,489,178</b>	<b>574,270</b>	<b>2,039,779</b>	<b>1,476,220</b>	<b>960,849</b>	<b>8,540,296</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 4,959,392</b>	<b>\$ 1,519,378</b>	<b>\$ 2,795,255</b>	<b>\$ 1,755,498</b>	<b>\$ 1,367,419</b>	<b>\$ 12,396,942</b>

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, 2019**

Fund Balances - Governmental Funds		\$ 8,540,296
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.		8,299,312
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred inflows in the funds.		1,126,009
The net pension and OPEB liabilities are not due and payable in the current period; therefore, the liabilities and related deferred inflows/outflows are not reported in governmental funds.		
Deferred Outflows - Pension/OPEB	2,567,911	
Deferred Inflows - Pension/OPEB	(196,244)	
Net Pension/OPEB Liabilities	<u>(7,191,678)</u>	
Total		(4,820,011)
Long-term liabilities, including loans and bonds payable are not due and payable in the current period and therefore are not reported in the funds.		<u>(2,968,701)</u>
Net Position of governmental activities		<u>\$ 10,176,905</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, 2019**

	General	Police Levy	Fire Levy	Tax Increment Equivalent	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>						
Income Taxes	\$ 2,060,438	\$ -	\$ -	\$ -	\$ -	\$ 2,060,438
Property and Other Taxes	530,556	809,187	693,589	-	-	2,033,332
Intergovernmental	299,626	118,184	109,901	-	744,059	1,271,770
Charges for Services	153,858	-	232,084	-	-	385,942
Licenses and Permits	121,371	-	-	-	-	121,371
Investment Earnings	249,796	14,243	27,459	32,710	9,091	333,299
Special Assessments	90,027	-	-	-	-	90,027
Fines and Forfeitures	62,949	49,146	-	-	29,670	141,765
Payment in Lieu of Taxes	-	-	-	266,863	-	266,863
All Other Revenues	54,063	50,341	14,330	-	63,966	182,700
<b>Total Revenues</b>	<b>3,622,684</b>	<b>1,041,101</b>	<b>1,077,363</b>	<b>299,573</b>	<b>846,786</b>	<b>6,887,507</b>
<b>Expenditures:</b>						
<b>Current:</b>						
Security of Persons and Property	440,268	2,390,374	580,310	-	43,351	3,454,303
Public Health and Welfare	78,214	-	-	-	-	78,214
Leisure Time Activities	180,054	-	-	-	-	180,054
Community Environment	300,314	-	-	-	-	300,314
Transportation	-	-	-	-	528,962	528,962
General Government	518,438	-	-	-	1,118	519,556
Other	1,567	-	-	80,459	-	82,026
Capital Outlay	-	-	120,739	-	194,489	315,228
<b>Debt Service:</b>						
Principal Retirement	-	-	-	-	8,846	8,846
Interest and Fiscal Charges	3,918	-	157,468	-	7,087	168,473
<b>Total Expenditures</b>	<b>1,522,773</b>	<b>2,390,374</b>	<b>858,517</b>	<b>80,459</b>	<b>783,853</b>	<b>5,635,976</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,099,911	(1,349,273)	218,846	219,114	62,933	1,251,531
<b>Other Financing Sources (Uses):</b>						
Face Value from Sale of General Obligation Bonds	-	-	2,565,000	-	-	2,565,000
Transfers - In	29,000	1,550,000	-	-	77,500	1,656,500
Transfers - Out	(1,627,500)	(11,000)	-	-	(1,000)	(1,639,500)
<b>Total Other Financing Sources (Uses)</b>	<b>(1,598,500)</b>	<b>1,539,000</b>	<b>2,565,000</b>	<b>-</b>	<b>76,500</b>	<b>2,582,000</b>
<b>Change in Fund Balance</b>	<b>501,411</b>	<b>189,727</b>	<b>2,783,846</b>	<b>219,114</b>	<b>139,433</b>	<b>3,833,531</b>
Fund Balances (Deficit) at Beginning of Year, restated	2,987,767	384,543	(744,067)	1,257,106	821,416	4,706,765
Fund Balances at End of Year	<u>\$ 3,489,178</u>	<u>\$ 574,270</u>	<u>\$ 2,039,779</u>	<u>\$ 1,476,220</u>	<u>\$ 960,849</u>	<u>\$ 8,540,296</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, 2019**

Net Change in Fund Balances - total governmental funds	\$ 3,833,531
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.	21,375
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	24,540
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 position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(2,566,109)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.	552,147
Except for amounts reported as deferred inflows/outflows, changes in the net pension and OPEB liability are reported as pension and OPEB expense in the statement of activities.	830,920
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>(3,469)</u>
Change in net position of governmental activities	<u>\$ 2,692,935</u>

See accompanying notes to the basic financial statements

**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, 2019**

**GENERAL FUND**

	Budget		Actual	Variance Positive (Negative)
	Initial	Final		
<u>Revenues:</u>				
Property and Other Local Taxes	\$ 551,000	\$ 561,000	\$ 530,556	\$ (30,444)
Income Taxes	2,004,380	2,024,380	2,042,158	17,778
Intergovernmental	243,520	268,520	295,246	26,726
Charges for Services	108,000	118,000	153,858	35,858
Licenses and Permits	84,820	74,820	101,571	26,751
Investment Earnings	140,000	168,882	214,072	45,190
Special Assessments	86,000	86,000	90,027	4,027
Fines and Forfeitures	68,160	68,160	62,849	(5,311)
Other All Revenue	103,891	103,891	26,535	(77,356)
	<u>3,389,771</u>	<u>3,473,653</u>	<u>3,516,872</u>	<u>43,219</u>
<u>Expenditures:</u>				
Current:				
Security of Persons and Property	515,274	515,274	437,749	77,525
Public Health and Welfare Services	101,945	103,085	102,894	191
Community Environment	272,254	306,454	306,388	66
General Government	551,811	573,311	537,222	36,089
Other	111,122	105,122	69,484	35,638
	<u>1,552,406</u>	<u>1,603,246</u>	<u>1,453,737</u>	<u>149,509</u>
Excess of Revenues Over Expenditures	1,837,365	1,870,407	2,063,135	192,728
<u>Other Financing Sources (Uses):</u>				
Income Tax Refunds	-	(65,000)	(56,662)	8,338
Transfers - In	-	-	29,000	29,000
Transfers - Out	(1,735,470)	(1,759,470)	(1,807,500)	(48,030)
	<u>(1,735,470)</u>	<u>(1,824,470)</u>	<u>(1,835,162)</u>	<u>(10,692)</u>
Change in Net Position	101,895	45,937	227,973	182,036
Fund Balances at Beginning of Year	2,459,623	2,459,623	2,459,623	-
Prior Year Encumbrances	110,915	110,915	110,915	-
Fund Balances at End of Year	<u>\$ 2,672,433</u>	<u>\$ 2,616,475</u>	<u>\$ 2,798,511</u>	<u>\$ 182,036</u>

See accompanying notes to the basic financial statements

**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, 2019**

**POLICE LEVY FUND**

	Budget		Actual	Variance Postive (Negative)
	Initial	Final		
<u>Revenues:</u>				
Property and Other Local Taxes	\$ 855,360	\$ 797,738	\$ 809,187	\$ 11,449
Intergovernmental	113,200	113,200	115,991	2,791
Investment Earnings	3,400	3,400	14,243	10,843
Fines and Forfeitures	61,680	61,680	48,916	(12,764)
Other All Revenue	61,700	61,700	48,776	(12,924)
	<u>1,095,340</u>	<u>1,037,718</u>	<u>1,037,113</u>	<u>(605)</u>
<u>Expenditures:</u>				
Current:				
Security of Persons and Property	2,512,778	2,528,203	2,436,025	92,178
(Deficiency) of Revenues (Under) Expenditures	(1,417,438)	(1,490,485)	(1,398,912)	91,573
<u>Other Financing Sources (Uses):</u>				
Transfers - In	1,550,000	1,550,000	1,550,000	-
Transfers - Out	-	(3,000)	(11,000)	(8,000)
	<u>1,550,000</u>	<u>1,547,000</u>	<u>1,539,000</u>	<u>(8,000)</u>
Change in Net Position	132,562	56,515	140,088	83,573
Fund Balances at Beginning of Year	337,727	337,727	337,727	-
Prior Year Encumbrances	116,961	116,961	116,961	-
Fund Balances at End of Year	<u>\$ 587,250</u>	<u>\$ 511,203</u>	<u>\$ 594,776</u>	<u>\$ 83,573</u>

See accompanying notes to the basic financial statements

**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, 2019**

**FIRE LEVY FUND**

	Budget		Actual	Variance Positive (Negative)
	Initial	Final		
<b>Revenues:</b>				
Property and Other Local Taxes	\$ 733,165	\$ 693,165	\$ 693,589	\$ 424
Intergovernmental	98,200	98,200	106,491	8,291
Charges for Services	230,000	230,000	230,481	481
Investment Earnings	49,620	28,518	27,459	(1,059)
Other All Revenue	6,500	6,400	12,359	5,959
	<u>1,117,485</u>	<u>1,056,283</u>	<u>1,070,379</u>	<u>14,096</u>
<b>Total Revenue</b>				
<b>Expenditures:</b>				
<b>Current:</b>				
Security of Persons and Property	819,317	823,717	711,325	112,392
	<u>819,317</u>	<u>823,717</u>	<u>711,325</u>	<u>112,392</u>
<b>Total Expenditures</b>				
Change in Net Position	298,168	232,566	359,054	126,488
Fund Balances at Beginning of Year	433,371	433,371	433,371	-
Prior Year Encumbrances	52,137	52,137	52,137	-
	<u>52,137</u>	<u>52,137</u>	<u>52,137</u>	<u>-</u>
<b>Fund Balances at End of Year</b>	<u>\$ 783,676</u>	<u>\$ 718,074</u>	<u>\$ 844,562</u>	<u>\$ 126,488</u>

See accompanying notes to the basic financial statements

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**CITY OF TRENTON, OHIO  
STATEMENT OF NET POSITION  
ENTERPRISE FUNDS  
DECEMBER 31, 2019**

**BUSINESS-TYPE ACTIVITIES--ENTERPRISE FUNDS**

	Water	Sewer	Refuse	Nonmajor Enterprise Funds	Totals
<b>Assets:</b>					
<i>Current Assets:</i>					
Equity in Pooled Cash and Cash Equivalents	\$ 2,200,407	\$ 3,713,402	\$ 828,691	\$ 361,827	\$ 7,104,327
Receivables (net of allowances for doubtful accounts)	243,103	220,434	153,292	35,662	652,491
Accounts	2,443,510	3,933,836	981,983	397,489	7,756,818
<b>Total Current Assets</b>	<b>36,344</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>36,344</b>
<i>Noncurrent Assets:</i>					
Prepaid Bond Insurance	1,934,961	-	-	-	1,934,961
<i>Nondepreciable Capital Assets:</i>					
Land	10,656	222,263	-	-	232,919
<i>Depreciable Capital Assets:</i>					
Plant	5,427,601	-	-	-	5,427,601
Water and Sewer Lines	3,416,736	2,296,894	-	-	5,713,630
Improvements Other than Buildings	238,771	94,470	-	147,077	480,318
Machinery, Equipment and Vehicles	1,346,785	650,815	115,818	317,710	2,431,128
Less: Accumulated Depreciation	(4,328,549)	(1,964,585)	(60,316)	(170,074)	(6,523,524)
<b>Total Capital Assets (net of accumulated depreciation)</b>	<b>8,046,961</b>	<b>1,299,857</b>	<b>55,502</b>	<b>294,713</b>	<b>9,697,033</b>
<b>Total Noncurrent Assets</b>	<b>8,083,305</b>	<b>1,299,857</b>	<b>55,502</b>	<b>294,713</b>	<b>9,733,377</b>
<b>Total Assets</b>	<b>10,526,815</b>	<b>5,233,693</b>	<b>1,037,485</b>	<b>692,202</b>	<b>17,490,195</b>
<b>Deferred Outflows of Resources:</b>					
Pensions	284,648	218,246	96,303	23,582	622,779
OPEB	34,322	23,556	14,712	2,619	75,209
Deferred Charge on Refunding	264,552	-	-	-	264,552
<b>Total Deferred Outflows of Resources</b>	<b>583,522</b>	<b>241,802</b>	<b>111,015</b>	<b>26,201</b>	<b>962,540</b>



**CITY OF TRENTON, OHIO  
STATEMENT OF NET POSITION  
ENTERPRISE FUNDS  
DECEMBER 31, 2019**

**BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS**

	Water	Sewer	Refuse	Nonmajor Enterprise Funds	Totals
<b>Liabilities:</b>					
<i>Current Liabilities:</i>					
Accounts Payable	\$ 21,869	2,810	\$ 2,485	\$ 2,047	\$ 29,211
Contracts Payable	-	-	62,231	-	62,231
Accrued Wages and Benefits	20,896	14,723	9,932	1,523	47,074
Due to Other Governments	512	69,277	-	-	69,789
Deposits Payable	-	-	-	194,258	194,258
Accrued Interest Payable	1,441	948	169	-	2,558
Notes Payable	555,000	365,000	65,000	-	985,000
Compensated Absences Payable - Current	28,324	21,848	16,033	3,940	70,145
OPWC Loans Payable - Current	-	42,650	-	-	42,650
Refunded Revenue Bonds Payable - Current	305,000	-	-	-	305,000
<b>Total Current Liabilities</b>	<b>933,042</b>	<b>517,256</b>	<b>155,850</b>	<b>201,768</b>	<b>1,807,916</b>
<i>Noncurrent Liabilities:</i>					
Compensated Absences Payable	46,424	35,829	26,293	6,488	115,034
OPWC Loans Payable	-	383,850	-	-	383,850
Refunded Revenue Bonds Payable	5,093,867	-	-	-	5,093,867
Net OPEB Liability	424,428	363,204	108,827	32,402	928,861
Net Pension Liability	979,027	700,379	391,851	79,421	2,150,678
<b>Total Noncurrent Liabilities</b>	<b>6,543,746</b>	<b>1,483,262</b>	<b>526,971</b>	<b>118,311</b>	<b>8,672,290</b>
<b>Total Liabilities</b>	<b>7,476,788</b>	<b>2,000,518</b>	<b>682,821</b>	<b>320,079</b>	<b>10,480,206</b>
<b>Deferred Inflows of Resources:</b>					
OPEB	1,004	418	1,413	82	2,917
Pensions	15,655	10,312	6,816	1,439	34,222
<b>Total Deferred Inflows of Resources</b>	<b>16,659</b>	<b>10,730</b>	<b>8,229</b>	<b>1,521</b>	<b>37,139</b>
<b>Net Position:</b>					
Net Investment in Capital Assets	2,422,646	573,357	55,502	294,713	3,346,218
Unrestricted	1,194,244	2,890,890	401,948	102,090	4,589,172
<b>Total Net Position</b>	<b>\$ 3,616,890</b>	<b>\$ 3,464,247</b>	<b>\$ 457,450</b>	<b>\$ 396,803</b>	<b>\$ 7,935,390</b>

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, 2019**

	BUSINESS-TYPE ACTIVITIES--ENTERPRISE FUNDS				
	Water	Sewer	Refuse	Nonmajor Enterprise Funds	Totals
<b><u>Operating Revenues:</u></b>					
Charges for Services	\$ 2,196,700	\$ 1,677,172	\$ 1,128,455	\$ 231,059	\$ 5,233,386
Other Operating Revenues	6,470	1,960	57	13,290	21,777
Total Operating Revenues	<u>2,203,170</u>	<u>1,679,132</u>	<u>1,128,512</u>	<u>244,349</u>	<u>5,255,163</u>
<b><u>Operating Expenses:</u></b>					
Personal Services	837,902	552,517	367,757	79,055	1,837,231
Materials and Supplies	559,072	137,853	32,856	52,418	782,199
Contractual Services	118,870	704,588	742,715	124,107	1,690,280
Other Operating Expenses	104,390	38,697	30,684	4,811	178,582
Depreciation	246,887	67,665	7,560	27,999	350,111
Total Operating Expenses	<u>1,867,121</u>	<u>1,501,320</u>	<u>1,181,572</u>	<u>288,390</u>	<u>4,838,403</u>
Operating Income (Loss)	336,049	177,812	(53,060)	(44,041)	416,760
<b><u>Non-Operating Revenues (Expenses):</u></b>					
Investment Earnings	15,528	200	-	4,628	20,356
Interest and Fiscal Charges	(195,008)	(13,665)	(1,511)	(1,707)	(211,891)
Total Non-Operating Revenues (Expenses)	<u>(179,480)</u>	<u>(13,465)</u>	<u>(1,511)</u>	<u>2,921</u>	<u>(191,535)</u>
Income (Loss) Before Transfers	156,569	164,347	(54,571)	(41,120)	225,225
Transfers Out	(7,000)	(5,000)	(5,000)	-	(17,000)
Change in Net Position	149,569	159,347	(59,571)	(41,120)	208,225
Total net position - Beginning	<u>3,467,321</u>	<u>3,304,900</u>	<u>517,021</u>	<u>437,923</u>	<u>7,727,165</u>
Total net position - Ending	<u>\$ 3,616,890</u>	<u>\$ 3,464,247</u>	<u>\$ 457,450</u>	<u>\$ 396,803</u>	<u>\$ 7,935,390</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, 2019**

BUSINESS-TYPE ACTIVITIES--ENTERPRISE FUNDS

	Water	Sewer	Refuse	Nonmajor Enterprise Funds	Totals
<b>Change in Cash and Cash Equivalents</b>					
<u>Cash Flows from Operating Activities:</u>					
Cash Received from Customers	\$ 2,194,785	\$ 1,673,144	\$ 1,149,408	\$ 235,995	\$ 5,253,332
Cash Paid for Employee Services and Benefits	(652,206)	(427,911)	(291,721)	(57,681)	(1,429,519)
Cash Paid to Suppliers for Goods and Services	(657,694)	(839,849)	(772,043)	(176,581)	(2,446,167)
Other Operating Revenues	6,576	2,029	107	13,298	22,010
Other Operating Expenses	(104,823)	(38,740)	(30,715)	(4,385)	(178,663)
Net Cash Provided by Operating Activities	786,638	368,673	55,036	10,646	1,220,993
<u>Cash Flows from Noncapital Financing Activities:</u>					
Transfers to other funds	(7,000)	(5,000)	(5,000)	-	(17,000)
Net Cash (Used for) Noncapital Financing Activities	(7,000)	(5,000)	(5,000)	-	(17,000)
<u>Cash Flows from Capital and Related Financing Activities:</u>					
Face Value from Sale of Notes	845,000	365,000	65,000	-	1,275,000
Acquisition and Construction of Capital Assets	(118,598)	(42,330)	(38,086)	-	(199,014)
Principal Paid on Notes	(631,250)	(481,250)	(81,250)	(60,000)	(1,253,750)
Principal Paid on Revenue Bonds	(295,000)	-	-	-	(295,000)
Principal Paid on OPWC Payable	-	(42,650)	-	-	(42,650)
Interest and Fiscal Charges Paid on All Debt	(174,197)	(15,597)	(2,633)	(1,945)	(194,372)
Net Cash (Used for) Capital and Related Financing Activities	(374,045)	(216,827)	(56,969)	(61,945)	(709,786)
<u>Cash Flows from Investing Activities:</u>					
Interest	16,969	200	-	4,628	21,797
Net Cash Provided By Investing Activities	16,969	200	-	4,628	21,797
Net Change in Cash and Cash Equivalents	422,562	147,046	(6,933)	(46,671)	516,004
Cash and Cash Equivalents at Beginning of Year	1,777,845	3,566,356	835,624	408,498	6,588,323
Cash and Cash Equivalents at End of Year	<u>\$ 2,200,407</u>	<u>\$ 3,713,402</u>	<u>\$ 828,691</u>	<u>\$ 361,827</u>	<u>\$ 7,104,327</u>
Net Cash Provided by Operating Activities: Operating Income (Loss)	\$ 336,049	\$ 177,812	\$ (53,060)	\$ (44,041)	\$ 416,760
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Depreciation Expense	246,887	67,665	7,560	27,999	350,111
Change in Assets, Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources:					
(Increase) Decrease in Accounts Receivable	(1,809)	(3,959)	21,003	494	15,729
Decrease in Prepaid Insurance	2,423	-	-	-	2,423
Increase (Decrease) in Accounts Payables	5,694	1,560	1,415	330	8,999
Increase (Decrease) in Contracts Payables	-	-	2,082	-	2,082
Increase (Decrease) in Accrued Wages and Benefits	3,011	2,556	1,470	86	7,123
Increase (Decrease) in Due to Other Governments	(43)	627	(265)	-	319
Increase (Decrease) in Compensated Absences Payable	5,692	4,655	2,126	1,796	14,269
Increase in Deposits Payable	-	-	-	4,450	4,450
Increase for Pension/OPEB Related Items	181,050	117,757	72,705	19,532	391,044
Total Adjustments	450,589	190,861	108,096	54,687	804,233
Net Cash Provided by Operating Activities	<u>\$ 786,638</u>	<u>\$ 368,673</u>	<u>\$ 55,036</u>	<u>\$ 10,646</u>	<u>\$ 1,220,993</u>

See accompanying notes to the basic financial statements

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**CITY OF TRENTON, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

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 under evaluation of GASB 84, *Fiduciary Activities*. The Mayor is the City official who has fiduciary responsibility for the collection and distribution of the court fees and fines. The funds are ultimately held for the benefit of the City with monthly distributions being sent to the City’s various funds but mainly the General Fund.

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 BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

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 and enterprise funds. 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 BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

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 fund financial statements. 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 and bonds, as well as compensated absences, are recorded only when payment is due.

Property taxes, income taxes, payment 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 two categories of funds: governmental and enterprise.

*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 and deferred inflows of resources is reported as fund balance.

**CITY OF TRENTON, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

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.

**Police Levy Fund**

The Police Levy Fund mainly accounts for the tax levy for the police department and the services provided by the police department.

**Fire Levy Fund**

The Fire Levy Fund mainly accounts for the tax levy for the fire department and also reports EMS charges the City collects and the services provided by the fire department.

**Tax Increment Equivalent Fund**

The Tax Increment Equivalent Fund accounts for tax increment revenue generated on the following residential incentive districts: Centennial Run, Mapleville, and Elk Creek. The revenue is dedicated for further capital improvements as described in the City's resolution. The City is also required to reimburse a portion of the revenue to the Edgewood Local School District.

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.



**CITY OF TRENTON, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

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 principal ongoing operations. The principal operating revenues of the City enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Budgetary data

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

Tax budget

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

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.

**CITY OF TRENTON, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

The appropriation ordinance fixes spending authority at the fund, department and object level. The appropriation ordinance may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The allocation of appropriations among departments and objects within a fund may be modified with approval of City Council. During the year several supplemental appropriation measures were passed. The budget figures, which appear in the statements of budgetary comparisons, represent the final appropriation amounts, including all amendments and modifications.

Encumbrances

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

Lapsing of appropriations

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

Cash and cash equivalents

Cash balances of the City's funds 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 position 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 credited to the General Fund during 2019 was \$249,796, which includes \$162,485 assigned from other funds. The Police Levy, Fire Levy, Tax Increment Equivalent, Street, and Motor Vehicle License Special Revenue Funds and Water, Sewer and Utility Deposit Enterprise Funds also received \$14,243, \$27,459; \$32,710; \$6,007; \$3,084; \$15,528; \$200 and \$4,628 respectively in interest during 2019.

**CITY OF TRENTON, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

During 2019, investments were limited to STAR Ohio and money market funds. The City has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during 2019. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted GASB Statement No. 70, "Certain External Investments Pools and Pool Participants". Investments in STAR Ohio and money market funds are valued at the net asset value per share provided by STAR Ohio on an amortized cost basis at December 31, 2019, which approximates fair value.

For 2019, there were no limitations or restrictions on any participants withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

For purposes of the statement of cash flows and for presentation on the statement of net position, 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 acquisition value if purchased or constructed. Donated capital assets are recorded at estimated fair market value on the date of donation. Infrastructure, such as streets, bridges, stormwater systems and dams are capitalized if the life expectancy is five years or more and a designated value exceeding \$25,000.

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

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

**CITY OF TRENTON, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

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 all employees based on the policy implemented during 2016 that pays out the employee if they terminate service.

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 BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

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, net pension/OPEB liability, long term notes payable and general obligations bonds 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 2019, 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 BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

-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 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.

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 assets, deferred outflows, liabilities and deferred inflows 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 BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

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 three items that qualify for reporting in this category. One is a 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. The City also reports deferred outflows of resources on the government-wide and enterprise fund statements of net position for pension and other postemployment benefits (OPEB). The deferred outflows of resources related to pension and OPEB are explained in Notes 10 and 11.

Deferred Inflows of Resources

In addition to liabilities, the statements of financial position, the City reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time.

Property taxes and payment in lieu of taxes for which there is an enforceable legal claim as of December 31, 2019, but which were levied to finance fiscal year 2020 operations, have been recorded as deferred inflows of resources. Grants and entitlements and other revenue received before the eligibility requirements are met are also recorded as deferred inflows of resources. Deferred inflows of resources related to pension and OPEB are reported on the government-wide statement of net position (see Notes 10 and 11.)

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

Pensions/OPEB

For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

**CITY OF TRENTON, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

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.

Reconciliation of Government-Wide and Fund Financial Statements

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net position - governmental activities* as reported in the government-wide statement of net position.

An element of that reconciliation explains that “capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.” The details of \$8,299,312 difference are as follows:

Capital Assets	\$13,004,351
Accumulated Depreciation	(4,705,039)
Net Adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	\$8,299,312



**CITY OF TRENTON, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

One element of that reconciliation explains that “long-term liabilities, including loans and bonds payable are not due and payable in the current period and therefore are not reported in the funds.” The details of this (\$2,968,701) difference are as follows:

Loans Payable	(\$61,919)
Bonds Payable	(2,565,000)
Accrued Interest Payable	(9,955)
Compensated Absences	(331,827)
	(331,827)
Net Adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	(\$2,968,701)

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 exceeded depreciation in the current period. The details of this \$21,375 are as follows:

Current capital additions	\$531,553
Depreciation Expense	(510,178)
Net Adjustment – capital assets to increase <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	\$21,375

**CITY OF TRENTON, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

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. This amount is the net effect of these differences in the treatment of long-term debt and related items.” The details of this (\$2,566,109) are as follows:

Face value from the sale of long term debt	(\$2,565,000)
Principal paid on long term debt	8,846
Change in interest payable	(9,955)
Net Adjustment - current financial resources focus to decrease <i>fund balance – total governmental funds</i> to arrive at <i>net position – governmental activities</i>	(\$2,566,109)

3. Change in Accounting Principle

For fiscal year 2019, the City implemented the following Governmental Accounting Standards Board (GASB) Statements.

GASB Statement No. 84 “Fiduciary Activities”. The Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial report purposes and how those activities should be reported. The implementation of this pronouncement has the following effect on net position as reported December 31, 2018:

	Governmental-Type Activities	Non-Major Governmental Funds
Net Position/Fund Balance at December 31, 2018	\$7,469,264	\$806,710
Adjustments:		
Mayor’s Court reported as a special revenue fund	14,706	14,706
Restated Net Position/Fund Balance at December 31, 2018	\$7,483,970	\$821,416

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.

**CITY OF TRENTON, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

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 restriction or assignment of fund balance for governmental funds.
4. Proceeds from issuance of short term notes and principal paid on short term notes are recorded when paid (budget basis) but are reported as liabilities or reduction of liabilities on a GAAP basis.
5. The reporting for several funds are classified as general fund (GAAP basis) rather than as special revenue (budget basis.) The fire levy fund also combines several funds (GAAP basis) that are reported as separate special revenue 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>Police Levy</u>	<u>Fire Levy</u>
GAAP Basis	\$501,411	\$189,727	\$2,783,846
Adjustments:			
Revenue Accruals	(114,841)	(3,988)	(3,702)
Expenditure Accruals	15,113	2,299	(126,103)
Encumbrances	(130,161)	(47,950)	(14,755)
Transfers	857	0	0
Fund Reclassification	(44,406)	0	(2,280,232)
Budget Basis	<u>\$227,973</u>	<u>\$140,088</u>	<u>\$359,054</u>

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;

**CITY OF TRENTON, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

- 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
- Obligations of the City.

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

**CITY OF TRENTON, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

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.

**A. Deposits**

At year-end, the carrying amount of the City's deposits was \$5,736,183.

*Custodial Credit Risk*

As of December 31, 2019, \$1,734,685 of the City's bank balance of \$5,782,732 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. Under the Ohio Pooled Collateral Program the Bank pledges (102% at December 31, 2019) to the Treasurer of the State of Ohio a pool of eligible securities for the benefit of all public depositors at the Bank to secure the repayment of uninsured public deposits at the Bank.

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, 2019 are summarized below:

<u>Categorized Investments</u>	<u>Value Under One Year</u>	<u>Credit Rating</u>	<u>Concentration Percentage</u>
STAR Ohio	\$9,882,553	S& P - AAAm	99.91%
Money Market Funds	9,175	S& P - AAAm	0.09%
Total	<u>\$9,891,728</u>		

The City's investments in money market funds and STAR Ohio are excluded from fair value measurement requirements under GASB Statement No. 72, and instead are reported at amortized cost.

**CITY OF TRENTON, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

*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.

6. Property Taxes:

Property taxes include amounts levied against all real and public utility 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 property consists of both real property and tangible personal property. 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, 2019, was \$12.99 (\$3.24 operating, \$5.25 police levy and \$4.50 fire levy) per \$1,000 of assessed valuation.

**CITY OF TRENTON, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

The assessed values of real and public utility property upon which 2019 property tax receipts were based are as follows:

Category	Assessed Value
Real Property	\$174,688,130
Public Utility Property	10,522,060
Total Property Tax	\$185,210,190

Property taxes receivable represents real and public utility property taxes, public utility taxes and outstanding delinquencies that are measurable as of December 31, 2019. 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 2019 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.

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 2019, the proceeds were allocated to the General Fund. Net income tax revenue for 2019 was \$2,060,438.

**CITY OF TRENTON, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

8. Receivables:

Receivables at December 31, 2019, consisted of property taxes, income taxes, special assessments, due from other governments arising from grants, entitlements and shared revenues, interest on investments and utility accounts. All receivables are considered fully collectible.

A summary of due from other governments follows:

<u>Fund/Description</u>	<u>Amount</u>
<u>MAJOR FUNDS</u>	
<i>General Fund:</i>	
Local Government Revenue	\$113,768
Homestead and Rollback	35,595
Total General Fund	<u>149,363</u>
<i>Police Levy Fund:</i>	
Edgewood Schools	1,000
City of Oxford	1,193
Homestead and Rollback	55,364
Total Police Levy Fund	<u>57,557</u>
<i>Fire Levy Fund:</i>	
EMS Grant	3,410
Homestead and Rollback	46,518
Total Fire Levy Fund	<u>49,928</u>
<u>NONMAJOR FUNDS</u>	
<i>Street Fund:</i>	
Motor Vehicle License Tax	39,514
Gas Tax	291,670
Total Street Fund	<u>331,184</u>
<i>Permissive Motor Vehicle License Fund</i>	
Permissive Tax	44,462
Total Non-Major Funds	<u>375,646</u>
Total for Governmental Activities	<u><u>\$632,494</u></u>



**CITY OF TRENTON, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

9. Capital Assets;

Changes in Capital Assets during the year ended December 31, 2019, were as follows:

	Balance 12/31/18	Increases	Decreases	Balance 12/31/19
<b>Governmental Activities:</b>				
Capital Assets, not being depreciated:				
Land	\$473,473	\$173,266	\$0	\$646,739
Construction In Progress	268,917	0	(206,956)	61,961
Total Capital Assets not being depreciated	742,390	173,266	(206,956)	708,700
Capital Assets, being depreciated:				
Buildings	4,635,756	325,146	0	4,960,902
Improvements other than Buildings	3,461,417	23,994	0	3,485,411
Machinery, Equipment and Vehicles	3,656,763	216,103	(23,528)	3,849,338
Total Capital Assets being depreciated	11,753,936	565,243	(23,528)	12,295,651
Accumulated Depreciation:				
Buildings	(948,265)	(105,073)	0	(1,053,338)
Improvements other than Buildings	(462,637)	(174,426)	0	(637,063)
Machinery, Equipment and Vehicles	(2,807,487)	(230,679)	23,528	(3,014,638)
Total Accumulated Depreciation	(4,218,389)	(510,178)	23,528	(4,705,039)
Net Capital Assets, being depreciated	7,535,547	55,065	0	7,560,612
Governmental Activities Capital Assets	\$8,277,937	\$228,331	(\$206,956)	\$8,299,312
<b>Business Type Activities</b>				
Capital Assets, not being depreciated				
Land	\$1,934,961	\$0	\$0	\$1,934,961
Construction In Progress	235,872	10,656	(13,609)	232,919
Total Capital Assets not being depreciated	2,170,833	10,656	(13,609)	2,167,880
Capital Assets, being depreciated				
Plant	5,427,601	0	0	5,427,601
Water and Sewer Lines	5,646,638	66,992	0	5,713,630
Improvements other than Buildings	480,318	0	0	480,318
Machinery, Equipment and Vehicles	2,309,762	121,366	0	2,431,128
Total Capital Assets being depreciated	13,864,319	188,358	0	14,052,677
Accumulated Depreciation:				
Plant	(1,577,099)	(106,714)	0	(1,683,813)
Water and Sewer Lines	(2,682,551)	(106,210)	0	(2,788,761)
Improvements other than Buildings	(101,998)	(16,519)	0	(118,517)
Machinery, Equipment and Vehicles	(1,811,765)	(120,668)	0	(1,932,433)
Total Accumulated Depreciation	(6,173,413)	(350,111)	0	(6,523,524)
Net Capital Assets, being depreciated	7,690,906	(161,753)	0	7,529,153
Business Type Activities Capital Assets	\$9,861,739	(\$151,097)	(\$13,609)	\$9,697,033

**CITY OF TRENTON, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

\* Depreciation expense was charged to governmental functions as follows:

<b>Governmental Activities:</b>	
Security of Persons and Property	\$224,231
Leisure Time Activities	27,721
Community Environment	3,005
Public Health and Welfare	7,863
Transportation	200,833
General Government	46,525
	<hr/>
Total Depreciation Expense - governmental activities	<u><u>\$510,178</u></u>

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

<b>Business Type Activities:</b>	
Water	\$246,887
Sewer	67,665
Refuse	7,560
Non-major enterprise	27,999
	<hr/>
Total Depreciation Expense - business-type activities	<u><u>\$350,111</u></u>

10. Defined Benefit Pension Plans:

*Net Pension Liability*

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the City’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

**CITY OF TRENTON, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

Ohio Revised Code limits the City's obligation for this liability to annually required payments. The City cannot control benefit terms or the manner in which pensions are financed; however, the City does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *accrued wages and benefits* on both the accrual and modified accrual bases of accounting.

***Plan Description – Ohio Public Employees Retirement System (OPERS)***

Plan Description – City employees, other than full time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (District employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

**CITY OF TRENTON, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

<b>Group A</b>	<b>Group B</b>	<b>Group C</b>
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
<b>Age and Service Requirements:</b>		
Age 60 with 60 months of service credit; or Age 55 with 25 years of service credit	Age 60 with 60 months of service credit; or Age 60 with 5 years of service credit; or	Age 55 with 25 years or service credit; or Age 62 with 5 years of service credit
<b>Formula:</b>		
2.2% of FAS multiplied by years of service credit for the first 30 years and 2.5% for service years in excess of 30	2.2% of FAS multiplied by years of service credit for the first 30 years and 2.5% for service years in excess of 30	2.2% of FAS multiplied by years of service credit for the first 30 years and 2.5% for service years in excess of 35

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

**CITY OF TRENTON, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	State and Local
<b>2019 Statutory Maximum Contribution Rates</b>	
Employer	14.0 %
Employee	10.0 %
 <b>2019 Actual Contribution Rates</b>	
Employer:	
Pension	14.0 %
Post-employment Health Care Benefits	0.0
Total Employer	14.0 %
 Employee	 10.0 %

\* This rate is determined by OPERS' Board and has no maximum rate established by ORC.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$297,379 for the year ending December 31, 2019. Of this amount, \$39,587 is reported as accrued wages and benefits.

***Plan Description – Ohio Police & Fire Pension Fund (OPF)***

Plan Description - City full-time police participate in Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan administered by OPF. OPF provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OPF issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OPF fiduciary net position. The report that may be obtained by visiting the OPF website at [www.op-f.org](http://www.op-f.org) or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OPF may retire and receive a lifetime monthly pension. OPF offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

**CITY OF TRENTON, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to three percent of their base pension or disability benefit.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	Police
<b>2019 Statutory Maximum Contribution Rates</b>	
Employer	19.50 %
Employee:	12.25 %
 <b>2019 Actual Contribution Rates</b>	
Employer:	
Pension	19.00 %
Post-employment Health Care Benefits	0.50 %
Total Employer	19.50 %
 Employee:	 12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OPF was \$248,235 for 2019. Of this amount \$19,966 is reported as accrued wages and benefits.

**CITY OF TRENTON, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

The net pension liability for OPERS was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OPF's total pension liability was measured as of December 31, 2018, and was determined by rolling forward the total pension liability as of January 1, 2018, to December 31, 2018. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
Proportion of the Net Pension Liability - Prior Measurement Year	0.014540%	0.0444370%	
Proportion of the Net Pension Liability - Current Measurement Year	<u>0.014816%</u>	<u>0.0481900%</u>	
Change in proportion	<u>0.000276%</u>	<u>0.003753%</u>	
Proportionate Share of the Net Pension Liability	\$4,057,622	\$3,933,577	\$7,991,199
Pension Expense	\$899,849	\$422,184	\$1,322,033

At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Changes in proportion and differences	\$ 31,494	\$ 341,655	\$ 373,149
Differences between expected and actual experience	187	161,616	161,803
Change in assumptions	353,240	104,285	457,525
Net difference between projected and actual earnings on pension plan investments	553,577	484,551	1,038,128
City contributions subsequent to the measurement date	<u>297,379</u>	<u>248,235</u>	<u>545,614</u>
Total Deferred Outflows of Resources	<u>\$1,235,877</u>	<u>\$1,340,342</u>	<u>\$2,576,219</u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$53,282	\$3,667	\$56,949
Changes in proportion and differences	<u>14,608</u>	<u>23,056</u>	<u>37,664</u>
Total Deferred Inflows of Resources	<u>\$67,890</u>	<u>\$26,723</u>	<u>\$94,613</u>

**CITY OF TRENTON, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

\$545,614 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS	OP&F	Total
Year Ending December 31:			
2020	\$370,906	\$296,686	\$667,592
2021	192,516	190,715	383,231
2022	51,094	219,325	270,419
2023	256,092	286,089	542,181
2024	0	72,569	72,569
Total	\$870,608	\$1,065,384	\$1,935,992

***Actuarial Assumptions - OPERS***

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2018, using the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. In 2016, the Board’s actuarial consultants conducted an experience study for the period 2011 through 2015, comparing assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 7.5% down to 7.2%, for the defined benefit investments. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below.



**CITY OF TRENTON, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

Wage Inflation	3.25 percent
Projected Salary Increases	3.25 percent to 10.75 percent (Includes wage inflation 3.25%)
COLA or Ad Hoc COLA	Pre 1/7/2013 Retirees: 3 percent Simple Post 1/7/13 Retirees: 3% simple through 2018, then 2.15% simple
Investment Rate of Return	7.20 percent
Actuarial Cost Method	Individual Entry Age

The most recent experience study was completed for the five-year period ended December 31, 2015.

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was a loss of 2.94% for 2018.

**CITY OF TRENTON, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return</u>
Fixed Income	23.00 %	2.79 %
Domestic Equities	19.00	6.21
Real Estate	10.00	4.90
Private Equity	10.00	10.81
International Equities	20.00	7.83
Other Investments	<u>18.00</u>	<u>5.50</u>
Total	<u>100.00 %</u>	<u>5.95 %</u>

**Discount Rate**

The discount rate used to measure the total pension liability was 7.2 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following table presents the City's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.2 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.2 percent) or one-percentage-point higher (8.2 percent) than the current rate:

**CITY OF TRENTON, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
City's proportionate share of the net pension liability	\$5,994,554	\$4,057,622	\$2,448,344

***Actuarial Assumptions – OPF***

OPF's total pension liability as of December 31, 2018 is based on the results of an actuarial valuation date of January 1, 2018, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OPF's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2018, are presented below:

Valuation Date	January 1, 2018
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8 percent
Projected Salary Increases	3.75 percent to 10.50 percent
	Inflation rate of 2.75 percent plus productivity
Payroll Increases	increase rate of 0.5 percent
	3 percent simple; 2.2 percent simple for increases
	based on the lesser of the increase in CPI and 3
Cost of Living Adjustments	percent.

**Healthy Mortality**

Mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2015 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120%.

Age	Police
67 or less	77%
68-77	105%
78 and up	115%

**CITY OF TRENTON, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**Disabled Mortality**

Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale.

Age	Police
59 or less	35%
60-69	60%
70-79	75%
80 and up	100%

The most recent experience study was completed December 31, 2016.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF's target asset allocation as of December 31, 2018 are summarized below:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash and Cash Equivalents	- %	0.80 %
Domestic Equity	16.00	5.50
Non-US Equity	16.00	5.90
Core Fixed Income *	23.00	2.60
Private Credit	5.00	7.50
High Yield Fixed Income	7.00	4.80
Private Real Estate	12.00	6.10
Private Markets	8.00	8.40
Real Assets	8.00	7.00
U.S Inflation Linked Bonds*	17.00	2.30
Master Limited Partnerships	8.00	6.40
Total	120.00 %	Note: 10 year rate

**CITY OF TRENTON, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

OPF’s Board of Trustees has incorporated the “risk parity” concept into OPF’s asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

**Discount Rate** The total pension liability was calculated using the discount rate of 8.0 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8 percent. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7 percent), or one percentage point higher (9 percent) than the current rate.

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
City's proportionate share of the net pension liability	\$5,170,416	\$3,933,577	\$2,900,020

**11. Net OPEB Liability**

The net OPEB liability reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

**CITY OF TRENTON, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

The net OPEB liability represents the City's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

Ohio Revised Code limits the City's obligation for this liability to annually required payments. The City cannot control benefit terms or the manner in which OPEB are financed; however, the City does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in *accrued wages and benefits* on both the accrual and modified accrual bases of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

**CITY OF TRENTON, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2019, state and local employers contributed at a rate of 14.0 percent of earnable salary. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2018. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2019 decreased to 0 percent for both plans. The OPERS Board 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. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2019 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$0 for 2019.

**CITY OF TRENTON, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

Plan Description – Ohio Police & Fire Pension Fund (OP&F)

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment healthcare plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. OP&F provides health care benefits including coverage for medical, prescription drug, dental, vision, and Medicare Part B Premium to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to postretirement 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 Government Accounting Standards Board (GASB) Statement No. 75.

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 is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by visiting the OP&F website at [www.op-f.org](http://www.op-f.org) or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.5 percent of covered payroll for police. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. There is one account for health care benefits and one account for Medicare Part B reimbursements. A separate health care trust accrual account is maintained for health care benefits under IRS Code Section 115 trust. An Internal Revenue Code 401(h) account is maintained for Medicare Part B reimbursements.



**CITY OF TRENTON, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

The Board of Trustees is authorized to allocate a portion of the total employer contributions 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 2019, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of 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 provisions of Sections 115 and 401(h).

The OP&F Board of Trustees is also 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 covered dependents and the coverage selected. The City's contractually required contribution to OP&F was \$6,533 for 2019. Of this amount, \$525 is reported as an *accrued wages and benefits*.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2018, and was determined by rolling forward the total OPEB liability as of January 1, 2018, to December 31, 2018. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>OPERS</u>	<u>OP&amp;F</u>	
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.014220%	0.0481900%	
Prior Measurement Date	<u>0.014080%</u>	<u>0.0444370%</u>	
Change in Proportionate Share	<u>0.0001400%</u>	<u>0.0037530%</u>	
			<u>Total</u>
Proportionate Share of the Net OPEB Liability	\$1,841,174	\$438,844	\$2,280,018
OPEB Expense	\$170,120	(\$2,124,091)	(\$1,953,971)

**CITY OF TRENTON, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$624	\$0	\$624
Changes of assumptions	59,362	227,476	286,838
Net difference between projected and actual earnings on OPEB plan investments	84,407	14,855	99,262
Changes in proportion and differences between City contributions and proportionate share of contributions	4,987	291,436	296,423
City contributions subsequent to the measurement date	<u>0</u>	<u>6,533</u>	<u>6,533</u>
Total Deferred Outflows of Resources	<u>\$149,380</u>	<u>\$540,300</u>	<u>\$689,680</u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$4,996	\$11,758	\$16,754
Changes of assumptions	<u>0</u>	<u>122,016</u>	<u>122,016</u>
Total Deferred Inflows of Resources	<u>\$4,996</u>	<u>\$133,774</u>	<u>\$138,770</u>

\$6,533 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
2020	\$69,265	\$68,347	\$137,612
2021	18,649	68,347	86,996
2022	13,949	68,347	82,296
2023	42,521	72,840	115,361
2024	0	65,756	65,756
Thereafter	<u>0</u>	<u>56,356</u>	<u>56,356</u>
Total	<u>\$144,384</u>	<u>\$399,993</u>	<u>\$544,377</u>

**CITY OF TRENTON, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.96 percent
Prior Measurement date	3.85 percent
Investment Rate of Return	6.00 percent
Municipal Bond Rate	3.71 percent
Health Care Cost Trend Rate	10.0 percent, initial 3.25 percent, ultimate in 2029
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

**CITY OF TRENTON, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was a loss of 5.60 percent for 2018.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00 %	2.42 %
Domestic Equities	21.00	6.21
Real Estate Investment Trust	6.00	5.98
International Equities	22.00	7.83
Other investments	17.00	5.57
Total	<u>100.00 %</u>	<u>5.16 %</u>

**CITY OF TRENTON, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

Discount Rate

A single discount rate of 3.96 percent was used to measure the OPEB liability on the measurement date of December 31, 2018. A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 3.71 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2031. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following table presents the City's proportionate share of the net OPEB liability calculated using the single discount rate of 3.96 percent, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.96 percent) or one-percentage-point higher (4.96 percent) than the current rate:

	1% Decrease (2.96%)	Current Discount Rate (3.96%)	1% Increase (4.96%)
City's proportionate share of the net OPEB liability	\$2,355,550	\$1,841,174	\$1,432,112

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate

Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

**CITY OF TRENTON, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2019 is 10 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability	\$1,769,769	\$1,841,174	\$1,923,416

Actuarial Assumptions – OP&F

OP&F's total OPEB liability as of December 31, 2018, is based on the results of an actuarial valuation date of January 1, 2018, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F's actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

**CITY OF TRENTON, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below.

Valuation Date	January 1, 2018, with actuarial liabilities rolled forward to December 31, 2018
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.0 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Single discount rate:	
Current measurement date	4.66 percent
Prior measurement date	3.24 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increased based on the lesser of the increase in CPI and 3 percent

Mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

<u>Age</u>	<u>Police</u>
67 or less	77 %
68-77	105
78 and up	115

Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale.

<u>Age</u>	<u>Police</u>
59 or less	35 %
60-69	60
70-79	75
80 and up	100

The most recent experience study was completed for the five year period ended December 31, 2016, the prior experience study was completed December 31, 2011.

**CITY OF TRENTON, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

The long-term expected rate of return on OPEB plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2018, are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash and Cash Equivalents	- %	0.80 %
Domestic Equity	16.00	5.50
Non-US Equity	16.00	5.90
Core Fixed Income *	23.00	2.60
Private Credit	5.00	7.50
High Yield Fixed Income	7.00	4.80
Private Real Estate	12.00	6.10
Private Markets	8.00	8.40
Real Assets	8.00	7.00
U.S Inflation Linked Bonds*	17.00	2.30
Master Limited Partnerships	<u>8.00</u>	6.40
 Total	 <u><u>120.00 %</u></u>	 Note: 10 year rate

OP&F's Board of Trustees has incorporated the risk parity concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on the relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.



**CITY OF TRENTON, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

Discount Rate

The total OPEB liability was calculated using the discount rate of 4.66 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 8 percent. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 4.13 percent at December 31, 2018 and 3.16 percent at December 31, 2017, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 4.66 percent at December 31, 2018 and 3.24% at December 31, 2017. The municipal bond rate was determined using the S&P Municipal Bond 20 Year High Grade Rate Index. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2025. The long-term expected rate of return on health care investments was applied to projected costs through 2025, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 4.66 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.66 percent), or one percentage point higher (5.66 percent) than the current rate.

	1% Decrease (3.66%)	Current Discount Rate (4.66%)	1% Increase (5.66%)
City's proportionate share of the net OPEB liability	\$534,632	\$438,844	\$358,438

Beginning January 1, 2019, OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place will be a stipend-based health care model. OP&F had contracted with a vendor who will assist eligible retirees in choosing health care plans from their marketplace (both Medicare-eligible and pre-Medicare populations). A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses. As a result of changing from the current health care model to the stipend based health care model, management expects that it will be able to provide stipends to eligible participants for the next 15 years.

**CITY OF TRENTON, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

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.

Upon separation from service for any reason, all employees shall be paid for one-half of any accrued but unused sick leave credit. 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 Medical Mutual for all full-time employees. The City pays for 90% of the monthly premium and the employee pays for 10% of the monthly premium. This coverage continues through 2019. 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 and the employee pays for 10 percent of the monthly premium. The premium varies with each employee depending on the coverage elected, just as with healthcare. The City was given the option and chose to offer Blue View Vision to the employees. This is an elective coverage offered to employees through Medical Mutual Vision Coverage for all full-time employees. The premium varies with each employee depending on the coverage elected, just as with healthcare, and the employees pay 100% of the monthly premium. Life insurance is provided through Standard Life Insurance to all full-time employees with \$20,000 coverage at no cost to the employees.

The City provides a high deductible healthcare plan with Medical Mutual, 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 City offered a traditional insurance plan as a second option at the renewal in 2019. The employee is required to pay the premium cost above the premium cost of the high deductible plan.

**CITY OF TRENTON, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

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, 2018 to December 20, 2019 extended to December 20, 2020. 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 \$5 million limit each occurrence (no annual aggregate). Auto liability has a \$5 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, 2018 to December 20, 2019 extended to December 20, 2020. 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.

Workers' Compensation

For fiscal year 2019, the City participated in the Ohio Association of Public Treasurers Workers 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.

**CITY OF TRENTON, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

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 2019 were as follows:

	Balance 12/31/18	Increase	Decrease	Balance 12/31/19	Due within one year
<b>Governmental Activities:</b>					
Ohio Public Works Commission Loan	\$70,765	\$0	\$8,846	\$61,919	\$8,846
General Obligation Bonds – Fire	0	2,565,000	0	2,565,000	55,000
Compensated Absences Payable	328,358	224,534	221,065	331,827	110,591
Net Pension Liability					
OPERS	1,026,028	880,916	0	1,906,944	0
OP&F	2,727,272	1,206,305		3,933,577	0
Net OPEB Liability					
OPERS	757,497	154,816	0	912,313	0
OP&F	2,517,710	0	2,078,866	438,844	0
Total – Governmental Activities	<u>7,427,630</u>	<u>5,031,571</u>	<u>2,308,777</u>	<u>10,150,424</u>	<u>174,437</u>
<b>Business -Type Activities:</b>					
Refunding Water Revenue Bond	5,740,000	0	295,000	5,445,000	305,000
Discount on Revenue Bonds	(49,209)	3,076	0	(46,133)	0
Ohio Public Works Commission Loan	469,150	0	42,650	426,500	42,650
Compensated Absences Payable	170,910	137,637	123,368	185,179	70,145
Net Pension Liability					
OPERS	1,255,016	895,662	0	2,150,678	0
Net OPEB Liability					
OPERS	771,486	157,375	0	928,861	0
Total – Business - Type Activities	<u>\$8,357,353</u>	<u>\$1,193,750</u>	<u>\$461,018</u>	<u>\$9,090,085</u>	<u>\$417,795</u>

**CITY OF TRENTON, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

In November 2019, the City issued \$2,565,000 in general obligation bonds at a variable interest rate between 2% and 3% over thirty years. Interest is paid semi-annually. The bond was issued for the improvements to the City's fire station. The bond will be paid from revenues derived from the fire tax levy and backed by the general revenue of the City. There was no principal or interest paid during the year.

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 City paid \$295,000 in principal and \$157,868 in interest during the year from the pledged revenue in the water fund.

The business-type 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 governmental type Ohio Public Works Commission loan was finalized in 2016 with payments starting in 2017. The loan is a zero interest loan payable from gas tax revenues. The loan is amortized over ten years.

Compensated absences will be paid from the fund from which the employee is paid. The net pension/OPEB liability are paid from the fund where the salaries are paid from to the extent the City is required to pay under the Ohio Revised Code.

As of December 31, 2019, the City's overall voted legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$16,882,070 and the unvoted legal debt margin was \$7,621,560.

**CITY OF TRENTON, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

Annual debt service requirements to maturity for the General Obligation Bonds are as follows:

<b>GOVERNMENTAL-TYPE ACTIVITIES</b>			
General Obligation Bonds			
Years	Principal	Interest	Total
2020	\$55,000	\$74,727	\$129,727
2021	60,000	70,450	130,450
2022	60,000	69,250	129,250
2023	60,000	68,050	128,050
2024	60,000	66,850	126,850
2025-2029	335,000	308,600	643,600
2030-2034	390,000	258,110	648,110
2035-2039	445,000	203,080	648,080
2040-2044	510,000	135,450	645,450
2045-2049	590,000	54,150	644,150
Totals	<u>\$2,565,000</u>	<u>\$1,308,717</u>	<u>\$3,873,717</u>

Annual debt service requirements to maturity for the Water Revenue Refunding Bonds are as follows:

<b>BUSINESS-TYPE ACTIVITIES</b>			
Water Refunding Revenue Bonds			
Years	Principal	Interest	Total
2020	\$305,000	\$151,968	\$456,968
2021	310,000	145,868	455,868
2022	315,000	139,668	454,668
2023	325,000	132,582	457,582
2024	330,000	124,782	454,782
2025-2029	1,785,000	488,474	2,273,474
2030-2034	2,075,000	205,560	2,280,560
Totals	<u>\$5,445,000</u>	<u>\$1,388,902</u>	<u>\$6,783,902</u>

**CITY OF TRENTON, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

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

<b>BUSINESS-TYPE ACTIVITIES</b>			
OPWC Loans			
Years	Principal	Interest	Total
2020	\$42,650	\$0	\$42,650
2021	42,650	0	42,650
2022	42,650	0	42,650
2023	42,650	0	42,650
2024	42,650	0	42,650
2025-2029	213,250	0	213,250
Totals	<u>\$426,500</u>	<u>\$0</u>	<u>\$426,500</u>

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

<b>GOVERNMENTAL ACTIVITIES</b>			
OPWC Loans			
Years	Principal	Interest	Total
2020	\$8,846	\$0	\$8,846
2021	8,845	0	8,845
2022	8,845	0	8,845
2023	8,845	0	8,845
2024	8,845	0	8,845
2025-2026	17,693	0	17,693
Totals	<u>\$61,919</u>	<u>\$0</u>	<u>\$61,919</u>

**CITY OF TRENTON, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

15. Short-Term Obligations:

Changes in short-term obligations during 2019 were as follows:

	Balance 12/31/18	Increase	Decrease	Balance 12/31/19
<b>Governmental Funds</b>				
Notes Payable – 2018 Building	\$81,250	\$0	(\$81,250)	\$0
Notes Payable – 2019 Building	0	65,000	0	65,000
Notes Payable – Gas extension	135,000	90,000	(135,000)	90,000
Notes Payable – Amphitheater	130,000	85,000	(130,000)	85,000
Notes Payable – Fire Station	2,478,000	0	(2,478,000)	0
<b>Total Governmental Funds</b>	<b>2,824,250</b>	<b>240,000</b>	<b>(2,824,250)</b>	<b>240,000</b>
<b>Enterprise Funds</b>				
Notes Payable – Water	260,000	200,000	(260,000)	200,000
Notes Payable – Water Douglas Ave.	0	580,000	(290,000)	290,000
Notes Payable – 2018 Building	243,750	0	(243,750)	0
Notes Payable – 2019 Building	0	195,000	0	195,000
Notes Payable – Sweeper	60,000	0	(60,000)	0
Notes Payable – Sewer Ext	400,000	300,000	(400,000)	300,000
<b>Total Enterprise Funds</b>	<b>\$963,750</b>	<b>\$1,275,000</b>	<b>(\$1,253,750)</b>	<b>\$985,000</b>

The \$200,000 enterprise notes were 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 \$200,000 notes were issued on November 15, 2019 at a 2.125 percent interest rate and mature on November 12, 2020.

The \$260,000 notes were issued for 2019 building acquisition that will be used by different services within the City. The notes will be retired from the four funds (one 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. The \$260,000 notes were issued on November 15, 2019 at a 2.125 percent interest rate and mature on November 12, 2020.

The \$290,000 notes were issued for water improvements along Douglas Avenue. The note will be retired from the water enterprise fund. They are backed by the full faith and credit of the respective operating revenue. The original \$290,000 notes were issued on August 20, 2019 but were retired early on November 15, 2019. The City then issued new \$290,000 notes on November 15, 2019 at a 2.125 percent interest rate and mature on November 12, 2020.

The \$85,000 notes were issued for construction of a new community park amphitheater that will be used by parks department. The note will be retired from the parks and recreation budgetary fund, which is reported within the general fund under GASB 54. They are backed by the full faith and credit of the respective operating revenue. The \$85,000 notes were issued on November 15, 2019 at a 2.125 percent interest rate and mature on November 12, 2020.



**CITY OF TRENTON, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

The \$300,000 notes were issued for sewer main at the City’s industrial park that will be used by sewer department. The note will be retired from the sewer enterprise fund. They are backed by the full faith and credit of the respective operating revenue. The \$300,000 notes were issued on November 15, 2019 at a 2.125 percent interest rate and mature on November 12, 2020.

The \$90,000 notes were issued for extension of the gas main and electric lines through the City’s industrial park. The note will be retired from the debt service fund. They are backed by the full faith and credit of the general fund. The \$90,000 notes were issued on November 15, 2019 at a 2.125 percent interest rate and mature on November 12, 2020.

16. Transfers

Following is a summary of transfers in and out for all funds for 2019:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$29,000	\$1,627,500
Police Levy	1,550,000	11,000
Water	0	7,000
Sewer	0	5,000
Refuse	0	5,000
Non-Major Governmental Funds	<u>77,500</u>	<u>1,000</u>
Total All Funds	<u>\$1,656,500</u>	<u>\$1,656,500</u>

The transfers from the general funds are to help support those various other functions. The General Fund transferred \$1,550,000 to the Police Levy Fund to supplement the Police levy funds and \$32,500 to the Capital Improvement and \$45,000 to the Property Rehabilitation funds reported in non-major governmental funds to cover expenditures for those activities. The Employee Termination Fund is also included with the General Fund for GASB 54 purposes which accounts for the remaining \$29,000 transferred in from other funds to cover future termination costs, in accordance with fund balance policy.

**CITY OF TRENTON, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

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 \$3,734 to OKI during 2019. 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 BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

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 outlined below:

Fund Balance	General	Police Levy	Fire Levy	Tax Increment Equivalent	Other
Nonspendable:					
Unclaimed Monies	\$3,078	\$0	\$0	\$0	\$0
Restricted:					
Public Works	0	0	0	0	809,076
Public Safety	0	574,270	2,039,779	0	26,766
Debt Service	0	0	0	0	54,150
Capital Improvements	0	0	0	1,476,220	18,403
Cash Bond	242,914	0	0	0	0
Assigned:					
Employee accounts	268	0	0	0	0
Community Night Out	7,037	0	0	0	0
Capital Improvements	0	0	0	0	49,165
Mayor's Court	0	0	0	0	3,289
Encumbrances	76,295	0	0	0	0
Unassigned					
Budget Stabilization	398,366	0	0	0	0
Unassigned	2,761,220	0	0	0	0
<b>Total Fund Balance</b>	<b>\$3,489,178</b>	<b>\$574,270</b>	<b>\$2,039,779</b>	<b>\$1,476,220</b>	<b>\$960,849</b>

The City has established by ordinance the General Stabilization Fund for the purpose of general budget stabilization which should not exceed five percent of the General Fund's revenue for the preceding year. The Stabilization Fund may be reduced or eliminated by City Council and the ordinance did not specify the criteria for the use of the resources. Thus, the Stabilization Fund is reported within unassigned fund balance.

**CITY OF TRENTON, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

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

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and ensuing emergency measures will impact subsequent periods of the City. The investments of the pension and other employee benefit plans in which the City participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of those losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the City's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

**CITY OF TRENTON, OHIO**  
**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM - TRADITIONAL PENSION PLAN**  
**LAST SIX FISCAL YEARS (1) (2)**

	2019	2018	2017	2016	2015	2014
The City's Proportion of the Net Pension Liability	0.014816%	0.014540%	0.014804%	0.015134%	0.014942%	0.014942%
The City's Proportionate Share of the Net Pension Liability	\$ 4,057,622	\$ 2,281,044	\$ 3,361,738	\$ 2,621,400	\$ 1,802,156	\$ 1,761,451
The City's Covered Payroll	\$ 2,061,521	\$ 1,951,531	\$ 1,867,500	\$ 1,876,108	\$ 1,986,550	\$ 1,046,315
The City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	196.83%	116.88%	180.01%	139.73%	90.72%	168.35%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	84.66%	77.25%	81.08%	86.45%	86.36%

(1) Information prior to 2014 is not available

(2) Amounts presented for each year were determined as of the City's measurement date, which is the prior year end.

Notes to the Schedule:

For fiscal year 2019, the discount rate was reduced from 7.5% to 7.2%. This impacted the projected inflows and outflows from investment earnings.

Changes in assumptions: In 2017, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended December 31, 2015. Significant changes included a reduction of the discount rate from 8.0% to 7.5%, 3.75% to a reduction in the wage inflation rate from 3.25%, and transitions from the RP-Zero mortality tables to the RP-2014 mortality tables.

CITY OF TRENTON, OHIO  
 SCHEDULE OF CITY'S PENSION CONTRIBUTIONS  
 OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM - TRADITIONAL PENSION PLAN  
 LAST TEN FISCAL YEARS

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually Required Contributions	\$ 297,379	\$ 288,613	\$ 253,699	\$ 224,100	\$ 225,133	\$ 238,386	\$ 136,021	\$ 213,875	\$ 186,969	\$ 166,696
Contributions in Relation to the Contractually Required Contribution	(297,379)	(288,613)	(253,699)	(224,100)	(225,133)	(238,386)	(136,021)	(213,875)	(186,969)	(166,696)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City Covered Payroll	\$ 2,124,136	\$ 2,061,521	\$ 1,951,531	\$ 1,867,500	\$ 1,876,108	\$ 1,986,550	\$ 1,046,315	\$ 2,138,750	\$ 1,869,690	\$ 1,920,461
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.00%	12.00%	12.00%	12.00%	13.00%	10.00%	10.00%	8.68%

**CITY OF TRENTON, OHIO**  
**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**OHIO POLICE AND FIRE FUND**  
**LAST SIX FISCAL YEARS (1) (2)**

	2019	2018	2017	2016	2015	2014
The City's Proportion of the Net Pension Liability	0.048190%	0.044437%	0.040913%	0.040075%	0.041303%	0.041303%
The City's Proportionate Share of the Net Pension Liability	\$ 3,933,577	\$ 2,727,272	\$ 2,591,385	\$ 2,578,039	\$ 2,139,675	\$ 2,011,593
The City's Covered Payroll	\$ 1,201,911	\$ 1,038,763	\$ 950,253	\$ 911,205	\$ 684,442	\$ 863,584
The City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	327.28%	262.55%	272.70%	282.93%	312.62%	232.94%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	63.07%	70.91%	68.36%	66.77%	72.20%	73.00%

(1) Information prior to 2014 is not available

(2) Amounts presented for each year were determined as of the City's measurement date, which is the prior year end.

**Notes to the Schedule:**

For fiscal year 2018, the discount rate was reduced from 8.25% to 8%. This impacted the projected inflows from investment earnings.

CITY OF TRENTON, OHIO  
 SCHEDULE OF CITY'S PENSION CONTRIBUTIONS  
 OHIO POLICE AND FIRE FUND  
 LAST TEN FISCAL YEARS

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually Required Contributions	\$ 248,235	\$ 228,363	\$ 197,365	\$ 180,548	\$ 173,129	\$ 122,036	\$ 110,107	\$ 131,583	\$ 126,516	\$ 115,082
Contributions in Relation to the Contractually Required Contribution	(248,235)	(228,363)	(197,365)	(180,548)	(173,129)	(122,036)	(110,107)	(131,583)	(126,516)	(115,082)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City Covered Payroll	\$ 1,306,500	\$ 1,201,911	\$ 1,038,763	\$ 950,253	\$ 911,205	\$ 684,442	\$ 863,584	\$ 1,032,024	\$ 992,282	\$ 902,604
Contributions as a Percentage of Covered Payroll	19.00%	19.00%	19.00%	19.00%	19.00%	17.83%	12.75%	12.75%	12.75%	12.75%

Note: The percentages shown are only the police portion since the firefighters do not contribute to OPF.



**CITY OF TRENTON, OHIO**  
**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY**  
**OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM**  
**LAST THREE FISCAL YEARS (1) (2)**

	2019	2018	2017
The City's Proportion of the Net OPEB Liability	0.014220%	0.014080%	0.014026%
The City's Proportionate Share of the Net OPEB Liability	\$ 1,841,174	\$ 1,528,983	\$ 1,416,667
City's Covered Payroll	\$ 2,061,521	\$ 1,951,531	\$ 1,867,500
The City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	89.31%	78.35%	75.86%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	46.33%	54.14%	54.50%

(1) Information prior to 2017 is not available

(2) Amounts presented for each year were determined as of the City's measurement date, which is the prior year end.

Notes to the Schedule:

For fiscal year 2019, the discount rate was increased from 3.85% to 3.96%. This impacted the projected inflows and outflows from investment earnings. The initial health care cost trend rate initial rate also changed from 7.50% to 10.0%.

CITY OF TRENTON, OHIO  
 SCHEDULE OF CITY'S OPEB CONTRIBUTIONS  
 OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM  
 LAST TEN FISCAL YEARS

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually Required Contributions	\$ -	\$ -	\$ 19,515	\$ 37,350	\$ 37,522	\$ 39,731	\$ 10,463	\$ 85,550	\$ 74,788	\$ 102,169
Contributions in Relation to the Contractually Required Contribution	-	-	(19,515)	(37,350)	(37,522)	(39,731)	(10,463)	(85,550)	(74,788)	(102,169)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City Covered Payroll	\$ 2,124,136	\$ 2,061,521	\$ 1,951,531	\$ 1,867,500	\$ 1,876,108	\$ 1,986,550	\$ 1,046,315	\$ 2,138,750	\$ 1,869,690	\$ 1,920,461
Contributions as a Percentage of Covered Payroll	0.00%	0.00%	1.00%	2.00%	2.00%	2.00%	1.00%	4.00%	4.00%	5.32%

**CITY OF TRENTON, OHIO**  
**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY**  
**OHIO POLICE AND FIRE FUND**  
**LAST THREE FISCAL YEARS (1) (2)**

	2019	2018	2017
The City's Proportion of the Net OPEB Liability	0.048190%	0.044437%	0.040913%
The City's Proportionate Share of the Net OPEB Liability	\$ 438,844	\$ 2,517,710	\$ 1,942,048
City's Covered Payroll	\$ 1,201,911	\$ 1,038,763	\$ 950,253
The City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	36.51%	242.38%	204.37%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	46.57%	14.13%	15.96%

(1) Information prior to 2017 is not available  
(2) Amounts presented for each year were determined as of the City's measurement date, which is the prior year end.

Notes to the Schedule:  
*Changes in benefit terms:*  
2019: The retiree health care model and current self-insured health care plan were replaced with a stipend-based health care model.

*Change in assumptions:*  
In 2018, the single discount rate changed from 3.79% to 3.24%. In 2019, the single discount rate changed from 3.24% to 4.66%.

CITY OF TRENTON, OHIO  
 SCHEDULE OF CITY'S OPEB CONTRIBUTIONS  
 OHIO POLICE AND FIRE FUND  
 LAST TEN FISCAL YEARS

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually Required Contributions	\$ 6,533	\$ 6,010	\$ 5,194	\$ 4,751	\$ 4,556	\$ 11,430	\$ 58,292	\$ 69,662	\$ 66,979	\$ 60,926
Contributions in Relation to the Contractually Required Contribution	(6,533)	(6,010)	(5,194)	(4,751)	(4,556)	(11,430)	(58,292)	(69,662)	(66,979)	(60,926)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City Covered Payroll	\$ 1,306,500	\$ 1,201,911	\$ 1,038,763	\$ 950,253	\$ 911,205	\$ 684,442	\$ 863,584	\$ 1,032,024	\$ 992,282	\$ 902,604
Contributions as a Percentage of Covered Payroll	0.50%	0.50%	0.50%	0.50%	0.50%	1.67%	6.75%	6.75%	6.75%	6.75%

Note: The percentages shown are only the police portion since the firefighters do not contribute to OPF.

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

**INDEPENDENT AUDITORS' REPORT**

To the City Council  
City of Trenton:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Trenton ("the City") as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 29, 2020, wherein we noted the City adopted Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities* and the unknown impact of the COVID-19 pandemic.

**Internal Control Over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as 2019-001 that we consider to be a material weakness.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **City Response to the Finding**

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

## **Purpose of this Report**

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

*Clark, Schaefer, Hackett & Co.*

Cincinnati, Ohio  
June 29, 2020

**City of Trenton**  
Schedule of Findings and Responses  
Year Ended December 31, 2019

**2019-001      Financial Reporting**

During the course of our audit, we identified misstatements in the financial statements that were not initially identified by the City's internal control over financial reporting. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. In this case, the internal controls over the preparation and review of the City's financial statements did not operate as designed. The City contracts with a third-party consultant to prepare its year-end financial statements. While the City may rely on the consultant to provide technical assistance and financial statement preparation, it is still the responsibility of the City to review the financials prepared by the consultant for errors and omissions.

We proposed audit adjustments to correctly state net position restrictions in Governmental Activities and to reclassify expenditures in the Tax Increment Equivalent Fund. In addition, we also identified a number of immaterial audit adjustments. Management elected to record certain of those adjustments.

We recommend the City enhance its internal controls over financial reporting with steps such as management's review of conversion documentation for completeness and accuracy and improved communication with hired consultants to ensure the preparation of complete, accurate and reliable financial statements in conformity with generally accepted accounting principles.

*Views of Responsible Officials: The City concurs with these adjustments which have been posted to the financial statements.*

**City of Trenton**  
Schedule of Prior Audit Findings  
Year Ended December 31, 2019

**2018-001      Financial Reporting**

A misstatement in the financial statements was identified that was not initially identified by the City's internal control over financial reporting.

**Status:** Repeated as Finding 2019-001.



# OHIO AUDITOR OF STATE KEITH FABER



**CITY OF TRENTON**

**BUTLER COUNTY**

## **AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 8/18/2020**

88 East Broad Street, Columbus, Ohio 43215  
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This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)