

CITY OF TRENTON, TENNESSEE

***FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION***

June 30, 2009

**CITY OF TRENTON, TENNESSEE
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Independent Auditor's Report

Mayor and Board of Aldermen
City of Trenton, Tennessee

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Trenton, Tennessee, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Trenton, Tennessee, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General and Sanitation Funds for the year then ended, in conformity with accounting principles generally accepted in the United States of America. The City has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2010, on our consideration of the 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Dyersburg, TN
Fulton, KY
Henderson, TN
Jackson, TN
Martin, TN

McKenzie, TN
Milan, TN
Murray, KY
Paris, TN
Trenton, TN
Union City, TN

Mayor and Board of Aldermen
City of Trenton, Tennessee

The Schedule of Retirement Funding Progress is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Trenton's basic financial statements. The accompanying financial information presented as other supplementary information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of City of Trenton. Such information, except that portion marked "unaudited," has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The other supplementary information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we express no opinion on it.

Alexander Thompson Arnold PLLC

Trenton, Tennessee
March 15, 2010

CITY OF TRENTON, TENNESSEE
STATEMENT OF NET ASSETS
For the Year Ended June 30, 2009

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 289,924	\$ 295,364	\$ 585,288
Certificates of Deposit	1,443,963	211,700	1,655,663
Investments	-	79,808	79,808
Receivables (net):			
Court	95,847	-	95,847
Taxes	967,619	-	967,619
Accounts	-	753,764	753,764
Intergovernmental	260,418	-	260,418
Interest	14,061	2,139	16,200
Other	182	11,437	11,619
Internal Balances	33,066	(33,066)	-
Inventories	-	156,398	156,398
Prepaid Items	-	1,410	1,410
Other Assets	-	244,891	244,891
Capital Assets not being depreciated:			
Land	161,000	94,641	255,641
Construction in Progress	-	70,498	70,498
Teapots	1,005,000	-	1,005,000
Capital Assets net of accumulated depreciation:			
Buildings	483,945	-	483,945
Building Improvements	86,361	-	86,361
Vehicles	292,286	-	292,286
Machinery and Equipment	139,299	-	139,299
Office Equipment	3,302	-	3,302
Furniture and Fixtures	1,677	-	1,677
Infrastructure	27,581	-	27,581
Utility Plant in Service	-	13,753,420	13,753,420
Total Assets	<u>5,305,531</u>	<u>15,642,404</u>	<u>20,947,935</u>

CITY OF TRENTON, TENNESSEE
STATEMENT OF NET ASSETS
For the Year Ended June 30, 2009

	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Accounts Payable	\$ 45,857	\$ 609,655	\$ 655,512
Customer Deposits	-	184,730	184,730
Advances for Conservation Loans	-	127,864	127,864
Accrued Payroll	132,006	38,391	170,397
Other Accrued Liabilities	9,684	6,688	16,372
Short-term Notes Payable	-	97,780	97,780
Deferred Property Taxes	881,244	-	881,244
Unearned Revenue	2,451	-	2,451
Noncurrent Liabilities:			
Due within One Year	112,946	377,886	490,832
Due in More Than One Year	397,688	5,214,607	5,612,295
Total Liabilities	1,581,876	6,657,601	8,239,477
 NET ASSETS			
Invested in Capital Assets, Net of Related Debt	1,741,479	8,259,478	10,000,957
Unrestricted	1,837,973	725,325	2,563,298
Restricted for Permanent Fund	110,985	-	110,985
Restricted for Drug Fund	33,218	-	33,218
Total Net Assets	\$ 3,723,655	\$ 8,984,803	\$ 12,708,458

CITY OF TRENTON, TENNESSEE
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Primary Government							
Governmental Activities:							
General Government	\$ 1,134,907	\$ -	\$ -	\$ -	\$ (1,134,907)	\$ -	\$ (1,134,907)
Public Safety	1,641,732	253,868	97,986	-	(1,289,878)	-	(1,289,878)
Public Works	1,061,839	533,901	133,525	-	(394,413)	-	(394,413)
Perpetual Care	17,590	2,623	4,304	-	(10,663)	-	(10,663)
Health, Welfare and Recreation	59,104	20,790	592	-	(37,722)	-	(37,722)
Interest on Debt	13,151	-	-	-	(13,151)	-	(13,151)
Total Governmental Activities	<u>3,928,323</u>	<u>811,182</u>	<u>236,407</u>	<u>-</u>	<u>(2,880,734)</u>	<u>-</u>	<u>(2,880,734)</u>
Business-type Activities:							
Electric Department	6,182,046	6,393,712	-	-	-	211,666	211,666
Water and Sewer	1,353,275	1,296,587	-	834,287	-	777,599	777,599
Total Business-type Activities	<u>\$ 7,535,321</u>	<u>\$ 7,690,299</u>	<u>\$ -</u>	<u>\$ 834,287</u>	<u>-</u>	<u>989,265</u>	<u>989,265</u>
General Revenues:							
Property Taxes - Levied for General Government					870,558	-	870,558
In lieu of Property Taxes - Housing Authority/TVA					66,982	-	66,982
Sales Taxes					1,084,641	-	1,084,641
Franchise Taxes					34,861	-	34,861
Alcoholic Beverage Taxes					265,669	-	265,669
Business Taxes					88,824	-	88,824
Income Taxes					39,890	-	39,890
Sale of Land and Equipment					24,430	-	24,430
Other Sources					17,694	-	17,694
Unrestricted Interest Income					40,794	11,100	51,894
Restricted Interest Income					1,955	-	1,955
Transfers					150,436	(150,436)	-
Extraordinary Loss on Disposal of Assets					-	(200,054)	(200,054)
					<u>2,686,734</u>	<u>(339,390)</u>	<u>2,347,344</u>
Changes in Net Assets					(194,000)	649,875	455,875
Net Assets - Beginning					3,917,655	8,267,534	12,185,189
Prior Period Adjustment					-	67,394	67,394
Net Assets - Beginning - restated					<u>3,917,655</u>	<u>8,334,928</u>	<u>12,252,583</u>
Net Assets - Ending					<u>\$ 3,723,655</u>	<u>\$ 8,984,803</u>	<u>\$ 12,708,458</u>

The accompanying notes are an integral part of the financial statements.

CITY OF TRENTON, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2009

	<u>General</u>	<u>Sanitation</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and Cash Equivalents	\$ 192,021	\$ 61,729	\$ 36,174	\$ 289,924
Certificates of Deposit	1,337,631	-	106,332	1,443,963
Receivables:				
Court	95,847	-	-	95,847
Taxes	967,098	-	-	967,098
Interest	12,364	-	1,697	14,061
Intergovernmental	260,418	-	-	260,418
Other	182	-	-	182
Due from Other Funds	-	55,124	-	55,124
Total Assets	\$2,865,561	\$ 116,853	\$ 144,203	\$ 3,126,617
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 45,857	\$ -	\$ -	\$ 45,857
Accrued Payroll	118,889	13,117	-	132,006
Due to Other Funds	22,058	-	-	22,058
Deferred Property Taxes	954,880	-	-	954,880
Other Deferred Revenues	227,633	-	-	227,633
Total Liabilities	1,369,317	13,117	-	1,382,434
 Fund Balances:				
Unreserved	1,496,044	-	-	1,496,044
Reserved for Sexual Offenders Fees	200	-	-	200
Permanent Fund, reserved	-	-	110,985	110,985
Special Revenue Funds, unreserved	-	103,736	-	103,736
Special Revenue Funds, reserved	-	-	33,218	33,218
Total Fund Balances	1,496,244	103,736	144,203	1,744,183
Total Liabilities and Fund Balances	\$2,865,561	\$ 116,853	\$ 144,203	\$ 3,126,617

The accompanying notes are an integral part of the financial statements.

CITY OF TRENTON, TENNESSEE
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2009

Amounts reported for the governmental activities in the statement of net assets (Page 4) are different because:

Fund Balance - Total Governmental Funds (Page 6)	\$ 1,744,183
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in funds.	2,200,451
Certain receivables are not available to pay for current expenditures and, therefore, are deferred in the funds. (See Note 4B)	299,339
Long-term liabilities, including notes and bonds payable, are not due in the the current period and, therefore, are not reported in the funds.	<u>(520,318)</u>
Net Assets - Governmental Activities (Page 4)	<u><u>\$ 3,723,655</u></u>

CITY OF TRENTON, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2009

	<u>General</u>	<u>Sanitation</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Local Taxes	\$ 2,036,306	\$ -	\$ -	\$ 2,036,306
Licenses and Permits	52,556	-	-	52,556
Intergovernmental Revenue	572,198	-	-	572,198
Charges for Services	46,697	492,084	-	538,781
Fines, Forfeits and Penalties	165,098	-	11,826	176,924
Other Revenues	185,471	576	8,882	194,929
Total Revenues	<u>3,058,326</u>	<u>492,660</u>	<u>20,708</u>	<u>3,571,694</u>
EXPENDITURES				
Current				
General Government	1,110,344	-	-	1,110,344
Public Safety	1,542,567	-	2,431	1,544,998
Public Works	498,503	534,711	-	1,033,214
Perpetual Care	-	-	17,023	17,023
Health, Welfare and Recreation	54,543	-	-	54,543
Capital Outlay	268,773	-	46,071	314,844
Debt Service	111,633	15,139	-	126,772
Total Expenditures	<u>3,586,363</u>	<u>549,850</u>	<u>65,525</u>	<u>4,201,738</u>
Excess (Deficiency) of Revenues over (under) Expenditures	(528,037)	(57,190)	(44,817)	(630,044)
Other Financing Sources (Uses)				
Transfers In	155,204	945	10,814	166,963
Note Proceeds	218,400	-	-	218,400
Transfers Out	(11,759)	-	(4,768)	(16,527)
Net Change in Fund Balances	(166,192)	(56,245)	(38,771)	(261,208)
Fund Balances - July 1, 2008	<u>1,662,436</u>	<u>159,981</u>	<u>182,974</u>	<u>2,005,391</u>
Fund Balances - June 30, 2009	<u>\$ 1,496,244</u>	<u>\$ 103,736</u>	<u>\$ 144,203</u>	<u>\$ 1,744,183</u>

CITY OF TRENTON, TENNESSEE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

June 30, 2009

Amounts reported for the governmental activities in the statement of activities (Page 5) are different because:

Net Change in Fund Balances - Total Governmental Funds (Page 8) \$ (261,208)

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 in the current period. This is the amount by which capital outlay exceeded depreciation in the current period. 160,437

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 12,193

The issuance of long-term debt (e.g., notes, bonds) 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 effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items. (105,422)

Change in Net Assets of Governmental Activities (Page 5) \$ (194,000)

CITY OF TRENTON, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2009

	Budget		Actual	Variance
	Original	Final		Over (Under)
REVENUES				
Local Taxes				
Real and Personal Property	\$ 902,449	\$ 902,449	\$ 863,387	\$ (39,062)
Payments in Lieu of Tax - Housing Authority	17,943	17,943	21,587	3,644
Local Sales Tax - County	592,250	592,250	538,172	(54,078)
Local Option Sales Tax	334,750	334,750	241,554	(93,196)
Wholesale Beer Tax	180,250	180,250	176,649	(3,601)
Wholesale Liquor Tax	66,950	66,950	71,250	4,300
Business Taxes	87,009	87,009	88,846	1,837
Cable TV Franchise Fees	43,389	43,389	34,861	(8,528)
Total Local Taxes	<u>2,224,990</u>	<u>2,224,990</u>	<u>2,036,306</u>	<u>(188,684)</u>
Licenses and Permits				
Auto Registration	41,200	41,200	41,180	(20)
Building Permits	5,150	5,150	11,376	6,226
Total Licenses and Permits	<u>46,350</u>	<u>46,350</u>	<u>52,556</u>	<u>6,206</u>
Intergovernmental Revenue				
Gasoline Tax	164,800	164,800	123,109	(41,691)
Mixed Drink Tax	13,702	13,702	13,952	250
TVA in Lieu of Tax	34,255	34,255	44,908	10,653
State Telecommunications	-	-	487	487
State Sales Tax	360,500	360,500	308,794	(51,706)
State Income Tax	22,837	22,837	40,353	17,516
State Beer Tax	3,199	3,199	3,843	644
Corporate Excise Tax	22,837	22,837	15,331	(7,506)
State Highway and Street Funds	15,450	15,450	10,062	(5,388)
Federal and State Grant Funds	-	-	11,359	11,359
Total Intergovernmental Revenue	<u>637,580</u>	<u>637,580</u>	<u>572,198</u>	<u>(65,382)</u>
Charges for Services				
Fees and Commissions	3,090	3,090	1,850	(1,240)
Public Works	30,900	30,900	28,375	(2,525)
Mowing	10,300	10,300	10,178	(122)
Out of Town Fire Fee	-	-	1,414	1,414
Cemetery Charges	4,120	4,120	4,880	760
Total Charges for Services	<u>48,410</u>	<u>48,410</u>	<u>46,697</u>	<u>(1,713)</u>
Fines, Forfeits and Penalties				
City Court Fines and Costs	195,700	195,700	159,070	(36,630)
Impoundment Charges	1,854	1,854	825	(1,029)
Sexual Offender Registration Fees	-	-	200	200
Drug Related Fines	-	-	5,003	5,003
Total Fines, Forfeits and Penalties	<u>197,554</u>	<u>197,554</u>	<u>165,098</u>	<u>(32,456)</u>

The accompanying notes are an integral part of the financial statements.

CITY OF TRENTON, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2009

	Budget		Actual	Variance
	Original	Final		Over (Under)
Other Revenues				
Salary Reimbursement - Utility Department	30,900	30,900	26,200	(4,700)
Salary Reimbursement - Building Inspector	72,100	72,100	50,827	(21,273)
Non-Refundable Beer Deposit	572	572	1,200	628
Public Safety - Safety Grant	8,907	8,907	9,600	693
Park Revenues	618	618	990	372
Interest Earnings	25,750	25,750	39,159	13,409
Sale of Land	-	-	1,630	1,630
Sale of Equipment	25,750	25,750	22,800	(2,950)
Sale of Cemetery Lots	9,270	9,270	14,920	5,650
Cemetery Donations	103	103	592	489
Miscellaneous Income	22,403	22,403	17,553	(4,850)
Total Other Revenues	<u>196,373</u>	<u>196,373</u>	<u>185,471</u>	<u>(10,902)</u>
Total Revenues	<u>3,351,257</u>	<u>3,351,257</u>	<u>3,058,326</u>	<u>(292,931)</u>

EXPENDITURES

General Government				
Salaries	255,282	262,282	256,009	(6,273)
Payroll Tax Expense	157,700	164,700	146,330	(18,370)
Hospitalization Expense	305,000	305,000	244,361	(60,639)
Retirement	159,135	159,135	113,035	(46,100)
Postage, Box Rent, Etc.	1,100	1,700	1,664	(36)
Miscellaneous	100	100	(73)	(173)
Publications, Dues and Subscriptions	2,700	2,700	2,244	(456)
Utilities	18,000	20,000	19,157	(843)
Telephone	4,300	5,300	5,367	67
Medical, Dental	500	500	130	(370)
Legal Services	300	300	277	(23)
Accounting Services	30,000	30,000	18,000	(12,000)
Landscaping Services	1,000	1,250	1,233	(17)
TSP0 Services	7,250	7,250	7,250	-
Repairs and Maintenance	39,000	39,000	20,373	(18,627)
Travel Expense	15,000	15,000	7,899	(7,101)
Office Supplies	9,500	9,500	6,722	(2,778)
Operating Supplies	7,490	7,840	5,974	(1,866)
Meals and Entertainment	2,000	2,600	2,561	(39)
Gas, Oil, Diesel Fuel and Grease	2,500	2,500	1,987	(513)
K-9 Supplies	500	500	126	(374)
Insurance	167,000	167,000	117,938	(49,062)
Payments in Lieu of Tax	15,600	15,600	15,414	(186)
Business Tax - State Portion	45,000	48,000	47,785	(215)
Grants	45,234	46,734	46,243	(491)
Miscellaneous Donations	9,200	9,200	7,935	(1,265)
Crime Stoppers	-	150	161	11
Christmas Decorations	1,000	11,000	10,140	(860)
Miscellaneous	2,000	2,045	548	(1,497)
Capital Outlay	4,000	4,600	3,554	(1,046)
Total General Government	<u>1,307,391</u>	<u>1,341,486</u>	<u>1,110,344</u>	<u>(231,142)</u>

The accompanying notes are an integral part of the financial statements.

CITY OF TRENTON, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2009

	Budget		Actual	Variance
	Original	Final		Over (Under)
Public Safety				
<i>Police Administration</i>				
Salaries	838,960	839,460	791,682	(47,778)
Unemployment Insurance	500	500	-	(500)
Postage, Box Rent, Etc.	700	700	626	(74)
Auto Licenses	100	100	35	(65)
Vehicle Towing	1,000	1,000	875	(125)
Meals and Entertainment	450	450	381	(69)
Publication, Dues and Subscriptions	9,000	9,000	5,808	(3,192)
Utilities Services	1,000	1,200	1,124	(76)
Telephone	5,000	5,000	4,865	(135)
Street Lighting Expense	500	500	131	(369)
Medical Services	2,000	4,000	3,637	(363)
Repairs and Maintenance	24,500	28,500	21,511	(6,989)
Travel Expense	14,500	14,500	13,285	(1,215)
Office Supplies	5,000	5,000	3,825	(1,175)
Operating Supplies	2,500	7,500	7,463	(37)
Prisoner Food	1,500	1,500	1,366	(134)
Janitorial Supplies	500	650	609	(41)
Clothing and Uniforms	15,425	15,425	5,738	(9,687)
Firearm Supplies	2,000	2,000	30	(1,970)
Gas, Oil, Diesel Fuel and Grease	35,000	39,000	37,312	(1,688)
Tires and Tubes	2,000	3,500	3,385	(115)
Capital Outlay	50,000	73,675	55,880	(17,795)
Total Police Administration	<u>1,012,135</u>	<u>1,053,160</u>	<u>959,568</u>	<u>(93,592)</u>
<i>Court Department</i>				
Salaries	62,585	62,585	59,297	(3,288)
Publication, Dues and Subscriptions	100	100	-	(100)
Telephone	1,000	1,300	1,370	70
Medical Services	150	400	366	(34)
Repairs and Maintenance	1,000	3,500	2,535	(965)
Travel Expense	1,000	1,100	1,080	(20)
Office Supplies	600	1,750	1,013	(737)
Operating Supplies	500	500	437	(63)
Fines and Court Taxes	49,750	52,250	55,147	2,897
Meals and Entertainment	100	100	57	(43)
Capital Outlay	4,000	4,000	3,638	(362)
Total Court Department	<u>120,785</u>	<u>127,585</u>	<u>124,940</u>	<u>(2,645)</u>
<i>Fire Department</i>				
Salaries	396,270	416,270	400,153	(16,117)
Volunteer Firemen	13,000	13,000	9,965	(3,035)
Publication, Dues and Subscriptions	200	250	204	(46)
Utilities Services	2,500	3,000	2,768	(232)
Telephone	1,450	1,950	1,892	(58)
Medical Services	500	500	236	(264)

The accompanying notes are an integral part of the financial statements.

CITY OF TRENTON, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2009

	Budget		Actual	Variance
	Original	Final		Over (Under)
Repairs and Maintenance	3,000	3,150	2,455	(695)
Travel Expense	3,500	3,500	908	(2,592)
Meals and Entertainment	-	100	70	(30)
Office Supplies	100	250	213	(37)
Operating Supplies	1,000	1,200	1,159	(41)
Janitorial Supplies	1,200	1,600	1,542	(58)
Clothing and Uniforms	5,000	5,000	4,118	(882)
Gas, Oil, Diesel Fuel and Grease	3,000	4,500	3,372	(1,128)
Tires and Tubes	450	450	315	(135)
Capital Outlay	42,212	42,212	227,195	184,983
Total Fire Department	<u>473,382</u>	<u>496,932</u>	<u>656,565</u>	<u>159,633</u>
 <i>Building Inspection</i>				
Salaries	69,811	69,811	66,198	(3,613)
Postage, Box Rent, Etc.	300	300	133	(167)
Publication, Dues and Subscriptions	250	250	210	(40)
Telephone	580	805	860	55
Office Contract Maintenance	500	500	182	(318)
Training	1,500	1,550	400	(1,150)
Office Supplies	1,800	1,800	1,272	(528)
Gas, Oil, Diesel Fuel and Grease	1,500	1,500	1,012	(488)
Total Building Inspection	<u>76,241</u>	<u>76,516</u>	<u>70,267</u>	<u>(6,249)</u>
 Total Public Safety	 <u>1,682,543</u>	 <u>1,754,193</u>	 <u>1,811,340</u>	 <u>57,147</u>
 Public Works				
<i>Street Department</i>				
Salaries	195,000	220,000	211,482	(8,518)
Unemployment Insurance	500	500	-	(500)
Auto Licenses	100	100	-	(100)
Publication, Dues and Subscriptions	95	95	-	(95)
Payroll Taxes	-	25	7	(18)
Telephone	500	500	480	(20)
Medical Services	500	500	186	(314)
Repairs and Maintenance	7,500	7,750	6,572	(1,178)
Travel	500	500	45	(455)
Office Supplies	200	200	72	(128)
Operating Supplies	6,450	8,950	1,982	(6,968)
Janitorial Supplies	200	200	182	(18)
Gas, Oil, Diesel Fuel and Grease	30,000	36,500	30,599	(5,901)
Clothing and Uniforms	2,000	2,000	911	(1,089)
Maintenance and Equipment Rental	40	40	-	(40)
Tires and Tubes	4,500	5,000	4,704	(296)
Signs, Posts and Supplies	600	600	356	(244)
Metal Culverts	950	950	744	(206)
Stop Light Repairs	10,000	10,000	9,820	(180)
Miscellaneous	4,000	4,000	2,109	(1,891)
Total Street Department	<u>263,635</u>	<u>298,410</u>	<u>270,251</u>	<u>(28,159)</u>

The accompanying notes are an integral part of the financial statements.

CITY OF TRENTON, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2009

	Budget		Actual	Variance
	Original	Final		Over (Under)
<i>State Street Aid</i>				
Street Lighting Expense	73,500	118,500	112,391	(6,109)
Concrete and Clay Products	1,843	1,843	1,227	(616)
Gravel and Sand	2,500	2,500	2,197	(303)
Asphalt and Asphalt Filler	75,000	75,000	112,437	37,437
Capital Outlay	500	500	-	(500)
Total State Street Aid	<u>153,343</u>	<u>198,343</u>	<u>228,252</u>	<u>29,909</u>
 Total Public Works	 <u>416,978</u>	 <u>496,753</u>	 <u>498,503</u>	 <u>1,750</u>
Health, Welfare and Recreation				
<i>Cemeteries</i>				
Utilities	350	450	410	(40)
Medical Services	250	250	-	(250)
Repairs and Maintenance	961	1,261	997	(264)
Operating Supplies	-	1,000	744	(256)
Gas, Oil, Diesel Fuel and Grease	3,000	3,000	1,807	(1,193)
Tires and Tubes	200	200	99	(101)
Gravel and Sand	200	200	-	(200)
Capital Outlay	3,239	3,239	2,135	(1,104)
Total Cemeteries	<u>8,200</u>	<u>9,600</u>	<u>6,192</u>	<u>(3,408)</u>
 <i>Parks and Recreation</i>				
Salaries	23,842	24,842	23,979	(863)
Utilities	7,000	9,000	8,520	(480)
Repairs and Maintenance	1,000	1,300	869	(431)
Operating Supplies	1,500	2,500	1,987	(513)
Janitorial Supplies	200	300	256	(44)
Clothing and Uniforms	230	230	181	(49)
Gas, Oil, Diesel Fuel and Grease	2,500	3,000	2,391	(609)
Tires and Tubes	400	400	202	(198)
Signs, Posts and Supplies	8,000	9,000	8,610	(390)
Miscellaneous	2,000	2,000	1,356	(644)
Total Parks and Recreation	<u>46,672</u>	<u>52,572</u>	<u>48,351</u>	<u>(4,221)</u>
 Total Health, Welfare and Recreation	 <u>54,872</u>	 <u>62,172</u>	 <u>54,543</u>	 <u>(7,629)</u>
 Debt Service	 <u>70,500</u>	 <u>75,500</u>	 <u>111,633</u>	 <u>36,133</u>
 Total Expenditures	 <u>3,532,284</u>	 <u>3,730,104</u>	 <u>3,586,363</u>	 <u>(143,741)</u>

The accompanying notes are an integral part of the financial statements.

CITY OF TRENTON, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2009

	Budget		Actual	Variance Over (Under)
	Original	Final		
Excess (Deficiency) of Revenues over (under) Expenditures	(181,027)	(378,847)	(528,037)	(149,190)
Other Financing Sources (Uses)				
Transfers In	163,930	163,930	155,204	(8,726)
Note Proceeds	-	-	218,400	218,400
Transfers Out	-	-	(11,759)	11,759
Net Change in Fund Balance	(17,097)	(214,917)	(166,192)	48,725
Fund Balance - July 1, 2008	1,662,436	1,662,436	1,662,436	-
Fund Balance - June 30, 2009	\$ 1,645,339	\$ 1,447,519	\$ 1,496,244	\$ 48,725

CITY OF TRENTON, TENNESSEE
SANITATION FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2009

	Budget		Actual	Variance
	Original	Final		Over (Under)
Revenues				
Refuse Collections	\$ 530,450	\$ 530,450	\$ 492,084	\$ (38,366)
Interest	3,090	3,090	1,635	(1,455)
Miscellaneous Income	2,060	2,060	(1,059)	(3,119)
Total Revenues	535,600	535,600	492,660	(42,940)
Expenditures				
Public Works				
Salaries	237,000	244,895	230,743	(14,152)
OASI Expense	18,377	18,377	14,815	(3,562)
Hospitalization Expense	38,000	38,000	32,459	(5,541)
Retirement	15,000	15,000	10,536	(4,464)
Dues and Subscriptions	100	100	-	(100)
Postage	100	100	-	(100)
Utility Service	12,500	12,500	10,909	(1,591)
Telephone and Telegraph	1,100	1,100	647	(453)
Medical Service	500	1,091	1,091	-
Landfill Charges	125,000	182,016	185,792	3,776
Sanitation Software Charges	15,000	15,000	16,951	1,951
Repair and Maintenance - Vehicles	5,000	5,000	3,290	(1,710)
Repair and Maintenance - Buildings	1,000	1,000	1,719	719
Repair and Maintenance - Miscellaneous	3,000	3,000	1,223	(1,777)
Operating Supplies	2,600	2,625	1,274	(1,351)
Clothing and Uniforms	1,455	1,815	2,194	379
Gas and Oil	14,500	14,500	12,160	(2,340)
Tires and Tubes	2,910	2,910	1,047	(1,863)
Gravel and Sand	1,000	1,269	1,269	-
Capital Outlay - Equipment	7,000	7,000	6,117	(883)
Miscellaneous	1,000	1,000	475	(525)
Total Public Works	502,142	568,298	534,711	(33,587)
Debt Service	22,000	22,000	15,139	(6,861)
Total Expenditures	524,142	590,298	549,850	(40,448)
Revenues over (under) Expenditures	11,458	(54,698)	(57,190)	(2,492)
Other Financing Sources (Uses)				
Transfers In	-	-	945	945
Net Change in Fund Balance	11,458	(54,698)	(56,245)	(1,547)
Fund Balance - July 1, 2008	159,981	159,981	159,981	-
Fund Balance - June 30, 2009	\$ 171,439	\$ 105,283	\$ 103,736	\$ (1,547)

The accompanying notes are an integral part of the financial statements.

CITY OF TRENTON, TENNESSEE
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2009

	Water and Sewer Fund	Electric Department	Totals
ASSETS			
Current Assets:			
Cash on Hand	\$ -	\$ 1,700	\$ 1,700
Cash in Bank	74,017	219,647	293,664
Certificates of Deposit	-	211,700	211,700
Investments	-	79,808	79,808
Accounts Receivable - Customer	120,301	633,463	753,764
Due from Other Funds	309	138,736	139,045
Interest Receivable	-	2,139	2,139
Other Receivables	-	11,437	11,437
Inventory	-	156,398	156,398
Prepaid Expenses	-	1,410	1,410
Total Current Assets	194,627	1,456,438	1,651,065
Noncurrent Assets:			
Property, Plant and Equipment:			
Utility Plant in Service	12,642,181	8,828,035	21,470,216
Construction in Progress	20,547	49,951	70,498
Accumulated Depreciation	(3,789,680)	(3,832,475)	(7,622,155)
Net Property, Plant and Equipment	8,873,048	5,045,511	13,918,559
Other Assets:			
Debt Issue Costs	70,052	49,200	119,252
Conservation Loans Receivable	-	125,639	125,639
Total Other Assets	70,052	174,839	244,891
Total Assets	9,137,727	6,676,788	15,814,515
LIABILITIES			
Current Liabilities:			
Accounts Payable	22,602	587,053	609,655
Due to Other Funds	130,313	41,798	172,111
Accrued Payroll	18,507	19,884	38,391
Other Accrued Liabilities	-	6,688	6,688
Notes Payable	97,780	-	97,780
Current Portion of Bonds and Notes Payable	183,257	194,629	377,886
Total Current Liabilities	452,459	850,052	1,302,511
Noncurrent Liabilities:			
Bonds Payable	3,229,603	1,835,889	5,065,492
Notes Payable	145,205	-	145,205
Bond Discount	3,910	-	3,910
Customer Deposits	-	184,730	184,730
Advances for Conservation Loans	-	127,864	127,864
Total Noncurrent Liabilities	3,378,718	2,148,483	5,527,201
Total Liabilities	3,831,177	2,998,535	6,829,712
NET ASSETS			
Invested in Capital Assets, net of related debt	5,294,436	2,965,042	8,259,478
Unrestricted	12,114	713,211	725,325
Total Net Assets	\$ 5,306,550	\$ 3,678,253	\$ 8,984,803

The accompanying notes are an integral part of the financial statements.

CITY OF TRENTON, TENNESSEE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended June 30, 2009

	<u>Water and Sewer Fund</u>	<u>Electric Department</u>	<u>Totals</u>
Operating Revenues			
Charges for Services	\$ 1,296,587	\$ 6,306,608	\$ 7,603,195
Miscellaneous	-	87,104	87,104
Total Operating Revenues	<u>1,296,587</u>	<u>6,393,712</u>	<u>7,690,299</u>
Operating Expenses			
Purchased Power	-	5,085,103	5,085,103
Transmission Expense	-	644	644
Distribution Expense	260,307	195,690	455,997
Consumer Accounts Expense	112,008	116,384	228,392
Customer Service Expense	-	5,531	5,531
Sales Expense	-	9,028	9,028
Administrative and General Expense	300,746	358,610	659,356
Maintenance Expense	329,815	110,435	440,250
Depreciation and Amortization	220,844	254,676	475,520
Total Operating Expenses	<u>1,223,720</u>	<u>6,136,101</u>	<u>7,359,821</u>
Income from Operations	<u>72,867</u>	<u>257,611</u>	<u>330,478</u>
Non-Operating Revenues (Expenses)			
Interest Income	621	10,479	11,100
Interest Expense	(127,413)	(35,590)	(163,003)
Total Non-Operating Revenues (Expenses)	<u>(128,934)</u>	<u>(35,466)</u>	<u>(164,400)</u>
Net Income before Transfers and Contributions	<u>(56,067)</u>	<u>222,145</u>	<u>166,078</u>
Capital Contributions - Grant Revenue	834,287	-	834,287
Transfers Out	-	(150,436)	(150,436)
Net Income before Extraordinary Items	<u>778,220</u>	<u>71,709</u>	<u>849,929</u>
Extraordinary Loss on Disposal of Assets	(200,054)	-	(200,054)
Change in Net Assets	<u>578,166</u>	<u>71,709</u>	<u>649,875</u>
Net Assets - July 1, 2008	4,660,990	3,606,544	8,267,534
Prior Period Adjustment	67,394	-	67,394
Net Assets - July 1, 2006 - as restated	<u>4,728,384</u>	<u>3,606,544</u>	<u>8,334,928</u>
Total Net Assets - June 30, 2009	<u><u>\$ 5,306,550</u></u>	<u><u>\$ 3,678,253</u></u>	<u><u>\$ 8,984,803</u></u>

The accompanying notes are an integral part of the financial statements.

CITY OF TRENTON, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2009

	<u>Water and Sewer Fund</u>	<u>Electric Department</u>	<u>Total</u>
Cash Flows from Operating Activities:			
Cash Received From Consumers	\$ 1,274,823	\$ 6,334,239	\$ 7,609,062
Cash Paid to Suppliers of Goods and Services	(692,201)	(5,435,171)	(6,127,372)
Cash Paid to Employees for Services	(263,693)	(514,625)	(778,318)
Net Cash Provided (Used) by Operating Activities	<u>318,929</u>	<u>384,443</u>	<u>703,372</u>
Cash Flows from Investing Activities:			
Proceeds from Certificate of Deposits	212,032	-	212,032
Interest Received from Investments	2,009	13,400	15,409
Net Cash Provided (Used) by Investing Activities	<u>214,041</u>	<u>13,400</u>	<u>227,441</u>
Cash Flows from Capital and Related Financing Activities:			
Proceeds from Note Payable	100,125	-	100,125
Refund of Debt Issue Costs	-	200	200
Payment on Long-Term Debt	(177,432)	(184,104)	(361,536)
Additions and Construction of Utility Plant	(1,125,566)	(78,320)	(1,203,886)
Net Change in Other Assets and Investments	-	(27,506)	(27,506)
Removal Cost	-	(8,553)	(8,553)
Payment in Lieu of Taxes	-	(150,436)	(150,436)
Grant Proceeds	689,649	-	689,649
Increase in Advances for Conservation Loans	-	41,105	41,105
Interest and Other Non-Operating Expenses	(129,555)	(45,945)	(175,500)
Net Cash Provided (Used) by Capital Financing Activities	<u>(642,779)</u>	<u>(453,559)</u>	<u>(1,096,338)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(109,809)	(55,716)	(165,525)
Cash and Cash Equivalents - July 1, 2008	<u>164,320</u>	<u>488,763</u>	<u>653,083</u>
Cash and Cash Equivalents - June 30, 2009	\$ 54,511	\$ 433,047	\$ 487,558
	19506		
Cash and Cash Equivalents			
Unrestricted Cash on Hand	\$ -	\$ 1,700	\$ 1,700
Unrestricted Cash in Bank	74,017	219,647	293,664
Unrestricted Certificates of Deposit	-	211,700	211,700
Total Cash and Cash Equivalents	<u>\$ 74,017</u>	<u>\$ 433,047</u>	<u>\$ 507,064</u>
Noncash Capital and Related Financing Activities			
Equipment purchased with capital lease	<u>\$ 19,021</u>	<u>\$ -</u>	<u>\$ 19,021</u>

The accompanying notes are an integral part of the financial statements.

CITY OF TRENTON, TENNESSEE
STATEMENT OF CASH FLOWS (Cont.)
PROPRIETARY FUNDS
For the Year Ended June 30, 2009

	Water and Sewer Fund	Electric Department	Combined Total
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income	\$ 72,867	\$ 257,611	\$ 330,478
<i>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:</i>			
Depreciation and Amortization	220,844	254,676	475,520
Depreciation Charged to Other Accounts	-	19,006	19,006
(Increase) Decrease in Due from Other Funds	5,096	(65,964)	(60,868)
(Increase) Decrease in Accounts Receivable	(21,764)	(25,754)	(47,518)
(Increase) Decrease in Inventory	-	(26,353)	(26,353)
(Increase) Decrease in Other Receivables	-	(55)	(55)
Increase (Decrease) in Accounts Payable	(14,544)	9,280	(5,264)
Increase (Decrease) in Other Current Liabilities	-	(22)	(22)
Increase (Decrease) in Accrued Payroll	3,714	1,299	5,013
Increase (Decrease) in Customer Deposits	-	(33,664)	(33,664)
Increase (Decrease) in Due to Other Funds	72,222	(5,617)	66,605
	\$ 338,435	\$ 384,443	\$ 722,878

CITY OF TRENTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Trenton, Tennessee, was incorporated in 1903. The City operates under a mayor-aldermen form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, social services, culture-recreation, education, public improvements, planning and zoning, water and sewer, electric, and general administrative services.

As required by generally accepted accounting principles, these financial statements present all funds that comprise the City of Trenton. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is fiscal dependency by the organization on the City

Based on the aforementioned criteria, the City of Trenton has no component units. Specifically excluded from the reporting entity are the following:

Trenton Industrial Board and Trenton Housing Authority - These potential component units have separate corporate powers that distinguish them as being legally separate from the City. The City appoints a voting majority of this potential component unit's governing body. The potential component units are excluded from the reporting entity because the City does not have the ability to exercise influence or control over their daily operations, approve budgets, remove appointed members or provide funding.

Trenton Teapot Festival, Inc. - This potential component unit has separate corporate powers that distinguish it as being legally separate from the City. The City appoints a voting majority of the Festival's governing body. The potential component unit is excluded from the reporting entity because the City does not have the obligation to provide funding and because it is immaterial.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statements of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of the interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of the 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

CITY OF TRENTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

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 proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statements Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary 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 collected within the current period or soon enough thereafter to pay liabilities of the current period. For this period, the government considers revenues to be available if they are collected within thirty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, gross receipt taxes, sales taxes, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Governmental Funds - The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for specific purposes. The City's special revenue funds consist of the Sanitation Fund and the Drug Fund. The City also has a permanent fund, the Cemetery Perpetual Care Fund, used to account for receipts of investment earnings from an endowment and payments for cemetery maintenance. The City reports the General Fund and Sanitation Fund as major governmental funds.

Proprietary Funds - The City's proprietary funds consist of the following:

The Electric Fund accounts for the activities of the government's electric distribution operations.

The Water and Sewer Fund accounts for activities associated with the water distribution system, sewage treatment plant, sewage pumping stations and collection system.

Both the Electric Fund and Water and Sewer Fund are considered major funds.

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The financial statements of the City are prepared in accordance with generally accepted accounting principles. The City's reporting entity applies all relevant *Governmental Accounting Standards Board* (GASB) pronouncements and applicable *Financial Accounting Standards Board* (FASB) pronouncements and *Accounting Principle Board* (APB) opinions issued on or before November 30, 1989 unless they conflict with GASB pronouncements. The City's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are other charges between the government's utility divisions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expense from non-operating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the electric and water and sewer funds are charges for sales to customers for sales and services. The water and sewer fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the proprietary 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.

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

D. Assets, Liabilities, and Net Assets or Equity

Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and certificates of deposit with a term of less than three months.

State statutes authorize the City to invest in certificates of deposit, obligations of the U. S. Treasury, agencies and instrumentalities, obligations guaranteed by the U. S. Government or its agencies, repurchase agreements and the state's investment pools.

Investments for the City are reported at fair value. The State Local Government Investment Pool operated in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Receivable and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. However, any residual balances outstanding

CITY OF TRENTON, TENNESSEE
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between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

Property taxes are levied annually on January 1. The taxes are due and payable from the following October through February in the year succeeding the tax levy. An unperfected lien attaches by statute to property on March 1 for unpaid taxes from the prior year’s levy. Taxes uncollected by April 1st of the second year after they were due are submitted to the Chancery Court for collection. Tax liens become perfected at the time the court enters judgment. Any receivables at year end represent delinquent taxes or deferred revenue.

Bad debts in the proprietary funds are recorded using the direct write-off method. At the end of each year, the proprietary funds compile a list of bad debts to be written off, which is presented to the Board for approval.

Inventory and Prepaid Items

Inventory consists of electric poles and supplies in the Electric Department. It is valued using an average costing method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, including property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 for equipment and \$10,000 for land improvements, infrastructure, and buildings and an estimated useful life in excess of three years. All land, construction in progress, and works of art will be included. The electric and water and sewer funds also use a threshold of \$500 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend assets’ lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets of the City are depreciated using the straight-line method over the following useful lives:

Buildings	20 - 40 Years	Infrastructure	20 Years
Improvements Other Than Buildings	15 - 20 Years	Distribution Plant	40 - 50 Years
Machinery and Equipment	7 - 15 Years	General Plant	40 - 50 Years
Furniture and Fixtures	5 Years	Treatment Plant	40 - 50 Years
Vehicles	5 Years		

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Deferred Revenue

Deferred revenue represents amounts that were receivable and measurable at June 30, 2009 but were not available to finance expenditures for the year ended June 30, 2009. Deferred revenues primarily include unearned or unavailable revenues.

Compensated Absences

Employees of the City of Trenton are entitled to paid vacation and paid sick days depending on job classification, length of service and other factors. Employees are entitled to all accrued vacation (up to a maximum of 30 days) upon termination. Accrued sick leave is not vested. The estimated current portion of the liability for vested vacation benefits attributable to the City's governmental funds is recorded as an expenditure and liability in the respective funds. The amounts attributable to proprietary funds are charged to expense and a corresponding liability in the applicable fund.

Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets

One element of the reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* explains that "capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in funds." The details of this \$2,200,451 difference are as follows:

Capital assets	\$6,986,712
Accumulated depreciation	<u>4,786,261</u>
Net capital assets	<u>\$2,200,451</u>

CITY OF TRENTON, TENNESSEE
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Another element of that reconciliation explains that “long-term liabilities, including notes and bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.” The details of this \$520,318 difference are as follows:

Revenue bonds payable	\$ 171,729
Notes payable	96,053
Capital lease payable	191,190
Interest payable	9,684
Compensated absences payable	51,662
Total long-term liabilities	\$ 520,318

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

One element of the reconciliation between *net changes in fund balances - total governmental funds* and *changes in net assets of governmental activities* explains that “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 in the current period.” The details of this \$160,437 difference are as follows:

Capital outlay	\$ 314,844
Depreciation expense	(154,407)
Net adjustment	\$ 160,437

Another element of that reconciliation states that “Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.” The details of this \$12,193 difference are as follows:

State shared revenue received in August 2008	\$ (220,160)
State shared revenue received in August 2009	225,181
Property tax revenue deferred - June 2008	(66,985)
Property tax revenue deferred - June 2009	74,157
Net adjustment	\$ 12,193

The final element of that reconciliation deals with the differences in reporting the issuance and repayment of long-term debt and states that “This amount is the net effect of these differences in the treatment of long-term debt and related items.” The details of this \$105,422 difference are as follows:

Proceeds from long-term debt	\$ (218,400)
Payments on principal of long-term debt	115,600
Increase in compensated absences	(643)
Increase in accrued interest payable	(1,979)
Net adjustment	\$ (105,422)

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NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for governmental funds, except that material outstanding encumbrances at the end of the fiscal year are treated as expenditures in that year's budget.

The City's policy is to not allow expenditures to exceed budgetary amounts at the major function level without obtaining additional appropriation approval from the Board of Aldermen. This policy reflects the legal level of control at which expenditures may not exceed appropriations.

As an extension of the budgetary process, the Board of Aldermen may transfer or appropriate additional funds for expenditures not anticipated at the time of budget adoption. These amendments are made in the form of legally adopted ordinances. The City Recorder may make transfers within the budget below the legal level of control. All unexpended appropriations lapse at the end of the fiscal year unless the City Recorder authorizes retention.

NOTE 4 – DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of June 30, 2009, the City had investments in Tennergy Corporation with a cost of \$39,360 and a fair value of \$79,808.

Credit Risk - The investment in Tennergy Corporation is authorized under TCA 7-39-101 et seq. The act authorizes a public corporation to own, finance and operate gas and electrical facilities for the purchase, drilling, extraction, production, storage, transportation, distribution and transmission of natural gas or electrical energy, both inside and outside the State of Tennessee. The act also allows for the contracting of the purchase of supplies of electric power and natural gas. Tennergy Corporation was formed to acquire, sell, distribute and otherwise deal in gas and electrical power and energy.

Custodial Credit Risk - The City's policies limit deposits and investments to those instruments allowed by applicable state laws as described in Note 1. State statutes require that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the City's agent in the City's name, or by the Federal Reserve Banks acting as third party agents. State statutes also authorize the City to invest in bonds, notes or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, the state pooled investment fund, and mutual funds. Statutes also require that securities underlying repurchase agreements must have a market value of at least equal to the amount of funds invested in the repurchase transaction. As of June 30, 2009, all of the City's deposits were insured or collateralized.

Cash and cash equivalents and investments as reflected in the accompanying financial statements are allocated as follows under *Governmental Accounting Standards Board Statement No. 3*:

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	<u>Cash on Hand</u>	<u>Deposits</u>	<u>Certificates of Deposit</u>	<u>Investments</u>	<u>Total</u>
Cash and Cash Equivalents:					
General Fund	\$ 2,000	\$ 190,021	\$ 1,337,631	\$ -	\$ 1,529,652
Special Revenue Funds	-	81,666	13,161	-	94,827
Permanent Fund	-	16,237	93,171	-	109,408
Proprietary Funds	1,700	293,664	211,700	-	507,064
Total Cash and Cash Equivalents	<u>3,700</u>	<u>581,588</u>	<u>1,655,663</u>	<u>-</u>	<u>2,240,951</u>
Investments:					
Proprietary Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>79,808</u>	<u>79,808</u>
Total Investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>79,808</u>	<u>79,808</u>
Total	<u>\$ 3,700</u>	<u>\$ 581,588</u>	<u>\$ 1,655,663</u>	<u>\$ 79,808</u>	<u>\$ 2,320,759</u>

B. Receivables

Receivables at year end for the government's individual major funds and nonmajor funds in the aggregate are shown in the accompanying financial statements at net realizable value. The City of Trenton does not record allowances for uncollectible accounts, but uses the direct write-off method for its receivables.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, various components of deferred revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>
2009 Property Tax Assessment	\$ 881,244
Property Taxes Receivable	73,636
State Shared Revenue Received in August	37,826
Local Options Sales Tax Received in August	91,509
Court Fines	95,847
Revenue Collected in Advance - Unearned	2,451
Total Deferred Revenue for Governmental Funds	<u>\$ 1,182,513</u>

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C. Capital Assets

Changes in capital assets for governmental activities for the year ended June 30, 2009, are summarized in the following table.

	<u>Balance at June 30, 2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at June 30, 2009</u>
Governmental Activities				
Capital Assets, not being depreciated				
Land	\$ 161,000	\$ -	\$ -	\$ 161,000
Teapots	1,005,000	-	-	1,005,000
Total	<u>1,166,000</u>	<u>-</u>	<u>-</u>	<u>1,166,000</u>
Capital Assets, being depreciated				
Buildings	2,268,372	-	-	2,268,372
Building Improvements	85,748	17,023	-	102,771
Vehicles	1,043,599	224,678	63,900	1,204,377
Machinery and Equipment	879,425	73,143	-	952,568
Office Equipment	137,885	-	-	137,885
Furniture and Fixtures	39,739	-	-	39,739
Infrastructure	1,115,000	-	-	1,115,000
Total	<u>5,569,768</u>	<u>314,844</u>	<u>63,900</u>	<u>5,820,712</u>
Accumulated Depreciation				
Buildings	1,764,067	20,360	-	1,784,427
Building Improvements	13,302	3,108	-	16,410
Vehicles	915,291	60,700	63,900	912,091
Machinery and Equipment	758,295	54,974	-	813,269
Office Equipment	124,732	9,851	-	134,583
Furniture and Fixtures	36,982	1,080	-	38,062
Infrastructure	1,083,085	4,334	-	1,087,419
Total	<u>4,695,754</u>	<u>154,407</u>	<u>63,900</u>	<u>4,786,261</u>
Net Capital Assets, being depreciated	<u>874,014</u>	<u>160,437</u>	<u>-</u>	<u>1,034,451</u>
Total Capital Assets, Net	<u>\$ 2,040,014</u>	<u>\$ 160,437</u>	<u>\$ -</u>	<u>\$ 2,200,451</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

General Government	\$ 23,109
Public Safety	99,423
Public Works	27,339
Health, Welfare and Recreation	4,536
Total Depreciation Expense	<u>\$154,407</u>

CITY OF TRENTON, TENNESSEE
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Changes in capital assets for business-type activities for the year ended June 30, 2009, are summarized in the following table.

	Balance at June 30, 2008	Increases	Decreases	Balance at June 30, 2009
Business-type Activities				
Capital Assets, not being depreciated				
Land	\$ 164,907	\$ 54,816	\$ 2,500	\$ 217,223
Construction in Progress	2,848,818	(2,778,319)	-	70,499
Total	<u>3,013,725</u>	<u>(2,723,503)</u>	<u>2,500</u>	<u>287,722</u>
Capital Assets, being depreciated				
Transmission Plant	2,107,828	-	-	2,107,828
Distribution Plant	13,668,695	3,542,582	469,557	16,741,720
General Plant	2,033,968	421,991	52,515	2,403,444
Total	<u>17,810,491</u>	<u>3,964,573</u>	<u>522,072</u>	<u>21,252,992</u>
Accumulated Depreciation				
Treatment Plant	572,147	58,218	-	630,365
Distribution Plant	5,082,751	341,527	283,077	5,141,201
General Plant	1,792,923	78,887	21,221	1,850,589
Total	<u>7,447,821</u>	<u>478,632</u>	<u>304,298</u>	<u>7,622,155</u>
Net Capital Assets, being depreciated				
	<u>10,362,670</u>	<u>3,485,941</u>	<u>217,774</u>	<u>13,630,837</u>
Total Capital Assets, Net	<u>\$ 13,376,395</u>	<u>\$ 762,438</u>	<u>\$ 220,274</u>	<u>\$ 13,918,559</u>

D. Interfund Receivables, Payables, and Transfers

The composition of interfund receivables and payables as shown in the governmental funds balance sheet as of June 30, 2009, is as follows:

Receivable Fund	Payable Fund	Receivable Amount	Payable Amount	Total
Sanitation	Electric	\$ 41,489	\$ -	\$ 41,489
Electric	General	-	(8,423)	(8,423)
General	Sanitation	13,635	(13,635)	-
		<u>\$ 55,124</u>	<u>\$ (22,058)</u>	<u>33,066</u>

The internal balances presented in the statement of net assets represents the net amount of these interfund balances as shown above. The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable

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expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

The composition of interfund transfers as of June 30, 2009 is as follows:

Transfer Out:	Transfer In:			Total
	General	Sanitation	Cemetery	
General	\$ -	\$ 945	\$ 10,814	\$ 11,759
Cemetery	4,768	-		4,768
Electric	150,436	-	-	150,436
Total	\$ 155,204	\$ 945	\$ 10,814	\$ 166,963

Transfers are used to properly record revenues and expenditures between the General Fund and Cemetery Fund and also to record the annual in-lieu-of-tax payment from the Electric Fund to the General Fund.

E. Long-Term Liabilities

Governmental Activities

General long-term debt includes a note for \$200,382 borrowed on July 1, 2004 from Bancorpsouth. Principal is due annually on July 1 through maturity on July 2, 2009, including interest at 5.00%. The balance outstanding at June 30, 2009, was \$61,759.

On July 1, 2004, the City borrowed \$116,634 from Bancorpsouth. Principal was due annually on July 2 through maturity on July 2, 2008, including interest at 3.34%.

On October 10, 2002, the City borrowed \$100,000 from Security Bank to repair the roof at City Hall. Principal is due annually on July 1 through maturity on July 1, 2012. The balance outstanding was \$34,294 on June 30, 2009.

During the current year, the City purchased a new fire truck through a capital lease with Sovereign Bank. The amount financed was \$218,400 which is being paid in seven annual installments of \$37,103 including interest at 3.84%. The balance outstanding as of June 30, 2009, was \$191,190. Payments are due October 15 of each year through maturity on October 15, 2014.

On August 2, 2000, the City of Trenton, the Water and Sewer Department, and the Electric Department entered into a 20 year loan with the Tennessee Municipal Bond Fund for \$1,507,500 at a 5% interest rate. The City's portion of the loan proceeds was \$250,000. Principal is due annually on May 25 through maturity on May 25, 2020. The interest is paid only on the amount drawn. The City's balance outstanding at June 30, 2009 was \$171,729.

Also included in general long-term debt is the long-term portion of accrued vacation for the General Fund.

The following is a schedule of changes in the long-term liabilities of governmental activities:

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	Beginning Balance	Issued	Retired	Ending Balance	Due Within One Year
Note Payable - Bancorpsouth	\$ 28,238	\$ -	\$ 28,238	\$ -	\$ -
Note Payable - Bancorpsouth	90,172	-	28,413	61,759	61,759
Lease Payable - Case Credit	-	218,400	27,210	191,190	28,443
Note Payable - Security Bank	54,522	-	20,228	34,294	10,891
Tenn. Municipal Bond Fund	183,241	-	11,512	171,729	11,853
Compensated Absences	51,018	-	(643)	51,661	-
Total	<u>\$ 407,191</u>	<u>\$ 218,400</u>	<u>\$ 114,958</u>	<u>\$ 510,633</u>	<u>\$ 112,946</u>

Business-type Activities

The Water and Sewer Department issued 1998 Revenue Bonds for \$765,000 with interest at 4.375%. Payments of principal and interest are due monthly in the amount of \$3,451. The balance outstanding at June 30, 2009, was \$671,595. The Electric Department also has 1998 bonds issued on September 16, 1997, for \$3,000,000 with an interest rate of 5.5%. Principal payments are due annually on May 25 through May 2017. Interest is paid monthly. The balance outstanding at June 30, 2009, was \$1,604,000.

The Water and Sewer Department also has a 2003 bond issue for \$1,097,000 with interest at 3.380%. This issue was for the refunding of the 1993 bond issue. Payments of principal are due annually, with the interest paid monthly. The balance outstanding at June 30, 2009, was \$551,000. The 2008 bond issue was for \$1,783,000 with interest at 4.260%. Payments of principal and interest are due monthly in the amount of \$7,899. The balance outstanding at June 30, 2009, was \$1,759,907.

The Water and Sewer Fund executed a capital lease agreement with Case Credit to finance a backhoe-loader. The amount financed after trade-in was \$19,021. The lease was effective November 20, 2008, with monthly payments of \$620 with interest calculated at 7.9%. The final payment is due on October 20, 2011. The outstanding principal balance at June 30, 2009, was \$16,141.

On February 15, 2001, the Water and Sewer Fund entered into an agreement to purchase territorial rights from the Gibson County Municipal Water District for \$78,000 to provide water and sewer service for an area annexed by the City of Trenton. The Water and Sewer Fund will pay the amount over a 20 year period at an interest rate of 3% per annum in annual installment payments of \$5,243. The outstanding principal balance at June 30, 2009, was \$52,187.

During the current year, Trenton Light and Water borrowed \$100,125 from Farmers & Merchants Bank to finance water improvements. The loan was dated November 12, 2008 and matures November 12, 2018. Monthly payments of \$1,013 include interest at 3.98%. The balance outstanding on June 30, 2009, was \$95,312.

On August 2, 2000, the City of Trenton, the Water and Sewer Department, and the Electric Department entered into a 20 year loan with the Tennessee Municipal Bond Fund for \$1,507,500 at a 5% interest rate. Principal is due annually on May 25 through maturity on May 25, 2020. The Water and Sewer

CITY OF TRENTON, TENNESSEE
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Department's balance outstanding at June 30, 2009, was \$411,923. The Electric Department's balance outstanding at June 30, 2009, was \$426,406.

The following is a schedule of changes in the long-term liabilities of business-type activities:

	Beginning Balance	Issued	Retired	Ending Balance	Due Within One Year
Note Payable - Case Credit	\$ 7,709	\$ -	\$ 7,709	\$ -	\$ -
Note Payable - GCMWD	55,757	-	3,570	52,187	3,677
Note Payable - Bank	-	100,125	4,813	95,312	8,514
Lease payable - Case	-	19,021	2,880	16,141	6,244
1998 Revenue Bonds	2,443,343	-	167,748	2,275,595	177,007
2000 TML Bonds	894,649	-	56,320	838,329	59,258
2003 TML Bonds	650,000	-	99,000	551,000	103,000
2008 TML Bonds	1,779,443	-	19,536	1,759,907	20,186
	<u>\$ 5,830,901</u>	<u>\$ 119,146</u>	<u>\$ 361,576</u>	<u>\$ 5,588,471</u>	<u>\$ 377,886</u>

The annual requirements to amortize long-term debt outstanding (excluding compensated absences) are as follows:

Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2010	\$ 112,946	\$ 25,252	\$ 377,886	\$ 259,200
2011	53,525	16,173	395,270	241,298
2012	56,199	13,726	410,619	222,607
2013	46,206	11,168	426,819	203,414
2014	48,364	9,010	446,370	183,344
2015-2019	119,082	19,378	1,390,460	636,592
2020-2024	22,650	965	373,091	416,276
2025-2029	-	-	334,691	346,309
2030-2034	-	-	414,881	266,119
2035-2039	-	-	457,877	167,902
2040-2044	-	-	394,228	79,712
2045-2046	-	-	166,279	6,896
	<u>\$ 458,972</u>	<u>\$ 95,672</u>	<u>\$ 5,588,471</u>	<u>\$ 3,029,669</u>

Debt expense associated with the above bond issues was recorded as other assets and is being amortized on a straight-line basis over the life of the issue.

The Water and Sewer Department also had an outstanding note payable to the State of Tennessee for \$97,852, which represents funds drawn against a State Public Health Grant/Loan Fund. This loan has been classified as short-term until the loan is finalized and permanent repayment terms have been established.

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NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 5 – OTHER INFORMATION

A. Defined Benefit Plan

Plan Description

Employees of the City of Trenton are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with 5 years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system on or after July 1, 1979 become vested after 5 years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the City of Trenton participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://www.tn.gov/treasury/tcrs/PS/>.

Funding Policy

The City of Trenton requires employees to contribute 5.0 percent of earnable compensation.

The City of Trenton is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2009, was 6.85% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the City of Trenton is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ending June 30, 2009, the City of Trenton's annual pension cost of \$179,435 to TCRS was equal to the City's required and actual contributions. The required contribution was determined as part of the July 1, 2007 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5% a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post retirement increases of 3.0 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total

CITY OF TRENTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

investments over a five-year period. The City of Trenton's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2007 was 8 years. An actuarial valuation was performed as of July 1, 2007, which established contribution rates effective July 1, 2008.

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/09	\$179,435	100.00%	\$0
6/30/08	\$190,743	100.00%	\$0
6/30/07	\$181,818	100.00%	\$0

Funded Status and Funding Progress

As of July 1, 2007, the most recent actuarial valuation date, the plan was 90.56% funded. The actuarial accrued liability for benefits was \$7 million, and the actuarial value of assets was \$6.34 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$.66 million. The covered payroll (annual payroll of active employees covered by the plan) was \$2.48 million, and the ratio of the UAAL to the covered payroll was 26.64%.

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

The annual required contribution (ARC) was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)- Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/01/07	\$6,342	\$7,003	\$661	90.56%	\$2,481	26.64%

B. Postemployment Health Care Benefits

In addition to the pension benefits described in Note 5A, the City provides postemployment health care benefits, in accordance with City statutes, to all employees who retire from the City on or after attaining

CITY OF TRENTON, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

age 65 with at least 20 years of service. The City has five employees meeting these eligibility requirements. The City pays for a Medicare supplement plan for postemployment medical coverage. The postemployment health care expenditures cannot be reasonably estimated.

C. Risk Management

The City of Trenton is exposed to various risks related to general liability, property, automobile liability, workers' compensation and legal liability. The City felt it was more economically feasible to join public entity risk pools as opposed to purchasing commercial insurance for these areas. The City is a member of the Tennessee Municipal League Risk Management Pool (TMLRMP), which is a public entity risk pool established by the Tennessee Municipal League, an association of member Tennessee municipalities. The City pays an annual premium to this pool for it to be self-sustaining through member premiums. The TMLRMP reinsures through commercial insurance companies for claims in excess of a specified amount for each insured event.

The City continues to carry commercial insurance for all other risks of loss, including employee health and accident and treasurer's bond. Settled claims from these losses have not exceeded commercial insurance coverage in any of the past three fiscal years.

D. Litigation

The City is party to various legal proceedings, which normally occur, in governmental operations. These legal proceedings are not likely to have a material adverse impact on the affected funds of the City.

E. Prior Period Adjustment

A prior period adjustment in the Water and Sewer Fund was made to correct a grant receivable that was not recorded as of June 30, 2008. Beginning fund balance was increased by \$67,394 and current year revenue was decreased by this amount.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF TRENTON, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF RETIREMENT FUNDING PROGRESS
June 30, 2009

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/01/07	\$6,342	\$7,003	\$661	90.56%	\$2,481	26.64%

The Governmental Accounting Standards Board requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the entry age actuarial cost method was a change made during the current fiscal year and therefore, only the most current year is presented.

OTHER SUPPLEMENTARY INFORMATION

CITY OF TRENTON, TENNESSEE
BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2009

	<u>Permanent Fund Cemetery</u>	<u>Special Revenue Fund Drug</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS			
Cash in Bank - Checking	\$ 16,237	\$ 16,435	\$ 32,672
Cash in Bank - Savings	-	3,502	3,502
Certificates of Deposit	93,171	13,161	106,332
Interest Receivable	1,577	120	1,697
	<u>1,577</u>	<u>120</u>	<u>1,697</u>
Total Assets	<u>\$ 110,985</u>	<u>\$ 33,218</u>	<u>\$ 144,203</u>
LIABILITIES AND FUND BALANCE			
Reserved Fund Balance	\$ 110,985	\$ 33,218	\$ 144,203
	<u>110,985</u>	<u>33,218</u>	<u>144,203</u>
Total Liabilities and Fund Balance	<u>\$ 110,985</u>	<u>\$ 33,218</u>	<u>\$ 144,203</u>

CITY OF TRENTON, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2009

	<u>Permanent Fund Cemetery</u>	<u>Special Revenue Fund Drug</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues			
Fines and Forfeitures:			
Drug-related Fines	\$ -	\$ 11,826	\$ 11,826
Other:			
Donations and Contributions	4,304	-	4,304
Miscellaneous Income	2,623	-	2,623
Interest	1,821	134	1,955
Total Revenues	<u>8,748</u>	<u>11,960</u>	<u>20,708</u>
Expenditures			
Capital Outlay	17,023	-	17,023
Miscellaneous	166	-	166
Drug Control	-	48,336	48,336
Total Expenditures	<u>17,189</u>	<u>48,336</u>	<u>65,525</u>
Revenues over (under) Expenditures	(8,441)	(36,376)	(44,817)
Other Financing Sources (Uses)			
Transfers In	10,814	-	10,814
Transfers Out	(4,768)	-	(4,768)
Net Change in Fund Balance	(2,395)	(36,376)	(38,771)
Fund Balance - July 1, 2008	<u>113,380</u>	<u>69,594</u>	<u>182,974</u>
Fund Balance - June 30, 2009	<u>\$ 110,985</u>	<u>\$ 33,218</u>	<u>\$ 144,203</u>

CITY OF TRENTON, TENNESSEE
DRUG FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2009

	Budget		Actual	Variance
	Original	Final		Over (Under)
Revenues				
Fines and Forfeitures:				
Drug-related Fines	\$ 15,000	\$ 15,000	\$ 11,826	\$ (3,174)
Other:				
Miscellaneous Income	5,000	5,000	-	(5,000)
Interest	-	-	134	134
Total Revenues	<u>20,000</u>	<u>20,000</u>	<u>11,960</u>	<u>(8,040)</u>
Expenditures				
Publications, Dues and Subscriptions	500	500	205	(295)
Telephone	2,100	2,100	2,080	(20)
Repair and Maintenance	1,000	1,000	686	(314)
Travel	1,500	1,500	135	(1,365)
Academy Training	3,500	3,500	-	(3,500)
Office Supplies	1,000	1,000	1,437	437
Operating Supplies	3,000	31,750	6,528	(25,222)
Uniforms	400	400	400	-
Gas and Oil	793	793	50	(743)
K-9 supplies	1,000	1,000	-	(1,000)
Depreciation	1,207	1,207	-	(1,207)
Capital Outlay	-	-	29,048	29,048
Miscellaneous	3,400	7,400	7,767	367
Total Expenditures	<u>19,400</u>	<u>52,150</u>	<u>48,336</u>	<u>(3,814)</u>
Revenues over (under) Expenditures	600	(32,150)	(36,376)	(4,226)
Fund Balance - July 1, 2008	<u>69,594</u>	<u>69,594</u>	<u>69,594</u>	<u>-</u>
Fund Balance - June 30, 2009	<u>\$ 70,194</u>	<u>\$ 37,444</u>	<u>\$ 33,218</u>	<u>\$ (4,226)</u>

CITY OF TRENTON, TENNESSEE
SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS
GENERAL OBLIGATION DEBT
June 30, 2009

Year Ending June 30,	General Obligation Debt								
	2000 TML Bonds		Notes Payable		Capital Lease		Total Requirements		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total
2010	\$ 11,853	\$ 8,418	\$ 72,650	\$ 8,173	\$ 28,443	\$ 8,661	\$ 112,946	\$ 25,252	\$ 138,198
2011	12,445	7,826	11,349	975	29,731	7,372	53,525	16,173	69,698
2012	13,067	7,203	12,054	497	31,078	6,026	56,199	13,726	69,925
2013	13,720	6,550	-	-	32,486	4,618	46,206	11,168	57,374
2014	14,407	5,864	-	-	33,957	3,146	48,364	9,010	57,374
2015	15,127	5,144	-	-	35,495	1,608	50,622	6,752	57,374
2016	15,884	4,388	-	-			15,884	4,388	20,272
2017	16,677	3,594	-	-			16,677	3,594	20,271
2018	17,511	2,760	-	-			17,511	2,760	20,271
2019	18,388	1,884	-	-			18,388	1,884	20,272
2020	22,650	965	-	-			22,650	965	23,615
	<u>\$ 171,729</u>	<u>\$ 54,596</u>	<u>\$ 96,053</u>	<u>\$ 9,645</u>	<u>\$ 191,190</u>	<u>\$ 31,431</u>	<u>\$ 458,972</u>	<u>\$ 95,672</u>	<u>\$ 554,644</u>

CITY OF TRENTON, TENNESSEE
SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS - PROPRIETARY FUNDS DEBT
June 30, 2009

Year Ending June 30,	Electric Department						
	1998 Revenue Bonds		2000 TML Bonds		Total Requirements		
	Principal	Interest	Principal	Interest	Principal	Interest	Total
2010	\$ 165,000	\$ 88,220	\$ 29,629	\$ 21,045	\$ 194,629	\$ 109,265	\$ 303,894
2011	174,000	79,145	31,108	19,564	205,108	98,709	303,817
2012	184,000	69,575	32,662	18,008	216,662	87,583	304,245
2013	194,000	59,455	34,295	16,375	228,295	75,830	304,125
2014	204,000	48,785	36,012	14,660	240,012	63,445	303,457
2015	216,000	37,565	37,812	12,860	253,812	50,425	304,237
2016	227,000	25,685	39,703	10,969	266,703	36,654	303,357
2017	240,000	13,200	41,687	8,984	281,687	22,184	303,871
2018	-	-	43,768	6,900	43,768	6,900	50,668
2019	-	-	45,961	4,711	45,961	4,711	50,672
2020	-	-	53,769	2,413	53,769	2,413	56,182
	\$ 1,604,000	\$ 421,630	\$ 426,406	\$ 136,489	\$ 2,030,406	\$ 558,119	\$ 2,588,525

CITY OF TRENTON, TENNESSEE
SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS - PROPRIETARY FUNDS DEBT
 June 30, 2009

Year Ending June 30,	Water and Sewer Department							
	1998 Revenue Bonds		2000 TML Bonds		2003 TML Bonds		Note Payable - GCMWD	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 12,007	\$ 29,405	\$ 29,629	\$ 21,045	\$ 103,000	\$ 18,624	\$ 3,677	\$ 1,566
2011	12,542	28,870	31,108	19,564	106,000	15,142	3,788	1,455
2012	13,102	28,310	32,662	18,008	110,000	11,560	3,901	1,342
2013	13,687	27,725	34,295	16,375	114,000	7,842	4,018	1,225
2014	14,298	27,114	36,012	14,660	118,000	3,988	4,139	1,104
2015	14,936	26,476	37,812	12,860	-	-	4,263	980
2016	15,603	25,809	39,703	10,969	-	-	4,391	852
2017	16,300	25,112	41,687	8,984	-	-	4,522	720
2018	17,027	24,385	43,768	6,900	-	-	4,658	585
2019	17,787	23,625	45,961	4,711	-	-	4,798	445
2020	18,581	22,831	39,286	2,413	-	-	4,942	301
2021	19,411	22,001	-	-	-	-	5,090	153
2022	20,277	21,135	-	-	-	-	-	-
2023	21,182	20,230	-	-	-	-	-	-
2024	22,128	19,284	-	-	-	-	-	-
2025	23,116	18,296	-	-	-	-	-	-
2026	24,147	17,265	-	-	-	-	-	-
2027	25,225	16,187	-	-	-	-	-	-
2028	26,351	15,061	-	-	-	-	-	-
2029	27,528	13,884	-	-	-	-	-	-
2030	28,756	12,656	-	-	-	-	-	-
2031	30,040	11,372	-	-	-	-	-	-
2032	31,381	10,031	-	-	-	-	-	-
2033	32,782	8,630	-	-	-	-	-	-
2034	34,245	7,167	-	-	-	-	-	-
2035	35,774	5,638	-	-	-	-	-	-
2036	37,371	4,041	-	-	-	-	-	-
2037	39,039	2,373	-	-	-	-	-	-
2038	26,972	631	-	-	-	-	-	-
2039	-	-	-	-	-	-	-	-
2040	-	-	-	-	-	-	-	-
2041	-	-	-	-	-	-	-	-
2042	-	-	-	-	-	-	-	-
2043	-	-	-	-	-	-	-	-
2044	-	-	-	-	-	-	-	-
2045	-	-	-	-	-	-	-	-
2046	-	-	-	-	-	-	-	-
	<u>\$ 671,595</u>	<u>\$ 515,544</u>	<u>\$ 411,923</u>	<u>\$ 136,489</u>	<u>\$ 551,000</u>	<u>\$ 57,156</u>	<u>\$ 52,187</u>	<u>\$ 10,728</u>

See independent auditor's report.

CITY OF TRENTON, TENNESSEE
SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS - PROPRIETARY FUNDS DEBT
 June 30, 2009

Year Ending June 30,	Water and Sewer Department								
	Lease Payable - Case		Note Payable - Bank		2008 RDA Bonds		Total Requirements		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total
2010	\$ 6,244	\$ 1,054	\$ 8,514	\$ 3,639	\$ 20,186	\$ 74,602	\$ 183,257	\$ 149,935	\$ 333,192
2011	6,802	539	8,859	3,294	21,063	73,725	190,162	142,589	332,751
2012	3,095	59	9,219	2,935	21,978	72,810	193,957	135,024	328,981
2013	-	-	9,592	2,561	22,932	71,856	198,524	127,584	326,108
2014	-	-	9,981	2,173	23,928	70,860	206,358	119,899	326,257
2015	-	-	10,386	1,768	24,968	69,820	92,365	111,904	204,269
2016	-	-	10,806	1,347	26,052	68,736	96,555	107,713	204,268
2017	-	-	11,245	909	27,184	67,604	100,938	103,329	204,267
2018	-	-	11,700	453	28,365	66,423	105,518	98,746	204,264
2019	-	-	5,010	54	29,597	65,191	103,153	94,026	197,179
2020	-	-	-	-	30,883	63,905	93,692	89,450	183,142
2021	-	-	-	-	32,224	62,564	56,725	84,718	141,443
2022	-	-	-	-	33,624	61,164	53,901	82,299	136,200
2023	-	-	-	-	35,085	59,703	56,267	79,933	136,200
2024	-	-	-	-	36,609	58,179	58,737	77,463	136,200
2025	-	-	-	-	38,199	56,589	61,315	74,885	136,200
2026	-	-	-	-	39,858	54,930	64,005	72,195	136,200
2027	-	-	-	-	41,590	53,198	66,815	69,385	136,200
2028	-	-	-	-	43,396	51,392	69,747	66,453	136,200
2029	-	-	-	-	45,281	49,507	72,809	63,391	136,200
2030	-	-	-	-	47,248	47,540	76,004	60,196	136,200
2031	-	-	-	-	49,301	45,487	79,341	56,859	136,200
2032	-	-	-	-	51,442	43,346	82,823	53,377	136,200
2033	-	-	-	-	53,677	41,111	86,459	49,741	136,200
2034	-	-	-	-	56,009	38,779	90,254	45,946	136,200
2035	-	-	-	-	58,442	36,346	94,216	41,984	136,200
2036	-	-	-	-	60,980	33,808	98,351	37,849	136,200
2037	-	-	-	-	63,629	31,159	102,668	33,532	136,200
2038	-	-	-	-	66,393	28,395	93,365	29,026	122,391
2039	-	-	-	-	69,277	25,511	69,277	25,511	94,788
2040	-	-	-	-	72,287	22,501	72,287	22,501	94,788
2041	-	-	-	-	75,427	19,361	75,427	19,361	94,788
2042	-	-	-	-	78,703	16,085	78,703	16,085	94,788
2043	-	-	-	-	82,122	12,666	82,122	12,666	94,788
2044	-	-	-	-	85,689	9,099	85,689	9,099	94,788
2045	-	-	-	-	89,412	5,376	89,412	5,376	94,788
2046	-	-	-	-	76,867	1,520	76,867	1,520	78,387
	<u>\$ 16,141</u>	<u>\$ 1,652</u>	<u>\$ 95,312</u>	<u>\$ 19,133</u>	<u>\$ 1,759,907</u>	<u>\$ 1,730,848</u>	<u>\$ 3,558,065</u>	<u>\$ 2,471,550</u>	<u>\$ 6,029,615</u>

See independent auditor's report.

CITY OF TRENTON, TENNESSEE
SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE
For the Year Ended June 30, 2009

Tax Levy For Year	Balance July 1, 2008	Additions	Collections/ Adjustments	Balance June 30, 2009
2008	\$ -	\$ 865,460	\$ 809,125	\$ 56,335
2007	69,021	-	47,871	21,150
2006	15,390	-	9,816	5,574
2005	7,311	-	4,005	3,306
2004	676	-	76	600
2003	632	-	40	592
2002	163	-	163	-
2001	116	-	-	116
	<u>\$ 93,309</u>	<u>\$ 865,460</u>	<u>\$ 871,096</u>	<u>\$ 87,673</u>

As of June 30, 2009, these balances include \$31,338 of delinquent property taxes filed with chancery court.

Above balances represented as follows:

Considered current receivables	\$ 12,740
Delinquent property taxes	74,933
	<u>87,673</u>
Uncollectable property taxes	(1,298)
Estimated 2009 levy due October 1, 2009 considered as deferred revenue	881,244
Total Taxes Receivable	<u>\$ 967,619</u>

TEN YEAR SCHEDULE OF PROPERTY TAX RATES AND ASSESSMENTS

Year	Assessed Valuation	Tax Rate Per \$100	Levy
2009	\$51,613,797	\$1.537	\$793,350
2008	\$45,206,579	\$1.72	\$777,566
2007	\$45,159,663	\$1.72	\$776,746
2006	\$45,160,116	\$1.72	\$776,754
2005	\$44,519,730	\$1.72	\$765,739
2004	\$45,078,867	\$1.72	\$775,359
2003	\$43,237,039	\$1.78	\$769,604
2002	\$44,063,290	\$1.53	\$674,168
2001	\$43,573,362	\$1.43	\$666,680
2000	\$46,481,980	\$1.43	\$664,692
1999	\$46,996,155	\$1.43	\$672,045

CITY OF TRENTON, TENNESSEE
SCHEDULE OF UTILITY RATES - UNAUDITED
June 30, 2009

WATER RATES - 2,141 customers

Residential	
Customer charge	\$8.00
First 2,000 gallons	\$2.00 per 1,000 gallons
Over 2,000 gallons	\$3.00 per 1,000 gallons
Commercial and Industrial	
Customer charge	\$10.00
First 500,000 gallons	\$3.75 per 1,000 gallons
Over 500,000 gallons	\$2.00 per 1,000 gallons

SEWER RATES - 2,167 customers

Residential	
Customer charge	\$8.00
First 2,000 gallons*	\$3.00 per 1,000 gallons
Over 2,000 gallons*	\$3.75 per 1,000 gallons
Commercial and Industrial	
Customer charge	\$15.00
First 500,000 gallons*	\$3.80 per 1,000 gallons
Over 500,000 gallons*	\$2.00 per 1,000 gallons

**sewer rates based on water use*

ELECTRIC RATES - 2,527 customers

Residential	
Customer charge	\$11.71
Energy charge - per kwh per month	0.07854
General Power Rates	
GSA Part 1	
Customer charge - per delivery point per month	\$15.00
Energy charge - per kwh per month	0.08793
GSA Part 2	
Customer charge - per delivery point per month	\$15.00
Demand charge - per kw per month	
first 50 kwh	-
additional kwh	\$13.19
Energy charge - per kwh per month	
first 15,000 kwh	0.08812
additional kwh	0.04572

See independent auditor's report.

CITY OF TRENTON, TENNESSEE
SCHEDULE OF UTILITY RATES - UNAUDITED
June 30, 2009

ELECTRIC RATES - continued

GSA Part 3

Customer charge - per delivery point per month	\$15.00
Demand charge - per kw per month	
first 1000 kwh	\$12.04
additional kwh	\$13.80
Energy charge - per kwh per month	0.04440

GSB

Customer charge - per delivery point per month	\$1,500.00
Demand charge - per kw per month	\$13.60
Energy charge - per kwh per month	
first 620 kwh	0.03791
additional kwh	0.03094

GSC

Customer charge - per delivery point per month	\$1,500.00
Demand charge - per kw per month	\$13.70
Energy charge - per kwh per month	
first 620 kwh	0.03791
additional kwh	0.03094

GSD

Customer charge - per delivery point per month	\$1,500.00
Demand charge - per kw per month	\$16.77
Energy charge - per kwh per month	0.03040

Outdoor Lighting

Customer Charge	\$2.50
Energy charge - per kwh per month	0.05770

CITY OF TRENTON, TENNESSEE
SCHEDULE OF UNACCOUNTED FOR WATER - UNAUDITED
June 30, 2009

All amounts in gallons

A	Water Treated and Purchased:		
B	Water pumped	213,788,000	
C	Water purchased	<u>0</u>	
D	Total water treated and purchased		213,788,000
E	Accounted for Water:		
F	Water sold	148,080,800	
G	Metered for Consumption (in house usage)	0	
H	Fire department(s) usage	0	
I	Flushing	0	
J	Tank cleaning/filling	0	
K	Street cleaning	0	
L	Bulk sales	0	
M	Water bill adjustments	<u>0</u>	
N	Total accounted for water		<u>148,080,800</u>
O	Unaccounted for water		65,707,200
P	Percent unaccounted for water		30.73%
Q	Other (explain)		

Explain other:

All amounts included in this schedule are supported by documentation on file at the water system. If no support is on file for a line item, or if the line item is not applicable, a "0" is shown.

CITY OF TRENTON, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2009

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA #	Project or Grant Number	Balance July 1, 2008	Cash Receipts	Cash Disburse- ments	Balance June 30, 2009
Department of the Interior National Park Service						
Pass through State of Tennessee						
Tennessee Historical Commission	15.904	GG-09-25980-01	\$ -	\$ 10,214	\$ 10,214	\$ -
U.S. Department of Agriculture						
Water and Waste Disposal Systems for Rural Communities	10.760	48-027-062600424	212,032	435,000	647,032 **	-
TOTAL FEDERAL AWARDS			\$212,032	\$ 445,214	\$ 657,246	\$ -

** Tested as Major Program

NOTE: The accompanying schedule was prepared on the modified accrual basis.

CITY OF TRENTON, TENNESSEE
SCHEDULE OF STATE ASSISTANCE
For the Year Ended June 30, 2009

<u>Grantor/ Program Title</u>	<u>Project or Grant Number</u>	<u>Balance July 1, 2008</u>	<u>Prior Period Adjustment</u>	<u>Restated Balance July 1, 2008</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2009</u>
TIIP Grant	GG-07-21303-00	\$ -	\$ (67,394)	\$ (67,394)	\$254,649	\$187,255	\$ -
Governor's Highway Safety Grant	K8-08-19	-	-	-	1,146	1,146	-
		<u>\$ -</u>	<u>\$ (67,394)</u>	<u>\$ (67,394)</u>	<u>\$ 255,795</u>	<u>\$ 188,401</u>	<u>\$ -</u>

NOTE: The accompanying schedule was prepared on the modified accrual basis.



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**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***

Mayor and Board of Aldermen
City of Trenton, Tennessee

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Trenton, Tennessee, as of and for the year ended June 30, 2009, which collectively comprise the City of Trenton's basic financial statements and have issued our report thereon dated March 15, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 97-3, 08-2 and 09-1 to be significant deficiencies in internal control over financial reporting.

Mayor and Board of Aldermen
City of Trenton, Tennessee

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that, of the significant deficiencies described above, item 08-2 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Trenton's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which we have reported to management of the City of Trenton in the accompanying schedule of findings and questioned costs as item 08-2.

We noted certain matters that we have reported to management of the City of Trenton in a separate letter dated March 15, 2010.

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

This report is intended solely for the information and use of the Mayor and Board of Aldermen, management, the State of Tennessee Comptroller's Office, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Alexander Thompson Arnold PLLC

Trenton, Tennessee
March 15, 2010



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**Report on Compliance with Requirements
Applicable to Each Major Program and Internal Control over
Compliance in Accordance with OMB Circular A-133**

Mayor and Board of Aldermen
City of Trenton, Tennessee

Compliance

We have audited the compliance of the City of Trenton, Tennessee, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The City of Trenton's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to each of its major federal programs is the responsibility of the City of Trenton's management. Our responsibility is to express an opinion on the City of Trenton's compliance based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Trenton's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Trenton's compliance with those requirements.

In our opinion, the City of Trenton complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Mayor and Board of Aldermen
City of Trenton, Tennessee

Internal Control over Compliance

The management of the City of Trenton is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

This report is intended solely for the information and use of the Mayor and Board of Aldermen, management, the State of Tennessee Comptroller's Office, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Alexander Thompson Arnold PLLC

Trenton, Tennessee
March 15, 2010

CITY OF TRENTON, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2009

SECTION A - SUMMARY OF AUDITOR'S RESULTS

1. The "Independent Auditor's Report" expresses an unqualified opinion on the governmental activities, the business-type activities, each major fund, the budgetary comparisons for the General Fund and Sanitation Fund and the aggregate remaining fund information of the City of Trenton.
2. Three significant deficiencies disclosed during the audit of the financial statements are reported in the "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*." One of the significant deficiencies is reported as a material weakness.
3. One instance of noncompliance or other matters, not material to the financial statements of the City of Trenton, was disclosed during the audit.
4. No significant deficiencies were disclosed during the audit of major federal award programs that are reported in the "Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133."
5. The auditor's report on compliance for the major federal award programs of the City of Trenton expresses an unqualified opinion.
6. There were no audit findings relative to the major federal award programs for the City of Trenton.
7. The programs tested as major programs included:

<u>Program Name</u>	<u>CFDA No.</u>
Water and Waste Disposal Systems for Rural Communities	10.760

8. The threshold for distinguishing Type A from Type B programs was \$300,000.
9. The low-risk auditee criteria was not applied to the City of Trenton.

CITY OF TRENTON, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2009

**SECTION B – FINDINGS RELATIVE TO THE AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Significant Deficiencies

09-1 Dual Signatures

Condition: During our testing of cash disbursements, we discovered several instances where checks had been issued with only one signature.

Criteria: Title 5, Chapter 18, Section 6, of the *Internal Control and Compliance Manual for Tennessee Municipalities* states that “Municipal officials should require two signatures on all checks and should never sign checks in advance of their preparation and issuance.”

Effect: The City has issued checks that violate the requirement for dual signatures specified in the Manual.

Recommendation: The City should take steps to prevent checks from being issued without dual signatures.

Response: *We concur, and we are more closely monitoring the signing of all checks.*

97-3 Segregation of Duties

Condition: The City of Trenton cannot fully segregate the record-keeping and custodial functions of its internal controls due to the size of its staff.

Criteria: Generally accepted accounting principles require that accounting functions be adequately segregated to ensure that the internal accounting controls are effective.

Effect: The risk of errors and irregularities occurring and not being detected in a timely manner increases when accounting functions are not adequately segregated.

Recommendation: We realize that the staff size will not allow the City to completely segregate the duties to the optimum level desired. However, the accounting functions should be segregated as much as possible. Management needs to be aware that this weakness exists in the system of internal accounting control.

Response: *We concur.*

08-2 Unaccounted for Cash Receipts and Failure to Timely Deposit Cash Receipts (Material Weakness)

Condition: In testing cash receipts in the Police Department during the 6/30/08 audit, the auditors noted that amounts per manual receipts written were not submitted to the Recorder’s Office to be deposited. It was also noted that the funds unaccounted for were all identified on the manual receipts as cash. In addition, the employees would put the money collected into an envelope and then into a locked box. The box was emptied once a week, sometimes less often, and turned into the Recorder’s Office. There were no reconciliations

CITY OF TRENTON, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2009

between the manual receipts written and the daily reports or cash transaction logs with funds to be submitted to and deposited by the Recorder's Office or the Court Clerk's Office. There were many original receipts still in the receipt books and there were receipts written out of sequence. There was also no accountability for receipts written by the Court Clerk's Office. No reconciliations were made between the receipts written and the daily cash transaction logs submitted to the Recorder's Office with funds for deposit. **Update for 6/30/09 audit:** As of February 2009, the Police Department no longer collects any funds. Tickets have to be paid in the Court Department.

Criteria: All funds collected by the City should be deposited intact in a timely manner. According to the *Tennessee Code Annotated (TCA) 6-56-111(a)*, "Every municipal official handling public funds shall be required to, as soon as practical, but no later than three (3) working days after the receipt by such municipal official of any public funds, deposit the funds to the credit of such municipality's official bank account, or bank accounts." Internal controls should be implemented in order to mitigate the opportunity for misappropriation of funds. The original source documents should be reconciled to the daily logs and to the deposits actually made.

Effect: Because no one was reconciling the manual receipts to the daily logs and/or to the actual funds submitted for deposit, there was a breakdown in the internal controls which allowed for possible misappropriation of funds. The locked box in the Police Department was emptied and turned into the Recorder's Office weekly, so there was an obvious violation of the three-day deposit requirement.

Recommendation: We recommend that all monies collected by the City be deposited intact and within three days of receipt. In order to strengthen the internal controls, we recommend that someone other than those involved in the receipting process reconcile the manual receipts to the daily logs and to the funds actually submitted for deposit in all departments. We recommend that the City closely review the internal controls over receipts and make adjustments where needed. We also recommend that collections by the Police Department be limited. **Update for 6/30/09 audit:** We recommend that the City continue its efforts at implementing controls over cash receipts.

Response: *The Comptroller was contacted and a complete audit was done. All recommendations by the Comptroller were implemented. The police department no longer accepts money. The Court has new software and no longer issues handwritten receipts. All monies are turned in to Recorder daily and Recorder's Office deposits monies daily.*

Noncompliance

08-2 Unaccounted for Cash Receipts and Failure to Timely Deposit Cash Receipts (Material Weakness) – see previous section for details

CITY OF TRENTON, TENNESSEE
SUMMARY SCHEDULE OF PRIOR FINDINGS
For the Year Ended June 30, 2009

PRIOR FINDINGS RELATIVE TO THE AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Significant Deficiencies

- 97-3 Segregation of duties – reissued
- 08-1 Petty Cash Violations in Police Department - corrected
- 08-2 Unaccounted for Cash Receipts and Failure to Timely Deposit Cash Receipts (Material Weakness) - repeated
- 08-4 Failure to Secure Cash on Hand - Utilities - corrected

Noncompliance

- 08-2 Unaccounted for Cash Receipts and Failure to Timely Deposit Cash Receipts (Material Weakness) – repeated
- 08-3 Net Loss in Proprietary Fund - corrected