

City of Trenton, Michigan

Financial Report with Supplemental Information June 30, 2011

City of Trenton, Michigan

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
City of Trenton, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Trenton, Michigan (the "City") as of and for the year ended June 30, 2011, 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 of Trenton, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Trenton, Michigan as of June 30, 2011 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, retirement system schedule of funding progress, and the budgetary comparison schedule, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the Honorable Mayor and
Members of the City Council
City of Trenton, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Trenton, Michigan's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2011 on our consideration of the City of Trenton, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. 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 opinions 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 read in conjunction with this report in considering the results of our audit.

During the year, the City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*, as discussed in Note I. As a result of this required implementation, the Severance Pay Fund is now being reported within the General Fund, as discussed in Note I6. In addition, fund balance classifications in the governmental fund financial statements have been changed to reflect the five new classifications under GASB Statement No. 54.

Plante & Moran, PLLC

October 24, 2011

City of Trenton, Michigan

Management's Discussion and Analysis

Our discussion and analysis of the City of Trenton, Michigan's (the "City") financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2011. Please read it in conjunction with the City's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2011:

- Operating revenue, net of transfers, was approximately \$34,000 higher than the budgeted revenue. Some of the higher than budgeted revenue was licenses and permits of approximately \$55,000 and charges for services of approximately \$85,000.
- Property taxes are the City's largest source of revenue. This revenue has been affected by a \$43.3 million drop in the real property values, which is in addition to the \$42.7 million decrease in the previous two fiscal years. At the current City millage rate of 21.75 mills, this equates to approximately \$1,870,000 in annual loss of tax revenue.
- The City has historically been conservative and continuously monitors discretionary spending, which resulted in an increase in the fund balance of the General Fund by \$465,000.
- Total net assets related to the City's governmental activities and business-type activities increased by approximately \$555,000 and \$1,524,000, respectively.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view. They indicate how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the City's operations in more detail than the government-wide financial statements by providing information about the City's most significant funds. The fiduciary fund statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

City of Trenton, Michigan

Management's Discussion and Analysis (Continued)

The City as a Whole

The following table shows, in a condensed format, the net assets as of June 30, 2011 and 2010 (in thousands of dollars):

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Assets						
Current assets	\$ 14,290	\$ 13,459	\$ 5,881	\$ 4,525	\$ 20,171	\$ 17,984
Capital assets	22,318	22,122	56,783	59,314	79,101	81,436
Other noncurrent assets	65	65	-	-	65	65
Total assets	36,673	35,646	62,664	63,839	99,337	99,485
Liabilities						
Current liabilities	4,082	4,165	3,630	3,579	7,712	7,744
Long-term liabilities	6,895	6,340	32,432	35,181	39,327	41,521
Total liabilities	10,977	10,505	36,062	38,760	47,039	49,265
Net Assets						
Invested in capital assets - Net of related debt	20,066	19,306	22,399	22,270	42,465	41,576
Restricted	969	828	1,406	337	2,375	1,165
Unrestricted	4,661	5,007	2,797	2,472	7,458	7,479
Total net assets	<u>\$ 25,696</u>	<u>\$ 25,141</u>	<u>\$ 26,602</u>	<u>\$ 25,079</u>	<u>\$ 52,298</u>	<u>\$ 50,220</u>

The City's combined net assets increased 4.1 percent or approximately \$2,078,000 from a year ago, increasing from \$50,220,000 to \$52,298,000. Governmental activities and business-type activities increased 2.2 percent and 6.1 percent, respectively (\$555,000 increase in governmental activities and \$1,523,000 increase in business-type activities).

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations - decreased by \$346,000 for governmental activities. This represents a decrease of 6.9 percent.

City of Trenton, Michigan

Management's Discussion and Analysis (Continued)

The following table shows the changes in net assets during the years ended June 30, 2011 and 2010 (in thousands of dollars):

	Governmental		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenue						
Program revenue:						
Charges for services	\$ 3,031	\$ 2,714	\$ 8,307	\$ 7,415	\$ 11,338	\$ 10,129
Operating grants and contributions	1,321	1,058	-	-	1,321	1,058
Capital grants and contributions	950	353	9	23	959	376
General revenue:						
Property taxes	14,817	14,977	2,606	2,329	17,423	17,306
State-shared revenue	1,877	1,864	-	-	1,877	1,864
Unrestricted investment earnings	171	135	43	24	214	159
Other	56	176	276	430	332	606
Transfers and other (expense) revenue	(295)	(483)	295	483	-	-
Total revenue	21,928	20,794	11,536	10,704	33,464	31,498
Program Expenses						
General government	4,188	3,733	-	-	4,188	3,733
Public safety	10,181	10,415	-	-	10,181	10,415
Public works	4,756	4,818	-	-	4,756	4,818
Community and economic development	71	150	-	-	71	150
Recreation and culture	2,053	2,153	-	-	2,053	2,153
Interest on long-term debt	124	138	-	-	124	138
Enterprise	-	-	10,012	11,310	10,012	11,310
Total program expenses	21,373	21,407	10,012	11,310	31,385	32,717
Change in Net Assets	\$ 555	\$ (613)	\$ 1,524	\$ (606)	\$ 2,079	\$ (1,219)

Governmental Activities

The City's governmental revenue increased by approximately \$1,134,000 in the current year. Revenue was higher than last year due to increases in charges for services and various grant revenue. The City's governmental expenses decreased by \$34,000. This is due to the continued focus on cost-cutting efforts.

Business-type Activities

The City's business-type activities consist of the Water and Sewer Fund and Kennedy Recreation Center. Water provided to residential, commercial, and industrial users is purchased from the Detroit water system. Sewage treatment is provided through a City-owned and operated sewage treatment plant. Kennedy Recreation Center operates a three sheet ice rink and concession stand.

City of Trenton, Michigan

Management's Discussion and Analysis (Continued)

The combined water and sewer rate was increased \$0.49 or 6.4 percent from \$7.66 to \$8.15 for the fiscal year 2010-2011. Utility sales were up approximately 12.0 percent from the previous year. Water loss improved from approximately 13 percent to 5 percent in 2010-2011 as a result of improvements to the system and diminished use of unmetered water. This improvement in water loss may not be fully achieved in future years.

The approved combined rates above included \$1.07 for capital expenditures. The revenue for capital is reported in nonoperating revenue, rather than charges for services.

Operating expenses in the Water and Sewer Fund increased \$122,257.

The City's Funds

An analysis of the City's major funds begins on page 12, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the City as a whole. The City Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as property tax millages. The City's major funds for 2010-2011 include the General Fund, the Kennedy Recreation Center Fund, and the Water and Sewer Fund.

The General Fund pays for most of the City's governmental services. The most significant expenditures are for public safety, which incurred expenses of \$7,607,027 or 43.4 percent of General Fund expenditures in fiscal year 2010-2011 exclusive of other financing uses. Public works is the second most significant expenditure category at \$2,979,489 or 17.0 percent of General Fund expenditures exclusive of other financing uses. These services are almost solely supported by property taxes.

The actual ordinary operating costs of the City's General Fund, excluding capital outlay and debt service, increased from the previous year by \$261,133. Some factors contributing to the increase include pension and healthcare costs.

General Fund Budgetary Highlights

- Due to the continuing reduction of the City's workforce through attrition and careful spending, cost containments were realized by most departments. The amended budgeted expenditures of \$17,242,547 (excluding transfers) were underspent by \$551,944. The City amended its budget to reflect projected increases in some revenue such as state-shared revenue, interest, and ambulance fees. These increases were used to fund equipment purchases, employee benefits cost, and transfers to other funds.
- The fiscal year did end with a positive result of \$465,053. Of this amount, \$100,000 was budgeted as a contractual reimbursement to the General Fund from the Downtown Development Authority for the renovation of city hall.

City of Trenton, Michigan

Management's Discussion and Analysis (Continued)

Capital Asset and Debt Administration

As of June 30, 2011, the City had approximately \$39.3 million in outstanding debt. Of this debt, \$28.2 million is for the sewer improvements which were completed several years ago. The sewer improvement debt is supported by a direct millage.

Not included in the aforementioned debt is an additional \$45.3 million unfunded actuarially valued liability for other postemployment benefits (OPEB). This liability represents the cost of benefits for health care for currently retired and future retirees.

The City had \$81.8 million (net of depreciation) invested in a broad range of capital assets, including land, buildings, water and sewer lines, roads, sidewalks, vehicles, and equipment.

Capital improvements completed this year include a \$72,000 ADA ramp replacement at city hall and a \$91,000 energy systems upgrade project at the Kennedy Recreation Center. Major capital equipment purchases were a \$750,000 fire ladder truck and a \$200,000 refuse truck.

Economic Factors and Next Year's Budgets and Rates

The City's budget for next year continues to be adversely impacted by several negative factors. These include reductions in property tax revenue due to a further decline in property values and rising healthcare costs and pension contributions.

The statewide Tax Reform Act limits growth in taxable value on any individual property to the lesser of inflation or 5 percent. Because some properties increase in value by less than inflation, the mathematical result of this is that the total taxable value for the City will grow less than inflation.

The City's workforce was further diminished, while continuing to provide the same level of service to residents and businesses. Labor contracts were successfully negotiated with the previous year 5 percent wage reduction continued.

As of July 1, 2011, the water and sewer rate will increase \$1.09, from \$8.15 to \$9.24 per thousand gallons of water purchased. This is a 13.4 percent increase from the previous year.

The plan to close the Chrysler engine plant in 2014 was accelerated to 2011. However, a portion of the plant remains open due to the successful negotiations between the City and Chrysler management.

A Brownfield and Obsolete Property Rehabilitation Act (OPRA) plan was approved for the former Riverside Hospital property. The developer will abate the property and renovate four existing buildings in to a mixed-use development. The total investment is estimated at \$15,000,000.

City of Trenton, Michigan

Management's Discussion and Analysis (Continued)

The City remains vigilant of the difficult economic circumstances that continue to adversely affect the City's finances. The City continues to encourage new development and to search for alternative sources of new revenue, as well as cost reductions to balance future budgets.

Contacting the City's Management

This financial report is intended to provide our citizens, taxpayers, and customers with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the controller's office.

City of Trenton, Michigan

Statement of Net Assets June 30, 2011

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 3)	\$ 12,484,083	\$ 3,283,833	\$ 15,767,916	\$ 1,056,227
Receivables:				
Taxes	79,579	362,463	442,042	-
Customers	-	1,502,480	1,502,480	-
Other	533,564	-	533,564	-
Due from other governmental units	778,889	-	778,889	-
Inventories	260,327	188,789	449,116	-
Prepaid expenses and other assets	153,195	11,065	164,260	-
Restricted assets (Note 4)	-	532,354	532,354	-
Capital assets - Net (Note 5)	22,318,168	56,783,211	79,101,379	2,695,239
Long-term advance	65,000	-	65,000	-
Total assets	36,672,805	62,664,195	99,337,000	3,751,466
Liabilities				
Accounts payable	397,751	364,796	762,547	16,474
Due to other governmental units	258,016	31,397	289,413	-
Accrued liabilities and other	1,274,618	371,127	1,645,745	21,013
Deferred revenue (Note 8)	593,209	-	593,209	-
Noncurrent liabilities:				
Due within one year:				
Compensated absences (Note 7)	991,993	137,840	1,129,833	-
Current portion of long-term debt (Note 7)	566,182	2,725,038	3,291,220	165,000
Due in more than one year:				
Compensated absences (Note 7)	1,326,166	240,745	1,566,911	-
Net other postemployment benefits (Note 10)	3,882,898	-	3,882,898	-
Long-term debt (Note 7)	1,686,285	32,191,209	33,877,494	1,775,000
Total liabilities	10,977,118	36,062,152	47,039,270	1,977,487
Net Assets				
Invested in capital assets - Net of related debt	20,065,701	22,399,318	42,465,019	820,239
Restricted for:				
Major and local streets	634,947	-	634,947	-
Grant operations	13,439	-	13,439	-
Library debt	84,123	-	84,123	-
S.I.N.C. operations	236,760	-	236,760	-
Debt	-	332,084	332,084	-
Capital charges	-	1,074,009	1,074,009	-
Unrestricted	4,660,717	2,796,632	7,457,349	953,740
Total net assets	<u>\$ 25,695,687</u>	<u>\$ 26,602,043</u>	<u>\$ 52,297,730</u>	<u>\$ 1,773,979</u>

City of Trenton, Michigan

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 4,188,322	\$ 956,459	\$ 6,144	\$ -
Public safety	10,180,418	1,449,903	55,476	905,059
Public works	4,755,838	187,193	950,398	-
Community and economic development	70,826	-	177,638	-
Recreation and culture	2,053,495	437,829	131,600	44,519
Interest on long-term debt	124,335	-	-	-
Total governmental activities	<u>21,373,234</u>	<u>3,031,384</u>	<u>1,321,256</u>	<u>949,578</u>
Business-type activities:				
Water and sewer	8,321,190	6,246,106	-	765,139
Recreation	1,690,972	1,295,344	-	9,257
Total business-type activities	<u>10,012,162</u>	<u>7,541,450</u>	<u>-</u>	<u>774,396</u>
Total primary government	<u>\$ 31,385,396</u>	<u>\$ 10,572,834</u>	<u>\$ 1,321,256</u>	<u>\$ 1,723,974</u>
Component units	<u>\$ 603,544</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenue:				
Property taxes				
State-shared revenue				
Investment income				
Other miscellaneous income				
Gain on sale of fixed assets				
Total general revenue				
Transfers				
Change in Net Assets				
Net Assets - Beginning of year				
Net Assets - End of year				

**Statement of Activities
Year Ended June 30, 2011**

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (3,225,719)	\$ -	\$ (3,225,719)	\$ -
(7,769,980)	-	(7,769,980)	-
(3,618,247)	-	(3,618,247)	-
106,812	-	106,812	-
(1,439,547)	-	(1,439,547)	-
(124,335)	-	(124,335)	-
(16,071,016)	-	(16,071,016)	-
-	(1,309,945)	(1,309,945)	-
-	(386,371)	(386,371)	-
-	(1,696,316)	(1,696,316)	-
(16,071,016)	(1,696,316)	(17,767,332)	-
-	-	-	(603,544)
14,816,689	2,606,429	17,423,118	676,995
1,876,544	-	1,876,544	-
171,411	43,387	214,798	19,242
49,191	275,000	324,191	-
7,404	-	7,404	-
16,921,239	2,924,816	19,846,055	696,237
(295,000)	295,000	-	-
555,223	1,523,500	2,078,723	92,693
25,140,464	25,078,543	50,219,007	1,681,286
\$ 25,695,687	\$ 26,602,043	\$ 52,297,730	\$ 1,773,979

City of Trenton, Michigan

Governmental Funds Balance Sheet June 30, 2011

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents (Note 3)	\$ 6,686,132	\$ 2,616,000	\$ 9,302,132
Receivables:			
Taxes	75,964	3,615	79,579
Other	271,359	262,205	533,564
Due from other governmental units	625,546	153,343	778,889
Inventories	89,817	-	89,817
Prepaid expenses and other assets	13,458	-	13,458
Long-term advance	65,000	-	65,000
	<u>\$ 7,827,276</u>	<u>\$ 3,035,163</u>	<u>\$ 10,862,439</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 213,018	\$ 136,943	\$ 349,961
Due to other governmental units	249,789	8,227	258,016
Accrued liabilities and other	624,297	16,824	641,121
Deferred revenue (Note 8)	384,164	697,504	1,081,668
	<u>1,471,268</u>	<u>859,498</u>	<u>2,330,766</u>
Fund Balances			
Nonspendable:			
Inventory	89,817	-	89,817
Prepays	13,458	-	13,458
Long-term advances	65,000	-	65,000
Restricted:			
Major and local streets	-	634,947	634,947
Grant operations	-	13,439	13,439
Library debt	-	84,123	84,123
S.I.N.C. operations	-	236,760	236,760
Committed:			
Severance pay	720,873	-	720,873
Special projects	-	599,498	599,498
Library	-	205,247	205,247
Assigned:			
Equipment	400,000	-	400,000
Capital projects	1,300,000	401,651	1,701,651
Postretirement benefits	1,000,000	-	1,000,000
Defined benefit pension	1,000,000	-	1,000,000
Severance liability	580,000	-	580,000
Reserve for fiscal year 2013 budget	500,000	-	500,000
Contingency for loss of tax revenue	500,000	-	500,000
Unassigned	186,860	-	186,860
	<u>6,356,008</u>	<u>2,175,665</u>	<u>8,531,673</u>
Total fund balances	<u>\$ 7,827,276</u>	<u>\$ 3,035,163</u>	<u>\$ 10,862,439</u>
Total liabilities and fund balances	<u>\$ 7,827,276</u>	<u>\$ 3,035,163</u>	<u>\$ 10,862,439</u>

City of Trenton, Michigan

Governmental Funds **Reconciliation of the Balance Sheet to the Statement of Net Assets** **June 30, 2011**

Fund Balance Reported in Governmental Funds	\$ 8,531,673
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	20,808,778
State-shared revenue receivables not collected within 60 days are not reported in the funds	384,164
Grants and other receivables that are collected after year end, such that they are not available to pay bills outstanding as of year end, are not recognized in the funds	104,295
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(2,252,467)
Net other postemployment benefit liability not recorded in the modified accrual statement	(3,882,898)
Interest expense incurred but not paid	(23,811)
Compensated absences and uninsured claims are included as a liability in governmental activities	(2,276,114)
Internal service funds are included as part of governmental activities	<u>4,302,067</u>
Net Assets of Governmental Activities	<u>\$ 25,695,687</u>

City of Trenton, Michigan

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2011

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenue			
Property taxes	\$ 14,166,915	\$ 649,774	\$ 14,816,689
Licenses and permits	297,065	-	297,065
Federal grants	-	1,203,682	1,203,682
State sources	1,848,079	1,117,318	2,965,397
Charges for services	1,131,773	-	1,131,773
Fines and forfeitures	377,782	-	377,782
Interest income	154,925	16,486	171,411
Other	551,860	685,747	1,237,607
	18,528,399	3,673,007	22,201,406
Expenditures			
Current:			
General government	2,951,868	-	2,951,868
Public safety	7,607,027	1,178,592	8,785,619
Public works	2,979,489	800,029	3,779,518
Retiree benefits and other	3,138,560	-	3,138,560
Community and economic development	-	585,405	585,405
Recreation and culture	623,063	369,027	992,090
Capital outlay	-	58,337	58,337
Debt service	233,339	442,900	676,239
	17,533,346	3,434,290	20,967,636
Excess of Revenue Over Expenditures	995,053	238,717	1,233,770
Other Financing Sources (Uses)			
Transfers in (Note 6)	-	555,000	555,000
Transfers out (Note 6)	(530,000)	(320,000)	(850,000)
	(530,000)	235,000	(295,000)
Net Change in Fund Balances	465,053	473,717	938,770
Fund Balances - Beginning of year (Note 17)	5,890,955	1,701,948	7,592,903
Fund Balances - End of year	\$ 6,356,008	\$ 2,175,665	\$ 8,531,673

City of Trenton, Michigan

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2011

Net Change in Fund Balances - Total Governmental Funds	\$ 938,770
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay	1,443,076
Depreciation expense	(1,204,687)
Net book value of assets disposed of	7,404
Revenue is recorded in the statement of activities when earned; it is not reported in the funds until collected or collectible within 60 days of year end	(81,649)
Repayment of bond and other debt principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	563,229
Decrease in accumulated severance pay, as well as estimated general liability claims, is recorded when earned in the statement of activities	37,837
Change in net other postemployment benefits liability	(1,161,924)
Change in accrued interest	1,544
Internal service funds are included as part of governmental activities	<u>11,623</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 555,223</u></u>

City of Trenton, Michigan

Proprietary Funds Statement of Net Assets June 30, 2011

	Major Business-type Activities			Governmental
	Enterprise -	Enterprise -	Total Enterprise	Activities
	Water and Sewer	Recreation	Funds	Internal Service Funds
Assets				
Current assets:				
Cash and cash equivalents (Note 3)	\$ 3,170,612	\$ 113,221	\$ 3,283,833	\$ 3,181,951
Receivables:				
Taxes	362,463	-	362,463	-
Customers	1,481,967	20,513	1,502,480	-
Inventories	185,841	2,948	188,789	170,510
Prepaid expenses and other assets	11,065	-	11,065	139,737
Total current assets	<u>5,211,948</u>	<u>136,682</u>	<u>5,348,630</u>	<u>3,492,198</u>
Noncurrent assets:				
Restricted assets (Note 4)	532,354	-	532,354	-
Capital assets (Note 5)	<u>50,967,452</u>	<u>5,815,759</u>	<u>56,783,211</u>	<u>1,509,390</u>
Total noncurrent assets	<u>51,499,806</u>	<u>5,815,759</u>	<u>57,315,565</u>	<u>1,509,390</u>
Total assets	<u>56,711,754</u>	<u>5,952,441</u>	<u>62,664,195</u>	<u>5,001,588</u>
Liabilities				
Current liabilities:				
Accounts payable	328,208	36,588	364,796	47,790
Due to other governmental units	31,397	-	31,397	-
Accrued liabilities and other	297,823	73,304	371,127	609,686
Compensated absences (Note 7)	133,591	4,249	137,840	14,480
Current portion of long-term debt (Note 7)	<u>2,308,288</u>	<u>416,750</u>	<u>2,725,038</u>	<u>-</u>
Total current liabilities	<u>3,099,307</u>	<u>530,891</u>	<u>3,630,198</u>	<u>671,956</u>
Noncurrent liabilities:				
Compensated absences (Note 7)	231,798	8,947	240,745	27,565
Long-term debt - Net of current portion (Note 7)	<u>26,891,211</u>	<u>5,299,998</u>	<u>32,191,209</u>	<u>-</u>
Total noncurrent liabilities	<u>27,123,009</u>	<u>5,308,945</u>	<u>32,431,954</u>	<u>27,565</u>
Total liabilities	<u>30,222,316</u>	<u>5,839,836</u>	<u>36,062,152</u>	<u>699,521</u>
Net Assets				
Invested in capital assets - Net of related debt	22,300,307	99,011	22,399,318	1,509,390
Restricted:				
Debt	332,084	-	332,084	-
Capital charges	1,074,008	-	1,074,008	-
Unrestricted	<u>2,783,039</u>	<u>13,594</u>	<u>2,796,633</u>	<u>2,792,677</u>
Total net assets	<u>\$ 26,489,438</u>	<u>\$ 112,605</u>	<u>\$ 26,602,043</u>	<u>\$ 4,302,067</u>

City of Trenton, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended June 30, 2011

	Major Business-type Activities			Governmental
	Enterprise -	Enterprise -	Total Enterprise	Activities
	Water and Sewer	Recreation	Funds	Internal Service Funds
Operating Revenue				
Sale of water	\$ 2,372,470	\$ -	\$ 2,372,470	\$ -
Sewage disposal charges	3,654,925	-	3,654,925	-
Charges for services	-	1,295,344	1,295,344	5,374,622
Other charges	218,711	-	218,711	98,654
	<u>6,246,106</u>	<u>1,295,344</u>	<u>7,541,450</u>	<u>5,473,276</u>
Total operating revenue				
Operating Expenses				
Cost of water	1,320,884	-	1,320,884	-
Cost of sewage disposal	3,076,741	-	3,076,741	-
Insurance, claims, and other	-	-	-	4,582,332
Transportation and distribution	759,550	-	759,550	-
General and administrative	199,908	-	199,908	-
Cost of recreation activity	-	818,312	818,312	-
Operating costs	-	-	-	655,683
Depreciation	2,140,482	551,776	2,692,258	293,706
	<u>7,497,565</u>	<u>1,370,088</u>	<u>8,867,653</u>	<u>5,531,721</u>
Total operating expenses				
Operating Loss	(1,251,459)	(74,744)	(1,326,203)	(58,445)
Nonoperating Revenue (Expenses)				
Property tax revenue	2,606,429	-	2,606,429	-
Investment income	43,387	-	43,387	38,145
Interest expense	(751,843)	(320,884)	(1,072,727)	-
(Loss) gain on sale of capital assets	(71,782)	-	(71,782)	31,923
Contribution from Downtown Development Authority (DDA)	275,000	-	275,000	-
	<u>2,101,191</u>	<u>(320,884)</u>	<u>1,780,307</u>	<u>70,068</u>
Total nonoperating revenue (expenses)				
Income (Loss) - Before contributions	849,732	(395,628)	454,104	11,623
Capital Contributions	765,139	9,257	774,396	-
Transfers In	-	295,000	295,000	-
Change in Net Assets	1,614,871	(91,371)	1,523,500	11,623
Net Assets - Beginning of year	24,874,567	203,976	25,078,543	4,290,444
Net Assets - End of year	<u>\$ 26,489,438</u>	<u>\$ 112,605</u>	<u>\$ 26,602,043</u>	<u>\$ 4,302,067</u>

City of Trenton, Michigan

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2011

	Enterprise Funds		Governmental Activities
	Water and Sewer	Recreation	Internal Service Funds
Cash Flows from Operating Activities			
Receipts from customers	\$ 6,309,256	\$ 1,328,757	\$ 5,473,276
Payments to suppliers	(2,819,367)	(558,829)	(371,170)
Payments to employees	(2,542,039)	(239,017)	(332,398)
Claims paid	-	-	(4,509,383)
Net cash provided by operating activities	947,850	530,911	260,325
Cash Flows from Noncapital Financing Activities -			
Transfers from other funds	-	295,000	-
Cash Flows from Capital and Related Financing Activities			
Receipt of capital contributions	765,139	-	-
Contribution from DDA	275,000	-	-
Proceeds from sales of capital assets	-	-	51,702
Property taxes	2,606,429	-	-
Purchase of capital assets	(201,464)	(22,618)	(264,325)
Principal and interest paid on capital debt	(2,988,854)	(737,635)	-
Net cash provided by (used in) capital and related financing activities	456,250	(760,253)	(212,623)
Cash Flows from Investing Activities - Interest received on investments	43,387	-	38,145
Net Increase in Cash and Cash Equivalents	1,447,487	65,658	85,847
Cash and Cash Equivalents - Beginning of year	2,255,479	47,563	3,096,104
Cash and Cash Equivalents - End of year	\$ 3,702,966	\$ 113,221	\$ 3,181,951
Balance Sheet Classification of Cash and Cash Equivalents			
Cash and investments	\$ 3,170,612	\$ 113,221	\$ 3,181,951
Restricted cash	532,354	-	-
Total cash and cash equivalents	\$ 3,702,966	\$ 113,221	\$ 3,181,951
Reconciliation of Operating Loss to Net Cash from Operating Activities			
Operating loss	\$ (1,251,459)	\$ (74,744)	\$ (58,445)
Adjustments to reconcile operating loss to net cash from operating activities:			
Depreciation and amortization	2,140,482	551,776	293,706
Changes in assets and liabilities:			
Receivables	63,150	33,413	-
Inventories	59,828	11	(16,439)
Prepaid and other assets	431	-	(11,137)
Accounts payable	(9,066)	5,042	4,155
Accrued and other liabilities	(55,516)	15,413	48,485
Net cash provided by operating activities	\$ 947,850	\$ 530,911	\$ 260,325

Noncash Transactions - Capital contributions were \$9,257 for the year ended June 30, 2011.

City of Trenton, Michigan

Fiduciary Funds Statement of Net Assets June 30, 2011

	Pension and Retiree Health Care Trust Funds	Agency Funds
Assets		
Cash and cash equivalents (Note 3)	\$ 1,627,456	\$ 46,931
Investments (Note 3):		
U.S. government securities	3,522,815	-
Stocks	15,898,396	-
Bonds	10,808,486	-
Investment pools	23,511,184	-
Real estate (REIT) fund interest	2,101,410	-
Accrued interest	161,332	-
Total assets	57,631,079	\$ 46,931
Liabilities		
Accrued liabilities and other	-	\$ 4,404
Cash bonds and deposits	-	42,527
Total liabilities	-	\$ 46,931
Net Assets - Held in trust for pension and other employee benefits	\$57,631,079	

City of Trenton, Michigan

Fiduciary Funds Statement of Changes in Net Assets Year Ended June 30, 2011

	<u>Pension and Retiree Health Care Trust Funds</u>
Additions	
Investment income:	
Interest and dividends	\$ 2,155,773
Net increase in fair value of investments	8,349,098
Less investment expenses	<u>(179,127)</u>
Net investment income	10,325,744
Contributions:	
Employer	3,276,004
Employee	<u>166,087</u>
Total contributions	<u>3,442,091</u>
Total additions	13,767,835
Deductions	
Benefit payments	6,289,252
Administrative expenses	<u>23,062</u>
Total deductions	<u>6,312,314</u>
Net Increase in Net Assets Held in Trust	7,455,521
Net Assets - Beginning of year	<u>50,175,558</u>
Net Assets - End of year	<u><u>\$ 57,631,079</u></u>

City of Trenton, Michigan

Component Units Statement of Net Assets (Deficit) June 30, 2011

	Downtown Development Authority	Brownfield Redevelopment Authority	Total
Assets			
Cash and cash equivalents (Note 3)	\$ 992,196	\$ 64,031	\$ 1,056,227
Capital assets (Note 5)	2,695,239	-	2,695,239
Total assets	3,687,435	64,031	3,751,466
Liabilities			
Accounts payable	1,225	15,249	16,474
Accrued liabilities and other	21,013	-	21,013
Noncurrent liabilities (Note 7):			
Due within one year	100,000	65,000	165,000
Due in more than one year	1,775,000	-	1,775,000
Total liabilities	1,897,238	80,249	1,977,487
Net Assets (Deficit)			
Invested in capital assets - Net of related debt	820,239	-	820,239
Unrestricted	969,958	(16,218)	953,740
Total net assets (deficit)	\$ 1,790,197	\$ (16,218)	\$ 1,773,979

City of Trenton, Michigan

	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Downtown Development Authority:				
Special projects	\$ 518,731	\$ -	\$ -	\$ -
Interest expense	84,813	-	-	-
Total Downtown Development Authority	603,544	-	-	-
Brownfield Redevelopment Authority	-	-	-	-
Total governmental activities	\$ 603,544	\$ -	\$ -	\$ -
General revenue:				
Property taxes				
Investment income				
Total general revenue				
Change in Net Assets				
Net Assets (Deficit) - Beginning of year				
Net Assets (Deficit) - End of year				

**Component Units
Statement of Activities
Year Ended June 30, 2011**

Net (Expense) Revenue and Changes in Net Assets (Deficit)		
Downtown Development Authority	Brownfield Redevelopment Authority	Total
\$ (518,731)	\$ -	\$ (518,731)
(84,813)	-	(84,813)
(603,544)	-	(603,544)
-	-	-
(603,544)	-	(603,544)
676,995	-	676,995
14,549	4,693	19,242
691,544	4,693	696,237
88,000	4,693	92,693
1,702,197	(20,911)	1,681,286
\$ 1,790,197	\$ (16,218)	\$ 1,773,979

Note I - Nature of Business and Significant Accounting Policies

The accounting policies of the City of Trenton, Michigan (the "City") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Trenton, Michigan:

Reporting Entity

The City of Trenton, Michigan is governed by an elected mayor and elected six-member council. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the City's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City (see discussion below for description).

The City of Trenton Building Authority is governed by a board that is appointed by the City Council. Although it is legally separate from the City, it is reported as if it were part of the primary government by blending it with the activities of the Recreation Fund because its primary purpose is to finance and construct the City's public buildings, including the Kennedy Recreation Center.

Discretely Presented Component Units - The following component units are reported within the component unit column in the financial statements. They are reported in a separate column to emphasize that they are legally separate from the City.

The Downtown Development Authority (DDA) was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the district. The Downtown Development Authority's governing body consists of the mayor and eight individuals appointed by the mayor, subject to approval by the City Council.

The Brownfield Redevelopment Authority was created to facilitate the long-term redevelopment and remediation of environmentally contaminated sites within the City. The Brownfield Redevelopment Authority's governing body consists of the mayor and four individuals appointed by the mayor, subject to approval by the City Council.

Major Taxpayers

Approximately 34 percent of property tax revenue is from two companies with properties in the City of Trenton, and approximately 30 percent of the total water, sewer, and industrial charge revenue is from three businesses located in the City.

Note I - Nature of Business and Significant Accounting Policies (Continued)

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund, fiduciary fund, and component unit financial statements. Revenue is 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 revenue 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. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenue to be available if it is collected within 60 days of the end of the current fiscal period.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

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

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

The City reports the following major proprietary funds:

- The Water and Sewer Fund accounts for the activities of the water distribution and sewage collection system.
- The Recreation Fund accounts for activities of the recreation center excluding swimming pool operations.

Additionally, the City reports the following internal service and fiduciary activities:

- The internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments, on a cost reimbursement basis. Included in this category are the Motor Vehicle Pool Fund and the Self-insurance Fund.
- The Pension Retirement Trust Fund accounts for the activities of the police and fire employees' retirement system, which accumulates resources for pension benefit payments to qualified police and fire employees.
- The Other Employee Benefit Trust Fund accounts for activities and accumulates resources associated with providing postemployment benefits to retirees.
- The agency funds account for assets held by the City in a trustee capacity or as an agent for individuals, organizations, other governments, or other funds. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The City has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

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

Amounts reported as program revenue 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 revenue rather than as program revenue. Likewise, general revenue includes all taxes.

When an expense is incurred for purposes for which both restricted and unrestricted net assets or fund balance are available, the City's policy is to first apply restricted resources. When an expense is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the City's policy to spend funds in this order: committed, assigned, and unassigned.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the City's proprietary funds relates to charges to customers for sales and services. The Water and Sewer Fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Assets, Liabilities, and Net Assets or Equity

Cash and Cash Equivalents - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Cash held in trust by the General Cash Fund for other funds is reported in the financial statements as being held by the individual funds.

Investments - Investments are stated at fair value, based on quoted market prices. Investments that do not have an established market are reported at estimated fair value.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. Property taxes are levied on each July 1 and December 1 on the taxable valuation of property as of the preceding December 31. These taxes are due on August 31 with the final collection date of February 28 before they are added to the county tax rolls.

Inventories and Prepaid Items - Inventories are valued at cost on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Net Assets - A portion of the business-type activities net assets has been restricted for capital and debt. The capital restriction relates to unspent capital charges that must be used solely for making capital improvement to the water and sewer system. The debt restriction relates to unspent property taxes revenue from a sewer debt millage that must be used solely for making debt payments.

Capital Assets - Capital assets, which include property, plant, equipment, intangible assets, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$2,000 and an estimated useful life in excess of one year. 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.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Roads and sidewalks	20 to 30 years
Water and sewer distribution systems	50 to 66 years
Water and sewer treatment facilities	50 years
Buildings and building improvements	15 to 50 years
Machinery, equipment, and furniture	7 to 20 years

Compensated Absences (Vacation and Sick Leave) - It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation, sick, and personal pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

Long-term Obligations - In the government-wide financial statements and the 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.

Pension and Other Postemployment Benefit Costs - The City offers both pension and retiree healthcare benefits to retirees. The City receives an actuarial valuation to compute the annual required contribution (ARC) necessary to fund the obligation over the remaining amortization period. In the governmental funds, pension and OPEB costs are recognized as contributions are made. For the government-wide statements and proprietary funds, the City reports the full accrual cost equal to the current year required contribution, adjusted for interest and "adjustment to the ARC" on the beginning of year underpaid amount, if any.

Fund Equity - In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved/undesignated were replaced with five new classifications - nonspendable, restricted, committed, assigned, and unassigned. The City implemented GASB Statement No. 54 during the year.

In the fund financial statements, governmental funds report the following components of fund balance:

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

- Nonspendable - Amounts that are not in spendable form or are legally or contractually required to be maintained intact
- Restricted - Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose
- Committed - Amounts that have been formally set aside by the City Council for use for specific purposes. Commitments are made and can be rescinded only via resolution of the City Council.
- Assigned - Intent to spend resources on specific purposes expressed by the governing body or the city controller, who is authorized by the governing body to make assignments
- Unassigned - Amounts remaining after all funds have been allocated to the appropriate fund balance components noted above

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information - The annual budget is prepared by the City management and adopted by the City Council; subsequent amendments are approved by the City Council. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2011 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

The budgetary comparison schedule (non-GAAP budgetary basis) for the General Fund is included in the required supplemental information and is presented in greater detail than the accounting used in preparing the adopted budget. The budgets have been adopted on an activity basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. The adopted budget for the nonmajor special revenue funds can be obtained from city hall.

Note 2 - Stewardship, Compliance, and Accountability (Continued)

The City tracks the results of building department operations in the General Fund. In accordance with Michigan Public Act 245 of 1999, the City is required to maintain an accounting system that separately accumulates revenue and expenditures related to the building department function. As required under provisions of the act, the City has adopted this accounting treatment. A summary of the current year activity and the cumulative shortfall generated since January 1, 2000 is as follows:

Excess costs - Beginning of year - As adjusted	\$ (305,590)
Building permit revenue	275,842
Direct costs	<u>(404,152)</u>
Excess costs - End of year	<u>\$ (433,900)</u>

Fund Deficits - The Brownfield Redevelopment Authority component unit had a deficit at June 30, 2011 totaling (\$16,218). The deficit will be funded primarily by future property tax collections or a transfer from another fund at the City.

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the state of Michigan when fully insured. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Police and Fire Retirement System and the Retiree Health Care Trust Fund are also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

Note 3 - Deposits and Investments (Continued)

The City's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had approximately \$3,460,000 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized (approximately \$1,377,000 of the uninsured amount is held in the Firemen and Policemen Retirement System Fund). The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy restricts bond maturities to not exceed 30 years. At year end, the average maturities of investments are as follows:

Government-wide	Fair Value		Less Than Five Years	
Municipal bonds	\$	10,154,931	\$	10,154,931
	Investment Maturities			
Fiduciary Funds	Fair Value	Less Than Five Years	Five to 15 Years	Over 15 Years
U.S. Treasury and agency	\$ 3,386,774	\$ 103,189	\$ 126,822	\$ 3,156,763
Municipal	136,041	-	-	136,041
Corporate bonds and asset-backed securities	9,021,950	2,467,982	6,246,195	307,773
Other fixed-income securities	1,786,536	-	250,737	1,535,799
Total	\$ 14,331,301	\$ 2,571,171	\$ 6,623,754	\$ 5,136,376

Note 3 - Deposits and Investments (Continued)

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City's investment policy limits investments in fixed-income securities to bond ratings not less than Baa by Moody's and/or Bbb by Standard & Poor's. Short-term fixed-income securities must have a minimum rating of A-1, P-1, or F-1 as defined by Moody's, Standard & Poor's, or Fitch's Rating Services, respectively. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
<u>Government-wide Assets</u>			
Municipal bonds	\$ 991,051	A+	S&P
Municipal bonds	1,463,432	AA-	S&P
Municipal bonds	1,050,960	SP-1 +	S&P
Municipal bonds	1,115,069	AA+	S&P
Municipal bonds	903,304	AA	S&P
Municipal bonds	4,000,145	SP-1	S&P
Municipal bonds	181,530	BBB	S&P
Municipal bonds	205,300	A-	S&P
Municipal bonds	169,106	Aa2	Moody's
Municipal bonds	75,034	Aa3	Moody's
Total	<u>\$ 10,154,931</u>		
<u>Police and Fire Retirement System Trust Fund</u>			
<u>Assets</u>			
Bond and other securities	\$ 928,524	Aaa	Moody's
Bond and other securities	49,354	Aa1	Moody's
Bond and other securities	254,376	Aa2	Moody's
Bond and other securities	474,354	Aa3	Moody's
Bond and other securities	171,605	A1	Moody's
Bond and other securities	346,951	A2	Moody's
Bond and other securities	520,253	Baa3	Moody's
Bond and other securities	11,585,884	Other	Moody's
Total	<u>\$ 14,331,301</u>		
<u>Retiree Health Care Trust Fund Assets</u>			
Pooled investments	<u>\$ 5,275,630</u>	Not rated	

City of Trenton, Michigan

Notes to Financial Statements June 30, 2011

Note 3 - Deposits and Investments (Continued)

Risks and Uncertainties - The City invests in various securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the balance sheet.

Note 4 - Restricted Assets

The Grosse Ile/Trenton Utility Bond restricted assets represent unspent bond proceeds that have been restricted for construction, water and sewer line replacement, and capital asset acquisitions, including unspent proceeds earning interest, from the obligation to the Grosse Ile/Trenton Utilities Authority. Restricted assets as of June 30, 2011 total \$532,354 relating to the unspent proceeds.

Note 5 - Capital Assets

Capital asset activity of the City's governmental and business-type activities was as follows:

	Balance July 1, 2010	Reclassifications and Transfers	Additions	Disposals	Balance June 30, 2011
Governmental Activities					
Capital assets not being depreciated -					
Land	\$ 2,551,606	\$ -	\$ -	\$ -	\$ 2,551,606
Capital assets being depreciated:					
Buildings and improvements	11,565,421	-	124,826	-	11,690,247
Vehicles	4,449,158	-	1,043,434	(200,166)	5,292,426
Furniture and equipment	5,629,291	65,556	369,492	(328,518)	5,735,821
Land improvements	2,870,753	-	8,967	-	2,879,720
Roads and sidewalks	20,529,290	-	160,681	(131,384)	20,558,587
Subtotal	45,043,913	65,556	1,707,400	(660,068)	46,156,801
Accumulated depreciation:					
Buildings and improvements	4,274,256	-	245,595	-	4,519,851
Vehicles	3,269,000	-	295,281	(183,765)	3,380,516
Furniture and equipment	3,576,783	65,556	361,885	(317,375)	3,686,849
Land improvements	1,373,222	-	132,839	-	1,506,061
Roads and sidewalks	12,980,723	-	462,793	(146,554)	13,296,962
Subtotal	25,473,984	65,556	1,498,393	(647,694)	26,390,239
Net capital assets being depreciated	19,569,929	-	209,007	(12,374)	19,766,562
Net capital assets	<u>\$ 22,121,535</u>	<u>\$ -</u>	<u>\$ 209,007</u>	<u>\$ (12,374)</u>	<u>\$ 22,318,168</u>

Note 5 - Capital Assets (Continued)

	Balance July 1, 2010	Reclassifications and Transfers	Additions	Disposals	Balance June 30, 2011
Business-type Activities					
Capital assets not being depreciated -					
Land	\$ 14,242	\$ -	\$ -	\$ -	\$ 14,242
Capital assets being depreciated:					
Water and sewer distribution systems	64,245,440	-	25,670	-	64,271,110
Treatment facilities	7,137,803	(65,556)	88,013	(169,609)	6,990,651
Buildings and improvements	11,572,317	-	24,258	-	11,596,575
Machinery and equipment	3,048,489	-	95,396	(99,683)	3,044,202
Land improvements	242,287	-	-	-	242,287
Subtotal	86,246,336	(65,556)	233,337	(269,292)	86,144,825
Accumulated depreciation:					
Water and sewer distribution systems	15,425,305	-	1,604,238	-	17,029,543
Treatment facilities	4,257,162	(65,556)	355,501	(124,086)	4,423,021
Buildings and improvements	5,482,565	-	524,211	-	6,006,776
Machinery and equipment	1,712,632	-	196,760	(73,426)	1,835,966
Land improvements	69,002	-	11,548	-	80,550
Subtotal	26,946,666	(65,556)	2,692,258	(197,512)	29,375,856
Net capital assets being depreciated	59,299,670	-	(2,458,921)	(71,780)	56,768,969
Net capital assets	\$ 59,313,912	\$ -	\$ (2,458,921)	\$ (71,780)	\$ 56,783,211
Component Units					
Capital assets being depreciated -					
Land improvements	\$ 3,153,865	\$ -	\$ -	\$ -	\$ 3,153,865
Accumulated depreciation -					
Land improvements	369,954	-	88,672	-	458,626
Net capital assets	\$ 2,783,911	\$ -	\$ (88,672)	\$ -	\$ 2,695,239

City of Trenton, Michigan

Notes to Financial Statements June 30, 2011

Note 5 - Capital Assets (Continued)

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

Governmental activities:		
General government		\$ 600,136
Public safety		199,056
Public works		70,350
Recreation and culture		335,145
Internal Service Fund depreciation is charged to the various functions based on their usage of the asset		<u>293,706</u>
Total governmental activities		<u>\$ 1,498,393</u>
Business-type activities:		
Water and sewer		\$ 2,140,482
Recreation		<u>551,776</u>
Total business-type activities		<u>\$ 2,692,258</u>
Component unit activities - Downtown Development Authority		<u>\$ 88,672</u>

Note 6 - Interfund Transfers

The composition of interfund transfers at the fund level is as follows:

Transfers In	Transfers Out		Total
	General Fund	Other Governmental Funds	
Other governmental funds	\$ 235,000	\$ 320,000	\$ 555,000
Business-type activities	<u>295,000</u>	<u>-</u>	<u>295,000</u>
Total	<u>\$ 530,000</u>	<u>\$ 320,000</u>	<u>\$ 850,000</u>

Transfers between the various funds represent payment from one fund to another without an equivalent return of goods or services to fund operations and projects accounted for in the respective funds.

Note 7 - Long-term Debt

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City.

Note 7 - Long-term Debt (Continued)

Long-term debt activity can be summarized as follows:

	<u>Interest Rate Ranges</u>	<u>Principal Maturity Ranges</u>	<u>Beginning Balance</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities						
General obligation bonds:						
General obligation unlimited tax bonds - Library Bonds -		\$400,000 -				
Amount of issue - \$4,000,000	3.90%	\$500,000	\$ 1,300,000	\$ (400,000)	\$ 900,000	\$ 400,000
Building Authority Bonds -	3.70% -	\$9,000 -				
Amount of issue - \$1,800,000	4.60%	\$12,600	121,500	(9,000)	112,500	9,000
Building Authority Bonds -						
Amount of issue - \$8,000,000	5.625%	\$320,000	80,000	(80,000)	-	-
Building Authority Refunding Bonds -		\$86,000 -				
Amount of issue - \$6,115,000	4% - 5.00%	\$127,000	1,201,000	(6,000)	1,195,000	86,000
Deferred charges			(54,752)	4,562	(50,190)	(4,561)
Installment purchase agreements -						
Trash carts loan -		\$19,411 -				
Amount of issue - \$353,850	3.99%	\$75,743	167,948	(72,791)	95,157	75,743
Total bonds payable			2,815,696	(563,229)	2,252,467	566,182
Other long-term obligations -						
Compensated absences			2,384,027	(65,868)	2,318,159	991,993
Total governmental activities			<u>\$ 5,199,723</u>	<u>\$ (629,097)</u>	<u>\$ 4,570,626</u>	<u>\$ 1,558,175</u>

Note 7 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
Business-type Activities						
General obligation bonds:						
Water and Sewer Fund						
Contractual Obligation -						
Related to Grosse Ile/Trenton						
Utilities Authority Bonds,						
Series B -						
	4.20% -	\$138,288 -				
	4.25%	\$148,925	\$ 1,127,572	\$ (117,011)	\$ 1,010,561	\$ 138,288
Amount of issue - \$1,999,850						
State Revolving Fund Limited Tax						
Bonds - Program 5127-01 -						
		\$595,000 -				
	2.5%	\$730,000	7,249,064	(580,000)	6,669,064	595,000
Amount of issue - \$12,095,000						
State Revolving Fund Limited Tax						
Bonds - Program 5127-02 -						
		\$810,000 -				
	2.5%	\$926,706	10,251,706	(790,000)	9,461,706	810,000
Amount of issue - \$16,535,000						
State Revolving Fund Limited Tax						
Bonds - Program 5127-03 -						
		\$45,000 -				
	2.5%	\$60,648	655,648	(40,000)	615,648	45,000
Amount of issue - \$1,005,000						
State Revolving Fund Limited Tax						
Bonds - Program 5127-04 -						
		\$445,000 -				
	2.5%	\$592,518	7,137,518	(435,000)	6,702,518	445,000
Amount of issue - \$10,325,000						
State Revolving Fund Limited Tax						
Bonds - Program 5127-05 -						
		\$90,000 -				
	2.5%	\$125,000	1,580,000	(90,000)	1,490,000	90,000
Amount of issue - \$1,990,000						
State Revolving Fund Limited Tax						
Bonds - Program 5127-06 -						
		\$185,000 -				
	2.125%	\$250,000	3,435,000	(185,000)	3,250,000	185,000
Amount of issue - \$4,130,000						
Building Authority Bonds -						
	3.70% -	\$91,000 -				
	4.60%	\$127,400	1,228,500	(91,000)	1,137,500	91,000
Amount of issue - \$1,800,000						
Building Authority Bonds -						
			320,000	(320,000)	-	-
Amount of issue - \$8,000,000						
Building Authority Refunding						
Bonds -						
		\$344,000 -				
	4% - 5.00%	\$508,000	4,804,000	(24,000)	4,780,000	344,000
Amount of issue - \$6,115,000						
Building Authority Refunding						
Bonds - Deferred charges						
			(219,000)	18,250	(200,750)	(18,250)
Total general obligation bonds						
			37,570,008	(2,653,761)	34,916,247	2,725,038
Compensated absences						
			430,276	(51,691)	378,585	137,840
Total business-type activities						
			<u>\$38,000,284</u>	<u>\$(2,705,452)</u>	<u>\$35,294,832</u>	<u>\$ 2,862,878</u>

Note 7 - Long-term Debt (Continued)

Component Unit Activities	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
General obligation limited tax bonds -						
Downtown Development						
Authority Bonds -		\$75,000 -				
Amount of issue - \$1,400,000	4% - 5.00%	\$100,000	\$ 1,150,000	\$ (50,000)	\$ 1,100,000	\$ 75,000
General obligation limited tax bonds -						
Downtown Development						
Authority Bonds -		\$25,000 -				
Amount of issue - \$920,000	4.30%	\$90,000	800,000	(25,000)	775,000	25,000
Other long-term obligations -						
Brownfield Authority Advance						
from General Fund -		\$30,000 -				
Amount of issue - \$135,000	1.45%	\$35,000	<u>65,000</u>	<u>-</u>	<u>65,000</u>	<u>65,000</u>
Total component units			<u>\$ 2,015,000</u>	<u>\$ (75,000)</u>	<u>\$ 1,940,000</u>	<u>\$ 165,000</u>

The compensated absences liability represents the estimated liability to be paid to employees under the City's sick and vacation pay policy. Under the City's policy, employees earn sick and vacation time based on time of service with the City.

The water and sewer contractual obligation represents the City's obligation to service a portion of a \$4,700,000 bond issued by the Grosse Ile - Trenton Utilities Authority representing the percentage of the total bond proceeds that was disbursed to the City for system construction projects. The City's transactions with the authority are limited to the issuance and repayment of this obligation (see Note 14).

The Downtown Development Authority Bonds represent monies to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the district. The City has pledged its full faith and credit in support of these obligations.

The long-term advance from the General Fund to the Brownfield Redevelopment Authority represents monies advanced to cover a portion of the costs associated with long-term redevelopment and remediation of environmentally contaminated sites within the Brownfield District. The advance is to be repaid, with interest, from property taxes captured by the Brownfield Redevelopment Authority.

Note 7 - Long-term Debt (Continued)

Annual debt service requirements, exclusive of compensated absences and uninsured claims, to maturity for the above bonds and note obligations are as follows:

Year Ending June 30	Governmental Activities			Business-type Activities			Component Unit Activities		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 570,743	\$ 85,271	\$ 656,014	\$ 2,743,288	\$ 958,284	\$ 3,701,572	\$ 100,000	\$ 82,013	\$ 182,013
2013	614,411	60,600	675,011	2,778,288	877,857	3,656,145	105,000	77,793	182,793
2014	116,000	45,467	161,467	2,907,288	794,098	3,701,386	115,000	73,156	188,156
2015	116,000	39,729	155,729	2,967,925	706,831	3,674,756	125,000	67,996	192,996
2016	116,900	33,969	150,869	3,022,025	617,730	3,639,755	150,000	61,965	211,965
2017-2021	629,000	93,480	722,480	15,597,914	1,765,355	17,363,269	815,000	202,838	1,017,838
2022-2026	139,603	2,830	142,433	5,100,269	182,731	5,283,000	465,000	27,308	492,308
Total	<u>\$ 2,302,657</u>	<u>\$ 361,346</u>	<u>\$ 2,664,003</u>	<u>\$ 35,116,997</u>	<u>\$ 5,902,886</u>	<u>\$ 41,019,883</u>	<u>\$ 1,875,000</u>	<u>\$ 593,069</u>	<u>\$ 2,468,069</u>

Total interest expense incurred by the City for the year approximated \$1,267,000.

Note 8 - Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is 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. As of June 30, 2011, the City had deferred revenue related to grant monies received prior to meeting all eligibility requirements of \$593,209.

	Governmental Funds		
	Unavailable	Unearned	Total
Grant revenue	\$ 44,519	\$ 593,209	\$ 637,728
S.I.N.C.	59,776	-	59,776
State-shared revenue	384,164	-	384,164
Total	<u>\$ 488,459</u>	<u>\$ 593,209</u>	<u>\$ 1,081,668</u>

Note 9 - Property Taxes

Property taxes for the City based on a taxable value of approximately \$759,000,000 are comprised of the following components:

	Firemen and Policemen Retirement System	Solid Waste	Operating	Other Tax Collection and Trailer Park Fees	Library Operating and Library Debt	Total Governmental Activities	Sewer Debt
Millage rate	1.0026	1.3935	15.2739	-	0.8212	18.4912	3.2588
Total	\$ 760,959	\$ 1,057,646	\$11,592,666	\$ 747,848	\$ 657,570	\$ 14,816,689	\$ 2,606,429

Note 9 - Property Taxes (Continued)

The Firemen and Policemen Retirement System, solid waste, library operating and debt service, and sewer debt mills were approved specifically for the use in funding a pension plan, providing particular services by the City, and funding certain debt service requirements. To the extent that property taxes levied exceed actual costs, fund balance/net assets will be reserved.

Note 10 - Postemployment Benefits

Plan Description - The City provides life insurance and healthcare benefits to all full-time employees upon retirement, in accordance with labor contracts. As of June 30, 2009, the date of the last actuarial valuation, 197 retirees are eligible. The City includes pre-Medicare retirees and their dependents in its insured healthcare plan, with no contribution required by the participant. The City purchases Medicare supplemental insurance for retirees eligible for Medicare. Expenditures for postemployment healthcare and life insurance benefits include insurance premiums that become due during the current year and discretionary contributions made to the Retiree Health Care Trust Fund.

This is a single-employer defined benefit plan administered by the City. The benefits are provided under collective bargaining agreements. The plan does not issue a separate stand-alone financial statement. Administrative costs are paid by the plan through employer contributions.

Funding Policy - The collective bargaining agreements do not require contributions from employees. Retiree healthcare costs are recognized when paid by the City on a "pay-as-you-go" basis. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment. In the current year, the City paid postemployment healthcare premiums of approximately \$2,331,000 plus it contributed \$143,512 into the Retiree Healthcare Trust Fund, which is reported in these financial statements as a pension and other employee benefit trust fund type.

City of Trenton, Michigan

Notes to Financial Statements June 30, 2011

Note 10 - Postemployment Benefits (Continued)

Funding Progress - For the year ended June 30, 2011, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of June 30, 2009. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 28 years. This valuation's computed contribution and actual funding are summarized as follows:

Annual required contribution (recommended)	\$ 3,593,213
Interest on the prior year's net OPEB obligation	217,678
Less adjustment to the annual required contribution	<u>(174,076)</u>
Annual OPEB cost	3,636,815
Amounts contributed:	
Payments of current premiums	(2,331,379)
Advance funding	<u>(143,512)</u>
Increase in net OPEB obligation	1,161,924
OPEB obligation - Beginning of year	<u>2,720,974</u>
OPEB obligation - End of year	<u>\$ 3,882,898</u>

Employer contributions and annual OPEB cost data for the current and preceding year were as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual OPEB Costs	Percentage Contributed	Net OPEB Obligation
6/30/09	6/30/07	\$ 3,769,073	64 %	\$ 1,353,564
6/30/10	6/30/07	4,028,122	66 %	2,720,974
6/30/11	6/30/09	3,636,815	68 %	3,882,898

The funding progress of the plan is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
6/30/07	\$ 2,282,504	\$ 52,452,466	\$ 50,169,962	4.4	\$ 6,247,984	803
6/30/09	3,491,180	48,794,058	45,302,878	7.2	5,486,642	825.7

Note 10 - Postemployment Benefits (Continued)

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress above presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2009 actuarial valuation, the individual entry age actuarial cost method was used. The actuarial assumptions included an 8 percent investment rate of return (net of investment expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 9.0 percent initially, reduced by decrements to an ultimate rate of 4.5 percent after 10 years. Both rates included a 4.5 percent inflation assumption. Actuarial gains and losses reduce (increase) the UAAL as they occur. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009 was 28 years.

Note 11 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City participates in the Michigan Municipal League (risk pool) for claims relating to property loss, general liability, and workers' compensation. The City has also assumed a significant amount of financial responsibility for its actual incurred medical claims cost, subject to certain insured aggregate limitations of \$100,000 per specific claim and approximately \$2,800,000 in aggregate claims.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

Note 11 - Risk Management (Continued)

The City estimates the liability for medical and other claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. These estimates are generally recorded in the Self-insurance Internal Service Fund. Changes in the estimated liability are as follows:

	<u>2011</u>	<u>2010</u>
Estimated liability - Beginning of year	\$ 518,405	\$ 740,326
Estimated claims incurred, including changes in estimates and related administrative costs	4,527,761	4,144,607
Claim and related administrative payments	<u>(4,448,342)</u>	<u>(4,366,528)</u>
Estimated liability - End of year	<u>\$ 597,824</u>	<u>\$ 518,405</u>

Note 12 - Pension Plans

Descriptions of Defined Benefit Plans

Municipal Employees' Retirement System of Michigan - The City participates in the Municipal Employees' Retirement System of Michigan (MERS), an agent multiple-employer defined benefit pension plan that covers all employees of the City hired before January 1, 1996, other than fire and police personnel. The MERS provides retirement, disability, and death benefits to plan members and their beneficiaries. The MERS issues a publicly available financial report that includes financial statements and required supplemental information for the MERS. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, MI 48917.

Firemen and Policemen Retirement System - The City contributes to the Firemen and Policemen Retirement System, which is the administrator of a single-employer public benefit pension plan that currently covers substantially all full-time fire and police employees hired before January 1, 1996. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. At June 30, 2010, the date of the most recent actuarial valuation, membership consisted of 102 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them, and 43 current active employees. The plan does not issue a separate financial report.

Note 12 - Pension Plans (Continued)

Defined Benefit Contributions and Funding Status

Municipal Employees' Retirement System of Michigan - Funding Policy - The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's competitive bargaining units and requires a contribution from the employees of approximately 3 percent to 5 percent. The funding policy provides for periodic employer contributions at actuarially determined rates. Administrative costs of the plan are financed through investment earnings.

Firemen and Policemen Retirement System - Contributions - Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's competitive bargaining units and requires a contribution from the employees of 5 percent. Administrative costs of the plan are financed through investment earnings.

Defined Benefit Annual Pension Cost

For the year ended June 30, 2010, the City's annual pension cost of \$963,204 for the MERS plan, exclusive of \$104,578 of employee contributions, was equal to the City's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2008, using the entry age normal cost method. Significant actuarial assumptions used include (a) an 8.0 percent investment rate of return, (b) projected salary increases of 4.5 percent per year, (c) additional projected salary increases of 0 percent to 8.40 percent per year, attributable to seniority/merit, and (d) postretirement benefit increases of 2.5 percent annually, with certain increases limited to increases in the Consumer Price Index. Both (a) and (b) include an inflation component of 4.5 percent.

The actuarial value of assets was determined as part of an actuarial valuation at December 31, 2010 and was determined using techniques that smooth the effects of short-term volatility over a 10-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll determined using the individual attained age actuarial funding method over an open amortization period of 28 years.

Note 12 - Pension Plans (Continued)

For the year ended June 30, 2011, the City's annual Firemen and Policemen Retirement System pension cost for the plan and its actual contribution, exclusive of \$166,087 of employee contributions, were equal to the City's \$801,113 required contribution. The annual required contribution was determined as part of an actuarial valuation at June 30, 2009, using the aggregate actuarial cost method. Significant actuarial assumptions used include (a) a 7.75 percent investment rate of return for 2009, graded to 7.0 percent in 2014 and thereafter, (b) projected salary increases of 3.5 percent per year, (c) additional projected salary increases of 0.2 percent to 8.0 percent per year, attributable to seniority/merit, and (d) postretirement benefit increases of 10 percent after five years, 10 percent after 10 years, and 5 percent after 15 years. Both (a) and (b) include an inflation component of 3.50 percent.

The actuarial value of assets was determined as part of an actuarial valuation at June 30, 2010 and was determined using techniques that smooth the effects of short-term volatility over a five-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 14 years.

Reserves - As of June 30, 2011, the plan's legally required reserves have been fully funded as follows:

Reserve for employees' contributions	\$ 3,839,528
Reserve for retiree benefit payments	39,474,872

Funded Status and Funding Progress

Three-year trend information is as follows:

	2009	2010	2011
Municipal Employees' Retirement System of Michigan:			
Annual pension costs (APC)	\$ 836,844	\$ 811,248	\$ 963,204
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -
Actuarial value of assets	\$ 30,225,249	\$ 29,440,388	\$ 29,031,469
Actuarial accrued liability (AAL)	\$ 41,838,381	\$ 42,791,925	\$ 42,594,672
Unfunded AAL (UAAL)	\$ 11,613,132	\$ 13,351,537	\$ 13,563,203
Funded ratio	72%	69%	68%
Covered payroll	\$ 2,375,403	\$ 2,383,312	\$ 2,190,662
UAAL as a percentage of covered payroll	489%	560%	619%

Note 12 - Pension Plans (Continued)

	2009	2010	2011
Firemen and Policemen Retirement System:			
Annual pension costs (APC)	\$ 455,199	\$ 485,174	\$ 801,113
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -
Actuarial value of assets	\$ 59,293,847	\$ 58,480,550	\$ 56,713,241
Actuarial accrued liability (AAL)	\$ 57,069,715	\$ 58,708,142	\$ 60,608,694
Unfunded AAL (UAAL)	\$ (2,224,132)	\$ (227,592)	\$ (3,895,453)
Funded ratio	104%	99.6%	93.6%
Covered payroll	\$ 3,872,581	\$ 3,892,915	\$ 3,295,980
UAAL as a percentage of covered payroll	(57.4%)	5.8%	118%

Defined Contribution Pension Plans

Full-time employees hired after January 1, 1996 (except the AFSCME Local 292, for which the effective date was July 1, 1996) do not become members of either of the two defined benefit pension plans discussed above. Rather, they participate in one of the City's two defined contribution plans: the General Employees' Money Purchase Plan (General Employees' Plan) or the City of Trenton Fire Fighters and Police Officers Money Purchase Plan (Fire Fighters and Police Officers Plan). In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings.

As established by various employee competitive bargaining units, the City contributes 6 percent and 12 percent of employees' gross earnings for the General Employees' Plan and Fire Fighters and Police Officers Plan, respectively, and the employees contribute 6 percent of earnings for both plans. The City's contributions for each employee plus interest allocated to the employee's account are fully vested after five years of service.

In accordance with these requirements, the City contributed \$120,944 and \$150,756 during the current year and the employees contributed \$120,944 and \$75,378 during the current year for the General Employees' Plan and Fire Fighters and Police Officers Plan, respectively. The plans' assets, which aggregated \$4,443,793 at June 30, 2011, are held by an independent third-party administrator.

City of Trenton, Michigan

Notes to Financial Statements June 30, 2011

Note 13 - Pension and Other Employee Benefit Trust Funds

The following are condensed financial statements for the pension and other employee benefit trust funds which include the Firemen and Policemen Retirement System and the Retiree Health Care Trust Funds:

	Firemen and Policemen Retirement System Trust Fund	Retiree Health Care Trust Fund	Total
Statement of net assets:			
Cash and investments	\$ 52,194,117	\$ 5,275,630	\$ 57,469,747
Receivables	161,332	-	161,332
Total net assets	<u>\$ 52,355,449</u>	<u>\$ 5,275,630</u>	<u>\$ 57,631,079</u>
Statement of changes in net assets:			
Investment income	\$ 9,372,944	\$ 952,800	\$ 10,325,744
Contributions	967,200	143,512	1,110,712
Benefit payments	(3,957,873)	-	(3,957,873)
Administrative expenses	(20,062)	(3,000)	(23,062)
Change in net assets	<u>\$ 6,362,209</u>	<u>\$ 1,093,312</u>	<u>\$ 7,455,521</u>

Note 14 - Downtown Development Authority Commitment

The Downtown Development Authority has committed to pay \$1,000,000 to the City of Trenton for city hall renovations made in 2009. The commitment will be paid to the City over a 10-year period in installments of \$100,000 per year. The payments will only be made if sufficient tax captures are available. The outstanding commitment at June 30, 2011 was \$800,000.

Note 15 - Joint Ventures

33rd District Court System

The City is a member of the 33rd District Court System (the "District Court"), which provides judicial services to the City and various other surrounding communities. The City appoints one member to the joint venture's governing board, which then approves the annual budget.

Note 15 - Joint Ventures (Continued)

The District Court receives its operating revenue principally through contributions from member communities. During the current year, the District Court returned approximately \$61,000 to the City, representing the City's share of the District Court's net activity. The City is unaware of any circumstances that would cause an additional financial benefit or burden to the participating governments in the near future, other than the fluctuation of case loads, which impacts the government's share of the District Court's expenses. Complete financial statements are available at the City offices.

Grosse Ile-Trenton Utilities Authority

The City is also a member of the Grosse Ile-Trenton Utilities Authority (the "Authority") joint venture. The Authority's governing body is composed of two appointees, one from each member of the joint venture. The Authority was established in order to provide an efficient means of acquiring and constructing water supply and sewage disposal systems and to extend use privileges to each other's residents when deemed appropriate by the communities. In 1999, the Authority issued \$4.7 million of bonds to fund system improvements. The City of Trenton, Michigan's share of bonds was 42.55 percent and is recorded in the Water and Sewer Fund. The activity of the Authority is limited to making debt service payments on the outstanding bonds. During the current year, the City paid \$117,011 of principal and \$46,205 of interest on its share of the bonds. The City is unaware of any circumstances that would cause an additional financial benefit or burden to the participating governments in the near future. The Authority does not issue separate financial statements but the accounting records are maintained by the Township of Grosse Ile.

Note 16 - Upcoming Accounting Pronouncements

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity Omnibus*. This pronouncement, which is an amendment to Statement No. 14 and Statement No. 34, modifies certain requirements for inclusion of component units in the financial reporting entity. This statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. Lastly, the statement also clarifies the reporting of equity interests in legally separate organizations. The City is currently evaluating the impact this standard will have on the financial statements when adopted, which will occur during the City's 2012-2013 fiscal year.

Note 16 - Upcoming Accounting Pronouncements (Continued)

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The statement will be effective for the City's 2012-2013 fiscal year. The statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Once implemented, this statement will impact the format and reporting of the balance sheet at the government-wide level and also at the fund level.

Note 17 - Accounting and Reporting Change

During the year, the City adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. In order to conform the classifications of the funds to the appropriate fund types under these new definitions, beginning fund balance was restated as follows:

	General Fund	Severance Pay (Nonmajor Fund)	Total
	<u> </u>	<u> </u>	<u> </u>
Fund balance - June 30, 2010 - As previously reported	\$ 5,049,311	\$ 841,644	\$ 5,890,955
Reclassifications under GASB Statement No. 54 - Severance Pay Fund no longer met the definition of a special revenue fund under GASB Statement No. 54	<u>841,644</u>	<u>(841,644)</u>	<u>-</u>
Fund balance - June 30, 2010 - As restated	<u>\$ 5,890,955</u>	<u>\$ -</u>	<u>\$ 5,890,955</u>

Required Supplemental Information

City of Trenton, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2011

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Resources (Inflows)				
Property taxes	\$ 14,209,141	\$ 14,239,141	\$ 14,166,915	\$ (72,226)
Licenses and permits	242,200	242,200	297,065	54,865
State sources	1,657,000	1,876,000	1,848,079	(27,921)
Charges for services	956,450	1,046,450	1,131,773	85,323
Fines and forfeitures	400,000	400,000	377,782	(22,218)
Interest income	125,000	145,000	144,897	(103)
Other:				
Cable franchise fees	320,000	370,000	375,856	5,856
Other miscellaneous income	165,700	165,700	176,004	10,304
Total resources	18,075,491	18,484,491	18,518,371	33,880
Charges to Appropriations (Outflows)				
Current:				
General government:				
Mayor and Council	95,037	95,037	80,648	14,389
City administrator	375,893	375,893	377,516	(1,623)
City controller	289,063	289,063	293,922	(4,859)
City treasurer	185,735	185,735	184,110	1,625
City assessor	168,873	168,873	151,181	17,692
Board of Review	1,425	1,425	1,474	(49)
Clerk	213,465	213,465	213,598	(133)
Elections	57,647	57,647	35,291	22,356
Buildings and grounds	986,725	986,725	823,860	162,865
Attorney	183,505	183,505	181,437	2,068
Zoning Board of Appeals	475	475	532	(57)
District Court	426,000	426,000	418,224	7,776
Planning commission	10,386	10,386	10,673	(287)
Central office	206,295	206,295	179,402	26,893
Total general government	3,200,524	3,200,524	2,951,868	248,656
Public safety:				
Police department	3,790,611	3,790,611	3,537,171	253,440
Traffic safety commission	913	913	690	223
Fire department	3,330,659	3,347,659	3,357,309	(9,650)
Emergency	111,269	111,269	108,713	2,556
Animal control	85,690	85,690	72,730	12,960
Corrections department/jail	39,250	39,250	31,552	7,698
Building inspection	396,975	396,975	405,097	(8,122)
Civil defense	28,970	28,970	25,702	3,268
Crossing guards	67,559	67,559	68,063	(504)
Total public safety	7,851,896	7,868,896	7,607,027	261,869

City of Trenton, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
Charges to Appropriations (Outflows) -				
Current (Continued):				
Public works:				
City engineer	\$ 249,153	\$ 249,153	\$ 205,660	\$ 43,493
Sanitation	1,034,107	1,184,107	1,241,457	(57,350)
Street lighting	690,000	690,000	706,764	(16,764)
Department of Public Works	<u>820,954</u>	<u>820,954</u>	<u>825,608</u>	<u>(4,654)</u>
Total public works	2,794,214	2,944,214	2,979,489	(35,275)
Retiree benefits and other	2,906,048	2,858,048	2,847,761	10,287
Recreation and culture:				
Cultural center	22,800	22,800	15,804	6,996
Parks department	461,655	461,655	432,823	28,832
Civic commission	16,340	16,340	17,792	(1,452)
Historical commission	5,725	5,725	6,073	(348)
Other commissions	3,746	3,746	2,218	1,528
Outdoor pool	<u>178,205</u>	<u>178,205</u>	<u>148,353</u>	<u>29,852</u>
Total recreation and culture	688,471	688,471	623,063	65,408
Debt service	<u>234,338</u>	<u>234,338</u>	<u>233,339</u>	<u>999</u>
Total expenditures	<u>17,675,491</u>	<u>17,794,491</u>	<u>17,242,547</u>	<u>551,944</u>
Excess of Revenue Over Expenditures	400,000	690,000	1,275,824	585,824
Other Financing Uses - Transfers out	<u>(400,000)</u>	<u>(690,000)</u>	<u>(690,000)</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 585,824</u>	<u>\$ 585,824</u>

Note: The above General Fund charges to appropriations (outflows) - budget and actual is for additional information only and represents greater detail than the adopted budget, except for department totals.

City of Trenton, Michigan

Required Supplemental Information Pension System Schedule of Funding Progress* Year Ended June 30, 2011

The schedule of funding progress for the Firemen and Policemen Retirement System is as follows:

Actuarial Valuation Date *	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
6/30/05	\$ 49,342,884	\$ 49,342,884	\$ -	100.0	\$ 4,023,462	-
6/30/06	52,250,005	52,250,005	-	100.0	4,066,424	-
6/30/07	56,272,692	54,939,391	(1,333,301)	102.4	3,646,192	(36.6)
6/30/08	59,293,847	57,069,715	(2,224,132)	103.9	3,872,581	(57.4)
6/30/09	58,480,550	58,708,142	227,592	99.6	3,892,915	5.8
6/30/10	56,713,241	60,608,694	3,895,453	93.6	3,295,980	118.2

* Due to the adoption of GASB Statement No. 50 in 2007, the funding status is calculated using the entry age actuarial cost method, whereas in prior years, it was calculated using the aggregate funding method.

Pension System Schedule of Employer Contributions Firemen and Policemen Retirement System

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution*	Percentage Contributed
6/30/06	6/30/04	\$ 1,225,411	100.0
6/30/07	6/30/05	1,100,318	100.0
6/30/08	6/30/06	838,615	100.0
6/30/09	6/30/07	455,199	100.0
6/30/10	6/30/08	485,174	100.0
6/30/11	6/30/09	801,113	100.0

* The required contribution is expressed to the City as a percentage of payroll.

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of June 30, 2010, the latest actuarial valuation for the Firemen and Policemen Retirement System, is as follows:

Firemen and Policemen Retirement System

Actuarial cost method	Entry age actuarial cost method
Amortization method	Level dollar over a closed 14-year period
Asset valuation method	Five-year smoothed market
Actuarial assumptions:	
Investment rate of return*	7.6% for 2010, graded to 7.0% in 2014 and thereafter
Projected salary increases*	3.7% - 11.5%
*Includes inflation at	3.5%
Postretirement benefit increases	10% after five years, 10% after 10 years, and 5% after 15 years

City of Trenton, Michigan

Note to Required Supplemental Information Year Ended June 30, 2011

Budgetary Information - As described in Note I, the City adopted GASB Statement No. 54 in the current year and as such, the Severance Pay Fund was required to be rolled into the General Fund. However, the City still budgeted for the Severance Pay Fund as a separate fund, rather than within the General Fund. A reconciliation of the budgetary comparison schedules to the fund-based statement of changes in fund balance is as follows:

	<u>Total Revenue</u>	<u>Total Expenditures</u>
City of Trenton, Michigan:		
Amounts per operating statement	\$ 18,528,399	\$ 17,533,346
Severance Pay Fund	<u>(10,028)</u>	<u>(290,799)</u>
Amounts per budget statement	<u>\$ 18,518,371</u>	<u>\$ 17,242,547</u>

The General Fund transferred \$160,000 to the Severance Pay Fund.

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the City of Trenton, Michigan incurred significant expenditures that were in excess of the amounts budgeted, as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund - Department of Public Works	\$ 2,944,214	\$ 2,979,489	\$ (35,275)

Other Supplemental Information

City of Trenton, Michigan

	Special Revenue Funds					
	Major Roads	Local Roads	Community Development Block Grant	Special Projects	Grant	Library
Assets						
Cash and investments	\$ 91,164	\$ 439,083	\$ 11,608	\$ 606,572	\$ 568,248	\$ 269,885
Receivables:						
Property taxes receivable	-	-	-	-	-	3,615
Other receivables	-	-	15,403	-	104,421	41,498
Due from other governmental units	107,124	46,219	-	-	-	-
Total assets	<u>\$ 198,288</u>	<u>\$ 485,302</u>	<u>\$ 27,011</u>	<u>\$ 606,572</u>	<u>\$ 672,669</u>	<u>\$ 314,998</u>
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 3,302	\$ 34,622	\$ 61	\$ 5,382	\$ 45,503	\$ 15,937
Due to other governmental units	-	-	-	-	-	8,227
Accrued liabilities and other	5,407	5,312	-	1,692	2,949	1,464
Deferred revenue	-	-	24,120	-	613,608	-
Total liabilities	8,709	39,934	24,181	7,074	662,060	25,628
Fund Balances						
Restricted:						
Major and local streets	189,579	445,368	-	-	-	-
Grant operations	-	-	2,830	-	10,609	-
Library debt	-	-	-	-	-	84,123
S.I.N.C. operations	-	-	-	-	-	-
Committed:						
Special projects	-	-	-	599,498	-	-
Library	-	-	-	-	-	205,247
Assigned - Capital projects	-	-	-	-	-	-
Total fund balances	<u>189,579</u>	<u>445,368</u>	<u>2,830</u>	<u>599,498</u>	<u>10,609</u>	<u>289,370</u>
Total liabilities and fund balances	<u>\$ 198,288</u>	<u>\$ 485,302</u>	<u>\$ 27,011</u>	<u>\$ 606,572</u>	<u>\$ 672,669</u>	<u>\$ 314,998</u>

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2011**

Special Revenue Funds	Capital Projects Fund	Total Nonmajor Governmental Funds
S.I.N.C.	Fund	Funds
\$ 217,403	\$ 412,037	\$ 2,616,000
-	-	3,615
99,733	1,150	262,205
-	-	153,343
<u>\$ 317,136</u>	<u>\$ 413,187</u>	<u>\$ 3,035,163</u>

\$ 20,600	\$ 11,536	\$ 136,943
-	-	8,227
-	-	16,824
59,776	-	697,504
80,376	11,536	859,498
-	-	634,947
-	-	13,439
-	-	84,123
236,760	-	236,760
-	-	599,498
-	-	205,247
-	401,651	401,651
236,760	401,651	2,175,665
<u>\$ 317,136</u>	<u>\$ 413,187</u>	<u>\$ 3,035,163</u>

City of Trenton, Michigan

	Special Revenue Funds					
	Major Roads	Local Roads	Community Development Block Grant	Special Projects	Grant	Library
Revenue						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 649,774
Federal grants	-	-	177,638	-	1,026,044	-
State-shared revenue and grants	663,938	286,460	-	-	166,920	-
Investment income	2,715	2,577	-	-	-	5,229
Other revenue:						
Local donations	-	-	-	41,663	-	-
Other miscellaneous income	44,371	3,183	-	270,578	1,839	55,891
Total revenue	711,024	292,220	177,638	312,241	1,194,803	710,894
Expenditures						
Current:						
Public safety	-	-	-	-	1,178,592	-
Public works	303,296	496,733	-	-	-	-
Community and economic development	-	-	70,826	243,674	-	-
Recreation and culture	-	-	-	-	-	369,027
Capital outlay	-	-	-	-	58,337	-
Debt service	-	-	-	-	-	442,900
Total expenditures	303,296	496,733	70,826	243,674	1,236,929	811,927
Excess of Revenue Over (Under) Expenditures	407,728	(204,513)	106,812	68,567	(42,126)	(101,033)
Other Financing Sources (Uses)						
Transfers in	-	445,000	-	-	-	-
Transfers out	(320,000)	-	-	-	-	-
Total other financing (uses) sources	(320,000)	445,000	-	-	-	-
Net Change in Fund Balances	87,728	240,487	106,812	68,567	(42,126)	(101,033)
Fund Balances - Beginning of year	101,851	204,881	(103,982)	530,931	52,735	390,403
Fund Balances - End of year	\$ 189,579	\$ 445,368	\$ 2,830	\$ 599,498	\$ 10,609	\$ 289,370

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes in
Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2011

Special Revenue Funds	Capital Projects Fund	Total Nonmajor Governmental Funds
S.I.N.C.	Fund	Funds
\$ -	\$ -	\$ 649,774
-	-	1,203,682
-	-	1,117,318
2,454	3,511	16,486
-	-	41,663
<u>242,541</u>	<u>25,681</u>	<u>644,084</u>
244,995	29,192	3,673,007
-	-	1,178,592
-	-	800,029
220,036	50,869	585,405
-	-	369,027
-	-	58,337
<u>-</u>	<u>-</u>	<u>442,900</u>
<u>220,036</u>	<u>50,869</u>	<u>3,434,290</u>
24,959	(21,677)	238,717
-	110,000	555,000
<u>-</u>	<u>-</u>	<u>(320,000)</u>
<u>-</u>	<u>110,000</u>	<u>235,000</u>
24,959	88,323	473,717
<u>211,801</u>	<u>313,328</u>	<u>1,701,948</u>
<u>\$ 236,760</u>	<u>\$ 401,651</u>	<u>\$ 2,175,665</u>

City of Trenton, Michigan

Other Supplemental Information Combining Statement of Net Assets Internal Service Funds June 30, 2011

	Motor Vehicle Pool Fund	Self-insurance Fund	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 465,386	\$ 2,716,565	\$ 3,181,951
Inventories	170,510	-	170,510
Prepaid expenses and other assets	2,985	136,752	139,737
Total current assets	638,881	2,853,317	3,492,198
Noncurrent assets - Capital assets	1,509,390	-	1,509,390
Total assets	2,148,271	2,853,317	5,001,588
Liabilities			
Current liabilities:			
Accounts payable	46,462	1,328	47,790
Accrued liabilities and other	9,382	600,304	609,686
Current portion of compensated absences	14,480	-	14,480
Total current liabilities	70,324	601,632	671,956
Noncurrent liabilities - Long-term portion of compensated absences	27,565	-	27,565
Total liabilities	97,889	601,632	699,521
Net Assets			
Invested in capital assets	1,509,390	-	1,509,390
Unrestricted	540,992	2,251,685	2,792,677
Total net assets	\$ 2,050,382	\$ 2,251,685	\$ 4,302,067

City of Trenton, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenses, and Changes in Net Assets Internal Service Funds Year Ended June 30, 2011

	Motor Vehicle Pool Fund	Self-insurance Fund	Total
Operating Revenue			
Charges for services	\$ 908,002	\$ 4,466,620	\$ 5,374,622
Other	-	98,654	98,654
Total operating revenue	908,002	4,565,274	5,473,276
Operating Expenses			
Insurance, claims, and other	-	4,582,332	4,582,332
Operating costs	655,683	-	655,683
Depreciation	293,706	-	293,706
Total operating expenses	949,389	4,582,332	5,531,721
Operating Loss	(41,387)	(17,058)	(58,445)
Nonoperating Revenue			
Investment income	4,388	33,757	38,145
Gain on disposal of capital assets	31,923	-	31,923
Change in Net Assets	(5,076)	16,699	11,623
Net Assets - Beginning of year	2,055,458	2,234,986	4,290,444
Net Assets - End of year	<u>\$ 2,050,382</u>	<u>\$ 2,251,685</u>	<u>\$ 4,302,067</u>

City of Trenton, Michigan

Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds Year Ended June 30, 2011

	Motor Vehicle Pool Fund	Self-insurance Fund	Total
Cash Flows from Operating Activities			
Receipts from customers	\$ 908,002	\$ 4,565,274	\$ 5,473,276
Payments to suppliers	(371,170)	-	(371,170)
Payments to employees	(332,398)	-	(332,398)
Claims paid	-	(4,509,383)	(4,509,383)
	204,434	55,891	260,325
Cash Flows from Capital and Related Financing Activities			
Proceeds from sales of capital assets	51,702	-	51,702
Purchase of capital assets	(264,325)	-	(264,325)
	(212,623)	-	(212,623)
Cash Flows from Investment Activities -			
Interest received on investments	4,388	33,757	38,145
	(3,801)	89,648	85,847
Net (Decrease) Increase in Cash and Cash Equivalents			
Cash and Cash Equivalents - Beginning of year	469,187	2,626,917	3,096,104
Cash and Cash Equivalents - End of year	\$ 465,386	\$ 2,716,565	\$ 3,181,951
Reconciliation of Operating Loss to Net Cash from Operating Activities			
Operating loss	\$ (41,387)	\$ (17,058)	\$ (58,445)
Adjustments to reconcile operating loss to net cash from operating activities:			
Depreciation and amortization	293,706	-	293,706
Changes in assets and liabilities:			
Inventories	(16,439)	-	(16,439)
Prepaid and other assets	(859)	(10,278)	(11,137)
Accounts payable	2,827	1,328	4,155
Accrued and other liabilities	(33,414)	81,899	48,485
	\$ 204,434	\$ 55,891	\$ 260,325

City of Trenton, Michigan

	Pension Trust Funds		
	Firemen and Policemen Retirement System	Retiree Health Care	Total Pension Trust Funds
Assets			
Cash and cash equivalents	\$ 1,627,456	\$ -	\$ 1,627,456
Investments	50,566,661	5,275,630	55,842,291
Receivables	161,332	-	161,332
Total assets	52,355,449	5,275,630	57,631,079
Liabilities			
Due to component units	-	-	-
Due to other funds	-	-	-
Accrued liabilities and other	-	-	-
Cash bonds and deposits	-	-	-
Total liabilities	-	-	-
Fund Balances - Held in trust for pension and other employee benefits	\$ 52,355,449	\$ 5,275,630	\$ 57,631,079

City of Trenton, Michigan

Other Supplemental Information Combining Statement of Assets and Liabilities Fiduciary Funds June 30, 2011

Agency Funds

General Cash Fund	Escrow Fund	Tax Receiving Fund	Subtotal	Eliminations	Total Agency Funds
\$ 1,116,922	\$ 42,527	\$ 4,404	\$ 1,163,853	\$ (1,116,922)	\$ 46,931
15,938,649	-	-	15,938,649	(15,938,649)	-
204,858	-	-	204,858	(204,858)	-
<u>\$ 17,260,429</u>	<u>\$ 42,527</u>	<u>\$ 4,404</u>	<u>\$ 17,307,360</u>	<u>\$ (17,260,429)</u>	<u>\$ 46,931</u>
\$ 1,056,227	\$ -	\$ -	\$ 1,056,227	\$ (1,056,227)	\$ -
16,116,335	-	-	16,116,335	(16,116,335)	-
87,867	-	4,404	92,271	(87,867)	4,404
-	42,527	-	42,527	-	42,527
<u>\$ 17,260,429</u>	<u>\$ 42,527</u>	<u>\$ 4,404</u>	<u>\$ 17,307,360</u>	<u>\$ (17,260,429)</u>	<u>\$ 46,931</u>

City of Trenton, Michigan

Other Supplemental Information Combining Statement of Changes in Net Assets Fiduciary Funds Year Ended June 30, 2011

	Firemen and Policemen Retirement System	Retiree Health Care	Total
Additions			
Investment income:			
Interest and dividends	\$ 2,155,773	\$ -	\$ 2,155,773
Net increase in fair value of investments	7,396,298	952,800	8,349,098
Less investment expenses	(179,127)	-	(179,127)
Net investment income	9,372,944	952,800	10,325,744
Contributions:			
Employer	801,113	2,474,891	3,276,004
Employee	166,087	-	166,087
Total contributions	967,200	2,474,891	3,442,091
Total additions	10,340,144	3,427,691	13,767,835
Deductions			
Benefit payments	3,957,873	2,331,379	6,289,252
Administrative expenses	20,062	3,000	23,062
Total deductions	3,977,935	2,334,379	6,312,314
Net Increase in Net Assets Held in Trust	6,362,209	1,093,312	7,455,521
Net Assets - Beginning of year	45,993,240	4,182,318	50,175,558
Net Assets - End of year	\$ 52,355,449	\$ 5,275,630	\$ 57,631,079