

City of Trenton, Michigan

Financial Report with Supplemental Information June 30, 2015

City of Trenton, Michigan

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component 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, 2015, and the related notes to the financial statements, which collectively comprise the City of Trenton, Michigan's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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, 2015 and the respective changes in its financial position and, where applicable, cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 15 to the financial statements, during the year ended June 30, 2015, the City adopted the new accounting guidance of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of the governmental employers through pension plans. Our opinion is not modified with respect to this matter.

Required Supplemental Information

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

Other Information

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 other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

The other supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2015 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, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Trenton, Michigan's internal control over financial reporting and compliance.

Plante & Morse, PLLC

October 23, 2015

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, 2015. 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, 2015:

- Operating revenues, net of transfers and budgeted use of fund balance, were only \$50,000 higher than budgeted revenues. Revenues such as interest and penalties on property taxes, court fees, and ambulance services exceeded budget by \$60,000, \$75,000, and \$45,000, respectively. Recreation activity fees and miscellaneous revenues were under budget by \$75,000 and \$56,000 respectively. Budgeted revenues included a \$986,000 use of fund balance.
- Property taxes are the City's largest source of revenue. Residential real property values have stabilized, with a minimal increase of 1.3 percent. Commercial and industrial real property values continue to decline, with a decrease of \$8,100,000 or 7.0 percent. The millage rate, for the current fiscal year, was increased by 1.0 mils for a total millage of 25.7506.
- The City has historically been conservative and continuously monitors discretionary spending, which resulted in not appropriating General Fund fund balance for operating costs. The \$986,812, which was a budgeted use of fund balance, and the 1.0 mil increase was for capital improvements.
- Total net position related to the City's governmental activities decreased by approximately (\$1,448,000) and business-type activities increased by approximately \$2,299,000.

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

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Assets						
Current and other assets	\$ 17,510	\$ 16,921	\$ 8,460	\$ 9,421	\$ 25,970	\$ 26,342
Capital assets	20,531	20,855	49,820	50,309	70,351	71,164
Other noncurrent assets	1,495	65	-	-	1,495	65
Total assets	39,536	37,841	58,280	59,730	97,816	97,571
Deferred Outflows of Resources -						
Deferred charges being amortized	3,850	508	410	323	4,260	831
Liabilities						
Current liabilities	2,953	2,865	4,081	3,721	7,034	6,586
Long-term liabilities	39,840	33,443	24,489	28,511	64,329	61,954
Total liabilities	42,793	36,308	28,570	32,232	71,363	68,540
Net Position						
Net investment in capital assets	19,754	20,096	25,221	23,767	44,975	43,863
Restricted	2,289	2,106	3,993	3,491	6,282	5,597
Unrestricted	(21,450)	(20,161)	906	563	(20,544)	(19,598)
Total net position	\$ 593	\$ 2,041	\$ 30,120	\$ 27,821	\$ 30,713	\$ 29,862

The City's combined net position increased 2.8 percent or approximately \$851,000 from a year ago, increasing from \$29,862,000 to \$30,713,000. Governmental activities decreased 70.9 percent or \$1,448,000. Business-type activities increased 8.3 percent or \$2,299,000.

Unrestricted net position is in a deficit for both governmental and business-type activities, due to compliance with GASB Statement No. 68. This standard requires that net pension liabilities be recognized in the financial net position of governmental type entities.

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, 2015 and 2014 (in thousands of dollars):

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenue						
Program revenue:						
Charges for services	\$ 3,869	\$ 3,712	\$ 8,745	\$ 8,368	\$ 12,614	\$ 12,080
Operating grants	1,623	1,584	-	-	1,623	1,584
Capital grants and contributions	224	785	-	-	224	785
General revenue:					-	-
Property taxes	15,103	14,244	2,565	2,561	17,668	16,805
State-shared revenue	1,951	1,899	-	-	1,951	1,899
Investment earnings	63	66	31	20	94	86
Other revenue	586	144	251	261	837	405
Transfers and other (expense) revenue	(303)	(519)	303	519	-	-
Total revenue	23,116	21,915	11,895	11,729	35,011	33,644
Expenses						
General government	4,428	3,827	-	-	4,428	3,827
Public safety	12,018	10,966	-	-	12,018	10,966
Public works	5,140	4,831	-	-	5,140	4,831
Community and economic development	187	84	-	-	187	84
Recreation and cultural	2,740	2,483	-	-	2,740	2,483
Interest on long-term debt	51	52	-	-	51	52
Enterprise	-	-	9,596	10,034	9,596	10,034
Total program expenses	24,564	22,243	9,596	10,034	34,160	32,277
Change in Net Position	\$ (1,448)	\$ (328)	\$ 2,299	\$ 1,695	\$ 851	\$ 1,367

Governmental Activities

The City's governmental revenues increased by \$1,201,000 in the current year. This is mainly attributable to the 1.0 mil increase in the millage. The City's governmental expenses increased \$2,321,000 or 10.4 percent. This is due to an increase of \$668,000 in the cost of pension benefits and \$1,200,000 in facilities improvements and capital equipment purchases.

City of Trenton, Michigan

Management's Discussion and Analysis (Continued)

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.

The combined water and sewer rate was increased \$0.92 or 9.4 percent from \$9.81 to \$10.73 for the fiscal year 2014-2015. Utility sales were down approximately 8.0 percent from the previous year, chiefly due to wet seasonal weather conditions which impact consumption. Water loss was approximately at 10.2 percent in 2014-2015, as a result of numerous water main breaks precipitated by prolonged winter weather related conditions.

The approved combined rates above included \$1.80 for capital expenditures. The revenue for capital is reported in capital contributions, rather than charges for services, due to its restrictive nature.

Total operating expenses in the Water and Sewer Fund decreased by \$340,400 from the previous year. This was due to a \$260,000 pension expense adjustment to comply with GASB Statement No. 68. The remainder is a \$80,400 reduction or 1.0 percent from the previous year expenditures.

The City's Funds

An analysis of the City's major funds begins on page 13, 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 2014-2015 include the General Fund, the Kennedy Recreation Center Fund, and the Water and Sewer Fund.

General Fund Budgetary Highlights

The General Fund pays for most of the City's governmental services. The most significant expenditures are for public safety, which incurred expenses of \$7,839,000 or 42.1 percent of General Fund expenditures in fiscal year 2014-2015, exclusive of other financing sources and uses. Public works is the second most significant expenditure category at \$2,800,283 or 15.0 percent of General Fund expenditures, exclusive of other financing sources and uses. These services are primarily supported by property taxes.

The General Fund used \$399,279 of fund balance in fiscal year 2014-2015. The amended budget included a \$986,812 use of fund balance. This budgeted use of fund balance was exclusively for capital improvements to the city's facilities and infrastructure. The amended budgeted expenditures of \$19,018,000 were underspent by \$537,000. Due to careful spending, cost containments were realized by several departments.

City of Trenton, Michigan

Management's Discussion and Analysis (Continued)

The ordinary operating costs of the City's General Fund increased from the previous year by \$957,000. Several factors contributing to the increase were \$350,000 in capital purchases, \$85,000 in advance debt payment, and the remainder for retiree benefits for pension and healthcare.

Capital Asset and Debt Administration

As of June 30, 2015, the City had approximately \$25.5 million in outstanding debt. Of this debt, \$19.3 million is for the sewer improvements which were completed several years ago. The sewer improvement debt is supported by a direct millage. The City advance refunded almost \$2,900,000 in debt with General Fund and Water/Wastewater Treatment Plant Fund monies.

Not included in the aforementioned debt, is an additional \$76.7 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 \$70.3 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 \$1,600,000 energy upgrade project at the City's recreation center, \$588,000 in street, sidewalk, and alley repairs, \$226,000 in park and pool upgrades, and \$185,000 in water main replacement. Major capital equipment purchases were a \$410,000 in public works and recreation vehicles.

Economic Factors and Next Year's Budgets and Rates

The city has experienced a minor increase of \$8,300,000 or 2.1 percent in residential property values. Commercial and industrial real property values have stabilized and did not experience a further decline. 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 2015-2016 General Fund operating budget was decreased \$1,241,000 or 6.0 percent from \$20,860,542 to \$19,619,627. The City's overall millage rate was decreased by 1.0 mils, from 25.7506 mils to 24.7506 mils. The decrease in the operating budget and the millage is due to a one-time outlay for capital improvements. The millage rate supports the operating budgets of the General and Library funds and the Sewer Debt.

As of July 1, 2015, the water and sewer rate will increase \$.48, from \$10.73 to \$11.21 per thousand gallons of water purchased. This is a 4.5 percent increase from the previous year. The utility rate supports the operations, maintenance, and upgrades to the city water and sewer lines and the wastewater treatment plant.

City of Trenton, Michigan

Management's Discussion and Analysis (Continued)

The City continues to seek private investment to redevelop a shuttered steel mill to bolster the City's finances. A blighted former hospital site is expected to be redeveloped, which will add value to the downtown area of the City.

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 Position June 30, 2015

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 12,567,709	\$ 8,269,201	\$ 20,836,910	\$ 815,023
Receivables:				
Taxes	158,416	304,818	463,234	-
Customers	-	1,753,877	1,753,877	-
Other	739,402	-	739,402	-
Due from other governmental units	662,738	-	662,738	-
Advance to component unit	1,495,000	-	1,495,000	-
Internal balances	2,227,564	(2,227,564)	-	-
Inventory	337,299	235,081	572,380	-
Prepaid expenses and other assets	247,697	1,000	248,697	-
Restricted assets	10,817	-	10,817	-
Investment in joint ventures (Note 14)	558,552	-	558,552	-
Capital assets - Net (Note 4):				
Assets not subject to depreciation	2,688,760	1,705,978	4,394,738	-
Assets subject to depreciation	17,841,827	48,113,641	65,955,468	2,570,865
Total assets	39,535,781	58,156,032	97,691,813	3,385,888
Deferred Outflows of Resources				
Bond refunding loss being amortized	31,939	127,753	159,692	-
Deferred outflows related to pensions	3,819,530	281,856	4,101,386	-
Total deferred outflows of resources	3,851,469	409,609	4,261,078	-
Liabilities				
Accounts payable	961,298	952,667	1,913,965	-
Accrued liabilities and other	901,309	219,373	1,120,682	8,771
Unearned revenue	10,817	-	10,817	-
Noncurrent liabilities:				
Due within one year (Note 6):				
Compensated absences	973,358	136,440	1,109,798	-
Current portion of advance from primary government	-	-	-	170,000
Current portion of long-term debt	107,000	2,773,000	2,880,000	-
Due in more than one year:				
Compensated absences (Note 6)	829,453	165,846	995,299	-
Advance from primary government	-	-	-	1,325,000
Net OPEB obligation (Note 7)	11,168,291	-	11,168,291	-
Net pension liability (Notes 9 and 10)	27,140,735	4,472,108	31,612,843	-
Long-term debt (Note 6)	702,000	19,726,937	20,428,937	-
Total liabilities	42,794,261	28,446,371	71,240,632	1,503,771
Net Position				
Net investment in capital assets	19,753,526	25,219,871	44,973,397	1,245,865
Restricted for:				
Major and local streets	918,384	-	918,384	-
Grant operations	842,360	-	842,360	-
Library	101,662	-	101,662	-
S.I.N.C. operations	426,893	-	426,893	-
Debt	-	58,522	58,522	-
Capital charges	-	3,934,712	3,934,712	-
Unrestricted	(21,449,836)	906,165	(20,543,671)	636,252
Total net position	\$ 592,989	\$ 30,119,270	\$ 30,712,259	\$ 1,882,117

The Notes to Financial Statements are an
Integral Part of this Statement.

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	\$ 4,427,679	\$ 1,389,179	\$ 6,326	\$ -
Public safety	12,018,045	1,793,765	460,248	83,316
Public works	5,140,010	201,405	1,044,383	-
Special projects	187,375	-	108,037	97,133
Recreation and culture	2,739,766	485,010	3,818	43,568
Interest on long-term debt	50,812	-	-	-
Total governmental activities	24,563,687	3,869,359	1,622,812	224,017
Business-type activities:				
Water and sewer	7,901,239	7,360,719	-	-
Recreation operation	1,694,986	1,384,471	-	-
Total business-type activities	9,596,225	8,745,190	-	-
Total primary government	<u>\$ 34,159,912</u>	<u>\$ 12,614,549</u>	<u>\$ 1,622,812</u>	<u>\$ 224,017</u>
Component units:				
Downtown Development Authority	\$ 431,421	\$ -	\$ -	\$ -
Brownfield Redevelopment Authority	51,816	-	-	-
Total component units:	<u>\$ 483,237</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenue:				
Property taxes				
State-shared revenue				
Interest income				
Other miscellaneous income				
Total general revenue				
Transfers				
Change in Net Position				
Net Position - Beginning of year (as restated)				
Net Position - End of year				

**Statement of Activities
Year Ended June 30, 2015**

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (3,032,174)	\$ -	\$ (3,032,174)	\$ -
(9,680,716)	-	(9,680,716)	-
(3,894,222)	-	(3,894,222)	-
17,795	-	17,795	-
(2,207,370)	-	(2,207,370)	-
(50,812)	-	(50,812)	-
(18,847,499)	-	(18,847,499)	-
-	(540,520)	(540,520)	-
-	(310,515)	(310,515)	-
-	(851,035)	(851,035)	-
(18,847,499)	(851,035)	(19,698,534)	-
-	-	-	(431,421)
-	-	-	(51,816)
-	-	-	(483,237)
15,102,794	2,565,247	17,668,041	508,574
1,951,259	-	1,951,259	-
63,310	31,060	94,370	7,122
585,669	250,000	835,669	-
17,703,032	2,846,307	20,549,339	515,696
(302,954)	302,954	-	-
(1,447,421)	2,298,226	850,805	32,459
2,040,410	27,821,044	29,861,454	1,849,658
\$ 592,989	\$ 30,119,270	\$ 30,712,259	\$ 1,882,117

City of Trenton, Michigan

Governmental Funds Balance Sheet June 30, 2015

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents (Note 3)	\$ 3,149,154	\$ 4,260,243	\$ 7,409,397
Receivables:			
Property taxes receivable	155,707	2,709	158,416
Other receivables	375,458	221,185	596,643
Due from other governmental units	318,559	344,179	662,738
Advance to component units	1,495,000	-	1,495,000
Advances to other funds	2,227,564	-	2,227,564
Inventory	110,621	-	110,621
Prepaid expenses and other assets	24,695	-	24,695
Restricted assets	-	10,817	10,817
	\$ 7,856,758	\$ 4,839,133	\$12,695,891
Liabilities			
Accounts payable	\$ 412,596	\$ 282,638	\$ 695,234
Accrued liabilities and other	269,440	15,522	284,962
Unearned revenue	-	10,817	10,817
	682,036	308,977	991,013
Deferred Inflows of Resources - Unavailable revenue	74,965	59,506	134,471
Fund Balances			
Nonspendable:			
Inventory	110,621	-	110,621
Prepays	24,695	-	24,695
Long-term advance	3,722,564	-	3,722,564
Restricted:			
Roads	-	918,384	918,384
Grant operations	-	782,854	782,854
S.I.N.C. operations	-	426,893	426,893
Library capital	-	101,662	101,662
Committed:			
Compensated absence liability	805,427	-	805,427
Special projects	-	579,816	579,816
Library	-	458,087	458,087
Assigned:			
Equipment	600,000	-	600,000
Capital projects	-	1,202,954	1,202,954
Postretirement benefits	800,000	-	800,000
Defined benefit pension	900,000	-	900,000
Unassigned	136,450	-	136,450
	7,099,757	4,470,650	11,570,407
Total fund balances	7,099,757	4,470,650	11,570,407
Total liabilities, deferred inflows of resources, and fund balances	\$ 7,856,758	\$ 4,839,133	\$12,695,891

The Notes to Financial Statements are an
Integral Part of this Statement.

City of Trenton, Michigan

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position June 30, 2015

Fund Balance Reported in Governmental Funds	\$ 11,570,407
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds (excludes ISF assets)	19,334,717
Investments in joint ventures are not financial resources and are not reported in the funds	558,552
Grants receivables that are collected after year end, such that they are not available to pay bills outstanding as of year end, are not recognized as revenue in the funds	134,471
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(809,000)
Bond refunding loss being amortized is not reported in the funds	31,939
Accrued interest is not due and payable in the current period and is not reported in the funds	(8,359)
Employee compensated absences are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities	(1,734,882)
Other liabilities are not due and payable in the current period and are not reported in the funds	(91,245)
Net other postemployment benefit liability not recorded in the modified accrual statements	(11,168,291)
Net pension liability is not due and payable in the current period and is not reported in the funds	(27,140,735)
Deferred outflows related to pensions are not a financial resource and are not reported in the funds	3,819,530
Internal service funds are included as part of governmental activities	<u>6,095,885</u>
Net Position of Governmental Activities	<u>\$ 592,989</u>

City of Trenton, Michigan

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2015

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenue			
Property taxes	\$ 14,691,028	\$ 379,389	\$ 15,070,417
Licenses and permits	450,622	-	450,622
Federal grants	-	618,217	618,217
State sources	1,951,259	1,353,352	3,304,611
Charges for services	1,478,621	18,463	1,497,084
Fines and forfeitures	575,151	96,295	671,446
Interest income	47,129	16,181	63,310
Other	596,979	940,432	1,537,411
Total revenue	<u>19,790,789</u>	<u>3,422,329</u>	<u>23,213,118</u>
Expenditures			
General government	3,184,057	-	3,184,057
Public safety	7,839,108	699,140	8,538,248
Public works	2,800,283	1,036,728	3,837,011
Retiree benefits and other	3,800,974	-	3,800,974
Special projects	-	602,158	602,158
Recreation and culture	718,602	1,070,600	1,789,202
Interest expense	280,108	-	280,108
Total expenditures	<u>18,623,132</u>	<u>3,408,626</u>	<u>22,031,758</u>
Excess of Revenue Over Expenditures	1,167,657	13,703	1,181,360
Other Financing Sources (Uses)			
Transfers in (Note 5)	-	1,650,000	1,650,000
Transfers out (Note 5)	(1,505,821)	(350,000)	(1,855,821)
Total other financing (uses) sources	<u>(1,505,821)</u>	<u>1,300,000</u>	<u>(205,821)</u>
Net Change in Fund Balances	(338,164)	1,313,703	975,539
Fund Balances - Beginning of year (as restated)	<u>7,437,921</u>	<u>3,156,947</u>	<u>10,594,868</u>
Fund Balances - End of year	<u>\$ 7,099,757</u>	<u>\$ 4,470,650</u>	<u>\$ 11,570,407</u>

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, 2015

Net Change in Fund Balances - Total Governmental Funds	\$ 975,539
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	1,256,771
Depreciation expense	(1,311,641)
Net book value of assets disposed of	(40,352)
Revenues are recorded in the statement of activities when earned; they are not reported in the funds until collected or collectible within 60 days of year end	76,592
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	240,738
Amortization on bond refunding loss is recorded in the statement of activities	(4,562)
Change in net other postemployment benefits liability	(2,237,553)
Change in accrued interest payable and other	3,341
Decrease in accumulated employee sick and vacation pay is recorded in the statement of activities	41,743
Net change in investment in joint venture reported in the statement of activities does not provide current financial resources and is not reported as a revenue in the governmental funds.	(18,946)
Decrease in property tax claims is recorded when incurred in the statement of activities	32,377
Increase in net pension expense reported in the statement of activities does not require the use of current resources and therefore is not reported in the fund until it becomes due for payment	(4,424,576)
Change in deferred outflows related to pensions are reported in the statement of activities	3,348,449
Internal service funds are included as part of governmental activities	<u>614,659</u>
Change in Net Position of Governmental Activities	<u>\$ (1,447,421)</u>

City of Trenton, Michigan

Proprietary Funds Statement of Net Position June 30, 2015

	Major Business-type Activities			Governmental Activities
	Enterprise - Water and Sewer	Enterprise - Recreation	Total	Total Enterprise Funds
Assets				
Current assets:				
Cash and cash equivalents (Note 3)	\$ 7,911,059	\$ 358,142	\$ 8,269,201	\$ 5,158,312
Receivables:				
Property taxes receivable	304,818	-	304,818	-
Customers	1,720,566	33,311	1,753,877	-
Other receivables	-	-	-	142,759
Inventory	223,000	12,081	235,081	226,678
Prepaid expenses and other assets	1,000	-	1,000	223,002
Total current assets	10,160,443	403,534	10,563,977	5,750,751
Noncurrent assets - Capital assets (Note 4):				
Assets not subject to depreciation	414,319	1,291,659	1,705,978	-
Assets subject to depreciation	44,064,050	4,049,591	48,113,641	1,195,870
Total assets	54,638,812	5,744,784	60,383,596	6,946,621
Deferred Outflows of Resources				
Bond refunding loss being amortized	-	127,753	127,753	-
Deferred outflows related to pensions	281,856	-	281,856	-
Total deferred outflows	281,856	127,753	409,609	-
Liabilities				
Current liabilities:				
Accounts payable	727,805	224,862	952,667	266,064
Accrued liabilities and other	173,493	45,880	219,373	516,743
Compensated absences	132,753	3,687	136,440	25,952
Current portion of long-term advance	-	124,000	124,000	-
Current portion of long-term debt	2,345,000	428,000	2,773,000	-
Total current liabilities	3,379,051	826,429	4,205,480	808,759
Noncurrent liabilities:				
Advances from other funds	-	2,103,564	2,103,564	-
Compensated absences	163,052	2,794	165,846	41,977
Net pension liability	4,472,108	-	4,472,108	-
Long-term debt	16,918,937	2,808,000	19,726,937	-
Total noncurrent liabilities	21,554,097	4,914,358	26,468,455	41,977
Total liabilities	24,933,148	5,740,787	30,673,935	850,736
Net Position				
Net investment in capital assets	25,214,432	5,439	25,219,871	1,195,870
Restricted:				
Debt	58,522	-	58,522	-
Capital charges	3,934,712	-	3,934,712	-
Unrestricted	779,854	126,311	906,165	4,900,015
Total net position	<u>\$ 29,987,520</u>	<u>\$ 131,750</u>	<u>\$ 30,119,270</u>	<u>\$ 6,095,885</u>

The Notes to Financial Statements are an
Integral Part of this Statement.

City of Trenton, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position Year Ended June 30, 2015

	Major Business-type Activities			Governmental Activities
	Enterprise - Water and Sewer	Enterprise- Recreation	Total Enterprise Funds	Internal Service Funds
Operating Revenue				
Sale of water	\$ 2,754,209	\$ -	\$ 2,754,209	\$ -
Sewage disposal charges	3,318,479	-	3,318,479	-
Charges for services	-	1,384,471	1,384,471	6,272,051
Other	210,806	-	210,806	171,768
Total operating revenue	6,283,494	1,384,471	7,667,965	6,443,819
Operating Expenses				
Cost of water	1,613,086	-	1,613,086	-
Cost of sewage disposal	2,781,057	-	2,781,057	-
Cost of insurance claims	-	-	-	4,555,798
Transportation and distribution	1,028,639	-	1,028,639	-
Cost of recreation activity	-	954,549	954,549	-
Operating costs	-	-	-	1,103,473
Depreciation	1,984,986	568,682	2,553,668	242,348
Total operating expenses	7,407,768	1,523,231	8,930,999	5,901,619
Operating (Loss) Income	(1,124,274)	(138,760)	(1,263,034)	542,200
Nonoperating Revenue (Expenses)				
Property tax revenue	2,565,247	-	2,565,247	-
Investment income	31,060	-	31,060	20,204
Interest expense	(492,045)	(171,755)	(663,800)	-
Gain (loss) on sale of assets	(1,426)	-	(1,426)	49,347
Customer capital charges	1,077,225	-	1,077,225	-
Contribution from Downtown Development Authority (DDA)	250,000	-	250,000	-
Total nonoperating revenue (expenses)	3,430,061	(171,755)	3,258,306	69,551
Income (Loss) - Before capital contributions and transfers in	2,305,787	(310,515)	1,995,272	611,751
Capital Contributions	-	97,133	97,133	2,908
Transfers in	-	205,821	205,821	-
Change in Net Position	2,305,787	(7,561)	2,298,226	614,659
Net Position - Beginning of year (as restated)	27,681,733	139,311	27,821,044	5,481,226
Net Position - End of year	\$ 29,987,520	\$ 131,750	\$ 30,119,270	\$ 6,095,885

City of Trenton, Michigan

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2015

	Major Business-type Activities			Governmental
	Enterprise -		Total	Internal Service
	Water and Sewer	Enterprise - Recreation	Enterprise Funds	Funds
Cash Flows from Operating Activities				
Receipts from customers	\$ 6,347,467	\$ 1,425,043	\$ 7,772,510	\$ 6,342,488
Payments to suppliers	(2,689,593)	(498,629)	(3,188,222)	(750,420)
Payments to employees	(2,617,169)	(269,786)	(2,886,955)	(319,904)
Claims paid	-	-	-	(4,489,655)
Net cash provided by operating activities	1,040,705	656,628	1,697,333	782,509
Cash Flows from Noncapital Financing Activities				
Transfers from other funds	-	302,954	302,954	-
Loans received from other funds	-	2,227,564	2,227,564	-
Net cash provided by noncapital financing activities	-	2,530,518	2,530,518	-
Cash Flows from Capital and Related Financing Activities				
Receipt of capital charges	1,077,225	-	1,077,225	-
Contribution from DDA	250,000	-	250,000	-
Proceeds from sales of capital assets	-	-	-	49,745
Property taxes	2,565,247	-	2,565,247	-
Purchase of capital assets	(645,391)	(1,420,613)	(2,066,004)	(10,991)
Principal and interest paid on capital debt	(3,387,745)	(1,464,255)	(4,852,000)	-
Net cash provided by (used in) capital and related financing activities	(140,664)	(2,884,868)	(3,025,532)	38,754
Cash Flows from Investing Activities - Interest received on investments	31,060	-	31,060	20,204
Net Increase in Cash and Cash Equivalents	931,101	302,278	1,233,379	841,467
Cash and Cash Equivalents - Beginning of year	6,979,958	55,864	7,035,822	4,316,845
Cash and Cash Equivalents - End of year	<u>\$ 7,911,059</u>	<u>\$ 358,142</u>	<u>\$ 8,269,201</u>	<u>\$ 5,158,312</u>
Statement of Net Position Classification of Cash and Cash Equivalents - Cash and investments	<u>\$ 7,911,059</u>	<u>\$ 358,142</u>	<u>\$ 8,269,201</u>	<u>\$ 5,158,312</u>
Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities				
Operating (loss) income	\$ (1,124,274)	\$ (138,760)	\$ (1,263,034)	\$ 542,200
Adjustments to reconcile operating (loss) income to net cash from operating activities:				
Depreciation and amortization	1,984,986	568,682	2,553,668	242,348
Changes in assets and liabilities:				
Receivables	63,973	40,572	104,545	(101,331)
Inventories	(3,600)	(10,061)	(13,661)	12,327
Prepaid and other assets	(104,883)	18,250	(86,633)	(6,788)
Accounts payable	375,455	188,051	563,506	41,982
Accrued and other liabilities	(150,952)	(10,106)	(161,058)	51,771
Net cash provided by operating activities	<u>\$ 1,040,705</u>	<u>\$ 656,628</u>	<u>\$ 1,697,333</u>	<u>\$ 782,509</u>
Noncash Transactions - Capital contributions	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,908</u>

Capital contributions were \$2,908 in the internal service funds for the year ended June 30, 2015.

The Notes to Financial Statements are an
Integral Part of this Statement.

City of Trenton, Michigan

Fiduciary Funds Statement of Fiduciary Net Position June 30, 2015

	Pension and Retiree Health Care Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 3,364,649	\$ 33,955
Investments:		
U.S. government securities	1,941,251	-
Stocks	33,328,311	-
Bonds	221,577	-
Fixed mutual funds	9,956,160	-
Other investments	11,726,886	-
Receivables	150,427	-
Total assets	60,689,261	\$ 33,955
Liabilities		
Accrued liabilities and other	-	\$ 5,126
Cash bonds and deposits	-	28,829
Total liabilities	-	\$ 33,955
Net Position Held in Trust for Pension and Other Employee Benefits	\$ 60,689,261	

City of Trenton, Michigan

Fiduciary Funds Statement of Changes in Fiduciary Net Position - Pension and Retiree Health Care Trust Funds Year Ended June 30, 2015

	Pension and Retiree Health Care Trust Funds
Additions	
Investment income:	
Interest and dividends	\$ 1,300,668
Net decrease in fair value of investments	(501,583)
Investment-related expenses	(206,135)
Contributions:	
Employer contributions	4,167,510
Employee contributions	241,100
Total contributions	<u>4,408,610</u>
Total additions	5,001,560
Deductions	
Benefit payments	7,283,300
Administrative expenses	118,863
Total deductions	<u>7,402,163</u>
Net Decrease in Net Position Held in Trust	(2,400,603)
Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year	<u>63,089,864</u>
Net Position Held in Trust for Pension and Other Employee Benefits - End of year	<u>\$ 60,689,261</u>

City of Trenton, Michigan

Component Units Statement of Net Position June 30, 2015

	Downtown Development Authority	Brownfield Redevelopment Authority	Total
Assets			
Cash and cash equivalents (Note 3)	\$ 755,851	\$ 59,172	\$ 815,023
Capital assets (Note 4) -			
Assets subject to depreciation	2,570,865	-	2,570,865
Total assets	3,326,716	59,172	3,385,888
Liabilities			
Accrued liabilities and other	8,771	-	8,771
Noncurrent liabilities:			
Due within one year - Current portion of advance from primary government (Note 5)	170,000	-	170,000
Due in more than one year - Advance from primary government (Note 5)	1,260,000	65,000	1,325,000
Total liabilities	1,438,771	65,000	1,503,771
Net Position			
Net investment in capital assets	1,310,865	-	1,310,865
Unrestricted	577,080	(5,828)	571,252
Total net position	\$ 1,887,945	\$ (5,828)	\$ 1,882,117

City of Trenton, Michigan

	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Downtown Development Authority:				
Special projects	\$ 404,972	\$ -	\$ -	\$ -
Interest expense	26,449	-	-	-
Total Downtown Development Authority	431,421	-	-	-
Brownfield Redevelopment Authority	51,816	-	-	-
Total governmental activities	\$ 483,237	\$ -	\$ -	\$ -

General revenue:

 Property taxes

 Interest income

 Total general revenue

Change in Net Position

Net Position - Beginning of year (as restated)

Net Position - End of year

**Component Units
Statement of Activities
Year Ended June 30, 2015**

Net (Expense) Revenue and Changes in Net Position		
Downtown Development Authority	Brownfield Redevelopment Authority	Total
\$ (404,972)	\$ -	\$ (404,972)
(26,449)	-	(26,449)
(431,421)	-	(431,421)
-	(51,816)	(51,816)
(431,421)	(51,816)	(483,237)
508,574	-	508,574
2,779	4,343	7,122
511,353	4,343	515,696
79,932	(47,473)	32,459
1,808,013	41,645	1,849,658
\$ 1,887,945	\$ (5,828)	\$ 1,882,117

Note I - Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies used by the City of Trenton, Michigan (the "City"):

Reporting Entity

The City of Trenton, Michigan is governed by an 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).

Blended Component Units - 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.

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

Brownfield Redevelopment Authority - 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.

Jointly Governed Organization - The City is a participant in a jointly governed organizations as discussed in Note 14.

Major Taxpayers

Approximately 31 percent of property tax revenue is from two companies with properties in the City of Trenton, and approximately 21 percent of the total water, sewer, and industrial charge revenue is from three businesses located in the City.

Note I - Summary of Significant Accounting Policies (Continued)

Accounting and Reporting Principles

The City follows accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board.

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective, and the fund-based perspective. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statements also present a schedule reconciling these amounts to the modified accrual based presentation found in the fund-based statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Taxes and other items not properly included among program revenues are reported instead as general revenue.

For the most part, the effect of interfund activity has been removed from these 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 revenues reported for the various functions concerned.

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.

Note I - Summary of Significant Accounting Policies (Continued)

Fund Accounting

The City accounts for its various activities in several different funds, in order to demonstrate accountability for how we have spent certain resources - separate funds allow us to show the particular expenditures for which specific revenues were used. The various funds are aggregated into four broad fund types:

Governmental funds include all activities that provide general governmental services that are not business-type activities. This includes the General Fund, special revenue funds, debt service funds, capital project funds, and permanent funds. The City reports the General Fund as “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.

Proprietary funds include enterprise funds (which provide goods or services to users in exchange for charges or fees). The City reports the following funds as “major” enterprise 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.

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.

Fiduciary funds include amounts held in a fiduciary capacity for others. These amounts will not be used to operate our governments programs. Activities that are reported as fiduciary include the following:

- 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 Fund accounts 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.

Note I - Summary of Significant Accounting Policies (Continued)

Interfund activity: During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the Water and Sewer Fund) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Basis of Accounting

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the government has spent its resources.

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree healthcare related costs, or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Revenues are not recognized until they are collected, or collected soon enough after the end of the year that they are available to pay for obligations outstanding at the end of the year. For this purpose, the City considers amounts collected within 60 days of year end to be available for recognition. The following major revenue sources meet the availability criterion: state-shared revenue, property taxes, and interest associated with the current fiscal period. Conversely, federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a "deferred inflow of resources."

Note I - Summary of Significant Accounting Policies (Continued)

Proprietary funds and fiduciary funds use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Specific Balances and Transactions

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.

Investments - Investments are reported at fair value or estimated fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Approximately \$11,700,000 or 22 percent of the Firemen and Policemen Retirement System's net position as of June 30, 2015 is not publicly traded and therefore does not always have a readily determinable market value. Management's estimates of these values are based on information provided by investment managers. Because alternative investments are not readily marketable, their estimated value is subject to uncertainty and therefore may differ significantly from the values that would have been used had a ready market for these securities existed. The difference could be material.

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 Assets - Restricted assets in the governmental activities and governmental funds consist of cash and cash equivalents restricted related to unearned grant revenue. A portion of the business-type activities net position has been restricted for capital. The capital restrictions relate to unspent capital charges that must be used solely for making capital improvement to the water and sewer system.

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.

Note I - Summary of Significant Accounting Policies (Continued)

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

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

<u>Capital Asset Class</u>	<u>Lives (years)</u>
Roads and sidewalks	20-30
Water and sewer distribution systems	50-66
Water and sewer treatment facilities	50
Machinery, equipment, and furniture	7-20
Buildings and building improvements	15-50

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 position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method; bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances as an "other financing source," as well as bond premiums and discounts. The General Fund is generally used to liquidate governmental long-term debt.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has two items that qualify for reporting in this category. They are deferred charges on bond refundings that are being amortized over the life of the bond and deferred outflows of resources related to pensions.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The government has one item that qualifies for reporting in this category. The deferred inflows of resources related to unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from grants sources. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Note I - Summary of Significant Accounting Policies (Continued)

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Note I - Summary of Significant Accounting Policies (Continued)

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The City Council has by resolution authorized the finance director to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Property Tax Revenue

Properties are assessed as of December 31. The related property taxes are billed and become a lien on July 1 of the following year. These taxes are due without penalty during the period from July 1 through August 31 with the final collection date of February 28 before they are added to the county tax rolls.

The City's 2014 tax is levied and collectible on July 1, 2014 and is recognized as revenue in the year ended June 30, 2015, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2014 taxable valuation of the City totaled \$636 million (a portion of which is abated and a portion of which is captured by the DDA and BRA). 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 position will be reserved. Taxes were levied as follows:

Purpose	Millage Rate	Revenue
General operating	18.1101	\$ 12,226,640
Firemen and Policemen Retirement System	1.4963	1,010,194
Solid waste	1.7705	1,195,315
Library operating	0.5689	384,080
Other tax collection and trailer park fees	0.0000	254,188
Sewer debt	3.8048	2,568,728
Total		\$ 17,639,145

Note I - Summary of Significant Accounting Policies (Continued)

Pension - The City offers a defined benefit pension plan to its employees. The City records a net pension liability for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plan, and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability has historically been liquidated from the funds from which the individual salaries are paid, which are the General Fund, and Water and Sewer Fund.

Other Postemployment Benefit Costs - The City offers 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, 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. The net OPEB obligation has generally been liquidated from the funds from which the individual salaries are paid, which are the General Fund and Water and Sewer Fund.

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 pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end. All other accrued compensated absences are reported in the government-wide financial statements; generally, the funds that report each employee's compensation (the General Fund and Water and Sewer Fund, primarily) are used to liquidate obligation.

Proprietary Funds Operating Classification - Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues 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 revenues of the Water and Sewer Fund and internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Note 1 - Summary of Significant Accounting Policies (Continued)

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, 2015 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.

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	\$ (597,162)
Building permit revenue	428,609
Related expenses - Direct costs	<u>434,704</u>
Current year shortfall	<u>(6,095)</u>
Excess costs - End of year	<u>\$ (603,257)</u>

Fund Deficits - The Brownfield Redevelopment Authority component unit had a deficit at June 30, 2015 totaling (\$5,828). 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 Retiree Health Care Trust Fund are also authorized by Michigan Public Act 347 of 2012, 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.

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 \$8,840,000 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. In addition, the City's component units had \$815,023 of bank deposits that were uninsured and uncollateralized. 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:

At year end, the City had the following investments and maturities:

Government-wide	Fair Value	Less Than Five Years
Municipal bonds	\$ 4,218,760	\$ 4,218,760

City of Trenton, Michigan

Notes to Financial Statements June 30, 2015

Note 3 - Deposits and Investments (Continued)

Fiduciary Funds	Fair Value	Less Than Five		
		Years	Five to 15 Years	Over 15 Years
U.S. Treasury and agency	\$ 540,001	\$ 400,073	\$ 103,735	\$ 36,193
Municipal bonds	896,179	315,517	341,583	239,080
Other fixed-income securities	726,648	185,704	432,682	108,262
Total	\$ 2,162,828	\$ 901,294	\$ 878,000	\$ 383,535

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
Government-wide Assets			
Municipal bonds	\$ 477,180	AA+	S&P
Municipal bonds	201,829	AA	S&P
Municipal bonds	200,360	AA-	S&P
Municipal bonds	151,461	A+	S&P
Municipal bonds	101,963	A	S&P
Municipal bonds	314,792	SPI+	S&P
Municipal bonds	248,380	SPI	S&P
Municipal bonds	1,166,365	AA2	Moody's
U.S. Government Securities	771,014	AA+	S&P
Certificate of Deposit	585,416	N/A	Not Rated
Total	\$ 4,218,760		
Fiduciary Funds Assets			
Bond and other securities	\$ 227,018	AAA	S&P
Bond and other securities	551,308	AA+	S&P
Bond and other securities	344,889	AA	S&P
Bond and other securities	189,316	A+	S&P
Bond and other securities	125,006	A	S&P
Bond and other securities	80,294	AA-	S&P
Bond and other securities	139,927	AAA	Moody's
Bond and other securities	505,070	N/A	Not Rated
Total	\$ 2,162,828		

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 statement of net position/balance sheet.

Note 4 - Capital Assets

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

	Balance July 1, 2014	Additions	Disposals	Balance June 30, 2015
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 2,523,904	\$ -	\$ -	\$ 2,523,904
Construction in progress	-	164,856	-	164,856
Subtotal	2,523,904	164,856	-	2,688,760
Capital assets being depreciated:				
Buildings and improvements	11,808,687	31,620	-	11,840,307
Vehicles	5,452,897	180,357	(146,128)	5,487,126
Furniture and equipment	6,556,451	259,072	(24,870)	6,790,653
Land improvements	2,939,927	147,425	-	3,087,352
Roads and sidewalks	21,478,207	487,341	(290,772)	21,674,776
Subtotal	48,236,169	1,105,815	(461,770)	48,880,214
Accumulated depreciation:				
Buildings and improvements	5,380,965	291,181	-	5,672,146
Vehicles	3,756,431	338,422	(145,730)	3,949,123
Furniture and equipment	4,800,244	360,826	(14,326)	5,146,744
Land improvements	1,918,216	140,134	-	2,058,350
Roads and sidewalks	14,049,561	423,426	(260,963)	14,212,024
Subtotal	29,905,417	1,553,989	(421,019)	31,038,387
Net capital assets being depreciated	18,330,752	(448,174)	(40,751)	17,841,827
Net capital assets	\$ 20,854,656	\$ (283,318)	\$ (40,751)	\$ 20,530,587

Note 4 - Capital Assets (Continued)

	Balance July 1, 2014	Additions	Disposals	Balance June 30, 2015
Business-type Activities				
Capital assets not being depreciated:				
Land	\$ 14,242	\$ -	\$ -	\$ 14,242
Construction in progress	124,412	1,567,324	-	1,691,736
Subtotal	138,654	1,567,324	-	1,705,978
Capital assets being depreciated:				
Water and sewer distribution systems	64,561,310	185,502	-	64,746,812
Treatment facilities	7,076,447	-	-	7,076,447
Buildings and improvements	11,654,992	-	-	11,654,992
Machinery and equipment	3,553,894	313,179	(150,105)	3,716,968
Land improvements	467,823	-	-	467,823
Subtotal	87,314,466	498,681	(150,105)	87,663,042
Accumulated depreciation:				
Water and sewer distribution systems	21,866,661	1,613,338	-	23,479,999
Treatment facilities	5,404,670	199,196	-	5,603,866
Buildings and improvements	7,602,108	533,408	-	8,135,516
Machinery and equipment	2,155,777	196,178	(148,678)	2,203,277
Land improvements	115,195	11,548	-	126,743
Subtotal	37,144,411	2,553,668	(148,678)	39,549,401
Net capital assets being depreciated	50,170,055	(2,054,987)	(1,427)	48,113,641
Net capital assets	<u>\$ 50,308,709</u>	<u>\$ (487,663)</u>	<u>\$ (1,427)</u>	<u>\$ 49,819,619</u>

	Balance July 1, 2014	Reclassifications	Additions	Disposals	Balance June 30, 2015
Component Units					
Capital assets being depreciated -					
Land improvements	\$ 3,312,897	\$ -	\$ 101,019	\$ -	\$ 3,413,916
Accumulated depreciation -					
Land improvements	744,393	-	98,658	-	843,051
Net capital assets	<u>\$ 2,568,504</u>	<u>\$ -</u>	<u>\$ 2,361</u>	<u>\$ -</u>	<u>\$ 2,570,865</u>

City of Trenton, Michigan

Notes to Financial Statements June 30, 2015

Note 4 - Capital Assets (Continued)

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

Governmental activities:

General government	\$ 587,337
Public safety	89,129
Public works	221,484
Recreation and culture	413,691
Internal service fund depreciation charged to various functions based on usage of the asset	<u>242,348</u>
Total governmental activities	<u>\$ 1,553,989</u>

Business-type activities:

Water and sewer	\$ 1,984,986
Recreation	<u>568,682</u>
Total business-type activities	<u>\$ 2,553,668</u>

Component unit activities - Downtown Development Authority	<u>\$ 98,658</u>
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Construction Commitments - The Water and Sewer Fund has active construction projects at year end. The projects relates to the waste water treatment plant improvements. At year end, the City's commitments with contractors are as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
WWTP Improvements	\$ 392,942	\$ 2,380,682

Note 5 - Interfund Transfers and Intra-entity Advances

The composition of advances is as follows:

<u>Fund Advanced To</u>	<u>Fund Advanced From General Fund</u>
Brownfield Redevelopment Authority	\$ 65,000
Downtown Development Authority	1,430,000
Recreation Fund	<u>2,227,564</u>
Total	<u>\$ 3,722,564</u>

Note 5 - Interfund Transfers and Intra-entity Advances (Continued)

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.

The long-term advance from the General Fund to the Downtown Development Authority (DDA) represents monies advanced to redeem two general obligation limited tax bonds for \$800,000 and \$630,000. The \$800,000 advance is to be repaid in eight equal installments of \$100,000, plus interest ranging from 1.0 percent to 2.5 percent, through October 2022. The \$630,000 advance is to be repaid in nine equal installments of \$70,000, plus interest ranging from 1.0 percent to 2.5 percent, through October 2023.

The long-term advance from the General Fund to the Recreation Fund represents monies advanced to redeem building authority bonds for \$773,500 and to cover costs associated with ice rink energy upgrades of \$1,454,064. The \$773,500 advance is to be repaid in seven equal installments of \$110,000, plus interest ranging from 1.0 percent to 2.5 percent, through October 2021. The \$1,454,064 advance is to be repaid in one installment of \$14,000, plus interest, in 2016 and then nine equal installments of \$160,007, plus interest ranging from 1.0 percent to 2.5 percent, through June 2025.

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

Transfers In	Transfers Out		Total
	General Fund	Nonmajor Governmental Funds - Major Roads	
Capital projects fund	\$ 1,000,000	\$ -	\$ 1,000,000
Nonmajor governmental funds - Local roads	300,000	350,000	650,000
Business-type activities - Recreation	205,821	-	205,821
Total	<u>\$ 1,505,821</u>	<u>\$ 350,000</u>	<u>\$ 1,855,821</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.

City of Trenton, Michigan

Notes to Financial Statements June 30, 2015

Note 5 - Interfund Transfers and Intra-entity Advances (Continued)

During the year, the General Fund purchased capital assets and donated the assets to the Recreation Fund in the amount of \$97,133, which was recorded as a transfer out on the statement of activities. In the fund-based statements, this was recorded as an expense in the General Fund and a capital contribution in the Recreation Fund.

Note 6 - 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.

Long-term debt activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Reductions	Ending Balance	Due Within One Year
Governmental Activities						
General obligation bonds:						
Building Authority Bonds - Amount of issue - \$1,800,000	N/A	N/A	\$ 85,500	\$ (85,500)	\$ -	\$ -
Building Authority Refunding Bonds - Amount of issue - \$6,115,000	4.00	\$106,000 - \$127,000	916,000	(107,000)	809,000	107,000
Installment purchase agreements -						
Trash truck loan - Amount of issue - \$141,243	N/A	N/A	48,238	(48,238)	-	-
Total bonds payable			1,049,738	(240,738)	809,000	107,000
Other long-term obligations -						
Compensated absences			1,840,176	(37,365)	1,802,811	973,358
Total governmental activities			<u>\$ 2,889,914</u>	<u>\$ (278,103)</u>	<u>\$ 2,611,811</u>	<u>\$ 1,080,358</u>

Note 6 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	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% - 4.25%		\$ 148,925	\$ 595,701	\$ (595,701)	\$ -
Amount of issue - \$1,999,850						
State Revolving Fund Limited Tax Bonds - Program 5127-01 -						
	2.5%	\$660,000 - \$730,000	4,834,064	(644,999)	4,189,065	660,000
Amount of issue - \$12,095,000						
State Revolving Fund Limited Tax Bonds - Program 5127-02 -						
	2.5%	\$840,000 - \$926,706	7,016,706	(840,000)	6,176,706	840,000
Amount of issue - \$16,535,000						
State Revolving Fund Limited Tax Bonds - Program 5127-03 -						
	2.5%	\$50,000 - \$60,648	480,648	(45,000)	435,648	50,000
Amount of issue - \$1,005,000						
State Revolving Fund Limited Tax Bonds - Program 5127-04 -						
	2.5%	\$490,000 - \$592,518	5,342,518	(475,000)	4,867,518	490,000
Amount of issue - \$10,325,000						
State Revolving Fund Limited Tax Bonds - Program 5127-05 -						
	2.5%	\$100,000 - \$125,000	1,210,000	(95,000)	1,115,000	100,000
Amount of issue - \$1,990,000						
State Revolving Fund Limited Tax Bonds - Program 5127-06 -						
	2.125%	\$205,000 - \$250,000	2,680,000	(200,000)	2,480,000	205,000
Amount of issue - \$4,130,000						
Building Authority Bonds -						
	N/A	N/A	864,500	(864,500)	-	-
Amount of issue - \$1,800,000						
Building Authority Refunding Bonds -						
	4% - 5.00%	\$424,000 - \$508,000	3,664,000	(428,000)	3,236,000	428,000
Amount of issue - \$6,115,000						
Total general obligation bonds			26,688,137	(4,188,200)	22,499,937	2,773,000
Compensated absences			299,220	3,066	302,286	136,440
Total business-type activities			<u>\$ 26,987,357</u>	<u>\$ (4,185,134)</u>	<u>\$ 22,802,223</u>	<u>\$ 2,909,440</u>
Component Unit Activities						
General obligation limited tax bonds -						
Downtown Development Authority Bonds - Amount of issue - \$1,400,000						
	N/A	N/A	\$ 875,000	\$ (875,000)	\$ -	\$ -
General obligation limited tax bonds -						
Downtown Development Authority Bonds - Amount of issue - \$920,000						
	N/A	N/A	680,000	(680,000)	-	-
Total component units			<u>\$ 1,555,000</u>	<u>\$ (1,555,000)</u>	<u>\$ -</u>	<u>\$ -</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.

Note 6 - Long-term Debt (Continued)

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). These bonds were redeemed in 2015.

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

Years Ending June 30	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 107,000	\$ 30,755	\$ 137,755	\$ 2,773,000	\$ 566,390	\$ 3,339,390
2017	106,000	25,960	131,960	2,819,000	488,729	3,307,729
2018	115,000	21,540	136,540	2,895,000	411,452	3,306,452
2019	113,000	16,980	129,980	2,937,000	332,509	3,269,509
2020	121,000	12,300	133,300	3,039,000	251,605	3,290,605
2021-2025	247,000	10,020	257,020	7,786,937	346,065	8,133,002
2026-2030	-	-	-	250,000	2,656	252,656
Total	\$ 809,000	\$ 117,555	\$ 926,555	\$ 22,499,937	\$ 2,399,406	\$ 24,899,343

Total interest expense incurred by the City for the year approximated \$723,000.

Note 7 - 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, 2013, the date of the last actuarial valuation, 208 retirees are eligible. The City includes pre-Medicare retirees and their dependents in its insured healthcare plan. The City purchases Medicare Advantage 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 or City policy. The plan does not issue a separate stand-alone financial statement. Administrative costs are paid by the plan through employer contributions.

Effective at various negotiated dates, retiree health care is no longer offered to new hires. These employees participate in a retiree healthcare savings account, by contributing 2 percent along with a 2 percent City match.

Note 7 - Postemployment Benefits (Continued)

Funding Policy - The collective bargaining agreements and City policy do not require advanced funding 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 \$2,512,647; in addition, the City contributed \$243,462 into the Retiree Healthcare Trust Fund, which is reported in these financial statements as a pension and other employee benefit trust fund type.

Funding Progress - For the year ended June 30, 2015, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of June 30, 2013. 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 24 years. This valuation's computed contribution and actual funding are summarized as follows:

Annual required contribution (recommended)	\$ 4,981,011
Interest on the prior year's net OPEB obligation	357,229
Less adjustment to the annual required contribution	<u>(344,578)</u>
Annual OPEB cost	4,993,662
Amounts contributed:	
Payments of current premiums	(2,512,647)
Advance funding	<u>(243,462)</u>
Increase in net OPEB obligation	2,237,553
OPEB obligation - Beginning of year	<u>8,930,738</u>
OPEB obligation - End of year	<u>\$ 11,168,291</u>

Employer contributions and annual OPEB cost data for the current and preceding two years are as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual OPEB Costs	Percentage Contributed	Net OPEB Obligation
6/30/13	6/30/11	\$ 4,460,050	66 %	\$ 6,879,367
6/30/14	6/30/11	4,781,601	57 %	8,930,738
6/30/15	6/30/13	4,993,662	55 %	11,168,291

Note 7 - Postemployment Benefits (Continued)

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
6/30/11	5,275,630	79,845,428	74,569,798	6.6 %	5,071,911	1,470.3 %
6/30/13	6,070,127	82,812,846	76,742,719	7.3	5,960,046	1,287.6

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, 2013 actuarial valuation, the individual entry age actuarial cost method was used. The actuarial assumptions included a 4 percent investment rate of return, 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. The actuarial valuation assumed an annual healthcare cost trend rate of 9.0 percent initially, reduced by decrements to an ultimate rate of 4.0 percent after 10 years. Both rates included a 3.5 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, 2013 was 24 years.

Note 8 - 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 workers' compensation. Property loss and general liability insurance is provided by Glatfelters Public Practice. The City has also assumed a significant amount of financial responsibility for its actual incurred medical claims cost, subject to certain insured limitations of \$100,000 per specific claim and approximately \$2,305,000 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.

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:

	2015	2014
Estimated liability - Beginning of year	\$ 454,643	\$ 465,828
Estimated claims incurred, including changes in estimates and related administrative costs	4,802,783	4,593,515
Claim and related administrative payments	<u>(4,753,945)</u>	<u>(4,604,700)</u>
Estimated liability - End of year	<u>\$ 503,481</u>	<u>\$ 454,643</u>

Note 9 - Agent Defined Benefit Pension Plan - Municipal Employees' Retirement System

Plan Description - The City participates in an agent multiple-employer defined benefit pension plan administered by the Municipal Employees' Retirement System of Michigan (MERS, or MERS of Michigan). MERS was established as a statewide public employee pension plan by the Michigan Legislature under PA 135 of 1945 and is administered by a nine-member retirement board. MERS issues a publicly available financial report which includes the financial statements and required supplemental information of this defined benefit plan. This report can be obtained at www.mersofmichigan.com or in writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917.

Benefits Provided - The Plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. PA 427 of 1984, as amended, established and amends the benefit provisions of the participants in MERS.

Note 9 - Agent Defined Benefit Pension Plan - Municipal Employees' Retirement System (Continued)

The MERS plan covers all employees of the City hired before January 1, 1996, other than police and fire personnel. The plan provides retirement, disability, and death benefits to plan members and their beneficiaries. The plan is closed to new entrants.

Retirement benefits for employees are calculated as 2.25 percent (80.00 percent maximum) of the employee's best three-year average salary times the employee's years of service. Normal retirement age is 50 with 25 years of service or 55 with 15 years of service, or 60 with 10 years of service. Vesting period is 10 years.

Participating employees are eligible for non-duty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Non-duty disability benefits are determined in the same manner as retirement benefits. Duty disability benefits are calculated in the same manner, but with a monthly pension payment that is a minimum of 25 percent of an employee's final average compensation. Disability benefits are subject to approval by MERS.

Participating employees are eligible for non-duty death and duty death benefits. Non-duty death benefits are the greater of a lifetime benefit of at least 85 percent of the defined benefit formula or the survivor benefit payment option. A member must be vested for a beneficiary to receive a benefit. For a beneficiary to receive a duty related death benefit, the participating employee does not have to be vested. The minimum benefit is 25 percent of the final average compensation.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustments are 2.5 percent, non-compounding.

Benefit terms, within the parameters established by MERS, are generally established and amended by authority of the City Council, generally after negotiations of these terms with the affected unions.

Employees Covered by Benefit Terms - At the December 31, 2014 measurement date, the following employees were covered by the benefit terms:

Retirees or beneficiaries currently receiving benefits	125
Vested former employees	1
Active plan members	24
	<hr/>
Total employees covered by MERS	150

Note 9 - Agent Defined Benefit Pension Plan - Municipal Employees' Retirement System (Continued)

Contributions - Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, MERS retains an independent actuary to determine the annual contribution. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS retirement board. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

The annual employer contribution amount was \$1,472,304 for the fiscal year ended June 30, 2015.

Net Pension Liability

The net pension liability reported at June 30, 2015 was determined using a measure of the total pension liability and the pension net position as of December 31, 2014. The December 31, 2014 total pension liability was determined by an actuarial valuation performed as of that date.

Changes in the net pension liability during the measurement year were as follows:

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2013	\$ 42,939,529	\$ 25,993,568	\$ 16,945,961
Service cost	195,162	-	195,162
Interest	3,418,536	-	3,418,536
Contributions - Employer	-	1,384,206	(1,384,206)
Contributions - Employee	-	74,490	(74,490)
Net investment income	-	1,607,609	(1,607,609)
Benefit payments, including refunds	(3,200,631)	(3,200,631)	-
Administrative expenses	-	(58,651)	58,651
Net changes	413,067	(192,977)	606,044
Balance at December 31, 2014	<u>\$ 43,352,596</u>	<u>\$ 25,800,591</u>	<u>\$ 17,552,005</u>

Note 9 - Agent Defined Benefit Pension Plan - Municipal Employees' Retirement System (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2015, the City recognized pension expense of \$1,620,182. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ 370,069
Employer contributions to the plan subsequent to the measurement date	<u>736,152</u>
Total	<u>\$ 1,106,221</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows. These amounts are exclusive of the employer contributions to the plan made subsequent to the measurement date (\$736,152), which will impact the net pension liability in fiscal year 2016, rather than pension expense.

<u>Years Ending June 30</u>	<u>Amount</u>
2016	\$ 92,517
2017	92,517
2018	92,517
2019	92,518

Actuarial Assumptions - The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0-4.0 %	
Salary increases	4.5 %	In the long term, 1 percent, 2 percent, and 3 percent for calendar years 2014, 2015, and 2016, respectively, including inflation
Investment rate of return	8.0 %	Net of pension plan investment expense, including inflation

Note 9 - Agent Defined Benefit Pension Plan - Municipal Employees' Retirement System (Continued)

Mortality rates were based on the 1994 Group Annuity Mortality Table of a 50 percent Male and 50 percent Female blend. For disabled retirees, the regular mortality table is used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members.

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study in 2008. The MERS retirement board is currently conducting an actuarial experience study covering the period from January 1, 2009 through December 31, 2013.

Discount Rate - The discount rate used to measure the total pension liability was 8.25 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Projected Cash Flows

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a model in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return as of December 31, 2014, the measurement date, for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	58 %	5.0 %
Global fixed income	20 %	2.2 %
Real assets	12 %	4.2 %
Diversifying strategies	10 %	6.6 %

Note 9 - Agent Defined Benefit Pension Plan - Municipal Employees' Retirement System (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the City, calculated using the discount rate of 8.25 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1.0 percentage point lower (7.25 percent) or 1.0 percentage point higher (9.25 percent) than the current rate:

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
Net pension liability of the City	\$ 21,834,945	\$ 17,552,005	\$ 13,892,755

Pension Plan Fiduciary Net Position - Detailed information about the plan's fiduciary net position is available in the separately issued financial report. For the purpose of measuring the net pension liability, deferred outflows of resources, and deferred inflows or resources related to pension and pension expense, information about the plan's fiduciary net position and addition to/deduction from fiduciary net position have been determined on the same basis as they are report by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

Note 10 - Firemen and Policemen Retirement System

Plan Description - The Firemen and Policemen Retirement System Board of Trustees administers the Firemen and Policemen Retirement System (the "Pension Plan") - a single-employer defined benefit pension plan that provides pensions for substantially all permanent full-time fire and police employees of the City. Benefit terms have been established by contractual agreements between the City and the various employee union representation, as well as City policy; amendments are subject to the same process.

The financial statements of the Pension Plan are included in these financial statements as a pension and other employee benefit trust fund (a fiduciary fund).

Management of the Pension Plan is vested in the Board of Trustees, which consists of five members - the City Treasurer, a police member (elected by members of the police department), a fire member (elected by the fire department), and two citizens of the City of Trenton (appointed by the mayor).

Note 10 - Firemen and Policemen Retirement System (Continued)

Employees Covered by Benefit Terms - At the June 30, 2015, measurement date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	112
Inactive plan members entitled to but not yet receiving benefits	1
Active plan members	63
Total employees covered by the plan	176

Benefits Provided - The Pension Plan provides retirement, disability, and death benefits. Benefit terms are established by contractual agreements between the City and the various employee union representation; amendments are subject to the same process. The benefits are defined as follows:

Regular Retirement:

Annual Amount: For members hired before January 1, 1996: Straight life pension equals 2.5 percent of three-year average final compensation (AFC) times years of service up to a maximum of 80 percent of AFC. For members hired on or after January 1, 1996: Straight life pension equals 2.0 percent of AFC times year of service up to a maximum of 80 percent of AFC.

Average Final Compensation (AFC): Highest 3 years out of 10. Fire: hired on or before December 31, 1995, AFC includes base wages, holiday pay, longevity, overtime pay and unused vacation time. Police: hired on or before December 31, 1995, AFC includes base wages, holiday pay, overtime pay, and unused vacation leave. Police and fire: hired after January 1, 1996, AFC includes base wages and up to 240 hours of accrued leave time, which is payable at time of retirement.

Death After Retirement:

Annual Amount: Spouse's default pension equals 60 percent of the straight life pension deceased retiree was receiving; however, other options are available.

Deferred Retirement:

Annual Amount: Computed as service retirement but based upon service, AFC and benefit in effect at termination. Benefit begins at date retirement would have occurred had member remained in employment.

Duty Disability Retirement:

Annual Amount: To age 55, 50 percent of AFC. At age 55, same as service retirement pension with service credit from date of disability to age 55.

Non-duty Disability Retirement:

Annual Amount: to age 55, 50 percent of AFC times years of service. At age 55, same as service retirement pension.

Note 10 - Firemen and Policemen Retirement System (Continued)

Duty Death-in-service Retirement:

Annual Amount: Same as amount that was paid by workers' compensation.

Non-duty Death-in-service Retirement:

Annual Amount: Accrued straight life pension actuarially reduced in accordance with an Option I election.

Annuity Withdrawal Option - If elected, member contribution account balance is paid in a lump sum at retirement. The regular retirement benefit is then reduced so that the total benefits paid (lump sum plus monthly pension) are equivalent to the regular retirement benefit. For members hired before January 1, 1996, the discount rate used to establish equivalency was established by the Board of Trustees at 4.5 percent. For members hired on or after January 1, 1996, the discount rate used to establish equivalency is calculated at the actuarial equivalent rate established by the Board of Trustees, which is currently 7.25 percent.

Postretirement Cost-of-living Adjustments - For members hired before January 1, 1996: 10 percent after 5 years, 10 percent after 10 years, and 5 percent after 15 years (each increase based on base pension). For members hired on or after January 1, 1996: no cost-of-living adjustments.

Contributions - Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, the Pension Board retains an independent actuary to determine the annual contribution. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year with an additional amount to finance any unfunded accrued liability. Contribution requirements of plan members are established and may be amended by the Board of Trustees in accordance with the City Charter, union contracts, and plan provisions. The Pension Plan requires contribution from the employees of 6.0 percent, of all pensionable earnings. For the year ended June 30, 2015, the City contributed the actuarial required contribution of \$1,411,401.

Note 10 - Firemen and Policemen Retirement System (Continued)

Pension Plan Investments - Policy and Rate of Return

Investment Policy - The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Pension Board by a majority vote of its members. It is the policy of the Pension Board to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Pension Board of Trustees adopted asset allocation policy as of June 30, 2015:

Asset Class	Target Allocation
U.S. Large Cap Core Stocks	13.00 %
U.S. All Cap Stocks	22.00 %
U.S. SMID Stocks	6.00 %
International Equity	19.00 %
Global Corporate Bonds	13.50 %
Global Investment Grade Bonds	15.50 %
U.S. Inflation-Linked Securities	4.00 %
Real Estate	5.00 %
Cash	2.00 %

Rate of Return - For the year ended June 30, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 0.64 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Pension Plan Reserves

In accordance with the Board of Trustees, the following reserves are required to be set aside within the pension plan:

The retiree reserve is to be computed annually by the actuary as the present value of estimated benefit payments for all current retirees. The amounts reserved may be used solely to pay monthly retiree benefit payments.

The employee reserve is credited as employee contributions are received throughout the year; the Pension Plan maintains a record of the amount contributed by each employee and credits interest annually at a rate of 2.0 percent. For any employee who terminates before vesting in the pension plan, the balance is returned to them upon their request. For those who stay until retirement, the balance is transferred into the retiree reserve; it is not taken out through the annuity withdrawal option.

City of Trenton, Michigan

Notes to Financial Statements June 30, 2015

Note 10 - Firemen and Policemen Retirement System (Continued)

The employer reserve account is used to account for the residual net position balance in the pension plan after funding the above two reserves.

	<u>Required Reserve</u>	<u>Amount Funded</u>
Retiree reserve	\$ 48,362,594	\$ 48,362,594
Employee reserve	2,508,191	2,508,191
Employer reserve	2,091,058	2,091,058

Net Pension Liability

The components of the net pension liability of the City at June 30, 2015 were as follows:

Total pension liability	\$ (67,022,681)
Plan fiduciary net position	<u>52,961,843</u>
City's net pension liability	<u>\$ (14,060,838)</u>
Plan fiduciary net position as a percentage of the total pension liability	79.0 %

The June 30, 2015 total pension liability was determined by an actuarial valuation performed as of June 30, 2014, which used update procedures to roll forward the estimated liability to June 30, 2015.

Changes in the net pension liability during the measurement year were as follows:

<u>Changes in Net Pension Liability</u>	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Net Position</u>	<u>Net Pension Liability</u>
Balance at June 30, 2014	\$ 66,133,890	\$ 55,736,027	\$ 10,397,863
Service cost	814,380	-	814,380
Interest	4,651,292	-	4,651,292
Differences between expected and actual experience	193,772	-	193,772
Contributions - Employer	-	1,411,401	(1,411,401)
Contributions - Employee	-	241,100	(241,100)
Net investment income	-	377,453	(377,453)
Benefit payments, including refunds	(4,770,653)	(4,770,653)	-
Administrative expenses	-	(11,876)	11,876
Miscellaneous other charges	-	(21,609)	21,609
Net changes	<u>888,791</u>	<u>(2,774,184)</u>	<u>3,662,975</u>
Balance at June 30, 2015	<u>\$ 67,022,681</u>	<u>\$ 52,961,843</u>	<u>\$ 14,060,838</u>

City of Trenton, Michigan

Notes to Financial Statements June 30, 2015

Note 10 - Firemen and Policemen Retirement System (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2015, the City recognized pension expense of \$2,079,212. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Difference between expected and actual experience	\$ 155,835
Net difference between projected and actual earnings on pension plan investments	<u>2,839,330</u>
Total	<u><u>\$ 2,995,165</u></u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30	Amount
2016	\$ 747,770
2017	747,770
2018	747,770
2019	747,770
2020	4,085

Actuarial Assumptions - The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.5 %
Salary increases	3.7-11.5 % Average, including inflation
Investment rate of return	7.25 % Net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Male (unadjusted) and Female (unadjusted) Healthy Life Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from 1999-2004.

Note 10 - Firemen and Policemen Retirement System (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Projected Cash Flows

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return as of June 30, 2015 for each major asset class included in the pension plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return
U.S. Large Cap Core Stocks	7.20 %
U.S. All Cap Stocks	7.50 %
U.S. SMID Stocks	8.40 %
International Equity	7.60 %
Global Corporate Bonds	2.80 %
Global Investment Grade Bonds	2.40 %
U.S. Inflation-Linked Securities	1.80 %
Real Estate	6.50 %
Cash	0.50 %

Note 10 - Firemen and Policemen Retirement System (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the City, calculated using the discount rate of 7.25 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.25 percent) or 1.0 percentage point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net pension liability of the City	\$ 21,427,330	\$ 14,060,838	\$ 7,853,423

Pension Plan Fiduciary Net Position - Detailed information about the plan's fiduciary net position is available in the separately issued financial report. For the purpose of measuring the net pension liability, deferred outflows of resources, and deferred inflows or resources related to pension and pension expense, information about the plan's fiduciary net position and addition to/deduction from fiduciary net position have been determined on the same basis as they are report by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

Note 11 - Defined Contribution Pension Plan

The majority of full-time general employees hired after January 1, 1996 (except the TPOAM, for which the effective date was July 1, 1996) participate in the City's defined contribution plan: the General Employees' Money Purchase Plan (General Employees' Plan). The plans are administered by ICMA. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings.

As established by the TPOAM collective bargaining agreement and per City policy, the City contributes 6 percent of employees' base earnings, and the employees contribute 6 percent of earnings. 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 \$149,196 during the current year and the employees contributed \$149,196 during the current year for the General Employees' Plan. The City did not contribute to the Fire Fighters and Police Officers Plan during the current year as there were no participants remaining in the plan. The plans' assets, which aggregated \$4,435,455 at June 30, 2015, are held by an independent third-party administrator.

City of Trenton, Michigan

Notes to Financial Statements June 30, 2015

Note 12 - 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 position:			
Cash and investments	\$ 52,811,416	\$ 7,727,418	\$ 60,538,834
Receivables	150,427	-	150,427
Total net position	<u>\$ 52,961,843</u>	<u>\$ 7,727,418</u>	<u>\$ 60,689,261</u>
Statement of changes in net position:			
Investment income	\$ 382,203	\$ 210,747	\$ 592,950
Contributions	1,652,501	2,756,109	4,408,610
Benefit payments	(4,770,653)	(2,512,647)	(7,283,300)
Administrative expenses	<u>(38,234)</u>	<u>(80,629)</u>	<u>(118,863)</u>
Change in net position	<u>\$ (2,774,183)</u>	<u>\$ 373,580</u>	<u>\$ (2,400,603)</u>

Note 13 - 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. For the year ended June 30, 2015, the Downtown Development Authority was unable to make the \$100,000 installment payment. The outstanding commitment at June 30, 2015 was \$700,000.

Note 14 - 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.

The District Court receives its operating revenue principally through contributions from member communities. During the current year, the District Court returned approximately \$19,000 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 District Court offices. The City’s equity interest at June 30, 2015 is \$558,552.

Grosse Ile-Trenton Utilities Authority

The City was a member of the Grosse Ile-Trenton Utilities Authority (the “Authority”) joint venture. The Authority’s governing body was 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 2015, the City paid off the bonds entirely with \$595,000 of principal payments and \$11,832 of interest on its share of the bonds. The Township of Grosse Ile refinanced its share of the bonds during 2015. The Authority dissolved upon repayment of bonds. The Authority does not issue separate financial statements but the accounting records are maintained by the Township of Grosse Ile. The City does not have an equity interest in the Authority.

City of Trenton, Michigan

Notes to Financial Statements June 30, 2015

Note 15 - Reporting Change (Prior Period Adjustments)

In the current year, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27*. The objective of this statement is to improve accounting and financial reporting by state and local governments for pensions.

The effect of this change is as follows:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Water and Sewer</u>
Net position - June 30, 2014 - As previously reported	\$ 24,285,488	\$ 32,271,736	\$ 32,132,425
Adjustment for GASB Statement No. 68	<u>(22,245,078)</u>	<u>(4,450,692)</u>	<u>(4,450,692)</u>
Net position - June 30, 2014 - As restated	<u>\$ 2,040,410</u>	<u>\$ 27,821,044</u>	<u>\$ 27,681,733</u>

Note 16 - Upcoming Accounting Pronouncements

In February 2015, the Governmental Accounting Standards Board issued GASB Statement No. 72, *Fair Value Measurement and Application*. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and acceptable valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. GASB Statement No. 72 is required to be adopted for years beginning after June 15, 2015. The City is currently evaluating the impact this standard will have on the financial statements when adopted, during the City's 2015-2016 fiscal year.

Note 16 - Upcoming Accounting Pronouncements (Continued)

In June 2015, the GASB issued two new standards addressing accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* addresses reporting by OPEB plans whereas GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* addresses accounting and reporting by employer governments that provide OPEB benefits to their employees. Along with the currently required statement of fiduciary net position and statement of changes in fiduciary net position, OPEB plans will now be required to include in the financial statement more extensive footnote disclosures and required supplemental information related to the measurement of the OPEB liabilities for which assets have been accumulated. In addition, the City will, after adoption of GASB Statement No. 75, recognize on the face of the financial statements its net OPEB liability. The City is currently evaluating the impact these standards will have on the financial statements when adopted. GASB Statement No. 74 is effective for fiscal years beginning after June 15, 2016, whereas GASB Statement No. 75 is effective one year later.

Required Supplemental Information

City of Trenton, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2015

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 14,576,585	\$ 14,609,585	\$ 14,691,028	\$ 81,443
Licenses and permits	400,400	400,400	450,622	50,222
State sources	2,019,000	2,019,000	1,951,259	(67,741)
Charges for services	1,520,881	1,520,881	1,478,621	(42,260)
Fines and forfeitures	390,000	500,000	575,151	75,151
Interest income	45,000	45,000	44,055	(945)
Other:				
Cable franchise fees	410,000	480,000	485,361	5,361
Other miscellaneous income	162,500	162,500	111,618	(50,882)
Total revenue	19,524,366	19,737,366	19,787,715	50,349
Expenditures				
Current:				
General government:				
Mayor and Council	91,938	100,938	91,435	9,503
City administrator	427,603	427,603	429,335	(1,732)
City controller	291,317	291,317	289,740	1,577
City treasurer	68,475	68,475	66,396	2,079
City assessor	179,158	169,158	160,948	8,210
Board of Review	1,900	1,900	1,155	745
Clerk	218,662	218,662	214,788	3,874
Elections	48,650	49,650	41,468	8,182
Buildings and grounds	827,661	884,161	836,719	47,442
Attorney	185,075	270,075	265,061	5,014
District Court	362,297	369,297	368,675	622
Planning commission	36,850	36,850	38,541	(1,691)
Central office	376,000	376,000	379,796	(3,796)
Total general government	3,115,586	3,264,086	3,184,057	80,029
Public safety:				
Police department	4,266,267	4,186,267	4,006,399	179,868
Traffic safety commission	700	700	780	(80)
Fire department	3,399,079	3,199,079	3,049,246	149,833
Emergency	111,500	111,500	109,784	1,716
Animal control	104,705	104,705	95,888	8,817
Corrections department/jail	42,000	42,000	54,660	(12,660)
Building inspection	450,984	450,984	434,703	16,281
Civil defense	25,075	25,075	15,020	10,055
Crossing guards	75,042	75,042	72,628	2,414
Total public safety	8,475,352	8,195,352	7,839,108	356,244

City of Trenton, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2015

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Expenditures (Continued)				
Current (Continued):				
Public works:				
City engineer	\$ 177,821	\$ 177,821	\$ 160,713	\$ 17,108
Sanitation	1,137,258	1,242,258	1,266,248	(23,990)
Street lighting	740,000	710,000	695,615	14,385
Department of Public Works	577,085	690,085	677,707	12,378
Total public works	2,632,164	2,820,164	2,800,283	19,881
Retiree benefits and other	3,671,174	3,671,174	3,659,015	12,159
Recreation and culture:				
Cultural center	9,700	9,700	9,247	453
Parks department	443,075	443,075	401,991	41,084
Civic commission	14,000	14,000	15,016	(1,016)
Historical commission	4,825	4,825	2,849	1,976
Other commissions	3,080	3,080	2,645	435
Outdoor pool	311,035	311,035	286,854	24,181
Total recreation and culture	785,715	785,715	718,602	67,113
Interest expense	205,366	281,866	280,108	1,758
Total expenditures	18,885,357	19,018,357	18,481,173	537,184
Excess of Revenue Over Expenditures	639,009	719,009	1,306,542	587,533
Other Financing Uses - Transfers out	(1,625,821)	(1,705,821)	(1,705,821)	-
Net Change in Fund Balance	\$ (986,812)	\$ (986,812)	\$ (399,279)	\$ 587,533

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

Note to Required Supplemental Information Year Ended June 30, 2015

Budgetary Information - 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	\$ 19,790,789	\$ 18,623,132
Separation Pay Fund	<u>(3,074)</u>	<u>(141,959)</u>
Amounts per budget statement	<u>\$ 19,787,715</u>	<u>\$ 18,481,173</u>

The General Fund transferred \$200,000 to the Separation Pay Fund.

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the City of Trenton, Michigan did not incur expenditures that were in excess of the amounts budgeted.

City of Trenton, Michigan

Required Supplemental Information Schedule of Changes in the City Net Pension Liability and Related Ratios Municipal Employees' Retirement System of Michigan

	2015
Total Pension Liability	
Service cost	\$ 195,162
Interest	3,418,536
Changes in benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	-
Benefit payments, including refunds	(3,200,631)
Net Change in Total Pension Liability	413,067
Total Pension Liability - Beginning of year	42,939,529
Total Pension Liability - End of year	\$ 43,352,596
Plan Fiduciary Net Position	
Contributions - Employer	\$ 1,384,206
Contributions - Member	74,490
Net investment income	1,607,609
Administrative expenses	(58,651)
Benefit payments, including refunds	(3,200,631)
Other	-
Net Change in Plan Fiduciary Net Position	(192,977)
Plan Fiduciary Net Position - Beginning of year	25,993,568
Plan Fiduciary Net Position - End of year	\$ 25,800,591
City's Net Pension Liability - Ending	\$ 17,552,005
Plan Fiduciary Net Position as a % of Total Pension Liability	59.51 %
Covered Employee Payroll	\$ 1,470,710
City's Net Pension Liability as a % of Covered Employee Payroll	1,193.4 %

City of Trenton, Michigan

Required Supplemental Information Schedule of Changes in the City Net Pension Liability and Related Ratios Firemen and Policemen Retirement System

	2015	2014
Total Pension Liability		
Service cost	\$ 814,380	\$ 899,643
Interest	4,651,292	4,621,631
Changes in benefit terms	-	(151,801)
Differences between expected and actual experience	193,772	-
Changes in assumptions	-	-
Benefit payments, including refunds	(4,770,653)	(5,064,779)
Net change in total pension liability	888,791	304,694
Total pension liability - Beginning of year	66,133,890	65,829,196
Total pension liability - End of year	\$ 67,022,681	\$ 66,133,890
Plan Fiduciary Net Position		
Contributions - Employer	\$ 1,411,401	\$ 1,329,445
Contributions - Member	241,100	259,613
Net investment income	377,453	7,857,497
Administrative expenses	(11,876)	(30,357)
Benefit payments, including refunds	(4,770,653)	(5,064,779)
Other	(21,609)	-
Net change in plan fiduciary net position	(2,774,184)	4,351,419
Plan fiduciary net position - Beginning of year	55,736,027	51,384,608
Plan fiduciary net position - End of year	\$ 52,961,843	\$ 55,736,027
City's Net Pension Liability - Ending	\$ 14,060,838	\$ 10,397,863
Plan Fiduciary Net Position as a Percent of Total Pension Liability	79.02 %	84.28 %
Covered Employee Payroll	\$ 3,932,237	\$ 4,376,244
City's Net Pension Liability as a Percent of Covered Employee Payroll	357.6 %	237.6 %

City of Trenton, Michigan

Required Supplemental Information Schedule of Investment Returns Firemen and Policemen Retirement System

	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	0.6 %	15.4 %

City of Trenton, Michigan

Required Supplemental Information Schedule of City Contributions Firemen and Policemen Retirement System Last Ten Fiscal Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Actuarially determined contribution	\$ 1,411,401	\$ 1,329,444	\$ 1,050,331	\$ 1,116,778	\$ 801,120	\$ 485,174	\$ 455,199	\$ 838,615	\$ 1,100,318	\$ 1,225,411
Contributions in relation to the actuarially determined contribution	1,411,401	1,329,444	1,050,331	1,116,778	801,120	485,174	455,199	838,615	1,100,318	1,225,411
Contribution Deficiency	\$ -									
Covered Employee Payroll	\$ 3,923,237	\$ 4,376,244	\$ 4,245,698	\$ 2,881,249	\$ 3,295,980	\$ 3,892,915	\$ 3,872,581	\$ 3,646,192	\$ 3,646,192	\$ 4,066,424
Contributions as a Percentage of Covered Employee Payroll	36.0 %	30.4 %	24.7 %	38.8 %	24.3 %	12.5 %	11.8 %	23.0 %	30.2 %	30.1 %

Notes to Schedule of City Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date	The June 30, 2015 contribution was determined in the June 30, 2013 actuarial valuation. Actuarially determined contribution amounts are calculated as of June 30 each year, which is one year prior to the beginning of the fiscal year in which the contribution is reported.
Methods and assumptions used to determine contribution rates	
Actuarial cost method	Entry-age normal
Amortization method	Level percent of payroll, closed
Remaining amortization period	23 years (as of valuation date)
Asset valuation method	5-year smoothed market
Inflation	3.5%; No explicit price inflation assumption is used in this valuation
Salary increases	3.7% to 11.50%
Investment rate of return	7.25% (net of investment and administrative expenses)
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2005 valuation pursuant to an experience study of the period 1999-2004
Mortality	RP-2000 Male (unadjusted) and Female (unadjusted) Healthy Life Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA.
Other information	Early retirement windows are amortized as a level dollar amount over a closed 5-year period beginning in the first year recognized.

City of Trenton, Michigan

Required Supplemental Information OPEB System Schedule Year Ended June 30, 2015

The schedule of funding progress 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	803.0
6/30/09	3,491,180	48,794,058	45,302,878	7.2	5,486,642	825.7
6/30/11	5,275,630	79,845,428	74,569,798	6.6	5,071,911	1,470.3
6/30/13	6,070,127	82,812,846	76,742,719	7.3	5,960,046	1,287.6

The schedule of employer contributions is as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution *	Percentage Contributed
6/30/10	6/30/07	\$ 3,919,837	67.9
6/30/11	6/30/09	3,593,213	68.9
6/30/12	6/30/09	3,736,942	62.4
6/30/13	6/30/11	4,588,321	63.9
6/30/14	6/30/11	4,771,855	57.2
6/30/15	6/30/13	4,981,011	55.3

* 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, 2013, the latest actuarial valuation, follows:

Amortization method	Level percent of payroll
Amortization period (perpetual)	24 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	4.0%
Projected salary increases (MERS)	4.3 to 17%
Projected salary increases (ACT 345)	3.7 to 11.5%
*Includes inflation at	4.0% for MERS, 3.5% for ACT 345
Health Care Trend Rates	4.0 to 9.0%

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	\$ 87,128	\$ 661,021	\$ 4,458	\$ 603,145	\$ 794,476	\$ 434,577
Receivables:						
Property taxes receivable	-	-	-	-	-	2,709
Other receivables	-	442	17,290	11,109	-	163,017
Due from other governmental units	157,849	73,102	59,506	-	53,722	-
Restricted assets	-	-	-	-	10,817	-
Total assets	\$ 244,977	\$ 734,565	\$ 81,254	\$ 614,254	\$ 859,015	\$ 600,303
Liabilities						
Accounts payable	\$ 23,310	\$ 34,437	\$ 58,928	\$ 34,438	\$ 24,711	\$ 31,896
Accrued liabilities and other	1,849	1,562	-	-	3,453	8,658
Unearned revenue	-	-	-	-	10,817	-
Total liabilities	25,159	35,999	58,928	34,438	38,981	40,554
Deferred Inflows of Resources -						
Unavailable revenue	-	-	59,506	-	-	-
Fund Balances						
Nonspendable:						
Restricted:						
Roads	219,818	698,566	-	-	-	-
Grant operations	-	-	(37,180)	-	820,034	-
S.I.N.C operations	-	-	-	-	-	-
Library capital	-	-	-	-	-	101,662
Committed:						
Special projects	-	-	-	579,816	-	-
Library	-	-	-	-	-	458,087
Assigned - Capital projects	-	-	-	-	-	-
Total fund balances	219,818	698,566	(37,180)	579,816	820,034	559,749
Total liabilities, deferred inflows of resources, and fund balances	\$ 244,977	\$ 734,565	\$ 81,254	\$ 614,254	\$ 859,015	\$ 600,303

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2015**

Special Revenue Funds		Total Nonmajor Governmental Funds
S.I.N.C.	Capital Projects	
\$ 397,566	\$ 1,277,872	\$ 4,260,243
-	-	2,709
29,327	-	221,185
-	-	344,179
-	-	10,817
\$ 426,893	\$ 1,277,872	\$ 4,839,133
\$ -	\$ 74,918	\$ 282,638
-	-	15,522
-	-	10,817
-	74,918	308,977
-	-	59,506
-	-	918,384
-	-	782,854
426,893	-	426,893
-	-	101,662
-	-	579,816
-	-	458,087
-	1,202,954	1,202,954
426,893	1,202,954	4,470,650
\$ 426,893	\$ 1,277,872	\$ 4,839,133

City of Trenton, Michigan

	Special Revenue Funds					
	Major Roads	Local Roads	Community Development Block Grant	Special Projects	Grant	Library
Revenue						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 379,389
Federal grants	-	-	108,037	-	510,180	-
State sources	731,125	404,820	-	-	217,407	-
Charges for services	-	-	-	-	18,463	-
Fines and forfeitures	-	-	-	-	-	-
Interest income	1,215	586	-	2,586	3,054	2,458
Other:						
Local donations	-	-	-	6,009	-	-
Other miscellaneous income	66,568	-	-	345,474	-	408,760
Total revenue	798,908	405,406	108,037	354,069	749,104	790,607
Expenditures - Current						
Public safety	-	-	-	-	512,203	-
Public works	458,564	576,120	-	-	-	-
Special projects	-	-	157,875	440,333	-	-
Recreation and culture	-	-	-	-	35,823	695,703
Total expenditures	458,564	576,120	157,875	440,333	548,026	695,703
Excess of Revenue Over (Under) Expenditures	340,344	(170,714)	(49,838)	(86,264)	201,078	94,904
Other Financing Sources (Uses)						
Transfers in	-	650,000	-	-	-	-
Transfers out	(350,000)	-	-	-	-	-
Total other financing (uses) sources	(350,000)	650,000	-	-	-	-
Net Change in Fund Balances	(9,656)	479,286	(49,838)	(86,264)	201,078	94,904
Fund Balances - Beginning of year	229,474	219,280	12,658	666,080	618,956	464,845
Fund Balances - End of year	\$ 219,818	\$ 698,566	\$ (37,180)	\$ 579,816	\$ 820,034	\$ 559,749

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes in
Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2015

Special Revenue Funds		Total Nonmajor Governmental Funds
S.I.N.C.	Capital Projects Fund	
\$ -	\$ -	\$ 379,389
-	-	618,217
-	-	1,353,352
-	-	18,463
96,295	-	96,295
1,729	4,553	16,181
-	-	6,009
<u>92,144</u>	<u>21,477</u>	<u>934,423</u>
190,168	26,030	3,422,329
186,937	-	699,140
-	2,044	1,036,728
-	3,950	602,158
<u>-</u>	<u>339,074</u>	<u>1,070,600</u>
<u>186,937</u>	<u>345,068</u>	<u>3,408,626</u>
3,231	(319,038)	13,703
-	1,000,000	1,650,000
<u>-</u>	<u>-</u>	<u>(350,000)</u>
<u>-</u>	<u>1,000,000</u>	<u>1,300,000</u>
3,231	680,962	1,313,703
<u>423,662</u>	<u>521,992</u>	<u>3,156,947</u>
<u>\$ 426,893</u>	<u>\$ 1,202,954</u>	<u>\$ 4,470,650</u>

City of Trenton, Michigan

Other Supplemental Information Combining Statement of Net Position Internal Service Funds June 30, 2015

	Motor Vehicle Pool Fund	Self-insurance Fund	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 894,878	\$ 4,263,434	\$ 5,158,312
Receivables	20,892	121,867	142,759
Inventory	226,678	-	226,678
Prepaid expenses and other assets	-	223,002	223,002
Total current assets	1,142,448	4,608,303	5,750,751
Noncurrent assets - Capital assets - Assets subject to depreciation	1,195,870	-	1,195,870
Total assets	2,338,318	4,608,303	6,946,621
Liabilities			
Current liabilities:			
Accounts payable	59,277	206,787	266,064
Accrued liabilities and other	6,142	510,601	516,743
Compensated absences	25,952	-	25,952
Total current liabilities	91,371	717,388	808,759
Noncurrent liabilities - Compensated absences	41,977	-	41,977
Total liabilities	133,348	717,388	850,736
Net Position			
Net investment in capital assets	1,195,870	-	1,195,870
Unrestricted	1,009,100	3,890,915	4,900,015
Total net position	\$ 2,204,970	\$ 3,890,915	\$ 6,095,885

City of Trenton, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenses, and Changes in Net Position Internal Service Funds Year Ended June 30, 2015

	Motor Vehicle Pool Fund	Self-insurance Fund	Total
Operating Revenue			
Charges for services	\$ 1,269,770	\$ 5,002,281	\$ 6,272,051
Other	-	171,768	171,768
Total operating revenue	1,269,770	5,174,049	6,443,819
Operating Expenses			
Cost of insurance claims	-	4,555,798	4,555,798
Operating costs	1,103,473	-	1,103,473
Depreciation	242,348	-	242,348
Total operating expenses	1,345,821	4,555,798	5,901,619
Operating (Loss) Income	(76,051)	618,251	542,200
Nonoperating Revenue			
Investment income	2,807	17,397	20,204
Gain on sale of assets	49,347	-	49,347
Total nonoperating revenue	52,154	17,397	69,551
(Loss) Income - Before capital contributions	(23,897)	635,648	611,751
Capital Contributions	2,908	-	2,908
Change in Net Position	(20,989)	635,648	614,659
Net Position - Beginning of year	2,225,959	3,255,267	5,481,226
Net Position - End of year	\$ 2,204,970	\$ 3,890,915	\$ 6,095,885

City of Trenton, Michigan

Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds Year Ended June 30, 2015

	Motor Vehicle Pool Fund	Self-insurance Fund	Total
Cash Flows from Operating Activities			
Receipts from customers	\$ 1,257,857	\$ 5,084,631	\$ 6,342,488
Payments to suppliers	(750,420)	-	(750,420)
Payments to employees	(319,904)	-	(319,904)
Claims paid	-	(4,489,655)	(4,489,655)
Net cash provided by operating activities	187,533	594,976	782,509
Cash Flows from Capital and Related Financing Activities			
Proceeds from sales of capital assets	49,745	-	49,745
Purchase of capital assets	(10,991)	-	(10,991)
Net cash used in capital and related financing activities	38,754	-	38,754
Cash Flows from Investing Activities - Interest received on investments			
	2,807	17,397	20,204
Net Increase in Cash and Cash Equivalents	229,094	612,373	841,467
Cash and Cash Equivalents - Beginning of year	665,784	3,651,061	4,316,845
Cash and Cash Equivalents - End of year	\$ 894,878	\$ 4,263,434	\$ 5,158,312
Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities			
Operating (loss) income	\$ (76,051)	\$ 618,251	\$ 542,200
Adjustments to reconcile operating (loss) income to net cash from operating activities:			
Depreciation and amortization	242,348	-	242,348
Changes in assets and liabilities:			
Receivables	(11,913)	(89,418)	(101,331)
Inventories	12,327	-	12,327
Prepaid and other assets	-	(6,788)	(6,788)
Accounts payable	16,973	25,009	41,982
Accrued and other liabilities	3,849	47,922	51,771
Net cash provided by operating activities	\$ 187,533	\$ 594,976	\$ 782,509
Noncash Transactions - Capital contributions	\$ 2,908	\$ -	\$ 2,908

City of Trenton, Michigan

Other Supplemental Information Statement of Assets and Liabilities Fiduciary Funds June 30, 2015

	Pension Trust Funds			Agency Funds					
	Firemen and Policemen Retirement System	Retiree Health Care	Total Pension Trust Funds	General Cash Fund	Escrow Fund	Tax Receiving Fund	Subtotal	Eliminations	Total Agency Funds
Assets									
Cash and cash equivalents	\$ 3,167,479	\$ 197,170	\$ 3,364,649	\$ 1,352,584	\$ 28,829	\$ 5,126	\$ 1,386,539	\$ (1,352,584)	\$ 33,955
Investments	49,643,937	7,530,248	57,174,185	20,287,652	-	-	20,287,652	(20,287,652)	-
Receivables	150,427	-	150,427	38,664	-	-	38,664	(38,664)	-
Total assets	\$ 52,961,843	\$ 7,727,418	\$ 60,689,261	\$ 21,678,900	\$ 28,829	\$ 5,126	\$ 21,712,855	\$(21,678,900)	\$ 33,955
Liabilities									
Due to component units	\$ -	\$ -	\$ -	\$ 815,023	\$ -	\$ -	\$ 815,023	\$ (815,023)	\$ -
Due to other funds	-	-	-	20,853,830	-	-	20,853,830	(20,853,830)	-
Accrued liabilities and other	-	-	-	10,047	-	5,126	15,173	(10,047)	5,126
Cash bonds and deposits	-	-	-	-	28,829	-	28,829	-	28,829
Total liabilities	-	-	-	\$ 21,678,900	\$ 28,829	\$ 5,126	\$ 21,712,855	\$(21,678,900)	\$ 33,955
Net Position Held in Trust for Pension and Other Employee Benefits	\$ 52,961,843	\$ 7,727,418	\$ 60,689,261						

City of Trenton, Michigan

Other Supplemental Information Combining Statement of Changes in Fiduciary Net Position Fiduciary Funds Year Ended June 30, 2015

	Firemen and Policemen Retirement System	Retiree Health Care	Total
Additions			
Investment income:			
Interest and dividends	\$ 1,300,668	\$ -	\$ 1,300,668
Net (decrease) increase in fair value of investments	(712,330)	210,747	(501,583)
Investment-related expenses	(206,135)	-	(206,135)
Net investment income	382,203	210,747	592,950
Contributions:			
Employer contributions	1,411,401	2,756,109	4,167,510
Employee contributions	241,100	-	241,100
Total contributions	1,652,501	2,756,109	4,408,610
Total additions	2,034,704	2,966,856	5,001,560
Deductions			
Benefit payments	4,770,653	2,512,647	7,283,300
Administrative expenses	38,234	80,629	118,863
Total deductions	4,808,887	2,593,276	7,402,163
Net (Decrease) Increase in Net Position Held in Trust	(2,774,183)	373,580	(2,400,603)
Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year	55,736,026	7,353,838	63,089,864
Net Position Held in Trust for Pension and Other Employee Benefits - End of year	\$ 52,961,843	\$ 7,727,418	\$ 60,689,261