

City of Trenton, Michigan

Financial Report with Supplemental Information June 30, 2010

City of Trenton, Michigan

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Trenton, Michigan (the "City") as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Trenton, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Trenton, Michigan as of June 30, 2010 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Trenton, Michigan's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2010 on our consideration of the City of Trenton, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Plante & Moran, PLLC

October 29, 2010

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, 2010. 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, 2010:

- Operating revenue, net of transfers, was \$247,134 higher than the budgeted revenue. Some of this higher than budgeted revenue was property tax-related interest and penalties of \$83,000 and ambulance fees of \$77,000.
- Property taxes are the City's largest source of revenue. This revenue has been affected by a \$27.2 million drop in the real property values, which is in addition to the \$15.5 million decrease in the previous fiscal year. At the current city millage rate of 21 mills, this equates to approximately \$900,000 in annual loss of tax revenue.
- State-shared revenue, the second largest source of revenue, was reduced by the State of Michigan by \$328,266 this fiscal year. This represents a decrease of 15 percent from the previous year.
- The City has historically been conservative and continuously monitors discretionary spending, which resulted in an increase in the fund balance of the General Fund by \$133,521.
- Total net assets related to the City's governmental activities and business-type activities decreased by approximately \$613,000 and \$606,000, respectively.

Using this Annual Report

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

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

City of Trenton, Michigan

Management's Discussion and Analysis (Continued)

The City as a Whole

The following table shows, in a condensed format, the net assets as of June 30, 2010 and 2009 (in thousands of dollars):

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Assets						
Current assets	\$ 13,459	\$ 12,570	\$ 4,525	\$ 4,952	\$ 17,984	\$ 17,522
Noncurrent assets	<u>22,187</u>	<u>22,652</u>	<u>59,314</u>	<u>62,007</u>	<u>81,501</u>	<u>84,659</u>
Total assets	35,646	35,222	63,839	66,959	99,485	102,181
Liabilities						
Current liabilities	4,165	3,801	3,579	676	7,744	4,477
Long-term liabilities	<u>6,340</u>	<u>5,667</u>	<u>35,181</u>	<u>40,598</u>	<u>41,521</u>	<u>46,265</u>
Total liabilities	<u>10,505</u>	<u>9,468</u>	<u>38,760</u>	<u>41,274</u>	<u>49,265</u>	<u>50,742</u>
Net Assets						
Invested in capital assets - Net of related debt	19,306	19,296	22,270	22,242	41,576	41,538
Restricted	828	595	337	532	1,165	1,127
Unrestricted	<u>5,007</u>	<u>5,863</u>	<u>2,472</u>	<u>2,911</u>	<u>7,479</u>	<u>8,774</u>
Total net assets	<u>\$ 25,141</u>	<u>\$ 25,754</u>	<u>\$ 25,079</u>	<u>\$ 25,685</u>	<u>\$ 50,220</u>	<u>\$ 51,439</u>

The City's combined net assets decreased 2.4 percent or approximately \$1,219,000 from a year ago, decreasing from \$51,439,000 to \$50,220,000. Governmental activities and business-type activities decreased 2.4 percent and 2.4 percent, respectively (\$613,000 decrease in governmental activities and \$606,000 decrease in business-type activities).

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations - decreased by \$856,000 for governmental activities. This represents a decrease of 15 percent.

City of Trenton, Michigan

Management's Discussion and Analysis (Continued)

The following table shows the changes in net assets during the years ended June 30, 2010 and 2009 (in thousands of dollars):

	Governmental		Business-type		Total	
	2010	2009	2010	2009	2010	2009
Revenue						
Program revenue:						
Charges for services	\$ 2,714	\$ 2,831	\$ 7,415	\$ 6,793	\$ 10,129	\$ 9,624
Operating grants and contributions	1,058	1,117	-	-	1,058	1,117
Capital grants and contributions	353	373	23	946	376	1,319
General revenue:						
Property taxes	14,977	15,103	2,329	2,579	17,306	17,682
State-shared revenue	1,864	2,109	-	-	1,864	2,109
Unrestricted investment earnings	135	372	24	77	159	449
Other	176	-	430	-	606	-
Transfers and other (expense) revenue	(483)	(501)	483	474	-	(27)
Total revenue	20,794	21,404	10,704	10,869	31,498	32,273
Program Expenses						
General government	3,733	4,179	-	-	3,733	4,179
Public safety	10,415	10,289	-	-	10,415	10,289
Public works	4,818	6,015	-	-	4,818	6,015
Community and economic development	150	647	-	-	150	647
Recreation and culture	2,153	1,779	-	-	2,153	1,779
Interest on long-term debt	138	73	-	-	138	73
Enterprise	-	-	11,310	10,487	11,310	10,487
Total program expenses	21,407	22,982	11,310	10,487	32,717	33,469
Change in Net Assets	\$ (613)	\$ (1,578)	\$ (606)	\$ 382	\$ (1,219)	\$ (1,196)

Governmental Activities

The City's governmental revenue decreased by approximately \$610,000 in the current year. Revenue was lower than last year due to diminished property values, a decrease in interest rates, a decrease in state-shared revenue, and low levels of development activity. The City's governmental expenses decreased by \$1,575,000. This is large part due to the continued reduction of the City's workforce along with related benefits and lack of funding for capital projects.

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 \$0.63 or 9 percent from \$7.03 to \$7.66 for fiscal year 2009-2010. Water revenue was up 5.6 percent from the previous year. Water loss held steady at 13 percent, which is considered reasonable in an aging system.

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

Overall expenses in the Water and Sewer Fund increased \$1,005,174. These expenses included a one-time writedown of \$1,390,937 for obsolete assets, which is not a normal or re-occurring type of expense. Without the extraordinary entry, expenses would have reflected a decrease of (\$385,763).

The City's Funds

An analysis of the City's major funds begins on page 12, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the City as a whole. The City Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as property tax millages. The City's major funds for 2009-2010 include the General Fund, the Kennedy Recreation Center Fund, and the Water and Sewer Fund.

The General Fund pays for most of the City's governmental services. The most significant expenditures are for public safety, which incurred expenses of \$7,929,771 or 45.3 percent of General Fund expenditures in fiscal year 2009-2010 exclusive of other financing uses. Public works is the second most significant expenditure category at \$3,231,986 or 18.4 percent of General Fund expenditures exclusive of other financing uses. These services are almost solely supported by property taxes.

General Fund Budgetary Highlights

- At mid-year, the City projected an approximate \$650,000 shortfall in budgeted General Fund revenue. To mitigate the affect on the City's financial outcome for the year, budgeted expenditures were amended. Due to the continuing reduction of the City's workforce through attrition and careful spending, cost containments were realized by most departments. The budgeted amended expenditures of \$17,613,470 (excluding transfers) were underspent by \$89,375.

City of Trenton, Michigan

Management's Discussion and Analysis (Continued)

- The fiscal year did end with a positive result of \$133,521. Of this, \$100,000 was budgeted as a reimbursement to the fund balance of the General Fund from the Downtown Development Authority for the renovation of city hall.

Capital Asset and Debt Administration

As of June 30, 2010, the City had approximately \$50.2 million in outstanding debt. Of this debt, \$31.4 million is for the sewer improvements which were completed several years ago. The sewer improvement debt is supported by a direct millage.

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

The City had \$84.2 million (net of depreciation) invested in a broad range of capital assets, including land, buildings, water and sewer lines, roads, sidewalks, vehicles, and equipment.

Major capital improvements completed this year were \$945,000 in water main replacements and \$496,000 in streets and sidewalks. An additional \$865,000 was spent on vehicles and equipment replacements and improvements at the Wasterwater Treatment plant.

Economic Factors and Next Year's Budgets and Rates

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

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

The City's finances for next year include a .75 mill increase in the tax millage to 21.75 mills from 21.0 mills and the implementation of a 1 percent administration fee to be applied to property tax bills. The City's workforce was further diminished, while continuing to provide the same level of service to residents and businesses.

Labor contracts were scheduled to receive a 1 percent increase in the next fiscal year. Given the decline in the City's tax, state, and local revenue, all contracts were reopened and the 1 percent increase in addition to an additional 5 percent wage reduction for fiscal year 2011 were successfully renegotiated for the term of the contract. Nonunion personnel wages were similarly reduced.

City of Trenton, Michigan

Management's Discussion and Analysis (Continued)

As of July 1, 2010, the water and sewer rate will increase \$.49 cents, from \$7.66 to \$8.15 per thousand gallons of water purchased. This is a 6.47 percent increase from the previous year.

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, search for alternative sources of new revenue, and seek cost reductions to balance future budgets.

Contacting the City's Management

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

City of Trenton, Michigan

Statement of Net Assets June 30, 2010

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 3)	\$ 11,272,495	\$ 942,324	\$ 12,214,819	\$ 941,962
Receivables:				
Taxes	430,854	430,339	861,193	13,454
Customers	-	1,531,167	1,531,167	-
Other	575,817	-	575,817	-
Due from other governmental units	779,384	-	779,384	-
Inventories	263,759	248,628	512,387	-
Prepaid expenses and other assets	136,599	11,496	148,095	-
Restricted assets (Note 4)	-	1,360,718	1,360,718	-
Capital assets - Net (Note 5)	22,121,535	59,313,912	81,435,447	2,783,911
Long-term advance	65,000	-	65,000	-
Total assets	35,645,443	63,838,584	99,484,027	3,739,327
Liabilities				
Accounts payable	494,263	370,816	865,079	19,266
Due to other governmental units	180,335	29,401	209,736	-
Accrued liabilities and other	1,129,980	359,539	1,489,519	23,775
Deferred revenue (Note 8)	779,704	-	779,704	-
Noncurrent liabilities:				
Due within one year:				
Compensated absences (Note 7)	1,017,427	165,626	1,183,053	-
Current portion of long-term debt (Note 7)	563,232	2,653,761	3,216,993	140,000
Due in more than one year:				
Compensated absences (Note 7)	1,366,600	264,650	1,631,250	-
Net other postemployment benefits (Note 10)	2,720,974	-	2,720,974	-
Long-term debt (Note 7)	2,252,464	34,916,248	37,168,712	1,875,000
Total liabilities	10,504,979	38,760,041	49,265,020	2,058,041
Net Assets				
Invested in capital assets - Net of related debt	19,305,839	22,269,606	41,575,445	833,911
Restricted for:				
Major and local streets	306,732	-	306,732	-
Grant	52,735	-	52,735	-
Debt	-	336,634	336,634	-
Refuse	78,188	-	78,188	-
Library	390,403	-	390,403	-
Unrestricted	5,006,567	2,472,303	7,478,870	847,375
Total net assets	<u>\$ 25,140,464</u>	<u>\$ 25,078,543</u>	<u>\$ 50,219,007</u>	<u>\$ 1,681,286</u>

City of Trenton, Michigan

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 3,733,040	\$ 812,322	\$ -	\$ -
Public safety	10,414,497	1,411,554	8,882	352,879
Public works	4,818,141	125,185	936,437	-
Community and economic development	150,011	-	40,652	-
Recreation and culture	2,153,346	364,718	71,874	-
Interest on long-term debt	138,117	-	-	-
Total governmental activities	21,407,152	2,713,779	1,057,845	352,879
Business-type activities:				
Water and sewer	9,544,702	6,271,155	-	22,742
Recreation	1,765,782	1,143,499	-	-
Total business-type activities	11,310,484	7,414,654	-	22,742
Total primary government	<u>\$ 32,717,636</u>	<u>\$ 10,128,433</u>	<u>\$ 1,057,845</u>	<u>\$ 375,621</u>
Component units:				
Downtown Development Authority	\$ 832,906	\$ -	\$ -	\$ -
Brownfield Redevelopment Authority	6,421	-	-	-
Total component units	<u>\$ 839,327</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenue:				
Property taxes				
State-shared revenue				
Investment income				
Other miscellaneous income				
Total general revenue				
Transfers (Note 6)				
Change in Net Assets				
Net Assets - Beginning of year				
Net Assets - End of year				

**Statement of Activities
Year Ended June 30, 2010**

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (2,920,718)	\$ -	\$ (2,920,718)	\$ -
(8,641,182)	-	(8,641,182)	-
(3,756,519)	-	(3,756,519)	-
(109,359)	-	(109,359)	-
(1,716,754)	-	(1,716,754)	-
(138,117)	-	(138,117)	-
(17,282,649)	-	(17,282,649)	-
-	(3,250,805)	(3,250,805)	-
-	(622,283)	(622,283)	-
-	(3,873,088)	(3,873,088)	-
(17,282,649)	(3,873,088)	(21,155,737)	-
-	-	-	(832,906)
-	-	-	(6,421)
-	-	-	(839,327)
14,976,586	2,329,614	17,306,200	780,432
1,864,382	-	1,864,382	-
134,573	24,416	158,989	17,263
177,091	430,000	607,091	13,454
17,152,632	2,784,030	19,936,662	811,149
(483,000)	483,000	-	-
(613,017)	(606,058)	(1,219,075)	(28,178)
25,753,481	25,684,601	51,438,082	1,709,464
\$ 25,140,464	\$ 25,078,543	\$ 50,219,007	\$ 1,681,286

City of Trenton, Michigan

Governmental Funds Balance Sheet June 30, 2010

Assets	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and investments (Note 3)	\$ 4,805,834	\$ 3,370,557	\$ 8,176,391
Receivables:			
Taxes	407,906	22,948	430,854
Other	231,837	343,980	575,817
Due from other governmental units	270,312	153,373	423,685
Inventories	109,688	-	109,688
Prepaid expenses and other assets	7,831	168	7,999
Long-term advance	65,000	-	65,000
	<u>\$ 5,898,408</u>	<u>\$ 3,891,026</u>	<u>\$ 9,789,434</u>
Total assets			
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 238,855	\$ 211,773	\$ 450,628
Due to other governmental units	170,648	9,687	180,335
Accrued liabilities and other	439,594	131,861	571,455
Deferred revenue (Note 8)	-	994,113	994,113
	<u>849,097</u>	<u>1,347,434</u>	<u>2,196,531</u>
Total liabilities			
Fund Balances			
Reserved for:			
Inventory	109,688	-	109,688
Long-term advance	65,000	-	65,000
Refuse	31,108	-	31,108
Debt	-	78,188	78,188
Unreserved - Reported in:			
General Fund (Note 15)	4,843,515	-	4,843,515
Special Revenue Funds	-	2,152,076	2,152,076
Capital Projects Funds	-	313,328	313,328
	<u>5,049,311</u>	<u>2,543,592</u>	<u>7,592,903</u>
Total fund balances			
Total liabilities and fund balances	<u>\$ 5,898,408</u>	<u>\$ 3,891,026</u>	<u>\$ 9,789,434</u>

City of Trenton, Michigan

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Assets June 30, 2010

Fund Balance Reported in Governmental Funds	\$ 7,592,903
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	20,562,985
State-shared revenue receivables not collected within 60 days are not reported in the funds	355,699
Grants and other receivables that are collected after year end, such that they are not available to pay bills outstanding as of year end, are not recognized in the funds	214,409
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(2,815,696)
Net other postemployment benefit liability not recorded in the modified accrual statement	(2,720,974)
Interest expense incurred but not paid	(25,355)
Compensated absences and uninsured claims are included as a liability in governmental activities	(2,313,951)
Internal Service Funds are included as part of governmental activities	<u>4,290,444</u>
Net Assets of Governmental Activities	<u>\$ 25,140,464</u>

City of Trenton, Michigan

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2010

	General Fund	Nonmajor Funds	Total
Revenue			
Property taxes	\$ 14,135,263	\$ 841,323	\$ 14,976,586
Licenses and permits	214,364	-	214,364
Federal grants	-	398,923	398,923
State sources	1,864,382	1,883,974	3,748,356
Charges for services	1,009,204	-	1,009,204
Fines and forfeitures	400,023	-	400,023
Interest income	110,863	23,710	134,573
Other	662,317	566,930	1,229,247
	18,396,416	3,714,860	22,111,276
Total revenue			
Expenditures			
Current:			
General government	3,081,412	-	3,081,412
Public safety	7,929,771	276,755	8,206,526
Public works	3,231,986	922,001	4,153,987
Other	2,419,988	337,109	2,757,097
Community and economic development	-	714,490	714,490
Recreation and culture	643,498	414,917	1,058,415
Capital outlay	-	1,042,083	1,042,083
Debt service	217,440	459,700	677,140
	17,524,095	4,167,055	21,691,150
Total expenditures			
Excess of Revenue Over (Under) Expenditures	872,321	(452,195)	420,126
Other Financing Sources (Uses)			
Transfers in (Note 6)	70,000	652,903	722,903
Transfers out (Note 6)	(808,800)	(397,103)	(1,205,903)
	(738,800)	255,800	(483,000)
Total other financing sources (uses)			
Net Change in Fund Balances	133,521	(196,395)	(62,874)
Fund Balances - Beginning of year	4,915,790	2,739,987	7,655,777
Fund Balances - End of year	\$ 5,049,311	\$ 2,543,592	\$ 7,592,903

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, 2010

Net Change in Fund Balances - Total Governmental Funds	\$ (62,874)
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	994,923
Depreciation expense	(1,109,021)
Net book value of assets disposed of	(113,616)
Revenue is recorded in the statement of activities when earned; it is not reported in the funds until collected or collectible within 60 days of year end	227,287
Repayment of bond and other debt principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	540,398
Decrease in accumulated severance pay, as well as estimated general liability claims, is recorded when earned in the statement of activities	384,861
Change in net other postemployment benefits liability	(1,367,410)
Change in accrued interest	9,856
Internal Service Funds are included as part of governmental activities	<u>(117,421)</u>
Change in Net Assets of Governmental Activities	<u>\$ (613,017)</u>

City of Trenton, Michigan

Proprietary Funds Statement of Net Assets June 30, 2010

	Major Business-type Activities			Governmental
	Enterprise -	Enterprise -	Total Enterprise	Activities
	Water and Sewer	Recreation	Funds	Internal Service Funds
Assets				
Current assets:				
Cash and cash equivalents	\$ 894,761	\$ 47,563	\$ 942,324	\$ 3,096,104
Receivables:				
Taxes	430,339	-	430,339	-
Customers	1,477,241	53,926	1,531,167	-
Inventories	245,669	2,959	248,628	154,071
Prepaid expenses and other assets	11,496	-	11,496	128,600
Total current assets	<u>3,059,506</u>	<u>104,448</u>	<u>3,163,954</u>	<u>3,378,775</u>
Noncurrent assets:				
Restricted assets (Note 4)	1,360,718	-	1,360,718	-
Capital assets (Note 5)	<u>52,978,252</u>	<u>6,335,660</u>	<u>59,313,912</u>	<u>1,558,550</u>
Total noncurrent assets	<u>54,338,970</u>	<u>6,335,660</u>	<u>60,674,630</u>	<u>1,558,550</u>
Total assets	<u>57,398,476</u>	<u>6,440,108</u>	<u>63,838,584</u>	<u>4,937,325</u>
Liabilities				
Current liabilities:				
Accounts payable	339,270	31,546	370,816	43,635
Due to other governmental units	29,401	-	29,401	-
Accrued liabilities and other	301,410	58,129	359,539	533,170
Compensated absences	161,615	4,011	165,626	25,447
Current portion of long-term debt (Note 7)	<u>2,237,011</u>	<u>416,750</u>	<u>2,653,761</u>	<u>-</u>
Total current liabilities	<u>3,068,707</u>	<u>510,436</u>	<u>3,579,143</u>	<u>602,252</u>
Noncurrent liabilities:				
Compensated absences (Note 7)	255,703	8,947	264,650	44,629
Long-term debt - Net of current portion (Note 7)	<u>29,199,499</u>	<u>5,716,749</u>	<u>34,916,248</u>	<u>-</u>
Total noncurrent liabilities	<u>29,455,202</u>	<u>5,725,696</u>	<u>35,180,898</u>	<u>44,629</u>
Total liabilities	<u>32,523,909</u>	<u>6,236,132</u>	<u>38,760,041</u>	<u>646,881</u>
Net Assets				
Invested in capital assets - Net of related debt	22,067,445	202,161	22,269,606	1,558,550
Restricted - Debt	336,634	-	336,634	-
Unrestricted	<u>2,470,488</u>	<u>1,815</u>	<u>2,472,303</u>	<u>2,731,894</u>
Total net assets	<u>\$ 24,874,567</u>	<u>\$ 203,976</u>	<u>\$ 25,078,543</u>	<u>\$ 4,290,444</u>

City of Trenton, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended June 30, 2010

	Major Business-type Activities			Governmental
	Water and Sewer	Recreation	Total Enterprise Funds	Internal Service Funds
Operating Revenue				
Sale of water	\$ 1,979,340	\$ -	\$ 1,979,340	\$ -
Sewage disposal charges	3,398,919	-	3,398,919	-
Charges for services	-	1,143,499	1,143,499	5,393,900
Other charges	145,895	-	145,895	155,836
Total operating revenue	5,524,154	1,143,499	6,667,653	5,549,736
Operating Expenses				
Cost of water	1,201,035	-	1,201,035	-
Cost of sewage disposal	3,142,135	-	3,142,135	-
Insurance, claims, and other	-	-	-	4,426,637
Transmission and distribution	791,200	-	791,200	-
General and administrative	180,639	-	180,639	-
Cost of recreation activity	-	845,941	845,941	-
Operating costs	-	-	-	974,370
Depreciation	2,060,299	574,359	2,634,658	298,738
Total operating expenses	7,375,308	1,420,300	8,795,608	5,699,745
Operating Loss	(1,851,154)	(276,801)	(2,127,955)	(150,009)
Nonoperating Revenue (Expenses)				
Property taxes	2,329,614	-	2,329,614	-
Investment income	24,416	-	24,416	33,080
Interest expense	(811,153)	(345,482)	(1,156,635)	-
Loss on disposal of capital assets	(1,358,241)	-	(1,358,241)	(492)
Customer capital charges	747,001	-	747,001	-
Contribution from Downtown Development Authority (DDA)	430,000	-	430,000	-
Total nonoperating revenue (expenses)	1,361,637	(345,482)	1,016,155	32,588
Loss - Before contributions	(489,517)	(622,283)	(1,111,800)	(117,421)
Capital Contributions - Other capital contributions	22,742	-	22,742	-
Operating Transfers In (Note 6)	100,000	383,000	483,000	-
Change in Net Assets	(366,775)	(239,283)	(606,058)	(117,421)
Net Assets - Beginning of year	25,241,342	443,259	25,684,601	4,407,865
Net Assets - End of year	<u>\$ 24,874,567</u>	<u>\$ 203,976</u>	<u>\$ 25,078,543</u>	<u>\$ 4,290,444</u>

City of Trenton, Michigan

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2010

	Enterprise Funds			Governmental
	Water and Sewer	Recreation	Total	Activities Internal Service Funds
Cash Flows from Operating Activities				
Receipts from customers	\$ 5,320,236	\$ 1,194,396	\$ 6,514,632	\$ 5,549,736
Payments to suppliers	(3,586,862)	(575,274)	(4,162,136)	(556,224)
Payments to employees	(1,486,653)	(271,261)	(1,757,914)	(416,936)
Claims paid	-	-	-	(4,434,438)
Net cash provided by operating activities	246,721	347,861	594,582	142,138
Cash Flows from Noncapital Financing Activities -				
Transfers from other funds	100,000	383,000	483,000	-
Cash Flows from Capital and Related Financing Activities				
Capital charges and contributions	1,199,743	-	1,199,743	-
Proceeds from sales of capital assets	12,861	-	12,861	3,537
Property taxes	2,329,614	-	2,329,614	-
Purchase of capital assets	(1,303,954)	(8,763)	(1,312,717)	-
Principal and interest paid on capital debt	(3,189,163)	(682,234)	(3,871,397)	-
Net cash (used in) provided by capital and related financing activities	(950,899)	(690,997)	(1,641,896)	3,537
Cash Flows from Investing Activities - Interest received on investments	24,416	-	24,416	33,080
Net (Decrease) Increase in Cash and Cash Equivalents	(579,762)	39,864	(539,898)	178,755
Cash and Cash Equivalents - Beginning of year	2,835,241	7,699	2,842,940	2,917,349
Cash and Cash Equivalents - End of year	<u>\$ 2,255,479</u>	<u>\$ 47,563</u>	<u>\$ 2,303,042</u>	<u>\$ 3,096,104</u>
Balance Sheet Classification of Cash and Cash Equivalents				
Cash and investments	\$ 894,761	\$ 47,563	\$ 942,324	\$ 3,096,104
Restricted cash	1,360,718	-	1,360,718	-
Total cash and cash equivalents	<u>\$ 2,255,479</u>	<u>\$ 47,563</u>	<u>\$ 2,303,042</u>	<u>\$ 3,096,104</u>
Reconciliation of Operating Loss to Net Cash from Operating Activities				
Operating loss	\$ (1,851,154)	\$ (276,801)	\$ (2,127,955)	\$ (150,009)
Adjustments to reconcile operating loss to net cash from operating activities:				
Depreciation and amortization	2,060,299	574,359	2,634,658	298,738
Changes in assets and liabilities:				
Receivables	(203,918)	50,897	(153,021)	-
Inventories	39,323	(1,095)	38,228	(14,977)
Prepaid and other assets	2,082	-	2,082	13,862
Accounts payable	28,278	16,037	44,315	8,151
Accrued and other liabilities	171,811	(15,536)	156,275	(13,627)
Net cash provided by operating activities	<u>\$ 246,721</u>	<u>\$ 347,861</u>	<u>\$ 594,582</u>	<u>\$ 142,138</u>

City of Trenton, Michigan

Fiduciary Funds Statement of Net Assets June 30, 2010

	Pension and Retiree Health Care Trust Funds	<u>Agency Funds</u>
Assets		
Cash and cash equivalents (Note 3)	\$ 1,816,133	\$ 32,285
Investments (Note 3):		
U.S. government and agency securities	3,130,289	-
Corporate stocks	11,324,745	-
Corporate bonds and asset-backed securities	8,101,493	-
Investment pools	23,466,934	-
Real estate (REIT) fund interest	2,163,412	-
Accrued interest	172,552	-
Total assets	50,175,558	<u><u>\$ 32,285</u></u>
Liabilities		
Accrued liabilities and other	-	\$ 4,281
Cash bonds and deposits	-	28,004
Total liabilities	<u>-</u>	<u><u>\$ 32,285</u></u>
Net Assets - Held in trust for pension and other employee benefits	<u><u>\$ 50,175,558</u></u>	

City of Trenton, Michigan

Fiduciary Funds Statement of Changes in Net Assets Year Ended June 30, 2010

Additions

Investment income:	
Interest and dividends	\$ 1,339,253
Net increase in fair value of investments	5,248,931
Less investment expenses	<u>(174,890)</u>
Net investment income	6,413,294
Contributions:	
Employer	653,974
Employee	<u>197,720</u>
Total contributions	<u>851,694</u>
Total additions - Net	7,264,988

Deductions

Benefit payments	3,759,087
Administrative expenses	<u>22,474</u>
Total deductions	<u>3,781,561</u>

Net Increase in Net Assets Held in Trust

3,483,427

Net Assets - Beginning of year

46,692,131

Net Assets - End of year

\$ 50,175,558

City of Trenton, Michigan

Component Units Statement of Net Assets (Deficit) June 30, 2010

	Downtown Development Authority	Brownfield Redevelopment Authority	Total
Assets			
Cash and cash equivalents (Note 3)	\$ 889,886	\$ 52,076	\$ 941,962
Property taxes receivable	13,454	-	13,454
Capital assets (Note 5)	2,783,911	-	2,783,911
Total assets	3,687,251	52,076	3,739,327
Liabilities			
Accounts payable	11,279	7,987	19,266
Accrued liabilities and other	23,775	-	23,775
Noncurrent liabilities (Note 7):			
Due within one year	75,000	65,000	140,000
Due in more than one year - Long-term debt	1,875,000	-	1,875,000
Total liabilities	1,985,054	72,987	2,058,041
Net Assets (Deficit)			
Invested in capital assets - Net of related debt	833,911	-	833,911
Unrestricted	868,286	(20,911)	847,375
Total net assets (deficit)	\$ 1,702,197	\$ (20,911)	\$ 1,681,286

City of Trenton, Michigan

	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Downtown Development Authority:				
Special projects	\$ 745,062	\$ -	\$ -	\$ -
Interest expense	87,844	-	-	-
Brownfield Redevelopment Authority	6,421	-	-	-
Total governmental activities	<u>\$ 839,327</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Interest:

Property taxes

Investment income

Other miscellaneous income

Total general revenue

Change in Net Assets

Net Assets (Deficit) - Beginning of year

Net Assets (Deficit) - End of year

**Component Units
Statement of Activities
Year Ended June 30, 2010**

Net (Expense) Revenue and Changes in Net Assets (Deficit)		
Downtown Development Authority	Brownfield Redevelopment Authority	Total
\$ (745,062)	\$ -	\$ (745,062)
(87,844)	-	(87,844)
<u>-</u>	<u>(6,421)</u>	<u>(6,421)</u>
(832,906)	(6,421)	(839,327)
780,432	-	780,432
12,798	4,465	17,263
13,454	-	13,454
<u>806,684</u>	<u>4,465</u>	<u>811,149</u>
(859,128)	(1,956)	(861,084)
<u>1,728,419</u>	<u>(18,955)</u>	<u>1,709,464</u>
<u>\$ 869,291</u>	<u>\$ (20,911)</u>	<u>\$ 848,380</u>

Note I - Nature of Business and Significant Accounting Policies

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

Reporting Entity

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

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

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

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

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

Major Taxpayers

Approximately 35 percent of property tax revenue is from two companies with properties in the City of Trenton, and approximately 29 percent of the total water, sewer, and industrial charge revenue is from three businesses located in the City.

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

Government-wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund, fiduciary fund, and component unit financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

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

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

The City reports the following major proprietary funds:

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

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

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

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

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

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

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City's policy is to first apply restricted resources.

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

Assets, Liabilities, and Net Assets or Equity

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

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

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

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

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

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.

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

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

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

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

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

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets.

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

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

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

Upcoming Accounting Pronouncement - In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved will be replaced with five new classifications: nonspendable, restricted, committed, assigned, and unassigned. The City is currently evaluating the impact this standard will have on the financial statements when adopted in fiscal year ending June 30, 2011.

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, 2010 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

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

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, as adjusted	\$ (90,756)
Building permit revenue	186,332
Direct costs	<u>(401,166)</u>
Excess costs - End of year	<u>\$ (305,590)</u>

Fund Deficits - The Brownfield Redevelopment Authority component unit had a deficit at June 30, 2010 totaling (\$20,911). The deficit will be funded primarily by future property tax collections or a transfer from another fund at the City.

The Community Development Block Grant fund had a deficit at June 30, 2010 totaling (\$103,982). The deficit is a result of federal reimbursements of eligible costs not being received within 60 days of the year end. The City will use the related grant funding to eliminate this deficit.

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.

Note 3 - Deposits and Investments (Continued)

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

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 \$4,300,000 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized (approximately \$1,566,000 of the uninsured amount is held in the Firemen and Policemen Retirement System Fund). The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Interest Rate Risk

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

Government-wide	Fair Value		Less Than Five Years	
U.S. federal agencies	\$	1,757,465	\$	1,757,465
	Investment Maturities			
Fiduciary Funds	Fair Value	Less Than Five Years	Five to 15 Years	Over 15 Years
U.S. Treasury and agency	\$ 3,079,950	\$ 183,818	\$ 442,358	\$ 2,453,774
Municipal	50,339	-	-	50,339
Corporate bonds and asset-backed securities	8,101,493	2,602,730	5,290,222	208,541
Other fixed income securities	2,081,146	130,328	348,388	1,602,430
Total	\$ 13,312,928	\$ 2,916,876	\$ 6,080,968	\$ 4,315,084

Note 3 - Deposits and Investments (Continued)

Credit Risk

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

Investment	Fair Value	Rating	Rating Organization
<u>Government-wide Assets</u>			
U.S. federal agencies	\$ 320,899	Not rated	
U.S. federal agencies	128,380	AI	Moody's
U.S. federal agencies	249,940	AA-	S&P
U.S. federal agencies	802,080	SP-1+	S&P
U.S. federal agencies	<u>256,166</u>	AA-	S&P
Total	<u>\$ 1,757,465</u>		
<u>Police and Fire Retirement System Trust Fund</u>			
<u>Assets</u>			
Bond and other securities	\$ 1,621,403	AAA	Moody's
Bond and other securities	243,203	AA1	Moody's
Bond and other securities	430,185	AA2	Moody's
Bond and other securities	234,064	AA3	Moody's
Bond and other securities	<u>10,784,073</u>	Other	Moody's
Total	<u>\$ 13,312,928</u>		
<u>Retiree Health Care Trust Fund Assets</u>			
Pooled investments	<u>\$ 4,182,318</u>	Not rated	

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

City of Trenton, Michigan

Notes to Financial Statements June 30, 2010

Note 4 - Restricted Assets

The Grosse Ile/Trenton Utility Bond restricted assets represent unspent bond proceeds that have been restricted for construction, water and sewer line replacement, and capital asset acquisitions, including unspent proceeds earning interest, from the obligation to the Grosse Ile/Trenton Utilities Authority.

A portion of the water and sewer user fee (capital charges) has been restricted by the City to be used solely for the purpose of making capital improvements in the water and sewer system.

Sewer debt millage collections have been restricted by the City to be used solely for the purpose of making debt payments on the State Revolving Fund loans.

A summary of primary government and component unit restricted assets at June 30, 2010 follows:

	Grosse Ile/Trenton Utility Bonds	Debt Service	Capital Charges	Total Primary Government
Restricted assets - Cash	\$ 525,703	\$ 336,634	\$ 498,381	\$ 1,360,718

Note 5 - Capital Assets

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

	Balance July 1, 2009	Reclassifications and Transfers	Additions	Disposals	Balance June 30, 2010
Governmental Activities					
Capital assets not being depreciated -					
Land	\$ 2,636,378	\$ -	\$ 923	\$ (85,695)	\$ 2,551,606
Capital assets being depreciated:					
Buildings and improvements	11,594,344	(13,820)	43,600	(58,703)	11,565,421
Vehicles	4,610,267	-	75,243	(236,352)	4,449,158
Furniture and equipment	5,909,590	-	379,207	(659,506)	5,629,291
Land improvements	2,870,753	-	-	-	2,870,753
Roads and sidewalks	21,672,316	-	495,950	(1,638,976)	20,529,290
Subtotal	46,657,270	(13,820)	994,000	(2,593,537)	45,043,913
Accumulated depreciation:					
Buildings and improvements	4,116,980	(13,820)	229,689	(58,593)	4,274,256
Vehicles	3,235,228	-	266,095	(232,323)	3,269,000
Furniture and equipment	3,892,928	-	312,617	(628,762)	3,576,783
Land improvements	1,253,963	-	131,754	(12,495)	1,373,222
Roads and sidewalks	14,142,533	-	467,603	(1,629,413)	12,980,723
Subtotal	26,641,632	(13,820)	1,407,758	(2,561,586)	25,473,984
Net capital assets being depreciated	20,015,638	-	(413,758)	(31,951)	19,569,929
Net capital assets	<u>\$ 22,652,016</u>	<u>\$ -</u>	<u>\$ (412,835)</u>	<u>\$ (117,646)</u>	<u>\$ 22,121,535</u>

City of Trenton, Michigan

Notes to Financial Statements June 30, 2010

Note 5 - Capital Assets (Continued)

Business-type Activities	Balance July 1, 2009	Reclassifications and Transfers	Additions	Disposals	Balance June 30, 2010
Capital assets not being depreciated - Land	\$ 13,500	\$ -	\$ 742	\$ -	\$ 14,242
Capital assets being depreciated:					
Water and sewer distribution systems	61,098,070	3,154,960	945,742	(953,332)	64,245,440
Treatment facilities	13,159,725	(3,154,960)	104,943	(2,971,905)	7,137,803
Buildings and improvements	11,601,124	14,603	-	(43,410)	11,572,317
Machinery and equipment	3,016,171	-	262,032	(229,714)	3,048,489
Land improvements	256,890	(14,603)	-	-	242,287
Subtotal	89,131,980	-	1,312,717	(4,198,361)	86,246,336
Accumulated depreciation:					
Water and sewer distribution systems	12,933,192	1,851,869	1,553,648	(913,404)	15,425,305
Treatment facilities	7,447,084	(1,851,869)	329,235	(1,667,288)	4,257,162
Buildings and improvements	4,961,731	-	551,382	(30,548)	5,482,565
Machinery and equipment	1,739,064	-	188,845	(215,277)	1,712,632
Land improvements	57,454	-	11,548	-	69,002
Subtotal	27,138,525	-	2,634,658	(2,826,517)	26,946,666
Net capital assets being depreciated	61,993,455	-	(1,321,941)	(1,371,844)	59,299,670
Net capital assets	\$ 62,006,955	\$ -	\$ (1,321,199)	\$ (1,371,844)	\$ 59,313,912
Component Units					
Capital assets being depreciated - Land improvements	\$ 3,153,865	\$ -	\$ -	\$ -	\$ 3,153,865
Accumulated depreciation - Land improvements	281,283	-	88,671	-	369,954
Net capital assets being depreciated	2,872,582	-	(88,671)	-	2,783,911
Net capital assets	\$ 2,872,582	\$ -	\$ (88,671)	\$ -	\$ 2,783,911

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

Governmental activities:

General government	\$ 586,445
Public safety	145,556
Public works	68,512
Recreation and culture	308,507
Internal Service Fund depreciation is charged to the various functions based on their usage of the asset	298,738
Total governmental activities	\$ 1,407,758

City of Trenton, Michigan

Notes to Financial Statements June 30, 2010

Note 5 - Capital Assets (Continued)

Business-type activities:		
Water and sewer		\$ 2,060,299
Recreation		<u>574,359</u>
Total business-type activities		<u>\$ 2,634,658</u>
Component unit activities - Downtown Development Authority		<u>\$ 88,671</u>

Note 6 - Interfund Transfers

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

Transfers in	Transfers Out		Total
	General Fund	Other Governmental Funds	
General Fund	\$ -	\$ 70,000	\$ 70,000
Other governmental funds	325,800	327,103	652,903
Business-type activities	<u>483,000</u>	<u>-</u>	<u>483,000</u>
Total	<u>\$ 808,800</u>	<u>\$ 397,103</u>	<u>\$ 1,205,903</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, 2010

Note 7 - Long-term Debt

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

Long-term debt activity can be summarized as follows:

	<u>Interest Rate Ranges</u>	<u>Principal Maturity Ranges</u>	<u>Beginning Balance</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities						
General obligation bonds:						
General obligation unlimited tax bonds - Library Bonds		\$400,000 -				
Amount of issue - \$4,000,000	3.90%	\$500,000	\$ 1,700,000	\$ (400,000)	\$ 1,300,000	\$ 400,000
Building Authority Bonds	3.50% -	\$9,000 -				
Amount of issue - \$1,800,000	4.60%	\$12,600	130,500	(9,000)	121,500	9,000
Building Authority Bonds						
Amount of issue - \$8,000,000	5.625%	\$80,000	140,000	(60,000)	80,000	80,000
Building Authority Refunding Bonds	3.375% -	\$6,000 -				
Amount of issue - \$6,115,000	5.00%	\$127,000	1,207,000	(6,000)	1,201,000	6,000
Deferred charges			(59,314)	4,562	(54,752)	(4,562)
Installment purchase agreements:						
Trash Carts Loan		\$19,411 -				
Amount of issue - \$353,850	3.99%	\$75,743	<u>237,908</u>	<u>(69,960)</u>	<u>167,948</u>	<u>72,794</u>
Total bonds payable			3,356,094	(540,398)	2,815,696	563,232
Other long-term obligations:						
Compensated absences			2,560,607	(176,580)	2,384,027	1,017,427
Uninsured claims			<u>200,000</u>	<u>(200,000)</u>	<u>-</u>	<u>-</u>
Total governmental activities			<u>\$ 6,116,701</u>	<u>\$ (916,978)</u>	<u>\$ 5,199,723</u>	<u>\$ 1,580,659</u>

Note 7 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
Business-type Activities						
General obligation bonds:						
Water and Sewer Fund						
Contractual Obligation -						
Related to Grosse Ile/Trenton						
Utilities Authority Bonds,						
Series B						
	4.20% -	\$117,013 -				
	4.25%	\$148,925	\$ 1,244,585	\$ (117,013)	\$ 1,127,572	\$ 117,011
Amount of issue - \$1,999,850						
State Revolving Fund Limited Tax						
Bonds - Program 5127-01						
	2.5%	\$580,000 - \$760,000	7,941,166	(692,101)	7,249,065	580,000
Amount of issue - \$12,095,000						
State Revolving Fund Limited Tax						
Bonds - Program 5127-02						
	2.5%	\$790,000 - \$926,706	11,055,603	(803,897)	10,251,706	790,000
Amount of issue - \$16,535,000						
State Revolving Fund Limited Tax						
Bonds - Program 5127-03						
	2.5%	\$40,000 - \$60,648	700,648	(45,000)	655,648	40,000
Amount of issue - \$1,005,000						
State Revolving Fund Limited Tax						
Bonds - Program 5127-04						
	2.5%	\$435,000 - \$592,518	7,592,518	(455,000)	7,137,518	435,000
Amount of issue - \$10,325,000						
State Revolving Fund Limited Tax						
Bonds - Program 5127-05						
	2.5%	\$90,000 - \$125,000	1,665,000	(85,000)	1,580,000	90,000
Amount of issue - \$1,990,000						
State Revolving Fund Limited Tax						
Bonds - Program 5127-06						
	2.125%	\$185,000 - \$250,000	3,615,000	(180,000)	3,435,000	185,000
Amount of issue - \$4,130,000						
Building Authority Bonds						
	3.50% -	\$91,000 -				
	4.60%	\$127,400	1,319,500	(91,000)	1,228,500	91,000
Amount of issue - \$1,800,000						
Building Authority Bonds						
	5.625%	\$320,000	560,000	(240,000)	320,000	320,000
Amount of issue - \$8,000,000						
Building Authority Refunding						
Bonds						
	3.375% -	\$24,000 -				
	5.00%	\$508,000	4,828,000	(24,000)	4,804,000	24,000
Amount of issue - \$6,115,000						
Building Authority Refunding						
Bonds - Deferred charges						
			(237,250)	18,250	(219,000)	(18,250)
Total general obligation						
bonds						
			40,284,770	(2,714,761)	37,570,009	2,653,761
Compensated absences						
			313,573	116,703	430,276	165,626
Total business-type						
activities						
			\$40,598,343	\$(2,598,058)	\$38,000,285	\$ 2,819,387

Note 7 - Long-term Debt (Continued)

Component Unit Activities	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
General obligation limited tax bonds -						
Downtown Development						
Authority Bonds	3.95% -	\$50,000 -				
Amount of issue - \$1,400,000	5.00%	\$100,000	\$ 1,200,000	\$ (50,000)	\$ 1,150,000	\$ 50,000
General obligation limited tax bonds -						
Downtown Development						
Authority Bonds		\$25,000 -				
Amount of issue - \$920,000	4.30%	\$90,000	825,000	(25,000)	800,000	25,000
Other long-term obligations -						
Brownfield Authority Advance						
from General Fund		\$30,000 -				
Amount of issue - \$135,000	1.45%	\$35,000	65,000	-	65,000	65,000
Total component units			<u>\$ 2,090,000</u>	<u>\$ (75,000)</u>	<u>\$ 2,015,000</u>	<u>\$ 140,000</u>

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

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

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

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

Note 7 - Long-term Debt (Continued)

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

Year Ending June 30	Governmental Activities			Business-type Activities			Component Unit Activities		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2011	\$ 567,794	\$ 108,445	\$ 676,239	\$ 2,672,011	\$ 1,036,661	\$ 3,708,672	\$ 75,000	\$ 85,575	\$ 160,575
2012	570,743	85,271	656,014	2,743,290	958,284	3,701,574	100,000	82,013	182,013
2013	614,411	60,600	675,011	2,778,288	877,857	3,656,145	105,000	77,793	182,793
2014	116,000	45,467	161,467	2,907,288	794,098	3,701,386	115,000	73,156	188,156
2015	116,000	39,729	155,729	2,967,925	706,831	3,674,756	125,000	67,996	192,996
2016-2020	614,200	119,121	733,321	15,437,575	2,205,582	17,643,157	790,000	239,370	1,029,370
2021-2025	271,300	11,159	282,459	8,032,632	357,577	8,390,209	640,000	52,740	692,740
2025-2026	-	-	-	250,000	2,656	252,656	-	-	-
Total	\$ 2,870,448	\$ 469,792	\$ 3,340,240	\$ 37,789,009	\$ 6,939,546	\$ 44,728,555	\$ 1,950,000	\$ 678,643	\$ 2,628,643

Total interest expense incurred by the City for the year approximated \$1,368,000.

Note 8 - Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. As of June 30, 2010, the City had deferred revenue related to grant monies received prior to meeting all eligibility requirements of \$779,704.

	Governmental Funds		
	Unavailable	Unearned	Total
Grant revenue	\$ 106,812	\$ 779,704	\$ 886,516
S.I.N.C.	107,597	-	107,597
Total	\$ 214,409	\$ 779,704	\$ 994,113

Note 9 - Property Taxes

Property taxes for the City based on a taxable value of approximately \$800,000,000 are comprised of the following components:

	Firemen and Policemen Retirement System	Solid Waste	Operating	Other Tax Collection and Trailer Park Fees	Library Operating and Library Debt	Total Governmental Activities	Sewer Debt
Millage rate	0.5662	1.4605	15.2103	\$ -	1.0153	18.2523	2.7477
Total	\$ 453,038	\$ 1,168,601	\$12,190,329	\$ 447,424	\$ 860,747	\$ 15,100,139	\$ 2,329,614

Note 9 - Property Taxes (Continued)

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

Note 10 - Postemployment Benefits

Plan Description - The City provides life insurance and healthcare benefits to all full-time employees upon retirement, in accordance with labor contracts. As of the date of the last actuarial valuation, 201 retirees are eligible. The City includes pre-Medicare retirees and their dependents in its insured healthcare plan, with no contribution required by the participant. The City purchases Medicare supplemental insurance for retirees eligible for Medicare. Expenditures for postemployment healthcare and life insurance benefits include insurance premiums that become due during the current year and discretionary contributions made to the Retiree Health Care Trust Fund.

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

Funding Policy - The collective bargaining agreements do not require contributions from employees. Retiree healthcare costs are recognized when paid by the City on a "pay-as-you-go" basis. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment. In the current year, the City paid postemployment healthcare premiums of approximately \$2,492,000 plus it contributed \$168,800 into the Retiree Healthcare Trust Fund, which is reported in this financial statement as a pension and other employee benefit trust fund type.

Note 10 - Postemployment Benefits (Continued)

Funding Progress - For the year ended June 30, 2010, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of June 30, 2007. 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 30 years. This valuation's computed contribution and actual funding are summarized as follows:

Annual required contribution (recommended)	\$ 3,919,837
Interest on the prior year's net OPEB obligation	108,285
Amounts contributed:	
Payments of current premiums	(2,491,912)
Advance funding	<u>(168,800)</u>
Increase in net OPEB obligation	1,367,410
OPEB obligation - Beginning of year	<u>1,353,564</u>
OPEB obligation - End of year	<u>\$ 2,720,974</u>

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

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

The funding progress of the plan is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
6/30/07	\$ 2,282,504	\$ 52,452,466	\$ 50,169,962	4.4	\$ 6,247,984	803

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.

Note 10 - Postemployment Benefits (Continued)

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, 2007 actuarial valuation, the individual entry age actuarial cost method was used. The actuarial assumptions included an 8 percent investment rate of return (net of investment expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 10 percent initially, reduced by decrements to an ultimate rate of 4.0 percent after 10 years. Both rates included a 4.5 percent inflation assumption. Actuarial gains and losses reduce (increase) the UAAL as they occur. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2007 was 30 years.

Note 11 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City participates in the Michigan Municipal League (risk pool) for claims relating to property loss, general liability, and workers' compensation. The City has also assumed a significant amount of financial responsibility for its actual incurred medical claims cost, subject to certain insured aggregate limitations of \$100,000 per specific claim and approximately \$2,700,000 in aggregate claims.

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

Note 11 - Risk Management (Continued)

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

	<u>2010</u>	<u>2009</u>
Estimated liability - Beginning of year	\$ 740,326	\$ 732,563
Estimated claims incurred, including changes in estimates and related administrative costs	4,144,607	4,201,837
Claim and related administrative payments	<u>(4,366,528)</u>	<u>(4,194,074)</u>
Estimated liability - End of year	<u>\$ 518,405</u>	<u>\$ 740,326</u>

Note 12 - Pension Plans

Descriptions of Defined Benefit Plans

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

Firemen and Policemen Retirement System - The City contributes to the Firemen and Policemen Retirement System, which is the administrator of a single-employer public benefit pension plan that currently covers substantially all full-time fire and police employees hired before January 1, 1996. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. At June 30, 2009, the date of the most recent actuarial valuation, membership consisted of 97 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them, and 51 current active employees. The plan does not issue a separate financial report.

Note 12 - Pension Plans (Continued)

Defined Benefit Contributions and Funding Status

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

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

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

Defined Benefit Annual Pension Cost

For the year ended June 30, 2010, the City's annual pension cost of \$811,248 for the MERS plan, exclusive of \$114,778 of employee contributions, was equal to the City's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2007, using the entry age normal cost method. Significant actuarial assumptions used include (a) an 8.0 percent investment rate of return, (b) projected salary increases of 4.5 percent per year, (c) additional projected salary increases of 0 percent to 8.40 percent per year, attributable to seniority/merit, and (d) postretirement benefit increases of 2.5 percent annually, with certain increases limited to increases in the Consumer Price Index. Both (a) and (b) include an inflation component of 4.5 percent.

The actuarial value of assets was determined on the basis of a valuation method that uses techniques that smooth the effects of short-term volatility over a 10-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll determined using the individual attained age actuarial funding method over an open amortization period of 30 years.

Note 12 - Pension Plans (Continued)

For the year ended June 30, 2010, the City's annual Firemen and Policemen Retirement System pension cost for the plan and its actual contribution, exclusive of \$197,720 of employee contributions, were equal to the City's \$485,174 required contribution. The annual required contribution was determined as part of an actuarial valuation at June 30, 2008, using the aggregate actuarial cost method. Significant actuarial assumptions used include (a) a 7.9 percent investment rate of return for 2009, graded to 7.0 percent in 2014 and thereafter, (b) projected salary increases of 3.5 percent per year, (c) additional projected salary increases of 0.2 percent to 8.0 percent per year, attributable to seniority/merit, and (d) postretirement benefit increases of 10 percent after five years, 10 percent after 10 years, and 5 percent after 15 years. Both (a) and (b) include an inflation component of 3.50 percent.

The actuarial value of assets was determined as part of an actuarial valuation at June 30, 2009 and was determined using techniques that smooth the effects of short-term volatility over a five-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 15 years.

Reserves - As of June 30, 2010, the plan's legally required reserves have been fully funded as follows:

Reserve for employees' contributions	\$ 3,613,906
Reserve for retiree benefit payments	34,371,403

Funded Status and Funding Progress

Three-year trend information is as follows:

	2008	2009	2010
Municipal Employees' Retirement System of Michigan:			
Annual pension costs (APC)	\$ 676,617	\$ 836,844	\$ 811,248
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -
Actuarial value of assets	\$ 30,712,554	\$ 30,225,249	\$ 29,440,388
Actuarial accrued liability (AAL)	\$ 41,127,277	\$ 41,838,381	\$ 42,791,925
Unfunded AAL (UAAL)	\$ 10,414,723	\$ 11,613,132	\$ 13,351,537
Funded ratio	75%	72%	69%
Covered payroll	\$ 2,467,855	\$ 2,375,403	\$ 2,382,312
UAAL as a percentage of covered payroll	422%	489%	560%

Note 12 - Pension Plans (Continued)

	2008	2009	2010
Firemen and Policemen Retirement System:			
Annual pension costs (APC)	\$ 838,615	\$ 455,199	\$ 485,174
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-	-	-
Actuarial value of assets	\$ 56,272,692	\$ 59,293,847	\$ 58,480,550
Actuarial accrued liability (AAL)	\$ 54,939,391	\$ 57,069,715	\$ 58,708,142
Unfunded AAL (UAAL)	\$ (1,333,301)	\$ (2,224,132)	\$ (227,592)
Funded ratio	102%	104%	99.6%
Covered payroll	\$ 3,646,192	\$ 3,872,581	\$ 3,892,915
UAAL as a percentage of covered payroll	(36.6%)	(57.4%)	5.8%

Defined Contribution Pension Plans

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

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

In accordance with these requirements, the City contributed \$133,802 and \$144,623 during the current year and the employees contributed \$133,802 and \$72,312 during the current year for the General Employees' Plan and Fire Fighters and Police Officers Plan, respectively. The plans' assets, which aggregated \$3,376,317 at June 30, 2010, are held by an independent third-party administrator.

City of Trenton, Michigan

Notes to Financial Statements June 30, 2010

Note 13 - Pension and Other Employee Benefit Trust Fund

The following are condensed financial statements for the Pension and Other Employee Benefit Trust Fund which include the Firemen and Policemen Retirement System and the Retiree Health Care Trust Funds:

	Firemen and Policemen Retirement System Trust Fund	Retiree Health Care Trust Fund	Total
Statement of net assets:			
Cash and investments	\$ 45,820,688	\$ 4,182,318	\$ 50,003,006
Receivables	172,552	-	172,552
Total net assets	<u>\$ 45,993,240</u>	<u>\$ 4,182,318</u>	<u>\$ 50,175,558</u>
Statement of changes in net assets:			
Investment income	\$ 5,885,956	\$ 527,338	\$ 6,413,294
Contributions	682,894	168,800	851,694
Benefit payments	(3,759,087)	-	(3,759,087)
Administrative expenses	(17,474)	(5,000)	(22,474)
Change in net assets	<u>\$ 2,792,289</u>	<u>\$ 691,138</u>	<u>\$ 3,483,427</u>

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 \$57,000 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 benefit or burden to the participating governments in the near future, other than the fluctuation of case loads, which impacts the government's share of the District Court's expenses. Complete financial statements are available at the City offices.

City of Trenton, Michigan

Notes to Financial Statements June 30, 2010

Note 14 - Joint Ventures (Continued)

Grosse Ile-Trenton Utilities Authority

The City is also a member of the Grosse Ile-Trenton Utilities Authority (the "Authority") joint venture. The Authority's governing body is composed of two appointees, one from each member of the joint venture. The Authority was established in order to provide an efficient means of acquiring and constructing water supply and sewage disposal systems and to extend use privileges to each other's residents when deemed appropriate by the communities. In 1999, the Authority issued \$4.7 million of bonds to fund system improvements. The City of Trenton, Michigan's share of bonds was 42.55 percent and is recorded in the Water and Sewer Fund. The activity of the Authority is limited to making debt service payments on the outstanding bonds. During the current year, the City paid \$117,013 of principal and \$51,118 of interest on their share of the bonds. The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. The Authority does not issue separate financial statements but the accounting records are maintained by the Township of Grosse Ile.

Note 15 - Designations

The following is a summary of the unreserved fund balance of the General Fund with management's designations:

	<u>General Fund</u>
Designated:	
Equipment	\$ 300,000
Capital projects	1,300,000
Postretirement benefits	1,000,000
Defined benefit pension	1,000,000
Severance pay	625,000
Receivables	435,000
Undesignated	<u>183,515</u>
Total designated	<u>\$ 4,843,515</u>

Required Supplemental Information

City of Trenton, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2010

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Resources (Inflows)				
Property taxes	\$ 14,335,489	\$ 14,095,489	\$ 14,135,263	\$ 39,774
Licenses and permits	341,000	216,000	214,364	(1,636)
State sources	2,036,256	1,856,256	1,864,382	8,126
Charges for services	949,500	925,500	1,009,204	83,704
Fines and forfeitures	425,500	403,500	400,023	(3,477)
Interest income	225,000	175,000	110,863	(64,137)
Other:				
Cable franchise fees	310,000	310,000	345,039	35,039
Other miscellaneous income	176,525	167,525	317,278	149,753
Total resources (inflows)	18,799,270	18,149,270	18,396,416	247,146
Charges to Appropriations (Outflows) -				
Current				
General government:				
Mayor and Council	98,906	89,521	84,915	4,606
City Administrator	425,042	422,502	412,833	9,669
City Controller	294,991	297,196	298,526	(1,330)
City Treasurer	194,782	194,956	194,941	15
City Assessor	175,111	173,111	167,821	5,290
Board of Review	1,000	1,000	1,815	(815)
City Clerk - General	213,977	207,551	207,281	270
City Clerk - Elections	29,535	10,535	10,958	(423)
Municipal Buildings/Facilities	1,107,572	1,000,972	859,765	141,207
City Attorney	212,000	202,000	187,341	14,659
Zoning Board of Appeals	1,000	500	435	65
District Court	497,500	427,500	425,569	1,931
Planning Commission	10,300	10,300	12,674	(2,374)
Central Office	214,533	209,434	216,538	(7,104)
Total general government	3,476,249	3,247,078	3,081,412	165,666
Public safety:				
Police Department	4,116,500	3,981,411	3,909,341	72,070
Traffic Safety Commission	950	950	893	57
Fire Department	3,419,405	3,347,990	3,324,076	23,914
Emergency	117,280	105,066	100,336	4,730
Animal Control	84,929	84,929	73,294	11,635
Corrections Department/Jail	39,250	34,250	30,227	4,023
Building Inspection	418,311	402,134	401,166	968
Civil Defense	25,587	25,237	17,387	7,850
Crossing Guards	71,782	71,782	73,051	(1,269)
Total public safety	8,293,994	8,053,749	7,929,771	123,978

City of Trenton, Michigan

Required Supplemental Information (Continued) Budgetary Comparison Schedule - General Fund Year Ended June 30, 2010

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Charges to Appropriations (Outflows) -				
Current (Continued)				
Public works:				
City Engineer	\$ 409,910	\$ 349,811	\$ 336,539	\$ 13,272
Sanitation	1,171,985	1,134,026	1,121,090	12,936
Street Lighting	600,000	690,000	684,286	5,714
Department of Public Works	<u>1,170,493</u>	<u>1,025,840</u>	<u>1,090,071</u>	<u>(64,231)</u>
Total public works	3,352,388	3,199,677	3,231,986	(32,309)
Other:				
Other	2,574,358	2,204,053	2,419,988	(215,935)
Environmental Control Commission	<u>500</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other	2,574,858	2,204,053	2,419,988	(215,935)
Recreation and culture:				
Cultural Center	27,095	22,295	11,758	10,537
Parks Department	495,519	465,251	449,844	15,407
Civic Commission	16,410	16,410	15,484	926
Historical Commission	7,875	5,875	5,917	(42)
Other Commissions	3,700	3,700	2,249	1,451
Outdoor Pool	<u>205,406</u>	<u>175,406</u>	<u>158,246</u>	<u>17,160</u>
Total recreation and culture	756,005	688,937	643,498	45,439
Debt service	<u>219,976</u>	<u>219,976</u>	<u>217,440</u>	<u>2,536</u>
Total expenditures	<u>18,673,470</u>	<u>17,613,470</u>	<u>17,524,095</u>	<u>89,375</u>
Excess of Revenue Over Expenditures	125,800	535,800	872,321	336,521
Other Financing Sources (Uses)				
Transfers in	-	-	70,000	70,000
Transfers out	<u>(125,800)</u>	<u>(535,800)</u>	<u>(808,800)</u>	<u>(273,000)</u>
Total other financing sources (uses)	<u>(125,800)</u>	<u>(535,800)</u>	<u>(738,800)</u>	<u>(203,000)</u>
Net Change in Fund Balance	-	-	133,521	133,521
Fund Balance - Beginning of year	<u>4,915,790</u>	<u>4,915,790</u>	<u>4,915,790</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 4,915,790</u></u>	<u><u>\$ 4,915,790</u></u>	<u><u>\$ 5,049,311</u></u>	<u><u>\$ 133,521</u></u>

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

City of Trenton, Michigan

Required Supplemental Information Pension System Schedule of Funding Progress* Year Ended June 30, 2010

The schedule of funding progress for Firemen and Policemen Retirement System 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
6/30/04	\$ 45,716,012	\$ 45,716,012	\$ -	100.0	\$ 4,132,159	-
6/30/05	49,342,884	49,342,884	-	100.0	4,023,462	-
6/30/06	52,250,005	52,250,005	-	100.0	4,066,424	-
6/30/07	56,272,692	54,939,391	(1,333,301)	102.4	3,646,192	(36.6)
6/30/08	59,293,847	57,069,715	(2,224,132)	103.9	3,872,581	(57.4)
6/30/09	58,480,550	58,708,142	227,592	99.6	3,892,915	5.8

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

Pension System Schedule of Employer Contributions Firemen and Policemen Retirement System

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution *	Percentage Contributed
6/30/05	6/30/03	\$ 1,154,506	100.0
6/30/06	6/30/04	1,225,411	100.0
6/30/07	6/30/05	1,100,318	100.0
6/30/08	6/30/06	838,615	100.0
6/30/09	6/30/07	455,199	100.0
6/30/10	6/30/08	485,174	100.0

* 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, 2009, the latest actuarial valuation for the Firemen and Policemen Retirement System, is as follows:

Firemen and Policemen Retirement System

Actuarial cost method	Aggregate actuarial cost method
Amortization method	Level dollar over a closed 15-year period
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return*	7.75% for 2009, graded to 7.0% in 2014 and thereafter
Projected salary increases*	3.7% - 11.5%
*Includes inflation at	3.5%
Postretirement benefit increases	10% after five years, 10% after 10 years, and 5% after 15 years

City of Trenton, Michigan

Note to Required Supplemental Information Year Ended June 30, 2010

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund - Department of Public Works	\$ 3,199,677	\$ 3,231,986	\$ (32,309)
General Fund - Other	2,204,053	2,419,988	(215,935)

Other Supplemental Information

City of Trenton, Michigan

	Special Revenue Funds					
	Major Roads	Local Roads	Community Development Block Grant	Severance Pay	Special Projects	Grant
Assets						
Cash and investments	\$ 6,462	\$ 238,600	\$ -	\$ 962,386	\$ 579,763	\$ 727,481
Receivables:						
Property taxes receivable	-	-	-	-	-	-
Other receivables	-	-	110,914	-	844	48,074
Due from other governmental units	107,148	46,225	-	-	-	-
Prepaid expenses and other assets	-	-	-	-	-	41
Total assets	\$ 113,610	\$ 284,825	\$ 110,914	\$ 962,386	\$ 580,607	\$ 775,596
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 8,069	\$ 76,681	\$ 45,908	\$ -	\$ 49,676	\$ 2,324
Due to other governmental units	-	-	-	-	-	-
Accrued liabilities and other	3,690	3,263	-	120,742	-	3,009
Deferred revenue	-	-	168,988	-	-	717,528
Total liabilities	11,759	79,944	214,896	120,742	49,676	722,861
Fund Balances						
Reserved for debt	-	-	-	-	-	-
Unreserved, reported in:						
Special Revenue Funds	101,851	204,881	(103,982)	841,644	530,931	52,735
Capital Projects Funds	-	-	-	-	-	-
Total fund balances	101,851	204,881	(103,982)	841,644	530,931	52,735
Total liabilities and fund balances	\$ 113,610	\$ 284,825	\$ 110,914	\$ 962,386	\$ 580,607	\$ 775,596

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2010**

<u>Special Revenue Funds</u>			Total Nonmajor Governmental Funds
<u>Library</u>	<u>S.I.N.C.</u>	<u>Capital Projects Fund</u>	
\$ 366,023	\$ 177,530	\$ 312,312	\$ 3,370,557
22,948	-	-	22,948
30,392	152,740	1,016	343,980
-	-	-	153,373
127	-	-	168
<u>\$ 419,490</u>	<u>\$ 330,270</u>	<u>\$ 313,328</u>	<u>\$ 3,891,026</u>
\$ 18,243	\$ 10,872	\$ -	\$ 211,773
9,687	-	-	9,687
1,157	-	-	131,861
-	107,597	-	994,113
29,087	118,469	-	1,347,434
78,188	-	-	78,188
312,215	211,801	-	2,152,076
-	-	313,328	313,328
390,403	211,801	313,328	2,543,592
<u>\$ 419,490</u>	<u>\$ 330,270</u>	<u>\$ 313,328</u>	<u>\$ 3,891,026</u>

City of Trenton, Michigan

	Special Revenue Funds					
	Major Roads	Local Roads	Community Development Block Grant	Severance Pay	Special Projects	Grant
Revenue						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal grants	-	-	32,770	-	-	366,153
State-shared revenue and grants	654,207	282,230	-	-	-	947,537
Investment income	-	311	2,830	9,036	-	-
Other revenue:						
Local donations	-	-	-	-	21,165	-
Other miscellaneous income	48,128	-	7,882	-	188,940	249
Total revenue	702,335	282,541	43,482	9,036	210,105	1,313,939
Expenditures						
Current:						
Public safety	-	-	-	-	-	276,755
Public works:						
City Engineer	108,733	483,798	-	-	-	-
Administration	165,939	163,531	-	-	-	-
Other	-	-	-	337,109	-	-
Community and economic development	-	-	147,464	-	279,926	-
Recreation and culture	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	1,042,083
Debt service	-	-	-	-	-	-
Total expenditures	274,672	647,329	147,464	337,109	279,926	1,318,838
Excess of Revenue Over (Under) Expenditures	427,663	(364,788)	(103,982)	(328,073)	(69,821)	(4,899)
Other Financing Sources (Uses)						
Transfers in	-	452,903	-	200,000	-	-
Transfers out	(327,103)	-	-	-	(70,000)	-
Total other financing sources (uses)	(327,103)	452,903	-	200,000	(70,000)	-
Net Change in Fund Balances	100,560	88,115	(103,982)	(128,073)	(139,821)	(4,899)
Fund Balances - Beginning of year	1,291	116,766	-	969,717	670,752	57,634
Fund Balances - End of year	\$ 101,851	\$ 204,881	\$ (103,982)	\$ 841,644	\$ 530,931	\$ 52,735

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes in
Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2010

<u>Special Revenue Funds</u>			Total
<u>Library</u>	<u>S.I.N.C.</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>
\$ 841,323	\$ -	\$ -	\$ 841,323
-	-	-	398,923
-	-	-	1,883,974
6,317	1,939	3,277	23,710
-	-	-	21,165
<u>30,380</u>	<u>240,419</u>	<u>29,767</u>	<u>545,765</u>
878,020	242,358	33,044	3,714,860
-	-	-	276,755
-	-	-	592,531
-	-	-	329,470
-	-	-	337,109
-	284,482	2,618	714,490
414,917	-	-	414,917
-	-	-	1,042,083
<u>459,700</u>	<u>-</u>	<u>-</u>	<u>459,700</u>
<u>874,617</u>	<u>284,482</u>	<u>2,618</u>	<u>4,167,055</u>
3,403	(42,124)	30,426	(452,195)
-	-	-	652,903
<u>-</u>	<u>-</u>	<u>-</u>	<u>(397,103)</u>
-	-	-	255,800
3,403	(42,124)	30,426	(196,395)
<u>387,000</u>	<u>253,925</u>	<u>282,902</u>	<u>2,739,987</u>
<u>\$ 390,403</u>	<u>\$ 211,801</u>	<u>\$ 313,328</u>	<u>\$ 2,543,592</u>

City of Trenton, Michigan

Other Supplemental Information Combining Statement of Net Assets Internal Service Funds June 30, 2010

	Motor Vehicle Pool Fund	Self-insurance Fund	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 469,187	\$ 2,626,917	\$ 3,096,104
Inventories	154,071	-	154,071
Prepaid expenses and other assets	2,126	126,474	128,600
Total current assets	625,384	2,753,391	3,378,775
Noncurrent assets - Capital assets	1,558,550	-	1,558,550
Total assets	2,183,934	2,753,391	4,937,325
Liabilities			
Current liabilities:			
Accounts payable	43,635	-	43,635
Accrued liabilities and other	14,765	518,405	533,170
Current portion of compensated absences	25,447	-	25,447
Total current liabilities	83,847	518,405	602,252
Noncurrent liabilities - Provision for compensated absences	44,629	-	44,629
Total liabilities	128,476	518,405	646,881
Net Assets			
Invested in capital assets	1,558,550	-	1,558,550
Unrestricted	496,908	2,234,986	2,731,894
Total net assets	\$ 2,055,458	\$ 2,234,986	\$ 4,290,444

City of Trenton, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenses, and Changes in Net Assets Internal Service Funds Year Ended June 30, 2010

	Motor Vehicle Pool Fund	Self-insurance Fund	Total
Operating Revenue			
Charges for services	\$ 1,062,535	\$ 4,331,365	\$ 5,393,900
Other	-	155,836	155,836
Total operating revenue	1,062,535	4,487,201	5,549,736
Operating Expenses			
Insurance, claims, and other	-	4,426,637	4,426,637
Operating costs	974,370	-	974,370
Depreciation	298,738	-	298,738
Total operating expenses	1,273,108	4,426,637	5,699,745
Operating (Loss) Income	(210,573)	60,564	(150,009)
Nonoperating Revenue (Expenses)			
Interest income	4,518	28,562	33,080
Loss on disposal of capital assets	(492)	-	(492)
Change in Net Assets	(206,547)	89,126	(117,421)
Net Assets - Beginning of year	2,262,005	2,145,860	4,407,865
Net Assets - End of year	<u>\$ 2,055,458</u>	<u>\$ 2,234,986</u>	<u>\$ 4,290,444</u>

City of Trenton, Michigan

Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds Year Ended June 30, 2010

	Motor Vehicle Pool Fund	Self-insurance Fund	Total
Cash Flows from Operating Activities			
Charges for services	\$ 1,062,535	\$ 4,487,201	\$ 5,549,736
Payments to suppliers	(556,224)	-	(556,224)
Payments to employees	(416,936)	-	(416,936)
Claims paid	-	(4,434,438)	(4,434,438)
Net cash provided by operating activities	<u>89,375</u>	<u>52,763</u>	<u>142,138</u>
Cash Flows from Capital and Related Financing Activities - Proceeds from sales of capital assets	3,537	-	3,537
Cash Flows from Investing Activities -			
Interest received on investments	<u>4,518</u>	<u>28,562</u>	<u>33,080</u>
Net Increase in Cash and Cash Equivalents	97,430	81,325	178,755
Cash and Cash Equivalents - Beginning of year	<u>371,757</u>	<u>2,545,592</u>	<u>2,917,349</u>
Cash and Cash Equivalents - End of year	<u><u>\$ 469,187</u></u>	<u><u>\$ 2,626,917</u></u>	<u><u>\$ 3,096,104</u></u>
Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities			
Operating (loss) income	\$ (210,573)	\$ 60,564	\$ (150,009)
Adjustments to reconcile operating (loss) income to net cash from operating activities:			
Depreciation and amortization	298,738	-	298,738
Changes in assets and liabilities:			
Inventories	(14,977)	-	(14,977)
Prepaid and other assets	(855)	14,717	13,862
Accounts payable	8,748	(597)	8,151
Accrued and other liabilities	8,294	(21,921)	(13,627)
Net cash provided by operating activities	<u><u>\$ 89,375</u></u>	<u><u>\$ 52,763</u></u>	<u><u>\$ 142,138</u></u>

City of Trenton, Michigan

	Pension Trust Funds		
	Firemen and Policemen Retirement System	Retiree Health Care	Total Pension Trust Funds
Assets			
Cash and cash equivalents	\$ 1,816,133	\$ -	\$ 1,816,133
Investments	44,004,555	4,182,318	48,186,873
Receivables	172,552	-	172,552
Total assets	45,993,240	4,182,318	50,175,558
Liabilities			
Due to component units	-	-	-
Due to other funds	-	-	-
Accrued liabilities and other	-	-	-
Cash bonds and deposits	-	-	-
Total liabilities	-	-	-
Fund Balances - Held in trust for pension and other employee benefits	<u>\$ 45,993,240</u>	<u>\$ 4,182,318</u>	<u>\$ 50,175,558</u>

Other Supplemental Information
Statement of Assets and Liabilities
Fiduciary Funds
June 30, 2010

Agency Funds

General Cash Fund	Escrow Fund	Tax Receiving Fund	Subtotal	Eliminations	Total Agency Funds
\$ 1,561,003	\$ 28,004	\$ 4,281	\$ 1,593,288	\$ (1,561,003)	\$ 32,285
12,765,621	-	-	12,765,621	(12,765,621)	-
65,477	-	-	65,477	(65,477)	-
<u>\$ 14,392,101</u>	<u>\$ 28,004</u>	<u>\$ 4,281</u>	<u>\$ 14,424,386</u>	<u>\$ (14,392,101)</u>	<u>\$ 32,285</u>
\$ 941,962	-	-	\$ 941,962	\$ (941,962)	-
13,373,827	-	-	13,373,827	(13,373,827)	-
76,312	-	4,281	80,593	(76,312)	4,281
-	28,004	-	28,004	-	28,004
<u>\$ 14,392,101</u>	<u>\$ 28,004</u>	<u>\$ 4,281</u>	<u>\$ 14,424,386</u>	<u>\$ (14,392,101)</u>	<u>\$ 32,285</u>

City of Trenton, Michigan

Other Supplemental Information Combining Statement of Changes in Net Asset Fiduciary Funds Year Ended June 30, 2010

	Firemen and Policemen Retirement System	Retiree Health Care	Total
Additions			
Investment income:			
Interest and dividends	\$ 1,339,253	\$ -	\$ 1,339,253
Net increase in fair value of investments	4,721,593	527,338	5,248,931
Less investment expenses	(174,890)	-	(174,890)
Net investment income	5,885,956	527,338	6,413,294
Contributions:			
Employer	485,174	168,800	653,974
Employee	197,720	-	197,720
Total contributions	682,894	168,800	851,694
Total additions - Net	6,568,850	696,138	7,264,988
Deductions			
Benefit payments	3,759,087	-	3,759,087
Administrative expenses	17,474	5,000	22,474
Total deductions	3,776,561	5,000	3,781,561
Net Increase in Net Assets Held in Trust	2,792,289	691,138	3,483,427
Net Assets - Beginning of year	43,200,951	3,491,180	46,692,131
Net Assets - End of year	\$ 45,993,240	\$ 4,182,318	\$ 50,175,558