

City of Trenton, Michigan

**Financial Report
with Supplemental Information
June 30, 2012**

City of Trenton, Michigan

Contents

Report Letter	1-2
Management's Discussion and Analysis	3-8
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Assets	9
Statement of Activities	10-11
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	12
Reconciliation of the Balance Sheet to the Statement of Net Assets	13
Statement of Revenue, Expenditures, and Changes in Fund Balances	14
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Proprietary Funds:	
Statement of Net Assets	16
Statement of Revenue, Expenses, and Changes in Net Assets	17
Statement of Cash Flows	18
Fiduciary Funds:	
Statement of Net Assets	19
Statement of Changes in Net Assets	20
Component Units:	
Statement of Net Assets (Deficit)	21
Statement of Activities	22-23
Notes to Financial Statements	24-50
Required Supplemental Information	51
Budgetary Comparison Schedule - General Fund	52-53
Pension System Schedule of Funding Progress	54
Note to Required Supplemental Information	55

City of Trenton, Michigan

Contents (Continued)

Other Supplemental Information	56
Nonmajor Governmental Funds:	
Combining Balance Sheet	57-58
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	59-60
Internal Service Funds:	
Combining Statement of Net Assets	61
Combining Statement of Revenue, Expenses, and Changes in Net Assets	62
Combining Statement of Cash Flows	63
Fiduciary Funds:	
Combining Statement of Assets and Liabilities	64-65
Combining Statement of Changes in Net Assets	66

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, 2012, 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. 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, 2012 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.

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

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

Plante & Morse, PLLC

October 24, 2012

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, 2012. 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, 2012:

- Operating revenue, net of transfers, was approximately (\$355,000) lower than budgeted revenue. Budgeted revenue included a \$456,820 use of fund balance, which proved not to be necessary. If budgeted revenue was to be adjusted not to include this, actual operating revenue would be \$101,000 greater than budgeted.
- Property taxes are the City's largest source of revenue. This revenue has been affected by a \$23.0 million drop in the real property values, which is in addition to the \$86.0 million decrease in the previous three fiscal years. At the current City millage rate of 21.75 mills, this equates to approximately \$2,370,000 in annual loss of tax revenue.
- The City has historically been conservative and continuously monitors discretionary spending, which resulted in an increase in the fund balance of the General Fund by \$217,869.
- Total net assets related to the City's governmental activities decreased by approximately (\$1,010,000) and business-type activities increased by approximately \$2,515,000.

Using this Annual Report

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

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

City of Trenton, Michigan

Management's Discussion and Analysis (Continued)

The City as a Whole

The following table shows, in a condensed format, the net assets as of June 30, 2012 and 2011 (in thousands of dollars):

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Assets						
Current assets	\$ 14,720	\$ 14,290	\$ 7,278	\$ 5,881	\$ 21,998	\$ 20,171
Capital assets	22,151	22,318	55,106	56,783	77,257	79,101
Other noncurrent assets	65	65	-	-	65	65
Total assets	36,936	36,673	62,384	62,664	99,320	99,337
Liabilities						
Current liabilities	4,546	4,082	3,613	3,630	8,159	7,712
Long-term liabilities	7,704	6,895	29,654	32,432	37,358	39,327
Total liabilities	12,250	10,977	33,267	36,062	45,517	47,039
Net Assets						
Invested in capital assets - Net of related debt	20,324	20,066	22,914	22,399	43,238	42,465
Restricted	863	969	1,614	1,406	2,477	2,375
Unrestricted	3,499	4,661	4,589	2,797	8,088	7,458
Total net assets	<u>\$ 24,686</u>	<u>\$ 25,696</u>	<u>\$ 29,117</u>	<u>\$ 26,602</u>	<u>\$ 53,803</u>	<u>\$ 52,298</u>

The City's combined net assets increased 2.8 percent or approximately \$1,505,000 from a year ago, increasing from \$52,298,000 to \$53,803,000. Governmental activities decreased (3.9) percent or (\$1,010,000). Business-type activities increased 9.5 percent or \$2,515,000.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations - decreased by (\$1,162,000) for governmental activities. This represents a decrease of (24.9) percent.

City of Trenton, Michigan

Management's Discussion and Analysis (Continued)

The following table shows the changes in net assets during the years ended June 30, 2012 and 2011 (in thousands of dollars):

	Governmental		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenue						
Program revenue:						
Charges for services	\$ 3,157	\$ 3,031	\$ 8,031	\$ 8,307	\$ 11,188	\$ 11,338
Operating grants and contributions	1,215	1,321	-	-	1,215	1,321
Capital grants and contributions	55	950	1,089	9	1,144	959
General revenue:						
Property taxes	13,094	14,817	2,325	2,606	15,419	17,423
State-shared revenue	1,800	1,877	-	-	1,800	1,877
Unrestricted investment earnings	181	171	53	43	234	214
Other	1,481	56	303	276	1,784	332
Transfers and other (expense) revenue	(461)	(295)	461	295	-	-
Total revenue	20,522	21,928	12,262	11,536	32,784	33,464
Program Expenses						
General government	3,026	4,188	-	-	3,026	4,188
Public safety	10,447	10,181	-	-	10,447	10,181
Public works	5,595	4,756	-	-	5,595	4,756
Community and economic development	145	71	-	-	145	71
Recreation and culture	2,211	2,053	-	-	2,211	2,053
Interest on long-term debt	108	124	-	-	108	124
Enterprise	-	-	9,747	10,012	9,747	10,012
Total program expenses	21,532	21,373	9,747	10,012	31,279	31,385
Change in Net Assets	\$ (1,010)	\$ 555	\$ 2,515	\$ 1,524	\$ 1,505	\$ 2,079

Governmental Activities

The City's governmental revenue decreased by approximately (\$1,406,000) in the current year. Revenues were lower than last year, chiefly due to decreases in property taxable values and various grant revenue. The City's governmental expenses increased a modest \$159,000 or 0.7 percent. This is due to the continued focus on cost containment efforts.

Business-type Activities

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

City of Trenton, Michigan

Management's Discussion and Analysis (Continued)

The combined water and sewer rate was increased \$1.09 or 13.3 percent from \$8.15 to \$9.24 for the fiscal year 2011-2012. Utility sales were up approximately 4.7 percent from the previous year. Water loss improved from approximately 5.0 percent to less than 1.0 percent in 2011-2012, as a result of improvements to the system and diminished use of unmetered water. This improvement in water loss may not be fully achieved in future years.

The approved combined rates above included \$1.25 for capital expenditures. The revenue for capital is reported in capital contributions, rather than charges for services, due to its restrictive nature.

Operating expenses in the Water and Sewer Fund decreased (\$80,913) from the previous year.

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 2011-2012 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 \$7,767,912 or 43.9 percent of General Fund expenditures in fiscal year 2011-2012, exclusive of other financing sources and uses. Public works is the second most significant expenditure category at \$3,028,047 or 17.1 percent of General Fund expenditures, exclusive of other financing sources and uses. These services are almost solely supported by property taxes.

The actual ordinary operating costs of the City's General Fund, excluding capital outlay and debt service, increased from the previous year by \$154,459. Some of the factors contributing to the increase include pension and healthcare costs.

General Fund Budgetary Highlights

- Due to the continuing reduction of the City's workforce through attrition and careful spending, cost containments were realized by most departments. The amended budgeted expenditures of \$18,041,906 (excluding transfers) were underspent by \$544,466. The City amended its budget to reflect projected increases in some revenues such as state-shared revenue, penalties, and permit fees. These increases were used to fund equipment purchases, employee benefits costs, and transfers to other funds.
- The fiscal year did end with a positive result of \$217,869. Of this amount, \$100,000 was budgeted as a contractual reimbursement to the General Fund from the Downtown Development Authority for the renovation of city hall.

City of Trenton, Michigan

Management's Discussion and Analysis (Continued)

Capital Asset and Debt Administration

As of June 30, 2012, the City had approximately \$34.4 million in outstanding debt. Of this debt, \$26.0 million is for the sewer improvements which were completed several years ago. The sewer improvement debt is supported by a direct millage.

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

The City had \$77.3 million (net of depreciation) invested in a broad range of capital assets, including land, buildings, water and sewer lines, roads, sidewalks, vehicles, and equipment.

Capital improvements completed this year include \$640,000 in street and sidewalk repairs, a \$70,000 downtown lighting upgrade, \$35,000 city hall front steps replaced, and a \$50,000 playscape at a downtown park. Major capital equipment purchases were a \$173,000 ambulance and a \$190,000 refuse truck.

Economic Factors and Next Year's Budgets and Rates

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

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

The City's workforce was further diminished, while continuing to provide the same level of service to residents and businesses. Labor contracts were successfully negotiated with maintaining wage reductions and requiring a 20 percent contribution toward healthcare.

As of July 1, 2012, the water and sewer rate will increase \$.26, from \$9.24 to \$9.50 per thousand gallons of water purchased. This is a 2.8 percent increase from the previous year.

The plan to close the Chrysler Engine Plant in 2014 was accelerated to 2011. However, a portion of the plant remains open due to the successful negotiations between the City and Chrysler management, resulting in an investment by Chrysler, LLC of \$154,000,000 in machinery and equipment.

The City continues to seek private investment to redevelop a shuttered hospital and steel mill to bolster the City's finances.

City of Trenton, Michigan

Management's Discussion and Analysis (Continued)

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

Contacting the City's Management

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

City of Trenton, Michigan

Statement of Net Assets June 30, 2012

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 3)	\$ 12,219,163	\$ 4,791,844	\$ 17,011,007	\$ 911,997
Receivables:				
Taxes	56,248	343,878	400,126	-
Customers	-	1,902,077	1,902,077	-
Other	912,410	-	912,410	-
Due from other governmental units	746,353	-	746,353	-
Inventories	272,536	233,181	505,717	-
Prepaid expenses and other assets	513,280	7,377	520,657	-
Capital assets - Net (Note 4):				
Assets not subject to depreciation	2,607,593	60,083	2,667,676	-
Assets subject to depreciation	19,543,742	55,045,490	74,589,232	2,752,129
Long-term advance	65,000	-	65,000	-
Total assets	36,936,325	62,383,930	99,320,255	3,664,126
Liabilities				
Accounts payable	921,568	451,796	1,373,364	15,403
Due to other governmental units	244,438	29,005	273,443	-
Accrued liabilities and other	963,266	246,745	1,210,011	19,994
Deferred revenue (Note 7)	569,669	-	569,669	6,857
Noncurrent liabilities:				
Due within one year:				
Compensated absences (Note 6)	1,191,543	125,552	1,317,095	-
Current portion of long-term debt (Note 6)	655,747	2,760,038	3,415,785	170,000
Due in more than one year:				
Compensated absences (Note 6)	1,182,303	222,772	1,405,075	-
Net other postemployment benefits (Note 9)	5,350,077	-	5,350,077	-
Long-term debt (Note 6)	1,171,783	29,431,172	30,602,955	1,670,000
Total liabilities	12,250,394	33,267,080	45,517,474	1,882,254
Net Assets				
Invested in capital assets - Net of related debt	20,323,805	22,914,363	43,238,168	977,129
Restricted for:				
Major and local streets	436,082	-	436,082	-
Grant operations	47,866	-	47,866	-
Library debt	90,110	-	90,110	-
S.I.N.C. operations	288,640	-	288,640	-
Debt	-	111,657	111,657	-
Capital charges	-	1,502,480	1,502,480	-
Unrestricted	3,499,428	4,588,350	8,087,778	804,743
Total net assets	\$ 24,685,931	\$ 29,116,850	\$ 53,802,781	\$ 1,781,872

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

City of Trenton, Michigan

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 3,026,240	\$ 1,114,779	\$ 74,350	\$ -
Public safety	10,446,477	1,285,884	10,916	37,590
Public works	5,594,742	222,886	982,073	-
Community and economic development	144,597	-	64,980	-
Recreation and culture	2,211,293	533,095	82,504	17,478
Interest on long-term debt	107,526	-	-	-
Total governmental activities	21,530,875	3,156,644	1,214,823	55,068
Business-type activities:				
Water and sewer	8,110,085	7,826,467	-	-
Recreation	1,636,450	1,056,534	-	236,732
Total business-type activities	9,746,535	8,883,001	-	236,732
Total primary government	<u>\$ 31,277,410</u>	<u>\$ 12,039,645</u>	<u>\$ 1,214,823</u>	<u>\$ 291,800</u>
Component units	<u>\$ 593,744</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenue:				
Property taxes				
State-shared revenue				
Investment income				
Other miscellaneous income				
Gain on sale of fixed assets				
Total general revenue				
Transfers				
Change in Net Assets				
Net Assets - Beginning of year				
Net Assets - End of year				

**Statement of Activities
Year Ended June 30, 2012**

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (1,837,111)	\$ -	\$ (1,837,111)	\$ -
(9,112,087)	-	(9,112,087)	-
(4,389,783)	-	(4,389,783)	-
(79,617)	-	(79,617)	-
(1,578,216)	-	(1,578,216)	-
(107,526)	-	(107,526)	-
(17,104,340)	-	(17,104,340)	-
-	(283,618)	(283,618)	-
-	(343,184)	(343,184)	-
-	(626,802)	(626,802)	-
(17,104,340)	(626,802)	(17,731,142)	-
-	-	-	(593,744)
13,094,260	2,325,413	15,419,673	580,896
1,799,927	-	1,799,927	-
180,856	53,101	233,957	20,741
1,480,243	275,000	1,755,243	-
-	27,393	27,393	-
16,555,286	2,680,907	19,236,193	601,637
(460,702)	460,702	-	-
(1,009,756)	2,514,807	1,505,051	7,893
25,695,687	26,602,043	52,297,730	1,773,979
\$ 24,685,931	\$ 29,116,850	\$ 53,802,781	\$ 1,781,872

City of Trenton, Michigan

Governmental Funds Balance Sheet June 30, 2012

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents (Note 3)	\$ 6,467,654	\$ 2,520,329	\$ 8,987,983
Receivables:			
Taxes	54,452	1,796	56,248
Other	781,728	130,682	912,410
Due from other governmental units	584,094	162,259	746,353
Inventories	93,019	-	93,019
Prepaid expenses and other assets	16,688	-	16,688
Long-term advance	65,000	-	65,000
	<u>\$ 8,062,635</u>	<u>\$ 2,815,066</u>	<u>\$ 10,877,701</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 802,351	\$ 92,029	\$ 894,380
Due to other governmental units	236,814	7,624	244,438
Accrued liabilities and other	155,226	3,300	158,526
Deferred revenue (Note 7)	294,367	581,624	875,991
	<u>1,488,758</u>	<u>684,577</u>	<u>2,173,335</u>
Fund Balances			
Nonspendable:			
Inventory	93,019	-	93,019
Prepays	16,688	-	16,688
Long-term advances	65,000	-	65,000
Restricted:			
Major and local streets	-	436,082	436,082
Grant operations	-	47,866	47,866
Library debt	-	90,110	90,110
S.I.N.C. operations	-	288,640	288,640
Committed:			
Compensated absences liability	749,635	-	749,635
Special projects	-	642,289	642,289
Library	-	238,836	238,836
Assigned:			
Equipment	1,000,000	-	1,000,000
Capital projects	1,100,000	386,666	1,486,666
Postretirement benefits	1,000,000	-	1,000,000
Defined benefit pension	1,000,000	-	1,000,000
Compensated absences liability	353,600	-	353,600
Reserve for fiscal year 2013 budget	500,000	-	500,000
Contingency for loss of tax revenue	500,000	-	500,000
Unassigned	195,935	-	195,935
	<u>6,573,877</u>	<u>2,130,489</u>	<u>8,704,366</u>
Total fund balances	<u>\$ 8,062,635</u>	<u>\$ 2,815,066</u>	<u>\$ 10,877,701</u>
Total liabilities and fund balances	<u>\$ 8,062,635</u>	<u>\$ 2,815,066</u>	<u>\$ 10,877,701</u>

City of Trenton, Michigan

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Assets June 30, 2012

Fund Balance Reported in Governmental Funds	\$ 8,704,366
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	20,491,426
State-shared revenue receivables not collected within 60 days are not reported in the funds	294,367
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	11,955
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(1,827,530)
Net other postemployment benefit liability not recorded in the modified accrual statement	(5,350,077)
Interest expense incurred but not paid	(21,057)
Compensated absences and uninsured claims are included as a liability in governmental activities	(2,324,258)
Other liabilities are not due and payable in the current period and are not reported in the funds	(171,345)
Internal service funds are included as part of governmental activities	4,878,084
Net Assets of Governmental Activities	<u>\$ 24,685,931</u>

City of Trenton, Michigan

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2012

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenue			
Property taxes	\$ 12,517,619	\$ 759,941	\$ 13,277,560
Licenses and permits	375,106	-	375,106
Federal grants	-	270,079	270,079
State sources	1,877,769	1,065,975	2,943,744
Charges for services	1,149,666	15,594	1,165,260
Fines and forfeitures	328,310	115,269	443,579
Interest income	154,572	26,284	180,856
Other	1,817,465	672,590	2,490,055
Total revenue	18,220,507	2,925,732	21,146,239
Expenditures			
General government	2,886,343	-	2,886,343
Public safety	7,767,912	300,366	8,068,278
Public works	3,028,047	1,233,437	4,261,484
Retiree benefits and other	3,223,072	-	3,223,072
Community and economic development	7,644	457,204	464,848
Recreation and culture	541,448	477,050	1,018,498
Capital outlay	-	75,551	75,551
Debt service	228,713	427,300	656,013
Total expenditures	17,683,179	2,970,908	20,654,087
Excess of Revenue Over (Under) Expenditures	537,328	(45,176)	492,152
Other Financing Sources (Uses)			
Face value of debt issue (Note 6)	141,243	-	141,243
Transfers in (Note 5)	-	325,000	325,000
Transfers out (Note 5)	(460,702)	(325,000)	(785,702)
Total other financing uses	(319,459)	-	(319,459)
Net Change in Fund Balances	217,869	(45,176)	172,693
Fund Balances - Beginning of year	6,356,008	2,175,665	8,531,673
Fund Balances - End of year	\$ 6,573,877	\$ 2,130,489	\$ 8,704,366

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, 2012

Net Change in Fund Balances - Total Governmental Funds	\$ 172,693
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay	1,065,899
Depreciation expense	(1,277,799)
Net book value of assets disposed of	(105,452)
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	(287,137)
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)	424,937
Increase in accumulated severance pay, as well as other liability claims, is recorded when earned in the statement of activities	(114,489)
Change in net other postemployment benefits liability	(1,467,179)
Change in accrued interest	2,754
Internal service funds are included as part of governmental activities	576,017
Change in Net Assets of Governmental Activities	<u>\$ (1,009,756)</u>

City of Trenton, Michigan

Proprietary Funds Statement of Net Assets June 30, 2012

	Major Business-type Activities			Governmental
	Enterprise -	Enterprise -	Total Enterprise	Activities
	Water and Sewer	Recreation	Funds	Internal Service Funds
Assets				
Current assets:				
Cash and cash equivalents (Note 3)	\$ 4,737,694	\$ 54,150	\$ 4,791,844	\$ 3,231,180
Receivables:				
Taxes	343,878	-	343,878	-
Customers	1,868,827	33,250	1,902,077	-
Inventories	230,233	2,948	233,181	179,517
Prepaid expenses and other assets	7,377	-	7,377	496,592
Total current assets	<u>7,188,009</u>	<u>90,348</u>	<u>7,278,357</u>	<u>3,907,289</u>
Noncurrent assets - Capital assets:				
Assets not subject to depreciation	60,083	-	60,083	-
Assets subject to depreciation	49,515,589	5,529,901	55,045,490	1,659,909
Total assets	<u>56,763,681</u>	<u>5,620,249</u>	<u>62,383,930</u>	<u>5,567,198</u>
Liabilities				
Current liabilities:				
Accounts payable	424,799	26,997	451,796	27,188
Due to other governmental units	29,005	-	29,005	-
Accrued liabilities and other	185,259	61,486	246,745	612,338
Compensated absences (Note 6)	124,802	750	125,552	15,004
Current portion of long-term debt (Note 6)	2,343,288	416,750	2,760,038	-
Total current liabilities	<u>3,107,153</u>	<u>505,983</u>	<u>3,613,136</u>	<u>654,530</u>
Noncurrent liabilities:				
Compensated absences - Net of current portion (Note 6)	221,877	895	222,772	34,584
Long-term debt - Net of current portion (Note 6)	24,547,924	4,883,248	29,431,172	-
Total noncurrent liabilities	<u>24,769,801</u>	<u>4,884,143</u>	<u>29,653,944</u>	<u>34,584</u>
Total liabilities	<u>27,876,954</u>	<u>5,390,126</u>	<u>33,267,080</u>	<u>689,114</u>
Net Assets				
Invested in capital assets - Net of related debt	22,684,460	229,903	22,914,363	1,659,909
Restricted (Note 1):				
Debt	111,657	-	111,657	-
Capital charges	1,502,480	-	1,502,480	-
Unrestricted	4,588,130	220	4,588,350	3,218,175
Total net assets	<u>\$ 28,886,727</u>	<u>\$ 230,123</u>	<u>\$ 29,116,850</u>	<u>\$ 4,878,084</u>

City of Trenton, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended June 30, 2012

	Major Business-type Activities			Governmental
	Enterprise -	Enterprise -	Total Enterprise	Activities
	Water and Sewer	Recreation	Funds	Internal Service Funds
Operating Revenue				
Sale of water	\$ 2,477,729	\$ -	\$ 2,477,729	\$ -
Sewage disposal charges	3,706,457	-	3,706,457	-
Charges for services	-	1,056,534	1,056,534	5,687,662
Other receipts	789,998	-	789,998	155,907
Total operating revenue	6,974,184	1,056,534	8,030,718	5,843,569
Operating Expenses				
Cost of water	1,339,489	-	1,339,489	-
Cost of sewage disposal	3,034,980	-	3,034,980	-
Insurance, claims, and other	-	-	-	4,478,824
Transportation and distribution	702,066	-	702,066	-
General and administrative	203,134	-	203,134	-
Cost of recreation activity	-	815,012	815,012	-
Operating costs	-	-	-	846,385
Depreciation	2,136,983	556,154	2,693,137	270,921
Total operating expenses	7,416,652	1,371,166	8,787,818	5,596,130
Operating (Loss) Income	(442,468)	(314,632)	(757,100)	247,439
Nonoperating Revenue (Expenses)				
Property tax revenue	2,325,413	-	2,325,413	-
Investment income	53,101	-	53,101	44,610
Interest expense	(693,433)	(265,284)	(958,717)	-
Gain on sale of capital assets	27,393	-	27,393	22,337
Customer capital charges	852,283	-	852,283	-
Contribution from Downtown Development Authority (DDA)	275,000	-	275,000	-
Total nonoperating revenue (expenses)	2,839,757	(265,284)	2,574,473	66,947
Income (Loss) - Before contributions	2,397,289	(579,916)	1,817,373	314,386
Capital Contributions	-	236,732	236,732	261,631
Transfers In	-	460,702	460,702	-
Change in Net Assets	2,397,289	117,518	2,514,807	576,017
Net Assets - Beginning of year	26,489,438	112,605	26,602,043	4,302,067
Net Assets - End of year	\$ 28,886,727	\$ 230,123	\$ 29,116,850	\$ 4,878,084

City of Trenton, Michigan

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2012

	Enterprise Funds		Governmental Activities
	Water and Sewer	Recreation	Internal Service Funds
Cash Flows from Operating Activities			
Receipts from customers	\$ 6,605,909	\$ 1,043,797	\$ 5,843,569
Payments to suppliers	(2,716,011)	(572,381)	(562,956)
Payments to employees	(2,641,437)	(275,591)	(314,660)
Claims paid	-	-	(4,823,862)
Net cash provided by operating activities	<u>1,248,461</u>	<u>195,825</u>	<u>142,091</u>
Cash Flows from Noncapital Financing Activities -			
Transfers from other funds	-	460,702	-
Cash Flows from Capital and Related Financing Activities			
Receipt of capital contributions	852,283	-	-
Contribution from DDA	275,000	-	-
Proceeds from sales of capital assets	37,367	-	18,006
Property taxes	2,325,413	-	-
Purchase of capital assets	(755,177)	(33,564)	(155,478)
Principal and interest paid on capital debt	(3,001,720)	(682,034)	-
Net cash used in capital and related financing activities	<u>(266,834)</u>	<u>(715,598)</u>	<u>(137,472)</u>
Cash Flows from Investing Activities - Interest received on investments	<u>53,101</u>	<u>-</u>	<u>44,610</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>1,034,728</u>	<u>(59,071)</u>	<u>49,229</u>
Cash and Cash Equivalents - Beginning of year	<u>3,702,966</u>	<u>113,221</u>	<u>3,181,951</u>
Cash and Cash Equivalents - End of year	<u>\$ 4,737,694</u>	<u>\$ 54,150</u>	<u>\$ 3,231,180</u>
Balance Sheet Classification of Cash and Cash Equivalents -			
Cash and investments	<u>\$ 4,737,694</u>	<u>\$ 54,150</u>	<u>\$ 3,231,180</u>
Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities			
Operating (loss) income	\$ (442,468)	\$ (314,632)	\$ 247,439
Adjustments to reconcile operating (loss) income to net cash from operating activities:			
Depreciation and amortization	2,136,983	556,154	270,921
Changes in assets and liabilities:			
Receivables	(368,275)	(12,737)	-
Inventories	(44,392)	-	(9,007)
Prepaid and other assets	3,688	-	(356,855)
Accounts payable	94,199	(9,591)	(20,602)
Accrued and other liabilities	(131,274)	(23,369)	10,195
Net cash provided by operating activities	<u>\$ 1,248,461</u>	<u>\$ 195,825</u>	<u>\$ 142,091</u>
Noncash Transactions - Capital contributions	<u>\$ -</u>	<u>\$ 236,732</u>	<u>\$ 261,631</u>

Capital contributions were \$236,732 in the Recreation Fund and \$261,631 in the Internal Service Fund for the year ended June 30, 2012.

City of Trenton, Michigan

Fiduciary Funds Statement of Net Assets June 30, 2012

	Pension and Retiree Health Care Trust Funds	Agency Funds
Assets		
Cash and cash equivalents (Note 3)	\$ 1,503,318	\$ 296,000
Investments (Note 3):		
U.S. government securities	6,048,758	-
Stocks	32,534,850	-
Bonds and asset-backed securities	11,439,046	-
Real estate (REIT) fund interest	1,466,830	-
Accrued interest and other receivables	304,897	17,941
Total assets	53,297,699	\$ 313,941
Liabilities		
Accrued liabilities and other	-	\$ 263,949
Cash bonds and deposits	-	49,992
Total liabilities	-	\$ 313,941
Net Assets - Held in trust for pension and other employee benefits	\$ 53,297,699	

City of Trenton, Michigan

Fiduciary Funds Statement of Changes in Net Assets Year Ended June 30, 2012

	<u>Pension and Retiree Health Care Trust Funds</u>
Additions	
Investment income:	
Interest and dividends	\$ 1,938,564
Net decrease in fair value of investments	(3,204,371)
Less investment expenses	<u>(222,339)</u>
Net investment income	(1,488,146)
Contributions:	
Employer	3,448,762
Employee	<u>156,323</u>
Total contributions	<u>3,605,085</u>
Total additions - Net	2,116,939
Deductions	
Benefit payments	6,419,717
Administrative expenses	<u>30,602</u>
Total deductions	<u>6,450,319</u>
Net Decrease in Net Assets Held in Trust	(4,333,380)
Net Assets - Beginning of year	<u>57,631,079</u>
Net Assets - End of year	<u><u>\$ 53,297,699</u></u>

City of Trenton, Michigan

Component Units Statement of Net Assets (Deficit) June 30, 2012

	Downtown Development Authority	Brownfield Redevelopment Authority	Total
Assets			
Cash and cash equivalents (Note 3)	\$ 843,070	\$ 68,927	\$ 911,997
Capital assets (Note 4)	2,752,129	-	2,752,129
Total assets	3,595,199	68,927	3,664,126
Liabilities			
Accounts payable	154	15,249	15,403
Accrued liabilities and other	19,994	-	19,994
Deferred revenue	6,857	-	6,857
Noncurrent liabilities (Note 6):			
Due within one year	105,000	65,000	170,000
Due in more than one year	1,670,000	-	1,670,000
Total liabilities	1,802,005	80,249	1,882,254
Net Assets (Deficit)			
Invested in capital assets - Net of related debt	977,129	-	977,129
Unrestricted	816,065	(11,322)	804,743
Total net assets (deficit)	\$ 1,793,194	\$ (11,322)	\$ 1,781,872

City of Trenton, Michigan

	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Downtown Development Authority:				
Special projects	\$ 512,752	\$ -	\$ -	\$ -
Interest expense	80,992	-	-	-
Total Downtown Development Authority	593,744	-	-	-
Brownfield Redevelopment Authority	-	-	-	-
Total governmental activities	<u>\$ 593,744</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenue:				
Property taxes				
Investment income				
Total general revenue				
Change in Net Assets				
Net Assets (Deficit) - Beginning of year				
Net Assets (Deficit) - End of year				

**Component Units
Statement of Activities
Year Ended June 30, 2012**

Net (Expense) Revenue and Changes in Net Assets (Deficit)		
Downtown Development Authority	Brownfield Redevelopment Authority	Total
\$ (512,752)	\$ -	\$ (512,752)
(80,992)	-	(80,992)
(593,744)	-	(593,744)
-	-	-
(593,744)	-	(593,744)
580,896	-	580,896
15,845	4,896	20,741
596,741	4,896	601,637
2,997	4,896	7,893
1,790,197	(16,218)	1,773,979
\$ 1,793,194	\$ (11,322)	\$ 1,781,872

Note I - Nature of Business and Significant Accounting Policies

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

Reporting Entity

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

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

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

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

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

Major Taxpayers

Approximately 31 percent of property tax revenue is from two companies with properties in the City of Trenton, and approximately 22 percent of the total water, sewer, and industrial charge revenue is from three businesses located in the City.

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

Government-wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

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

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

The City reports the following major proprietary funds:

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

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

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

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

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

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

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

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

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

Assets, Liabilities, and Net Assets or Equity

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- **Nonspendable:** Amounts that are not in spendable form or are legally or contractually required to be maintained intact
- **Restricted:** Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose
- **Committed:** Amounts that have been formally set aside by the City Council for use for specific purposes. Commitments are made and can be rescinded only via resolution of the City Council.

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

- Assigned: Intent to spend resources on specific purposes expressed by the governing body or the city controller, who is authorized by the governing body to make assignments
- Unassigned: Amounts that do not fall into any other category above. This is the residual classification for amounts in the General Fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the General Fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted, committed, or assigned to those purposes.

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, 2012 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

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

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

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

Excess costs - Beginning of year	\$ (433,900)
Building permit revenue	354,484
Direct costs	<u>(430,643)</u>
Excess costs - End of year	<u>\$ (510,059)</u>

Fund Deficits - The Brownfield Redevelopment Authority component unit had a deficit at June 30, 2012 totaling (\$11,322). The deficit will be funded primarily by future property tax collections or a transfer from another fund at the City.

Note 3 - Deposits and Investments

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

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

Note 3 - Deposits and Investments (Continued)

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

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had approximately \$4,980,000 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized (approximately \$1,318,000 of the uninsured amount is held in the Firemen and Policemen Retirement System Fund). The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Interest Rate Risk

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

Government-wide	Fair Value	Less Than Five Years			
Municipal bonds	\$ 7,612,815	\$ 7,612,815			
		Investment Maturities			
Fiduciary Funds	Fair Value	Less Than Five Years	Five to 15 Years	Over 15 Years	
U.S. Treasury and agency	\$ 4,086,295	\$ 744,906	\$ 504,162	\$ 2,837,227	
Municipal	1,962,463	373,687	1,149,325	439,451	
Corporate bonds and asset-backed securities	9,871,154	3,744,791	5,846,106	280,257	
Other fixed-income securities	1,567,892	-	277,018	1,290,874	
Total	\$ 17,487,804	\$ 4,863,384	\$ 7,776,611	\$ 4,847,809	

City of Trenton, Michigan

Notes to Financial Statements June 30, 2012

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
Government-wide Assets			
Municipal bonds	\$ 161,219	A	S&P
Municipal bonds	201,222	A-	S&P
Municipal bonds	297,152	A+	S&P
Municipal bonds	757,110	AA	S&P
Municipal bonds	2,916,380	AA-	S&P
Municipal bonds	209,963	AA+	S&P
Municipal bonds	842,621	BBB+	S&P
Municipal bonds	999,790	SPI	S&P
Municipal bonds	250,425	SPI+	S&P
Municipal bonds	633,606	A1	Moody's
Municipal bonds	173,195	Aa2	Moody's
Municipal bonds	170,132	Aa3	Moody's
Total	<u>\$ 7,612,815</u>		
Fiduciary Funds Assets			
Bond and other securities	\$ 2,474,832	Aaa	Moody's
Bond and other securities	156,256	Aa1	Moody's
Bond and other securities	657,700	Aa2	Moody's
Bond and other securities	599,018	Aa3	Moody's
Bond and other securities	253,929	A1	Moody's
Bond and other securities	207,426	A2	Moody's
Bond and other securities	743,432	Baa1	Moody's
Bond and other securities	1,304,828	Baa2	Moody's
Bond and other securities	170,688	AA-	S&P
Bond and other securities	10,919,695	Other	Moody's
Total	<u>\$ 17,487,804</u>		

Note 3 - Deposits and Investments (Continued)

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

Note 4 - Capital Assets

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

	Balance July 1, 2011	Additions	Disposals	Balance June 30, 2012
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 2,551,606	\$ 145,978	\$ (93,956)	\$ 2,603,628
Construction in progress	-	3,965	-	3,965
Subtotal	2,551,606	149,943	(93,956)	2,607,593
Capital assets being depreciated:				
Buildings and improvements	11,690,247	51,211	-	11,741,458
Vehicles	5,292,426	455,934	(387,996)	5,360,364
Furniture and equipment	5,735,821	211,334	(4,196)	5,942,959
Land improvements	2,879,720	-	-	2,879,720
Roads and sidewalks	20,558,587	642,087	(285,329)	20,915,345
Subtotal	46,156,801	1,360,566	(677,521)	46,839,846
Accumulated depreciation:				
Buildings and improvements	4,519,851	243,854	-	4,763,705
Vehicles	3,380,516	314,395	(364,796)	3,330,115
Furniture and equipment	3,686,849	383,168	(4,196)	4,065,821
Land improvements	1,506,061	133,822	-	1,639,883
Roads and sidewalks	13,296,962	473,481	(273,863)	13,496,580
Subtotal	26,390,239	1,548,720	(642,855)	27,296,104
Net capital assets being depreciated	19,766,562	(188,154)	(34,666)	19,543,742
Net capital assets	<u>\$ 22,318,168</u>	<u>\$ (38,211)</u>	<u>\$ (128,622)</u>	<u>\$ 22,151,335</u>

City of Trenton, Michigan

Notes to Financial Statements June 30, 2012

Note 4 - Capital Assets (Continued)

	Balance July 1, 2011	Additions	Disposals	Balance June 30, 2012
Business-type Activities				
Capital assets not being depreciated:				
Land	\$ 14,242	\$ -	\$ -	\$ 14,242
Construction in progress	-	45,841	-	45,841
Subtotal	14,242	45,841	-	60,083
Capital assets being depreciated:				
Water and sewer distribution systems	64,271,110	271,639	-	64,542,749
Treatment facilities	6,990,651	28,304	(3,310)	7,015,645
Buildings and improvements	11,596,575	26,420	-	11,622,995
Machinery and equipment	3,044,202	427,552	(265,406)	3,206,348
Land improvements	242,287	225,536	-	467,823
Subtotal	86,144,825	979,451	(268,716)	86,855,560
Accumulated depreciation:				
Water and sewer distribution systems	17,029,543	1,611,433	-	18,640,976
Treatment facilities	4,423,021	336,024	(1,725)	4,757,320
Buildings and improvements	6,006,776	528,152	-	6,534,928
Machinery and equipment	1,835,966	205,980	(257,198)	1,784,748
Land improvements	80,550	11,548	-	92,098
Subtotal	29,375,856	2,693,137	(258,923)	31,810,070
Net capital assets being depreciated	56,768,969	(1,713,686)	(9,793)	55,045,490
Net capital assets	\$ 56,783,211	\$ (1,667,845)	\$ (9,793)	\$ 55,105,573
Component Units				
Capital assets being depreciated -				
Land improvements	\$ 3,153,865	\$ 183,352	\$ (32,401)	\$ 3,304,816
Accumulated depreciation -				
Land improvements	458,626	97,301	(3,240)	552,687
Net capital assets	\$ 2,695,239	\$ 86,051	\$ (29,161)	\$ 2,752,129

City of Trenton, Michigan

Notes to Financial Statements June 30, 2012

Note 4 - Capital Assets (Continued)

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

Governmental activities:

General government	\$ 618,437
Public safety	234,692
Public works	70,982
Recreation and culture	353,688
Internal Service Fund depreciation is charged to the various functions based on their usage of the asset	<u>270,921</u>

Total governmental activities \$ 1,548,720

Business-type activities:

Water and sewer	\$ 2,136,983
Recreation	<u>556,154</u>

Total business-type activities \$ 2,693,137

Component unit activities - Downtown Development Authority \$ 97,301

Note 5 - Interfund Transfers

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

Transfers In	Transfers Out		Total
	General Fund	Other Governmental Funds	
Other governmental funds	\$ -	\$ 325,000	\$ 325,000
Business-type activities - Recreation	<u>460,702</u>	<u>-</u>	<u>460,702</u>
Total	<u>\$ 460,702</u>	<u>\$ 325,000</u>	<u>\$ 785,702</u>

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

Note 6 - Long-term Debt

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

Note 6 - Long-term Debt (Continued)

Long-term debt activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	(Reductions) Additions	Ending Balance	Due Within One Year
Governmental Activities						
General obligation bonds:						
General obligation unlimited tax bonds -						
Library Bonds -						
Amount of issue - \$4,000,000	3.90%	\$500,000	\$ 900,000	\$ (400,000)	\$ 500,000	\$ 500,000
Building Authority Bonds -						
Amount of issue - \$1,800,000	3.70% -	\$9,000 -	112,500	(9,000)	103,500	9,000
Building Authority Refunding Bonds -						
Amount of issue - \$6,115,000	4.60%	\$12,600 -	1,195,000	(86,000)	1,109,000	86,000
Deferred charges	4% - 5.00%	\$127,000	(50,190)	4,564	(45,626)	(4,560)
Installment purchase agreements:						
Trash carts loan -						
Amount of issue - \$353,850	3.99%	\$19,411 - \$75,743	95,157	(75,744)	19,413	19,413
Trash Truck Loan -						
Amount of issue - \$141,243	2.65%	\$45,894- \$47,111	-	141,243	141,243	45,894
Total bonds payable			2,252,467	(424,937)	1,827,530	655,747
Other long-term obligations -						
Compensated absences			2,318,159	55,687	2,373,846	1,191,543
Total governmental activities			\$ 4,570,626	\$ (369,250)	\$ 4,201,376	\$ 1,847,290

Note 6 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	(Reductions) Additions	Ending Balance	Due Within One Year
Business-type Activities						
General obligation bonds:						
Water and Sewer Fund Contractual Obligation - Related to Grosse Ile/Trenton Utilities Authority Bonds, Series B -						
	4.20% -	\$138,288 -				
Amount of issue - \$1,999,850	4.25%	\$148,925	\$ 1,010,561	\$ (138,287)	\$ 872,274	\$ 138,288
State Revolving Fund Limited Tax Bonds - Program 5127-01 -						
Amount of issue - \$12,095,000	2.5%	\$610,000 - \$730,000	6,669,064	(595,000)	6,074,064	610,000
State Revolving Fund Limited Tax Bonds - Program 5127-02 -						
Amount of issue - \$16,535,000	2.5%	\$815,000 - \$926,706	9,461,706	(810,000)	8,651,706	815,000
State Revolving Fund Limited Tax Bonds - Program 5127-03 -						
Amount of issue - \$1,005,000	2.5%	\$45,000 - \$60,648	615,648	(45,000)	570,648	45,000
State Revolving Fund Limited Tax Bonds - Program 5127-04 -						
Amount of issue - \$10,325,000	2.5%	\$450,000 - \$592,518	6,702,518	(445,000)	6,257,518	450,000
State Revolving Fund Limited Tax Bonds - Program 5127-05 -						
Amount of issue - \$1,990,000	2.5%	\$95,000 - \$125,000	1,490,000	(90,000)	1,400,000	95,000
State Revolving Fund Limited Tax Bonds - Program 5127-06 -						
Amount of issue - \$4,130,000	2.125%	\$190,000 - \$250,000	3,250,000	(185,000)	3,065,000	190,000
Building Authority Bonds -						
Amount of issue - \$1,800,000	3.70% - 4.60%	\$91,000 - \$127,400	1,137,500	(91,000)	1,046,500	91,000
Building Authority Refunding Bonds -						
Amount of issue - \$6,115,000	4% - 5.00%	\$344,000 - \$508,000	4,780,000	(344,000)	4,436,000	344,000
Building Authority Refunding Bonds - Deferred charges						
			(200,750)	18,250	(182,500)	(18,250)
Total general obligation bonds			34,916,247	(2,725,037)	32,191,210	2,760,038
Compensated absences			378,585	(30,261)	348,324	125,552
Total business-type activities			<u>\$ 35,294,832</u>	<u>\$ (2,755,298)</u>	<u>\$ 32,539,534</u>	<u>\$ 2,885,590</u>
Component Unit Activities						
General obligation limited tax bonds - Downtown Development Authority Bonds -						
Amount of issue - \$1,400,000	4% - 5.00%	\$75,000 - \$100,000	\$ 1,100,000	\$ (75,000)	\$ 1,025,000	\$ 75,000
General obligation limited tax bonds - Downtown Development Authority Bonds -						
Amount of issue - \$920,000	4.30%	\$30,000 - \$90,000	775,000	(25,000)	750,000	30,000
Other long-term obligations - Brownfield Authority Advance from General Fund -						
Amount of issue - \$135,000	1.45%	\$65,000	65,000	-	65,000	65,000
Total component units			<u>\$ 1,940,000</u>	<u>\$ (100,000)</u>	<u>\$ 1,840,000</u>	<u>\$ 170,000</u>

City of Trenton, Michigan

Notes to Financial Statements June 30, 2012

Note 6 - Long-term Debt (Continued)

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.

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

Years Ending June 30	Governmental Activities			Business-type Activities			Component Unit Activities		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 660,305	\$ 64,343	\$ 724,648	\$ 2,778,288	\$ 877,857	\$ 3,656,145	\$ 170,000	\$ 77,793	\$ 247,793
2014	163,111	47,994	211,105	2,907,288	794,098	3,701,386	115,000	73,156	188,156
2015	164,238	41,129	205,367	2,967,925	706,831	3,674,756	125,000	67,996	192,996
2016	116,900	33,969	150,869	3,022,025	617,730	3,639,755	150,000	61,965	211,965
2017	115,900	28,744	144,644	3,068,025	529,459	3,597,484	155,000	55,158	210,158
2018-2022	652,702	67,566	720,268	15,061,995	1,332,830	16,394,825	845,000	164,748	1,009,748
2023-2027	-	-	-	2,568,164	85,796	2,653,960	280,000	10,240	290,240
Total	\$ 1,873,156	\$ 283,745	\$ 2,156,901	\$ 32,373,710	\$ 4,944,601	\$ 37,318,311	\$ 1,840,000	\$ 511,056	\$ 2,351,056

Total interest expense incurred by the City for the year approximated \$1,126,000.

Note 7 - 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, 2012, the City had deferred revenue related to grant monies received prior to meeting all eligibility requirements of \$569,669.

City of Trenton, Michigan

Notes to Financial Statements June 30, 2012

Note 7 - Deferred Revenue (Continued)

	Governmental Funds		
	Unavailable	Unearned	Total
Grant revenue	\$ -	\$ 569,669	\$ 569,669
S.I.N.C.	11,955	-	11,955
State-shared revenue	294,367	-	294,367
Total	\$ 306,322	\$ 569,669	\$ 875,991

Note 8 - Property Taxes

Property taxes for the City based on a taxable value of approximately \$714,000,000 are comprised of the following components:

	Firemen and Policemen Retirement System	Solid Waste	Operating	Other Tax Collection and Trailer Park Fees	Library Operating and Library Debt	Total Governmental Activities	Sewer Debt
Millage rate	1.5061	1.7057	14.1696	-	1.0767	18.4581	3.2918
Total	\$ 1,074,858	\$ 1,217,306	\$ 10,112,414	\$ 74,472	\$ 798,509	\$ 13,277,559	\$ 2,325,413

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 9 - Postemployment Benefits

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

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

Note 9 - Postemployment Benefits (Continued)

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 \$2,222,000; in addition, contributed \$109,794 into the Retiree Healthcare Trust Fund, which is reported in these financial statements as a pension and other employee benefit trust fund type.

Funding Progress - For the year ended June 30, 2012, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of June 30, 2009. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 28 years. This valuation's computed contribution and actual funding are summarized as follows:

Annual required contribution (recommended)	\$ 3,736,942
Interest on the prior year's net OPEB obligation	310,632
Less adjustment to the annual required contribution	<u>(248,411)</u>
Annual OPEB cost	3,799,163
Amounts contributed:	
Payments of current premiums	(2,222,190)
Advance funding	<u>(109,794)</u>
Increase in net OPEB obligation	1,467,179
OPEB obligation - Beginning of year	<u>3,882,898</u>
OPEB obligation - End of year	<u>\$ 5,350,077</u>

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

Fiscal Year Ended	Actuarial Valuation Date	Annual OPEB Costs	Percentage Contributed	Net OPEB Obligation
6/30/10	6/30/07	\$ 4,028,122	66 %	\$ 2,720,974
6/30/11	6/30/09	3,636,815	68 %	3,882,898
6/30/12	6/30/09	3,799,163	61 %	5,350,077

Note 9 - Postemployment Benefits (Continued)

The funding progress of the plan is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
6/30/07	\$ 2,282,504	\$ 52,452,466	\$ 50,169,962	4.4 %	\$ 6,247,984	803.0 %
6/30/09	3,491,180	48,794,058	45,302,878	7.2 %	5,486,642	825.7 %
6/30/11	5,275,630	79,845,428	74,569,798	6.6 %	5,071,911	1,470.3 %

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

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

In the June 30, 2011 actuarial valuation, the individual entry age actuarial cost method was used. The actuarial assumptions included a 4 percent investment rate of return (2007 and 2009 had used an 8 percent rate of return), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date. The actuarial valuation assumed an annual healthcare cost trend rate of 9.0 percent initially, reduced by decrements to an ultimate rate of 4.5 percent after 10 years. Both rates included a 4.5 percent inflation assumption. Actuarial gains and losses reduce (increase) the UAAL as they occur. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2011 was 26 years.

Note 10 - 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 \$125,000 per specific claim and approximately \$2,900,000 in aggregate claims.

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

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

	<u>2012</u>	<u>2011</u>
Estimated liability - Beginning of year	\$ 597,824	\$ 518,405
Estimated claims incurred, including changes in estimates and related administrative costs	4,407,355	4,527,761
Claim and related administrative payments	<u>(4,396,067)</u>	<u>(4,448,342)</u>
Estimated liability - End of year	<u>\$ 609,112</u>	<u>\$ 597,824</u>

Note 11 - 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.

Note 11 - Pension Plans (Continued)

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, 2011, the date of the most recent actuarial valuation, membership consisted of 105 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them, and 38 current active employees. The plan does not issue a separate financial report.

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, 2012, the City's annual pension cost of \$1,124,748 for the MERS plan, exclusive of \$89,635 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, 2010, 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 3 to 4 percent.

City of Trenton, Michigan

Notes to Financial Statements June 30, 2012

Note 11 - Pension Plans (Continued)

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

For the year ended June 30, 2012, the City's annual Firemen and Policemen Retirement System pension cost for the plan and its actual contribution, exclusive of \$156,323 of employee contributions, were equal to the City's \$1,116,778 required contribution. The annual required contribution was determined as part of an actuarial valuation at June 30, 2010, using the aggregate actuarial cost method. Significant actuarial assumptions used include (a) a 7.6 percent investment rate of return for 2011, graded to 7.0 percent in 2015 and thereafter, (b) projected salary increases of 3.7 percent to 11.5 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, 2011 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 an open basis. The remaining amortization period is 13 years.

Reserves - As of June 30, 2012, the plan's legally required reserves have been fully funded as follows:

Reserve for employees' contributions	\$ 4,053,923
Reserve for retiree benefit payments	41,166,171

Funded Status and Funding Progress

Three-year trend information is as follows:

	2010	2011	2012
Municipal Employees' Retirement System of Michigan:			
Annual pension costs (APC)	\$ 811,248	\$ 963,204	\$ 1,124,748
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -
Actuarial value of assets	\$ 29,440,388	\$ 29,031,469	\$ 29,031,469
Actuarial accrued liability (AAL)	\$ 42,791,925	\$ 42,594,672	\$ 42,594,672
Unfunded AAL (UAAL)	\$ 13,351,537	\$ 13,563,203	\$ 13,563,203
Funded ratio	69%	68%	68%
Covered payroll	\$ 2,383,312	\$ 2,190,662	\$ 2,190,662
UAAL as a percentage of covered payroll	560%	619%	619%

City of Trenton, Michigan

Notes to Financial Statements June 30, 2012

Note 11 - Pension Plans (Continued)

	2010	2011	2012
Firemen and Policemen Retirement System:			
Annual pension costs (APC)	\$ 485,174	\$ 801,113	\$ 1,116,778
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -
Actuarial value of assets	\$ 58,480,550	\$ 56,713,241	\$ 54,485,308
Actuarial accrued liability (AAL)	\$ 58,708,142	\$ 60,608,694	\$ 61,683,396
Unfunded AAL (UAAL)	\$ (227,592)	\$ (3,895,453)	\$ (7,198,088)
Funded ratio	99.6%	93.6%	88.3%
Covered payroll	\$ 3,892,915	\$ 3,295,980	\$ 3,295,980
UAAL as a percentage of covered payroll	5.8%	118%	218.4%

Defined Contribution Pension Plans

The majority of 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.

Subsequent to year end, the City opened the Firemen and Policemen Defined Benefit Pension Plan and all current and future police and fire employees are eligible to participate in the plan.

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 \$117,901 and \$152,996 during the current year and the employees contributed \$117,901 and \$76,498 during the current year for the General Employees' Plan and Fire Fighters and Police Officers Plan, respectively. The plans' assets, which aggregated \$4,569,319 at June 30, 2012, are held by an independent third-party administrator.

City of Trenton, Michigan

Notes to Financial Statements June 30, 2012

Note 12 - Pension and Other Employee Benefit Trust Funds

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

	Firemen and Policemen Retirement System Trust Fund	Retiree Health Care Trust Fund	Total
Statement of net assets:			
Cash and investments	\$ 47,640,678	\$ 5,352,124	\$ 52,992,802
Receivables	304,897	-	304,897
Total net assets	<u>\$ 47,945,575</u>	<u>\$ 5,352,124</u>	<u>\$ 53,297,699</u>
Statement of changes in net assets:			
Investment income	\$ (1,459,921)	\$ (28,225)	\$ (1,488,146)
Contributions	1,273,101	2,331,984	3,605,085
Benefit payments	(4,197,527)	(2,222,190)	(6,419,717)
Administrative expenses	<u>(25,527)</u>	<u>(5,075)</u>	<u>(30,602)</u>
Change in net assets	<u>\$ (4,409,874)</u>	<u>\$ 76,494</u>	<u>\$ (4,333,380)</u>

Note 13 - Downtown Development Authority Commitment

The Downtown Development Authority has committed to pay \$1,000,000 to the City of Trenton for city hall renovations made in 2009. The commitment will be paid to the City over a 10-year period in installments of \$100,000 per year. The payments will only be made if sufficient tax captures are available. The outstanding commitment at June 30, 2012 was \$700,000.

Note 14 - Joint Ventures

33rd District Court System

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

Note 14 - Joint Ventures (Continued)

The District Court receives its operating revenue principally through contributions from member communities. During the current year, the District Court returned approximately \$46,000 to the City, representing the City's share of the District Court's net activity. The City is unaware of any circumstances that would cause an additional financial benefit or burden to the participating governments in the near future, other than the fluctuation of case loads, which impacts the government's share of the District Court's expenses. Complete financial statements are available at the City offices.

Grosse Ile-Trenton Utilities Authority

The City is also a member of the Grosse Ile-Trenton Utilities Authority (the "Authority") joint venture. The Authority's governing body is composed of two appointees, one from each member of the joint venture. The Authority was established in order to provide an efficient means of acquiring and constructing water supply and sewage disposal systems and to extend use privileges to each other's residents when deemed appropriate by the communities. In 1999, the Authority issued \$4.7 million of bonds to fund system improvements. The City of Trenton, Michigan's share of bonds was 42.55 percent and is recorded in the Water and Sewer Fund. The activity of the Authority is limited to making debt service payments on the outstanding bonds. During the current year, the City paid \$138,287 of principal and \$42,518 of interest on its share of the bonds. The City is unaware of any circumstances that would cause an additional financial benefit or burden to the participating governments in the near future. The Authority does not issue separate financial statements but the accounting records are maintained by the Township of Grosse Ile.

Note 15 - Upcoming Accounting Pronouncements

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

Note 15 - Upcoming Accounting Pronouncements (Continued)

In December 2010, the GASB issue Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement incorporates into GASB literature certain accounting and financial reporting guidance issued on or before November 30, 1989 that is included in FASB statements and interpretations, APB opinions, and accounting research bulletins of the AICPA committee on accounting procedure. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the City's 2013 fiscal year.

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

In March 2012, the GASB issued GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which is required to be implemented for financial statements for periods beginning after December 15, 2012. Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources. Statement No. 65 will be implemented for the City's 2014 fiscal year.

In June 2012, GASB Statement No. 67, *Financial Reporting for Pension Plans*, was issued by the Governmental Accounting Standards Board. This new standard, which replaces the requirements of GASB Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, establishes standards for financial reporting that outline the basic framework for separately issued pension plan financial reports and specifies the required approach to measuring the liability of employer(s) and certain nonemployer contributing entities, about which information is required to be disclosed. GASB Statement No. 67 is required to be adopted for years beginning after June 15, 2013. For the City of Trenton, Michigan, this standard will be adopted for the year ending June 30, 2015.

Note 15 - Upcoming Accounting Pronouncements (Continued)

In June 2012, the GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This net pension liability that will be recorded on the government-wide, proprietary, and discretely presented component units statements will be computed differently than the current unfunded actuarial accrued liability, using specific parameters set forth by the GASB. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for financial statements for the year ending June 30, 2015.

Required Supplemental Information

City of Trenton, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2012

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Resources (Inflows)				
Property taxes	\$ 13,006,499	\$ 13,099,499	\$ 12,517,619	\$ (581,880)
Licenses and permits	310,200	330,200	375,106	44,906
State sources	1,651,500	1,876,500	1,877,769	1,269
Charges for services	1,050,181	1,135,781	1,149,666	13,885
Fines and forfeitures	350,000	280,000	328,310	48,310
Interest income	225,000	170,000	145,071	(24,929)
Other:				
Cable franchise fees	350,000	383,000	394,300	11,300
Other miscellaneous income	955,565	1,291,385	1,423,165	131,780
Total resources	17,898,945	18,566,365	18,211,006	(355,359)
Charges to Appropriations (Outflows)				
Current:				
General government:				
Mayor and Council	95,037	95,037	84,243	10,794
City administrator	401,711	401,711	391,199	10,512
City controller	335,338	335,338	330,950	4,388
City treasurer	104,833	108,433	106,460	1,973
City assessor	171,873	171,873	164,961	6,912
Board of Review	1,500	1,500	1,265	235
Clerk	222,293	223,293	221,456	1,837
Elections	57,847	40,347	37,131	3,216
Buildings and grounds	797,577	801,229	633,046	168,183
Attorney	187,000	187,000	164,044	22,956
District Court	420,000	420,000	415,862	4,138
Planning commission	31,111	35,611	37,009	(1,398)
Central office	287,000	295,700	298,717	(3,017)
Total general government	3,113,120	3,117,072	2,886,343	230,729
Public safety:				
Police department	3,778,657	3,800,477	3,736,952	63,525
Traffic safety commission	900	900	980	(80)
Fire department	3,343,117	3,343,117	3,291,239	51,878
Emergency	120,708	120,708	118,675	2,033
Animal control	89,190	89,190	83,958	5,232
Corrections department/jail	35,250	35,250	17,917	17,333
Building inspection	422,186	428,808	430,642	(1,834)
Civil defense	27,384	27,384	17,978	9,406
Crossing guards	64,623	67,123	69,571	(2,448)
Total public safety	7,882,015	7,912,957	7,767,912	145,045

City of Trenton, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2012

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Charges to Appropriations (Outflows)				
Current (Continued):				
Public works:				
City engineer	\$ 234,332	\$ 213,226	\$ 194,792	\$ 18,434
Sanitation	1,185,340	1,315,583	1,296,105	19,478
Street lighting	718,000	743,000	744,269	(1,269)
Department of Public Works	<u>761,827</u>	<u>795,425</u>	<u>792,881</u>	<u>2,544</u>
Total public works	2,899,499	3,067,234	3,028,047	39,187
Retiree benefits and other	3,023,391	3,039,513	3,037,333	2,180
Community and economic development	7,600	7,600	7,644	(44)
Recreation and culture:				
Cultural center	17,300	17,300	9,037	8,263
Parks department	412,847	390,159	342,346	47,813
Civic commission	16,340	16,340	14,198	2,142
Historical commission	5,725	5,725	4,066	1,659
Other commissions	3,740	3,740	2,046	1,694
Outdoor pool	<u>171,954</u>	<u>234,554</u>	<u>169,755</u>	<u>64,799</u>
Total recreation and culture	627,906	667,818	541,448	126,370
Debt service	<u>229,712</u>	<u>229,712</u>	<u>228,713</u>	<u>999</u>
Total expenditures	<u>17,783,243</u>	<u>18,041,906</u>	<u>17,497,440</u>	<u>544,466</u>
Excess of Revenue Over Expenditures	115,702	524,459	713,566	189,107
Face Value of Debt Issue	-	141,243	141,243	-
Other Financing Uses - Transfers out	<u>(115,702)</u>	<u>(665,702)</u>	<u>(665,702)</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 189,107</u>	<u>\$ 189,107</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, 2012

The schedule of funding progress for the 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
6/30/06	\$ 52,250,005	\$ 52,250,005	\$ -	100.0 %	\$ 4,066,424	- %
6/30/07	56,272,692	54,939,391	(1,333,301)	102.4	3,646,192	(36.6)
6/30/08	59,293,847	57,069,715	(2,224,132)	103.9	3,872,581	(57.4)
6/30/09	58,480,550	58,708,142	227,592	99.6	3,892,915	5.8
6/30/10	56,713,241	60,608,694	3,895,453	93.6	3,295,980	118.2
6/30/11	54,485,308	61,683,396	7,198,088	88.3	2,881,249	249.8

* 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
6/30/07	6/30/05	\$ 1,100,318	100.0 %
6/30/08	6/30/06	838,615	100.0
6/30/09	6/30/07	455,199	100.0
6/30/10	6/30/08	485,174	100.0
6/30/11	6/30/09	801,113	100.0
6/30/12	6/30/10	1,116,778	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, 2011, the latest actuarial valuation for the Firemen and Policemen Retirement System, is as follows:

Firemen and Policemen Retirement System

Actuarial cost method	Entry age actuarial cost method
Amortization method	Level dollar over a closed 13-year period
Asset valuation method	Five-year smoothed market
Actuarial assumptions:	
Investment rate of return*	7.45% for 2011, graded to 7.0% in 2015 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, 2012

Budgetary Information - A reconciliation of the budgetary comparison schedules to the fund-based statement of changes in fund balance is as follows:

	<u>Total Revenue</u>	<u>Total Expenditures</u>
City of Trenton, Michigan:		
Amounts per operating statement	\$ 18,220,507	\$ 17,683,179
Severance Pay Fund	<u>(9,501)</u>	<u>(185,739)</u>
Amounts per budget statement	<u>\$ 18,211,006</u>	<u>\$ 17,497,440</u>

The General Fund transferred \$205,000 to the Severance Pay Fund.

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

Other Supplemental Information

City of Trenton, Michigan

	Special Revenue Funds					
	Major Roads	Local Roads	Community Development Block Grant	Special Projects	Grant	Library
Assets						
Cash and investments	\$ 119,799	\$ 162,603	\$ 18,242	\$ 647,898	\$ 584,606	\$ 343,652
Receivables:						
Property taxes receivable	-	-	-	-	-	1,796
Other receivables	-	-	4,314	-	12,595	61,441
Due from other governmental units	113,611	48,648	-	-	-	-
Total assets	\$ 233,410	\$ 211,251	\$ 22,556	\$ 647,898	\$ 597,201	\$ 406,889
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 3,968	\$ 2,262	\$ 900	\$ 5,609	\$ 700	\$ 69,990
Due to other governmental units	-	-	-	-	-	7,624
Accrued liabilities and other	1,263	1,086	-	-	622	329
Deferred revenue	-	-	18,826	-	550,843	-
Total liabilities	5,231	3,348	19,726	5,609	552,165	77,943
Fund Balances						
Restricted:						
Major and local streets	228,179	207,903	-	-	-	-
Grant operations	-	-	2,830	-	45,036	-
Library debt	-	-	-	-	-	90,110
S.I.N.C. operations	-	-	-	-	-	-
Committed:						
Special projects	-	-	-	642,289	-	-
Library	-	-	-	-	-	238,836
Assigned - Capital projects	-	-	-	-	-	-
Total fund balances	228,179	207,903	2,830	642,289	45,036	328,946
Total liabilities and fund balances	\$ 233,410	\$ 211,251	\$ 22,556	\$ 647,898	\$ 597,201	\$ 406,889

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012**

Special Revenue Funds	Capital Projects Fund	Total Nonmajor Governmental Funds
S.I.N.C.	Fund	Funds
\$ 257,969	\$ 385,560	\$ 2,520,329
-	-	1,796
51,226	1,106	130,682
-	-	162,259
\$ 309,195	\$ 386,666	\$ 2,815,066

\$ 8,600	\$ -	\$ 92,029
-	-	7,624
-	-	3,300
11,955	-	581,624
20,555	-	684,577
-	-	436,082
-	-	47,866
-	-	90,110
288,640	-	288,640
-	-	642,289
-	-	238,836
-	386,666	386,666
288,640	386,666	2,130,489
\$ 309,195	\$ 386,666	\$ 2,815,066

City of Trenton, Michigan

	Special Revenue Funds					
	Major Roads	Local Roads	Community Development Block Grant	Special Projects	Grant	Library
Revenue						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 759,941
Federal grants	-	-	64,980	-	205,099	-
State-shared revenue and grants	687,364	294,709	-	-	83,902	-
Charges for services	-	-	-	-	15,594	-
Fines and forfeitures	-	-	-	-	-	-
Investment income	2,882	2,382	71	5,110	464	6,990
Other revenue:						
Local donations	-	-	-	15,157	-	-
Other miscellaneous income	47,235	-	-	368,379	4,242	95,640
Total revenue	737,481	297,091	65,051	388,646	309,301	862,571
Expenditures						
Current:						
Public safety	-	-	-	-	118,688	-
Public works	373,881	859,556	-	-	-	-
Community and economic development	-	-	65,051	345,855	-	-
Recreation and culture	-	-	-	-	80,635	395,695
Capital outlay	-	-	-	-	75,551	-
Debt service	-	-	-	-	-	427,300
Total expenditures	373,881	859,556	65,051	345,855	274,874	822,995
Excess of Revenue Over (Under) Expenditures	363,600	(562,465)	-	42,791	34,427	39,576
Other Financing Sources (Uses)						
Transfers in	-	325,000	-	-	-	-
Transfers out	(325,000)	-	-	-	-	-
Total other financing (uses) sources	(325,000)	325,000	-	-	-	-
Net Change in Fund Balances	38,600	(237,465)	-	42,791	34,427	39,576
Fund Balances - Beginning of year	189,579	445,368	2,830	599,498	10,609	289,370
Fund Balances - End of year	\$ 228,179	\$ 207,903	\$ 2,830	\$ 642,289	\$ 45,036	\$ 328,946

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes in
Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2012

Special Revenue Funds	Capital Projects Fund	Total Nonmajor Governmental Funds
S.I.N.C.	Fund	Funds
\$ -	\$ -	\$ 759,941
-	-	270,079
-	-	1,065,975
-	-	15,594
115,269	-	115,269
3,067	5,318	26,284
-	-	15,157
<u>115,222</u>	<u>26,715</u>	<u>657,433</u>
233,558	32,033	2,925,732
181,678	-	300,366
-	-	1,233,437
-	46,298	457,204
-	720	477,050
-	-	75,551
-	-	427,300
<u>181,678</u>	<u>47,018</u>	<u>2,970,908</u>
51,880	(14,985)	(45,176)
-	-	325,000
-	-	(325,000)
<u>-</u>	<u>-</u>	<u>-</u>
51,880	(14,985)	(45,176)
<u>236,760</u>	<u>401,651</u>	<u>2,175,665</u>
<u>\$ 288,640</u>	<u>\$ 386,666</u>	<u>\$ 2,130,489</u>

City of Trenton, Michigan

Other Supplemental Information Combining Statement of Net Assets Internal Service Funds June 30, 2012

	Motor Vehicle Pool Fund	Self-insurance Fund	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 450,749	\$ 2,780,431	\$ 3,231,180
Inventories	179,517	-	179,517
Prepaid expenses and other assets	2,291	494,301	496,592
Total current assets	632,557	3,274,732	3,907,289
Noncurrent assets - Capital assets	1,659,909	-	1,659,909
Total assets	2,292,466	3,274,732	5,567,198
Liabilities			
Current liabilities:			
Accounts payable	22,157	5,031	27,188
Accrued liabilities and other	3,226	609,112	612,338
Current portion of compensated absences	15,004	-	15,004
Total current liabilities	40,387	614,143	654,530
Noncurrent liabilities - Long-term portion of compensated absences	34,584	-	34,584
Total liabilities	74,971	614,143	689,114
Net Assets			
Invested in capital assets	1,659,909	-	1,659,909
Unrestricted	557,586	2,660,589	3,218,175
Total net assets	\$ 2,217,495	\$ 2,660,589	\$ 4,878,084

City of Trenton, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenses, and Changes in Net Assets Internal Service Funds Year Ended June 30, 2012

	Motor Vehicle Pool Fund	Self-insurance Fund	Total
Operating Revenue			
Charges for services	\$ 992,001	\$ 4,695,661	\$ 5,687,662
Other	2,163	153,744	155,907
Total operating revenue	994,164	4,849,405	5,843,569
Operating Expenses			
Insurance, claims, and other	-	4,478,824	4,478,824
Operating costs	846,385	-	846,385
Depreciation	270,921	-	270,921
Total operating expenses	1,117,306	4,478,824	5,596,130
Operating (Loss) Income	(123,142)	370,581	247,439
Nonoperating Revenue			
Investment income	6,287	38,323	44,610
Gain on disposal of capital assets	22,337	-	22,337
Capital Contributions - Other capital contributions	261,631	-	261,631
Change in Net Assets	167,113	408,904	576,017
Net Assets - Beginning of year	2,050,382	2,251,685	4,302,067
Net Assets - End of year	<u>\$ 2,217,495</u>	<u>\$ 2,660,589</u>	<u>\$ 4,878,084</u>

City of Trenton, Michigan

Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds Year Ended June 30, 2012

	Motor Vehicle Pool Fund	Self-insurance Fund	Total
Cash Flows from Operating Activities			
Receipts from customers	\$ 994,164	\$ 4,849,405	\$ 5,843,569
Payments to suppliers	(562,956)	-	(562,956)
Payments to employees	(314,660)	-	(314,660)
Claims paid	-	(4,823,862)	(4,823,862)
Net cash provided by operating activities	116,548	25,543	142,091
Cash Flows from Capital and Related Financing Activities			
Proceeds from sales of capital assets	18,006	-	18,006
Purchase of capital assets	(155,478)	-	(155,478)
Net cash used in capital and related financing activities	(137,472)	-	(137,472)
Cash Flows from Investing Activities -			
Interest received on investments	6,287	38,323	44,610
Net (Decrease) Increase in Cash and Cash Equivalents	(14,637)	63,866	49,229
Cash and Cash Equivalents - Beginning of year	465,386	2,716,565	3,181,951
Cash and Cash Equivalents - End of year	\$ 450,749	\$ 2,780,431	\$ 3,231,180
Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities			
Operating (loss) income	\$ (123,142)	\$ 370,581	\$ 247,439
Adjustments to reconcile operating (loss) income to net cash from operating activities:			
Depreciation and amortization	270,921	-	270,921
Changes in assets and liabilities:			
Inventories	(9,007)	-	(9,007)
Prepaid and other assets	694	(357,549)	(356,855)
Accounts payable	(24,305)	3,703	(20,602)
Accrued and other liabilities	1,387	8,808	10,195
Net cash provided by operating activities	\$ 116,548	\$ 25,543	\$ 142,091

City of Trenton, Michigan

	Pension Trust Funds		
	Firemen and Policemen Retirement System	Retiree Health Care	Total Pension Trust Funds
Assets			
Cash and cash equivalents	\$ 1,318,366	\$ 184,952	\$ 1,503,318
Investments	46,322,312	5,167,172	51,489,484
Receivables	304,897	-	304,897
Total assets	47,945,575	5,352,124	53,297,699
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	\$ 47,945,575	\$ 5,352,124	\$ 53,297,699

**Other Supplemental Information
Combining Statement of Assets and Liabilities
Fiduciary Funds
June 30, 2012**

Agency Funds

General Cash Fund	Escrow Fund	Tax Receiving Fund	Subtotal	Eliminations	Total Agency Funds
\$ 2,933,785	\$ 49,992	\$ 246,008	\$ 3,229,785	\$ (2,933,785)	\$ 296,000
15,491,007	-	-	15,491,007	(15,491,007)	-
40,080	-	17,941	58,021	(40,080)	17,941
\$ 18,464,872	\$ 49,992	\$ 263,949	\$ 18,778,813	\$ (18,464,872)	\$ 313,941
\$ 911,997	\$ -	\$ -	\$ 911,997	\$ (911,997)	\$ -
17,295,351	-	-	17,295,351	(17,295,351)	-
257,524	-	263,949	521,473	(257,524)	263,949
-	49,992	-	49,992	-	49,992
\$ 18,464,872	\$ 49,992	\$ 263,949	\$ 18,778,813	\$ (18,464,872)	\$ 313,941

City of Trenton, Michigan

Other Supplemental Information Combining Statement of Changes in Net Assets Fiduciary Funds Year Ended June 30, 2012

	Firemen and Policemen Retirement System	Retiree Health Care	Total
	<u> </u>	<u> </u>	<u> </u>
Additions			
Investment income:			
Interest and dividends	\$ 1,938,564	\$ -	\$ 1,938,564
Net decrease in fair value of investments	(3,176,146)	(28,225)	(3,204,371)
Less investment expenses	<u>(222,339)</u>	<u>-</u>	<u>(222,339)</u>
Net investment income	(1,459,921)	(28,225)	(1,488,146)
Contributions:			
Employer	1,116,778	2,331,984	3,448,762
Employee	<u>156,323</u>	<u>-</u>	<u>156,323</u>
Total contributions	<u>1,273,101</u>	<u>2,331,984</u>	<u>3,605,085</u>
Total additions - Net	(186,820)	2,303,759	2,116,939
Deductions			
Benefit payments	4,197,527	2,222,190	6,419,717
Administrative expenses	<u>25,527</u>	<u>5,075</u>	<u>30,602</u>
Total deductions	<u>4,223,054</u>	<u>2,227,265</u>	<u>6,450,319</u>
Net (Decrease) Increase in Net Assets Held in Trust	(4,409,874)	76,494	(4,333,380)
Net Assets - Beginning of year	<u>52,355,449</u>	<u>5,275,630</u>	<u>57,631,079</u>
Net Assets - End of year	<u><u>\$ 47,945,575</u></u>	<u><u>\$ 5,352,124</u></u>	<u><u>\$ 53,297,699</u></u>