

# **City of Trenton, Michigan**

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## **Financial Report with Supplemental Information June 30, 2013**

# City of Trenton, Michigan

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# City of Trenton, Michigan

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## Independent Auditor's Report

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Trenton, Michigan (the "City") as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the City of Trenton, Michigan's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion 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 from material misstatement.

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

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

### ***Opinion***

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, 2013 and the respective changes in its financial position and, where applicable, cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

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

**Other Matters**

*Required Supplemental Information*

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

*Other Information*

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

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

*Plante & Moran, PLLC*

October 16, 2013

# 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, 2013. 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, 2013:

- Operating revenues, net of transfers, were \$90,000 higher than budgeted revenues. Building and engineering revenues and franchise fees exceeded budget by \$67,000 and \$57,000, respectively. Outdoor recreation activity revenues were under budget by \$47,000. Budgeted revenues included a \$55,000 use of fund balance.
- Property taxes are the City's largest source of revenue. This revenue has been affected by another \$44.0 million drop in the real property values, which is in addition to the \$109 million decrease in the previous four fiscal years. At the former City millage rate of 21.75 mills, this equates to approximately \$3,328,000 in annual loss of tax revenue. The millage rate was increased 3.166, for a total millage of 24.916.
- The City has historically been conservative and continuously monitors discretionary spending, which resulted in an increase of \$340,000 to the fund balance of the General Fund.
- Total net position related to the City's governmental activities decreased by approximately (\$72,000) and business-type activities increased by approximately \$1,460,000.

### Using this Annual Report

This annual report consists of a series of financial statements. The statement of net position 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 position as of June 30, 2013 and 2012 (in thousands of dollars):

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
<b>Assets</b>						
Current assets	\$ 15,497	\$ 14,720	\$ 8,383	\$ 7,278	\$ 23,880	\$ 21,998
Capital assets	21,268	22,151	52,655	55,106	73,923	77,257
Other noncurrent assets	65	65	-	-	65	65
Total assets	36,830	36,936	61,038	62,384	97,868	99,320
<b>Liabilities</b>						
Current liabilities	3,050	4,546	3,680	3,613	6,730	8,159
Long-term liabilities	9,166	7,704	26,781	29,654	35,947	37,358
Total liabilities	12,216	12,250	30,461	33,267	42,677	45,517
<b>Net Position</b>						
Net investment in capital assets	20,096	20,324	23,224	22,914	43,320	43,238
Restricted	1,556	863	2,465	1,614	4,021	2,477
Unrestricted	2,962	3,499	4,888	4,589	7,850	8,088
Total net position	<u>\$ 24,614</u>	<u>\$ 24,686</u>	<u>\$ 30,577</u>	<u>\$ 29,117</u>	<u>\$ 55,191</u>	<u>\$ 53,803</u>

The City's combined net position increased 2.6 percent or approximately \$1,388,000 from a year ago, increasing from \$53,803,000 to \$55,191,000. Governmental activities decreased (0.3) percent or (\$72,000). Business-type activities increased 5.0 percent or \$1,460,000.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations - decreased by (\$537,000) for governmental activities. This represents a decrease of (15) percent.

# City of Trenton, Michigan

## Management's Discussion and Analysis (Continued)

The following table shows the changes in net position during the years ended June 30, 2013 and 2012 (in thousands of dollars):

	Governmental		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 3,535	\$ 3,157	\$ 8,692	\$ 8,883	\$ 12,227	\$ 12,040
Operating grants and contributions	1,303	1,215	-	-	1,303	1,215
Capital grants and contributions	262	55	3	237	265	292
General revenue:						
Property taxes	14,230	13,094	2,201	2,325	16,431	15,419
State-shared revenue	1,845	1,800	-	-	1,845	1,800
Unrestricted investment earnings	84	181	33	53	117	234
Other	47	1,481	266	302	313	1,783
Transfers and other (expense) revenue	(313)	(461)	313	461	-	-
Total revenue	20,993	20,522	11,508	12,261	32,501	32,783
<b>Program Expenses</b>						
General government	3,026	3,026	-	-	3,026	3,026
Public safety	10,533	10,447	-	-	10,533	10,447
Public works	4,855	5,595	-	-	4,855	5,595
Community and economic development	63	145	-	-	63	145
Recreation and culture	2,511	2,211	-	-	2,511	2,211
Interest on long-term debt	77	108	-	-	77	108
Enterprise	-	-	10,048	9,746	10,048	9,746
Total program expenses	21,065	21,532	10,048	9,746	31,113	31,278
<b>Change in Net Position</b>	<b>\$ (72)</b>	<b>\$ (1,010)</b>	<b>\$ 1,460</b>	<b>\$ 2,515</b>	<b>\$ 1,388</b>	<b>\$ 1,505</b>

### Governmental Activities

The City's governmental revenues increased by approximately \$471,000 in the current year. This was mainly due to a 3.17 increase in the millage assessed on taxable values. The City's governmental expenses decreased \$467,000 or 2.2 percent.

### Business-type Activities

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



# City of Trenton, Michigan

## Management's Discussion and Analysis (Continued)

The combined water and sewer rate was increased \$0.26 or 2.8 percent from \$9.24 to \$9.50 for fiscal year 2012-2013. Utility sales were up approximately 7.6 percent from the previous year. Water loss is minimal at 3.5 percent in 2012-2013, 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 \$1.83 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 increased \$341,000 from the previous year. This was due to a rate increase from Detroit water and sewer and other utility costs.

### **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 2012-2013 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 \$7,699,620 or 44.8 percent of General Fund expenditures in fiscal year 2012-2013, exclusive of other financing sources and uses. Public works is the second most significant expenditure category at \$2,787,231 or 16.2 percent of General Fund expenditures, exclusive of other financing sources and uses. These services are almost solely supported by property taxes.

The ordinary operating costs of the City's General Fund, excluding capital outlay and debt service, decreased from the previous year by \$497,125. Some of the factors contributing to the decrease were negotiated changes to pension and healthcare benefits.

### **General Fund Budgetary Highlights**

- The original budget included a \$200,000 use of fund balance. Due to the negotiated changes in employee benefits, this was not necessary and the budget was amended accordingly.
- The fiscal year did end with a positive result of \$339,000. Due to the continuing reduction of the City's workforce through attrition and careful spending, cost containments were realized by most departments. The amended budgeted expenditures of \$17,933,396 were underspent by \$249,559.

# **City of Trenton, Michigan**

## **Management's Discussion and Analysis (Continued)**

### **Capital Asset and Debt Administration**

As of June 30, 2013, the City had approximately \$32.5 million in outstanding debt. Of this debt, \$23.8 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 \$74.5 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 \$76.5 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 \$270,000 in street and sidewalk repairs, a \$158,000 upgrade to the police dispatch center, and \$25,000 in park upgrades. Major capital equipment purchases were \$135,000 in police vehicles.

### **Economic Factors and Next Year's Budgets and Rates**

The City has experienced a minor increase of 3.8 percent in residential property values. 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 2013-2014 General Fund operating budget was increased by \$405,000, or 2.2 percent, from \$18,043,674 to \$18,449,192. The City's overall millage rate was reduced by 0.165 mils, from 24.916 mils to 24.751 mils. The millage rate supports the operating budgets of the General and Library Funds and sewer debt.

Home sales are improving, which has led to an increase in building-type fees. The City's fire department workforce was increased due to a federal grant award. All labor contracts were successfully negotiated for two years.

As of July 1, 2013, the water and sewer rate will increase \$0.31, from \$9.50 to \$9.81 per thousand gallons of water purchased. This is a 3.2 percent increase from the previous year. The utility rate supports the operations, maintenance, and upgrades to the City water and sewer lines and the wastewater treatment plant.

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

# **City of Trenton, Michigan**

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## **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 Position June 30, 2013

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and investments (Note 3)	\$ 12,721,828	\$ 5,978,075	\$ 18,699,903	\$ 913,358
Receivables:				
Taxes	71,348	311,327	382,675	-
Customers	-	1,857,426	1,857,426	-
Other	780,673	-	780,673	-
Due from other governmental units	770,838	-	770,838	-
Due from component units	65,000	-	65,000	-
Inventory	317,584	226,042	543,626	-
Prepaid expenses and other assets	242,630	9,754	252,384	-
Investment in joint ventures (Note 14)	592,060	-	592,060	-
Capital assets - Net (Note 4):				
Assets not subject to depreciation	2,603,628	76,455	2,680,083	-
Assets subject to depreciation	18,664,267	52,578,452	71,242,719	2,664,355
Total assets	36,829,856	61,037,531	97,867,387	3,577,713
<b>Liabilities</b>				
Accounts payable	504,409	370,565	874,974	15,249
Due to primary government	-	-	-	65,000
Accrued liabilities and other	954,009	244,738	1,198,747	33,302
Deferred revenue (Note 7)	324,660	-	324,660	-
Noncurrent liabilities:				
Due within one year:				
Compensated absences (Note 6)	1,108,323	175,903	1,284,226	-
Current portion of long-term debt (Note 6)	158,549	2,889,038	3,047,587	115,000
Due in more than one year:				
Compensated absences (Note 6)	1,273,373	238,654	1,512,027	-
Net OPEB obligation (Note 9)	6,879,367	-	6,879,367	-
Long-term debt (Note 6)	1,013,237	26,542,133	27,555,370	1,555,000
Total liabilities	12,215,927	30,461,031	42,676,958	1,783,551
<b>Net Position</b>				
Net investment in capital assets	20,096,109	23,223,736	43,319,845	994,355
Restricted for:				
Major and local streets	631,108	-	631,108	-
Grant operations	38,488	-	38,488	-
Library operations	98,078	-	98,078	-
S.I.N.C. operations	374,554	-	374,554	-
Police	193,410	-	193,410	-
Fire	193,410	-	193,410	-
Capital charges	-	2,465,092	2,465,092	-
Refuse	27,428	-	27,428	-
Unrestricted	2,961,344	4,887,672	7,849,016	799,807
Total net position	<u>\$ 24,613,929</u>	<u>\$ 30,576,500</u>	<u>\$ 55,190,429</u>	<u>\$ 1,794,162</u>

# City of Trenton, Michigan

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 3,026,199	\$ 1,269,725	\$ 7,548	\$ -
Public safety	10,533,435	1,492,826	181,339	221,721
Public works	4,855,028	229,959	991,781	-
Community and economic development	62,808	-	37,347	-
Recreation and culture	2,511,288	542,112	84,799	40,266
Interest on long-term debt	76,273	-	-	-
Total governmental activities	21,065,031	3,534,622	1,302,814	261,987
Business-type activities:				
Water and sewer	8,409,474	7,484,824	-	-
Recreation	1,638,660	1,206,967	-	3,332
Total business-type activities	10,048,134	8,691,791	-	3,332
Total primary government	<u>\$ 31,113,165</u>	<u>\$ 12,226,413</u>	<u>\$ 1,302,814</u>	<u>\$ 265,319</u>
Component units	<u>\$ 483,681</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenue:				
Property taxes				
State-shared revenue				
Investment income				
Other miscellaneous income				
Total general revenue				
<b>Transfers</b>				
<b>Change in Net Position</b>				
<b>Net Position - Beginning of year</b>				
<b>Net Position - End of year</b>				

**Statement of Activities  
Year Ended June 30, 2013**

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (1,748,926)	\$ -	\$ (1,748,926)	\$ -
(8,637,549)	-	(8,637,549)	-
(3,633,288)	-	(3,633,288)	-
(25,461)	-	(25,461)	-
(1,844,111)	-	(1,844,111)	-
(76,273)	-	(76,273)	-
(15,965,608)	-	(15,965,608)	-
-	(924,650)	(924,650)	-
-	(428,361)	(428,361)	-
-	(1,353,011)	(1,353,011)	-
(15,965,608)	(1,353,011)	(17,318,619)	-
-	-	-	(483,681)
14,230,134	2,200,786	16,430,920	486,327
1,845,286	-	1,845,286	-
84,211	33,387	117,598	9,644
47,463	265,000	312,463	-
16,207,094	2,499,173	18,706,267	495,971
(313,488)	313,488	-	-
(72,002)	1,459,650	1,387,648	12,290
24,685,931	29,116,850	53,802,781	1,781,872
<b>\$ 24,613,929</b>	<b>\$ 30,576,500</b>	<b>\$ 55,190,429</b>	<b>\$ 1,794,162</b>

# City of Trenton, Michigan

## Governmental Funds Balance Sheet June 30, 2013

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Cash and cash equivalents (Note 3)	\$ 6,341,494	\$ 2,734,491	\$ 9,075,985
Receivables:			
Taxes	68,718	2,630	71,348
Other	464,317	271,709	736,026
Due from other governmental units	606,625	164,213	770,838
Advance to Brownfield	65,000	-	65,000
Inventory	108,748	-	108,748
Prepaid expenses and other assets	16,773	-	16,773
	<u>\$ 7,671,675</u>	<u>\$ 3,173,043</u>	<u>\$ 10,844,718</u>
Total assets			
<b>Liabilities</b>			
Accounts payable	\$ 226,042	\$ 110,193	\$ 336,235
Accrued liabilities and other	220,526	17,588	238,114
Deferred revenue (Note 7)	308,910	324,660	633,570
	<u>755,478</u>	<u>452,441</u>	<u>1,207,919</u>
Total liabilities			
<b>Fund Balances</b>			
Nonspendable:			
Inventory	108,748	-	108,748
Prepays	16,773	-	16,773
Long-term advance	65,000	-	65,000
Restricted:			
Major and local streets	-	631,108	631,108
Police	193,410	-	193,410
Fire	193,410	-	193,410
Grant operations	-	38,488	38,488
Library debt	-	98,078	98,078
S.I.N.C. operations	-	374,554	374,554
Refuse	27,428	-	27,428
Committed:			
Compensated absences liability	752,484	-	752,484
Special projects	-	715,593	715,593
Library	-	261,209	261,209
Assigned:			
Equipment	1,000,000	-	1,000,000
Capital projects	1,200,000	601,572	1,801,572
Postretirement benefits	1,000,000	-	1,000,000
Defined benefit pension	1,000,000	-	1,000,000
Compensated absences liability	437,268	-	437,268
Reserve for subsequent years' budget	300,000	-	300,000
Reserve for personal and industrial tax reductions	500,000	-	500,000
Unassigned	121,676	-	121,676
	<u>6,916,197</u>	<u>2,720,602</u>	<u>9,636,799</u>
Total fund balances			
	<u>\$ 7,671,675</u>	<u>\$ 3,173,043</u>	<u>\$ 10,844,718</u>
Total liabilities and fund balances			

# City of Trenton, Michigan

## Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position June 30, 2013

<b>Fund Balance Reported in Governmental Funds</b>	\$ 9,636,799
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	19,720,396
Investments in joint ventures are not financial resources and are not reported in the funds	592,060
State-shared revenue receivables not collected within 60 days are not reported in the funds	308,910
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(1,171,786)
Net other postemployment benefit liability not recorded in the modified accrual statements	(6,879,367)
Interest expense incurred but not paid	(13,980)
Compensated absences and uninsured claims are included as a liability in governmental activities	(2,315,467)
Other liabilities are not due and payable in the current period and are not reported in the funds	(219,600)
Internal service funds are included as part of governmental activities	4,955,964
<b>Net Position of Governmental Activities</b>	<b><u>\$ 24,613,929</u></b>



# City of Trenton, Michigan

## Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2013

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenue</b>			
Property taxes	\$ 13,386,872	\$ 879,562	\$ 14,266,434
Licenses and permits	437,215	-	437,215
Federal grants	-	286,586	286,586
State sources	1,830,743	1,289,325	3,120,068
Charges for services	1,313,439	20,667	1,334,106
Fines and forfeitures	403,042	116,591	519,633
Interest income	67,410	16,801	84,211
Other	589,121	690,900	1,280,021
Total revenue	18,027,842	3,300,432	21,328,274
<b>Expenditures</b>			
General government	2,750,140	-	2,750,140
Public safety	7,699,620	664,352	8,363,972
Public works	2,787,231	847,327	3,634,558
Retiree benefits and other	3,027,258	-	3,027,258
Community and economic development	-	426,593	426,593
Recreation and culture	693,090	462,297	1,155,387
Debt service	214,695	509,750	724,445
Total expenditures	17,172,034	2,910,319	20,082,353
<b>Excess of Revenue Over Expenditures</b>	855,808	390,113	1,245,921
<b>Other Financing Sources (Uses)</b>			
Transfers in (Note 5)	-	535,000	535,000
Transfers out (Note 5)	(513,488)	(335,000)	(848,488)
Total other financing (uses) sources	(513,488)	200,000	(313,488)
<b>Net Change in Fund Balances</b>	342,320	590,113	932,433
<b>Fund Balances - Beginning of year</b>	6,573,877	2,130,489	8,704,366
<b>Fund Balances - End of year</b>	<u>\$ 6,916,197</u>	<u>\$ 2,720,602</u>	<u>\$ 9,636,799</u>

# City of Trenton, Michigan

## Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2013

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$ 932,433
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	626,453
Depreciation expense	(1,388,661)
Net book value of assets disposed of	(8,822)
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	2,588
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)	655,744
Change in net other postemployment benefits liability	(1,529,290)
Change in accrued interest	7,077
Decrease in accumulated employee sick and vacation pay is recorded in the statement of activities	8,791
Net change in investment in joint venture reported in the statement of activities does not provide current financial resources and is not reported as revenue in the governmental funds	592,060
Increase in property tax claims is recorded when incurred in the statement of activities	(48,255)
Internal service funds are included as part of governmental activities	<u>77,880</u>
<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ (72,002)</u></b>

# City of Trenton, Michigan

## Proprietary Funds Statement of Net Position June 30, 2013

	Major Business-type Activities			Governmental Activities
	Enterprise - Water and Sewer	Enterprise - Recreation	Total Enterprise Funds	Internal Service Funds
<b>Assets</b>				
Current assets:				
Cash and cash equivalents (Note 3)	\$ 5,933,673	\$ 44,402	\$ 5,978,075	\$ 3,645,843
Receivables:				
Taxes	311,327	-	311,327	-
Customers	1,806,963	50,463	1,857,426	-
Other receivables	-	-	-	44,647
Inventory	224,146	1,896	226,042	208,836
Prepaid expenses and other assets	4,689	5,065	9,754	225,857
Total current assets	<u>8,280,798</u>	<u>101,826</u>	<u>8,382,624</u>	<u>4,125,183</u>
Noncurrent assets - Capital assets (Note 4):				
Assets not subject to depreciation	76,455	-	76,455	-
Assets subject to depreciation	47,585,326	4,993,126	52,578,452	1,547,499
Total assets	<u>55,942,579</u>	<u>5,094,952</u>	<u>61,037,531</u>	<u>5,672,682</u>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	342,251	28,314	370,565	168,174
Accrued liabilities and other	181,811	62,927	244,738	482,315
Compensated absences (Note 6)	173,314	2,589	175,903	27,893
Current portion of long-term debt (Note 6)	2,388,288	500,750	2,889,038	-
Total current liabilities	<u>3,085,664</u>	<u>594,580</u>	<u>3,680,244</u>	<u>678,382</u>
Noncurrent liabilities:				
Compensated absences (Note 6)	236,029	2,625	238,654	38,336
Long-term debt (Note 6)	22,159,636	4,382,497	26,542,133	-
Total noncurrent liabilities	<u>22,395,665</u>	<u>4,385,122</u>	<u>26,780,787</u>	<u>38,336</u>
Total liabilities	<u>25,481,329</u>	<u>4,979,702</u>	<u>30,461,031</u>	<u>716,718</u>
<b>Net Position</b>				
Net investment in capital assets	23,113,857	109,879	23,223,736	1,547,499
Restricted - Capital charges (Note 1)	2,465,092	-	2,465,092	-
Unrestricted	4,882,301	5,371	4,887,672	3,408,465
Total net position	<u>\$ 30,461,250</u>	<u>\$ 115,250</u>	<u>\$ 30,576,500</u>	<u>\$ 4,955,964</u>

# City of Trenton, Michigan

## Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position Year Ended June 30, 2013

	Major Business-type Activities			Governmental
	Enterprise -	Enterprise -	Total	Activities
	Water and Sewer		Enterprise Recreation	Enterprise Funds
<b>Operating Revenue</b>				
Sale of water	\$ 2,658,561	\$ -	\$ 2,658,561	\$ -
Sewage disposal charges	3,338,392	-	3,338,392	-
Charges for services	-	1,206,967	1,206,967	5,467,840
Other	214,942	-	214,942	103,667
Total operating revenue	6,211,895	1,206,967	7,418,862	5,571,507
<b>Operating Expenses</b>				
Cost of water	1,528,167	-	1,528,167	-
Cost of sewage disposal	2,981,956	-	2,981,956	-
Insurance, claims, and other	-	-	-	4,491,789
Transportation and distribution	1,100,763	-	1,100,763	-
Cost of recreation activity	-	831,221	831,221	-
Operating costs	-	-	-	895,637
Depreciation	2,146,834	563,920	2,710,754	262,091
Total operating expenses	7,757,720	1,395,141	9,152,861	5,649,517
<b>Operating Loss</b>	(1,545,825)	(188,174)	(1,733,999)	(78,010)
<b>Nonoperating Revenue (Expenses)</b>				
Property tax revenue	2,200,786	-	2,200,786	-
Investment income	33,387	-	33,387	21,071
Interest expense	(633,431)	(243,519)	(876,950)	-
Loss on disposal of capital assets	(18,323)	-	(18,323)	-
Customer capital charges	1,272,929	-	1,272,929	-
Contribution from Downtown Development Authority (DDA)	265,000	-	265,000	-
Total nonoperating revenue (expenses)	3,120,348	(243,519)	2,876,829	21,071
<b>Income (Loss) - Before contributions</b>	1,574,523	(431,693)	1,142,830	(56,939)
<b>Capital Contributions</b>	-	3,332	3,332	134,819
<b>Transfers In</b>	-	313,488	313,488	-
<b>Change in Net Position</b>	1,574,523	(114,873)	1,459,650	77,880
<b>Net Position - Beginning of year</b>	28,886,727	230,123	29,116,850	4,878,084
<b>Net Position - End of year</b>	<u>\$ 30,461,250</u>	<u>\$ 115,250</u>	<u>\$ 30,576,500</u>	<u>\$ 4,955,964</u>

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

# City of Trenton, Michigan

## Proprietary Funds Statement of Cash Flows Year Ended June 30, 2013

	Major Business-type Activities			Governmental
	Enterprise -		Total	Activities
	Water and Sewer	Enterprise - Recreation	Enterprise Funds	Internal Service Funds
<b>Cash Flows from Operating Activities</b>				
Receipts from customers	\$ 6,306,310	\$ 1,189,754	\$ 7,496,064	\$ 5,571,507
Payments to suppliers	(3,101,661)	(586,315)	(3,687,976)	(575,050)
Payments to employees	(2,552,787)	(242,592)	(2,795,379)	(301,894)
Claims paid	-	-	-	(4,282,051)
Net cash provided by operating activities	651,862	360,847	1,012,709	412,512
<b>Cash Flows from Noncapital Financing Activities -</b>				
Transfers from other funds	-	313,488	313,488	-
<b>Cash Flows from Capital and Related Financing Activities</b>				
Receipt of capital charges	1,272,929	-	1,272,929	-
Contribution from DDA	265,000	-	265,000	-
Property taxes	2,200,786	-	2,200,786	-
Purchase of capital assets	(251,266)	(23,813)	(275,079)	(14,862)
Principal and interest paid on capital debt	(2,976,719)	(660,270)	(3,636,989)	-
Net cash provided by (used in) capital and related financing activities	510,730	(684,083)	(173,353)	(14,862)
<b>Cash Flows from Investing Activities -</b> Interest received on investments	33,387	-	33,387	21,071
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	1,195,979	(9,748)	1,186,231	418,721
<b>Cash and Cash Equivalents -</b> Beginning of year	4,737,694	54,150	4,791,844	3,227,122
<b>Cash and Cash Equivalents -</b> End of year	<u>\$ 5,933,673</u>	<u>\$ 44,402</u>	<u>\$ 5,978,075</u>	<u>\$ 3,645,843</u>
<b>Balance Sheet Classification of Cash and Cash Equivalents -</b> Cash and investments	<u>\$ 5,933,673</u>	<u>\$ 44,402</u>	<u>\$ 5,978,075</u>	<u>\$ 3,645,843</u>
<b>Reconciliation of Operating Loss to Net Cash from Operating Activities</b>				
Operating loss	\$ (1,545,825)	\$ (188,174)	\$ (1,733,999)	\$ (78,010)
Adjustments to reconcile operating loss to net cash from operating activities:				
Depreciation and amortization	2,146,834	563,920	2,710,754	262,091
Changes in assets and liabilities:				
Receivables	94,415	(17,213)	77,202	(42,191)
Inventories	6,087	1,052	7,139	(29,319)
Prepaid and other assets	2,688	(5,065)	(2,377)	268,279
Accounts payable	(111,553)	1,317	(110,236)	140,986
Accrued and other liabilities	59,216	5,010	64,226	(109,324)
Net cash provided by operating activities	<u>\$ 651,862</u>	<u>\$ 360,847</u>	<u>\$ 1,012,709</u>	<u>\$ 412,512</u>
<b>Noncash Transactions -</b> Capital contributions	<u>\$ -</u>	<u>\$ 3,332</u>	<u>\$ 3,332</u>	<u>\$ 134,819</u>

Capital contributions were \$3,332 in the Recreation Fund and \$134,819 in the Internal Service Fund for the year ended June 30, 2013.

# City of Trenton, Michigan

## Fiduciary Funds Statement of Fiduciary Net Position June 30, 2013

	Pension and Retiree Health Care Trust Funds	Agency Funds
<b>Assets</b>		
Cash and cash equivalents (Note 3)	\$ 1,431,009	\$ 67,363
Investments (Note 3):		
U.S. government securities	1,829,798	-
Stocks	30,088,431	-
Bonds	22,371	-
Real estate (REIT) fund interest	1,543,730	-
Mutual funds	10,611,000	-
Other assets	11,792,095	-
Receivables	136,302	-
Total assets	57,454,736	\$ 67,363
<b>Liabilities</b>		
Due to other governmental units	-	\$ 617
Accrued liabilities and other	-	19,954
Cash bonds and deposits	-	46,792
Total liabilities	-	\$ 67,363
<b>Net Position Held in Trust for Pension and Other Employee Benefits</b>	<b>\$57,454,736</b>	

# City of Trenton, Michigan

## Fiduciary Funds Statement of Changes in Fiduciary Net Position - Pension and Retiree Health Care Trust Funds Year Ended June 30, 2013

	<u>Pension and Retiree Health Care Trust Funds</u>
<b>Additions</b>	
Investment income:	
Interest and dividends	\$ 1,660,307
Net increase in fair value of investments	4,254,215
Less investment expenses	<u>(156,722)</u>
Net investment income	5,757,800
Contributions:	
Employer	3,981,087
Employee	<u>1,432,315</u>
Total contributions	<u>5,413,402</u>
Total additions	11,171,202
<b>Deductions</b>	
Benefit payments	6,866,504
Administrative expenses	<u>147,661</u>
Total deductions	<u>7,014,165</u>
<b>Net Increase in Net Position Held in Trust</b>	4,157,037
<b>Net Position Held in Trust for Pension and Other Employee Benefits -     Beginning of year</b>	<u>53,297,699</u>
<b>Net Position Held in Trust for Pension and Other Employee Benefits -     End of year</b>	<u><u>\$57,454,736</u></u>

# City of Trenton, Michigan

## Component Units Statement of Net Position (Deficit) June 30, 2013

	Downtown Development Authority	Brownfield Redevelopment Authority	Total
<b>Assets</b>			
Cash and cash equivalents (Note 3)	\$ 832,457	\$ 80,901	\$ 913,358
Capital assets (Note 4)	2,664,355	-	2,664,355
Total assets	3,496,812	80,901	3,577,713
<b>Liabilities</b>			
Accounts payable	-	15,249	15,249
Advance from primary government	-	65,000	65,000
Accrued liabilities and other	25,759	7,543	33,302
Noncurrent liabilities (Note 6):			
Due within one year	115,000	-	115,000
Due in more than one year	1,555,000	-	1,555,000
Total liabilities	1,695,759	87,792	1,783,551
<b>Net Position (Deficit)</b>			
Net investment in capital assets	994,355	-	994,355
Unrestricted	806,698	(6,891)	799,807
Total net position (deficit)	<b>\$ 1,801,053</b>	<b>\$ (6,891)</b>	<b>\$ 1,794,162</b>



# City of Trenton, Michigan

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	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Downtown Development Authority:				
Special projects	\$ 406,980	\$ -	\$ -	\$ -
Interest expense	76,701	-	-	-
Total Downtown Development Authority	483,681	-	-	-
Brownfield Redevelopment Authority	-	-	-	-
Total governmental activities	<b>\$ 483,681</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

General revenues:

    Property taxes

    Investment income

        Total general revenues

**Change in Net Position**

**Net Position (Deficit) - Beginning of year**

**Net Position (Deficit) - End of year**

**Component Units  
Statement of Activities  
Year Ended June 30, 2013**

Net (Expense) Revenue and Changes in Net Position (Deficit)		
Downtown Development Authority	Brownfield Redevelopment Authority	Total
\$ (406,980)	\$ -	\$ (406,980)
(76,701)	-	(76,701)
(483,681)	-	(483,681)
-	-	-
(483,681)	-	(483,681)
486,327	-	486,327
5,213	4,431	9,644
491,540	4,431	495,971
7,859	4,431	12,290
1,793,194	(11,322)	1,781,872
<b>\$ 1,801,053</b>	<b>\$ (6,891)</b>	<b>\$ 1,794,162</b>

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

### **Note I - 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 position 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 I - 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.

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.

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

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 position 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 Position or Equity**

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

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

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

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

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 Position** - A portion of the business-type activities net position has been restricted for capital. The capital restriction relates to unspent capital charges that must be used solely for making capital improvement to the water and sewer system.

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

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

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

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

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

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

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

**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.
- **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.



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

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

### Note 2 - Stewardship, Compliance, and Accountability

**Budgetary Information** - The annual budget is prepared by the City management and adopted by the City Council; subsequent amendments are approved by the City Council. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2013 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

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

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

Excess costs - Beginning of year	\$ (510,059)
Building permit revenue	415,400
Direct costs	<u>(429,825)</u>
Excess costs - End of year	<u>\$ (524,484)</u>

**Fund Deficits** - The Brownfield Redevelopment Authority component unit had a deficit at June 30, 2013 totaling (\$6,891). 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 347 of 2012 to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

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

#### Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had approximately \$8,580,000 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized (approximately \$1,257,000 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:

<u>Government-wide</u>	<u>Fair Value</u>	<u>Less Than Five Years</u>
Municipal bonds	\$ 4,048,524	\$ 4,048,524

# City of Trenton, Michigan

## Notes to Financial Statements June 30, 2013

### Note 3 - Deposits and Investments (Continued)

Fiduciary Funds	Fair Value	Investment Maturities		
		Less Than Five Years	Five to 15 Years	Over 15 Years
U.S. Treasury and agency Municipal	\$ 162,348	\$ -	\$ 162,348	\$ -
Other fixed-income securities	1,545,267	205,250	-	1,340,017
	10,755,554	4,657,629	6,075,554	22,371
<b>Total</b>	<b>\$ 12,463,169</b>	<b>\$ 4,862,879</b>	<b>\$ 6,237,902</b>	<b>\$ 1,362,388</b>

#### 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
<b>Government-wide Assets</b>			
Municipal bonds	\$ 106,554	AA+	S&P
Municipal bonds	1,100,438	AA	S&P
Municipal bonds	1,332,359	AA-	S&P
Municipal bonds	176,635	A+	S&P
Municipal bonds	349,785	BBB	S&P
Municipal bonds	352,097	Aa3	Moody's
Municipal bonds	630,656	A2	Moody's
<b>Total</b>	<b>\$ 4,048,524</b>		
<b>Fiduciary Funds Assets</b>			
Bond and other securities	\$ 199,088	AAA	S&P
Bond and other securities	217,017	AA+	S&P
Bond and other securities	461,086	AA	S&P
Bond and other securities	507,686	AA-	S&P
Bond and other securities	240,138	A+	S&P
Bond and other securities	104,971	Aa3	Moody's
Bond and other securities	10,733,183	N/A	Not Rated
<b>Total</b>	<b>\$ 12,463,169</b>		

### 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, business-type activities, and component units was as follows:

	Balance July 1, 2012	Reclassifications	Additions	Disposals	Balance June 30, 2013
<b>Governmental Activities</b>					
Capital assets not being depreciated:					
Land	\$ 2,603,628	\$ -	\$ -	\$ -	\$ 2,603,628
Construction in progress	3,965	(3,965)	-	-	-
Subtotal	2,607,593	(3,965)	-	-	2,603,628
Capital assets being depreciated:					
Buildings and improvements	11,741,458	-	65,005	(31,775)	11,774,688
Vehicles	5,360,364	-	148,941	-	5,509,305
Furniture and equipment	5,942,959	3,965	265,805	(16,361)	6,196,368
Land improvements	2,879,720	-	24,239	-	2,903,959
Roads and sidewalks	20,915,345	-	272,144	(136,061)	21,051,428
Subtotal	46,839,846	3,965	776,134	(184,197)	47,435,748
Accumulated depreciation:					
Buildings and improvements	4,763,705	-	320,583	(26,467)	5,057,821
Vehicles	3,330,115	-	306,683	-	3,636,798
Furniture and equipment	4,065,821	-	411,338	(12,847)	4,464,312
Land improvements	1,639,883	-	138,667	-	1,778,550
Roads and sidewalks	13,496,580	-	473,481	(136,061)	13,834,000
Subtotal	27,296,104	-	1,650,752	(175,375)	28,771,481
Net capital assets being depreciated	19,543,742	3,965	(874,618)	(8,822)	18,664,267
Net capital assets	<u>\$ 22,151,335</u>	<u>\$ -</u>	<u>\$ (874,618)</u>	<u>\$ (8,822)</u>	<u>\$ 21,267,895</u>

# City of Trenton, Michigan

## Notes to Financial Statements June 30, 2013

### Note 4 - Capital Assets (Continued)

	Balance July 1, 2012	Reclassifications	Additions	Disposals	Balance June 30, 2013
<b>Business-type Activities</b>					
Capital assets not being depreciated:					
Land	\$ 14,242	\$ -	\$ -	\$ -	\$ 14,242
Construction in progress	45,841	(35,575)	51,947	-	62,213
Subtotal	60,083	(35,575)	51,947	-	76,455
Capital assets being depreciated:					
Water and sewer distribution systems	64,542,749	-	3,696	-	64,546,445
Treatment facilities	7,015,645	35,575	51,118	(33,836)	7,068,502
Buildings and improvements	11,622,995	-	10,597	-	11,633,592
Machinery and equipment	3,206,348	-	161,054	(25,541)	3,341,861
Land improvements	467,823	-	-	-	467,823
Subtotal	86,855,560	35,575	226,465	(59,377)	87,058,223
Accumulated depreciation:					
Water and sewer distribution systems	18,640,976	-	1,612,733	-	20,253,709
Treatment facilities	4,757,320	-	337,675	(15,621)	5,079,374
Buildings and improvements	6,534,928	-	534,377	-	7,069,305
Machinery and equipment	1,784,748	-	214,420	(25,432)	1,973,736
Land improvements	92,098	-	11,549	-	103,647
Subtotal	31,810,070	-	2,710,754	(41,053)	34,479,771
Net capital assets being depreciated	55,045,490	35,575	(2,484,289)	(18,324)	52,578,452
Net capital assets	\$ 55,105,573	\$ -	\$ (2,432,342)	\$ (18,324)	\$ 52,654,907
<b>Component Units</b>					
Capital assets being depreciated -					
Land improvements	\$ 3,304,816	\$ -	\$ 8,081	\$ -	\$ 3,312,897
Accumulated depreciation -					
Land improvements	552,687	-	95,855	-	648,542
Net capital assets	\$ 2,752,129	\$ -	\$ (87,774)	\$ -	\$ 2,664,355

# City of Trenton, Michigan

## Notes to Financial Statements June 30, 2013

### Note 4 - Capital Assets (Continued)

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

Governmental activities:	
General government	\$ 626,678
Public safety	232,790
Public works	74,840
Recreation and culture	454,353
Internal Service Fund depreciation is charged to the various functions based on their usage of the asset	<u>262,091</u>
Total governmental activities	<u>\$ 1,650,752</u>
Business-type activities:	
Water and sewer	\$ 2,146,834
Recreation	<u>563,920</u>
Total business-type activities	<u>\$ 2,710,754</u>
Component unit activities - Downtown Development Authority	<u>\$ 95,855</u>

### Note 5 - Interfund Transfers

The composition of advances is as follows:

<u>Fund Advanced To</u>	<u>Fund Advanced From</u> <u>General Fund</u>
Brownfield Redevelopment Authority	<u>\$ 65,000</u>

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

<u>Transfers In</u>	<u>Transfers Out</u>		<u>Total</u>
	<u>General Fund</u>	<u>Other Governmental Funds</u>	
Other governmental funds	\$ 200,000	\$ 335,000	\$ 535,000
Business-type activities - Recreation	<u>313,488</u>	<u>-</u>	<u>313,488</u>
Total	<u>\$ 513,488</u>	<u>\$ 335,000</u>	<u>\$ 848,488</u>

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

# City of Trenton, Michigan

## Notes to Financial Statements June 30, 2013

### Note 6 - Long-term Debt

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

Long-term debt activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	(Reductions) Additions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>						
General obligation bonds:						
General obligation unlimited tax bonds -						
Library Bonds -						
Amount of issue - \$4,000,000	3.90%		\$ 500,000	\$ (500,000)	\$ -	\$ -
Building Authority Bonds -	3.70% -	\$9,000 -				
Amount of issue - \$1,800,000	4.60%	\$12,600	103,500	(9,000)	94,500	9,000
Building Authority Refunding Bonds -		\$107,000 -				
Amount of issue - \$6,115,000	4% - 5.00%	\$127,000	1,109,000	(86,000)	1,023,000	107,000
Deferred charges			(45,626)	4,563	(41,063)	(4,562)
Installment purchase agreements:						
Trash carts loan -						
Amount of issue - \$353,850	3.99%		19,413	(19,413)	-	-
Trash truck loan -		\$47,111 -				
Amount of issue - \$141,243	2.65%	\$48,238	141,243	(45,894)	95,349	47,111
Total bonds payable			1,827,530	(655,744)	1,171,786	158,549
Other long-term obligations -						
Compensated absences			2,373,846	7,850	2,381,696	1,108,323
Total governmental activities			\$ 4,201,376	\$ (647,894)	\$ 3,553,482	\$ 1,266,872

### Note 6 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	(Reductions) Additions	Ending Balance	Due Within One Year
<b>Business-type Activities</b>						
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	\$ 872,274	\$ (138,289)	\$ 733,985	\$ 138,288
State Revolving Fund Limited Tax Bonds - Program 5127-01 -						
Amount of issue - \$12,095,000	2.5%	\$630,000 - \$730,000	6,074,064	(610,000)	5,464,064	630,000
State Revolving Fund Limited Tax Bonds - Program 5127-02 -						
Amount of issue - \$16,535,000	2.5%	\$820,000 - \$926,706	8,651,706	(815,000)	7,836,706	820,000
State Revolving Fund Limited Tax Bonds - Program 5127-03 -						
Amount of issue - \$1,005,000	2.5%	\$45,000 - \$60,648	570,648	(45,000)	525,648	45,000
State Revolving Fund Limited Tax Bonds - Program 5127-04 -						
Amount of issue - \$10,325,000	2.5%	\$465,000 - \$592,518	6,257,518	(450,000)	5,807,518	465,000
State Revolving Fund Limited Tax Bonds - Program 5127-05 -						
Amount of issue - \$1,990,000	2.5%	\$95,000 - \$125,000	1,400,000	(95,000)	1,305,000	95,000
State Revolving Fund Limited Tax Bonds - Program 5127-06 -						
Amount of issue - \$4,130,000	2.125%	\$195,000 - \$250,000	3,065,000	(190,000)	2,875,000	195,000
Building Authority Bonds -						
Amount of issue - \$1,800,000	3.70% - 4.60%	\$91,000 - \$127,400	1,046,500	(91,000)	955,500	91,000
Building Authority Refunding Bonds -						
Amount of issue - \$6,115,000	4% - 5.00%	\$428,000 - \$508,000	4,436,000	(344,000)	4,092,000	428,000
Building Authority Refunding Bonds - Deferred charges						
			(182,500)	18,250	(164,250)	(18,250)
Total general obligation bonds			32,191,210	(2,760,039)	29,431,171	2,889,038
Compensated absences			348,324	66,233	414,557	175,903
Total business-type activities			<u>\$ 32,539,534</u>	<u>\$ (2,693,806)</u>	<u>\$ 29,845,728</u>	<u>\$ 3,064,941</u>
<b>Component Unit Activities</b>						
General obligation limited tax bonds - Downtown Development Authority Bonds -						
Amount of issue - \$1,400,000	4% - 5.00%	\$75,000 - \$100,000	\$ 1,025,000	\$ (75,000)	\$ 950,000	\$ 75,000
General obligation limited tax bonds - Downtown Development Authority Bonds -						
Amount of issue - \$920,000	4.30%	\$40,000 - \$90,000	750,000	(30,000)	720,000	40,000
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>\$ 1,840,000</u>	<u>\$ (105,000)</u>	<u>\$ 1,735,000</u>	<u>\$ 180,000</u>



# City of Trenton, Michigan

## Notes to Financial Statements June 30, 2013

### 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
2014	\$ 163,111	\$ 47,994	\$ 211,105	\$ 2,907,288	\$ 794,098	\$ 3,701,386	\$ 180,000	\$ 73,156	\$ 253,156
2015	164,238	41,128	205,366	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	529,460	3,597,485	155,000	55,158	210,158
2018	125,350	23,878	149,228	3,148,575	441,423	3,589,998	155,000	48,143	203,143
2019-2023	527,350	43,688	571,038	12,909,068	939,967	13,849,035	880,000	124,910	1,004,910
2024-2028	-	-	-	1,572,515	37,235	1,609,750	90,000	1,935	91,935
Total	\$ 1,212,849	\$ 219,401	\$ 1,432,250	\$ 29,595,421	\$ 4,066,744	\$ 33,662,165	\$ 1,735,000	\$ 433,263	\$ 2,168,263

Total interest expense incurred by the City for the year approximated \$1,019,000.

### 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, 2013, the City had deferred revenue related to grant monies received prior to meeting all eligibility requirements of \$324,660.

# City of Trenton, Michigan

## Notes to Financial Statements June 30, 2013

### Note 7 - Deferred Revenue (Continued)

	Governmental Funds		
	Unavailable	Unearned	Total
Grant revenue	\$ -	\$ 324,660	\$ 324,660
State-shared revenue	308,910	-	308,910
Total	<u>\$ 308,910</u>	<u>\$ 324,660</u>	<u>\$ 633,570</u>

### Note 8 - Property Taxes

Property taxes for the City based on a taxable value of approximately \$631,000,000 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	2.2133	1.8910	16.0753	-	1.3651	21.5447	3.3713
Total	\$ 1,396,919	\$ 1,193,500	\$ 10,145,885	\$ 668,551	\$ 861,579	\$ 14,266,434	\$ 2,127,787

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

### 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, 2011, the date of the last actuarial valuation, 213 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 \$2,724,000; in addition, the City contributed \$207,200 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, 2013, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of June 30, 2011. 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 26 years. This valuation's computed contribution and actual funding are summarized as follows:

Annual required contribution (recommended)	\$ 4,588,321
Interest on the prior year's net OPEB obligation	214,003
Less adjustment to the annual required contribution	<u>(342,274)</u>
Annual OPEB cost	4,460,050
Amounts contributed:	
Payments of current premiums	(2,723,560)
Advance funding	<u>(207,200)</u>
Increase in net OPEB obligation	1,529,290
OPEB obligation - Beginning of year	<u>5,350,077</u>
OPEB obligation - End of year	<u>\$ 6,879,367</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
6/30/11	6/30/09	\$ 3,636,815	68 %	\$ 3,882,898
6/30/12	6/30/09	3,799,163	61 %	5,350,077
6/30/13	6/30/11	4,460,050	66 %	6,879,367

### 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 4.0 percent after 10 years. Both rates included a 4.5 percent inflation assumption. Actuarial gains and losses reduce (increase) the UAAL as they occur. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 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 \$100,000 per specific claim and approximately \$1,000,000 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>2013</u>	<u>2012</u>
Estimated liability - Beginning of year	\$ 609,112	\$ 597,824
Estimated claims incurred, including changes in estimates and related administrative costs	4,697,034	4,407,355
Claim and related administrative payments	<u>(4,840,318)</u>	<u>(4,396,067)</u>
Estimated liability - End of year	<u>\$ 465,828</u>	<u>\$ 609,112</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. This plan was previously closed in 1996 and was reopened effective October 1, 2012. Employees who were previously excluded from the system, but now eligible, had the option to purchase service credit. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. At June 30, 2012, 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 57 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 6 percent. Administrative costs of the plan are financed through investment earnings.

### Note 11 - Pension Plans (Continued)

#### Defined Benefit Annual Pension Cost

##### **Municipal Employees' Retirement System of Michigan**

For the year ended June 30, 2013, the City's annual pension cost of \$1,165,284 for the MERS plan, exclusive of \$77,787 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.

The actuarial value of assets 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 27 years.

##### **Firemen and Policemen Retirement System**

For the year ended June 30, 2013, the City's annual Firemen and Policemen Retirement System pension cost for the plan and its actual contribution, exclusive of \$1,432,315 (\$1,206,159 of this amount represents employees' purchase of service credit) of employee contributions, were equal to the City's \$1,050,327 required contribution. The annual required contribution was determined as part of an actuarial valuation at June 30, 2011, using the aggregate actuarial cost method. Significant actuarial assumptions used include (a) a 7.45 percent investment rate of return for 2011, graded to 7.0 percent in 2014 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, 2012 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 24 years.

# City of Trenton, Michigan

## Notes to Financial Statements June 30, 2013

### Note 11 - Pension Plans (Continued)

**Reserves** - As of June 30, 2013, the plan's legally required reserves have been fully funded as follows:

Reserve for employees' contributions	\$ 5,544,842
Reserve for retiree benefit payments	42,289,801

#### Funded Status and Funding Progress

Three-year trend information is as follows:

	Actuarial Valuation Date		
	2010	2011	2012
Municipal Employees' Retirement System of Michigan:			
Annual pension costs (APC)	\$ 963,204	\$ 1,124,748	\$ 1,165,284
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -
Actuarial value of assets	\$ 29,031,469	\$ 29,031,469	\$ 28,530,326
Actuarial accrued liability (AAL)	\$ 42,594,672	\$ 42,594,672	\$ 43,185,137
Unfunded AAL (UAAL)	\$ 13,563,203	\$ 13,563,203	\$ 14,654,811
Funded ratio	68%	68%	66%
Covered payroll	\$ 2,382,312	\$ 2,190,662	\$ 1,694,143
UAAL as a percentage of covered payroll	569%	619%	865%
Firemen and Policemen Retirement System:			
Annual pension costs (APC)	\$ 801,113	\$ 1,116,778	\$ 1,050,327
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -
Actuarial value of assets	\$ 56,713,241	\$ 54,485,308	\$ 53,891,504
Actuarial accrued liability (AAL)	\$ 60,608,694	\$ 61,683,396	\$ 63,797,993
Unfunded AAL (UAAL)	\$ 3,895,453	\$ 7,198,088	\$ 9,906,489
Funded ratio	93.6%	88.3%	84.5
Covered payroll	\$ 3,295,980	\$ 2,881,249	\$ 4,245,698
UAAL as a percentage of covered payroll	118%	249.8	233.3

#### 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) previously did not become members of either of the two defined benefit pension plans discussed above. Rather, they participated 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). Effective October 1, 2012, the City opened the Firemen and Policemen Defined Pension Plan and all current and future employees became eligible to participate in the defined pension plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings.



### Note 11 - Pension Plans (Continued)

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 \$111,163 and \$43,865 during the current year and the employees contributed \$111,163 and \$21,932 during the current year for the General Employees' Plan and Fire Fighters and Police Officers Plan, respectively. The plans' assets, which aggregated \$4,036,117 at June 30, 2013, are held by an independent third-party administrator.

### Note 12 - Pension and Other Employee Benefit Trust Funds

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

	Firemen and Policemen Retirement System Trust Fund	Retiree Health Care Trust Fund	Total
Statement of net position:			
Cash and investments	\$ 51,248,307	\$ 6,070,127	\$ 57,318,434
Receivables	136,302	-	136,302
Total net position	<u>\$ 51,384,609</u>	<u>\$ 6,070,127</u>	<u>\$ 57,454,736</u>
Statement of changes in net position:			
Investment income	\$ 5,189,457	\$ 568,343	\$ 5,757,800
Contributions	2,482,642	2,930,760	5,413,402
Benefit payments	(4,142,944)	(2,723,560)	(6,866,504)
Administrative expenses	(90,121)	(57,540)	(147,661)
Change in net position	<u>\$ 3,439,034</u>	<u>\$ 718,003</u>	<u>\$ 4,157,037</u>

### **Note 13 - Downtown Development Authority Commitment**

The Downtown Development Authority has committed to pay \$1,000,000 to the City of Trenton for city hall renovations made in 2009. The commitment will be paid to the City over a 10-year period in installments of \$100,000 per year. The payments will only be made if sufficient tax captures are available. For the year ended June 30, 2013, the Authority was unable to make the \$100,000 installment payment. The outstanding commitment at June 30, 2013 was \$700,000.

### **Note 14 - Joint Ventures**

#### **33rd District Court System**

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

The District Court receives its operating revenue principally through contributions from member communities. During the current year, the District Court returned approximately \$55,000 to the City, representing the City's share of the District Court's net activity. The City is unaware of any circumstances that would cause an additional financial benefit or burden to the participating governments in the near future, other than the fluctuation of case loads, which impacts the government's share of the District Court's expenses. Complete financial statements are available at the District Court offices. The City's equity interest at June 30, 2013 is \$592,060.

#### **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 \$138,288 of principal and \$35,257 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. The City does not have an equity interest in the Authority.

### **Note 15 - Upcoming Accounting Pronouncements**

In March 2012, the GASB issued 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, 2014.

In June 2012, the GASB issued 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, 2014.

## **Required Supplemental Information**

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# City of Trenton, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2013

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 13,269,565	\$ 13,269,565	\$ 13,386,872	\$ 117,307
Licenses and permits	345,500	345,500	437,215	91,715
State sources	1,782,000	1,822,000	1,830,743	8,743
Charges for services	1,498,331	1,403,331	1,313,439	(89,892)
Fines and forfeitures	375,000	375,000	403,042	28,042
Interest income	150,000	150,000	62,875	(87,125)
Other:				
Cable franchise fees	360,000	360,000	416,992	56,992
Other miscellaneous income	354,000	208,000	172,129	(35,871)
Total revenue	18,134,396	17,933,396	18,023,307	89,911
<b>Expenditures</b>				
Current:				
General government:				
Mayor and Council	95,137	85,137	78,946	6,191
City administrator	393,850	405,494	405,317	177
City controller	277,715	281,246	276,597	4,649
City treasurer	64,652	66,390	66,047	343
City assessor	167,494	169,232	164,910	4,322
Board of Review	1,500	1,500	1,815	(315)
Clerk	205,560	210,100	208,670	1,430
Elections	57,350	38,350	37,221	1,129
Buildings and grounds	664,534	618,569	619,097	(528)
Attorney	187,000	172,000	170,200	1,800
District Court	425,000	397,000	396,361	639
Planning commission	31,125	41,125	41,610	(485)
Central office	261,600	309,997	283,349	26,648
Total general government	2,832,517	2,796,140	2,750,140	46,000
Public safety:				
Police department	4,003,731	3,710,780	3,641,486	69,294
Traffic safety commission	700	700	480	220
Fire department	3,490,431	3,326,620	3,300,046	26,574
Emergency	121,358	121,358	114,665	6,693
Animal control	89,190	89,190	85,330	3,860
Corrections department/jail	35,750	38,750	42,587	(3,837)
Building inspection	429,967	439,604	431,827	7,777
Civil defense	23,769	19,088	13,433	5,655
Crossing guards	73,158	74,339	69,766	4,573
Total public safety	8,268,054	7,820,429	7,699,620	120,809

# City of Trenton, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<b>Expenditures (Continued)</b>				
Current (Continued):				
Public works:				
City engineer	\$ 177,495	\$ 162,643	\$ 152,049	\$ 10,594
Sanitation	1,159,069	1,157,297	1,120,584	36,713
Street lighting	745,000	745,000	758,417	(13,417)
Department of Public Works	<u>764,379</u>	<u>777,140</u>	<u>756,181</u>	<u>20,959</u>
Total public works	2,845,943	2,842,080	2,787,231	54,849
Retiree benefits and other	2,968,790	2,941,154	2,950,573	(9,419)
Community and economic development	7,600	100	-	100
Recreation and culture:				
Cultural center	12,300	12,300	11,015	1,285
Parks department	470,001	429,460	418,857	10,603
Civic commission	16,340	16,340	11,999	4,341
Historical commission	5,675	5,675	4,658	1,017
Other commissions	2,975	2,975	2,955	20
Outdoor pool	<u>305,814</u>	<u>263,356</u>	<u>243,606</u>	<u>19,750</u>
Total recreation and culture	813,105	730,106	693,090	37,016
Debt service	<u>214,899</u>	<u>214,899</u>	<u>214,695</u>	<u>204</u>
Total expenditures	<u>17,950,908</u>	<u>17,344,908</u>	<u>17,095,349</u>	<u>249,559</u>
<b>Excess of Revenue Over Expenditures</b>	183,488	588,488	927,958	339,470
<b>Other Financing Uses - Transfers out</b>	<u>(183,488)</u>	<u>(588,488)</u>	<u>(588,488)</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 339,470</u>	<u>\$ 339,470</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, 2013

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
6/30/07	\$ 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
6/30/12	53,891,504	63,797,993	9,906,489	84.5	4,245,698	233.3

### Pension System Schedule of Employer Contributions Firemen and Policemen Retirement System

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution*	Percentage Contributed
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
6/30/13	6/30/11	1,050,331	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, 2012, 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 percent of payroll amortized over a closed 24-year period
Asset valuation method	Five-year smoothed market
Actuarial assumptions:	
Investment rate of return*	7.25%
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, 2013

**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	\$ 18,027,842	\$ 17,172,034
Severance Pay Fund	<u>(4,535)</u>	<u>(76,685)</u>
Amounts per budget statement	<u>\$ 18,023,307</u>	<u>\$ 17,095,349</u>

The General Fund transferred \$75,000 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**

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# City of Trenton, Michigan

	Special Revenue Funds					
	Major Roads	Local Roads	Community Development Block Grant	Special Projects	Grant	Library
<b>Assets</b>						
Cash and investments	\$ 212,949	\$ 260,582	\$ 10,987	\$ 735,139	\$ 227,295	\$ 345,091
Receivables:						
Property taxes receivable	-	-	-	-	-	2,630
Other receivables	-	-	4,314	47,499	145,081	36,637
Due from other governmental units	114,977	49,236	-	-	-	-
Total assets	<u>\$ 327,926</u>	<u>\$ 309,818</u>	<u>\$ 15,301</u>	<u>\$ 782,638</u>	<u>\$ 372,376</u>	<u>\$ 384,358</u>
<b>Liabilities</b>						
Accounts payable	\$ 3,756	\$ -	\$ -	\$ 58,057	\$ 19,302	\$ 24,578
Accrued liabilities and other	1,593	1,287	-	8,988	5,227	493
Deferred revenue	-	-	12,471	-	312,189	-
Total liabilities	5,349	1,287	12,471	67,045	336,718	25,071
<b>Fund Balances</b>						
Restricted:						
Major and local streets	322,577	308,531	-	-	-	-
Grant operations	-	-	2,830	-	35,658	-
Library debt	-	-	-	-	-	98,078
S.I.N.C. operations	-	-	-	-	-	-
Committed:						
Special projects	-	-	-	715,593	-	-
Library	-	-	-	-	-	261,209
Assigned - Capital projects	-	-	-	-	-	-
Total fund balances	<u>322,577</u>	<u>308,531</u>	<u>2,830</u>	<u>715,593</u>	<u>35,658</u>	<u>359,287</u>
Total liabilities and fund balances	<u>\$ 327,926</u>	<u>\$ 309,818</u>	<u>\$ 15,301</u>	<u>\$ 782,638</u>	<u>\$ 372,376</u>	<u>\$ 384,358</u>

**Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2013**

Special Revenue Funds	Capital Projects Fund	Total Nonmajor Governmental Funds
S.I.N.C.	Capital Projects	Funds
\$ 340,876	\$ 601,572	\$ 2,734,491
-	-	2,630
38,178	-	271,709
-	-	164,213
<b><u>\$ 379,054</u></b>	<b><u>\$ 601,572</u></b>	<b><u>\$ 3,173,043</u></b>
\$ 4,500	\$ -	\$ 110,193
-	-	17,588
-	-	324,660
4,500	-	452,441
-	-	631,108
-	-	38,488
-	-	98,078
374,554	-	374,554
-	-	715,593
-	-	261,209
-	601,572	601,572
<b><u>374,554</u></b>	<b><u>601,572</u></b>	<b><u>2,720,602</u></b>
<b><u>\$ 379,054</u></b>	<b><u>\$ 601,572</u></b>	<b><u>\$ 3,173,043</u></b>

# City of Trenton, Michigan

	Special Revenue Funds					
	Major Roads	Local Roads	Community Development Block Grant	Special Projects	Grant	Library
<b>Revenue</b>						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 879,562
Federal grants	-	-	37,347	-	249,239	-
State-shared revenue and grants	694,415	297,366	-	-	297,544	-
Charges for services	-	-	-	-	20,667	-
Fines and forfeitures	-	-	-	-	-	-
Investment income	1,844	540	89	4,215	2,723	3,198
Other revenue:						
Local donations	-	-	-	87,055	-	-
Other miscellaneous income	48,188	-	-	371,191	-	41,552
<b>Total revenue</b>	<b>744,447</b>	<b>297,906</b>	<b>37,436</b>	<b>462,461</b>	<b>570,173</b>	<b>924,312</b>
<b>Expenditures</b>						
Current:						
Public safety	-	-	-	-	516,070	-
Public works	315,049	532,278	-	-	-	-
Community and economic development	-	-	37,436	389,157	-	-
Recreation and culture	-	-	-	-	63,481	384,221
Debt service	-	-	-	-	-	509,750
<b>Total expenditures</b>	<b>315,049</b>	<b>532,278</b>	<b>37,436</b>	<b>389,157</b>	<b>579,551</b>	<b>893,971</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>429,398</b>	<b>(234,372)</b>	<b>-</b>	<b>73,304</b>	<b>(9,378)</b>	<b>30,341</b>
<b>Other Financing Sources (Uses)</b>						
Transfers in	-	335,000	-	-	-	-
Transfers out	(335,000)	-	-	-	-	-
<b>Total other financing (uses) sources</b>	<b>(335,000)</b>	<b>335,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>94,398</b>	<b>100,628</b>	<b>-</b>	<b>73,304</b>	<b>(9,378)</b>	<b>30,341</b>
<b>Fund Balances - Beginning of year</b>	<b>228,179</b>	<b>207,903</b>	<b>2,830</b>	<b>642,289</b>	<b>45,036</b>	<b>328,946</b>
<b>Fund Balances - End of year</b>	<b>\$ 322,577</b>	<b>\$ 308,531</b>	<b>\$ 2,830</b>	<b>\$ 715,593</b>	<b>\$ 35,658</b>	<b>\$ 359,287</b>

**Other Supplemental Information**  
**Combining Statement of Revenue, Expenditures, and Changes in**  
**Fund Balances**  
**Nonmajor Governmental Funds**  
**Year Ended June 30, 2013**

Special Revenue Funds	Capital Projects Fund	Total Nonmajor Governmental Funds
S.I.N.C.	Capital Projects	Funds
\$ -	\$ -	\$ 879,562
-	-	286,586
-	-	1,289,325
-	-	20,667
116,591	-	116,591
1,766	2,426	16,801
-	-	87,055
<u>115,839</u>	<u>27,075</u>	<u>603,845</u>
234,196	29,501	3,300,432
148,282	-	664,352
-	-	847,327
-	-	426,593
-	14,595	462,297
-	-	509,750
<u>148,282</u>	<u>14,595</u>	<u>2,910,319</u>
85,914	14,906	390,113
-	200,000	535,000
-	-	(335,000)
<u>-</u>	<u>200,000</u>	<u>200,000</u>
85,914	214,906	590,113
<u>288,640</u>	<u>386,666</u>	<u>2,130,489</u>
<u>\$ 374,554</u>	<u>\$ 601,572</u>	<u>\$ 2,720,602</u>

# City of Trenton, Michigan

## Other Supplemental Information Combining Statement of Net Position Internal Service Funds June 30, 2013

	Motor Vehicle Pool Fund	Self-insurance Fund	Total
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 636,928	\$ 3,008,915	\$ 3,645,843
Receivables	3,767	40,880	44,647
Inventory	208,836	-	208,836
Prepaid expenses and other assets	-	225,857	225,857
Total current assets	849,531	3,275,652	4,125,183
Noncurrent assets - Capital assets - Assets subject to depreciation	1,547,499	-	1,547,499
Total assets	2,397,030	3,275,652	5,672,682
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	52,290	115,884	168,174
Accrued liabilities and other	5,940	476,375	482,315
Compensated absences	27,893	-	27,893
Total current liabilities	86,123	592,259	678,382
Noncurrent liabilities - Compensated absences	38,336	-	38,336
Total liabilities	124,459	592,259	716,718
<b>Net Position</b>			
Net investment in capital assets	1,547,499	-	1,547,499
Unrestricted	725,072	2,683,393	3,408,465
Total net position	\$ 2,272,571	\$ 2,683,393	\$ 4,955,964

# City of Trenton, Michigan

## Other Supplemental Information Combining Statement of Revenue, Expenses, and Changes in Net Position Internal Service Funds Year Ended June 30, 2013

	Motor Vehicle Pool Fund	Self-insurance Fund	Total
<b>Operating Revenue</b>			
Charges for services	\$ 1,074,049	\$ 4,393,791	\$ 5,467,840
Other	530	103,137	103,667
Total operating revenue	1,074,579	4,496,928	5,571,507
<b>Operating Expenses</b>			
Insurance, claims, and other	-	4,491,789	4,491,789
Operating costs	895,637	-	895,637
Depreciation	262,091	-	262,091
Total operating expenses	1,157,728	4,491,789	5,649,517
<b>Operating (Loss) Income</b>	(83,149)	5,139	(78,010)
<b>Nonoperating Revenue</b> - Investment income	3,406	17,665	21,071
<b>(Loss) Income</b> - Before contributions	(79,743)	22,804	(56,939)
<b>Capital Contributions</b> - Other capital contributions	134,819	-	134,819
<b>Change in Net Position</b>	55,076	22,804	77,880
<b>Net Position</b> - Beginning of year	2,217,495	2,660,589	4,878,084
<b>Net Position</b> - End of year	<u>\$ 2,272,571</u>	<u>\$ 2,683,393</u>	<u>\$ 4,955,964</u>

# City of Trenton, Michigan

## Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds Year Ended June 30, 2013

	Motor Vehicle Pool Fund	Self-insurance Fund	Total
<b>Cash Flows from Operating Activities</b>			
Receipts from customers	\$ 1,073,103	\$ 4,496,928	\$ 5,570,031
Payments to suppliers	(573,574)	-	(573,574)
Payments to employees	(301,894)	-	(301,894)
Claims paid	-	(4,282,051)	(4,282,051)
	197,635	214,877	412,512
<b>Cash Flows from Capital and Related Financing Activities -</b>			
Purchase of capital assets	(14,862)	-	(14,862)
<b>Cash Flows from Investing Activities -</b> Interest received on investments	3,406	17,665	21,071
<b>Net Increase in Cash and Cash Equivalents</b>	186,179	232,542	418,721
<b>Cash and Cash Equivalents -</b> Beginning of year	450,749	2,776,373	3,227,122
<b>Cash and Cash Equivalents -</b> End of year	<b>\$ 636,928</b>	<b>\$ 3,008,915</b>	<b>\$ 3,645,843</b>
<b>Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities</b>			
Operating (loss) income	\$ (83,149)	\$ 5,139	\$ (78,010)
Adjustments to reconcile operating (loss) income to net cash from operating activities:			
Depreciation and amortization	262,091	-	262,091
Changes in assets and liabilities:			
Receivables	(1,476)	(40,715)	(42,191)
Inventories	(29,319)	-	(29,319)
Prepaid and other assets	-	268,279	268,279
Accounts payable	30,133	110,853	140,986
Accrued and other liabilities	19,355	(128,679)	(109,324)
	\$ 197,635	\$ 214,877	\$ 412,512
<b>Noncash Transactions -</b> Capital contributions	<b>\$ 134,819</b>	<b>\$ -</b>	<b>\$ 134,819</b>



# City of Trenton, Michigan

## Other Supplemental Information Combining Statement of Net Position Fiduciary Funds June 30, 2013

	Pension Trust Funds			Agency Funds					
	Firemen and Policemen Retirement System	Retiree Health Care	Total Pension Trust Funds	General Cash Fund	Escrow Fund	Tax Receiving Fund	Subtotal	Eliminations	
<b>Assets</b>									
Cash and cash equivalents	\$ 1,257,170	\$ 173,839	\$ 1,431,009	\$ 7,187,085	\$ 46,792	\$ 20,571	\$ 7,254,448	\$ (7,187,085)	\$ 67,363
Investments	49,991,137	5,896,288	55,887,425	12,673,953	-	-	12,673,953	(12,673,953)	-
Receivables	136,302	-	136,302	35,215	-	-	35,215	(35,215)	-
Total assets	51,384,609	6,070,127	57,454,736	<u>\$ 19,896,253</u>	<u>\$ 46,792</u>	<u>\$ 20,571</u>	<u>\$ 19,963,616</u>	<u>\$(19,896,253)</u>	<u>\$ 67,363</u>
<b>Liabilities</b>									
Due to other governmental units	-	-	-	\$ -	\$ -	\$ 617	\$ 617	\$ -	\$ 617
Due to component units	-	-	-	913,358	-	-	913,358	(913,358)	-
Due to other funds	-	-	-	18,745,815	-	-	18,745,815	(18,745,815)	-
Accrued liabilities and other	-	-	-	237,080	-	19,954	257,034	(237,080)	19,954
Cash bonds and deposits	-	-	-	-	46,792	-	46,792	-	46,792
Total liabilities	-	-	-	<u>\$ 19,896,253</u>	<u>\$ 46,792</u>	<u>\$ 20,571</u>	<u>\$ 19,963,616</u>	<u>\$(19,896,253)</u>	<u>\$ 67,363</u>
<b>Net Position Held in Trust for Pension and Other Employee Benefits</b>	<u>\$ 51,384,609</u>	<u>\$ 6,070,127</u>	<u>\$ 57,454,736</u>						

# City of Trenton, Michigan

## Other Supplemental Information Combining Statement of Changes in Fiduciary Net Position Fiduciary Funds Year Ended June 30, 2013

	Firemen and Policemen Retirement System	Retiree Health Care	Total
<b>Additions</b>			
Investment income:			
Interest and dividends	\$ 1,660,307	\$ -	\$ 1,660,307
Net increase in fair value of investments	3,685,872	568,343	4,254,215
Less investment expenses	(156,722)	-	(156,722)
Net investment income	5,189,457	568,343	5,757,800
Contributions:			
Employer	1,050,327	2,930,760	3,981,087
Employee	1,432,315	-	1,432,315
Total contributions	2,482,642	2,930,760	5,413,402
Total additions	7,672,099	3,499,103	11,171,202
<b>Deductions</b>			
Benefit payments	4,142,944	2,723,560	6,866,504
Administrative expenses	90,121	57,540	147,661
Total deductions	4,233,065	2,781,100	7,014,165
<b>Net Increase in Net Position Held in Trust</b>	3,439,034	718,003	4,157,037
<b>Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year</b>	47,945,575	5,352,124	53,297,699
<b>Net Position Held in Trust for Pension and Other Employee Benefits - End of year</b>	<b>\$ 51,384,609</b>	<b>\$ 6,070,127</b>	<b>\$ 57,454,736</b>