

# **City of Trenton, Michigan**

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**Financial Report  
with Supplemental Information  
June 30, 2014**

# City of Trenton, Michigan

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## Independent Auditor's Report

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Trenton, Michigan (the "City"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Trenton, Michigan's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Trenton, Michigan as of June 30, 2014 and the respective changes in its financial position and, where applicable, cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 19 to the basic financial statements, during the year ended June 30, 2014, the City implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. As a result, certain balances have been reclassified to deferred inflows or deferred outflows of resources on the City's statement of net position and governmental funds balance sheet. Our opinion is not modified with respect to this matter.

In addition, as discussed in Notes 11-15 to the basic financial statements, during the year ended June 30, 2014, the City implemented GASB Statement No. 67, *Financial Reporting for Pension Plans*. Adopting this statement resulted in significant changes to the defined benefit related note disclosures as well as the required supplemental information schedules. Our opinion is not modified with respect to this matter.

### **Required Supplemental Information**

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

### **Other Information**

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

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

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2014 on our consideration of the City of Trenton, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Trenton, Michigan's internal control over financial reporting and compliance.

*Plante & Moran, PLLC*

October 22, 2014

# 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, 2014. 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, 2014:

- Operating revenues, net of transfers and budgeted use of fund balance, were \$322,000 higher than budgeted revenues. This was due to the one time recognition of an additional payment of state-shared revenue, because of the timely receipt of this revenue. Interest and penalties on tax revenues and ambulance fees exceeded budget by \$72,000 and \$45,000 respectively. Building and engineering revenues and recreation activity revenues were under budget by \$30,000 and \$60,000 respectively. Budgeted revenues included a \$50,000 use of fund balance.
- Property taxes are the City's largest source of revenue. Residential real property values have stabilized; however, commercial and industrial real property values continue to decline. The net result is a \$20,000,000 decrease in real property values, which is in addition to the \$153.0 million decrease in the previous five fiscal years. This equates to approximately \$3,700,000 in annual loss of tax revenue. The millage rate was decreased by .1654, for a total millage of 24.7506.
- The City has historically been conservative and continuously monitors discretionary spending, which resulted in not appropriating the \$50,000 budgeted use of General Fund fund balance for operating costs.
- Total net position related to the City's governmental activities decreased by approximately (\$329,000) and business-type activities increased by approximately \$1,695,000.

### 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

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>Assets</b>						
Current and other assets	\$ 16,921,216	\$ 15,496,961	\$ 9,421,482	\$ 8,382,624	\$ 26,342,698	\$ 23,879,585
Capital assets	20,854,656	21,267,895	50,308,709	52,654,907	71,163,365	73,922,802
Other noncurrent assets	65,000	65,000	-	-	65,000	65,000
Total assets	37,840,872	36,829,856	59,730,191	61,037,531	97,571,063	97,867,387
<b>Deferred Outflows of Resources -</b>						
Deferred charges being amortized	36,501	-	146,003	-	182,504	-
<b>Liabilities</b>						
Current liabilities	2,864,971	2,416,380	3,721,444	3,680,244	6,586,415	6,096,624
Long-term liabilities	10,726,914	9,202,478	23,883,014	26,926,790	34,609,928	36,129,268
Total liabilities	13,591,885	11,618,858	27,604,458	30,607,034	41,196,343	42,225,892
<b>Net Position</b>						
Net investment in capital assets	19,841,419	20,096,109	23,766,575	23,223,736	\$ 43,607,994	\$ 43,319,845
Restricted	2,106,064	1,556,476	3,491,494	2,465,092	5,597,558	4,021,568
Unrestricted	2,338,005	2,961,344	5,013,667	4,887,672	7,351,672	7,849,016
Total net position	<u>\$ 24,285,488</u>	<u>\$ 24,613,929</u>	<u>\$ 32,271,736</u>	<u>\$ 30,576,500</u>	<u>\$ 56,557,224</u>	<u>\$ 55,190,429</u>

The City's combined net position increased 2.5 percent or approximately \$1,367,000 from a year ago, increasing from \$55,191,000 to \$56,558,000. Governmental activities decreased 1.3 percent or \$328,000. Business-type activities increased 5.5 percent or \$1,695,000.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations - decreased by \$623,000 or 21.0 percent for governmental activities and increased \$126,000 or 2.6 percent for business activities.

# 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, 2014 and 2013 (in thousands).

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 3,712	\$ 3,535	\$ 8,368	\$ 8,692	\$ 12,080	\$ 12,227
Operating grants	1,584	1,303	-	-	1,584	1,303
Capital grants and contributions	785	262	-	3	785	265
General revenue:					-	-
Property taxes	14,244	14,230	2,561	2,201	16,805	16,431
State-shared revenue	1,899	1,845	-	-	1,899	1,845
Investment earnings	66	84	20	33	86	117
Other revenue	142	47	261	266	403	313
Transfers and other (expense) revenue	(519)	(313)	519	313	-	-
Total revenue	21,913	20,993	11,729	11,508	33,642	32,501
<b>Expenses</b>						
General government	3,827	3,026	-	-	3,827	3,026
Public safety	10,966	10,533	-	-	10,966	10,533
Public works	4,831	4,855	-	-	4,831	4,855
Community and economic development	84	63	-	-	84	63
Recreation and cultural	2,483	2,511	-	-	2,483	2,511
Interest on long-term debt	50	77	-	-	50	77
Enterprise	-	-	10,034	10,048	10,034	10,048
Total program expenses	22,241	21,065	10,034	10,048	32,275	31,113
<b>Change in Net Position</b>	<b>\$ (328)</b>	<b>\$ (72)</b>	<b>\$ 1,695</b>	<b>\$ 1,460</b>	<b>\$ 1,367</b>	<b>\$ 1,388</b>

### Governmental Activities

The City's governmental revenues increased by \$920,000 in the current year. This was mainly due to an \$804,000 increase in grant revenues. The City's governmental expenses increased \$1,177,000 or 5.6 percent. This is due to an increase of \$630,000 in the cost of retiree benefits. An additional \$433,000 was incurred in public safety costs, which was supported by grant revenues.

# City of Trenton, Michigan

## Management's Discussion and Analysis (Continued)

### Business-type Activities

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

The combined water and sewer rate was increased \$0.31 or 3.3 percent from \$9.50 to \$9.81 for the fiscal year 2013-2014. Utility sales were down approximately 7.0 percent from the previous year, chiefly due to wet seasonal weather conditions which impact consumption. Water loss was approximately at 11.0 percent in 2013-2014, as a result of numerous water main breaks precipitated by prolonged winter weather related conditions.

The approved combined rates above included \$2.05 for capital expenditures. The revenue for capital is reported in capital contributions, rather than charges for services, due to its restrictive nature.

Total operating expenses in the Water and Sewer Fund decreased by \$14,000 or 0.14 percent, from the previous year.

### The City's Funds

An analysis of the City's major funds begins on page 13, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the City as a whole. The City Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as property tax millages. The City's major funds for 2013-2014 include the General Fund, the Kennedy Recreation Center Fund, and the Water and Sewer Fund.

### General Fund Budgetary Highlights

The General Fund pays for most of the City's governmental services. The most significant expenditures are for public safety, which incurred expenses of \$8,106,343 or 46.2 percent of General Fund expenditures in fiscal year 2013-2014, exclusive of other financing sources and uses. Public works is the second most significant expenditure category at \$2,476,233 or 14.1 percent of General Fund expenditures, exclusive of other financing sources and uses. These services are primarily supported by property taxes.

The fiscal year did end with a positive result of approximately \$530,000. The amended budgeted expenditures of \$17,781,446 were underspent by \$257,967. Due to the continuing reduction of the City's workforce through attrition and careful spending, cost containments were realized by several departments.

# City of Trenton, Michigan

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

The ordinary operating costs of the City's General Fund increased from the previous year by \$428,130. Several factors contributing to the increase, were retiree benefits for pension and healthcare, a combined dispatch center, and utility costs.

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

As of June 30, 2014, the City had approximately \$29.9 million in outstanding debt. Of this debt, \$23.7 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 \$73.7 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, \$158,000 in upgrades to the police dispatch center, and \$25,000 in park upgrades. Major capital equipment purchases were a \$135,000 in police vehicles.

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

The city has experienced a minor increase of \$4,400,000 or 1.1 percent in residential property values. Commercial and industrial real property values continue to decline. The statewide Tax Reform Act limits growth in taxable value on any individual property to the lesser of inflation or 5 percent. Because some properties increase in value by less than inflation, the mathematical result of this is that the total taxable value for the City will grow less than inflation.

The 2014-2015 General Fund operating budget was increased \$1,968,000 or 10.5 percent from \$18,679,390 to \$20,647,542. The City's overall millage rate was increased by 1.0 mill, from 24.7506 mills to 25.7506 mills. The increase in the operating budget and the millage is for \$1,300,000 in capital improvements and technology upgrades. An additional \$400,000 increase is for retiree healthcare costs. The millage rate supports the operating budgets of the General and Library Funds and the Sewer Debt.

As of July 1, 2014, the water and sewer rate will increase \$0.92, from \$9.81 to \$10.73 per thousand gallons of water purchased. This is a 9.3 percent increase from the previous year. The utility rate supports the operations, maintenance and upgrades to the city water and sewer lines and the wastewater treatment plant.

# **City of Trenton, Michigan**

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

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

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

### **Contacting the City's Management**

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

# City of Trenton, Michigan

## Statement of Net Position June 30, 2014

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and investments (Note 3)	\$ 14,681,586	\$ 7,035,822	\$ 21,717,408	\$ 925,685
Receivables:				
Taxes	113,376	321,327	434,703	-
Customers	-	1,841,913	1,841,913	-
Other	433,408	-	433,408	-
Due from other governmental units	559,388	-	559,388	-
Advance to component unit	65,000	-	65,000	-
Inventory	334,269	221,420	555,689	-
Prepaid expenses and other assets	221,691	1,000	222,691	-
Investment in joint ventures (Note 18)	577,498	-	577,498	-
Capital assets - Net (Note 4):				
Assets not subject to depreciation	2,523,904	138,654	2,662,558	-
Assets subject to depreciation	18,330,752	50,170,055	68,500,807	2,568,504
Total assets	37,840,872	59,730,191	97,571,063	3,494,189
<b>Deferred Outflows of Resources -</b>				
Deferred charges being amortized	36,501	146,003	182,504	-
<b>Liabilities</b>				
Accounts payable	914,671	389,161	1,303,832	-
Advance from primary government	-	-	-	65,000
Accrued liabilities and other	856,562	227,940	1,084,502	24,531
Noncurrent liabilities:				
Due within one year:				
Compensated absences (Note 6)	929,500	136,418	1,065,918	-
Current portion of long-term debt (Note 6)	164,238	2,967,925	3,132,163	125,000
Due in more than one year:				
Compensated absences (Note 6)	910,676	162,802	1,073,478	-
Net OPEB obligation (Note 7)	8,930,738	-	8,930,738	-
Long-term debt (Note 6)	885,500	23,720,212	24,605,712	1,430,000
Total liabilities	13,591,885	27,604,458	41,196,343	1,644,531
<b>Net Position</b>				
Net investment in capital assets	19,841,419	23,766,575	43,607,994	1,013,504
Restricted for:				
Major and local streets	448,754	-	448,754	-
Grant operations	631,614	-	631,614	-
Library	126,920	-	126,920	-
S.I.N.C. operations	423,662	-	423,662	-
Police	185,489	-	185,489	-
Fire	185,489	-	185,489	-
Capital charges	-	3,491,494	3,491,494	-
Refuse	104,136	-	104,136	-
Unrestricted	2,338,005	5,013,667	7,351,672	836,154
Total net position	\$ 24,285,488	\$ 32,271,736	\$ 56,557,224	\$ 1,849,658

# 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	\$ 3,826,910	\$ 1,273,139	\$ 8,453	\$ -
Public safety:				
Police, fire, and EMS	10,609,770	1,803,327	409,552	669,179
Jail (county)	39,436	-	-	-
Building inspections and related	229,902	-	-	-
Public safety other #1	14,717	-	-	-
Public safety other #2	72,008	-	-	-
Public works	4,830,734	204,959	1,085,633	-
Community and economic development	84,026	-	64,230	-
Recreation and culture	2,483,074	431,038	16,222	115,993
Interest on long-term debt	51,920	-	-	-
Total governmental activities	22,242,497	3,712,463	1,584,090	785,172
Business-type activities:				
Water and sewer	8,320,546	7,150,291	-	-
Recreation	1,713,244	1,217,833	-	-
Total business-type activities	10,033,790	8,368,124	-	-
Total primary government	<b>\$ 32,276,287</b>	<b>\$ 12,080,587</b>	<b>\$ 1,584,090</b>	<b>\$ 785,172</b>
Component units	<b>\$ 469,009</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

General revenue:  
 Property taxes  
 State-shared revenue  
 Investment income  
 Other miscellaneous income

Total general revenue

## Transfers

## Change in Net Position

**Net Position** - Beginning of year

**Net Position** - End of year

**Statement of Activities**  
**Year Ended June 30, 2014**

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (2,545,318)	\$ -	\$ (2,545,318)	\$ -
(7,727,712)	-	(7,727,712)	-
(39,436)	-	(39,436)	-
(229,902)	-	(229,902)	-
(14,717)	-	(14,717)	-
(72,008)	-	(72,008)	-
(3,540,142)	-	(3,540,142)	-
(19,796)	-	(19,796)	-
(1,919,821)	-	(1,919,821)	-
(51,920)	-	(51,920)	-
(16,160,772)	-	(16,160,772)	-
-	(1,170,255)	(1,170,255)	-
-	(495,411)	(495,411)	-
-	(1,665,666)	(1,665,666)	-
(16,160,772)	(1,665,666)	(17,826,438)	-
-	-	-	(469,009)
14,244,163	2,561,047	16,805,210	517,318
1,899,329	-	1,899,329	-
65,928	20,383	86,311	7,187
142,383	260,000	402,383	-
16,351,803	2,841,430	19,193,233	524,505
(519,472)	519,472	-	-
(328,441)	1,695,236	1,366,795	55,496
24,613,929	30,576,500	55,190,429	1,794,162
<b>\$ 24,285,488</b>	<b>\$ 32,271,736</b>	<b>\$ 56,557,224</b>	<b>\$ 1,849,658</b>

# City of Trenton, Michigan

## Governmental Funds Balance Sheet June 30, 2014

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Cash and cash equivalents (Note 3)	\$ 7,052,593	\$ 3,312,148	\$ 10,364,741
Receivables:			
Taxes	110,888	2,488	113,376
Other	295,949	96,031	391,980
Due from other governmental units	320,977	238,411	559,388
Advance to Brownfield	65,000	-	65,000
Inventory	95,264	-	95,264
Prepaid expenses and other assets	5,439	38	5,477
	<u>\$ 7,946,110</u>	<u>\$ 3,649,116</u>	<u>\$ 11,595,226</u>
Total assets			
<b>Liabilities</b>			
Accounts payable	\$ 275,519	\$ 415,070	\$ 690,589
Accrued liabilities and other	232,670	19,220	251,890
	<u>508,189</u>	<u>434,290</u>	<u>942,479</u>
Total liabilities			
<b>Deferred Inflows of Resources - Unavailable revenue</b>	-	57,879	57,879
<b>Fund Balances</b>			
Nonspendable:			
Inventory	95,264	-	95,264
Prepays	5,439	-	5,439
Long-term advance	65,000	-	65,000
Restricted:			
Major and local streets	-	448,754	448,754
Police	185,489	-	185,489
Fire	185,489	-	185,489
Grant operations	-	631,614	631,614
S.I.N.C. operations	-	423,662	423,662
Refuse	104,136	-	104,136
Library operations	-	28,842	28,842
Library debt	-	98,078	98,078
Committed:			
Compensated absence liability	744,312	-	744,312
Special projects	-	666,080	666,080
Library	-	337,925	337,925
Assigned:			
Equipment	700,000	-	700,000
Capital projects	1,200,000	521,992	1,721,992
Postretirement benefits	1,000,000	-	1,000,000
Defined benefit pension	1,000,000	-	1,000,000
DDA and building authority bonds called in subsequent year	2,020,000	-	2,020,000
Unassigned	132,792	-	132,792
	<u>7,437,921</u>	<u>3,156,947</u>	<u>10,594,868</u>
Total fund balances			
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 7,946,110</u>	<u>\$ 3,649,116</u>	<u>\$ 11,595,226</u>

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

# City of Trenton, Michigan

## Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position June 30, 2014

<b>Fund Balance Reported in Governmental Funds</b>	\$ 10,594,868
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds (excludes ISF assets)	19,429,939
Investments in joint ventures are not financial resources and are not reported in the funds	577,498
Grants receivables that are collected after year end, such that they are not available to pay bills outstanding as of year end, are not recognized as revenue in the funds	57,879
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(1,013,237)
Accrued interest is not due and payable in the current period and is not reported in the funds	(11,700)
Employee compensated absences are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities	(1,776,625)
Other liabilities are not due and payable in the current period and are not reported in the funds	(123,622)
Net other postemployment benefit liability not recorded in the modified accrual statements	(8,930,738)
Internal Service Funds are included as part of governmental activities	<u>5,481,226</u>
<b>Net Position of Governmental Activities</b>	<b><u>\$ 24,285,488</u></b>

# City of Trenton, Michigan

## Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2014

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenue</b>			
Property taxes	\$ 13,679,592	\$ 468,592	\$ 14,148,184
Licenses and permits	379,759	-	379,759
Federal grants	-	1,093,463	1,093,463
State sources	2,208,239	1,470,269	3,678,508
Charges for services	1,459,398	18,168	1,477,566
Fines and forfeitures	419,834	109,482	529,316
Interest income	56,074	9,854	65,928
Other	581,822	634,034	1,215,856
Total revenue	18,784,718	3,803,862	22,588,580
<b>Expenditures</b>			
General government	2,902,514	-	2,902,514
Public safety	8,106,343	946,977	9,053,320
Public works	2,476,233	1,324,718	3,800,951
Retiree benefits and other - Health department (county)	3,416,176	-	3,416,176
Community and economic development	-	436,504	436,504
Recreation and culture	721,360	569,109	1,290,469
Debt service	211,105	-	211,105
Total expenditures	17,833,731	3,277,308	21,111,039
<b>Excess of Revenue Over Expenditures</b>	950,987	526,554	1,477,541
<b>Other Financing Sources (Uses)</b>			
Transfers in (Note 5)	-	342,500	342,500
Transfers out (Note 5)	(429,263)	(432,709)	(861,972)
Total other financing uses	(429,263)	(90,209)	(519,472)
<b>Net Change in Fund Balances</b>	521,724	436,345	958,069
<b>Fund Balances - Beginning of year</b>	6,916,197	2,720,602	9,636,799
<b>Fund Balances - End of year</b>	<b>\$ 7,437,921</b>	<b>\$ 3,156,947</b>	<b>\$ 10,594,868</b>

# 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, 2014

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$ 958,069
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay	1,085,675
Depreciation expense	(1,296,398)
Net book value of assets disposed of	(79,734)
Revenues are recorded in the statement of activities when earned; they are not reported in the funds until collected or collectible within 60 days of year end	(251,031)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	158,549
Change in net other postemployment benefits liability	(2,051,371)
Change in accrued interest payable and other	2,280
Decrease in accumulated employee sick and vacation pay is recorded in the statement of activities	538,842
Net change in investment in joint venture reported in the statement of activities does not provide current financial resources and is not reported as a revenue in the governmental funds.	(14,562)
Decrease in property tax claims is recorded when incurred in the statement of activities	95,978
Internal Service Funds are included as part of governmental activities	<u>525,262</u>
<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ (328,441)</u></b>

# City of Trenton, Michigan

## Proprietary Funds Statement of Net Position June 30, 2014

	Major Business-type Activities			Governmental
	Enterprise - Water and Sewer	Enterprise - Recreation	Total Enterprise Funds	Internal Service Funds
<b>Assets</b>				
Current assets:				
Cash and cash equivalents (Note 3)	\$ 6,979,958	\$ 55,864	\$ 7,035,822	\$ 4,316,845
Receivables:				
Taxes	321,327	-	321,327	-
Customers	1,768,030	73,883	1,841,913	-
Other	-	-	-	41,428
Inventory	219,400	2,020	221,420	239,005
Prepaid expenses and other assets	1,000	-	1,000	216,214
Total current assets	9,289,715	131,767	9,421,482	4,813,492
Noncurrent assets - Capital assets (Note 4):				
Assets not subject to depreciation	138,654	-	138,654	-
Assets subject to depreciation	45,680,736	4,489,319	50,170,055	1,424,717
Total assets	55,109,105	4,621,086	59,730,191	6,238,209
<b>Deferred Outflows of Resources -</b>				
Deferred charges being amortized	-	146,003	146,003	-
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	352,350	36,811	389,161	224,082
Accrued liabilities and other	170,011	57,929	227,940	469,350
Compensated absences (Note 6)	133,004	3,414	136,418	23,334
Current portion of long-term debt (Note 6)	2,448,925	519,000	2,967,925	-
Total current liabilities	3,104,290	617,154	3,721,444	716,766
Noncurrent liabilities:				
Compensated absences (Note 6)	161,678	1,124	162,802	40,217
Long-term debt (Note 6)	19,710,712	4,009,500	23,720,212	-
Total noncurrent liabilities	19,872,390	4,010,624	23,883,014	40,217
Total liabilities	22,976,680	4,627,778	27,604,458	756,983
<b>Net Position</b>				
Net investment in capital assets	23,659,753	106,822	23,766,575	1,424,717
Restricted - Capital charges (Note 1)	3,491,494	-	3,491,494	-
Unrestricted	4,981,178	32,489	5,013,667	4,056,509
Total net position	<u>\$ 32,132,425</u>	<u>\$ 139,311</u>	<u>\$ 32,271,736</u>	<u>\$ 5,481,226</u>

# City of Trenton, Michigan

## Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position Year Ended June 30, 2014

	Major Business-type Activities			Governmental Activities
	Enterprise - Water and Sewer	Enterprise- Recreation	Total Enterprise Funds	Internal Service Funds
<b>Operating Revenue</b>				
Sale of water	\$ 2,443,410	\$ -	\$ 2,443,410	\$ -
Sewage disposal charges	3,172,817	-	3,172,817	-
Charges for services	-	1,217,833	1,217,833	5,494,225
Other	230,646	-	230,646	447,688
Total operating revenue	5,846,873	1,217,833	7,064,706	5,941,913
<b>Operating Expenses</b>				
Cost of water	1,605,716	-	1,605,716	-
Cost of sewage disposal	2,914,435	-	2,914,435	-
Insurance, claims, and other	-	-	-	4,385,112
Transportation and distribution	1,107,732	-	1,107,732	-
Cost of recreation activity	-	933,193	933,193	-
Operating costs	-	-	-	908,184
Depreciation	2,120,285	561,256	2,681,541	255,763
Total operating expenses	7,748,168	1,494,449	9,242,617	5,549,059
<b>Operating (Loss) Income</b>	(1,901,295)	(276,616)	(2,177,911)	392,854
<b>Nonoperating Revenue (Expenses)</b>				
Property tax revenue	2,561,047	-	2,561,047	-
Investment income	20,383	-	20,383	12,620
Interest expense	(572,378)	(218,795)	(791,173)	-
Gain on disposal of capital assets	-	-	-	13,150
Customer capital charges	1,303,418	-	1,303,418	-
Contribution from Downtown Development Authority (DDA)	260,000	-	260,000	-
Total nonoperating revenue (expenses)	3,572,470	(218,795)	3,353,675	25,770
<b>Income (Loss) - Before capital contributions and transfers in</b>	1,671,175	(495,411)	1,175,764	418,624
<b>Capital Contributions</b>	-	-	-	106,638
<b>Transfers In</b>	-	519,472	519,472	-
<b>Change in Net Position</b>	1,671,175	24,061	1,695,236	525,262
<b>Net Position - Beginning of year</b>	30,461,250	115,250	30,576,500	4,955,964
<b>Net Position - End of year</b>	<u>\$ 32,132,425</u>	<u>\$ 139,311</u>	<u>\$ 32,271,736</u>	<u>\$ 5,481,226</u>

# City of Trenton, Michigan

## Proprietary Funds Statement of Cash Flows Year Ended June 30, 2014

	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	\$ 5,875,806	\$ 1,194,413	\$ 7,070,219	\$ 5,945,132
Payments to suppliers	(3,077,563)	(664,240)	(3,741,803)	(633,369)
Payments to employees	(2,658,247)	(261,189)	(2,919,436)	(316,917)
Claims paid	-	-	-	(4,323,271)
Net cash provided by operating activities	139,996	268,984	408,980	671,575
<b>Cash Flows from Noncapital Financing Activities -</b>				
Transfers from other funds	-	519,472	519,472	-
<b>Cash Flows from Capital and Related Financing Activities</b>				
Receipt of capital charges	1,303,418	-	1,303,418	-
Contribution from DDA	260,000	-	260,000	-
Proceeds from sales of capital assets	-	-	-	13,150
Property taxes	2,561,047	-	2,561,047	-
Purchase of capital assets	(277,894)	(57,449)	(335,343)	(26,343)
Principal and interest paid on capital debt	(2,960,665)	(719,545)	(3,680,210)	-
Net cash provided by (used in) capital and related financing activities	885,906	(776,994)	108,912	(13,193)
<b>Cash Flows from Investing Activities -</b> Interest received on investments	20,383	-	20,383	12,620
<b>Net Increase in Cash and Cash Equivalents</b>	1,046,285	11,462	1,057,747	671,002
<b>Cash and Cash Equivalents -</b> Beginning of year	5,933,673	44,402	5,978,075	3,645,843
<b>Cash and Cash Equivalents -</b> End of year	<u>\$ 6,979,958</u>	<u>\$ 55,864</u>	<u>\$ 7,035,822</u>	<u>\$ 4,316,845</u>
<b>Statement of Net Position Classification of Cash and Cash Equivalents -</b> Cash and investments	\$ 6,979,958	\$ 55,864	\$ 7,035,822	\$ 4,316,845
<b>Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities</b>				
Operating (loss) income	\$ (1,901,295)	\$ (276,616)	\$ (2,177,911)	\$ 392,854
Adjustments to reconcile operating (loss) income to net cash from operating activities:				
Depreciation and amortization	2,120,285	561,256	2,681,541	255,763
Changes in assets and liabilities:				
Receivables	28,933	(23,420)	5,513	3,219
Inventories	4,746	(124)	4,622	(30,169)
Prepaid and other assets	3,689	5,065	8,754	9,643
Accounts payable	10,099	8,497	18,596	55,908
Accrued and other liabilities	(126,461)	(5,674)	(132,135)	(15,643)
Net cash provided by operating activities	<u>\$ 139,996</u>	<u>\$ 268,984</u>	<u>\$ 408,980</u>	<u>\$ 671,575</u>
<b>Noncash Transactions -</b> Capital contributions	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 150,638</u>

Capital contributions were \$150,638 in the internal service funds for the year ended June 30, 2014.

# City of Trenton, Michigan

## Fiduciary Funds Statement of Fiduciary Net Position June 30, 2014

	Pension and Retiree Health Care Trust Funds	Agency Funds
<b>Assets</b>		
Cash and cash equivalents	\$ 2,343,823	\$ 16,141
Investments:		
U.S. government and agency securities	1,300,043	-
Stocks	36,691,787	-
Fixed mutual funds	10,067,466	-
Other investments	12,673,260	-
Receivables	13,485	-
	<hr/>	<hr/>
Total assets	63,089,864	<u>\$ 16,141</u>
<b>Liabilities</b>		
Accrued liabilities and other	-	\$ 2,018
Cash bonds and deposits	-	14,123
	<hr/>	<hr/>
Total liabilities	-	<u>\$ 16,141</u>
<b>Net Position Held in Trust for Pension and Other Employee Benefits</b>	<u>\$ 63,089,864</u>	

# City of Trenton, Michigan

## Fiduciary Funds Statement of Changes in Fiduciary Net Position - Pension and Retiree Health Care Trust Funds Year Ended June 30, 2014

	Pension and Retiree Health Care Trust Funds
<b>Additions</b>	
Investment income:	
Interest and dividends	\$ 1,080,745
Net increase in fair value of investments	8,037,845
Less investment expenses	<u>(194,858)</u>
Net investment income	8,923,732
Contributions:	
Employer	4,059,673
Employee	<u>259,613</u>
Total contributions	<u>4,319,286</u>
Total additions	13,243,018
<b>Deductions</b>	
Benefit payments	7,493,641
Administrative expenses	<u>114,249</u>
Total deductions	<u>7,607,890</u>
<b>Net Increase in Net Position Held in Trust</b>	5,635,128
<b>Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year</b>	<u>57,454,736</u>
<b>Net Position Held in Trust for Pension and Other Employee Benefits - End of year</b>	<u><u>\$ 63,089,864</u></u>

# City of Trenton, Michigan

## Component Units Statement of Net Position June 30, 2014

	Downtown Development Authority	Brownfield Redevelopment Authority	Total
<b>Assets</b>			
Cash and cash equivalents (Note 3)	\$ 819,040	\$ 106,645	\$ 925,685
Capital assets (Note 4)	2,568,504	-	2,568,504
Total assets	3,387,544	106,645	3,494,189
<b>Liabilities</b>			
Advance from primary government	-	65,000	65,000
Accrued liabilities and other	24,531	-	24,531
Noncurrent liabilities (Note 6):			
Due within one year	125,000	-	125,000
Due in more than one year	1,430,000	-	1,430,000
Total liabilities	1,579,531	65,000	1,644,531
<b>Net Position</b>			
Net investment in capital assets	1,013,504	-	1,013,504
Unrestricted	794,509	41,645	836,154
Total net position	<b>\$ 1,808,013</b>	<b>\$ 41,645</b>	<b>\$ 1,849,658</b>

# City of Trenton, Michigan

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	<u>Expenses</u>	<u>Program Revenue</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Downtown Development Authority:				
Special projects	\$ 397,081	\$ -	\$ -	\$ -
Interest expense	71,928	-	-	-
Total Downtown Development Authority	469,009	-	-	-
Brownfield Redevelopment Authority	-	-	-	-
Total governmental activities	<u>\$ 469,009</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenue:				
Property taxes				
Investment income				
Total general revenue				
<b>Change in Net Position</b>				
<b>Net Position (Deficit) - Beginning of year</b>				
<b>Net Position - End of year</b>				

**Component Units  
Statement of Activities  
Year Ended June 30, 2014**

Net (Expense) Revenue and Changes in Net Position		
Downtown Development Authority	Brownfield Redevelopment Authority	Total
\$ (397,081)	\$ -	\$ (397,081)
(71,928)	-	(71,928)
(469,009)	-	(469,009)
-	-	-
(469,009)	-	(469,009)
473,051	44,267	517,318
2,918	4,269	7,187
475,969	48,536	524,505
6,960	48,536	55,496
1,801,053	(6,891)	1,794,162
<b>\$ 1,808,013</b>	<b>\$ 41,645</b>	<b>\$ 1,849,658</b>

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

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

#### **Reporting Entity**

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

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

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

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

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

**Jointly Governed Organization** - The City is a participant in a jointly governed organizations as discussed in Note 18.

#### **Major Taxpayers**

Approximately 32 percent of property tax revenue is from two companies with properties in the City of Trenton, and approximately 23 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)**

#### **Accounting and Reporting Principles**

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

#### **Report Presentation**

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

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

For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

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

#### **Fund Accounting**

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

**Governmental funds** include all activities that provide general governmental services that are not business-type activities. This includes the General Fund, special revenue funds, debt service funds, capital project funds, and permanent funds. The City reports the General Fund as “major” governmental fund. The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

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

**Internal service funds** are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments, on a cost reimbursement basis. Included in this category are the Motor Vehicle Pool Fund and the Self-insurance Fund.

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

- The Pension Retirement Trust Fund accounts for the activities of the police and fire employees' retirement system, which accumulates resources for pension benefit payments to qualified police and fire employees.
- The Other Employee Benefit Trust Fund accounts for activities and accumulates resources associated with providing postemployment benefits to retirees
- The Agency Fund accounts for assets held by the City in a trustee capacity or as an agent for individuals, organizations, other governments, or other funds. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations.

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

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

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

#### **Basis of Accounting**

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

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

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

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

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

#### **Specific Balances and Transactions**

**Cash and Cash Equivalents** - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

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

Approximately \$12,700,000 or 23 percent of the Firemen and Policemen Retirement System's net position as of June 30, 2014 is not publicly traded and therefore does not always have a readily determinable market value. Management's estimates of these values are based on information provided by investment managers. Because alternative investments are not readily marketable, their estimated value is subject to uncertainty and therefore may differ significantly from the values that would have been used had a ready market for these securities existed. The difference could be material.

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

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

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

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

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

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

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

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

#### **Deferred Outflows/Inflows of Resources**

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

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

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

#### **Net Position Flow Assumption**

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

#### **Fund Balance Flow Assumption**

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

#### **Fund Balance Policies**

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

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

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

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

#### Property Tax Revenue

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

The City's 2013 tax is levied and collectible on July 1, 2013 and is recognized as revenue in the year ended June 30, 2014, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2013 taxable valuation of the City totaled \$636 million (a portion of which is abated and a portion of which is captured by the DDA and BRA). The Firemen and Policemen Retirement System, solid waste, library operating and debt service, and sewer debt mills were approved specifically for the use in funding a pension plan, providing particular services by the City, and funding certain debt service requirements. To the extent that property taxes levied exceed actual costs, fund balance/net position will be reserved. Taxes were levied as follows:

<u>Purpose</u>	<u>Millage Rate</u>	<u>Revenue</u>
General operating	16.3644	\$ 10,403,860
Firemen and Policement Retirement System	2.0096	1,277,627
Solid waste	1.8056	1,147,931
Library operating	0.7211	458,448
Other tax collection and trailer park fees	0	860,318
Sewer debt	3.8499	2,447,619
Total		<u>\$ 16,595,803</u>

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

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

**Compensated Absences (Vacation and Sick Leave)** - It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end. All other accrued compensated absences are reported in the government-wide financial statements; generally the funds that report each employee's compensation (the General Fund and Water and Sewer Fund, primarily) are used to liquidate obligation.

**Proprietary Funds Operating Classification** - Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer Fund and internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**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.

**Reporting Change** - The City's August state-shared revenue payment has historically been received after the City's period of availability and therefore was recorded as a deferred inflow of resources. In the current year, the City received the payment within the period of availability and recognized revenue in accordance with the modified accrual basis of accounting.

# City of Trenton, Michigan

## Notes to Financial Statements June 30, 2014

### 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, 2014 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	\$ (524,484)
Building permit revenue	362,604
Related expenses - Direct costs	<u>435,282</u>
Current year shortfall	<u>(72,678)</u>
Excess costs - End of year	<u>\$ (597,162)</u>

### 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 mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Police and Fire Retirement System and Retiree Health Care Trust Fund are also authorized by Michigan Public Act 347 of 2012, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

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

**Custodial Credit Risk of Bank Deposits** - Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had \$11,094,000 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. In addition the City's component units had \$925,685 of bank deposits that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

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

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

Government-wide	Fair Value	Less Than Five Years
Municipal bonds	\$ 4,179,094	\$ 4,179,094

# City of Trenton, Michigan

## Notes to Financial Statements June 30, 2014

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

Fiduciary Funds	Fair Value	Less Than Five		
		Years	Five to 15 Years	Over 15 Years
U.S. Treasury and agency	\$ 258,689	\$ 150,009	\$ 108,680	\$ -
Municipal bonds	653,136	188,899	464,237	-
Fixed-income mutual funds	10,067,466	7,670,204	2,300,849	96,413
Other fixed-income securities	388,218	388,218	-	-
Total	<u>\$ 11,367,509</u>	<u>\$ 8,397,330</u>	<u>\$ 2,873,766</u>	<u>\$ 96,413</u>

**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	\$ 489,597	AA+	S&P
Municipal bonds	408,145	AA	S&P
Municipal bonds	101,975	AA-	S&P
Municipal bonds	153,562	A+	S&P
Municipal bonds	106,263	A	S&P
Municipal bonds	640,013	SP1+	S&P
Municipal bonds	751,092	SP1	S&P
Municipal bonds	1,178,845	AA2	Moody's
Municipal bonds	349,602	Aa3	Moody's
Total	<u>\$ 4,179,094</u>		
<b>Fiduciary Funds Assets</b>			
Bond and other securities	\$ 78,181	AAA	S&P
Bond and other securities	319,869	AA+	S&P
Bond and other securities	298,806	AA	S&P
Bond and other securities	156,288	AA-	S&P
Bond and other securities	58,681	AAA	Moody's
Money market mutual funds	2,336,134	N/A	Not Rated
Bond and other securities	10,455,684	N/A	Not Rated
Total	<u>\$ 13,703,643</u>		

# City of Trenton, Michigan

## Notes to Financial Statements June 30, 2014

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

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

### Note 4 - Capital Assets

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

	Balance July 1, 2013	Additions	Disposals	Balance June 30, 2014
<b>Governmental Activities</b>				
Capital assets not being depreciated -				
Land	\$ 2,603,628	\$ -	\$ (79,724)	\$ 2,523,904
Capital assets being depreciated:				
Buildings and improvements	11,774,688	33,999	-	11,808,687
Vehicles	5,509,305	126,446	(182,854)	5,452,897
Furniture and equipment	6,196,368	395,007	(34,924)	6,556,451
Land improvements	2,903,959	35,968	-	2,939,927
Roads and sidewalks	21,051,428	627,236	(200,457)	21,478,207
Subtotal	47,435,748	1,218,656	(418,235)	48,236,169
Accumulated depreciation:				
Buildings and improvements	5,057,821	323,144	-	5,380,965
Vehicles	3,636,798	302,487	(182,854)	3,756,431
Furniture and equipment	4,464,312	370,856	(34,924)	4,800,244
Land improvements	1,778,550	139,666	-	1,918,216
Roads and sidewalks	13,834,000	416,008	(200,447)	14,049,561
Subtotal	28,771,481	1,552,161	(418,225)	29,905,417
Net capital assets being depreciated	18,664,267	(333,505)	(10)	18,330,752
Net capital assets	\$ 21,267,895	\$ (333,505)	\$ (79,734)	\$ 20,854,656

### Note 4 - Capital Assets (Continued)

	Balance July 1, 2013	Additions	Disposals	Balance June 30, 2014
<b>Business-type Activities</b>				
Capital assets not being depreciated:				
Land	\$ 14,242	\$ -	\$ -	\$ 14,242
Construction in progress	62,213	62,199	-	124,412
Subtotal	76,455	62,199	-	138,654
Capital assets being depreciated:				
Water and sewer distribution systems	64,546,445	14,865	-	64,561,310
Treatment facilities	7,068,502	7,945	-	7,076,447
Buildings and improvements	11,633,592	21,400	-	11,654,992
Machinery and equipment	3,341,861	228,934	(16,901)	3,553,894
Land improvements	467,823	-	-	467,823
Subtotal	87,058,223	273,144	(16,901)	87,314,466
Accumulated depreciation:				
Water and sewer distribution systems	20,253,709	1,612,952	-	21,866,661
Treatment facilities	5,079,374	325,296	-	5,404,670
Buildings and improvements	7,069,305	532,803	-	7,602,108
Machinery and equipment	1,973,736	198,942	(16,901)	2,155,777
Land improvements	103,647	11,548	-	115,195
Subtotal	34,479,771	2,681,541	(16,901)	37,144,411
Net capital assets being depreciated	52,578,452	(2,408,397)	-	50,170,055
Net capital assets	<u>\$ 52,654,907</u>	<u>\$ (2,346,198)</u>	<u>\$ -</u>	<u>\$ 50,308,709</u>
<b>Component Units</b>				
Capital assets being depreciated -				
Land improvements	\$ 3,312,897	\$ -	\$ -	\$ 3,312,897
Accumulated depreciation -				
Land improvements	648,542	-	95,851	744,393
Net capital assets	<u>\$ 2,664,355</u>	<u>\$ -</u>	<u>\$ (95,851)</u>	<u>\$ 2,568,504</u>

# City of Trenton, Michigan

## Notes to Financial Statements June 30, 2014

### Note 4 - Capital Assets (Continued)

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

Governmental activities:	
General government	\$ 573,550
Public safety	248,871
Public works	75,717
Recreation and culture	398,260
Internal service fund depreciation charged to various functions based on usage of the asset	<u>255,763</u>
Total governmental activities	<u>\$ 1,552,161</u>
Business-type activities:	
Water and sewer	\$ 2,120,285
Recreation	<u>561,256</u>
Total business-type activities	<u>\$ 2,681,541</u>
Component unit activities - Downtown Development Authority	<u>\$ 95,851</u>

### Note 5 - Interfund Transfers and Intra-entity Advances

The composition of advances is as follows:

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

See Note 6 for more information on the long-term advance between the General Fund and Brownfield Redevelopment Authority.

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	\$ -	\$ 342,500	\$ 342,500
Business-type activities - Recreation	<u>429,263</u>	<u>90,209</u>	<u>519,472</u>
Total	<u>\$ 429,263</u>	<u>\$ 432,709</u>	<u>\$ 861,972</u>

# City of Trenton, Michigan

## Notes to Financial Statements June 30, 2014

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

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

### Note 6 - Long-term Debt

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

Long-term debt activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>						
General obligation bonds:						
Building Authority Bonds -	3.70% -	\$9,000 -				
Amount of issue - \$1,800,000	4.60%	\$12,600	\$ 94,500	\$ (9,000)	\$ 85,500	\$ 9,000
Building Authority Refunding Bonds -		\$107,000 -				
Amount of issue - \$6,115,000	4% - 5.00%	\$127,000	1,023,000	(107,000)	916,000	107,000
Installment purchase agreements -						
Trash truck loan -						
Amount of issue - \$141,243	2.65%	\$48,238	95,349	(47,111)	48,238	48,238
Total bonds payable			1,212,849	(163,111)	1,049,738	164,238
Other long-term obligations -						
Compensated absences			2,381,696	(541,520)	1,840,176	929,500
Total governmental activities			<u>\$ 3,594,545</u>	<u>\$ (704,631)</u>	<u>\$ 2,889,914</u>	<u>\$ 1,093,738</u>

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

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Reductions	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% - 4.25%		\$ 733,985	\$ (138,284)	\$ 595,701	\$ 148,925
Amount of issue - \$1,999,850		\$148,925				
State Revolving Fund Limited Tax Bonds - Program 5127-01 -	2.5%	\$645,000 - \$730,000	5,464,064	(630,000)	4,834,064	645,000
Amount of issue - \$12,095,000						
State Revolving Fund Limited Tax Bonds - Program 5127-02 -	2.5%	\$840,000 - \$926,706	7,836,706	(820,000)	7,016,706	840,000
Amount of issue - \$16,535,000						
State Revolving Fund Limited Tax Bonds - Program 5127-03 -	2.5%	\$45,000 - \$60,648	525,648	(45,000)	480,648	45,000
Amount of issue - \$1,005,000						
State Revolving Fund Limited Tax Bonds - Program 5127-04 -	2.5%	\$475,000 - \$592,518	5,807,518	(465,000)	5,342,518	475,000
Amount of issue - \$10,325,000						
State Revolving Fund Limited Tax Bonds - Program 5127-05 -	2.5%	\$95,000 - \$125,000	1,305,000	(95,000)	1,210,000	95,000
Amount of issue - \$1,990,000						
State Revolving Fund Limited Tax Bonds - Program 5127-06 -	2.125%	\$200,000 - \$250,000	2,875,000	(195,000)	2,680,000	200,000
Amount of issue - \$4,130,000						
Building Authority Bonds -	3.70% - 4.60%	\$91,000 - \$127,400	955,500	(91,000)	864,500	91,000
Amount of issue - \$1,800,000						
Building Authority Refunding Bonds -	4% - 5.00%	\$428,000 - \$508,000	4,092,000	(428,000)	3,664,000	428,000
Amount of issue - \$6,115,000						
Total general obligation bonds			29,595,421	(2,907,284)	26,688,137	2,967,925
Compensated absences			414,557	(115,337)	299,220	136,418
Total business-type activities			<u>\$ 30,009,978</u>	<u>\$ (3,022,621)</u>	<u>\$ 26,987,357</u>	<u>\$ 3,104,343</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	\$ 950,000	\$ (75,000)	\$ 875,000	\$ 75,000
General obligation limited tax bonds - Downtown Development Authority Bonds - Amount of issue - \$920,000	4.30%	\$50,000 - \$90,000	720,000	(40,000)	680,000	50,000
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>\$ 1,735,000</u>	<u>\$ (115,000)</u>	<u>\$ 1,620,000</u>	<u>\$ 190,000</u>

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

# City of Trenton, Michigan

## Notes to Financial Statements June 30, 2014

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

The water and sewer contractual obligation represents the City's obligation to service a portion of a \$4,700,000 bond issued by the Grosse Ile - Trenton Utilities Authority, representing the percentage of the total bond proceeds that was disbursed to the City for system construction projects. The City's transactions with the authority are limited to the issuance and repayment of this obligation (see Note 18).

The Downtown Development Authority Bonds represent monies to correct and prevent deterioration in the downtown district, encourage historical preservation, and 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
2015	\$ 164,238	\$ 41,128	\$ 205,366	\$ 2,967,925	\$ 706,831	\$ 3,674,756	\$ 190,000	\$ 67,996	\$ 257,996
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	123,800	18,853	142,653	3,046,200	351,446	3,397,646	165,000	40,838	205,838
2020-2024	403,550	24,835	428,385	10,815,387	613,622	11,429,009	805,000	86,008	891,008
2025-2029	-	-	-	620,000	12,134	632,134	-	-	-
Total	\$ 1,049,738	\$ 171,407	\$ 1,221,145	\$ 26,688,137	\$ 3,272,646	\$ 29,960,783	\$ 1,620,000	\$ 360,108	\$ 1,980,108

Total interest expense incurred by the City for the year approximated \$913,000.

### Note 7 - Postemployment Benefits

**Plan Description** - The City provides life insurance and healthcare benefits to all full-time employees upon retirement, in accordance with labor contracts. As of June 30, 2013, the date of the last actuarial valuation, 208 retirees are eligible. The City includes pre-Medicare retirees and their dependents in its insured healthcare plan, with no contribution required by the participant. The City purchases Medicare supplemental insurance for retirees eligible for Medicare. Expenditures for postemployment healthcare and life insurance benefits include insurance premiums that become due during the current year and discretionary contributions made to the Retiree Health Care Trust Fund.

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

**Funding Policy** - The collective bargaining agreements do not require contributions from employees. Retiree healthcare costs are recognized when paid by the City on a "pay-as-you-go" basis. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment. In the current year, the City paid postemployment healthcare premiums of approximately \$2,429,000; in addition, the City contributed \$301,368 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, 2014, 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)	\$ 4,771,855
Interest on the prior year's net OPEB obligation	275,175
Less adjustment to the annual required contribution	<u>(265,429)</u>
Annual OPEB cost	4,781,601
Amounts contributed:	
Payments of current premiums	(2,428,862)
Advance funding	<u>(301,368)</u>
Increase in net OPEB obligation	2,051,371
OPEB obligation - Beginning of year	<u>6,879,367</u>
OPEB obligation - End of year	<u>\$ 8,930,738</u>

### Note 7 - Postemployment Benefits (Continued)

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

Fiscal Year Ended	Actuarial Valuation Date	Annual OPEB Costs	Percentage Contributed	Net OPEB Obligation
6/30/12	6/30/09	\$ 3,799,163	61 %	\$ 5,350,077
6/30/13	6/30/11	4,460,050	66 %	6,879,367
6/30/14	6/30/11	4,781,601	57 %	8,930,738

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

**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.

### Note 7 - Postemployment Benefits (Continued)

In the June 30, 2013 actuarial valuation, the individual entry age actuarial cost method was used. The actuarial assumptions included a 4 percent investment rate of return, which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date. The actuarial valuation assumed an annual healthcare cost trend rate of 9.0 percent initially, reduced by decrements to an ultimate rate of 4.0 percent after 10 years. Both rates included a 3.5 percent inflation assumption. Actuarial gains and losses reduce (increase) the UAAL as they occur. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2013 was 24 years.

### Note 8 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City participates in the Michigan Municipal League (risk pool) for claims relating to 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>2014</u>	<u>2013</u>
Estimated liability - Beginning of year	\$ 465,828	\$ 609,112
Estimated claims incurred, including changes in estimates and related administrative costs	4,593,515	4,697,034
Claim and related administrative payments	<u>(4,604,700)</u>	<u>(4,840,318)</u>
Estimated liability - End of year	<u>\$ 454,643</u>	<u>\$ 465,828</u>

### Note 9 - Defined Benefit Pension Plan - Municipal Employees' Retirement System of Michigan

**Plan Description** - The City participates in the Municipal Employees' Retirement System of Michigan (the "System"), 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 system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Municipal Employees' Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, MI 48917.

**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 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.

**Annual Pension Cost** - For the year ended June 30, 2014, the City's annual pension cost of \$1,296,108 for the plan, exclusive of \$80,531 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, 2011, 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 13.0 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 25 years.

#### Three-year Trend Information

	Fiscal Year Ended June 30		
	2014	2013	2012
Annual pension cost (APC)	\$ 1,296,108	\$ 1,165,284	\$ 1,124,748
Percentage of APC contributed	100.0 %	100.0 %	100.0 %
Net pension obligation	-	-	-

# City of Trenton, Michigan

## Notes to Financial Statements June 30, 2014

### Note 9 - Defined Benefit Pension Plan - Municipal Employees' Retirement System of Michigan (Continued)

	Actuarial Valuation Date		
	2013	2012	2011
Actuarial value of assets	\$ 27,601,011	\$ 28,530,326	\$ 29,031,469
Actuarial Accrued Liability (AAL)			
(entry age)	43,426,001	43,185,137	42,594,672
Unfunded AAL (UAAL)	15,824,990	14,654,811	13,563,203
Funded ratio	63.6 %	66.1 %	68.2 %
Covered payroll	1,583,802	1,694,143	2,190,662
UAAL as a percentage of covered payroll	999.2 %	865.0 %	619.1 %

### Note 10 - Defined Contribution Pension Plan

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, and active and future firemen and policemen who are eligible to participate in the Firemen and Policemen Defined Benefit Pension Plan) participate in one of the City's two defined contribution plans: the General Employees' Money Purchase Plan (General Employees' Plan) or the City of Trenton Fire Fighters and Police Officers Money Purchase Plan (Fire Fighters and Police Officers Plan). In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings.

As established by various employee collective bargaining units, the City contributes 6 percent and 12 percent of employees' base 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 \$131,130 and \$6,973 during the current year and the employees contributed \$131,130 and \$3,486 during the current year for the General Employees' Plan and Fire Fighters and Police Officers Plan, respectively. The plans' assets, which aggregated \$4,589,018 at June 30, 2014, are held by an independent third-party administrator.

### Note 11 - Firemen and Policemen Retirement System (P&F Pension System) - P&F Pension System Description

During the current year, the City adopted GASB Statement No. 67, *Financial Reporting for Pension Plans*. Adopting this Statement resulted in significant changes to the defined benefit-related disclosures as noted in Notes 11-15.

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

Management of the Plan is vested in the Board of Trustees, which consists of five members: the City Treasurer, a police member (elected by members of the Police Department), a fire member (elected by the Fire Department), and two citizens of the City of Trenton (appointed by the Mayor).

**Plan Membership** - At June 30, 2014, pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	105
Inactive plan members entitled to but not yet receiving benefits	2
Active plan members	<u>66</u>
Total	<u><u>173</u></u>

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

#### Regular Retirement:

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

### **Note 11 - Firemen and Policemen Retirement System (P&F Pension System) - P&F Pension System Description (Continued)**

*Average Final Compensation (AFC):* Highest three years out of last 10. Fire: hired on or before December 31, 1995, AFC includes base wages, holiday pay, longevity, overtime pay, unused vacation time, and up to three additional earned paid leave days. Police: hired on or before December 31, 1995, AFC includes base wages, holiday pay, overtime pay, and unused vacation time. Police and Fire: hired after January 1, 1996, AFC includes base wages and up to 240 hours of accrued leave time, which is payable at time of retirement. Effective July 1, 2014 for Fire: longevity paid after this date and additional earned paid leave days are no longer included in AFC.

#### **Death After Retirement:**

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

#### **Duty Disability Retirement:**

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

#### **Non-duty Disability Retirement:**

*Annual Amount:* To age 55, 1.5 percent of AFC times years of service. At age 55, same as service retirement pension.

#### **Duty Death-in-service Retirement:**

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

#### **Non-duty Death-in-Service Retirement:**

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

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

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

### **Note 11 - Firemen and Policemen Retirement System (P&F Pension System) - P&F Pension System Description (Continued)**

**Contributions** - Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, the Pension Board retains an independent actuary to determine the annual contribution. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. Contribution requirements of plan members are established by negotiation with the City's collective bargaining units. The System requires contribution from the employees of 6 percent. For the year ended June 30, 2014, the City contributed the actuarial required contribution of \$1,329,444.

### **Note 12 - P&F Pension System Investments - Policy and Rate of Return**

**Investment Policy** - The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Board of Trustees by a majority vote of its members. It is the policy of the Board of Trustees to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The following was the Board's adopted asset allocation policy as of June 30, 2014:

<u>Asset Class</u>	<u>Target Allocation</u>
U.S. Equity	41%
Developed International Equity	12%
Emerging Markets Equity	7%
Investment Grade U.S. Fixed	15%
High Yield U.S. Fixed	9%
International Fixed	9%
Real Estate	5%
Cash	2%

**Rate of Return** - For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 15.44 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

### Note 13 - P&F Pension System Reserves

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

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

The employee reserve is credited as employee contributions are received throughout the year; the Plan maintains a record of the amount contributed by each employee, and credits interest annually at a rate of 2.0 percent. For any employee who terminates before vesting in the pension plan, their balance is returned to them; for those who stay until retirement, the balance is transferred into the retiree reserve.

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

	Required Reserve	Amount Funded
Retiree reserve	\$ 42,901,127	\$ 42,901,127
Employee reserve	4,935,292	4,935,292
Employer reserve	7,899,607	7,899,607

### Note 14 - Net Pension Liability of the City - P&F Pension System

The City reports pension expense based on funding requirements, as directed by GASB Statement No. 27. Beginning next year, the City will adopt GASB Statement No. 68, which will require the measurement of pension expense as it is earned, rather than as it is funded. The net pension liability of the City has been measured as of June 30, 2014. This net pension liability will be recorded during fiscal year 2015 when the City adopts GASB Statement No. 68.

The components of the net pension liability of the City at June 30, 2014, were as follows:

Total pension liability	\$ (66,133,890)
Plan fiduciary net position	<u>55,736,026</u>
City's net position liability	<u>\$ (10,397,864)</u>
Plan fiduciary net position as a percentage of the total pension liability	84.3 %

### **Note 14 - Net Pension Liability of the City - P&F Pension System (Continued)**

**Actuarial Assumptions** - The total pension liability was determined by an actuarial valuation as of June 30, 2013, which used update procedures to roll forward the estimated liability to June 30, 2014. The valuation used the following actuarial assumptions, applied to all periods included in the measurement:

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

Mortality rates were based on the RP-2000 Combined Health Mortality Table for males and females, adjusted for mortality improvements to 2020 using projection scale AA.

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

#### **Projected Cash Flows**

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

### Note 14 - Net Pension Liability of the City - P&F Pension System (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return adopted as of June 30, 2013 for each major asset class included in the pension plan's target asset allocation, as disclosed in the investment note, are summarized in the following table.

Asset Class	Long-term Expected Real Rate of Return
U.S. Equity	6.70 %
Developed International Equity	6.60
Emerging Markets Equity	7.80
Investment Grade U.S. Fixed	2.20
High Yield U.S. Fixed	5.40
International Fixed	2.50
Real Estate	5.80
Cash	1.30

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net pension liability of the City	\$ 17,870,829	\$ 10,397,863	\$ 4,102,728

### Note 15 - City Pension Cost - P&F Pension System (under GASB Statement No. 27)

The pension plan does not issue a separate financial report.

**Annual Pension Cost** - Until the adoption of GASB Statement No. 68 next year, the City reports pension expense based on funding requirements, as directed by GASB Statement No. 27. For the year ended June 30, 2014, the City's annual pension cost of \$1,329,444 for the plan was equal to the City's required and actual contribution. The pension cost for the three most recent years is as follows:

	Fiscal Year Ended June 30		
	2014	2013	2012
Annual pension cost (APC)	\$ 1,329,444	\$ 1,050,331	\$ 1,116,778
Percentage of APC contributed	100.0 %	100.0 %	100.0 %
Net pension obligation	-	-	-

**Funding Status and Funding Progress** - Under GASB Statement No. 27, as of June 30, 2013, the most recent actuarial valuation date, the plan was 83.1 percent funded. The actuarial accrued liability for benefits was \$65,829,182, and the actuarial value of assets was \$54,709,029, resulting in an unfunded actuarial accrued liability of \$11,120,153. The covered payroll (annual payroll to active employees covered by the plan) was \$4,376,244, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 254.1 percent.

The schedule of funding progress, presented as required supplemental information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

**Actuarial Methods and Assumptions** - The annual required contribution was determined as part of an actuarial valuation at June 30, 2012, using the entry age actuarial cost method. Significant actuarial assumptions used include (a) a 7.25 percent investment rate of return, (b) projected salary increases of 3.7 percent to 11.5 percent per year, and (c) postretirement benefit increase 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 using techniques that smooth the effects of short-term volatility over a five-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 23 years.

# City of Trenton, Michigan

## Notes to Financial Statements June 30, 2014

### Note 16 - 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	\$ 55,722,541	\$ 7,353,838	\$ 63,076,379
Receivables	13,485	-	13,485
Total net position	<u>\$ 55,736,026</u>	<u>\$ 7,353,838</u>	<u>\$ 63,089,864</u>
Statement of changes in net position:			
Investment income	\$ 7,872,147	\$ 1,051,585	\$ 8,923,732
Contributions	1,589,057	2,730,229	4,319,286
Benefit payments	(5,064,779)	(2,428,862)	(7,493,641)
Administrative expenses	(45,008)	(69,241)	(114,249)
Change in net position	<u>\$ 4,351,417</u>	<u>\$ 1,283,711</u>	<u>\$ 5,635,128</u>

### Note 17 - 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, 2014, the Downtown Development Authority was unable to make the \$100,000 installment payment. The outstanding commitment at June 30, 2014 was \$700,000.

### Note 18 - Joint Ventures

#### 33rd District Court System

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

### **Note 18 - Joint Ventures (Continued)**

The District Court receives its operating revenue principally through contributions from member communities. During the current year, the District Court returned approximately \$14,000 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, 2014 is \$577,498.

#### **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 \$29,450 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 19 - Change in Accounting**

During the current year, the City adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The objective of this statement is to establish standards that reclassify certain items that were previously reported as assets and liabilities and instead to classify them as deferred inflows of resources, deferred outflows of resources, or outflows of resources.

### Note 19 - Change in Accounting (Continued)

As a result of implementing this statement, the following assets and liabilities have been reclassified, as indicated:

Item	Amount	Prior Reporting Classification/Treatment	New Classification After Adoption of GASB Statement No. 65
Deferred charges on bond refunding being amortized - Governmental activities and governmental funds	\$ 36,501	Adjustment to the bonds payable liability	Deferred outflow of resources
Bond refunding loss being amortized - Business-type activities	146,003	Adjustment to the bonds payable liability	Deferred outflow of resources
Revenue in governmental funds not collected within 60 days of year end	57,879	Liability	Deferred inflow of resources

### Note 20 - Upcoming Accounting Pronouncements

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, 2015.

## **Required Supplemental Information**

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# City of Trenton, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2014

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 13,486,678	\$ 13,626,678	\$ 13,679,592	\$ 52,914
Licenses and permits	403,400	403,400	379,759	(23,641)
State sources	1,882,000	1,882,000	2,208,239	326,239
Charges for services	1,370,131	1,499,131	1,459,398	(39,733)
Fines and forfeitures	375,000	415,000	419,834	4,834
Interest income	60,000	60,000	53,994	(6,006)
Other:				
Cable franchise fees	400,000	428,000	428,777	777
Other miscellaneous income	303,302	196,500	153,045	(43,455)
Total revenue	18,280,511	18,510,709	18,782,638	271,929
<b>Expenditures</b>				
Current:				
General government:				
Mayor and Council	92,188	88,188	82,398	5,790
City administrator	410,712	410,712	412,689	(1,977)
City controller	289,634	289,634	285,207	4,427
City treasurer	68,157	68,157	67,799	358
City assessor	179,182	169,182	160,633	8,549
Board of Review	1,500	1,500	1,430	70
Clerk	216,377	216,377	212,564	3,813
Elections	56,650	28,150	26,506	1,644
Buildings and grounds	807,351	790,351	777,240	13,111
Attorney	177,000	177,000	176,062	938
District Court	381,000	368,000	367,361	639
Planning commission	37,425	37,425	38,858	(1,433)
Central office	291,000	305,500	293,767	11,733
Total general government	3,008,176	2,950,176	2,902,514	47,662
Public safety:				
Police department	4,140,173	4,143,673	4,054,478	89,195
Traffic safety commission	700	700	615	85
Fire department	3,446,538	3,297,452	3,275,297	22,155
Emergency	112,573	112,573	113,390	(817)
Animal control	91,522	101,522	101,117	405
Corrections department/jail	42,000	42,000	39,436	2,564
Building inspection	439,494	439,494	435,285	4,209
Civil defense	24,967	24,967	14,717	10,250
Crossing guards	74,802	74,802	72,008	2,794
Total public safety	8,372,769	8,237,183	8,106,343	130,840

# City of Trenton, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2014

	<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	\$ 175,632	\$ 167,632	\$ 147,140	\$ 20,492
Sanitation	1,144,802	1,144,802	1,054,709	90,093
Street lighting	745,000	710,000	707,773	2,227
Department of Public Works	<u>565,895</u>	<u>565,895</u>	<u>566,611</u>	<u>(716)</u>
Total public works	2,631,329	2,588,329	2,476,233	112,096
Retiree benefits and other	3,040,379	3,040,630	3,105,924	(65,294)
Recreation and culture:				
Cultural center	10,490	15,490	14,911	579
Parks department	455,745	432,745	414,763	17,982
Civic commission	16,000	16,000	17,106	(1,106)
Historical commission	4,650	4,650	1,039	3,611
Other commissions	2,475	2,475	1,920	555
Outdoor pool	<u>292,663</u>	<u>282,663</u>	<u>271,621</u>	<u>11,042</u>
Total recreation and culture	782,023	754,023	721,360	32,663
Debt service	<u>256,572</u>	<u>211,105</u>	<u>211,105</u>	<u>-</u>
Total expenditures	<u>18,091,248</u>	<u>17,781,446</u>	<u>17,523,479</u>	<u>257,967</u>
<b>Excess of Revenue Over Expenditures</b>	189,263	729,263	1,259,159	529,896
<b>Other Financing Uses - Transfers out</b>	<u>(189,263)</u>	<u>(729,263)</u>	<u>(729,263)</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 529,896</u>	<u>\$ 529,896</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

## Note to Required Supplemental Information Year Ended June 30, 2014

**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	\$ 18,784,718	\$ 17,833,731
Separation Pay Fund	<u>(2,080)</u>	<u>(310,252)</u>
Amounts per budget statement	<u>\$ 18,782,638</u>	<u>\$ 17,523,479</u>

The General Fund transferred \$300,000 to the Separation Pay Fund.

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Retiree benefits and other	<u>\$ 3,040,630</u>	<u>\$ 3,105,924</u>	<u>\$ (65,294)</u>

# City of Trenton, Michigan

## Required Supplemental Information P&F Pension System Schedule of Funding Progress (under GASB Statement No. 27) Year Ended June 30, 2014

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
6/30/08	\$ 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
6/30/13	54,709,029	65,829,182	11,120,153	83.1	4,376,244	254.1

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of June 30, 2013, the latest actuarial valuation 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 23-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

## Required Supplemental Information MERS Plan Schedule of Funding Progress Year Ended June 30, 2014

The schedule of funding progress for the Municipal Employees' Retirement System of Michigan 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
12/31/08	\$ 30,225,249	\$ 41,838,381	\$ 11,613,132	72.2	\$ 2,374,874	489.0
12/31/09	29,440,388	42,791,925	13,351,537	68.8	2,384,203	560.0
12/31/10	29,031,469	42,594,672	13,563,203	68.2	2,191,147	619.0
12/31/11	28,530,326	43,185,137	14,654,811	66.1	1,694,143	865.0
12/31/12	27,823,249	43,301,673	15,478,424	64.3	1,716,011	902.0
12/31/13	27,601,011	43,426,001	15,824,990	63.6	1,583,802	999.2

# City of Trenton, Michigan

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## Required Supplemental Information Schedule of Investment Returns Year Ended June 30, 2014

Annual money-weighted rate of return, net of investment expense	15.4 %
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# City of Trenton, Michigan

## Required Supplemental Information Schedule of Changes in the City Net Pension Liability and Related Ratios Year Ended June 30, 2014

<b>Total Pension Liability</b>	
Service cost	\$ 899,643
Interest	4,621,631
Changes in benefit terms	(151,801)
Differences between expected and actual experience	-
Changes in assumptions	-
Benefit payments, including refunds	<u>(5,064,779)</u>
Net change in total pension liability	304,694
Total pension liability - Beginning of year	<u>65,829,196</u>
Total pension liability - End of year	<u><b>\$ 66,133,890</b></u>
<b>Plan Fiduciary Net Position</b>	
Contributions - Employer	\$ 1,329,445
Contributions - Member	259,613
Net investment income	7,857,497
Administrative expenses	(30,357)
Benefit payments, including refunds	(5,064,779)
Other	<u>-</u>
Net change in plan fiduciary net position	4,351,419
Plan fiduciary net position - Beginning of year	<u>51,384,608</u>
Plan fiduciary net position - End of year	<u><b>\$ 55,736,026</b></u>
<b>City's Net Pension Liability - Ending</b>	<u><b>\$ 10,397,864</b></u>
<b>Plan Fiduciary Net Position as a Percent of Total Pension Liability</b>	84.28 %
<b>Covered Employee Payroll</b>	\$ 4,376,244
<b>City's Net Pension Liability as a Percent of Covered Employee Payroll</b>	237.6 %

# City of Trenton, Michigan

## Required Supplemental Information Schedule of City Contributions Last Ten Fiscal Years

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Actuarially determined contribution	\$ 1,329,444	\$ 1,050,331	\$ 1,116,778	\$ 801,120	\$ 485,174	\$ 455,199	\$ 838,615	\$ 1,100,318	\$ 1,225,411	\$ 1,154,506
Contributions in relation to the actuarially determined contribution	1,329,444	1,050,331	1,116,778	801,120	485,174	455,199	838,615	1,100,318	1,225,411	1,154,506
<b>Contribution Deficiency</b>	<b>\$ -</b>									
<b>Covered Employee Payroll</b>	<b>\$ 4,376,244</b>	<b>\$ 4,245,698</b>	<b>\$ 2,881,249</b>	<b>\$ 3,295,980</b>	<b>\$ 3,892,915</b>	<b>\$ 3,872,581</b>	<b>\$ 3,646,192</b>	<b>\$ 3,646,192</b>	<b>\$ 4,066,424</b>	<b>\$ 4,023,462</b>
<b>Contributions as a Percentage of Covered Employee Payroll</b>	<b>30.4 %</b>	<b>24.7 %</b>	<b>38.8 %</b>	<b>24.3 %</b>	<b>12.5 %</b>	<b>11.8 %</b>	<b>23.0 %</b>	<b>30.2 %</b>	<b>30.1 %</b>	<b>28.7 %</b>

### Notes to Schedule of City Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation Date	The June 30, 2014 contribution was determined in the June 30, 2012 actuarial valuation. Actuarially determined contribution amounts are calculated as of June 30 each year, which is one year prior to the beginning of the fiscal year in which the contribution is reported.
Methods and assumptions used to determine contribution rates	
Actuarial cost method	Entry-age normal
Amortization method	Level percent of payroll, closed
Remaining amortization period	23 years (as of valuation date)
Asset valuation method	5-year smoothed market
Inflation	3.5%; No explicit price inflation assumption is used in this valuation
Salary increases	3.7% to 11.50%
Investment rate of return	7.25% (net of investment and administrative expenses)
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2005 valuation pursuant to an experience study of the period 1999-2004
Mortality	RP-2000 Male (unadjusted) and Female (unadjusted) Healthy Life Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA.
Other information	Early retirement windows are amortized as a level dollar amount over a closed 5-year period beginning in the first year recognized.

# City of Trenton, Michigan

## Required Supplemental Information OPEB System Schedule Year Ended June 30, 2014

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
6/30/07	\$ 2,282,504	\$ 52,452,466	\$ 50,169,962	4.4	\$ 6,247,984	803.0
6/30/09	3,491,180	48,794,058	45,302,878	7.2	5,486,642	825.7
6/30/11	5,275,630	79,845,428	74,569,798	6.6	5,071,911	1,470.3
6/30/13	6,070,127	82,812,846	76,742,719	7.3	5,960,046	1,287.6

The schedule of employer contributions is as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution *	Percentage Contributed
6/30/09	6/30/07	\$ 3,769,073	64.1
6/30/10	6/30/07	3,919,837	67.9
6/30/11	6/30/09	3,593,213	68.9
6/30/12	6/30/09	3,736,942	62.4
6/30/13	6/30/11	4,588,321	63.9
6/30/14	6/30/11	4,771,855	57.2

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

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of June 30, 2013, the latest actuarial valuation, follows:

Amortization method	Level percent of payroll
Amortization period (perpetual)	24 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	4%
Projected salary increases (MERS)	4.3 to 17%
Projected salary increases (ACT 345)	3.7 to 11.5%
*Includes inflation at	4.0% for MERS, 3.5% for ACT 345
Health Care Trend Rates	4.0-9.0%

## **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	\$ 218,928	\$ 294,426	\$ 4,459	\$ 718,858	\$ 699,007	\$ 459,663
Receivables:						
Taxes	-	-	-	-	-	2,488
Other	-	-	8,199	6,407	-	47,578
Due from other governmental units	117,855	50,506	2,810	-	67,240	-
Prepaid expenses and other assets	-	-	-	-	38	-
<b>Total assets</b>	<b>\$ 336,783</b>	<b>\$ 344,932</b>	<b>\$ 15,468</b>	<b>\$ 725,265</b>	<b>\$ 766,285</b>	<b>\$ 509,729</b>
<b>Liabilities</b>						
Accounts payable	\$ 105,418	\$ 124,663	\$ -	\$ 50,415	\$ 85,371	\$ 44,203
Accrued liabilities and other	1,891	989	-	8,770	6,889	681
<b>Total liabilities</b>	<b>107,309</b>	<b>125,652</b>	<b>-</b>	<b>59,185</b>	<b>92,260</b>	<b>44,884</b>
<b>Deferred Inflows of Resources -</b>						
Unavailable revenue	-	-	2,810	-	55,069	-
<b>Fund Balances</b>						
Nonspendable:						
Restricted:						
Major and local streets	229,474	219,280	-	-	-	-
Grant operations	-	-	12,658	-	618,956	-
S.I.N.C. operations	-	-	-	-	-	-
Library operations	-	-	-	-	-	28,842
Library debt	-	-	-	-	-	98,078
Committed:						
Special projects	-	-	-	666,080	-	-
Library	-	-	-	-	-	337,925
Assigned - Capital projects	-	-	-	-	-	-
<b>Total fund balances</b>	<b>229,474</b>	<b>219,280</b>	<b>12,658</b>	<b>666,080</b>	<b>618,956</b>	<b>464,845</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 336,783</b>	<b>\$ 344,932</b>	<b>\$ 15,468</b>	<b>\$ 725,265</b>	<b>\$ 766,285</b>	<b>\$ 509,729</b>

**Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2014**

Special Revenue Funds		Total Nonmajor Governmental Funds
S.I.N.C.	Capital Projects	
\$ 392,815	\$ 523,992	\$ 3,312,148
-	-	2,488
33,847	-	96,031
-	-	238,411
-	-	38
<b>\$ 426,662</b>	<b>\$ 523,992</b>	<b>\$ 3,649,116</b>
\$ 3,000	\$ 2,000	\$ 415,070
-	-	19,220
3,000	2,000	434,290
-	-	57,879
-	-	448,754
-	-	631,614
423,662	-	423,662
-	-	28,842
-	-	98,078
-	-	666,080
-	-	337,925
-	521,992	521,992
423,662	521,992	3,156,947
<b>\$ 426,662</b>	<b>\$ 523,992</b>	<b>\$ 3,649,116</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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 468,592
Federal grants	-	-	64,230	-	1,029,233	-
State-shared revenue and grants	716,052	369,581	-	-	384,636	-
Charges for services	-	-	-	-	18,168	-
Fines and forfeitures	-	-	-	-	-	-
Investment income	970	207	-	2,126	1,663	1,738
Other revenue:						
Local donations	-	-	-	16,982	-	-
Other miscellaneous income	45,621	-	-	268,291	-	124,332
<b>Total revenue</b>	<b>762,643</b>	<b>369,788</b>	<b>64,230</b>	<b>287,399</b>	<b>1,433,700</b>	<b>594,662</b>
<b>Expenditures - Current</b>						
Public safety	-	-	-	-	770,397	-
Public works	513,246	801,539	-	-	-	-
Community and economic development	-	-	54,402	336,912	-	-
Recreation and culture	-	-	-	-	80,005	489,104
<b>Total expenditures</b>	<b>513,246</b>	<b>801,539</b>	<b>54,402</b>	<b>336,912</b>	<b>850,402</b>	<b>489,104</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>249,397</b>	<b>(431,751)</b>	<b>9,828</b>	<b>(49,513)</b>	<b>583,298</b>	<b>105,558</b>
<b>Other Financing Sources (Uses)</b>						
Transfers in	-	342,500	-	-	-	-
Transfers out	(342,500)	-	-	-	-	-
<b>Total other financing (uses) sources</b>	<b>(342,500)</b>	<b>342,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(93,103)</b>	<b>(89,251)</b>	<b>9,828</b>	<b>(49,513)</b>	<b>583,298</b>	<b>105,558</b>
<b>Fund Balances - Beginning 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>
<b>Fund Balances - End of year</b>	<b>\$ 229,474</b>	<b>\$ 219,280</b>	<b>\$ 12,658</b>	<b>\$ 666,080</b>	<b>\$ 618,956</b>	<b>\$ 464,845</b>

**Other Supplemental Information**  
**Combining Statement of Revenue, Expenditures, and Changes in**  
**Fund Balances**  
**Nonmajor Governmental Funds**  
**Year Ended June 30, 2014**

Special Revenue Funds	Capital Projects Fund	Total Nonmajor Governmental Funds
S.I.N.C.	Fund	Funds
\$ -	\$ -	\$ 468,592
-	-	1,093,463
-	-	1,470,269
-	-	18,168
109,482	-	109,482
1,172	1,978	9,854
-	18,275	35,257
115,034	45,499	598,777
225,688	65,752	3,803,862
176,580	-	946,977
-	9,933	1,324,718
-	45,190	436,504
-	-	569,109
176,580	55,123	3,277,308
49,108	10,629	526,554
-	-	342,500
-	(90,209)	(432,709)
-	(90,209)	(90,209)
49,108	(79,580)	436,345
374,554	601,572	2,720,602
<b>\$ 423,662</b>	<b>\$ 521,992</b>	<b>\$ 3,156,947</b>

# City of Trenton, Michigan

## Other Supplemental Information Combining Statement of Net Position Internal Service Funds June 30, 2014

	Motor Vehicle Pool Fund	Self-insurance Fund	Total
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	665,784	3,651,061	4,316,845
Receivables	8,979	32,449	41,428
Inventory	239,005	-	239,005
Prepaid expenses and other assets	-	216,214	216,214
Total current assets	913,768	3,899,724	4,813,492
Noncurrent assets - Capital assets - Assets subject to depreciation	1,424,717	-	1,424,717
Total assets	2,338,485	3,899,724	6,238,209
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	42,304	181,778	224,082
Accrued liabilities and other	6,671	462,679	469,350
Compensated absences	23,334	-	23,334
Total current liabilities	72,309	644,457	716,766
Noncurrent liabilities - Compensated absences	40,217	-	40,217
Total liabilities	112,526	644,457	756,983
<b>Net Position</b>			
Net investment in capital assets	1,424,717	-	1,424,717
Unrestricted	801,242	3,255,267	4,056,509
Total net position	\$ 2,225,959	\$ 3,255,267	\$ 5,481,226

# City of Trenton, Michigan

## Other Supplemental Information Combining Statement of Revenue, Expenses, and Changes in Net Position Internal Service Funds Year Ended June 30, 2014

	Motor Vehicle Pool Fund	Self-insurance Fund	Total
<b>Operating Revenue</b>			
Charges for services	\$ 950,270	\$ 4,543,955	\$ 5,494,225
Other	45,250	402,438	447,688
Total operating revenue	995,520	4,946,393	5,941,913
<b>Operating Expenses</b>			
Insurance, claims, and other	-	4,385,112	4,385,112
Operating costs	908,184	-	908,184
Depreciation	255,763	-	255,763
Total operating expenses	1,163,947	4,385,112	5,549,059
<b>Operating (Loss) Income</b>	(168,427)	561,281	392,854
<b>Nonoperating Revenue</b>			
Investment income	2,027	10,593	12,620
Loss on disposal of capital assets	13,150	-	13,150
Total nonoperating revenue	15,177	10,593	25,770
<b>(Loss) Income - Before capital contributions</b>	(153,250)	571,874	418,624
<b>Capital Contributions</b>	106,638	-	106,638
<b>Change in Net Position</b>	(46,612)	571,874	525,262
<b>Net Position - Beginning of year</b>	2,272,571	2,683,393	4,955,964
<b>Net Position - End of year</b>	<b>\$ 2,225,959</b>	<b>\$ 3,255,267</b>	<b>\$ 5,481,226</b>

# City of Trenton, Michigan

## Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds Year Ended June 30, 2014

	Motor Vehicle Pool Fund	Self-insurance Fund	Total
<b>Cash Flows from Operating Activities</b>			
Receipts from customers	\$ 990,308	\$ 4,954,824	\$ 5,945,132
Payments to suppliers	(633,369)	-	(633,369)
Payments to employees	(316,917)	-	(316,917)
Claims paid	-	(4,323,271)	(4,323,271)
	40,022	631,553	671,575
<b>Net cash provided by operating activities</b>			
<b>Cash Flows from Capital and Related Financing Activities</b>			
Proceeds from sales of capital assets	13,150	-	13,150
Purchase of capital assets	(26,343)	-	(26,343)
	(13,193)	-	(13,193)
<b>Net cash used in capital and related financing activities</b>			
<b>Cash Flows from Investing Activities - Interest received on investments</b>			
	2,027	10,593	12,620
	28,856	642,146	671,002
<b>Net Increase in Cash and Cash Equivalents</b>			
<b>Cash and Cash Equivalents - Beginning of year</b>	<b>636,928</b>	<b>3,008,915</b>	<b>3,645,843</b>
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 665,784</b>	<b>\$ 3,651,061</b>	<b>\$ 4,316,845</b>
<b>Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities</b>			
Operating (loss) income	\$ (168,427)	\$ 561,281	\$ 392,854
Adjustments to reconcile operating (loss) income to net cash from operating activities:			
Depreciation and amortization	255,763	-	255,763
Changes in assets and liabilities:			
Receivables	(5,212)	8,431	3,219
Inventories	(30,169)	-	(30,169)
Prepaid and other assets	-	9,643	9,643
Accounts payable	(9,986)	65,894	55,908
Accrued and other liabilities	(1,947)	(13,696)	(15,643)
	\$ 40,022	\$ 631,553	\$ 671,575
<b>Net cash provided by operating activities</b>	<b>\$ 40,022</b>	<b>\$ 631,553</b>	<b>\$ 671,575</b>
<b>Noncash Transactions - Capital contributions</b>	<b>\$ 150,638</b>	<b>\$ -</b>	<b>\$ 150,638</b>

# City of Trenton, Michigan

## Other Supplemental Information Statement of Assets and Liabilities Fiduciary Funds June 30, 2014

	Pension Trust Funds			Agency Funds					
	Firemen and Policemen Retirement System	Retiree Health Care	Total Pension Trust Funds	General Cash Fund	Escrow Fund	Tax Receiving Fund	Subtotal	Eliminations	Total Agency Funds
<b>Assets</b>									
Cash and cash equivalents	\$ 2,006,032	\$ 337,791	\$ 2,343,823	\$ 2,420,946	\$ 14,123	\$ 2,018	\$ 2,437,087	\$ (2,420,946)	\$ 16,141
Investments	53,716,509	7,016,047	60,732,556	20,203,262	-	-	20,203,262	(20,203,262)	-
Receivables	13,485	-	13,485	20,018	-	-	20,018	(20,018)	-
<b>Total assets</b>	<b>\$ 55,736,026</b>	<b>\$ 7,353,838</b>	<b>\$ 63,089,864</b>	<b>\$ 22,644,226</b>	<b>\$ 14,123</b>	<b>\$ 2,018</b>	<b>\$ 22,660,367</b>	<b>\$ (22,644,226)</b>	<b>\$ 16,141</b>
<b>Liabilities</b>									
Due to component units	\$ -	\$ -	\$ -	\$ 925,685	\$ -	\$ -	\$ 925,685	\$ (925,685)	\$ -
Due to other funds	-	-	-	21,715,009	-	-	21,715,009	(21,715,009)	-
Accrued liabilities and other	-	-	-	3,532	-	2,018	5,550	(3,532)	2,018
Cash bonds and deposits	-	-	-	-	14,123	-	14,123	-	14,123
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$ 22,644,226</b>	<b>\$ 14,123</b>	<b>\$ 2,018</b>	<b>\$ 22,660,367</b>	<b>\$ (22,644,226)</b>	<b>\$ 16,141</b>
<b>Net Position Held in Trust for Pension and Other Employee Benefits</b>	<b>\$ 55,736,026</b>	<b>\$ 7,353,838</b>	<b>\$ 63,089,864</b>						

# City of Trenton, Michigan

## Other Supplemental Information Combining Statement of Changes in Fiduciary Net Position Fiduciary Funds Year Ended June 30, 2014

	Firemen and Policemen Retirement System	Retiree Health Care	Total
<b>Additions</b>			
Investment income:			
Interest and dividends	\$ 1,080,745	\$ -	\$ 1,080,745
Net increase in fair value of investments	6,986,260	1,051,585	8,037,845
Less investment expenses	(194,858)	-	(194,858)
Net investment income	7,872,147	1,051,585	8,923,732
Contributions:			
Employer	1,329,444	2,730,229	4,059,673
Employee	259,613	-	259,613
Total contributions	1,589,057	2,730,229	4,319,286
Total additions	9,461,204	3,781,814	13,243,018
<b>Deductions</b>			
Benefit payments	5,064,779	2,428,862	7,493,641
Administrative expenses	45,008	69,241	114,249
Total deductions	5,109,787	2,498,103	7,607,890
<b>Net Increase in Net Position Held in Trust</b>	4,351,417	1,283,711	5,635,128
<b>Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year</b>	51,384,609	6,070,127	57,454,736
<b>Net Position Held in Trust for Pension and Other Employee Benefits - End of year</b>	<b>\$ 55,736,026</b>	<b>\$ 7,353,838</b>	<b>\$ 63,089,864</b>