

# **City of Trenton, Michigan**

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## **Financial Report with Supplemental Information June 30, 2017**

# City of Trenton, Michigan

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## Contents

<b>Report Letter</b>	1-3
<b>Management's Discussion and Analysis</b>	4-9
<b>Basic Financial Statements</b>	
Government-wide Financial Statements:	
Statement of Net Position	10
Statement of Activities	11-12
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	13
Reconciliation of the Balance Sheet to the Statement of Net Position	14
Statement of Revenue, Expenditures, and Changes in Fund Balances	15
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Proprietary Funds:	
Statement of Net Position	17
Statement of Revenue, Expenses, and Changes in Net Position	18
Statement of Cash Flows	19
Fiduciary Funds:	
Statement of Fiduciary Net Position	20
Statement of Changes in Fiduciary Net Position - Pension and Retiree Health Care Trust Funds	21
Component Units:	
Statement of Net Position	22
Statement of Activities	23-24
Notes to Financial Statements	25-71

# City of Trenton, Michigan

## Contents (Continued)

<b>Required Supplemental Information</b>	72
Budgetary Comparison Schedule - General Fund	73-74
Note to Required Supplemental Information	75
Schedule of Changes in the City Net Pension Liability and Related Ratios - Municipal Employees' Retirement System of Michigan	76
Schedule of City Contributions - Municipal Employees' Retirement System of Michigan	77
Schedule of Changes in the City Net Pension Liability and Related Ratios - Firemen and Policemen Retirement System	78
Schedule of Investment Returns - Firemen and Policemen Retirement System	79
Schedule of City Contributions - Firemen and Policemen Retirement System	80
OPEB System Schedule	81
OPEB - Schedule of Changes in the City Net OPEB Liability and Related Ratios	82
OPEB - Schedule of City Contributions	83
OPEB - Schedule of Investment Returns	84
<b>Other Supplemental Information</b>	85
Nonmajor Governmental Funds:	
Combining Balance Sheet	86-87
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	88-89
Internal Service Funds:	
Combining Statement of Net Position	90
Combining Statement of Revenue, Expenses, and Changes in Net Position	91
Combining Statement of Cash Flows	92
Fiduciary Funds:	
Statement of Fiduciary Net Position	93
Combining Statement of Changes in Fiduciary Net Position	94

## 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, 2017 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. 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, 2017 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.

### ***Required Supplemental Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule, pension schedules of changes in the City net pension liability and related ratios, pension schedules of city contributions, pension schedule of investment returns, OPEB schedules of funding progress and employer contributions, OPEB schedule of changes in the City net OPEB liability and related ratios, and OPEB schedule of City contributions, and OPEB schedule of investment returns, 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 the purpose 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.

*Plante & Moran, PLLC*

October 23, 2017

# City of Trenton, Michigan

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## Management's Discussion and Analysis

Our discussion and analysis of the City of Trenton, Michigan's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2017. 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, 2017:

- Property taxes are the City's largest source of revenue. The City's total taxable value decreased approximately 9.0 percent. The total millage rate was not changed from the previous year.
- The City received approximately \$1.6 million for certain lost personal property taxes from the State's Local Community Stabilization Authority. This amount includes approximately \$681,000 in excess funds the State was required to disburse and is not expected to recur.
- The City has historically been conservative and continuously monitors discretionary spending, which resulted in not appropriating General Fund fund balance for operating costs. The City's General Fund budgeted to use \$250,000, but instead recognized an addition to fund balance of approximately \$797,000.

### 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 tell us 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	
	2017	2016	2017	2016	2017	2016
<b>Assets</b>						
Current and other assets	\$ 17,419	\$ 17,808	\$ 8,436	\$ 7,220	\$ 25,855	\$ 25,028
Capital assets	23,000	23,297	47,739	50,122	70,739	73,419
Other noncurrent assets	1,155	1,325	-	-	1,155	1,325
Total assets	41,574	42,430	56,175	57,342	97,749	99,772
<b>Deferred Outflows of Resources</b>	5,220	8,474	479	698	5,699	9,172
<b>Liabilities</b>						
Current liabilities	3,359	3,308	3,484	3,841	6,843	7,149
Long-term liabilities	52,213	51,654	19,343	22,398	71,556	74,052
Total liabilities	55,572	54,962	22,827	26,239	78,399	81,201
<b>Deferred Inflows of Resources</b>	726	311	-	-	726	311
<b>Net Position</b>						
Net investment in capital assets	21,247	21,057	28,732	28,257	49,979	49,314
Restricted	1,717	1,617	2,083	1,597	3,800	3,214
Unrestricted	(32,468)	(27,043)	3,012	1,947	(29,456)	(25,096)
Total net position	<u>\$ (9,504)</u>	<u>\$ (4,369)</u>	<u>\$ 33,827</u>	<u>\$ 31,801</u>	<u>\$ 24,323</u>	<u>\$ 27,432</u>

The City experienced a decrease in the net position of its governmental activities (\$5,135,000) and an increase in the net position of its business-type activities (\$2,026,000) for the fiscal year ended June 30, 2017.

Governmental activities were significantly impacted by increases to the City's net OPEB obligation, which increased approximately \$3,200,000. The City continues to pay current retiree premiums which are less than the actuarially determined contribution, which results in an increased net OPEB obligation.

Business-type activities were also impacted by increases in pension and other fringe benefit expenses. However, rates have been set to provide sufficient revenue for operations, with only a minor increase in net position.



# City of Trenton, Michigan

## Management's Discussion and Analysis (Continued)

The following table shows, in a condensed format, the current year's net position and changes in net position compared to the prior year (in thousands of dollars):

	Governmental		Business-type		Total	
	Activities		Activities			
	2017	2016	2017	2016	2017	2016
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 3,698	\$ 4,178	\$ 10,145	\$ 9,299	\$ 13,843	\$ 13,477
Operating grants	1,653	1,632	-	-	1,653	1,632
Capital grants and contributions	184	125	137	-	321	125
General revenue:						
Property taxes	13,339	14,595	2,656	2,535	15,995	17,130
State-shared revenue	3,534	2,041	-	-	3,534	2,041
Cable franchise fees	511	509	-	-	511	509
Investment earnings	127	95	39	40	166	135
Other revenue	248	315	251	251	499	566
Transfers and other (expense) revenue	(160)	(190)	160	190	-	-
Total revenue	23,134	23,300	13,388	12,315	36,522	35,615
<b>Expenses</b>						
General government	4,765	6,800	-	-	4,765	6,800
Public safety	14,154	12,162	-	-	14,154	12,162
Public works	5,728	5,627	-	-	5,728	5,627
Community and economic development	486	467	-	-	486	467
Recreation and cultural	2,735	3,145	-	-	2,735	3,145
Interest on long-term debt	401	60	-	-	401	60
Enterprise	-	-	11,361	10,634	11,361	10,634
Total program expenses	28,269	28,261	11,361	10,634	39,630	38,895
<b>Change in Net Position</b>	<b>\$ (5,135)</b>	<b>\$ (4,961)</b>	<b>\$ 2,027</b>	<b>\$ 1,681</b>	<b>\$ (3,108)</b>	<b>\$ (3,280)</b>

### Governmental Activities

The City's governmental activities were consistent with prior year. Revenue decreased by approximately \$166,000 in the current year. The City's governmental expenses increased approximately \$8,000.

# 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 the Kennedy Recreation Center. Water provided to residential, commercial, and industrial users is purchased from the Great Lakes Water Authority. Sewage treatment is provided through a City-owned and operated sewage treatment plant. The Kennedy Recreation Center operates a three-sheet ice rink and concession stand.

The combined water and sewer rate was increased \$0.80 or 7.14 percent from \$11.21 to \$12.01 for the fiscal year 2016-2017. Utility consumption was up approximately 3.0 percent from the previous year.

The approved combined rates above included \$1.55 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 increased by \$727,000 from the previous year. This was due primarily to a \$492,000 increase in salaries and fringes and a \$264,000 increase in water and for sewage treatment costs to meet increased demand.

### The City's Funds

Our 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 Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The City's major funds for 2016-2017 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 approximately \$8,500,000 or 45.7 percent of General Fund expenditures in fiscal year 2016-2017, exclusive of other financing sources and uses. Retiree benefits is the second most significant expenditure category at approximately \$3,016,000 or 16.2 percent of General Fund expenditures, exclusive of other financing sources and uses. These services are primarily supported by property taxes.

# City of Trenton, Michigan

## Management's Discussion and Analysis (Continued)

The General Fund added \$797,466 of fund balance in fiscal year 2016-2017. The amended budget included a \$250,000 use of fund balance. This budgeted use of fund balance was primarily for capital improvements to the City's facilities and infrastructure. The amended budgeted expenditures of approximately \$18,854,000 were underspent by approximately \$259,000. Due to careful spending, cost containments were realized by several departments.

### Capital Asset and Debt Administration

As of June 30, 2017, the City had approximately \$18.7 million in outstanding debt. Of this debt, \$14.5 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 \$52.6 million unfunded actuarially valued liability for other postemployment benefits (OPEB). This liability represents the cost of benefits for health care for currently retired and future retirees.

The City had \$70.7 million (net of depreciation) invested in a broad range of capital assets, including land, buildings, water and sewer lines, roads, sidewalks, vehicles, and equipment.

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

The City has experienced an increase in residential and commercial property values of 6 percent and 7 percent, respectively. Industrial real property values have decreased by 7 percent. 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.

One of the City's largest tax payers, DTE Energy, announced that the DTE Energy Trenton Channel Power Plant will close between 2020 and 2023. The City is currently assessing the financial impact of this announcement.

The 2017-2018 General Fund operating budget was increased \$379,553 or 1.99 percent from \$19,059,240 to \$19,438,793. The City's overall millage rate was not changed.

As of July 1, 2017, the water and sewer rate will increase \$0.31, from \$12.01 to \$12.32 per thousand gallons of water purchased. This is a 2.6 percent increase from the previous year. The utility rate supports the operations, maintenance, and upgrades to the city water and sewer lines and the wastewater treatment plant.

The shuttered steel mill is now in contract to sell. The City is looking forward to its share of back takes and the redevelopment of the property 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.

# **City of Trenton, Michigan**

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

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

This financial report is intended to provide our citizens, taxpayers, customers, and investors 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, 2017

	Primary Government			Component Units
	Governmental	Business-type	Total	
	Activities	Activities		
<b>Assets</b>				
Cash and cash equivalents	\$ 12,713,038	\$ 7,943,185	\$ 20,656,223	\$ 846,361
Receivables:				
Taxes	55,410	286,185	341,595	-
Customers	-	1,946,694	1,946,694	-
Other	389,786	-	389,786	-
Due from other governmental units	1,008,489	137,001	1,145,490	-
Advance to component units (Note 5)	1,155,000	-	1,155,000	-
Internal balances (Note 5)	2,103,064	(2,103,064)	-	-
Inventory	366,348	218,085	584,433	-
Prepaid expenses and other assets	243,013	8,110	251,123	-
Investment in joint ventures (Note 15)	539,524	-	539,524	-
Capital assets - Net (Note 4):				
Assets not subject to depreciation	2,523,904	14,242	2,538,146	-
Assets subject to depreciation	20,475,971	47,724,448	68,200,419	2,369,934
<b>Total assets</b>	<b>41,573,547</b>	<b>56,174,886</b>	<b>97,748,433</b>	<b>3,216,295</b>
<b>Deferred Outflows of Resources - Pensions</b> (Notes 10 and 11)	5,221,041	479,059	5,700,100	-
<b>Liabilities</b>				
Accounts payable	885,006	476,193	1,361,199	-
Accrued liabilities and other	1,083,998	157,843	1,241,841	-
Noncurrent liabilities:				
Due within one year :				
Compensated absences (Note 6)	892,275	139,872	1,032,147	-
Current portion of advance from primary government (Note 5)	-	-	-	170,000
Current portion of long-term debt (Note 6)	499,182	2,923,000	3,422,182	-
Due in more than one year:				
Compensated absences (Note 6)	942,912	157,604	1,100,516	-
Advance from primary government (Note 5)	-	-	-	985,000
Net OPEB obligation (Note 7)	16,626,186	-	16,626,186	-
Net pension liability (Notes 10 and 11)	33,390,511	4,991,653	38,382,164	-
Long-term debt (Note 6)	1,253,392	13,980,937	15,234,329	-
<b>Total liabilities</b>	<b>55,573,462</b>	<b>22,827,102</b>	<b>78,400,564</b>	<b>1,155,000</b>
<b>Deferred Inflows of Resources - Pensions</b> (Notes 10 and 11)	724,966	-	724,966	-
<b>Net Position</b>				
Net investment in capital assets	21,247,301	28,731,689	49,978,990	1,279,934
Restricted for:				
Major and local streets	474,709	-	474,709	-
Grant operations	523,671	-	523,671	-
Library	160,227	-	160,227	-
S.I.N.C. operations	461,130	-	461,130	-
Capital charges	-	2,083,215	2,083,215	-
Refuse	97,524	-	97,524	-
Unrestricted	(32,468,402)	3,011,939	(29,456,463)	781,361
<b>Total net position</b>	<b>\$ (9,503,840)</b>	<b>\$ 33,826,843</b>	<b>\$ 24,323,003</b>	<b>\$ 2,061,295</b>

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

# City of Trenton, Michigan

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 4,765,080	\$ 925,600	\$ 117,672	\$ 122,688
Public safety	14,154,125	1,443,828	81,769	6,421
Public works	5,727,848	286,668	1,265,748	-
Special projects	485,926	-	183,855	54,636
Recreation and culture	2,735,152	1,041,074	3,963	50
Interest on long-term debt	400,988	-	-	-
Total governmental activities	28,269,119	3,697,170	1,653,007	183,795
Business-type activities:				
Water and sewer	9,747,922	8,746,226	137,001	-
Recreation operation	1,612,086	1,398,334	-	-
Total business-type activities	11,360,008	10,144,560	137,001	-
Total primary government	<u>\$ 39,629,127</u>	<u>\$ 13,841,730</u>	<u>\$ 1,790,008</u>	<u>\$ 183,795</u>
Component units	<u>\$ 407,122</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenue:				
Property taxes				
State-shared revenue				
Interest income				
Cable franchise fees				
Other miscellaneous income				
Gain on sale of fixed assets				
Total general revenue				
<b>Transfers</b>				
<b>Change in Net Position</b>				
<b>Net Position - Beginning of year</b>				
<b>Net Position - End of year</b>				

**Statement of Activities  
Year Ended June 30, 2017**

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (3,599,120)	\$ -	\$ (3,599,120)	\$ -
(12,622,107)	-	(12,622,107)	-
(4,175,432)	-	(4,175,432)	-
(247,435)	-	(247,435)	-
(1,690,065)	-	(1,690,065)	-
(400,988)	-	(400,988)	-
(22,735,147)	-	(22,735,147)	-
-	(864,695)	(864,695)	-
-	(213,752)	(213,752)	-
-	(1,078,447)	(1,078,447)	-
(22,735,147)	(1,078,447)	(23,813,594)	-
-	-	-	(407,122)
13,338,542	2,655,720	15,994,262	491,247
3,533,763	-	3,533,763	17,376
127,239	39,359	166,598	8,129
511,257	-	511,257	-
235,913	250,000	485,913	-
13,391	-	13,391	-
17,760,105	2,945,079	20,705,184	516,752
(159,943)	159,943	-	-
(5,134,985)	2,026,575	(3,108,410)	109,630
(4,368,855)	31,800,268	27,431,413	1,951,665
<b>\$ (9,503,840)</b>	<b>\$ 33,826,843</b>	<b>\$ 24,323,003</b>	<b>\$ 2,061,295</b>

# City of Trenton, Michigan

## Governmental Funds Balance Sheet June 30, 2017

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Cash and cash equivalents (Note 3)	\$ 4,211,194	\$ 3,287,847	\$ 7,499,041
Receivables:			
Property taxes receivable	53,983	1,427	55,410
Other receivables	338,958	43,997	382,955
Due from other governmental units	342,874	665,615	1,008,489
Advance to component units	1,155,000	-	1,155,000
Due from other funds	51,008	-	51,008
Advance to other funds	2,103,064	-	2,103,064
Inventory	125,799	-	125,799
Prepaid expenses and other assets	4,542	7,044	11,586
	<u>\$ 8,386,422</u>	<u>\$ 4,005,930</u>	<u>\$ 12,392,352</u>
Total assets			
<b>Liabilities</b>			
Accounts payable	\$ 282,969	\$ 356,053	\$ 639,022
Due to other funds	-	51,008	51,008
Accrued liabilities and other	338,268	45,648	383,916
	<u>621,237</u>	<u>452,709</u>	<u>1,073,946</u>
Total liabilities			
<b>Deferred Inflows of Resources - Unavailable revenue</b>	-	167,965	167,965
<b>Fund Balances</b>			
Nonspendable:			
Inventory	125,799	-	125,799
Prepays	4,542	7,044	11,586
Long-term advance	3,258,064	-	3,258,064
Restricted:			
Roads	-	474,709	474,709
Grant operations	-	520,412	520,412
S.I.N.C. operations	-	461,130	461,130
Refuse	97,524	-	97,524
Library capital	-	105,244	105,244
Committed:			
Compensated absence liability	704,769	-	704,769
Special projects	-	557,463	557,463
Library	-	677,139	677,139
Assigned:			
Equipment	500,000	-	500,000
Capital projects	1,010,000	691,882	1,701,882
Postretirement benefits	800,000	-	800,000
Defined benefit pension	1,000,000	-	1,000,000
Unassigned	264,487	(109,767)	154,720
	<u>7,765,185</u>	<u>3,385,256</u>	<u>11,150,441</u>
Total fund balances			
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 8,386,422</u>	<u>\$ 4,005,930</u>	<u>\$ 12,392,352</u>



# City of Trenton, Michigan

## Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position June 30, 2017

<b>Fund Balance Reported in Governmental Funds</b>	\$ 11,150,441
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)	19,595,412
Investments in joint ventures are not financial resources and are not reported in the funds	539,524
Grants receivable and other receivables that are collected after year end, such that they are not available to pay bills outstanding as of year end, are not recognized as revenue in the funds	167,965
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(1,752,574)
Accrued interest is not due and payable in the current period and is not reported in the funds	(20,829)
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 (excludes ISF)	(1,773,577)
Other liabilities are not due and payable in the current period and are not reported in the funds	(57,000)
Net other postemployment benefit liability not recorded in the modified accrual statements	(16,626,186)
Net pension liability is not due and payable in the current period and is not reported in the funds	(33,390,511)
Deferred outflows related to pensions are not a financial resource and are not reported in the funds	5,221,041
Deferred inflows related to pensions are not due and payable in the current period and are not reported in the funds	(724,966)
Internal service funds are included as part of governmental activities	<u>8,167,420</u>
<b>Net Position of Governmental Activities</b>	<b><u>\$ (9,503,840)</u></b>

# City of Trenton, Michigan

## Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2017

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenue</b>			
Property taxes	\$ 13,023,867	\$ 312,675	\$ 13,336,542
Licenses and permits	424,714	-	424,714
Federal grants	-	362,561	362,561
State sources	3,344,288	1,543,597	4,887,885
Charges for services	1,536,826	467,317	2,004,143
Fines and forfeitures	450,297	157,207	607,504
Interest income	92,656	14,098	106,754
Other	683,519	412,855	1,096,374
Total revenue	<u>19,556,167</u>	<u>3,270,310</u>	<u>22,826,477</u>
<b>Expenditures</b>			
General government	3,128,647	-	3,128,647
Public safety	8,498,394	569,564	9,067,958
Public works	2,589,194	1,171,597	3,760,791
Retiree benefits and other	3,177,144	-	3,177,144
Special projects	-	875,488	875,488
Recreation and culture	831,590	871,327	1,702,917
Interest expense	531,042	-	531,042
Total expenditures	<u>18,756,011</u>	<u>3,487,976</u>	<u>22,243,987</u>
<b>Excess of Revenue Over (Under)</b>			
<b>Expenditures</b>	800,156	(217,666)	582,490
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	405,000	405,000
Transfers out	(159,943)	(405,000)	(564,943)
Total other financing (uses)	<u>(159,943)</u>	<u>-</u>	<u>(159,943)</u>
<b>Net Change in Fund Balances</b>	640,213	(217,666)	422,547
<b>Fund Balances - Beginning of year</b>	<u>7,124,972</u>	<u>3,602,922</u>	<u>10,727,894</u>
<b>Fund Balances - End of year</b>	<u><b>\$ 7,765,185</b></u>	<u><b>\$ 3,385,256</b></u>	<u><b>\$ 11,150,441</b></u>

# City of Trenton, Michigan

## Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2017

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ 422,547</b>
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 (excludes ISF activity):	
Capital outlay	1,251,644
Depreciation expense	(1,335,405)
Net book value of assets disposed of	(82,432)
Revenue is recorded in the statement of activities when earned; it is not reported in the funds until collected or collectible within 60 days of year end	(871)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	487,494
Change in net other postemployment benefits liability	(3,236,817)
Change in accrued interest payable and other	6,336
Increase in accumulated employee sick and vacation pay is recorded in the statement of activities	1,536
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.	(4,678)
Decrease in property tax claims is recorded when incurred in the statement of activities	2,000
Increase in net pension expense reported in the statement of activities does not require the use of current resources and therefore is not reported in the fund until it becomes due for payment	2,178,306
Change in deferred outflows related to pensions is reported in the statement of activities	(3,253,699)
Change in deferred inflows related to pensions is reported in the statement of activities	(414,758)
Internal service funds are included as part of governmental activities	(1,156,188)
<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ (5,134,985)</u></b>

# City of Trenton, Michigan

## Proprietary Funds Statement of Net Position June 30, 2017

	Major Business-type Activities			Governmental
	Enterprise -	Enterprise -	Total	Activities
	Water and Sewer	Recreation	Enterprise Funds	Internal Service Funds
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 7,847,440	\$ 95,745	\$ 7,943,185	\$ 5,213,997
Receivables:				
Property taxes receivable	286,185	-	286,185	-
Customers	1,897,079	49,615	1,946,694	-
Other receivables	-	-	-	6,831
Due from other governmental units	137,001	-	137,001	-
Inventory	214,405	3,680	218,085	240,549
Prepaid expenses and other assets	8,110	-	8,110	231,427
Total current assets	10,390,220	149,040	10,539,260	5,692,804
Noncurrent assets - Capital assets (Note 4):				
Assets not subject to depreciation	14,242	-	14,242	-
Assets subject to depreciation	43,424,666	4,299,782	47,724,448	3,404,463
Total assets	53,829,128	4,448,822	58,277,950	9,097,267
<b>Deferred Outflows of Resources - Pension</b>	479,059	-	479,059	-
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	448,357	27,836	476,193	245,984
Accrued liabilities and other	141,947	15,896	157,843	622,253
Compensated absences	135,443	4,429	139,872	23,274
Current portion of long-term advance	-	213,362	213,362	-
Current portion of long-term debt	2,435,000	488,000	2,923,000	-
Total current liabilities	3,160,747	749,523	3,910,270	891,511
Noncurrent liabilities:				
Advances from other funds	-	1,889,702	1,889,702	-
Compensated absences	151,833	5,771	157,604	38,336
Net pension liability	4,991,653	-	4,991,653	-
Long-term debt	12,088,937	1,892,000	13,980,937	-
Total noncurrent liabilities	17,232,423	3,787,473	21,019,896	38,336
Total liabilities	20,393,170	4,536,996	24,930,166	929,847
<b>Net Position</b>				
Net investment in capital assets	28,914,971	(183,282)	28,731,689	3,404,463
Restricted - Capital charges	2,083,215	-	2,083,215	-
Unrestricted	2,916,831	95,108	3,011,939	4,762,957
Total net position	<b>\$ 33,915,017</b>	<b>\$ (88,174)</b>	<b>\$ 33,826,843</b>	<b>\$ 8,167,420</b>

# City of Trenton, Michigan

## Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position Year Ended June 30, 2017

	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	\$ 3,513,397	\$ -	\$ 3,513,397	\$ -
Sewage disposal charges	3,974,939	-	3,974,939	-
Charges for services	-	1,398,334	1,398,334	5,104,030
Other	242,594	-	242,594	141,071
Total operating revenue	7,730,930	1,398,334	9,129,264	5,245,101
<b>Operating Expenses</b>				
Cost of water	2,063,775	-	2,063,775	-
Cost of sewage disposal	3,474,289	-	3,474,289	-
Cost of insurance claims	-	-	-	5,141,724
Transportation and distribution	1,609,563	-	1,609,563	-
Cost of recreation activity	-	896,057	896,057	-
Operating costs	-	-	-	907,585
Depreciation	2,216,717	645,516	2,862,233	485,729
Total operating expenses	9,364,344	1,541,573	10,905,917	6,535,038
<b>Operating Loss</b>	(1,633,414)	(143,239)	(1,776,653)	(1,289,937)
<b>Nonoperating Revenue (Expenses)</b>				
Property tax revenue	2,655,720	-	2,655,720	-
Investment income	39,359	-	39,359	27,670
Interest expense	(370,110)	(62,230)	(432,340)	-
Loss on sale of assets	(13,468)	(8,283)	(21,751)	(16,609)
Customer capital charges	1,015,296	-	1,015,296	-
Operating grants	137,001	-	137,001	-
Contribution from Downtown Development Authority (DDA)	250,000	-	250,000	-
Total nonoperating revenue (expenses)	3,713,798	(70,513)	3,643,285	11,061
<b>Income (Loss) - Before capital contributions and transfers in</b>	2,080,384	(213,752)	1,866,632	(1,278,876)
<b>Capital Contributions</b>	-	-	-	122,688
<b>Transfers in</b>	-	159,943	159,943	-
<b>Change in Net Position</b>	2,080,384	(53,809)	2,026,575	(1,156,188)
<b>Net Position - Beginning of year</b>	31,834,633	(34,365)	31,800,268	9,323,608
<b>Net Position - End of year</b>	<u>\$ 33,915,017</u>	<u>\$ (88,174)</u>	<u>\$ 33,826,843</u>	<u>\$ 8,167,420</u>

# City of Trenton, Michigan

## Proprietary Funds Statement of Cash Flows Year Ended June 30, 2017

	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	\$ 7,839,539	\$ 1,424,146	\$ 9,263,685	\$ 5,104,305
Payments to suppliers	(3,757,671)	(611,589)	(4,369,260)	(576,737)
Payments to employees	(3,441,492)	(312,266)	(3,753,758)	(314,956)
Claims paid	-	-	-	(5,041,596)
Other receipts	-	-	-	141,887
Net cash provided by (used in) operating activities	640,376	500,291	1,140,667	(687,097)
<b>Cash Flows from Noncapital Financing Activities -</b>				
Transfers from other funds	-	159,943	159,943	-
<b>Cash Flows from Capital and Related Financing Activities</b>				
Receipt of capital charges	1,015,296	-	1,015,296	-
Contribution from DDA	250,000	-	250,000	-
Proceeds from sales of capital assets	-	-	-	13,391
Property taxes	2,655,720	-	2,655,720	-
Purchase of capital assets	(457,956)	(42,609)	(500,565)	(262,049)
Principal and interest paid on capital debt	(2,765,109)	(526,230)	(3,291,339)	-
Net cash provided by (used in) capital and related financing activities	697,951	(568,839)	129,112	(248,658)
<b>Cash Flows from Investing Activities -</b> Interest received on investments	39,359	-	39,359	27,670
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	1,377,686	91,395	1,469,081	(908,085)
<b>Cash and Cash Equivalents -</b> Beginning of year	6,469,754	4,350	6,474,104	6,122,082
<b>Cash and Cash Equivalents -</b> End of year	<u>\$ 7,847,440</u>	<u>\$ 95,745</u>	<u>\$ 7,943,185</u>	<u>\$ 5,213,997</u>
<b>Reconciliation of Operating Loss to Net Cash from Operating Activities</b>				
Operating loss	\$ (1,633,414)	\$ (143,239)	\$ (1,776,653)	\$ (1,289,937)
Adjustments to reconcile operating loss to net cash from operating activities:				
Depreciation and amortization	2,216,717	645,516	2,862,233	485,729
Changes in assets and liabilities:				
Receivables	108,609	25,812	134,421	1,091
Inventories	(11,450)	3,092	(8,358)	(2,076)
Prepaid and other assets	211,451	-	211,451	(1,354)
Accounts payable	(117,397)	(29,575)	(146,972)	14,156
Accrued and other liabilities	(134,140)	(1,315)	(135,455)	105,294
Net cash provided by (used in) operating activities	<u>\$ 640,376</u>	<u>\$ 500,291</u>	<u>\$ 1,140,667</u>	<u>\$ (687,097)</u>
<b>Noncash Transactions -</b> Capital contributions	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 122,738</u>

# City of Trenton, Michigan

## Fiduciary Funds Statement of Fiduciary Net Position June 30, 2017

	Pension and Retiree Health Care Trust Funds	<u>Agency Funds</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 1,339,560	\$ 230,839
Investments:		
Government securities	1,947,322	-
Mutual funds - Equity	12,827,599	-
Stocks	22,947,862	-
Corporate bonds	310,117	-
Other - Fixed income	275,757	-
Mutual funds - Fixed income	2,748,414	-
Other investments	19,056,681	-
Receivables	4,338	260,008
Total assets	61,457,650	<b>\$ 490,847</b>
<b>Liabilities</b>		
Accrued liabilities and other	-	\$ 238,976
Unearned revenue	-	21,032
Cash bonds and deposits	-	230,839
Total liabilities	-	<b>\$ 490,847</b>
<b>Net Position Held in Trust for Pension and Other Employee Benefits</b>	<b>\$ 61,457,650</b>	

# City of Trenton, Michigan

## Fiduciary Funds Statement of Changes in Fiduciary Net Position - Pension and Retiree Health Care Trust Funds Year Ended June 30, 2017

### Additions

Investment income (loss):	
Interest and dividends	\$ 1,055,766
Net increase in fair value of investments	6,772,753
Investment-related expenses	<u>(245,512)</u>
Net investment income	7,583,007
Contributions:	
Employer	4,456,408
Employee	<u>248,918</u>
Total contributions	<u>4,705,326</u>
Total additions	12,288,333

### Deductions

Benefit payments	7,391,953
Administrative expenses	<u>141,729</u>
Total deductions	<u>7,533,682</u>

**Net Increase in Net Position Held in Trust** 4,754,651

**Net Position Held in Trust for Pension and Other Employee Benefits - Beginning**  
of year 56,702,999

**Net Position Held in Trust for Pension and Other Employee Benefits -**  
End of year \$ 61,457,650



# City of Trenton, Michigan

## Component Units Statement of Net Position June 30, 2017

	Downtown Development Authority	Brownfield Redevelopment Authority	Total
<b>Assets</b>			
Cash and cash equivalents (Note 3)	\$ 778,482	\$ 67,879	\$ 846,361
Capital assets - Assets subject to depreciation (Note 4)	2,369,934	-	2,369,934
Total assets	3,148,416	67,879	3,216,295
<b>Liabilities</b>			
Noncurrent liabilities:			
Due within one year - Current portion of advance from primary government (Note 5)	170,000	-	170,000
Due in more than one year - Advance from primary government (Note 5)	920,000	65,000	985,000
Total liabilities	1,090,000	65,000	1,155,000
<b>Net Position</b>			
Net investment in capital assets	1,279,934	-	1,279,934
Unrestricted	778,482	2,879	781,361
Total net position	<b>\$ 2,058,416</b>	<b>\$ 2,879</b>	<b>\$ 2,061,295</b>

# City of Trenton, Michigan

	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Downtown Development Authority:				
Special projects	\$ 388,222	\$ -	\$ -	\$ -
Interest expense	18,900	-	-	-
Total Downtown Development Authority	407,122	-	-	-
Brownfield Redevelopment Authority	-	-	-	-
Total governmental activities	<b>\$ 407,122</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

General revenue:

Property taxes  
State-shared revenue  
Interest income

Total general revenue

**Change in Net Position**

**Net Position** - Beginning of year

**Net Position** - End of year

**Component Units  
Statement of Activities  
Year Ended June 30, 2017**

Net (Expense) Revenue and Changes in		
Net Position		
Downtown Development Authority	Brownfield Redevelopment Authority	Total
\$ (388,222)	\$ -	\$ (388,222)
(18,900)	-	(18,900)
(407,122)	-	(407,122)
-	-	-
(407,122)	-	(407,122)
491,247	-	491,247
17,376	-	17,376
3,789	4,340	8,129
512,412	4,340	516,752
105,290	4,340	109,630
1,953,126	(1,461)	1,951,665
<b>\$ 2,058,416</b>	<b>\$ 2,879</b>	<b>\$ 2,061,295</b>

### **Note I - Summary of Significant Accounting Policies**

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

#### **Reporting Entity**

The City of Trenton, Michigan is governed by an elected six-member council. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Although blended component units are legally 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 organization as discussed in Note 15.

#### **Major Taxpayers**

Approximately 17 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 - Summary of Significant Accounting Policies (Continued)**

One of the City's largest taxpayers, DTE Energy, announced that the DTE Energy Trenton Channel Power Plant will close between 2020 and 2023. The City is currently assessing the financial impact of this announcement.

#### **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 revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. 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 revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (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 revenue 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 revenue reported for the various functions concerned.

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

### Note I - Summary of Significant Accounting Policies (Continued)

#### Fund Accounting

The City accounts for its various activities in several different funds in order to demonstrate accountability for how we have spent certain resources - separate funds allow us to show the particular expenditures for which specific revenue was 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 a “major” governmental fund. The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**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 government's programs. Activities that are reported as fiduciary include the following:

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

### **Note I - Summary of Significant Accounting Policies (Continued)**

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

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

#### **Basis of Accounting**

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

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

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

### **Note I - Summary of Significant Accounting Policies (Continued)**

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

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

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

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

Approximately \$19,000,000 or 36 percent of the Firemen and Policemen Retirement System's net position as of June 30, 2017 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.

**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 \$4,000 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 acquisition 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 - Summary of Significant Accounting Policies (Continued)

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

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

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

#### Deferred Outflows/Inflows of Resources

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

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

### **Note I - Summary of Significant Accounting Policies (Continued)**

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

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

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

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

#### **Fund Balance Policies**

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

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

### Note I - Summary of Significant Accounting Policies (Continued)

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

#### Property Tax Revenue

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

The City's 2016 tax is levied and collectible on July 1, 2016 and is recognized as revenue in the year ended June 30, 2017, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2016 taxable valuation of the City totaled \$634 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 (excludes abated and captured value):

Purpose	Millage Rate	Revenue
General operating	15.7852	\$ 10,005,000
Firemen and Policemen Retirement System	2.3462	1,487,000
Solid waste	2.2643	1,435,000
Library operating	0.5072	321,000
Other tax collection and trailer park fees	0.0000	88,000
Sewer debt	3.8477	2,439,000
Total		<u>\$ 15,775,000</u>

### **Note I - Summary of Significant Accounting Policies (Continued)**

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

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

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

**Proprietary Funds Operating Classification** - Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Water and Sewer Fund and internal service funds is 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 revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

### Note 1 - Summary of Significant Accounting Policies (Continued)

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

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

**Budgetary Information** - The annual budget is prepared by the city management and adopted by the City Council; subsequent amendments are approved by the City Council. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2017 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	\$ (698,824)
Building permit revenue	403,225
Related expenses - Direct costs	<u>488,640</u>
Current year shortfall	<u>(85,415)</u>
Excess costs - End of year	<u>\$ (784,239)</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 matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

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

The City has designated six banks for the deposits of funds. The investment policy adopted by the City Council in accordance with Public Act 196 of 1997 has authorized investment in all of the above investments permissible under Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended). The City's deposits and investment policies are in accordance with statutory authority.

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

**Custodial Credit Risk of Bank Deposits** - Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had approximately \$9,100,000 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. In addition, the City's component units had \$846,361 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.

# City of Trenton, Michigan

## Notes to Financial Statements June 30, 2017

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

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

Primary Government	Fair Value	Less Than Five Years
U.S. government securities	\$ 593,938	\$ 593,938
Municipal bonds	4,240,052	4,240,052
Total	\$ 4,833,990	\$ 4,833,990

Fiduciary Funds	Fair Value	Less Than Five Years		
		Years	Five to 15 Years	Over 15 Years
U.S. government securities	\$ 257,168	\$ -	\$ 257,168	\$ -
Municipal bonds	1,690,154	310,415	514,340	865,399
Corporate bonds	310,117	159,351	150,767	-
Other - Fixed income	275,757	117,201	131,632	26,924
Mutual funds - Fixed income	2,748,414	2,748,414	-	-
Total	\$ 5,281,610	\$ 3,335,381	\$ 1,053,907	\$ 892,323

**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>Primary Government</b>			
Municipal bonds	\$ 971,825	AA	S&P
Municipal bonds	1,667,783	AA-	S&P
Municipal bonds	1,226,108	AA1	Moody's
Municipal bonds	374,336	AA3	Moody's
U.S. government securities	593,938	AA+	S&P
Total	\$ 4,833,990		

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

Investment	Fair Value	Rating	Rating Organization
<b>Fiduciary Funds</b>			
Bond and other securities	\$ 407,935	AAA	Moody's
Bond and other securities	300,624	AA3	Moody's
Bond and other securities	134,652	AA2	Moody's
Bond and other securities	516,775	AA1	Moody's
Bond and other securities	466,466	A2	Moody's
Bond and other securities	114,921	A1	Not Rated
Bond and other securities	316,066	N/A	Not Rated
Other fixed income	275,757	N/A	Not Rated
Mutual funds - Fixed income	2,748,414	N/A	Not Rated
Total	<u>\$ 5,281,610</u>		

**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.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The City's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.



# City of Trenton, Michigan

## Notes to Financial Statements June 30, 2017

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

The City has the following recurring fair value measurements as of June 30, 2017:

#### Assets Measured at Fair Value on a Recurring Basis

	Balance at June 30, 2017	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities:				
U.S. government securities	\$ 6,781,312	\$ -	\$ 6,781,312	\$ -
Corporate bonds	310,117	-	310,117	-
Mutual funds - Fixed income	2,748,414	2,748,414	-	-
Other fixed-income securities	275,757	-	275,757	-
Total debt securities	10,115,600	2,748,414	7,367,186	-
Equity securities:				
Common stock	22,947,862	22,947,862	-	-
Mutual funds - Equity	12,827,599	12,827,599	-	-
Total equity securities	35,775,461	35,775,461	-	-
Total investments by fair value level	45,891,061	\$ 38,523,875	\$ 7,367,186	\$ -
Investments measured at the net asset value (NAV) - Collective trusts	19,056,681			
Total investments measured at fair value	\$ 64,947,742			

The fair values of the mutual funds - fixed income and common stock classified in Level 1 are valued using prices quoted in active markets for those securities.

The fair value of the U.S. government securities and other fixed-income securities at June 30, 2017 was determined primarily based on Level 2 inputs. The City estimates the fair value of these investments using other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

The fair value of the corporate bonds and other equities at June 30, 2017 was determined primarily based on Level 2 inputs. The City estimates the fair value of these investments using other inputs such as a matrix pricing model.

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is presented on the following table.

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

#### Investments in Entities that Calculate Net Asset Value per Share

The City holds shares or interests in investment companies whereby the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

At June 30, 2017, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency, if Eligible</u>	<u>Redemption Notice Period</u>
Collective trusts	<u>\$ 19,056,681</u>	<u>\$ -</u>	None	N/A

The private placement collective trust fund class includes investments in collective trusts that invest in investment-grade fixed-income securities and diversified sector/industry stocks. The trusts are managed and designed to match or exceed the performance of specific market indices. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.

# City of Trenton, Michigan

## Notes to Financial Statements June 30, 2017

### 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, 2016	Reclassifications	Additions	Disposals	Balance June 30, 2017
<b>Governmental Activities</b>					
Capital assets not being depreciated:					
Land	\$ 2,523,904	\$ -	\$ -	\$ -	\$ 2,523,904
Construction in progress	1,716	(1,716)	-	-	-
Subtotal	2,525,620	(1,716)	-	-	2,523,904
Capital assets being depreciated:					
Buildings and improvements	11,959,135	-	116,745	-	12,075,880
Vehicles	7,326,530	-	382,413	(173,405)	7,535,538
Furniture and equipment	7,317,080	1,716	374,861	(181,300)	7,512,357
Land improvements	3,252,259	-	-	-	3,252,259
Roads and sidewalks	22,710,125	-	762,361	(45,548)	23,426,938
Subtotal	52,565,129	1,716	1,636,380	(400,253)	53,802,972
Accumulated depreciation:					
Buildings and improvements	5,945,540	-	325,700	-	6,271,240
Vehicles	3,912,368	-	486,196	(143,405)	4,255,159
Furniture and equipment	5,388,164	-	368,493	(100,291)	5,656,366
Land improvements	2,218,224	-	161,577	-	2,379,801
Roads and sidewalks	14,329,393	-	479,168	(44,126)	14,764,435
Subtotal	31,793,689	-	1,821,134	(287,822)	33,327,001
Net capital assets being depreciated	20,771,440	1,716	(184,754)	(112,431)	20,475,971
Net capital assets	\$ 23,297,060	\$ -	\$ (184,754)	\$ (112,431)	\$ 22,999,875

# City of Trenton, Michigan

## Notes to Financial Statements June 30, 2017

### Note 4 - Capital Assets (Continued)

	Balance July 1, 2016	Reclassifications	Additions	Disposals	Balance June 30, 2017
<b>Business-type Activities</b>					
Capital assets not being depreciated:					
Land	\$ 14,242	\$ -	\$ -	\$ -	\$ 14,242
Construction in progress	7,135	-	-	(7,135)	-
Subtotal	21,377	-	-	(7,135)	14,242
Capital assets being depreciated:					
Water and sewer distribution systems	65,090,461	-	49,739	-	65,140,200
Treatment facilities	9,794,800	-	126,227	-	9,921,027
Buildings and improvements	11,666,782	-	-	-	11,666,782
Machinery and equipment	5,185,397	-	324,599	(78,621)	5,431,375
Land improvements	467,823	-	-	-	467,823
Subtotal	92,205,263	-	500,565	(78,621)	92,627,207
Accumulated depreciation:					
Water and sewer distribution systems	25,100,359	-	1,626,827	-	26,727,186
Treatment facilities	5,814,400	-	402,332	-	6,216,732
Buildings and improvements	8,669,556	-	615,865	-	9,285,421
Machinery and equipment	2,381,923	-	205,660	(64,005)	2,523,578
Land improvements	138,293	-	11,549	-	149,842
Subtotal	42,104,531	-	2,862,233	(64,005)	44,902,759
Net capital assets being depreciated	50,100,732	-	(2,361,668)	(14,616)	47,724,448
Net capital assets	\$ 50,122,109	\$ -	\$ (2,361,668)	\$ (21,751)	\$ 47,738,690
<b>Component Units</b>					
Capital assets being depreciated -					
Land improvements	\$ 3,411,426	\$ -	\$ -	\$ -	\$ 3,411,426
Accumulated depreciation -					
Land improvements	942,270	-	99,222	-	1,041,492
Net capital assets	\$ 2,469,156	\$ -	\$ (99,222)	\$ -	\$ 2,369,934

# City of Trenton, Michigan

## Notes to Financial Statements June 30, 2017

### Note 4 - Capital Assets (Continued)

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

Governmental activities:	
General government	\$ 661,667
Public safety	98,443
Public works	133,561
Recreation and culture	441,734
Internal service fund depreciation charged to various functions based on usage of the asset	<u>485,729</u>
Total governmental activities	<u>\$ 1,821,134</u>
Business-type activities:	
Water and sewer	\$ 2,216,717
Recreation	<u>645,516</u>
Total business-type activities	<u>\$ 2,862,233</u>
Component unit activities - Downtown Development Authority	<u>\$ 99,222</u>

### Note 5 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

	Fund Due From <u>Nonmajor Governmental Funds</u>
<u>Fund Due To</u>	
General Fund	<u>\$ 51,008</u>
	Fund Advanced From <u>General Fund</u>
<u>Fund Advanced To</u>	
Brownfield Redevelopment Authority	\$ 65,000
Downtown Development Authority	1,090,000
Recreation Fund	<u>2,103,064</u>
Total	<u>\$ 3,258,064</u>

### Note 5 - Interfund Receivables, Payables, and Transfers (Continued)

The interfund balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

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

The long-term advance from the General Fund to the Downtown Development Authority (DDA) represents monies advanced to redeem two general obligation limited tax bonds for \$800,000 and \$630,000 during 2015. The \$800,000 advance is to be repaid in eight equal installments of \$100,000, plus interest ranging from 1.0 percent to 2.5 percent, through October 2022. The outstanding balance at June 30, 2017 is \$600,000. The \$630,000 advance is to be repaid in nine equal installments of \$70,000, plus interest ranging from 1.0 percent to 2.5 percent, through October 2023. The outstanding balance at June 30, 2017 is \$490,000.

The long-term advance from the General Fund to the Recreation Fund represents monies advanced to redeem building authority bonds for \$773,500 and to cover costs associated with ice rink energy upgrades of \$1,454,064. The \$773,500 advance is to be repaid in installments ranging from \$110,000 to \$147,333, plus interest ranging from 1.0 percent to 2.5 percent, through October 2021. The outstanding balance at June 30, 2017 is \$663,000. The \$1,454,064 advance is to be repaid in installments ranging from \$160,007 to 308,585, plus interest ranging from 1.0 percent to 2.5 percent, through June 2025. The outstanding balance at June 30, 2017 is \$1,440,064.

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

Transfers In	Transfers Out		Total
	General Fund	Nonmajor Governmental Funds - Major Roads	
Nonmajor governmental funds - Local streets	\$ -	\$ 405,000	\$ 405,000
Business-type activities - Recreation	159,943	-	159,943
<b>Total</b>	<b>\$ 159,943</b>	<b>\$ 405,000</b>	<b>\$ 564,943</b>

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	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>							
General obligation bonds:							
Building Authority Refunding Bonds,							
Series 2015 -							
Amount of issue - \$711,000							
	0.50% - 1.75%	\$116,000 - \$122,000	\$ 711,000	\$ -	\$ 116,000	\$ 595,000	\$ 122,000
Installment purchase agreements:							
Safety and refuse vehicle -							
Amount of issue - \$1,150,000							
	2.60%	\$283,684 - \$294,204	1,150,000	-	280,950	869,050	283,684
Tractor and dump truck -							
Amount of issue - \$379,067							
	2.80%	\$93,498 - \$98,874	379,068	-	90,544	288,524	93,498
Total bonds payable			2,240,068	-	487,494	1,752,574	499,182
Other long-term obligations -							
Compensated absences							
			1,842,701	10,734	18,248	1,835,187	892,275
Total governmental activities			\$ 4,082,769	\$ 10,734	\$ 505,742	\$ 3,587,761	\$ 1,391,457

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

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Business-type Activities</b>							
General obligation bonds:							
State Revolving Fund Limited Tax Bonds - Program 5127-01 - Amount of issue - \$12,095,000	2.5%	\$695,000 - \$730,000	\$ 3,529,064	\$ -	\$ 675,000	\$ 2,854,064	\$ 695,000
State Revolving Fund Limited Tax Bonds - Program 5127-02 - Amount of issue - \$16,535,000	2.5%	\$860,000 - \$926,706	5,336,706	-	860,000	4,476,706	860,000
State Revolving Fund Limited Tax Bonds - Program 5127-03 - Amount of issue - \$1,005,000	2.5%	\$50,000 - \$60,648	385,648	-	50,000	335,648	50,000
State Revolving Fund Limited Tax Bonds - Program 5127-04 - Amount of issue - \$10,325,000	2.5%	\$515,000 - \$592,518	4,377,518	-	504,999	3,872,519	515,000
State Revolving Fund Limited Tax Bonds - Program 5127-05 - Amount of issue - \$1,990,000	2.5%	\$105,000 - \$125,000	1,015,000	-	100,000	915,000	105,000
State Revolving Fund Limited Tax Bonds - Program 5127-06 - Amount of issue - \$4,130,000	2.125%	\$210,000 - \$250,000	2,275,000	-	205,000	2,070,000	210,000
Building Authority Refunding Bonds, Series 2015 - Amount of issue - \$2,844,000	0.50% - 1.75%	\$464,000 - \$484,000	2,844,000	-	464,000	2,380,000	488,000
Total general obligation bonds			19,762,936	-	2,858,999	16,903,937	2,923,000
Compensated absences			331,571	-	34,095	297,476	139,872
Total business-type activities			<u>\$ 20,094,507</u>	<u>\$ -</u>	<u>\$ 2,893,094</u>	<u>\$ 17,201,413</u>	<u>\$ 3,062,872</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.

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

Year Ending June 30	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 499,182	\$ 38,192	\$ 537,374	\$ 2,923,000	\$ 353,172	\$ 3,276,172
2019	503,314	27,023	530,337	2,949,000	288,319	3,237,319
2020	514,078	18,289	532,367	3,039,000	220,789	3,259,789
2021	116,000	2,970	118,970	3,048,064	150,881	3,198,945
2022	120,000	1,050	121,050	2,376,706	88,044	2,464,750
2023-2026	-	-	-	2,568,167	85,797	2,653,964
Total	<u>\$ 1,752,574</u>	<u>\$ 87,524</u>	<u>\$ 1,840,098</u>	<u>\$ 16,903,937</u>	<u>\$ 1,187,002</u>	<u>\$ 18,090,939</u>

Total interest expense incurred by the City for the year approximated \$464,000.



### **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, 2016, the date of the last actuarial valuation, 199 retirees and beneficiaries are eligible. The City includes pre-Medicare retirees and their dependents in its insured healthcare plan. The City purchases Medicare Advantage insurance for retirees eligible for Medicare. Expenditures for postemployment healthcare and life insurance benefits include insurance premiums that become due during the current year and discretionary contributions made to the Retiree Health Care Trust Fund.

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

The plan is closed to new hires as of June 30, 2016 for Police and Fire and June 30, 2012 for MERS. Employees hired after these dates participate in a retiree healthcare savings account by contributing 2 percent along with a 2 percent city match.

**Funding Policy** - The collective bargaining agreements and city policy do not require advanced funding contributions from employees. Retiree healthcare costs are recognized when paid by the City on a “pay-as-you-go” basis. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment. In the current year, the City paid postemployment healthcare premiums of \$2,502,500; in addition, the City contributed \$474,650 into the Retiree Healthcare Trust Fund, which is reported in these financial statements as a pension and other employee benefit trust fund type.

# City of Trenton, Michigan

## Notes to Financial Statements June 30, 2017

### Note 7 - Postemployment Benefits (Continued)

**Funding Progress** - For the year ended June 30, 2017, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of June 30, 2015. 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 22 years. This valuation's computed contribution and actual funding are summarized as follows:

Annual required contribution (recommended)	\$ 6,195,000
Interest on the prior year's net OPEB obligation	535,575
Less adjustment to the annual required contribution	<u>(516,608)</u>
Annual OPEB cost	6,213,967
Amounts contributed:	
Payments of current premiums	(2,502,500)
Advance funding	<u>(474,650)</u>
Increase in net OPEB obligation	3,236,817
OPEB obligation - Beginning of year	<u>13,389,369</u>
OPEB obligation - End of year	<u>\$ 16,626,186</u>

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

Fiscal Year Ended	Actuarial Valuation Date	Annual OPEB Costs	Percentage Contributed	Net OPEB Obligation
6/30/15	6/30/13	\$ 4,993,662	55 %	\$ 11,168,291
6/30/16	6/30/13	5,196,069	58 %	13,389,369
6/30/17	6/30/15	6,213,967	48 %	16,626,186

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
6/30/13	\$ 6,070,127	\$ 82,812,846	\$ 76,742,719	7.3 %	\$ 5,960,046	1,287.6 %
6/30/15	7,727,418	99,129,281	91,401,863	7.8	7,943,814	1,150.6
6/30/16	7,893,928	88,429,737	80,535,809	8.9	8,061,212	999.1

### Note 7 - Postemployment Benefits (Continued)

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

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

In the June 30, 2015 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, 2015 was 22 years.

### Note 8 - OPEB Plan

During the current year, the City adopted GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. Adopting this statement required disclosures regarding the City's other postemployment benefit plan as follows:

**Plan Administration** - The board administers the City of Trenton Retiree Healthcare Plan (the "Plan"), a single-employer defined benefit OPEB plan that is used to provide postemployment benefits other than pensions (OPEB) for all full-time employees upon retirement.

Management of the Plan is vested with the board of trustees, which consists of seven members - three elected by plan members, three appointed by the City, and the city treasurer, who serves as an ex-officio member.

### Note 8 - OPEB Plan (Continued)

**Plan Membership** - At June 30, 2017, plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	209
Active plan members	144
	<hr/>
Total	353
	<hr/>

The Plan is closed to general employees, nonunion employees, and TPOAM members hired after June 30, 2012. Additionally, the Plan is closed to Police and Fire employees hired after June 30, 2016. Employees hired after these dates are in the Health Care Saving Plan.

**Benefits Provided** - The Plan provides life insurance, medical, prescription drugs, dental, and vision benefits for retirees and beneficiaries. Dental and vision are covered until the age of 65. Life insurance is currently provided in the amount of \$10,000; older retirees have lesser amounts based on date of retirement. Employees who retired after June 30, 2005 will have the same level of coverage as that provided to active employees and will have a 20 percent cost share.

**Contributions** - The Plan's funding policy is that the employer will make discretionary contributions. There are no long-term contracts for contributions to the Plan. The Plan has no legally required reserves. The City establishes contribution rates based on an actuarially determined rate per a funding valuation. For the year ended June 30, 2017, the City contributed \$2,977,150 to the Plan. Plan members are not required to contribute to the Pplan.

#### OPEB Plan Investments

**Investment Policy** - The 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. The following was the board's adopted asset allocation policy as of June 30, 2017:

Asset Class	Target Allocation (%)
<hr/>	
Domestic equity	49.00 %
International equity	12.00 %
Alternatives	3.00 %
Fixed income	36.00 %

### Note 8 - OPEB Plan (Continued)

**Rate of Return** For the year ended June 30, 2017, the annual money-weighted rate of return on plan investments, net of investment expense, was 10.70 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

#### Net OPEB Liability

The City reports OPEB expense based on funding requirements, as directed by GASB Statement No. 45. Beginning next year, the City will adopt GASB Statement No. 75, which will require the measurement of OPEB expense as it is earned, rather than as it is funded. The net OPEB liability of the City has been measured as of June 30, 2017 and is composed of the following:

Total OPEB liability	\$ (61,751,700)
Plan fiduciary net position	<u>9,200,077</u>
Net OPEB liability	<u>\$ (52,551,623)</u>

Plan fiduciary net position as a percentage of the total OPEB liability	15 %
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#### Actuarial Assumptions

The June 30, 2017 total OPEB liability was determined by an actuarial valuation performed as of June 30, 2016, which used updating procedures to roll forward the estimated liability to June 30, 2017. The valuation used the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50 %
Healthcare cost trend rate	9.00 % Gradually decreasing to a final trend rate of 3.50 %
Salary increases	4.00 % With merit increases ranging from 0.30 percent to 13.00 percent, for a total of 4.30 percent to 17.00 percent
Investment rate of return	7.00 % Net of OPEB plan investment expense, including inflation

### Note 8 - OPEB Plan (Continued)

#### Mortality Rates

**Municipal Employees** - For healthy retirees, mortality rates are based on the RP-2000 Mortality Combined Healthy Tables Projected 20 years with U.S. Projection Scale BB. For disabled retirees, mortality rates are based on the health life table above, but set-forward 10 years. The rates of preretirement mortality use the same mortality tables as postretirement mortality with 90 percent of active deaths assumed to be nonduty and 10 percent assumed to be duty related.

**Police and Fire** - For healthy life pre- and postretirement, the RP-2014 Healthy Annuitant Generational Mortality Tables, with blue-collar adjustments and extended via cubic spline. The table is adjusted backwards to 2006 with the MP-2014 scale. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Tables, extended via cubic spline. This table is adjusted backwards to 2006 with the MP-2014 scale.

These assumptions are used to measure the probabilities of each benefit payment made after retirement.

The long-term expected rate of return on OPEB 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 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 geometric real rates of return as of June 30, 2017 for each major asset class included in the target asset allocation are summarized in the following table.

Asset Class	Long-term Expected Real Rate of Return
Domestic equity	6.50 %
International equity	8.40 %
Alternatives	6.00 %
Fixed income	3.50 %

**Discount Rate** - The discount rate used to measure the total OPEB liability was 7.0 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 statutorily required rates.

### Note 8 - OPEB Plan (Continued)

#### Projected Cash Flows

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

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate** - The following presents the net OPEB liability, calculated using the discount rate of 7.0 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.0 percent) or 1 percentage point higher (8.0 percent) than the current rate:

	1 Percent Decrease (6.0%)	Current Discount Rate (7.0%)	1 Percent Increase (8.0%)
Net OPEB liability	\$ 60,252,765	\$ 52,551,623	\$ 46,182,040

**Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates** - The following presents the net OPEB liability, calculated using the healthcare cost trend rate of 9.0 percent, as well as what the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower (8.0 percent) or 1 percentage point higher (10.0 percent) than the current rate:

	1 Percent Decrease (8.0%)	Current Healthcare Cost Trend Rate (9.0%)	1 Percent Increase (10.0%)
Net OPEB liability	\$ 45,471,772	\$ 52,551,623	\$ 61,169,131

### Note 9 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City participates in the Michigan Municipal League (risk pool) for claims relating to workers' compensation. Property loss and general liability insurance is provided by Glatfelters Public Practice. The City has also assumed a significant amount of financial responsibility for its actual incurred medical claims cost, subject to certain insured limitations of \$100,000 per specific claim and approximately \$2,305,000 in aggregate claims.

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

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

	2017	2016
Estimated liability - Beginning of year	\$ 487,895	\$ 503,481
Estimated claims incurred, including changes in estimates and related administrative costs	5,394,086	4,704,172
Claim and related administrative payments	<u>(5,298,328)</u>	<u>(4,719,758)</u>
Estimated liability - End of year	<u>\$ 583,653</u>	<u>\$ 487,895</u>

### Note 10 - Agent Defined Benefit Pension Plan

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

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



### **Note 10 - Agent Defined Benefit Pension Plan (Continued)**

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

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

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

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

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

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

### Note 10 - Agent Defined Benefit Pension Plan (Continued)

**Employees Covered by Benefit Terms** - At the December 31, 2016 measurement date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	125
Inactive plan members entitled to but not yet receiving benefits	1
Active plan members	<u>18</u>
Total employees covered by MERS	<u><u>144</u></u>

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

For the year ended June 30, 2017, the City's annual contribution was \$1,964,796.

#### **Net Pension Liability**

The net pension liability reported at June 30, 2017 was determined using a measure of the total pension liability and the pension net position as of December 31, 2016. The December 31, 2016 total pension liability was determined by an actuarial valuation performed as of that date.

# City of Trenton, Michigan

## Notes to Financial Statements June 30, 2017

### Note 10 - Agent Defined Benefit Pension Plan (Continued)

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
<b>Balance at December 31, 2015</b>	\$ 45,682,435	\$ 23,755,945	\$ 21,926,490
Service cost	152,285	-	152,285
Interest	3,529,188	-	3,529,188
Differences between expected and actual experience	(405,819)	-	(405,819)
Contributions - Employer	-	1,799,934	(1,799,934)
Contributions - Employee	-	61,153	(61,153)
Net investment income	-	2,632,381	(2,632,381)
Benefit payments, including refunds	(3,287,418)	(3,287,418)	-
Administrative expenses	-	(52,052)	52,052
Net changes	(11,764)	1,153,998	(1,165,762)
<b>Balance at December 31, 2016</b>	<u>\$ 45,670,671</u>	<u>\$ 24,909,943</u>	<u>\$ 20,760,728</u>

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

For the year ended June 30, 2017, the City recognized pension expense of \$1,845,473. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 1,010,050	\$ -
Employer contributions to the plan subsequent to the measurement date	982,398	-
Total	<u>\$ 1,992,448</u>	<u>\$ -</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows. These amounts are exclusive of the employer contributions to the plan made subsequent to the measurement date (\$982,398), which will impact the net pension liability in fiscal year 2018, rather than pension expense.

### Note 10 - Agent Defined Benefit Pension Plan (Continued)

Years Ending June 30	Amount
2018	\$ 420,258
2019	420,258
2020	327,741
2021	(158,207)

**Actuarial Assumptions** - The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.75% With merit increases totaling up to 11 percent, for a total of 3.75 percent to 14.75 percent
Investment rate of return	8.00% Net of pension plan investment expense, including inflation

Although no specific price inflation assumptions are needed for the valuation, the 3.75 percent long-term wage inflation assumption would be consistent with a price inflation of 2.5 percent.

Mortality rates were based on 50 percent male and 50 percent female blend of the RP 2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105 percent, RP 2014 Employee Mortality Tables, and RP 2014 Juvenile Mortality Tables. For disabled plan members, rates were based on a blend of the 50 percent male and 50 percent RP 2014 Disabled Retiree Mortality Tables.

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study for the period from January 1, 2009 through December 31, 2013.

**Discount Rate** - The discount rate used to measure the total pension liability was 8.0 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

### Note 10 - Agent Defined Benefit Pension Plan (Continued)

#### 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.

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

The long-term expected rate of return on pension plan investments was determined using a model in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return as of December 31, 2016, the measurement date, for each major asset class are summarized in the following table:

Asset Class	Target Allocation (%)	Long-term Expected Real Rate of Return
Global equity	58 %	5.00 %
Global fixed income	20 %	2.20 %
Real assets	12 %	4.20 %
Diversifying strategies	10 %	6.60 %

The preceding target allocation was amended as of January 1, 2017 to reduce the previous allocation to global equity and global fixed income and to increase the allocation of real assets and diversifying strategies. The target allocation as of January 1, 2017 will be 55.5 percent global equity, 18.5 percent global fixed income, 13.5 percent real assets and 12.5 percent diversifying strategies.

### Note 10 - Agent Defined Benefit Pension Plan (Continued)

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate** - The following presents the net pension liability of the City, calculated using the discount rate of 8.0 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.0 percent) or 1 percentage point higher (9.0 percent) than the current rate:

	1 Percent Decrease (7.0%)	Current Discount Rate (8.0%)	1 Percent Increase (9.0%)
Net pension liability of the City	\$ 25,325,447	\$ 20,760,728	\$ 16,871,531

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

### Note 11 - Firemen and Policemen Retirement System

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

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

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

### Note 11 - Firemen and Policemen Retirement System (Continued)

**Employees Covered by Benefit Terms** - At the June 30, 2017 measurement date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	115
Inactive plan members entitled to but not yet receiving benefits	1
Active plan members	63
Total employees covered by the Pension Plan	179

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

**Regular Retirement:**

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

*Average Final Compensation (AFC):* Highest three years out of 10. Fire: hired on or before December 31, 1995, AFC includes base wages, holiday pay, longevity, overtime pay, and unused vacation time. Police: hired on or before December 31, 1995, AFC includes base wages, holiday pay, overtime pay, and unused vacation leave. Police and fire: hired after January 1, 1996, AFC includes base wages and up to 240 hours of accrued leave time, which is payable at time of retirement. Effective July 1, 2014 for fire, longevity 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 the deceased retiree was receiving; however, other options are available.

**Deferred Retirement:**

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

**Duty Disability Retirement:**

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

**Nonduty Disability Retirement:**

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

### **Note 11 - Firemen and Policemen Retirement System (Continued)**

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

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

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

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

**Annuity Withdrawal Option** - If elected, member contribution account balance is paid in a lump sum at retirement. The regular retirement benefit is then reduced so that the total benefits paid (lump sum plus monthly pension) are equivalent to the regular retirement benefit. For members hired before January 1, 1996, the interest rate used to establish equivalency was established by the board of trustees at 4.5 percent. For members hired on or after January 1, 1996, the investment rate used to establish equivalency is calculated at the actuarial equivalent rate established by the board of trustees, which is currently 7.0 percent.

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

**Contributions** - Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, the pension board retains an independent actuary to determine the annual contribution. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year with an additional amount to finance any unfunded accrued liability. Contribution requirements of plan members are established and may be amended by the board of trustees in accordance with the city charter, union contracts, and plan provisions. The Pension Plan requires contribution from the employees of 6.0 percent of all pensionable earnings. For the year ended June 30, 2017, the City contributed the actuarial required contribution of \$1,479,258.



### Note 11 - Firemen and Policemen Retirement System (Continued)

#### Pension Plan Investments - Policy and Rate of Return

**Investment Policy** - The Pension Plan's policy in regard to the allocation of invested assets is established and may be amended by the pension board by a majority vote of its members. It is the policy of the pension board to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The Pension Plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the pension board of trustees' adopted asset allocation policy as of June 30, 2017:

Asset Class	Target Allocation
Domestic equity	37%
International equity	20%
Domestic bonds	25%
Real estate	8%
Private equity	10%

**Rate of Return** - For the year ended June 30, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 14.02 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

#### Pension Plan Reserves

In accordance with the board of trustees, the following reserves are required to be set aside within the Pension Plan:

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

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

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

# City of Trenton, Michigan

## Notes to Financial Statements June 30, 2017

### Note 11 - Firemen and Policemen Retirement System (Continued)

	<u>Required Reserve</u>	<u>Amount Funded</u>
Retiree reserve	\$ 48,290,912	\$ 48,290,912
Employee reserve	2,693,621	2,693,621

#### Net Pension Liability

The components of the net pension liability of the City at June 30, 2017 were as follows:

Total pension liability	\$ (69,879,009)
Plan fiduciary net position	<u>52,257,573</u>
City's net pension liability	<u>\$ (17,621,436)</u>
Plan fiduciary net position as a percentage of the total pension liability	74.8 %

The June 30, 2017 total pension liability was determined by an actuarial valuation performed as of June 30, 2016, which used updated procedures to roll forward the estimated liability to June 30, 2017. The total pension liability was adjusted for new assumptions recently adopted in conjunction with an experience study for the period from 2011 through 2016.

# City of Trenton, Michigan

## Notes to Financial Statements June 30, 2017

### Note 11 - Firemen and Policemen Retirement System (Continued)

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
<b>Balance at June 30, 2016</b>	\$ 67,484,939	\$ 48,809,071	\$ 18,675,868
Service cost	784,947	-	784,947
Interest	4,743,870	-	4,743,870
Differences between expected and actual experience	(620,591)	-	(620,591)
Changes in assumptions	2,375,297	-	2,375,297
Contributions - Employer	-	1,479,258	(1,479,258)
Contributions - Employee	-	248,918	(248,918)
Net investment gain	-	6,656,314	(6,656,314)
Benefit payments, including refunds	(4,889,453)	(4,889,453)	-
Administrative expenses	-	(46,535)	46,535
Net changes	<u>2,394,070</u>	<u>3,448,502</u>	<u>(1,054,432)</u>
<b>Balance at June 30, 2017</b>	<u>\$ 69,879,009</u>	<u>\$ 52,257,573</u>	<u>\$ 17,621,436</u>

**Assumption Changes** - The total pension liability was adjusted for new assumptions recently adopted in conjunction with an experience study for the period from 2011 through 2016. The most significant change was using updated mortality tables, as described below.

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

For the year ended June 30, 2017, the City recognized pension expense of \$3,265,407. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 79,958	\$ (724,966)
Changes in assumptions	1,880,619	-
Net difference between projected and actual earnings on pension plan investments	<u>1,747,075</u>	<u>-</u>
Total	<u>\$ 3,707,652</u>	<u>\$ (724,966)</u>

### Note 11 - Firemen and Policemen Retirement System (Continued)

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

Years Ending June 30	Amount
2018	\$ 1,361,348
2019	1,361,348
2020	617,660
2021	(357,670)

**Actuarial Assumptions** - The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.5 %
Salary increases	3.7-11.5 % Including inflation
Investment rate of return	7.00 % Net of pension plan investment expense, including inflation

**Healthy Life Pre- and Postretirement Mortality Table** - The RP-2014 Healthy Annuitant Generational Mortality Tables, with blue-collar adjustments and extended via cubic spline. This table is adjusted backwards to 2006 with the MP-2014 scale. A base year of 2006 with future mortality improvements assumed each year using scale MP-2016. This assumption is used to measure the probabilities of each benefit payment being made after retirement for nondisabled annuitants and the probabilities of members dying before retirement.

**Disabled Retirement Mortality Table** - The RP-2014 Disabled Mortality Tables, extended via cubic spline. This table is adjusted backwards to 2006 with the MP-2014 scale. A base year of 2006 with future mortality improvements assumed each year using scale MP-2016. This assumption is used to measure the probabilities of each benefit payment being made after retirement for disabled annuitants.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2011 through June 30, 2016.

**Discount Rate** - The discount rate used to measure the total pension liability was 7.00 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.

### Note 11 - Firemen and Policemen Retirement System (Continued)

#### Projected Cash Flows

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return as of June 30, 2017 for each major asset class included in the Pension Plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following table:

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	7.50 %
International equity	8.50 %
Domestic bonds	2.50 %
Real estate	4.50 %
Private equity	8.00 %

**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 7.00 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1.0 percentage point lower (6.00 percent) or 1.0 percentage point higher (8.00 percent) than the current rate:

	<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Net pension liability of the City	\$ 25,482,765	\$ 17,621,436	\$ 11,047,084

### **Note 11 - Firemen and Policemen Retirement System (Continued)**

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

### **Note 12 - Defined Contribution Pension Plan**

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

As established by the TPOAM collective bargaining agreement and per city policy, the City contributes 6 percent of employees' base earnings, and the employees contribute 6 percent of earnings. The City's contributions for each employee plus interest allocated to the employee's account are fully vested after five years of service.

In accordance with these requirements, the City contributed \$190,949 during the current year and the employees contributed \$190,949 during the current year for the General Employees' Plan. The City did not contribute to the Fire Fighters and Police Officers Plan during the current year as there were no participants remaining in the plan. The plan's assets, which aggregated \$5,504,218 at June 30, 2017, are held by an independent third-party administrator.

# City of Trenton, Michigan

## Notes to Financial Statements June 30, 2017

### Note 13 - Pension and Other Employee Benefit Trust Funds

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

	Firemen and Policemen Retirement System Trust Fund	Retiree Health Care Trust Fund	Total
Statement of net position:			
Cash and investments	\$ 52,253,235	\$ 9,200,077	\$ 61,453,312
Receivables	4,338	-	4,338
Total net position	<u>\$ 52,257,573</u>	<u>\$ 9,200,077</u>	<u>\$ 61,457,650</u>
Statement of changes in net position:			
Investment income	\$ 6,661,719	\$ 921,288	\$ 7,583,007
Contributions	1,728,176	2,977,150	4,705,326
Benefit payments	(4,889,453)	(2,502,500)	(7,391,953)
Administrative expenses	(51,940)	(89,789)	(141,729)
Change in net position	<u>\$ 3,448,502</u>	<u>\$ 1,306,149</u>	<u>\$ 4,754,651</u>

### Note 14 - Downtown Development Authority Commitment

The Downtown Development Authority has committed to pay \$1,000,000 to the City of Trenton, Michigan 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, 2017, the Downtown Development Authority was unable to make the \$100,000 installment payment. The outstanding commitment at June 30, 2017 was \$700,000.

### Note 15 - 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, who then approves the annual budget.

### **Note 15 - Joint Ventures (Continued)**

The District Court receives its operating revenue principally through contributions from member communities. During the current year, the City returned approximately \$5,000 to the District Court, 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 for the District Court can be obtained from the administrative offices at 19000 Van Horn Rd., Woodhaven, MI 48183. The City's equity interest at June 30, 2017 is \$539,524.

### **Note 16 - Tax Abatements**

The City receives reduced property tax revenue as a result of tax abatement agreements granted by the City. The tax abatement agreements include the following:

The City uses the Industrial Facilities Tax exemption (PA 198 of 1974) to enter into agreements with local businesses to construct new industrial facilities or rehabilitate historical facilities. Under the program, the City grants reductions of 50 percent of the property tax bill for new property for up to 12 years.

For the fiscal year ended June 30, 2017, the City abated \$1,154,341 of taxes under this program. There are no provisions to recapture taxes; however, the abatement may be eliminated if taxes are not paid timely.

The City also uses the Obsolete Property Rehabilitation exemption to enter into agreements with local businesses to rehabilitate historical facilities that have been deemed obsolete or blighted. Under the program, the City freezes taxable value for rehabilitated properties for up to nine years.

For the fiscal year ended June 30, 2017, the City abated \$30,260 of taxes under this program. There are no provisions to recapture taxes; however, the abatement can be eliminated if taxes are not timely paid or rehabilitation is not started timely.

There are no significant abatements made by other governments that reduce the City's tax revenue.



### Note 17 - Upcoming Accounting Pronouncements

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the City to recognize on the face of the financial statements its net OPEB liability related to its participation in the Retiree Healthcare Plan. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2018.

In January 2017, the Governmental Accounting Standards Board issued GASB Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of governments and improves guidance for accounting and financial reporting related to how these activities should be reported. 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 the City's financial statements for the 2019-2020 fiscal year.

In March 2017, the Governmental Accounting Standards Board issued GASB Statement No. 85, *Omnibus 2017*, which addresses practice issues that have been identified during implementation and application of certain GASB Statements. The statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pension and other postemployment benefits [OPEB]). 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 the City's financial statements for the 2017-2018 fiscal year.

In May 2017, the Governmental Accounting Standards Board issued GASB Statement No. 86, *Certain Debt Extinguishment Issues*, which improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. 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 the City's financial statements for the 2017-2018 fiscal year.

### **Note 17 - Upcoming Accounting Pronouncements (Continued)**

In June 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. 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 the City's financial statements for the 2020-2021 fiscal year.

## **Required Supplemental Information**

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# City of Trenton, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2017

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 13,064,894	\$ 13,064,894	\$ 13,023,867	\$ (41,027)
Licenses and permits	447,700	447,700	424,714	(22,986)
State sources	2,308,000	2,308,000	3,344,288	1,036,288
Charges for services	1,590,131	1,612,831	1,536,826	(76,005)
Fines and forfeitures	475,000	475,000	450,297	(24,703)
Interest income	96,000	96,000	88,775	(7,225)
Other	623,000	649,761	683,519	33,758
Total revenue	18,604,725	18,654,186	19,552,286	898,100
<b>Expenditures</b>				
Current:				
General government:				
Mayor and Council	102,063	103,088	88,979	14,109
City administrator	461,117	461,117	461,366	(249)
City controller	306,669	351,448	351,583	(135)
City treasurer	76,889	17,260	16,627	633
City assessor	146,763	146,763	142,099	4,664
Board of review	1,900	1,900	1,210	690
Clerk	206,877	210,856	208,815	2,041
Elections	50,500	50,500	43,054	7,446
Buildings and grounds	838,260	838,260	809,413	28,847
Attorney	202,671	202,671	204,045	(1,374)
District Court	400,000	400,000	392,828	7,172
Planning commission and miscellaneous	53,200	53,200	92,770	(39,570)
Central office	308,000	308,000	315,858	(7,858)
Total general government	3,154,909	3,145,063	3,128,647	16,416
Public safety:				
Police department	4,381,291	4,381,291	4,265,313	115,978
Traffic safety commission	700	700	645	55
Fire department	3,387,294	3,393,294	3,413,930	(20,636)
Emergency	129,770	129,770	126,007	3,763
Animal control	66,631	66,631	54,505	12,126
Corrections department/jail	70,400	70,400	53,423	16,977
Building inspection	474,694	497,512	488,640	8,872
Civil defense	23,460	23,460	16,488	6,972
Crossing guards	75,140	75,140	79,443	(4,303)
Total public safety	8,609,380	8,638,198	8,498,394	139,804

# City of Trenton, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2017

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Expenditures (Continued)</b>				
Current (Continued):				
Public works:				
City engineer	\$ 196,757	\$ 185,192	\$ 138,148	\$ 47,044
Sanitation	1,160,267	1,167,378	1,128,406	38,972
Street lighting	700,000	700,000	686,947	13,053
Department of public service	651,986	651,986	635,693	16,293
Total public works	2,709,010	2,704,556	2,589,194	115,362
Retiree benefits and other	3,027,323	3,027,323	3,016,010	11,313
Recreation and culture:				
Cable commission	17,700	17,700	5,253	12,447
Parks department	452,435	452,435	433,819	18,616
Civic commission	23,000	23,000	18,086	4,914
Historical commission	4,825	4,825	4,137	688
Other commissions	2,230	2,230	1,275	955
Outdoor pool	306,791	306,791	369,020	(62,229)
Total recreation and culture	806,981	806,981	831,590	(24,609)
Debt service:				
Principal	482,861	482,861	487,494	(4,633)
Interest on long-term debt	49,261	49,261	43,548	5,713
Total expenditures	18,839,725	18,854,243	18,594,877	259,366
<b>Excess of Revenue (Under) Over Expenditures</b>	(235,000)	(200,057)	957,409	1,157,466
<b>Other Financing Uses - Transfers out</b>	(15,000)	(49,943)	(159,943)	(110,000)
<b>Net Change in Fund Balance</b>	<b>\$ (250,000)</b>	<b>\$ (250,000)</b>	<b>\$ 797,466</b>	<b>\$ 1,047,466</b>

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, 2017

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

	<u>Total Revenue</u>	<u>Total Expenditures</u>
City of Trenton, Michigan:		
Amounts per operating statement	\$ 19,556,167	\$ 18,756,011
Separation Pay Fund	<u>(3,881)</u>	<u>(161,134)</u>
Amounts per budget statement	<u>\$ 19,552,286</u>	<u>\$ 18,594,877</u>

**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>
Recreation and culture	\$ 806,981	\$ 831,590	\$ (24,609)

# City of Trenton, Michigan

## Required Supplemental Information OPEB Municipal Employees' Retirement System of Michigan Last Three Fiscal Years

	2017	2016	2015
<b>Total Pension Liability</b>			
Service cost	\$ 152,285	\$ 164,886	\$ 195,162
Interest	3,529,188	3,449,721	3,418,536
Changes in benefit terms	-	-	-
Differences between expected and actual experience	(405,819)	(302,759)	-
Changes in assumptions	-	2,258,463	-
Benefit payments, including refunds	(3,287,418)	(3,240,472)	(3,200,631)
<b>Net Change in Total Pension Liability</b>	(11,764)	2,329,839	413,067
<b>Total Pension Liability - Beginning of year</b>	45,682,435	43,352,596	42,939,529
<b>Total Pension Liability - End of year</b>	<b>\$ 45,670,671</b>	<b>\$ 45,682,435</b>	<b>\$ 43,352,596</b>
<b>Plan Fiduciary Net Position</b>			
Contributions - Employer	\$ 1,799,934	\$ 1,553,688	\$ 1,384,206
Contributions - Member	61,153	67,467	74,490
Net investment income (loss)	2,632,381	(370,266)	1,607,609
Administrative expenses	(52,052)	(55,063)	(58,651)
Benefit payments, including refunds	(3,287,418)	(3,240,472)	(3,200,631)
Other	-	-	-
<b>Net Change in Plan Fiduciary Net Position</b>	1,153,998	(2,044,646)	(192,977)
<b>Plan Fiduciary Net Position - Beginning of year</b>	23,755,945	25,800,591	25,993,568
<b>Plan Fiduciary Net Position - End of year</b>	<b>\$ 24,909,943</b>	<b>\$ 23,755,945</b>	<b>\$ 25,800,591</b>
<b>City's Net Pension Liability - Ending</b>	<b>\$ 20,760,728</b>	<b>\$ 21,926,490</b>	<b>\$ 17,552,005</b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	54.54 %	52.00 %	59.51 %
<b>Covered Employee Payroll</b>	\$ 1,139,210	\$ 1,243,702	\$ 1,470,710
<b>City's Net Pension Liability as a Percentage of Covered Employee Payroll</b>	1,822.4 %	1,763.0 %	1,193.4 %

# City of Trenton, Michigan

## Required Supplemental Information OPEB Municipal Employees' Retirement System of Michigan Last Ten Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined contribution	\$ 1,964,796	\$ 1,635,072	\$ 1,472,304	\$ 1,296,108	\$ 1,165,284	\$ 1,124,748	\$ 963,204	\$ 811,248	\$ 836,844	\$ 676,617
Contributions in relation to the actuarially determined contribution	1,964,796	1,635,072	1,472,304	1,296,108	1,165,284	1,124,748	963,204	811,248	836,844	676,617
<b>Contribution Deficiency</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Covered Employee Payroll</b>	<b>\$ 1,139,210</b>	<b>\$ 1,243,702</b>	<b>\$ 1,470,710</b>	<b>\$ 1,715,583</b>	<b>\$ 1,583,802</b>	<b>\$ 1,694,143</b>	<b>\$ 2,190,662</b>	<b>\$ 2,383,312</b>	<b>\$ 2,375,403</b>	<b>\$ 2,467,855</b>
<b>Contributions as a Percentage of Covered Employee Payroll</b>	<b>172.5 %</b>	<b>131.5 %</b>	<b>100.1 %</b>	<b>75.5 %</b>	<b>73.6 %</b>	<b>66.4 %</b>	<b>44.0 %</b>	<b>34.0 %</b>	<b>35.2 %</b>	<b>27.4 %</b>

### Notes to Schedule of City Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of December 31 each year, which is 18 months prior to the beginning of the fiscal year in which the contributions are required.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry-age normal
Amortization method	Level percentage of pay, closed
Remaining amortization period	11 years
Asset valuation method	10-year smoothed market
Inflation	2.5 percent
Salary increases	4.50 percent, including inflation
Investment rate of return	7.75 percent
Retirement age	Experience-based tables of rates that are specific to the type of eligibility condition
Mortality	50 percent male - 50 percent female blend of the RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105 percent, RP-2014 Employee Mortality Tables, and the RP-2014 Juvenile Mortality Tables
Other information	None



# City of Trenton, Michigan

## Required Supplemental Information OPEB Firemen and Policemen Retirement System Last Four Fiscal Years

	2017	2016	2015	2014
<b>Total Pension Liability</b>				
Service cost	\$ 784,947	\$ 790,014	\$ 814,380	\$ 899,643
Interest	4,743,870	4,718,863	4,651,292	4,621,631
Changes in benefit terms	-	-	-	(151,801)
Differences between expected and actual experience	(620,591)	(386,797)	193,772	-
Changes in assumptions	2,375,297	-	-	-
Benefit payments, including refunds	(4,889,453)	(4,659,822)	(4,770,653)	(5,064,779)
<b>Net Change in Total Pension Liability</b>	2,394,070	462,258	888,791	304,694
<b>Total Pension Liability - Beginning of year</b>	67,484,939	67,022,681	66,133,890	65,829,196
<b>Total Pension Liability - End of year</b>	<b>\$ 69,879,009</b>	<b>\$ 67,484,939</b>	<b>\$ 67,022,681</b>	<b>\$ 66,133,890</b>
<b>Plan Fiduciary Net Position</b>				
Contributions - Employer	\$ 1,479,258	\$ 1,424,943	\$ 1,411,401	\$ 1,329,445
Contributions - Member	248,918	242,042	241,100	259,613
Net investment income (loss)	6,656,314	(1,127,534)	377,453	7,857,497
Administrative expenses	(46,535)	(32,401)	(11,876)	(30,357)
Benefit payments, including refunds	(4,889,453)	(4,659,822)	(4,770,653)	(5,064,779)
Other	-	-	(21,609)	-
<b>Net Change in Plan Fiduciary Net Position</b>	3,448,502	(4,152,772)	(2,774,184)	4,351,419
<b>Plan Fiduciary Net Position - Beginning of year</b>	48,809,071	52,961,843	55,736,027	51,384,608
<b>Plan Fiduciary Net Position - End of year</b>	<b>\$ 52,257,573</b>	<b>\$ 48,809,071</b>	<b>\$ 52,961,843</b>	<b>\$ 55,736,027</b>
<b>City's Net Pension Liability - Ending</b>	<b>\$ 17,621,436</b>	<b>\$ 18,675,868</b>	<b>\$ 14,060,838</b>	<b>\$ 10,397,863</b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	74.78 %	72.33 %	79.02 %	84.28 %
<b>Covered Employee Payroll</b>	\$ 3,991,591	\$ 3,876,578	\$ 3,932,237	\$ 4,376,244
<b>City's Net Pension Liability as a Percentage of Covered Employee Payroll</b>	441.5 %	481.8 %	357.6 %	237.6 %

# City of Trenton, Michigan

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## Required Supplemental Information Schedule of Investment Returns Firemen and Policemen Retirement System Last Ten Fiscal Years

	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	14.0 %	(2.3)%	0.6 %	15.4 %

# City of Trenton, Michigan

## Required Supplemental Information OPEB Firemen and Policemen Retirement System Last Ten Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined contribution	\$ 1,479,258	\$ 1,424,943	\$ 1,411,401	\$ 1,329,444	\$ 1,050,331	\$ 1,116,778	\$ 801,120	\$ 485,174	\$ 455,199	\$ 838,615
Contributions in relation to the actuarially determined contribution	1,479,258	1,424,943	1,411,401	1,329,444	1,050,331	1,116,778	801,120	485,174	455,199	838,615
<b>Contribution Deficiency</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Covered Employee Payroll</b>	<b>\$ 3,991,591</b>	<b>\$ 3,876,578</b>	<b>\$ 3,923,237</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>Contributions as a Percentage of Covered Employee Payroll</b>	<b>37.1 %</b>	<b>36.8 %</b>	<b>36.0 %</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>

### Notes to Schedule of City Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date The June 30, 2017 contribution was determined in the June 30, 2015 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	21 years (as of valuation date)
Asset valuation method	Five-year smoothed market
Inflation	3.5 percent; no explicit price inflation assumption is used in this valuation
Salary increases	3.7 percent to 11.50 percent
Investment rate of return	7.25 percent (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 from 1999-2004
Mortality	RP-2000 male (unadjusted) and female (unadjusted) Healthy Life Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA.  Early retirement windows are amortized as a level dollar amount over a closed five-year period beginning in the first year recognized.
Other information	Assumption changes as a result of an experience study for the period from 2011 through 2016 have been adopted by the retirement system for use in the annual valuations beginning with the June 30, 2017 valuation.

# City of Trenton, Michigan

## Required Supplemental Information OPEB System Schedule Year Ended June 30, 2017

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
6/30/15	7,727,418	99,129,281	91,401,863	7.8	7,943,814	1,150.6
6/30/16	7,893,928	88,429,737	80,535,809	8.9	8,061,212	999.1

The schedule of employer contributions is as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution *	Percentage Contributed
6/30/12	6/30/09	\$ 3,736,942	62.4
6/30/13	6/30/11	4,588,321	63.9
6/30/14	6/30/11	4,771,855	57.2
6/30/15	6/30/13	4,981,011	55.3
6/30/16	6/30/13	5,180,249	55.4
6/30/17	6/30/15	6,195,000	47.9

\* 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, 2015, the latest actuarial valuation, follows:

Amortization method	Individual entry-age
Amortization period (perpetual)	21 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	4.0%
Projected salary increases (MERS)	4.3% to 17%
Projected salary increases (ACT 345)	3.2% to 9.0%
*Includes inflation at	2.0% to 3.0% for MERS, 2.5% for ACT 345
Healthcare trend rates	4.0% to 9.0%

# City of Trenton, Michigan

## Required Supplemental Information OPEB Schedule of Changes in the City Net OPEB Liability and Related Ratios Year Ended June 30, 2017

<b>Total OPEB Liability</b>	
Service cost	\$ 727,715
Interest	4,138,732
Changes in benefit terms	-
Differences between expected and actual experience	(652,861)
Changes in assumptions	-
Benefit payments, including refunds	<u>(2,445,546)</u>
<b>Net Change in Total OPEB Liability</b>	1,768,040
<b>Total OPEB Liability - Beginning of year</b>	<u>59,983,660</u>
<b>Total OPEB Liability - End of year</b>	<u><b>\$ 61,751,700</b></u>
<b>Plan Fiduciary Net Position</b>	
Contributions - Employer	\$ 2,920,196
Contributions - Active and inactive plan members not yet receiving benefits	-
Net investment income	831,499
Administrative expenses	-
Benefit payments, including refunds	(2,445,546)
Other	<u>-</u>
<b>Net Change in Plan Fiduciary Net Position</b>	1,306,149
<b>Plan Fiduciary Net Position - Beginning of year</b>	<u>7,893,928</u>
<b>Plan Fiduciary Net Position - End of year</b>	<u><b>\$ 9,200,077</b></u>
<b>Net OPEB Liability - Ending</b>	<u><b>\$ 52,551,623</b></u>
<b>Plan Fiduciary Net Position as a Percentage of Total OPEB Liability</b>	14.90 %
<b>Covered Employee Payroll</b>	\$ 8,061,212
<b>Net OPEB Liability as a Percentage of Covered Employee Payroll</b>	651.9 %

# City of Trenton, Michigan

## Required Supplemental Information OPEB Schedule of City Contributions Last Nine Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	\$ 6,195,000	\$ 5,180,249	\$ 4,981,011	\$ 4,771,855	\$ 4,588,321	\$ 3,736,942	\$ 3,593,213	\$ 3,919,837	\$ 3,769,073
Contributions in relation to the actuarially determined contribution	2,977,150	2,974,991	2,756,109	2,730,230	2,930,760	2,331,984	2,474,891	2,660,712	2,415,509
<b>Contribution Deficiency</b>	<b><u>\$ 3,217,850</u></b>	<b><u>\$ 2,205,258</u></b>	<b><u>\$ 2,224,902</u></b>	<b><u>\$ 2,041,625</u></b>	<b><u>\$ 1,657,561</u></b>	<b><u>\$ 1,404,958</u></b>	<b><u>\$ 1,118,322</u></b>	<b><u>\$ 1,259,125</u></b>	<b><u>\$ 1,353,564</u></b>
<b>Covered Employee Payroll</b>	<b>\$ 8,061,212</b>	<b>\$ 7,915,831</b>	<b>\$ 7,943,814</b>	<b>\$ 7,943,814</b>	<b>\$ 5,960,046</b>	<b>\$ 5,960,046</b>	<b>\$ 5,071,911</b>	<b>\$ 5,071,911</b>	<b>\$ 5,486,642</b>
<b>Contributions as a Percentage of Covered Employee Payroll</b>	<b>36.9 %</b>	<b>37.6 %</b>	<b>34.7 %</b>	<b>34.4 %</b>	<b>49.2 %</b>	<b>39.1 %</b>	<b>48.8 %</b>	<b>52.5 %</b>	<b>44.0 %</b>

### Notes to Schedule of City Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of June 30, 2015, two years prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Individual entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	22 years beginning on July 1, 2016
Asset valuation method	Reported market value
Inflation	2.00% - 3.00%
Healthcare cost trend rates	9.0% gradually decreasing to 3.5%
Salary increases	4.30% to 17.00%, including inflation
Investment rate of return	7.00%
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	RP-2000 Healthy Annuitant Mortality projected 20 years with the U.S. Projection Scale BB.
Other information	Plan closed to new hires as of June 30, 2016 for Police and Fire, and June 30, 2012 for MERS. Employees hired after these dates are in the HCSP.

# City of Trenton, Michigan

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## **Required Supplemental Information OPEB Schedule of Investment Returns Year Ended June 30, 2017**

Annual money-weighted rate of return, net of investment expense

10.7 %

## **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	\$ 1,527	\$ 400,979	\$ -	\$ 600,352	\$ 494,556	\$ 656,133
Receivables:						
Property taxes receivable	-	-	-	-	-	1,427
Other receivables	2,756	-	-	3,694	-	646
Due from other governmental units	171,391	73,455	167,205	-	36,968	216,596
Prepaid expenses and other assets	-	-	-	-	44	-
<b>Total assets</b>	<b>\$ 175,674</b>	<b>\$ 474,434</b>	<b>\$ 167,205</b>	<b>\$ 604,046</b>	<b>\$ 531,568</b>	<b>\$ 874,802</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ 20,341	\$ 135,879	\$ 112,982	\$ 34,276	\$ 9,538	\$ 24,848
Due to other funds	-	-	51,008	-	-	-
Accrued liabilities and other	2,985	16,194	-	12,307	1,574	12,588
<b>Total liabilities</b>	<b>23,326</b>	<b>152,073</b>	<b>163,990</b>	<b>46,583</b>	<b>11,112</b>	<b>37,436</b>
<b>Deferred Inflows of Resources -</b>						
Unavailable revenue	-	-	112,982	-	-	54,983
<b>Fund Balances</b>						
Nonspendable	-	-	-	-	44	-
Restricted:						
Roads	152,348	322,361	-	-	-	-
Grant operations	-	-	-	-	520,412	-
S.I.N.C. operations	-	-	-	-	-	-
Library capital	-	-	-	-	-	105,244
Committed:						
Special projects	-	-	-	557,463	-	-
Library	-	-	-	-	-	677,139
Assigned - Capital projects	-	-	-	-	-	-
Unassigned	-	-	(109,767)	-	-	-
<b>Total fund balances</b>	<b>152,348</b>	<b>322,361</b>	<b>(109,767)</b>	<b>557,463</b>	<b>520,456</b>	<b>782,383</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 175,674</b>	<b>\$ 474,434</b>	<b>\$ 167,205</b>	<b>\$ 604,046</b>	<b>\$ 531,568</b>	<b>\$ 874,802</b>

**Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2017**

Special Revenue Funds	Capital Projects Fund	Total Nonmajor Governmental Funds
S.I.N.C.	Fund	Funds
\$ 437,923	\$ 696,377	\$ 3,287,847
-	-	1,427
36,901	-	43,997
-	-	665,615
-	7,000	7,044
<b>\$ 474,824</b>	<b>\$ 703,377</b>	<b>\$ 4,005,930</b>
\$ 13,694	\$ 4,495	\$ 356,053
-	-	51,008
-	-	45,648
13,694	4,495	452,709
-	-	167,965
-	7,000	7,044
-	-	474,709
-	-	520,412
461,130	-	461,130
-	-	105,244
-	-	557,463
-	-	677,139
-	691,882	691,882
-	-	(109,767)
461,130	698,882	3,385,256
<b>\$ 474,824</b>	<b>\$ 703,377</b>	<b>\$ 4,005,930</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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 312,675
Federal grants	-	-	162,399	-	200,162	-
State sources	886,018	379,730	-	-	88,374	189,475
Charges for services	-	-	-	-	16,436	345,266
Fines and forfeitures	-	-	-	-	-	44,687
Interest income	998	291	-	-	2,731	3,676
Other revenue	64,622	-	-	348,183	-	-
Total revenue	951,638	380,021	162,399	348,183	307,703	895,779
<b>Expenditures - Current</b>						
Public safety	-	-	-	-	344,358	-
Public works	566,592	604,255	-	-	750	-
Special projects	-	-	144,053	388,738	6,146	-
Recreation and culture	-	-	-	-	67,606	776,688
Total expenditures	566,592	604,255	144,053	388,738	418,860	776,688
<b>Excess of Revenue Over (Under) Expenditures</b>	385,046	(224,234)	18,346	(40,555)	(111,157)	119,091
<b>Other Financing Sources (Uses)</b>						
Transfers in	-	405,000	-	-	-	-
Transfers out	(405,000)	-	-	-	-	-
Total other financing (uses) sources	(405,000)	405,000	-	-	-	-
<b>Net Change in Fund Balances</b>	(19,954)	180,766	18,346	(40,555)	(111,157)	119,091
<b>Fund Balances - Beginning of year</b>	172,302	141,595	(128,113)	598,018	631,613	663,292
<b>Fund Balances - End of year</b>	<u>\$ 152,348</u>	<u>\$ 322,361</u>	<u>\$ (109,767)</u>	<u>\$ 557,463</u>	<u>\$ 520,456</u>	<u>\$ 782,383</u>

**Other Supplemental Information**  
**Combining Statement of Revenue, Expenditures, and Changes in**  
**Fund Balances**  
**Nonmajor Governmental Funds**  
**Year Ended June 30, 2017**

Special Revenue Funds	Capital Projects Fund	Total Nonmajor Governmental Funds
S.I.N.C.	Fund	Funds
\$ -	\$ -	\$ 312,675
-	-	362,561
-	-	1,543,597
105,615	-	467,317
112,520	-	157,207
2,410	3,992	14,098
-	50	412,855
220,545	4,042	3,270,310
225,206	-	569,564
-	-	1,171,597
-	336,551	875,488
-	27,033	871,327
225,206	363,584	3,487,976
(4,661)	(359,542)	(217,666)
-	-	405,000
-	-	(405,000)
-	-	-
(4,661)	(359,542)	(217,666)
465,791	1,058,424	3,602,922
<b>\$ 461,130</b>	<b>\$ 698,882</b>	<b>\$ 3,385,256</b>

# City of Trenton, Michigan

## Other Supplemental Information Combining Statement of Net Position Internal Service Funds June 30, 2017

	Motor Vehicle Pool Fund	Self-insurance Fund	Total
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 674,547	\$ 4,539,450	\$ 5,213,997
Receivables	399	6,432	6,831
Inventory	240,549	-	240,549
Prepaid expenses and other assets	-	231,427	231,427
Total current assets	915,495	4,777,309	5,692,804
Noncurrent assets - Capital assets - Assets subject to depreciation	3,404,463	-	3,404,463
Total assets	4,319,958	4,777,309	9,097,267
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	76,207	169,777	245,984
Accrued liabilities and other	7,881	614,372	622,253
Compensated absences	23,274	-	23,274
Total current liabilities	107,362	784,149	891,511
Noncurrent liabilities - Compensated absences	38,336	-	38,336
Total liabilities	145,698	784,149	929,847
<b>Net Position</b>			
Net investment in capital assets	3,404,463	-	3,404,463
Unrestricted	769,797	3,993,160	4,762,957
Total net position	\$ 4,174,260	\$ 3,993,160	\$ 8,167,420

# City of Trenton, Michigan

## Other Supplemental Information Combining Statement of Revenue, Expenses, and Changes in Net Position Internal Service Funds Year Ended June 30, 2017

	Motor Vehicle Pool Fund	Self-insurance Fund	Total
<b>Operating Revenue</b>			
Charges for services	\$ 846,878	\$ 4,257,152	\$ 5,104,030
Other	-	141,071	141,071
Total operating revenue	846,878	4,398,223	5,245,101
<b>Operating Expenses</b>			
Cost of insurance claims	-	5,141,724	5,141,724
Operating costs	907,585	-	907,585
Depreciation	485,729	-	485,729
Total operating expenses	1,393,314	5,141,724	6,535,038
<b>Operating Loss</b>	(546,436)	(743,501)	(1,289,937)
<b>Nonoperating Revenue (Expense)</b>			
Investment income	3,665	24,005	27,670
Loss on sale of assets	(16,609)	-	(16,609)
Total nonoperating (expense) revenue	(12,944)	24,005	11,061
<b>Loss - Before capital contributions</b>	(559,380)	(719,496)	(1,278,876)
<b>Capital Contributions</b>	122,688	-	122,688
<b>Change in Net Position</b>	(436,692)	(719,496)	(1,156,188)
<b>Net Position - Beginning of year</b>	4,610,952	4,712,656	9,323,608
<b>Net Position - End of year</b>	\$ 4,174,260	\$ 3,993,160	\$ 8,167,420

# City of Trenton, Michigan

## Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds Year Ended June 30, 2017

	Motor Vehicle Pool Fund	Self-insurance Fund	Total
<b>Cash Flows from Operating Activities</b>			
Receipts from customers	\$ 847,153	\$ 4,257,152	\$ 5,104,305
Payments to suppliers	(576,737)	-	(576,737)
Payments to employees	(314,956)	-	(314,956)
Claims paid	-	(5,041,596)	(5,041,596)
Other receipts	-	141,887	141,887
	(44,540)	(642,557)	(687,097)
<b>Net cash used in operating activities</b>			
<b>Cash Flows from Capital and Related Financing Activities</b>			
Proceeds from sales of capital assets	13,391	-	13,391
Purchase of capital assets	(262,049)	-	(262,049)
	(248,658)	-	(248,658)
<b>Net cash used in capital and related financing activities</b>			
<b>Cash Flows from Investing Activities - Interest received on investments</b>			
	3,665	24,005	27,670
	(289,533)	(618,552)	(908,085)
<b>Net Decrease in Cash and Cash Equivalents</b>			
<b>Cash and Cash Equivalents - Beginning of year</b>			
	964,080	5,158,002	6,122,082
	<b>\$ 674,547</b>	<b>\$ 4,539,450</b>	<b>\$ 5,213,997</b>
<b>Reconciliation of Operating Loss to Net Cash from Operating Activities</b>			
Operating loss	\$ (546,436)	\$ (743,501)	\$ (1,289,937)
Adjustments to reconcile operating loss to net cash from operating activities:			
Depreciation and amortization	485,729	-	485,729
Changes in assets and liabilities:			
Receivables	275	816	1,091
Inventories	(2,076)	-	(2,076)
Prepaid and other assets	-	(1,354)	(1,354)
Accounts payable	24,465	(10,309)	14,156
Accrued and other liabilities	(6,497)	111,791	105,294
	(44,540)	(642,557)	(687,097)
<b>Net cash used in operating activities</b>			
<b>Noncash Transactions - Capital contributions</b>			
	<b>\$ 122,688</b>	<b>\$ -</b>	<b>\$ 122,688</b>

# City of Trenton, Michigan

## Other Supplemental Information Statement of Fiduciary Net Position Fiduciary Funds June 30, 2017

	Pension and Retiree Health Care Trust Funds			Agency Funds					Total Agency Funds
	Firemen and Policemen Retirement System	Retiree Health Care	Total Pension and Retiree Health Care Trust Funds	General Cash Fund	Escrow Fund	Tax Receiving Fund	Subtotal	Eliminations	
<b>Assets</b>									
Cash and cash equivalents	\$ 1,087,594	\$ 251,966	\$ 1,339,560	\$ 5,924,243	\$ 230,839	\$ -	\$ 6,155,082	\$ (5,924,243)	\$ 230,839
Investments:									
Certificates of deposit	-	-	-	10,722,912	-	-	10,722,912	(10,722,912)	-
Government securities	-	1,947,322	1,947,322	4,833,989	-	-	4,833,989	(4,833,989)	-
Mutual funds - Equity	12,704,197	123,402	12,827,599	-	-	-	-	-	-
Stocks	16,656,349	6,291,513	22,947,862	-	-	-	-	-	-
Corporate bonds	-	310,117	310,117	-	-	-	-	-	-
Other - Fixed income	-	275,757	275,757	-	-	-	-	-	-
Mutual funds - Fixed income	2,748,414	-	2,748,414	-	-	-	-	-	-
Other investments	19,056,681	-	19,056,681	-	-	-	-	-	-
Receivables	4,338	-	4,338	51,741	-	260,008	311,749	(51,741)	260,008
<b>Total assets</b>	<b>52,257,573</b>	<b>9,200,077</b>	<b>61,457,650</b>	<b>\$ 21,532,885</b>	<b>\$ 230,839</b>	<b>\$ 260,008</b>	<b>\$ 22,023,732</b>	<b>\$ (21,532,885)</b>	<b>\$ 490,847</b>
<b>Liabilities</b>									
Due to component units	-	-	-	\$ 846,361	\$ -	\$ -	\$ 846,361	\$ (846,361)	\$ -
Due to other funds	-	-	-	20,686,524	-	-	20,686,524	(20,686,524)	-
Accrued liabilities and other	-	-	-	-	-	238,976	238,976	-	238,976
Unearned revenue	-	-	-	-	-	21,032	21,032	-	21,032
Cash bonds and deposits	-	-	-	-	230,839	-	230,839	-	230,839
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$ 21,532,885</b>	<b>\$ 230,839</b>	<b>\$ 260,008</b>	<b>\$ 22,023,732</b>	<b>\$ (21,532,885)</b>	<b>\$ 490,847</b>
<b>Net Position Held in Trust for Pension and Other Employee Benefits</b>	<b>\$ 52,257,573</b>	<b>\$ 9,200,077</b>	<b>\$ 61,457,650</b>						



# City of Trenton, Michigan

## Other Supplemental Information Combining Statement of Changes in Fiduciary Net Position Fiduciary Funds Year Ended June 30, 2017

	Firemen and Policemen Retirement System	Retiree Health Care	Total
<b>Additions</b>			
Investment income (loss):			
Interest and dividends	\$ 1,055,766	\$ -	\$ 1,055,766
Net increase in fair value of investments	5,851,465	921,288	6,772,753
Investment-related expenses	(245,512)	-	(245,512)
Net investment income	6,661,719	921,288	7,583,007
Contributions:			
Employer	1,479,258	2,977,150	4,456,408
Employee	248,918	-	248,918
Total contributions	1,728,176	2,977,150	4,705,326
Total additions	8,389,895	3,898,438	12,288,333
<b>Deductions</b>			
Benefit payments	4,889,453	2,502,500	7,391,953
Administrative expenses	51,940	89,789	141,729
Total deductions	4,941,393	2,592,289	7,533,682
<b>Net Increase in Net Position Held in Trust</b>	3,448,502	1,306,149	4,754,651
<b>Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year</b>	48,809,071	7,893,928	56,702,999
<b>Net Position Held in Trust for Pension and Other Employee Benefits - End of year</b>	<b>\$ 52,257,573</b>	<b>\$ 9,200,077</b>	<b>\$ 61,457,650</b>