



**CITY *of***  
**TRAVERSE CITY MICHIGAN**

**FINANCIAL STATEMENTS**

**For the Fiscal Year Ended  
June 30, 2015**

**Prepared by:  
City Treasurer Department**

# CITY OF TRAVERSE CITY, MICHIGAN

## TABLE OF CONTENTS

---

	<u>PAGE</u>
<b><i>FINANCIAL SECTION</i></b>	
Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-13
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	14
Statement of Activities	15-16
Fund Financial Statements	
Balance Sheet - Governmental Funds	17-18
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	19-20
Statement of Net Position - Proprietary Funds	21-22
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	23-24
Statement of Cash Flows - Proprietary Funds	25-26
Statement of Fiduciary Net Position	27
Statement of Changes in Fiduciary Net Position	28
Notes to the Financial Statements	29-81
<b><i>SUPPLEMENTARY INFORMATION</i></b>	
<b>Required Supplementary Information</b>	
Act 345 Pension Retirement System Schedule of Changes in the Employer's Net Pension Liability and Related Ratios	82
Act 345 Pension Trust Retirement System Schedule of Contributions	83
Act 345 Pension Retirement System Schedule of Investment Returns	84
Act 345 Retiree Health Insurance Trust Fund Schedule of Funding Progress	85
MERS Pension Plan Schedule of Changes in the Employer's Net Pension Liability and Related Ratios - General Plan	86
MERS Pension Plan Schedule of Contributions - General Plan	87
MERS Pension Plan Schedule of Changes in the Employer's Net Pension Liability and Related Ratios - Traverse City Light and Power	88
MERS Pension Plan Schedule of Contributions - Traverse City Light and Power	89
MERS Retiree Health Insurance Funding Vehicle Schedule of Funding Progress	90
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	
General Fund	91
Major Streets Special Revenue Fund	92
Local Streets Special Revenue Fund	93
Notes to Required Supplementary Information	94

# CITY OF TRAVERSE CITY, MICHIGAN

## TABLE OF CONTENTS

---

	<u>PAGE</u>
<b><i>SUPPLEMENTARY INFORMATION (CONTINUED)</i></b>	
<b>Other Supplementary Information</b>	
Schedule of GASB 54 Consolidation	95-101
Combining and Individual Fund Statements and Schedules	
Schedule of Revenues - Budget and Actual - General Fund	102
Schedule of Expenditures - Budget and Actual - General Fund	103-105
Schedule of Transfers - Budget and Actual - General Fund	106
Schedule of Revenues, Expenditures, and Changes in Fund	
Balance - Budget and Actual - Capital Projects Fund	107
Combining Balance Sheet - Nonmajor Governmental Funds	108
Combining Statement of Revenues, Expenditures and Changes in	
Fund Balances - Nonmajor Governmental Funds	109
Combining Balance Sheet - Nonmajor Special Revenue Funds	110-111
Combining Statement of Revenues, Expenditures and Changes in	
Fund Balances - Nonmajor Special Revenue Funds	112-113
Schedule of Revenues, Expenditures and Changes in Fund Balance -	
Budget and Actual	
Act 302 Police Training Special Revenue Fund	114
State Preparedness Equipment Grant Special Revenue Fund	115
College Parking Special Revenue Fund	116
Act 345 Millage Special Revenue Fund	117
Traverse City and Garfield Township Joint Planning Special Revenue Fund	118
PEG Capital Special Revenue Fund	119
Senior Center Building Special Revenue Fund	120
Homeland Security Training Grant Special Revenue Fund	121
McCauley Estate Trust Special Revenue Fund	122
County Road Commission Project Fund	123
Brown Bridge Trust Park Improvement Fund	124
Stormwater Asset Management Grant Fund	125
Combining Balance Sheet - Nonmajor Debt Service Funds	126
Combining Statement of Revenues, Expenditures and Changes in	
Fund Balances - Nonmajor Debt Service Funds	127
Schedule of Revenue, Expenditures, and Changes in Fund Balance -	
Budget and Actual	
Parking Deck Bond Redemption Taxable Debt Service Fund	128
Parking Deck Bond Redemption Non-Taxable Debt Service Fund	129
Old Town Parking Deck Bond Redemption Debt Service Fund	130
Combining Balance Sheet - Nonmajor Capital Projects Funds	131
Combining Statement of Revenues, Expenditures, and Changes in	
Fund Balances - Nonmajor Capital Projects Funds	132

# CITY OF TRAVERSE CITY, MICHIGAN

## TABLE OF CONTENTS

---

	<b><u>PAGE</u></b>
<b><i>SUPPLEMENTARY INFORMATION (CONTINUED)</i></b>	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	
Parking Deck Bond Construction Taxable Capital Projects Fund	133
Parking Deck Bond Construction Non-Taxable Capital Projects Fund	124
Special Assessments Capital Projects Fund	135
Combining Statement of Assets and Liabilities - Agency Funds	136
Combining Statement of Changes in Assets and Liabilities - Agency Funds	137-138
Combining Statement of Fiduciary Net Position - Pension and Other Postemployment Benefit Trust Funds	139
Combining Statement of Changes in Fiduciary Net Position - Pension and Other Postemployment Benefit Trust Funds	140
<b><i>STATISTICAL INFORMATION (UNAUDITED)</i></b>	
General Governmental Revenues by Source - General Fund - Last ten fiscal years	141
General Governmental Expenditures by Function - General Fund - Last ten fiscal years	142
Debt Service Requirements to Maturity	143
Property Tax Millage Rates - All Overlapping Governments - Last ten fiscal years	144
Property Tax Collection History - Last ten fiscal years	145
Taxable Value by Use and Class - Last five years	146
Ten Largest Taxpayers	147
Legal Debt Margin	148
Debt Statement	149

# CITY OF TRAVERSE CITY, MICHIGAN

## List of Elected and Appointed Officials For the Fiscal Year Ended June 30, 2015

---

### Elected Officials

Mayor  
Mayor Pro Tem  
Commission Member  
Commission Member  
Commission Member  
Commission Member  
Commission Member

Michael Estes  
Barbara Budros  
Jim Carruthers  
Gary L. Howe  
Ross Richardson  
Jeanine Easterday  
Tim Werner

### Appointed Officials

Manager  
Clerk  
Attorney  
Treasurer

Martin Colburn  
Benjamin C. Marentette  
Lauren Tribble-Laucht  
William E. Twietmeyer

Principals

Dale J. Abraham, CPA  
Michael T. Gaffney, CPA  
Steven R. Kirinovic, CPA  
Aaron M. Stevens, CPA  
Eric J. Glashouwer, CPA  
Alan D. Panter, CPA  
William I. Tucker IV, CPA



3511 Coolidge Road  
Suite 100  
East Lansing, MI 48823  
(517) 351-6836  
FAX: (517) 351-6837

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and  
Members of the City Commission  
City of Traverse City, 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 Traverse City, Michigan (the City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City'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.

## **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 Traverse City, Michigan as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Changes in Accounting Principles**

As discussed in Note 3(K) to the financial statements, the City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, during the year. As a result, the financial statements now recognize the City's unfunded defined pension benefit obligation as a liability for the first time, and more comprehensively and comparably measures the annual costs of pension benefits. Our opinions are not modified with respect to this matter.

Also as discussed in Note 3(K) to the financial statements, the City implemented GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*, during the year. As a result, the City recognized a beginning deferred outflow of resources for its pension contributions made subsequent to the measurement date of the beginning net pension liability. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension and employee benefit information 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, who 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 supplementary 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's basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparisons, and statistical information are presented for purposes of additional analysis and are not required parts of the financial statements.

The combining and individual nonmajor fund financial statements and budgetary comparisons are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

The statistical information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

December 30, 2015



## **City of Traverse City Management's Discussion and Analysis**

**As management of the *City of Traverse City, Michigan* (the "City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2015.**

### **Financial Highlights**

- The assets and deferred outflows of resources of the City (primary government) exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$95,924,045 (*net position*). Primarily due to the implementation of GASB Statement number 68 which requires the City's net pension liability (\$26,289,639) to be reported on the Statement of Net Position, the government's total net position decreased by \$19,768,419.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$25,165,667, a decrease of approximately \$737,000 in comparison with the prior year.
- At the end of the current fiscal year unassigned fund balance for the General Fund was \$5,174,397 or 32 percent of total General Fund expenditures and transfers out.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

### **Government-wide Financial Statements**

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and deferred outflows of resources, liabilities, and deferred outflows of resources with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of the costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, culture and recreation, and community development. The business-type activities of the City include wastewater, water, marina, and auto parking system operations.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also the legally separate component units of the City - the Downtown Development Authority and Light and Power. Financial information for these *component units* are reported separately from the financial information presented for the primary government itself. Copies of the full audit reports of these component units are available upon request.

## **Fund Financial Statements**

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

***Governmental funds.*** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains twenty-four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Major Streets, Local Streets, Capital Projects, and Brown Bridge Trust Funds, each of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its general, special revenue, debt service and capital project funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

**Proprietary funds.** The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its wastewater, water, marina, and auto parking system operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for its municipal garage. Because these services predominantly benefit governmental rather than business-type functions, it has been included within governmental activities in the financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the wastewater, water, marina, and auto parking system, each of which are considered to be major funds of the City.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

## **Notes to the Financial Statements**

The notes provide additional information that is essential to gain a full understanding of the data provided in the government-wide and fund financial statements.

## **Other Information**

The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the notes to the financial statements.

## **Government-wide Financial Analysis**

As noted earlier, net position may serve as a useful indicator of a government's financial position. In the case of the City of Traverse City, assets exceeded liabilities by \$95,924,045 at the close of the most recent fiscal year.

By far the largest portion of the City's net position, \$82,417,946 or 87 percent, reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure), less any related debt used to acquire those assets still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of net position consists of restricted net position of \$16,654,048, which represents resources that are subject to external restrictions on how they may be used and a deficit unrestricted net position of \$3,147,949.

After a restatement related to GASB Statement 68, the government's net position increased by \$4,649,282.

The City's net position and changes in net position are summarized in the following tables.

**City of Traverse City's Net Position  
Table I**

	FYE 6/30/15			FYE 6/30/14		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 30,872,709	\$ 10,217,754	\$ 41,090,463	\$ 30,371,055	\$ 9,226,267	\$ 39,597,322
Capital assets	45,614,365	55,859,085	101,473,450	42,904,708	57,287,559	100,192,267
Total assets	76,487,074	66,076,839	142,563,913	73,275,763	66,513,826	139,789,589
Deferred outflows	2,121,375	208,682	2,330,057	329,115	-	329,115
Long-term liabilities	11,256,395	8,081,906	19,338,301	12,964,871	9,259,399	22,224,270
Net Pension Liability	23,482,418	2,807,222	26,289,640	-	-	-
Other liabilities	1,808,131	464,796	2,272,927	1,079,693	655,919	1,735,612
Total Liabilities	36,546,944	11,353,924	47,900,868	14,044,564	9,915,318	23,959,882
Deferred inflows	631,310	437,747	1,069,057	-	466,358	466,358
Net Position:						
Net Investment in capital assets	35,456,904	46,961,042	82,417,946	30,974,245	46,961,042	77,935,287
Restricted assets	16,654,048	-	16,654,048	16,203,249	-	16,203,249
Unrestricted (deficit)	(10,680,757)	7,532,808	(3,147,949)	12,382,820	9,171,108	21,553,928
Total net position	\$ 41,430,195	\$ 54,493,850	\$ 95,924,045	\$ 59,560,314	\$ 56,132,150	\$ 115,692,464

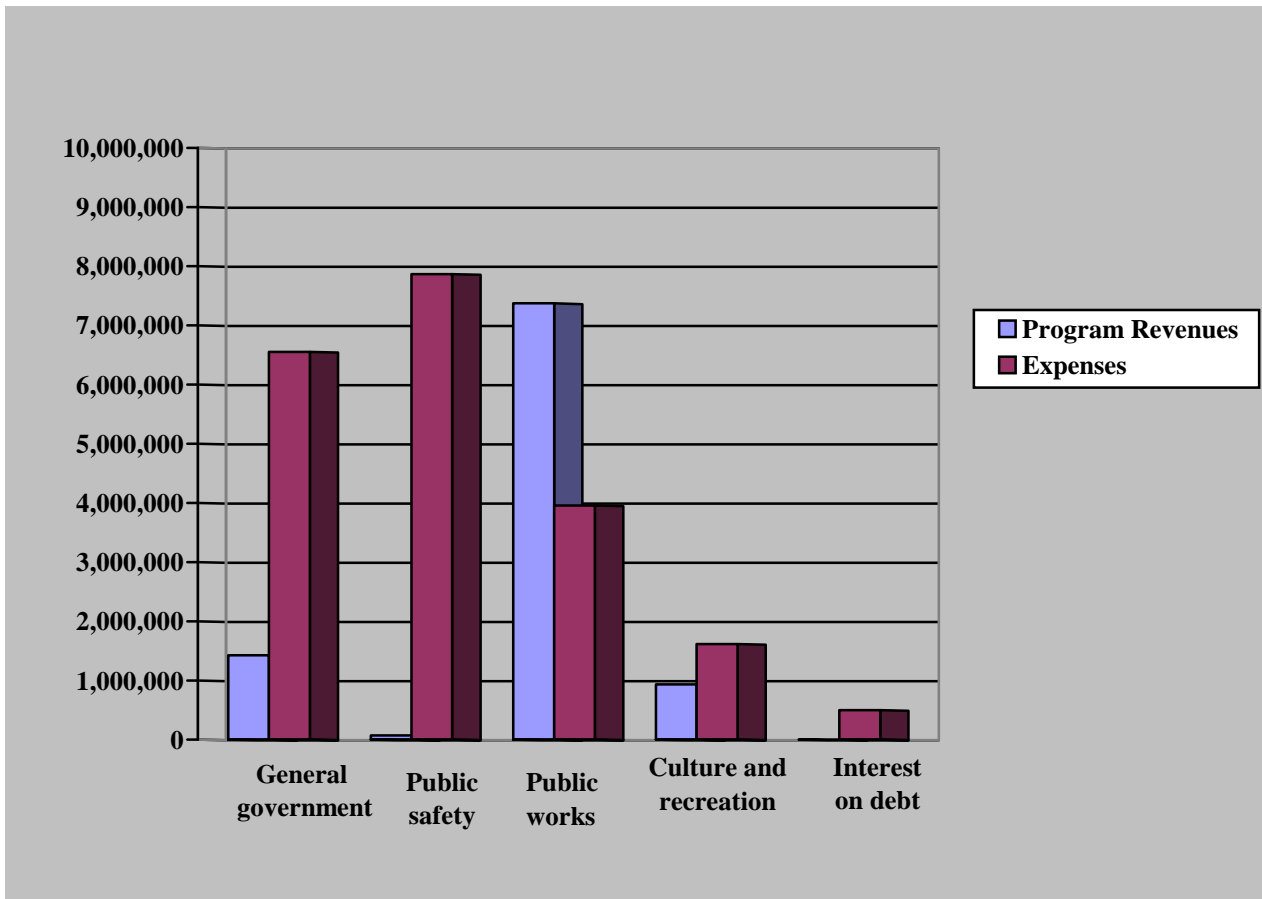
**City of Traverse City's Changes in Net Position  
Table II**

	FYE 6/30/15			FYE 6/30/14		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Program revenue:						
Charges for services	\$ 3,773,021	\$ 12,928,275	\$ 16,701,296	\$ 3,725,261	\$ 13,671,911	\$ 17,397,172
Operating grants/contributions	3,808,088	-	3,808,088	2,999,968	23,203	3,023,171
Capital grant/contributions	2,222,766	14,528	2,237,294	891,710	35,000	926,710
General Revenue:						
Property taxes	11,799,296	-	11,799,296	11,573,638	-	11,573,638
Unrestricted grants/contributions	1,348,309	-	1,348,309	1,312,952	-	1,312,952
Franchise revenue	248,213	-	248,213	238,901	-	238,901
Other	404,032	5,168	409,200	151,164	7,241	158,405
<b>Total revenue</b>	<b>23,603,725</b>	<b>12,947,971</b>	<b>36,551,696</b>	<b>20,893,594</b>	<b>13,737,355</b>	<b>34,630,949</b>
Expenses:						
General government	6,550,505	-	6,550,505	6,480,060	-	6,480,060
Public safety	7,866,767	-	7,866,767	7,560,262	-	7,560,262
Public works	3,958,169	-	3,958,169	2,603,638	-	2,603,638
Culture and recreation	1,617,372	-	1,617,372	1,537,900	-	1,537,900
Interest and fiscal charges	495,694	-	495,694	551,344	-	551,344
Wastewater	-	5,674,212	5,674,212	-	4,754,789	4,754,789
Water	-	3,423,127	3,423,127	-	2,559,452	2,559,452
Marina	-	572,108	572,108	-	509,861	509,861
Autoparking	-	1,746,965	1,746,965	-	1,540,514	1,540,514
<b>Total expenses</b>	<b>20,488,507</b>	<b>11,416,412</b>	<b>31,904,919</b>	<b>18,733,204</b>	<b>9,364,616</b>	<b>28,097,820</b>
Increase (decrease) before transfers/contributions	3,115,218	1,531,559	4,646,777	2,160,390	4,372,739	6,533,129
Operating transfers	673,447	(673,447)	-	724,012	(724,012)	-
Contribution to endowment	2,505	-	2,505	2,785	-	2,785
<b>Increase in net position</b>	<b>3,791,170</b>	<b>858,112</b>	<b>4,649,282</b>	<b>2,887,187</b>	<b>3,648,727</b>	<b>6,535,914</b>
Net position beginning of year - restated	37,639,025	53,635,738	91,274,763	56,673,127	52,483,423	109,156,550
<b>Net position end of year</b>	<b>\$ 41,430,195</b>	<b>\$ 54,493,850</b>	<b>\$ 95,924,045</b>	<b>\$ 59,560,314</b>	<b>\$ 56,132,150</b>	<b>\$ 115,692,464</b>

**Governmental activities** increased the City's net position by \$3,791,170 accounting for 82 percent of the growth in the government's net position for the current year. Key highlights are as follows:

- Operating grants, capital grants, and contributions increased approximately \$2,140,000 compared to the previous year with most of the increase attributed to Street related grants.
- Property tax revenue increased approximately \$226,000 compared to the previous year.

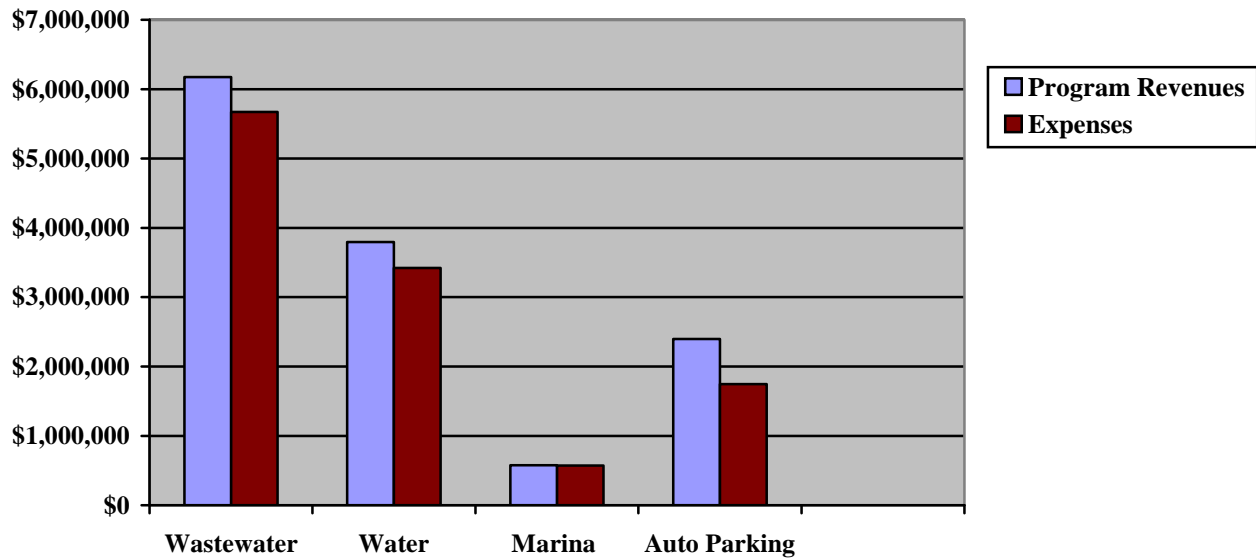
## Program Revenues and Expenses - Governmental Activities



**Business-type activities** increased the City’s net position by \$858,112 accounting for 18 percent of the growth in the government’s net position for the current year. Key highlights of activities in the funds are as follows:

- Charges for services in the Wastewater decreased approximately \$1,165,000 because one-time dewatering fees were charged during the June 30, 2014 year end.
- Charges for services in the Marina increased approximately \$35,000 because of increased customer activity.
- Charges for services in the Auto Parking System Fund increased approximately \$455,000 because of increased customer activity and an increase in rates.

## Program Revenues and Expenses - Business-type Activities



### Financial Analysis of the Government’s Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the City’s *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City’s financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City’s governmental funds reported combined ending fund balances of \$25,165,667, a decrease of approximately \$737,000 in comparison with the prior year. \$5,174,397 constitutes unassigned fund balance, which is available for spending at the government’s discretion.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$5,174,397. As a measure of the General Fund’s liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 32 percent of total General Fund expenditures including transfers out.

The Major Streets Fund has a total fund balance of \$192,924 which decreased by \$30,862 during the year. Original and amended budget estimates anticipated an \$114,000 decrease.

The Local Streets Fund has a \$0 fund balance for the current year. All expenses not offset by state revenue sources are covered by the General Fund via a transfer of funds.

The Capital Projects fund balance decreased by \$14,122 during the current fiscal year. Final budget estimates anticipated a decrease of \$308,000 to fund balance. Anticipated expenditures exceeded actual \$352,127. Anticipated revenues exceeded actual revenues by \$307,949.

The Brown Bridge Permanent Trust fund balance decreased by \$1,004,400 during the current fiscal year. This is attributed to city commission approved transfer to the Brown Bridge Trust Park Improvement Fund.

**Proprietary funds.** The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Wastewater, Water, Marina, and Auto Parking System funds at the end of the year amounted to \$6,822,812 with net investment in capital assets of \$47,899,319. For the current year, the Wastewater Fund had an increase in net position of \$255,160, the Water Fund had an increase in net position for the year of \$154,651, the Marina Fund had a decrease in net position of \$26,821, and the Auto Parking System had an increase in net position of \$362,202.

### **General Fund Budgetary Highlights**

During the year, General Fund revenues were under budgetary estimates by \$268,905. In addition, actual expenditures were under budgeted amounts by \$411,217. Overall, the actual fund balance decreased by \$1,029,289, against the budgeted decrease estimate of \$1,394,750.

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

**Capital assets.** The City's investment in capital assets for its governmental and business-type activities as of June 30, 2015, amounted to \$101,473,450 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, park facilities, roads, highways, and bridges.

Major capital asset events during the current fiscal year included the following:

- Completion of improvements to Wayne Street totaled approximately \$250,000.
- Completion of improvements to Bay Street totaled approximately \$230,000.
- Completion of annual sidewalk replacement totaled approximately \$280,000.
- Completion of various street and alley resurfacing projects totaled approximately \$300,000.
- Starting various street and alley resurfacing projects with costs to date of approximately \$400,000.
- Starting the West Front Street reconstruction project with costs to date of approximately \$1,000,000.
- Continuing work on the West End Beach Trail with costs to date of approximately \$350,000.
- Continuing work on the West Boardman Lake Trail with costs to date of approximately \$740,000.
- Nearing Completion of Bayfront Plan projects with costs to date of approximately \$2,700,000.



**City of Traverse City's Capital Assets  
(net of depreciation)  
Table III**

	<u>2015</u>			<u>2014</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Land	\$11,339,616	\$ 1,187,057	\$12,526,673	\$11,339,616	\$ 1,187,057	\$ 12,526,673
Land improvement	3,259,247	8,416,432	11,675,679	3,351,371	8,416,432	11,767,803
Buildings and systems	6,266,585	21,748,437	28,015,022	6,760,634	22,439,286	29,199,920
Construction in progress	5,645,045	210,236	5,855,281	3,670,522	457,690	4,128,212
Equipment	6,631,047	8,499,304	15,130,351	5,580,501	8,627,264	14,207,765
Infrastructure and other improvements	<u>12,472,825</u>	<u>15,797,619</u>	<u>28,270,444</u>	<u>12,202,064</u>	<u>16,159,830</u>	<u>28,361,894</u>
<b>TOTAL</b>	<b><u>\$45,614,365</u></b>	<b><u>\$55,859,085</u></b>	<b><u>\$101,473,450</u></b>	<b><u>\$42,904,708</u></b>	<b><u>\$57,287,559</u></b>	<b><u>\$100,192,267</u></b>

Additional information on capital assets can be found in the notes to the financial statements.

**Long-term debt.** At the end of the current fiscal year, the City had total bonded debt and capital lease payables of \$18,676,381. Of this amount, \$10,688,004 comprises debt backed by the full faith and credit of the government. The remainder of the City's debt represents capital leases.

**City of Traverse City's Outstanding Debt  
General Obligation, Revenue Bonds, and Capital Leases  
Table IV**

	<u>2015</u>			<u>2014</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
General obligation bonds - Parking decks	\$10,688,004	\$ -	\$10,688,004	\$12,430,243	\$ -	\$ 12,430,243
Capital lease payable - Wastewater Treatment Plant	<u>-</u>	<u>7,988,377</u>	<u>7,988,377</u>	<u>-</u>	<u>9,716,517</u>	<u>9,176,517</u>
<b>TOTAL</b>	<b><u>\$10,688,004</u></b>	<b><u>\$ 7,988,377</u></b>	<b><u>\$18,676,381</u></b>	<b><u>\$12,430,243</u></b>	<b><u>\$ 9,716,517</u></b>	<b><u>\$ 21,606,760</u></b>

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the City is \$101,257,974 which is significantly in excess of the City's outstanding general obligation debt.

Additional information on long-term debt can be found in the notes to the financial statements.

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

The following factors were considered in preparing the City's budget for the 2015/16 fiscal year:

- The City Commission has determined to keep the General Fund tax levy at 11.1167 mills, the same levy as the four previous years. The Act 345 levy for Police/Fire pensions is 2.32 mills, the same levy as the previous three years.
- The General Fund budget includes \$1,985,000 to continue the City Commission's priority on infrastructure spending for streets and sidewalks. This amount is leveraged with other funds for an anticipated construction spending about \$10,000,000 depending on actual bids.
- Health insurance premiums will increase about 4.5% on July 1, 2016. Some of this increase may be attributed to the unknowns associated with the implementation of the Federal Affordable Care Act and some of this increase is associated with severe health issues for some of our employees. Most employees cost share on an 80/20 basis.
- Legacy costs are being addressed in a meaningful way. Since July 2009 all new hire general City employees are at the 1.5% multiplier; all new hire police/fire employees are at the 2.0% multiplier. These are down from 2.25% and 2.8% respectively. Effective July 1, all current general employees will earn future pension credit at a 1.5% multiplier. Effective June 30, 2014 current Police Patrol employees will earn future pension credit at a 2.5% multiplier rather than the current 2.8% multiplier. These changes should significantly impact accrued unfunded liability although the amount of the impact will not be known until the next actuarial reports.
- The passage of a special road commission millage by voters in the Count has resulted in the City setting up a Road Commission Millage Street Project Fund to account for the City's share of the road millage that will be used for street repair and maintenance. That millage is expected to provide about \$750,000 annually over a three year period.

## **Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Manager, Martin Colburn, 400 Boardman Avenue, Traverse City, Michigan 49684.

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Statement of Net Position**  
**June 30, 2015**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 11,764,121	\$ 9,079,019	\$ 20,843,140
Investments	15,094,839	79,494	15,174,333
Receivables, net	2,045,244	1,509,959	3,555,203
Due from component unit	376,047	-	376,047
Internal balances	884,193	(884,193)	-
Inventories	342,023	119,936	461,959
Prepaid items and other assets	78,669	221,364	300,033
Other postemployment benefit	287,573	92,175	379,748
Advances to primary government	-	-	-
Capital assets not being depreciated	16,984,662	9,813,725	26,798,387
Capital assets being depreciated	28,629,703	46,045,360	74,675,063
<b>Total assets</b>	<b>76,487,074</b>	<b>66,076,839</b>	<b>142,563,913</b>
<b>Deferred outflows of resources</b>			
Deferred outflows - pensions	1,816,639	208,682	2,025,321
Deferred charges on refunding	304,736	-	304,736
<b>Total deferred outflows of resources</b>	<b>2,121,375</b>	<b>208,682</b>	<b>2,330,057</b>
<b>Liabilities</b>			
Accounts payable and accrued expenses	1,797,112	464,796	2,261,908
Unearned revenue	8,019	-	8,019
Due to primary government	-	-	-
Advances from component units	3,000	-	3,000
Long-term liabilities			
Net pension liability	23,482,418	2,807,222	26,289,640
Due within one year	1,878,278	1,016,003	2,894,281
Due in more than one year	9,378,117	7,065,903	16,444,020
<b>Total liabilities</b>	<b>36,546,944</b>	<b>11,353,924</b>	<b>47,900,868</b>
<b>Deferred inflows of resources</b>			
Deferred inflows - pensions	631,310	-	631,310
Deferred charges on refunding	-	437,747	437,747
<b>Total deferred inflows of resources</b>	<b>631,310</b>	<b>437,747</b>	<b>1,069,057</b>
<b>Net position</b>			
Net investment in capital assets	35,426,141	46,961,042	82,387,183
Restricted for			
Joint planning	20,265	-	20,265
Capital improvements	1,067,621	-	1,067,621
Streets and highways	192,924	-	192,924
Public welfare or civic improvement organizations	2,295,332	-	2,295,332
Act 345 retirement	71,853	-	71,853
Tax increment finance districts	-	-	-
Nonexpendable brown bridge trust	12,273,714	-	12,273,714
Nonexpendable cemetery perpetual trust	731,914	-	731,914
Unrestricted (deficit)	(10,649,569)	7,532,808	(3,116,761)
<b>Total net position</b>	<b>\$ 41,430,195</b>	<b>\$ 54,493,850</b>	<b>\$ 95,924,045</b>

The accompanying notes are an integral part of these financial statements.

<b>Component Units</b>	
<b>Downtown Development Authority</b>	<b>Light and Power</b>
\$ 3,567,222	\$ 9,098,003
-	13,220,402
3,293,199	4,467,963
-	-
-	-
-	1,736,452
5,908	998,708
-	1,149,539
-	3,000
-	6,438,827
-	45,812,710
<b>6,866,329</b>	<b>82,925,604</b>
-	640,900
-	-
-	<b>640,900</b>
82,690	2,300,079
-	34,840
-	376,047
-	-
-	10,458,719
23,172	3,150
40,695	153,528
<b>146,557</b>	<b>13,326,363</b>
-	-
-	-
-	-
-	-
-	-
6,483,822	-
-	-
-	-
235,950	17,988,604
<b>\$ 6,719,772</b>	<b>\$ 70,240,141</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Statement of Activities**  
**For the Year Ended June 30, 2015**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
<b>Primary government</b>				
Governmental activities				
General government	\$ 6,550,505	\$ 954,093	\$ 473,266	\$ -
Public safety	7,866,767	32,155	27,251	10,500
Public works	4,045,844	2,250,253	2,952,390	2,167,794
Culture and recreation	1,617,372	536,520	355,181	44,472
Interest and fiscal charges	495,694	-	-	-
Total governmental activities	<u>20,576,182</u>	<u>3,773,021</u>	<u>3,808,088</u>	<u>2,222,766</u>
Business-type activities				
Wastewater	5,674,212	6,175,029	-	87,675
Water	3,423,127	3,781,053	-	14,528
Marina	572,108	575,947	-	-
Automobile parking	1,746,965	2,396,246	-	-
Total business-type activities	<u>11,416,412</u>	<u>12,928,275</u>	<u>-</u>	<u>102,203</u>
<b>Total primary government</b>	<b><u>\$ 31,992,594</u></b>	<b><u>\$ 16,701,296</u></b>	<b><u>\$ 3,808,088</u></b>	<b><u>\$ 2,324,969</u></b>
<b>Component units</b>				
Downtown Development Authority	\$ 3,499,628	\$ 537,547	\$ -	\$ -
Light and Power	33,472,301	37,929,737	-	-
<b>Total component units</b>	<b><u>\$ 36,914,282</u></b>	<b><u>\$ 38,467,210</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>

Continued...

The accompanying notes are an integral part of these financial statements.

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Statement of Activities**  
**For the Year Ended June 30, 2015**

<b>Functions/Programs</b>	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Changes in net position</b>			
Net (expense) revenue	\$ (10,772,307)	\$ 1,614,066	\$ (9,158,241)
General revenues			
Unrestricted property taxes	11,799,296	-	11,799,296
Restricted property taxes for tax increment finance districts	-	-	-
Grants and contributions not restricted to specific programs	1,348,309	-	1,348,309
Franchise revenue	248,213	-	248,213
Restricted investment earnings	153,134	-	153,134
Unrestricted investment earnings	207,458	5,168	212,626
Gain on sale of capital assets	43,440	-	43,440
Transfers	761,122	(761,122)	-
Contribution to endowment	2,505	-	2,505
Total general revenues, transfers and contributions	<u>14,563,477</u>	<u>(755,954)</u>	<u>13,807,523</u>
Change in net position	3,791,170	858,112	4,649,282
Restated net position, beginning of year	<u>37,639,025</u>	<u>53,635,738</u>	<u>91,274,763</u>
<b>Net position, end of year</b>	<b><u>\$ 41,430,195</u></b>	<b><u>\$ 54,493,850</u></b>	<b><u>\$ 95,924,045</u></b>

The accompanying notes are an integral part of these financial statements.

<b>Component Units</b>	
<b>Downtown Development Authority</b>	<b>Light and Power</b>
\$ (2,962,081)	\$ 4,457,436
68,578	-
2,555,777	-
-	-
-	-
-	-
355	310,273
-	-
-	-
-	-
<u>2,624,710</u>	<u>310,273</u>
(337,371)	4,767,709
<u>7,057,143</u>	<u>65,472,432</u>
<b><u>\$ 6,719,772</u></b>	<b><u>\$ 70,240,141</u></b>

Concluded

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2015**

	Special Revenue			Capital Projects	Permanent	Nonmajor Governmental Funds	Total
	General Fund	Major Streets Fund	Local Streets Fund	Capital Project	Brown Bridge Trust Fund		
<b>ASSETS</b>							
<b>Assets</b>							
Cash and cash equivalents	\$ 2,213,672	\$ 89,404	\$ -	\$ 1,801,800	\$ 347,041	\$ 4,587,334	\$ 9,039,251
Investments	2,336,613	-	-	79,547	11,907,870	770,809	15,094,839
Receivables							
Accounts	177,609	127	18,438	715,150	8,125	7,670	927,119
Taxes	-	-	-	-	-	5,389	5,389
Special assessments	-	-	-	-	-	389,645	389,645
Accrued interest	-	-	-	-	48,089	-	48,089
Due from other governments	233,065	144,403	108,062	21,000	-	166,293	672,823
Due from other funds	1,397,439	-	-	-	-	-	1,397,439
Due from component unit	376,047	-	-	-	-	-	376,047
Inventory	113,645	-	-	-	-	-	113,645
Prepaid items and other assets	78,669	-	-	-	-	-	78,669
<b>Total assets</b>	<b>\$ 6,926,759</b>	<b>\$ 233,934</b>	<b>\$ 126,500</b>	<b>\$ 2,617,497</b>	<b>\$ 12,311,125</b>	<b>\$ 5,927,140</b>	<b>\$ 28,142,955</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>							
<b>Liabilities</b>							
Accounts payable	\$ 270,481	\$ 29,376	\$ 11,410	\$ 634,222	\$ -	\$ 54,139	\$ 999,628
Accrued and other liabilities	359,967	11,634	14,237	-	-	39,786	425,624
Due to other funds	-	-	100,853	-	37,411	136,903	275,167
Deposits payable	171,145	-	-	-	-	-	171,145
Unearned revenue	-	-	-	1,085	-	5,813	6,898
Advance from component unit	-	-	-	-	-	3,000	3,000
<b>Total liabilities</b>	<b>801,593</b>	<b>41,010</b>	<b>126,500</b>	<b>635,307</b>	<b>37,411</b>	<b>239,641</b>	<b>1,881,462</b>
<b>Deferred inflows of resources</b>							
Unavailable revenue	1,121	-	-	708,577	-	386,128	1,095,826
<b>Fund balance</b>							
<b>Nonspendable</b>							
Inventory	113,645	-	-	-	-	-	113,645
Prepaid items	78,669	-	-	-	-	-	78,669
Brown Bridge trust	-	-	-	-	12,273,714	-	12,273,714
Cemetery perpetual care	-	-	-	-	-	731,914	731,914
<b>Restricted</b>							
Debt service	-	-	-	-	-	425	425
Streets and highways	-	192,924	-	-	-	-	192,924
Joint planning	-	-	-	-	-	20,265	20,265
Capital improvements	-	-	-	-	-	1,067,621	1,067,621
Public welfare or civic improvement organizations	-	-	-	-	-	2,295,332	2,295,332
Act 345 retirement	-	-	-	-	-	71,853	71,853
<b>Committed</b>							
Budget stabilization	757,334	-	-	-	-	-	757,334
Capital improvements	-	-	-	1,273,613	-	1,113,961	2,387,574
Unassigned	5,174,397	-	-	-	-	-	5,174,397
<b>Total fund balance</b>	<b>6,124,045</b>	<b>192,924</b>	<b>-</b>	<b>1,273,613</b>	<b>12,273,714</b>	<b>5,301,371</b>	<b>25,165,667</b>
<b>Total liabilities, deferred inflows of resources and fund balance</b>	<b>\$ 6,926,759</b>	<b>\$ 233,934</b>	<b>\$ 126,500</b>	<b>\$ 2,617,497</b>	<b>\$ 12,311,125</b>	<b>\$ 5,927,140</b>	<b>\$ 28,142,955</b>

Continued.....



**CITY OF TRAVERSE CITY, MICHIGAN**

**Balance Sheet  
Governmental Funds  
June 30, 2015**

---

**Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Position of Governmental Activities on the Statement of Net Position**

Fund balances - total governmental funds	\$ 25,165,667
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources, and therefore are not reported in the funds.	
Add: capital assets	86,251,373
Subtract: accumulated depreciation	(47,692,928)
Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures.	
Add: other postemployment benefits asset	254,909
Add: deferred outflow of resources - pension	1,728,647
Add: unavailable revenue	1,094,705
Internal service funds are used by management to charge the costs of certain equipment usage and employee benefits to individual funds. The assets and liabilities of the internal service fund are included in governmental and business-type activities in the statement of net position.	
Add: net position of governmental activities accounted for in internal service fund	8,595,727
Certain liabilities, such as bonds payable, are not due and payable in the current period, and therefore are not reported in the funds.	
Add: deferred charges on refunding	304,736
Subtract: deferred bond premium - Hardy Deck	(25,163)
Subtract: deferred bond premium - Old Town Deck	(22,841)
Subtract: deferred inflow of resources - pension	(631,310)
Subtract: net pension liability	(22,298,739)
Subtract: bonds payable	(10,640,000)
Subtract: compensated absences	(544,611)
Subtract: accrued interest on long-term liabilities	(109,977)
<b>Net position of governmental activities</b>	<b><u>41,430,195</u></b>

Concluded

The accompanying notes are an integral part of these financial statements.

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2015**

	<u>Special Revenue Funds</u>		<u>Capital Projects</u>	<u>Permanent</u>	
	<u>General</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>Capital Project</u>	
				<u>Brown Bridge Trust</u>	
<b>Revenues</b>					
Property taxes and special assessments	\$ 8,223,794	\$ -	\$ -	\$ -	\$ -
Licenses and permits	295,046	-	-	-	-
Federal sources	9,465	-	-	-	-
State sources	1,348,309	1,299,168	423,622	1,314,400	-
Local sources	1,894,612	-	-	-	-
Charges for services	535,025	-	-	-	115,169
Fines and forfeits	9,825	-	-	-	-
Contributions	276,293	-	-	192,267	-
Reimbursement	562,510	-	20,263	1,268	-
Interest income	69,415	17	-	603	264,632
Other revenue	449,851	-	-	2,313	-
<b>Total revenues</b>	<b>13,674,145</b>	<b>1,299,185</b>	<b>443,885</b>	<b>1,510,851</b>	<b>379,801</b>
<b>Expenditures</b>					
Current expenditures					
General government	3,082,907	-	-	-	-
Public safety	6,176,373	-	-	-	-
Public works	1,482,517	1,330,047	1,228,956	208,703	-
Culture and recreation	2,431,086	-	-	-	-
Capital outlay	-	-	-	3,024,270	-
Debt service					
Principal	-	-	-	-	-
Interest expense and fiscal charges	-	-	-	-	-
<b>Total expenditures</b>	<b>13,172,883</b>	<b>1,330,047</b>	<b>1,228,956</b>	<b>3,232,973</b>	<b>-</b>
Excess (deficiency) of revenues over expenditures	501,262	(30,862)	(785,071)	(1,722,122)	379,801
<b>Other financing sources (uses)</b>					
Transfers in	1,223,772	-	785,071	1,708,000	-
Transfers out	(2,754,323)	-	-	-	(1,384,201)
<b>Total other financing sources (uses)</b>	<b>(1,530,551)</b>	<b>-</b>	<b>785,071</b>	<b>1,708,000</b>	<b>(1,384,201)</b>
<b>Net change in fund balances</b>	<b>(1,029,289)</b>	<b>(30,862)</b>	<b>-</b>	<b>(14,122)</b>	<b>(1,004,400)</b>
Fund balance, beginning of year	7,153,334	223,786	-	1,287,735	13,278,114
<b>Fund balance, end of year</b>	<b>\$ 6,124,045</b>	<b>\$ 192,924</b>	<b>\$ -</b>	<b>\$ 1,273,613</b>	<b>\$ 12,273,714</b>

The accompanying notes are an integral part of these financial statements.

<b>Nonmajor Governmental Funds</b>		<b>Total</b>
\$ 1,764,965	\$ 9,988,759	
-	295,046	
10,500	19,965	
439,020	4,824,519	
2,229,025	4,123,637	
35,589	685,783	
-	9,825	
1,007,493	1,476,053	
-	584,041	
25,050	359,717	
-	452,164	
<b>5,511,642</b>	<b>22,819,509</b>	
49,220	3,132,127	
1,699,272	7,875,645	
1,239,274	5,489,497	
-	2,431,086	
135,956	3,160,226	
1,725,000	1,725,000	
504,025	504,025	
<b>5,352,747</b>	<b>24,317,606</b>	
158,895	(1,498,097)	
1,201,477	4,918,320	
(18,674)	(4,157,198)	
<b>1,182,803</b>	<b>761,122</b>	
<b>1,341,698</b>	<b>(736,975)</b>	
3,959,673	25,902,642	
<b>\$ 5,301,371</b>	<b>\$ 25,165,667</b>	

Continued.....

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2015**

**Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities**

Net change in fund balances - total governmental funds \$ (736,975)

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, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add: capital outlay 3,075,226  
Subtract: depreciation expense (1,454,665)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Add: current principal debt payment 1,725,000  
Subtract: amortization of deferred savings (24,379)  
Add: amortization of reoffering premium 15,227  
Add: amortization of premium 2,012

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following year.

Add: change in deferred contributions and special assessment receivables 699,262

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Add: decrease in accrued interest payable 15,471  
Subtract: increase in compensated absences payable (40,724)  
Add: increase in other postemployment benefits 32,529  
Subtract: change in net pension liability, deferred outflows and deferred inflows (332,735)

Internal service funds are used by management to charge the costs of certain activities, such as equipment usage and employee benefits, to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.

Add: interest income from governmental internal service fund 875  
Add: other revenue from governmental internal service fund 43,144  
Add: gain on disposal of capital assets in governmental internal service fund 43,440  
Add: net operating income from governmental activities accounted for in internal service fund 728,462

**Change in net position of governmental activities \$ 3,791,170**

Concluded

**CITY OF TRAVERSE CITY, MICHIGAN**

**Statement of Net Position**

**Proprietary Funds**

**June 30, 2015**

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Wastewater</b>	<b>Water</b>	<b>Marina</b>
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 743,908	\$ 3,654,423	\$ -
Investments	-	52,067	-
Receivables			
Accounts	676,201	552,796	7,676
Taxes	255,645	2,729	-
Other governments	-	-	3,195
Inventory	-	87,780	32,156
Prepaid cost and other assets	215,460	5,904	-
<b>Total current assets</b>	<b>1,891,214</b>	<b>4,355,699</b>	<b>43,027</b>
Noncurrent assets			
Other postemployment benefit	21,072	70,167	-
Capital assets not being depreciated	115,917	184,958	8,412,302
Capital assets being depreciated	23,233,812	6,606,397	1,070,831
<b>Total noncurrent assets</b>	<b>23,370,801</b>	<b>6,861,522</b>	<b>9,483,133</b>
<b>Total assets</b>	<b>25,262,015</b>	<b>11,217,221</b>	<b>9,526,160</b>
<b>Deferred outflows</b>			
Deferred outflow of resources - pensions	64,295	129,049	7,072
<b>Liabilities</b>			
Current liabilities			
Accounts payable	9,904	217,701	66,297
Accrued and other liabilities	78,460	45,014	9,096
Due to other funds	41,125	36,224	809,900
Current portion of compensated absences	1,575	1,575	-
Current portion of long-term debt	1,012,853	-	-
<b>Total current liabilities</b>	<b>1,143,917</b>	<b>300,514</b>	<b>885,293</b>
Long-term liabilities			
Advance from component unit	-	-	-
Advance from other funds	-	-	-
Long-term debt, net of current portion	6,975,524	-	-
Net pension liability	864,901	1,735,980	95,139
Compensated absences	32,937	49,462	7,399
<b>Total long-term liabilities</b>	<b>7,873,362</b>	<b>1,785,442</b>	<b>102,538</b>
<b>Total liabilities</b>	<b>9,017,279</b>	<b>2,085,956</b>	<b>987,831</b>
<b>Deferred inflows</b>			
Deferred charges on refunding	437,747	-	-
<b>Net Position</b>			
Net investment in capital assets	14,923,605	6,791,355	9,483,133
Unrestricted (deficit)	947,679	2,468,959	(937,732)
<b>Total net position</b>	<b>\$ 15,871,284</b>	<b>\$ 9,260,314</b>	<b>\$ 8,545,401</b>

The accompanying notes are an integral part of these financial statements.

<u>Automobile</u> <u>Parking System</u>	<u>Total</u>	<u>Governmental</u> <u>Activities - Internal</u> <u>Service Fund</u>
\$ 4,680,688	\$ 9,079,019	\$ 2,724,870
27,427	79,494	-
11,717	1,248,390	2,179
-	258,374	-
-	3,195	-
-	119,936	228,378
-	221,364	-
<b>4,719,832</b>	<b>11,009,772</b>	<b>2,955,427</b>
936	92,175	32,664
1,100,548	9,813,725	-
15,134,320	46,045,360	7,055,920
<b>16,235,804</b>	<b>55,951,260</b>	<b>7,088,584</b>
<b>20,955,636</b>	<b>66,961,032</b>	<b>10,044,011</b>
8,266	208,682	87,992
30,164	324,066	66,677
8,160	140,730	24,063
235,023	1,122,272	-
-	3,150	2,737
-	1,012,853	-
<b>273,347</b>	<b>2,603,071</b>	<b>93,477</b>
-	-	-
-	-	-
-	6,975,524	-
111,202	2,807,222	1,183,679
579	90,377	21,043
<b>111,781</b>	<b>9,873,123</b>	<b>1,204,722</b>
<b>385,128</b>	<b>12,476,194</b>	<b>1,298,199</b>
-	<b>437,747</b>	-
16,234,868	47,432,961	7,055,920
4,343,906	6,822,812	1,777,884
<b>\$ 20,578,774</b>	<b>\$ 54,255,773</b>	<b>\$ 8,833,804</b>

Continued.....

The accompanying notes are an integral part of these financial statements.

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2015**

---

**Reconciliation of Net Position on the Statement of Net Position for Enterprise  
Funds to Net Position of Business-Type Activities on the Statement of Net  
Position**

Net position - total enterprise funds \$ 54,255,773

Amounts reported for business-type activities in the statement of net position  
are different because:

Internal service funds are used by management to charge the costs of certain equipment usage  
to individual funds. The assets and liabilities of the internal service fund are included in  
governmental and business-type activities in the statement of net position.

Add: cumulative portion of internal service fund net operating gain attributed to  
business-type activities 238,077

**Net position of business-type activities** **\$ 54,493,850**

Concluded

The accompanying notes are an integral part of these financial statements.

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Statement of Revenues, Expenses**  
**and Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2015**

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Wastewater</b>	<b>Water</b>	<b>Marina</b>
<b>Operating revenues</b>			
Charges for services	\$ 6,024,208	\$ 3,581,059	\$ 561,686
Interdepartmental	-	-	-
Contributions	-	14,528	-
Other revenue	66,418	111,525	14,261
<b>Total operating revenues</b>	<b>6,090,626</b>	<b>3,707,112</b>	<b>575,947</b>
<b>Operating expenses</b>			
Personnel services	781,222	1,234,725	130,181
Commodities	20,302	340,439	11,285
Contractual services	3,504,336	579,826	176,319
Other charges	447,067	1,024,708	124,677
Depreciation and amortization	610,844	270,864	108,228
<b>Total operating expenses</b>	<b>5,363,771</b>	<b>3,450,562</b>	<b>550,690</b>
Operating income	726,855	256,550	25,257
<b>Nonoperating revenues (expenses)</b>			
Reimbursements	84,403	88,469	-
Interest income	286	1,856	17
Other revenue	-	-	-
Interest expense and fiscal charges	(338,934)	-	(23,345)
Gain on sale of capital assets	-	-	-
<b>Total nonoperating revenues (expenses)</b>	<b>(254,245)</b>	<b>90,325</b>	<b>(23,328)</b>
<b>Income before capital contributions and transfers</b>	<b>472,610</b>	<b>346,875</b>	<b>1,929</b>
Capital contributions	87,675	-	-
Transfers out	(305,125)	(192,224)	(28,750)
<b>Total capital contributions and transfers</b>	<b>(217,450)</b>	<b>(192,224)</b>	<b>(28,750)</b>
<b>Change in net position</b>	<b>255,160</b>	<b>154,651</b>	<b>(26,821)</b>
Net position, beginning of year, restated	15,616,124	9,105,663	8,572,222
<b>Net position, end of year</b>	<b>\$ 15,871,284</b>	<b>\$ 9,260,314</b>	<b>\$ 8,545,401</b>

The accompanying notes are an integral part of these financial statements.



<u>Automobile Parking System</u>	<u>Total</u>	<u>Governmental Activities - Internal Service Fund</u>
\$ 2,350,189	\$ 12,517,142	\$ -
-	-	3,256,194
-	14,528	-
32,123	224,327	-
<b>2,382,312</b>	<b>12,755,997</b>	<b>3,256,194</b>
77,057	2,223,185	766,009
34,299	406,325	586,855
704,652	4,965,133	135,979
545,456	2,141,908	120,644
440,566	1,430,502	805,325
<b>1,802,030</b>	<b>11,167,053</b>	<b>2,414,812</b>
580,282	1,588,944	841,382
12,500	185,372	-
3,009	5,168	875
-	-	43,144
-	(362,279)	-
1,434	1,434	43,440
<b>16,943</b>	<b>(170,305)</b>	<b>87,459</b>
<b>597,225</b>	<b>1,418,639</b>	<b>928,841</b>
-	87,675	-
(235,023)	(761,122)	-
(235,023)	(673,447)	-
<b>362,202</b>	<b>745,192</b>	<b>928,841</b>
20,216,572	53,510,581	7,904,963
<b>\$ 20,578,774</b>	<b>\$ 54,255,773</b>	<b>\$ 8,833,804</b>

Continued.....

**CITY OF TRAVERSE CITY, MICHIGAN**

**Statement of Revenues, Expenses  
and Changes in Fund Net Position  
Proprietary Funds  
For the Year Ended June 30, 2015**

---

**Reconciliation of the Statement of Revenues, Expenses and Changes  
in Net Position of Enterprise Funds to the Statement of Activities**

Change in net position - total enterprise funds \$ 745,192

Internal service funds are used by management to charge the costs of certain equipment usage to individual funds. The net revenue (expense) attributable to enterprise funds is reported with business-type activities.

Add: net operating income of the internal service fund attributable to business-type activities 112,920

**Change in net position of business-type activities** \$ 858,112

Concluded

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2015**

	<b>Business-type - Enterprise Funds</b>		
	<b>Wastewater</b>	<b>Water</b>	<b>Marina</b>
<b>Cash flows from operating activities</b>			
Cash received from customers	\$ 6,746,405	\$ 3,760,412	\$ 570,422
Cash received from interfund services	-	-	-
Cash payments to suppliers for goods and services	(2,881,599)	(1,286,105)	(313,952)
Cash payments to employees for services	(745,974)	(1,171,094)	(124,547)
<b>Net cash provided by operating activities</b>	<b>3,118,832</b>	<b>1,303,213</b>	<b>131,923</b>
<b>Cash flows from non-capital financing activities</b>			
Cash payments from (to) other funds	3,875	6,370	(367,495)
Cash payments for city fee	(305,125)	(192,224)	(28,750)
Cash received from reimbursements	84,403	88,469	-
Cash received from other revenue	-	-	-
<b>Net cash provided by (used in) non-capital financing activities</b>	<b>(216,847)</b>	<b>(97,385)</b>	<b>(396,245)</b>
<b>Cash flows from capital and related financing activities</b>			
Cash payments from state government	-	-	4,022
Capital contributions	87,675	-	-
Principal payments	(1,216,751)	(406)	-
Interest payments	(346,671)	-	(23,345)
Purchases of capital assets	(1,231,278)	(235,837)	-
Proceeds from sale of capital assets	-	-	-
<b>Net cash (used in) capital and related financing activities</b>	<b>(2,707,025)</b>	<b>(236,243)</b>	<b>(19,323)</b>
<b>Cash flows from investing activities</b>			
Interest received	286	1,856	17
Sale of investments	-	403,539	-
<b>Net cash provided by investing activities</b>	<b>286</b>	<b>405,395</b>	<b>17</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>195,246</b>	<b>1,374,980</b>	<b>(283,628)</b>
Cash and cash equivalents, beginning of year	548,662	2,279,443	283,628
<b>Cash and cash equivalents, end of year</b>	<b>\$ 743,908</b>	<b>\$ 3,654,423</b>	<b>\$ -</b>

The accompanying notes are an integral part of these financial statements.

<u>Automobile Parking System</u>	<u>Total</u>	<u>Governmental Activities - Internal Service Fund</u>
\$ 2,389,957	\$ 13,467,196	\$ -
-	-	3,254,015
(1,302,069)	(5,783,725)	(818,430)
(73,205)	(2,114,820)	(731,900)
<b>1,014,683</b>	<b>5,568,651</b>	<b>1,703,685</b>
19,512	(337,738)	-
(235,023)	(761,122)	-
12,500	185,372	-
-	-	43,144
<b>(203,011)</b>	<b>(913,488)</b>	<b>43,144</b>
-	4,022	-
-	87,675	-
-	(1,217,157)	-
-	(370,016)	-
(417,901)	(1,885,016)	(2,427,882)
256,078	256,078	576,901
<b>(161,823)</b>	<b>(3,124,414)</b>	<b>(1,850,981)</b>
3,009	5,168	875
88	403,627	-
<b>3,097</b>	<b>408,795</b>	<b>875</b>
<b>652,946</b>	<b>1,939,544</b>	<b>(103,277)</b>
4,027,742	7,139,475	2,828,147
<b>\$ 4,680,688</b>	<b>\$ 9,079,019</b>	<b>\$ 2,724,870</b>

Continued.....

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2015**

	<b>Business-type - Enterprise Funds</b>		
	<b>Wastewater</b>	<b>Water</b>	<b>Marina</b>
<b>Reconciliation of operating income to net cash provided by operating activities</b>			
Operating income	\$ 726,855	\$ 256,550	\$ 25,257
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation and amortization	610,844	270,864	108,228
Changes in assets and liabilities			
Accounts receivables	655,779	53,300	(5,525)
Prepaid cost and other assets	(29,096)	(13,180)	-
Inventory	-	30,449	(8,796)
Deferred outflows - pension	(64,295)	(129,049)	(7,072)
Construction in progress	1,119,517	508,827	-
Accounts payable	(6,248)	125,496	7,125
Accrued and other liabilities	9,716	7,754	2,173
Net pension liability	95,760	192,202	10,533
Unearned revenue	-	-	-
<b>Net cash provided by operating activities</b>	<b><u>\$ 3,118,832</u></b>	<b><u>\$ 1,303,213</u></b>	<b><u>\$ 131,923</u></b>

The accompanying notes are an integral part of these financial statements.

<u>Automobile Parking System</u>	<u>Total</u>	<u>Governmental Activities - Internal Service Fund</u>
\$ 580,282	\$ 1,588,944	\$ 841,382
440,566	1,430,502	805,325
8,137	711,691	(2,179)
-	(42,276)	(4,972)
-	21,653	(22,203)
(8,266)	(208,682)	(87,992)
-	1,628,344	-
(17,662)	108,711	47,251
(196)	19,447	(3,982)
12,314	310,809	131,055
(492)	(492)	-
<b><u>\$ 1,014,683</u></b>	<b><u>\$ 5,568,651</u></b>	<b><u>\$ 1,703,685</u></b>

Concluded

The accompanying notes are an integral part of these financial statements.

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2015**

	<b>Act 345 Pension Trust Fund</b>	<b>Other Postemployment Benefit Funds</b>	<b>Agency Funds</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 3,231,979	\$ 3,299,166	\$ -
Investments, at fair value			
Fixed income mutual funds	4,793,405	-	-
Common stock	3,627,495	-	-
Equity mutual funds	6,006,009	-	-
Equity common trust funds	6,594,766	-	-
Alternative - SBIC funds	722,938	-	-
Real estate	1,353,972	-	-
MERS total market fund	-	4,290,163	-
Receivables			
Accounts	-	-	471,876
Taxes	-	-	163,095
Accrued interest	11,697	-	-
Due from other funds	-	74,615	-
<b>Total assets</b>	<b><u>26,342,261</u></b>	<b><u>7,663,944</u></b>	<b><u>\$ 634,971</u></b>
<b>Liabilities</b>			
Accrued and other liabilities	14,463	8,800	\$ 471,876
Due to other funds	84,986	-	-
Due to other governmental units	-	-	163,095
<b>Total liabilities</b>	<b><u>99,449</u></b>	<b><u>8,800</u></b>	<b><u>\$ 634,971</u></b>
<b>Net Position</b>			
Held in trust for pension benefits and other postemployment benefits	<b><u>\$ 26,242,812</u></b>	<b><u>\$ 7,655,144</u></b>	

The accompanying notes are an integral part of these financial statements.

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**For the Year Ended June 30, 2015**

	<u>Act 345 Pension Trust Fund</u>	<u>Other Postemployment Benefit Funds</u>
<b>Additions</b>		
Contributions		
City contributions	\$ 1,683,306	\$ 1,196,642
Employee contributions	76,863	-
	<u>1,760,169</u>	<u>1,196,642</u>
Total contributions		
Investment earnings		
Interest and dividends	338,602	4,369
Net increase in fair value of investments	224,529	96,692
Investment advisor fees	(99,250)	-
	<u>463,881</u>	<u>101,061</u>
Net investment earnings		
<b>Total additions</b>	<u><b>2,224,050</b></u>	<u><b>1,297,703</b></u>
<b>Deductions</b>		
Pension benefits paid	2,251,552	-
Health insurance premiums paid	-	368,876
Administrative expense	16,523	15,192
	<u>2,268,075</u>	<u>384,068</u>
<b>Total deductions</b>		
<b>Net increase (decrease) in plan assets</b>	<b>(44,025)</b>	<b>913,635</b>
Net position held in trust, beginning of year	<u>26,286,837</u>	<u>6,741,509</u>
<b>Net position held in trust, end of year, attributable to pension plan</b>	<u><b>\$ 26,242,812</b></u>	
<b>Net position held in trust, end of year, attributable to health insurance plan</b>		<u><b>\$ 7,655,144</b></u>

The accompanying notes are an integral part of these financial statements.



# CITY OF TRAVERSE CITY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

---

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting entity

The *City of Traverse City* (the “City”) was incorporated in 1895. The City operates under a commission-manager form of government and provides the following services as authorized by its charter: general government/administrative services, public safety, public works, parks and recreation, planning and zoning and public improvements.

#### Discretely presented component units

The City has adopted the position of the Governmental Accounting Standards Board (GASB) regarding the definition of the “reporting entity”.

The following component units are included in the City’s reporting entity.

Downtown Development Authority (the “DDA”)

- Includes the DDA General Fund and the Tax Incremental Financial Districts #2 and #97 Special Revenue Funds

Traverse City Light and Power (the “Department”)

- Includes the Light and Power Enterprise Fund and the Fiber Enterprise Fund

These discretely presented component units are presented in the statement of net position and statement of activities. They are legally separate, and while the City is not responsible for the operations of the entities, the City is financially accountable for them. In addition, the City appoints the DDA’s Board of Trustees and the Department’s Board of Directors. The nature and significance of the relationship between these entities and the City is such that exclusion of these entities would render the basic financial statements misleading or incomplete.

Complete financial statements of the individual component units can be obtained from the City Treasurer’s Office at 400 Boardman Avenue, Traverse City, Michigan 49684, or from the entities themselves.

Other entities with which the City does not have such relationships are:

Traverse Area District Library

City of Traverse City and Garfield Township Recreational Authority

Traverse City Housing Commission

The boards of these entities are independent of the City or the City has no significant operational or financial relationship with these entities. Accordingly, the financial statements for these entities have been excluded from the accompanying financial statements.

# CITY OF TRAVERSE CITY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

---

### **Joint operation**

The City entered into a master sewer agreement effective July 1, 1987 and amended July 1, 2001 to continue until June 30, 2041 with the Townships of East Bay, Acme, Peninsula, and Garfield in Grand Traverse County and the Township of Elmwood in Leelanau County. The master sewer agreement defines the allocation of costs and establishes certain rights and responsibilities with respect to the wastewater treatment plant. Grand Traverse County is the owner of the treatment plant and the City is the owner of all multi-user facilities. Ownership of the treatment plant will revert to the City when certain bonds issued by Grand Traverse County are retired.

The City is the exclusive manager of the plant for the benefit of itself and the Townships. As the exclusive manager, the City has the obligation to fully inform and advise the Townships as to the treatment plant's operation and the Townships shall have the right to comment on all matters connected with the administration of the plant.

Each participant in the joint venture pays an amount sufficient to cover their pro rata share of treatment plant operational costs. Each participant's pro rata share is determined by their volume of sewage treated in relation to total sewage treated at the plant.

The City is responsible for debt service on the 2003 capital lease listed in Note IIF as determined biannually based upon the percentage of the City's flow to the total flow through the treatment plant. For the biannual period ending December 31, 2013, the City's percentage was forty-seven percent. The City is responsible for debt service on the 2011 capital lease listed in Note IIF based on capacity rights. The City's capacity right is sixty percent of the related facilities for which they have elected to lease out ten percent of these rights to Townships.

### **B. Government-wide and fund financial statements**

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

# CITY OF TRAVERSE CITY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

---

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

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.

### **C. Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except for agency funds, which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers property tax revenues to be available if they are collected within sixty days of the end of the current fiscal period. Grant revenue, state-shared revenue, and interest associated with the current fiscal period are considered to be available if they are collected within the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

# CITY OF TRAVERSE CITY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

---

The government reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those accounted for and reported in another fund.

The *Major Streets Fund* accounts for the use of motor fuel taxes and trunkline maintenance funds, which are earmarked by State statute for major street improvement purposes.

The *Local Streets Fund* accounts for the use of motor fuel taxes, which are earmarked by State statute for local street improvement purposes.

The *Capital Projects Fund* accounts for transfers from the General Fund and various grants for miscellaneous equipment transactions, property development and construction projects.

The *Brown Bridge Trust Fund* accounts for funds derived from oil, gas, and mineral exploration at the Brown Bridge property which shall be endowed in a permanent trust. The income from the endowment is used to supplement City taxes as a reduction in the General Fund property tax levy.

The government reports the following major proprietary funds:

The *Wastewater Fund* accounts for the activities of the wastewater disposal and treatment system.

The *Water Fund* accounts for the activities of the water distribution and treatment system.

The *Marina Fund* accounts for the activities of the marina operations.

The *Automobile Parking System Fund* accounts for the activities of the parking system.

Additionally, the government reports the following fund types:

The *special revenue funds* are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

The *debt service funds* are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

The *capital project funds* are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

# CITY OF TRAVERSE CITY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

---

The *permanent fund* accounts for and reports resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs. The income is transferred to the General Fund to subsidize cemetery operations.

The *internal service fund* accounts for fleet and equipment management provided to other departments or agencies of the government, on a cost reimbursement basis.

The *pension and other postemployment benefit trust funds* account for the activities of the public safety employees' pension and postemployment benefits and the City's general employees postemployment benefits.

The *agency funds* account for assets held for other governments and individuals in an agency capacity, specifically tax collections, accounts for the activities of the retiree health insurance plans that are not accounted for in the trust funds and payroll fringes.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges for the government's water and wastewater function, cost of building rent and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Wastewater, Water, Marina, and Automobile Parking System enterprise funds, the discretely presented component unit (Light and Power) and the City's internal service fund are charges to customers for sales and services. The enterprise funds also recognize as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and the internal service fund include the cost of services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

# CITY OF TRAVERSE CITY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

---

### **D. Assets, liabilities, deferred outflows/inflows and net position or fund balance**

#### ***1. Deposits and investments***

The City's cash and cash equivalents include cash on hand, demand and time deposits and short-term investments with original maturities of three months or less from the date of acquisition. Investments are reported at fair value.

#### ***2. Receivables and payables***

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year and all other outstanding balances between funds are referred to as "due to/from other funds" except if they are noncurrent then they are reported as "advance from/advance to." The advances reported in governmental funds are offset by a fund balance nonspendable account indicating these financial resources are not expendable and are not available for appropriation. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

#### ***3. Inventory***

Inventory held by the General Fund is valued on the first-in, first-out basis. Enterprise and internal service funds value inventory at average cost, except for fuel, which is valued on the first-in, first-out basis. Inventory of expendable supplies in other funds have not been recorded and the amount of any such inventories is not considered material. The cost of expendable supply inventories has been treated as an expenditure at the time of purchase.

#### ***4. Capital assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities, business-type activities, or component unit columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value on the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

# CITY OF TRAVERSE CITY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

---

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. The amount reported for infrastructure includes assets acquired or constructed since 1985.

Capital assets of the primary government and component units are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings	10-50
Public domain infrastructure	10-50
System infrastructure	10-50
Land improvements	10-50
Vehicles	7-25
Equipment	5-10

### 5. *Deferred outflows/inflows of resources*

In addition to assets, the statement of net position and the governmental funds balance sheet, when applicable, will report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position/fund balance that applies to future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the City has items of this type that qualify as deferred outflows of resources.

In addition to liabilities, the statement of net position and the balance sheet, when applicable, will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position/fund balance that applies to future period and so will not be recognized as an inflow of resources (revenue) until then. Currently, the City has items of this type that qualify as deferred inflows of resources.

### 6. *Compensated absences*

City employees are granted vacation hours on their anniversary date of hire. The number of hours is dependent upon years of service. Unused vacation pay is accrued year-end.

Until 1990, sick leave hours were credited to each employee as earned during a calendar year. Bargaining and non-bargaining employees are compensated for one-half of their unused accumulated sick leave hours up to a maximum of 480 hours (or 1,080 hours for Fire Department employees) upon retirement.

# CITY OF TRAVERSE CITY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

---

Since 1990, short-term leave pay has replaced sick leave pay for all employees. Each employee is entitled to 56 hours of short-term leave pay per year on December 1. Unused short-term leave accumulated at November 30 is paid out on the first non-payroll Friday in December. The City accrues unused short-term leave at its fiscal year-end.

All vacation and short-term leave is accrued when incurred in the government-wide and proprietary financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

### **7. *Long-term obligations***

In the government-wide financial statements, and the proprietary 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 straight-line method, which approximates the effective interest method. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as an other financing source. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### **8. *Fund Balance***

In the fund financial statements, governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Restricted fund balance is reported when externally imposed constraints are placed on the use of the resource by grantors, contributors, or laws or regulations of other governments. Committed fund balance is reported for amounts that can be used for specific purposes pursuant to constraints imposed by formal action of the City's highest level of decision making authority, the City Commission. A formal resolution by the City Commission is required to establish, modify, or rescind a fund balance commitment. Assigned fund balance is reported for amounts intended for specific purposes expressed by the governing body. Unassigned fund balance is the residual classification for the General Fund.



# CITY OF TRAVERSE CITY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

---

### **9. *Budget Stabilization Arrangement***

The City Commission has formally established a budget stabilization arrangement through City ordinance pursuant to Public Act 30 of 1978. The interest on investments earned in this fund is used to subsidize the General Fund operations. The money restricted in the Budget Stabilization Fund cannot exceed the smaller of 15% of the City's General Fund budget for the most recent year or an average of the five most recent years. Monies in this fund may be used to cover a General Fund deficit, prevent a reduction in the level of public services or to cover the expenses of a natural disaster. However, these monies are not to be used as a part of a general capital improvement program. For financial statement purposes the Budget Stabilization Fund has been combined with the General Fund.

## **II. DETAILED NOTES ON ALL FUNDS**

### **A. Deposits and investments**

Michigan Compiled Laws, Section 129.91 authorizes the City to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The City is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; external investment pools as authorized by Public Act 20 as amended; and long-term or perpetual trust funds consisting of money and royalties or money derived from oil and gas exploration as property or mineral rights owned by the City, or a special revenue fund consisting of payments for park operations and maintenance has the same authority to invest the assets as is authorized by Public Act 314 as amended.

The City Commission has designated any bank in Michigan for the deposit of City funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government, interest bearing savings and checking accounts, repurchase agreements, bankers' acceptance of United States banks, federal agency instruments, money market funds with a net asset value of \$1.00 per share, commercial paper within the two highest classifications and negotiable and non-negotiable certificates of deposits, but not the remainder of State statutory authority as listed above.

# CITY OF TRAVERSE CITY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

---

The City's deposits and investment policy is in accordance with statutory authority.

Cash and cash equivalents and investments are reported in the financial statements as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>	<u>Component Units</u>
Cash and cash equivalents	\$ 11,764,121	\$9,079,019	\$ 6,531,145	\$ 27,374,285	\$ 12,665,225
Investments	<u>15,094,839</u>	<u>79,494</u>	<u>27,388,748</u>	<u>42,563,081</u>	<u>13,220,402</u>
<b>Total</b>	<b><u>\$ 26,858,960</u></b>	<b><u>\$ 9,158,513</u></b>	<b><u>\$ 33,919,893</u></b>	<b><u>\$ 69,937,366</u></b>	<b><u>\$ 25,885,627</u></b>

Cash and cash equivalents reported above include \$9,685 of cash on hand that is not considered deposits or investments for footnote purposes.

The breakdown between cash and investments is as follows:

Petty cash	\$ 9,685
City and component unit bank deposits (checking, savings accounts and certificates of deposit)	36,949,320
City and component unit investments	24,944,095
Pension and other postemployment benefit fund - deposits	6,531,145
Pension and other postemployment benefit fund - investments	<u>27,388,748</u>
<b>Total</b>	<b><u>\$ 95,822,993</u></b>

# CITY OF TRAVERSE CITY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

### Investments

The City chooses to disclose its investments by specifically identifying each. Investment ratings were provided by Standard & Poor's. The City had the following investments.

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>
US Treasury Note-FHLB	12/05/2016	\$ 499,635	Aaa/AA+
US Treasury Note-FHLB	03/20/2023	494,790	Aaa/AA+
US Treasury Note	01/31/2019	1,009,140	Aaa
US Treasury Note	06/30/2019	1,009,450	Aaa
US Treasury Note	01/31/2021	1,016,560	Aaa
US Treasury Note	02/15/2024	519,100	Aaa
US Treasury Note	07/31/2016	128,858	Aaa
US Treasury Note	10/31/2017	149,871	Aaa
US Treasury Note	07/31/2016	773,145	Aaa
US Treasury Note	03/31/2017	1,007,660	Aaa
US Treasury Note	10/31/2017	499,570	Aaa
US Treasury Note	06/30/2018	1,010,860	Aaa
US Treasury Note	09/30/2019	1,012,030	Aaa
US Treasury Note	02/15/2020	546,055	Aaa
US Treasury Note	06/30/2020	505,780	Aaa
US Treasury Note	05/15/2025	981,880	Aaa
US Treasury Note	06/30/2022	1,004,220	Aaa
US Treasury Note	06/30/2021	1,012,420	Aaa
US Treasury Note	06/30/2018	520,040	Aaa
US Treasury Note-FHLB	02/11/2020	999,910	Aaa/AA+
US Treasury Note-FHLB	03/18/2020	997,430	Aaa/AA+
US Treasury Note-FHLB	06/24/2020	1,000,120	Aaa/AA+
US Treasury Note-FHLB	03/21/2023	974,500	Aaa/AA+
US Treasury Note-FHLB	03/25/2025	995,720	Aaa/AA+
US Treasury Note-FHLB	08/27/2027	960,230	Aaa/AA+
US Treasury Note-FHLB	01/25/2028	970,500	Aaa/AA+
US Treasury Note-FHLB	02/14/2028	481,780	AA+
US Treasury Note	12/31/2016	937,197	Aaa
US Treasury Note	02/15/2020	436,844	Aaa
US Treasury Note	02/15/2021	27,427	Aaa
US Treasury Note	07/31/2016	77,315	Aaa
US Treasury Note	02/15/2024	311,460	Aaa
US Treasury Note	02/28/2019	756,330	Aaa
US Treasury Note	12/31/2016	52,066	Aaa
US Treasury Note	02/15/2024	98,629	Aaa
MPPA	Various	988,038	Unrated
Michigan CLASS Pool	N/A	177,535	AAAm
		<u>\$ 24,944,095</u>	

# CITY OF TRAVERSE CITY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

---

*Interest Rate Risk.* State law limits the allowable investments and the maturities of some of the allowable investments as identified above. The City's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The maturity dates for each investment are identified above for investments held at year-end.

*Credit Risk.* State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified above. The City's investment policy does not have specific limits in excess of state law on investment credit risk. The ratings for each investment are identified above for investments held at year end.

*Custodial Credit Risk - Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. As of year end, \$7,414,252 of the City's bank balance of \$42,712,687 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial Credit Risk - Investments.* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. In accordance with the City's investment policy the City will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities allowed by the policy. In addition, the City Treasurer will prequalify all financial institutions, broker/dealers, intermediaries and advisors with which the City will do business by subjecting them to certain criteria. Of the above \$24,944,095 of investments, the City has a custodial credit risk exposure of \$23,778,522 because the related securities are uninsured, unregistered and held by the government's brokerage firm which is also the counterparty for these particular securities. The custodial credit risk for balances in investment pools cannot be determined because the investments are not evidenced by specific identifiable securities.

*Concentration of Credit Risk.* State law limits allowable investments but does not limit concentration of credit risk as identified above. The City's investment policy does not have specific limits in excess of state law on concentration of credit risk. All of the City's investments are identified above.

# CITY OF TRAVERSE CITY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

---

### Deposits and Investments - Pension and Other Postemployment Benefit Funds

The City maintains a pension trust fund and a postemployment benefit trust fund where deposits and investments are maintained separately from the City's pooled cash and investments, and are subject to separate investment policies and State statutes. Accordingly, the required disclosures for the trust funds' deposits and investments are presented separately.

**Deposits** - The Act 345 pension trust fund maintains a checking account with a bank balance of \$2,150,454 with deposits collateralized and a money market account in the pension fund trust account with a balance of \$1,081,525 with deposits not insured or collateralized.

**Investments** - The Michigan Public Employees Retirement Systems' Investment Act, Public Act 314, of 1965, as amended, authorizes pension and postemployment benefit trusts to invest in stocks, government and corporate securities, mortgages, real estate, and various other investment instruments, subject to certain limitations. The Pension Trust Fund accounts for the pension activities of the City's public safety employees and the investments are managed by the ACT 345 Retirement Board ("Retirement Board"). The Postemployment Benefit Trust accounts for the activities of the general municipal employees and investments are managed by the Municipal Employees Retirement System ("MERS"). These two combined are referred to as the "Systems". The Retirement Board, which is made up of the City Treasurer, an active fire and police member, and two additional members appointed by the City Manager has the responsibility and authority to oversee the investment portfolio. Various professional investment managers are contracted to assist in managing the Pension Trust Fund's assets. All investment decisions are subject to Michigan law and the investment policy established by the Retirement Board.

The trust funds' investments are held in a bank-administered trust fund and a MERS money market account. Following is a summary of the System's investments as of June 30, 2015:

Investments at fair value, as determined	
by quoted market price	
Fixed income mutual funds	\$ 4,793,405
Common stock	3,627,495
Equity mutual funds	6,006,009
Equity common trust funds	6,594,766
Alternative - SBIC funds	722,938
MERS total market fund	4,290,163
Direct real estate investments	<u>1,353,972</u>
<b>Total investments</b>	<b><u>\$ 27,388,748</u></b>

# CITY OF TRAVERSE CITY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

### B. Capital assets

Capital assets activity for the year ended June 30, 2015 was as follows:

#### Primary Government

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b>Governmental activities</b>				
Capital assets not being depreciated:				
Land	\$ 11,339,616	\$ -	\$ -	\$ 11,339,616
Construction in progress	3,670,522	3,167,005	1,192,481	5,645,046
Total	15,010,138	3,167,005	1,192,481	16,984,662
Capital assets, being depreciated				
Land improvements	4,169,758	-	-	4,169,758
Infrastructure	48,340,694	1,036,123	226,006	49,150,811
Buildings	16,391,691	9,738	-	16,401,429
Equipment	14,263,836	2,188,492	1,197,373	15,254,955
Total	83,165,979	3,234,353	1,423,379	84,976,953
Less accumulated depreciation:				
Land improvements	818,387	92,124	-	910,511
Infrastructure	36,138,630	765,362	226,006	36,677,986
Buildings	9,631,057	503,787	-	10,134,844
Equipment	8,683,335	898,716	958,142	8,623,909
Total accumulated depreciation	55,271,409	2,259,989	1,184,148	56,347,250
Total capital assets being depreciated, net	27,894,570	973,364	239,231	28,629,703
<b>Governmental activities capital assets, net</b>	<b>\$ 42,904,708</b>	<b>\$ 4,140,369</b>	<b>\$ 1,431,712</b>	<b>\$ 45,614,365</b>

# CITY OF TRAVERSE CITY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type activities</b>				
Capital assets not being depreciated:				
Land	\$ 1,187,057	\$ -	\$ -	\$ 1,187,057
Land improvements	8,416,432	-	-	8,416,432
Construction in progress	457,690	1,395,165	1,642,619	210,236
Total capital assets not being depreciated	<u>10,061,179</u>	<u>1,395,165</u>	<u>1,642,619</u>	<u>9,813,725</u>
Capital assets, being depreciated				
Buildings and improvements	35,354,635	-	-	35,354,635
Other improvements	21,084,226	161,807	-	21,246,033
Machinery and equipment	13,819,672	87,675	-	13,907,347
Total capital assets being depreciated	<u>70,258,533</u>	<u>249,482</u>	<u>-</u>	<u>70,508,015</u>
Less accumulated depreciation:				
Buildings and improvements	12,915,349	690,849	-	13,606,198
Other improvements	4,924,396	524,018	-	5,448,414
Machinery and equipment	5,192,408	215,635	-	5,408,043
Total accumulated depreciation	<u>23,032,153</u>	<u>1,430,502</u>	<u>-</u>	<u>24,462,655</u>
Total capital assets being depreciated, net	<u>47,226,380</u>	<u>(1,181,020)</u>	<u>-</u>	<u>46,045,360</u>
<b>Business-type activities capital assets, net</b>	<b><u>\$ 57,287,559</u></b>	<b><u>\$ 214,145</u></b>	<b><u>\$ 1,642,619</u></b>	<b><u>\$ 55,859,085</u></b>

# CITY OF TRAVERSE CITY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Light and Power Component Unit</b>				
Capital assets not being depreciated:				
Land	\$ 1,395,691	\$ -	\$ -	\$ 1,395,691
Construction in progress	1,785,733	5,176,026	1,918,623	5,043,136
	<u>3,181,424</u>	<u>5,176,026</u>	<u>1,918,623</u>	<u>6,438,827</u>
Total capital assets not being depreciated				
Capital assets, being depreciated				
Buildings and improvements	4,487,246	-	-	4,487,246
Equipment and distribution system	64,278,691	2,097,251	1,308,058	65,067,884
Fiber system	1,769,255	33,952	-	1,803,207
Wifi system	-	501,720	-	501,720
	<u>70,535,192</u>	<u>2,632,923</u>	<u>1,308,058</u>	<u>71,860,057</u>
Total capital assets being depreciated				
Less accumulated depreciation:				
Buildings and improvements	1,368,926	134,617	-	1,503,543
Equipment and distribution system	22,753,944	2,023,323	857,464	23,919,803
Fiber system	507,395	91,520	-	598,915
Wifi system	-	25,086	-	25,086
	<u>24,630,265</u>	<u>2,274,546</u>	<u>857,464</u>	<u>26,047,347</u>
Total accumulated depreciation				
Total capital assets being depreciated, net	<u>45,904,927</u>	<u>358,377</u>	<u>450,594</u>	<u>45,812,710</u>
<b>Light and Power Component Unit capital assets, net</b>	<b><u>\$ 49,086,351</u></b>	<b><u>\$ 5,534,403</u></b>	<b><u>\$ 2,369,217</u></b>	<b><u>\$ 52,251,537</u></b>



# CITY OF TRAVERSE CITY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

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

**Governmental activities**

General government	\$ 52,146
Public safety	142,021
Public works, including depreciation of general infrastructure assets	768,221
Recreation and culture	492,276
Capital assets held by the government's internal service fund are charged to the various functions based on their usage of the assets	805,325

**Total depreciation expense – governmental activities** **\$ 2,259,989**

**Business-type activities**

Wastewater	\$ 610,844
Water	270,864
Marina	108,228
Auto parking	440,566

**Total depreciation expense – business-type activities** **\$ 1,430,502**

**Component unit activities**

Light and power	<b><u><u>\$ 2,218,430</u></u></b>
-----------------	-----------------------------------

**C. Interfund receivables, payables, and transfers**

Fund	Inter-fund/ Advances Receivable	Fund	Inter-fund Advances Payable
General Fund	<u>\$ 1,397,439</u>	Local Streets Fund	\$ 100,853
		College Parking Fund	1,638
		Stormwater Asset	
		Management Grant Fund	114,766
		Nonmajor Debt Service Funds	1,825
		Automobile Parking System Fund	235,023
		Wastewater Disposal Fund	41,125
		Water Fund	36,224
		Marina Fund	809,900
		Brown Bridge Trust Fund	37,411
		Cemetery Trust Fund	5,252
		Cemetery Perp. Care Fund	10,724
		McCauley Trust Fund	2,698
	<u>\$ 1,397,439</u>		<u>\$ 1,397,439</u>

# CITY OF TRAVERSE CITY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

Interfund receivables and payables are established to: (1) cover cash deficits, (2) to record a receivable for the year end transfer of interest revenue to the General Fund, (3) to finance projects, and (4) to record city fee owed to the General Fund.

### Interfund Transfers

	Operating Transfer In	Operating Transfer Out	Total
General Fund	\$ 1,223,772	\$ 2,754,323	\$ (1,530,551)
Local Streets Fund	785,071		785,071
Brown Bridge Trust Fund		1,384,201	(1,384,201)
Capital Projects Fund	1,708,000		1,708,000
Non-major Governmental Funds	1,201,477	18,674	1,182,803
Wastewater Fund		305,125	(305,125)
Water Fund		192,224	(192,224)
Marina Fund		28,750	(28,750)
Automobile Parking System Fund		235,023	(235,023)
	<u>\$ 4,918,320</u>	<u>\$ 4,918,320</u>	<u>\$ -</u>

Interfund transfers are: (1) to transfer interest revenue to the General Fund, (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and (3) to transfer the City fee mandated by the City Charter from the enterprise funds to the General Fund.

#### **D. Long-term debt and accrued compensated absences**

The following is a summary of bond and lease transactions of the City for the year ended June 30, 2015:

	Primary Government		
	Governmental Activities General Obligation Bonds	Business- Type Activities Lease Payable	Total Primary Government
Long-term debt at July 1, 2014	\$ 12,430,243	\$ 9,176,517	\$ 21,606,760
Reductions			
Principal	(1,725,000)	(1,188,140)	(2,913,140)
Amortization of Premium	(17,239)	-	(17,239)
Total reductions	<u>(1,742,239)</u>	<u>(1,188,140)</u>	<u>(2,930,379)</u>
<b>Long-term debt at June 30, 2015</b>	<b><u>\$ 10,688,004</u></b>	<b><u>\$ 7,988,377</u></b>	<b><u>\$ 18,676,381</u></b>
<b>Due within one year</b>	<b><u>\$ 1,845,000</u></b>	<b><u>\$ 1,012,853</u></b>	<b><u>\$ 2,857,853</u></b>

# CITY OF TRAVERSE CITY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

The following is a summary of accrued compensated absences of the City for the year ended June 30, 2015: For the governmental activities, compensated absences are generally liquidated by the General Fund.

	Primary Government			
Governmental Activities	Business- Type Activities	Component Units	Total Reporting Entity	
Accrued compensated absences at July 1, 2014	\$ 534,628	\$ 82,882	\$ 234,830	\$ 852,340
Additions	606,329	117,087	252,768	976,184
Reductions	<u>(572,566)</u>	<u>(106,442)</u>	<u>(267,053)</u>	<u>(946,061)</u>
<b>Accrued compensated absences at June 30, 2015</b>	<b><u>\$ 568,391</u></b>	<b><u>\$ 93,527</u></b>	<b><u>\$ 220,545</u></b>	<b><u>\$ 882,463</u></b>
<b>Due within one year</b>	<b><u>\$ 33,278</u></b>	<b><u>\$ 3,150</u></b>	<b><u>\$ 26,322</u></b>	<b><u>\$ 62,750</u></b>

Bond and lease obligations at June 30, 2015 are comprised of the following individual issues:

	Final Maturity Date	Interest Rates	Outstanding Balance
Primary Government			
Governmental Activities:			
General Obligation Downtown Development Series 2009 - Parking Deck	2016	3.25-3.625%	\$ 1,415,000
Series 2009 Premium			25,163
General Obligation Downtown Development Series 2007A - Parking Deck - Refund	2028	4.00-4.125	8,950,000
Series 2007A Premium			22,841
General Obligation Downtown Development Series 2002B - Parking Deck	2017	6.40-6.50	275,000
Business-type Activities:			
2011 Wastewater Treatment Capital Lease Payable	2022	4.00	<u>7,988,377</u>
<b>Total Reporting Entity</b>			<b><u>\$ 18,676,381</u></b>

The Wastewater Fund capital lease is directly related to bonds issued through Grand Traverse County (the "County"). The City records its share of County bonds as capital leases payable in accordance with the Michigan Committee on Governmental Accounting and Auditing Statement 10, as amended.

# CITY OF TRAVERSE CITY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

Capital assets held under capital leases cost approximately \$26,929,000 with accumulated depreciation of \$7,825,000 and a book value of \$19,104,000 at June 30, 2015.

On April 1, 2011, the County issued \$20,385,000, in General Obligation Bonds (City's portion is the 2011 Wastewater Treatment Capital Lease Payable) with an average interest rate of 3.15% to advance refund their 2002 General Obligation Bond (City's portion is the 2002 Wastewater Treatment Capital Lease Payable) with a net interest rate of 3.15%. The City's portion was reduced over the next 11 years by approximately \$100,000 with an economic gain (difference between the present value of the debt service payment on the old and new debt) of approximately \$1,200,000.

The annual requirements to pay principal and interest on bond and lease obligations, excluding deferred refunding costs and bond premiums/discounts, are as follows:

<u>Fiscal Year</u>	<u>Governmental Activities General Obligation Bonds</u>		<u>Business-Type Activities Capital Leases Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 1,845,000	\$ 439,900	\$ 1,012,853	\$ 319,535
2017	485,000	363,606	1,047,187	279,021
2018	540,000	335,531	1,092,966	237,134
2019	590,000	313,931	1,144,467	193,415
2020	645,000	290,331	1,187,384	147,636
2021-25	4,030,000	1,015,455	2,503,520	151,070
2026-28	<u>2,505,000</u>	<u>205,837</u>	<u>-</u>	<u>-</u>
	<b><u>\$ 10,640,000</u></b>	<b><u>\$ 2,964,591</u></b>	<b><u>\$ 7,988,377</u></b>	<b><u>\$ 1,327,811</u></b>

### E. Commitments

#### Primary Government

The City has entered into agreements with the Michigan Department of Transportation to participate in MDOT administered Transportation Alternative Program projects for the West End Beach Trail and West Front Street from City Limits to Elmwood Avenue. Total City participation for the projects will be approximately \$308,000 and \$394,000, respectively.

# CITY OF TRAVERSE CITY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

---

### Component Units

#### **Downtown Development Authority**

The 2007 City of Traverse City Downtown Development Authority Tax Exempt Refunding Bonds, the 2002B City of Traverse City Downtown Development Authority Taxable Bonds, and the 2009 City of Traverse City Downtown Development Authority Tax Exempt Old Town Parking Deck Bonds are reported on the City of Traverse City financial statements. The Downtown Development Authority has pledged tax increment revenues for the payment of these bonds. The Downtown Development Authority provides these tax increment revenues to the City less the developer required contribution for bond payment on the 2007 debt. The developer's required contribution is \$18,986 annually through 2017. The City has pledged its limited tax full faith and credit for the payment of the principal and interest on the bonds.

The following are the future minimum payments expected to be received from the Downtown Development Authority based on the collection of tax increment revenues in the Tax Increment Financing and Development Plan No. 97 and No. 2:

<b><u>Fiscal</u></b> <b><u>Year End</u></b>	<b><u>Amount</u></b>
2016	\$ 2,284,900
2017	848,606
2018	875,531
2019	903,931
2020	935,331
2021-2025	5,045,455
2026-2028	<u>2,710,837</u>
<b>Total</b>	<b><u>\$ 13,604,591</u></b>

#### **Light and Power**

#### **Property**

During fiscal year 2003-04, the Department entered into an agreement with Maritime Heritage Alliance to lease a Department owned coal dock. The lease requires annual rental payments of \$1. Under the lease agreement, the lessee must maintain the property, carry adequate insurance, and pay all assessments and property taxes on the property. The fair value of the lease is not considered by management to be significant in any one year and, therefore, is not recorded as contributed revenue and lease expense. This lease expires July 2023.

# CITY OF TRAVERSE CITY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

---

### **Contracts**

During the fiscal year, the Board authorized to fund the high level lighting, low level decorative lighting, and the primary service of the City's West Front Street Project in the amount of \$527,000. There were no capital costs incurred as of fiscal year end.

At the April 14, 2015 board meeting, the Board authorized to execute a construction agreement in the amount of \$682,784 with CC Power LLC for the West Side Transmission Line Upgrade project in the amount of \$612,959 and the Hickory Hills Underground Line Project in the amount of \$69,825. Commencement of these projects occurred after fiscal year end.

At the April 28, 2015 board meeting, the Board authorized procurement agreement for two transformers for the South Substation in the amount of \$1,241,409. There were no capital costs incurred as of fiscal year end.

At the June 9, 2015 board meeting, the Board authorized to execute two construction agreements in the amount of \$255,745 with Severance Electric for the Union Street conduit installation and \$499,479 with Kent Power for electrical cable and equipment installation for the Pine and State Street - Overhead to Underground Conversion project. Additionally a purchase order was issued in the amount of \$407,928 for underground cable to Power Line Supply. Commencement of this project occurred after fiscal year end.

At the June 9, 2015 board meeting, the Board authorized to execute construction agreement with Grand Traverse Construction for the Hastings Street Storage Facility in the amount of \$411,607. Commencement of this project occurred after fiscal year end.

### **F. Contingencies**

The City and its component units participate in federally assisted grant programs, which are subject to financial and compliance audits. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements, and is subject to audit by grantor agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

# CITY OF TRAVERSE CITY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

---

### III. OTHER INFORMATION

#### A. Risk management

The government 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. During the year ended June 30, 2015, the government carried insurance through various commercial carriers, including the Michigan Municipal League, to cover risks of losses. The government has had no settled claims resulting from these risks that exceeded its commercial coverage in the past three fiscal years.

#### B. Joint agreements

Beginning June 1, 1978, the City entered into an agreement with the County of Grand Traverse for the joint ownership and operation of the Governmental Center. Under the terms of the agreement, the City owns 26.39% of the property and the County owns the remaining 73.61%. The City's share of the original building cost was \$935,000.

Under the terms of a separate agreement, the City reimburses the County of Grand Traverse for its pro rata share of operation and maintenance costs of the Governmental Center. The City's share of these costs for the year ended June 30, 2015 amounted to \$113,670, which is included in General Fund expenditures.

#### C. Property taxes

The government's property taxes are levied each July 1 on the taxable valuation of property located in the City as of the preceding December 31, the lien date. Property taxes are payable without penalty and interest through August 31; as of March 1 of the succeeding year, unpaid real property taxes are sold to and collected by Grand Traverse County.

The 2014 adjusted taxable valuation of the City totaled \$832,130,889, on which ad valorem taxes levied consisted of 11.1167 mills for operating purposes and 2.32 mills for Act 345.

Included in the taxable valuation is the Downtown Development Authority ("DDA"). The taxable value for the DDA is \$128,462,015. The DDA general operating tax rate for was 1.8038 mills. Property taxes are also derived from tax increment financing agreements between the DDA and other taxing districts. Under these arrangements, the DDA receives those property taxes levied on the increment of current taxable valuations (determined as of the preceding December 31, the lien date) over base year assessed valuations on certain property located in the City of Traverse City, which are within the DDA district. Property taxes are recognized in the fiscal year in which they are levied.

# CITY OF TRAVERSE CITY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

---

### D. Defined benefit pension plans

The City has three defined benefit retirement plans, The Act 345 Retirement System covering police and fire department personnel, The MERS Traverse City Light and Power Plan covering the Light and Power Component Unit employees and the MERS City of Traverse City-General Plan covering all other City employees.

#### **Police and Fire Department Employees' Retirement Fund (Act 345)**

##### **Method used to value Investments**

Investments are reported at fair value. Short-term investments are valued 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. Real Estate consists of shares in a Real Estate Investment Trust which are valued at the last reported sales price at current exchange rates.

*Plan administration.* The City administers the Police and Fire Department Employees' Retirement Fund (Act 345) - a single employer defined benefit pension plan that provides pensions to eligible Police and Fire Department Employees. Public Act 345 grants the authority to establish and amend the benefit terms to the Act 345 Board of Trustees.

Management of the plan is vested in the Act 345 Board, which consists of 5 members - The City Treasurer, an elected member from the Fire Department and Police Department and two at large members.

*Plan membership.* At June 30, 2015 the most recent actuarial valuation date, membership consisted of:

Retirees and beneficiaries currently receiving benefits	66
Terminated plan members entitled to but not yet receiving benefits	3
Active plan members	<u>49</u>
<b>Total</b>	<b><u>118</u></b>

*Benefits provided.* The plan provides retirement, disability, and death benefits. Police employees are eligible at age 50 with 25 or more years of service, additionally, Police Patrol employees at age 60 with 10 years of service and Police Captains at age 60 regardless of service. Fire employees are eligible at any age with 25 years of service, at age 55 with 10 years of service and at age 60 regardless of service.



# CITY OF TRAVERSE CITY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

---

Police employees hired prior to 7/1/2009 receive retirement equal to 2.8% (2.5% for service on or after 6/30/2014) of the 3 year average final compensation (AFC) times first 25 years of service plus 1% of AFC times years of service in excess of 25 years. Fire employees hired prior to 7/1/2009 receive 2.8% of 3 year AFC times first 25 years of service plus 1% of AFC times years of service after 25 years. All Police or Fire employees hired on or after 7/1/2009 receive 2% of the 3 year AFC times first 25 years of service plus 1% of AFC times years of service after 25 years.

All members are eligible for deferred retirement after 10 or more years of service computed as a service retirement but based on years of service, AFC, and benefits in effect at termination. Benefits begin at date retirement would have occurred had member remained in employment.

A death after retirement survivor's pension is payable to a surviving spouse upon the death of a retired member who was receiving a pension which was effective 7/1/1975 or later equal to 60% of the deceased member's benefit.

A non-duty-death-in-service survivor's pension is payable upon the death of a member with 20 (police) or 10 (fire) or more years of service.

A Police duty-death-in-service survivor's pension is payable upon expiration of Worker's Compensation, to survivors of a member that died in the line of duty equal to the amount that was paid by Worker's Compensation. A Fire duty-death-in-service is payable to the surviving spouse equal to 100% of a benefit calculated as if the deceased member had retired with 25 years of service.

A non-duty disability benefit is payable upon the total and permanent disability of a Police or Fire member with 5 or more years of service. The amount will be 1.5% of AFC times the years of service up to age 55 and an amount equal to the service retirement amount at age 55 or older.

A duty disability benefit is payable for a member permanently disabled in the line of duty to age 55 of 50% (70% for Fire) of AFC. At or after age 55, the amount is the same as a service retirement pension with service credit from the date of the disability to age 55.

Post retirement increases are available at various rates as follows: Pre 7/1/1990 retirees- 2.5% of original pension amount given annually for twenty years. Police Sergeants Unit effective 8/1/1998 - 2.5% of the original pension or the current consumers price index inflation rate whichever is lower, given annually for twenty years. Police Captains Unit effective 1/1/1994 - 2.5% of the original pension or the current consumers price index inflation rate whichever is lower, given annually for twenty years. Police Patrol Unit effective 1/1/1999 - 2.5% of the original pension or the current consumers price index inflation rate whichever is lower, given annually for twenty years. Firefighters effective 7/1/2000 - 2.5% of the original pension or the current consumers price index inflation rate whichever is lower, given annually for twenty years.

# CITY OF TRAVERSE CITY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

---

*Contributions.* Effective July 1, 2013, each Police Captain employee shall make a retirement contribution of 6.00% of gross salary and all Firefighter employees shall make a retirement contribution of 4.53% of gross salary.

*Investment policy.* The plan's policy in regard to the allocation of invested assets is established and may be amended by the Act 345 Pension Board of Trustees. Investment objectives consider both the plan's financial and liquidity needs and the Board's tolerance for investment risk and inflation expectations. A strategic asset allocation plan is developed to attempt to achieve the Board's investment objectives while maximizing expected investment returns with a prudent amount of investment risk and recognizing that the capital markets may behave differently over any period of time, through the life of the plan. The following was the Board's adopted asset allocation policy as of June 30, 2015:

<b>Asset class</b>	<b>Target Allocation</b>
Domestic fixed income	23%
International fixed income	5%
Domestic equity	50%
International equity	15%
Real Estate	5%
Cash	2%

*Concentrations.* At June 30, 2015 the Plan did not hold investments greater than 5% of the plans fiduciary net position in any one organization.

*Rate of Return.* For the year ended June 30, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan expense, was 1.77%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

*Net Pension Liability.* The employer's Net Pension Liability was measured as of December 31, 2014, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of that date.

*Actuarial assumptions.* The total pension liability was determined by an actuarial valuation as of June 30, 2014 with a June 30, 2015 measurement date and reporting date, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	4.0%
Salary increases	4.00%-7.00%
Investment rate of return	7.5%, net of pension plan investment expense

Mortality rates were determined based on the RP-2000 Healthy Annuitant Mortality Table for Males or Females, as appropriate, projected 20 years with Scale AA.

# CITY OF TRAVERSE CITY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

---

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 real rates of return 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. For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2015, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Domestic Fixed Income	23.00%	1.50%
International Fixed Income	5.00%	1.00%
Domestic Equity	50.00%	5.7% to 9.6%**
International Equity	15.00%	4.00%
Real Estate	5.00%	5.50%
Cash	2.00%	0.00%

\* *Real rate of return is based on inflation assumption of 2.0%*

\* *Depending on large, mid, or small cap*

*Single discount rate.* A single discount rate of 7.50% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.50%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension 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 pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

# CITY OF TRAVERSE CITY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

*Changes in Net Pension Liability.*

Fiscal year ending June 30,	2014	2015
<b>Total Pension Liability</b>		
Service Cost	\$ 492,852	\$ 644,925
Interest on the Total Pension Liability	2,897,030	2,993,916
Benefit changes	-	-
Difference between expected and actual experience of the Total Pension Liability	-	(802,207)
Assumption changes	-	-
Benefits paid and refunds	(2,096,654)	(2,251,552)
<b>Net change in Total Pension Liability</b>	1,293,228	585,082
<b>Total Pension Liability - Beginning</b>	39,428,961	40,722,189
<b>Total Pension Liability- Ending (a)</b>	\$ 40,722,189	\$ 41,307,271
<b>Plan Fiduciary Net Position</b>		
Employer contributions	\$ 1,639,480	\$ 1,683,306
Employee contributions	75,526	76,863
Pension plan net investment income	3,883,457	463,881
Benefit payments and refunds	(2,096,654)	(2,251,552)
Pension plan administrative expense	(10,567)	(16,523)
Other	(114,710)	-
<b>Net Change in Plan Fiduciary Net Position</b>	3,376,532	(44,025)
<b>Plan Fiduciary Net Position - Beginning</b>	22,910,305	26,286,837
<b>Plan Fiduciary Net Position - Ending (b)</b>	\$ 26,286,837	\$ 26,242,812
<b>Net Pension Liability - Ending (a)-(b)</b>	\$ 14,435,352	\$ 15,064,459

# CITY OF TRAVERSE CITY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

*Sensitivity of the net pension liability to changes in the discount rate.* The following presents the plan's net pension liability, calculated using a single discount rate of 7.50%, as well as what the plan's net pension liability would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

	<u>1% Decrease</u> 6.50%	<u>Current</u> SDR 7.50%	<u>1% Increase</u> 8.50%
Total Pension Liability	\$ 46,465,163	\$ 41,307,271	\$ 37,005,961
Plan Fiduciary Net Position	<u>26,242,812</u>	<u>26,242,812</u>	<u>26,242,812</u>
Net Pension Liability/(Asset)	<u>\$ 20,222,351</u>	<u>\$ 15,064,459</u>	<u>\$ 10,763,149</u>

*Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.* For the year ended June 30, 2015 the employer recognized pension expense of \$1,752,855. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred</u> <u>Outflow</u>	<u>Deferred</u> <u>Inflow</u>
Deficit Investment Return	\$ 1,190,868	\$ -
Difference in Experience	<u>-</u>	<u>631,310</u>
Total	<u>\$ 1,190,868</u>	<u>\$ 631,310</u>

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

	<u>Deferred</u> <u>Outflow</u>	<u>Deferred</u> <u>Inflow</u>
2016	\$ 297,717	\$ 170,897
2017	297,717	170,897
2018	297,717	170,897
2019	<u>297,717</u>	<u>170,897</u>
Total	<u>\$ 1,190,868</u>	<u>\$ 631,310</u>

# CITY OF TRAVERSE CITY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

---

### MERS City of Traverse City - General Plan

**Plan Description.** The employer's defined benefit pension plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. The employer participates in MERS of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at [www.mersofmich.com](http://www.mersofmich.com).

### Benefits Provided

<b>01 - Admin Stf &amp; ACT prior 7/1/09: closed to new hires, linked to Division 13</b>	
	<b>2014 Valuation</b>
<b>Benefit Multiplier:</b>	Bridged Benefit: 2.25% Multiplier (80% max) Termination FAC; to 1.50% Multiplier (80% max)
<b>Bridged Benefit Date:</b>	06/30/2014
<b>Normal Retirement Age:</b>	60
<b>Vesting:</b>	6 years
<b>Early Retirement (Unreduced):</b>	55/25
<b>Early Retirement (Reduced):</b>	50/25 55/15
<b>Final Average Compensation:</b>	5 years
<b>COLA for Current/Future Retirees:</b>	2.50% (Non-Compound)
<b>Employee Contributions:</b>	0%
<b>Act 88:</b>	No

# CITY OF TRAVERSE CITY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

<b>11 - Gnl GME: Closed to new hires, linked to Division 14</b>	
	<b>2014 Valuation</b>
<b>Benefit Multiplier:</b>	Bridged Benefit: 2.25% Multiplier (80% max) Termination FAC; to 1.50% Multiplier (80% max)
<b>Bridged Benefit Date:</b>	06/30/2014
<b>Normal Retirement Age:</b>	60
<b>Vesting:</b>	6 years
<b>Early Retirement (Unreduced):</b>	55/25
<b>Early Retirement (Reduced):</b>	50/25
<b>Final Average Compensation:</b>	55/15
<b>COLA for Current/Future Retirees:</b>	5 years
<b>Employee Contributions:</b>	2.50% (Non-Compound)
<b>Act 88:</b>	0%
	No
<b>13 - ACT hired after 7/1/09: Open Division, linked to Division 01</b>	
	<b>2014 Valuation</b>
<b>Benefit Multiplier:</b>	1.50% Multiplier (no max)
<b>Normal Retirement Age:</b>	60
<b>Vesting:</b>	6 years
<b>Early Retirement (Unreduced):</b>	55/25
<b>Early Retirement (Reduced):</b>	50/25
<b>Final Average Compensation:</b>	55/15
<b>Employee Contributions:</b>	5 years
<b>Act 88:</b>	0%
	No

# CITY OF TRAVERSE CITY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

<b>14 - General GME hired after 7/1/09: Open Division, linked to Division 11,16</b>	
	<b>2014 Valuation</b>
<b>Benefit Multiplier:</b>	1.50% Multiplier (no max)
<b>Normal Retirement Age:</b>	60
<b>Vesting:</b>	6 years
<b>Early Retirement (Unreduced):</b>	55/25
<b>Early Retirement (Reduced):</b>	50/25
	55/15
<b>Final Average Compensation:</b>	5 years
<b>Employee Contributions:</b>	0%
<b>Act 88:</b>	No
<b>15 - ACT hired prior to 7/1/09: Closed to new hires</b>	
	<b>2014 Valuation</b>
<b>Benefit Multiplier:</b>	2.25% Multiplier (no max)
<b>Normal Retirement Age:</b>	60
<b>Vesting:</b>	6 years
<b>Early Retirement (Unreduced):</b>	55/25
<b>Early Retirement (Reduced):</b>	50/25
	55/15
<b>Final Average Compensation:</b>	5 years
<b>Employee Contributions:</b>	0%
<b>Act 88:</b>	No
<b>16 - GME Tech/Clerical hired prior to 7/1/09: Closed to new hires, linked to Division 14</b>	
	<b>2014 Valuation</b>
<b>Benefit Multiplier:</b>	Bridged Benefit: 2.25% Multiplier (80% max) Termination FAC; to 1.50% Multiplier (80% max)
<b>Bridged Benefit Date</b>	06/30/2013
<b>Normal Retirement Age:</b>	60
<b>Vesting:</b>	6 years
<b>Early Retirement (Unreduced):</b>	55/25
<b>Early Retirement (Reduced):</b>	50/25
	55/15
<b>Final Average Compensation:</b>	5 years
<b>COLA for Future Retirees</b>	2.50% (Non-Compound)
<b>Employee Contributions:</b>	0%
<b>Act 88:</b>	No



# CITY OF TRAVERSE CITY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

---

- Benefits provided include plans with multipliers ranging from 1.5 to 2.25.
- Vesting period is six years.
- Normal retirement age is 60 with early retirement at 55 with 25 years of service.
- Final average compensation is calculated based on 5 years.
- There are no member contributions.

**Employees covered by benefits terms.** At the December 31, 2014 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	128
Inactive employees entitled to but not yet receiving benefits	21
Active employees	<u>93</u>
	<u>242</u>

**Contributions.** 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 cost of benefits earned by employees 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.

Employer contributions for the fiscal year ended June 30, 2015 were \$447,344 for the Admin & ACT hired prior to 7/1/2009 division, \$28,452 for the GME tech/clerical hired prior to 7/1/2009 division, \$354,120 for the General GME division, 7.34% of covered payroll for the General GME hired after 7/1/2009 division, and 7.46% of covered payroll for the ACT hired after 7/1/2009 division.

**Net Pension Liability.** The employer's Net Pension Liability was measured as of December 31, 2014, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of that date.

**Actuarial assumptions.** The total pension liability in the December 31, 2014 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 3%-4%

Salary Increases: 4.5% in the long-term (1%, 2%, and 3% for calendar years 2014, 2015, and 2016, respectively).

Investment rate of return: 8.00%, net investment expense, including inflation.

# CITY OF TRAVERSE CITY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

---

Although no specific price inflation assumptions are needed for the valuation, the 4.5% long-term wage inflation assumption would be consistent with a price inflation of 3%-4%.

Mortality rates used were based on the 1994 Group Annuity Mortality Table of a 50% Male and 50% Female blend. For disabled retirees, the regular mortality table is used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members.

The actuarial assumptions and methods are adopted by the MERS Retirement Board, and are reviewed every five years in an Experience Study, which will be completed in 2015.

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Global Equity	57.5%	5.02%
Global Fixed Income	20.0%	2.18%
Real Assets	12.5%	4.23%
Diversifying Strategies	10.0%	6.56%

**Discount rate.** The discount rate used to measure the total pension liability is 8.25% for 2014. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay 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.

# CITY OF TRAVERSE CITY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

### Changes in Net Pension Liability

Calculating the Net Pension Liability			
Changes in Net Pension Liability	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
<b>Balances at 12/31/13</b>			
<b>Changes for the Year</b>	\$34,349,779	\$23,817,161	\$10,532,618
Service Cost	398,725	-	398,725
Interest on Total Pension Liability	2,753,614	-	2,753,614
Employer Contributions	-	1,033,594	(1,033,594)
Net investment Income	-	1,480,312	(1,480,312)
Benefit payments, including employee refunds	(2,343,998)	(2,343,998)	-
Administrative expense	-	(54,129)	54,129
<b>Net Changes</b>	<b>808,341</b>	<b>115,779</b>	<b>692,562</b>
<b>Balances as of 12/31/14</b>	<b>\$35,158,120</b>	<b>\$23,932,940</b>	<b>\$11,225,180</b>

**Sensitivity of the Net Position Liability to changes in the discount rate.** The following presents the Net Pension Liability of the employer, calculated using the discount rate of 8.25%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower (7.25%) or 1% higher (9.25%) than the current rate.

	1% Decrease 7.25%	Current Discount Rate (8.25%)	1% Increase 9.25%
<u>Net Pension Liability at 12/31/14</u>			
	\$ 11,225,180	\$ 11,225,180	\$11,225,180
Change in Net Pension Liability (NPL)	3,640,954	-	(3,094,776)
<b>Calculated NPL</b>	<b>\$14,866,134</b>	<b>\$11,225,180</b>	<b>\$8,130,404</b>

Note: The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because for GASB purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expenses.

# CITY OF TRAVERSE CITY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

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

For the year ended June 30, 2015 the employer recognized pension expense of \$1,383,503. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Excess (Deficit) Investment Returns	\$ 342,653	\$ -
Contributions subsequent to the measurement date*	\$ 491,800	\$ -
Total	\$ 834,453	\$ -

\* The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the year ending June 30, 2015.

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

#### Year Ended

2016	\$ 85,663
2017	85,663
2018	85,663
2019	85,664
	<hr/>
	\$ 342,653

### **MERS Traverse City Light and Power Plan**

**Plan Description.** The employer's defined benefit pension plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. The employer participates in MERS of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at [www.mersofmich.com](http://www.mersofmich.com).

# CITY OF TRAVERSE CITY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

### Benefits Provided

<b>01 - Non Union – Open Division</b>	
	<b>2014 Valuation</b>
<b>Benefit Multiplier:</b>	<b>2.25% Multiplier (80% max)</b>
<b>Normal Retirement Age:</b>	<b>60</b>
<b>Vesting:</b>	<b>10 years</b>
<b>Early Retirement (Unreduced):</b>	<b>55/25</b>
<b>Early Retirement (Reduced):</b>	<b>50/25</b>
	<b>55/15</b>
<b>Final Average Compensation:</b>	<b>5 years</b>
<b>COLA for Current/Future Retirees:</b>	<b>2.50% (Non-Compound)</b>
<b>Member Contributions:</b>	<b>0%</b>
<b>Act 88:</b>	<b>No</b>
<b>10 - Union closed to new hires, linked to Division 12</b>	
	<b>2014 Valuation</b>
<b>Benefit Multiplier:</b>	<b>2.25% Multiplier (80% max)</b>
<b>Normal Retirement Age:</b>	<b>60</b>
<b>Vesting:</b>	<b>6 years</b>
<b>Early Retirement (Unreduced):</b>	<b>50/25</b>
<b>Early Retirement (Reduced):</b>	<b>55/15</b>
<b>Final Average Compensation:</b>	<b>5 years</b>
<b>COLA for Current/Future Retirees:</b>	<b>2.50% (Non-Compound)</b>
<b>Member Contributions:</b>	<b>0%</b>
<b>Act 88:</b>	<b>No</b>
<b>12 - Union hired after 7/1/2012, linked to Division 10</b>	
	<b>2014 Valuation</b>
<b>Benefit Multiplier:</b>	<b>1.5% Multiplier (no max)</b>
<b>Normal Retirement Age:</b>	<b>60</b>
<b>Vesting:</b>	<b>6 years</b>
<b>Early Retirement (Unreduced):</b>	<b>55/25</b>
<b>Early Retirement (Reduced):</b>	<b>55/15</b>
	<b>50/25</b>
<b>Final Average Compensation:</b>	<b>5 years</b>
<b>COLA for Future Retirees:</b>	<b>2.50% (Non-Compound)</b>
<b>Member Contributions:</b>	<b>0%</b>
<b>Act 88:</b>	<b>No</b>

# CITY OF TRAVERSE CITY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

---

- Benefits provided include plans with multipliers ranging from 1.5 to 2.25.
- Vesting periods range from 6 to 10 years.
- Normal retirement age is 60 with early retirement at 55 with 25 years of service.
- Final average compensation is calculated based on 5 years.
- There are no member contributions.

**Employees covered by benefits terms.** At the December 31, 2014 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	53
Inactive employees entitled to but not yet receiving benefits	5
Active employees	<u>38</u>
	<u>96</u>

**Contributions.** 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 cost of benefits earned by employees 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.

Employer contributions range from 7.27 to 21.26% based on annual payroll for open divisions. One division that is closed to new employees has an annual employer contribution amount of 52,526.

**Net Pension Liability.** The employer's Net Pension Liability was measured as of December 31, 2014, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of that date.

**Actuarial assumptions.** The total pension liability in the December 31, 2014 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 3%-4%

Salary Increases: 4.5% in the long-term (1%, 2%, and 3% for calendar years 2014, 2015, and 2016, respectively).

Investment rate of return: 8.25%, net investment expense, including inflation.

Although no specific price inflation assumptions are needed for the valuation, the 4.5% long-term wage inflation assumption would be consistent with a price inflation of 3%-4%.

# CITY OF TRAVERSE CITY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

---

Mortality rates used were based on the 1994 Group Annuity Mortality Table of a 50% Male 50% Female blend. For disabled retirees, the regular mortality table is used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members.

The actuarial assumptions and methods are adopted by the MERS Retirement Board, and are reviewed every five years in an Experience Study, which will be completed in 2015.

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Global Equity	57.5%	5.02%
Global Fixed Income	20.0%	2.18%
Real Assets	12.5%	4.23%
Diversifying Strategies	10.0%	6.56%

**Discount rate.** The discount rate used to measure the total pension liability is 8.25% for 2014. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay 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.

# CITY OF TRAVERSE CITY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

### Changes in Net Pension Liability

Calculating the Net Pension Liability			
Changes in Net Pension Liability	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at 12/31/13			
<b>Changes for the Year</b>	\$25,914,564	\$16,115,516	\$9,799,048
Service Cost	313,020	-	313,020
Interest on Total Pension Liability	2,083,781	-	2,083,781
Employer Contributions	-	773,230	(773,230)
Net investment Income	-	1,000,478	(1,000,478)
Benefit payments, including employee refunds	(1,626,244)	(1,626,244)	-
Administrative expense	-	(36,578)	36,578
<b>Net Changes</b>	<b>770,557</b>	<b>110,886</b>	<b>659,671</b>
<b>Balances as of 12/31/14</b>	<b>\$26,685,121</b>	<b>\$16,226,402</b>	<b>\$10,458,719</b>

**Sensitivity of the Net Position Liability to changes in the discount rate.** The following presents the Net Pension Liability of the employer, calculated using the discount rate of 8.25%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower (7.25%) or 1% higher (9.25%) than the current rate.

	1% Decrease 7.25%	Current Discount Rate (8.25%)	1% Increase 9.25%
Net Pension Liability at 12/31/14 <i>From Step 2 Excel Calculation</i>	\$10,458,719	\$ 10,458,719	\$10,458,719
Change in Net Pension Liability (NPL)	2,955,785	-	(2,504,941)
<b>Calculated NPL</b>	<b>\$13,414,504</b>	<b>\$10,458,719</b>	<b>\$7,953,778</b>

Note: The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because for GASB purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expenses.



# CITY OF TRAVERSE CITY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

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

For the year ended June 30, 2015 the employer recognized pension expense of \$1,199,016. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Excess (Deficit) Investment Returns	\$ 233,885	\$ -
Contributions subsequent to the measurement date*	\$ 407,015	\$ -
Total	\$ 640,900	\$ -

\* The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the year ending 2015.

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

#### Year Ended

2016	\$ 58,471
2017	58,471
2018	58,471
2019	58,472
	<u>\$ 233,885</u>

### **Deferred Compensation Plans**

#### **Downtown Development Authority Component Unit**

The Downtown Development Authority sponsors the Traverse City Downtown Development Authority Deferred Compensation Plan created in accordance with the Internal Revenue Code Section 457. The administrator of the plan is ICMA Retirement Corporation. The plan is available to all employees. Participants may contribute any amount allowed by the plan and the employer will match employee contributions up to 7% percent of covered payroll based on the employee's employment contract. Plan provision and contribution requirements can only be amended by authorization of the Board of Directors. In the current year, the Downtown Development Authority contributed \$18,721 and the employees contributed \$21,102.

# CITY OF TRAVERSE CITY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

---

### **Primary Government and Light and Power Component Unit**

The City and Traverse City Light and Power participated in the City's Deferred Compensation Plan created in accordance with the Internal Revenue Code Section 457. The City has ICMA Retirement Corporation and Mass Mutual as administrators for the Plan. Participants may contribute zero to six percent of covered payroll based on the employee's employment or labor union contract. Plan provision and contribution requirements can only be amended by authorization of the City Commission. In the current fiscal year, the employer contribution to the plan was \$535,473 and the employees contributed \$632,080. Of these amounts Traverse City Light and Power contributed \$155,230 and their employees contributed \$210,026.

### **E. Postemployment health benefits**

The City has two postemployment health benefit plans, one covering Police and Fire Department personnel and the other covering all other employees of the City and the Light and Power Component Unit employees.

#### **Act 345 Retiree Health Insurance Plan**

##### **Description of benefits**

The Act 345 Retiree Health Insurance Plan (the "Act 345 RHIP") is a single-employer defined benefit health care plan administered by the City. The Act 345 RHIP provides medical insurance benefits to eligible retirees and their spouses. Public Act 345 of the State of Michigan is the plan document that governs the plan but may be amended by the City. The plan is accounted for in the Act 345 Retirement System. The Act 345 RHIP does not issue a stand alone financial report. Administrative costs are paid by the plan through employer contributions.

##### **Funding Policy**

The Police Sergeants' and Officers' collective bargaining units limit the employer contribution to the cost of the January 1, 1991 premium increased five percent per year, compounded thereafter. The Police Captains' collective bargaining unit limits the employer contribution to the cost of the January 1, 1990 premium increased five percent per year, compounded thereafter. The Firefighters' collective bargaining unit provides benefits for retirees previous to July 1, 1994 as described in their collective bargaining agreement in effect on the date of their retirement. Firefighters who retire after July 1, 1995 receive a capped benefit as described in the July 1, 1999 collective bargaining agreement.

For the fiscal year end June 30, 2015, the City contributed \$368,876 to fund the benefits. The balance of the Act 345 Retiree Health Insurance Fund to be used for future benefits is \$3,364,981 as of June 30, 2015.

# CITY OF TRAVERSE CITY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

### Funding Progress

The annual OPEB costs, the percentage contributed to the plan, and the net OPEB asset for the current year were as follows:

Annual required contribution	\$ 368,876
Interest on net OPEB obligation	-
Adjustment to annual required contribution	<u>                  -</u>
 Annual OPEB cost (expense)	 368,876
 Contributions made	 <u>          368,876</u>
 Increase in net OPEB obligation	 -
Net OPEB obligation, beginning of year	<u>                  -</u>
 Net OPEB obligation, end of year	 <u><u>                  -</u></u>

### Three-year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost (AOC)</u>	<u>Percentage of AOC Contributed</u>	<u>Net OPEB Obligation</u>
6/30/13	\$ 417,585	100%	-
6/30/14	358,555	100%	-
6/30/15	368,876	100%	-

### Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Liability (AAL) Entry Age (b)</u>	<u>Actuarial Accrued Unfunded Liability (AAL) (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
6/30/14	\$ 3,698,682	\$ 7,153,649	\$3,454,967	51.7%	\$ 3,262,658	105.9%

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 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, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

# CITY OF TRAVERSE CITY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

---

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 the 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 calculation.

In the June 30, 2014, actuarial valuation, the individual entry-age actuarial cost method, and an amortization period of 20 years were utilized. The actuarial assumptions included a 7.5% rate of investment return and a payroll growth rate for open divisions assumed to be between 4.0 to 7.0%.

Additional required supplementary information regarding other postemployment health benefits plan is reported in the supplemental information portion of the financial statements. The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities of benefits.

### **Retiree Health Insurance Plan**

#### **Description of Benefits**

The Retiree Health Insurance Plan (the "RHIP") is a single-employer defined benefit health care plan administered by the City. The RHIP provides medical insurance benefits to general municipal eligible retirees and their spouses.

The plan is accounted for in the Retiree Health Insurance Trust Fund and the Retiree Health Insurance Agency Fund.

The RHIP does not issue a stand alone financial report. Administrative costs are paid by the plan through employer contributions.

The City approved a resolution April 16, 2007, which allows the City to establish a retiree health funding vehicle, a trust fund, under the MERS system.

#### **Funding Policy**

The City non-union employees are eligible at the time of retirement for health insurance premiums paid for three years (only the retiree). The Teamsters municipal, clerical, and technical employees are eligible at the time of retirement if they have ten years of service for premium payments of \$225 per month. The Traverse City Light and Power component unit employees are eligible at time of retirement for payment of the retiree's health insurance premium until they reach the age of Medicare eligibility and at that time premiums for complementary coverage.

# CITY OF TRAVERSE CITY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

---

The City contribution was the annual required contribution in addition to the pay-as-you-go financing requirements. For the current year, the annual required contribution for the City and Traverse City Light and Power was \$265,651. Of this amount, the City's portion of the annual required contribution was \$1,420 and Traverse City Light and Power's portion of the annual required contribution was \$264,231. The actual employer contribution for the City was \$52,133 and \$264,231 for Traverse City Light and Power

### **Funding Progress**

The annual OPEB costs, the percentage contributed to the plan, and the net OPEB asset for the current year were as follows:

#### **Primary government**

Annual required contribution	\$ 1,420
Interest on net OPEB asset	-
Adjustment to annual required contribution	<u>-</u>
Annual OPEB cost (expense)	1,420
Contributions made	<u>52,133</u>
Increase in net OPEB asset	50,713
Net OPEB asset, beginning of year	<u>329,035</u>
Net OPEB asset, end of year	<u>\$ 379,748</u>

#### **Component unit**

Annual required contribution	\$ 264,231
Interest on net OPEB asset	-
Adjustment to annual required contribution	<u>-</u>
Annual OPEB cost (expense)	264,231
Contributions made	<u>485,325</u>
Increase in net OPEB asset	221,094
Net OPEB asset, beginning of year	<u>928,445</u>
Net OPEB asset, end of year	<u>\$ 1,149,539</u>

# CITY OF TRAVERSE CITY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

### Trend Information

<b><u>Fiscal Year Ending</u></b>	<b><u>Annual OPEB Cost (AOC)</u></b>	<b><u>Percentage of AOC Contributed</u></b>	<b><u>Net OPEB Obligation</u></b>
6/30/13	\$ 284,110	100%	\$ -
6/30/14	265,649	100%	\$ -
6/30/15	265,651	100%	\$ -

### Schedule of Funding Progress

<b><u>Actuarial Valuation Date</u></b>	<b><u>Actuarial Value of Assets (a)</u></b>	<b><u>Actuarial Liability (AAL) Entry Age (b)</u></b>	<b><u>Unfunded AAL (UAAL) (b-a)</u></b>	<b><u>Funded Ratio (a/b)</u></b>	<b><u>Covered Payroll (c)</u></b>	<b><u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u></b>
12/31/13	\$ 3,200,892	\$ 5,707,204	\$ 2,506,312	56%	\$ 7,773,357	32%

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 healthcare cost trends. 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 City is currently funding the plan by paying the current insurance premiums due and the annual required contribution.

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 the 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 calculation.

In the December 31, 2013, actuarial valuation, the individual entry-age normal actuarial cost method, level dollar of payroll if the divisions are open to new hires and as a level dollar if the divisions are closed to new hires, and an amortization period of 30 years were utilized. The actuarial assumptions included an 8% rate of investment return.

# CITY OF TRAVERSE CITY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

---

Additional required supplementary information regarding other postemployment health benefits plan is reported in the supplemental information portion of the financial statements. The required schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities of benefits.

### **F. Entitlement commitment - power supply purchase Traverse City Light and Power**

In September 2010, the Department entered into two 5-year agreements with the Lansing Board of Water & Light (“LBWL”) to commence January 1, 2011. The purchase power agreement allows for the purchase of a minimum of 10 megawatts of electric energy up to a maximum of 45 megawatts to replace its deficient energy needs from the expired agreement with MPPA power pool. The estimated cost for the 5-year term is \$40,000,000. The energy service agency agreement provides for LBWL to act as the Department’s agent with MISO. LBWL will enter into third party contracts to purchase energy and sell surplus energy into the MISO daily and hourly markets. The estimated cost for the 5-year term is \$375,000. For the year ended June 30, 2015, the Department recognized expenses totaling \$5,315,446.

The Department, along with other Michigan municipal utilities, is a member of the MPPA. The agency was formed to acquire interest in certain electric generating plants and related transmission lines to service its members. MPPA has acquired a 4.8% undivided interest in the Consumers Energy Campbell 3 plant, an 18.6% undivided interest in the Detroit Edison Belle River project, and 100% undivided interest in the Kalkaska Combustion Turbine project.

In 1983, the Department entered into a 35-year power supply and project support contract with MPPA. Under the agreement, the Department will purchase 26.35% of the energy generated by MPPA’s 4.8% interest in the Campbell 3 plant and 4.53% of the energy generated by MPPA’s 18.6% interest in the Belle River plant. In 2002, the Department entered into a 25-year power supply and project support contract with MPPA. Under the agreement, the Department will purchase 75.9% of the energy generated by MPPA’s 100% interest in the Kalkaska Combustion Turbine. In 2009, the Department entered into a power supply contract with MPPA. Under the agreement, the Department will purchase 8.13% of the energy generated in the MPPA’s renewable energy contract with Grainger Electric of Michigan, LLC. In 2011, the Department entered into a power supply contract with MPPA. Under the agreement, the Department will purchase 8.13% of the energy generated in the MPPA’s renewable energy contract with Northern American Natural Resources of Michigan. In 2014, the Department entered into an Energy Services Agreement with MPPA for the objective of accessing third party marketers in MISO for the purpose of reducing exposure to MISO market during volatile seasons. This is accomplished through MPPA soliciting bids and subsequently entering into contracts on behalf of TCL&P for firm priced energy supply during more volatile months.

# CITY OF TRAVERSE CITY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2015, Traverse City Light and Power recognized expenses totaling \$14,352,256 to purchase power under the terms of all contracts with MPPA. The price of the power was calculated on a basis, as specified in the contracts, to enable MPPA to recover its production, transmission, and debt service costs.

Under the terms of the contracts, the Department must make minimum annual payments to cover their share of annual debt service requirements and fixed operation costs of the Campbell 3, Belle River, and Combustion Turbine projects (based on the percentage of power purchased). Future operating costs are estimated based on 2014 costs adjusted for inflation. The total estimated future operating costs, which do not include the annual debt payments, are as follows:

<u>Year Ended December 31,</u>	<u>Operating Costs</u>
2016	\$ 7,467,896
2017	4,945,127
2018	5,093,481
2019	2,814,665
2020	2,899,105
2021-2025	15,853,494
2026-2027	7,027,216
	<u>\$46,100,984</u>

The estimated total annual debt payments (assuming no early calls or refinancing) are as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 2,871,939	\$ 1,166,712	\$ 4,038,651
2017	3,160,421	1,020,444	4,180,865
2018	3,300,335	880,189	4,180,524
2019	2,197,513	739,091	2,936,604
2020	2,276,835	656,765	2,933,600
2021-2025	9,321,865	2,019,013	11,340,878
2026-2027	3,392,730	256,542	3,649,272
	<u>\$26,521,638</u>	<u>\$6,738,756</u>	<u>\$33,260,394</u>

The MPPA and its member utilities were over-charged on their power sales contract agreements by Detroit Edison. Because of this, MPPA and the member utilities have established a trust fund (“The Municipal Competitive Trust”). Specific policies have been established by each member regarding the use of these funds. The Department’s share of this trust fund was \$988,038 as of June 30, 2015.



# CITY OF TRAVERSE CITY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

---

In December 2009, the Department entered into a 20-year purchase power agreement with Heritage Stoney Corners Wind Farm I, LLC to purchase up to 10 megawatts of electric energy and all associated renewable energy credits. For the year ended June 30, 2015, the Department recognized expenses totaling \$2,819,687.

In December 2014, the Department entered into a 20-year purchase power agreement with options to terminate on the 10<sup>th</sup> and 15<sup>th</sup> anniversary dates. The Agreement is with Heritage Sustainable Energy, LLC to purchase up to .6 MW of electric energy. For the year ended June 30, 2015, the Department recognized expenses totaling \$8,890.

### **G. Related party transactions**

#### **Component unit**

The Downtown Development Authority (“DDA”) along with a developer has committed to pay the principal and interest on Hardy Parking Deck bonds. A partner of the developer who made the commitment along with the DDA is a board member.

### **H. Subsequent events**

#### **Primary government**

The Boardman River Dams Implementation Team is coordinating The Boardman River Dams Project which consists of removal of the Brown Bridge, Boardman, and Sabin Dams and modification of the Union Street Dam along the Boardman River as part of an effort to restore the Boardman River to a more natural flowing coldwater river. The City of Traverse City and Traverse City Light & Power have representation on the Boardman River Dams Implementation Team along with several other parties including State and Federal agencies. The first stage of the restoration project involved removal of the Brown Bridge Dam which was owned by the City. A drawdown of the Brown Bridge Pond to a level that allows for the deconstruction of the dam was undertaken. On October 6, 2012, a breach of the temporary dewatering structure occurred, allowing uncontrolled flow of water into the Boardman River resulting in flood damage to various properties downstream. On May 17, 2013, the City was served with a complaint filed in Grand Traverse Circuit Court on behalf of six property owners downstream of the Brown Bridge Dam and their neighborhood association. Three subsequent complaints were filed with substantially the same allegations and the suits were consolidated by the Court. The complaints alleged violations of the Natural Resources and Environmental Protection Act (NREPA), the Michigan Environmental Protection Act (MEPA), a taking, trespass, gross negligence, and impairment of riparian rights. Prior to the removal of the dam the City purchased a \$3 Million pollution insurance policy under which this action is being defended. The contractors hired to remove the dam are contractually required to indemnify the City for property damage associated with the breach. The Michigan Department of Environmental Quality (DEQ) issued an Enforcement Notice on August 26, 2014 alleging certain violations of the permit issued for removal of the Brown Bridge Dam.

# CITY OF TRAVERSE CITY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

---

The DEQ has proposed to enter into a consent order with the City to resolve the Enforcement Notice, which would likely include further action items to be completed to restore the Boardman River such as placement of woody debris habitat and further evaluation of the river. Mediation was held in September of 2014 and a settlement was reached regarding the NREPA and MEPA claims in the Circuit Court action made by the plaintiffs which will release all defendants from those claims, including the City. The settlement will be fully funded by co-defendant Molon's insurance carrier. With regard to the Circuit Court action, all of the Plaintiffs' claims against the City have been disposed of either through settlement or motion with no payments being made by the City or from its insurance policy. The City will cooperate with the DEQ to resolve the remaining issue of the Enforcement Notice.

On August 15, 2011, an accident resulting in death occurred at the City's Duncan L. Clinch Marina. On September 14, 2011, a complaint and jury demand was filed in the Circuit Court for the County of Grand Traverse against the City and Dock Master under the Michigan Wrongful Death Act in an amount exceeding \$25,000 exclusive of interest and costs. On January 5, 2012, a second complaint and jury demand was filed by a new plaintiff in the Circuit Court for the County of Grand Traverse against the City and Dock Master under a personal injury theory in an amount exceeding \$25,000 exclusive of interest and costs. The cases were consolidated by the Court. The Director of Public Services was subsequently added as a party defendant to the cases. The Court heard the City's motion for summary disposition in January 2013 and granted it on the basis of governmental immunity as to the City and the Director of Public Services, both of whom were dismissed from the suit. The motion was denied as to the Dock Master, leaving him as the sole City-defendant in the case. The Court's decision as to the Dock Master was appealed to the Michigan Court of Appeals, which reversed the trial court and dismissed the Dock Master from the lawsuit. The plaintiffs have requested leave to appeal this ruling to the Michigan Supreme Court. The request is pending. The City has liability insurance in the amount of \$5,000,000 available in the event of a judgment.

### **Component units**

On October 14, 2015, the DDA received from Brownfield Redevelopment Authority's reimbursement payment of \$540,000 under the River's Edge Brownfield Plan and the reimbursement payment of \$114,000 towards the Michigan Economic Growth Authority eligible expenses associated with the Larry C. Hardy parking deck under the Radio Center Brownfield Plan.

On September 30, 2015, the DDA's Board of Directors authorized the Executive Director to enter into a contract with the Downtown Traverse City Association through August 31, 2015, with an annual compensation of \$60,551. The Authority provides office space and administrative services to the Downtown Traverse City Association.

On November 2, 2015 the City Commission certified the coal dock property as unnecessary for Traverse City Light & Power use, accepted the conveyance of the property to the City, assignment of all existing leases, and authorized a conveyance of the properties to Rotary Camps and Services for a purchase price of \$1 million.

# CITY OF TRAVERSE CITY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

### I. Designations of net position

#### Primary government

The following are designations of unrestricted net position established by management.

	<b>Automobile Parking System Fund</b>	<b>Wastewater Fund</b>	<b>Water Fund</b>	<b>Internal Service Fund</b>
Emergencies	\$ 25,492	\$ -	\$ 49,724	\$ -
Capital Expenditures	263,750	2,101,000	1,837,500	2,108,000
Future Maintenance	1,500,000	-	-	-
<b>Total</b>	<b>\$ 1,789,242</b>	<b>\$ 2,101,000</b>	<b>\$ 1,887,224</b>	<b>\$ 2,108,000</b>

#### Component unit

The following are designations of unrestricted net position established by Light and Power board and City Charter.

Minimum Cash Reserve	<b><u>\$ 9,675,000</u></b>
----------------------	----------------------------

### J. Contingent liability

#### Primary government - Boot Lake Landfill

In 2005 the City received a demand letter from the Michigan Department of Environmental Quality (“MDEQ”) demanding that the City undertake response activities under Part 201, Section 118 at a site that was a City landfill from 1963 to 1967. The City and the MDEQ have reached an agreement with respect to the necessary investigatory actions that need to be taken at the site in order to determine what clean up, if any, is necessary at the site. If the investigation finds that clean up at the site is necessary, the City may be responsible for the clean up. City investigations have revealed that the site is not impacting Boardman Lake. The MDEQ has indicated some further investigation would be necessary should the site be redeveloped, but at this time, the MDEQ has not requested the City perform any active clean up.

# CITY OF TRAVERSE CITY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

---

### **K. Restatement of Net Position**

#### **Primary Government**

Beginning net position of the governmental activities for the Primary Government was decreased by \$21,921,289 to record the net pension liability for the Act 345 Retirement Plan and MERS General Plan in accordance with GASB Statement No. 68. Beginning net position of the business-type activities for the Primary Government was decreased by \$2,496,412 to record the net pension liability for the MERS General Plan in accordance with GASB Statement No. 68.

Beginning net position of the governmental activities for the Primary Government was increased by \$412,657 to record deferred outflows in accordance with the implementation of Governmental Accounting Standards Board No. 71. Beginning net position of the business-type activities for the Primary Government was increased by \$137,612 to record deferred outflows in accordance with the implementation of Governmental Accounting Standards Board No. 71.

#### **Component Unit**

Beginning net position of the utility was decreased by \$9,799,048 to record the net position liability in accordance with the implementation of Governmental Accounting Standards Board No. 68.

Beginning net position of the utility was increased by \$363,557 to record deferred outflows in accordance with the implementation of Governmental Accounting Standards Board No. 71.

### **L. GASB Pronouncements**

In February 2015, the Governmental Accounting Standards Board issued GASB Statement No. 72, Fair Value Measurement and Application. The requirements of this statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and acceptable valuation techniques. This statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. GASB Statement No. 72 is required to be adopted for years beginning after June 15, 2015. The City is currently evaluating the impact this standard will have on the financial statements when adopted, during the City's 2015-2016 fiscal year.

# CITY OF TRAVERSE CITY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

---

In June 2015, the GASB issued two new standards addressing accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans other than Pension Plans, addressed reporting by OPEB plans, whereas GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, addressed accounting and reporting by employer governments that provide OPEB benefits to their employees. Along with the currently required statement of fiduciary net position and statement of changes in fiduciary net position, OPEB plans will now be required to include in the financial statement more extensive note disclosures and required supplemental information related to the measurement of the OPEB liabilities for which assets have been accumulated. In addition, the City will, after, adoption of GASB Statement No. 75, recognize on the face of the financial statements its net OPEB liability. The City is currently evaluating the impact of these standards will have on the financial statements when adopted. GASB Statement No. 74 is effective for fiscal years beginning after June 15, 2016, whereas GASB Statement No. 75 is effective one year later.

### **M. Deficit Unrestricted Net Position**

At June 30, 2015 the Marina Enterprise Fund had a deficit Net position of \$937,732. A deficit elimination plan has been developed for the Marina Fund.

\* \* \* \* \*

**CITY OF TRAVERSE CITY**  
**Required Supplementary Information**  
**Act 345 Retirement System**  
**Schedule of Changes in the Employer's Net Pension Liability and Related Ratios**

Ultimately 10 fiscal years will be displayed - which will be built prospectively from 2014.

Fiscal year ending June 30,	2014	2015
<b>Total Pension Liability</b>		
Service Cost	\$ 492,852	\$ 644,925
Interest on the Total Pension Liability	2,897,030	2,993,916
Benefit changes	-	-
Difference between expected and actual experience of the Total Pension Liability	-	(802,207)
Assumption changes	-	-
Benefits paid and refunds	(2,096,654)	(2,251,552)
<b>Net change in Total Pension Liability</b>	1,293,228	585,082
<b>Total Pension Liability - Beginning</b>	39,428,961	40,722,189
<b>Total Pension Liability- Ending (a)</b>	\$ 40,722,189	\$ 41,307,271
<b>Plan Fiduciary Net Position</b>		
Employer contributions	\$ 1,639,480	\$ 1,683,306
Employee contributions	75,526	76,863
Pension plan net investment income	3,883,457	463,881
Benefit payments and refunds	(2,096,654)	(2,251,552)
Pension plan administrative expense	(10,567)	(16,523)
Other	(114,710)	-
<b>Net Change in Plan Fiduciary Net Position</b>	3,376,532	(44,025)
<b>Plan Fiduciary Net Position - Beginning</b>	22,910,305	26,286,837
<b>Plan Fiduciary Net Position - Ending (b)</b>	\$ 26,286,837	\$ 26,242,812
<b>Net Pension Liability - Ending (a)-(b)</b>	\$ 14,435,352	\$ 15,064,459
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	64.55%	63.53%
<b>Covered Employee Payroll</b>	\$ 3,018,448	\$ 3,384,682
<b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>	478.24%	445.08%

**CITY OF TRAVERSE CITY**  
**Required Supplementary Information**  
**Act 345 Retirement System**  
**Schedule of Contributions**

Ultimately 10 fiscal years will be displayed - which will be built prospectively from 2014.

FY Ending June 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2014	\$ 1,639,480	\$ 1,639,480	\$ -	\$ 3,018,448	54.32%
2015	1,683,306	1,683,306	-	3,384,682	49.73%

**Notes to Schedule of Contributions**

**Valuation Date:** Actuarially determined contribution amounts are calculated as of June 30 twelve months prior to the beginning of the fiscal year in which the contributions are reported

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial Cost Method	Entry-Age
Amortization Method	Level Percent
Remaining Amortization Period	19 year closed
Asset Valuation Method	4 Year Smoothed Market
Inflation	4%
Salary Increase	4% to 7%
Investment Rate of Return	7.5 % (net of expenses)
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	RP-2000 Male set back one year and Female (unadjusted) Mortality Table projected 20 years with Scale AA

**CITY OF TRAVERSE CITY**  
**Required Supplementary Information**  
**Act 345 Retirement System**  
**Schedule of Investment Returns**

---

Ultimately 10 fiscal years will be displayed - which will be built prospectively from 2014.

<u>FY Ending June 30,</u>	<u>Annual Return *</u>
2014	17.06%
2015	1.77%

\* Annual money-weighted rate of return, net of investment expenses



**CITY OF TRAVERSE CITY**  
**Required Supplementary Information**  
**Act 345 Retiree Health Insurance Trust Fund**  
**Schedule of Funding Progress**

The below contributions are for health care benefits only and do not include amounts contributed for pension.  
Actuarial valuations began being prepared every other year beginning in 2010.

Actuarial valuation date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) -Entry Age (b)	Unfunded AAL (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered payroll ((b - a) / c)
6/30/2004	\$ 2,645,396	\$ 8,091,713	\$ 5,446,317	32.7%	\$ 2,671,393	203.9%
6/30/2005	2,723,028	8,218,900	5,495,872	33.1	3,139,509	175.1
6/30/2006	2,977,346	8,643,119	5,665,773	34.4	3,509,371	161.5
6/30/2007	3,444,580	8,402,945	4,958,365	41.0	3,234,852	153.3
6/30/2008	3,655,194	6,710,657	3,055,463	54.5	3,173,479	96.3
6/30/2009	3,700,439	6,835,257	3,134,818	54.1	3,348,677	93.6
6/30/2010	3,774,317	7,115,866	3,341,549	53.0	3,308,083	101.0
6/30/2012	3,724,352	6,835,930	3,111,578	54.5	3,018,448	103.1
6/30/2014	3,698,682	7,153,649	3,454,967	51.7	3,262,658	105.9

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2006	\$ 313,977	100
2007	408,471	100
2008	373,161	100
2009	279,931	100
2010	331,647	100
2011	340,273	100
2012	385,164	100
2013	417,585	100
2014	358,555	100
2015	384,646	100

**SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS**

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the date indicated.  
Additional information as of the latest actuarial valuation follows:

Valuation date	June 30, 2014
Actuarial cost method	Individual entry-age actuarial cost method
Amortization method	Level percent
Remaining amortization period	25 years closed
Asset valuation method	4 years smoothed market
Actuarial assumptions	
Investment rate of return	7.50%
Projected salary increases	4.0-7.0%
Price inflation	3.00%

**CITY OF TRAVERSE CITY**  
**Required Supplementary Information**  
**MERS Pension Plan**  
**Schedule of Changes in the Employer's Net Pension Liability and Related Ratios**

---

Ultimately 10 years will be displayed - which will be built prospectively from 2014.

Plan year ending December 31,	<u>2014</u>
<b>Total Pension Liability</b>	
Service Cost	\$ 398,725
Interest on the Total Pension Liability	2,753,614
Benefit changes	-
Difference between expected and actual experience of the Total Pension Liability	-
Assumption changes	-
Benefits paid and refunds	<u>(2,343,998)</u>
<b>Net change in Total Pension Liability</b>	<b>808,341</b>
<b>Total Pension Liability - Beginning</b>	<u>34,349,779</u>
<b>Total Pension Liability- Ending (a)</b>	<u><u>\$ 35,158,120</u></u>
<b>Plan Fiduciary Net Position</b>	
Employer contributions	\$ 1,033,594
Employee contributions	-
Pension plan net investment income	1,480,312
Benefit payments and refunds	(2,343,998)
Pension plan administrative expense	(54,129)
Other	-
<b>Net Change in Plan Fiduciary Net Position</b>	<u>115,779</u>
<b>Plan Fiduciary Net Position - Beginning</b>	<u>23,817,161</u>
<b>Plan Fiduciary Net Position - Ending (f)</b>	<u><u>\$ 23,932,940</u></u>
<b>Net Pension Liability - Ending (a)-(b)</b>	<b>\$ 11,225,180</b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	<b>68.07%</b>
<b>Covered Employee Payroll</b>	<b>\$ 5,254,135</b>
<b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>	<b>213.64%</b>

**CITY OF TRAVERSE CITY**  
**Required Supplementary Information**  
**MERS Pension Plan**  
**Schedule of Contributions**

Ultimately 10 fiscal years will be displayed - which will be built prospectively from 2015

Fiscal year end June 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Valuation Covered Payroll	Actual Contribution as a % of Covered Payroll
2015	\$ 975,124	\$ 975,124	\$ -	\$ 5,417,193	18.00%

Notes to schedule

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, open
Remaining amortization period	24 years
Asset valuation method	10 year smoothed
Inflation	3-4%
Salary increases	4.50%
Investment rate of return	8.00%
Retirement age	Varies depending on plan adoption
Mortality	50% female/50% male 1994 group annual mortality table

**TRAVERSE CITY LIGHT AND POWER**

**REQUIRED SUPPLEMENTARY INFORMATION  
MERS DEFINED BENEFIT PENSION PLAN  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

Ultimately 10 fiscal years will be displayed - which will be built prospectively from 2014

	<b>2014</b>
<b>Total pension liability</b>	
Service cost	\$ 313,020
Interest	2,083,781
Benefit payments, including refunds	(1,626,244)
Net change in total pension liability	770,557
Total pension liability, beginning of year	25,914,564
<b>Total pension liability, end of year</b>	<b>\$ 26,685,121</b>
<b>Plan fiduciary net position</b>	
Contribution - employer	\$ 773,230
Net investment income	1,000,478
Administrative expenses	(36,578)
Benefit payments, including refunds	(1,626,244)
Net change in plan fiduciary net position	110,886
Plan fiduciary net position, beginning of year	16,115,516
<b>Plan fiduciary net position, end of year</b>	<b>\$ 16,226,402</b>
<b>Net pension liability</b>	<b>\$ 10,458,719</b>
Plan fiduciary net position as a percent of total pension liability	60.81%
Covered employee payroll	\$ 2,862,491
Net pension liability as a percent of covered employee payroll	365.37%

**TRAVERSE CITY LIGHT AND POWER**

**REQUIRED SUPPLEMENTARY INFORMATION  
MERS DEFINED BENEFIT PENSION PLAN  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
FOR THE YEAR ENDED JUNE 30, 2015**

Ultimately 10 fiscal years will be displayed - which will be built prospectively from 2015

	<b>2015</b>
Actuarially determined contribution	
Contribution in relation to the actuarially determined contribution	\$ 770,572 <u>(770,572)</u>
Contribution deficiency (excess)	\$ -
 Covered employee payroll	 \$ 2,880,960
 Contribution as a percentage of covered employee payroll	 26.75%

Notes to schedule

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, open
Remaining amortization period	25 years
Asset valuation method	10 year smoothed
Inflation	3.50%
Salary increases	4.50%
Investment rate of return	8.25%
Retirement age	Varies depending on plan adoption
Mortality	50% female/50% male 1994 group annual mortality table

**CITY OF TRAVERSE CITY**  
**Required Supplementary Information**  
**MERS Retiree Health Funding Vehicle**  
**Schedule of Funding Progress**

Actuarial valuation date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) -Entry Age (b)	Unfunded AAL (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered payroll ((b - a) / c)
12/31/2006	\$ 1,079,242	\$ 4,622,001	\$ 3,542,759	23.4%	\$ 7,923,231	44.7%
12/31/2008	1,488,166	5,055,539	3,567,373	29.4	8,023,611	44.5
12/31/2010	2,531,410	5,381,283	2,849,873	47.0	8,152,207	35.0
12/31/2013	3,200,892	5,707,204	2,506,312	56.1	7,773,357	32.2

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Year ended/valuation June 30	Annual Required Contribution	Percentage Contributed
2008 / 2007	\$ 274,606	100%
2009 / 2008	286,964	100
2010 / 2009	303,667	100
2011 / 2010	317,334	100
2012 / 2011	303,667	100
2013 / 2012	284,110	100
2014 / 2013	265,649	100
2015 / 2014	265,651	100

**SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS**

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the date indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	December 31, 2013
Actuarial cost method	Entry age normal
Amortization method	Level dollar
Remaining amortization period	30 years
Asset valuation method	Market Value
Actuarial assumptions	
Investment rate of return	8.00%
Projected salary increases	5.00%

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget (GAAP Basis) and Actual**  
**General Fund**  
**For the Year Ended June 30, 2015**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues</b>				
Property taxes	\$ 8,201,500	\$ 8,201,500	\$ 8,223,794	\$ 22,294
Licenses and permits	248,000	248,000	295,046	47,046
Federal sources	20,000	26,000	9,465	(16,535)
State sources	1,345,000	1,345,000	1,348,309	3,309
Local sources	1,896,400	1,896,400	1,894,612	(1,788)
Charges for services	500,300	580,300	535,025	(45,275)
Fines and forfeits	14,100	14,100	9,825	(4,275)
Contributions	182,000	352,000	276,293	(75,707)
Reimbursements	802,500	818,500	562,510	(255,990)
Interest income	51,750	51,750	69,415	17,665
Other revenue	409,500	409,500	449,851	40,351
<b>Total revenues</b>	<b>13,671,050</b>	<b>13,943,050</b>	<b>13,674,145</b>	<b>(268,905)</b>
<b>Expenditures</b>				
General government	3,292,450	3,247,450	3,082,907	164,543
Public safety	6,117,250	6,262,250	6,176,373	85,877
Public works	1,305,200	1,557,200	1,482,517	74,683
Recreation and culture	2,167,200	2,517,200	2,431,086	86,114
<b>Total expenditures</b>	<b>12,882,100</b>	<b>13,584,100</b>	<b>13,172,883</b>	<b>411,217</b>
Excess of revenue over expenditures	788,950	358,950	501,262	142,312
<b>Other financing sources (uses)</b>				
Transfers in	1,012,550	1,012,550	1,223,772	211,222
Transfers out	(2,716,250)	(2,766,250)	(2,754,323)	11,927
<b>Total other financing sources (uses)</b>	<b>(1,703,700)</b>	<b>(1,753,700)</b>	<b>(1,530,551)</b>	<b>223,149</b>
<b>Net change in fund balance</b>	<b>(914,750)</b>	<b>(1,394,750)</b>	<b>(1,029,289)</b>	<b>365,461</b>
Fund balance, beginning of year	7,153,334	7,153,334	7,153,334	-
<b>Fund balance, end of year</b>	<b>\$ 6,238,584</b>	<b>\$ 5,758,584</b>	<b>\$ 6,124,045</b>	<b>\$ 365,461</b>

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget (GAAP Basis) and Actual**  
**Major Streets Special Revenue Fund**  
**For the Year Ended June 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>				
State sources	\$ 1,079,300	\$ 1,319,300	\$ 1,299,168	\$ (20,132)
Interest income	700	700	17	(683)
<b>Total revenues</b>	<b><u>1,080,000</u></b>	<b><u>1,320,000</u></b>	<b><u>1,299,185</u></b>	<b><u>(20,815)</u></b>
<b>Expenditures</b>				
Public works				
Personnel	479,000	479,000	433,826	45,174
Commodities	140,000	140,000	138,403	1,597
Contractual services	100,000	320,000	321,234	(1,234)
Other charges	495,000	495,000	436,584	58,416
<b>Total expenditures</b>	<b><u>1,214,000</u></b>	<b><u>1,434,000</u></b>	<b><u>1,330,047</u></b>	<b><u>103,953</u></b>
(Deficiency) of revenue over expenditures	(134,000)	(114,000)	(30,862)	83,138
<b>Other financing sources (uses)</b>				
Transfers in	80,000	-	-	-
<b>Net change in fund balance</b>	<b><u>(54,000)</u></b>	<b><u>(114,000)</u></b>	<b><u>(30,862)</u></b>	<b><u>83,138</u></b>
Fund balance, beginning of year	223,786	223,786	223,786	-
<b>Fund balance, end of year</b>	<b><u>\$ 169,786</u></b>	<b><u>\$ 109,786</u></b>	<b><u>\$ 192,924</u></b>	<b><u>\$ 83,138</u></b>



**CITY OF TRAVERSE CITY, MICHIGAN**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget (GAAP Basis) and Actual**  
**Local Streets Special Revenue Fund**  
**For the Year Ended June 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>				
State sources	\$ 337,000	\$ 457,000	\$ 423,622	\$ (33,378)
Reimbursements	-	-	20,263	20,263
<b>Total revenues</b>	<u>337,000</u>	<u>457,000</u>	<u>443,885</u>	<u>(13,115)</u>
<b>Expenditures</b>				
Public works				
Personnel	583,000	583,000	534,260	48,740
Contractual services	50,000	50,000	66,810	(16,810)
Commodities	86,000	86,000	54,119	31,881
Other charges	535,000	535,000	573,767	(38,767)
<b>Total expenditures</b>	<u>1,254,000</u>	<u>1,254,000</u>	<u>1,228,956</u>	<u>25,044</u>
(Deficiency) of revenue over expenditures	(917,000)	(797,000)	(785,071)	11,929
<b>Other financing sources (uses)</b>				
Transfer in	917,000	797,000	785,071	(11,929)
<b>Net change in fund balance</b>	-	-	-	-
Fund balance, beginning of year	-	-	-	-
<b>Fund balance, end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

# **CITY OF TRAVERSE CITY, MICHIGAN**

## **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended June 30, 2015**

### **I. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

#### **A. Budgetary information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general, special revenue, debt service, capital project, permanent, enterprise, and internal service funds. All annual appropriations lapse at fiscal year end.

Not earlier than the third Monday in May and not later than the first Monday in June of each year the City Commission shall, by resolution, adopt the budget for the next fiscal year.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing board is the function level, which is the level at which expenditures may not legally exceed appropriations. The City Commission may transfer any unencumbered appropriation balance or any portion thereof from one department, fund, or agency to another.

**CITY OF TRAVERSE CITY**  
**Schedule of GASB 54 Consolidation**  
**Budget (GAAP Basis) and Actual**  
**For the Year Ended June 30, 2015**

	General Fund				Budget Stabilization			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>								
Property taxes	\$ 8,201,500	\$ 8,201,500	\$ 8,223,794	\$ 22,294	\$ -	\$ -	\$ -	\$ -
Licenses and permits	248,000	248,000	295,046	47,046	-	-	-	-
Federal sources	20,000	20,000	3,128	(16,872)	-	-	-	-
State sources	1,345,000	1,345,000	1,348,309	3,309	-	-	-	-
Local sources	1,876,000	1,876,000	1,876,047	47	-	-	-	-
Charges for services	349,800	349,800	362,895	13,095	-	-	-	-
Fines and forfeits	14,100	14,100	9,825	(4,275)	-	-	-	-
Contributions	-	-	-	-	-	-	-	-
Reimbursements	795,000	810,000	557,783	(252,217)	-	-	-	-
Interest income	25,000	25,000	15,487	(9,513)	11,250	11,250	18,812	7,562
Other revenue	409,500	409,500	449,851	40,351	-	-	-	-
<b>Total revenues</b>	<b>13,283,900</b>	<b>13,298,900</b>	<b>13,142,165</b>	<b>(156,735)</b>	<b>11,250</b>	<b>11,250</b>	<b>18,812</b>	<b>7,562</b>
<b>Expenditures</b>								
General government	3,277,450	3,232,450	3,069,802	162,648	-	-	-	-
Public safety	6,036,500	6,181,500	6,164,377	17,123	-	-	-	-
Public works	1,305,200	1,550,200	1,476,180	74,020	-	-	-	-
Recreation and culture	1,912,100	1,992,100	1,904,330	87,770	-	-	-	-
<b>Total expenditures</b>	<b>12,531,250</b>	<b>12,956,250</b>	<b>12,614,689</b>	<b>341,561</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of revenue over expenditures	752,650	342,650	527,476	184,826	11,250	11,250	18,812	7,562
<b>Other financing sources (uses)</b>								
Transfers in	1,009,550	1,009,550	971,074	(38,476)	-	-	-	-
Transfers out	(2,705,000)	(2,755,000)	(2,743,071)	11,929	(11,250)	(11,250)	(11,252)	(2)
<b>Total other financing sources (uses)</b>	<b>(1,695,450)</b>	<b>(1,745,450)</b>	<b>(1,771,997)</b>	<b>(26,547)</b>	<b>(11,250)</b>	<b>(11,250)</b>	<b>(11,252)</b>	<b>(2)</b>
<b>Net change in fund balance</b>	<b>(942,800)</b>	<b>(1,402,800)</b>	<b>(1,244,521)</b>	<b>158,279</b>	<b>-</b>	<b>-</b>	<b>7,560</b>	<b>7,560</b>
Fund balance, beginning of year	4,130,841	4,130,841	4,130,841	-	749,774	749,774	749,774	-
<b>Fund balance, end of year</b>	<b>\$ 3,188,041</b>	<b>\$ 2,728,041</b>	<b>\$ 2,886,320</b>	<b>\$ 158,279</b>	<b>\$ 749,774</b>	<b>\$ 749,774</b>	<b>\$ 757,334</b>	<b>\$ 7,560</b>

**CITY OF TRAVERSE CITY**  
**Schedule of GASB 54 Consolidation**  
**Budget (GAAP Basis) and Actual**  
**For the Year Ended June 30, 2015**

	Hazmat				Heritage Center Museum			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Local sources	20,400	20,400	18,565	(1,835)	-	-	-	-
Charges for services	-	-	710	710	-	40,000	7,950	(32,050)
Fines and forfeits	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	-	-	-
Reimbursements	-	-	-	-	-	-	-	-
Interest income	-	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-	-
<b>Total revenues</b>	<b>20,400</b>	<b>20,400</b>	<b>19,275</b>	<b>(1,125)</b>	<b>-</b>	<b>40,000</b>	<b>7,950</b>	<b>(32,050)</b>
<b>Expenditures</b>								
General government	-	-	-	-	-	-	-	-
Public safety	19,750	19,750	11,683	8,067	-	-	-	-
Public works	-	-	-	-	-	-	-	-
Recreation and culture	-	-	-	-	3,000	43,000	44,036	1,036
<b>Total expenditures</b>	<b>19,750</b>	<b>19,750</b>	<b>11,683</b>	<b>8,067</b>	<b>3,000</b>	<b>43,000</b>	<b>44,036</b>	<b>1,036</b>
Excess (deficiency) of revenue over expenditures	650	650	7,592	6,942	(3,000)	(3,000)	(36,086)	(33,086)
<b>Other financing sources (uses)</b>								
Transfers in	-	-	-	-	3,000	3,000	2,698	(302)
Transfers out	-	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,000</b>	<b>3,000</b>	<b>2,698</b>	<b>(302)</b>
<b>Net change in fund balance</b>	<b>650</b>	<b>650</b>	<b>7,592</b>	<b>6,942</b>	<b>-</b>	<b>-</b>	<b>(33,388)</b>	<b>(33,388)</b>
Fund balance, beginning of year	42,828	42,828	42,828	-	-	-	-	-
<b>Fund balance, end of year</b>	<b>\$ 43,478</b>	<b>\$ 43,478</b>	<b>\$ 50,420</b>	<b>\$ 6,942</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (33,388)</b>	<b>\$ (33,388)</b>

**CITY OF TRAVERSE CITY**  
**Schedule of GASB 54 Consolidation**  
**Budget (GAAP Basis) and Actual**  
**For the Year Ended June 30, 2015**

	Cherry Capital Cable				Coast Guard Committee			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Local sources	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	61,000	61,000	92	(60,908)
Reimbursements	-	-	-	-	-	-	-	-
Interest income	-	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-	-
<b>Total revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>61,000</b>	<b>61,000</b>	<b>92</b>	<b>(60,908)</b>
<b>Expenditures</b>								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	61,000	61,000	313	60,687
Public works	-	-	-	-	-	-	-	-
Recreation and culture	-	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>61,000</b>	<b>61,000</b>	<b>313</b>	<b>60,687</b>
Excess (deficiency) of revenue over expenditures	-	-	-	-	-	-	(221)	(221)
<b>Other financing sources (uses)</b>								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(221)</b>	<b>(221)</b>
Fund balance, beginning of year	4,741	4,741	4,741	-	646	646	646	-
<b>Fund balance, end of year</b>	<b>\$ 4,741</b>	<b>\$ 4,741</b>	<b>\$ 4,741</b>	<b>\$ -</b>	<b>\$ 646</b>	<b>\$ 646</b>	<b>\$ 425</b>	<b>\$ (221)</b>

**CITY OF TRAVERSE CITY**  
**Schedule of GASB 54 Consolidation**  
**Budget (GAAP Basis) and Actual**  
**For the Year Ended June 30, 2015**

	County Senior Center				Brown Bridge Maintenance			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Local sources	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	57,000	62,000	64,021	2,021
Fines and forfeits	-	-	-	-	-	-	-	-
Contributions	121,000	121,000	123,801	2,801	-	-	-	-
Reimbursements	-	-	-	-	-	-	-	-
Interest income	-	-	17	17	-	-	-	-
Other revenue	-	-	-	-	-	-	-	-
<b>Total revenues</b>	<b>121,000</b>	<b>121,000</b>	<b>123,818</b>	<b>2,818</b>	<b>57,000</b>	<b>62,000</b>	<b>64,021</b>	<b>2,021</b>
<b>Expenditures</b>								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-
Recreation and culture	124,400	134,400	119,645	(14,755)	57,000	62,000	55,926	(6,074)
<b>Total expenditures</b>	<b>124,400</b>	<b>134,400</b>	<b>119,645</b>	<b>(14,755)</b>	<b>57,000</b>	<b>62,000</b>	<b>55,926</b>	<b>(6,074)</b>
Excess (deficiency) of revenue over expenditures	(3,400)	(13,400)	4,173	17,573	-	-	8,095	8,095
<b>Other financing sources (uses)</b>								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>(3,400)</b>	<b>(13,400)</b>	<b>4,173</b>	<b>17,573</b>	<b>-</b>	<b>-</b>	<b>8,095</b>	<b>8,095</b>
Fund balance, beginning of year	62,627	62,627	62,627	-	11,448	11,448	11,448	-
<b>Fund balance, end of year</b>	<b>\$ 59,227</b>	<b>\$ 49,227</b>	<b>\$ 66,800</b>	<b>\$ 17,573</b>	<b>\$ 11,448</b>	<b>\$ 11,448</b>	<b>\$ 19,543</b>	<b>\$ 8,095</b>

**CITY OF TRAVERSE CITY**  
**Schedule of GASB 54 Consolidation**  
**Budget (GAAP Basis) and Actual**  
**For the Year Ended June 30, 2015**

	Opera House				Banner Program			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Local sources	-	-	-	-	-	-	-	-
Charges for services	93,500	128,500	99,449	(29,051)	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Contributions	-	170,000	152,400	(17,600)	-	-	-	-
Reimbursements	4,000	4,000	4,727	727	3,500	3,500	-	(3,500)
Interest income	500	500	21	(479)	-	-	-	-
Other revenue	-	-	-	-	-	-	-	-
<b>Total revenues</b>	<b>98,000</b>	<b>303,000</b>	<b>256,597</b>	<b>(46,403)</b>	<b>3,500</b>	<b>3,500</b>	<b>-</b>	<b>(3,500)</b>
<b>Expenditures</b>								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-
Recreation and culture	65,700	270,700	305,419	34,719	5,000	15,000	1,730	(13,270)
<b>Total expenditures</b>	<b>65,700</b>	<b>270,700</b>	<b>305,419</b>	<b>34,719</b>	<b>5,000</b>	<b>15,000</b>	<b>1,730</b>	<b>(13,270)</b>
Excess (deficiency) of revenue over expenditures	32,300	32,300	(48,822)	(81,122)	(1,500)	(11,500)	(1,730)	9,770
<b>Other financing sources (uses)</b>								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>32,300</b>	<b>32,300</b>	<b>(48,822)</b>	<b>(81,122)</b>	<b>(1,500)</b>	<b>(11,500)</b>	<b>(1,730)</b>	<b>9,770</b>
Fund balance, beginning of year	109,792	109,792	109,792	-	22,870	22,870	22,870	-
<b>Fund balance, end of year</b>	<b>\$ 142,092</b>	<b>\$ 142,092</b>	<b>\$ 60,970</b>	<b>\$ (81,122)</b>	<b>\$ 21,370</b>	<b>\$ 11,370</b>	<b>\$ 21,140</b>	<b>\$ 9,770</b>

**CITY OF TRAVERSE CITY**  
**Schedule of GASB 54 Consolidation**  
**Budget (GAAP Basis) and Actual**  
**For the Year Ended June 30, 2015**

	Economic Development				Stormwater Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Local sources	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	-	-	-
Reimbursements	-	-	-	-	-	-	-	-
Interest income	15,000	15,000	35,078	20,078	-	-	-	-
Other revenue	-	-	-	-	-	-	-	-
<b>Total revenues</b>	<b>15,000</b>	<b>15,000</b>	<b>35,078</b>	<b>20,078</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Expenditures</b>								
General government	15,000	15,000	13,105	1,895	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-
Recreation and culture	-	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>15,000</b>	<b>15,000</b>	<b>13,105</b>	<b>1,895</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of revenue over expenditures	-	-	21,973	21,973	-	-	-	-
<b>Other financing sources (uses)</b>								
Transfers in	-	-	-	-	-	-	250,000	250,000
Transfers out	-	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>250,000</b>	<b>250,000</b>
<b>Net change in fund balance</b>	<b>-</b>	<b>-</b>	<b>21,973</b>	<b>21,973</b>	<b>-</b>	<b>-</b>	<b>250,000</b>	<b>250,000</b>
Fund balance, beginning of year	2,017,767	2,017,767	2,017,767	-	-	-	-	-
<b>Fund balance, end of year</b>	<b>\$ 2,017,767</b>	<b>\$ 2,017,767</b>	<b>\$ 2,039,740</b>	<b>\$ 21,973</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 250,000</b>	<b>\$ 250,000</b>



**CITY OF TRAVERSE CITY**  
**Schedule of GASB 54 Consolidation**  
**Budget (GAAP Basis) and Actual**  
**For the Year Ended June 30, 2015**

	Boardman River Dam Removal Fund				Total General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 8,201,500	\$ 8,201,500	\$ 8,223,794	\$ 22,294
Licenses and permits	-	-	-	-	248,000	248,000	295,046	47,046
Federal sources	-	6,000	6,337	337	20,000	26,000	9,465	(16,535)
State sources	-	-	-	-	1,345,000	1,345,000	1,348,309	3,309
Local sources	-	-	-	-	1,896,400	1,896,400	1,894,612	(1,788)
Charges for services	-	-	-	-	500,300	580,300	535,025	(45,275)
Fines and forfeits	-	-	-	-	14,100	14,100	9,825	(4,275)
Contributions	-	-	-	-	182,000	352,000	276,293	(75,707)
Reimbursements	-	1,000	-	(1,000)	802,500	818,500	562,510	(255,990)
Interest income	-	-	-	-	51,750	51,750	69,415	17,665
Other revenue	-	-	-	-	409,500	409,500	449,851	40,351
<b>Total revenues</b>	<b>-</b>	<b>7,000</b>	<b>6,337</b>	<b>(663)</b>	<b>13,671,050</b>	<b>13,943,050</b>	<b>13,674,145</b>	<b>(268,905)</b>
<b>Expenditures</b>								
General government	-	-	-	-	3,292,450	3,247,450	3,082,907	164,543
Public safety	-	-	-	-	6,117,250	6,262,250	6,176,373	85,877
Public works	-	7,000	6,337	663	1,305,200	1,557,200	1,482,517	74,683
Recreation and culture	-	-	-	-	2,167,200	2,517,200	2,431,086	86,114
<b>Total expenditures</b>	<b>-</b>	<b>7,000</b>	<b>6,337</b>	<b>663</b>	<b>12,882,100</b>	<b>13,584,100</b>	<b>13,172,883</b>	<b>411,217</b>
Excess (deficiency) of revenue over expenditures	-	-	-	-	788,950	358,950	501,262	142,312
<b>Other financing sources (uses)</b>								
Transfers in	-	-	-	-	1,012,550	1,012,550	1,223,772	211,222
Transfers out	-	-	-	-	(2,716,250)	(2,766,250)	(2,754,323)	11,927
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,703,700)</b>	<b>(1,753,700)</b>	<b>(1,530,551)</b>	<b>223,149</b>
<b>Net change in fund balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(914,750)</b>	<b>(1,394,750)</b>	<b>(1,029,289)</b>	<b>365,461</b>
Fund balance, beginning of year	-	-	-	-	7,153,334	7,153,334	7,153,334	-
<b>Fund balance, end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 6,238,584</b>	<b>\$ 5,758,584</b>	<b>\$ 6,124,045</b>	<b>\$ 365,461</b>

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Schedule of Revenues**  
**Budget (GAAP Basis) and Actual**  
**General Fund before GASB 54 Consolidation**  
**For the Year Ended June 30, 2015**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Property taxes</b>				
Real estate and personal property	\$ 8,077,000	\$ 8,077,000	\$ 8,118,739	\$ 41,739
Collection fees	14,500	14,500	12,401	(2,099)
Penalties and interest on taxes	110,000	110,000	92,654	(17,346)
<b>Total property taxes</b>	<b>8,201,500</b>	<b>8,201,500</b>	<b>8,223,794</b>	<b>22,294</b>
<b>Licenses and permits</b>				
Business	233,100	233,100	271,473	38,373
Nonbusiness	14,900	14,900	23,573	8,673
<b>Total licenses and permits</b>	<b>248,000</b>	<b>248,000</b>	<b>295,046</b>	<b>47,046</b>
<b>Federal sources</b>	<b>20,000</b>	<b>20,000</b>	<b>3,128</b>	<b>(16,872)</b>
<b>State sources</b>				
State - shared revenues				
Sales and use tax	1,300,000	1,300,000	1,279,398	(20,602)
Liquor licenses	45,000	45,000	68,911	23,911
<b>Total state sources</b>	<b>1,345,000</b>	<b>1,345,000</b>	<b>1,348,309</b>	<b>3,309</b>
<b>Local sources</b>				
City fee - Component Units	1,876,000	1,876,000	1,876,047	47
<b>Charges for services</b>				
General fees and services	26,600	26,600	33,964	7,364
Use and admission fees	278,200	278,200	283,417	5,217
Fine and forfeitures - ordinance and cost	45,000	45,000	45,514	514
<b>Total charges for services</b>	<b>349,800</b>	<b>349,800</b>	<b>362,895</b>	<b>13,095</b>
<b>Fines and forfeits</b>				
Parking violations	14,100	14,100	9,825	(4,275)
<b>Reimbursements</b>	<b>795,000</b>	<b>810,000</b>	<b>557,783</b>	<b>(252,217)</b>
<b>Interest income</b>	<b>25,000</b>	<b>25,000</b>	<b>15,487</b>	<b>(9,513)</b>
<b>Other revenue</b>				
Rents and royalties	2,500	2,500	2,400	(100)
Contributions	366,000	366,000	417,967	51,967
Sale of assets	2,500	2,500	-	(2,500)
Other	38,500	38,500	29,484	(9,016)
<b>Total other revenue</b>	<b>409,500</b>	<b>409,500</b>	<b>449,851</b>	<b>40,351</b>
<b>Total revenues</b>	<b>\$ 13,283,900</b>	<b>\$ 13,298,900</b>	<b>\$ 13,142,165</b>	<b>\$ (156,735)</b>

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Schedule of Expenditures**  
**Budget (GAAP Basis) and Actual**  
**General Fund before GASB 54 Consolidation**  
**For the Year Ended June 30, 2015**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>General government</b>				
City Commission				
Personnel	\$ 35,200	\$ 35,200	\$ 35,024	\$ 176
Commodities	1,000	1,000	2,135	(1,135)
Contractual services	41,500	41,500	27,579	13,921
Other charges	6,300	6,300	7,430	(1,130)
Total City Commission	<u>84,000</u>	<u>84,000</u>	<u>72,168</u>	<u>11,832</u>
City Manager's Office				
Personnel	349,950	349,950	326,073	23,877
Commodities	4,500	4,500	5,966	(1,466)
Contractual services	24,000	24,000	30,350	(6,350)
Other charges	8,200	8,200	6,657	1,543
Total City Manager's Office	<u>386,650</u>	<u>386,650</u>	<u>369,046</u>	<u>17,604</u>
Human Resources				
Personnel	144,300	144,300	113,998	30,302
Commodities	1,000	1,000	3,135	(2,135)
Contractual services	22,400	22,400	15,968	6,432
Other charges	4,000	4,000	10,182	(6,182)
Total Human Resources	<u>171,700</u>	<u>171,700</u>	<u>143,283</u>	<u>28,417</u>
Geographic Information Systems				
Personnel	78,000	3,000	-	3,000
Commodities	500	500	-	500
Contractual services	21,500	18,500	14,831	3,669
Total Geographic Information Systems	<u>100,000</u>	<u>22,000</u>	<u>14,831</u>	<u>7,169</u>
City Attorney's Office				
Personnel	122,000	139,000	140,912	(1,912)
Commodities	1,700	1,700	1,695	5
Contractual services	18,200	24,200	21,793	2,407
Other charges	2,700	2,700	1,823	877
Total City Attorney's Office	<u>144,600</u>	<u>167,600</u>	<u>166,223</u>	<u>1,377</u>
City Clerk's Office				
Personnel	344,480	379,480	365,424	14,056
Commodities	22,300	22,300	23,725	(1,425)
Contractual services	65,820	45,820	48,618	(2,798)
Other charges	13,900	13,900	20,240	(6,340)
Total City Clerk's Office	<u>446,500</u>	<u>461,500</u>	<u>458,007</u>	<u>3,493</u>

Continued.....

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Schedule of Expenditures**  
**Budget (GAAP Basis) and Actual**  
**General Fund before GASB 54 Consolidation**  
**For the Year Ended June 30, 2015**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
Assessor's Office				
Personnel	\$ 326,900	\$ 346,900	\$ 347,081	\$ (181)
Commodities	12,500	12,500	16,363	(3,863)
Contractual services	45,000	45,000	29,651	15,349
Other charges	14,100	4,100	2,883	1,217
Total Assessor's Office	<u>398,500</u>	<u>408,500</u>	<u>395,978</u>	<u>12,522</u>
Treasurer's Office				
Personnel	327,500	327,500	313,542	13,958
Commodities	21,000	21,000	16,145	4,855
Contractual services	41,000	41,000	36,572	4,428
Other charges	8,000	8,000	6,982	1,018
Total Treasurer's Office	<u>397,500</u>	<u>397,500</u>	<u>373,241</u>	<u>24,259</u>
Building and grounds				
Other charges	<u>120,000</u>	<u>120,000</u>	<u>113,671</u>	<u>6,329</u>
Planning/Zoning				
Personnel	406,300	406,300	395,339	10,961
Commodities	7,500	7,500	3,836	3,664
Contractual services	36,800	36,800	25,368	11,432
Other charges	14,700	14,700	11,579	3,121
Total Planning/Zoning	<u>465,300</u>	<u>465,300</u>	<u>436,122</u>	<u>29,178</u>
Cemetery				
Personnel	228,400	238,400	238,774	(374)
Commodities	13,000	13,000	13,081	(81)
Contractual services	18,000	18,000	12,875	5,125
Other charges	87,800	87,800	96,881	(9,081)
Total Cemetery	<u>347,200</u>	<u>357,200</u>	<u>361,611</u>	<u>(4,411)</u>
Appropriations	<u>152,500</u>	<u>127,500</u>	<u>110,780</u>	<u>16,720</u>
Capital outlay	<u>63,000</u>	<u>63,000</u>	<u>54,841</u>	<u>8,159</u>
<b>Total general government</b>	<b><u>3,277,450</u></b>	<b><u>3,232,450</u></b>	<b><u>3,069,802</u></b>	<b><u>162,648</u></b>
<b>Public Safety</b>				
Police				
Personnel	2,708,500	2,708,500	2,718,921	(10,421)
Commodities	79,900	79,900	62,900	17,000
Contractual services	384,900	394,900	362,179	32,721
Other charges	376,550	376,550	351,492	25,058
Total Police	<u>3,549,850</u>	<u>3,559,850</u>	<u>3,495,492</u>	<u>64,358</u>

Continued.....

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Schedule of Expenditures**  
**Budget (GAAP Basis) and Actual**  
**General Fund before GASB 54 Consolidation**  
**For the Year Ended June 30, 2015**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
Fire				
Personnel	\$ 1,903,500	\$ 2,038,500	\$ 2,096,135	\$ (57,635)
Commodities	78,500	78,500	67,244	11,256
Contractual services	108,950	108,950	99,931	9,019
Other charges	395,700	395,700	405,575	(9,875)
<b>Total Fire</b>	<b>2,486,650</b>	<b>2,621,650</b>	<b>2,668,885</b>	<b>(47,235)</b>
<b>Total public safety</b>	<b>6,036,500</b>	<b>6,181,500</b>	<b>6,164,377</b>	<b>17,123</b>
<b>Public Works</b>				
Streets, alleys and sidewalks				
Personnel	362,600	362,600	358,361	4,239
Commodities	31,000	31,000	48,418	(17,418)
Contractual services	234,000	234,000	144,171	89,829
Other charges	12,400	220,400	232,648	(12,248)
<b>Total Streets, Alleys and Sidewalks</b>	<b>640,000</b>	<b>848,000</b>	<b>783,598</b>	<b>64,402</b>
Engineering				
Personnel	579,100	616,100	619,465	(3,365)
Commodities	18,000	18,000	9,227	8,773
Contractual services	49,200	49,200	47,173	2,027
Other charges	18,900	18,900	16,717	2,183
<b>Total Engineering</b>	<b>665,200</b>	<b>702,200</b>	<b>692,582</b>	<b>9,618</b>
<b>Total public works</b>	<b>1,305,200</b>	<b>1,550,200</b>	<b>1,476,180</b>	<b>74,020</b>
<b>Recreation and Culture</b>				
Parks				
Personnel	1,027,000	1,027,000	953,202	73,798
Commodities	67,300	67,300	59,423	7,877
Contractual services	241,000	241,000	171,990	69,010
Other charges	576,800	656,800	719,715	(62,915)
<b>Total Parks</b>	<b>1,912,100</b>	<b>1,992,100</b>	<b>1,904,330</b>	<b>87,770</b>
<b>Total expenditures</b>	<b>\$ 12,531,250</b>	<b>\$ 12,956,250</b>	<b>\$ 12,614,689</b>	<b>\$ 341,561</b>

Concluded

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Schedule of Transfers**  
**Budget (GAAP Basis) and Actual**  
**General Fund before GASB 54 Consolidation**  
**For the Year Ended June 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Transfers in</b>				
Brown Bridge Trust	\$ 250,000	\$ 250,000	\$ 182,724	\$ (67,276)
Other funds	27,750	27,750	27,229	(521)
City fee - Proprietary Funds	731,800	731,800	761,121	29,321
<b>Total Transfers In</b>	<b><u>\$ 1,009,550</u></b>	<b><u>\$ 1,009,550</u></b>	<b><u>\$ 971,074</u></b>	<b><u>\$ (38,476)</u></b>
<b>Transfers out</b>				
Motor Vehicle Highway	997,000	\$ 797,000	\$ 785,071	\$ 11,929
Public Improvement	1,458,000	1,708,000	1,708,000	-
Stormwater Fund	250,000	250,000	250,000	-
<b>Total Transfers Out</b>	<b><u>\$ 2,705,000</u></b>	<b><u>\$ 2,755,000</u></b>	<b><u>\$ 2,743,071</u></b>	<b><u>\$ 11,929</u></b>

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget (GAAP Basis) and Actual**  
**Capital Projects Fund**  
**For the Year Ended June 30, 2015**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>			
Federal sources	\$ -	\$ -	\$ -
State sources	1,781,800	1,314,400	(467,400)
Contributions	37,000	192,267	155,267
Reimbursement	-	1,268	1,268
Interest income	-	603	603
Other revenue	-	2,313	2,313
<b>Total revenues</b>	<u>1,818,800</u>	<u>1,510,851</u>	<u>(307,949)</u>
<b>Expenditures</b>			
Public works			
Contractual services	-	208,703	(208,703)
Capital outlay	3,585,100	3,024,270	560,830
<b>Total expenditures</b>	<u>3,585,100</u>	<u>3,232,973</u>	<u>352,127</u>
(Deficiency) of revenues over expenditures	<b>(1,766,300)</b>	<b>(1,722,122)</b>	<b>44,178</b>
<b>Other financing sources (uses)</b>			
Transfers in	1,458,000	1,708,000	250,000
<b>Net change in fund balance</b>	<b>(308,300)</b>	<b>(14,122)</b>	<b>294,178</b>
Fund balance, beginning of year	<u>1,287,735</u>	<u>1,287,735</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u><b>\$ 979,435</b></u>	<u><b>\$ 1,273,613</b></u>	<u><b>\$ 294,178</b></u>

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2015**

	<b>Special Revenue Funds</b>	<b>Debt Service Funds</b>	<b>Capital Projects Funds</b>	<b>Permanent Cemetery Perpetual Care</b>	<b>Total Nonmajor Governmental Funds</b>
<b>ASSETS</b>					
<b>Assets</b>					
Cash and cash equivalents	\$ 2,517,515	\$ -	\$ 1,989,431	\$ 80,388	\$ 4,587,334
Investments	98,629	-	4,678	667,502	770,809
Receivables					
Accounts	5,420	2,250	-	-	7,670
Taxes	-	-	5,389	-	5,389
Special assessments	-	-	389,645	-	389,645
Due from other governments	166,293	-	-	-	166,293
<b>Total assets</b>	<b>\$ 2,787,857</b>	<b>\$ 2,250</b>	<b>\$ 2,389,143</b>	<b>\$ 747,890</b>	<b>\$ 5,927,140</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable	\$ 54,139	\$ -	\$ -	\$ -	\$ 54,139
Accrued and other liabilities	286	-	39,500	-	39,786
Due to other funds	119,102	1,825	-	15,976	136,903
Unearned revenue	5,813	-	-	-	5,813
Advance from component unit	-	-	3,000	-	3,000
<b>Total liabilities</b>	<b>179,340</b>	<b>1,825</b>	<b>42,500</b>	<b>15,976</b>	<b>239,641</b>
<b>Deferred inflows of resources</b>					
Unavailable revenue	-	-	386,128	-	386,128
<b>Fund balances</b>					
<b>Nonspendable</b>					
Cemetery perpetual care	-	-	-	731,914	731,914
<b>Restricted</b>					
Debt service	-	425	-	-	425
Joint planning	20,265	-	-	-	20,265
Capital improvements	221,067	-	846,554	-	1,067,621
Public safety training	-	-	-	-	-
Public welfare or civic improvement organizations	2,295,332	-	-	-	2,295,332
Act 345 retirement	71,853	-	-	-	71,853
<b>Committed</b>					
Capital improvements	-	-	1,113,961	-	1,113,961
<b>Total fund balances</b>	<b>2,608,517</b>	<b>425</b>	<b>1,960,515</b>	<b>731,914</b>	<b>5,301,371</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 2,787,857</b>	<b>\$ 2,250</b>	<b>\$ 2,389,143</b>	<b>\$ 747,890</b>	<b>\$ 5,927,140</b>



**CITY OF TRAVERSE CITY, MICHIGAN**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2015**

	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Capital Projects Funds</u>	<u>Permanent Cemetery Perpetual Care</u>	<u>Total Nonmajor Governmental Funds</u>
<b>Revenues</b>					
Property taxes and special assessments	\$ 1,699,455	\$ -	\$ 65,510	\$ -	\$ 1,764,965
Federal sources	10,500	-	-	-	10,500
State sources	439,020	-	-	-	439,020
Local sources	-	2,229,025	-	-	2,229,025
Charges for services	29,299	-	-	6,290	35,589
Contributions	1,007,493	-	-	-	1,007,493
Interest income	4,693	-	3,698	16,659	25,050
<b>Total revenues</b>	<b><u>3,190,460</u></b>	<b><u>2,229,025</u></b>	<b><u>69,208</u></b>	<b><u>22,949</u></b>	<b><u>5,511,642</u></b>
<b>Expenditures</b>					
Current expenditures					
General government	49,220	-	-	-	49,220
Public safety	1,699,272	-	-	-	1,699,272
Public works	1,162,172	-	77,102	-	1,239,274
Capital outlay	-	-	135,956	-	135,956
Debt service					
Principal	-	1,725,000	-	-	1,725,000
Interest and fiscal charges	-	504,025	-	-	504,025
<b>Total expenditures</b>	<b><u>2,910,664</u></b>	<b><u>2,229,025</u></b>	<b><u>213,058</u></b>	<b><u>-</u></b>	<b><u>5,352,747</u></b>
Excess (deficiency) of revenues over expenditures	279,796	-	(143,850)	22,949	158,895
<b>Other financing sources (uses)</b>					
Transfers in	1,201,477	-	-	-	1,201,477
Transfers (out)	(2,698)	-	-	(15,976)	(18,674)
<b>Total other financing sources ( uses)</b>	<b><u>1,198,779</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>(15,976)</u></b>	<b><u>1,182,803</u></b>
<b>Net change in fund balance</b>	<b><u>1,478,575</u></b>	<b><u>-</u></b>	<b><u>(143,850)</u></b>	<b><u>6,973</u></b>	<b><u>1,341,698</u></b>
Fund balances, beginning of year	1,129,942	425	2,104,365	724,941	3,959,673
<b>Fund balances, end of year</b>	<b><u>\$ 2,608,517</u></b>	<b><u>\$ 425</u></b>	<b><u>\$ 1,960,515</u></b>	<b><u>\$ 731,914</u></b>	<b><u>\$ 5,301,371</u></b>

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Combining Balance Sheet**  
**Nonmajor Special Revenue Funds**  
**June 30, 2015**

	Act 302 Police Training Fund	State Preparedness Equipment Grant Fund	College Parking Fund	Act 345 Millage Fund	Traverse City and Garfield Township Joint Planning Fund	PEG Capital Fund
<b>ASSETS</b>						
<b>Assets</b>						
Cash and cash equivalents	\$ -	\$ -	\$ 3,682	\$ 72,707	\$ 20,265	\$ 9,956
Investments	-	-	-	-	-	-
Receivables						
Accounts	-	-	-	-	-	3,994
Due from other governments	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,682</b>	<b>\$ 72,707</b>	<b>\$ 20,265</b>	<b>\$ 13,950</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Accounts payable	\$ -	\$ -	\$ 1,645	\$ 967	\$ -	\$ -
Accrued and other liabilities	-	-	286	-	-	-
Unearned revenue	-	-	-	-	-	-
Due to other funds	-	-	1,638	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>3,569</b>	<b>967</b>	<b>-</b>	<b>-</b>
<b>Fund balances</b>						
Restricted						
Joint planning	-	-	-	-	20,265	-
Capital improvements	-	-	-	-	-	13,950
Public safety training	-	-	-	-	-	-
Public welfare or civic improvement organizations	-	-	-	-	-	-
Act 345 retirement	-	-	113	71,740	-	-
<b>Total fund balances</b>	<b>-</b>	<b>-</b>	<b>113</b>	<b>71,740</b>	<b>20,265</b>	<b>13,950</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,682</b>	<b>\$ 72,707</b>	<b>\$ 20,265</b>	<b>\$ 13,950</b>

Continued...

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Combining Balance Sheet**  
**Nonmajor Special Revenue Funds**  
**June 30, 2015**

	<b>Senior Center Building Fund</b>	<b>Homeland Security Training Grant Fund</b>	<b>McCauley Estate Trust Fund</b>	<b>County Road Commission Projects Fund</b>	<b>Brown Bridge Trust Park Improvement Fund</b>	<b>Stormwater Asset Management Grant Fund</b>	<b>Total</b>
<b>ASSETS</b>							
<b>Assets</b>							
Cash and cash equivalents	\$ 212,930	\$ -	\$ 77,927	\$ 809,764	\$ 1,310,284	\$ -	\$ 2,517,515
Investments	-	-	98,629	-	-	-	98,629
Receivables							
Accounts	-	-	-	-	1,426	-	5,420
Due from other governments	-	-	-	-	-	166,293	166,293
<b>Total assets</b>	<b>\$212,930</b>	<b>\$ -</b>	<b>\$176,556</b>	<b>\$ 809,764</b>	<b>\$ 1,311,710</b>	<b>\$ 166,293</b>	<b>\$ 2,787,857</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>							
<b>Liabilities</b>							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 51,527	\$ 54,139
Accrued and other liabilities	-	-	-	-	-	-	286
Unearned revenue	5,813	-	-	-	-	-	5,813
Due to other funds	-	-	2,698	-	-	114,766	119,102
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>2,698</b>	<b>-</b>	<b>-</b>	<b>166,293</b>	<b>179,340</b>
<b>Fund balances</b>							
Restricted							
Joint planning	-	-	-	-	-	-	20,265
Capital improvements	207,117	-	-	-	-	-	221,067
Public welfare or civic improvement organizations	-	-	173,858	809,764	1,311,710	-	2,295,332
Act 345 retirement	-	-	-	-	-	-	71,853
<b>Total fund balances</b>	<b>207,117</b>	<b>-</b>	<b>173,858</b>	<b>809,764</b>	<b>1,311,710</b>	<b>-</b>	<b>2,608,517</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$212,930</b>	<b>\$ -</b>	<b>\$176,556</b>	<b>\$ 809,764</b>	<b>\$ 1,311,710</b>	<b>\$ 166,293</b>	<b>\$ 2,787,857</b>

Concluded

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Special Revenue Funds**  
**For the Year Ended June 30, 2015**

	Act 302 Police Training Fund	State Preparedness Equipment Grant Fund	College Parking Fund	Act 345 Millage Fund	Traverse City and Garfield Township Joint Planning Fund	PEG Capital Fund
<b>Revenues</b>						
Property taxes	\$ -	\$ -	\$ -	\$ 1,699,455	\$ -	\$ -
Federal sources	-	10,500	-	-	-	-
State sources	5,466	-	-	-	-	-
Charges for services	-	-	29,299	-	-	-
Contributions	-	-	-	-	6,000	16,234
Interest income	-	-	-	460	-	-
<b>Total revenues</b>	<b>5,466</b>	<b>10,500</b>	<b>29,299</b>	<b>1,699,915</b>	<b>6,000</b>	<b>16,234</b>
<b>Expenditures</b>						
Current expenditures						
General government	-	-	30,183	-	-	14,122
Public safety	5,466	10,500	-	1,683,306	-	-
Public works	-	-	-	-	-	-
<b>Total expenditures</b>	<b>5,466</b>	<b>10,500</b>	<b>30,183</b>	<b>1,683,306</b>	<b>-</b>	<b>14,122</b>
Excess (deficiency) of revenues over expenditures	-	-	(884)	16,609	6,000	2,112
<b>Other financing sources (uses)</b>						
Transfers in	-	-	-	-	-	-
Transfers (out)	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>-</b>	<b>-</b>	<b>(884)</b>	<b>16,609</b>	<b>6,000</b>	<b>2,112</b>
Fund balances, beginning of year	-	-	997	55,131	14,265	11,838
<b>Fund balances, end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 113</b>	<b>\$ 71,740</b>	<b>\$ 20,265</b>	<b>\$ 13,950</b>

Continued....

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Special Revenue Funds**  
**For the Year Ended June 30, 2015**

	Senior Center Building Fund	Homeland Security Training Grant Fund	McCauley Estate Trust Fund	County Road Commission Projects Fund	Brown Bridge Trust Park Improvement Fund	Stormwater Asset Management Grant Fund	Total
<b>Revenues</b>							
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,699,455
Federal sources	-	-	-	-	-	-	10,500
State sources	-	-	-	-	-	433,554	439,020
Charges for services	-	-	-	-	-	-	29,299
Contributions	7,800	-	71,180	747,873	110,233	48,173	1,007,493
Interest income	65	-	4,168	-	-	-	4,693
<b>Total revenues</b>	<b>7,865</b>	<b>-</b>	<b>75,348</b>	<b>747,873</b>	<b>110,233</b>	<b>481,727</b>	<b>3,190,460</b>
<b>Expenditures</b>							
Current expenditures							
General government	4,915	-	-	-	-	-	49,220
Public safety	-	-	-	-	-	-	1,699,272
Public works	-	-	-	680,445	-	481,727	1,162,172
<b>Total expenditures</b>	<b>4,915</b>	<b>-</b>	<b>-</b>	<b>680,445</b>	<b>-</b>	<b>481,727</b>	<b>2,910,664</b>
Excess (deficiency) of revenues over expenditures	2,950	-	75,348	67,428	110,233	-	279,796
<b>Other financing sources (uses)</b>							
Transfers in	-	-	-	-	1,201,477	-	1,201,477
Transfers (out)	-	-	(2,698)	-	-	-	(2,698)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>(2,698)</b>	<b>-</b>	<b>1,201,477</b>	<b>-</b>	<b>1,198,779</b>
<b>Net change in fund balance</b>	<b>2,950</b>	<b>-</b>	<b>72,650</b>	<b>67,428</b>	<b>1,311,710</b>	<b>-</b>	<b>1,478,575</b>
Fund balances, beginning of year	204,167	-	101,208	742,336	-	-	1,129,942
<b>Fund balances, end of year</b>	<b>\$ 207,117</b>	<b>\$ -</b>	<b>\$ 173,858</b>	<b>\$ 809,764</b>	<b>\$ 1,311,710</b>	<b>\$ -</b>	<b>\$ 2,608,517</b>

Concluded

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget (GAAP Basis) and Actual**  
**Act 302 Police Training Special Revenue Fund**  
**For the Year Ended June 30, 2015**

---

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues</b>			
State sources	\$ 8,000	\$ 5,466	\$ (2,534)
<b>Expenditures</b>			
Public safety			
Contractual services	8,000	5,466	2,534
<b>Net change in fund balance</b>	-	-	-
Fund balance, beginning of year	-	-	-
<b>Fund balance, end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget (GAAP Basis) and Actual**  
**State Preparedness Equipment Grant Special Revenue Fund**  
**For the Year Ended June 30, 2015**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>			
Federal sources	\$ 50,000	\$ 10,500	\$ (39,500)
<b>Expenditures</b>			
Public safety			
Contractual services	-	10,500	(10,500)
Capital outlay	50,000	-	50,000
<b>Total expenditures</b>	<b>50,000</b>	<b>10,500</b>	<b>39,500</b>
<b>Net change in fund balance</b>	-	-	-
Fund balance, beginning of year	-	-	-
<b>Fund balance, end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget (GAAP Basis) and Actual**  
**College Parking Special Revenue Fund**  
**For the Year Ended June 30, 2015**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>			
Charges for services	\$ 40,000	\$ 29,299	\$ (10,701)
<b>Expenditures</b>			
General government			
Personnel	10,800	9,359	1,441
Contractual services	28,000	20,651	7,349
Other expense	1,200	173	1,027
<b>Total expenditures</b>	<b>40,000</b>	<b>30,183</b>	<b>9,817</b>
<b>Net change in fund balance</b>	<b>-</b>	<b>(884)</b>	<b>(884)</b>
Fund balance, beginning of year	997	997	-
<b>Fund balance, end of year</b>	<b>\$ 997</b>	<b>\$ 113</b>	<b>\$ (884)</b>



**CITY OF TRAVERSE CITY, MICHIGAN**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget (GAAP Basis) and Actual**  
**Act 345 Millage Special Revenue Fund**  
**For the Year Ended June 30, 2015**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>			
Property taxes	\$ 1,685,000	\$ 1,699,455	\$ 14,455
Interest income	-	460	460
<b>Total revenues</b>	<u>1,685,000</u>	<u>1,699,915</u>	<u>14,915</u>
<b>Expenditures</b>			
Public safety			
Other expense	1,684,000	1,683,306	694
Debt service			
Interest and fiscal charges	1,000	-	1,000
<b>Total expenditures</b>	<u>1,685,000</u>	<u>1,683,306</u>	<u>1,694</u>
<b>Net change in fund balance</b>	-	<b>16,609</b>	<b>16,609</b>
Fund balance, beginning of year	55,131	55,131	-
<b>Fund balance, end of year</b>	<u>\$ 55,131</u>	<u>\$ 71,740</u>	<u>\$ 16,609</u>

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget (GAAP Basis) and Actual**  
**Traverse City and Garfield Township Joint Planning Special Revenue Fund**  
**For the Year Ended June 30, 2015**

---

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues</b>			
Contributions	\$ 6,000	\$ 6,000	\$ -
<b>Expenditures</b>			
General government			
Contractual services	8,000	-	8,000
<b>Net change in fund balance</b>	<b>(2,000)</b>	<b>6,000</b>	<b>8,000</b>
Fund balance, beginning of year	14,265	14,265	-
<b>Fund balance, end of year</b>	<b>\$ 12,265</b>	<b>\$ 20,265</b>	<b>\$ 8,000</b>

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget (GAAP Basis) and Actual**  
**PEG Capital Special Revenue Fund**  
**For the Year Ended June 30, 2015**

---

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues</b>			
Contributions	\$ 23,000	\$ 16,234	\$ (6,766)
<b>Expenditures</b>			
General government			
Contractual services	19,000	14,122	4,878
<b>Net change in fund balance</b>	<b>4,000</b>	<b>2,112</b>	<b>(1,888)</b>
Fund balance, beginning of year	11,838	11,838	-
<b>Fund balance, end of year</b>	<b>\$ 15,838</b>	<b>\$ 13,950</b>	<b>\$ (1,888)</b>

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget (GAAP Basis) and Actual**  
**Senior Center Building Special Revenue Fund**  
**For the Year Ended June 30, 2015**

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues</b>			
Contributions	\$ 5,000	\$ 7,800	\$ 2,800
Interest income	-	65	65
<b>Total revenues</b>	<u>5,000</u>	<u>7,865</u>	<u>2,865</u>
<b>Expenditures</b>			
General Government			
Contractual services	5,000	4,915	85
<b>Net change in fund balance</b>	<u>-</u>	<u>2,950</u>	<u>2,950</u>
Fund balance, beginning of year	<u>204,167</u>	<u>204,167</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u><u>\$ 204,167</u></u>	<u><u>\$ 207,117</u></u>	<u><u>\$ 2,950</u></u>

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget (GAAP Basis) and Actual**  
**Homeland Security Training Grant Special Revenue Fund**  
**For the Year Ended June 30, 2015**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>			
Federal sources	\$ 30,000	\$ -	\$ (30,000)
<b>Expenditures</b>			
Public safety			
Contractual services	8,000	-	8,000
<b>Total expenditures</b>	<b>8,000</b>	<b>-</b>	<b>8,000</b>
<b>Net change in fund balance</b>	<b>22,000</b>	<b>-</b>	<b>(22,000)</b>
Fund balance, beginning of year	-	-	-
<b>Fund balance, end of year</b>	<b>\$ 22,000</b>	<b>\$ -</b>	<b>\$ (22,000)</b>

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget (GAAP Basis) and Actual**  
**McCauley Estate Trust Special Revenue Fund**  
**For the Year Ended June 30, 2015**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>			
Interest income	\$ 3,000	\$ 4,168	\$ 1,168
Contributions	-	71,180	71,180
<b>Total revenues</b>	3,000	75,348	72,348
<b>Other financing sources (uses)</b>			
Transfer out	(3,000)	(2,698)	302
<b>Net change in fund balance</b>	-	<b>72,650</b>	<b>72,650</b>
Fund balance, beginning of year	101,208	101,208	-
<b>Fund balance, end of year</b>	<b>\$ 101,208</b>	<b>\$ 173,858</b>	<b>\$ 72,650</b>

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget (GAAP Basis) and Actual**  
**County Road Commission Project Fund**  
**For the Year Ended June 30, 2015**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>			
Contributions	\$ 750,000	\$ 747,873	\$ (2,127)
<b>Expenditures</b>			
Public works			
Contractual services	750,000	680,445	69,555
<b>Net change in fund balance</b>	<b>-</b>	<b>67,428</b>	<b>67,428</b>
Fund balance, beginning of year	742,336	742,336	-
<b>Fund balance, end of year</b>	<b>\$ 742,336</b>	<b>\$ 809,764</b>	<b>\$ 67,428</b>

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget (GAAP Basis) and Actual**  
**Brown Bridge Trust Park Improvement Fund**  
**For the Year Ended June 30, 2015**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>			
Contributions	\$ 100,000	\$ 110,233	\$ 10,233
<b>Expenditures</b>			
Recreation and culture			
Other expenses	1,300,000	-	1,300,000
Excess (deficiency) of revenues over expenditures	(1,200,000)	110,233	1,310,233
<b>Other financing sources (uses)</b>			
Transfers in	1,200,000	1,201,477	1,477
<b>Net change in fund balance</b>	<b>-</b>	<b>1,311,710</b>	<b>1,311,710</b>
Fund balance, beginning of year	-	-	-
<b>Fund balance, end of year</b>	<b>\$ -</b>	<b>\$ 1,311,710</b>	<b>\$ 1,311,710</b>



**CITY OF TRAVERSE CITY, MICHIGAN**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget (GAAP Basis) and Actual**  
**Stormwater Asset Management Grant Fund**  
**For the Year Ended June 30, 2015**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>			
State Sources	\$ 2,000,000	\$ 433,554	\$ (1,566,446)
Contributions	444,444	48,173	(396,271)
<b>Total revenues</b>	2,444,444	481,727	(1,962,717)
<b>Expenditures</b>			
Public works			
Contractual services	2,444,444	481,727	1,962,717
<b>Net change in fund balance</b>	-	-	-
Fund balance, beginning of year	-	-	-
<b>Fund balance, end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Combining Balance Sheet**  
**Nonmajor Debt Service Funds**  
**June 30, 2015**

	<u>Parking Deck Bond Redemption Taxable</u>	<u>Parking Deck Bond Redemption Non-Taxable</u>	<u>Old Town Parking Deck Bond Redemption</u>	<u>Total</u>
<b>ASSETS</b>				
<b>Assets</b>				
Accounts receivable	\$ 750	\$ 750	\$ 750	\$ 2,250
<b>Total assets</b>	<b>\$ 750</b>	<b>\$ 750</b>	<b>\$ 750</b>	<b>\$ 2,250</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Due to other funds	\$ 750	\$ 425	\$ 650	\$ 1,825
<b>Fund balances</b>				
Restricted for debt service	-	325	100	425
<b>Total liabilities and fund balances</b>	<b>\$ 750</b>	<b>\$ 750</b>	<b>\$ 750</b>	<b>\$ 2,250</b>

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Debt Service Funds**  
**For the Year Ended June 30, 2015**

	<b>Parking Deck Bond Redemption Taxable</b>	<b>Parking Deck Bond Redemption Non-Taxable</b>	<b>Old Town Parking Deck Bond Redemption</b>	<b>Total</b>
<b>Revenues</b>				
Local sources	\$ 151,625	\$ 631,481	\$ 1,445,919	\$ 2,229,025
<b>Expenditures</b>				
Debt service				
Principal	125,000	250,000	1,350,000	1,725,000
Interest and fiscal charges	26,625	381,481	95,919	504,025
<b>Total expenditures</b>	<b>151,625</b>	<b>631,481</b>	<b>1,445,919</b>	<b>2,229,025</b>
<b>Net change in fund balances</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Fund balances, beginning of year	-	325	100	425
<b>Fund balances, end of year</b>	<b>\$ -</b>	<b>\$ 325</b>	<b>\$ 100</b>	<b>\$ 425</b>

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget (GAAP Basis) and Actual**  
**Parking Deck Bond Redemption Taxable Debt Service Fund**  
**For the Year Ended June 30, 2015**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>			
Local sources	\$ 151,800	\$ 151,625	\$ (175)
<b>Expenditures</b>			
Debt service			
Principal	125,000	125,000	-
Interest and fiscal charges	26,800	26,625	175
<b>Total expenditures</b>	<b>151,800</b>	<b>151,625</b>	<b>175</b>
<b>Net change in fund balance</b>	-	-	-
Fund balance, beginning of year	-	-	-
<b>Fund balance, end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget (GAAP Basis) and Actual**  
**Parking Deck Bond Redemption Non-Taxable Debt Service Fund**  
**For the Year Ended June 30, 2015**

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues</b>			
Local sources	\$ 631,600	\$ 631,481	\$ (119)
<b>Expenditures</b>			
Debt service			
Principal	250,000	250,000	-
Interest and fiscal charges	381,600	381,481	119
<b>Total expenditures</b>	<b>631,600</b>	<b>631,481</b>	<b>119</b>
<b>Net change in fund balance</b>	-	-	-
Fund balance, beginning of year	325	325	-
<b>Fund balance, end of year</b>	<b>\$ 325</b>	<b>\$ 325</b>	<b>\$ -</b>

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget (GAAP Basis) and Actual**  
**Old Town Parking Deck Bond Redemption Debt Service Fund**  
**For the Year Ended June 30, 2015**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>			
Local sources	\$ 1,446,300	\$ 1,445,919	\$ (381)
<b>Expenditures</b>			
Debt service			
Principal	1,350,000	1,350,000	-
Interest and fiscal charges	96,300	95,919	381
<b>Total expenditures</b>	<b>1,446,300</b>	<b>1,445,919</b>	<b>381</b>
<b>Net change in fund balance</b>	-	-	-
Fund balance, beginning of year	100	100	-
<b>Fund balance, end of year</b>	<b>\$ 100</b>	<b>\$ 100</b>	<b>\$ -</b>

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Combining Balance Sheet**  
**Nonmajor Capital Projects Funds**  
**June 30, 2015**

	<b>Parking Deck Bond Construction Taxable</b>	<b>Parking Bond Construction Non-taxable</b>	<b>Special Assessments</b>	<b>Total</b>
<b>ASSETS</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 107,375	\$ 739,179	\$ 1,142,877	\$ 1,989,431
Investments	-	-	4,678	4,678
Receivables				
Taxes	-	-	5,389	5,389
Special assessments	-	-	389,645	389,645
<b>Total assets</b>	<b>\$ 107,375</b>	<b>\$ 739,179</b>	<b>\$ 1,542,589</b>	<b>\$ 2,389,143</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	\$ -	\$ -	\$ 39,500	\$ 39,500
Advance from component unit	-	-	3,000	3,000
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>42,500</b>	<b>42,500</b>
<b>Deferred inflows of resources</b>				
Unavailable revenue	-	-	386,128	386,128
<b>Fund balances</b>				
Restricted				
Capital improvements	107,375	739,179	-	846,554
Committed				
Capital improvements	-	-	1,113,961	1,113,961
<b>Total fund balances</b>	<b>107,375</b>	<b>739,179</b>	<b>1,113,961</b>	<b>1,960,515</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 107,375</b>	<b>\$ 739,179</b>	<b>\$ 1,542,589</b>	<b>\$ 2,389,143</b>

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Capital Projects Funds**  
**For the Year Ended June 30, 2015**

	<b>Parking Deck Bond Construction Taxable</b>	<b>Parking Deck Bond Construction Non-Taxable</b>	<b>Special Assessments</b>	<b>Total</b>
<b>Revenues</b>				
Special assessments	\$ -	\$ -	\$ 65,510	\$ 65,510
Interest income	65	448	3,185	3,698
<b>Total revenues</b>	<b>65</b>	<b>448</b>	<b>68,695</b>	<b>69,208</b>
<b>Expenditures</b>				
<b>Public works:</b>				
Other expense	-	-	77,102	77,102
Capital outlay	-	-	135,956	135,956
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>213,058</b>	<b>213,058</b>
<b>Net change in fund balances</b>	<b>65</b>	<b>448</b>	<b>(144,363)</b>	<b>(143,850)</b>
Fund balances, beginning of year	107,310	738,731	1,258,324	2,104,365
<b>Fund balances, end of year</b>	<b>\$ 107,375</b>	<b>\$ 739,179</b>	<b>\$ 1,113,961</b>	<b>\$ 1,960,515</b>



**CITY OF TRAVERSE CITY, MICHIGAN**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget (GAAP Basis) and Actual**  
**Parking Deck Bond Construction Taxable Capital Projects Fund**  
**For the Year Ended June 30, 2015**

---

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenue</b>			
Interest income	\$ 1,000	\$ 65	\$ (935)
<b>Expenditures</b>			
Capital outlay	100,000	-	100,000
<b>Net change in fund balance</b>	<b>(99,000)</b>	<b>65</b>	<b>99,065</b>
Fund balance, beginning of year	107,310	107,310	-
<b>Fund balance, end of year</b>	<b>\$ 8,310</b>	<b>\$ 107,375</b>	<b>\$ 99,065</b>

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Statement of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget (GAAP Basis) and Actual**  
**Parking Deck Bond Construction Non-Taxable Capital Projects Fund**  
**For the Year Ended June 30, 2015**

---

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues</b>			
Interest income	\$ 5,000	\$ 448	\$ (4,552)
<b>Expenditures</b>			
Capital outlay	680,000	-	680,000
<b>Net change in fund balance</b>	<b>(675,000)</b>	<b>448</b>	<b>675,448</b>
Fund balance, beginning of year	738,731	738,731	-
<b>Fund balance, end of year</b>	<b>\$ 63,731</b>	<b>\$ 739,179</b>	<b>\$ 675,448</b>

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget (GAAP Basis) and Actual**  
**Special Assessments Capital Projects Fund**  
**For the Year Ended June 30, 2015**

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues</b>			
Special assessments	\$ 195,440	\$ 65,510	\$ (129,930)
Interest income	4,000	3,185	(815)
<b>Total revenues</b>	<b>199,440</b>	<b>68,695</b>	<b>(130,745)</b>
<b>Expenditures</b>			
<b>Public works:</b>			
Other expense	28,000	77,102	(49,102)
Capital outlay	247,440	135,956	111,484
<b>Total expenditures</b>	<b>275,440</b>	<b>213,058</b>	<b>62,382</b>
<b>Net change in fund balance</b>	<b>(76,000)</b>	<b>(144,363)</b>	<b>(68,363)</b>
Fund balance, beginning of year	1,258,324	1,258,324	-
<b>Fund balance, end of year</b>	<b>\$ 1,182,324</b>	<b>\$ 1,113,961</b>	<b>\$ (68,363)</b>

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Combining Statement of Assets and Liabilities**  
**Agency Funds**  
**June 30, 2015**

	<u>Tax Collection</u>	<u>Imprest Payroll</u>	<u>Retiree Health Insurance</u>	<u>Total</u>
<b>Assets</b>				
Receivables				
Accounts	\$ -	\$ 243,471	\$ 228,405	\$ 471,876
Taxes	163,095	-	-	163,095
<b>Total assets</b>	<b><u>\$ 163,095</u></b>	<b><u>\$ 243,471</u></b>	<b><u>\$ 228,405</u></b>	<b><u>\$ 634,971</u></b>
<b>Liabilities</b>				
Accrued and other liabilities	\$ -	\$ 243,471	\$ 228,405	\$ 471,876
Due to other governmental units	163,095	-	-	163,095
<b>Total liabilities</b>	<b><u>\$ 163,095</u></b>	<b><u>\$ 243,471</u></b>	<b><u>\$ 228,405</u></b>	<b><u>\$ 634,971</u></b>

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Combining Statement of Changes in Assets and Liabilities**  
**Agency Funds**  
**For the Year Ended June 30, 2015**

	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2015</u>
<b>TAX COLLECTION</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 56,867	\$ 38,046,797	\$ 38,103,664	\$ -
Taxes receivable	129,205	39,129,820	39,095,930	163,095
<b>Total assets</b>	<b><u>\$ 186,072</u></b>	<b><u>\$ 77,176,617</u></b>	<b><u>\$ 77,199,594</u></b>	<b><u>\$ 163,095</u></b>
<b>Liabilities</b>				
Due to other governmental units	\$ 186,072	\$ 77,162,487	\$ 77,185,464	\$ 163,095
<b>IMPREST PAYROLL</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 19,356	\$ 14,226,323	\$ 14,245,679	\$ -
Accounts receivable	-	282,384	38,913	243,471
<b>Total assets</b>	<b><u>\$ 19,356</u></b>	<b><u>\$ 14,508,707</u></b>	<b><u>\$ 14,284,592</u></b>	<b><u>\$ 243,471</u></b>
<b>Liabilities</b>				
Accrued and other liabilities	\$ 19,356	\$ 14,256,324	\$ 14,032,209	\$ 243,471
<b>RETIREE HEALTH INSURANCE</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ -	\$ 90,225	\$ 90,225	\$ -
Accounts receivable	142,535	90,225	4,355	228,405
<b>Total assets</b>	<b><u>\$ 142,535</u></b>	<b><u>\$ 180,450</u></b>	<b><u>\$ 94,580</u></b>	<b><u>\$ 228,405</u></b>
<b>Liabilities</b>				
Accrued and other liabilities	\$ 142,535	\$ 90,225	\$ 4,355	\$ 228,405

Continued...

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Combining Statement of Changes in Assets and Liabilities**  
**Agency Funds**  
**For the Year Ended June 30, 2015**

	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2015</u>
<b>TOTAL - ALL AGENCY FUNDS</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 76,223	\$ 52,363,345	\$ 52,439,568	\$ -
Receivables				
Accounts	142,535	372,609	43,268	471,876
Taxes	<u>129,205</u>	<u>39,129,820</u>	<u>39,095,930</u>	<u>163,095</u>
<b>Total assets</b>	<b><u>\$ 347,963</u></b>	<b><u>\$ 91,865,774</u></b>	<b><u>\$ 91,578,766</u></b>	<b><u>\$ 634,971</u></b>
<b>Liabilities</b>				
Accrued and other liabilities	\$ 161,891	\$ 14,346,549	\$ 14,036,564	\$ 471,876
Due to other governmental units	<u>186,072</u>	<u>77,162,487</u>	<u>77,185,464</u>	<u>163,095</u>
<b>Total liabilities</b>	<b><u>\$ 347,963</u></b>	<b><u>\$ 91,509,036</u></b>	<b><u>\$ 91,222,028</u></b>	<b><u>\$ 634,971</u></b>

Concluded

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Combining Statement of Fiduciary Net Position**  
**Pension and Other Postemployment Benefit Funds**  
**June 30, 2015**

	Other Postemployment Benefit Funds			Total
	Act 345	Act 345	Retiree	
	Pension Trust Fund	Retiree Health Insurance Trust	Health Insurance Trust	
<b>Assets</b>				
Cash and cash equivalents	\$ 3,231,979	\$ 3,299,166	\$ -	\$ 6,531,145
Investments, at fair value				
Fixed income mutual funds	4,793,405	-	-	4,793,405
Common stock	3,627,495	-	-	3,627,495
Equity mutual funds	6,006,009	-	-	6,006,009
Equity common trust funds	6,594,766	-	-	6,594,766
Alternative - SBIC funds	722,938	-	-	722,938
Real estate	1,353,972	-	-	1,353,972
MERS total market fund	-	-	4,290,163	4,290,163
Receivables				
Due from other governmental units	-	74,615	-	74,615
Accrued interest	11,697	-	-	11,697
<b>Total assets</b>	<b>26,342,261</b>	<b>3,373,781</b>	<b>4,290,163</b>	<b>34,006,205</b>
<b>Liabilities</b>				
Due to other governmental units	84,986	-	-	84,986
Accrued and other liabilities	14,463	8,800	-	23,263
<b>Total liabilities</b>	<b>99,449</b>	<b>8,800</b>	<b>-</b>	<b>108,249</b>
<b>Net Position</b>				
Held in trust for pension benefits and other postemployment benefits	<b>\$ 26,242,812</b>	<b>\$ 3,364,981</b>	<b>\$ 4,290,163</b>	<b>\$ 33,897,956</b>

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Combining Statement of Changes in Fiduciary Net Position**  
**Pension and Other Postemployment Benefit Funds**  
**For the Year Ended June 30, 2014**

	<b>Other Postemployment Benefit Funds</b>			<b>Total</b>
	<b>Act 345 Pension Trust Fund</b>	<b>Act 345 Retiree Health Insurance Trust</b>	<b>Retiree Health Insurance Trust</b>	
<b>Additions</b>				
Contributions				
City contributions	\$ 1,683,306	\$ 358,555	\$ 838,087	\$ 2,879,948
Employee contributions	76,863	-	-	76,863
<b>Total contributions</b>	<b>1,760,169</b>	<b>358,555</b>	<b>838,087</b>	<b>2,956,811</b>
Investment earnings				
Interest and dividends	338,602	4,369	-	342,971
Net increase in fair value of investments	224,529	-	96,692	321,221
Investment advisor fees	(99,250)	-	-	(99,250)
<b>Net investment earnings</b>	<b>463,881</b>	<b>4,369</b>	<b>96,692</b>	<b>564,942</b>
<b>Total additions</b>	<b>2,224,050</b>	<b>362,924</b>	<b>934,779</b>	<b>3,521,753</b>
<b>Deductions</b>				
Pension benefits paid	2,251,552	-	-	2,251,552
Health insurance premiums paid	-	368,876	-	368,876
Administrative expense	16,523	8,800	6,392	31,715
<b>Total deductions</b>	<b>2,268,075</b>	<b>377,676</b>	<b>6,392</b>	<b>2,652,143</b>
<b>Net increase (decrease) in plan net position</b>	<b>(44,025)</b>	<b>(14,752)</b>	<b>928,387</b>	<b>869,610</b>
Net position held in trust, beginning of year	26,286,837	3,379,733	3,361,776	33,028,346
<b>Net position held in trust, end of year</b>	<b>\$ 26,242,812</b>	<b>\$ 3,364,981</b>	<b>\$ 4,290,163</b>	<b>\$ 33,897,956</b>



**CITY OF TRAVERSE CITY, MICHIGAN**  
**General Governmental Revenues by Source (Unaudited)**  
**General Fund before GASB 54 Consolidation**  
**Last ten fiscal years**

Fiscal years ending June 30,	Taxes	Licenses and permits	Federal sources	State Share Revenue	Other State sources	Charges for services	Fines and forfeitures	Reimbursements	Other revenues	Transfer in	Total revenues
2006	\$ 7,970,675	\$ 208,837	\$ 38,584	\$ 1,369,536	\$ 24,869	\$ 471,701	\$ 75,311	\$ 575,182	\$ 2,452,553	\$ 392,092	\$ 13,579,340
2007	8,401,296	209,985	37,441	1,328,752	26,472	318,908	61,726	666,199	2,344,919	898,610	14,294,308
2008	8,869,302	216,745	39,621	1,328,895	26,677	323,938	64,028	498,853	2,397,721	937,958	14,703,738
2009	8,946,172	220,564	50,440	1,271,737	27,874	349,598	83,201	390,960	2,087,122	916,438	14,344,106
2010	8,362,861	230,131	37,925	1,131,864	28,995	350,136	76,137	470,363	1,948,861	875,457	13,512,730
2011	8,292,778	239,790	37,450	1,135,353	52,511	377,041	19,003	435,633	1,929,835	1,002,587	13,521,981
2012	7,814,118	254,302	20,502	1,192,663	42,583	352,526	16,645	434,773	1,992,345	1,278,660	13,399,117
2013	7,936,306	274,612	19,794	1,224,691	62,819	312,323	8,366	489,006	2,003,349	925,392	13,256,658
2014	8,109,109	288,269	22,145	1,257,242	55,710	366,785	16,238	445,095	2,241,858	911,107	13,713,558
2015	8,223,794	295,046	3,128	1,279,398	68,911	362,895	9,825	557,783	2,341,385	971,074	14,113,239

**CITY OF TRAVERSE CITY, MICHIGAN**  
**General Governmental Expenditures by Function (Unaudited)**  
**General Fund before GASB 54 Consolidation**  
**Last ten fiscal years**

Fiscal years ending June 30,	General government	Public safety	Streets, alleys and sidewalks	Culture and recreation	Other	Transfer out	Total expenditures
2006	\$ 1,813,736	\$ 6,641,897	\$ 213,461	\$ 1,507,000	\$ 1,908,819	\$ 1,367,699	\$ 13,452,612
2007	1,986,207	7,047,105	(21,438)	1,567,482	1,788,606	1,645,080	14,013,042
2008	1,934,839	7,115,999	139,295	1,662,899	1,504,808	2,134,936	14,492,776
2009	1,826,761	7,004,927	255	1,627,293	1,524,156	2,263,298	14,246,690
2010	1,918,983	5,870,187	221,443	1,587,921	1,587,058	2,080,483	13,266,075
2011	1,994,091	5,731,154	316,141	1,688,649	1,535,599	2,121,925	13,387,559
2012	1,913,661	5,735,950	573,186	1,680,362	1,467,930	1,985,326	13,356,415
2013	1,920,252	5,832,434	562,611	1,562,011	1,451,441	2,096,594	13,425,343
2014	2,073,579	5,891,957	697,015	1,704,842	1,517,350	2,231,554	14,116,297
2015	2,106,448	6,164,377	783,598	1,904,330	1,655,936	2,743,071	15,357,760

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Debt Service Requirements to Maturity (Unaudited)**

Fiscal years ending June 30,	Parking deck, series 2009		Parking deck non-taxable refunding bond		Parking deck taxable		Sewage disposal		Primary government
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total principal and interest
2016	\$ 1,415,000	\$ 51,294	\$ 295,000	\$ 370,731	\$ 135,000	\$ 17,875	\$ 1,012,853	\$ 319,535	\$ 3,617,288
2017	-	-	345,000	354,506	140,000	9,100	1,047,187	279,021	2,174,814
2018	-	-	540,000	335,531	-	-	1,092,966	237,134	2,205,631
2019	-	-	590,000	313,931	-	-	1,144,467	193,415	2,241,813
2020	-	-	645,000	290,331	-	-	1,187,384	147,636	2,270,351
2021	-	-	705,000	264,531	-	-	1,230,301	100,141	2,299,973
2022	-	-	770,000	236,331	-	-	1,273,219	50,929	2,330,479
2023	-	-	845,000	205,531	-	-	-	-	1,050,531
2024	-	-	860,000	171,731	-	-	-	-	1,031,731
2025	-	-	850,000	137,331	-	-	-	-	987,331
2026	-	-	845,000	103,331	-	-	-	-	948,331
2027	-	-	835,000	68,475	-	-	-	-	903,475
2028	-	-	825,000	34,031	-	-	-	-	859,031
<b>Total</b>	<b>\$ 1,415,000</b>	<b>\$ 51,294</b>	<b>\$ 8,950,000</b>	<b>\$ 2,886,322</b>	<b>\$ 275,000</b>	<b>\$ 26,975</b>	<b>\$ 7,988,377</b>	<b>\$ 1,327,811</b>	<b>\$ 22,920,779</b>

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Property Tax Millage Rates - All Overlapping Governments (Unaudited)**  
**Last ten fiscal years**

<b>Fiscal years ending June 30,</b>	City	County	School	ISD	College	State Education Tax	Library	BATA	Recreational Authority	TOTAL
2006 - Homestead	13.2295	6.2495	3.1000	2.9589	2.9427	6.0000	1.1590	0.3380	0.3700	36.3476
2006 - Non-Homestead	13.2295	6.2495	21.1000	2.9589	2.9427	6.0000	1.1590	0.3380	0.3700	54.3476
2007 - Homestead	13.1765	6.1681	3.1000	2.9421	2.9138	6.0000	1.1029	0.3317	0.3594	36.0945
2007 - Non-Homestead	13.1765	6.1681	21.1000	2.9421	2.9138	6.0000	1.1029	0.3317	0.3594	54.0945
2008 - Homestead	13.1765	6.1291	3.1000	2.9334	2.8700	6.0000	1.1378	0.3283	0.3594	36.0345
2008 - Non-Homestead	13.1765	6.1291	21.1000	2.9334	2.8700	6.0000	1.1378	0.3283	0.3594	54.0345
2009 - Homestead	13.1765	6.1291	3.1000	2.9312	2.8700	6.0000	1.0998	0.3272	0.3594	35.9932
2009 - Non-Homestead	13.1765	6.1291	21.1000	2.9312	2.8700	6.0000	1.0998	0.3272	0.3594	53.9932
2010 - Homestead	13.1765	6.1291	3.1000	2.9312	2.8700	6.0000	1.0892	0.3454	0.3594	36.0008
2010 - Non-Homestead	13.1765	6.1291	21.1000	2.9312	2.8700	6.0000	1.0892	0.3454	0.3594	54.0008
2011 - Homestead	13.5567	6.2291	3.1000	2.9312	2.8700	6.0000	1.1145	0.3454	0.3594	36.5063
2011 - Non-Homestead	13.5567	6.2291	21.1000	2.9312	2.8700	6.0000	1.1145	0.3454	0.3594	54.5063
2012 - Homestead	13.0567	6.2433	3.1000	2.9312	2.9400	6.0000	1.1068	0.3454	0.3594	36.0828
2012 - Non-Homestead	13.0567	6.2433	21.1000	2.9312	2.9400	6.0000	1.1068	0.3454	0.3594	54.0828
2013 - Homestead	13.4367	6.2433	3.1000	2.9312	2.9400	6.0000	1.1092	0.3454	0.3594	36.4652
2013 - Non-Homestead	13.4367	6.2433	21.1000	2.9312	2.9400	6.0000	1.1092	0.3454	0.3594	54.4652
2014 - Homestead	13.4367	7.2433	3.1000	2.9312	2.9200	6.0000	1.1050	0.3454	0.3894	37.4710
2014 - Non-Homestead	13.4367	7.2433	21.1000	2.9312	2.9200	6.0000	1.1050	0.3454	0.3894	55.4710
2015 - Homestead	13.4367	6.5838	3.1000	2.9312	2.8300	6.0000	1.1004	0.3454	0.4094	36.7369
2015 - Non-Homestead	13.4367	6.5838	21.1000	2.9312	2.8300	6.0000	1.1004	0.3454	0.4094	54.7369

Notes:

The City's rate does not reflect a 1.8038 mill levy the Downtown Development District established in 1979. Millage rates above reflect operating and debt rates.

The County's rates include only Grand Traverse County and not Leelanau County.

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Property Tax Collection History (Unaudited)**  
**Last ten fiscal years**

Levied July 1st	Tax Levy (1)	Collection to March 1, Year Following Levy	Percent Collected
2004	\$ 7,244,443	\$ 6,953,163	96.0 %
2005	7,605,969	7,331,339	96.4
2006	8,035,507	7,710,107	96.0
2007	8,472,870	8,118,043	95.8
2008	8,827,035	8,267,087	93.7
2009	9,187,584	8,576,486	93.3
2010	9,406,649	8,853,276	94.1
2011	9,099,551	8,671,026	95.3
2012	9,484,358	9,174,395	96.7
2013	9,729,318	9,406,517	96.7
2014	9,831,385	9,528,527	96.7

(1) Real and personal taxes, City operating and ACT 345 pension levy combined

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Taxable Value by Use and Class (Unaudited)**  
**Last five years**

City					
Use	June 30, 2011	June 30, 2012	June 30, 2013	June 30, 2014	June 30, 2014
Commercial	\$ 291,932,041	\$ 295,608,759	\$ 299,414,706	\$ 309,993,307	\$ 308,824,323
Industrial	53,985,894	51,233,253	48,490,192	52,781,173	53,597,940
Residential	433,421,745	445,207,867	454,940,161	471,818,642	484,527,845
Utility	5,535,446	5,614,500	5,894,200	5,913,300	3,621,900
<b>Total</b>	<b>\$ 784,875,126</b>	<b>\$ 797,664,379</b>	<b>\$ 808,739,259</b>	<b>\$ 840,506,422</b>	<b>\$ 850,572,008</b>
Class					
Real Property	\$ 717,972,224	\$ 730,779,379	\$ 743,493,894	\$ 769,205,631	\$ 788,754,983
Personal Property	66,902,902	66,885,000	65,245,365	71,300,791	61,817,025
<b>Total</b>	<b>\$ 784,875,126</b>	<b>\$ 797,664,379</b>	<b>\$ 808,739,259</b>	<b>\$ 840,506,422</b>	<b>\$ 850,572,008</b>

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Ten Largest Taxpayers (Unaudited)**  
**June 30, 2015**

Taxpayer	Principal Product or Service	Taxable Value	Percent of Ten Largest Taxpayers
VS Traverse City Real Estate HL	Real estate	\$ 8,725,000	19.49%
Tom's Food Market	Grocery store	4,475,450	10.00
East Bay Plaza LLC	Commercial property	4,245,800	9.48
Big Olives 2 LLC	Commercial & residential property	4,126,915	9.22
TC 92 Suites LLC	Hotel	4,046,600	9.04
Hagerty Insurance Agency Inc.	Insurance	4,030,100	9.00
Grand Traverse Hotel Properties	Hotel	3,896,277	8.70
USA Bayshore Properties	Bayshore resort	3,829,169	8.55
Harbour View Centre Condo	Commercial property	3,728,343	8.33
Lake Street Properties VII LLC	Commercial property	3,668,700	8.19

**CITY OF TRAVERSE CITY, MICHIGAN**

**Legal Debt Margin (Unaudited)**

**June 30, 2015**

---

Debt limit (1)	\$ 101,257,974
Debt outstanding	<u>45,985,015</u>
Legal debt margin	<u><u>\$ 55,272,959</u></u>

(1) 10% of \$1,012,579,743 which is the City's SEV for the fiscal year ending June 30, 2014.



**CITY OF TRAVERSE CITY**  
**Debt Statement (Unaudited)**  
**June 30, 2015**

<b>City Direct Debt</b>	<u>Gross</u>	<u>Self Supporting</u>	<u>Net</u>
Share of Grand Traverse County Issued Bonds			
Dated April 1, 2011	\$ 7,988,377	\$ 7,988,377	\$ -
Subtotal	<u>7,988,377</u>	<u>7,988,377</u>	<u>-</u>
Share of Michigan Public Power Agency debt	<u>26,521,638</u>	<u>26,521,638</u>	<u>-</u>
Downtown Development Bonds			
Dated November 4, 2009	1,415,000	1,415,000	-
Subtotal	9,785,000	9,785,000	-
Dated April 1, 2002B (Taxable)	275,000	275,000	-
Subtotal	<u>11,475,000</u>	<u>11,475,000</u>	<u>-</u>
Total	<u>\$ 45,985,015</u>	<u>\$ 45,985,015</u>	<u>\$ -</u>

<b>Overlapping Debt</b>	<u>Gross</u>	<u>City Share as Percent of Gross</u>	<u>Net</u>
Traverse City Public Schools	\$ 69,273,817	17.79%	\$ 12,323,812
Grand Traverse County	50,429,815	16.69%	8,416,736
Leelanau County	18,850,000	0.88%	165,880
Northwestern Michigan College	18,919,979	16.69%	3,157,744
Traverse City-Garfield Recreational Authority	5,030,000	45.74%	2,300,722
Traverse Area District Library	<u>1,830,000</u>	<u>17.07%</u>	<u>312,381</u>
Total	<u>\$ 164,333,611</u>		<u>\$ 26,677,275</u>