

CITY OF TRAVERSE CITY, MICHIGAN



FINANCIAL STATEMENTS

**For the Fiscal Year Ended
June 30, 2012**

**Prepared by:
City Treasurer Department**

CITY OF TRAVERSE CITY, MICHIGAN

TABLE OF CONTENTS

	<u>PAGE</u>
<i>FINANCIAL SECTION</i>	
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-13
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets	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 Assets – Proprietary Funds	21-22
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds	23-24
Statement of Cash Flows – Proprietary Funds	25-26
Statement of Fiduciary Net Assets - Fiduciary Funds	27
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds	28
Notes to the Financial Statements	29-74
<i>SUPPLEMENTARY INFORMATION</i>	
Required Supplementary Information	
Act 345 Pension Trust Fund Schedule of Funding Progress	75-76
MERS Pension Plan Schedule of Funding Progress	77
MERS Retiree Health Funding Vehicle Schedule of Funding Progress	78
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	
General Fund	79
Major Streets Special Revenue Fund	80
Local Streets Special Revenue Fund	81
Note to Required Supplementary Information	82
Other Supplementary Information	
Schedule of GASB 54 Consolidation	83-89
Combining and Individual Fund Statements and Schedules	
Schedule of Revenues – Budget and Actual – General Fund	90
Schedule of Expenditures – Budget and Actual – General Fund	91-93
Schedule of Transfers – Budget and Actual – General Fund	94
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Capital Projects Fund	95

CITY OF TRAVERSE CITY, MICHIGAN

TABLE OF CONTENTS

	<u>PAGE</u>
<i>SUPPLEMENTARY INFORMATION (Continued)</i>	
Combining Balance Sheet – Nonmajor Governmental Funds	96
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	97
Combining Balance Sheet – Nonmajor Special Revenue Funds	98-99
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Special Revenue Funds	100-101
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	
Act 302 Police Training Special Revenue Fund	102
State Preparedness Equipment Grant Special Revenue Fund	103
College Parking Special Revenue Fund	104
Act 345 Millage Special Revenue Fund	105
Safe Communities Grant Special Revenue Fund	106
Traverse City and Garfield Township Joint Planning Special Revenue Fund	107
PEG Capital Special Revenue Fund	108
Senior Center Building Special Revenue Fund	109
Homeland Security Training Grant Special Revenue Fund	110
McCauley Estate Trust Special Revenue Fund	111
Better Buildings Grant Special Revenue Fund	112
Boardman River Dam Removal & Restoration Special Revenue Fund	113
CDBG Century Inc. Special Revenue Fund	114
Combining Balance Sheet – Nonmajor Debt Service Funds	115
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Debt Service Funds	116
Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual	
Parking Deck Bond Redemption Taxable Debt Service Fund	117
Parking Deck Bond Redemption Non-Taxable Debt Service Fund	118
Old Town Parking Deck Bond Redemption Debt Service Fund	119
Combining Balance Sheet – Nonmajor Capital Projects Funds	120
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Capital Projects Funds	121

CITY OF TRAVERSE CITY, MICHIGAN

TABLE OF CONTENTS

	<u>PAGE</u>
<i>SUPPLEMENTARY INFORMATION (CONTINUED)</i>	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	
Parking Deck Bond Construction Taxable Capital Projects Fund	122
Parking Deck Bond Construction Non-Taxable Capital Projects Fund	123
Old Town Parking Deck Construction Fund	124
Special Assessments Capital Projects Fund	125
Combining Balance Sheet – Agency Funds	126
Combining Statement of Changes in Assets and Liabilities – Agency Funds	127-128
Combining Statement of Fiduciary Net Assets – Pension and Other Postemployment Benefit Trust Funds	129
Combining Statement of Changes in Fiduciary Net Assets - Pension and Other Postemployment Benefit Trust Funds	130
<i>STATISTICAL INFORMATION AND CONTINUING SEC DISCLOSURES (UNAUDITED)</i>	
General Governmental Revenues by Source – General Fund – Last ten fiscal years	131
General Governmental Expenditures by Function – General Fund – Last ten fiscal years	132
Debt Service Requirements to Maturity	133
Property Tax Millage Rates - All Overlapping Governments – Last ten fiscal years	134
Property Tax Collection History – Last ten fiscal years	135
Taxable Value by Use and Class – Last five years	136
Ten Largest Taxpayers	137
Legal Debt Margin	138
Debt Statement	139

CITY OF TRAVERSE CITY, MICHIGAN

List of Elected and Appointed Officials For the Fiscal Year Ended June 30, 2012

Elected Officials

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

Michael Estes
Jody Bergman
Barbara Budros
Jim Carruthers
Jeanine Easterday
Mike Gillman
Mary Ann Moore

Appointed Officials

Manager
Clerk
Attorney
Treasurer

R. Ben Bifoss
Benjamin C. Marentette
Lauren Tribble-Laucht
William E. Twietmeyer

INDEPENDENT AUDITORS' REPORT

December 28, 2012

Honorable Mayor and
Members of the City Commission
City of Traverse City, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *City of Traverse City, Michigan* (the "City"), as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3-13, the pension and other postemployment benefits schedules of funding progress and employer contributions on pages 75-78, and the budgetary comparison schedules on pages 79-81 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 assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Schedule of GASB 54 Consolidation and the combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is also not a required part of the financial statements. The GASB 54 Consolidation, combining and individual fund financial statements and schedules, and the schedule of expenditures of federal awards 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. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The statistical information and continuing SEC disclosures are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has 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 it.

A handwritten signature in cursive script that reads "Lehmann Johnson".

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, 2012.

Financial Highlights

- The assets of the City (primary government) exceeded its liabilities at the close of the most recent fiscal year by \$100,966,986 (*net assets*). Of this amount, \$15,307,394 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors. The government's total net assets increased by \$5,746,558.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$25,815,517, a decrease of \$243,535 in comparison with the prior year.
- At the end of the current fiscal year unassigned fund balance for the General Fund was \$5,617,239 or 40 percent of total General Fund expenditures and transfers out.
- The City's total long-term debt decreased \$2,730,797 due to payments made during the current fiscal year.

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 liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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-six 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 assets 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 \$100,966,986 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets, \$68,933,070 or 68 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 balance of *unrestricted net assets*, \$15,307,394 or 15 percent, may be used to meet the government's ongoing obligations to citizens and creditors. The remaining balance of net assets is restricted net assets, \$16,726,522 or 17 percent, which represents resources that are subject to external restrictions on how they may be used.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the governmental and business-type activities.

During the current fiscal year the government's net assets increased by \$5,746,558.

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

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

	<u>2012</u>			<u>2011</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>
Current and other assets	\$ 30,638,008	\$ 4,217,720	\$ 34,855,728	\$30,748,909	\$ 3,620,851	\$ 34,369,760
Capital assets	<u>37,910,021</u>	<u>58,558,286</u>	<u>96,468,307</u>	<u>35,569,232</u>	<u>58,909,038</u>	<u>94,478,270</u>
Total assets	<u>68,548,029</u>	<u>62,776,006</u>	<u>131,324,035</u>	<u>66,318,141</u>	<u>62,529,889</u>	<u>128,848,030</u>
Long-term liabilities						
outstanding	15,528,431	12,332,071	27,860,502	16,962,611	13,132,349	30,094,960
Other liabilities	<u>1,614,290</u>	<u>882,257</u>	<u>2,496,547</u>	<u>1,917,021</u>	<u>1,615,621</u>	<u>3,532,642</u>
Total liabilities	<u>17,142,721</u>	<u>13,214,328</u>	<u>30,357,049</u>	<u>18,879,632</u>	<u>14,747,970</u>	<u>33,627,602</u>
Net assets						
Invested in capital						
assets, net of						
related debt	23,914,482	45,018,588	68,933,070	19,277,732	44,457,983	63,735,715
Restricted assets	16,687,760	38,762	16,726,522	16,169,339	72,201	16,241,540
Unrestricted	<u>10,803,066</u>	<u>4,504,328</u>	<u>15,307,394</u>	<u>11,991,438</u>	<u>3,251,735</u>	<u>15,243,173</u>
Total net assets	<u>\$ 51,405,308</u>	<u>\$49,561,678</u>	<u>\$100,966,986</u>	<u>\$47,438,509</u>	<u>\$47,781,919</u>	<u>\$ 95,220,428</u>

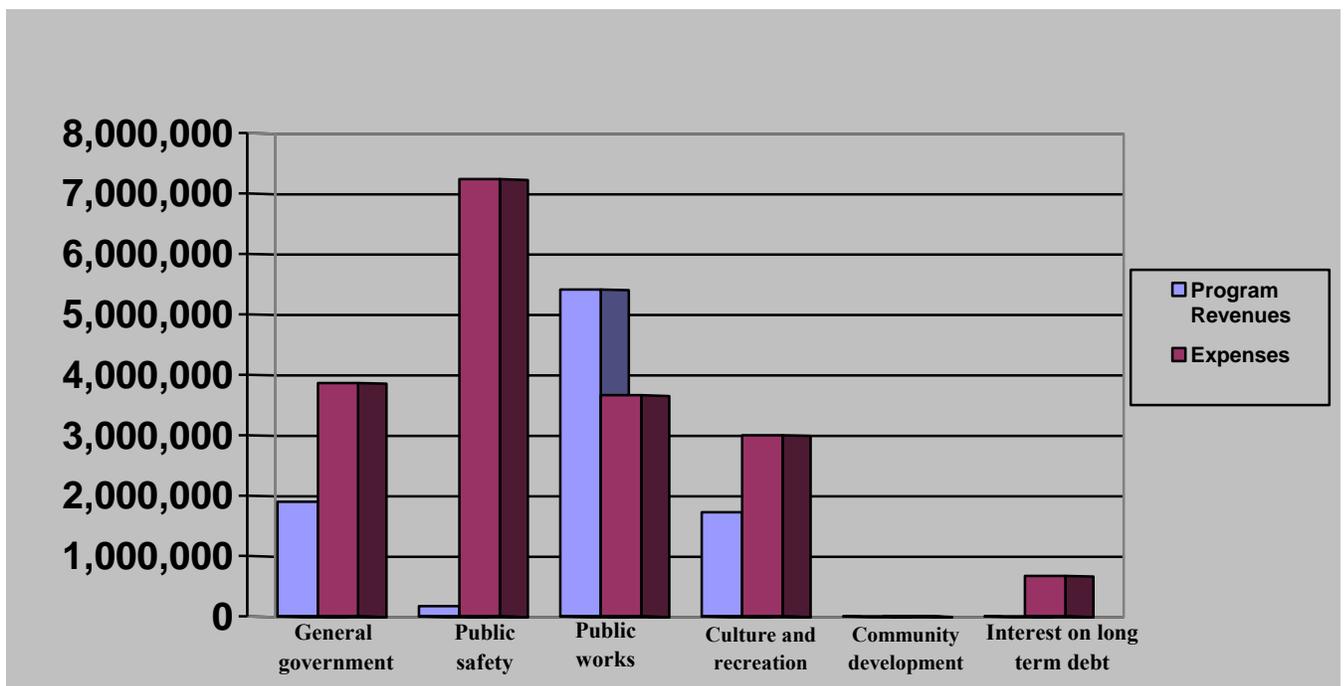
City of Traverse City's Changes in Net Assets
Table II

	<u>2012</u>			<u>2011</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>
Program revenue						
Charges for services	\$ 3,610,419	\$ 11,647,094	\$ 15,257,513	\$ 3,465,079	\$ 10,382,233	\$ 13,847,312
Operating grants and contributions	2,194,124	-	2,194,124	2,410,471	-	2,410,471
Capital grants and contributions	3,396,032	-	3,396,032	644,439	55,609	700,048
General revenue						
Property taxes	10,785,956	-	10,785,956	11,012,704	-	11,012,704
Grants and contributions not restricted to specific programs	1,235,246	-	1,235,246	1,187,864	-	1,187,864
Franchise revenue	214,685	-	214,685	209,480	-	209,480
Other	<u>305,048</u>	<u>12,472</u>	<u>317,520</u>	<u>345,526</u>	<u>11,610</u>	<u>357,136</u>
Total revenue	<u>21,741,510</u>	<u>11,659,566</u>	<u>33,401,076</u>	<u>19,275,563</u>	<u>10,449,452</u>	<u>29,725,015</u>
Expenses						
General government	3,864,448	-	3,864,448	4,082,534	-	4,082,534
Public safety	7,236,930	-	7,236,930	7,186,898	-	7,186,898
Public works	3,660,267	-	3,660,267	3,324,901	-	3,324,901
Recreation and culture	2,999,949	-	2,999,949	2,757,579	-	2,757,579
Community development	4,996	-	4,996	74,719	-	74,719
Interest and fiscal charges	670,791	-	670,791	707,139	-	707,139
Wastewater	-	4,751,753	4,751,753	-	4,699,007	4,699,007
Water	-	2,448,384	2,448,384	-	2,372,325	2,372,325
Marina	-	687,913	687,913	-	501,153	501,153
Auto Parking	<u>-</u>	<u>1,339,745</u>	<u>1,339,745</u>	<u>-</u>	<u>1,352,450</u>	<u>1,352,450</u>
Total expenses	<u>18,437,381</u>	<u>9,227,795</u>	<u>27,665,176</u>	<u>18,133,770</u>	<u>8,924,935</u>	<u>27,058,705</u>
Increase (decrease) in net assets before transfers and contribution to endowment	3,304,129	2,431,771	5,735,900	1,141,793	1,524,517	2,666,310
Transfers	652,012	(652,012)	-	(7,526,061)	7,526,061	-
Contribution to endowment	<u>10,658</u>	<u>-</u>	<u>10,658</u>	<u>9,581</u>	<u>-</u>	<u>9,581</u>
Increase (decrease) in net assets	3,966,799	1,779,759	5,746,558	(6,374,687)	9,050,578	2,675,891
Net assets – beginning of year	<u>47,438,509</u>	<u>47,781,919</u>	<u>95,220,428</u>	<u>53,813,196</u>	<u>38,731,341</u>	<u>92,544,537</u>
Net assets – end of year	<u>\$ 51,405,308</u>	<u>\$ 49,561,678</u>	<u>\$100,966,986</u>	<u>\$ 47,438,509</u>	<u>\$ 47,781,919</u>	<u>\$95,220,428</u>

Governmental activities increased the City’s net assets by \$3,966,799 accounting for 69 percent of the growth in the government’s net assets for the current year. Key highlights are as follows:

- Operating grants, capital grants and contributions increased \$2,535,246 compared to the previous year with most of the increase attributed to federal grants.
- Transfers out decreased approximately \$8,000,000 compared to the previous year, primarily as a result of the completion and transfer of the Old Town Parking Deck from the Governmental to Business-type Activities in the prior year.

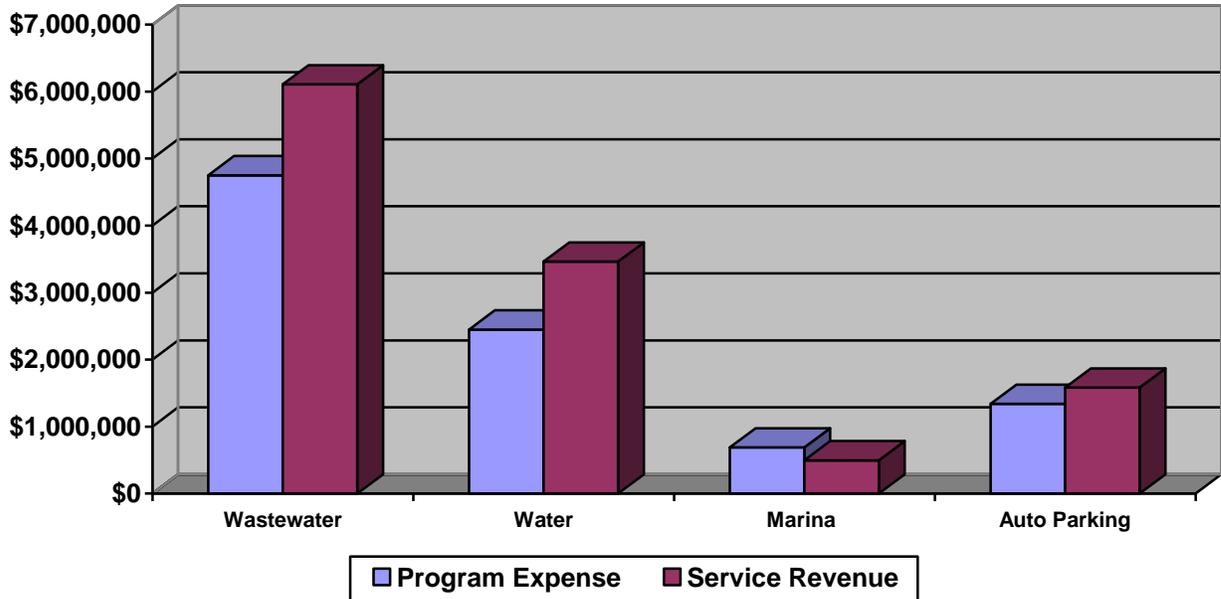
Expenses and Program Revenues – Governmental Activities



Business-type activities increased the City’s net assets by \$1,779,759 accounting for 31 percent of the growth in the government’s net assets for the current year. Key highlights of activities in the funds are as follows:

- Charges for services in the Wastewater and Water Fund increased approximately \$1,196,000 because of increased consumption by customers and an increase in rates.
- Charges for services in the Marina and Auto Parking System Fund increased approximately \$69,000 because of increased customer activity.
- Transfers in decreased approximately \$8,000,000 as noted for Governmental Activities above.

Expenses and Program Revenues - 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 \$25,815,517, a decrease of \$243,535 in comparison with the prior year. \$5,527,938 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 \$5,617,239. 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 40 percent of total General Fund expenditures including transfers out.

The Major Streets Fund has a total fund balance of \$210,695 which increased by \$9,730 during the year. Original and amended budget estimates anticipated no change to fund balance.

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 \$464,504 during the current fiscal year. Final budget estimates anticipated an increase of \$116,150 to fund balance. Capital outlays exceeded anticipated expenditures by \$635,856.

The Brown Bridge Permanent Trust Fund increased by \$232,303 during the current fiscal year. This is attributed to royalty revenues received during the fiscal year.

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 assets of the Wastewater, Water, Marina and Auto Parking System funds at the end of the year amounted to \$4,535,935, with investment in capital assets net of related debt of \$45,018,588. For the current year, the Wastewater Fund had an increase in net assets of \$1,044,235, the Water Fund had an increase in net assets for the year of \$835,514, the Marina Fund had a decrease in net assets of \$181,666, and the Auto Parking System had an increase in net assets of \$34,222.

General Fund Budgetary Highlights

During the year, General Fund revenues were under budgetary estimates by \$89,721. In addition, actual expenditures were under budgeted amounts by \$657,378. As a result, the fund balance decreased by \$73,319, against the budgeted decrease estimate of \$617,345.

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, 2012, amounted to \$96,468,307 (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 cape seal operations on portions of Eastern Avenue, Parsons, Eighth Street and Hannah Street and all of Aero Park Drive and West Aero Park Court totaled approximately \$395,000.
- Completion of improvements to Elmwood Street from Front Street to Bay Street totaled approximately \$367,000.
- Completion of improvements to Randolph Street from Elmwood Street to Division Street totaled approximately \$256,000.

- Completion of improvements to Barlow Street from Centre Street to Carver Street for totaled approximately \$167,000.
- Completion of improvements to the 200 Block of East Front totaled approximately \$156,000.
- Completion of improvements to Barlow Street from Eighth Street to State Street totaled approximately \$146,000.
- Completion of improvements to Kelley Street from Bates Street to Barlow Street totaled approximately \$111,000.
- Completion of annual sidewalk replacement totaled approximately \$109,000.
- Completion of Eastern Avenue retaining wall totaled approximately \$71,000.

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

	2012			2011		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Land	\$11,466,376	\$ 1,193,786	\$12,660,162	\$11,466,376	\$ 1,193,786	\$12,660,162
Land improvement	3,500,619	8,427,432	11,928,051	3,428,035	8,427,432	11,855,467
Buildings and systems	7,282,866	23,557,540	30,840,406	7,795,012	24,232,192	32,027,204
Construction in progress	2,559,612	490,556	3,050,168	696,787	581,857	1,278,644
Equipment	4,599,823	7,908,051	12,507,874	4,876,333	7,002,368	11,878,701
Infrastructure and other improvements	8,500,725	16,980,921	25,481,646	7,306,689	17,471,403	24,778,092
TOTAL	\$37,910,021	\$58,558,286	\$96,468,307	\$35,569,232	\$58,909,038	\$94,478,270

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 \$27,160,350. Of this amount, \$14,920,651 comprises debt backed by the full faith and credit of the government. The remainder of the City's debt represents capital leases and bonds secured solely by specified revenue sources (i.e., revenue bonds).

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

	<u>2012</u>			<u>2011</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	\$14,920,651	\$ -	\$14,920,651	\$16,291,500	\$ -	\$ 16,291,500
Capital lease payable –						
Wastewater Treatment Plant	-	11,989,699	11,989,699	-	13,124,647	13,124,647
Revenue bonds – Water Plant	-	250,000	250,000	-	475,000	475,000
TOTAL	<u>\$14,920,651</u>	<u>\$12,239,699</u>	<u>\$27,160,350</u>	<u>\$16,291,500</u>	<u>\$13,599,647</u>	<u>\$ 29,891,147</u>

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 \$98,899,677, 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 2012/13 fiscal year:

- The fiscal year 2012/13 General Fund budget is basically flat. The City Commission has determined to keep the General Fund tax levy at 11.1167 mills. Alternately the Act 345 levy for Police/Fire pensions increased from 1.94 mills to 2.32 mills.
- The fiscal year 2012/13 General Fund budget includes an allocation of \$1,105,000 transfer to the Capital Improvement Projects Fund which is an increase of \$75,000 over the prior year to continue the City Commission's priority on infrastructure spending, streets and sidewalks.
- The City has been, and continues to be, aggressive in addressing labor costs. The City has converted to a High Deductible Health Insurance plan for all eligible employees on July 1, 2009. Based on bids received in April, 2012, the current plan costs approximately 70% of the comparable BC/BS Plan. City employees already pay more than 20% of the cost of health insurance. Noting that there are three collective bargaining agreements in negotiations, the City is anticipating a wage freeze for all employees for the 2012/13 and 2013/14 fiscal years. Regarding pensions, all new hires are already at a 1.5% multiplier for MERS-eligible employees and 2.0% for Police and Fire employees in Act 345; a reduction from 2.25% and 2.8%, respectively. The City anticipates a future reduction in the multiplier for all current employees with a hoped for effective date of 7/1/2014. For all employees, this will represent a very real reduction in the pension program costs.

New hires are not eligible for retiree health insurance and are not expected to receive a COLA or an “early out” provision.

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, R. Ben Bifoss, 400 Boardman Avenue, Traverse City, Michigan 49684.

CITY OF TRAVERSE CITY, MICHIGAN
Statement of Net Assets
June 30, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 13,161,213	\$ 3,403,427	\$ 16,564,640
Investments	12,882,066	487,425	13,369,491
Receivables, net	2,136,076	1,410,501	3,546,577
Due from component unit	167,848	-	167,848
Internal balances	1,575,721	(1,575,721)	-
Inventories	325,905	135,755	461,660
Prepaid items and other assets	217,625	19,223	236,848
Other postemployment benefit	171,554	48,348	219,902
Restricted cash and cash equivalents	-	288,762	288,762
Advances to primary government	-	-	-
Capital assets not being depreciated	14,025,988	10,111,774	24,137,762
Capital assets being depreciated	23,884,033	48,446,512	72,330,545
Total assets	68,548,029	62,776,006	131,324,035
Liabilities			
Accounts payable and accrued expenses	1,561,743	431,765	1,993,508
Unearned revenue	34,819	492	35,311
Due to primary government	-	-	-
Advances from component units	17,728	450,000	467,728
Long-term liabilities			
Due within one year	1,312,694	1,444,858	2,757,552
Due in more than one year	14,215,737	10,887,213	25,102,950
Total liabilities	17,142,721	13,214,328	30,357,049
Net assets			
Invested in capital assets, net of related debt	23,914,482	45,018,588	68,933,070
Restricted for			
Debt service	200	38,762	38,962
Joint planning	11,466	-	11,466
Capital improvements	1,962,567	-	1,962,567
Streets and highways	210,695	-	210,695
Budget stabilization	750,000	-	750,000
Public safety training	1,121	-	1,121
College parking	570	-	570
Public welfare or civic improvement organizations	101,845	-	101,845
Tax increment finance districts	-	-	-
Nonexpendable brown bridge trust	12,942,742	-	12,942,742
Nonexpendable cemetery perpetual trust	706,554	-	706,554
Unrestricted	10,803,066	4,504,328	15,307,394
Total net assets	\$ 51,405,308	\$ 49,561,678	\$ 100,966,986

Component Units	
Downtown Development Authority	Light and Power
\$ 3,809,669	\$ 10,320,476
-	18,450,441
4,963,448	3,718,364
-	-
-	-
-	1,701,462
10,291	24,165
-	508,162
-	-
-	467,728
-	1,995,181
-	39,117,566
8,783,408	76,303,545
415,097	2,487,517
335	12,100
-	167,848
-	-
-	-
29,289	-
55,403	279,430
500,124	2,946,895
-	41,112,747
-	-
-	-
-	-
-	-
-	-
-	-
-	-
8,112,740	-
-	-
-	-
170,544	32,243,903
\$ 8,283,284	\$ 73,356,650

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, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities					
General government	\$ 3,864,448	\$ 893,419	\$ 460,705	\$ 543,215	\$ (1,967,109)
Public safety	7,236,930	34,710	58,431	77,555	(7,066,234)
Public works	3,660,267	2,015,312	1,504,255	1,890,398	1,749,698
Culture and recreation	2,999,949	666,978	170,733	884,864	(1,277,374)
Community development	4,996	-	-	-	(4,996)
Interest and fiscal charges	670,791	-	-	-	(670,791)
Total governmental activities	<u>18,437,381</u>	<u>3,610,419</u>	<u>2,194,124</u>	<u>3,396,032</u>	<u>(9,236,806)</u>
Business-type activities					
Wastewater	4,751,753	6,107,630	-	-	1,355,877
Water	2,448,384	3,461,400	-	-	1,013,016
Marina	687,913	496,114	-	-	(191,799)
Automobile parking	1,313,681	1,555,886	-	-	242,205
Total business-type activities	<u>9,201,731</u>	<u>11,621,030</u>	<u>-</u>	<u>-</u>	<u>2,419,299</u>
Total primary government	<u>\$ 27,639,112</u>	<u>\$ 15,231,449</u>	<u>\$ 2,194,124</u>	<u>\$ 3,396,032</u>	<u>\$ (6,817,507)</u>
Component units					
Downtown Development Authority	\$ 3,180,076	\$ 371,655	\$ -	\$ 7,247	\$ (2,801,174)
Light and Power	32,116,541	32,475,278	-	-	358,737
Total component units	<u>\$ 35,296,617</u>	<u>\$ 32,846,933</u>	<u>\$ -</u>	<u>\$ 7,247</u>	<u>\$ (2,442,437)</u>

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, 2012

Functions/Programs	Primary Government		
	Governmental Activities	Business-type Activities	Total
Changes in net assets			
Net (expense) revenue	\$ (9,236,806)	\$ 2,419,299	\$ (6,817,507)
General revenues			
Unrestricted property taxes	10,785,956	-	10,785,956
Restricted property taxes for tax increment finance districts	-	-	-
Grants and contributions not restricted to specific programs	1,235,246	-	1,235,246
Franchise revenue	214,685	-	214,685
Restricted investment earnings	214,811	-	214,811
Unrestricted investment earnings	52,113	12,472	64,585
Gain on sale of capital assets	38,124	-	38,124
Transfers	652,012	(652,012)	-
Contribution to endowment	10,658	-	10,658
Total general revenues, transfers and contributions	<u>13,203,605</u>	<u>(639,540)</u>	<u>12,564,065</u>
Change in net assets	3,966,799	1,779,759	5,746,558
Net assets, beginning of year	<u>47,438,509</u>	<u>47,781,919</u>	<u>95,220,428</u>
Net assets, end of year	<u><u>\$ 51,405,308</u></u>	<u><u>\$ 49,561,678</u></u>	<u><u>\$ 100,966,986</u></u>

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

Component Units	
Downtown Development Authority	Light and Power
\$ (2,801,174)	\$ 358,737
64,632	-
2,019,198	-
-	-
-	-
-	-
703	420,646
-	-
-	-
-	-
<u>2,084,533</u>	<u>420,646</u>
(716,641)	779,383
<u>8,999,925</u>	<u>72,577,267</u>
<u>\$ 8,283,284</u>	<u>\$ 73,356,650</u>

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

CITY OF TRAVERSE CITY, MICHIGAN
Balance Sheet
Governmental Funds
June 30, 2012

	General Fund	Special Revenue		Capital Projects	Permanent
		Major Streets Fund	Local Streets Fund	Capital Project	Brown Bridge Trust Fund
ASSETS					
Cash and cash equivalents	\$ 1,586,323	\$ 106,016	\$ -	\$ 1,563,521	\$ 5,292,604
Investments	3,628,362	-	-	79,336	7,681,527
Receivables					
Accounts	180,689	158	-	448,384	21,771
Taxes	31,936	-	-	-	-
Special assessments	-	-	-	-	-
Accrued interest	-	-	-	-	52,590
Due from other governments	395,216	132,260	42,305	241,537	-
Due from other funds	1,001,730	-	-	-	-
Due from component unit	167,848	-	-	-	-
Inventory	138,978	-	-	-	-
Prepaid items and other assets	26,783	-	-	-	-
Advances to other funds	1,060,500	-	-	-	-
Total assets	\$ 8,218,365	\$ 238,434	\$ 42,305	\$ 2,332,778	\$ 13,048,492
LIABILITIES AND FUND BALANCE					
Accounts payable	\$ 241,862	\$ 17,851	\$ 20,460	\$ 526,454	\$ -
Accrued and other liabilities	250,925	9,888	14,095	-	-
Due to other funds	-	-	7,750	-	105,750
Deposits payable	79,021	-	-	-	-
Advances from other funds	-	-	-	-	-
Advance from component unit	-	-	-	-	-
Deferred revenue	53,057	-	-	174,069	-
Total liabilities	624,865	27,739	42,305	700,523	105,750
Fund balance					
Nonspendable					
Inventory	138,978	-	-	-	-
Prepaid items	26,783	-	-	-	-
Advance to other funds	1,060,500	-	-	-	-
Brown Bridge trust	-	-	-	-	12,942,742
Cemetery perpetual care	-	-	-	-	-
Restricted					
Debt service	-	-	-	-	-
Budget stabilization	750,000	-	-	-	-
Streets and highways	-	210,695	-	-	-
Joint planning	-	-	-	-	-
Capital improvements	-	-	-	617,968	-
Public safety training	-	-	-	-	-
College parking	-	-	-	-	-
Public welfare or civic improvement organizations	-	-	-	-	-
Committed					
Capital improvements	-	-	-	1,014,287	-
Unassigned (deficit)	5,617,239	-	-	-	-
Total fund balance	7,593,500	210,695	-	1,632,255	12,942,742
Total liabilities and fund balance	\$ 8,218,365	\$ 238,434	\$ 42,305	\$ 2,332,778	\$ 13,048,492

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

Nonmajor Governmental	
Funds	Total
\$ 2,141,232	\$ 10,689,696
1,492,841	12,882,066
5,175	656,177
8,028	39,964
251,622	251,622
-	52,590
321,006	1,132,324
-	1,001,730
-	167,848
-	138,978
11	26,794
-	1,060,500
\$ 4,219,915	\$ 28,100,289

\$ 173,724	\$ 980,351
564	275,472
194,116	307,616
-	79,021
210,500	210,500
17,728	17,728
186,958	414,084
783,590	2,284,772

-	138,978
-	26,783
-	1,060,500
-	12,942,742
706,554	706,554
200	200
-	750,000
-	210,695
11,466	11,466
1,344,599	1,962,567
1,121	1,121
570	570
101,845	101,845
1,359,271	2,373,558
(89,301)	5,527,938
3,436,325	25,815,517
\$ 4,219,915	\$ 28,100,289

Continued.....

CITY OF TRAVERSE CITY, MICHIGAN
Balance Sheet
Governmental Funds
June 30, 2012

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

Fund balances - total governmental funds	\$ 25,815,517
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources, and therefore are not reported in the funds.	
Add: capital assets	76,918,887
Subtract: accumulated depreciation	(43,889,620)
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	148,073
Add: deferred receivable	379,265
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 assets.	
Add: net assets of governmental activities accounted for in internal service fund	7,478,483
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 savings on refunded bonds	511,956
Subtract: amortization of deferred savings	(134,084)
Add: bond issuance costs	274,136
Subtract: amortization of bond issuance costs	(84,393)
Subtract: reoffering premium	(106,592)
Add: amortization of reoffering premium	38,069
Subtract: bonds payable	(15,230,000)
Subtract: compensated absences	(565,763)
Subtract: accrued interest on long-term liabilities	(148,626)
Net assets of governmental activities	<u>\$ 51,405,308</u>

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, 2012

	<u>General</u>	<u>Special Revenue</u>		<u>Capital Projects</u>	<u>Permanent</u>
		<u>Major Streets</u>	<u>Local Streets</u>	<u>Capital Project</u>	<u>Brown Bridge Trust</u>
Revenues					
Property taxes and special assessments	\$ 7,814,118	\$ -	\$ -	\$ -	\$ -
Licenses and permits	254,302	-	-	-	-
Federal sources	20,502	-	-	1,114,047	-
State sources	1,235,246	929,378	324,877	26,831	-
Local sources	1,627,203	-	-	-	-
Charges for services	515,822	-	-	-	357,460
Fines and forfeits	16,645	-	-	-	-
Contributions	115,803	-	-	677,926	-
Reimbursement	446,121	-	-	8,339	-
Interest income	41,803	56	-	1,073	197,186
Other revenue	373,919	-	-	53,803	-
Total revenues	12,461,484	929,434	324,877	1,882,019	554,646
Expenditures					
Current expenditures					
General government	2,853,874	-	-	-	-
Public safety	5,753,974	-	-	-	-
Public works	1,118,839	919,704	1,090,690	-	-
Culture and recreation	1,986,639	-	-	-	-
Community development	4,996	-	-	-	-
Capital outlay	-	-	-	3,543,306	-
Debt service					
Principal	-	-	-	-	-
Interest expense and fiscal charges	-	-	-	-	-
Total expenditures	11,718,322	919,704	1,090,690	3,543,306	-
Excess (deficiency) of revenues over expenditures	743,162	9,730	(765,813)	(1,661,287)	554,646
Other financing sources (uses)					
Transfers in	1,451,151	-	765,813	1,196,783	-
Transfers out	(2,267,632)	-	-	-	(322,343)
Total other financing sources (uses)	(816,481)	-	765,813	1,196,783	(322,343)
Net change in fund balances	(73,319)	9,730	-	(464,504)	232,303
Fund balance, beginning of year	7,666,819	200,965	-	2,096,759	12,710,439
Fund balance, end of year	\$ 7,593,500	\$ 210,695	\$ -	\$ 1,632,255	\$ 12,942,742

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

Nonmajor Governmental Funds	Total
\$ 1,450,190	\$ 9,264,308
-	254,302
1,181,450	2,315,999
339,974	2,856,306
2,013,112	3,640,315
72,029	945,311
-	16,645
117,762	911,491
164	454,624
25,077	265,195
-	427,722
5,199,758	21,352,218
575,075	3,428,949
1,363,891	7,117,865
-	3,129,233
705,978	2,692,617
-	4,996
590,235	4,133,541
1,380,000	1,380,000
635,564	635,564
5,250,743	22,522,765
(50,985)	(1,170,547)
130,000	3,543,747
(26,760)	(2,616,735)
103,240	927,012
52,255	(243,535)
3,384,070	26,059,052
\$ 3,436,325	\$ 25,815,517

Continued.....

CITY OF TRAVERSE CITY, MICHIGAN
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2012

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 \$ (243,535)

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	3,899,871
Subtract: depreciation expense	(1,466,776)
Subtract: disposal of assets	(17,148)

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

Add: current principal debt payment	1,380,000
Subtract: amortization of deferred savings	(24,378)
Add: amortization of reoffering premium	15,227
Subtract: amortization of bond issuance costs	(25,650)

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.

Subtract: prior year deferred property taxes and special assessment receivables	(94,750)
Add: current year deferred property taxes and special assessment receivables	379,266

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	9,434
Add: decrease in the accrual of compensated absences	65,956
Add: increase in other postemployment benefits	2,041

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: state sources from governmental internal service fund	14,676
Add: interest income from governmental internal service fund	1,727
Add: other revenue from governmental internal service fund	60,906
Add: gain on disposal of capital assets in governmental internal service fund	38,124
Subtract: transfers out from governmental internal service fund	(275,000)
Add: net operating income from governmental activities accounted for in internal service fund	246,808

Change in net assets of governmental activities \$ 3,966,799

Concluded

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

CITY OF TRAVERSE CITY, MICHIGAN

Statement of Net Assets

Proprietary Funds

June 30, 2012

	Business-type Activities - Enterprise Funds			
	Wastewater	Water	Marina	Automobile Parking System
Assets				
Current assets				
Cash and cash equivalents	\$ 27	\$ 175,715	\$ 213,349	\$ 3,014,336
Investments	-	457,910	-	29,515
Receivables				
Accounts	767,969	634,036	1,670	2,806
Taxes	2,355	863	-	-
Accrued interest	-	802	-	-
Inventory	-	107,177	28,578	-
Prepaid cost and other assets	14,616	4,313	197	97
Total current assets	784,967	1,380,816	243,794	3,046,754
Noncurrent assets				
Other postemployment benefit	1,021	47,327	-	-
Restricted cash and cash equivalents	-	288,762	-	-
Capital assets not being depreciated	99,000	480,581	8,415,086	1,117,107
Capital assets being depreciated	24,345,312	6,638,407	1,398,938	16,063,855
Total noncurrent assets	24,445,333	7,455,077	9,814,024	17,180,962
Total assets	25,230,300	8,835,893	10,057,818	20,227,716
Liabilities				
Current liabilities				
Accounts payable	9,797	73,521	68,308	82,436
Accrued and other liabilities	96,901	48,914	6,357	45,531
Due to other funds	443,270	65,561	26,662	158,621
Current portion of long-term debt	1,194,858	250,000	-	-
Total current liabilities	1,744,826	437,996	101,327	286,588
Long-term liabilities				
Advance from component unit	-	-	450,000	-
Advance from other funds	-	-	850,000	-
Long-term debt, net of current portion	10,794,841	-	-	-
Compensated absences	31,393	52,665	7,224	1,090
Unearned revenue	-	-	-	492
Total long-term liabilities	10,826,234	52,665	1,307,224	1,582
Total liabilities	12,571,060	490,661	1,408,551	288,170
Net Assets				
Investment in capital assets, net of related debt	12,454,613	6,868,988	8,514,024	17,180,962
Restricted for				
Debt service	-	38,762	-	-
Unrestricted	204,627	1,437,482	135,243	2,758,584
Total net assets	\$ 12,659,240	\$ 8,345,232	\$ 8,649,267	\$ 19,939,546

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

<u>Total</u>	<u>Governmental Activities - Internal Service Fund</u>
\$ 3,403,427	\$ 2,471,517
487,425	-
1,406,481	3,399
3,218	-
802	-
135,755	186,927
19,223	1,088
5,456,331	2,662,931
48,348	23,481
288,762	-
10,111,774	-
48,446,512	4,880,754
58,895,396	4,904,235
64,351,727	7,567,166
234,062	44,798
197,703	33,476
694,114	-
1,444,858	-
2,570,737	78,274
450,000	-
850,000	-
10,794,841	-
92,372	42,016
492	-
12,187,705	42,016
14,758,442	120,290
45,018,587	4,880,754
38,762	-
4,535,936	2,566,122
\$ 49,593,285	\$ 7,446,876

Continued.....

CITY OF TRAVERSE CITY, MICHIGAN
Statement of Net Assets
Proprietary Funds
June 30, 2012

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

Net assets - total enterprise funds \$ 49,593,285

Amounts reported for business-type activities in the statement of net assets
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 assets.

Subtract: cumulative portion of internal service fund net operating loss attributed to
business-type activities (31,607)

Net assets of business-type activities **\$ 49,561,678**

Concluded

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

CITY OF TRAVERSE CITY, MICHIGAN
Statement of Revenues, Expenses
and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2012

	Business-type Activities - Enterprise Funds		
	Wastewater	Water	Marina
Operating revenues			
Charges for services	\$ 5,859,390	\$ 3,364,508	\$ 479,805
Interdepartmental	-	-	-
Other revenue	248,240	96,892	16,309
Total operating revenues	6,107,630	3,461,400	496,114
Operating expenses			
Personnel services	656,711	1,151,079	106,977
Commodities	26,428	351,624	11,722
Contractual services	2,852,901	268,880	270,526
Other charges	221,821	402,183	138,682
Depreciation and amortization	609,550	258,117	132,431
Total operating expenses	4,367,411	2,431,883	660,338
Operating income (loss)	1,740,219	1,029,517	(164,224)
Nonoperating revenues (expenses)			
State sources	-	-	-
Reimbursements	-	-	-
Interest income	145	5,808	179
Other revenue	-	-	-
Interest expense and fiscal charges	(402,961)	(26,250)	(27,913)
Gain on sale of capital assets	-	-	-
Total nonoperating revenues (expenses)	(402,816)	(20,442)	(27,734)
Income before transfers	1,337,403	1,009,075	(191,958)
Transfers in	-	-	36,954
Transfers out	(293,168)	(173,561)	(26,662)
Change in net assets	1,044,235	835,514	(181,666)
Net assets, beginning of year	11,615,005	7,509,718	8,830,933
Net assets, end of year	\$ 12,659,240	\$ 8,345,232	\$ 8,649,267

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>
\$ 1,551,234	\$ 11,254,937	\$ -
-	-	2,627,220
24,200	385,641	-
1,575,434	11,640,578	2,627,220
65,426	1,980,193	724,369
10,117	399,891	623,297
406,937	3,799,244	112,646
452,368	1,215,054	140,332
423,644	1,423,742	732,314
1,358,492	8,818,124	2,332,958
216,942	2,822,454	294,262
-	-	14,676
6,516	6,516	-
6,339	12,471	1,727
-	-	60,906
-	(457,124)	-
-	-	38,124
12,855	(438,137)	115,433
229,797	2,384,317	409,695
-	36,954	-
(195,575)	(688,966)	(275,000)
34,222	1,732,305	134,695
19,905,324	47,860,980	7,312,181
\$ 19,939,546	\$ 49,593,285	\$ 7,446,876

Continued.....

CITY OF TRAVERSE CITY, MICHIGAN
Statement of Revenues, Expenses
and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2012

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

Change in net assets - total enterprise funds \$ 1,732,305

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

47,454

Change in net assets of business-type activities

\$ 1,779,759

Concluded

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

CITY OF TRAVERSE CITY, MICHIGAN
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2012

	Business-type - Enterprise Funds		
	Wastewater	Water	Marina
Cash flows from operating activities			
Cash received from customers	\$ 5,997,624	\$ 3,260,209	\$ 495,020
Cash received from interfund services	-	-	-
Cash payments to suppliers for goods and services	(3,206,872)	(1,131,080)	(385,386)
Cash payments to employees for services	(629,478)	(1,130,920)	(106,299)
Net cash provided by (used in) operating activities	2,161,274	998,209	3,335
Cash flows from non-capital financing activities			
Cash payments from (to) other funds	156,553	30,560	(70,194)
Cash payments for city fee	(293,168)	(173,561)	(26,662)
Cash received from reimbursements	-	-	36,954
Cash received from other revenue	-	-	-
Net cash provided by (used in) non-capital financing activities	(136,615)	(143,001)	(59,902)
Cash flows from capital and related financing activities			
Cash payments from federal government	22,635	19,777	-
Cash payments from state government	-	-	-
Principal payments	(1,120,630)	(225,000)	-
Interest payments	(436,252)	(28,501)	(27,913)
Purchases of capital assets	(542,835)	(497,183)	(2,785)
Proceeds from sale of capital assets	-	-	-
Net cash provided by (used in) capital and related financing activities	(2,077,082)	(730,907)	(30,698)
Cash flows from investing activities			
Interest received	143	5,808	179
Purchase of investments	-	(2,530)	-
Sale of investments	52,307	-	-
Net cash provided by investing activities	52,450	3,278	179
Net increase (decrease) in cash and cash equivalents	27	127,579	(87,086)
Cash and cash equivalents, beginning of year	-	336,898	300,435
Cash and cash equivalents, end of year	\$ 27	\$ 464,477	\$ 213,349
Statement of net assets classification of cash and cash equivalents			
Cash and cash equivalents	\$ 27	\$ 175,715	\$ 213,349
Restricted cash and cash equivalents	-	288,762	-
	\$ 27	\$ 464,477	\$ 213,349

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>
\$ 1,578,330	\$ 11,331,183	\$ -
-	-	2,627,878
(793,174)	(5,516,512)	(944,577)
(66,203)	(1,932,900)	(704,312)
718,953	3,881,771	978,989
48,399	165,318	(275,000)
(195,575)	(688,966)	-
6,516	43,470	-
-	-	60,906
(140,660)	(480,178)	(214,094)
90,032	132,444	50,143
-	-	14,676
-	(1,345,630)	-
-	(492,666)	-
(27,722)	(1,070,525)	(658,306)
-	-	39,276
62,310	(2,776,377)	(554,211)
6,339	12,469	1,727
(3,447)	(5,977)	-
-	52,307	-
2,892	58,799	1,727
643,495	684,015	212,411
2,370,841	3,008,174	2,259,106
\$ 3,014,336	\$ 3,692,189	\$ 2,471,517
\$ 3,014,336	\$ 3,403,427	\$ 2,471,517
-	288,762	-
\$ 3,014,336	\$ 3,692,189	\$ 2,471,517

Continued.....

CITY OF TRAVERSE CITY, MICHIGAN
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2012

	Business-type - Enterprise Funds		
	Wastewater	Water	Marina
Reconciliation of operating income (loss) to net cash provided by operating activities			
Operating income (loss)	\$ 1,740,219	\$ 1,029,517	\$ (164,224)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Depreciation and amortization	609,550	258,117	132,431
Changes in assets and liabilities			
Accounts receivables	(110,006)	(201,191)	(1,094)
Prepaid cost and other assets	4,556	(7,101)	(197)
Inventory	-	39,257	(11,021)
Accounts payable	(111,299)	(147,695)	46,762
Accrued and other liabilities	28,254	27,305	678
Net cash provided by operating activities	\$ 2,161,274	\$ 998,209	\$ 3,335

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>
\$ 216,942	\$ 2,822,454	\$ 294,262
423,644	1,423,742	732,314
2,404	(309,887)	658
(97)	(2,839)	(1,088)
-	28,236	(3,352)
76,345	(135,887)	(63,862)
(285)	55,952	20,057
<u>\$ 718,953</u>	<u>\$ 3,881,771</u>	<u>\$ 978,989</u>

Concluded

CITY OF TRAVERSE CITY, MICHIGAN
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

	Pension and Other Postemployment Benefit Funds	Agency Funds
	<u> </u>	<u> </u>
Assets		
Cash and cash equivalents	\$ 1,724,000	\$ 5,630,147
Investments, at fair value		
U.S. Government Agencies bonds and notes	2,660,535	-
Mortgage bonds	99,960	-
Other fixed income	-	-
Common stock	2,949,584	-
Mutual funds	8,971,828	-
Corporate bonds	2,385,260	-
Direct real estate investments	850,000	-
MERS total market fund	1,141,912	-
Receivables		
Taxes	-	121,062
Other	1,424,491	-
Accrued interest	40,192	-
	<u>22,247,762</u>	<u>\$ 5,751,209</u>
Total assets		
Liabilities		
Accrued and other liabilities	4,674	\$ 5,566,456
Due to other governmental units	-	184,753
	<u>4,674</u>	<u>\$ 5,751,209</u>
Total liabilities		
Net Assets		
Held in trust for pension benefits and other postemployment benefits	<u>\$ 22,243,088</u>	

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

CITY OF TRAVERSE CITY, MICHIGAN
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2012

		Pension and Other Postemployment Benefit Funds
Additions		
Contributions		
City contributions		\$ 3,052,900
Employee contributions		51,144
		<u>3,104,044</u>
Total contributions		
Investment earnings		
Investment income		307,329
Net depreciation in fair value of investments		(675,312)
		<u>(367,983)</u>
Net investment earnings		
Total additions		<u>2,736,061</u>
Deductions		
Pension benefits paid		1,733,268
Health insurance premiums paid		367,464
Administrative expense		6,566
Investment advisor fees		128,802
		<u>2,236,100</u>
Total deductions		<u>2,236,100</u>
Net decrease in plan assets attributable to pension plan	(832,020)	
Net increase in plan assets attributable to health insurance	<u>1,331,981</u>	499,961
Net assets held in trust, beginning of year		<u>21,743,127</u>
Net assets held in trust, end of year, attributable to pension plan	21,934,307	
Net assets held in trust, end of year, attributable to health insurance	<u>308,781</u>	<u>\$ 22,243,088</u>

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

CITY OF TRAVERSE CITY, MICHIGAN

Index

Notes to the Financial Statements

June 30, 2012

		<u>PAGE</u>
I.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	
A.	Reporting entity	29-30
B.	Government-wide and fund financial statements	30-31
C.	Measurement focus, basis of accounting, and financial statement presentation	31-34
D.	Assets, liabilities and net assets or equity	34-37
II.	STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY	
A.	Excess of expenditures over appropriations	37
B.	Deficit fund balance	37
III.	DETAILED NOTES ON ALL FUNDS	
A.	Deposits and investments	37-43
B.	Receivables	43
C.	Capital assets	44-47
D.	Accounts payable and accrued expenses	47
E.	Interfund receivables, payables and transfers	48-49
F.	Long-term debt and accrued compensated absences	50-53
G.	Commitments	53-54
H.	Contingencies	54
IV.	OTHER INFORMATION	
A.	Risk management	55
B.	Joint agreements	55
C.	Property taxes	55
D.	Defined benefit pension plans	56-61
E.	Deferred compensation plan	61-62
F.	Postemployment health benefits	62-68
G.	Entitlement commitment	68-70
H.	Related party transactions	70
I.	Subsequent events	70-71
J.	Designations of net assets	71-72
K.	Contingent liability	72
L.	GASB pronouncements	72-74

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 assets 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

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

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.

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 and 1998 capital leases listed in Note III F 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, 2011, the City's percentage was forty-eight percent. The City is responsible for debt service on the 2011 capital lease listed in Note III F 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 assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, 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.

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

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.

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 fund* accounts 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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

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

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

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.

D. Assets, liabilities and net assets or equity

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. *Restricted assets*

The water revenue bonds require certain resources to be set aside for their repayment. These resources are classified as restricted assets on the statement of net assets because their use is limited by applicable bond covenants.

4. *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.

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

5. *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 or business-type activities 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.

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

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 at 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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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 an other financing source while discounts on debt issuances are reported as an other financing use. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. *Fund Equity*

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

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. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Excess of expenditures over appropriations

For the year ended June 30, 2012, actual expenditures in the Capital Projects Fund exceeded appropriations by \$635,856. These over expenditures were funded either by greater than anticipated revenues in the applicable fund and/or the use of prior year fund balance.

B. Deficit fund balance

For the year ended June 30, 2012 the Act 345 Millage Special Revenue Fund ended in a deficit unassigned fund balance of \$(89,301). Expenditures for retirement costs exceeded property tax revenue in a prior year. The shortfall is managed with a short-term loan from the City's Industrial Park Fund and will be paid back with future revenues. This was a one-year aberration as the timing of actuarial projections has been adjusted.

III. 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

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

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.

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

Cash and cash equivalents, investments and restricted assets 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	\$ 13,161,213	\$3,403,427	\$ 7,354,147	\$ 23,918,787	\$ 14,130,145
Investments	12,882,066	487,425	19,059,079	32,428,570	18,450,441
Restricted cash and cash equivalents	-	<u>288,762</u>	-	<u>288,762</u>	-
Total	<u>\$ 26,043,279</u>	<u>\$ 4,179,614</u>	<u>\$ 26,413,226</u>	<u>\$ 56,636,119</u>	<u>\$ 32,580,586</u>

Cash and cash equivalents reported above include \$5,783 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	\$ 5,783
City and component unit bank deposits (checking, savings accounts and certificates of deposit)	47,236,752
City and component unit investments	21,192,950
Pension and other postemployment benefit fund - deposits	1,722,141
Pension and other postemployment benefit fund - investments	<u>19,059,079</u>
Total	<u>\$ 89,216,705</u>

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	08/15/2012	\$ 500,995	AA+
US Treasury note	11/30/2012	288,762	AA+
US Treasury note	01/15/2013	503,185	AA+
US Treasury note	04/15/2013	1,011,990	AA+
US Treasury note	05/31/2013	1,029,610	AA+
US Treasury note	06/27/2013	998,008	AA+
US Treasury note	06/30/2013	1,030,900	AA+
US Treasury note	08/15/2013	1,044,530	AA+
US Treasury note	08/31/2013	170,460	AA+
US Treasury note	08/31/2013	98,144	AA+
US Treasury note	09/30/2013	103,531	AA+
US Treasury note	11/15/2013	1,053,940	AA+
US Treasury note	02/15/2014	264,835	AA+
US Treasury note	05/15/2014	324,702	AA+
US Treasury note	09/30/2014	1,045,630	AA+
US Treasury note	12/31/2014	1,056,020	AA+
US Treasury note	02/16/2016	1,200,216	AA+
US Treasury note	07/31/2016	830,100	AA+
US Treasury note	07/31/2016	138,350	AA+
US Treasury note	07/31/2016	83,010	AA+
US Treasury note	12/31/2016	1,002,375	AA+
US Treasury note	12/31/2016	55,687	AA+
US Treasury note	01/30/2017	600,228	AA+
US Treasury note	03/31/2017	1,013,750	AA+
US Treasury note	05/23/2017	998,710	AA+
US Treasury note	06/28/2017	499,520	AA+
US Treasury note	06/30/2018	541,990	AA+
US Treasury note	02/15/2020	470,532	AA+
US Treasury note	02/15/2020	588,165	AA+
US Treasury note	02/15/2021	29,516	AA+
US Treasury note	05/24/2022	499,580	AA+
MPPA Investments	Various	1,938,914	Unrated
Michigan CLASS pool	N/A	177,065	AAAm
Total		<u>\$ 21,192,950</u>	

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

Investment and deposit risk

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, \$9,247,703 of the City's bank balance of \$48,376,989 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 \$21,192,950 of investments, the City has a custodial credit risk exposure of \$19,076,971 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 fund maintains a checking account with a bank balance of \$1,465,798 with deposits collateralized and a money market account in the pension fund trust account with a balance of \$256,343 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, 2012:

Investments at fair value, as determined by quoted market price	
U.S. government agency bonds and notes	\$ 2,660,535
Mortgage bonds	99,960
Domestic equities	
Mutual funds	8,971,829
Common stock	2,949,584
Domestic corporate securities -	
Corporate bonds	2,385,260
MERS total market fund	1,141,911
Direct real estate investments	<u>850,000</u>
Total investments	<u>\$ 19,059,079</u>

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

Credit Risk. The Pension Trust Fund's investment policy provides that its investments in fixed income securities should have an investment grade rating by two nationally recognized statistical rating organizations. As of June 30, 2012, the funds investments in bonds, notes and asset backed securities were rated by Moody's as follows:

<u>Rating</u>	<u>Fair Value</u>
AA+	\$ 3,083,440
A1	86,742
A2	132,678
A3	113,018
AA2	83,618
AA3	64,843
B1	85,800
B2	8,875
B3	15,469
BA1	122,772
BA2	55,413
BA3	58,100
BAA1	312,886
BAA2	511,436
BAA3	329,073
Not rated	<u>81,592</u>
	<u>\$ 5,145,755</u>

Custodial Credit Risk. For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, Systems will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The trust funds' investment policies require that investment securities be held in the name of the Systems, in the name of the nominee of the custodian, or in bearer form. Of the above \$19,059,079 of investments, the City has a custodial credit risk exposure of \$5,145,755 because the related securities are uninsured, unregistered and held by PNC, the Systems' custodians. Custodial credit risk for investments in mutual funds cannot be determined because the investments are not evidenced by specifically identifiable securities.

Concentration of Credit Risk. The trust funds' investment policies require that the securities of any one issuer excluding investments explicitly guaranteed by the U.S. Government and investment in mutual funds, external investment pools, and other pooled

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

investments should not exceed 5% of the total investment market value of each individual pension trust fund. At June 30, 2012, there were no concentrations in securities of any one issuer greater than 5% of investment fair market value.

Interest Rate Risk. As of June 30, 2012, maturities of the trust funds' debt securities were as follows:

	Investment Maturities (fair value by years)				
	Total	Less Than 1	1-5	6-10	More Than 10
U.S. government agency bonds and notes	\$1,498,470	\$ -	\$ -	\$ 108,277	\$1,390,193
U.S. Treasury bonds	1,162,065	813,153	-	52,454	296,458
Mortgage bonds	99,960	-	-	-	99,960
Corporate bonds	<u>2,385,260</u>	<u>-</u>	<u>632,800</u>	<u>1,365,305</u>	<u>387,155</u>
Total debt securities	<u>\$5,145,755</u>	<u>\$813,153</u>	<u>\$ 632,800</u>	<u>\$1,526,036</u>	<u>\$2,173,766</u>

The trust funds' investment policies do not address interest rate risk.

B. Receivables

Receivables in the governmental activities consist of 53 percent due from other governments, 12 percent special assessments receivable, 2 percent taxes receivable, 2 percent interest receivable and 31 percent other receivables. Receivables in the business-type activities consist of 16 percent due from other governments, 70 percent due from customers, and 14 percent of other receivables. Receivables in the component units consist of 57 percent due from other governments, 40 percent due from customers, 1 percent note receivable, and 2 percent other receivables.

Accounts receivable in the Wastewater and Water Enterprise Funds are net of allowances in the amounts of \$14,503 and \$5,181, respectively. Accounts receivable in the Light and Power discrete component unit is net of allowances in the amount of \$237,092.

Special assessments receivables in the governmental activities of \$187,702 are not expected to be collected within one year.

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

C. Capital assets

Capital assets activity for the year ended June 30, 2012 was as follows:

Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 11,466,376	\$ -	\$ -	\$ 11,466,376
Construction in progress	<u>696,787</u>	<u>4,031,007</u>	<u>2,168,182</u>	<u>2,559,612</u>
Total capital assets not being depreciated	<u>12,163,163</u>	<u>4,031,007</u>	<u>2,168,182</u>	<u>14,025,988</u>
Capital assets being depreciated				
Land improvements	3,973,394	169,882	-	4,143,276
Infrastructure	41,450,765	1,966,951	82,428	43,335,288
Buildings	16,076,358	37,135	94,685	16,018,808
Equipment	<u>12,940,021</u>	<u>521,386</u>	<u>239,102</u>	<u>13,222,305</u>
Total capital assets being depreciated	<u>74,440,538</u>	<u>2,695,354</u>	<u>416,215</u>	<u>76,719,677</u>
Less accumulated depreciation for				
Land improvements	545,359	97,298	-	642,657
Infrastructure	34,144,076	772,915	82,428	34,834,563
Buildings	8,281,346	537,613	83,017	8,735,942
Equipment	<u>8,063,688</u>	<u>791,264</u>	<u>232,470</u>	<u>8,622,482</u>
Total accumulated depreciation	<u>51,034,469</u>	<u>2,199,090</u>	<u>397,915</u>	<u>52,835,644</u>
Total capital assets being depreciated, net	<u>23,406,069</u>	<u>496,264</u>	<u>18,300</u>	<u>23,884,033</u>
Governmental activities capital assets, net	<u>\$ 35,569,232</u>	<u>\$ 4,527,271</u>	<u>\$ 2,186,482</u>	<u>\$ 37,910,021</u>

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	\$ 1,193,786	\$ -	\$ -	\$ 1,193,786
Land improvements	8,427,432	-	-	8,427,432
Construction in progress	<u>581,857</u>	<u>1,068,070</u>	<u>1,159,371</u>	<u>490,556</u>
Total capital assets not being depreciated	<u>10,203,075</u>	<u>1,068,070</u>	<u>1,159,371</u>	<u>10,111,774</u>
Capital assets being depreciated				
Buildings and improvements	35,073,490	12,765	-	35,086,255
Other improvements	20,847,693	40,816	5,780	20,882,729
Machinery and equipment	<u>11,761,582</u>	<u>1,108,245</u>	<u>121,377</u>	<u>12,748,450</u>
Total capital assets being depreciated	<u>67,682,765</u>	<u>1,161,826</u>	<u>127,157</u>	<u>68,717,434</u>
Less accumulated depreciation for				
Buildings and improvements	10,841,298	687,417	-	11,528,715
Other improvements	3,376,290	531,298	5,780	3,901,808
Machinery and equipment	<u>4,759,214</u>	<u>202,562</u>	<u>121,377</u>	<u>4,840,399</u>
Total accumulated depreciation	<u>18,976,802</u>	<u>1,421,277</u>	<u>127,157</u>	<u>20,270,922</u>
Total capital assets being depreciated, net	<u>48,705,963</u>	<u>(259,451)</u>	<u>-</u>	<u>48,446,512</u>
Business-type activities capital assets, net	<u>\$ 58,909,038</u>	<u>\$ 808,619</u>	<u>\$1,159,371</u>	<u>\$ 58,558,286</u>

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

	Beginning Balance	Increases	Decreases	Ending Balance
Light and Power				
Component Unit –				
Capital assets not being depreciated				
Land	\$ 806,695	\$ 502,735	\$ -	\$ 1,309,430
Construction in progress	780,851	3,750,442	3,845,542	685,751
Total capital assets not being depreciated	1,587,546	4,253,177	3,845,542	1,995,181
Capital assets being depreciated				
Buildings and improvements	4,010,915	400,570	-	4,411,485
Equipment and distribution system	51,387,314	3,536,048	867,036	54,056,326
Fiber system	1,677,287	17,524	-	1,694,811
Total capital assets being depreciated	57,075,516	3,954,142	867,036	60,162,622
Less accumulated depreciation for				
Buildings and improvements	978,032	126,336	-	1,104,368
Equipment and distribution system	18,623,780	1,681,846	695,002	19,610,624
Fiber system	243,553	86,511	-	330,064
Total accumulated depreciation	19,845,365	1,894,693	695,002	21,045,056
Total capital assets being depreciated, net	37,230,151	2,059,449	172,034	39,117,566
Light and Power				
Component Unit				
capital assets, net	\$ 38,817,697	\$ 6,312,626	\$ 4,017,576	\$ 41,112,747

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	\$ 58,037
Public safety	138,730
Public works, including depreciation of general infrastructure assets	782,206
Recreation and culture	487,803
Capital assets held by the government's internal service fund are charged to the various functions based on their usage of the assets	<u>732,314</u>
Total depreciation expense – governmental activities	<u>\$2,199,090</u>
Business-type activities	
Wastewater	\$ 607,085
Water	258,117
Marina	132,431
Auto parking	<u>423,644</u>
Total depreciation expense – business-type activities	<u>\$1,421,277</u>
Component unit activities	
Light and power	<u>\$1,894,693</u>

D. Accounts payable and accrued expenses

Accounts payable and accrued expenses in the governmental activities consist of 66 percent vendor payables, 19 percent accrued salaries, 9 percent accrued interest, 5 percent customer deposits and 1 percent other liabilities. Business-type activities accounts payable and accrued expenses consist of 54 percent vendor payables, 16 percent accrued salaries, 18 percent accrued interest, 11 percent customer deposits and 1 percent other liabilities. Component units accounts payable and accrued expenses consist of 81 percent vendor payables, 6 percent accrued salaries, 4 percent customer deposits and 9 percent other liabilities.

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

E. Interfund receivables, payables and transfers

	<u>Due from other funds</u>
	General Fund
<u>Due to other funds</u>	
Local Streets Fund	\$ 7,750
Brown Bridge Trust Fund	105,750
Nonmajor Governmental Funds	194,116
Wastewater Fund	443,270
Water Fund	65,561
Marina Fund	26,662
Automobile Parking System Fund	<u>158,621</u>
Total	<u>\$ 1,001,730</u>
	<u>Advance to other funds</u>
	General Fund
<u>Advance from other funds</u>	
Nonmajor Governmental Funds	\$ 210,500
Marina Fund	<u>850,000</u>
Total	<u>\$ 1,060,500</u>
	<u>Due from component unit</u>
	General Fund
<u>Due to primary government</u>	
Light and Power	<u>\$ 167,848</u>
	<u>Advance to primary government</u>
	Light & Power
<u>Advance from component unit</u>	
Nonmajor Governmental Funds	\$ 17,728
Marina Fund	<u>450,000</u>
Total	<u>\$ 467,728</u>

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.

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

	Transfer Out					Total
	General Fund	Local Streets Fund	Capital Projects Fund	Non-major Governmental Fund	Marina Fund	
Transfer in						
General Fund	\$ 175,036	\$ 765,813	\$ 1,196,783	\$ 130,000	\$ -	\$ 2,267,632
Brown Bridge Trust Fund	322,343	-	-	-	-	322,343
Non-major Governmental Fund	26,760	-	-	-	-	26,760
Wastewater Fund	293,168	-	-	-	-	293,168
Water Fund	173,561	-	-	-	-	173,561
Marina Fund	26,662	-	-	-	-	26,662
Automobile Parking System Fund	158,621	-	-	-	36,954	195,575
Internal Service Fund	275,000	-	-	-	-	275,000
Total	<u>\$ 1,451,151</u>	<u>\$ 765,813</u>	<u>\$ 1,196,783</u>	<u>\$ 130,000</u>	<u>\$ 36,954</u>	<u>\$ 3,580,701</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.

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

F. 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, 2012:

	Primary Government			Total Primary Government
	Governmental Activities General Obligation Bonds	Business- Type Activities Lease Payable	Business- Type Activities Revenue Bonds	
Long-term debt at July 1, 2011	\$ 16,291,500	\$ 13,124,647	\$ 475,000	\$29,891,147
Reductions				
Principal	(1,380,000)	(1,120,631)	(225,000)	(2,725,631)
Amortization of Premium and Deferred Savings	9,151	(14,317)	-	(5,166)
Total reductions	<u>(1,370,849)</u>	<u>(1,134,948)</u>	<u>(225,000)</u>	<u>(2,730,797)</u>
Long-term debt at June 30, 2012	<u>\$ 14,920,651</u>	<u>\$ 11,989,699</u>	<u>\$ 250,000</u>	<u>\$27,160,350</u>
Due within one year	<u>\$ 1,275,848</u>	<u>\$ 1,194,858</u>	<u>\$ 250,000</u>	<u>\$ 2,713,675</u>

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, 2012:

	Primary Government			
	Governmental Activities	Business- Type Activities	Component Units	Total Reporting Entity
Accrued compensated absences at July 1, 2011	\$ 671,111	\$ 56,294	\$ 362,163	\$ 1,089,568
Additions	-	36,078	55,052	91,130
Reductions	(63,331)	-	(53,093)	(116,424)
Accrued compensated absences at June 30, 2012	<u>\$ 607,780</u>	<u>\$ 92,372</u>	<u>\$ 364,122</u>	<u>\$ 1,064,274</u>
Due within one year	<u>\$ 36,846</u>	<u>\$ -</u>	<u>\$ 29,289</u>	<u>\$ 66,135</u>

For the governmental activities, compensated absences are generally liquidated by the General Fund.

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

Bond and lease obligations at June 30, 2012 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	2.50-3.625%	\$5,015,000
Series 2009 Premium			68,523
General obligation Downtown Development			
Series 2007A – Parking Deck - Refund	2028	4.00-4.125	9,565,000
Series 2007A deferred refunding costs			(377,872)
General obligation Downtown Development			
Series 2002B – Parking Deck	2017	6.20-6.50	650,000
Business-type Activities:			
2003 Wastewater Treatment			
Capital Lease Payable	2015	3.50-3.75	597,817
1998 Wastewater Disposal			
Capital Lease Payable	2013	4.50	90,285
2011 Wastewater Treatment			
Capital Lease Payable	2022	3.00-4.00	10,792,321
Deferred refunding			509,276
1992 Water Revenue Bonds	2013	6.00	250,000
Total Reporting Entity			\$27,160,350

The Wastewater Fund capital leases, which include the 2003 Wastewater Treatment, 1998 Wastewater Disposal, and 2011 Wastewater Treatment, are 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.

Capital assets held under capital leases are approximately \$23,015,000 net of accumulated depreciation of \$19,101,000 at June 30, 2012.

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.

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

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

Fiscal Year	Governmental Activities		Business-Type Activities			
	General Obligation Bonds		Capital Leases Payable		Revenue Bond	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 1,285,000	\$ 594,500	\$ 1,178,675	\$ 457,502	\$ 250,000	\$ 15,000
2014	1,580,000	555,351	1,125,232	410,868	-	-
2015	1,725,000	501,776	1,188,139	366,522	-	-
2016	1,845,000	439,900	1,012,853	319,535	-	-
2017	485,000	363,606	1,047,187	279,021	-	-
2018-22	3,250,000	1,440,655	5,928,337	729,255	-	-
2023-27	4,235,000	686,399	-	-	-	-
2028	825,000	34,031	-	-	-	-
	<u>\$ 15,230,000</u>	<u>\$ 4,616,218</u>	<u>\$ 11,480,423</u>	<u>\$ 2,562,703</u>	<u>\$ 250,000</u>	<u>\$ 15,000</u>

G. Commitments

Primary government - Property

During fiscal 2006, the City entered into an agreement with SNAFU LLC, which gave them the exclusive right and option to purchase Lot W for \$412,821 during the first year of the agreement. The parties understood that the purchase price would be paid partially in money and partially by transferring all or part of Lot 2. The value of lot 2 was \$319,936. After the first year of the option the price would increase by the consumer price index for all urban consumers. After the second year if the buyer exercised the right to purchase, new appraisals would have to be performed for both Lot W and Lot 2. On November 3, 2011 the City Commission authorized an amendment to the agreement to extend the option for two years to February 22, 2014.

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

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

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:

Fiscal Year	
<u>End</u>	<u>Amount</u>
2013	\$ 1,860,514
2014	2,116,365
2015	2,207,790
2016	2,265,914
2017	829,620
2018-2022	4,690,655
2023-2027	4,921,399
2028	<u>859,031</u>
Total	<u>\$ 19,751,288</u>

The Authority has outstanding commitments remaining under contracts for the Garland Street Streetscape Design of \$17,968.

Light and Power

In September 1994, the Traverse City Light and Power ("Department") purchased \$840,000 of distribution facilities located within the City of Traverse City from Consumers Power Company ("Consumers"). The purchase was made in connection with the settlement of litigation initiated by the Department against Consumers. The purchase was completed under the auspices of the Michigan Public Service Commission and approved by the Department's board. The Department will take possession of these facilities in three stages, one stage remains to occur in September 2014.

H. 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

IV. 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, 2012, 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, 2012 amounted to \$113,009, 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 2011 taxable valuation of the City totaled \$779,109,767, on which ad valorem taxes levied consisted of 11.1167 mills for the City operating purposes and 1.94 mills for Act 345.

Included in the taxable valuation is the Downtown Development Authority ("DDA"). The taxable value for the DDA is \$108,728,597. The DDA general operating tax rate for fiscal year 2011-12 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 two retirement 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.

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

Basis of Accounting

The Police and Fire Retirement System (the "System") Financial Statements are included as a pension trust fund of the City and are prepared using the accrual basis of accounting. Employer contributions are recognized when due. Benefits and refunds are recognized when due and payable in accordance with the Plan. Administrative costs are financed through investment earnings.

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.

Description of the Plan

The City contributes to a single employer defined benefit retirement plan, the Police and Fire Retirement System, administered by the City and covering certain Police and Fire Department personnel established under Michigan Act No. 345 of the Public Acts of 1937, as amended. The Plan provides retirement, disability and death benefits to plan members and their beneficiaries. At June 30, 2011, the most recent actuarial valuation date, membership consisted of:

Retirees and beneficiaries currently receiving benefits	58
Terminated plan members entitled to but not yet receiving benefits	4
Active plan members	<u>51</u>
Total	<u>113</u>

Contributions

Effective July 1, 2011, each Police Captain employee shall make a retirement contribution of 6.00% of gross salary and Firefighter employees shall make a retirement contribution of 1.51% of gross salary by payroll deduction.

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

Funding Policy

The City's obligation to contribute, benefit provisions and all other requirements of the System are established and amended by Michigan statute (P.A. 345). Prior to July 1, 2010, employees of the Police and Fire Retirement System were not required to contribute to the System. All full service Police and Fire Department employees are eligible to participate in the Police and Fire Retirement System. For the years ended June 30, 2010, 2011 and 2012, the City contributed 100% of the annual pension costs, which were also the actuarial determined contribution requirements, in the amounts of \$1,154,441, \$1,206,390 and \$1,345,660 respectively. There were no net pension obligations at the end of these years. At June 30, 2011, the funded ratio (actuarial value of assets as a percent of actuarial accrued liability) was 60% in comparison to 67% as of June 30, 2010.

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) Entry Age (b)</u>	<u>Unfunded 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>
6/30/2011	\$ 21,917,150	\$ 36,334,692	\$14,417,542	60%	\$ 3,131,962	460%

Additional required supplementary information regarding the police and fire pension 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. The Plan does not issue a stand-alone financial report.

Actuarial Methods and Assumptions

In the June 30, 2011 actuarial valuation, the entry-age actuarial cost method was used. The actuarial assumptions included (a) 7.50 investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 4.0 to 7.0 percent per year. Projected salary increases includes an inflation component of 3.75%. The cost of living adjustments includes 2.5% of original pension for twenty years payable to pre July 1, 1990 retirees, 2.5% of original pension or inflation whichever is less, for twenty years, payable to the Police Captains effective 1/1/94, Police Sergeants effective 8/1/98, Police and Patrol effective 1/1/99 and Firefighters effective 7/1/2000. The Firefighters are not subject to the inflation component. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

value of investments over a four-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2011 was 20 years.

Statement of Net Assets

	<u>Act 345 Retirement System</u>
Assets	
Cash and cash equivalents	\$1,724,000
Investments, at fair value	
U.S. Government Agencies bond and notes	2,660,535
Mortgage bonds	99,960
Common stock	2,949,584
Mutual funds	8,971,828
Corporate bonds	2,385,260
Direct real estate investments	850,000
Receivables	
Other	800
Accrued interest	<u>40,192</u>
Total assets	<u>19,682,159</u>
Liabilities	
Accrued and other liabilities	<u>4,674</u>
Net Assets	
Held in trust for pension	
Benefits and other postemployment benefits	<u>\$19,677,485</u>

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

Statement of Changes in Net Assets

	<u>Act 345 Retirement System</u>
Additions	
Contributions	
City contributions	\$ 1,345,660
Employee contributions	<u>51,144</u>
Total contributions	<u>1,396,804</u>
Investment earnings	
Investment income	307,329
Net depreciation in fair value of investments	<u>(667,517)</u>
Net investment earnings	<u>(360,188)</u>
Total additions	<u>1,036,616</u>
Deductions	
Pension benefits paid	1,733,268
Health insurance premiums paid	367,464
Administrative expense	6,566
Investment advisor fees	<u>128,802</u>
Total deductions	<u>2,236,100</u>
Net decrease in plan assets	(1,199,484)
Net assets held in trust, beginning of year	<u>20,876,969</u>
Net assets held in trust, end of year	<u>\$19,677,485</u>

Municipal Employees Retirement System (MERS)

Plan Description

The City's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The City participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the MERS Retirement Board. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 1134 Municipal Way, Lansing, MI 48917 or by calling (800) 767-6377.

Funding Policy

The City is required to contribute at an actuarially determined rate; the current rate ranges from 7.26% to 19.53% of annual covered payroll depending on the class of employee. Employees are not required to contribute to the Plan. The contribution requirements of the City are established and may be amended by the Retirement Board of MERS.

Annual Pension Cost

For the year ended June 30, 2012 the City's annual pension cost of \$1,674,337 for MERS was equal to the City's required and actual contributions.

Three-year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/10	\$1,394,741	100%	\$ -
6/30/11	1,689,281	100%	-
6/30/12	1,674,337	100%	-

The required contribution was determined as part of the December 31, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year, compounded annually, attributable to inflation and (c) additional projected salary increases of 0.0% to 13.00% per year, depending on age, attributable to seniority/merit. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment to reflect fair value. The difference in investment income between expected return and market return is based on a ten year smoothed value of assets. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2011, the date of the last actuarial valuation, was 27 years.

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

Funded Status and Funding Progress

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>Unfunded 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>
12/31/11	\$ 42,069,093	\$ 59,144,098	\$ 17,075,005	71%	\$ 7,998,283	213%

Additional required supplementary information regarding MERS pension 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.

E. Deferred compensation plan

Primary government

The City sponsors the City of Traverse City Deferred Compensation Plan created in accordance with the Internal Revenue Code Section 457. The City has ICMA Retirement Corporation and the Hartford Corporation as administrators for the plan. The plan is available to employees of the Administrative, Confidential and Technical group, General Municipal Employees union, Teamsters union, Police Officers Labor Council and Traverse City Firefighters Association. In addition, the plan is available to Light and Power component unit administrative and union employees. Participants may contribute from zero to six percent of covered payroll and the employer may contribute from two 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 fiscal year 2012, the City contributed \$358,453 and employees contributed \$661,244.

Component unit

Downtown Development Authority

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

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

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 fiscal year 2012, the Downtown Development Authority contributed \$19,036 and the employees contributed \$18,526 to this plan.

F. 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 and the Act 345 Retiree Health Insurance Agency Fund. 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, 2012, the City contributed \$385,164 to fund the benefits. The balance of the Act 345 Pension Trust Fund and the Act 345 Retiree Health Insurance Fund to be used for future benefits is \$3,260,732 as of June 30, 2012.

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	\$ 385,164
Interest on net OPEB obligation	-
Adjustment to annual required contribution	<u>-</u>
Annual OPEB cost (expense)	385,164
Contributions made	<u>385,164</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>
6/30/10	\$ 331,647	100%	\$ -
6/30/11	340,273	100%	-
6/30/12	385,164	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>Unfunded 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>
6/30/11	\$ 3,707,242	\$ 7,503,406	\$ 3,796,164	49.4%	\$ 3,131,962	121.2%

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

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

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.

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, 2011, actuarial valuation, the individual entry-age actuarial cost method and an amortization period of 28 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.

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

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.

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 \$317,334. Of this amount, the City's portion of the annual required contribution was \$106,799 and Traverse City Light and Power's portion of the annual required contribution was \$210,535. The pay-as-you-go employer contribution for the City was \$10,208 and the employee contribution to the plan was \$150,242. The pay-as-you-go employer contribution for Traverse City Light and Power was \$199,236 and the employee contribution to the plan was \$81,245.

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	\$ 106,799
Interest on net OPEB asset	-
Adjustment to annual required contribution	<u>-</u>
Annual OPEB cost (expense)	106,799
Contributions made	<u>117,009</u>
Increase in net OPEB asset	10,210
Net OPEB asset, beginning of year	<u>209,692</u>
Net OPEB asset, end of year	<u>\$ 219,902</u>

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

Component unit

Annual required contribution	\$ 210,535
Interest on net OPEB asset	-
Adjustment to annual required contribution	<u>-</u>
Annual OPEB cost (expense)	210,535
Contributions made	<u>400,706</u>
Increase in net OPEB asset	199,236
Net OPEB asset, beginning of year	<u>308,926</u>
Net OPEB asset, end of year	<u>\$ 508,162</u>

Trend Information

Fiscal Year Ending	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation
6/30/10	\$ 303,667	100%	\$ -
6/30/11	317,334	100%	\$ -
6/30/12	303,667	100%	\$ -

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Unfunded Liability (AAL) Entry Age (b)		AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/10	\$ 2,531,410	\$ 5,381,283	\$ 2,849,873	47%	\$ 8,152,207	35%	

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.

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 December 31, 2010, 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.

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.

Statement of Net Assets

	Retiree Health Insurance Trust
Assets	
Investments, at fair value	
MERS total market fund	\$1,141,912
Receivables	
Other	<u>1,423,691</u>
Total assets	<u>2,565,603</u>
Net Assets	
Held in trust for pension	
Benefits and other postemployment benefits	<u>\$ 2,565,603</u>

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

Statement of Changes in Net Assets

	Retiree Health Insurance Trust
Additions	
Contributions	
City contributions	\$1,707,240
Investment earnings	
Net depreciation in fair value of investments	<u>(7,795)</u>
Increase in plan assets	1,699,445
Net assets held in trust, beginning of year	<u>866,158</u>
Net assets held in trust, end of year	<u>\$ 2,565,603</u>

G. Entitlement commitment

The Traverse City Light and Power Department, along with other Michigan municipal utilities, is a member of the Michigan Public Power Agency ("MPPA"). The agency was formed to acquire interests in certain electric generating plants and related transmission lines. MPPA has acquired a 4.8% undivided interest in the Consumers Power Company Campbell 3 plant, an 18.61% undivided interest in the Detroit Edison Company Belle River project, and a 100% undivided interest in the Kalkaska Combustion Turbine Plant.

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 18.81% 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.

For the year ended June 30, 2012, the Traverse City Light and Power Department recognized expenses totaling \$12,911,436 to purchase power under the terms of these contracts. The price of the power was calculated on a basis, as specified in the contract, to enable MPPA to recover its production, transmission and debt service costs.

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

Under the terms of the contracts, Traverse City Light and Power Department must make annual payments to cover their share of annual debt service requirements and fixed operation costs of the Campbell 3, Belle River, and Kalkaska Combustion Turbine projects (based on the percentage of power purchased). Future operating costs are estimated based on 2012 costs adjusted for inflation. These costs are estimated as follows:

<u>Year Ended December 31</u>	<u>Operating Costs</u>
2013	\$ 8,041,374
2014	5,078,787
2015	5,231,150
2016	5,388,085
2017	5,549,727
2018-2022	18,157,976
2023-2027	<u>17,770,576</u>
	<u>\$ 65,217,675</u>

The estimated total annual payments (assuming no early calls or refinancing of existing revenue bonds) are as follows:

<u>Year Ended December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 2,564,893	\$ 1,426,927	\$ 3,991,820
2014	2,673,327	1,302,183	3,975,510
2015	2,773,172	1,166,105	3,939,277
2016	2,871,939	1,024,909	3,896,848
2017	2,190,741	878,642	3,069,383
2018-2022	7,373,108	2,994,339	10,367,447
2023-2027	<u>7,893,600</u>	<u>1,222,939</u>	<u>9,116,539</u>
	<u>\$ 28,340,780</u>	<u>\$ 10,016,044</u>	<u>\$ 38,356,824</u>

The MPPA and its member utilities were over-charged on their power sales contract agreements. 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. Traverse City Light and Power Department’s share of this trust fund was \$1,938,914 as of June 30, 2012.

In December 2010, Traverse City Light and Power Department entered into a 20-year power purchase agreement with Heritage Stoney Corners Wind Farm I, LLC to purchase up to 10 megawatt of electric energy and all associated renewable energy credits. For the year ended June 30, 2012, the Department recognized expenses totaling \$2,380,113.

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

In September 2010, Traverse City Light and Power 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 megawatt of electric energy up to a maximum of 45 megawatt to replace its deficient energy needs from the expired agreement with MPPA. 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 Midwest ISO (“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, 2012, the Department recognized expenses totaling \$6,873,449.

H. 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. The developer, who made the commitment along with the DDA, is a board member.

I. 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 this restoration project involves the removal of the Brown Bridge Dam which is 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. An investigation of the incident along with an assessment of damage to property, the inspection of the temporary dewatering structure, and the evaluation of the condition of the Boardman River is undergoing. The City believes it will not be liable for any damages since both the engineering firm and the contractor for the project carry liability insurance.

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

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 City has liability insurance in the amount of \$5,000,000 available in the event of a judgment.

Component unit

On August 30, 2012, the DDA received from Brownfield Redevelopment Authority’s (“BRA”) the second reimbursement payment of \$420,000 under the River’s Edge Brownfield Plan.

On August 30, 2012, the DDA received from BRA a reimbursement payment of \$20,000 towards the Michigan Economic Growth Authority eligible expenses associated with the Larry C. Hardy parking deck.

On August 31, 2012, the DDA’s Board of Directors authorized the Executive Director to enter into a contract with the Downtown Traverse City Association through August 31, 2013, with an annual compensation of \$58,200. The Authority provides office space and administrative services to the Downtown Traverse City Association.

J. Designations of net assets

Primary government

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

	Automobile Parking System Fund	Wastewater Fund	Water Fund	Internal Service Fund
Emergencies	\$ 25,492	\$ -	\$ 49,724	\$ -
Capital expenditures	750,130	931,500	710,000	1,313,000
Future maintenance	<u>900,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,675,622</u>	<u>\$ 931,500</u>	<u>\$ 759,724</u>	<u>\$ 1,313,000</u>

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

Component unit

The following are designations of unrestricted net assets established by Light and Power board.

Emergencies	\$ 100,056
Uninsured claims	4,352,757
Capital expansion	<u>14,375,000</u>
Total	<u>\$18,827,813</u>

K. 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.

L. GASB Pronouncements

In December 2010, The Governmental Accounting Standards Board (“GASB”) issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this statement is to incorporate into the GASB’s authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

- Financial Accounting Standards Board (“FASB”) Statements and Interpretations
- Accounting Principles Board Opinions
- Accounting Research Bulletins of the American Institute of Certified Public Accountants’ (“AICPA”) Committee on Accounting Procedure.

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

This statement also supersedes Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, thereby eliminating the election provided for enterprise funds and business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. However, those entities can continue to apply, as other accounting literature, post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements, including this statement. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The City will implement Statement No. 62 beginning with the fiscal year ended June 30, 2013. The provisions of this statement generally are required to be applied retroactively for all periods presented.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Concepts Statement No. 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The City will implement Statement No. 63 beginning with the fiscal year ended June 30, 2013.

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which is required to be implemented for financial statements for periods beginning after December 15, 2012. Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources. The City will implement Statement No. 65 beginning with the fiscal year ended June 30, 2014.

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

In June 2012, the GASB issued Statement No. 67, *Financial Reporting for Pension Plans*, which is required to be adopted for years beginning after June 15, 2013. Statement No. 67 replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, establishes standards for financial reporting that outline the basic framework for separately issued pension plan financial reports and specifies the required approach to measuring the liability of employer and certain nonemployer contributing entities, about which information is required to be disclosed. The City will implement Statement No. 67 beginning with the fiscal year ended June 30, 2014.

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

* * * * *

CITY OF TRAVERSE CITY
Required Supplementary Information
Act 345 Pension Trust Fund
Schedule of Funding Progress

The below contributions are for pension benefits only and do not include amounts contributed for health care coverage.

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)
6/30/2002	\$ 23,592,627	\$ 20,540,751	\$ (3,051,876)	114.9%	\$ 2,393,258	0.0%
6/30/2003	22,842,110	21,175,431	(1,666,679)	107.9	2,402,524	0.0
6/30/2004	22,038,257	22,711,298	673,041	97.0	2,671,393	25.2
6/30/2005	21,881,463	24,977,924	3,096,461	87.6	3,139,509	98.6
6/30/2006	22,591,340	26,163,253	3,571,913	86.3	3,509,371	101.8
6/30/2007	24,182,785	26,789,239	2,606,454	90.3	3,234,852	80.6
6/30/2008	24,838,458	28,047,507	3,209,049	88.6	3,173,479	101.1
6/30/2009	23,755,156	31,384,903	7,629,747	75.7	3,348,677	227.8
6/30/2010	22,950,947	34,264,396	11,313,449	67.0	3,308,083	342.0
6/30/2011	21,917,150	36,334,692	14,417,542	60.3	3,131,962	460.3

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year ended/valuation June 30	Annual Required Contribution	Percentage Contributed
2003 / 2002	\$ 342,511	100%
2004 / 2003	396,681	100
2005 / 2004	615,269	100
2006 / 2005	877,938	100
2007 / 2006	987,602	100
2008 / 2007	897,502	100
2009 / 2008	924,911	100
2010 / 2009	1,154,441	100
2011 / 2010	1,206,390	100
2012 / 2011	1,345,660	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, 2011
Actuarial cost method	Entry-age actuarial cost method
Amortization method	Level percent
Remaining amortization period	20 years open
Asset valuation method	4 years smoothed market
Actuarial assumptions	
Investment rate of return	7.50%
Projected salary increases	4.0-7.0% includes wage inflation at 3.75%
Cost-of-living adjustments	2.5% of original pension for twenty years, payable to Pre-July 1, 1990 retirees, 2.5% of original pension or inflation whichever is less, for twenty years, payable to the Police Captains unit (effective 1/1/1994) and Police Sergeants (effective 8/1/1998) and Police Patrol (effective 1/1/1999) and Firefighters unit (effective 7/1/2000), except that the Firefighters unit is not subject to inflation.

**CITY OF TRAVERSE CITY
Required Supplementary Information
Act 345 Pension Trust Fund
Schedule of Funding Progress**

The below contributions are for health care benefits only and do not include amounts contributed for pension.

Actuarial valuation date	Actuarial Value of Assets (a)	Actuarial Accrued 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)
6/30/2002	\$ 2,434,672	\$ 7,769,958	\$ 5,335,286	31.3%	\$ 2,393,258	222.9%
6/30/2003	2,590,432	8,072,071	5,481,639	32.1	2,402,524	228.2
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
6/30/2011	3,707,242	7,503,406	3,796,164	49.4	3,131,962	121.2

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year ended/valuation June 30	Annual Required Contribution	Percentage Contributed
2003 / 2002	\$ 291,832	100%
2004 / 2003	306,560	100
2005 / 2004	303,755	100
2006 / 2005	313,977	100
2007 / 2006	408,471	100
2008 / 2007	373,161	100
2009 / 2008	279,931	100
2010 / 2009	331,647	100
2011 / 2010	340,273	100
2012 / 2011	385,164	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, 2011
Actuarial cost method	Individual entry-age actuarial cost method
Amortization method	Level percent
Remaining amortization period	28 years
Asset valuation method	4 years smoothed market
Actuarial assumptions	
Investment rate of return	7.50%
Projected salary increases	4.0-7.0%
Health care inflation	4.0-9.0%

CITY OF TRAVERSE CITY
Required Supplementary Information
MERS Pension Plan
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)
12/31/2002	\$ 31,188,955	\$ 37,247,805	\$ 6,058,850	83.7%	\$ 6,388,977	94.8%
12/31/2003	32,827,731	40,174,115	7,346,384	81.7	6,905,057	106.4
12/31/2004	34,215,650	44,008,390	9,792,740	77.7	7,656,396	127.9
12/31/2005	35,574,162	45,667,466	10,093,304	77.9	7,442,267	135.6
12/31/2006	37,648,129	47,608,085	9,959,956	79.1	7,921,231	125.7
12/31/2007	40,033,232	50,210,221	10,176,989	79.7	8,079,158	126.0
12/31/2008	40,805,149	52,758,416	11,953,267	77.3	8,023,611	149.0
12/31/2009	40,980,261	54,216,489	13,236,228	75.6	7,971,182	166.1
12/31/2010	41,600,136	56,545,514	14,945,378	73.6	8,152,207	183.3
12/31/2011	42,069,093	59,144,098	17,075,005	71.1	7,998,283	213.5

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year ended/valuation June 30	Annual Required Contribution	Percentage Contributed
2003 / 2002	\$ 724,741	100%
2004 / 2003	946,826	100
2005 / 2004	1,013,415	100
2006 / 2005	1,226,873	100
2007 / 2006	1,352,653	100
2008 / 2007	1,399,592	100
2009 / 2008	1,340,339	100
2010 / 2009	1,394,741	100
2011 / 2010	1,689,281	100
2012 / 2011	1,674,337	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, 2011
Actuarial cost method	Entry age normal cost method
Amortization method	Level percent
Remaining amortization period	27 years
Asset valuation method	10 year smoothed market
Actuarial assumptions	
Investment rate of return	8.00%
Projected salary increases	4.5-13.00%

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%	\$ 7,921,231	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

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%

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, 2010
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	Not applicable

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, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Property taxes	\$ 7,862,500	\$ 7,862,500	\$ 7,814,118	\$ (48,382)
Licenses and permits	222,850	222,850	254,302	31,452
Federal sources	40,000	40,000	20,502	(19,498)
State sources	1,095,000	1,095,000	1,235,246	140,246
Local sources	1,627,355	1,628,355	1,627,203	(1,152)
Charges for services	552,300	572,300	515,822	(56,478)
Fines and forfeits	14,000	14,000	16,645	2,645
Contributions	114,200	114,200	115,803	1,603
Reimbursements	529,000	529,000	446,121	(82,879)
Interest income	91,500	91,500	41,803	(49,697)
Other revenue	381,500	381,500	373,919	(7,581)
Total revenues	<u>12,530,205</u>	<u>12,551,205</u>	<u>12,461,484</u>	<u>(89,721)</u>
Expenditures				
General government	3,067,850	3,063,850	2,853,874	209,976
Public safety	5,829,400	5,981,900	5,753,974	227,926
Public works	476,200	1,169,700	1,118,839	50,861
Recreation and culture	2,101,700	2,138,700	1,986,639	152,061
Community development	21,550	21,550	4,996	16,554
Total expenditures	<u>11,496,700</u>	<u>12,375,700</u>	<u>11,718,322</u>	<u>657,378</u>
Excess of revenue over expenditures	<u>1,033,505</u>	<u>175,505</u>	<u>743,162</u>	<u>567,657</u>
Other financing sources (uses)				
Transfers in	1,496,600	1,596,600	1,451,151	(145,449)
Transfers out	(3,008,450)	(2,389,450)	(2,267,632)	121,818
Total other financing sources (uses)	<u>(1,511,850)</u>	<u>(792,850)</u>	<u>(816,481)</u>	<u>(23,631)</u>
Net change in fund balance	<u>(478,345)</u>	<u>(617,345)</u>	<u>(73,319)</u>	<u>544,026</u>
Fund balance, beginning of year	<u>7,666,819</u>	<u>7,666,819</u>	<u>7,666,819</u>	<u>-</u>
Fund balance, end of year	<u>\$ 7,188,474</u>	<u>\$ 7,049,474</u>	<u>\$ 7,593,500</u>	<u>\$ 544,026</u>

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, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
State sources	\$ 1,009,000	\$ 1,009,000	\$ 929,378	\$ (79,622)
Interest income	1,500	1,500	56	(1,444)
Total revenues	<u>1,010,500</u>	<u>1,010,500</u>	<u>929,434</u>	<u>(81,066)</u>
Expenditures				
Public works				
Personnel	540,000	408,000	358,769	49,231
Commodities	160,000	125,000	120,280	4,720
Contractual services	85,000	60,000	48,137	11,863
Other charges	681,500	448,500	392,518	55,982
Total expenditures	<u>1,466,500</u>	<u>1,041,500</u>	<u>919,704</u>	<u>121,796</u>
(Deficiency) excess of revenue over expenditures	(456,000)	(31,000)	9,730	40,730
Other financing sources				
Transfers in	456,000	31,000	-	(31,000)
Net change in fund balance	-	-	9,730	9,730
Fund balance, beginning of year	200,965	200,965	200,965	-
Fund balance, end of year	<u>\$ 200,965</u>	<u>\$ 200,965</u>	<u>\$ 210,695</u>	<u>\$ 9,730</u>

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, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
State sources	\$ 325,000	\$ 325,000	\$ 324,877	\$ (123)
Expenditures				
Public works				
Personnel	604,800	529,800	510,029	19,771
Contractual services	64,200	56,200	46,498	9,702
Commodities	86,000	65,000	81,108	(16,108)
Other charges	700,000	486,000	453,055	32,945
Total expenditures	1,455,000	1,137,000	1,090,690	46,310
(Deficiency) of revenue over expenditures	(1,130,000)	(812,000)	(765,813)	46,187
Other financing sources				
Transfer in	1,130,000	812,000	765,813	(46,187)
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ -	\$ -

CITY OF TRAVERSE CITY, MICHIGAN

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

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, MICHIGAN
Schedule of GASB 54 Consolidation
Budget (GAAP Basis) and Actual
For the Year Ended June 30, 2012

	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)
Revenues								
Property taxes	\$ 7,862,500	\$ 7,862,500	\$ 7,814,118	\$ (48,382)	\$ -	\$ -	\$ -	\$ -
Licenses and permits	222,850	222,850	254,302	31,452	-	-	-	-
Federal sources	40,000	40,000	20,502	(19,498)	-	-	-	-
State sources	1,095,000	1,095,000	1,235,246	140,246	-	-	-	-
Local sources	1,608,000	1,608,000	1,607,848	(152)	-	-	-	-
Charges for services	398,300	398,300	352,526	(45,774)	-	-	-	-
Fines and forfeits	14,000	14,000	16,645	2,645	-	-	-	-
Contributions	-	-	-	-	-	-	-	-
Reimbursements	515,000	515,000	434,773	(80,227)	-	-	-	-
Interest income	55,000	55,000	10,753	(44,247)	5,000	5,000	528	(4,472)
Other revenue	381,500	381,500	373,744	(7,756)	-	-	-	-
Total revenues	12,192,150	12,192,150	12,120,457	(71,693)	5,000	5,000	528	(4,472)
Expenditures								
General government	3,041,850	3,032,850	2,830,942	201,908	-	-	-	-
Public safety	5,809,500	5,961,000	5,735,950	225,050	-	-	-	-
Public works	476,200	1,169,700	1,118,839	50,861	-	-	-	-
Recreation and culture	1,725,600	1,762,600	1,680,362	82,238	-	-	-	-
Community development	21,550	21,550	4,996	16,554	-	-	-	-
Total expenditures	11,074,700	11,947,700	11,371,089	576,611	-	-	-	-
Excess (deficiency) of revenue over expenditures	1,117,450	244,450	749,368	504,918	5,000	5,000	528	(4,472)
Other financing sources (uses)								
Transfers in	1,400,600	1,400,600	1,278,660	(121,940)	-	-	-	-
Transfers out	(2,818,900)	(2,075,900)	(1,985,326)	90,574	(5,000)	(5,000)	(528)	4,472
Total other financing sources (uses)	(1,418,300)	(675,300)	(706,666)	(31,366)	(5,000)	(5,000)	(528)	4,472
Net change in fund balance	(300,850)	(430,850)	42,702	473,552	-	-	-	-
Fund balance, beginning of year	4,659,563	4,659,563	4,659,563	-	750,000	750,000	750,000	-
Fund balance (deficit), end of year	\$ 4,358,713	\$ 4,228,713	\$ 4,702,265	\$ 473,552	\$ 750,000	\$ 750,000	\$ 750,000	\$ -

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of GASB 54 Consolidation
Budget (GAAP Basis) and Actual
For the Year Ended June 30, 2012

	Hazmat				FETN Academy			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Local sources	19,355	19,355	19,355	-	-	1,000	-	(1,000)
Charges for services	1,000	1,000	680	(320)	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	-	-	-
Reimbursements	-	-	-	-	-	-	-	-
Interest income	-	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-	-
Total revenues	20,355	20,355	20,035	(320)	-	1,000	-	(1,000)
Expenditures								
General government	-	-	-	-	-	-	-	-
Public safety	19,750	19,750	16,734	3,016	150	1,150	545	605
Public works	-	-	-	-	-	-	-	-
Recreation and culture	-	-	-	-	-	-	-	-
Community development	-	-	-	-	-	-	-	-
Total expenditures	19,750	19,750	16,734	3,016	150	1,150	545	605
Excess (deficiency) of revenue over expenditures	605	605	3,301	2,696	(150)	(150)	(545)	(395)
Other financing sources (uses)								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Net change in fund balance	605	605	3,301	2,696	(150)	(150)	(545)	(395)
Fund balance, beginning of year	25,326	25,326	25,326	-	545	545	545	-
Fund balance (deficit), end of year	\$ 25,931	\$ 25,931	\$ 28,627	\$ 2,696	\$ 395	\$ 395	\$ -	\$ (395)

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of GASB 54 Consolidation
Budget (GAAP Basis) and Actual
For the Year Ended June 30, 2012

	Heritage Center Museum				Cherry Capital Cable			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Local sources	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	-	-	-
Reimbursements	5,000	5,000	5,000	-	-	-	-	-
Interest income	-	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-	-
Total revenues	5,000	5,000	5,000	-	-	-	-	-
Expenditures								
General government	-	-	-	-	-	5,000	-	5,000
Public safety	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-
Recreation and culture	101,000	101,000	90,478	10,522	-	-	-	-
Community development	-	-	-	-	-	-	-	-
Total expenditures	101,000	101,000	90,478	10,522	-	5,000	-	5,000
Excess (deficiency) of revenue over expenditures	(96,000)	(96,000)	(85,478)	10,522	-	(5,000)	-	5,000
Other financing sources (uses)								
Transfers in	96,000	96,000	82,491	(13,509)	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	96,000	96,000	82,491	(13,509)	-	-	-	-
Net change in fund balance	-	-	(2,987)	(2,987)	-	(5,000)	-	5,000
Fund balance, beginning of year	2,987	2,987	2,987	-	4,741	4,741	4,741	-
Fund balance (deficit), end of year	\$ 2,987	\$ 2,987	\$ -	\$ (2,987)	\$ 4,741	\$ (259)	\$ 4,741	\$ 5,000

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of GASB 54 Consolidation
Budget (GAAP Basis) and Actual
For the Year Ended June 30, 2012

	Coast Guard Committee				County Senior Center			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Local sources	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Contributions	-	-	1,606	1,606	114,200	114,200	114,197	(3)
Reimbursements	-	-	-	-	-	-	-	-
Interest income	-	-	-	-	-	-	48	48
Other revenue	-	-	-	-	-	-	-	-
Total revenues	-	-	1,606	1,606	114,200	114,200	114,245	45
Expenditures								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	745	(745)	-	-	-	-
Public works	-	-	-	-	-	-	-	-
Recreation and culture	-	-	-	-	150,500	150,500	118,155	32,345
Community development	-	-	-	-	-	-	-	-
Total expenditures	-	-	745	(745)	150,500	150,500	118,155	32,345
Excess (deficiency) of revenue over expenditures	-	-	861	861	(36,300)	(36,300)	(3,910)	32,390
Other financing sources (uses)								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Net change in fund balance	-	-	861	861	(36,300)	(36,300)	(3,910)	32,390
Fund balance, beginning of year	-	-	-	-	69,942	69,942	69,942	-
Fund balance (deficit), end of year	\$ -	\$ -	\$ 861	\$ 861	\$ 33,642	\$ 33,642	\$ 66,032	\$ 32,390

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of GASB 54 Consolidation
Budget (GAAP Basis) and Actual
For the Year Ended June 30, 2012

	Brown Bridge Maintenance				Opera House			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Local sources	-	-	-	-	-	-	-	-
Charges for services	50,000	70,000	58,289	(11,711)	103,000	103,000	104,327	1,327
Fines and forfeits	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	-	-	-
Reimbursements	-	-	-	-	4,000	4,000	2,738	(1,262)
Interest income	-	-	-	-	500	500	3	(497)
Other revenue	-	-	-	-	-	-	175	175
Total revenues	50,000	70,000	58,289	(11,711)	107,500	107,500	107,243	(257)
Expenditures								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-
Recreation and culture	56,500	56,500	50,860	5,640	68,100	68,100	43,994	24,106
Community development	-	-	-	-	-	-	-	-
Total expenditures	56,500	56,500	50,860	5,640	68,100	68,100	43,994	24,106
Excess (deficiency) of revenue over expenditures	(6,500)	13,500	7,429	(6,071)	39,400	39,400	63,249	23,849
Other financing sources (uses)								
Transfers in	-	-	-	-	-	100,000	90,000	(10,000)
Transfers out	-	(20,000)	(20,000)	-	-	-	-	-
Total other financing sources (uses)	-	(20,000)	(20,000)	-	-	100,000	90,000	(10,000)
Net change in fund balance	(6,500)	(6,500)	(12,571)	(6,071)	39,400	139,400	153,249	13,849
Fund balance, beginning of year	3,221	3,221	3,221	-	(141,494)	(141,494)	(141,494)	-
Fund balance (deficit), end of year	\$ (3,279)	\$ (3,279)	\$ (9,350)	\$ (6,071)	\$ (102,094)	\$ (2,094)	\$ 11,755	\$ 13,849

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of GASB 54 Consolidation
Budget (GAAP Basis) and Actual
For the Year Ended June 30, 2012

	Banner Program				Industrial Development			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Local sources	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	-	-	-
Reimbursements	5,000	5,000	3,610	(1,390)	-	-	-	-
Interest income	-	-	-	-	30,000	30,000	30,471	471
Other revenue	-	-	-	-	-	-	-	-
Total revenues	5,000	5,000	3,610	(1,390)	30,000	30,000	30,471	471
Expenditures								
General government	-	-	-	-	26,000	26,000	22,932	3,068
Public safety	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-
Recreation and culture	-	-	2,790	(2,790)	-	-	-	-
Community development	-	-	-	-	-	-	-	-
Total expenditures	-	-	2,790	(2,790)	26,000	26,000	22,932	3,068
Excess (deficiency) of revenue over expenditures	5,000	5,000	820	(4,180)	4,000	4,000	7,539	3,539
Other financing sources (uses)								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	(21,550)	(121,550)	(94,995)	26,555
Total other financing sources (uses)	-	-	-	-	(21,550)	(121,550)	(94,995)	26,555
Net change in fund balance	5,000	5,000	820	(4,180)	(17,550)	(117,550)	(87,456)	30,094
Fund balance, beginning of year	17,300	17,300	17,300	-	2,107,905	2,107,905	2,107,905	-
Fund balance (deficit), end of year	\$ 22,300	\$ 22,300	\$ 18,120	\$ (4,180)	\$ 2,090,355	\$ 1,990,355	\$ 2,020,449	\$ 30,094

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of GASB 54 Consolidation
Budget (GAAP Basis) and Actual
For the Year Ended June 30, 2012

	Recaptured Grant Revolving Loan				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)
Revenues								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 7,862,500	\$ 7,862,500	\$ 7,814,118	\$ (48,382)
Licenses and permits	-	-	-	-	222,850	222,850	254,302	31,452
Federal sources	-	-	-	-	40,000	40,000	20,502	(19,498)
State sources	-	-	-	-	1,095,000	1,095,000	1,235,246	140,246
Local sources	-	-	-	-	1,627,355	1,628,355	1,627,203	(1,152)
Charges for services	-	-	-	-	552,300	572,300	515,822	(56,478)
Fines and forfeits	-	-	-	-	14,000	14,000	16,645	2,645
Contributions	-	-	-	-	114,200	114,200	115,803	1,603
Reimbursements	-	-	-	-	529,000	529,000	446,121	(82,879)
Interest income	1,000	1,000	-	(1,000)	91,500	91,500	41,803	(49,697)
Other revenue	-	-	-	-	381,500	381,500	373,919	(7,581)
Total revenues	1,000	1,000	-	(1,000)	12,530,205	12,551,205	12,461,484	(89,721)
Expenditures								
General government	-	-	-	-	3,067,850	3,063,850	2,853,874	209,976
Public safety	-	-	-	-	5,829,400	5,981,900	5,753,974	227,926
Public works	-	-	-	-	476,200	1,169,700	1,118,839	50,861
Recreation and culture	-	-	-	-	2,101,700	2,138,700	1,986,639	152,061
Community development	-	-	-	-	21,550	21,550	4,996	16,554
Total expenditures	-	-	-	-	11,496,700	12,375,700	11,718,322	657,378
Excess (deficiency) of revenue over expenditures	1,000	1,000	-	(1,000)	1,033,505	175,505	743,162	567,657
Other financing sources (uses)								
Transfers in	-	-	-	-	1,496,600	1,596,600	1,451,151	(145,449)
Transfers out	(163,000)	(167,000)	(166,783)	217	(3,008,450)	(2,389,450)	(2,267,632)	121,818
Total other financing sources (uses)	(163,000)	(167,000)	(166,783)	217	(1,511,850)	(792,850)	(816,481)	(23,631)
Net change in fund balance	(162,000)	(166,000)	(166,783)	(783)	(478,345)	(617,345)	(73,319)	544,026
Fund balance, beginning of year	166,783	166,783	166,783	-	7,666,819	7,666,819	7,666,819	-
Fund balance (deficit), end of year	\$ 4,783	\$ 783	\$ -	\$ (783)	\$ 7,188,474	\$ 7,049,474	\$ 7,593,500	\$ 544,026

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Revenues
Budget and Actual
General Fund before GASB 54 Consolidation
For the Year Ended June 30, 2012

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Property taxes			
Real estate and personal property	\$ 7,733,000	\$ 7,685,955	\$ (47,045)
Collection fees	14,500	14,058	(442)
Penalties and interest on taxes	115,000	114,105	(895)
Total property taxes	<u>7,862,500</u>	<u>7,814,118</u>	<u>(48,382)</u>
Licenses and permits			
Business	209,000	228,640	19,640
Nonbusiness	13,850	25,662	11,812
Total licenses and permits	<u>222,850</u>	<u>254,302</u>	<u>31,452</u>
Federal sources	<u>40,000</u>	<u>20,502</u>	<u>(19,498)</u>
State sources			
State - shared revenues			
Sales and use tax	1,060,000	1,192,663	132,663
Liquor licenses	35,000	42,583	7,583
Total state sources	<u>1,095,000</u>	<u>1,235,246</u>	<u>140,246</u>
Local sources			
City fee	<u>1,608,000</u>	<u>1,607,848</u>	<u>(152)</u>
Charges for services			
General fees and services	32,100	37,958	5,858
Use and admission fees	320,200	272,781	(47,419)
Fine and forfeitures - ordinance and cost	46,000	41,787	(4,213)
Total charges for services	<u>398,300</u>	<u>352,526</u>	<u>(45,774)</u>
Fines and forfeits			
Parking violations	<u>14,000</u>	<u>16,645</u>	<u>2,645</u>
Reimbursements	<u>515,000</u>	<u>434,773</u>	<u>(80,227)</u>
Interest income	<u>55,000</u>	<u>10,753</u>	<u>(44,247)</u>
Other revenue			
Rents and royalties	2,500	2,401	(99)
Contributions	338,000	330,610	(7,390)
Sale of assets	2,500	-	(2,500)
Other	38,500	40,733	2,233
Total other revenue	<u>381,500</u>	<u>373,744</u>	<u>(7,756)</u>
Total revenues	<u>\$ 12,192,150</u>	<u>\$ 12,120,457</u>	<u>\$ (71,693)</u>

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Expenditures
Budget and Actual
General Fund before GASB 54 Consolidation
For the Year Ended June 30, 2012

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
General government			
City Commission			
Personnel	\$ 35,870	\$ 35,015	\$ 855
Commodities	1,200	951	249
Contractual services	46,500	19,501	26,999
Other charges	7,300	7,081	219
Total City Commission	<u>90,870</u>	<u>62,548</u>	<u>28,322</u>
City Manager's Office			
Personnel	308,000	302,244	5,756
Commodities	4,500	3,325	1,175
Contractual services	24,500	14,301	10,199
Other charges	9,300	8,867	433
Total City Manager's Office	<u>346,300</u>	<u>328,737</u>	<u>17,563</u>
Human Resources			
Personnel	93,600	93,873	(273)
Commodities	1,000	393	607
Contractual services	22,300	14,516	7,784
Other charges	5,000	1,737	3,263
Total Human Resources	<u>121,900</u>	<u>110,519</u>	<u>11,381</u>
Geographic Information Systems			
Personnel	62,340	61,204	1,136
Commodities	200	-	200
Contractual services	14,800	8,112	6,688
Other charges	4,000	980	3,020
Total Geographic Information Systems	<u>81,340</u>	<u>70,296</u>	<u>11,044</u>
City Attorney's Office			
Personnel	105,700	88,638	17,062
Commodities	1,500	943	557
Contractual services	50,000	53,492	(3,492)
Other charges	2,000	1,505	495
Total City Attorney's Office	<u>159,200</u>	<u>144,578</u>	<u>14,622</u>
City Clerk's Office			
Personnel	329,050	295,286	33,764
Commodities	17,500	23,120	(5,620)
Contractual services	40,800	43,140	(2,340)
Other charges	24,200	18,508	5,692
Total City Clerk's Office	<u>411,550</u>	<u>380,054</u>	<u>31,496</u>

Continued.....

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Expenditures
Budget and Actual
General Fund before GASB 54 Consolidation
For the Year Ended June 30, 2012

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Assessor's Office			
Personnel	\$ 303,140	\$ 303,375	\$ (235)
Commodities	11,800	12,034	(234)
Contractual services	41,000	29,384	11,616
Other charges	2,700	2,207	493
Total Assessor's Office	<u>358,640</u>	<u>347,000</u>	<u>11,640</u>
Treasurer's Office			
Personnel	301,200	302,816	(1,616)
Commodities	21,000	14,020	6,980
Contractual services	40,900	32,692	8,208
Other charges	7,000	6,857	143
Total Treasurer's Office	<u>370,100</u>	<u>356,385</u>	<u>13,715</u>
Building and grounds			
Other charges	<u>127,000</u>	<u>113,544</u>	<u>13,456</u>
Planning/Zoning			
Personnel	354,800	344,021	10,779
Commodities	4,000	5,530	(1,530)
Contractual services	15,100	16,084	(984)
Other charges	11,800	11,794	6
Total Planning/Zoning	<u>385,700</u>	<u>377,429</u>	<u>8,271</u>
Cemetery			
Personnel	154,100	147,374	6,726
Commodities	9,800	8,968	832
Contractual services	154,500	156,983	(2,483)
Other charges	65,000	53,680	11,320
Total Cemetery	<u>383,400</u>	<u>367,005</u>	<u>16,395</u>
Appropriations	<u>140,750</u>	<u>124,958</u>	<u>15,792</u>
Capital outlay	<u>56,100</u>	<u>47,889</u>	<u>8,211</u>
Total general government	<u>3,032,850</u>	<u>2,830,942</u>	<u>201,908</u>
Public Safety			
Police			
Personnel	2,527,700	2,489,498	38,202
Commodities	79,900	64,927	14,973
Contractual services	398,950	389,954	8,996
Other charges	397,350	348,756	48,594
Total Police	<u>3,403,900</u>	<u>3,293,135</u>	<u>110,765</u>

Continued.....

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Expenditures
Budget and Actual
General Fund before GASB 54 Consolidation
For the Year Ended June 30, 2012

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Fire			
Personnel	\$ 2,109,150	\$ 2,038,121	\$ 71,029
Commodities	55,300	42,338	12,962
Contractual services	90,700	90,709	(9)
Other charges	301,950	271,647	30,303
Total Fire	<u>2,557,100</u>	<u>2,442,815</u>	<u>114,285</u>
Total public safety	<u>5,961,000</u>	<u>5,735,950</u>	<u>225,050</u>
Public Works			
Streets, alleys and sidewalks			
Personnel	322,600	337,590	(14,990)
Commodities	30,000	45,031	(15,031)
Contractual services	146,600	125,310	21,290
Other charges	51,900	65,255	(13,355)
Total Streets, Alleys and Sidewalks	<u>551,100</u>	<u>573,186</u>	<u>(22,086)</u>
Engineering			
Personnel	523,000	497,434	25,566
Commodities	18,000	8,803	9,197
Contractual services	57,200	24,067	33,133
Other charges	20,400	15,349	5,051
Total Engineering	<u>618,600</u>	<u>545,653</u>	<u>72,947</u>
Total public works	<u>1,169,700</u>	<u>1,118,839</u>	<u>50,861</u>
Recreation and Culture			
Parks			
Personnel	917,500	903,367	14,133
Commodities	54,800	42,757	12,043
Contractual services	243,000	198,458	44,542
Other charges	547,300	535,780	11,520
Total Parks	<u>1,762,600</u>	<u>1,680,362</u>	<u>82,238</u>
Community Development			
Personnel	-	2	(2)
Commodities	1,500	1	1,499
Contractual services	17,000	4,890	12,110
Other charges	3,050	103	2,947
Total Community Development	<u>21,550</u>	<u>4,996</u>	<u>16,554</u>
Total expenditures	<u>\$ 11,947,700</u>	<u>\$ 11,371,089</u>	<u>\$ 576,611</u>

Concluded

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Transfers
Budget and Actual
General Fund before GASB 54 Consolidation
For the Year Ended June 30, 2012

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Transfers in			
Brown Bridge Trust	\$ 385,000	\$ 322,343	\$ (62,657)
Other funds	324,550	304,305	(20,245)
City fee	691,050	652,012	(39,038)
Total Transfers In	<u>\$ 1,400,600</u>	<u>\$ 1,278,660</u>	<u>\$ (121,940)</u>
Transfers out			
Motor Vehicle Highway	\$ 843,000	\$ 765,813	\$ 77,187
Public Improvement	1,030,000	1,030,000	-
Con Foster Museum	92,900	79,513	13,387
ACT 345 Fund	110,000	110,000	-
Total Transfers Out	<u>\$ 2,075,900</u>	<u>\$ 1,985,326</u>	<u>\$ 90,574</u>

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, 2012

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Federal sources	\$ 815,000	\$ 1,114,047	\$ 299,047
State sources	-	26,831	26,831
Contributions	940,000	677,926	(262,074)
Reimbursement	2,500	8,339	5,839
Interest income	100	1,073	973
Other revenue	3,000	53,803	50,803
Total revenues	<u>1,760,600</u>	<u>1,882,019</u>	<u>121,419</u>
Expenditures			
Capital outlay	2,907,450	3,543,306	(635,856)
Expenditures over revenues	(1,146,850)	(1,661,287)	(514,437)
Other financing sources			
Transfers in	1,263,000	1,196,783	(66,217)
Net change in fund balance	116,150	(464,504)	(580,654)
Fund balance, beginning of year	2,096,759	2,096,759	-
Fund balance, end of year	<u>\$ 2,212,909</u>	<u>\$ 1,632,255</u>	<u>\$ (580,654)</u>

CITY OF TRAVERSE CITY, MICHIGAN
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012

	<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>
ASSETS					
Assets					
Cash and cash equivalents	\$ 364,211	\$ 100	\$ 1,438,405	\$ 338,516	\$ 2,141,232
Investments	98,144	-	1,002,877	391,820	1,492,841
Receivables					
Accounts	4,750	425	-	-	5,175
Taxes	4,055	-	3,973	-	8,028
Special assessments	-	-	251,622	-	251,622
Due from other governments	321,006	-	-	-	321,006
Prepaid items	11	-	-	-	11
Total assets	<u>\$ 792,177</u>	<u>\$ 525</u>	<u>\$ 2,696,877</u>	<u>\$ 730,336</u>	<u>\$ 4,219,915</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 158,075	\$ -	\$ 15,649	\$ -	\$ 173,724
Accrued and other liabilities	11	-	553	-	564
Due to other funds	170,009	325	-	23,782	194,116
Advances from other funds	210,500	-	-	-	210,500
Advance from component unit	-	-	17,728	-	17,728
Deferred revenue	16,668	-	170,290	-	186,958
Total liabilities	<u>555,263</u>	<u>325</u>	<u>204,220</u>	<u>23,782</u>	<u>783,590</u>
Fund balances					
Nonspendable					
Cemetery perpetual care	-	-	-	706,554	706,554
Restricted					
Debt service	-	200	-	-	200
Joint planning	11,466	-	-	-	11,466
Capital improvements	211,213	-	1,133,386	-	1,344,599
Public safety training	1,121	-	-	-	1,121
College parking	570	-	-	-	570
Public welfare or civic improvement organizations	101,845	-	-	-	101,845
Committed					
Capital improvements	-	-	1,359,271	-	1,359,271
Unassigned (deficit)	(89,301)	-	-	-	(89,301)
Total fund balances	<u>236,914</u>	<u>200</u>	<u>2,492,657</u>	<u>706,554</u>	<u>3,436,325</u>
Total liabilities and fund balances	<u>\$ 792,177</u>	<u>\$ 525</u>	<u>\$ 2,696,877</u>	<u>\$ 730,336</u>	<u>\$ 4,219,915</u>

CITY OF TRAVERSE CITY, MICHIGAN
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2012

	<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>
Revenues					
Property taxes and special assessments	\$ 1,349,955	\$ -	\$ 100,235	\$ -	\$ 1,450,190
Federal sources	1,181,450	-	-	-	1,181,450
State sources	339,974	-	-	-	339,974
Local sources	-	2,013,112	-	-	2,013,112
Charges for services	43,140	-	-	28,889	72,029
Contributions	117,762	-	-	-	117,762
Reimbursements	164	-	-	-	164
Interest income	1,807	-	5,645	17,625	25,077
Total revenues	<u>3,034,252</u>	<u>2,013,112</u>	<u>105,880</u>	<u>46,514</u>	<u>5,199,758</u>
Expenditures					
Current expenditures					
General government	575,075	-	-	-	575,075
Public safety	1,363,891	-	-	-	1,363,891
Culture and recreation	705,978	-	-	-	705,978
Capital outlay	350,029	-	240,206	-	590,235
Debt service					
Principal	-	1,380,000	-	-	1,380,000
Interest and fiscal charges	2,652	632,912	-	-	635,564
Total expenditures	<u>2,997,625</u>	<u>2,012,912</u>	<u>240,206</u>	<u>-</u>	<u>5,250,743</u>
Excess of revenues over expenditures	<u>36,627</u>	<u>200</u>	<u>(134,326)</u>	<u>46,514</u>	<u>(50,985)</u>
Other financing sources (uses)					
Transfers in	130,000	-	-	-	130,000
Transfers out	(2,978)	-	-	(23,782)	(26,760)
Total other financing sources	<u>127,022</u>	<u>-</u>	<u>-</u>	<u>(23,782)</u>	<u>103,240</u>
Net change in fund balance	<u>163,649</u>	<u>200</u>	<u>(134,326)</u>	<u>22,732</u>	<u>52,255</u>
Fund balances, beginning of year	<u>73,265</u>	<u>-</u>	<u>2,626,983</u>	<u>683,822</u>	<u>3,384,070</u>
Fund balances, end of year	<u>\$ 236,914</u>	<u>\$ 200</u>	<u>\$ 2,492,657</u>	<u>\$ 706,554</u>	<u>\$ 3,436,325</u>

CITY OF TRAVERSE CITY, MICHIGAN
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2012

	<u>Act 302 Police Training Fund</u>	<u>State Preparedness Equipment Grant Fund</u>	<u>College Parking Fund</u>	<u>Act 345 Millage Fund</u>
ASSETS				
Assets				
Cash and cash equivalents	\$ 1,121	\$ -	\$ 4,660	\$ 121,199
Investments	-	-	-	-
Receivables				
Accounts	-	-	10	-
Taxes	-	-	-	4,055
Due from other governments	-	-	-	-
Prepaid items	-	-	11	-
Total assets	<u><u>\$ 1,121</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,681</u></u>	<u><u>\$ 125,254</u></u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ -	\$ -	\$ 2,050	\$ -
Accrued and other liabilities	-	-	11	-
Due to other funds	-	-	2,050	-
Advances from other funds	-	-	-	210,500
Deferred revenue	-	-	-	4,055
Total liabilities	<u>-</u>	<u>-</u>	<u>4,111</u>	<u>214,555</u>
Fund balance				
Restricted				
Joint planning	-	-	-	-
Capital improvements	-	-	-	-
Public safety training	1,121	-	-	-
College parking	-	-	570	-
Public welfare or civic improvement organizations	-	-	-	-
Unassigned (deficit)	-	-	-	(89,301)
Total fund balances	<u>1,121</u>	<u>-</u>	<u>570</u>	<u>(89,301)</u>
Total liabilities and fund balances	<u><u>\$ 1,121</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,681</u></u>	<u><u>\$ 125,254</u></u>

<u>Safe Communities Grant Fund</u>	<u>Traverse City and Garfield Township Joint Planning Fund</u>	<u>PEG Capital Fund</u>
\$ -	\$ 11,466	\$ 910
-	-	-
-	-	4,740
-	-	-
-	-	-
<u>\$ -</u>	<u>\$ 11,466</u>	<u>\$ 5,650</u>
\$ -	\$ -	\$ -
-	-	-
-	-	-
-	-	-
-	-	-
<u>-</u>	<u>-</u>	<u>-</u>
-	-	-
-	11,466	-
-	-	5,650
-	-	-
-	-	-
-	-	-
<u>-</u>	<u>11,466</u>	<u>5,650</u>
<u>\$ -</u>	<u>\$ 11,466</u>	<u>\$ 5,650</u>

Continued.....

CITY OF TRAVERSE CITY, MICHIGAN
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2012

	<u>Senior Center Building Fund</u>	<u>Homeland Security Training Grant Fund</u>	<u>McCauley Estate Trust Fund</u>	<u>Better Buildings Grant Fund</u>
ASSETS				
Assets				
Cash and cash equivalents	\$ 218,176	\$ -	\$ 6,679	\$ -
Investments	-	-	98,144	-
Receivables				
Accounts	-	-	-	-
Taxes	-	-	-	-
Due from other governments	-	740	-	155,499
Prepaid items	-	-	-	-
Total assets	<u><u>\$ 218,176</u></u>	<u><u>\$ 740</u></u>	<u><u>\$ 104,823</u></u>	<u><u>\$ 155,499</u></u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued and other liabilities	-	-	-	-
Due to other funds	-	740	2,978	155,499
Advances from other funds	-	-	-	-
Deferred revenue	12,613	-	-	-
Total liabilities	<u><u>12,613</u></u>	<u><u>740</u></u>	<u><u>2,978</u></u>	<u><u>155,499</u></u>
Fund balance				
Restricted				
Joint planning	-	-	-	-
Capital improvements	205,563	-	-	-
Public safety training	-	-	-	-
College parking	-	-	-	-
Public welfare or civic improvement organizations	-	-	101,845	-
Unassigned (deficit)	-	-	-	-
Total fund balances	<u><u>205,563</u></u>	<u><u>-</u></u>	<u><u>101,845</u></u>	<u><u>-</u></u>
Total liabilities and fund balances	<u><u>\$ 218,176</u></u>	<u><u>\$ 740</u></u>	<u><u>\$ 104,823</u></u>	<u><u>\$ 155,499</u></u>

Boardman River Dam Removal & Restoration Fund	CDBG Century Inc Fund	Total
\$ -	\$ -	\$ 364,211
-	-	98,144
-	-	4,750
-	-	4,055
164,767	-	321,006
-	-	11
\$ 164,767	\$ -	\$ 792,177
\$ 156,025	\$ -	\$ 158,075
-	-	11
8,742	-	170,009
-	-	210,500
-	-	16,668
164,767	-	555,263
-	-	11,466
-	-	211,213
-	-	1,121
-	-	570
-	-	101,845
-	-	(89,301)
-	-	236,914
\$ 164,767	\$ -	\$ 792,177

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, 2012

	Act 302 Police Training Fund	State Preparedness Equipment Grant Fund	College Parking Fund	Act 345 Millage Fund
Revenues				
Property taxes	\$ -	\$ -	\$ -	\$ 1,349,955
Federal sources	-	77,555	-	-
State sources	5,586	-	-	-
Charges for services	-	-	43,140	-
Contributions	-	-	-	-
Reimbursements	-	-	-	-
Interest income	-	-	-	897
Total revenues	5,586	77,555	43,140	1,350,852
Expenditures				
Current expenditures				
General government	-	-	42,570	-
Public safety	4,465	-	-	1,345,660
Culture and recreation	-	-	-	-
Capital outlay	-	77,555	-	-
Debt service				
Interest and fiscal charges	-	-	-	2,652
Total expenditures	4,465	77,555	42,570	1,348,312
Excess (deficiency) of revenues over expenditures	1,121	-	570	2,540
Other financing sources (uses)				
Transfers in	-	-	-	110,000
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	110,000
Net change in fund balance	1,121	-	570	112,540
Fund balances (deficit), beginning of year	-	-	-	(201,841)
Fund balances (deficit), end of year	\$ 1,121	\$ -	\$ 570	\$ (89,301)

Safe Communities Grant Fund	Traverse City and Garfield Township Joint Planning Fund	PEG Capital Fund
\$ -	\$ -	\$ -
11,382	-	-
-	-	-
-	6,000	18,836
-	-	-
-	-	-
11,382	6,000	18,836
-	3,802	-
11,382	-	-
-	-	-
-	-	22,474
-	-	-
11,382	3,802	22,474
-	2,198	(3,638)
-	-	-
-	-	-
-	-	-
-	2,198	(3,638)
-	9,268	9,288
\$ -	\$ 11,466	\$ 5,650

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, 2012

	Senior Center Building Fund	Homeland Security Training Grant Fund	McCauley Estate Trust Fund	Better Buildings Grant Fund
Revenues				
Property taxes	\$ -	\$ -	\$ -	\$ -
Federal sources	-	2,384	-	528,539
State sources	-	-	-	-
Charges for services	-	-	-	-
Contributions	52,926	-	-	-
Reimbursements	-	-	-	164
Interest income	139	-	771	-
Total revenues	53,065	2,384	771	528,703
Expenditures				
Current expenditures				
General government	-	-	-	528,703
Public safety	-	2,384	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Interest and fiscal charges	-	-	-	-
Total expenditures	-	2,384	-	528,703
Excess (deficiency) of revenues over expenditures	53,065	-	771	-
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	(2,978)	-
Total other financing sources (uses)	-	-	(2,978)	-
Net change in fund balance	53,065	-	(2,207)	-
Fund balances (deficit), beginning of year	152,498	-	104,052	-
Fund balances (deficit), end of year	\$ 205,563	\$ -	\$ 101,845	\$ -

Boardman River Dam Removal & Restoration Fund	CDBG Century Inc Fund	Total
\$ -	\$ -	\$ 1,349,955
311,590	250,000	1,181,450
334,388	-	339,974
-	-	43,140
40,000	-	117,762
-	-	164
-	-	1,807
685,978	250,000	3,034,252
-	-	575,075
-	-	1,363,891
705,978	-	705,978
-	250,000	350,029
-	-	2,652
705,978	250,000	2,997,625
(20,000)	-	36,627
20,000	-	130,000
-	-	(2,978)
20,000	-	127,022
-	-	163,649
-	-	73,265
\$ -	\$ -	\$ 236,914

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, 2012

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
State sources	\$ 6,500	\$ 5,586	\$ (914)
Expenditures			
Public safety			
Contractual services	6,500	4,465	2,035
Net change in fund balance	-	1,121	1,121
Fund balance, beginning of year	-	-	-
Fund balance, end of year	<u>\$ -</u>	<u>\$ 1,121</u>	<u>\$ 1,121</u>

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, 2012

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Federal sources	\$ 150,000	\$ 77,555	\$ (72,445)
Expenditures			
Capital outlay	<u>150,000</u>	<u>77,555</u>	<u>72,445</u>
Net change in fund balance	-	-	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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, 2012

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Charges for services	\$ 50,000	\$ 43,140	\$ (6,860)
Expenditures			
General government			
Personnel	5,530	4,652	878
Contractual services	41,370	36,562	4,808
Commodities	400	-	400
Other expense	2,700	1,356	1,344
Total expenditures	<u>50,000</u>	<u>42,570</u>	<u>7,430</u>
Net change in fund balance	-	570	570
Fund balance, beginning of year	-	-	-
Fund balance, end of year	<u>\$ -</u>	<u>\$ 570</u>	<u>\$ 570</u>

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, 2012

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Property taxes	\$ 1,353,000	\$ 1,349,955	\$ (3,045)
Interest income	-	897	897
Total revenues	<u>1,353,000</u>	<u>1,350,852</u>	<u>(2,148)</u>
Expenditures			
Public safety			
Other expense	1,345,660	1,345,660	-
Debt service			
Interest and fiscal charges	117,340	2,652	114,688
Total expenditures	<u>1,463,000</u>	<u>1,348,312</u>	<u>114,688</u>
Excess (deficiency) of revenues over expenditures	(110,000)	2,540	112,540
Other financing sources			
Transfer in	110,000	110,000	-
Change in fund balance	-	112,540	112,540
Fund balance (deficit), beginning of year	(201,841)	(201,841)	-
Fund balance (deficit), end of year	<u><u>\$ (201,841)</u></u>	<u><u>\$ (89,301)</u></u>	<u><u>\$ 112,540</u></u>

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (GAAP Basis) and Actual
Safe Communities Grant Special Revenue Fund
For the Year Ended June 30, 2012

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Federal sources	\$ 15,000	\$ 11,382	\$ (3,618)
Expenditures			
Public safety			
Personnel	10,000	9,591	409
Contractual services	5,000	1,791	3,209
Total expenditures	<u>15,000</u>	<u>11,382</u>	<u>3,618</u>
Net change in fund balance	-	-	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 2012

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Contributions	\$ 6,000	\$ 6,000	\$ -
Expenditures			
General government			
Personnel	1,500	-	1,500
Contractual services	3,000	3,802	(802)
Supplies	1,500	-	1,500
Total expenditures	<u>6,000</u>	<u>3,802</u>	<u>2,198</u>
Net change in fund balance	-	2,198	2,198
Fund balance, beginning of year	9,268	9,268	-
Fund balance, end of year	<u>\$ 9,268</u>	<u>\$ 11,466</u>	<u>\$ 2,198</u>

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, 2012

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Contributions	\$ 30,000	\$ 18,836	\$ (11,164)
Expenditures			
Capital outlay	<u>26,000</u>	<u>22,474</u>	<u>3,526</u>
Net change in fund balance	4,000	(3,638)	(7,638)
Fund balance, beginning of year	<u>9,288</u>	<u>9,288</u>	<u>-</u>
Fund balance, end of year	<u>\$ 13,288</u>	<u>\$ 5,650</u>	<u>\$ (7,638)</u>

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, 2012

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Contributions	\$ 10,000	\$ 52,926	\$ 42,926
Interest income	3,000	139	(2,861)
Total revenues	13,000	53,065	40,065
Expenditures			
Culture and recreation			
Other charges	500	-	500
Net change in fund balance	12,500	53,065	40,565
Fund balance, beginning of year	152,498	152,498	-
Fund balance, end of year	\$ 164,998	\$ 205,563	\$ 40,565

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, 2012

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Federal sources	\$ 30,000	\$ 2,384	\$ (27,616)
Expenditures			
Public safety			
Personnel	21,650	1,387	20,263
Contractual services	8,350	997	7,353
Total expenditures	30,000	2,384	27,616
Net change in fund balance	-	-	-
Fund balance, beginning of year	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ -

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (GAAP Basis) and Actual
McCaughey Estate Trust Special Revenue Fund
For the Year Ended June 30, 2012

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues			
Interest income	\$ 3,100	\$ 771	\$ (2,329)
Other financing uses			
Transfer out	(3,100)	(2,978)	122
Net change in fund balance	-	(2,207)	(2,207)
Fund balance, beginning of year	104,052	104,052	-
Fund balance, end of year	\$ 104,052	\$ 101,845	\$ (2,207)

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (GAAP Basis) and Actual
Better Buildings Grant Special Revenue Fund
For the Year Ended June 30, 2012

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Federal sources	\$ 573,040	\$ 528,539	\$ (44,501)
Reimbursements	-	164	164
Total revenues	<u>573,040</u>	<u>528,703</u>	<u>(44,337)</u>
Expenditures			
General government			
Personnel	-	22,088	(22,088)
Contractual services	573,040	506,615	66,425
Total expenditures	<u>573,040</u>	<u>528,703</u>	<u>44,337</u>
Net change in fund balance	-	-	-
Fund balance, beginning of year	-	-	-
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (GAAP Basis) and Actual
Boardman River Dam Removal & Restoration Special Revenue Fund
For the Year Ended June 30, 2012

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Federal sources	\$ 180,000	\$ 311,590	\$ 131,590
State sources	800,000	334,388	(465,612)
Contributions	-	40,000	40,000
Total revenues	<u>980,000</u>	<u>685,978</u>	<u>(294,022)</u>
Expenditures			
Recreation			
Contractual services	1,000,000	705,978	294,022
Excess (deficiency) of revenues over expenditures	(20,000)	(20,000)	-
Other financing sources			
Transfer in	20,000	20,000	-
Change in fund balance	-	-	-
Fund balance, beginning of year	-	-	-
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (GAAP Basis) and Actual
CDBG Century Inc. Special Revenue Fund
For the Year Ended June 30, 2012

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Federal sources	\$ 250,000	\$ 250,000	\$ -
Expenditures			
Capital outlay	<u>250,000</u>	<u>250,000</u>	<u>-</u>
Net change in fund balance	-	-	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

CITY OF TRAVERSE CITY, MICHIGAN
Combining Balance Sheet
Nonmajor Debt Service Funds
June 30, 2012

	<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>
ASSETS				
Assets				
Cash	\$ 100	\$ -	\$ -	\$ 100
Accounts receivable	<u>-</u>	<u>325</u>	<u>100</u>	<u>425</u>
Total Assets	<u>\$ 100</u>	<u>\$ 325</u>	<u>\$ 100</u>	<u>\$ 525</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Due to other funds	<u>\$ -</u>	<u>\$ 325</u>	<u>\$ -</u>	<u>\$ 325</u>
Fund balances				
Restricted for debt service	<u>100</u>	<u>-</u>	<u>100</u>	<u>200</u>
Total liabilities and fund balances	<u>\$ 100</u>	<u>\$ 325</u>	<u>\$ 100</u>	<u>\$ 525</u>

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, 2012

	Parking Deck Bond Redemption Taxable	Parking Deck Bond Redemption Non-Taxable	Old Town Parking Deck Bond Redemption	Total
Revenues				
Local sources	\$ 169,050	\$ 525,656	\$ 1,318,406	\$ 2,013,112
Expenditures				
Debt service				
Principal	120,000	125,000	1,135,000	1,380,000
Interest and fiscal charges	48,950	400,656	183,306	632,912
Total expenditures	168,950	525,656	1,318,306	2,012,912
Net change in fund balances	100	-	100	200
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	\$ 100	\$ -	\$ 100	\$ 200

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, 2012

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues			
Local sources	\$ 169,000	\$ 169,050	\$ 50
Expenditures			
Debt service			
Principal	120,000	120,000	-
Interest and fiscal charges	49,000	48,950	50
Total expenditures	169,000	168,950	50
Net change in fund balance	-	100	100
Fund balance, beginning of year	-	-	-
Fund balance, end of year	\$ -	\$ 100	\$ 100

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, 2012

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues			
Local sources	\$ 526,000	\$ 525,656	\$ (344)
Expenditures			
Debt service			
Principal	125,000	125,000	-
Interest and fiscal charges	401,000	400,656	344
Total expenditures	526,000	525,656	344
Net change in fund balance	-	-	-
Fund balance, beginning of year	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ -

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, 2012

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues			
Local sources	\$ 1,318,800	\$ 1,318,406	\$ (394)
Expenditures			
Debt service			
Principal	1,135,000	1,135,000	-
Interest and fiscal charges	183,800	183,306	494
Total expenditures	1,318,800	1,318,306	494
Net change in fund balance	-	100	100
Fund balance, beginning of year	-	-	-
Fund balance, end of year	\$ -	\$ 100	\$ 100

CITY OF TRAVERSE CITY, MICHIGAN
Combining Balance Sheet
Nonmajor Capital Projects Funds
June 30, 2012

	Parking Deck Bond Construction Taxable	Parking Bond Construction Non-taxable	Old Town Parking Deck	Special Assessments	Total
ASSETS					
Assets					
Cash and cash equivalents	\$ 81,978	\$ -	\$ 9,252	\$ 1,347,175	\$ 1,438,405
Investments	25,101	972,907	-	4,869	1,002,877
Receivables					
Taxes	-	-	-	3,973	3,973
Special assessments	-	-	-	251,622	251,622
Total assets	<u>\$ 107,079</u>	<u>\$ 972,907</u>	<u>\$ 9,252</u>	<u>\$ 1,607,639</u>	<u>\$ 2,696,877</u>
LIABILITIES AND FUND BALANCE					
Liabilities					
Accounts payable	\$ -	\$ -	\$ 9,252	\$ 6,397	\$ 15,649
Accrued and other liabilities	-	-	-	553	553
Advance from component unit	-	-	-	17,728	17,728
Deferred revenue	-	-	-	170,290	170,290
Total liabilities	<u>-</u>	<u>-</u>	<u>9,252</u>	<u>194,968</u>	<u>204,220</u>
Fund balances					
Restricted					
Capital improvements	107,079	972,907	-	53,400	1,133,386
Committed					
Capital improvements	-	-	-	1,359,271	1,359,271
Total fund balances	<u>107,079</u>	<u>972,907</u>	<u>-</u>	<u>1,412,671</u>	<u>2,492,657</u>
Total liabilities and fund balances	<u>\$ 107,079</u>	<u>\$ 972,907</u>	<u>\$ 9,252</u>	<u>\$ 1,607,639</u>	<u>\$ 2,696,877</u>

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, 2012

	Parking Deck Bond Construction Taxable	Parking Deck Bond Construction Non-Taxable	Old Town Parking Deck	Special Assessments	Total
Revenues					
Special assessments	\$ -	\$ -	\$ -	\$ 100,235	\$ 100,235
Interest income	83	1,864	7	3,691	5,645
Total revenues	83	1,864	7	103,926	105,880
Expenditures					
Capital outlay	-	-	283	239,923	240,206
Net change in fund balances	83	1,864	(276)	(135,997)	(134,326)
Fund balances, beginning of year	106,996	971,043	276	1,548,668	2,626,983
Fund balances, end of year	\$ 107,079	\$ 972,907	\$ -	\$ 1,412,671	\$ 2,492,657

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, 2012

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenue			
Interest income	\$ 1,000	\$ 83	\$ (917)
Expenditures			
Capital outlay	<u>108,000</u>	<u>-</u>	<u>108,000</u>
Net change in fund balance	(107,000)	83	107,083
Fund balance, beginning of year	<u>106,996</u>	<u>106,996</u>	<u>-</u>
Fund balance (deficit), end of year	<u>\$ (4)</u>	<u>\$ 107,079</u>	<u>\$ 107,083</u>

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, 2012

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Interest income	\$ 5,000	\$ 1,864	\$ (3,136)
Expenditures			
Capital outlay	975,200	-	975,200
Net change in fund balance	(970,200)	1,864	972,064
Fund balance, beginning of year	971,043	971,043	-
Fund balance, end of year	\$ 843	\$ 972,907	\$ 972,064

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget (GAAP Basis) and Actual
Old Town Parking Deck Construction Fund
For the Year Ended June 30, 2012

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Interest income	\$ -	\$ 7	\$ 7
Expenditures			
Capital outlay	<u>10,000</u>	<u>283</u>	<u>9,717</u>
Net change in fund balance	(10,000)	(276)	9,724
Fund balance, beginning of year	<u>276</u>	<u>276</u>	<u>-</u>
Fund balance (deficit), end of year	<u>\$ (9,724)</u>	<u>\$ -</u>	<u>\$ 9,724</u>

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, 2012

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Special assessments	\$ 253,665	\$ 100,235	\$ (153,430)
Interest income	12,000	3,691	(8,309)
Total revenues	265,665	103,926	(161,739)
Expenditures			
Capital outlay	273,665	239,923	33,742
Net change in fund balances	(8,000)	(135,997)	(127,997)
Fund balance, beginning of year	1,548,668	1,548,668	-
Fund balance, end of year	\$ 1,540,668	\$ 1,412,671	\$ (127,997)

CITY OF TRAVERSE CITY, MICHIGAN
Combining Balance Sheet
Agency Funds
June 30, 2012

	<u>Tax Collection</u>	<u>Imprest Payroll</u>	<u>Act 345 Retiree Health Insurance</u>	<u>Retiree Health Insurance</u>	<u>Total</u>
Assets					
Cash and cash equivalents	\$ 63,691	\$ 36,948	\$ 4,107,617	\$ 1,421,891	\$ 5,630,147
Receivables					
Taxes	121,062	-	-	-	121,062
Total assets	<u>\$ 184,753</u>	<u>\$ 36,948</u>	<u>\$ 4,107,617</u>	<u>\$ 1,421,891</u>	<u>\$ 5,751,209</u>
Liabilities					
Accrued and other liabilities	\$ -	\$ 36,948	\$ 4,107,617	\$ 1,421,891	\$ 5,566,456
Due to other governmental units	184,753	-	-	-	184,753
Total liabilities	<u>\$ 184,753</u>	<u>\$ 36,948</u>	<u>\$ 4,107,617</u>	<u>\$ 1,421,891</u>	<u>\$ 5,751,209</u>

CITY OF TRAVERSE CITY, MICHIGAN
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2012

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
TAX COLLECTION				
Assets				
Cash and cash equivalents	\$ 9,495	\$ 27,814,958	\$ 27,760,762	\$ 63,691
Taxes receivable	76,395	29,607,571	29,562,904	121,062
Total assets	\$ 85,890	\$ 57,422,529	\$ 57,323,666	\$ 184,753
Liabilities				
Due to other governmental units	\$ 85,890	\$ 58,207,697	\$ 58,108,834	\$ 184,753
IMPREST PAYROLL				
Assets				
Cash and cash equivalents	\$ 73,298	\$ 11,940,612	\$ 11,976,962	\$ 36,948
Accounts receivable	36,602	514,147	550,749	-
Total assets	\$ 109,900	\$ 12,454,759	\$ 12,527,711	\$ 36,948
Liabilities				
Accrued and other liabilities	\$ 109,900	\$ 11,983,610	\$ 12,056,562	\$ 36,948
Act 345 RETIREE HEALTH INSURANCE				
Assets				
Cash and cash equivalents	\$ 3,717,548	\$ 390,069	-	\$ 4,107,617
Liabilities				
Accrued and other liabilities	\$ 3,717,548	\$ 390,069	-	\$ 4,107,617
RETIREE HEALTH INSURANCE				
Assets				
Cash and cash equivalents	\$ 1,473,943	\$ 34,192	\$ 86,244	\$ 1,421,891
Liabilities				
Accrued and other liabilities	\$ 1,473,943	\$ 1,461,535	\$ 1,513,587	\$ 1,421,891

Continued....

CITY OF TRAVERSE CITY, MICHIGAN
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2012

TOTAL - ALL AGENCY FUNDS	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Assets				
Cash and cash equivalents	\$ 5,274,284	\$ 40,179,831	\$ 39,823,968	\$ 5,630,147
Receivables				
Accounts	36,602	514,147	550,749	-
Taxes	76,395	29,607,571	29,562,904	121,062
Total assets	\$ 5,387,281	\$ 70,301,549	\$ 69,937,621	\$ 5,751,209
Liabilities				
Accrued and other liabilities	\$ 5,301,391	\$ 13,835,214	\$ 13,570,149	\$ 5,566,456
Due to other governmental units	85,890	58,207,697	58,108,834	184,753
Total liabilities	\$ 5,387,281	\$ 72,042,911	\$ 71,678,983	\$ 5,751,209

Concluded

CITY OF TRAVERSE CITY, MICHIGAN
Combining Statement of Fiduciary Net Assets
Pension and Other Postemployment Benefit Funds
June 30, 2012

	Act 345 Retirement System	Retiree Health Insurance Trust	Total
Assets			
Cash and cash equivalents	\$ 1,724,000	\$ -	\$ 1,724,000
Investments, at fair value			
U.S. Government Agencies bonds and notes	2,660,535	-	2,660,535
Mortgage bonds	99,960	-	99,960
Common stock	2,949,584	-	2,949,584
Mutual funds	8,971,828	-	8,971,828
Corporate bonds	2,385,260	-	2,385,260
Direct real estate investments	850,000	-	850,000
MERS total market fund	-	1,141,912	1,141,912
Receivables			
Other	800	1,423,691	1,424,491
Accrued interest	40,192	-	40,192
Total assets	19,682,159	2,565,603	22,247,762
Liabilities			
Accrued and other liabilities	4,674	-	4,674
Net Assets			
Held in trust for pension benefits and other postemployment benefits	\$ 19,677,485	\$ 2,565,603	\$ 22,243,088

CITY OF TRAVERSE CITY, MICHIGAN
Combining Statement of Changes in Fiduciary Net Assets
Pension and Other Postemployment Benefit Funds
For the Year Ended June 30, 2012

	Act 345 Retirement System	Retiree Health Insurance Trust	Total
Additions			
Contributions			
City contributions	\$ 1,345,660	\$ 1,707,240	\$ 3,052,900
Employee contributions	51,144	-	51,144
Total contributions	<u>1,396,804</u>	<u>1,707,240</u>	<u>3,104,044</u>
Investment earnings			
Investment income	307,329	-	307,329
Net depreciation in fair value of investments	<u>(667,517)</u>	<u>(7,795)</u>	<u>(675,312)</u>
Net investment earnings	<u>(360,188)</u>	<u>(7,795)</u>	<u>(367,983)</u>
Total additions	<u>1,036,616</u>	<u>1,699,445</u>	<u>2,736,061</u>
Deductions			
Pension benefits paid	1,733,268	-	1,733,268
Health insurance premiums paid	367,464	-	367,464
Administrative expense	6,566	-	6,566
Investment advisor fees	<u>128,802</u>	<u>-</u>	<u>128,802</u>
Total deductions	<u>2,236,100</u>	<u>-</u>	<u>2,236,100</u>
Net (decrease) in plan assets attributable to pension plan	(832,020)		
Net increase (decrease) in plan assets attributable to health insurance	<u>1,331,981</u>	(1,199,484)	499,961
Net assets held in trust, beginning of year	<u>20,876,969</u>	<u>866,158</u>	<u>21,743,127</u>
Net assets held in trust, end of year, attributable to pension plan	21,934,307		
Net assets held in trust, end of year, attributable to health insurance	<u>308,781</u>	<u>\$ 19,677,485</u>	<u>\$ 2,565,603</u>
		<u>\$ 22,243,088</u>	

CITY OF TRAVERSE CITY, MICHIGAN
General Governmental Revenues by Source
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
2003	\$ 6,853,268	\$ 182,636	\$ 31,706	\$ 1,557,945	\$ 20,523	\$ 395,835	\$ 75,881	\$ 188,986	\$ 1,592,377	\$ 247,185	\$ 11,146,342
2004	6,964,990	197,834	37,243	1,400,207	22,224	451,519	78,822	294,302	1,894,848	267,596	11,609,585
2005	7,552,857	207,619	67,730	1,384,945	25,239	434,465	86,207	519,368	2,059,315	328,431	12,666,176
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

CITY OF TRAVERSE CITY, MICHIGAN
General Governmental Expenditures by Function
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
2003	\$ 1,535,166	\$ 4,937,169	\$ 361,728	\$ 1,344,120	\$ 1,701,434	\$ 1,396,721	\$ 11,276,338
2004	1,615,893	5,630,071	373,689	1,404,893	1,783,939	1,160,682	11,969,167
2005	1,772,334	6,253,646	363,012	1,424,539	1,918,853	972,237	12,704,621
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

CITY OF TRAVERSE CITY, MICHIGAN
Debt Service Requirements to Maturity

Fiscal years ending June 30,	Parking deck, series 2009		Parking deck non-taxable refunding bond		Parking deck taxable		Sewage disposal		Water plant		Primary government
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total principal and interest
2013	\$ 1,000,000	\$ 157,669	\$ 160,000	\$ 395,331	\$ 125,000	\$ 41,500	\$ 1,178,675	\$ 457,502	\$ 250,000	\$ 15,000	\$ 3,780,677
2014	1,250,000	132,669	205,000	388,932	125,000	33,750	1,125,232	410,868	-	-	3,671,451
2015	1,350,000	95,169	250,000	380,732	125,000	25,875	1,188,139	366,522	-	-	3,781,437
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
Total	\$ 5,015,000	\$ 436,801	\$ 9,565,000	\$ 4,051,317	\$ 650,000	\$ 128,100	\$ 11,480,423	\$ 2,562,703	\$ 250,000	\$ 15,000	\$ 34,154,344

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

Fiscal years ending June 30,	City	County	School	ISD	College	State Education Tax	Library	BATA	Recreational Authority	TOTAL
2003 - Homestead	13.5447	6.3022	3.1000	3.0149	3.1152	6.0000	1.2691	0.1683	-	36.5144
2003 - Non-Homestead	13.5447	6.3022	21.1000	3.0149	3.1152	6.0000	1.2691	0.1683	-	54.5144
2004 - Homestead	13.3943	6.1772	3.1000	2.9929	3.0693	6.0000	1.2290	0.3500	-	36.3127
2004 - Non-Homestead	13.3943	6.1772	21.1000	2.9929	3.0693	6.0000	1.2290	0.3500	-	54.3127
2005 - Homestead	13.2295	6.0770	3.1000	2.9732	2.8324	6.0000	1.1957	0.3428	0.3700	36.1206
2005 - Non-Homestead	13.2295	6.0770	21.1000	2.9732	2.8324	6.0000	1.1957	0.3428	0.3700	54.1206
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

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
Last ten fiscal years

Levied July 1st	Tax Levy (1)	Collection to March 1, Year Following Levy	Percent Collected
2003	\$ 7,434,195	\$ 7,077,146	95.2 %
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	9,137,739	8,631,989	94.5
2011	9,120,496	8,671,027	95.1
2012	9,091,134	In process of collection	

(1) Real and personal taxes combined

CITY OF TRAVERSE CITY, MICHIGAN
Taxable Value by Use and Class
Last five years

City					
Use	June 30, 2008	June 30, 2009	June 30, 2010	June 30, 2011	June 30, 2012
Commercial	\$ 263,673,053	\$ 282,294,617	\$ 289,382,988	\$ 291,932,041	\$ 286,166,289
Industrial	54,289,034	54,172,374	57,538,324	53,985,894	51,233,253
Residential	390,465,688	405,772,669	429,643,538	433,421,745	431,548,057
Utility	5,453,399	4,871,300	5,087,600	5,535,446	5,519,400
Total	\$ 713,881,174	\$ 747,110,960	\$ 781,652,450	\$ 784,875,126	\$ 774,466,999
Class					
Real Property	\$ 645,222,855	\$ 678,904,820	\$ 713,225,050	\$ 717,972,224	\$ 708,319,899
Personal Property	68,658,319	68,206,140	68,427,400	66,902,902	66,147,100
Total	\$ 713,881,174	\$ 747,110,960	\$ 781,652,450	\$ 784,875,126	\$ 774,466,999
DDA					
Use	June 30, 2008	June 30, 2009	June 30, 2010	June 30, 2011	June 30, 2012
Commercial	\$ 86,238,118	\$ 90,749,129	\$ 93,149,182	\$ 94,999,083	\$ 96,803,190
Industrial	34,310	39,100	34,300	34,197	34,778
Residential	12,155,603	12,778,774	13,224,286	13,406,071	19,285,218
Utility	200,260	168,800	202,700	289,246	277,000
Total	\$ 98,628,291	\$ 103,735,803	\$ 106,610,468	\$ 108,728,597	\$ 116,400,186
Class					
Real Property	\$ 86,364,911	\$ 91,351,623	\$ 94,837,168	\$ 96,864,687	\$ 104,951,486
Personal Property	12,263,380	12,384,180	11,773,300	11,863,910	11,448,700
Total	\$ 98,628,291	\$ 103,735,803	\$ 106,610,468	\$ 108,728,597	\$ 116,400,186

CITY OF TRAVERSE CITY, MICHIGAN
Ten Largest Taxpayers
June 30, 2012

Taxpayer	Principal Product or Service	Taxable Value	Percent of Ten Largest Taxpayers
TC Hotel LLC	Holiday Inn	\$ 5,792,074	13.68%
Auto Owners Ins	Commercial property	4,872,700	11.51
Harbour View Centre Condo	Commercial property	4,660,126	11.01
Tom's Food Market	Grocery store	4,122,700	9.74
East Bay Plaza LLC	Commercial property	4,089,800	9.66
Big Olives 2 LLC	Commercial & residential property	4,074,940	9.63
Radio Centre of TC, Inc	Office	3,881,100	9.17
TC 92 Suites LLC	Cambria Suites hotel	3,830,213	9.05
USA Bayshore Properties	Bayshore resort	3,526,415	8.33
Northwestern Bank	Commercial banking	3,475,648	8.22

(1) Based on \$774,466,999 which is the City's Taxable Value for its fiscal year ended June 30, 2012.

CITY OF TRAVERSE CITY, MICHIGAN
Legal Debt Margin
June 30, 2012

Debt limit (1)		\$	98,899,677
Debt outstanding	54,991,854		
Less: Exempt debt (2)	<u>40,071,203</u>		<u>14,920,651</u>
Legal debt margin		\$	<u><u>83,979,026</u></u>

(1) 10% of \$988,996,770 which is the City's SEV for the fiscal year ending June 30, 2012.

(2) Consists of revenue bonds.

CITY OF TRAVERSE CITY
Debt Statement
June 30, 2012

City Direct Debt	<u>Gross</u>	<u>Self Supporting</u>	<u>Net</u>
Share of Grand Traverse County Issued Bonds			
Dated December 1, 2003	\$ 597,817	\$ 597,817	\$ -
Dated April 1, 2011	10,792,321	10,792,321	-
Dated October 1, 1998	90,285	90,285	-
Subtotal	<u>11,480,423</u>	<u>11,480,423</u>	<u>-</u>
Share of Michigan Public Power Agency			
Dated January 15, 2006	1,728,955	1,728,955	-
Dated May 1, 2002	1,414,600	1,414,600	-
Dated December 2, 2002	6,271,559	6,271,559	-
Dated January 10, 2002	18,925,666	18,925,666	-
Subtotal	<u>28,340,780</u>	<u>28,340,780</u>	<u>-</u>
Water Revenue Bonds			
Dated November 1, 1992	250,000	250,000	-
Downtown Development Bonds			
Dated November 4, 2009	5,083,523	5,083,523	-
Dated February 7, 2007	9,187,128	9,187,128	-
Dated April 1, 2002B (Taxable)	650,000	650,000	-
Subtotal	<u>14,920,651</u>	<u>14,920,651</u>	<u>-</u>
Total	<u>\$ 54,991,854</u>	<u>\$ 54,991,854</u>	<u>\$ -</u>

Overlapping Debt	<u>Gross</u>	<u>City Share as Percent of Gross</u>	<u>Net</u>
Traverse City Public Schools	\$ 80,310,000	17.79%	\$ 14,287,149
Grand Traverse County	28,540,000	16.69%	4,763,326
Leelanau County	18,850,000	0.88%	165,880
Northwestern Michigan College	28,620,000	16.69%	4,776,678
Traverse City-Garfield Recreational Authority	6,095,000	45.74%	2,787,853
Traverse Area District Library	4,470,000	17.07%	763,029
Total	<u>\$ 166,885,000</u>		<u>\$ 27,543,915</u>