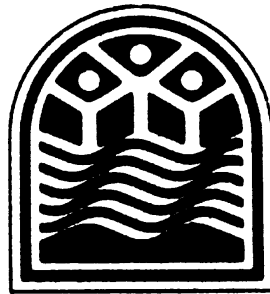


CITY OF TRAVERSE CITY, MICHIGAN



FINANCIAL STATEMENTS

**For the Fiscal Year Ended
June 30, 2009**

**Prepared by:
City Treasurer Department**

CITY OF TRAVERSE CITY, MICHIGAN

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CITY OF TRAVERSE CITY, MICHIGAN

List of Elected and Appointed Officials For the Fiscal Year Ended June 30, 2009

Elected Officials

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

Michael Estes
Christopher Bzdok
Ralph Soffredine
Deni Scrudato
James Carruthers
Jody Bergman
Barbara Budros

Appointed Officials

Manager
Clerk
Attorney
Treasurer

Ben Bifoss
Debra A. Curtiss
Karrie Zeits
William E. Twietmeyer



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INDEPENDENT AUDITORS' REPORT

December 14, 2009

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, 2009, 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 of Traverse City as of June 30, 2009, and the respective changes in financial position and, where applicable, cash flows 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 a report dated December 14, 2009, on our consideration of the City's internal control over financial reporting and on 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.

The Management's Discussion and Analysis on pages 3-12 and the required supplementary information on pages 67-73 are not required parts of the basic financial statements but is supplementary information required by accounting principals generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and schedules and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Vredeveld Haefner LLC

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, 2009.

Financial Highlights

- The assets of the City (primary government) exceeded its liabilities at the close of the most recent fiscal year by \$88,746,686 (*net assets*). Of this amount, \$13,489,582 (*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 \$2,375,695.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$24,947,142, an increase of \$1,038,385 in comparison with the prior year.
- At the end of the current fiscal year unreserved and undesignated fund balance for the General Fund was \$2,940,149 or 21 percent of total General Fund expenditures and transfers out.
- The City's total long-term debt had a net decrease of \$1,346,855 due to payments on current debt.

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, and recreation and culture. 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 Traverse City 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 thirty-one 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 internal service funds to account for its municipal garage and employee health benefit activities. Because these services predominantly benefit governmental rather than business-type functions, they have 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 of Traverse 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 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 \$88,746,686 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets \$60,379,568 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* \$13,489,582 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 \$14,877,536 or 17 percent 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 \$2,375,695.

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

City of Traverse City's Net Assets
Table 1

	<u>2009</u>			<u>2008</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	\$ 28,091,431	\$ 3,317,277	\$31,408,708	\$30,949,074	\$ 3,407,250	\$ 34,356,324
Capital assets	<u>35,220,462</u>	<u>51,452,893</u>	<u>86,673,355</u>	<u>34,926,623</u>	<u>51,854,589</u>	<u>86,781,212</u>
Total assets	<u>63,311,893</u>	<u>54,780,853</u>	<u>118,082,063</u>	<u>65,875,697</u>	<u>55,261,839</u>	<u>121,137,536</u>
Long-term liabilities outstanding	11,091,724	16,205,777	27,297,501	11,280,475	17,386,526	28,667,001
Other liabilities	<u>1,023,396</u>	<u>1,014,480</u>	<u>2,037,876</u>	<u>1,107,169</u>	<u>994,038</u>	<u>2,101,207</u>
Total liabilities	<u>12,115,120</u>	<u>17,220,257</u>	<u>29,335,377</u>	<u>12,387,644</u>	<u>18,380,564</u>	<u>30,768,208</u>
Net assets						
Invested in capital assets, net of related debt	25,087,372	35,292,196	60,379,568	24,593,083	34,522,658	59,115,741
Restricted assets	14,802,485	75,051	14,877,536	14,238,364	86,249	14,324,613
Unrestricted	<u>11,306,916</u>	<u>2,182,666</u>	<u>13,489,582</u>	<u>14,656,606</u>	<u>2,272,368</u>	<u>16,928,974</u>
Total net assets	<u>\$ 51,196,773</u>	<u>\$37,549,913</u>	<u>\$ 88,746,686</u>	<u>\$53,488,053</u>	<u>\$36,881,275</u>	<u>\$ 90,369,328</u>

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

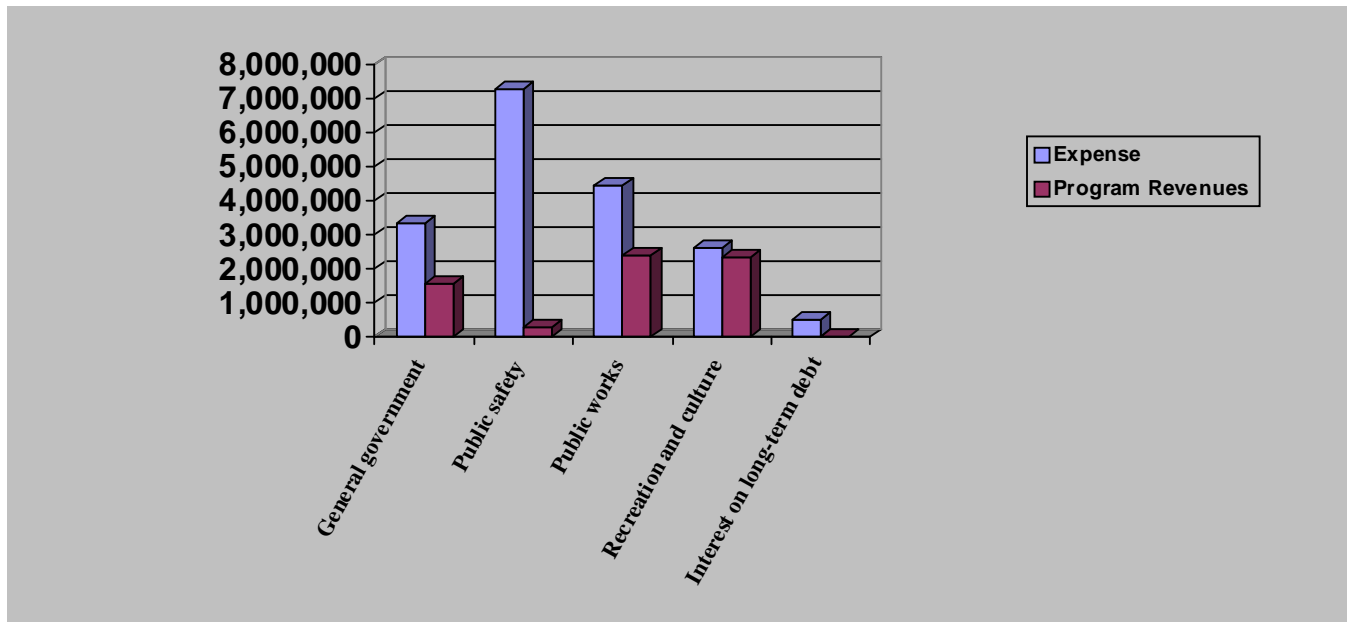
	<u>2009</u>			<u>2008</u>		
	<u>Governmental Activities</u>	<u>Business type Activities</u>	<u>Total</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Program revenue						
Charges for services	\$ 2,160,780	\$ 9,310,850	\$11,471,630	\$ 2,643,749	\$ 9,458,777	\$ 12,102,526
Operating grants and contributions	2,399,915	365,979	2,765,894	2,081,280	-	2,081,280
Capital grants and contributions	2,017,997	-	2,017,997	366,940	-	366,940
General revenue						
Property taxes	10,422,192	-	10,422,192	10,391,998	-	10,391,998
Grants and contributions not restricted to specific programs	1,299,611	-	1,299,611	1,355,572	-	1,355,572
Franchise Revenue	197,140	-	197,140	186,461	-	186,461
Other	<u>1,005,251</u>	<u>53,688</u>	<u>1,058,939</u>	<u>2,023,129</u>	<u>140,440</u>	<u>2,163,569</u>
Total revenue	<u>19,502,886</u>	<u>9,730,517</u>	<u>29,233,403</u>	<u>19,049,129</u>	<u>9,599,217</u>	<u>28,648,346</u>
Expenses						
General government	3,333,325	-	3,333,325	3,148,650	-	3,148,650
Public safety	7,267,935	-	7,267,935	6,938,058	-	6,938,058
Public works	4,466,831	-	4,466,831	4,416,744	-	4,416,744
Recreation and culture	2,630,434	-	2,630,434	3,085,835	-	3,085,835
Interest and fiscal charges	519,575	-	519,575	573,962	-	573,962
Wastewater	-	4,721,405	4,721,405	-	4,973,714	4,973,714
Water	-	2,206,773	2,206,773	-	2,041,035	2,041,035
Marina	-	526,556	526,556	-	537,250	537,250
Auto Parking	-	1,189,094	1,189,094	-	1,079,653	1,079,653
Total expenses	<u>18,218,100</u>	<u>8,643,828</u>	<u>26,861,928</u>	<u>18,163,249</u>	<u>8,631,652</u>	<u>26,794,901</u>
Increase in net assets before transfers & contribution to endowment	1,284,786	1,086,689	2,371,475	885,880	967,565	1,853,445
Transfers	418,051	(418,051)	-	422,324	(422,324)	-
Contribution to endowment	<u>4,220</u>	<u>-</u>	<u>4,220</u>	<u>3,708</u>	<u>-</u>	<u>3,708</u>
Increase in net assets	1,707,057	668,638	2,375,695	1,311,912	545,241	1,857,153
Net assets – beginning of year, restated	<u>49,489,716</u>	<u>36,881,275</u>	<u>86,370,991</u>	<u>52,176,141</u>	<u>36,336,034</u>	<u>88,512,175</u>
Net assets – end of year	<u>\$51,196,773</u>	<u>\$37,549,913</u>	<u>\$88,746,686</u>	<u>\$53,488,053</u>	<u>\$36,881,275</u>	<u>\$ 90,369,328</u>

Governmental activities. Governmental activities increased the City's net assets by \$1,707,057, accounting for about 72 percent of the growth in the net assets of the City. Key highlights are as follows:

- Capital grants increased \$1,651,057 compared to the previous year, but these grants were one time occurrences. The significant contributors included, but not limited to, Garfield Township, Grand Traverse Regional Community Foundation, and Grand Traverse County for such projects as street improvements, construction at Boardman Lake Trail, a boathouse and a children's garden.

- Unrestricted investment earning decreased \$1,010,722 compared to the previous year, because of an overall decrease in yield on investments over prior year.

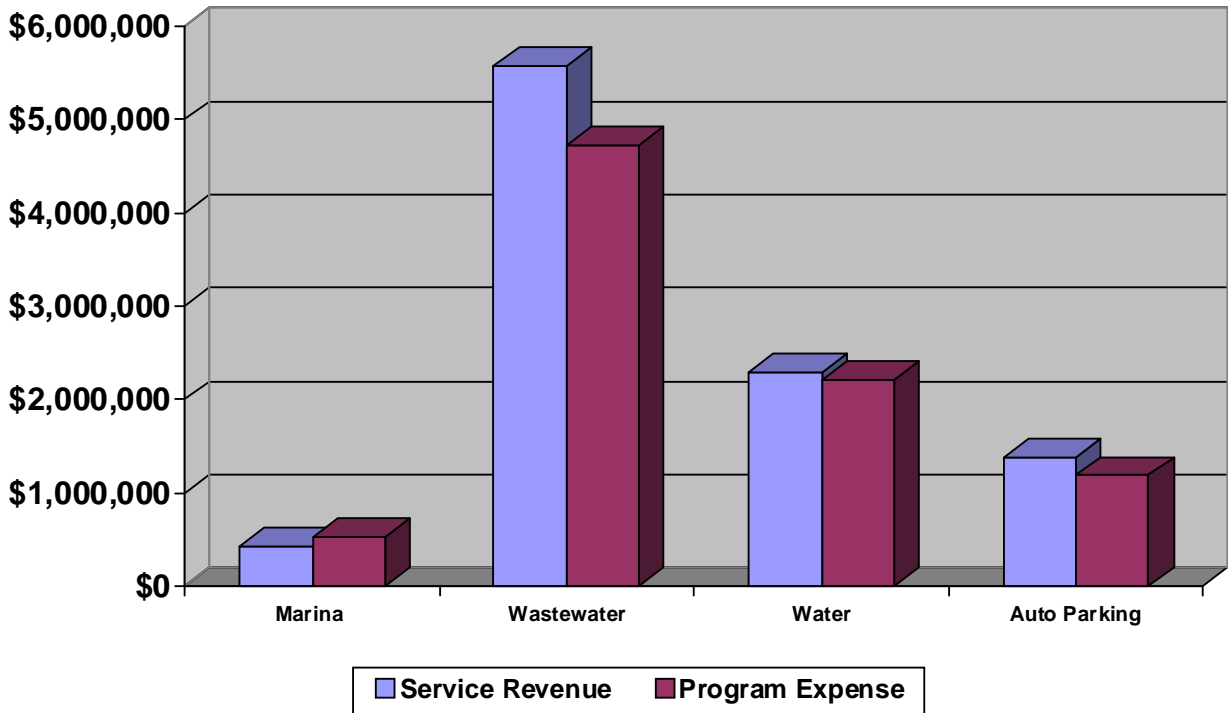
Expenses and Program Revenues – Governmental Activities



Business-type activities increased the City’s net assets by \$668,638 accounting for 28 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 decreased approximately \$27,000 because of lower consumption by customers.

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, *unreserved 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 \$24,947,142, an increase of \$1,038,385 in comparison with the prior year. \$4,924,770 constitutes unreserved, undesignated 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, unreserved, undesignated fund balance of the General Fund was \$2,940,149. As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved and undesignated fund balance represents 21 percent of total General Fund expenditures including transfers out.

The fund balance of the City's General Fund increased by \$97,416 during the current fiscal year. This is primarily attributed to increase in overall property tax revenue in the approximate amount of \$77,000 which offset the increase in transfers out to subsidize other fund operations.

The Major Street Fund has a total fund balance of \$210,856 which increased by \$19,526 during the year. Original and amended budget estimates anticipated a reduction of \$55,100 to fund balance due to various maintenance activities.

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

The Capital Projects fund balance increased by \$449,810 during the current fiscal year. Original budget estimates anticipated a reduction of \$1,375,451 to fund balance. The reduction was not as significant as anticipated because contribution revenues from public entities and private sources totaling approximately \$1,486,000 were greater than budget. Contributors included, but were not limited to, Grand Traverse Regional Community Foundation, Grand Traverse County and Garfield Township for street improvements, construction at Boardman Lake Trail, a boathouse and a children's garden.

The Brown Bridge Trust Fund increased by \$543,585 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 \$2,228,430, with investment in capital assets net of related debt of \$35,292,196. For the current year, the Wastewater fund had an increase in net assets of \$627,377, the Water fund had a decrease in net assets for the year of \$1,533, the Marina fund had a decrease in net assets of \$92,383, and the Auto Parking System had an increase in net assets of \$168,678.

General Fund Budgetary Highlights

During the year, General Fund revenues were under budgetary estimates by \$88,776 because expected reimbursements were less than anticipated. In addition, actual expenditures were under budgeted amounts by \$925,358. This is a result of management recommending and the City Commission adopting a conservative budget, job positions not being filled and equipment rentals reimbursed back to the General Fund were more than expected. As a result, the fund balance increased by \$97,416, against the budgeted loss estimate of \$612,366.

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, 2009, amounted to \$86,673,355 (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:

- Construction in progress in preparation for the Old Town Parking Deck construction totaled approximately \$329,000
- Improvements to the Boardman Lake Trail totaled approximately \$781,000.
- Substantial completion of improvements to the Wadsworth Culvert totaled approximately \$179,000.
- Improvements to Fire Station 2 totaled approximately \$130,000.
- Improvements to the Boathouse totaled approximately \$462,000.
- Improvements to Union Street between 14th Street and 16th Streets totaled approximately \$103,000.
- Improvements to the Children's Garden totaled approximately \$202,000.

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

	<u>2009</u>			<u>2008</u>		
	<u>Governmental Activities</u>	<u>Business type Activities</u>	<u>Total</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Land	\$11,491,126	\$ 586,914	\$12,078,040	\$11,491,126	\$ 586,914	\$12,078,040
Land improvement	3,631,486	8,431,562	12,063,048	2,902,452	8,431,562	11,334,014
Buildings and systems	8,031,231	25,401,427	33,432,658	8,211,688	26,014,021	34,225,709
Construction in progress	931,932	541,012	1,472,944	328,527	140,929	469,456
Equipment	5,134,306	6,724,937	11,859,243	5,408,522	6,557,276	11,965,798
Infrastructure and other improvements	<u>6,000,381</u>	<u>9,767,041</u>	<u>15,767,422</u>	<u>6,584,301</u>	<u>10,123,882</u>	<u>16,708,183</u>
TOTAL	<u>\$35,220,462</u>	<u>\$51,452,893</u>	<u>\$86,673,355</u>	<u>\$34,926,616</u>	<u>\$51,854,584</u>	<u>\$86,781,200</u>

Long-term debt. At the end of the current fiscal year, the City had total bonded debt and capital lease payables of \$26,579,689. Of this amount, \$10,418,991 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>2009</u>			<u>2008</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 – Hardy Parking Deck	\$10,418,991	\$ -	\$10,418,991	\$10,594,612	\$ -	\$ 10,594,612
Capital lease payable – Wastewater Treatment Plant	-	15,235,698	15,235,698	-	16,206,932	16,206,932
Revenue bonds – Water Plant	<u>-</u>	<u>925,000</u>	<u>925,000</u>	<u>-</u>	<u>1,125,000</u>	<u>1,125,000</u>
TOTAL	<u>\$10,418,991</u>	<u>\$16,160,698</u>	<u>\$26,579,689</u>	<u>\$10,594,612</u>	<u>\$17,331,932</u>	<u>\$ 27,926,544</u>

- The City's total debt overall decreased by \$1,346,855 after payments made during the current fiscal year.
- 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 \$103,061,540, which is significantly in excess of the City's outstanding general obligation debt.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the City's budget for the 2009-10 fiscal year:

- An increase in Water and Sewer fund rates was budgeted. A revised approach was implemented to address the issue of avoiding rate increases for several years followed by a relatively large increase. The revised approach is that these rates be adjusted annually based on a cost inflation formula. In this way, there would be a small annual increase but no "sticker shock" associated with infrequent rate adjustments.
- The budget includes an allocation of \$1,105,650 for infrastructure projects. Approximately \$180,000 of that amount is made available by a proposed change in how street lighting is funded. The budget anticipates a contract with Traverse City Light and Power under which Light and Power would pay for the cost of the street lighting system. Under discussion is the possibility of Light and Power just absorbing the entire system or contributing additional revenue to the City equal to the cost of the street lighting system. The lights, poles and all associated equipment are owned by Light and Power. It is reasonable for Light and Power to pay the cost of operating that system. The Light and Power Board would need to formally concur before this change could be accomplished.
- The City of Traverse City Charter was amended such that, effective July 1, 1971, all police and fire pensions were subject to Act 345 of the Public Acts of 1937, as amended. Act 345 includes provisions regarding police and fire pensions, establishing certain minimums and procedures for funding those pensions. The Act requires that the cost of police and fire pensions be a special levy outside of the General Fund levy. The special levy in the amount of 1.3598 mills is completely offset by the equal reduction in the General Fund levy. The General Fund levy is reduced by 1.3598 mills to a new levy amount of 11.8167 mills. This does not result in a tax increase. While speculative, it is reasonable to believe that Act 345 requires the special levy so that citizens are aware of the actual cost of the police and fire pensions provided.
- All vacancies will be individually reviewed by the City Manager. No vacant positions will be filled without a specific, individual and written approval by the City Manager. It is expected that future vacancies in the Police and Fire Departments will not be filled at this time, but that vacancies in other departments may be filled with the City Manager's approval

During the current fiscal year, unreserved and undesignated fund balance in the General Fund totaled \$2,940,149. The City has appropriated \$325,000 of this amount for spending in the 2009-10 fiscal year budgets. Such appropriations are intended to finance part of various capital acquisitions and improvements, to which the General Fund contributes.

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

CITY OF TRAVERSE CITY, MICHIGAN
Statement of Net Assets
June 30, 2009

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 10,396,041	\$ 1,835,786	\$ 12,231,827
Investments	14,627,271	507,401	15,134,672
Receivables, net	1,597,486	1,619,817	3,217,303
Due from component unit	20,460	-	20,460
Advances to primary government	-	-	-
Internal balances	1,089,448	(1,089,448)	-
Inventories	184,473	122,641	307,114
Prepaid items and other assets	176,252	21,029	197,281
Restricted cash and cash equivalents	-	300,051	300,051
Capital assets not being depreciated	12,423,058	9,559,488	21,982,546
Capital assets being depreciated	22,797,404	41,893,405	64,690,809
Total assets	63,311,893	54,770,170	118,082,063
Liabilities			
Accounts payable and accrued expenses	793,918	364,480	1,158,398
Unearned revenue	182,209	-	182,209
Due to primary government	-	-	-
Advances from component units	47,269	650,000	697,269
Long-term liabilities			
Due within one year	200,000	1,258,234	1,458,234
Due in more than one year	10,891,724	14,947,543	25,839,267
Total liabilities	12,115,120	17,220,257	29,335,377
Net assets			
Invested in capital assets, net of related debt	25,087,372	35,292,196	60,379,568
Restricted for			
Debt service	-	75,051	75,051
Capital projects	1,237,908	-	1,237,908
Budget stabilization	750,000	-	750,000
Expendable McCauley Estate trust	102,122	-	102,122
Tax increment finance districts	-	-	-
Nonexpendable brown bridge trust	12,082,039	-	12,082,039
Nonexpendable cemetery perpetual trust	630,416	-	630,416
Unrestricted	11,306,916	2,182,666	13,489,582
Total net assets	\$ 51,196,773	\$ 37,549,913	\$ 88,746,686

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

Component Units	
Downtown Development Authority	Light and Power
\$ 3,931,133	\$ 9,838,825
-	15,888,499
2,476,734	4,072,774
-	-
-	697,269
-	-
-	1,685,579
2,376	19,687
-	-
-	4,327,333
-	34,573,405
6,410,243	71,103,371
191,279	2,365,586
-	50,596
-	20,460
-	-
-	-
77,652	327,335
268,931	2,763,977
-	38,900,738
-	-
-	-
-	-
5,924,214	-
-	-
-	-
217,098	29,438,656
\$ 6,141,312	\$ 68,339,394

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, 2009

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	\$ 3,333,325	\$ 789,874	\$ 755,496	\$ -	\$ (1,787,955)
Public safety	7,267,935	29,926	106,818	152,928	(6,978,263)
Public works	4,466,831	679,654	1,356,746	370,331	(2,060,100)
Recreation and culture	2,630,434	661,326	180,855	1,494,738	(293,515)
Interest and fiscal charges	519,575	-	-	-	(519,575)
Total governmental activities	<u>18,218,100</u>	<u>2,160,780</u>	<u>2,399,915</u>	<u>2,017,997</u>	<u>(11,639,408)</u>
Business-type activities					
Wastewater	4,721,405	5,583,563	-	-	862,158
Water	2,206,773	2,285,742	-	-	78,969
Marina	526,556	431,281	-	-	(95,275)
Autoparking	1,189,094	1,010,264	365,979	-	187,149
Total business-type activities	<u>8,643,828</u>	<u>9,310,850</u>	<u>365,979</u>	<u>-</u>	<u>1,033,001</u>
Total primary government	<u>\$ 26,861,928</u>	<u>\$ 11,471,630</u>	<u>\$ 2,765,894</u>	<u>\$ 2,017,997</u>	<u>\$ 10,606,407</u>
Component units					
Downtown Development Authority	\$ 1,747,386	\$ 364,009	\$ 45,000	\$ -	\$ (1,338,377)
Light and Power	25,138,486	28,902,703	-	-	3,764,217
Total component units	<u>\$ 26,885,872</u>	<u>\$ 29,266,712</u>	<u>\$ 45,000</u>	<u>\$ -</u>	<u>\$ 2,425,840</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, 2009

Functions/Programs	Primary Government		
	Governmental Activities	Business-type Activities	Total
Changes in net assets			
Net (expense) revenue	\$ (11,639,408)	\$ 1,033,001	\$ (10,606,407)
General revenues			
Unrestricted property taxes	10,422,192	-	10,422,192
Restricted property taxes for tax increment finance districts	-	-	-
Grants and contributions not restricted			
to specific programs	1,299,611	-	1,299,611
Franchise revenue	197,140	-	197,140
Unrestricted investment earnings	989,101	53,688	1,042,789
Gain on sale of capital assets	16,150	-	16,150
Transfers	418,051	(418,051)	-
Contribution to endowment	4,220	-	4,220
Total general revenues and contributions	<u>13,346,465</u>	<u>(364,363)</u>	<u>12,982,102</u>
Change in net assets	1,707,057	668,638	2,375,695
Net assets, beginning of year, as restated	<u>49,489,716</u>	<u>36,881,275</u>	<u>86,370,991</u>
Net assets, end of year	<u>\$ 51,196,773</u>	<u>\$ 37,549,913</u>	<u>\$ 88,746,686</u>

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

Component Units	
Downtown Development Authority	Light and Power
\$ (1,338,377)	\$ 3,764,217
65,589	-
1,740,869	-
-	-
-	-
2,448	649,615
-	-
-	-
-	-
<u>1,808,906</u>	<u>649,615</u>
470,529	4,413,832
<u>5,670,783</u>	<u>63,925,562</u>
<u>\$ 6,141,312</u>	<u>\$ 68,339,394</u>

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

CITY OF TRAVERSE CITY, MICHIGAN
Balance Sheet
Governmental Funds
June 30, 2009

	<u>General Fund</u>	<u>Major Streets Fund</u>	<u>Local Streets Fund</u>	<u>Capital Project</u>	<u>Brown Bridge Trust Fund</u>
ASSETS					
Assets					
Cash and cash equivalents	\$ 374,077	\$ 76,214	\$ 2,099	\$ 1,456,867	\$ 2,608,405
Investments	3,309,629	-	-	78,978	9,561,790
Receivables					
Accounts	164,711	3,640	-	328,571	35,047
Taxes	37,442	-	-	-	-
Special assessments	-	-	-	-	-
Accrued interest	-	-	-	-	48,974
Due from other governments	402,971	160,965	39,357	89,457	-
Due from other funds	465,120	-	-	-	-
Due from component unit	20,460	-	-	-	-
Inventory	33,822	-	-	-	-
Prepaid items and other assets	51,265	-	-	-	-
Advances to other funds	-	-	-	-	-
Total assets	<u>\$ 4,859,497</u>	<u>\$ 240,819</u>	<u>\$ 41,456</u>	<u>\$ 1,953,873</u>	<u>\$ 12,254,216</u>
LIABILITIES AND FUND BALANCE					
Liabilities					
Accounts payable	\$ 207,154	\$ 25,551	\$ 4,633	\$ 33,665	\$ -
Accrued and other liabilities	244,823	4,412	6,731	-	-
Due to other funds	-	-	30,092	-	172,177
Deposits payable	91,592	-	-	-	-
Advances from other funds	-	-	-	-	-
Advance from component unit	-	-	-	-	-
Deferred revenue	37,442	-	-	122,100	-
Total liabilities	<u>581,011</u>	<u>29,963</u>	<u>41,456</u>	<u>155,765</u>	<u>172,177</u>
Fund balance					
Reserved for					
Advances	-	-	-	-	-
Prepaid items	51,265	-	-	-	-
Perpetual care	-	-	-	-	-
Recreation and culture	-	-	-	-	12,082,039
Inventory	33,822	-	-	-	-
Capital projects	-	-	-	-	-
Unreserved					
Designated for subsequent years' expenditures	325,000	101,000	-	-	-
Designated for special revenue funds subsequent years' expenditures	-	-	-	-	-
Designated for future capital projects	928,250	-	-	1,798,108	-
Undesignated	2,940,149	109,856	-	-	-
Undesignated, reported in nonmajor special revenue funds	-	-	-	-	-
Total fund balance	<u>4,278,486</u>	<u>210,856</u>	<u>-</u>	<u>1,798,108</u>	<u>12,082,039</u>
Total liabilities and fund balance	<u>\$ 4,859,497</u>	<u>\$ 240,819</u>	<u>\$ 41,456</u>	<u>\$ 1,953,873</u>	<u>\$ 12,254,216</u>

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

Other Governmental Funds	Total
\$ 4,168,506	\$ 8,686,168
1,676,874	14,627,271
21,794	553,763
3,702	41,144
147,209	147,209
-	48,974
16,131	708,881
3,371	468,491
-	20,460
-	33,822
-	51,265
1,101,105	1,101,105
\$ 7,138,692	\$ 26,488,553

\$ 19,792	\$ 290,795
5,251	261,217
72,538	274,807
-	91,592
251,105	251,105
47,269	47,269
165,084	324,626
561,039	1,541,411

1,101,105	1,101,105
-	51,265
630,416	630,416
102,122	12,184,161
-	33,822
1,237,908	1,237,908
-	426,000
63,800	63,800
1,567,537	4,293,895
-	3,050,005
1,874,765	1,874,765
6,577,653	24,947,142
\$ 7,138,692	\$ 26,488,553

Continued.....

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

CITY OF TRAVERSE CITY, MICHIGAN
Balance Sheet
Governmental Funds
June 30, 2009

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 \$ 24,947,142

Amounts reported for *governmental activities* 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	70,422,378
Subtract: accumulated depreciation	(40,450,549)

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred revenues in the governmental funds, and thus are not included in fund balance.

Add: deferred receivable	142,417
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Internal service funds are used by management to charge the costs of certain equipment usage and employee benefits to individual proprietary funds. The assets and liabilities of the internal service funds 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 funds	7,185,529
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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	(60,947)
Add: bond issuance costs	141,877
Subtract: amortization of bond issuance costs	(16,890)
Subtract: bonds payable	(10,870,000)
Subtract: compensated absences	(638,344)
Subtract: accrued interest on long-term liabilities	(117,796)

Net assets of governmental activities	<u>\$ 51,196,773</u>
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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, 2009

	<u>General</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>Capital Project</u>	<u>Brown Bridge Trust</u>
Revenues					
Property taxes and special assessments	\$ 8,946,172	\$ -	\$ -	\$ -	\$ -
Licenses and permits	220,564	-	-	-	-
Federal sources	50,440	-	-	9,415	-
State sources	1,299,611	1,039,714	317,032	500,000	-
Local sources	1,460,460	-	-	-	-
Charges for services	349,598	-	-	-	368,081
Fines and forfeits	83,201	-	-	-	-
Contributions	-	-	-	1,485,654	-
Reimbursement	390,960	24,345	132	-	-
Interest income	201,147	497	-	8,203	622,576
Other revenue	425,515	-	-	199,981	-
Total revenues	<u>13,427,668</u>	<u>1,064,556</u>	<u>317,164</u>	<u>2,203,253</u>	<u>990,657</u>
Expenditures					
Current expenditures					
General government	2,687,989	-	-	16,670	-
Public safety	7,004,927	-	-	-	-
Public works	663,183	1,354,397	1,351,313	-	-
Recreation and culture	1,627,293	-	-	-	-
Community development	-	-	-	-	-
Capital outlay	-	-	-	2,450,523	-
Debt service					
Principal	-	-	-	-	-
Interest expense and financial charges	-	-	-	-	-
Total expenditures	<u>11,983,392</u>	<u>1,354,397</u>	<u>1,351,313</u>	<u>2,467,193</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>1,444,276</u>	<u>(289,841)</u>	<u>(1,034,149)</u>	<u>(263,940)</u>	<u>990,657</u>
Other financing sources (uses)					
Transfers in	501,487	309,367	1,034,149	713,750	-
Transfers in - city fee	414,951	-	-	-	-
Transfers out	<u>(2,263,298)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(447,072)</u>
Total other financing sources (uses)	<u>(1,346,860)</u>	<u>309,367</u>	<u>1,034,149</u>	<u>713,750</u>	<u>(447,072)</u>
Net change in fund balances	97,416	19,526	-	449,810	543,585
Fund balance, beginning of year	<u>4,181,070</u>	<u>191,330</u>	<u>-</u>	<u>1,348,298</u>	<u>11,538,454</u>
Fund balance, end of year	<u>\$ 4,278,486</u>	<u>\$ 210,856</u>	<u>\$ -</u>	<u>\$ 1,798,108</u>	<u>\$ 12,082,039</u>

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

Other	
Governmental	
Funds	Total
\$ 39,485	\$ 8,985,657
-	220,564
63,274	123,129
6,798	3,163,155
760,115	2,220,575
168,012	885,691
-	83,201
213,773	1,699,427
18,781	434,218
143,339	975,762
38,543	664,039
1,452,120	19,455,418
277,680	2,982,339
58,459	7,063,386
-	3,368,893
443,979	2,071,272
62,636	62,636
139,504	2,590,027
200,000	200,000
496,531	496,531
1,678,789	18,835,084
(226,669)	620,334
212,503	2,771,256
-	414,951
(57,786)	(2,768,156)
154,717	418,051
(71,952)	1,038,385
6,649,605	23,908,757
\$ 6,577,653	\$ 24,947,142

Continued.....

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, 2009

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 \$ 1,038,385

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	2,369,793
Subtract: depreciation expense	(1,789,763)

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	200,000
Subtract: amortization of deferred savings	(24,379)
Subtract: amortization of bond issuance costs	(6,756)

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 fiscal year.

Subtract: prior year deferred property taxes and special assessment receivables	(156,565)
Add: current year deferred property taxes and special assessment receivables	142,417

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	8,091
Add: decrease in the accrual of compensated absences	19,392

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 certain internal service funds is reported with governmental activities.

Add: interest income from governmental internal service funds	13,339
Add: other revenue from governmental internal service funds	52,496
Subtract: (loss) on disposal of capital assets in governmental internal service funds	(25,772)
Add: net operating income from governmental activities accounted for in internal service funds	(133,621)

Change in net assets of governmental activities	\$ 1,707,057
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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, 2009

	Enterprise Funds		
	Wastewater	Water	Marina
Assets			
Current assets			
Cash and cash equivalents	\$ 145,234	\$ 2,369	\$ 337,338
Investments	54,782	452,419	-
Receivables			
Accounts	791,087	434,214	193
Taxes	6,049	4,060	-
Accrued interest	-	802	-
Due from other governments	-	-	15,902
Inventory	-	117,115	5,526
Prepaid cost and other assets	17,600	3,429	-
Total current assets	1,014,752	1,014,408	358,959
Noncurrent assets			
Restricted cash and cash equivalents	-	300,051	-
Capital assets	24,939,916	6,844,539	10,208,768
Total noncurrent assets	24,939,916	7,144,590	10,208,768
Total assets	25,954,668	8,158,998	10,567,727
Liabilities			
Current liabilities			
Accounts payable	9,576	46,188	25,177
Accrued and other liabilities	106,574	38,142	6,319
Due to other funds	32,617	109,922	-
Current portion of long-term debt	1,033,234	225,000	-
Total current liabilities	1,182,001	419,252	31,496
Noncurrent liabilities			
Advance from component unit	-	-	650,000
Advance from other funds	-	-	850,000
Long-term debt, net of current portion	14,202,463	700,000	-
Compensated absences	20,627	16,005	7,063
Total liabilities	15,405,091	1,135,257	1,538,559
Net Assets			
Investment in capital assets, net of related debt	9,704,219	5,919,539	10,208,768
Restricted for			
Debt service	-	75,051	-
Unrestricted (deficit)	845,358	1,029,151	(1,179,600)
Total net assets	\$ 10,549,577	\$ 7,023,741	\$ 9,029,168

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

<u>Automobile Parking System</u>	<u>Total</u>	<u>Internal Service Funds</u>
\$ 1,350,845	\$ 1,835,786	\$ 1,709,873
200	507,401	-
1,531	1,227,025	97,515
-	10,109	-
-	802	-
365,979	381,881	-
-	122,641	150,651
-	21,029	-
1,718,555	4,106,674	1,958,039
-	300,051	-
9,459,670	51,452,893	5,248,633
9,459,670	51,752,944	5,248,633
11,178,225	55,859,618	7,206,672
88,637	169,578	11,579
43,867	194,902	20,939
51,145	193,684	-
-	1,258,234	-
183,649	1,816,398	32,518
-	650,000	-
-	850,000	-
-	14,902,463	-
1,385	45,080	34,389
185,034	18,263,941	66,907
9,459,670	35,292,196	5,248,633
-	75,051	-
1,533,521	2,228,430	1,891,132
\$ 10,993,191	\$ 37,595,677	\$ 7,139,765

Continued.....

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

CITY OF TRAVERSE CITY, MICHIGAN
Statement of Net Assets
Proprietary Funds
June 30, 2009

**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 \$ 37,595,677

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
and employee benefits to individual proprietary funds. The assets and liabilities of the internal
service funds are included in governmental and business-type activities in the statement of net assets.

Subtract: net assets of business-type activities accounted for in the internal service
funds. (45,764)

Net assets of business-type activities **\$ 37,549,913**

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, 2009

	<u>Enterprise funds</u>		
	<u>Wastewater</u>	<u>Water</u>	<u>Marina</u>
Operating revenues			
Charges for services	\$ 5,404,249	\$ 2,218,986	\$ 415,747
Interdepartmental	-	-	-
Other revenue	179,314	64,238	15,534
Total operating revenues	5,583,563	2,283,224	431,281
Operating expenses			
Personnel services	448,350	1,156,091	96,704
Commodities	16,897	191,884	8,014
Contractual services	2,918,630	217,552	179,115
Other charges	153,283	331,236	53,061
Depreciation and amortization	598,001	238,188	133,848
Total operating expenses	4,135,161	2,134,951	470,742
Operating income (loss)	1,448,402	148,273	(39,461)
Nonoperating revenues (expenses)			
Reimbursements	-	2,518	-
Federal revenue	-	-	-
Other revenue	-	-	-
Interest income	5,942	31,465	2,568
Interest expense and financial charges	(578,350)	(65,500)	(55,490)
(Loss) on sale of capital assets	-	-	-
Total nonoperating revenues (expenses)	(572,408)	(31,517)	(52,922)
Income before transfers	875,994	116,756	(92,383)
Transfers out	-	(3,100)	-
Transfers out - city fee	(248,617)	(115,189)	-
Change in net assets	627,377	(1,533)	(92,383)
Net assets, beginning of year	9,922,200	7,025,274	9,121,551
Net assets, end of year	\$ 10,549,577	\$ 7,023,741	\$ 9,029,168

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

<u>Automobile Parking System</u>	<u>Total</u>	<u>Internal Service Funds</u>
\$ 967,675	\$ 9,006,657	\$ -
-	-	2,123,920
42,589	301,675	-
1,010,264	9,308,332	2,123,920
112,295	1,813,440	656,581
11,358	228,153	548,650
389,040	3,704,337	130,165
367,052	904,632	196,129
290,388	1,260,425	759,517
1,170,133	7,910,987	2,291,042
(159,869)	1,397,345	(167,122)
-	2,518	-
365,979	365,979	-
-	-	52,496
13,713	53,688	13,339
-	(699,340)	-
-	-	(25,772)
379,692	(277,155)	40,063
219,823	1,120,190	(127,059)
-	(3,100)	-
(51,145)	(414,951)	-
168,678	702,139	(127,059)
10,824,513	36,893,538	7,266,824
\$ 10,993,191	\$ 37,595,677	\$ 7,139,765

Continued.....

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, 2009

**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 \$ 702,139

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

Subtract: net operating loss from business-type activities in internal service funds (33,501)

Change in net assets of business-type activities \$ 668,638

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, 2009

	Enterprise funds		
	Wastewater	Water	Marina
Cash flows from operating activities			
Cash received from interfund services	\$ -	\$ -	\$ -
Cash received from customers	5,473,959	2,269,394	434,716
Cash payments to suppliers for goods and services	(2,858,297)	(732,453)	(227,516)
Cash payments to employees for services	(447,355)	(1,166,903)	(95,332)
Net cash provided by operating activities	2,168,307	370,038	111,868
Cash flows from non-capital financing activities			
Due from other governments	-	-	(9,079)
Due to other funds	(94,226)	103,592	-
Advance to other funds	-	-	(50,000)
City fee	(248,617)	(115,189)	-
Reimbursements	-	2,518	-
Other revenue	-	-	-
Transfers out	-	(3,100)	-
Net cash (used in) provided by non-capital financing activities	(342,843)	(12,179)	(59,079)
Cash flows from capital and related financing activities			
Principal payments	(971,234)	(200,000)	-
Interest payments	(580,813)	(65,500)	(55,490)
Purchases of capital assets	(132,476)	(305,913)	-
Proceeds from sale of capital assets	-	-	-
Net cash (used in) capital and related financing activities	(1,684,523)	(571,413)	(55,490)
Cash flows from investing activities			
Interest received	5,942	31,465	2,568
Purchase of investments	(1,649)	(3,232)	-
Sale of investments	-	-	-
Net cash provided by investing activities	4,293	28,233	2,568
Net increase (decrease) in cash and cash equivalents	145,234	(185,321)	(133)
Cash and cash equivalents, beginning of year	-	487,741	337,471
Cash and cash equivalents, end of year	\$ 145,234	\$ 302,420	\$ 337,338
Statement of net assets classification of cash and cash equivalents			
Cash and cash equivalents	\$ 145,234	\$ 2,369	\$ 337,338
Restricted cash and cash equivalents	-	300,051	-
	\$ 145,234	\$ 302,420	\$ 337,338

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

<u>Automobile Parking System</u>	<u>Total</u>	<u>Internal Service Funds</u>
\$ -	\$ -	\$ 2,029,657
1,011,167	9,189,236	-
(687,895)	(4,506,161)	(844,192)
(112,669)	(1,822,259)	(651,226)
210,603	2,860,816	534,239
-	(9,079)	-
-	9,366	-
-	(50,000)	-
(55,408)	(419,214)	-
-	2,518	-
-	-	52,496
-	(3,100)	-
(55,408)	(469,509)	52,496
-	(1,171,234)	-
-	(701,803)	-
(417,877)	(856,266)	(690,434)
-	-	191,335
(417,877)	(2,729,303)	(499,099)
13,713	53,688	13,339
-	(4,881)	-
24,951	24,951	-
38,664	73,758	13,339
(224,018)	(264,238)	100,975
1,574,863	2,400,075	1,608,898
\$ 1,350,845	\$ 2,135,837	\$ 1,709,873
\$ 1,350,845	\$ 1,835,786	\$ 1,709,873
-	300,051	-
\$ 1,350,845	\$ 2,135,837	\$ 1,709,873

Continued.....

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, 2009

	<u>Wastewater</u>	<u>Water</u>	<u>Marina</u>
Reconciliation of operating income to net cash provided by operating activities			
Operating income (loss)	\$ 1,448,402	\$ 148,273	\$ (39,461)
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation and amortization	598,001	238,188	133,848
Changes in assets and liabilities			
Accounts receivables	(109,604)	(13,830)	3,435
Prepaid cost and other assets	228,977	(302)	545
Inventory	-	2,856	28,679
Accounts payable	1,536	5,665	(16,550)
Accrued and other liabilities	995	(10,812)	1,372
Net cash provided by operating activities	<u>\$ 2,168,307</u>	<u>\$ 370,038</u>	<u>\$ 111,868</u>

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

<u>Automobile Parking System</u>	<u>Total</u>	<u>Internal Service Funds</u>
\$ (159,869)	\$ 1,397,345	\$ (167,122)
290,388	1,260,425	759,517
903	(119,096)	(94,263)
460	229,680	2,662
-	31,535	30,114
79,095	69,746	(2,024)
(374)	(8,819)	5,355
<u>\$ 210,603</u>	<u>\$ 2,860,816</u>	<u>\$ 534,239</u>

Concluded

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

CITY OF TRAVERSE CITY, MICHIGAN
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2009

	Retirement and and Other Postemployment Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 4,239,369	\$ 4,561,627
Investments, at fair value		
U.S. Government Agencies bonds and notes	1,106,335	-
U.S. Government Agencies passthroughs	1,622,388	-
U.S. Government CMOS/REMICS	257,010	-
Other U.S. Government Agencies	277,939	-
Common stock	1,744,516	-
Foreign bonds	148,537	-
Mutual funds	2,300,848	-
Common /collective funds	3,898,409	-
Corporate asset backed securities	146,398	-
Corporate bonds	1,267,991	-
ADR/GDR Stock	208,762	-
MERS total market fund	204,651	-
Receivables		
Accounts	-	2,513
Taxes	-	88,498
Accrued interest	50,593	159
Total assets	17,473,746	\$ 4,652,797
Liabilities		
Accrued and other liabilities	1,117	\$ 4,546,815
Due to other governmental units	-	105,982
Total liabilities	1,117	\$ 4,652,797
Net Assets		
Held in trust for pension benefits and other purposes	\$ 17,472,629	

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, 2009

		<u>Retirement and and Other Postemployment Trust Funds</u>
Additions		
Contributions		
City contributions		\$ 1,159,221
Investment earnings		
Interest income		352,033
Dividend income		111,858
Net depreciation in fair value of investments		<u>(6,009,793)</u>
Net investment earnings		<u>(5,545,902)</u>
Total additions		<u>(4,386,681)</u>
Deductions		
Pension benefits paid		1,455,257
Health insurance premiums paid		354,345
Administrative expense		110,418
Investment advisor fees		<u>30,075</u>
Total deductions		<u>1,950,095</u>
Net decrease in plan assets attributable to pension plan	(6,074,070)	
Net decrease in plan assets attributable to health insurance	<u>(262,706)</u>	(6,336,776)
Net assets held in trust, beginning of year		<u>23,809,405</u>
Net assets held in trust, end of year, attributable to pension plan	17,061,955	
Net assets held in trust, end of year, attributable to health insurance	<u>410,674</u>	<u>\$ 17,472,629</u>

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

CITY OF TRAVERSE CITY, MICHIGAN

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Notes to the Financial Statements

June 30, 2009

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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 TIF 2 and TIF 97 Special Revenue Funds

Traverse City Light and Power Department (the "Department")

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

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

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

Joint operation

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

The City of Traverse City is the exclusive manager of the plant for the benefit of itself and the Townships. As the exclusive manager, the City of Traverse 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, 2008, the City's percentage was 45.9 percent. The City is responsible for debt service on the 2002 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.

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)

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

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 60 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 end of 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.

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 required to be accounted for in another fund.

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

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 purposes.

The *Local Streets Fund* accounts for the use of motor fuel taxes, which are earmarked by State statute for local street 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, and cell phone tower rent which shall be endowed in a permanent trust. However, by City Commission action starting May 2009, cell phone tower rent is accounted for in the Brown Bridge Maintenance Fund. The income from the endowment is used to supplement City taxes as a credit against 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* accounts for the activities of the parking system.

Additionally, the government reports the following fund types:

The *special revenue funds* account for the proceeds of specific revenue sources (other than permanent trust or major capital projects) that are legally restricted to expenditures for specified purposes.

The *debt service funds* accounts for the resources accumulated and payments made for the principal and interest on long term general obligation debt of the governmental funds.

The *capital project funds* account for financial resources accumulated including bond proceeds to be used towards capital projects including the Hardy Parking Deck and new sidewalk construction.

The *permanent fund* accounts for the activities of a permanent trust, which provides income on the corpus of the fund. The income is transferred to the General Fund to subsidize cemetery operations.

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

The *internal service funds* account for fleet and equipment management and employee fringe benefits provided to other departments or agencies of the government, on a cost reimbursement basis.

The *pension trust fund* accounts for the activities of the Public Safety employees Retirement System, which accumulates resources for pension and postretirement health benefits payments to qualified public safety employees.

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 and the discretely presented component unit Light and Power and the City's internal service funds are charges to customers for sales and services. The enterprise funds also recognize as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

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 than they are reported as advance from/advance to. The advances reported in governmental funds are offset by a fund balance reserve account which indicates that they do not constitute expendable available financial resources 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 the 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 value of such 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 \$1,000 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 at 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
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.

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 December 1.

The City accrues unused short-term leave at its fiscal year-end.

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

All vacation and sick 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 resignation 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 balance/net assets*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative board plans that are subject to change. Restricted net assets represent legal restriction on the use of net assets.

II. 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 and capital project 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.

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

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.

B. Excess of expenditures over appropriations

For the year ended June 30, 2009, the General Fund Treasurer's Office, General Fund Transfers Out, Budget Stabilization Special Revenue Fund, Local Streets Special Revenue Fund, State Preparedness Equipment Grant Special Revenue Fund, PEG Capital Special Revenue Fund, Parking Deck Bond Redemption Non-Taxable Debt Service Fund, and Capital Projects Fund exceeded appropriations by \$2,864, \$698, \$148, \$2,263, \$4,933, \$1,090, \$304, and \$332,262 respectively. These over expenditures were funded either by greater than anticipated revenues in the applicable fund and/or the use of prior year fund balance.

C. Deficit fund balance

For the year ended June 30, 2009 the City's Opera House Special Revenue Fund ended in a deficit unreserved fund balance \$(164,503). Significant expenditures were incurred which were funded by a long term advance from the City's Industrial Park Fund. The deficit fund balance will be eliminated by future rent payments. The City submitted a deficit elimination plan to the state in December 2007. The State has approved the deficit elimination plan through fiscal year 2011.

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 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 five banks for the deposit of City funds. The

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

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:

	Governmental Activities	Business-type Activities	Fiduciary Funds	Total Primary Government	Component Units
Cash and cash equivalents	\$ 10,396,041	\$ 1,835,786	\$ 8,800,996	\$ 21,032,823	\$ 13,769,958
Investments	14,627,271	507,401	13,183,784	28,318,456	15,888,499
Restricted assets	-	300,051	-	300,051	-
Total	<u>\$ 25,023,312</u>	<u>\$ 2,643,238</u>	<u>\$ 21,984,780</u>	<u>\$ 49,651,330</u>	<u>\$ 29,658,457</u>

Cash and cash equivalents reported above include \$5,300 of cash on hand that is not considered deposits or investments for footnote purposes.

The breakdown between deposits and investments is as follows:

City and component unit bank deposits (checking, savings accounts and certificates of deposit)	\$ 47,459,966
City and component unit investments	15,745,578
Act 345 deposits	3,119,960
Act 345 investments	<u>12,978,983</u>
Total	<u>\$ 79,304,487</u>

Investments

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

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>
US Treasury note	09/24/2009	\$ 999,590	AAA

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>
US Treasury note	12/24/2009	\$ 998,340	AAA
US Treasury note	09/30/2010	1,017,230	AAA
US Treasury note	09/30/2013	100,266	AAA
US Treasury note	11/30/2012	300,051	AAA
US Treasury note	12/10/2009	724,000	AAA
US Treasury note	06/30/2012	54,781	AAA
US Treasury note	11/15/2009	50,797	AAA
US Treasury note	05/31/2011	535,940	AAA
US Treasury note	03/15/2012	998,050	AAA
US Treasury note	06/15/2012	1,007,270	AAA
US Treasury note	05/31/2012	1,090,310	AAA
US Treasury note	05/31/2013	1,053,590	AAA
US Treasury note	06/30/2013	1,047,500	AAA
US Treasury note	08/15/2013	1,081,170	AAA
US Treasury note	11/15/2013	1,080,630	AAA
US Treasury note	02/15/2014	267,520	AAA
US Treasury note	05/15/2014	330,750	AAA
US Treasury note	04/30/2011	1,069,060	AAA
US Treasury note	06/30/2012	125,997	AAA
US Treasury note	08/31/2013	170,943	AAA
US Treasury note	01/31/2012	124,919	AAA
US Treasury note	08/31/2013	98,422	AAA
MPPA Investments	Various	1,029,084	Unrated
MBIA Class pool	N/A	176,266	BB+/BB-
MERS total market fund	N/A	204,651	Unrated
Investment pool	N/A	4,124	Unrated
Investment pool	N/A	2,369	Unrated
Investment pool	N/A	<u>1,958</u>	Unrated
Total		<u>\$ 15,745,578</u>	

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.

CITY OF TRAVERSE CITY, MICHIGAN

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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. The City’s deposit custodial credit risk policy is described below. As of year end, \$4,434,495 of the City’s bank balance of \$47,697,013 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 \$15,745,578 of investments, the City has a custodial credit risk exposure of \$13,917,824 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.

ACT 345 Pension Trust Fund Deposits and Investments

Deposits and Investments – Pension Trust Fund

The City maintains a pension trust fund (the “Act 345”) 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 pension trust funds’ deposits and investments are presented separately.

Deposits – The fund maintains a checking account with a bank balance of \$1,119,579 and money market account in the pension fund trust account with a balance of \$3,119,960. \$250,000 of these deposits are insured.

Investments – The Michigan Public Employees Retirement Systems’ Investment Act, Public Act 314, of 1965, as amended, authorizes pension trusts to invest in stocks, government and corporate securities, mortgages, real estate, and various other investment instruments, subject to certain limitations. 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

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

in managing the pension trust funds' assets. All investment decisions are subject to Michigan law and the investment policy established by the Retirement Board.

The pension trust funds' investments are held in a bank-administered trust fund. Following is a summary of the System's investments as of June 30, 2009:

Investments at fair value, as determined by quoted market price	
U.S. Government Agency bonds and notes	\$ 1,641,134
U.S. Government Agency passthroughs	1,622,388
Domestic corporate securities	
Corporate asset backed securities	146,398
Corporate bonds	1,267,991
Domestic equities	
Mutual funds	2,300,848
Corporate stocks	1,744,516
ADR/GDR Stock	208,762
Common/collective funds (a mutual fund)	3,898,409
International bonds	<u>148,537</u>
Total investments	<u>\$ 12,978,983</u>

Credit Risk. The pension trust funds' 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, 2009, the funds investments in bonds, notes and asset backed securities were rated by Moody's as follows:

<u>Rating</u>	<u>Fair Value</u>
AAA	\$ 3,409,921
A1	78,756
A2	117,032
A3	89,116
AA1	41,444
AA2	149,463
AA3	19,868
B1	43,425
B2	41,013
B3	9,250
BA1	43,011
BA2	45,200
BA3	87,425
BAA1	180,834
BAA2	325,652

CITY OF TRAVERSE CITY, MICHIGAN

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<u>Rating</u>	<u>Fair Value</u>
BAA3	\$ 104,477
CAA1	33,824
CAA2	6,475
WR	<u>262</u>
	<u>\$ 4,826,448</u>

Custodial Credit Risk. For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The pension trust funds' investment policy requires that investment securities be held in the name of the system, in the name of the nominee of the custodian, or in bearer form. Of the above \$12,979,133 of investments, the City has a custodial credit risk exposure of \$6,779,876 because the related securities are uninsured, unregistered and held by PNC, the System's custodian. 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 pension 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 investments should not exceed 5% of the total investment market value of each individual pension trust fund. At June 30, 2009, 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, 2009, maturities of the pension trust funds' debt securities were as follows:

	<u>Investment Maturities (fair value by years)</u>				
	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
Corporate asset					
backed securities	\$ 146,398	\$ -	\$ -	\$ 146,398	\$ -
Corporate bonds	1,267,991	-	346,830	554,578	366,583
International bonds	148,537	-	26,882	108,802	12,853
U.S. Government Agency					
bonds and notes	1,641,134	306,142	761,196	190,791	383,005
Government Agency					
passthroughs	<u>1,622,388</u>	<u>-</u>	<u>-</u>	<u>65,726</u>	<u>1,556,662</u>
Total debt securities	<u>\$4,826,448</u>	<u>\$306,142</u>	<u>\$1,134,908</u>	<u>\$1,066,295</u>	<u>\$2,319,103</u>

CITY OF TRAVERSE CITY, MICHIGAN

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The pension trust fund's investment policies do not address interest rate risk.

The system's investment policy permits it to invest up to 5% of total investments in foreign currency denominated investments. The system's current position is .92% of total investments.

Foreign Currency Risk. The system has no exposure to foreign currency risk because the system's foreign bonds are denominated in United States Dollars.

B. Receivables

Receivables in the governmental activities consist of 44 percent due from other governments, 9 percent special assessments receivable, 3 percent taxes receivable, 3 percent interest receivable and 41 percent other receivables. Receivables in the business-type activities consist of 45 percent due from other governments, 42 percent due from customers, 1 percent taxes receivable and 12 percent of other receivables. Receivables in the component units consist of 48 percent due from other governments, 45 percent due from customers, 1 percent interest receivable, 1 percent note receivable, and 5 percent other receivables.

Accounts receivable in the Wastewater and Water enterprise Fund are net of allowances in the amounts of \$11,667 and \$3,528, respectively. Accounts receivable in the Opera House governmental fund is net of allowances in the amount of \$22,847. Accounts receivable in the Light and Power discrete component unit is net of allowances in the amount of \$161,333.

Special assessments receivable in the amount of \$146,562 will not 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, 2009 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	\$ 11,491,126	\$ -	\$ -	\$ 11,491,126
Construction in progress	<u>328,527</u>	<u>2,244,366</u>	<u>1,640,961</u>	<u>931,932</u>
Total capital assets not being depreciated	<u>11,819,653</u>	<u>2,244,366</u>	<u>1,640,961</u>	<u>12,423,058</u>
Capital assets being depreciated				
Land improvements	3,265,266	781,155	-	4,046,421
Infrastructure	38,638,223	452,509	-	39,090,732
Buildings	14,860,140	450,129	-	15,310,269
Equipment	<u>12,651,326</u>	<u>773,029</u>	<u>553,225</u>	<u>12,871,130</u>
Total capital assets being depreciated	<u>69,414,955</u>	<u>2,456,822</u>	<u>553,225</u>	<u>71,318,552</u>
Less accumulated depreciation for				
Land improvements	362,814	52,121	-	414,935
Infrastructure	32,053,922	1,036,429	-	33,090,351
Buildings	6,648,452	630,586	-	7,279,038
Equipment	<u>7,242,804</u>	<u>830,144</u>	<u>336,124</u>	<u>7,736,824</u>
Total accumulated depreciation	<u>46,307,992</u>	<u>2,549,280</u>	<u>336,124</u>	<u>48,521,148</u>
Total capital assets being depreciated, net	<u>23,106,963</u>	<u>(92,458)</u>	<u>217,101</u>	<u>22,797,404</u>
Governmental activities capital assets, net	<u>\$ 34,926,616</u>	<u>\$ 2,151,908</u>	<u>\$ 1,858,062</u>	<u>\$ 35,220,462</u>

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets not being depreciated -				
Land	\$ 586,914	\$ -	\$ -	\$ 586,914
Land improvements	8,431,562	-	-	8,431,562
Construction in progress	<u>140,929</u>	<u>764,059</u>	<u>363,976</u>	<u>541,012</u>
Total capital assets not being depreciated	<u>9,159,405</u>	<u>764,059</u>	<u>363,976</u>	<u>9,559,488</u>
Capital assets being depreciated				
Buildings and improvements	34,785,290	79,546	-	34,864,836
Other improvements	12,462,815	40,122	-	12,502,937
Machinery and equipment	<u>10,874,750</u>	<u>336,515</u>	-	<u>11,211,265</u>
Total capital assets being depreciated	<u>58,122,855</u>	<u>456,183</u>	-	<u>58,579,038</u>
Less accumulated depreciation for				
Buildings and improvements	8,771,269	692,140	-	9,463,409
Other improvements	2,338,933	396,963	-	2,735,896
Machinery and equipment	<u>4,317,474</u>	<u>168,854</u>	-	<u>4,486,328</u>
Total accumulated depreciation	<u>15,427,676</u>	<u>1,257,957</u>	-	<u>16,685,633</u>
Total capital assets being depreciated, net	<u>42,695,179</u>	<u>(801,774)</u>	-	<u>41,893,405</u>
Business-type activities capital assets, net	<u>\$ 51,854,584</u>	<u>\$ (37,715)</u>	<u>\$ 363,976</u>	<u>\$ 51,452,893</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	\$ 737,439	\$ 81,888	\$ -	\$ 819,327
Construction in progress	<u>3,632,400</u>	<u>410,606</u>	<u>535,000</u>	<u>3,508,006</u>
Total capital assets not being depreciated	<u>4,369,839</u>	<u>492,494</u>	<u>535,000</u>	<u>4,327,333</u>
Capital assets being depreciated				
Buildings and improvements	3,985,430	24,173	-	4,009,603
Equipment and distribution system	46,968,681	1,292,103	85,783	48,175,001
Fiber system	<u>1,334,020</u>	<u>219,853</u>	<u>-</u>	<u>1,553,873</u>
Total capital assets being depreciated	<u>52,288,131</u>	<u>1,536,129</u>	<u>85,783</u>	<u>53,738,477</u>
Less accumulated depreciation for				
Buildings and improvements	623,363	119,801	-	743,164
Equipment and distribution system	16,971,437	1,380,743	3,671	18,348,509
Fiber system	<u>65</u>	<u>73,334</u>	<u>-</u>	<u>73,399</u>
Total accumulated depreciation	<u>17,594,865</u>	<u>1,573,878</u>	<u>3,671</u>	<u>19,165,072</u>
Total capital assets being depreciated, net	<u>34,693,266</u>	<u>(37,749)</u>	<u>82,112</u>	<u>34,573,405</u>
Light and Power				
Component Unit				
Capital assets, net	<u>\$ 39,063,105</u>	<u>\$ 454,745</u>	<u>\$ 617,112</u>	<u>\$ 38,900,738</u>

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	\$ 68,325
Public safety	158,178
Public works, including depreciation of general infrastructure assets	1,045,537
Recreation and culture	517,723
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>759,517</u>
Total depreciation expense – governmental activities	<u>\$2,549,280</u>
Business-type activities	
Wastewater	\$ 595,533
Water	238,188
Marina	133,848
Auto parking	<u>290,388</u>
Total depreciation expense – business-type activities	<u>\$1,257,957</u>
Component unit activities	
Light and power	<u>\$1,573,878</u>

D. Accounts payable and accrued expenses

Accounts payable and accrued expenses in the governmental activities consist of 38 percent vendor payables, 35 percent accrued salaries, 15 percent accrued interest and 12 percent customer deposits. Business-type activities accounts payable and accrued expenses consist of 47 percent vendor payables, 12 percent accrued salaries, and 28 percent accrued interest and 13 percent customer deposits. Component unit accounts payable and accrued expenses consist of 91 percent vendor payables, 3 percent accrued salaries, 4 percent customer deposits and 2 percent other liabilities.

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

E. Interfund receivables, payables and transfers

<u>Due to other funds</u>	<u>Due from other funds</u>		
	General Fund	Non-Major Governmental Funds	Total
Local Streets Fund	\$ 30,092	\$ -	\$ 30,092
Brown Bridge Trust Fund	172,177	-	172,177
Non-Major Governmental Funds	69,167	3,371	72,538
Wastewater Fund	32,617	-	32,617
Water Fund	109,922	-	109,922
Autoparking System Fund	51,145	-	51,145
Total	\$ 465,120	\$ 3,371	\$ 468,491

<u>Advance from other funds</u>	<u>Advance to other funds</u>
	Non-Major Governmental Funds
Non-Major Governmental Funds	\$ 251,105
Marina Fund	850,000
Total	\$ 1,101,105

<u>Due to primary government</u>	<u>Due from component unit</u>
	General Fund
Light and Power	\$ 20,460

<u>Advance from component unit</u>	<u>Advance to primary government</u>
	Light and Power
Marina	\$ 650,000
Non-major Governmental Funds	47,269
Total	\$ 697,269

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

Transfers in	Transfer Out						Total
	General Fund	Brown Bridge Trust Fund	Non-Major Governmental Funds	Waste- Water Fund	Water Fund	Auto Parking Fund	
General Fund	\$ -	\$ 447,072	\$ 54,415	\$ 248,617	\$ 115,189	\$ 51,145	\$ 916,438
Major Streets Fund	309,367	-	-	-	-	-	309,367
Local Streets Fund	1,034,149	-	-	-	-	-	1,034,149
Public Improvement Fund	713,750	-	-	-	-	-	713,750
Non-Major Governmental Funds	206,032	-	3,371	-	3,100	-	212,503
Total	<u>\$ 2,263,298</u>	<u>\$ 447,072</u>	<u>\$ 57,786</u>	<u>\$ 248,617</u>	<u>\$ 118,289</u>	<u>\$ 51,145</u>	<u>\$ 3,186,207</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 city fee mandated by the City Charter from the enterprise funds to the general fund.

F. Long-term debt and accrued compensated absences

The following is a summary of bond, note and contract debt transactions of the City for the year ended June 30, 2009:

	Primary Government			Total Reporting Entity
	Governmental Activities General Obligation Bonds	Business- Type Activities Lease Payable	Business- Type Activities Revenue Bonds	
Long-Term Debt at July 1, 2008	\$ 10,594,612	\$ 16,206,932	\$ 1,125,000	\$ 27,926,544
Reductions	<u>(175,621)</u>	<u>(971,234)</u>	<u>(200,000)</u>	<u>(1,346,855)</u>
Long-Term Debt at June 30, 2009	<u>\$ 10,418,991</u>	<u>\$ 15,235,698</u>	<u>\$ 925,000</u>	<u>\$ 26,579,689</u>
Due Within One Year	<u>\$ 200,000</u>	<u>\$ 1,033,234</u>	<u>\$ 225,000</u>	<u>\$ 1,458,234</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, 2009:

	Primary Government			
	Governmental Activities	Business- Type Activities	Component Units	Total Reporting Entity
Accrued compensated absences at July 1, 2008	\$ 685,863	\$ 54,595	\$ 333,523	\$ 1,073,981
Additions	-	-	88,267	88,267
Reductions	<u>(13,130)</u>	<u>(9,516)</u>	<u>(16,803)</u>	<u>(39,449)</u>
Accrued compensated absences at June 30, 2009	<u>\$ 672,733</u>	<u>\$ 45,079</u>	<u>\$ 404,987</u>	<u>\$ 1,122,799</u>
Due Within One Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

Long-term debt at June 30, 2009 is comprised of the following individual issues:

	Final Maturity Date	Interest Rates	Outstanding Balance
Primary Government			
General Long-Term Debt			
General obligation Downtown Development			
Series 2002A – Parking Deck	2028	4.65%	\$ 85,000
General obligation Downtown Development			
Series 2007A – Parking Deck - Refund	2028	4.00-4.125	9,755,000
Series 2007A deferred refunding costs			(451,009)
General obligation Downtown Development			
Series 2002B – Parking Deck	2017	4.50-6.50	1,030,000
Enterprise Funds			
1992 Water Revenue Bonds	2011	5.00-8.00	925,000
2003 Wastewater Treatment			
Capital Lease Payable	2015	2.30-3.75	1,083,142
1998 Wastewater Disposal			
Capital Lease Payable	2013	4.00-4.50	333,121
2002 Wastewater Treatment			
Capital Lease Payable	2022	2.75-5.00	<u>13,819,435</u>
Total Reporting Entity			<u>\$26,579,689</u>

The Wastewater Fund capital leases, which include the 2003 Waste Water Treatment, 1998 Wastewater Disposal, and 2002 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 total approximately \$23,015,000 net of accumulated depreciation of \$20,475,000 at June 30, 2009.

In February 2007, the City issued \$9,785,000 in General Obligation Bonds to advance refund \$9,315,000 of outstanding 2002A series bonds. These bonds will be called and paid on April 1, 2011. Accordingly, the trust account assets and liability for the defeased bonds are not included in the City's financial statements. \$195,000 of the Series 2002A bonds were not refunded of which \$85,000 are outstanding at June 30, 2009.

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

The annual requirements to pay principal and interest on long-term debt obligations are as follows:

Fiscal Year	Governmental Activities General Obligation Bonds		Business-Type Activities Capital Leases Payable		Business-Type Activities Revenue Bond	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 200,000	\$ 471,183	\$ 1,033,234	\$ 671,659	\$ 225,000	\$ 55,500
2011	210,000	460,189	1,077,815	633,873	225,000	42,000
2012	245,000	449,031	1,134,938	592,851	225,000	28,500
2013	285,000	436,831	1,198,702	548,101	250,000	15,000
2014	330,000	422,682	1,148,122	499,750	-	-
2015-19	2,420,000	1,808,281	5,694,477	1,762,342	-	-
2020-24	3,825,000	1,168,457	3,948,410	396,043	-	-
2025-28	3,355,000	343,169	-	-	-	-
	<u>\$ 10,870,000</u>	<u>\$ 5,559,823</u>	<u>\$ 15,235,698</u>	<u>\$ 5,104,619</u>	<u>\$ 925,000</u>	<u>\$ 141,000</u>

G. Commitments

Primary government - Property

During fiscal 2006, the City entered into an agreement with SNAFU LLC, which gives them the exclusive right and option to purchase Lot W for \$412,821 during the first year of the agreement. The parties understand that the purchase price shall be paid partially in money and partially by transferring all or part of Lot W. The value of lot Z was \$319,936. After the first year of the option the price will increase by the consumer price index for all urban consumers. After the second year if the buyer exercises the right to purchase, new appraisals will have to be performed for both Lot W and Lot 2. On May 18, 2009 the City Commission authorized an amendment to the agreement to extend the option for two years to February 22, 2012.

Component Units

Downtown Development Authority

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

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

minimum payments expected to be received from the DDA based on the collection of tax increment revenues in the Tax Increment Financing and Development Plan No. 97:

<u>Fiscal Year</u> <u>End</u>	<u>Amount</u>
2010	\$ 652,198
2011	651,203
2012	675,045
2013	702,845
2014	733,695
2015-2019	4,171,322
2020-2024	4,993,455
2025-2028	<u>3,698,168</u>
Total	<u>\$ 16,277,931</u>

Light and Power

In September 1994, the 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 Light and Power department against Consumers. The purchase was completed under the auspices of the Michigan Public Service Commission and approved by the Light and Power department Board. The Light and Power department will take possession of these facilities in three stages, one stage remains to occur in September 2014.

On December 19, 2007, the Department entered into an agreement with Wolverine Power Supply Cooperative, Inc. for construction of, and operation & maintenance of, a transmission substation. The cost of this project is estimated at \$6,600,000 (\$3,300,000 for each party). The Department contributed \$3,300,000 into an investment fund upon execution of the agreement to be used for its 50% share of construction costs. On June 30, 2009 the balance in the fund was \$1,563,460.

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, 2009, 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.

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

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 their 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, 2009 amounted to \$110,429, 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 2008 taxable valuation of the City totaled \$747,110,960, on which ad valorem taxes levied consisted of 13.1765 mills for the City operating purposes.

Included in the taxable valuation is the Downtown Development Authority. The taxable value for the DDA is \$36,117,789. The Downtown Development general operating tax rate for fiscal year 2008-09 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.

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.

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

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

Basis of Accounting

The Police and Fire Retirement System Financial Statements are included as a pension trust fund of the City of Traverse 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. The Plan does not issue a stand-alone financial report.

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, 2008, the most recent actuarial valuation date, membership consisted of:

Retirees and beneficiaries currently receiving benefits	54
Terminated plan members entitled to but not yet receiving benefits	4
Active plan members	<u>58</u>
Total	<u>116</u>

Contributions

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). Employees of the Police and Fire Retirement System are 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, 2007, 2008 and 2009, the City contributed 100% of the annual pension costs, which was also the actuarial determined contribution requirement, in the amounts of \$987,602, \$897,502 and \$924,911 respectively. There were no net pension obligations at the end of these years. At June 30, 2008, the funded ratio (actuarial value of assets as a percent of actuarial accrued liability) was 89% in comparison to 90% as of June 30, 2007.

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

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 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.

Municipal Employees Retirement System (MERS)

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 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 ext. 252.

Funding Policy

The City is required to contribute at an actuarially determined rate; the current rate ranges from 16.27% to 26.12% 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, 2009 the City's annual pension cost of \$1,340,339 for MERS was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2006 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 8.40% 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 recognized over a ten year period at a rate of 10% per year. 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. The City's unfunded actuarial accrued liability is being amortized

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2008, the date of the last actuarial valuation, was 28 years.

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>
6/30/07	\$1,226,873	100%	\$ -
6/30/08	1,399,592	100%	-
6/30/09	1,340,339	100%	-

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Unfunded Liability (AAL) Entry Age (b)</u>	<u>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>
12/31/08	\$ 40,805,149	\$ 52,758,416	\$11,953,267	77%	\$ 8,023,611	149%

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. **Defined contribution 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 two plans and the administrators of these plans are the ICMA Retirement Corporation and the Hartford Corporation. The plans are available to administrative, employees within the general municipal employees union, and teamsters union. In addition, the plans are 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 2009, the City contributed \$336,826 and employees contributed \$669,695.

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

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 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 2009, the Downtown Development Authority contributed \$15,880 and the employees contributed \$20,066 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 that plan document that governs the plan but may be amended by the City.

The plan is accounted for in the ACT 345 Pension Trust Fund 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

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

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, 2009, the City contributed \$279,931 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 \$3,211,646 as of June 30, 2009.

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	\$ 279,931
Interest on net OPEB obligation	-
Adjustment to annual required contribution	<u> -</u>
 Annual OPEB cost (expense)	 279,931
 Contributions made	 279,931
 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 Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/07	\$ 408,471	100%	\$ -
6/30/08	373,161	100%	-
6/30/09	279,931	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>Accrued 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>
6/30/06	\$ 2,977,346	\$ 8,643,119	\$ 5,665,773	34.4%	\$3,509,371	161.45%
6/30/07	3,444,580	8,402,945	4,958,365	41.0	3,234,852	153.28
6/30/08	3,655,194	6,710,657	3,055,463	54.5	3,316,285	92.14

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presents multiyear 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, 2008, actuarial valuation, the individual entry-age actuarial cost method and an amortization period of 30 years were utilized. The actuarial assumptions included a 7.5% rate of investment return, payroll growth rate for open divisions assumed to be between 4.5 to 7.5%.

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.

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

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

Funding policy

The City non-union employees are eligible at the time of retirement for health insurance premiums paid for three years (only the retiree). The Teamsters municipal, clerical and technical employees are eligible at the time of retirement if they have ten years of service for premium payments of \$225 per month. The Traverse City Light and Power component unit 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 \$286,964. Of this amount, the City's portion of the annual required contribution is \$102,077 and Traverse City Light and Power's portion of the annual required contribution is \$184,887. The pay as you go employer contribution for the City was \$62,754 and the employee contribution to the plan was \$140,486. The pay as you go employer contribution for Traverse City Light and Power was \$130,616 and the employee contribution to the plan was \$36,453.

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	\$ 102,077
Interest on net OPEB obligation	-
Adjustment to annual required contribution	<u>-</u>
Annual OPEB cost (expense)	102,077
Contributions made	164,831
Increase in net OPEB asset	62,754
Net OPEB obligation, beginning of year	<u>-</u>
Net OPEB asset, end of year	<u>\$ 62,754</u>

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

Component unit

Annual required contribution	\$ 184,887
Interest on net OPEB obligation	-
Adjustment to annual required contribution	<u>-</u>
Annual OPEB cost (expense)	184,887
Contributions made	315,503
Increase in net OPEB asset	130,616
Net OPEB obligation, beginning of year	<u>-</u>
Net OPEB asset, end of year	<u>\$ 130,616</u>

Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/08	\$ 274,606	100%	\$ -
6/30/09	286,964	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>Accrued 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>
12/31/06	\$ 1,079,242	\$ 4,622,001	\$ 3,542,759	23%	7,921,231	45%

The City and the component unit elected not to record the net OPEB asset in the government-wide statements.

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

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

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

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

In the December 31, 2006, actuarial valuation, the individual entry-age actuarial cost method, level percent 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, payroll growth rate for open divisions assumed to be at 4.5%, and 10% inflation in 2009 graded to 4.5% in 2016, with implicit subsidy provided.

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.

Accounting change

In the current year, the City implemented the Government Accounting Standards Board's Statement No. 45, Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care as well as any other postemployment benefits (other than pensions). The new pronouncement causes the government-wide statements and the proprietary funds to recognize the cost of providing retiree healthcare expenses over the working life of the employee, rather than at the time the healthcare expenses are paid. This statement was implemented prospectively. Because the City has historically been contributing toward the Retiree Health Care Benefits Fund, implementation of this statement did not materially impact the measurement of retiree healthcare costs in the financial statements. It did require the reclassification of the ACT 345 Retiree Health Insurance and Retiree Health Insurance Internal Service Funds to agency funds and caused a restatement in the amount of \$3,998,337 in beginning net assets of the government-wide financial statements.

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

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.

In 2002, Traverse City Light and Power Department entered into a 25 year agreement with MPPA to purchase 75.9% of the energy generated by MPPA’s Kalkaska Combustion Turbine Plant.

For the year ended June 30, 2009, the Traverse City Light and Power Department recognized expenses totaling \$16,223,311 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

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 Combustion Turbine projects (based on the percentage of power purchased). Future operating costs are estimated based on 2009 costs adjusted for inflation. These costs are estimated as follows:

<u>Year Ended December 31</u>	<u>Operating Costs</u>
2010	\$ 5,873,648
2011	6,049,858
2012	6,231,353
2013	6,418,294
2014	4,056,660
2015-2019	19,628,708
2020-2024	11,746,205
2025-2027	<u>7,927,656</u>
	<u>\$ 67,932,382</u>

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

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

<u>December 31</u>	<u>Year Ended</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2010	\$ 2,249,546	\$ 1,854,111	\$ 4,103,657
2011	2,360,782	1,750,396	4,111,178
2012	2,470,034	1,640,981	4,111,015
2013	2,592,937	1,519,905	4,112,842
2014	2,705,292	1,391,549	4,096,841
2015-2019	11,515,839	4,865,936	16,381,775
2020-2024	7,145,985	2,542,470	9,688,455
2025-2027	<u>5,252,280</u>	<u>560,853</u>	<u>5,813,133</u>
	<u>\$ 36,292,695</u>	<u>\$ 16,126,201</u>	<u>\$ 52,418,896</u>

H. Related party transactions

Primary government

The City provides management services on behalf of the City of Traverse City and Charter Township of Garfield Recreation Authority (the "Authority"), a related party (by virtue of common board members and management). These services include, but not limited to, general management, maintaining financial records, financial reporting and legal services. In return for these services, the City received fees from the Authority in the amount of \$37,531 during the year ended June 30, 2009.

Component unit

The Downtown Development Authority receives banking services for all three of their funds from Fifth Third Bank. The banking services consist primarily of deposit accounts held by the bank. The Chairman of the Board of Directors is the regional president.

The Downtown Development Authority 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 Authority is a board member.

The Downtown Development Authority was awarded \$45,000 from Traverse City Light and Power, another component of the City, for the purchase of LED lights to be used downtown during the Holiday season.

The Downtown Development Authority Board of Directors authorized an expenditure of not-to-exceed \$370,000 for the Wadsworth street culvert replacement project to the City of Traverse City. The City billed the Authority \$178,216 for work completed as of June 30, 2009.

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

I. Subsequent events

On September 18, 2009, the Downtown Development Authority Board of Directors authorized an expenditure of not-to-exceed \$75,000 for the trail extension from the Boardman Lake Trail to Eighth Street. The City of Traverse City will be reimbursed using TIF 2 funds subject to documentation of the expenditure.

On September 18, 2009, the Downtown Development Authority Board of Directors requested that the City of Traverse City issue bonds in an amount not-to-exceed \$8,300,000 to construct a 522 car parking structure to be known as the Old Town Parking Deck. TIF 2 funds are committed to pay the principal and interest on the bonds. The bonds were issued and related construction contracts approved by the City in October 2009.

J. Designations of net assets

Primary government

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

	Auto Parking System Fund	Sewer Fund	Water Fund	Marina Fund	Garage Fund
Emergencies	\$ -	\$ 49,871	\$ 49,943	\$ -	\$ -
Capital expenditures	1,195,300	607,000	450,000	40,000	948,900
Future maintenance	400,000	-	-	-	-
Total	\$1,595,300	\$ 656,871	\$ 499,943	\$40,000	\$948,900

Component unit

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

Emergencies	\$ 100,056
Uninsured claims	3,891,366
Capital expansion	14,325,000
Total	\$18,316,422

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

K. Contingent liability

Primary government – Boot Lake

In 2005 the City received a demand letter from the MDEQ demanding that the City undertake response activities under Parts 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. At this point, the 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.

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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)
6/30/1999	\$ 20,405,330	\$ 17,147,459	\$ (3,257,871)	119.0%	\$ 2,337,289	0.0%
6/30/2000	22,497,159	18,756,152	(3,741,007)	119.9	2,470,379	0.0
6/30/2001	23,695,203	19,552,221	(4,142,982)	121.2	2,467,235	0.0
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)	107.8	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

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year ended/valuation June 30	Annual Required Contribution	Percentage Contributed
2000 / 1999	\$ 227,662	100%
2001 / 2000	294,964	100
2002 / 2001	276,417	100
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

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, 2008
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	4.5-7.5% includes wage inflation at 3.75%
Cost-of-living adjustments	2.5% of original pension for 20 years payable to police captains unit, pre-July 1, 1990 retirees, Police sergeants (effective 8-1-98) and police patrol (effective 1-1-99) and firefighters unit (effective 7-1-00)

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 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)
6/30/2000	\$ 2,091,217	\$ 6,269,112	\$ 4,177,895	33.4%	\$ 2,470,379	169.12%
6/30/2001	2,331,155	6,983,905	4,652,750	33.4	2,467,235	188.58
6/30/2002	2,434,672	7,769,958	5,335,286	31.3	2,393,258	222.93
6/30/2003	2,590,432	8,072,071	5,481,639	32.1	2,402,524	228.16
6/30/2004	2,645,396	8,091,713	5,446,317	32.7	2,671,393	203.88
6/30/2005	2,723,028	8,218,900	5,495,872	33.1	3,139,509	175.06
6/30/2006	2,977,346	8,643,119	5,665,773	34.4	3,509,371	161.45
6/30/2007	3,444,580	8,402,945	4,958,365	41.0	3,234,852	153.28
6/30/2008	3,655,194	6,710,657	3,055,463	54.5	3,316,285	92.14

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year ended/valuation June 30	Annual Required Contribution	Percentage Contributed
2000 / 1999	\$ 178,319	100%
2001 / 2000	236,104	100
2002 / 2001	253,936	100
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

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, 2008
Actuarial cost method	Individual entry-age actuarial cost method
Amortization method	Level percent
Remaining amortization period	30 years
Asset valuation method	4 years smoothed market
Actuarial assumptions	
Investment rate of return	7.50%
Projected salary increases	4.5-7.5%

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)
12/31/1999	\$ 27,461,627	\$ 28,449,868	\$ 988,241	96.5%	\$ 5,239,153	18.9%
12/31/2000	29,610,635	32,485,324	2,874,689	91.2	5,455,915	52.7
12/31/2001	30,940,918	34,985,033	4,044,115	88.4	5,989,759	67.5
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

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year ended/valuation June 30	Annual Required Contribution	Percentage Contributed
2000 / 1999	\$ 771,362	100%
2001 / 2000	735,001	100
2002 / 2001	660,626	100
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

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, 2008
Actuarial cost method	Entry age normal cost method
Amortization method	Level percent
Remaining amortization period	28 years
Asset valuation method	10 year smoothed market
Actuarial assumptions	
Investment rate of return	8.00%
Projected salary increases	4.5-12.90%

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 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)
12/31/2006	\$ 1,079,242	\$ 4,622,001	\$ 3,542,759	23.4%	\$ 7,921,231	44.72%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year ended/valuation June 30	Annual Required Contribution	Percentage Contributed
2008 / 2007	\$ 274,606	100%
2009 / 2008	286,964	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, 2006
Actuarial cost method	Individual entry age actuarial cost method
Amortization method	Level percent
Remaining amortization period	30 years
Asset valuation method	10 year smoothed market
Actuarial assumptions	
Investment rate of return	8.00%
Projected salary increases	4.8-12.90%

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, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 8,888,000	\$ 8,888,000	\$ 8,946,172	\$ 58,172
Licenses and permits	207,900	207,900	220,564	12,664
Federal sources	37,000	37,000	50,440	13,440
State sources	1,355,250	1,355,250	1,299,611	(55,639)
Local sources	1,460,460	1,460,460	1,460,460	-
Charges for services	331,650	331,650	349,598	17,948
Fines and forfeits	63,000	63,000	83,201	20,201
Reimbursements	550,000	550,000	390,960	(159,040)
Interest income	200,000	200,000	201,147	1,147
Other revenue	423,184	423,184	425,515	2,331
Total revenues	<u>13,516,444</u>	<u>13,516,444</u>	<u>13,427,668</u>	<u>(88,776)</u>
Expenditures				
General government	2,883,350	2,917,650	2,687,989	229,661
Public safety	7,409,400	7,374,100	7,004,927	369,173
Public works	983,450	984,450	663,183	321,267
Recreation and culture	1,632,550	1,632,550	1,627,293	5,257
Total expenditures	<u>12,908,750</u>	<u>12,908,750</u>	<u>11,983,392</u>	<u>925,358</u>
Excess of revenue over expenditures	<u>607,694</u>	<u>607,694</u>	<u>1,444,276</u>	<u>836,582</u>
Other financing sources (uses)				
Transfers in	1,042,540	1,042,540	916,438	(126,102)
Transfers out	(1,936,950)	(2,262,600)	(2,263,298)	(698)
Total other financing sources (uses)	<u>(894,410)</u>	<u>(1,220,060)</u>	<u>(1,346,860)</u>	<u>(126,800)</u>
Net change in fund balance	(286,716)	(612,366)	97,416	709,782
Fund balance, beginning of year	<u>4,181,070</u>	<u>4,181,070</u>	<u>4,181,070</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 3,894,354</u></u>	<u><u>\$ 3,568,704</u></u>	<u><u>\$ 4,278,486</u></u>	<u><u>\$ 709,782</u></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, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
State sources	\$ 1,012,600	\$ 1,034,600	\$ 1,039,714	\$ 5,114
Reimbursements	-	20,000	24,345	4,345
Interest income	1,500	1,500	497	(1,003)
Total revenues	<u>1,014,100</u>	<u>1,056,100</u>	<u>1,064,556</u>	<u>8,456</u>
Expenditures				
Public works				
Personnel	557,600	557,600	486,559	71,041
Commodities	131,000	131,000	149,963	(18,963)
Contractual services	105,250	105,250	73,740	31,510
Other charges	588,250	630,250	644,135	(13,885)
Total expenditures	<u>1,382,100</u>	<u>1,424,100</u>	<u>1,354,397</u>	<u>69,703</u>
(Deficiency) excess of revenue over expenditures	(368,000)	(368,000)	(289,841)	78,159
Other financing sources				
Transfers in	312,900	312,900	309,367	(3,533)
Net change in fund balance	<u>(55,100)</u>	<u>(55,100)</u>	<u>19,526</u>	<u>74,626</u>
Fund balance, beginning of year	191,330	191,330	191,330	-
Fund balance, end of year	<u>\$ 136,230</u>	<u>\$ 136,230</u>	<u>\$ 210,856</u>	<u>\$ 74,626</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, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
State sources	\$ 300,000	\$ 317,000	\$ 317,032	\$ (32)
Reimbursements	-	-	132	(132)
Total revenues	<u>300,000</u>	<u>317,000</u>	<u>317,164</u>	<u>(164)</u>
Expenditures				
Public works				
Personnel	611,000	611,000	553,066	57,934
Contractual services	55,000	55,000	42,566	12,434
Commodities	72,000	72,000	68,185	3,815
Other charges	594,050	611,050	687,496	(76,446)
Total expenditures	<u>1,332,050</u>	<u>1,349,050</u>	<u>1,351,313</u>	<u>(2,263)</u>
(Deficiency) excess of revenue over expenditures	(1,032,050)	(1,032,050)	(1,034,149)	2,099
Other financing sources				
Transfer in	1,032,050	1,032,050	1,034,149	2,099
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Revenues
Budget (GAAP Basis) and Actual
General Fund
For the Year Ended June 30, 2009

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Property taxes			
Real estate and personal property	\$ 8,785,000	\$ 8,806,789	\$ 21,789
Collection fees	13,000	14,543	1,543
Penalties and interest on taxes	90,000	124,840	34,840
Total property taxes	8,888,000	8,946,172	58,172
Licenses and permits			
Business	194,850	206,371	11,521
Nonbusiness	13,050	14,193	1,143
Total licenses and permits	207,900	220,564	12,664
Federal sources	37,000	50,440	13,440
State sources			
State - shared revenues			
Sales and use tax	1,328,750	1,271,737	(57,013)
Liquor licenses	26,500	27,874	1,374
Total state sources	1,355,250	1,299,611	(55,639)
Local sources			
City fee	1,460,460	1,460,460	-
Charges for services			
General fees and services	43,100	45,099	1,999
Sale of assets	2,500	16,150	13,650
Use and admission fees	226,050	239,763	13,713
Fine and forfeitures - ordinance and cost	60,000	48,586	(11,414)
Total charges for services	331,650	349,598	17,948
Fines and forfeits			
Parking violations	63,000	83,201	20,201
Reimbursements	550,000	390,960	(159,040)
Interest income	200,000	201,147	1,147
Other revenue			
Rents and royalties	2,500	2,401	(99)
Contributions	388,584	396,376	7,792
Other	32,100	26,738	(5,362)
Total other revenue	423,184	425,515	2,331
Total revenues	\$ 13,516,444	\$ 13,427,668	\$ (88,776)

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Expenditures
Budget (GAAP Basis) and Actual
General Fund
For the Year Ended June 30, 2009

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
General government			
City Commission			
Personnel	\$ 36,200	\$ 34,112	\$ 2,088
Commodities	1,200	566	634
Contractual services	36,500	32,177	4,323
Other charges	10,250	5,769	4,481
Total City Commission	<u>84,150</u>	<u>72,624</u>	<u>11,526</u>
City Manager's Office			
Personnel	310,600	300,231	10,369
Commodities	5,000	2,567	2,433
Contractual services	23,500	12,156	11,344
Other charges	11,250	8,270	2,980
Total City Manager's Office	<u>350,350</u>	<u>323,224</u>	<u>27,126</u>
Human Resources			
Personnel	180,200	180,780	(580)
Commodities	1,000	1,595	(595)
Contractual services	16,500	13,296	3,204
Other charges	6,950	6,000	950
Total Human Resources	<u>204,650</u>	<u>201,671</u>	<u>2,979</u>
City Attorney's Office			
Personnel	115,350	110,064	5,286
Commodities	4,800	1,817	2,983
Contractual services	12,950	13,551	(601)
Other charges	1,400	1,481	(81)
Total City Attorney's Office	<u>134,500</u>	<u>126,913</u>	<u>7,587</u>
City Clerk's Office			
Personnel	306,900	273,402	33,498
Commodities	18,800	18,896	(96)
Contractual services	53,100	67,438	(14,338)
Other charges	21,800	15,627	6,173
Total City Clerk's Office	<u>400,600</u>	<u>375,363</u>	<u>25,237</u>
Assessor's Office			
Personnel	266,300	266,906	(606)
Commodities	9,650	7,780	1,870
Contractual services	37,200	19,219	17,981
Other charges	2,600	2,265	335
Total Assessor's Office	<u>315,750</u>	<u>296,170</u>	<u>19,580</u>

Continued.....

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Expenditures
Budget (GAAP Basis) and Actual
General Fund
For the Year Ended June 30, 2009

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Treasurer's Office			
Personnel	\$ 247,350	\$ 255,570	\$ (8,220)
Commodities	18,500	19,802	(1,302)
Contractual services	40,500	39,937	563
Other charges	10,500	4,405	6,095
Total Treasurer's Office	<u>316,850</u>	<u>319,714</u>	<u>(2,864)</u>
Building and grounds			
Other charges	141,000	111,082	29,918
Planning/Zoning			
Personnel	262,700	265,729	(3,029)
Commodities	5,500	5,284	216
Contractual services	17,400	15,399	2,001
Other charges	10,050	7,208	2,842
Total Planning/Zoning	<u>295,650</u>	<u>293,620</u>	<u>2,030</u>
Cemetery			
Personnel	172,900	118,754	54,146
Commodities	9,800	5,118	4,682
Contractual services	154,200	156,314	(2,114)
Other charges	52,200	39,485	12,715
Total Cemetery	<u>389,100</u>	<u>319,671</u>	<u>69,429</u>
Appropriations	251,000	225,776	25,224
Capital outlay	34,050	22,161	11,889
Total general government	<u>2,917,650</u>	<u>2,687,989</u>	<u>229,661</u>
Public Safety			
Police			
Personnel	3,097,100	3,086,393	10,707
Commodities	79,900	72,019	7,881
Contractual services	376,250	345,416	30,834
Other charges	334,050	328,432	5,618
Total Police	<u>3,887,300</u>	<u>3,832,260</u>	<u>55,040</u>

Continued.....

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Expenditures
Budget (GAAP Basis) and Actual
General Fund
For the Year Ended June 30, 2009

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Fire			
Personnel	\$ 2,954,650	\$ 2,670,304	\$ 284,346
Commodities	57,350	53,715	3,635
Contractual services	94,900	85,829	9,071
Other charges	379,900	362,819	17,081
Total Fire	3,486,800	3,172,667	314,133
Total public safety	7,374,100	7,004,927	369,173
Public Works			
Streets, alleys and sidewalks			
Personnel	357,500	407,186	(49,686)
Commodities	25,950	(303)	26,253
Contractual services	131,900	130,140	1,760
Other charges	(412,100)	(718,993)	306,893
Total Streets, Alleys and Sidewalks	103,250	(181,970)	285,220
Street lighting - utilities	183,000	182,225	775
Engineering			
Personnel	631,600	609,314	22,286
Commodities	14,000	17,614	(3,614)
Contractual services	38,700	23,631	15,069
Other charges	13,900	12,369	1,531
Total Engineering	698,200	662,928	35,272
Total public works	984,450	663,183	321,267
Recreation and culture			
Parks			
Personnel	1,006,750	952,906	53,844
Commodities	56,300	46,826	9,474
Contractual services	175,000	207,322	(32,322)
Other charges	394,500	420,239	(25,739)
Total Parks	1,632,550	1,627,293	5,257
Total expenditures	\$ 12,908,750	\$ 11,983,392	\$ 925,358

Concluded

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Transfers
Budget (GAAP Basis) and Actual
General Fund
For the Year Ended June 30, 2009

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Transfers in			
Brown Bridge Trust	\$ 410,000	\$ 447,072	\$ 37,072
Other funds	53,000	54,415	1,415
City fee	579,540	414,951	(164,589)
Total Transfers In	<u>\$ 1,042,540</u>	<u>\$ 916,438</u>	<u>\$ (126,102)</u>
Transfers out			
Motor Vehicle Highway	1,344,950	1,343,515	1,435
Public Improvement	710,650	710,650	-
Con Foster Museum	107,000	109,133	(2,133)
Senior Center	100,000	100,000	-
Total Transfers Out	<u>\$ 2,262,600</u>	<u>\$ 2,263,298</u>	<u>\$ (698)</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, 2009

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Federal sources	\$ -	\$ 9,415	\$ 9,415
State sources	325,000	500,000	175,000
Contributions	20,980	1,485,654	1,464,674
Interest income	25,000	8,203	(16,797)
Other revenue	3,500	199,981	196,481
Total revenues	<u>374,480</u>	<u>2,203,253</u>	<u>1,828,773</u>
Expenditures			
General government			
Personnel	-	9,083	(9,083)
Other expense	-	7,587	(7,587)
Capital outlay	2,134,931	2,450,523	(315,592)
Total expenditures	<u>2,134,931</u>	<u>2,467,193</u>	<u>(332,262)</u>
(Deficiency) excess of revenues over expenditures	(1,760,451)	(263,940)	1,496,511
Other financing sources			
Transfers in	385,000	713,750	328,750
Net change in fund balance	<u>(1,375,451)</u>	<u>449,810</u>	<u>1,825,261</u>
Fund balance, beginning of year	1,348,298	1,348,298	-
Fund balance (deficit) , end of year	<u>\$ (27,153)</u>	<u>\$ 1,798,108</u>	<u>\$ 1,825,261</u>

CITY OF TRAVERSE CITY, MICHIGAN
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2009

	<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	\$ 2,212,254	\$ -	\$ 1,724,624	\$ 231,628	\$ 4,168,506
Investments	178,118	-	1,076,897	421,859	1,676,874
Receivables					
Accounts	21,794	-	-	-	21,794
Taxes	-	-	3,702	-	3,702
Special assessments	-	-	147,209	-	147,209
Due from other governments	16,131	-	-	-	16,131
Due from other funds	3,371	-	-	-	3,371
Advances to other funds	1,101,105	-	-	-	1,101,105
Total assets	\$ 3,532,773	\$ -	\$ 2,952,432	\$ 653,487	\$ 7,138,692
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 19,342	\$ -	\$ 450	\$ -	\$ 19,792
Accrued and other liabilities	5,251	-	-	-	5,251
Due to other funds	49,467	-	-	23,071	72,538
Advances from other funds	251,105	-	-	-	251,105
Advance from component unit	-	-	47,269	-	47,269
Deferred revenue	65,816	-	99,268	-	165,084
Total liabilities	390,981	-	146,987	23,071	561,039
Fund balances					
Reserved for					
Advances	1,101,105	-	-	-	1,101,105
Endowments	-	-	-	630,416	630,416
Recreation and culture	102,122	-	-	-	102,122
Capital projects	-	-	1,237,908	-	1,237,908
Unreserved					
Designated for subsequent years' expenditures	63,800	-	-	-	63,800
Designated for future capital projects	-	-	1,567,537	-	1,567,537
Undesignated	1,874,765	-	-	-	1,874,765
Total fund balances	3,141,792	-	2,805,445	630,416	6,577,653
Total liabilities and fund balances	\$ 3,532,773	\$ -	\$ 2,952,432	\$ 653,487	\$ 7,138,692

CITY OF TRAVERSE CITY, MICHIGAN
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2009

	<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	\$ -	\$ -	\$ 39,485	\$ -	\$ 39,485
Federal sources	63,274	-	-	-	63,274
State sources	6,798	-	-	-	6,798
Local sources	77,391	682,724	-	-	760,115
Charges for services	157,733	-	-	10,279	168,012
Contributions	213,773	-	-	-	213,773
Reimbursements	18,781	-	-	-	18,781
Interest income	77,983	-	31,262	34,094	143,339
Other revenue	38,543	-	-	-	38,543
Total revenues	654,276	682,724	70,747	44,373	1,452,120
Expenditures					
Current expenditures					
General government	277,680	-	-	-	277,680
Public safety	58,459	-	-	-	58,459
Culture and recreation	443,979	-	-	-	443,979
Community development	62,636	-	-	-	62,636
Capital outlay	52,681	-	86,823	-	139,504
Debt service					
Principal	-	200,000	-	-	200,000
Interest and fiscal charges	13,807	482,724	-	-	496,531
Total expenditures	909,242	682,724	86,823	-	1,678,789
(Deficiency) excess of revenues over expenditures	(254,966)	-	(16,076)	44,373	(226,669)
Other financing sources (uses)					
Transfers in	212,503	-	-	-	212,503
Transfers out	(34,715)	-	-	(23,071)	(57,786)
Total other financing sources (uses)	177,788	-	-	(23,071)	154,717
Net change in fund balance	(77,178)	-	(16,076)	21,302	(71,952)
Fund balances, beginning of year	3,218,970	-	2,821,521	609,114	6,649,605
Fund balances, end of year	\$ 3,141,792	\$ -	\$ 2,805,445	\$ 630,416	\$ 6,577,653

CITY OF TRAVERSE CITY, MICHIGAN
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2009

	Budget Stabilization Fund	Haz-Mat Fund	Act 302 Police Training Fund	FETN Academy Fund	State Preparedness Equipment Grant Fund
ASSETS					
Assets					
Cash and cash equivalents	\$ 781,148	\$ 24,904	\$ -	\$ 632	\$ -
Investments	-	-	-	-	-
Receivables					
Accounts	-	200	-	-	-
Due from other governments	-	-	-	-	-
Due from other funds	-	-	-	-	-
Advances to other funds	-	-	-	-	-
Total assets	\$ 781,148	\$ 25,104	\$ -	\$ 632	\$ -
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued and other liabilities	-	-	-	-	-
Due to other funds	31,148	-	-	-	-
Advances from other funds	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Total liabilities	31,148	-	-	-	-
Fund balance					
Reserved for					
Advances	-	-	-	-	-
Recreation and culture	-	-	-	-	-
Unreserved					
Designated for subsequent years' expenditures	-	-	-	-	-
Undesignated (deficit)	750,000	25,104	-	632	-
Total fund balances	750,000	25,104	-	632	-
Total liabilities and fund balances	\$ 781,148	\$ 25,104	\$ -	\$ 632	\$ -

<u>College Parking Fund</u>	<u>Safe Communities Grant Fund</u>	<u>Traverse City and Garfield Township Joint Planning Fund</u>	<u>Heritage Center Museum Fund</u>
\$ 5,981	\$ -	\$ 10,440	\$ 2,183
-	-	-	-
90	-	3,000	-
-	6,915	-	-
-	-	-	3,371
-	-	-	-
<u>\$ 6,071</u>	<u>\$ 6,915</u>	<u>\$ 13,440</u>	<u>\$ 5,554</u>
\$ 2,622	\$ 3,992	\$ 43	\$ 5,554
49	-	-	-
2,809	2,923	-	-
-	-	-	-
-	-	-	-
<u>5,480</u>	<u>6,915</u>	<u>43</u>	<u>5,554</u>
-	-	-	-
-	-	-	-
-	-	-	-
591	-	13,397	-
<u>591</u>	<u>-</u>	<u>13,397</u>	<u>-</u>
<u>\$ 6,071</u>	<u>\$ 6,915</u>	<u>\$ 13,440</u>	<u>\$ 5,554</u>

Continued.....

CITY OF TRAVERSE CITY, MICHIGAN
Combining Balance Sheet
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2009

	PEG Capital Fund	Cherry Capital Cable Fund	Senior Citizens Fund	Senior Center Building Fund	Brown Bridge Maintenance Fund
ASSETS					
Assets					
Cash and cash equivalents	\$ 1,016	\$ 4,814	\$ 186,179	\$ 129,597	\$ 6,425
Investments	-	-	-	-	-
Receivables					
Accounts	-	-	4,650	-	-
Due from other governments	-	-	-	-	-
Due from other funds	-	-	-	-	-
Advances to other funds	-	-	-	-	-
Total assets	\$ 1,016	\$ 4,814	\$ 190,829	\$ 129,597	\$ 6,425
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ -	\$ -	\$ 5,593	\$ -	\$ -
Accrued and other liabilities	-	-	5,202	-	-
Due to other funds	-	-	-	-	-
Advances from other funds	-	-	-	-	-
Deferred revenue	-	-	65,816	-	-
Total liabilities	-	-	76,611	-	-
Fund balance					
Reserved for					
Advances	-	-	-	-	-
Recreation and culture	-	-	-	-	-
Unreserved					
Designated for subsequent years' expenditures	-	-	800	-	50,000
Undesignated (deficit)	1,016	4,814	113,418	129,597	(43,575)
Total fund balances	1,016	4,814	114,218	129,597	6,425
Total liabilities and fund balances	\$ 1,016	\$ 4,814	\$ 190,829	\$ 129,597	\$ 6,425

Homeland Security Training Grant Fund	Opera House Fund	Banner Program Fund	Industrial Development Fund	McCauley Estate Trust Fund	Total
\$ -	\$ 73,940	\$ 7,810	\$ 970,114	\$ 7,071	\$ 2,212,254
-	-	-	79,696	98,422	178,118
-	13,854	-	-	-	21,794
9,216	-	-	-	-	16,131
-	-	-	-	-	3,371
-	-	-	1,101,105	-	1,101,105
\$ 9,216	\$ 87,794	\$ 7,810	\$ 2,150,915	\$ 105,493	\$ 3,532,773
\$ -	\$ 1,192	\$ -	\$ 346	\$ -	\$ 19,342
-	-	-	-	-	5,251
9,216	-	-	-	3,371	49,467
-	251,105	-	-	-	251,105
-	-	-	-	-	65,816
9,216	252,297	-	346	3,371	390,981
-	-	-	1,101,105	-	1,101,105
-	-	-	-	102,122	102,122
-	-	-	13,000	-	63,800
-	(164,503)	7,810	1,036,464	-	1,874,765
-	(164,503)	7,810	2,150,569	102,122	3,141,792
\$ 9,216	\$ 87,794	\$ 7,810	\$ 2,150,915	\$ 105,493	\$ 3,532,773

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, 2009

	Budget Stabilization Fund	Haz-Mat Fund	Act 302 Police Training Fund	FETN Academy Fund	State Preparedness Equipment Grant Fund
Revenues					
Federal sources	\$ -	\$ -	\$ -	\$ -	\$ 22,928
State sources	-	-	6,798	-	-
Local sources	-	19,750	-	-	-
Charges for services	-	809	-	-	-
Contributions	-	-	-	-	-
Reimbursements	-	-	-	-	-
Interest income	16,190	-	-	-	-
Other revenue	-	-	-	-	-
Total revenues	16,190	20,559	6,798	-	22,928
Expenditures					
Current expenditures					
General government	-	-	-	-	-
Public safety	-	14,450	6,798	-	-
Culture and recreation	-	-	-	-	-
Community development	-	-	-	-	-
Capital outlay	-	-	-	-	22,928
Debt service	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	-	14,450	6,798	-	22,928
Excess (deficiency) of revenues over expenditures	16,190	6,109	-	-	-
Other financing sources (uses)					
Transfers in	-	-	-	-	-
Transfers out	(31,148)	-	-	-	(5)
Total other financing sources (uses)	(31,148)	-	-	-	(5)
Net change in fund balance	(14,958)	6,109	-	-	(5)
Fund balances (deficit), beginning of year	764,958	18,995	-	632	5
Fund balances (deficit), end of year	\$ 750,000	\$ 25,104	\$ -	\$ 632	\$ -

College Parking Fund	Safe Communities Grant Fund	Traverse City and Garfield Township Joint Planning Fund	Heritage Center Museum Fund
\$ -	\$ 29,830	\$ -	\$ -
-	-	-	-
-	-	-	-
32,508	-	-	-
-	-	30,915	-
-	-	-	-
-	-	-	-
-	-	-	-
32,508	29,830	30,915	-
31,917	-	23,322	-
-	27,995	-	-
-	-	-	112,503
-	-	-	-
-	1,835	-	-
-	-	-	-
31,917	29,830	23,322	112,503
591	-	7,593	(112,503)
-	-	-	112,503
-	-	-	-
-	-	-	112,503
591	-	7,593	-
-	-	5,804	-
\$ 591	\$ -	\$ 13,397	\$ -

Continued.....

CITY OF TRAVERSE CITY, MICHIGAN
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2009

	PEG Capital Fund	Cherry Capital Cable Fund	Senior Citizens Fund	Senior Center Building Fund	Brown Bridge Maintenance Fund
Revenues					
Federal sources	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-
Local sources	-	-	57,641	-	-
Charges for services	-	-	44,710	-	-
Contributions	17,106	73,864	70,293	21,595	-
Reimbursements	-	-	-	-	-
Interest income	-	-	1,292	887	-
Other revenue	-	-	30,226	-	8,317
Total revenues	17,106	73,864	204,162	22,482	8,317
Expenditures					
Current expenditures					
General government	-	222,441	-	-	-
Public safety	-	-	-	-	-
Culture and recreation	-	-	260,457	-	1,892
Community development	-	-	-	-	-
Capital outlay	16,090	-	10,528	-	-
Debt service					
Interest and fiscal charges	-	-	-	-	-
Total expenditures	16,090	222,441	270,985	-	1,892
Excess (deficiency) of revenues over expenditures	1,016	(148,577)	(66,823)	22,482	6,425
Other financing sources (uses)					
Transfers in	-	-	100,000	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	100,000	-	-
Net change in fund balance	1,016	(148,577)	33,177	22,482	6,425
Fund balances (deficit), beginning of year	-	153,391	81,041	107,115	-
Fund balances (deficit), end of year	\$ 1,016	\$ 4,814	\$ 114,218	\$ 129,597	\$ 6,425

Homeland Security Training Grant Fund	Opera House Fund	Banner Program Fund	Industrial Development Fund	McCauley Estate Trust Fund	Total
\$ 10,516	\$ -	\$ -	\$ -	\$ -	\$ 63,274
-	-	-	-	-	6,798
-	-	-	-	-	77,391
-	79,706	-	-	-	157,733
-	-	-	-	-	213,773
-	17,681	1,100	-	-	18,781
-	470	-	52,791	6,353	77,983
-	-	-	-	-	38,543
10,516	97,857	1,100	52,791	6,353	654,276
-	-	-	-	-	277,680
9,216	-	-	-	-	58,459
-	69,127	-	-	-	443,979
-	-	-	62,636	-	62,636
1,300	-	-	-	-	52,681
-	13,807	-	-	-	13,807
10,516	82,934	-	62,636	-	909,242
-	14,923	1,100	(9,845)	6,353	(254,966)
-	-	-	-	-	212,503
(191)	-	-	-	(3,371)	(34,715)
(191)	-	-	-	(3,371)	177,788
(191)	14,923	1,100	(9,845)	2,982	(77,178)
191	(179,426)	6,710	2,160,414	99,140	3,218,970
\$ -	\$ (164,503)	\$ 7,810	\$ 2,150,569	\$ 102,122	\$ 3,141,792

Concluded

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget (GAAP Basis) and Actual
Budget Stabilization Special Revenue Fund
For the Year Ended June 30, 2009

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenue			
Interest income	\$ 31,000	\$ 16,190	\$ (14,810)
Other financing uses			
Transfer out	<u>(31,000)</u>	<u>(31,148)</u>	<u>(148)</u>
Net change in fund balance	-	(14,958)	(14,958)
Fund balance, beginning of year	<u>764,958</u>	<u>764,958</u>	<u>-</u>
Fund balance, end of year	<u>\$ 764,958</u>	<u>\$ 750,000</u>	<u>\$ (14,958)</u>

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget (GAAP Basis) and Actual
Haz-Mat Special Revenue Fund
For the Year Ended June 30, 2009

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Local sources	\$ 20,000	\$ 19,750	\$ (250)
Charges for services	1,500	809	(691)
Total revenues	<u>21,500</u>	<u>20,559</u>	<u>(941)</u>
Expenditures			
Public safety			
Personnel	7,250	3,187	4,063
Contractual services	3,400	1,409	1,991
Supplies	7,000	7,708	(708)
Other charges	2,350	2,146	204
Total expenditures	<u>20,000</u>	<u>14,450</u>	<u>5,550</u>
Net change in fund balance	1,500	6,109	4,609
Fund balance, beginning of year	<u>18,995</u>	<u>18,995</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 20,495</u></u>	<u><u>\$ 25,104</u></u>	<u><u>\$ 4,609</u></u>

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, 2009

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
State sources	\$ 8,000	\$ 6,798	\$ (1,202)
Expenditures			
Public safety			
Contractual services	8,000	6,798	1,202
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
FETN Academy Special Revenue Fund
For the Year Ended June 30, 2009

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Local sources	\$ 3,150	\$ -	\$ (3,150)
Expenditures			
Public safety			
Contractual services	<u>3,150</u>	<u>-</u>	<u>3,150</u>
Net change in fund balance	-	-	-
Fund balance, beginning of year	<u>632</u>	<u>632</u>	<u>-</u>
Fund balance, end of year	<u>\$ 632</u>	<u>\$ 632</u>	<u>\$ -</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, 2009

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Federal sources	\$ 18,000	\$ 22,928	\$ 4,928
Expenditures			
Capital outlay	<u>18,000</u>	<u>22,928</u>	<u>(4,928)</u>
(Deficiency) excess of revenues over expenditures	-	-	-
Other financing uses			
Transfer out	<u>-</u>	<u>(5)</u>	<u>(5)</u>
Net change in fund balance	-	(5)	(5)
Fund balance, beginning of year	<u>5</u>	<u>5</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 5</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (5)</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, 2009

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Charges for services	\$ 33,900	\$ 32,508	\$ (1,392)
Expenditures			
General government			
Personnel	11,400	4,477	6,923
Contractual services	20,000	25,810	(5,810)
Commodities	200	-	200
Other expense	2,300	1,630	670
Total expenditures	33,900	31,917	1,983
Net change in fund balance	-	591	591
Fund balance, beginning of year	-	-	-
Fund balance, end of year	\$ -	\$ 591	\$ 591

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, 2009

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Federal sources	\$ 50,000	\$ 29,830	\$ (20,170)
Expenditures			
Public safety			
Personnel	26,500	15,117	11,383
Contractual services	11,500	12,478	(978)
Supplies	-	400	(400)
Capital outlay	12,000	1,835	10,165
Total expenditures	50,000	29,830	20,170
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
Traverse City and Garfield Township Joint Planning Special Revenue Fund
For the Year Ended June 30, 2009

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues			
Contributions	\$ 66,000	\$ 30,915	\$ (35,085)
Expenditures			
Public safety			
Personnel	-	1,501	(1,501)
Contractual services	65,500	21,210	44,290
Supplies	500	611	(111)
Total expenditures	66,000	23,322	42,678
Net change in fund balance	-	7,593	7,593
Fund balance, beginning of year	5,804	5,804	-
Fund balance, end of year	\$ 5,804	\$ 13,397	\$ 7,593

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (GAAP Basis) and Actual
Heritage Center Museum Special Revenue Fund
For the Year Ended June 30, 2009

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Expenditures			
Culture and recreation			
Contractual services	\$ 71,200	\$ 66,394	\$ 4,806
Other expense	42,000	46,109	(4,109)
Total expenditures	113,200	112,503	697
Other financing sources			
Transfer in	113,200	112,503	(697)
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
PEG Capital Special Revenue Fund
For the Year Ended June 30, 2009

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Contributions	\$ 20,000	\$ 17,106	\$ (2,894)
Expenditures			
Capital outlay	<u>15,000</u>	<u>16,090</u>	<u>(1,090)</u>
Total expenditures	<u>15,000</u>	<u>16,090</u>	<u>(1,090)</u>
Net change in fund balance	5,000	1,016	(3,984)
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 5,000</u></u>	<u><u>\$ 1,016</u></u>	<u><u>\$ (3,984)</u></u>

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (GAAP Basis) and Actual
Cherry Capital Cable Special Revenue Fund
For the Year Ended June 30, 2009

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Contributions	\$ -	\$ 73,864	\$ 73,864
Expenditures			
General government			
Other expense	225,000	222,441	2,559
Net change in fund balance	(225,000)	(148,577)	76,423
Fund balance, beginning of year	153,391	153,391	-
Fund balance (deficit) , end of year	<u>\$ (71,609)</u>	<u>\$ 4,814</u>	<u>\$ 76,423</u>

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (GAAP Basis) and Actual
Senior Citizens Special Revenue Fund
For the Year Ended June 30, 2009

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues			
Local sources	\$ 57,000	\$ 57,641	\$ 641
Charges for services	25,000	44,710	19,710
Contributions	72,300	70,293	(2,007)
Interest income	2,500	1,292	(1,208)
Other revenue	23,000	30,226	7,226
Total revenues	<u>179,800</u>	<u>204,162</u>	<u>24,362</u>
Expenditures			
Culture and recreation			
Personnel	166,800	162,421	4,379
Contractual services	61,800	54,476	7,324
Commodities	17,000	20,023	(3,023)
Other expense	19,500	23,537	(4,037)
Capital outlay	12,000	10,528	1,472
Total expenditures	<u>277,100</u>	<u>270,985</u>	<u>6,115</u>
(Deficiency) excess of revenues over expenditures	(97,300)	(66,823)	30,477
Other financing sources			
Transfer in	100,000	100,000	-
Net change in fund balance	<u>2,700</u>	<u>33,177</u>	<u>30,477</u>
Fund balance, beginning of year	81,041	81,041	-
Fund balance, end of year	<u>\$ 83,741</u>	<u>\$ 114,218</u>	<u>\$ 30,477</u>

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (GAAP Basis) and Actual
Senior Citizens Building Special Revenue Fund
For the Year Ended June 30, 2009

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Contributions	\$ 10,000	\$ 21,595	\$ 11,595
Interest income	3,000	887	(2,113)
Total revenues	<u>13,000</u>	<u>22,482</u>	<u>9,482</u>
Expenditures			
Culture and recreation			
Other charges	500	-	500
Net change in fund balance	<u>12,500</u>	<u>22,482</u>	<u>9,982</u>
Fund balance, beginning of year	<u>107,115</u>	<u>107,115</u>	<u>-</u>
Fund balance, end of year	<u>\$ 119,615</u>	<u>\$ 129,597</u>	<u>\$ 9,982</u>

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (GAAP Basis) and Actual
Brown Bridge Maintenance Special Revenue Fund
For the Year Ended June 30, 2009

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Rents and royalties	\$ 50,000	\$ 8,317	\$ (41,683)
Expenditures			
Culture and recreation			
Other expense	50,000	1,892	48,108
Net change in fund balance	-	6,425	6,425
Fund balance, beginning of year	-	-	-
Fund balance, end of year	<u>\$ -</u>	<u>\$ 6,425</u>	<u>\$ 6,425</u>

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (GAAP Basis) and Actual
Homeland Security Training Grant Special Revenue Fund
For the Year Ended June 30, 2009

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Federal sources	\$ 30,000	\$ 10,516	\$ (19,484)
Expenditures			
Public safety			
Personnel	17,600	6,721	10,879
Contractual services	12,400	2,495	9,905
Capital outlay	-	1,300	(1,300)
Total expenditures	30,000	10,516	19,484
Other financing uses			
Transfer out	-	(191)	191
Net change in fund balance	-	(191)	(191)
Fund balance, beginning of year	191	191	-
Fund balance, end of year	\$ 191	\$ -	\$ (191)

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (GAAP Basis) and Actual
Opera House Special Revenue Fund
For the Year Ended June 30, 2009

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Charges for services	\$ 98,000	\$ 79,706	\$ (18,294)
Reimbursements	-	17,681	17,681
Interest income	2,000	470	(1,530)
Total revenues	<u>100,000</u>	<u>97,857</u>	<u>(2,143)</u>
Expenditures			
Culture and recreation			
Contractual services	10,000	11,090	(1,090)
Supplies	-	3	(3)
Other expense	88,000	58,034	29,966
Debt service			
Interest and fiscal charges	13,850	13,807	43
Total expenditures	<u>111,850</u>	<u>82,934</u>	<u>28,916</u>
Net change in fund balance	(11,850)	14,923	26,773
Fund balance (deficit), beginning of year	(179,426)	(179,426)	-
Fund balance (deficit), end of year	<u>\$ (191,276)</u>	<u>\$ (164,503)</u>	<u>\$ 26,773</u>

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (GAAP Basis) and Actual
Banner Program Special Revenue Fund
For the Year Ended June 30, 2009

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Reimbursements	\$ 3,500	\$ 1,100	\$ (2,400)
Expenditures			
Culture and recreation			
Other expense	3,500	-	3,500
Net change in fund balance	-	1,100	1,100
Fund balance, beginning of year	6,710	6,710	-
Fund balance, end of year	<u>\$ 6,710</u>	<u>\$ 7,810</u>	<u>\$ 1,100</u>

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (GAAP Basis) and Actual
Industrial Development Special Revenue Fund
For the Year Ended June 30, 2009

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Interest income	\$ 70,000	\$ 52,791	\$ (17,209)
Expenditures			
Community development			
Contractual services	87,000	61,400	25,600
Other expense	2,000	1,236	764
Total expenditures	89,000	62,636	26,364
Net change in fund balance	(19,000)	(9,845)	9,155
Fund balance, beginning of year	2,160,414	2,160,414	-
Fund balance, end of year	\$ 2,141,414	\$ 2,150,569	\$ 9,155

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (GAAP Basis) and Actual
McCauley Estate Trust Special Revenue Fund
For the Year Ended June 30, 2009

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Interest income	\$ 4,200	\$ 6,353	\$ 2,153
Other financing uses			
Transfer out	(4,200)	(3,371)	829
Net change in fund balance	-	2,982	2,982
Fund balance, beginning of year	99,140	99,140	-
Fund balance, end of year	\$ 99,140	\$ 102,122	\$ 2,982

CITY OF TRAVERSE CITY, MICHIGAN
Combining Balance Sheet
Nonmajor Debt Service Funds
June 30, 2009

	Parking Deck Bond Redemption Taxable	Parking Deck Bond Redemption Non-Taxable	Total
ASSETS			
Assets			
Cash and cash equivalents (agrees to fund balance)	\$ -	\$ -	\$ -

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, 2009

	Parking Deck Bond Redemption Taxable	Parking Deck Bond Redemption Non-Taxable	Total
	<u> </u>	<u> </u>	<u> </u>
Revenues			
Local sources	\$ 212,670	\$ 470,054	\$ 682,724
Expenditures			
Debt service			
Principal	140,000	60,000	200,000
Interest and fiscal charges	72,670	410,054	482,724
Total expenditures	212,670	470,054	682,724
Net change in fund balances	-	-	-
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	\$ -	\$ -	\$ -

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, 2009

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Local sources	\$ 212,700	\$ 212,670	\$ (30)
Expenditures			
Debt service			
Principal	140,000	140,000	-
Interest and fiscal charges	72,700	72,670	30
Total expenditures	212,700	212,670	30
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
Parking Deck Bond Redemption Non-Taxable Debt Service Fund
For the Year Ended June 30, 2009

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Local sources	\$ 469,750	\$ 470,054	\$ 304
Expenditures			
Debt service			
Principal	60,000	60,000	-
Interest and fiscal charges	409,750	410,054	(304)
Total expenditures	<u>469,750</u>	<u>470,054</u>	<u>(304)</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
Combining Balance Sheet
Nonmajor Capital Projects Funds
June 30, 2009

	Recaptured Grant Revolving Loan	Parking Deck Bond Construction Taxable	Parking Bond Construction Non-taxable
ASSETS			
Assets			
Cash and cash equivalents	\$ 165,795	\$ -	\$ 63
Investments	-	106,495	965,555
Receivables			
Taxes	-	-	-
Special assessments	-	-	-
Total assets	\$ 165,795	\$ 106,495	\$ 965,618
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$ -	\$ -	\$ -
Advance from component unit	-	-	-
Deferred revenue	-	-	-
Total liabilities	-	-	-
Fund balances			
Reserved for capital projects	165,795	106,495	965,618
Designated for capital projects	-	-	-
Total fund balances	165,795	106,495	965,618
Total liabilities and fund balances	\$ 165,795	\$ 106,495	\$ 965,618

<u>Special Assessments</u>	<u>Total</u>
\$ 1,558,766	\$ 1,724,624
4,847	1,076,897
3,702	3,702
<u>147,209</u>	<u>147,209</u>
<u>\$ 1,714,524</u>	<u>\$ 2,952,432</u>

\$ 450	\$ 450
47,269	47,269
<u>99,268</u>	<u>99,268</u>
146,987	146,987
-	1,237,908
<u>1,567,537</u>	<u>1,567,537</u>
<u>1,567,537</u>	<u>2,805,445</u>
<u>\$ 1,714,524</u>	<u>\$ 2,952,432</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, 2009

	Recaptured Grant Revolving Loan	Parking Deck Bond Construction Taxable	Parking Deck Bond Construction Non-Taxable
Revenues			
Special assessments	\$ -	\$ -	\$ -
Interest income	1,339	1,015	8,856
Total revenues	1,339	1,015	8,856
Expenditures			
Capital outlay	-	-	-
Net change in fund balances	1,339	1,015	8,856
Fund balances, beginning of year	164,456	105,480	956,762
Fund balances, end of year	\$ 165,795	\$ 106,495	\$ 965,618

Special Assessments	Total
\$ 39,485	\$ 39,485
<u>20,052</u>	<u>31,262</u>
59,537	70,747
 86,823	 86,823
<u>(27,286)</u>	<u>(16,076)</u>
 1,594,823	 2,821,521
<u>\$ 1,567,537</u>	<u>\$ 2,805,445</u>

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget (GAAP Basis) and Actual
Recaptured Grant Revolving Loan Capital Projects Fund
For the Year Ended June 30, 2009

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenue			
Interest income	\$ 6,000	\$ 1,339	\$ (4,661)
Net change in fund balance	6,000	1,339	(4,661)
Fund balance, beginning of year	164,456	164,456	-
Fund balance, end of year	<u>\$ 170,456</u>	<u>\$ 165,795</u>	<u>\$ (4,661)</u>

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, 2009

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenue			
Interest income	\$ 2,000	\$ 1,015	\$ (985)
Expenditures			
Capital outlay	<u>108,000</u>	<u>-</u>	<u>108,000</u>
Net change in fund balance	(106,000)	1,015	107,015
Fund balance, beginning of year	<u>105,480</u>	<u>105,480</u>	<u>-</u>
Fund balance (deficit) , end of year	<u>\$ (520)</u>	<u>\$ 106,495</u>	<u>\$ 107,015</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, 2009

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Interest income	\$ 15,000	\$ 8,856	\$ (6,144)
Expenditures			
Capital outlay	889,000	-	889,000
Net change in fund balance	(874,000)	8,856	882,856
Fund balance, beginning of year	956,762	956,762	-
Fund balance, end of year	<u>\$ 82,762</u>	<u>\$ 965,618</u>	<u>\$ 882,856</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, 2009

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Special assessments	\$ 40,000	\$ 39,485	\$ (515)
Interest income	40,000	20,052	(19,948)
Total revenues	80,000	59,537	(20,463)
Expenditures			
Capital outlay	100,000	86,823	13,177
Net change in fund balances	(20,000)	(27,286)	(7,286)
Fund balance, beginning of year	1,594,823	1,594,823	-
Fund balance, end of year	<u>\$ 1,574,823</u>	<u>\$ 1,567,537</u>	<u>\$ (7,286)</u>

CITY OF TRAVERSE CITY, MICHIGAN
Combining Balance Sheet
Agency Funds
June 30, 2009

	<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	\$ 17,484	\$ 139,403	\$ 3,005,464	\$ 1,399,276	\$ 4,561,627
Receivables					
Accounts	-	2,513	-	-	2,513
Taxes	88,498	-	-	-	88,498
Accrued interest			159	-	159
Total assets	<u>\$ 105,982</u>	<u>\$ 141,916</u>	<u>\$ 3,005,623</u>	<u>\$ 1,399,276</u>	<u>\$ 4,652,797</u>
Liabilities					
Accrued and other liabilities	\$ -	\$ 141,916	\$ 3,005,623	\$ 1,399,276	\$ 4,546,815
Due to other governmental units	105,982	-	-	-	105,982
Total liabilities	<u>\$ 105,982</u>	<u>\$ 141,916</u>	<u>\$ 3,005,623</u>	<u>\$ 1,399,276</u>	<u>\$ 4,652,797</u>

CITY OF TRAVERSE CITY, MICHIGAN
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2009

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
TAX COLLECTION				
Assets				
Cash and cash equivalents	\$ 88,028	\$ 24,745,856	\$ 24,816,400	\$ 17,484
Taxes receivable	49,582	25,131,264	25,092,348	88,498
Total assets	\$ 137,610	\$ 49,877,120	\$ 49,908,748	\$ 105,982
Liabilities				
Due to other governmental units	\$ 137,610	\$ 49,877,120	\$ 49,908,748	\$ 105,982
IMPREST PAYROLL				
Assets				
Cash and cash equivalents	\$ 295,856	\$ 11,652,023	\$ 11,808,476	\$ 139,403
Accounts receivable	29,478	609,552	636,517	2,513
Total assets	\$ 325,334	\$ 12,261,575	\$ 12,444,993	\$ 141,916
Liabilities				
Accrued and other liabilities	\$ 325,334	\$ 11,867,416	\$ 12,050,834	\$ 141,916
ACT 345 RETIREE HEALTH INSURANCE				
Assets				
Cash and cash equivalents	\$ 664,972	\$ 2,340,492	\$ -	\$ 3,005,464
Investments	2,000,000	-	2,000,000	-
Accrued interest	4,628	56,092	60,561	159
Total assets	\$ 2,669,600	\$ 2,396,584	\$ 2,060,561	\$ 3,005,623
Liabilities				
Accrued and other liabilities	\$ 2,669,600	\$ 1,396,584	\$ 1,060,561	\$ 3,005,623
RETIREE HEALTH INSURANCE				
Assets				
Cash and cash equivalents	\$ 304,287	\$ 1,162,767	\$ 67,778	\$ 1,399,276
Investments	1,024,450	-	1,024,450	-
Total assets	\$ 1,328,737	\$ 1,162,767	\$ 1,092,228	\$ 1,399,276
Liabilities				
Accrued and other liabilities	\$ 1,328,737	\$ 1,162,767	\$ 1,092,228	\$ 1,399,276

CITY OF TRAVERSE CITY, MICHIGAN
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2009

	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2009</u>
TOTAL - ALL AGENCY FUNDS				
Assets				
Cash and cash equivalents	\$ 1,353,143	\$ 39,901,138	\$ 36,692,654	\$ 4,561,627
Investments	3,024,450	-	3,024,450	-
Receivables				
Accounts	29,478	609,552	636,517	2,513
Taxes	49,582	25,131,264	25,092,348	88,498
Accrued interest	4,628	56,092	60,561	159
Total assets	<u>\$ 4,461,281</u>	<u>\$ 65,698,046</u>	<u>\$ 65,506,530</u>	<u>\$ 4,652,797</u>
Liabilities				
Accrued and other liabilities	\$ 4,323,671	\$ 14,426,767	\$ 14,203,623	\$ 4,546,815
Due to other governmental units	137,610	49,877,120	49,908,748	105,982
Total liabilities	<u>\$ 4,461,281</u>	<u>\$ 64,303,887</u>	<u>\$ 64,112,371</u>	<u>\$ 4,652,797</u>

CITY OF TRAVERSE CITY, MICHIGAN
Combining Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2009

	ACT 345 Retirement Pension Trust Fund	Retiree Health Insurance Trust	Total
Assets			
Cash and cash equivalents	\$ 4,239,369	\$ -	\$ 4,239,369
Investments, at fair value			
U.S. Government Agencies bonds and notes	1,106,335	-	1,106,335
U.S. Government Agencies passthroughs	1,622,388	-	1,622,388
U.S. Government CMOS/REMICS	257,010	-	257,010
Other U.S. Government Agencies	277,939	-	277,939
Common stock	1,744,516	-	1,744,516
Foreign bonds	148,537	-	148,537
Mutual funds	2,300,848	-	2,300,848
Common /collective funds	3,898,409	-	3,898,409
Corporate asset backed securities	146,398	-	146,398
Corporate bonds	1,267,991	-	1,267,991
ADR/GDR Stock	208,762	-	208,762
MERS total market fund	-	204,651	204,651
Receivables			
Accrued interest	50,593	-	50,593
Total assets	17,269,095	204,651	17,473,746
Liabilities			
Accrued and other liabilities	1,117	-	1,117
Net Assets			
Held in trust for pension benefits and other purposes	\$ 17,472,629	\$ 204,651	\$ 17,677,280

CITY OF TRAVERSE CITY, MICHIGAN
Combining Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2009

	ACT 345 Retirement System	Retiree Health Insurance Trust	Total
Additions			
Contributions			
City contributions	\$ 924,911	\$ 234,310	\$ 1,159,221
Investment earnings			
Interest income	352,033	-	352,033
Dividend income	111,858	-	111,858
Net depreciation in fair value of investments	(5,980,882)	(28,911)	(6,009,793)
Net investment earnings	(5,516,991)	(28,911)	(5,545,902)
Total additions	(4,592,080)	205,399	(4,386,681)
Deductions			
Pension benefits paid	1,455,257	-	1,455,257
Health insurance premiums paid	354,345	-	354,345
Administrative expense	109,670	748	110,418
Investment advisor fees	30,075	-	30,075
Total deductions	1,949,347	748	
Net decrease in plan assets attributable to pension plan	(6,074,070)		
Net decrease in plan assets attributable to health insurance	(467,357)	204,651	(6,336,776)
Net assets held in trust, beginning of year	23,809,405	-	23,809,405
Net assets held in trust, end of year, attributable to pension plan	17,061,955		
Net assets held in trust, end of year, attributable to health insurance	206,023	\$ 17,267,978	\$ 17,472,629



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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

December 14, 2009

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

We have audited the 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, 2009, and have issued our report thereon dated December 14, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the City Commission, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Vredeveld Haefner LLC

CITY OF TRAVERSE CITY, MICHIGAN
General Governmental Revenues by Source
General Fund
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
2000	\$ 6,031,092	\$ 187,962	\$ -	\$ 1,826,991	\$ 20,206	\$ 378,360	\$ 72,244	\$ 244,973	\$ 1,634,569	\$ 498,140	\$ 10,894,537
2001	6,235,342	143,359	-	1,780,751	19,667	450,204	104,741	234,915	1,810,342	583,702	11,363,023
2002	6,545,558	170,298	-	1,650,255	19,732	387,573	81,269	234,686	1,613,030	401,831	11,104,232
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

CITY OF TRAVERSE CITY, MICHIGAN
General Governmental Expenditures by Function
General Fund
Last ten fiscal years

Fiscal years ending June 30,	General government	Public safety	Highways and street	Parks and recreation	Other	Transfer out	Total expenditures
2000	\$ 1,364,723	\$ 4,488,687	\$ 280,907	\$ 1,147,677	\$ 1,342,893	\$ 2,111,370	\$ 10,736,257
2001	1,434,684	4,725,452	348,424	1,200,482	1,488,486	1,733,387	10,930,915
2002	1,478,199	4,691,610	437,952	1,246,748	1,582,933	1,528,480	10,965,922
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

CITY OF TRAVERSE CITY, MICHIGAN
Debt Service Requirements to Maturity

Fiscal years ending June 30,	Parking deck non-taxable refunding bond		Parking deck non-taxable		Parking deck taxable		Sewage disposal		Water plant		Primary government
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total principal and interest
2010	\$ 30,000	\$ 402,931	\$ 30,000	\$ 3,952	\$ 140,000	\$ 64,300	\$ 1,033,234	\$ 671,659	\$ 225,000	\$ 55,500	\$ 2,656,576
2011	35,000	401,731	55,000	2,558	120,000	55,900	1,077,815	633,873	225,000	42,000	2,648,877
2012	125,000	400,331	-	-	120,000	48,700	1,134,938	592,851	225,000	28,500	2,675,320
2013	160,000	395,331	-	-	125,000	41,500	1,198,702	548,101	250,000	15,000	2,733,634
2014	205,000	388,932	-	-	125,000	33,750	1,148,121	499,750	-	-	2,400,553
2015	250,000	380,732	-	-	125,000	25,875	1,216,751	452,092	-	-	2,450,450
2016	295,000	370,731	-	-	135,000	17,875	1,044,326	400,456	-	-	2,263,388
2017	345,000	354,506	-	-	140,000	9,100	1,087,243	353,984	-	-	2,289,833
2018	540,000	335,531	-	-	-	-	1,144,467	304,514	-	-	2,324,512
2019	590,000	313,931	-	-	-	-	1,201,690	251,296	-	-	2,356,917
2020	645,000	290,332	-	-	-	-	1,258,913	194,216	-	-	2,388,461
2021	705,000	264,531	-	-	-	-	1,316,137	133,159	-	-	2,418,827
2022	770,000	236,331	-	-	-	-	1,373,361	68,668	-	-	2,448,360
2023	845,000	205,532	-	-	-	-	-	-	-	-	1,050,532
2024	860,000	171,731	-	-	-	-	-	-	-	-	1,031,731
2025	850,000	137,331	-	-	-	-	-	-	-	-	987,331
2026	845,000	103,332	-	-	-	-	-	-	-	-	948,332
2027	835,000	68,475	-	-	-	-	-	-	-	-	903,475
2028	825,000	34,031	-	-	-	-	-	-	-	-	859,031
Total	\$ 9,755,000	\$ 5,256,313	\$ 85,000	\$ 6,510	\$ 1,030,000	\$ 297,000	\$ 15,235,698	\$ 5,104,619	\$ 925,000	\$ 141,000	\$ 37,836,140

CITY OF TRAVERSE CITY, MICHIGAN
Revenue Bond Coverage

1992 Water Bonds (Serviced by Water Department) Fiscal years ending June 30,	Gross revenue	Expenses	Net revenue available for debt services	Debt service requirements principal	Interest	Total	Coverage
1995	\$ 1,641,861	\$ 1,631,327	\$ 10,534	\$ 105,000	\$ 177,050	\$ 282,050	3.73%
1996	1,678,746	1,475,181	203,565	105,000	175,650	280,650	0.73
1997	1,661,507	1,505,289	156,218	110,000	167,183	277,183	0.56
1998	1,938,966	1,512,270	426,696	125,000	79,691	204,691	2.08
1999	1,958,236	1,635,196	323,040	125,000	62,678	187,678	1.72
2000	1,949,146	1,622,419	326,727	125,000	144,851	269,851	1.21
2001	1,951,446	1,649,062	302,384	125,000	138,413	263,413	1.15
2002	2,210,939	1,741,640	469,299	125,000	131,788	256,788	1.83
2003	2,208,221	1,909,535	298,686	150,000	117,975	267,975	1.11
2004	2,078,220	1,946,220	132,000	150,000	109,350	259,350	0.51
2005	2,568,619	1,995,093	573,526	175,000	100,500	275,500	2.08
2006	2,201,009	2,044,727	156,282	175,000	100,500	275,500	0.57
2007	2,314,611	2,186,384	128,227	175,000	90,000	265,000	0.48
2008	2,469,838	2,163,067	306,771	200,000	79,500	279,500	1.10
2009	2,317,207	2,318,740	(1,533)	200,000	67,500	267,500	(0.01)

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
1999 - Homestead	13.7575	6.5991	3.1000	2.7344	2.4245	6.0000	1.3430	0.1774	-	36.1359
1999 - Non-Homestead	13.7575	6.5991	21.1000	2.7344	2.4245	6.0000	1.3430	0.1774	-	54.1359
2000 - Homestead	13.7575	6.4867	3.1000	3.0459	3.1832	6.0000	1.1760	0.1740	-	36.9233
2000 - Non-Homestead	13.7575	6.4867	21.1000	3.0459	3.1832	6.0000	1.1760	0.1740	-	54.9233
2001 - Homestead	13.6199	6.3932	3.1000	3.0302	3.1487	6.0000	1.2500	0.1713	-	36.7133
2001 - Non-Homestead	13.6199	6.3932	21.1000	3.0302	3.1487	6.0000	1.2500	0.1713	-	54.7133
2002 - Homestead	13.5447	6.3022	3.1000	3.0149	3.1152	6.0000	1.2691	0.1683	-	36.5144
2002 - Non-Homestead	13.5447	6.3022	21.1000	3.0149	3.1152	6.0000	1.2691	0.1683	-	54.5144
2003 - Homestead	13.3943	6.1772	3.1000	2.9929	3.0693	6.0000	1.2290	0.3500	-	36.3127
2003 - Non-Homestead	13.3943	6.1772	21.1000	2.9929	3.0693	6.0000	1.2290	0.3500	-	54.3127
2004 - Homestead	13.2295	6.0770	3.1000	2.9732	2.8324	6.0000	1.1957	0.3428	0.3700	36.1206
2004 - Non-Homestead	13.2295	6.0770	21.1000	2.9732	2.8324	6.0000	1.1957	0.3428	0.3700	54.1206
2005 - Homestead	13.2295	6.2495	3.1000	2.9589	2.9427	6.0000	1.1590	0.3380	0.3700	36.3476
2005 - Non-Homestead	13.2295	6.2495	21.1000	2.9589	2.9427	6.0000	1.1590	0.3380	0.3700	54.3476
2006 - Homestead	13.1765	6.1681	3.1000	2.9421	2.9138	6.0000	1.1029	0.3317	0.3594	36.0945
2006 - Non-Homestead	13.1765	6.1681	21.1000	2.9421	2.9138	6.0000	1.1029	0.3317	0.3594	54.0945
2007 - Homestead	13.1765	6.1291	3.1000	2.9334	2.8700	6.0000	1.1378	0.3283	0.3594	36.0345
2007 - Non-Homestead	13.1765	6.1291	21.1000	2.9334	2.8700	6.0000	1.1378	0.3283	0.3594	54.0345
2008 - Homestead	13.1765	6.1291	3.1000	2.9312	2.8700	6.0000	1.0998	0.3272	0.3594	35.9932
2008 - Non-Homestead	13.1765	6.1291	21.1000	2.9312	2.8700	6.0000	1.0998	0.3272	0.3594	53.9932

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
2000	\$ 6,388,413	\$ 6,038,108	94.5%
2001	6,479,826	6,178,793	95.4
2002	6,816,556	6,482,462	95.1
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	9,154,187	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, 2005	June 30, 2006	June 30, 2007	June 30, 2008	June 30, 2009
Commercial	\$ 226,228,370	\$ 239,594,691	\$ 254,225,769	\$ 263,673,053	\$ 282,294,617
Industrial	50,429,585	52,865,566	51,851,195	54,289,034	54,172,374
Residential	306,630,103	329,313,077	363,716,040	390,465,688	405,772,669
Utility	7,722,630	5,751,900	5,555,610	5,453,399	4,871,300
Total	\$ 591,010,688	\$ 627,525,234	\$ 675,348,614	\$ 713,881,174	\$ 747,110,960
Class					
Real Property	\$ 519,195,938	\$ 555,026,754	\$ 605,004,194	\$ 645,222,855	\$ 678,904,820
Personal Property	71,814,750	72,498,480	70,344,420	68,658,319	68,206,140
Total	\$ 591,010,688	\$ 627,525,234	\$ 675,348,614	\$ 713,881,174	\$ 747,110,960
DDA					
Use	June 30, 2005	June 30, 2006	June 30, 2007	June 30, 2007	June 30, 2008
Commercial	\$ 70,565,266	\$ 75,170,443	\$ 81,421,062	\$ 86,238,118	\$ 90,749,129
Industrial	33,852	34,310	34,310	34,310	39,100
Residential	5,992,485	8,937,820	11,127,571	12,155,603	12,778,774
Utility	248,320	207,680	202,590	200,260	168,800
Total	\$ 76,839,923	\$ 84,350,253	\$ 92,785,533	\$ 98,628,291	\$ 103,735,803
Class					
Real Property	\$ 65,138,903	\$ 72,078,693	\$ 80,766,173	\$ 86,364,911	\$ 91,351,623
Personal Property	11,701,020	12,271,560	12,019,360	12,263,380	12,384,180
Total	\$ 76,839,923	\$ 84,350,253	\$ 92,785,533	\$ 98,628,291	\$ 103,735,803

CITY OF TRAVERSE CITY, MICHIGAN
Ten Largest Taxpayers
June 30, 2009

Taxpayer	Principal Product or Service	Taxable Value	Percent of Total (1)
Bay Park Development, LLC	Operators of nonresidential buildings	\$ 7,873,510	18.94%
TC Hotel LLC	Holiday Inn	5,492,146	13.21%
Harbour View Centre Condo	Commercial property	4,736,049	11.39%
Tom's Food Market	Grocery store	4,560,055	10.97%
East Bay Plaza LLC	Commercial property	4,091,340	9.84%
Radio Centre of TC, Inc	Office	3,773,182	9.08%
USA Bayshore Properties	Bayshore resort	3,331,325	8.01%
Paulos Land Co	Mobile offices/commercial units-renting	2,790,657	6.71%
Bayview Professional Centre LLC	Office	2,508,870	6.05%
310 West Front St LLC	Mixed use condominium	2,406,512	5.80%

(1) Based on \$747,110,960 which is the City's Taxable Value for its fiscal year ended June 30, 2009.

CITY OF TRAVERSE CITY, MICHIGAN
Legal Debt Margin
June 30, 2009

Debt limit (1)		\$	103,061,540
Debt outstanding	71,320,935		
Less: Exempt debt (2)	<u>52,450,935</u>		<u>18,870,000</u>
Legal debt margin		\$	<u><u>84,191,540</u></u>

(1) 10% of \$1,030,615,400 which is the City's SEV for the fiscal year ending June 30, 2010.

(2) Consists of revenue bonds.

CITY OF TRAVERSE CITY
Debt Statement
June 30, 2009

City Direct Debt	Gross	Self Supporting	Net
Share of Grand Traverse County Issued Bonds:			
Dated December 1, 2003	\$ 1,052,287	\$ 1,052,287	\$ -
Dated July 1, 2002	13,819,464	13,819,464	-
Dated October 1, 1998	361,449	361,449	-
Subtotal	<u>15,233,200</u>	<u>15,233,200</u>	<u>-</u>
Share of Michigan Public Power Agency			
Dated January 15, 2006	2,387,700	2,387,700	-
Dated May 1, 2002	2,918,300	2,918,300	-
Dated December 2, 2002	8,755,582	8,755,582	-
Dated January 10, 2002	22,231,153	22,231,153	-
Subtotal	<u>36,292,735</u>	<u>36,292,735</u>	<u>-</u>
Water Revenue Bonds			
Dated November 1, 1992	925,000	925,000	-
Downtown Development Bonds			
Dated November 4, 2009	8,000,000	8,000,000	-
Dated February 7, 2007	9,755,000	9,755,000	-
Dated April 1, 2002B (Taxable)	1,030,000	1,030,000	-
Dated April 1, 2002A (Nontaxable)	85,000	85,000	-
Subtotal	<u>18,870,000</u>	<u>18,870,000</u>	<u>-</u>
Total	<u><u>\$ 71,320,935</u></u>	<u><u>\$ 71,320,935</u></u>	<u><u>\$ -</u></u>
Overlapping Debt	Gross	City Share as Percent of Gross	Net
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><u>\$ 166,885,000</u></u>		<u><u>\$ 27,543,915</u></u>