

# CITY OF TRAVERSE CITY, MICHIGAN



## FINANCIAL STATEMENTS

**For the Fiscal Year Ended  
June 30, 2010**

**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, 2010

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### Elected Officials

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

Christopher Bzdok  
Ralph Soffredine  
Mike Gillman  
Mary Ann Moore  
James Carruthers  
Jody Bergman  
Barbara Budros

### Appointed Officials

Manager  
Clerk  
Attorney  
Treasurer

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

**INDEPENDENT AUDITORS' REPORT**

December 30, 2010

The Honorable Mayor and  
Members of the City Commission  
City of Traverse City  
Grand Traverse County, 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, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2010 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 3-12, the pension and other postemployment benefits schedules of funding progress and employer's contributions on pages 68-71 and the budgetary comparison schedules on pages 72-75 are not required parts of the basic financial statements but are supplementary information required by accounting principles 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 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 fund financial statements and schedules, and the statistical tables listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, and is also not a required part of the basic financial statements of the City. The combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards 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 tables have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly we express no opinion on them.

A handwritten signature in black ink that reads "Lehmann Johnson". The signature is written in a cursive, flowing style.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## 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, 2010.

### Financial Highlights

- The assets of the City (primary government) exceeded its liabilities at the close of the most recent fiscal year by \$92,544,537 (*net assets*). Of this amount, \$13,853,500 (*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 \$3,797,851.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$25,879,980, an increase of \$932,838 in comparison with the prior year.
- At the end of the current fiscal year unreserved and undesignated fund balance for the General Fund was \$3,985,942 or 30 percent of total General Fund expenditures and transfers out.
- The City's total long-term debt had a net increase of \$5,815,123. This increase includes \$8,000,000 of new debt for the Old Town Parking Deck and after payments on current debt made during the current fiscal year.

### Overview of the Financial Statements

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

### Government-wide Financial Statements

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

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

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

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of the costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, 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-three 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, Old Town Parking Deck Construction and Brown Bridge Trust Funds, each of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

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

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

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

## **Notes to the Financial Statements**

The notes provide additional information that is essential to 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 \$92,544,537 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets, \$63,301,812 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*, \$13,853,500 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, \$15,389,225 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 \$3,797,851.

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

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

	<b>2010</b>			<b>2009</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Current and other assets	\$ 30,344,870	\$ 3,269,205	\$33,614,075	\$28,091,431	\$ 3,317,277	\$ 31,408,708
Capital assets	<u>43,615,600</u>	<u>51,344,563</u>	<u>94,960,163</u>	<u>35,220,462</u>	<u>51,452,893</u>	<u>86,673,355</u>
Total assets	<u>73,960,470</u>	<u>54,613,768</u>	<u>128,574,238</u>	<u>63,311,893</u>	<u>54,770,170</u>	<u>118,082,063</u>
Long-term liabilities outstanding	18,191,319	14,959,369	33,150,688	11,091,724	16,205,777	27,297,501
Other liabilities	<u>1,955,955</u>	<u>923,058</u>	<u>2,879,013</u>	<u>1,023,396</u>	<u>1,014,480</u>	<u>2,037,876</u>
Total liabilities	<u>20,147,274</u>	<u>15,882,427</u>	<u>36,029,701</u>	<u>12,115,120</u>	<u>17,220,257</u>	<u>29,335,377</u>
Net assets						
Invested in capital assets, net of related debt	26,859,712	36,442,100	63,301,812	25,087,372	35,292,196	60,379,568
Restricted assets	15,318,056	71,169	15,389,225	14,802,485	75,051	14,877,536
Unrestricted	<u>11,635,428</u>	<u>2,218,072</u>	<u>13,853,500</u>	<u>11,306,916</u>	<u>2,182,666</u>	<u>13,489,582</u>
<b>Total net assets</b>	<b><u>\$ 53,813,196</u></b>	<b><u>\$38,731,341</u></b>	<b><u>\$ 92,544,537</u></b>	<b><u>\$51,196,773</u></b>	<b><u>\$37,549,913</u></b>	<b><u>\$ 88,746,686</u></b>

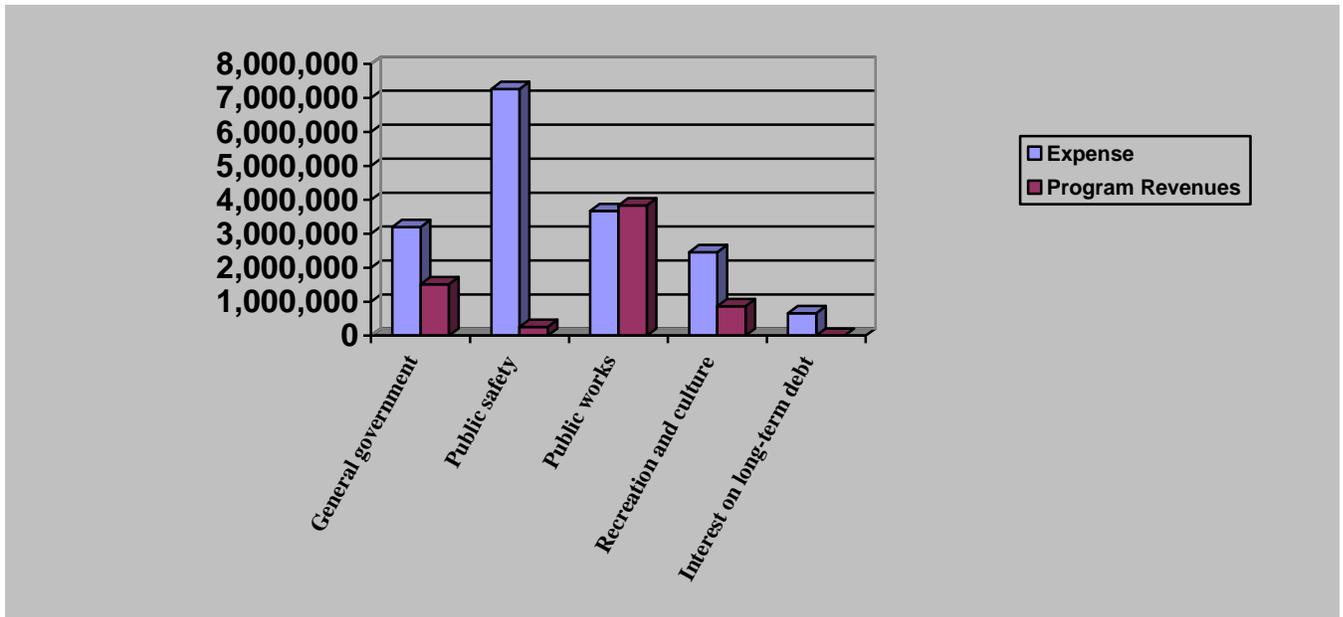
**City of Traverse City's Changes in Net Assets  
Table II**

	2010			2009		
	Governmental Activities	Business type Activities	Total	Governmental Activities	Business-type Activities	Total
Program revenue						
Charges for services	\$ 3,165,614	\$ 9,505,408	\$12,671,022	\$ 2,160,780	\$ 9,310,850	\$ 11,471,630
Operating grants and contributions	2,104,240	620,822	2,725,062	2,399,915	365,979	2,765,894
Capital grants and contributions	1,198,080	-	1,198,080	2,017,997	-	2,017,997
General revenue						
Property taxes	10,685,624	-	10,685,624	10,422,192	-	10,422,192
Grants and contributions not restricted to specific programs	1,160,859	-	1,160,859	1,299,611	-	1,299,611
Franchise revenue	199,803	-	199,803	197,140	-	197,140
Other	<u>887,852</u>	<u>29,300</u>	<u>917,152</u>	<u>1,005,251</u>	<u>53,688</u>	<u>1,058,939</u>
Total revenue	<u>19,402,072</u>	<u>10,155,530</u>	<u>29,557,602</u>	<u>19,502,886</u>	<u>9,730,517</u>	<u>29,233,403</u>
Expenses						
General government	3,200,161	-	3,200,161	3,333,325	-	3,333,325
Public safety	7,267,646	-	7,267,646	7,267,935	-	7,267,935
Public works	3,672,344	-	3,672,344	4,466,831	-	4,466,831
Recreation and culture	2,459,377	-	2,459,377	2,630,434	-	2,630,434
Interest and fiscal charges	657,348	-	657,348	519,575	-	519,575
Wastewater	-	4,685,653	4,685,653	-	4,721,405	4,721,405
Water	-	2,220,852	2,220,852	-	2,206,773	2,206,773
Marina	-	562,578	562,578	-	526,556	526,556
Auto Parking	-	<u>1,036,972</u>	<u>1,036,972</u>	-	<u>1,189,094</u>	<u>1,189,094</u>
Total expenses	<u>17,256,876</u>	<u>8,506,055</u>	<u>25,762,931</u>	<u>18,218,100</u>	<u>8,643,828</u>	<u>26,861,928</u>
Increase in net assets before transfers & contribution to endowment	2,145,196	1,649,475	3,794,671	1,284,786	1,086,689	2,371,475
Transfers	468,047	(468,047)	-	418,051	(418,051)	-
Contribution to endowment	<u>3,180</u>	<u>-</u>	<u>3,180</u>	<u>4,220</u>	<u>-</u>	<u>4,220</u>
Increase in net assets	2,616,423	1,181,428	3,797,851	1,707,057	668,638	2,375,695
Net assets – beginning of year	<u>51,196,773</u>	<u>37,549,913</u>	<u>88,746,686</u>	<u>49,489,716</u>	<u>36,881,275</u>	<u>86,370,991</u>
<b>Net assets – end of year</b>	<b><u>\$ 53,813,196</u></b>	<b><u>\$38,731,341</u></b>	<b><u>\$92,544,537</u></b>	<b><u>\$51,196,773</u></b>	<b><u>\$37,549,913</u></b>	<b><u>\$ 88,746,686</u></b>

**Governmental activities.** Governmental activities increased the City's net assets by \$2,616,423, accounting for about 69 percent of the growth in the net assets of the City. Key highlights are as follows:

- Transfer in from TIF 2 Funds of approximately \$950,000 to cover principal and interest payments on the Old Town Parking Deck.
- Reduction in Public Works depreciation expense due to over depreciated assets and assets nearing end of useful life.

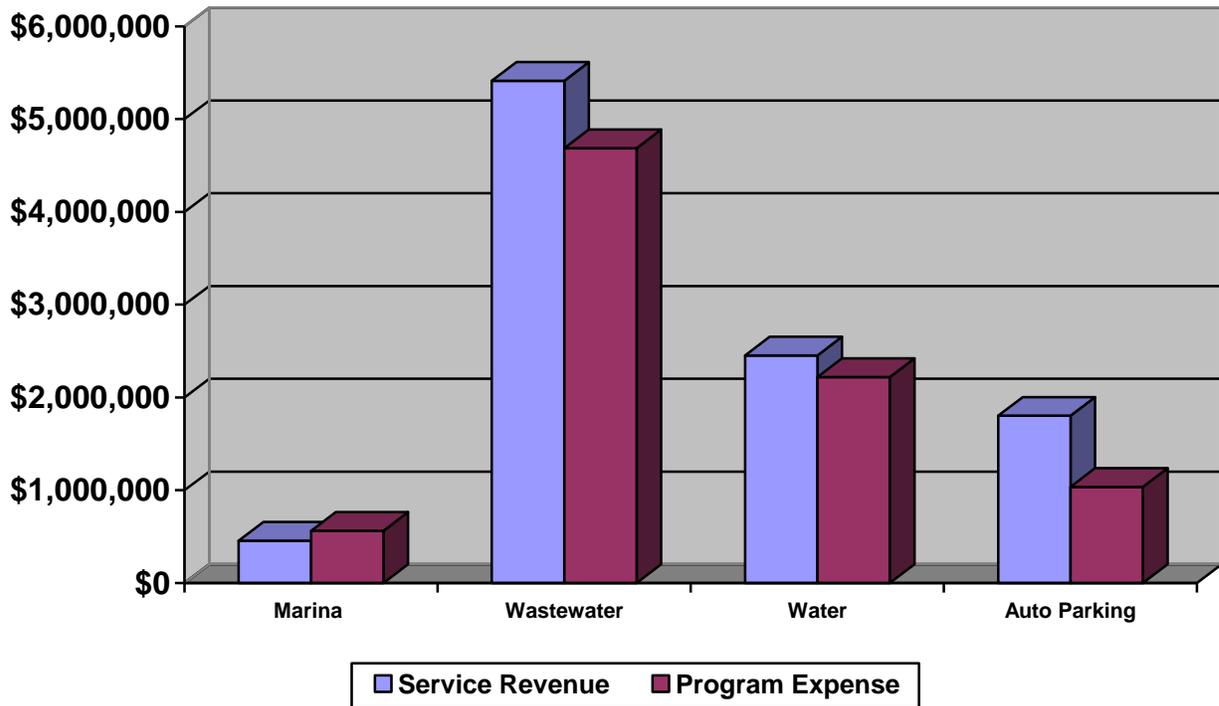
## Expenses and Program Revenues – Governmental Activities



**Business-type activities** increased the City's net assets by \$1,181,428 accounting for 31 percent of the growth in the government's net assets for the current year. Key highlights of activities in the funds are as follows:

- Charges for services in the Wastewater and Water Fund decreased approximately \$3,000 because of lower consumption by customers.
- Approximately \$360,000 was received from a Community Development Block Grant for professional services relating to the construction of the Old Town Parking Deck.

## 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 \$25,879,980, an increase of \$932,838 in comparison with the prior year. \$5,613,634 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 \$3,985,942. 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 30 percent of total General Fund expenditures including transfers out.

The fund balance of the City's General Fund increased by \$246,655 during the current fiscal year. This is primarily attributed to the decrease in expenditures in the approximate amount of \$798,000 being greater than the decrease in overall property tax revenue in the approximate amount of \$583,000.

The Major Street Fund has a total fund balance of \$202,285 which decreased by \$8,571 during the year. Original and amended budget estimates anticipated a reduction of \$11,000 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 decreased by \$232,238 during the current fiscal year. Original budget estimates anticipated a reduction of \$221,500 to fund balance.

The Old Town Parking Deck Construction fund balance increased by \$559,570 during the current fiscal year. Original budget estimates anticipated a fund balance for the current year of \$0.

The Brown Bridge Trust Fund increased by \$458,882 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 \$2,264,909, with investment in capital assets net of related debt of \$36,442,100. For the current year, the Wastewater Fund had an increase in net assets of \$471,792, the Water Fund had an increase in net assets for the year of \$128,840, the Marina Fund had a decrease in net assets of \$124,044, and the Auto Parking System had an increase in net assets of \$712,913.

### **General Fund Budgetary Highlights**

During the year, General Fund revenues were under budgetary estimates by \$284,427 because expected State sources and reimbursements were less than anticipated. In addition, actual expenditures were under budgeted amounts by \$832,808. As a result, the fund balance increased by \$246,655, against the budgeted loss estimate of \$325,000.

### **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, 2010, amounted to \$94,960,163 (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 of the Old Town Parking Deck construction totaled approximately \$6,996,000.
- Construction in progress for improvements to Eighth Street from Woodmere to Garfield for approximately \$481,000.
- Completion of improvements to the Wadsworth Culvert totaled approximately \$222,000.
- Construction in progress for improvements to Oak Street from Seventh Street to Front Street for approximately \$140,000.
- Completion of improvements to Wadsworth Street from Sixth Street to Eighth Street totaled approximately \$121,000.
- Completion of annual sidewalk replacement totaled approximately \$115,000.
- Construction in progress for improvements to Maple Street from Sixth Street to Front Street for approximately \$100,000.

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

	2010			2009		
	Governmental Activities	Business type Activities	Total	Governmental Activities	Business-type Activities	Total
Land	\$ 11,466,376	\$ 586,914	\$12,053,290	\$11,491,126	\$ 586,914	\$12,078,040
Land improvement	3,506,142	8,427,432	11,933,574	3,631,486	8,431,562	12,063,048
Buildings and systems	8,216,260	24,760,854	32,977,114	8,031,231	25,401,427	33,432,658
Construction in progress	8,710,760	1,255,660	9,966,420	931,932	541,012	1,472,944
Equipment	5,164,363	6,905,910	12,070,273	5,134,306	6,724,937	11,859,243
Infrastructure and other improvements	6,551,699	9,407,793	15,959,492	6,000,381	9,767,041	15,767,422
<b>TOTAL</b>	<b>\$ 43,615,600</b>	<b>\$51,344,563</b>	<b>\$94,960,163</b>	<b>\$35,220,462</b>	<b>\$51,452,893</b>	<b>\$86,673,355</b>

**Long-term debt.** At the end of the current fiscal year, the City had total bonded debt and capital lease payables of \$32,394,812. Of this amount, \$17,393,370 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**

	2010			2009		
	Governmental Activities	Business type Activities	Total	Governmental Activities	Business-type Activities	Total
General obligation bonds – Parking decks	\$ 17,492,348	\$ -	\$17,492,348	\$10,418,991	\$ -	\$ 10,418,991
Capital lease payable – Wastewater Treatment Plant	-	14,202,464	14,202,464	-	15,235,698	15,235,698
Revenue bonds – Water Plant	-	700,000	700,000	-	925,000	925,000
<b>TOTAL</b>	<b>\$ 17,492,348</b>	<b>\$14,902,464</b>	<b>\$32,394,812</b>	<b>\$10,418,991</b>	<b>\$16,160,698</b>	<b>\$ 26,579,689</b>

- The City's total debt overall increased by \$5,815,123. This increase includes \$8,000,000 of new debt for the Old Town Parking Deck and 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 2010-11 fiscal year:

- The fiscal year 2009/10 General Fund revenue has been impacted by the economic decline to a greater degree than anticipated one year ago. State Sales and Use Tax sharing (Revenue Sharing) from the State is now projected to decline approximately \$225,000 from the original estimate. The intragovernmental City fee (the 5% fee charged to all enterprise funds and Light and Power) is expected to decline by approximately \$141,000 from the estimates one year ago. This is the result of reduced economic activity and customers consuming less water and electricity.
- The fiscal year 2010/11 General Fund budget includes an allocation of \$1,000,000 transfer to the Capital Improvement Projects Fund to continue the City Commissions priority on infrastructure spending, streets and sidewalks. If that expenditure was not included in the General Fund, the 2010/11 General Fund would be in surplus by \$624,615. With that expenditure in the General Fund, it is necessary to use \$375,385 of the existing fund balance; consistent with the intent to reduce the fund balance over two fiscal years. The effective result is that approximately \$375,000 of the excess fund balance will be dedicated to infrastructure spending in the 2010/11 fiscal year.
- The estimated Act 345 levy for the 2010/11 fiscal year is 1.74 mills. The actual levy necessary to support this obligation varies from year to year, generally following economic trends with higher numbers in years of economic decline and lower numbers in years of economic growth. The 1.74 mills noted above is near the top of the 20 year trend, meaning that lower levies may be necessary two or three years out. The fiscal year 2010/11 budget manages the \$207,500 shortfall as a short-term loan from the Industrial Development Fund with an expectation that the amount will be repaid in future years through a levy when lower levy amounts are required for then current obligations. This is a one-year aberration as the timing of actuarial projections has been adjusted.
- Total personnel costs including wages and benefits for the General Fund in FY 2009/10 budget are \$8,618,700. Total personnel costs in the FY 2010/11 budget are estimated at \$8,556,920, a reduction of \$61,780.

## **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.

## **BASIC FINANCIAL STATEMENTS**

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Statement of Net Assets**  
**June 30, 2010**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 11,149,360	\$ 2,261,075	\$ 13,410,435
Investments	16,299,463	508,814	16,808,277
Receivables, net	956,178	1,281,503	2,237,681
Due from primary government	-	-	-
Due from component unit	8,608	-	8,608
Internal balances	1,295,038	(1,295,038)	-
Inventories	274,234	157,062	431,296
Prepaid items and other assets	361,989	52,620	414,609
Restricted cash and cash equivalents	-	303,169	303,169
Advances to primary government	-	-	-
Capital assets not being depreciated	20,177,136	10,270,006	30,447,142
Capital assets being depreciated	23,438,464	41,074,557	64,513,021
<b>Total assets</b>	<b>73,960,470</b>	<b>54,613,768</b>	<b>128,574,238</b>
<b>Liabilities</b>			
Accounts payable and accrued expenses	1,875,650	323,058	2,198,708
Unearned revenue	44,934	-	44,934
Due to primary government	-	-	-
Advances from component units	35,371	600,000	635,371
Long-term liabilities			
Due within one year	1,273,068	1,309,910	2,582,978
Due in more than one year	16,918,251	13,649,459	30,567,710
<b>Total liabilities</b>	<b>20,147,274</b>	<b>15,882,427</b>	<b>36,029,701</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	26,859,712	36,442,100	63,301,812
Restricted for			
Debt service	-	71,169	71,169
Capital projects	1,063,552	-	1,063,552
Streets and highways	202,285	-	202,285
Budget stabilization	750,000	-	750,000
Expendable McCauley Estate trust	104,816	-	104,816
Tax increment finance districts	-	-	-
Nonexpendable brown bridge trust	12,540,921	-	12,540,921
Nonexpendable cemetery perpetual trust	656,482	-	656,482
Unrestricted	11,635,428	2,218,072	13,853,500
<b>Total net assets</b>	<b>\$ 53,813,196</b>	<b>\$ 38,731,341</b>	<b>\$ 92,544,537</b>

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

<b>Component Units</b>	
<b>Downtown Development Authority</b>	<b>Light and Power</b>
\$ 3,597,836	\$ 14,649,637
-	14,337,962
5,464,492	4,215,919
-	65,156
-	-
-	-
-	1,606,134
4,535	176,758
-	-
-	635,371
-	889,675
-	37,319,057
<b>9,066,863</b>	<b>73,895,669</b>
12,455	2,529,688
-	12,100
-	8,608
-	-
33,000	6,321
42,152	319,681
<b>87,607</b>	<b>2,876,398</b>
-	38,208,732
-	-
-	-
-	-
-	-
8,770,130	-
-	-
-	-
209,126	32,810,539
<b>\$ 8,979,256</b>	<b>\$ 71,019,271</b>

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

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Statement of Activities**  
**For the Year Ended June 30, 2010**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Net (Expense) Revenue</b>
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	
<b>Primary government</b>					
Governmental activities					
General government	\$ 3,200,161	\$ 947,373	\$ 569,058	\$ -	\$ (1,683,730)
Public safety	7,267,646	39,783	78,511	135,520	(7,013,832)
Public works	3,672,344	1,550,042	1,290,973	990,894	159,565
Culture and recreation	2,459,377	628,416	165,698	71,666	(1,593,597)
Interest and fiscal charges	657,348	-	-	-	(657,348)
Total governmental activities	<u>17,256,876</u>	<u>3,165,614</u>	<u>2,104,240</u>	<u>1,198,080</u>	<u>(10,788,942)</u>
Business-type activities					
Wastewater	4,685,658	5,413,002	-	-	727,344
Water	2,220,852	2,453,449	-	-	232,597
Marina	562,578	457,201	-	-	(105,377)
Automobile parking	1,036,972	1,181,756	620,822	-	765,606
Total business-type activities	<u>8,506,060</u>	<u>9,505,408</u>	<u>620,822</u>	<u>-</u>	<u>1,620,170</u>
<b>Total primary government</b>	<b><u>\$ 25,762,936</u></b>	<b><u>\$ 12,671,022</u></b>	<b><u>\$ 2,725,062</u></b>	<b><u>\$ 1,198,080</u></b>	<b><u>\$ 9,168,772</u></b>
<b>Component units</b>					
Downtown Development Authority	\$ 2,885,275	\$ 385,592	\$ -	\$ 3,453,997	\$ 954,314
Light and Power	25,448,970	27,550,461	21,176	-	2,122,667
<b>Total component units</b>	<b><u>\$ 28,334,245</u></b>	<b><u>\$ 27,936,053</u></b>	<b><u>\$ 21,176</u></b>	<b><u>\$ 3,453,997</u></b>	<b><u>\$ 3,076,981</u></b>

Continued...

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

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Statement of Activities**  
**For the Year Ended June 30, 2010**

<b>Functions/Programs</b>	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Changes in net assets</b>			
Net (expense) revenue	\$ (10,788,942)	\$ 1,620,170	\$ (9,168,772)
General revenues			
Unrestricted property taxes	10,685,624	-	10,685,624
Restricted property taxes for tax increment finance districts	-	-	-
Grants and contributions not restricted to specific programs	1,160,859	-	1,160,859
Franchise revenue	199,803	-	199,803
Restricted investment earnings	583,254	-	583,254
Unrestricted investment earnings	153,266	29,305	182,571
Gain on sale of capital assets	151,332	-	151,332
Transfers	468,047	(468,047)	-
Contribution to endowment	3,180	-	3,180
Total general revenues and contributions	<u>13,405,365</u>	<u>(438,742)</u>	<u>12,966,623</u>
Change in net assets	2,616,423	1,181,428	3,797,851
Net assets, beginning of year	<u>51,196,773</u>	<u>37,549,913</u>	<u>88,746,686</u>
<b>Net assets, end of year</b>	<b><u>\$ 53,813,196</u></b>	<b><u>\$ 38,731,341</u></b>	<b><u>\$ 92,544,537</u></b>

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

<b>Component Units</b>	
<b>Downtown Development Authority</b>	<b>Light and Power</b>
\$ 954,314	\$ 2,122,667
65,444	-
1,816,746	-
-	-
-	-
-	-
1,440	557,210
-	-
-	-
-	-
<u>1,883,630</u>	<u>557,210</u>
2,837,944	2,679,877
<u>6,141,312</u>	<u>68,339,394</u>
<b><u>\$ 8,979,256</u></b>	<b><u>\$ 71,019,271</u></b>

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

**CITY OF TRAVERSE CITY, MICHIGAN**

**Balance Sheet  
Governmental Funds  
June 30, 2010**

	<u>General Fund</u>	<u>Major Streets Fund</u>	<u>Local Streets Fund</u>	<u>Capital Project</u>	<u>Old Town Parking Deck</u>
<b>ASSETS</b>					
<b>Assets</b>					
Cash and cash equivalents	\$ 1,560,504	\$ 100,382	\$ -	\$ 1,838,308	\$ 538,696
Investments	2,309,947	-	-	79,163	545,100
Receivables					
Accounts	170,735	44	-	-	-
Taxes	30,399	-	-	-	-
Special assessments	-	-	-	-	-
Accrued interest	-	-	-	-	-
Due from other governments	381,486	116,860	39,221	-	-
Due from other funds	538,619	-	-	-	-
Due from component unit	8,608	-	-	-	-
Inventory	115,559	-	-	-	-
Prepaid items and other assets	48,255	-	-	-	-
Advances to other funds	-	-	-	-	-
<b>Total assets</b>	<b><u>\$ 5,164,112</u></b>	<b><u>\$ 217,286</u></b>	<b><u>\$ 39,221</u></b>	<b><u>\$ 1,917,471</u></b>	<b><u>\$ 1,083,796</u></b>
<b>LIABILITIES AND FUND BALANCE</b>					
<b>Liabilities</b>					
Accounts payable	\$ 246,048	\$ 8,662	\$ 1,134	\$ 351,601	\$ 524,226
Accrued and other liabilities	217,927	6,339	8,702	-	-
Due to other funds	-	-	29,385	-	-
Due to component unit	65,156	-	-	-	-
Deposits payable	79,441	-	-	-	-
Advances from other funds	-	-	-	-	-
Advance from component unit	-	-	-	-	-
Deferred revenue	30,399	-	-	-	-
<b>Total liabilities</b>	<b><u>638,971</u></b>	<b><u>15,001</u></b>	<b><u>39,221</u></b>	<b><u>351,601</u></b>	<b><u>524,226</u></b>
<b>Fund balance</b>					
Reserved for					
Advances	-	-	-	-	-
Prepaid items	48,255	-	-	-	-
Perpetual care	-	-	-	-	-
Recreation and culture	-	-	-	-	-
Inventory	115,559	-	-	-	-
Capital projects	-	-	-	-	559,570
Unreserved					
Designated for subsequent years' expenditures	375,385	140,000	-	-	-
Designated for special revenue funds subsequent years' expenditures	-	-	-	-	-
Designated for future capital projects	-	-	-	1,565,870	-
Undesignated	3,985,942	62,285	-	-	-
Undesignated, reported in nonmajor special revenue funds	-	-	-	-	-
<b>Total fund balance</b>	<b><u>4,525,141</u></b>	<b><u>202,285</u></b>	<b><u>-</u></b>	<b><u>1,565,870</u></b>	<b><u>559,570</u></b>
<b>Total liabilities and fund balance</b>	<b><u>\$ 5,164,112</u></b>	<b><u>\$ 217,286</u></b>	<b><u>\$ 39,221</u></b>	<b><u>\$ 1,917,471</u></b>	<b><u>\$ 1,083,796</u></b>

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

<b>Brown Bridge Trust Fund</b>	<b>Other Governmental Funds</b>	<b>Total</b>
\$ 1,086,043	\$ 3,812,207	\$ 8,936,140
11,472,104	1,893,149	16,299,463
-	18,607	189,386
-	5,669	36,068
-	117,558	117,558
69,208	-	69,208
-	3,484	541,051
-	3,002	541,621
-	-	8,608
-	-	115,559
-	42	48,297
-	1,285,309	1,285,309
<b>\$ 12,627,355</b>	<b>\$ 7,139,027</b>	<b>\$ 28,188,268</b>
\$ -	\$ 19,371	\$ 1,151,042
-	3,987	236,955
86,434	34,601	150,420
-	-	65,156
-	-	79,441
-	435,309	435,309
-	35,371	35,371
-	124,195	154,594
<b>86,434</b>	<b>652,834</b>	<b>2,308,288</b>
-	1,285,309	1,285,309
-	42	48,297
-	656,482	656,482
12,540,921	104,816	12,645,737
-	-	115,559
-	1,240,442	1,800,012
-	-	515,385
-	110,300	110,300
-	1,523,395	3,089,265
-	-	4,048,227
-	1,565,407	1,565,407
<b>12,540,921</b>	<b>6,486,193</b>	<b>25,879,980</b>
<b>\$ 12,627,355</b>	<b>\$ 7,139,027</b>	<b>\$ 28,188,268</b>

Continued.....

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

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2010**

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

Fund balances - total governmental funds \$ 25,879,980

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	79,519,548
Subtract: accumulated depreciation	(41,026,854)

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: other postemployment benefits	60,675
Add: deferred receivable	109,660

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 fund are included in governmental and business-type activities in the statement of net assets.

Add: net assets of governmental activities accounted for in internal service fund	7,348,133
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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	(85,326)
Add: bond issuance costs	274,136
Subtract: reoffering premium	(106,592)
Add: amortization of reoffering premium	7,614
Subtract: amortization of bond issuance costs	(33,094)
Subtract: bonds payable	(17,820,000)
Subtract: compensated absences	(660,168)
Subtract: accrued interest on long-term liabilities	(166,472)

<b>Net assets of governmental activities</b>	<b><u>\$ 53,813,196</u></b>
----------------------------------------------	-----------------------------

Concluded

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

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2010**

	<u>General</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>Capital Project</u>	<u>Old Town Parking Deck</u>
<b>Revenues</b>					
Property taxes and special assessments	\$ 8,362,861	\$ -	\$ -	\$ -	\$ -
Licenses and permits	230,131	-	-	-	-
Federal sources	37,925	-	-	458,558	-
State sources	1,160,859	966,809	324,164	-	-
Local sources	1,383,452	-	-	-	-
Charges for services	350,136	-	-	-	-
Fines and forfeits	76,137	-	-	-	-
Contributions	-	-	-	604,002	-
Reimbursement	470,363	9,251	-	2,547	-
Interest income	51,234	336	-	6,583	14,092
Other revenue	514,175	-	-	-	-
<b>Total revenues</b>	<b><u>12,637,273</u></b>	<b><u>976,396</u></b>	<b><u>324,164</u></b>	<b><u>1,071,690</u></b>	<b><u>14,092</u></b>
<b>Expenditures</b>					
Current expenditures					
General government	2,818,161	-	-	2,400	-
Public safety	5,870,187	-	-	-	-
Public works	895,454	1,078,856	1,274,085	-	-
Culture and recreation	1,587,921	-	-	-	-
Community development	13,869	-	-	-	-
Capital outlay	-	-	-	2,131,528	7,561,114
Debt service					
Principal	-	-	-	-	-
Interest expense and financial charges	-	-	-	-	-
<b>Total expenditures</b>	<b><u>11,185,592</u></b>	<b><u>1,078,856</u></b>	<b><u>1,274,085</u></b>	<b><u>2,133,928</u></b>	<b><u>7,561,114</u></b>
Excess (deficiency) of revenues over expenditures	<u>1,451,681</u>	<u>(102,460)</u>	<u>(949,921)</u>	<u>(1,062,238)</u>	<u>(7,547,022)</u>
<b>Other financing sources (uses)</b>					
Proceeds of bonds	-	-	-	-	8,000,000
Reoffering premium	-	-	-	-	106,592
Transfers in	875,457	93,889	949,921	830,000	-
Transfers out	<u>(2,080,483)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total other financing sources (uses)</b>	<b><u>(1,205,026)</u></b>	<b><u>93,889</u></b>	<b><u>949,921</u></b>	<b><u>830,000</u></b>	<b><u>8,106,592</u></b>
<b>Net change in fund balances</b>	<b>246,655</b>	<b>(8,571)</b>	<b>-</b>	<b>(232,238)</b>	<b>559,570</b>
Fund balance, beginning of year	<u>4,278,486</u>	<u>210,856</u>	<u>-</u>	<u>1,798,108</u>	<u>-</u>
<b>Fund balance, end of year</b>	<b><u>\$ 4,525,141</u></b>	<b><u>\$ 202,285</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,565,870</u></b>	<b><u>\$ 559,570</u></b>

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

<b>Brown Bridge Trust</b>	<b>Other Governmental Funds</b>	<b>Total</b>
\$ -	\$ 1,049,491	\$ 9,412,352
-	-	230,131
-	166,705	663,188
-	6,403	2,458,235
-	1,687,047	3,070,499
264,416	175,538	790,090
-	-	76,137
-	139,503	743,505
-	15,706	497,867
548,900	106,643	727,788
-	106,146	620,321
<b>813,316</b>	<b>3,453,182</b>	<b>19,290,113</b>
-	56,939	2,877,500
-	1,238,929	7,109,116
-	-	3,248,395
-	455,264	2,043,185
-	22,869	36,738
-	298,636	9,991,278
-	1,050,000	1,050,000
-	575,702	575,702
-	<b>3,698,339</b>	<b>26,931,914</b>
813,316	(245,157)	(7,641,801)
-	-	8,000,000
-	-	106,592
-	209,675	2,958,942
(354,434)	(55,978)	(2,490,895)
<b>(354,434)</b>	<b>153,697</b>	<b>8,574,639</b>
<b>458,882</b>	<b>(91,460)</b>	<b>932,838</b>
12,082,039	6,577,653	24,947,142
<b>\$ 12,540,921</b>	<b>\$ 6,486,193</b>	<b>\$ 25,879,980</b>

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, 2010**

**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 \$ 932,838

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	9,895,015
Subtract: depreciation expense	(1,232,310)
Subtract: loss on sale of assets	(141,841)

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: bond proceeds	(8,000,000)
Subtract: reoffering premium	(106,592)
Add: bond issuance costs	132,259
Add: current principal debt payment	1,050,000
Subtract: amortization of deferred savings	(24,379)
Add: amortization of reoffering premium	7,614
Subtract: amortization of bond issuance costs	(16,203)

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	(142,417)
Add: current year deferred property taxes and special assessment receivables	109,660

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.

Subtract: increase in accrued interest payable	(48,676)
Subtract: increase in the accrual of compensated absences	(21,824)
Add: increase in other post-employment benefits	60,675

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

Add: interest income from governmental internal service fund	8,732
Add: other revenue from governmental internal service fund	47,976
Add: gain on disposal of capital assets in governmental internal service fund	144,052
Subtract: net operating loss from governmental activities accounted for in internal service fund	(38,156)

<b>Change in net assets of governmental activities</b>	<b>\$ 2,616,423</b>
--------------------------------------------------------	---------------------

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

Concluded

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2010**

	<b>Business-type - Enterprise Funds</b>		
	<b>Wastewater</b>	<b>Water</b>	<b>Marina</b>
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 35,752	\$ -	\$ 341,017
Investments	54,293	454,521	-
Receivables			
Accounts	724,932	458,094	6,118
Taxes	8,529	2,790	-
Accrued interest	-	802	-
Due from other governments	-	-	-
Inventory	-	133,423	23,639
Prepaid cost and other assets	26,088	25,707	742
<b>Total current assets</b>	<b>849,594</b>	<b>1,075,337</b>	<b>371,516</b>
Noncurrent assets			
Restricted cash and cash equivalents	-	303,169	-
Capital assets	24,548,402	6,850,515	10,076,101
<b>Total noncurrent assets</b>	<b>24,548,402</b>	<b>7,153,684</b>	<b>10,076,101</b>
<b>Total assets</b>	<b>25,397,996</b>	<b>8,229,021</b>	<b>10,447,617</b>
<b>Liabilities</b>			
Current liabilities			
Accounts payable	4,973	47,865	55,755
Accrued and other liabilities	100,945	42,395	4,692
Due to other funds	45,508	262,307	23,938
Current portion of long-term debt	1,084,910	225,000	-
<b>Total current liabilities</b>	<b>1,236,336</b>	<b>577,567</b>	<b>84,385</b>
Noncurrent liabilities			
Advance from component unit	-	-	600,000
Advance from other funds	-	-	850,000
Long-term debt, net of current portion	13,117,553	475,000	-
Compensated absences	22,738	23,873	8,108
<b>Total liabilities</b>	<b>14,376,627</b>	<b>1,076,440</b>	<b>1,542,493</b>
<b>Net Assets</b>			
Investment in capital assets, net of related debt	10,345,939	6,150,515	10,076,101
Restricted for			
Debt service	-	78,169	-
Unrestricted (deficit)	675,430	923,897	(1,170,977)
<b>Total net assets</b>	<b>\$ 11,021,369</b>	<b>\$ 7,152,581</b>	<b>\$ 8,905,124</b>

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

<u>Automobile Parking System</u>	<u>Total</u>	<u>Governmental Activities - Internal Service Fund</u>
\$ 1,884,306	\$ 2,261,075	\$ 2,213,220
-	508,814	-
3,405	1,192,549	2,907
-	11,319	-
-	802	-
76,833	76,833	-
-	157,062	158,675
83	52,620	11,974
<b><u>1,964,627</u></b>	<b><u>4,261,074</u></b>	<b><u>2,386,776</u></b>
-	303,169	-
<u>9,869,545</u>	<u>51,344,563</u>	<u>5,122,906</u>
<b><u>9,869,545</u></b>	<b><u>51,647,732</u></b>	<b><u>5,122,906</u></b>
<b><u>11,834,172</u></b>	<b><u>55,908,806</u></b>	<b><u>7,509,682</u></b>
18,619	127,212	151,675
47,814	195,846	24,908
59,448	391,201	-
-	1,309,910	-
<b><u>125,881</u></b>	<b><u>2,024,169</u></b>	<b><u>176,583</u></b>
-	600,000	-
-	850,000	-
-	13,592,553	-
2,187	56,906	38,803
<b><u>128,068</u></b>	<b><u>17,123,628</u></b>	<b><u>215,386</u></b>
9,869,545	36,442,100	5,122,906
-	78,169	-
<u>1,836,559</u>	<u>2,264,909</u>	<u>2,171,390</u>
<b><u>\$ 11,706,104</u></b>	<b><u>\$ 38,785,178</u></b>	<b><u>\$ 7,294,296</u></b>

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, 2010**

---

**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 \$ 38,785,178

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 fund are included in governmental and business-type activities in the statement of net assets.

Subtract: cumulative portion of internal service fund net operating loss attributed to enterprise  
funds (53,837)

**Net assets of business-type activities** **\$ 38,731,341**

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, 2010**

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Wastewater</b>	<b>Water</b>	<b>Marina</b>
<b>Operating revenues</b>			
Charges for services	\$ 5,219,836	\$ 2,397,624	\$ 446,076
Interdepartmental	-	-	-
Other revenue	178,320	55,825	11,125
<b>Total operating revenues</b>	<b>5,398,156</b>	<b>2,453,449</b>	<b>457,201</b>
<b>Operating expenses</b>			
Personnel services	435,470	1,179,254	106,722
Commodities	16,759	169,015	9,627
Contractual services	2,891,988	233,087	194,597
Other charges	183,078	334,871	61,257
Depreciation and amortization	593,861	246,982	132,668
<b>Total operating expenses</b>	<b>4,121,156</b>	<b>2,163,209</b>	<b>504,871</b>
Operating income (loss)	1,277,000	290,240	(47,670)
<b>Nonoperating revenues (expenses)</b>			
Reimbursements	14,846	-	-
Federal sources	-	-	-
Other revenue	-	-	-
Interest income	3,685	17,708	1,264
Interest expense and financial charges	(552,739)	(53,250)	(53,700)
(Loss) / gain on sale of capital assets	(9,492)	(2,705)	-
<b>Total nonoperating revenues (expenses)</b>	<b>(543,700)</b>	<b>(38,247)</b>	<b>(52,436)</b>
<b>Income before transfers</b>	<b>733,300</b>	<b>251,993</b>	<b>(100,106)</b>
Transfers out	(261,508)	(123,153)	(23,938)
<b>Change in net assets</b>	<b>471,792</b>	<b>128,840</b>	<b>(124,044)</b>
Net assets, beginning of year	10,549,577	7,023,741	9,029,168
<b>Net assets, end of year</b>	<b>\$ 11,021,369</b>	<b>\$ 7,152,581</b>	<b>\$ 8,905,124</b>

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

<u>Automobile Parking System</u>	<u>Total</u>	<u>Governmental Activities - Internal Service Fund</u>
\$ 1,135,494	\$ 9,199,030	\$ -
-	-	2,166,045
46,262	291,532	-
<b>1,181,756</b>	<b>9,490,562</b>	<b>2,166,045</b>
67,829	1,789,275	638,065
10,107	205,508	530,816
404,603	3,724,275	119,582
296,620	875,826	203,781
257,706	1,231,217	720,030
<b>1,036,865</b>	<b>7,826,101</b>	<b>2,212,274</b>
144,891	1,664,461	(46,229)
-	14,846	-
620,822	620,822	-
-	-	47,976
6,648	29,305	8,732
-	(659,689)	-
-	(12,197)	144,052
<b>627,470</b>	<b>(6,913)</b>	<b>200,760</b>
<b>772,361</b>	<b>1,657,548</b>	<b>154,531</b>
(59,448)	(468,047)	-
<b>712,913</b>	<b>1,189,501</b>	<b>154,531</b>
10,993,191	37,595,677	7,139,765
<b>\$ 11,706,104</b>	<b>\$ 38,785,178</b>	<b>\$ 7,294,296</b>

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, 2010**

---

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

Change in net assets - total enterprise funds \$ 1,189,501

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 fund (8,073)

**Change in net assets of business-type activities** **\$ 1,181,428**

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, 2010**

	<b>Business-type - Enterprise Funds</b>		
	<b>Wastewater</b>	<b>Water</b>	<b>Marina</b>
<b>Cash flows from operating activities</b>			
Cash received from interfund services	\$ -	\$ -	\$ -
Cash received from customers	5,461,831	2,430,839	451,276
Cash payments to suppliers for goods and services	(3,107,381)	(773,882)	(253,758)
Cash payments to employees for services	(433,594)	(1,164,883)	(107,304)
<b>Net cash provided by operating activities</b>	<b>1,920,856</b>	<b>492,074</b>	<b>90,214</b>
<b>Cash flows from non-capital financing activities</b>			
Due from other governments	-	-	15,902
Due to other funds	12,891	152,385	23,938
Advance to other funds	-	-	(50,000)
City fee	(261,508)	(123,153)	(23,938)
Reimbursements	14,846	-	-
Other revenue	-	-	-
<b>Net cash (used in) provided by non-capital financing activities</b>	<b>(233,771)</b>	<b>29,232</b>	<b>(34,098)</b>
<b>Cash flows from capital and related financing activities</b>			
Due from other governments	-	-	-
Principal payments	(1,033,234)	(225,000)	-
Interest payments	(558,131)	(55,500)	(53,700)
Purchases of capital assets	(209,376)	(255,662)	-
Proceeds from sale of capital assets	-	-	-
<b>Net cash (used in) capital and related financing activities</b>	<b>(1,800,741)</b>	<b>(536,162)</b>	<b>(53,700)</b>
<b>Cash flows from investing activities</b>			
Interest received	3,685	17,707	1,263
Purchase of investments	-	(2,102)	-
Sale of investments	489	-	-
<b>Net cash provided by investing activities</b>	<b>4,174</b>	<b>15,605</b>	<b>1,263</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(109,482)</b>	<b>749</b>	<b>3,679</b>
Cash and cash equivalents, beginning of year	145,234	302,420	337,338
<b>Cash and cash equivalents, end of year</b>	<b>\$ 35,752</b>	<b>\$ 303,169</b>	<b>\$ 341,017</b>
<b>Statement of net assets classification of cash and cash equivalents</b>			
Cash and cash equivalents	\$ 35,752	\$ -	\$ 341,017
Restricted cash and cash equivalents	-	303,169	-
	<b>\$ 35,752</b>	<b>\$ 303,169</b>	<b>\$ 341,017</b>

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

<u>Automobile Parking System</u>	<u>Total</u>	<u>Governmental Activities - Internal Service Fund</u>
\$ -	\$ -	\$ 2,260,653
1,179,882	9,523,828	-
(781,431)	(4,916,452)	(734,081)
(63,080)	(1,768,861)	(629,682)
<b>335,371</b>	<b>2,838,515</b>	<b>896,890</b>
-	15,902	-
-	189,214	-
-	(50,000)	-
(51,145)	(459,744)	-
-	14,846	-
-	-	47,976
<b>(51,145)</b>	<b>(289,782)</b>	<b>47,976</b>
909,968	909,968	-
-	(1,258,234)	-
-	(667,331)	-
(667,581)	(1,132,619)	(724,777)
-	-	274,526
<b>242,387</b>	<b>(2,148,216)</b>	<b>(450,251)</b>
6,648	29,303	8,732
-	(2,102)	-
200	689	-
<b>6,848</b>	<b>27,890</b>	<b>8,732</b>
<b>533,461</b>	<b>428,407</b>	<b>503,347</b>
1,350,845	2,135,837	1,709,873
<b>\$ 1,884,306</b>	<b>\$ 2,564,244</b>	<b>\$ 2,213,220</b>
\$ 1,884,306	\$ 2,261,075	\$ 2,213,220
-	303,169	-
<b>\$ 1,884,306</b>	<b>\$ 2,564,244</b>	<b>\$ 2,213,220</b>

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, 2010**

	<u>Business-type - Enterprise Funds</u>		
	<u>Wastewater</u>	<u>Water</u>	<u>Marina</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>			
Operating income (loss)	\$ 1,277,000	\$ 290,240	\$ (47,670)
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation and amortization	593,861	246,982	132,668
Changes in assets and liabilities			
Accounts receivables	63,675	(22,610)	(5,925)
Prepaid cost and other assets	(10,953)	(22,278)	(742)
Inventory	-	(16,308)	(18,113)
Accounts payable	(4,603)	1,677	30,578
Accrued and other liabilities	1,876	14,371	(582)
<b>Net cash provided by operating activities</b>	<b><u>\$ 1,920,856</u></b>	<b><u>\$ 492,074</u></b>	<b><u>\$ 90,214</u></b>

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

<u>Automobile Parking System</u>	<u>Total</u>	<u>Governmental Activities - Internal Service Fund</u>
\$ 144,891	\$ 1,664,461	\$ (46,229)
257,706	1,231,217	720,030
(1,874)	33,266	94,608
(83)	(34,056)	(11,974)
-	(34,421)	(8,024)
(70,018)	(42,366)	140,096
4,749	20,414	8,383
<u>\$ 335,371</u>	<u>\$ 2,838,515</u>	<u>\$ 896,890</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, 2010**

	<b>Pension and Other Postemployment Benefit Funds</b>	<b>Agency Funds</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 2,103,342	\$ 4,939,679
Investments, at fair value		
U.S. Government Agencies bonds and notes	1,333,004	-
U.S. Treasury bonds	1,153,344	-
Mortgage bonds	403,031	-
Other fixed income	22,326	-
Common stock	3,933,483	-
Mutual funds	2,483,061	-
Common /collective funds	5,132,136	-
Corporate bonds	2,066,476	-
MERS total market fund	476,407	-
Receivables		
Accounts	-	8,518
Taxes	-	87,317
Accrued interest	43,215	159
<b>Total assets</b>	<b>19,149,825</b>	<b>\$ 5,035,673</b>
<b>Liabilities</b>		
Accrued and other liabilities	4,773	\$ 4,935,958
Due to other governmental units	-	99,715
<b>Total liabilities</b>	<b>4,773</b>	<b>\$ 5,035,673</b>
<b>Net Assets</b>		
Held in trust for pension benefits and other purposes	<b>\$ 19,145,052</b>	

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, 2010**

		<b>Pension and Other Postemployment Trust Funds</b>
<b>Additions</b>		
Contributions		
City contributions		\$ 1,399,295
Employee contributions		2,976
		<hr/>
Total contributions		1,402,271
		<hr/>
Investment earnings		
Investment income		515,251
Net appreciation in fair value of investments		1,764,718
		<hr/>
Net investment earnings		2,279,969
		<hr/>
<b>Total additions</b>		<b>3,682,240</b>
		<hr/>
<b>Deductions</b>		
Pension benefits paid		1,548,595
Health insurance premiums paid		327,588
Administrative expense		55,580
Investment advisor fees		78,054
		<hr/>
<b>Total deductions</b>		<b>2,009,817</b>
		<hr/>
<b>Net increase in plan assets attributable to pension plan</b>	<b>1,722,962</b>	
<b>Net decrease in plan assets attributable to health insurance</b>	<b>(50,539)</b>	<b>1,672,423</b>
	<hr/>	<hr/>
Net assets held in trust, beginning of year		17,472,629
		<hr/>
<b>Net assets held in trust, end of year, attributable to pension plan</b>	<b>18,784,916</b>	
<b>Net assets held in trust, end of year, attributable to health insurance</b>	<b>360,136</b>	<b>\$ 19,145,052</b>
	<hr/>	<hr/>

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, 2010

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# CITY OF TRAVERSE CITY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

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### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting entity

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

#### Discretely presented component units

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

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

Downtown Development Authority (the "DDA")

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

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

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

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

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

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

Traverse Area District Library

City of Traverse City and Garfield Township Recreational Authority

Traverse City Housing Commission

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

# CITY OF TRAVERSE CITY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

---

### **Joint operation**

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

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

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

The City is responsible for debt service on the 2003 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, 2009, the City's percentage was forty six 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) 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

# CITY OF TRAVERSE CITY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

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contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers property tax revenues to be available if they are collected within sixty days of the end of the current fiscal period. Grant revenue, state-shared revenue, and interest associated with the current fiscal period are considered to be available if they are collected within the 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.

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.

# CITY OF TRAVERSE CITY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

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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 *Old Town Parking Deck Construction Fund* accounts for the sources and uses of the taxable portion of a limited tax general obligation bond undertaken for the Old Town Parking Deck and related projects in the downtown area.

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 Fund* 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* account 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.

# CITY OF TRAVERSE CITY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

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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.

The *internal service fund* accounts 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 postemployment 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, the discretely presented component unit (Light and Power) and the City's internal service fund are charges to customers for sales and services. The enterprise funds also recognize as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service fund 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

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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

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### 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 the first non-payroll Friday in December.

# CITY OF TRAVERSE CITY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

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

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. Excess of expenditures over appropriations**

For the year ended June 30, 2010, actual expenditure in the Traverse City and Garfield Township Joint Planning Special Revenue Fund, Cherry Capital Cable Special Revenue Fund, Old Town Parking Deck Debt Service Fund, Special Assessments Capital Projects Fund and Capital Projects Fund exceeded appropriations by \$524, \$73, \$138, \$61,222 and \$462,428 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.

# CITY OF TRAVERSE CITY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

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### **B. Deficit fund balance**

For the year ended June 30, 2010 the City's Opera House Special Revenue Fund ended in a deficit unreserved fund balance \$(146,774). 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.

For the year ended June 30, 2010 the City's Act 345 Millage Special Revenue Fund ended in a deficit unreserved fund balance \$(204,255). Expenditures for retirement costs exceeded property tax revenue. The shortfall is managed with a short-term loan from the City's Industrial Park Fund and will be paid back through future revenues. This is a one-year aberration as the timing of actuarial projections has been adjusted.

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

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

Michigan Compiled Laws, Section 129.91 authorizes the City to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The City is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; external investment pools as authorized by Public Act 20 as amended; and 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 investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government, interest bearing savings and checking accounts, repurchase agreements, bankers' acceptance of United States banks, federal agency instruments, money market funds with a net asset value of \$1.00 per share, commercial paper within the two highest classifications and negotiable and non-negotiable certificates of deposits, but not the remainder of State statutory authority as listed above.

# CITY OF TRAVERSE CITY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

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

Cash and cash equivalents, 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	\$ 11,149,360	\$2,261,075	\$ 7,043,021	\$ 20,453,456	\$ 18,247,473
Investments	16,299,463	508,814	17,003,268	33,811,545	14,337,962
Restricted assets	-	303,169	-	303,169	-
<b>Total</b>	<b><u>\$ 27,448,823</u></b>	<b><u>\$ 3,073,058</u></b>	<b><u>\$ 24,046,289</u></b>	<b><u>\$ 54,568,170</u></b>	<b><u>\$ 32,585,435</u></b>

Cash and cash equivalents reported above include \$5,400 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)	\$ 44,435,360
City and component unit investments	24,082,642
Act 345 deposits	2,103,342
Act 345 investments	16,526,861
<b>Total</b>	<b><u>\$ 87,148,205</u></b>

# CITY OF TRAVERSE CITY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

### Investments

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

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>
US Treasury note	09/30/2011	\$ 1,006,880	AAA
US Treasury note	12/31/2011	1,007,300	AAA
US Treasury note	01/15/2013	506,720	AAA
US Treasury note	04/15/2013	1,022,730	AAA
US Treasury note	11/12/2013	250,157	AAA
US Treasury note	09/30/2014	1,032,890	AAA
US Treasury note	12/31/2014	1,041,560	AAA
US Treasury note	09/30/2010	1,004,450	AAA
US Treasury note	12/31/2016	948,654	AAA
US Treasury note	02/15/2020	422,624	AAA
US Treasury note	09/30/2013	106,469	AAA
US Treasury note	11/30/2012	303,169	AAA
US Treasury note	12/31/2016	52,703	AAA
US Treasury note	07/29/2010	239,911	AAA
US Treasury note	12/16/2010	722,069	AAA
US Treasury note	06/30/2012	54,293	AAA
US Treasury note	05/31/2011	520,585	AAA
US Treasury note	03/15/2012	1,014,490	AAA
US Treasury note	06/15/2012	1,024,690	AAA
US Treasury note	08/15/2012	511,600	AAA
US Treasury note	05/31/2012	1,079,450	AAA
US Treasury note	05/31/2013	1,074,610	AAA
US Treasury note	06/30/2013	1,071,640	AAA
US Treasury note	08/15/2013	1,098,830	AAA
US Treasury note	11/15/2013	1,102,810	AAA
US Treasury note	07/31/2016	795,060	AAA
US Treasury note	02/15/2020	528,280	AAA
US Treasury note	02/15/2014	274,120	AAA
US Treasury note	05/15/2014	338,439	AAA
US Treasury note	04/30/2011	1,037,500	AAA
US Treasury note	07/31/2016	132,510	AAA
US Treasury note	06/30/2012	124,874	AAA
US Treasury note	01/31/2012	122,749	AAA
US Treasury note	08/31/2013	175,623	AAA
US Treasury note	07/31/2016	79,506	AAA
US Treasury note	08/31/2013	101,116	AAA
MPPA Investments	Various	1,498,495	Unrated
MERS total market fund	N/A	476,407	Unrated
Michigan CLASS pool	N/A	176,679	AAAm
<b>Total</b>		<b><u>\$ 24,082,642</u></b>	

# CITY OF TRAVERSE CITY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

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### **Investment and deposit risk**

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

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

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. The City's deposit custodial credit risk policy is described below. As of year end, \$1,363,083 of the City's bank balance of \$46,999,855 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial Credit Risk – Investments.* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. In accordance with the City's investment policy the City will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities allowed by the policy. In addition, the City Treasurer will prequalify all financial institutions, broker/dealers, intermediaries and advisors with which the City will do business by subjecting them to certain criteria. Of the above \$24,082,642 of investments, the City has a custodial credit risk exposure of \$21,931,061 because the related securities are uninsured, unregistered and held by the government's brokerage firm which is also the counterparty for these particular securities. The custodial credit risk for balances in investment pools cannot be determined because the investments are not evidenced by specific identifiable securities.

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

# CITY OF TRAVERSE CITY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

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### **Deposits and Investments – Act 345 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 fund’s deposits and investments are presented separately.

**Deposits** – The fund maintains a checking account with a bank balance of \$1,351,923 and money market account in the pension fund trust account with a balance of \$751,419. All of these deposits are collateralized.

**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 in managing the pension trust fund’s assets. All investment decisions are subject to Michigan law and the investment policy established by the Retirement Board.

The pension trust fund’s investments are held in a bank-administered trust fund. Following is a summary of the System’s investments as of June 30, 2010:

Investments at fair value, as determined by quoted market price	
U.S. government agency bonds and notes	\$ 1,333,004
U.S. Treasury bonds	1,153,344
Mortgage bonds	403,031
Other fixed income	22,326
Domestic equities:	
Corporate stocks	3,933,483
Mutual funds	2,483,061
Common/collective funds (an equity mutual fund)	5,132,136
Domestic corporate securities -	
Corporate bonds	<u>2,066,476</u>
<b>Total investments</b>	<b><u>\$ 16,526,861</u></b>

*Credit Risk.* The pension trust fund’s investment policy provides that its investments in fixed income securities should have an investment grade rating by two nationally recognized statistical rating organizations. As of June 30, 2010, the funds investments in bonds, notes and asset backed securities were rated by Moody’s as follows:

# CITY OF TRAVERSE CITY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

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<u>Rating</u>	<u>Fair Value</u>
AAA	\$ 3,491,917
A1	79,981
A2	176,077
A3	142,892
AA1	46,761
AA2	93,961
AA3	69,342
B1	51,288
B2	36,000
B3	10,350
BA1	153,195
BA2	33,904
BA3	78,838
BAA1	182,135
BAA2	218,804
BAA3	102,461
CAA1	<u>10,275</u>
	<b><u>\$ 4,978,181</u></b>

*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 fund's 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 \$16,526,861 of investments, the City has a custodial credit risk exposure of \$8,911,664 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 fund's 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, 2010, there were no concentrations in securities of any one issuer greater than 5% of investment fair market value.

# CITY OF TRAVERSE CITY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

*Interest Rate Risk.* As of June 30, 2010, maturities of the pension trust fund's debt securities were as follows:

	<b>Investment Maturities (fair value by years)</b>				
	<b>Total</b>	<b>Less Than 1</b>	<b>1-5</b>	<b>6-10</b>	<b>More Than 10</b>
U.S. government agency bonds and notes	\$1,333,004	\$ -	\$ 55,562	\$ 52,158	\$1,225,284
U.S. Treasury bonds	1,153,344	160,707	318,592	579,947	94,098
Mortgage bonds	403,031	4,767	-	-	398,264
Other fixed income	22,326	-	-	22,326	-
Corporate bonds	<u>2,066,476</u>	<u>66,725</u>	<u>735,177</u>	<u>845,607</u>	<u>418,967</u>
<b>Total debt securities</b>	<b><u>\$4,978,181</u></b>	<b><u>\$232,199</u></b>	<b><u>\$1,109,331</u></b>	<b><u>\$1,500,038</u></b>	<b><u>\$2,136,613</u></b>

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 0% of total investments.

### **B. Receivables**

Receivables in the governmental activities consist of 57 percent due from other governments, 12 percent special assessments receivable, 4 percent taxes receivable, 7 percent interest receivable and 20 percent other receivables. Receivables in the business-type activities consist of 30 percent due from other governments, 53 percent due from customers, 1 percent taxes receivable and 16 percent of other receivables. Receivables in the component units consist of 63 percent due from other governments, 32 percent due from customers, 1 percent note receivable, and 4 percent other receivables.

Accounts receivable in the Wastewater and Water Enterprise Funds are net of allowances in the amounts of \$12,452 and \$3,826, respectively. Accounts receivable in the Light and Power discrete component unit is net of allowances in the amount of \$212,309.

Special assessments receivable in the amount of \$112,637 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, 2010 was as follows:

#### **Primary Government**

	<b><u>Beginning Balance</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>Ending Balance</u></b>
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 11,491,126	\$ -	\$ 24,750	\$ 11,466,376
Construction in progress	<u>931,932</u>	<u>9,468,096</u>	<u>1,689,268</u>	<u>8,710,760</u>
Total capital assets not being depreciated	<u>12,423,058</u>	<u>9,468,096</u>	<u>1,714,018</u>	<u>20,177,136</u>
Capital assets being depreciated				
Land improvements	4,046,421	10,494	86,141	3,970,774
Infrastructure	39,090,732	1,027,747	161,534	39,956,945
Buildings	15,310,269	725,163	20,020	16,015,412
Equipment	<u>12,871,130</u>	<u>1,077,560</u>	<u>1,363,213</u>	<u>12,585,477</u>
Total capital assets being depreciated	<u>71,318,552</u>	<u>2,840,964</u>	<u>1,630,908</u>	<u>72,528,608</u>
Less accumulated depreciation for				
Land improvements	414,935	88,386	38,689	464,632
Infrastructure	33,090,351	476,428	161,533	33,405,246
Buildings	7,279,038	539,429	19,315	7,799,152
Equipment	<u>7,736,824</u>	<u>848,097</u>	<u>1,163,807</u>	<u>7,421,114</u>
Total accumulated depreciation	<u>48,521,148</u>	<u>1,952,340</u>	<u>1,383,344</u>	<u>49,090,144</u>
Total capital assets being depreciated, net	<u>22,797,404</u>	<u>888,624</u>	<u>247,564</u>	<u>23,438,464</u>
<b>Governmental activities capital assets, net</b>	<b><u>\$ 35,220,462</u></b>	<b><u>\$10,356,720</u></b>	<b><u>\$1,961,582</u></b>	<b><u>\$ 43,615,600</u></b>

# CITY OF TRAVERSE CITY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type activities</b>				
Capital assets not being depreciated				
Land	\$ 586,914	\$ -	\$ -	\$ 586,914
Land improvements	8,431,562	-	4,130	8,427,432
Construction in progress	<u>541,012</u>	<u>1,122,328</u>	<u>407,680</u>	<u>1,255,660</u>
Total capital assets not being depreciated	<u>9,559,488</u>	<u>1,122,328</u>	<u>411,810</u>	<u>10,270,006</u>
Capital assets being depreciated				
Buildings and improvements	34,864,836	47,651	-	34,912,487
Other improvements	12,502,937	5,096	226,481	12,281,552
Machinery and equipment	<u>11,211,265</u>	<u>365,224</u>	<u>74,036</u>	<u>11,502,453</u>
Total capital assets being depreciated	<u>58,579,038</u>	<u>417,971</u>	<u>300,517</u>	<u>58,696,492</u>
Less accumulated depreciation for				
Buildings and improvements	9,463,409	688,224	-	10,151,633
Other improvements	2,735,896	362,094	224,231	2,873,759
Machinery and equipment	<u>4,486,328</u>	<u>178,434</u>	<u>68,219</u>	<u>4,596,543</u>
Total accumulated depreciation	<u>16,685,633</u>	<u>1,228,752</u>	<u>292,450</u>	<u>17,621,935</u>
Total capital assets being depreciated, net	<u>41,893,405</u>	<u>(810,781)</u>	<u>8,067</u>	<u>41,074,557</u>
<b>Business-type activities capital assets, net</b>	<b><u>\$ 51,452,893</u></b>	<b><u>\$ 311,547</u></b>	<b><u>\$ 419,877</u></b>	<b><u>\$ 51,344,563</u></b>

# CITY OF TRAVERSE CITY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b>Light and Power</b>				
<b>Component Unit –</b>				
Capital assets not being depreciated				
Land	\$ 819,327	\$ 215	\$ 12,847	\$ 806,695
Construction in progress	3,508,006	467,044	3,892,070	82,980
Total capital assets not being depreciated	4,327,333	467,259	3,904,917	889,675
Capital assets being depreciated				
Buildings and improvements	4,009,603	7,204	4,158	4,012,649
Equipment and distribution system	48,175,001	4,350,975	2,744,461	49,781,515
Fiber system	1,553,873	96,839	-	1,650,712
Total capital assets being depreciated	53,738,477	4,455,018	2,748,619	55,444,876
Less accumulated depreciation for				
Buildings and improvements	743,164	120,272	4,158	859,278
Equipment and distribution system	18,348,509	1,504,349	2,744,461	17,108,397
Fiber system	73,399	84,745	-	158,144
Total accumulated depreciation	19,165,072	1,709,366	2,748,619	18,125,819
Total capital assets being depreciated, net	34,573,405	2,745,652	-	37,319,057
<b>Light and Power</b>				
<b>Component Unit</b>				
<b>Capital assets, net</b>	<b>\$ 38,900,738</b>	<b>\$ 3,212,911</b>	<b>\$ 3,904,917</b>	<b>\$ 38,208,732</b>

# CITY OF TRAVERSE CITY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

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

<b>Governmental activities</b>	
General government	\$ 99,948
Public safety	158,725
Public works, including depreciation of general infrastructure assets	486,196
Recreation and culture	487,441
Capital assets held by the government's internal service fund are charged to the various functions based on their usage of the assets	<u>720,030</u>
<b>Total depreciation expense – governmental activities</b>	<b><u>\$1,952,340</u></b>
<b>Business-type activities</b>	
Wastewater	\$ 591,396
Water	246,982
Marina	132,668
Auto parking	<u>257,706</u>
<b>Total depreciation expense – business-type activities</b>	<b><u>\$1,228,752</u></b>
<b>Component unit activities</b>	
Light and power	<b><u>\$1,709,366</u></b>

### D. Accounts payable and accrued expenses

Accounts payable and accrued expenses in the governmental activities consist of 69 percent vendor payables, 14 percent accrued salaries, 9 percent accrued interest, 4 percent customer deposits and 4 percent other liabilities. Business-type activities accounts payable and accrued expenses consist of 40 percent vendor payables, 15 percent accrued salaries, and 30 percent accrued interest and 15 percent customer deposits. Component unit accounts payable and accrued expenses consist of 82 percent vendor payables, 5 percent accrued salaries, 4 percent customer deposits and 9 percent other liabilities.

# CITY OF TRAVERSE CITY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

### E. Interfund receivables, payables and transfers

<u>Due to other funds</u>	<u>Due from other funds</u>		
	General Fund	Nonmajor Governmental Funds	Total
Local Streets Fund	\$ 29,385	\$ -	\$ 29,385
Brown Bridge Trust Fund	86,434	-	86,434
Nonmajor Governmental Funds	31,599	3,002	34,601
Wastewater Fund	45,508	-	45,508
Water Fund	262,307	-	262,307
Marina Fund	23,938	-	23,938
Automobile Parking System Fund	59,448	-	59,448
<b>Total</b>	<b><u>\$ 538,619</u></b>	<b><u>\$ 3,002</u></b>	<b><u>\$ 541,621</u></b>

<u>Advance from other funds</u>	<u>Advance to other funds</u>
	Nonmajor Governmental Funds
Nonmajor Governmental Funds	\$ 435,309
Marina Fund	<u>850,000</u>
<b>Total</b>	<b><u>\$ 1,285,309</u></b>

<u>Due to primary government</u>	<u>Due from component unit</u>
	General Fund
Light and Power	<u>\$ 8,608</u>

<u>Advance from component unit</u>	<u>Advance to primary government</u>
	Light and Power
Nonmajor Governmental Funds	\$ 35,371
Marina Fund	<u>600,000</u>
<b>Total</b>	<b><u>\$ 635,371</u></b>

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

<b>Transfers in</b>	<b>Transfer Out</b>							<b>Total</b>
	General Fund	Brown Bridge Trust Fund	Nonmajor Governmental Funds	Waste- Water Fund	Water Fund	Marina Fund	Automobile Parking System Fund	
General Fund	\$ -	\$ 354,434	\$ 52,976	\$ 261,508	\$ 123,153	\$ 23,938	\$ 59,448	\$ 875,457
Major Streets Fund	93,889	-	-	-	-	-	-	93,889
Local Streets Fund	949,921	-	-	-	-	-	-	949,921
Capital Project Fund	830,000	-	-	-	-	-	-	830,000
Nonmajor Governmental Funds	206,673	-	3,002	-	-	-	-	209,675
<b>Total</b>	<u>\$ 2,080,483</u>	<u>\$ 354,434</u>	<u>\$ 55,978</u>	<u>\$ 261,508</u>	<u>\$ 123,153</u>	<u>\$ 23,938</u>	<u>\$ 59,448</u>	<u>\$ 2,958,942</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, 2010:

	Primary Government			<b>Total Reporting Entity</b>
	Governmental Activities General Obligation Bonds	Business- Type Activities Lease Payable	Business- Type Activities Revenue Bonds	
Long-Term Debt at July 1, 2009	\$ 10,418,991	\$ 15,235,698	\$ 925,000	\$26,579,689
Additions	8,106,592	-	-	8,106,592
Reductions	<u>(1,033,235)</u>	<u>(1,033,234)</u>	<u>(225,000)</u>	<u>(2,291,469)</u>
<b>Long-Term Debt at</b>				
<b>June 30, 2010</b>	<u>\$ 17,492,348</u>	<u>\$ 14,202,464</u>	<u>\$ 700,000</u>	<u>\$32,394,812</u>
<b>Due Within</b>				
<b>One Year</b>	<u>\$ 1,225,227</u>	<u>\$ 1,077,815</u>	<u>\$ 225,000</u>	<u>\$ 2,528,042</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, 2010:

	Primary Government			
	Governmental Activities	Business- Type Activities	Component Units	Total Reporting Entity
Accrued compensated absences at July 1, 2009	\$ 672,733	\$ 45,079	\$ 404,987	\$ 1,122,799
Additions	26,238	11,826	56,563	94,627
Reductions	-	-	(60,396)	(60,396)
<b>Accrued compensated absences at June 30, 2010</b>	<b><u>\$ 698,971</u></b>	<b><u>\$ 56,905</u></b>	<b><u>\$ 401,154</u></b>	<b><u>\$ 1,157,030</u></b>
<b>Due Within One Year</b>	<b><u>\$ 47,841</u></b>	<b><u>\$ 7,095</u></b>	<b><u>\$ 6,321</u></b>	<b><u>\$ 54,162</u></b>

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, 2010 is comprised of the following individual issues:

	Final Maturity Date	Interest Rates	Outstanding Balance
<b>Primary Government</b>			
Governmental Activities:			
General obligation Downtown Development			
Series 2009 – Parking Deck	2016	2.25-3.625%	\$7,150,000
Series 2009 Premium			98,978
General obligation Downtown Development			
Series 2002A – Parking Deck	2011	4.65	55,000
General obligation Downtown Development			
Series 2007A – Parking Deck - Refund	2028	4.00-4.125	9,725,000
Series 2007A deferred refunding costs			(426,630)
General obligation Downtown Development			
Series 2002B – Parking Deck	2017	6.00-6.50	890,000
Business-type Activities:			
1992 Water Revenue Bonds	2013	6.00	700,000
2003 Wastewater Treatment			
Capital Lease Payable	2015	3.10-3.75	928,867
1998 Wastewater Disposal			
Capital Lease Payable	2013	4.30-4.50	255,289
2002 Wastewater Treatment			
Capital Lease Payable	2022	3.90-5.00	<u>13,018,308</u>
<b>Total Reporting Entity</b>			<b><u>\$32,394,812</u></b>

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 are approximately \$23,015,000 net of accumulated depreciation of \$20,022,000 at June 30, 2010.

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 escrow 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 \$55,000 are outstanding at June 30, 2010.

# 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:

<b>Fiscal Year</b>	<b>Governmental Activities General Obligation Bonds</b>		<b>Business-Type Activities Capital Leases Payable</b>		<b>Business-Type Activities Revenue Bond</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2011	\$ 1,210,000	\$ 665,895	\$ 1,077,815	\$ 633,873	\$ 225,000	\$ 42,000
2012	1,380,000	632,237	1,134,938	592,851	225,000	28,500
2013	1,285,000	594,500	1,198,702	548,101	250,000	15,000
2014	1,580,000	555,351	1,148,121	499,750	-	-
2015	1,725,000	501,776	1,216,751	452,092	-	-
2016-20	4,105,000	1,743,300	5,736,639	1,504,466	-	-
2021-25	4,030,000	1,015,456	2,689,498	201,827	-	-
2026-28	2,505,000	205,838	-	-	-	-
	<b><u>\$ 17,820,000</u></b>	<b><u>\$ 5,914,353</u></b>	<b><u>\$ 14,202,464</u></b>	<b><u>\$ 4,432,960</u></b>	<b><u>\$ 700,000</u></b>	<b><u>\$ 85,500</u></b>

### 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 2. The value of lot 2 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 2007 City of Traverse City Downtown Development Authority Tax Exempt Refunding Bonds, the 2002B City of Traverse City Downtown Development Authority Taxable Bonds, and the 2009 City of Traverse City Downtown Development Authority Tax Exempt Old Town Parking Deck Bonds are reported on the City of Traverse City financial statements. The Downtown Development Authority has pledged tax increment revenues for the payment of these bonds. The Downtown Development Authority provides these tax increment revenues to the City less the developer required contribution for bond payment on the 2007 debt. The developer's required contribution is \$18,986 annually through 2017. The City has pledge its limited tax full faith and credit for the

# CITY OF TRAVERSE CITY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

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

<u>Fiscal Year End</u>	<u>Amount</u>
2011	\$ 1,856,909
2012	1,993,251
2013	1,860,514
2014	2,116,365
2015	2,207,790
2016-2020	5,810,328
2021-2025	5,045,456
2026-2028	<u>2,710,838</u>
<b>Total</b>	<b><u>\$ 23,601,451</u></b>

### 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.

## 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, 2010, 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

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### **B. Joint agreements**

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

Under the terms of a separate agreement, the City reimburses the County of Grand Traverse for its pro rata share of operation and maintenance costs of the Governmental Center. The City's share of these costs for the year ended June 30, 2010 amounted to \$106,585, 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 2009 taxable valuation of the City totaled \$781,652,450, on which ad valorem taxes levied consisted of 11.8167 mills for the City operating purposes and 1.3598 mills for Act 345.

Included in the taxable valuation is the Downtown Development Authority ("DDA"). The net taxable value for the DDA is \$36,078,609. The Downtown Development general operating tax rate for fiscal year 2009-10 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

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### **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 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, 2009, the most recent actuarial valuation date, membership consisted of:

Retirees and beneficiaries currently receiving benefits	55
Terminated plan members entitled to but not yet receiving benefits	4
Active plan members	<u>56</u>
<b>Total</b>	<b><u>115</u></b>

#### **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, 2008, 2009 and 2010, the City contributed 100% of the annual pension costs, which were also the actuarial determined contribution requirements, in the amounts of \$897,502, \$924,911 and \$1,154,441 respectively. There were no net pension obligations at the end of these years. At June 30, 2009, the funded ratio (actuarial value of assets as a percent of actuarial accrued liability) was 76% in comparison to 89% as of June 30, 2008.

# CITY OF TRAVERSE CITY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

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Effective July 1, 2009, each Police Captain employee shall make a retirement contribution of 2% of gross salary by payroll deduction.

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.

### **Funding Policy**

The City is required to contribute at an actuarially determined rate; the current rate ranges from 6.34% to 26.41% 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, 2010 the City's annual pension cost of \$1,394,741 for MERS was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2009 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 based on a ten year smoothed value of assets. 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

# CITY OF TRAVERSE CITY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

increasing or decreasing over time relative to the actuarial accrued liabilities of benefits. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2009, 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>
6/30/08	\$1,399,592	100%	\$ -
6/30/09	1,340,339	100%	-
6/30/10	1,394,741	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>
12/31/09	\$ 40,980,261	\$ 54,216,489	\$13,236,228	76%	\$ 7,971,182	166%

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

## E. Deferred compensation plan

### Primary government

The City sponsors the City of Traverse City Deferred Compensation Plan created in accordance with the Internal Revenue Code Section 457. The City has two plans and the administrators of these plans are the ICMA Retirement Corporation and the Hartford Corporation. The plans are available to employees of the Administrative, Confidential and Technical group, General Municipal Employees union, Teamsters union, Police Officers Labor Council and Traverse City Firefighters Association. In addition, the 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

# CITY OF TRAVERSE CITY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

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contribution requirements can only be amended by authorization of the City Commission. In fiscal year 2010, the City contributed \$351,306 and employees contributed \$691,552.

### **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 2010, the Downtown Development Authority contributed \$18,410 and the employees contributed \$21,217 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.

# CITY OF TRAVERSE CITY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

### Funding Policy

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

For the fiscal year end June 30, 2010, the City contributed \$331,647 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 \$3,238,646 as of June 30, 2010.

### 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	\$ 331,647
Interest on net OPEB obligation	-
Adjustment to annual required contribution	<u>-</u>
 Annual OPEB cost (expense)	 331,647
 Contributions made	 <u>331,647</u>
 Increase in net OPEB obligation	 -
Net OPEB obligation, beginning of year	<u>-</u>
Net OPEB obligation, end of year	<u><u>\$ -</u></u>

### **Three-year Trend Information**

<b><u>Fiscal</u> <u>Year</u> <u>Ending</u></b>	<b><u>Annual</u> <u>OPEB</u> <u>Cost (AOC)</u></b>	<b><u>Percentage</u> <u>of AOC</u> <u>Contributed</u></b>	<b><u>Net</u> <u>OPEB</u> <u>Obligation</u></b>
6/30/08	\$ 373,161	100%	\$ -
6/30/09	279,931	100%	-
6/30/10	331,647	100%	-

# CITY OF TRAVERSE CITY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

### Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Liability (AAL) Entry Age (b)</u>	<u>Actuarial 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>
6/30/09	\$ 3,700,439	\$ 6,835,257	\$ 3,134,818	54.1%	\$ 3,348,677	93.61%

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, 2009, 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.

# CITY OF TRAVERSE CITY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

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### **Retiree Health Insurance Plan**

#### **Description of Benefits**

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

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

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

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

#### **Funding Policy**

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

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 \$303,667. Of this amount, the City's portion of the annual required contribution was \$102,197 and Traverse City Light and Power's portion of the annual required contribution was \$201,470. The pay-as-you-go employer contribution for the City was \$89,057 and the employee contribution to the plan was \$162,071. The pay-as-you-go employer contribution for Traverse City Light and Power was \$144,275 and the employee contribution to the plan was \$36,501.

# CITY OF TRAVERSE CITY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

### Funding Progress

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

#### **Primary government**

Annual required contribution	\$ 102,197
Interest on net OPEB obligation	-
Adjustment to annual required contribution	<u>-</u>
Annual OPEB cost (expense)	102,197
Contributions made	<u>191,254</u>
Increase in net OPEB asset	89,057
Net OPEB obligation, beginning of year	-
Net OPEB asset, end of year	<u>\$ 89,057</u>

#### **Component unit**

Annual required contribution	\$ 201,470
Interest on net OPEB obligation	-
Adjustment to annual required contribution	<u>-</u>
Annual OPEB cost (expense)	201,470
Contributions made	345,745
Increase in net OPEB asset	144,275
Net OPEB obligation, beginning of year	-
Net OPEB asset, end of year	<u>\$ 144,275</u>

#### **Trend Information**

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost (AOC)</u>	<u>Percentage of AOC Contributed</u>	<u>Net OPEB Obligation</u>
6/30/08	\$ 274,606	100%	\$ -
6/30/09	286,964	100%	\$ -
6/30/10	303,667	100%	\$ -

# CITY OF TRAVERSE CITY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

### Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Liability (AAL) Entry Age (b)</u>	<u>Actuarial Accrued Unfunded 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	\$ 1,488,166	\$ 5,055,539	\$ 3,567,373	29%	\$ 8,023,611	44%

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.

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, 2008, 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 9% inflation in 2010 graded to 4.5% in 2018, 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.

# CITY OF TRAVERSE CITY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

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### G. Entitlement commitment

In 1990, Traverse City Light and Power Department entered into a 20-year power supply and capacity purchase agreement with Michigan Public Power Agency (“MPPA”) which will terminate on December 31, 2010. Traverse City Light and Power Department has purchased all of its deficient capacity from the MPPA during the term of the agreement.

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

In 1983, the Department entered into a 35-year power supply and project support contract with MPPA. Under the agreement, the Department will purchase 26.35% of the energy generated by MPPA’s 4.8% interest in the Campbell 3 plant and 4.53% of the energy generated by MPPA’s 18.81% interest in the Belle River plant. In 2002, the Department entered into a 25-year power supply and project support contract with MPPA. Under the agreement, the Department will purchase 75.9% of the energy generated by MPPA’s 100% interest in the Kalkaska Combustion Turbine.

For the year ended June 30, 2010, the Traverse City Light and Power Department recognized expenses totaling \$16,075,006 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 Kalkaska Combustion Turbine projects (based on the percentage of power purchased). Future operating costs are estimated based on 2010 costs adjusted for inflation. These costs are estimated as follows:

<u>Year Ended December 31</u>	<u>Operating Costs</u>
2011	\$ 6,166,192
2012	6,351,177
2013	6,541,713
2014	4,134,257
2015	4,258,285
2016-2020	17,798,117
2021-2025	11,768,037
2026-2027	<u>5,216,297</u>
	<u><b>\$ 62,234,075</b></u>

# CITY OF TRAVERSE CITY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

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

<b><u>Year Ended December 31</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
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	2,808,932	1,251,511	4,060,443
2016-2020	9,993,413	4,265,335	14,258,748
2021-2025	7,521,690	2,167,306	9,688,996
2026-2027	<u>3,590,070</u>	<u>285,108</u>	<u>3,875,178</u>
	<b><u>\$ 34,043,150</u></b>	<b><u>\$ 14,272,091</u></b>	<b><u>\$ 48,315,241</u></b>

The MPPA and its member utilities were over-charged on their power sales contract agreements. Because of this, MPPA and the member utilities have established a trust fund ("The Municipal Competitive Trust"). Specific policies have been established by each member regarding the use of these funds. Traverse City Light and Power Department's share of this trust fund was \$1,498,495 as of June 30, 2010.

In December 2009, Traverse City Light and Power Department entered into a 20-year power purchase agreement with Heritage Stoney Corners Wind Farm I, LLC to purchase up to 10 megawatt of electric energy and all associated renewable energy credits.

# CITY OF TRAVERSE CITY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

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### **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 (“Authority”), a related party (by virtue of common board members and management). These services include, but are 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 \$35,533 during the year ended June 30, 2010.

#### **Component unit**

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

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 DDA \$178,216 for work completed as of June 30, 2009 and the balance was paid by June 30, 2010.

### **I. Subsequent events**

On September 22, 2010, the Brownfield Redevelopment Authority’s (“BRA”) final payment of \$145,734 was received under the original River’s Edge Brownfield Plan for public infrastructure costs. The BRA committed \$3,453,997 to reimburse TIF 2 Funds for the Old Town Parking Deck principal and interest payments.

On October 1, 2008, an amendment to the Brownfield Plan for Eligible Properties – River’s Edge dated March 23, 2001 was executed to allow for the building of the Old Town Parking Deck. The BRA committed \$3,453,997 for the public parking structure. The BRA also approved up to \$518,100 for contingencies which represents 15% new Michigan Economic Growth Authority activity on the committed \$3,453,997. Closing out the final Old Town Parking Deck costs are expected to occur by December 1, 2010, and the appropriate portion of the \$518,100 will be recorded on the Downtown Development Authority’s financial statements.

In September 2010, the Traverse City Light and Power Department entered into two 5-year agreements with the Lansing Board of Water & Light (“LBWL”) to commence January 1, 2011. The purchase power agreement allows for the purchase of a minimum of 10 megawatt of electric energy up to a maximum of 45 megawatt to replace its deficient energy needs from the expired agreement with MPPA. The estimated cost for the 5-year term is \$40,000,000. The energy service agency agreement provides for LBWL to act as the Department’s agent with Midwest Independent Transmission

# CITY OF TRAVERSE CITY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

System Operator (“MISO”). LBWL will enter into third party contracts to purchase energy and sell surplus energy into the MISO daily and hourly markets. The estimated cost for the 5-year term is \$300,000.

In December 2010, the Traverse City City Commission approved a resolution to authorize refunding of Grand Traverse County – Traverse City Wastewater Treatment Plant Upgrade (2002 Project) Bonds. The County’s financial consultant has estimated that the total potential savings could be almost \$2 million of which the City’s portion would be approximately \$1 million.

### J. Designations of net assets

#### Primary government

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

	<b>Automobile Parking System Fund</b>	<b>Wastewater Fund</b>	<b>Water Fund</b>	<b>Marina Fund</b>	<b>Garage Fund</b>
Emergencies	\$ -	\$ 49,871	\$ 49,724	\$ -	\$ -
Capital expenditures	158,500	593,500	555,000	30,000	890,000
Future maintenance	<u>500,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 658,500</u></b>	<b><u>\$ 643,371</u></b>	<b><u>\$ 604,724</u></b>	<b><u>\$30,000</u></b>	<b><u>\$890,000</u></b>

#### Component unit

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

Emergencies	\$ 100,056
Uninsured claims	4,032,028
Capital expansion	<u>9,225,000</u>
<b>Total</b>	<b><u>\$13,357,084</u></b>

### K. Contingent liability

#### Primary government – Boot Lake Landfill

In 2005 the City received a demand letter from the Michigan Department of Environmental Quality (“MDEQ”) demanding that the City undertake response activities under Part 201, Section 118 at a site that was a City landfill from 1963 to 1967. The City and the MDEQ have reached an agreement with respect to the necessary investigatory actions that need to be taken at the site in order to determine

# CITY OF TRAVERSE CITY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

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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.

### **L. GASB Pronouncement**

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated and unreserved will be replaced with five new classifications: non-spendable, restricted, committed, assigned and unassigned.

The City is currently evaluating the impact this standard will have on the financial statements when adopted. The City will implement Statement No. 54 beginning with the fiscal year ending June 30, 2011.

### **M. Commitments**

The City contracted with Colasanti Construction Services, Inc., to construct the Old Town Parking Deck. As of June 30, 2010, the City is committed to pay the remaining \$1,030,545 of the original contract amount of \$7,932,325.

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## **REQUIRED SUPPLEMENTARY INFORMATION**

**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 Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered payroll ((b - a) / c)
6/30/2000	\$ 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
6/30/2009	23,755,156	31,384,903	7,629,747	75.7	3,348,677	227.8

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Year ended/valuation June 30	Annual Required Contribution	Percentage Contributed
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%
2010 / 2009	1,154,441	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, 2009
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 twenty years, payable to Pre-July 1, 1990 retirees, 2.5% of original pension or inflation whichever is less, for twenty years, payable to the Police Captains unit (effective 1/1/1994) and Police Sergeants (effective 8-1-98) and Police Patrol (effective 1-1-99) and Firefighters unit (effective 7-1-00), except that the Firefighters unit is not subject to inflation.

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

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

Actuarial valuation date	Actuarial Value of Assets (a)	Actuarial 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	3,173,479	96.28
6/30/2009	3,700,439	6,835,257	3,134,818	54.1	3,348,677	93.61

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Year ended/valuation June 30	Annual Required Contribution	Percentage Contributed
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
2010 / 2009	331,647	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, 2009
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%
Health care inflation	4.5-9.0%

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

Actuarial valuation date	Actuarial Value of Assets (a)	Actuarial 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)
12/31/2000	\$ 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
12/31/2009	40,980,261	54,216,489	13,236,228	75.6	7,971,182	166.1

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Year ended/valuation June 30	Annual Required Contribution	Percentage Contributed
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
2010 / 2009	1,394,741	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, 2009
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%
12/31/2008	1,488,166	5,055,539	3,567,373	29.4	8,023,611	44.46

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Year ended/valuation June 30	Annual Required Contribution	Percentage Contributed
2008 / 2007	\$ 274,606	100%
2009 / 2008	286,964	100%
2010 / 2009	303,667	100%

**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	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, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>				
Property taxes	\$ 8,301,800	\$ 8,301,800	\$ 8,362,861	\$ 61,061
Licenses and permits	211,500	221,500	230,131	8,631
Federal sources	38,000	38,000	37,925	(75)
State sources	1,363,000	1,363,000	1,160,859	(202,141)
Local sources	1,385,000	1,385,000	1,383,452	(1,548)
Charges for services	333,900	333,900	350,136	16,236
Fines and forfeits	68,000	68,000	76,137	8,137
Reimbursements	600,000	600,000	470,363	(129,637)
Interest income	125,000	125,000	51,234	(73,766)
Other revenue	460,500	485,500	514,175	28,675
<b>Total revenues</b>	<b><u>12,886,700</u></b>	<b><u>12,921,700</u></b>	<b><u>12,637,273</u></b>	<b><u>(284,427)</u></b>
<b>Expenditures</b>				
General government	3,006,800	3,089,800	2,818,161	(271,639)
Public safety	6,131,200	6,183,200	5,870,187	(313,013)
Public works	734,800	1,093,300	895,454	(197,846)
Recreation and culture	1,602,100	1,622,100	1,587,921	(34,179)
Community development	30,000	30,000	13,869	(16,131)
<b>Total expenditures</b>	<b><u>11,504,900</u></b>	<b><u>12,018,400</u></b>	<b><u>11,185,592</u></b>	<b><u>(832,808)</u></b>
Excess of revenue over expenditures	<u>1,381,800</u>	<u>903,300</u>	<u>1,451,681</u>	<u>548,381</u>
<b>Other financing sources (uses)</b>				
Transfers in	1,165,200	1,165,200	875,457	(289,743)
Transfers out	(2,546,400)	(2,393,500)	(2,080,483)	313,017
<b>Total other financing sources (uses)</b>	<b><u>(1,381,200)</u></b>	<b><u>(1,228,300)</u></b>	<b><u>(1,205,026)</u></b>	<b><u>23,274</u></b>
<b>Net change in fund balance</b>	<b>600</b>	<b>(325,000)</b>	<b>246,655</b>	<b>571,655</b>
Fund balance, beginning of year	<u>4,278,486</u>	<u>4,278,486</u>	<u>4,278,486</u>	<u>-</u>
<b>Fund balance, end of year</b>	<b><u>\$ 4,279,086</u></b>	<b><u>\$ 3,953,486</u></b>	<b><u>\$ 4,525,141</u></b>	<b><u>\$ 571,655</u></b>

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget (GAAP Basis) and Actual**  
**Major Streets Special Revenue Fund**  
**For the Year Ended June 30, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues</b>				
State sources	\$ 995,850	\$ 995,850	\$ 966,809	\$ (29,041)
Reimbursements	22,000	22,000	9,251	(12,749)
Interest income	1,150	1,150	336	(814)
<b>Total revenues</b>	<b><u>1,019,000</u></b>	<b><u>1,019,000</u></b>	<b><u>976,396</u></b>	<b><u>(42,604)</u></b>
<b>Expenditures</b>				
Public works				
Personnel	526,000	479,100	391,341	(87,759)
Commodities	135,000	135,000	137,475	2,475
Contractual services	119,000	99,000	43,331	142,331
Other charges	710,000	610,000	506,709	(103,291)
<b>Total expenditures</b>	<b><u>1,490,000</u></b>	<b><u>1,323,100</u></b>	<b><u>1,078,856</u></b>	<b><u>(46,244)</u></b>
(Deficiency) excess of revenue over expenditures	(471,000)	(304,100)	(102,460)	201,640
<b>Other financing sources</b>				
Transfers in	415,000	248,100	93,889	(154,211)
Transfers out	(45,000)	(45,000)	-	45,000
<b>Total other financing sources (uses)</b>	<b><u>370,000</u></b>	<b><u>203,100</u></b>	<b><u>93,889</u></b>	<b><u>(109,211)</u></b>
<b>Net change in fund balance</b>	<b>(101,000)</b>	<b>(101,000)</b>	<b>(8,571)</b>	<b>92,429</b>
Fund balance, beginning of year	<u>210,856</u>	<u>210,856</u>	<u>210,856</u>	<u>-</u>
<b>Fund balance, end of year</b>	<b><u>\$ 109,856</u></b>	<b><u>\$ 109,856</u></b>	<b><u>\$ 202,285</u></b>	<b><u>\$ 92,429</u></b>

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget (GAAP Basis) and Actual**  
**Local Streets Special Revenue Fund**  
**For the Year Ended June 30, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>				
State sources	\$ 303,000	\$ 303,000	\$ 324,164	\$ 21,164
<b>Expenditures</b>				
Public works				
Personnel	597,500	597,500	553,557	(43,943)
Contractual services	70,000	70,000	40,830	(29,170)
Commodities	75,000	75,000	43,914	(31,086)
Other charges	700,000	700,000	635,784	(64,216)
<b>Total expenditures</b>	<b>1,442,500</b>	<b>1,442,500</b>	<b>1,274,085</b>	<b>(168,415)</b>
(Deficiency) of revenue over expenditures	(1,139,500)	(1,139,500)	(949,921)	189,579
<b>Other financing sources</b>				
Transfer in	1,139,500	1,139,500	949,921	(189,579)
<b>Net change in fund balance</b>	-	-	-	-
Fund balance, beginning of year	-	-	-	-
<b>Fund balance, end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

# CITY OF TRAVERSE CITY, MICHIGAN

## NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

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### I. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

#### A. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general, special revenue, debt service 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. 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.

**COMBINING AND INDIVIDUAL FUND FINANCIAL  
STATEMENTS AND SCHEDULES**

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Schedule of Revenues**  
**Budget (GAAP Basis) and Actual**  
**General Fund**  
**For the Year Ended June 30, 2010**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Property taxes</b>			
Real estate and personal property	\$ 8,195,800	\$ 8,224,302	\$ 28,502
Collection fees	14,000	14,300	300
Penalties and interest on taxes	92,000	124,259	32,259
<b>Total property taxes</b>	<b>8,301,800</b>	<b>8,362,861</b>	<b>61,061</b>
<b>Licenses and permits</b>			
Business	208,000	210,179	2,179
Nonbusiness	13,500	19,952	6,452
<b>Total licenses and permits</b>	<b>221,500</b>	<b>230,131</b>	<b>8,631</b>
<b>Federal sources</b>	<b>38,000</b>	<b>37,925</b>	<b>(75)</b>
<b>State sources</b>			
State - shared revenues			
Sales and use tax	1,336,000	1,131,864	(204,136)
Liquor licenses	27,000	28,995	1,995
<b>Total state sources</b>	<b>1,363,000</b>	<b>1,160,859</b>	<b>(202,141)</b>
<b>Local sources</b>			
City fee	1,385,000	1,383,452	(1,548)
<b>Charges for services</b>			
General fees and services	37,100	40,337	3,237
Sale of assets	2,500	-	(2,500)
Use and admission fees	246,300	262,508	16,208
Fine and forfeitures - ordinance and cost	48,000	47,291	(709)
<b>Total charges for services</b>	<b>333,900</b>	<b>350,136</b>	<b>16,236</b>
<b>Fines and forfeits</b>			
Parking violations	68,000	76,137	8,137
<b>Reimbursements</b>	<b>600,000</b>	<b>470,363</b>	<b>(129,637)</b>
<b>Interest income</b>	<b>125,000</b>	<b>51,234</b>	<b>(73,766)</b>
<b>Other revenue</b>			
Rents and royalties	2,500	2,400	(100)
Contributions	440,500	473,305	32,805
Other	42,500	38,470	(4,030)
<b>Total other revenue</b>	<b>485,500</b>	<b>514,175</b>	<b>28,675</b>
<b>Total revenues</b>	<b>\$ 12,921,700</b>	<b>\$ 12,637,273</b>	<b>\$ (284,427)</b>

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Schedule of Expenditures**  
**Budget (GAAP Basis) and Actual**  
**General Fund**  
**For the Year Ended June 30, 2010**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>General government</b>			
City Commission			
Personnel	\$ 34,600	\$ 34,560	\$ (40)
Commodities	1,200	800	(400)
Contractual services	82,500	75,045	(7,455)
Other charges	9,800	6,171	(3,629)
Total City Commission	<u>128,100</u>	<u>116,576</u>	<u>(11,524)</u>
City Manager's Office			
Personnel	310,800	302,250	(8,550)
Commodities	5,000	2,450	(2,550)
Contractual services	23,500	21,033	(2,467)
Other charges	10,800	8,452	(2,348)
Total City Manager's Office	<u>350,100</u>	<u>334,185</u>	<u>(15,915)</u>
Human Resources			
Personnel	177,800	174,627	(3,173)
Commodities	1,500	932	(568)
Contractual services	25,650	24,121	(1,529)
Other charges	5,950	4,386	(1,564)
Total Human Resources	<u>210,900</u>	<u>204,066</u>	<u>(6,834)</u>
City Attorney's Office			
Personnel	121,000	110,998	(10,002)
Commodities	3,100	1,091	(2,009)
Contractual services	33,000	29,600	(3,400)
Other charges	1,500	1,827	327
Total City Attorney's Office	<u>158,600</u>	<u>143,516</u>	<u>(15,084)</u>
City Clerk's Office			
Personnel	313,900	291,679	(22,221)
Commodities	17,500	22,217	4,717
Contractual services	50,100	37,689	(12,411)
Other charges	26,700	15,186	(11,514)
Total City Clerk's Office	<u>408,200</u>	<u>366,771</u>	<u>(41,429)</u>
Assessor's Office			
Personnel	276,850	262,982	(13,868)
Commodities	12,950	10,741	(2,209)
Contractual services	29,100	24,278	(4,822)
Other charges	2,600	2,855	255
Total Assessor's Office	<u>321,500</u>	<u>300,856</u>	<u>(20,644)</u>

Continued.....

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Schedule of Expenditures**  
**Budget (GAAP Basis) and Actual**  
**General Fund**  
**For the Year Ended June 30, 2010**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Treasurer's Office			
Personnel	\$ 293,100	\$ 283,965	\$ (9,135)
Commodities	20,000	18,817	(1,183)
Contractual services	41,000	37,060	(3,940)
Other charges	10,000	5,900	(4,100)
Total Treasurer's Office	<u>364,100</u>	<u>345,742</u>	<u>(18,358)</u>
Building and grounds			
Other charges	135,000	107,271	(27,729)
Planning/Zoning			
Personnel	314,200	304,287	(9,913)
Commodities	5,000	4,185	(815)
Contractual services	34,600	23,055	(11,545)
Other charges	9,300	11,036	1,736
Total Planning/Zoning	<u>363,100</u>	<u>342,563</u>	<u>(20,537)</u>
Cemetery			
Personnel	173,200	142,134	(31,066)
Commodities	9,800	8,460	(1,340)
Contractual services	154,200	142,389	(11,811)
Other charges	53,000	27,632	(25,368)
Total Cemetery	<u>390,200</u>	<u>320,615</u>	<u>(69,585)</u>
Appropriations	230,000	212,400	(17,600)
Capital outlay	30,000	23,600	(6,400)
<b>Total general government</b>	<b><u>3,089,800</u></b>	<b><u>2,818,161</u></b>	<b><u>(271,639)</u></b>
<b>Public Safety</b>			
Police			
Personnel	2,682,900	2,607,757	(75,143)
Commodities	89,900	77,101	(12,799)
Contractual services	381,700	349,871	(31,829)
Other charges	337,700	303,143	(34,557)
Total Police	<u>3,492,200</u>	<u>3,337,872</u>	<u>(154,328)</u>

Continued.....

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Schedule of Expenditures**  
**Budget (GAAP Basis) and Actual**  
**General Fund**  
**For the Year Ended June 30, 2010**

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
Fire			
Personnel	\$ 2,153,850	\$ 2,034,169	\$ (119,681)
Commodities	52,100	45,603	(6,497)
Contractual services	99,300	85,953	(13,347)
Other charges	385,750	366,590	(19,160)
<b>Total Fire</b>	<b>2,691,000</b>	<b>2,532,315</b>	<b>(158,685)</b>
<b>Total public safety</b>	<b>6,183,200</b>	<b>5,870,187</b>	<b>(313,013)</b>
<b>Public Works</b>			
Streets, alleys and sidewalks			
Personnel	284,500	312,046	27,546
Commodities	28,200	(2,806)	(31,006)
Contractual services	146,600	134,801	(11,799)
Other charges	(264,300)	(406,097)	(141,797)
<b>Total Streets, Alleys and Sidewalks</b>	<b>195,000</b>	<b>37,944</b>	<b>(157,056)</b>
Street lighting - utilities	184,500	183,499	(1,001)
Engineering			
Personnel	635,200	599,413	(35,787)
Commodities	14,000	12,487	(1,513)
Contractual services	50,700	48,270	(2,430)
Other charges	13,900	13,841	(59)
<b>Total Engineering</b>	<b>713,800</b>	<b>674,011</b>	<b>(39,789)</b>
<b>Total public works</b>	<b>1,093,300</b>	<b>895,454</b>	<b>(197,846)</b>
<b>Recreation and Culture</b>			
Parks			
Personnel	953,800	912,324	(41,476)
Commodities	63,800	50,607	(13,193)
Contractual services	204,000	213,944	9,944
Other charges	400,500	411,046	10,546
<b>Total Parks</b>	<b>1,622,100</b>	<b>1,587,921</b>	<b>(34,179)</b>
<b>Community Development</b>			
Personnel	-	11,977	11,977
Commodities	2,500	907	(1,593)
Contractual services	20,000	479	(19,521)
Other charges	7,500	506	(6,994)
<b>Total Community Development</b>	<b>30,000</b>	<b>13,869</b>	<b>(16,131)</b>
<b>Total expenditures</b>	<b>\$ 12,018,400</b>	<b>\$ 11,185,592</b>	<b>\$ (832,808)</b>

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Schedule of Transfers**  
**Budget (GAAP Basis) and Actual**  
**General Fund**  
**For the Year Ended June 30, 2010**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Transfers in</b>			
Brown Bridge Trust	\$ 335,000	\$ 354,434	\$ 19,434
Other funds	241,500	52,976	(188,524)
City fee	588,700	468,047	(120,653)
<b>Total Transfers In</b>	<u><u>\$ 1,165,200</u></u>	<u><u>\$ 875,457</u></u>	<u><u>\$ (289,743)</u></u>
<b>Transfers out</b>			
Motor Vehicle Highway	1,342,600	1,043,810	(298,790)
Public Improvement	844,000	844,000	-
Con Foster Museum	106,900	92,673	(14,227)
Senior Center	100,000	100,000	-
<b>Total Transfers Out</b>	<u><u>\$ 2,393,500</u></u>	<u><u>\$ 2,080,483</u></u>	<u><u>\$ (313,017)</u></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, 2010**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>			
Federal sources	\$ -	\$ 458,558	\$ 458,558
Contributions	620,000	604,002	(15,998)
Reimbursement	-	2,547	2,547
Interest income	-	6,583	6,583
<b>Total revenues</b>	<b>620,000</b>	<b>1,071,690</b>	<b>451,690</b>
<b>Expenditures</b>			
General government			
Personnel	-	1,647	1,647
Other expense	-	753	753
Capital outlay	1,671,500	2,131,528	460,028
<b>Total expenditures</b>	<b>1,671,500</b>	<b>2,133,928</b>	<b>462,428</b>
(Deficiency) excess of revenues over expenditures	(1,051,500)	(1,062,238)	(10,738)
<b>Other financing sources</b>			
Transfers in	830,000	830,000	-
<b>Net change in fund balance</b>	<b>(221,500)</b>	<b>(232,238)</b>	<b>(10,738)</b>
Fund balance, beginning of year	1,798,108	1,798,108	-
<b>Fund balance, end of year</b>	<b>\$ 1,576,608</b>	<b>\$ 1,565,870</b>	<b>\$ (10,738)</b>

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget (GAAP Basis) and Actual**  
**Old Town Parking Deck Construction Fund**  
**For the Year Ended June 30, 2010**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>			
Interest income	\$ 13,000	\$ 14,092	\$ 1,092
<b>Expenditures</b>			
Capital outlay	<u>8,067,000</u>	<u>7,561,114</u>	<u>(505,886)</u>
(Deficiency) of revenues over expenditures	(8,054,000)	(7,547,022)	(504,794)
<b>Other financing sources</b>			
Proceeds of bonds	8,054,000	8,000,000	(54,000)
Reoffering premium	<u>-</u>	<u>106,592</u>	<u>106,592</u>
<b>Total other financing sources</b>	8,054,000	8,106,592	52,592
<b>Net change in fund balance</b>	-	<b>559,570</b>	<b>559,570</b>
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u><u>\$ -</u></u>	<u><u>\$ 559,570</u></u>	<u><u>\$ 559,570</u></u>

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2010**

	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Capital Projects Funds</u>	<u>Permanent Cemetery Perpetual Care</u>	<u>Total Nonmajor Governmental Funds</u>
<b>ASSETS</b>					
<b>Assets</b>					
Cash and cash equivalents	\$ 2,094,888	\$ -	\$ 1,676,470	\$ 40,849	\$ 3,812,207
Investments	179,116	-	1,078,772	635,261	1,893,149
Receivables					
Accounts	18,607	-	-	-	18,607
Taxes	1,876	-	3,793	-	5,669
Special assessments	-	-	117,558	-	117,558
Due from other governments	3,484	-	-	-	3,484
Due from other funds	3,002	-	-	-	3,002
Prepaid items	42	-	-	-	42
Advances to other funds	1,285,309	-	-	-	1,285,309
<b>Total assets</b>	<b><u>\$ 3,586,324</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 2,876,593</u></b>	<b><u>\$ 676,110</u></b>	<b><u>\$ 7,139,027</u></b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable	\$ 19,371	\$ -	\$ -	\$ -	\$ 19,371
Accrued and other liabilities	3,987	-	-	-	3,987
Due to other funds	14,973	-	-	19,628	34,601
Advances from other funds	435,309	-	-	-	435,309
Advance from component unit	-	-	35,371	-	35,371
Deferred revenue	46,810	-	77,385	-	124,195
<b>Total liabilities</b>	<b><u>520,450</u></b>	<b><u>-</u></b>	<b><u>112,756</u></b>	<b><u>19,628</u></b>	<b><u>652,834</u></b>
<b>Fund balances</b>					
Reserved for					
Advances	1,285,309	-	-	-	1,285,309
Prepays	42	-	-	-	42
Endowments	-	-	-	656,482	656,482
Recreation and culture	104,816	-	-	-	104,816
Capital projects	-	-	1,240,442	-	1,240,442
Unreserved					
Designated for subsequent years' expenditures	110,300	-	-	-	110,300
Designated for future capital projects	-	-	1,523,395	-	1,523,395
Undesignated	1,565,407	-	-	-	1,565,407
<b>Total fund balances</b>	<b><u>3,065,874</u></b>	<b><u>-</u></b>	<b><u>2,763,837</u></b>	<b><u>656,482</u></b>	<b><u>6,486,193</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 3,586,324</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 2,876,593</u></b>	<b><u>\$ 676,110</u></b>	<b><u>\$ 7,139,027</u></b>

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2010**

	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Capital Projects Funds</u>	<u>Permanent Cemetery Perpetual Care</u>	<u>Total Nonmajor Governmental Funds</u>
<b>Revenues</b>					
Property taxes and special assessments	\$ 950,186	\$ -	\$ 99,305	\$ -	\$ 1,049,491
Federal sources	166,705	-	-	-	166,705
State sources	6,403	-	-	-	6,403
Local sources	73,900	1,613,147	-	-	1,687,047
Charges for services	164,198	-	-	11,340	175,538
Contributions	139,503	-	-	-	139,503
Reimbursements	15,706	-	-	-	15,706
Interest income	57,980	-	14,309	34,354	106,643
Other revenue	106,146	-	-	-	106,146
<b>Total revenues</b>	<b><u>1,680,727</u></b>	<b><u>1,613,147</u></b>	<b><u>113,614</u></b>	<b><u>45,694</u></b>	<b><u>3,453,182</u></b>
<b>Expenditures</b>					
Current expenditures					
General government	56,939	-	-	-	56,939
Public safety	1,238,929	-	-	-	1,238,929
Culture and recreation	455,264	-	-	-	455,264
Community development	22,869	-	-	-	22,869
Capital outlay	129,414	-	169,222	-	298,636
Debt service					
Principal	-	1,050,000	-	-	1,050,000
Interest and fiscal charges	12,555	563,147	-	-	575,702
<b>Total expenditures</b>	<b><u>1,915,970</u></b>	<b><u>1,613,147</u></b>	<b><u>169,222</u></b>	<b><u>-</u></b>	<b><u>3,698,339</u></b>
(Deficiency) excess of revenues over expenditures	<u>(235,243)</u>	<u>-</u>	<u>(55,608)</u>	<u>45,694</u>	<u>(245,157)</u>
<b>Other financing sources (uses)</b>					
Transfers in	195,675	-	14,000	-	209,675
Transfers out	<u>(36,350)</u>	<u>-</u>	<u>-</u>	<u>(19,628)</u>	<u>(55,978)</u>
<b>Total other financing sources (uses)</b>	<b><u>159,325</u></b>	<b><u>-</u></b>	<b><u>14,000</u></b>	<b><u>(19,628)</u></b>	<b><u>153,697</u></b>
<b>Net change in fund balance</b>	<b><u>(75,918)</u></b>	<b><u>-</u></b>	<b><u>(41,608)</u></b>	<b><u>26,066</u></b>	<b><u>(91,460)</u></b>
Fund balances, beginning of year	<u>3,141,792</u>	<u>-</u>	<u>2,805,445</u>	<u>630,416</u>	<u>6,577,653</u>
<b>Fund balances, end of year</b>	<b><u><u>\$ 3,065,874</u></u></b>	<b><u><u>\$ -</u></u></b>	<b><u><u>\$ 2,763,837</u></u></b>	<b><u><u>\$ 656,482</u></u></b>	<b><u><u>\$ 6,486,193</u></u></b>

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Combining Balance Sheet**  
**Nonmajor Special Revenue Funds**  
**June 30, 2010**

	<u>Budget Stabilization Fund</u>	<u>Haz-Mat Fund</u>	<u>Act 302 Police Training Fund</u>	<u>FETN Academy Fund</u>	<u>State Preparedness Equipment Grant Fund</u>
<b>ASSETS</b>					
<b>Assets</b>					
Cash and cash equivalents	\$ 753,348	\$ 32,840	\$ -	\$ 632	\$ -
Investments	-	-	-	-	-
Receivables					
Accounts	-	395	-	-	-
Taxes	-	-	-	-	-
Due from other governments	-	-	-	-	-
Due from other funds	-	-	-	-	-
Prepaid items	-	-	-	-	-
Advances to other funds	-	-	-	-	-
<b>Total assets</b>	<b><u>\$ 753,348</u></b>	<b><u>\$ 33,235</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 632</u></b>	<b><u>\$ -</u></b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued and other liabilities	-	-	-	-	-
Due to other funds	3,348	-	-	-	-
Advances from other funds	-	-	-	-	-
Deferred revenue	-	-	-	-	-
<b>Total liabilities</b>	<b><u>3,348</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Fund balance</b>					
Reserved for					
Advances	-	-	-	-	-
Prepays	-	-	-	-	-
Recreation and culture	-	-	-	-	-
Unreserved					
Designated for subsequent years' expenditures	-	-	-	-	-
Undesignated (deficit)	750,000	33,235	-	632	-
<b>Total fund balances</b>	<b><u>750,000</u></b>	<b><u>33,235</u></b>	<b><u>-</u></b>	<b><u>632</u></b>	<b><u>-</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 753,348</u></b>	<b><u>\$ 33,235</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 632</u></b>	<b><u>\$ -</u></b>

<u>College Parking Fund</u>	<u>Act 345 Millage Fund</u>	<u>Safe Communities Grant Fund</u>	<u>Traverse City and Garfield Township Joint Planning Fund</u>	<u>Heritage Center Museum Fund</u>
\$ 10,244	\$ 6,263	\$ -	\$ 6,873	\$ 2,247
-	-	-	-	-
165	-	-	3,000	-
-	1,876	-	-	-
-	-	-	-	-
-	-	-	-	3,002
-	-	-	-	-
-	-	-	-	-
<u>\$ 10,409</u>	<u>\$ 8,139</u>	<u>\$ -</u>	<u>\$ 9,873</u>	<u>\$ 5,249</u>
\$ 5,147	\$ 18	\$ -	\$ -	\$ 5,249
123	-	-	-	-
5,139	-	-	-	-
-	210,500	-	-	-
-	1,876	-	-	-
<u>10,409</u>	<u>212,394</u>	<u>-</u>	<u>-</u>	<u>5,249</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	(204,255)	-	9,873	-
-	(204,255)	-	9,873	-
<u>\$ 10,409</u>	<u>\$ 8,139</u>	<u>\$ -</u>	<u>\$ 9,873</u>	<u>\$ 5,249</u>

Continued.....

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Combining Balance Sheet**  
**Nonmajor Special Revenue Funds**  
**For the Year Ended June 30, 2010**

	<b>PEG Capital Fund</b>	<b>Cherry Capital Cable Fund</b>	<b>Senior Center Fund</b>	<b>Senior Center Building Fund</b>	<b>Brown Bridge Maintenance Fund</b>
<b>ASSETS</b>					
<b>Assets</b>					
Cash and cash equivalents	\$ 3,145	\$ 4,741	\$ 219,408	\$ 142,005	\$ 36,858
Investments	-	-	-	-	-
Receivables					
Accounts	5,887	-	300	-	-
Taxes	-	-	-	-	-
Due from other governments	-	-	-	-	-
Due from other funds	-	-	-	-	-
Prepaid items	-	-	42	-	-
Advances to other funds	-	-	-	-	-
<b>Total assets</b>	<b><u>\$ 9,032</u></b>	<b><u>\$ 4,741</u></b>	<b><u>\$ 219,750</u></b>	<b><u>\$ 142,005</u></b>	<b><u>\$ 36,858</u></b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable	\$ -	\$ -	\$ 2,448	\$ -	\$ 6,182
Accrued and other liabilities	-	-	3,864	-	-
Due to other funds	-	-	-	-	-
Advances from other funds	-	-	-	-	-
Deferred revenue	-	-	44,934	-	-
<b>Total liabilities</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>51,246</u></b>	<b><u>-</u></b>	<b><u>6,182</u></b>
<b>Fund balance</b>					
Reserved for					
Advances	-	-	-	-	-
Prepays	-	-	42	-	-
Recreation and culture	-	-	-	-	-
Unreserved					
Designated for subsequent years' expenditures	-	-	12,600	-	26,500
Undesignated (deficit)	9,032	4,741	155,862	142,005	4,176
<b>Total fund balances</b>	<b><u>9,032</u></b>	<b><u>4,741</u></b>	<b><u>168,504</u></b>	<b><u>142,005</u></b>	<b><u>30,676</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 9,032</u></b>	<b><u>\$ 4,741</u></b>	<b><u>\$ 219,750</u></b>	<b><u>\$ 142,005</u></b>	<b><u>\$ 36,858</u></b>

<b>Homeland Security Training Grant Fund</b>	<b>Byrne Memorial Justice Grant Fund</b>	<b>Opera House Fund</b>	<b>Banner Program Fund</b>	<b>Industrial Development Fund</b>	<b>McCauley Estate Trust Fund</b>	<b>Total</b>
\$ -	\$ -	\$ 69,367	\$ 10,950	\$ 789,265	\$ 6,702	\$ 2,094,888
-	-	-	-	78,000	101,116	179,116
-	-	8,860	-	-	-	18,607
-	-	-	-	-	-	1,876
3,484	-	-	-	-	-	3,484
-	-	-	-	-	-	3,002
-	-	-	-	-	-	42
-	-	-	-	1,285,309	-	1,285,309
<b>\$ 3,484</b>	<b>\$ -</b>	<b>\$ 78,227</b>	<b>\$ 10,950</b>	<b>\$ 2,152,574</b>	<b>\$ 107,818</b>	<b>\$ 3,586,324</b>
\$ -	\$ -	\$ 192	\$ -	\$ 135	\$ -	\$ 19,371
-	-	-	-	-	-	3,987
3,484	-	-	-	-	3,002	14,973
-	-	224,809	-	-	-	435,309
-	-	-	-	-	-	46,810
<b>3,484</b>	<b>-</b>	<b>225,001</b>	<b>-</b>	<b>135</b>	<b>3,002</b>	<b>520,450</b>
-	-	-	-	1,285,309	-	1,285,309
-	-	-	-	-	-	42
-	-	-	-	-	104,816	104,816
-	-	-	-	71,200	-	110,300
-	-	(146,774)	10,950	795,930	-	1,565,407
-	-	<b>(146,774)</b>	<b>10,950</b>	<b>2,152,439</b>	<b>104,816</b>	<b>3,065,874</b>
<b>\$ 3,484</b>	<b>\$ -</b>	<b>\$ 78,227</b>	<b>\$ 10,950</b>	<b>\$ 2,152,574</b>	<b>\$ 107,818</b>	<b>\$ 3,586,324</b>

Concluded

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Special Revenue Funds**  
**For the Year Ended June 30, 2010**

	<u>Budget Stabilization Fund</u>	<u>Haz-Mat Fund</u>	<u>Act 302 Police Training Fund</u>	<u>FETN Academy Fund</u>	<u>State Preparedness Equipment Grant Fund</u>
<b>Revenues</b>					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Federal sources	-	-	-	-	111,186
State sources	-	-	6,403	-	-
Local sources	-	19,750	-	-	-
Charges for services	-	4,887	-	-	-
Contributions	-	6,060	-	-	-
Reimbursements	-	-	-	-	-
Interest income	3,348	-	-	-	-
Other revenue	-	-	-	-	-
<b>Total revenues</b>	<u>3,348</u>	<u>30,697</u>	<u>6,403</u>	<u>-</u>	<u>111,186</u>
<b>Expenditures</b>					
Current expenditures					
General government	-	-	-	-	-
Public safety	-	22,566	6,403	-	-
Culture and recreation	-	-	-	-	-
Community development	-	-	-	-	-
Capital outlay	-	-	-	-	111,186
Debt service					
Interest and fiscal charges	-	-	-	-	-
<b>Total expenditures</b>	<u>-</u>	<u>22,566</u>	<u>6,403</u>	<u>-</u>	<u>111,186</u>
Excess (deficiency) of revenues over expenditures	<u>3,348</u>	<u>8,131</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Other financing sources (uses)</b>					
Transfers in	-	-	-	-	-
Transfers out	(3,348)	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>(3,348)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balance</b>	<u>-</u>	<u>8,131</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances (deficit), beginning of year	<u>750,000</u>	<u>25,104</u>	<u>-</u>	<u>632</u>	<u>-</u>
<b>Fund balances (deficit), end of year</b>	<u>\$ 750,000</u>	<u>\$ 33,235</u>	<u>\$ -</u>	<u>\$ 632</u>	<u>\$ -</u>

<u>College Parking Fund</u>	<u>Act 345 Millage Fund</u>	<u>Safe Communities Grant Fund</u>	<u>Traverse City and Garfield Township Joint Planning Fund</u>	<u>Heritage Center Museum Fund</u>
\$ -	\$ 950,186	\$ -	\$ -	\$ -
-	-	8,373	-	-
-	-	-	-	-
46,751	-	-	-	-
-	-	-	6,000	-
-	-	-	-	-
-	-	-	-	-
<u>46,751</u>	<u>950,186</u>	<u>8,373</u>	<u>6,000</u>	<u>-</u>
47,342	-	-	9,524	-
-	1,154,441	8,373	-	-
-	-	-	-	95,675
-	-	-	-	-
-	-	-	-	-
<u>47,342</u>	<u>1,154,441</u>	<u>8,373</u>	<u>9,524</u>	<u>95,675</u>
(591)	(204,255)	-	(3,524)	(95,675)
-	-	-	-	95,675
-	-	-	-	-
-	-	-	-	<u>95,675</u>
(591)	(204,255)	-	(3,524)	-
591	-	-	13,397	-
<u>\$ -</u>	<u>\$ (204,255)</u>	<u>\$ -</u>	<u>\$ 9,873</u>	<u>\$ -</u>

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, 2010**

	<b>PEG Capital Fund</b>	<b>Cherry Capital Cable Fund</b>	<b>Senior Center Fund</b>	<b>Senior Center Building Fund</b>	<b>Brown Bridge Maintenance Fund</b>
<b>Revenues</b>					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Federal sources	-	-	-	-	-
State sources	-	-	-	-	-
Local sources	-	-	54,150	-	-
Charges for services	-	-	49,287	-	-
Contributions	25,924	-	89,723	11,796	-
Reimbursements	-	-	425	-	-
Interest income	-	-	639	612	-
Other revenue	-	-	6,889	-	91,977
<b>Total revenues</b>	<b>25,924</b>	<b>-</b>	<b>201,113</b>	<b>12,408</b>	<b>91,977</b>
<b>Expenditures</b>					
Current expenditures					
General government	-	73	-	-	-
Public safety	-	-	-	-	-
Culture and recreation	-	-	246,507	-	67,726
Community development	-	-	-	-	-
Capital outlay	17,908	-	320	-	-
Debt service					
Interest and fiscal charges	-	-	-	-	-
<b>Total expenditures</b>	<b>17,908</b>	<b>73</b>	<b>246,827</b>	<b>-</b>	<b>67,726</b>
Excess (deficiency) of revenues over expenditures	8,016	(73)	(45,714)	12,408	24,251
<b>Other financing sources (uses)</b>					
Transfers in	-	-	100,000	-	-
Transfers out	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>100,000</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>8,016</b>	<b>(73)</b>	<b>54,286</b>	<b>12,408</b>	<b>24,251</b>
Fund balances (deficit), beginning of year	1,016	4,814	114,218	129,597	6,425
<b>Fund balances (deficit), end of year</b>	<b>\$ 9,032</b>	<b>\$ 4,741</b>	<b>\$ 168,504</b>	<b>\$ 142,005</b>	<b>\$ 30,676</b>

<b>Homeland Security Grant Fund</b>	<b>Byrne Memorial Justice Grant Fund</b>	<b>Opera House Fund</b>	<b>Banner Program Fund</b>	<b>Industrial Development Fund</b>	<b>McCauley Estate Trust Fund</b>	<b>Total</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 950,186
22,812	24,334	-	-	-	-	166,705
-	-	-	-	-	-	6,403
-	-	-	-	-	-	73,900
-	-	63,273	-	-	-	164,198
-	-	-	-	-	-	139,503
-	-	12,141	3,140	-	-	15,706
-	-	226	-	47,459	5,696	57,980
-	-	-	-	7,280	-	106,146
<b>22,812</b>	<b>24,334</b>	<b>75,640</b>	<b>3,140</b>	<b>54,739</b>	<b>5,696</b>	<b>1,680,727</b>
-	-	-	-	-	-	56,939
22,812	24,334	-	-	-	-	1,238,929
-	-	45,356	-	-	-	455,264
-	-	-	-	22,869	-	22,869
-	-	-	-	-	-	129,414
-	-	12,555	-	-	-	12,555
<b>22,812</b>	<b>24,334</b>	<b>57,911</b>	<b>-</b>	<b>22,869</b>	<b>-</b>	<b>1,915,970</b>
-	-	17,729	3,140	31,870	5,696	(235,243)
-	-	-	-	-	-	195,675
-	-	-	-	(30,000)	(3,002)	(36,350)
-	-	-	-	<b>(30,000)</b>	<b>(3,002)</b>	<b>159,325</b>
-	-	17,729	3,140	1,870	2,694	(75,918)
-	-	(164,503)	7,810	2,150,569	102,122	3,141,792
<b>\$ -</b>	<b>\$ -</b>	<b>\$ (146,774)</b>	<b>\$ 10,950</b>	<b>\$ 2,152,439</b>	<b>\$ 104,816</b>	<b>\$ 3,065,874</b>

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, 2010**

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	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenue</b>			
Interest income	\$ 7,500	\$ 3,348	\$ (4,152)
<b>Other financing uses</b>			
Transfer out	<u>(7,500)</u>	<u>(3,348)</u>	<u>4,152</u>
<b>Net change in fund balance</b>	-	-	-
Fund balance, beginning of year	<u>750,000</u>	<u>750,000</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u><b>\$ 750,000</b></u>	<u><b>\$ 750,000</b></u>	<u><b>\$ -</b></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, 2010**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>			
Local sources	\$ 19,750	\$ 19,750	\$ -
Charges for services	5,000	4,887	(113)
Contributions	6,100	6,060	(40)
<b>Total revenues</b>	<b>30,850</b>	<b>30,697</b>	<b>(153)</b>
<b>Expenditures</b>			
Public safety			
Personnel	5,250	1,639	(3,611)
Contractual services	2,550	608	(1,942)
Supplies	18,450	17,520	(930)
Other charges	3,600	2,799	(801)
<b>Total expenditures</b>	<b>29,850</b>	<b>22,566</b>	<b>(7,284)</b>
<b>Net change in fund balance</b>	<b>1,000</b>	<b>8,131</b>	<b>7,131</b>
Fund balance, beginning of year	25,104	25,104	-
<b>Fund balance, end of year</b>	<b>\$ 26,104</b>	<b>\$ 33,235</b>	<b>\$ 7,131</b>

**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, 2010**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>			
State sources	\$ 8,000	\$ 6,403	\$ (1,597)
<b>Expenditures</b>			
Public safety			
Contractual services	<u>8,000</u>	<u>6,403</u>	<u>(1,597)</u>
<b>Net change in fund balance</b>	-	-	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget (GAAP Basis) and Actual**  
**FETN Academy Special Revenue Fund**  
**For the Year Ended June 30, 2010**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>			
Local sources	\$ 3,300	\$ -	\$ (3,300)
<b>Expenditures</b>			
<b>Public safety</b>			
Contractual services	<u>3,300</u>	<u>-</u>	<u>(3,300)</u>
<b>Net change in fund balance</b>	-	-	-
Fund balance, beginning of year	<u>632</u>	<u>632</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u><u>\$ 632</u></u>	<u><u>\$ 632</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**  
**State Preparedness Equipment Grant Special Revenue Fund**  
**For the Year Ended June 30, 2010**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>			
Federal sources	\$ 120,000	\$ 111,186	\$ (8,814)
<b>Expenditures</b>			
Capital outlay	<u>120,000</u>	<u>111,186</u>	<u>(8,814)</u>
<b>Net change in fund balance</b>	-	-	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget (GAAP Basis) and Actual**  
**College Parking Special Revenue Fund**  
**For the Year Ended June 30, 2010**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>			
Charges for services	\$ 47,750	\$ 46,751	\$ (999)
<b>Expenditures</b>			
General government			
Personnel	5,450	4,324	(1,126)
Contractual services	39,400	40,530	1,130
Commodities	200	-	(200)
Other expense	2,700	2,488	(212)
<b>Total expenditures</b>	<u>47,750</u>	<u>47,342</u>	<u>(408)</u>
<b>Net change in fund balance</b>	-	(591)	(591)
Fund balance, beginning of year	591	591	-
<b>Fund balance, end of year</b>	<u>\$ 591</u>	<u>\$ -</u>	<u>\$ (591)</u>

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget (GAAP Basis) and Actual**  
**Act 345 Millage Special Revenue Fund**  
**For the Year Ended June 30, 2010**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>			
Property taxes	\$ 944,200	\$ 950,186	\$ 5,986
Other revenue	210,500	-	(210,500)
<b>Total revenues</b>	<u><b>1,154,700</b></u>	<u><b>950,186</b></u>	<u><b>(204,514)</b></u>
<b>Expenditures</b>			
Public safety			
Other expense	1,154,700	1,154,441	(259)
<b>Net change in fund balance</b>	<b>-</b>	<b>(204,255)</b>	<b>(204,255)</b>
Fund balance, beginning of year	-	-	-
<b>Fund balance (deficit), end of year</b>	<u><u><b>\$ -</b></u></u>	<u><u><b>\$ (204,255)</b></u></u>	<u><u><b>\$ (204,255)</b></u></u>

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget (GAAP Basis) and Actual**  
**Safe Communities Grant Special Revenue Fund**  
**For the Year Ended June 30, 2010**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>			
Federal sources	\$ 35,000	\$ 8,373	\$ (26,627)
<b>Expenditures</b>			
Public safety			
Personnel	17,500	6,351	(11,149)
Contractual services	17,500	2,022	(15,478)
<b>Total expenditures</b>	<b>35,000</b>	<b>8,373</b>	<b>(26,627)</b>
<b>Net change in fund balance</b>	-	-	-
Fund balance, beginning of year	-	-	-
<b>Fund balance, end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget (GAAP Basis) and Actual**  
**Traverse City and Garfield Township Joint Planning Special Revenue Fund**  
**For the Year Ended June 30, 2010**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>			
Contributions	\$ 9,000	\$ 6,000	\$ (3,000)
<b>Expenditures</b>			
Public safety			
Contractual services	7,500	9,483	1,983
Supplies	1,500	41	(1,459)
<b>Total expenditures</b>	<u>9,000</u>	<u>9,524</u>	<u>524</u>
<b>Net change in fund balance</b>	-	(3,524)	(3,524)
Fund balance, beginning of year	<u>13,397</u>	<u>13,397</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u><u>\$ 13,397</u></u>	<u><u>\$ 9,873</u></u>	<u><u>\$ (3,524)</u></u>

**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, 2010**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Expenditures</b>			
Culture and recreation			
Contractual services	\$ 68,200	\$ 64,722	\$ (3,478)
Other expense	41,800	30,953	(10,847)
<b>Total expenditures</b>	<u>110,000</u>	<u>95,675</u>	<u>(14,325)</u>
<b>Other financing sources</b>			
Transfer in	110,000	95,675	(14,325)
<b>Net change in fund balance</b>	-	-	-
Fund balance, beginning of year	-	-	-
<b>Fund balance, end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**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, 2010**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>			
Contributions	\$ 18,000	\$ 25,924	\$ 7,924
<b>Expenditures</b>			
Capital outlay	18,000	17,908	(92)
<b>Net change in fund balance</b>	-	<b>8,016</b>	<b>8,016</b>
Fund balance, beginning of year	1,016	1,016	-
<b>Fund balance, end of year</b>	<u><u>\$ 1,016</u></u>	<u><u>\$ 9,032</u></u>	<u><u>\$ 8,016</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, 2010**

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	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Expenditures</b>			
General government			
Other expense	\$ -	\$ 73	\$ 73
<b>Net change in fund balance</b>	<b>-</b>	<b>(73)</b>	<b>(73)</b>
Fund balance, beginning of year	<u>4,814</u>	<u>4,814</u>	<u>-</u>
<b>Fund balance, end of year</b>	<b><u>\$ 4,814</u></b>	<b><u>\$ 4,741</u></b>	<b><u>\$ (73)</u></b>

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget (GAAP Basis) and Actual**  
**Senior Center Special Revenue Fund**  
**For the Year Ended June 30, 2010**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>			
Local sources	\$ 57,000	\$ 54,150	\$ (2,850)
Charges for services	26,000	49,287	23,287
Contributions	95,200	89,723	(5,477)
Reimbursements	-	425	425
Interest income	2,500	639	(1,861)
Other revenue	13,500	6,889	(6,611)
<b>Total revenues</b>	<b>194,200</b>	<b>201,113</b>	<b>6,913</b>
<b>Expenditures</b>			
Culture and recreation			
Personnel	164,300	167,103	2,803
Contractual services	83,300	37,691	(45,609)
Commodities	24,200	23,288	(912)
Other expense	22,200	18,425	(3,775)
Capital outlay	1,000	320	(680)
<b>Total expenditures</b>	<b>295,000</b>	<b>246,827</b>	<b>(48,173)</b>
(Deficiency) excess of revenues over expenditures	(100,800)	(45,714)	55,086
<b>Other financing sources</b>			
Transfer in	100,000	100,000	-
<b>Net change in fund balance</b>	<b>(800)</b>	<b>54,286</b>	<b>55,086</b>
Fund balance, beginning of year	114,218	114,218	-
<b>Fund balance, end of year</b>	<b>\$ 113,418</b>	<b>\$ 168,504</b>	<b>\$ 55,086</b>

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget (GAAP Basis) and Actual**  
**Senior Center Building Special Revenue Fund**  
**For the Year Ended June 30, 2010**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>			
Contributions	\$ 5,000	\$ 11,796	\$ 6,796
Interest income	3,000	612	(2,388)
<b>Total revenues</b>	<u>8,000</u>	<u>12,408</u>	<u>4,408</u>
<b>Expenditures</b>			
Culture and recreation			
Other charges	500	-	(500)
<b>Net change in fund balance</b>	<b>7,500</b>	<b>12,408</b>	<b>4,908</b>
Fund balance, beginning of year	129,597	129,597	-
<b>Fund balance, end of year</b>	<u><u>\$ 137,097</u></u>	<u><u>\$ 142,005</u></u>	<u><u>\$ 4,908</u></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, 2010**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>			
Other revenue	\$ 50,000	\$ 91,977	\$ 41,977
<b>Expenditures</b>			
Culture and recreation			
Other expense	<u>100,000</u>	<u>67,726</u>	<u>(32,274)</u>
<b>Net change in fund balance</b>	<b>(50,000)</b>	<b>24,251</b>	<b>74,251</b>
Fund balance, beginning of year	<u>6,425</u>	<u>6,425</u>	<u>-</u>
<b>Fund balance (deficit), end of year</b>	<b><u>\$ (43,575)</u></b>	<b><u>\$ 30,676</u></b>	<b><u>\$ 74,251</u></b>

**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, 2010**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>			
Federal sources	\$ 30,000	\$ 22,812	\$ (7,188)
<b>Expenditures</b>			
Public safety			
Personnel	21,650	13,209	(8,441)
Contractual services	8,350	9,563	1,213
Supplies	-	40	40
<b>Total expenditures</b>	<b>30,000</b>	<b>22,812</b>	<b>(7,188)</b>
<b>Net change in fund balance</b>	-	-	-
Fund balance, beginning of year	-	-	-
<b>Fund balance, end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget (GAAP Basis) and Actual**  
**Byrne Memorial Justice Grant Special Revenue Fund**  
**For the Year Ended June 30, 2010**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>			
Federal sources	\$ 24,400	\$ 24,334	\$ (66)
<b>Expenditures</b>			
Public safety			
Other expense	24,400	24,334	(66)
<b>Net change in fund balance</b>	-	-	-
Fund balance, beginning of year	-	-	-
<b>Fund balance, end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**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, 2010**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>			
Charges for services	\$ 98,000	\$ 63,273	\$ (34,727)
Reimbursements	-	12,141	12,141
Interest income	2,000	226	(1,774)
<b>Total revenues</b>	<b><u>100,000</u></b>	<b><u>75,640</u></b>	<b><u>(24,360)</u></b>
<b>Expenditures</b>			
Culture and recreation			
Contractual services	10,000	18,016	8,016
Other expense	77,300	27,340	(49,960)
Debt service			
Interest and fiscal charges	12,700	12,555	(145)
<b>Total expenditures</b>	<b><u>100,000</u></b>	<b><u>57,911</u></b>	<b><u>(42,089)</u></b>
<b>Net change in fund balance</b>	<b>-</b>	<b>17,729</b>	<b>17,729</b>
Fund balance (deficit), beginning of year	(164,503)	(164,503)	-
<b>Fund balance (deficit), end of year</b>	<b><u>\$ (164,503)</u></b>	<b><u>\$ (146,774)</u></b>	<b><u>\$ 17,729</u></b>

**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, 2010**

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	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>			
Reimbursements	\$ 3,000	\$ 3,140	\$ 140
<b>Net change in fund balance</b>	<b>3,000</b>	<b>3,140</b>	<b>140</b>
Fund balance, beginning of year	<u>7,810</u>	<u>7,810</u>	<u>-</u>
<b>Fund balance, end of year</b>	<b><u>\$ 10,810</u></b>	<b><u>\$ 10,950</u></b>	<b><u>\$ 140</u></b>

**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, 2010**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>			
Interest income	\$ 44,000	\$ 47,459	\$ 3,459
Other revenue	-	7,280	7,280
<b>Total revenues</b>	<b>44,000</b>	<b>54,739</b>	<b>10,739</b>
<b>Expenditures</b>			
Community development			
Contractual services	25,000	21,600	(3,400)
Other expense	2,000	1,269	(731)
<b>Total expenditures</b>	<b>27,000</b>	<b>22,869</b>	<b>(4,131)</b>
<b>Other financing uses</b>			
Transfer out	(30,000)	(30,000)	-
<b>Net change in fund balance</b>	<b>(13,000)</b>	<b>1,870</b>	<b>14,870</b>
Fund balance, beginning of year	2,150,569	2,150,569	-
<b>Fund balance, end of year</b>	<b>\$ 2,137,569</b>	<b>\$ 2,152,439</b>	<b>\$ 14,870</b>

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget (GAAP Basis) and Actual**  
**McCauley Estate Trust Special Revenue Fund**  
**For the Year Ended June 30, 2010**

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	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>			
Interest income	\$ 3,100	\$ 5,696	\$ 2,596
<b>Other financing uses</b>			
Transfer out	<u>(3,100)</u>	<u>(3,002)</u>	<u>98</u>
<b>Net change in fund balance</b>	<b>-</b>	<b>2,694</b>	<b>2,694</b>
Fund balance, beginning of year	<u>102,122</u>	<u>102,122</u>	<u>-</u>
<b>Fund balance, end of year</b>	<b><u>\$ 102,122</u></b>	<b><u>\$ 104,816</u></b>	<b><u>\$ 2,694</u></b>

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Combining Balance Sheet**  
**Nonmajor Debt Service Funds**  
**June 30, 2010**

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	<u>Parking Deck Bond Redemption Taxable</u>	<u>Parking Deck Bond Redemption Non-Taxable</u>	<u>Old Town Parking Deck Bond Redemption</u>	<u>Total</u>
<b>ASSETS</b>				
<b>Assets</b>				
Cash and cash equivalents (agrees to fund balance)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Debt Service Funds**  
**For the Year Ended June 30, 2010**

	<b>Parking Deck Bond Redemption Taxable</b>	<b>Parking Deck Bond Redemption Non-Taxable</b>	<b>Old Town Parking Deck Bond Redemption</b>	<b>Total</b>
<b>Revenues</b>				
Local sources	\$ 204,550	\$ 467,459	\$ 941,138	\$ 1,613,147
<b>Expenditures</b>				
Debt service				
Principal	140,000	60,000	850,000	1,050,000
Interest and fiscal charges	64,550	407,459	91,138	563,147
<b>Total expenditures</b>	<b>204,550</b>	<b>467,459</b>	<b>941,138</b>	<b>1,613,147</b>
<b>Net change in fund balances</b>	-	-	-	-
Fund balances, beginning of year	-	-	-	-
<b>Fund balances, end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget (GAAP Basis) and Actual**  
**Parking Deck Bond Redemption Taxable Debt Service Fund**  
**For the Year Ended June 30, 2010**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>			
Local sources	\$ 204,600	\$ 204,550	\$ (50)
<b>Expenditures</b>			
Debt service			
Principal	140,000	140,000	-
Interest and fiscal charges	64,600	64,550	(50)
<b>Total expenditures</b>	<b>204,600</b>	<b>204,550</b>	<b>(50)</b>
<b>Net change in fund balance</b>	-	-	-
Fund balance, beginning of year	-	-	-
<b>Fund balance, end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget (GAAP Basis) and Actual**  
**Parking Deck Bond Redemption Non-Taxable Debt Service Fund**  
**For the Year Ended June 30, 2010**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>			
Local sources	\$ 467,500	\$ 467,459	\$ (41)
<b>Expenditures</b>			
Debt service			
Principal	60,000	60,000	-
Interest and fiscal charges	407,500	407,459	(41)
<b>Total expenditures</b>	<b>467,500</b>	<b>467,459</b>	<b>(41)</b>
<b>Net change in fund balance</b>	-	-	-
Fund balance, beginning of year	-	-	-
<b>Fund balance, end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget (GAAP Basis) and Actual**  
**Old Town Parking Deck Bond Redemption Debt Service Fund**  
**For the Year Ended June 30, 2010**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>			
Local sources	\$ 941,000	\$ 941,138	\$ 138
<b>Expenditures</b>			
Debt service			
Principal	850,000	850,000	-
Interest and fiscal charges	91,000	91,138	138
<b>Total expenditures</b>	<b>941,000</b>	<b>941,138</b>	<b>138</b>
<b>Net change in fund balance</b>	-	-	-
Fund balance, beginning of year	-	-	-
<b>Fund balance, end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Combining Balance Sheet**  
**Nonmajor Capital Projects Funds**  
**June 30, 2010**

	<b>Recaptured Grant Revolving Loan</b>	<b>Parking Deck Bond Construction Taxable</b>	<b>Parking Bond Construction Non-taxable</b>
<b>ASSETS</b>			
<b>Assets</b>			
Cash and cash equivalents	\$ 166,528	\$ -	\$ -
Investments	-	106,790	967,124
Receivables			
Taxes	-	-	-
Special assessments	-	-	-
<b>Total assets</b>	<b><u>\$ 166,528</u></b>	<b><u>\$ 106,790</u></b>	<b><u>\$ 967,124</u></b>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Advance from component unit	\$ -	\$ -	\$ -
Deferred revenue	-	-	-
<b>Total liabilities</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Fund balances</b>			
Reserved for capital projects	166,528	106,790	967,124
Designated for capital projects	-	-	-
<b>Total fund balances</b>	<b><u>166,528</u></b>	<b><u>106,790</u></b>	<b><u>967,124</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 166,528</u></b>	<b><u>\$ 106,790</u></b>	<b><u>\$ 967,124</u></b>

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<u>Special Assessments</u>	<u>Total</u>
\$ 1,509,942	\$ 1,676,470
4,858	1,078,772
3,793	3,793
<u>117,558</u>	<u>117,558</u>
<b><u>\$ 1,636,151</u></b>	<b><u>\$ 2,876,593</u></b>

\$ 35,371	\$ 35,371
<u>77,385</u>	<u>77,385</u>
<b><u>112,756</u></b>	<b><u>112,756</u></b>

-	1,240,442
<u>1,523,395</u>	<u>1,523,395</u>
<u>1,523,395</u>	<u>2,763,837</u>
<b><u>\$ 1,636,151</u></b>	<b><u>\$ 2,876,593</u></b>

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Capital Projects Funds**  
**For the Year Ended June 30, 2010**

	<b>Recaptured Grant Revolving Loan</b>	<b>Parking Deck Bond Construction Taxable</b>	<b>Parking Deck Bond Construction Non-Taxable</b>
<b>Revenues</b>			
Special assessments	\$ -	\$ -	\$ -
Interest income	733	295	1,506
<b>Total revenues</b>	<b>733</b>	<b>295</b>	<b>1,506</b>
<b>Expenditures</b>			
Capital outlay	-	-	-
Excess (deficiency) of revenues over expenditures	733	295	1,506
<b>Other financing sources</b>			
Transfers in	-	-	-
<b>Net change in fund balances</b>	<b>733</b>	<b>295</b>	<b>1,506</b>
Fund balances, beginning of year	165,795	106,495	965,618
<b>Fund balances, end of year</b>	<b>\$ 166,528</b>	<b>\$ 106,790</b>	<b>\$ 967,124</b>

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<u>Special Assessments</u>	<u>Total</u>
\$ 99,305	\$ 99,305
<u>11,775</u>	<u>14,309</u>
<b>111,080</b>	<b>113,614</b>
<u>169,222</u>	<u>169,222</u>
<u>(58,142)</u>	<u>(55,608)</u>
<u>14,000</u>	<u>14,000</u>
<b>(44,142)</b>	<b>(41,608)</b>
<u>1,567,537</u>	<u>2,805,445</u>
<b><u>\$ 1,523,395</u></b>	<b><u>\$ 2,763,837</u></b>

**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, 2010**

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	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenue</b>			
Interest income	\$ 6,000	\$ 733	\$ (5,267)
<b>Net change in fund balance</b>	<b>6,000</b>	<b>733</b>	<b>(5,267)</b>
Fund balance, beginning of year	<u>165,795</u>	<u>165,795</u>	<u>-</u>
<b>Fund balance, end of year</b>	<b><u>\$ 171,795</u></b>	<b><u>\$ 166,528</u></b>	<b><u>\$ (5,267)</u></b>

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget (GAAP Basis) and Actual**  
**Parking Deck Bond Construction Taxable Capital Projects Fund**  
**For the Year Ended June 30, 2010**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenue</b>			
Interest income	\$ 1,500	\$ 295	\$ (1,205)
<b>Expenditures</b>			
Capital outlay	108,000	-	(108,000)
<b>Net change in fund balance</b>	<b>(106,500)</b>	<b>295</b>	<b>106,795</b>
Fund balance, beginning of year	106,495	106,495	-
<b>Fund balance (deficit) , end of year</b>	<b>\$ (5)</b>	<b>\$ 106,790</b>	<b>\$ 106,795</b>

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Statement of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget (GAAP Basis) and Actual**  
**Parking Deck Bond Construction Non-Taxable Capital Projects Fund**  
**For the Year Ended June 30, 2010**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>			
Interest income	\$ 12,000	\$ 1,506	\$ (10,494)
<b>Expenditures</b>			
Capital outlay	<u>960,000</u>	<u>-</u>	<u>(960,000)</u>
<b>Net change in fund balance</b>	<b>(948,000)</b>	<b>1,506</b>	<b>949,506</b>
Fund balance, beginning of year	<u>965,618</u>	<u>965,618</u>	<u>-</u>
<b>Fund balance, end of year</b>	<b><u>\$ 17,618</u></b>	<b><u>\$ 967,124</u></b>	<b><u>\$ 949,506</u></b>

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget (GAAP Basis) and Actual**  
**Special Assessments Capital Projects Fund**  
**For the Year Ended June 30, 2010**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>			
Special assessments	\$ 54,000	\$ 99,305	\$ 45,305
Interest income	25,000	11,775	(13,225)
<b>Total revenues</b>	<b>79,000</b>	<b>111,080</b>	<b>32,080</b>
<b>Expenditures</b>			
Capital outlay	108,000	169,222	61,222
(Deficiency) excess of revenues over expenditures	(29,000)	(58,142)	(29,142)
<b>Other financing uses</b>			
Transfer in	14,000	14,000	-
<b>Net change in fund balances</b>	<b>(15,000)</b>	<b>(44,142)</b>	<b>(29,142)</b>
Fund balance, beginning of year	1,567,537	1,567,537	-
<b>Fund balance, end of year</b>	<b>\$ 1,552,537</b>	<b>\$ 1,523,395</b>	<b>\$ (29,142)</b>

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Combining Balance Sheet**  
**Agency Funds**  
**June 30, 2010**

	<u>Tax Collection</u>	<u>Imprest Payroll</u>	<u>Act 345 Retiree Health Insurance</u>	<u>Retiree Health Insurance</u>	<u>Total</u>
<b>Assets</b>					
Cash and cash equivalents	\$ 12,398	\$ 132,639	\$ 3,354,918	\$ 1,439,724	\$ 4,939,679
Receivables					
Accounts	-	8,518	-	-	8,518
Taxes	87,317	-	-	-	87,317
Accrued interest	-	-	159	-	159
<b>Total assets</b>	<b><u>\$ 99,715</u></b>	<b><u>\$ 141,157</u></b>	<b><u>\$ 3,355,077</u></b>	<b><u>\$ 1,439,724</u></b>	<b><u>\$ 5,035,673</u></b>
<b>Liabilities</b>					
Accrued and other liabilities	\$ -	\$ 141,157	\$ 3,355,077	\$ 1,439,724	\$ 4,935,958
Due to other governmental units	99,715	-	-	-	99,715
<b>Total liabilities</b>	<b><u>\$ 99,715</u></b>	<b><u>\$ 141,157</u></b>	<b><u>\$ 3,355,077</u></b>	<b><u>\$ 1,439,724</u></b>	<b><u>\$ 5,035,673</u></b>

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Combining Statement of Changes in Assets and Liabilities**  
**Agency Funds**  
**For the Year Ended June 30, 2010**

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2010</u>
<b>TAX COLLECTION</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 17,484	\$ 25,322,021	\$ 25,327,107	\$ 12,398
Taxes receivable	88,498	27,424,912	27,426,093	87,317
<b>Total assets</b>	<b><u>\$ 105,982</u></b>	<b><u>\$ 52,746,933</u></b>	<b><u>\$ 52,753,200</u></b>	<b><u>\$ 99,715</u></b>
<b>Liabilities</b>				
Due to other governmental units	\$ 105,982	\$ 52,746,933	\$ 52,753,200	\$ 99,715
<b>IMPREST PAYROLL</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 139,403	\$ 11,467,824	\$ 11,474,588	\$ 132,639
Accounts receivable	2,513	488,806	482,801	8,518
<b>Total assets</b>	<b><u>\$ 141,916</u></b>	<b><u>\$ 11,956,630</u></b>	<b><u>\$ 11,957,389</u></b>	<b><u>\$ 141,157</u></b>
<b>Liabilities</b>				
Accrued and other liabilities	\$ 141,916	\$ 11,584,755	\$ 11,585,514	\$ 141,157
<b>Act 345 RETIREE HEALTH INSURANCE</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 3,005,464	\$ 3,354,503	\$ 3,005,049	\$ 3,354,918
Accrued interest	159	-	-	159
<b>Total assets</b>	<b><u>\$ 3,005,623</u></b>	<b><u>\$ 3,354,503</u></b>	<b><u>\$ 3,005,049</u></b>	<b><u>\$ 3,355,077</u></b>
<b>Liabilities</b>				
Accrued and other liabilities	\$ 3,005,623	\$ 349,454	\$ -	\$ 3,355,077
<b>RETIREE HEALTH INSURANCE</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 1,399,276	\$ 118,839	\$ 78,391	\$ 1,439,724
<b>Liabilities</b>				
Accrued and other liabilities	\$ 1,399,276	\$ 118,568	\$ 78,120	\$ 1,439,724

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Combining Statement of Changes in Assets and Liabilities**  
**Agency Funds**  
**For the Year Ended June 30, 2010**

<b>TOTAL - ALL AGENCY FUNDS</b>	<b>Balance July 1, 2009</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2010</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 4,561,627	\$ 40,263,187	\$ 39,885,135	\$ 4,939,679
Receivables				
Accounts	2,513	488,806	482,801	8,518
Taxes	88,498	27,424,912	27,426,093	87,317
Accrued interest	159	-	-	159
<b>Total assets</b>	<b>\$ 4,652,797</b>	<b>\$ 68,176,905</b>	<b>\$ 67,794,029</b>	<b>\$ 5,035,673</b>
<b>Liabilities</b>				
Accrued and other liabilities	\$ 4,546,815	\$ 12,052,777	\$ 11,663,634	\$ 4,935,958
Due to other governmental units	105,982	52,746,933	52,753,200	99,715
<b>Total liabilities</b>	<b>\$ 4,652,797</b>	<b>\$ 64,799,710</b>	<b>\$ 64,416,834</b>	<b>\$ 5,035,673</b>

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Combining Statement of Fiduciary Net Assets**  
**Pension and Other Postemployment Benefit Trust Funds**  
**June 30, 2010**

	<b>Act 345 Retirement Pension Trust Fund</b>	<b>Retiree Health Insurance Trust</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 2,103,342	\$ -	\$ 2,103,342
Investments, at fair value			
U.S. government agencies bonds and notes	1,333,004	-	1,333,004
U.S. Treasury bonds	1,153,344	-	1,153,344
Mortgage bonds	403,031	-	403,031
Other fixed income	22,326	-	22,326
Common stock	3,933,483	-	3,933,483
Mutual funds	2,483,061	-	2,483,061
Common /collective funds	5,132,136	-	5,132,136
Corporate bonds	2,066,476	-	2,066,476
MERS total market fund	-	476,407	476,407
Receivables			
Accrued interest	43,215	-	43,215
<b>Total assets</b>	<b>18,673,418</b>	<b>476,407</b>	<b>19,149,825</b>
<b>Liabilities</b>			
Accrued and other liabilities	4,773	-	4,773
<b>Net Assets</b>			
Held in trust for pension benefits and other purposes	<b>\$ 18,668,645</b>	<b>\$ 476,407</b>	<b>\$ 19,145,052</b>

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Combining Statement of Changes in Fiduciary Net Assets**  
**Pension and Other Postemployment Benefit Trust Funds**  
**For the Year Ended June 30, 2010**

	<b>Act 345 Retirement System</b>	<b>Retiree Health Insurance Trust</b>	<b>Total</b>
<b>Additions</b>			
Contributions			
City contributions	\$ 1,154,441	\$ 244,854	\$ 1,399,295
Employee contributions	2,976	-	2,976
Total contributions	<u>1,157,417</u>	<u>244,854</u>	<u>1,402,271</u>
Investment earnings			
Investment income	515,251	-	515,251
Net appreciation in fair value of investments	<u>1,735,851</u>	<u>28,867</u>	<u>1,764,718</u>
Net investment earnings	<u>2,251,102</u>	<u>28,867</u>	<u>2,279,969</u>
<b>Total additions</b>	<b><u>3,408,519</u></b>	<b><u>273,721</u></b>	<b><u>3,682,240</u></b>
<b>Deductions</b>			
Pension benefits paid	1,548,595	-	1,548,595
Health insurance premiums paid	327,588	-	327,588
Administrative expense	53,615	1,965	55,580
Investment advisor fees	<u>78,054</u>	<u>-</u>	<u>78,054</u>
<b>Total deductions</b>	<b><u>2,007,852</u></b>	<b><u>1,965</u></b>	<b><u>2,009,817</u></b>
<b>Net increase in plan assets attributable to pension plan</b>	<b>1,722,962</b>		
<b>Net decrease in plan assets attributable to health insurance</b>	<b><u>(50,539)</u></b>	<b>1,400,667</b>	<b>1,672,423</b>
Net assets held in trust, beginning of year	<u>17,267,978</u>	<u>204,651</u>	<u>17,472,629</u>
<b>Net assets held in trust, end of year, attributable to pension plan</b>	<b>18,784,916</b>		
<b>Net assets held in trust, end of year, attributable to health insurance</b>	<b><u>360,136</u></b>	<b><u>\$ 476,407</u></b>	<b><u>\$ 19,145,052</u></b>

## **STATISTICAL SECTION**

**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
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
2010	8,362,861	230,131	37,925	1,131,864	28,995	350,136	76,137	470,363	1,948,861	875,457	13,512,730

**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	Culture and recreation	Other	Transfer out	Total expenditures
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
2010	1,918,983	5,870,187	221,443	1,587,921	1,587,058	2,080,483	13,266,075

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Debt Service Requirements to Maturity**

Fiscal years ending June 30,	Parking deck, series 2009		Parking deck non-taxable refunding bond		Parking deck non-taxable		Parking deck taxable		Sewage disposal		Water plant		Primary government
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total principal and interest
	2011	\$ 1,000,000	\$ 205,706	\$ 35,000	\$ 401,731	\$ 55,000	\$ 2,558	\$ 120,000	\$ 55,900	\$ 1,077,815	\$ 633,873	\$ 225,000	\$ 42,000
2012	1,135,000	183,206	125,000	400,331	-	-	120,000	48,700	1,134,938	592,851	225,000	28,500	3,993,526
2013	1,000,000	157,669	160,000	395,331	-	-	125,000	41,500	1,198,702	548,101	250,000	15,000	3,891,303
2014	1,250,000	132,669	205,000	388,932	-	-	125,000	33,750	1,148,121	499,750	-	-	3,783,222
2015	1,350,000	95,169	250,000	380,732	-	-	125,000	25,875	1,216,751	452,092	-	-	3,895,619
2016	1,415,000	51,294	295,000	370,731	-	-	135,000	17,875	1,044,326	400,456	-	-	3,729,682
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
<b>Total</b>	<u>\$ 7,150,000</u>	<u>\$ 825,713</u>	<u>\$ 9,725,000</u>	<u>\$ 4,853,382</u>	<u>\$ 55,000</u>	<u>\$ 2,558</u>	<u>\$ 890,000</u>	<u>\$ 232,700</u>	<u>\$ 14,202,464</u>	<u>\$ 4,432,960</u>	<u>\$ 700,000</u>	<u>\$ 85,500</u>	<u>\$ 43,155,277</u>

**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)
2010	2,471,157	2,342,317	128,840	225,000	55,500	280,500	0.46

**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
2001 - Homestead	13.7575	6.4867	3.1000	3.0459	3.1832	6.0000	1.1760	0.1740	-	36.9233
2001 - Non-Homestead	13.7575	6.4867	21.1000	3.0459	3.1832	6.0000	1.1760	0.1740	-	54.9233
2002 - Homestead	13.6199	6.3932	3.1000	3.0302	3.1487	6.0000	1.2500	0.1713	-	36.7133
2002 - Non-Homestead	13.6199	6.3932	21.1000	3.0302	3.1487	6.0000	1.2500	0.1713	-	54.7133
2003 - Homestead	13.5447	6.3022	3.1000	3.0149	3.1152	6.0000	1.2691	0.1683	-	36.5144
2003 - Non-Homestead	13.5447	6.3022	21.1000	3.0149	3.1152	6.0000	1.2691	0.1683	-	54.5144
2004 - Homestead	13.3943	6.1772	3.1000	2.9929	3.0693	6.0000	1.2290	0.3500	-	36.3127
2004 - Non-Homestead	13.3943	6.1772	21.1000	2.9929	3.0693	6.0000	1.2290	0.3500	-	54.3127
2005 - Homestead	13.2295	6.0770	3.1000	2.9732	2.8324	6.0000	1.1957	0.3428	0.3700	36.1206
2005 - Non-Homestead	13.2295	6.0770	21.1000	2.9732	2.8324	6.0000	1.1957	0.3428	0.3700	54.1206
2006 - Homestead	13.2295	6.2495	3.1000	2.9589	2.9427	6.0000	1.1590	0.3380	0.3700	36.3476
2006 - Non-Homestead	13.2295	6.2495	21.1000	2.9589	2.9427	6.0000	1.1590	0.3380	0.3700	54.3476
2007 - Homestead	13.1765	6.1681	3.1000	2.9421	2.9138	6.0000	1.1029	0.3317	0.3594	36.0945
2007 - Non-Homestead	13.1765	6.1681	21.1000	2.9421	2.9138	6.0000	1.1029	0.3317	0.3594	54.0945
2008 - Homestead	13.1765	6.1291	3.1000	2.9334	2.8700	6.0000	1.1378	0.3283	0.3594	36.0345
2008 - Non-Homestead	13.1765	6.1291	21.1000	2.9334	2.8700	6.0000	1.1378	0.3283	0.3594	54.0345
2009 - Homestead	13.1765	6.1291	3.1000	2.9312	2.8700	6.0000	1.0998	0.3272	0.3594	35.9932
2009 - Non-Homestead	13.1765	6.1291	21.1000	2.9312	2.8700	6.0000	1.0998	0.3272	0.3594	53.9932
2010 - Homestead	13.1765	6.1291	3.1000	2.9312	2.8700	6.0000	1.0892	0.3454	0.3594	36.0008
2010 - Non-Homestead	13.1765	6.1291	21.1000	2.9312	2.8700	6.0000	1.0892	0.3454	0.3594	54.0008

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
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	9,187,584	8,576,486	93.3
2010	9,165,540	In process of collection	

(1) Real and personal taxes combined

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

<b>City</b>					
Use	June 30, 2006	June 30, 2007	June 30, 2008	June 30, 2009	June 30, 2010
Commercial	\$ 239,594,691	\$ 254,225,769	\$ 263,673,053	\$ 282,294,617	\$ 289,382,988
Industrial	52,865,566	51,851,195	54,289,034	54,172,374	57,538,324
Residential	329,313,077	363,716,040	390,465,688	405,772,669	429,643,538
Utility	5,751,900	5,555,610	5,453,399	4,871,300	5,087,600
<b>Total</b>	<b>\$ 627,525,234</b>	<b>\$ 675,348,614</b>	<b>\$ 713,881,174</b>	<b>\$ 747,110,960</b>	<b>\$ 781,652,450</b>
<b>Class</b>					
Real Property	\$ 555,026,754	\$ 605,004,194	\$ 645,222,855	\$ 678,904,820	\$ 713,225,050
Personal Property	72,498,480	70,344,420	68,658,319	68,206,140	68,427,400
<b>Total</b>	<b>\$ 627,525,234</b>	<b>\$ 675,348,614</b>	<b>\$ 713,881,174</b>	<b>\$ 747,110,960</b>	<b>\$ 781,652,450</b>
<b>DDA</b>					
Use	June 30, 2006	June 30, 2007	June 30, 2008	June 30, 2009	June 30, 2010
Commercial	\$ 75,170,443	\$ 81,421,062	\$ 86,238,118	\$ 90,749,129	\$ 93,149,182
Industrial	34,310	34,310	34,310	39,100	34,300
Residential	8,937,820	11,127,571	12,155,603	12,778,774	13,224,286
Utility	207,680	202,590	200,260	168,800	202,700
<b>Total</b>	<b>\$ 84,350,253</b>	<b>\$ 92,785,533</b>	<b>\$ 98,628,291</b>	<b>\$ 103,735,803</b>	<b>\$ 106,610,468</b>
<b>Class</b>					
Real Property	\$ 72,078,693	\$ 80,766,173	\$ 86,364,911	\$ 91,351,623	\$ 94,837,168
Personal Property	12,271,560	12,019,360	12,263,380	12,384,180	11,773,300
<b>Total</b>	<b>\$ 84,350,253</b>	<b>\$ 92,785,533</b>	<b>\$ 98,628,291</b>	<b>\$ 103,735,803</b>	<b>\$ 106,610,468</b>

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Ten Largest Taxpayers**  
**June 30, 2010**

Taxpayer	Principal Product or Service	Taxable Value	Percent of Total (1)
Bay Park Development, LLC	Operators of nonresidential buildings	\$ 8,000,217	18.73%
TC Hotel LLC	Holiday Inn	5,731,248	13.42%
Harbour View Centre Condo	Commercial property	4,905,758	11.49%
Tom's Food Market	Grocery store	4,540,200	10.63%
East Bay Plaza LLC	Commercial property	4,091,300	9.58%
Radio Centre of TC, Inc	Office	3,884,200	9.09%
USA Bayshore Properties	Bayshore resort	3,477,903	8.14%
Paulos Land Co	Mobile offices/commercial units-renting	2,913,441	6.82%
Northwestern Bank	Commercial banking	2,651,547	6.21%
310 West Front St LLC	Mixed use condominium	2,512,398	5.89%

(1) Based on \$781,652,450 which is the City's Taxable Value for its fiscal year ended June 30, 2010.

**CITY OF TRAVERSE CITY, MICHIGAN**

**Legal Debt Margin**

**June 30, 2010**

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Debt limit (1)		\$ 103,061,540
Debt outstanding	66,864,590	
Less: Exempt debt (2)	<u>48,945,612</u>	<u>17,918,978</u>
Legal debt margin		<u><u>\$ 85,142,562</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, 2010**

<b>City Direct Debt</b>	<u>Gross</u>	<u>Self Supporting</u>	<u>Net</u>
Share of Grand Traverse County Issued Bonds			
Dated December 1, 2003	\$ 928,867	\$ 928,867	\$ -
Dated July 1, 2002	13,018,308	13,018,308	-
Dated October 1, 1998	255,289	255,289	-
Subtotal	<u>14,202,464</u>	<u>14,202,464</u>	<u>-</u>
Share of Michigan Public Power Agency			
Dated January 15, 2006	2,543,298	2,543,298	-
Dated May 1, 2002	2,080,881	2,080,881	-
Dated December 2, 2002	7,969,629	7,969,629	-
Dated January 10, 2002	21,449,340	21,449,340	-
Subtotal	<u>34,043,148</u>	<u>34,043,148</u>	<u>-</u>
Water Revenue Bonds			
Dated November 1, 1992	700,000	700,000	-
Downtown Development Bonds			
Dated November 4, 2009	7,248,978	7,248,978	-
Dated February 7, 2007	9,725,000	9,725,000	-
Dated April 1, 2002B (Taxable)	890,000	890,000	-
Dated April 1, 2002A (Nontaxable)	55,000	55,000	-
Subtotal	<u>17,918,978</u>	<u>17,918,978</u>	<u>-</u>
<b>Total</b>	<u><u>\$ 66,864,590</u></u>	<u><u>\$ 66,864,590</u></u>	<u><u>\$ -</u></u>
	<u>Gross</u>	<u>City Share as Percent of Gross</u>	<u>Net</u>
<b>Overlapping Debt</b>			
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
<b>Total</b>	<u><u>\$ 166,885,000</u></u>		<u><u>\$ 27,543,915</u></u>

# **SINGLE AUDIT ACT COMPLIANCE**

**CITY OF TRAVERSE CITY, MICHIGAN**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2010**

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
<b>U.S. Department of Housing and Urban Development</b>			
Passed through the Michigan Economic Development Corporation CDBG Program	14.228	MSC 208009-EDIG	<u>\$ 620,822</u>
<b>U.S. Department of Justice</b>			
Passed through Michigan Department of Community Health then Missaukee County			
Edward Byrne Memorial Justice Grant	16.738	2008-DJ-BX-0013	7,591
Edward Byrne Memorial Justice Grant	16.738	2009-DJ-BX-0086	30,334
Direct Program			
Recovery Act - Edward Byrne Memorial Justice Grant	16.804		<u>24,334</u>
Total U.S. Department of Justice			<u><b>62,259</b></u>
<b>U.S. Department of Transportation</b>			
Passed through the Michigan State Police State and Community Highway Safety	20.600		<u>8,373</u>
<b>U. S. Department of Health and Human Services</b>			
Passed through Munson Medical Center National Bioterrorism Hospital Preparedness Program	93.889		<u>19,750</u>
<b>U.S. Department of Homeland Security</b>			
Passed through Antrim County Homeland Security Grant Program	97.067		113,138
Passed through Otsego County Homeland Security Grant Program	97.067		810
Passed through Region #7 HSPB Homeland Security Grant Program	97.067		<u>300</u>
Total U.S. Department of Homeland Security			<u>114,248</u>
<b>Total Federal Awards</b>			<u><b>\$ 825,452</b></u>

Note 1: The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the City of Traverse City, Michigan (the "City") except for what is stated in Note 2. Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on this schedule. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. The City of Traverse City reporting entity is defined in Note 1 of the City's basic financial statements.

Note 2: Federal revenue recorded on the statements in the amount of \$458,558 is not included in the SEFA because the grant was administered by the State of Michigan Department of Transportation.

Note 3: The City had no subrecipients.

**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 30, 2010

The Honorable Mayor and  
Members of the City Commission  
City of Traverse City  
Grand Traverse County, 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*, as of and for the year ended June 30, 2010, which collectively comprise the City of Traverse City, Michigan's basic financial statements and have issued our report thereon dated December 30, 2010. 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 of Traverse City, Michigan'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 of Traverse City, Michigan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Traverse City, Michigan's internal control over financial reporting.

*A deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 of Traverse City, Michigan'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 City Commission, management, 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.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON A MAJOR PROGRAM  
AND OUR INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133**

December 30, 2010

The Honorable Mayor and  
Members of the City Commission  
City of Traverse City  
Grand Traverse County, Michigan

**Compliance**

We have audited the compliance of the *City of Traverse City, Michigan* with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended June 30, 2010. The City of Traverse City, Michigan's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the City of Traverse City, Michigan's management. Our responsibility is to express an opinion on the City of Traverse City, Michigan's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Traverse City, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Traverse City, Michigan's compliance with those requirements.

In our opinion, the City of Traverse City, Michigan complied, in all material respects, with the requirements referred to above that could have a direct and material effect on a major federal programs for the year ended June 30, 2010.

## Internal Control Over Compliance

Management of the City of Traverse City, Michigan is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Traverse City, Michigan's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of City Commission, management, 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.

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

**CITY OF TRAVERSE CITY, MICHIGAN**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**FOR THE YEAR ENDED JUNE 30, 2010**

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**SECTION I – SUMMARY OF AUDITORS’ RESULTS**

**Financial Statements**

Type of auditors’ report issued: *Unqualified*

Internal controls over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ yes      X   no

Significant deficiency(s) identified? \_\_\_\_\_ yes      X   none reported

Noncompliance material to financial statements noted? \_\_\_\_\_ yes      X   no

**Federal Awards**

Internal Control over major programs:

Material weakness(es) identified? \_\_\_\_\_ yes      X   no

Significant deficiency(s) identified? \_\_\_\_\_ yes      X   none reported

Type of auditor’s report issued on compliance for major programs: *Unqualified*

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)? \_\_\_\_\_ yes      X   no

**Identification of Major Program**

**CFDA Number**

14.228

**Name of Federal Program or Cluster**

Community Development Block Grant – State Administered Small Cities Program

Dollar threshold used to distinguish between Type A and Type B programs:

  \$ 300,000  

Auditee qualified as low-risk auditee?

\_\_\_\_\_ yes      X   no

**CITY OF TRAVERSE CITY, MICHIGAN**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONCLUDED)**

**FOR THE YEAR ENDED JUNE 30, 2010**

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**SECTION II – FINANCIAL STATEMENT FINDINGS**

None reported

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None reported

**SECTION IV – PRIOR YEAR FINDINGS**

None reported