

CITY OF TRAVERSE CITY, MICHIGAN



FINANCIAL STATEMENTS

**For the Fiscal Year Ended
June 30, 2011**

**Prepared by:
City Treasurer Department**

CITY OF TRAVERSE CITY, MICHIGAN

TABLE OF CONTENTS

	<u>PAGE</u>
<i>FINANCIAL SECTION</i>	
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-12
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets	13
Statement of Activities	14-15
Fund Financial Statements	
Balance Sheet – Governmental Funds	16-17
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	18-19
Statement of Net Assets – Proprietary Funds	20-21
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds	22-23
Statement of Cash Flows – Proprietary Funds	24-25
Statement of Fiduciary Net Assets - Fiduciary Funds	26
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds	27
Notes to the Financial Statements	28-69
<i>SUPPLEMENTARY INFORMATION</i>	
Required Supplementary Information	
Act 345 Pension Trust Fund Schedule of Funding Progress	70-71
MERS Pension Plan Schedule of Funding Progress	72
MERS Retiree Health Funding Vehicle Schedule of Funding Progress	73
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	
General Fund	74
Major Streets Special Revenue Fund	75
Local Streets Special Revenue Fund	76
Note to Required Supplementary Information	77
Other Supplementary Information	
Schedule of GASB 54 Consolidation	78-84
Combining and Individual Fund Statements and Schedules	
Schedule of Revenues – Budget and Actual – General Fund	85
Schedule of Expenditures – Budget and Actual – General Fund	86-88
Schedule of Transfers – Budget and Actual – General Fund	89
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Capital Projects Fund	90
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Old Town Parking Deck Construction Fund	91

CITY OF TRAVERSE CITY, MICHIGAN

TABLE OF CONTENTS

	<u>PAGE</u>
<i>SUPPLEMENTARY INFORMATION (Continued)</i>	
Combining Balance Sheet – Nonmajor Governmental Funds	92
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	93
Combining Balance Sheet – Nonmajor Special Revenue Funds	94-95
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Special Revenue Funds	96-97
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	
Act 302 Police Training Special Revenue Fund	98
State Preparedness Equipment Grant Special Revenue Fund	99
College Parking Special Revenue Fund	100
Act 345 Millage Special Revenue Fund	101
Safe Communities Grant Special Revenue Fund	102
Traverse City and Garfield Township Joint Planning Special Revenue Fund	103
PEG Capital Special Revenue Fund	104
Senior Center Building Special Revenue Fund	105
Homeland Security Training Grant Special Revenue Fund	106
Homeland Security Equipment Grant Special Revenue Fund	107
McCauley Estate Trust Special Revenue Fund	108
Boardman River Dam Removal & Restoration Special Revenue Fund	109
CDBG Century Inc. Special Revenue Fund	110
Combining Balance Sheet – Nonmajor Debt Service Funds	111
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Debt Service Funds	112
Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual	
Parking Deck Bond Redemption Taxable Debt Service Fund	113
Parking Deck Bond Redemption Non-Taxable Debt Service Fund	114
Old Town Parking Deck Bond Redemption Debt Service Fund	115
Combining Balance Sheet – Nonmajor Capital Projects Funds	116
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Capital Projects Funds	117

CITY OF TRAVERSE CITY, MICHIGAN

TABLE OF CONTENTS

	<u>PAGE</u>
<i>SUPPLEMENTARY INFORMATION (CONTINUED)</i>	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	
Parking Deck Bond Construction Taxable Capital Projects Fund	118
Parking Deck Bond Construction Non-Taxable Capital Projects Fund	119
Special Assessments Capital Projects Fund	120
Combining Balance Sheet – Agency Funds	121
Combining Statement of Changes in Assets and Liabilities – Agency Funds	122-123
Combining Statement of Fiduciary Net Assets – Pension and Other Postemployment Benefit Trust Funds	124
Combining Statement of Changes in Fiduciary Net Assets - Pension and Other Postemployment Benefit Trust Funds	125
<i>STATISTICAL INFORMATION AND CONTINUING SEC DISCLOSURES (UNAUDITED)</i>	
General Governmental Revenues by Source – General Fund – Last ten fiscal years	126
General Governmental Expenditures by Function – General Fund – Last ten fiscal years	127
Debt Service Requirements to Maturity	128
Property Tax Millage Rates - All Overlapping Governments – Last ten fiscal years	129
Property Tax Collection History – Last ten fiscal years	130
Taxable Value by Use and Class – Last five years	131
Ten Largest Taxpayers	132
Legal Debt Margin	133
Debt Statement	134
<i>SINGLE AUDIT ACT COMPLIANCE</i>	
Schedule of Expenditures of Federal Awards	135
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 <i>Government Auditing Standards</i>	136-137
Independent Auditors’ Report on Compliance with Requirements that Could have a Direct and Material Affect on each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	138-139
Schedule of Findings and Questioned Costs	140-142

CITY OF TRAVERSE CITY, MICHIGAN

List of Elected and Appointed Officials For the Fiscal Year Ended June 30, 2011

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

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

INDEPENDENT AUDITORS' REPORT

December 29, 2011

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *City of Traverse City, Michigan* (the "City"), as of and for the year ended June 30, 2011, 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, 2011, 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 a report dated December 29, 2011, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3-12, the pension and other postemployment benefit schedules of funding progress and employer contributions on pages 70-73 and budgetary comparison schedules on pages 74-76 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 required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and schedules, and the statistical information and continuing SEC disclosures 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 *Audits of State, Local Governments and Nonprofit Organizations*, and is also not a required part of the 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 information and continuing SEC disclosures 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 cursive script that reads "Lehmann Johnson".

Management's Discussion and Analysis

As management of the *City of Traverse City, Michigan* (the "City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2011.

Financial Highlights

- The assets of the City (primary government) exceeded its liabilities at the close of the most recent fiscal year by \$95,220,428 (*net assets*). Of this amount, \$15,243,173 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors. The government's total net assets increased by \$2,675,891.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$26,059,052, an increase of \$179,072 in comparison with the prior year.
- At the end of the current fiscal year unassigned fund balance for the General Fund was \$5,703,641 or 40 percent of total General Fund expenditures and transfers out.
- The City's total long-term debt decreased \$3,027,257 after payments made during the current fiscal year and refunding of 2002 Wastewater Treatment Plant Upgrade bonds at a lower rate.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

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

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

The City maintains twenty-six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Major Streets, Local Streets, Capital Projects, 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 gain a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

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

Government-wide Financial Analysis

As noted earlier, net assets may serve as a useful indicator of a government's financial position. In the case of the City of Traverse City, assets exceeded liabilities by \$95,220,428 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets, \$63,735,715 or 67 percent, reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure), less any related debt used to acquire those assets still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The balance of *unrestricted net assets*, \$15,243,173 or 16 percent, may be used to meet the government's ongoing obligations to citizens and creditors. The remaining balance of net assets is restricted net assets, \$16,241,540 or 17 percent, which represents resources that are subject to external restrictions on how they may be used.

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

During the current fiscal year the government's net assets increased by \$2,675,891.

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**

	2011			2010		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 30,748,909	\$ 3,620,851	\$ 34,369,760	\$30,344,870	\$ 3,269,205	\$ 33,614,075
Capital assets	<u>35,569,232</u>	<u>58,909,038</u>	<u>94,478,270</u>	<u>43,615,600</u>	<u>51,344,563</u>	<u>94,960,163</u>
Total assets	<u>66,318,141</u>	<u>62,529,889</u>	<u>128,848,030</u>	<u>73,960,470</u>	<u>54,613,768</u>	<u>128,574,238</u>
Long-term liabilities outstanding	16,962,611	13,132,349	30,094,960	18,191,319	14,959,369	33,150,688
Other liabilities	<u>1,917,021</u>	<u>1,615,621</u>	<u>3,532,642</u>	<u>1,955,955</u>	<u>923,058</u>	<u>2,879,013</u>
Total liabilities	<u>18,879,632</u>	<u>14,747,970</u>	<u>33,627,602</u>	<u>20,147,274</u>	<u>15,882,427</u>	<u>36,029,701</u>
Net assets						
Invested in capital assets, net of related debt	19,277,732	44,457,983	63,735,715	26,859,712	36,442,100	63,301,812
Restricted assets	16,169,339	72,201	16,241,540	15,318,056	71,169	15,389,225
Unrestricted	<u>11,991,438</u>	<u>3,251,735</u>	<u>15,243,173</u>	<u>11,635,428</u>	<u>2,218,072</u>	<u>13,853,500</u>
Total net assets	<u>\$ 47,438,509</u>	<u>\$47,781,919</u>	<u>\$ 95,220,428</u>	<u>\$53,813,196</u>	<u>\$38,731,341</u>	<u>\$ 92,544,537</u>

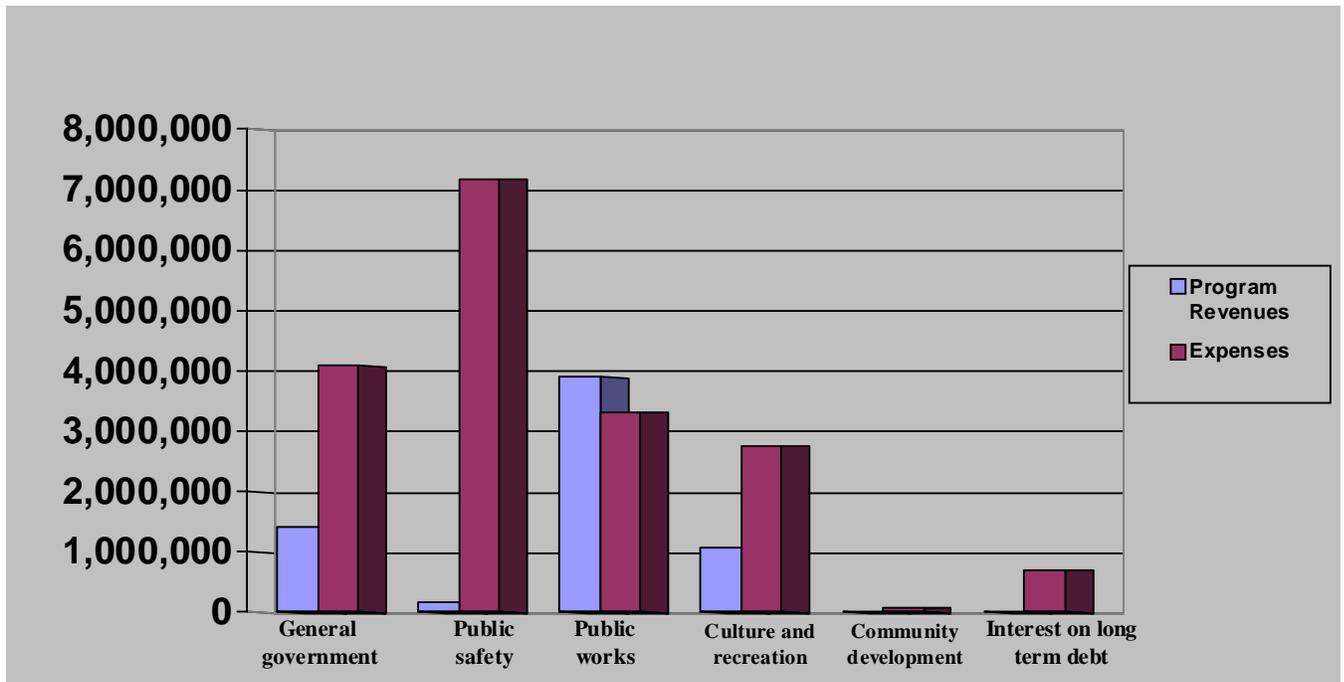
**City of Traverse City's Changes in Net Assets
Table II**

	2011			2010		
	Governmental Activities	Business type Activities	Total	Governmental Activities	Business-type Activities	Total
Program revenue						
Charges for services	\$ 3,465,079	\$10,382,233	\$13,847,312	\$ 3,165,614	\$ 9,505,408	\$ 12,671,022
Operating grants and contributions	2,410,471	-	2,410,471	2,104,240	620,822	2,725,062
Capital grants and contributions	644,439	55,609	700,048	1,198,080	-	1,198,080
General revenue						
Property taxes	11,012,704	-	11,012,704	10,685,624	-	10,685,624
Grants and contributions not restricted to specific programs	1,187,864	-	1,187,864	1,160,859	-	1,160,859
Franchise revenue	209,480	-	209,480	199,803	-	199,803
Other	<u>345,526</u>	<u>11,610</u>	<u>357,136</u>	<u>887,852</u>	<u>29,300</u>	<u>917,152</u>
Total revenue	<u>19,275,563</u>	<u>10,449,452</u>	<u>29,725,015</u>	<u>19,402,072</u>	<u>10,155,530</u>	<u>29,557,602</u>
Expenses						
General government	4,082,534	-	4,082,534	3,200,161	-	3,200,161
Public safety	7,186,898	-	7,186,898	7,267,646	-	7,267,646
Public works	3,324,901	-	3,324,901	3,672,344	-	3,672,344
Recreation and culture	2,757,579	-	2,757,579	2,459,377	-	2,459,377
Community development	74,719	-	74,719			
Interest and fiscal charges	707,139	-	707,139	657,348	-	657,348
Wastewater	-	4,699,007	4,699,007	-	4,685,653	4,685,653
Water	-	2,372,325	2,372,325	-	2,220,852	2,220,852
Marina	-	501,153	501,153	-	562,578	562,578
Auto Parking	-	<u>1,352,450</u>	<u>1,352,450</u>	-	<u>1,036,972</u>	<u>1,036,972</u>
Total expenses	<u>18,133,770</u>	<u>8,924,935</u>	<u>27,058,705</u>	<u>17,256,876</u>	<u>8,506,055</u>	<u>25,762,931</u>
Increase (decrease) in net assets before transfers and contribution to endowment	1,141,793	1,524,517	2,666,310	2,145,196	1,649,475	3,794,671
Transfers	(7,526,061)	7,526,061	-	468,047	(468,047)	-
Contribution to endowment	<u>9,581</u>	<u>-</u>	<u>9,581</u>	<u>3,180</u>	<u>-</u>	<u>3,180</u>
Increase (decrease) in net assets	(6,374,687)	9,050,578	2,675,891	2,616,423	1,181,428	3,797,851
Net assets – beginning of year	<u>53,813,196</u>	<u>38,731,341</u>	<u>92,544,537</u>	<u>51,196,773</u>	<u>37,549,913</u>	<u>88,746,686</u>
Net assets – end of year	<u>\$47,438,509</u>	<u>\$47,781,919</u>	<u>\$95,220,428</u>	<u>\$53,813,196</u>	<u>\$38,731,341</u>	<u>\$ 92,544,537</u>

Governmental activities. Governmental activities decreased the City’s net assets by \$6,374,687. Key highlights are as follows:

- Operating grants, capital grants and contributions decreased \$247,410 compared to the previous year.
- Investment earnings decreased \$427,852 compared to the previous year, because of an overall decrease in yield on investments over prior year.
- Transfers decreased approximately \$8,000,000 primarily as a result of the completion and transfer of the Old Town Parking Deck from the Governmental to Business Type Activities.

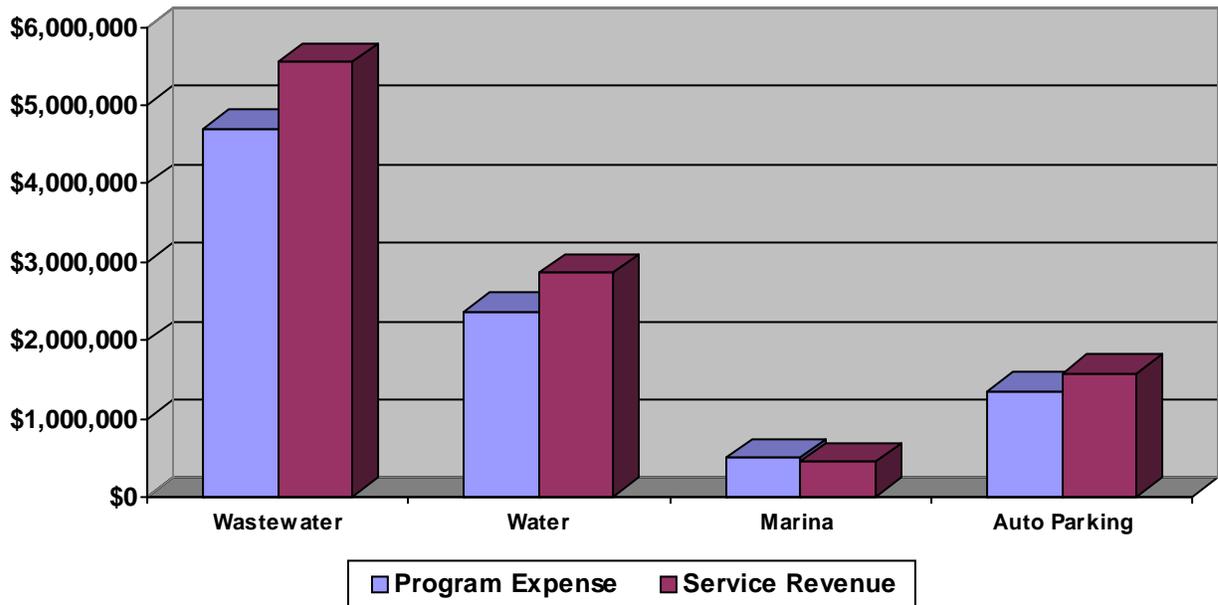
Expenses and Program Revenues – Governmental Activities



Business-type activities increased the City’s net assets by \$9,050,578 accounting for all of the growth in the government’s net assets for the current year. Key highlights of activities in the funds are as follows:

- Charges for services in the Wastewater and Water Fund increased approximately \$549,000 because of increased consumption by customers and an increase in rates.
- Transfers increased approximately \$8,000,000 primarily as a result of the completion and transfer of the Old Town Parking Deck from the Governmental to Business Type Activities.

Expenses and Program Revenues - Business-type Activities



Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$26,059,052, an increase of \$179,072 in comparison with the prior year. \$5,501,800 constitutes unassigned fund balance, which is available for spending at the government's discretion.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$5,703,641. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 40 percent of total General Fund expenditures including transfers out.

The fund balance of the City's General Fund decreased by \$29,253 during the current fiscal year. This is primarily attributed to the actual expenditures being less than the anticipated budget, which was caused by a reduction in expenditures over several departments relating to attrition and other cost savings measures.

The Major Street Fund has a total fund balance of \$200,965 which decreased by \$1,320 during the year. Original and amended budget estimates anticipated a reduction of \$140,000 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 increased by \$530,889 during the current fiscal year. Original budget estimates anticipated a reduction of \$69,000 to fund balance.

The Old Town Parking Deck Construction fund balance decreased by \$559,294 during the current fiscal year. Original budget estimates anticipated a reduction of \$2,500,000 to fund balance.

The Brown Bridge Permanent Trust Fund increased by \$169,518 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 \$3,330,796, with investment in capital assets net of related debt of \$44,457,983. For the current year, the Wastewater Fund had an increase in net assets of \$593,636, the Water Fund had an increase in net assets for the year of \$357,137, the Marina Fund had a decrease in net assets of \$74,191, and the Auto Parking System had an increase in net assets of \$8,199,220.

General Fund Budgetary Highlights

During the year, General Fund revenues were under budgetary estimates by \$244,188 because expected reimbursements and interest income were less than anticipated. In addition, actual expenditures were under budgeted amounts by \$545,533. As a result, the fund balance decreased by \$29,253, against the budgeted decrease estimate of \$504,085.

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, 2011, amounted to \$94,478,270 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, park facilities, roads, highways, and bridges.

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

- Completion of Old Town Parking Deck construction totaled approximately \$9,130,000.
- Completion of improvements to Eighth Street from Woodmere to Garfield for approximately \$670,000.
- Completion of improvements to Airport Access Drive from Munson Avenue to Indian Trail totaled approximately \$100,000.
- Completion of improvements to Oak Street from Seventh Street to Front Street for approximately \$161,000.
- Completion of improvements to Union Street from Twelfth Street to Thirteenth Street totaled approximately \$96,000.
- Completion of annual sidewalk replacement totaled approximately \$156,000.
- Completion of improvements to Maple Street from Sixth Street to Front Street for approximately \$107,000.

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

	<u>2011</u>			<u>2010</u>		
	<u>Governmental Activities</u>	<u>Business type Activities</u>	<u>Total</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Land	\$11,466,376	\$ 1,193,786	\$12,660,162	\$11,466,376	\$ 586,914	\$12,053,290
Land improvement	3,428,035	8,427,432	11,855,467	3,506,142	8,427,432	11,933,574
Buildings and systems	7,795,012	24,232,192	32,027,204	8,216,260	24,760,854	32,977,114
Construction in progress	696,787	581,857	1,278,644	8,710,760	1,255,660	9,966,420
Equipment	4,876,333	7,002,368	11,878,701	5,164,363	6,905,910	12,070,273
Infrastructure and other improvements	<u>7,306,689</u>	<u>17,471,403</u>	<u>24,778,092</u>	<u>6,551,699</u>	<u>9,407,793</u>	<u>15,959,492</u>
TOTAL	<u>\$35,569,232</u>	<u>\$58,909,038</u>	<u>\$94,478,270</u>	<u>\$43,615,600</u>	<u>\$51,344,563</u>	<u>\$ 94,960,163</u>

Long-term debt. At the end of the current fiscal year, the City had total bonded debt and capital lease payables of \$29,367,555. Of this amount, \$16,291,500 comprises debt backed by the full faith and credit of the government. The remainder of the City's debt represents capital leases and bonds secured solely by specified revenue sources (i.e., revenue bonds).

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

	<u>2011</u>			<u>2010</u>		
	<u>Governmental Activities</u>	<u>Business type Activities</u>	<u>Total</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
General obligation bonds – Parking decks	\$16,291,500	\$ -	\$16,291,500	\$17,492,348	\$ -	\$ 17,492,348
Capital lease payable – Wastewater Treatment Plant	-	12,601,055	12,601,055	-	14,202,464	14,202,464
Revenue bonds – Water Plant	<u>-</u>	<u>475,000</u>	<u>475,000</u>	<u>-</u>	<u>700,000</u>	<u>700,000</u>
TOTAL	<u>\$16,291,500</u>	<u>\$13,076,055</u>	<u>\$29,367,555</u>	<u>\$17,492,348</u>	<u>\$14,902,464</u>	<u>\$ 32,394,812</u>

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the City is \$99,264,210, 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 2011-12 fiscal year:

- The fiscal year 2011/12 General Fund budget is basically flat. The City Commission lowered the General Fund tax levy from 11.8167 mills to 11.1167 mills; a reduction of 0.7 mills or approximately 5.9%. (There is a partially offsetting increase in the Act 345 levy for Police/Fire pensions in the amount of 0.2 mills.)
- The fiscal year 2011/12 General Fund budget includes an allocation of \$1,000,000 transfer to the Capital Improvement Projects Fund to continue the City Commission's priority on infrastructure spending, streets and sidewalks.
- Effective July 1, 1971, the City of Traverse City voters amended the Charter to adopt Public Act 345 of 1937, as amended. That Act establishes certain provisions regarding pensions for police and fire personnel including a provision that funds to support that obligation are a "special levy" outside of the general operating levy. In May of 2009, the amount of that levy was estimated at 1.3598 mills producing \$944,200 of tax income for the Act 345 Fund. The actuarial report completed through June 30, 2009, indicates that estimate was \$207,500 short. The Act 345 levy for the 2010/11 fiscal year was 1.74 mills. The levy for the 2011/12 budget is 1.94 mills, an increase of 0.2 mills. The 1.94 mills will generate approximately \$1,350,700 for the Act 345 Fund. The \$207,500 shortfall noted above is managed 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. However, State law and established accounting principles will require that shortfall to be addressed by the end of the 2012/13 fiscal year. That could be handled as a levy or as a transfer (rather than loan) from the Industrial Development Fund.

Requests for Information

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

CITY OF TRAVERSE CITY, MICHIGAN
Statement of Net Assets
June 30, 2011

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 12,377,250	\$ 2,710,973	\$ 15,088,223
Investments	14,584,388	533,755	15,118,143
Receivables, net	1,602,857	1,233,056	2,835,913
Due from component unit	80,399	-	80,399
Internal balances	1,382,857	(1,382,857)	-
Inventories	294,657	163,991	458,648
Prepaid items and other assets	256,989	24,551	281,540
Other postemployment benefit	169,512	40,181	209,693
Restricted cash and cash equivalents	-	297,201	297,201
Advances to primary government	-	-	-
Capital assets not being depreciated	12,163,163	10,203,075	22,366,238
Capital assets being depreciated	23,406,069	48,705,963	72,112,032
Total assets	66,318,141	62,529,889	128,848,030
Liabilities			
Accounts payable and accrued expenses	1,575,411	567,028	2,142,439
Unearned revenue	315,871	523,593	839,464
Due to primary government	-	-	-
Advances from component units	25,739	525,000	550,739
Long-term liabilities			
Due within one year	1,401,906	1,348,882	2,750,788
Due in more than one year	15,560,705	11,783,467	27,344,172
Total liabilities	18,879,632	14,747,970	33,627,602
Net assets			
Invested in capital assets, net of related debt	19,277,732	44,457,983	63,735,715
Restricted for			
Debt service	-	72,201	72,201
Joint planning	9,268	-	9,268
Capital improvements	1,710,793	-	1,710,793
Streets and highways	200,965	-	200,965
Budget stabilization	750,000	-	750,000
Public welfare or civic improvement organizations	104,052	-	104,052
Tax increment finance districts	-	-	-
Nonexpendable brown bridge trust	12,710,439	-	12,710,439
Nonexpendable cemetery perpetual trust	683,822	-	683,822
Unrestricted	11,991,438	3,251,735	15,243,173
Total net assets	\$ 47,438,509	\$ 47,781,919	\$ 95,220,428

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

Component Units	
Downtown Development Authority	Light and Power
\$ 3,384,839	\$ 11,946,901
-	17,649,745
5,703,953	3,988,548
-	-
-	-
-	2,077,606
5,108	49,299
-	308,926
-	-
-	550,739
-	1,587,546
-	37,230,151
9,093,900	75,389,461
24,533	2,426,974
-	12,100
-	80,399
-	-
24,496	6,456
44,946	286,265
93,975	2,812,194
-	38,817,697
-	-
-	-
-	-
-	-
-	-
8,762,362	-
-	-
-	-
237,563	33,759,570
\$ 8,999,925	\$ 72,577,267

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, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities					
General government	\$ 4,082,534	\$ 890,244	\$ 454,824	\$ 50,144	\$ (2,687,322)
Public safety	7,186,898	25,010	94,306	32,458	(7,035,124)
Public works	3,324,901	1,875,577	1,767,341	247,785	565,802
Culture and recreation	2,757,579	674,248	94,000	314,052	(1,675,279)
Community development	74,719	-	-	-	(74,719)
Interest and fiscal charges	707,139	-	-	-	(707,139)
Total governmental activities	<u>18,133,770</u>	<u>3,465,079</u>	<u>2,410,471</u>	<u>644,439</u>	<u>(11,613,781)</u>
Business-type activities					
Wastewater	4,699,007	5,530,757	-	22,634	854,384
Water	2,372,325	2,842,384	-	19,776	489,835
Marina	501,153	448,146	-	-	(53,007)
Automobile parking	1,352,450	1,560,946	-	13,199	221,695
Total business-type activities	<u>8,924,935</u>	<u>10,382,233</u>	<u>-</u>	<u>55,609</u>	<u>1,512,907</u>
Total primary government	<u>\$ 27,058,705</u>	<u>\$ 13,847,312</u>	<u>\$ 2,410,471</u>	<u>\$ 700,048</u>	<u>\$ (10,100,874)</u>
Component units					
Downtown Development Authority	\$ 2,922,204	\$ 424,336	\$ -	\$ 531,083	\$ (1,966,785)
Light and Power	29,631,576	30,574,271	-	277,623	1,220,318
Total component units	<u>\$ 32,553,780</u>	<u>\$ 30,998,607</u>	<u>\$ -</u>	<u>\$ 808,706</u>	<u>\$ (746,467)</u>

Continued...

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

CITY OF TRAVERSE CITY, MICHIGAN
Statement of Activities
For the Year Ended June 30, 2011

Functions/Programs	Primary Government		
	Governmental Activities	Business-type Activities	Total
Changes in net assets			
Net (expense) revenue	\$ (11,613,781)	\$ 1,512,907	\$ (10,100,874)
General revenues			
Unrestricted property taxes	11,012,704	-	11,012,704
Restricted property taxes for tax increment finance districts	-	-	-
Grants and contributions not restricted			
to specific programs	1,187,864	-	1,187,864
Franchise revenue	209,480	-	209,480
Restricted investment earnings	212,297	-	212,297
Unrestricted investment earnings	96,371	11,610	107,981
Gain on sale of capital assets	36,858	-	36,858
Transfers	(7,526,061)	7,526,061	-
Contribution to endowment	9,581	-	9,581
Total general revenues, transfers and contributions	<u>5,239,094</u>	<u>7,537,671</u>	<u>12,776,765</u>
Change in net assets	(6,374,687)	9,050,578	2,675,891
Net assets, beginning of year	<u>53,813,196</u>	<u>38,731,341</u>	<u>92,544,537</u>
Net assets, end of year	<u>\$ 47,438,509</u>	<u>\$ 47,781,919</u>	<u>\$ 95,220,428</u>

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

Component Units	
Downtown Development Authority	Light and Power
\$ (1,966,785)	\$ 1,220,318
64,907	-
1,921,979	-
-	-
-	-
-	-
568	337,678
-	-
-	-
-	-
<u>1,987,454</u>	<u>337,678</u>
20,669	1,557,996
<u>8,979,256</u>	<u>71,019,271</u>
<u>\$ 8,999,925</u>	<u>\$ 72,577,267</u>

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

CITY OF TRAVERSE CITY, MICHIGAN
Balance Sheet
Governmental Funds
June 30, 2011

	General Fund	Special Revenue		Capital Projects	
		Major Streets Fund	Local Streets Fund	Capital Project	Old Town Parking Deck
ASSETS					
Assets					
Cash and cash equivalents	\$ 2,822,317	\$ 96,134	\$ -	\$ 2,209,098	\$ -
Investments	2,888,144	-	-	79,262	12,961
Receivables					
Accounts	227,165	276	-	17,000	-
Taxes	20,243	-	-	-	-
Special assessments	-	-	-	-	-
Accrued interest	-	-	-	-	-
Due from other governments	377,553	115,012	39,215	-	-
Due from other funds	596,744	-	-	-	-
Due from component unit	80,399	-	-	-	-
Inventory	111,082	-	-	-	-
Prepaid items and other assets	41,596	-	-	-	-
Advances to other funds	1,060,500	-	-	-	-
Total assets	\$ 8,225,743	\$ 211,422	\$ 39,215	\$ 2,305,360	\$ 12,961
LIABILITIES AND FUND BALANCE					
Liabilities					
Accounts payable	\$ 191,373	\$ 1,795	\$ 1,322	\$ 208,601	\$ 8,969
Accrued and other liabilities	238,204	8,662	7,321	-	-
Due to other funds	-	-	30,572	-	3,716
Deposits payable	107,983	-	-	-	-
Advances from other funds	-	-	-	-	-
Advance from component unit	-	-	-	-	-
Deferred revenue	21,364	-	-	-	-
Total liabilities	558,924	10,457	39,215	208,601	12,685
Fund balance					
Nonspendable					
Inventory	111,082	-	-	-	-
Prepaid items	41,596	-	-	-	-
Advance to other funds	1,060,500	-	-	-	-
Brown Bridge trust	-	-	-	-	-
Cemetery perpetual care	-	-	-	-	-
Restricted					
Budget stabilization	750,000	-	-	-	-
Streets and highways	-	200,965	-	-	-
Joint planning	-	-	-	-	-
Capital improvements	-	-	-	470,692	276
Public welfare or civic improvement organizations	-	-	-	-	-
Committed					
Capital improvements	-	-	-	1,626,067	-
Unassigned (deficit)	5,703,641	-	-	-	-
Total fund balance	7,666,819	200,965	-	2,096,759	276
Total liabilities and fund balance	\$ 8,225,743	\$ 211,422	\$ 39,215	\$ 2,305,360	\$ 12,961

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

Permanent Brown Bridge Trust Fund	Other Governmental Funds	Total
\$ 2,852,716	\$ 2,137,879	\$ 10,118,144
9,793,618	1,810,403	14,584,388
35,365	4,948	284,754
-	5,572	25,815
-	98,350	98,350
58,916	-	58,916
-	549,041	1,080,821
-	-	596,744
-	-	80,399
-	-	111,082
-	-	41,596
-	-	1,060,500
\$ 12,740,615	\$ 4,606,193	\$ 28,141,509

\$ -	\$ 518,251	\$ 930,311
-	168	254,355
30,176	78,484	142,948
-	-	107,983
-	210,500	210,500
-	25,739	25,739
-	389,257	410,621
30,176	1,222,399	2,082,457

-	-	111,082
-	-	41,596
-	-	1,060,500
12,710,439	-	12,710,439
-	683,822	683,822
-	-	750,000
-	-	200,965
-	9,268	9,268
-	1,239,825	1,710,793
-	104,052	104,052
-	1,548,668	3,174,735
-	(201,841)	5,501,800
12,710,439	3,383,794	26,059,052
\$ 12,740,615	\$ 4,606,193	\$ 28,141,509

Continued.....

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

CITY OF TRAVERSE CITY, MICHIGAN
Balance Sheet
Governmental Funds
June 30, 2011

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 \$ 26,059,052

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	73,155,783
Subtract: accumulated depreciation	(42,542,464)

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures.

Add: other postemployment benefits	146,031
Add: deferred receivable	94,750

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

Add: net assets of governmental activities accounted for in internal service fund	7,391,242
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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	(109,705)
Add: bond issuance costs	274,136
Subtract: reoffering premium	(106,592)
Add: amortization of reoffering premium	22,841
Subtract: amortization of bond issuance costs	(58,742)
Subtract: bonds payable	(16,610,000)
Subtract: compensated absences	(631,720)
Subtract: accrued interest on long-term liabilities	(158,059)

Net assets of governmental activities	<u>\$ 47,438,509</u>
--	-----------------------------

Concluded

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

CITY OF TRAVERSE CITY, MICHIGAN
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2011

	General	Special Revenue		Capital Projects	
		Major Streets	Local Streets	Capital Project	Old Town Parking Deck
Revenues					
Property taxes and special assessments	\$ 8,292,778	\$ -	\$ -	\$ -	\$ -
Licenses and permits	239,790	-	-	-	-
Federal sources	37,450	-	-	-	-
State sources	1,187,864	946,787	320,554	1,292	-
Local sources	1,553,109	-	-	-	-
Charges for services	556,572	-	-	-	-
Fines and forfeits	19,003	-	-	-	-
Contributions	57,203	-	-	512,683	-
Reimbursement	452,364	518	-	10,546	-
Interest income	75,256	138	-	1,750	1,673
Other revenue	372,023	-	-	10,195	-
Total revenues	12,843,412	947,443	320,554	536,466	1,673
Expenditures					
Current expenditures					
General government	2,898,545	-	-	2,357	-
Public safety	5,761,499	-	-	-	-
Public works	874,848	1,031,271	1,134,359	-	-
Culture and recreation	2,241,141	-	-	-	-
Community development	74,719	-	-	-	-
Capital outlay	-	-	-	1,058,520	560,967
Debt service					
Principal	-	-	-	-	-
Interest expense and financial charges	-	-	-	-	-
Total expenditures	11,850,752	1,031,271	1,134,359	1,060,877	560,967
Excess (deficiency) of revenues over expenditures	992,660	(83,828)	(813,805)	(524,411)	(559,294)
Other financing sources (uses)					
Transfers in	1,246,285	82,508	813,805	1,055,300	-
Transfers out	(2,268,198)	-	-	-	-
Total other financing sources (uses)	(1,021,913)	82,508	813,805	1,055,300	-
Net change in fund balances	(29,253)	(1,320)	-	530,889	(559,294)
Fund balance, beginning of year	7,696,072	202,285	-	1,565,870	559,570
Fund balance, end of year	\$ 7,666,819	\$ 200,965	\$ -	\$ 2,096,759	\$ 276

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

Permanent Brown Bridge Trust	Other Governmental Funds	Total
\$ -	\$ 1,241,818	\$ 9,534,596
-	-	239,790
-	609,023	646,473
-	53,882	2,510,379
-	1,876,860	3,429,969
332,666	77,830	967,068
-	-	19,003
-	35,950	605,836
-	-	463,428
197,522	29,142	305,481
-	40,100	422,318
530,188	3,964,605	19,144,341
-	45,982	2,946,884
-	1,266,733	7,028,232
-	-	3,040,478
-	50,362	2,291,503
-	-	74,719
-	627,610	2,247,097
-	1,210,000	1,210,000
-	669,512	669,512
-	3,870,199	19,508,425
530,188	94,406	(364,084)
-	-	3,197,898
(360,670)	(25,874)	(2,654,742)
(360,670)	(25,874)	543,156
169,518	68,532	179,072
12,540,921	3,315,262	25,879,980
\$ 12,710,439	\$ 3,383,794	\$ 26,059,052

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, 2011

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 \$ 179,072

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	1,791,962
Subtract: transfer of capital assets to the Automobile Parking System Fund	(8,069,216)
Subtract: transfer of construction in progress to expense	(1,090)
Subtract: depreciation expense	(1,601,031)

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

Add: current principal debt payment	1,210,000
Subtract: amortization of deferred savings	(24,379)
Add: amortization of reoffering premium	15,227
Subtract: amortization of bond issuance costs	(25,650)

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

Subtract: prior year deferred property taxes and special assessment receivables	(109,660)
Add: current year deferred property taxes and special assessment receivables	94,750

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

Add: decrease in accrued interest payable	8,415
Add: decrease in the accrual of compensated absences	28,448
Add: increase in other post-employment benefits	85,356

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: federal sources from governmental internal service fund	50,144
Add: interest income from governmental internal service fund	3,187
Add: other revenue from governmental internal service fund	66,024
Add: gain on disposal of capital assets in governmental internal service fund	36,358
Subtract: net operating loss from governmental activities accounted for in internal service fund	(112,604)

Change in net assets of governmental activities \$ (6,374,687)

Concluded

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

CITY OF TRAVERSE CITY, MICHIGAN
Statement of Net Assets
Proprietary Funds
June 30, 2011

	Business-type - Enterprise Funds		
	Wastewater	Water	Marina
Assets			
Current assets			
Cash and cash equivalents	\$ -	\$ 39,697	\$ 300,435
Investments	52,307	455,380	-
Receivables			
Accounts	656,135	432,269	576
Taxes	4,183	1,439	-
Accrued interest	-	802	-
Due from other governments	22,634	19,776	-
Inventory	-	146,434	17,557
Prepaid cost and other assets	20,193	4,358	-
Total current assets	755,452	1,100,155	318,568
Noncurrent assets			
Other post employment benefit	-	40,181	-
Restricted cash and cash equivalents	-	297,201	-
Capital assets not being depreciated	318,992	356,455	8,412,302
Capital assets being depreciated	24,189,570	6,523,467	1,531,368
Total noncurrent assets	24,508,562	7,217,304	9,943,670
Total assets	25,264,014	8,317,459	10,262,238
Liabilities			
Current liabilities			
Accounts payable	121,096	221,216	21,546
Accrued and other liabilities	107,796	37,543	5,795
Due to other funds	286,717	35,001	21,856
Current portion of long-term debt	1,123,882	225,000	-
Total current liabilities	1,639,491	518,760	49,197
Long-term liabilities			
Advance from component unit	-	-	525,000
Advance from other funds	-	-	850,000
Long-term debt, net of current portion	11,480,423	250,000	-
Compensated absences	5,502	38,981	7,108
Unearned revenue	523,593	-	-
Total long-term liabilities	12,009,518	288,981	1,382,108
Total liabilities	13,649,009	807,741	1,431,305
Net Assets			
Investment in capital assets, net of related debt	11,907,507	6,404,922	8,568,670
Restricted for			
Debt service	-	72,201	-
Unrestricted (deficit)	(292,502)	1,032,595	262,263
Total net assets	\$ 11,615,005	\$ 7,509,718	\$ 8,830,933

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>
\$ 2,370,841	\$ 2,710,973	\$ 2,259,106
26,068	533,755	-
5,210	1,094,190	4,057
-	5,622	-
-	802	-
90,032	132,442	50,144
-	163,991	183,575
-	24,551	-
2,492,151	4,666,326	2,496,882
-	40,181	23,481
-	297,201	-
1,115,326	10,203,075	-
16,461,558	48,705,963	4,955,913
17,576,884	59,246,420	4,979,394
20,069,035	63,912,746	7,476,276
6,091	369,949	108,660
45,945	197,079	16,044
110,222	453,796	-
-	1,348,882	-
162,258	2,369,706	124,704
-	525,000	-
-	850,000	-
-	11,730,423	-
1,453	53,044	39,391
-	523,593	-
1,453	13,682,060	39,391
163,711	16,051,766	164,095
17,576,884	44,457,983	4,955,913
-	72,201	-
2,328,440	3,330,796	2,356,268
\$ 19,905,324	\$ 47,860,980	\$ 7,312,181

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, 2011

**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 \$ 47,860,980

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

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

Subtract: cumulative portion of internal service fund net operating loss attributed to enterprise
funds

(79,061)

Net assets of business-type activities

\$ 47,781,919

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, 2011

	Business-type Activities - Enterprise Funds		
	Wastewater	Water	Marina
Operating revenues			
Charges for services	\$ 5,326,677	\$ 2,752,644	\$ 432,743
Interdepartmental	-	-	-
Other revenue	203,844	89,504	15,403
Total operating revenues	5,530,521	2,842,148	448,146
Operating expenses			
Personnel services	542,755	1,169,450	103,544
Commodities	29,470	236,113	11,024
Contractual services	2,813,305	338,778	170,781
Other charges	167,534	333,896	53,710
Depreciation and amortization	610,610	250,508	132,431
Total operating expenses	4,163,674	2,328,745	471,490
Operating income (loss)	1,366,847	513,403	(23,344)
Nonoperating revenues (expenses)			
Federal sources	22,634	19,776	-
Capital contributions	-	-	-
Reimbursements	236	236	-
Interest income	937	6,473	444
Other revenue	-	-	-
Interest expense and financial charges	(528,941)	(39,750)	(29,435)
Gain on sale of capital assets	-	-	-
Total nonoperating revenues (expenses)	(505,134)	(13,265)	(28,991)
Income before transfers	861,713	500,138	(52,335)
Transfers out	(268,077)	(143,001)	(21,856)
Change in net assets	593,636	357,137	(74,191)
Net assets, beginning of year	11,021,369	7,152,581	8,905,124
Net assets, end of year	\$ 11,615,005	\$ 7,509,718	\$ 8,830,933

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>
\$ 1,442,741	\$ 9,954,805	\$ -
-	-	2,257,316
53,267	362,018	-
1,496,008	10,316,823	2,257,316
92,481	1,908,230	673,500
12,373	288,980	626,927
427,482	3,750,346	108,287
404,869	960,009	166,367
400,471	1,394,020	820,063
1,337,676	8,301,585	2,395,144
158,332	2,015,238	(137,828)
13,199	55,609	50,144
8,069,217	8,069,217	-
64,938	65,410	-
3,756	11,610	3,187
-	-	66,024
-	(598,126)	-
-	-	36,358
8,151,110	7,603,720	155,713
8,309,442	9,618,958	17,885
(110,222)	(543,156)	-
8,199,220	9,075,802	17,885
11,706,104	38,785,178	7,294,296
\$ 19,905,324	\$ 47,860,980	\$ 7,312,181

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, 2011**

**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 \$ 9,075,802

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

Subtract: net operating loss from business-type activities in internal service fund (25,224)

Change in net assets of business-type activities \$ 9,050,578

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, 2011

	Business-type - Enterprise Funds		
	Wastewater	Water	Marina
Cash flows from operating activities			
Cash received from interfund services	\$ -	\$ -	\$ -
Cash received from customers	5,603,664	2,869,324	453,688
Cash payments to suppliers for goods and services	(2,888,291)	(727,098)	(262,900)
Cash payments to employees for services	(553,824)	(1,197,125)	(103,441)
Net cash provided by operating activities	2,161,549	945,101	87,347
Cash flows from non-capital financing activities			
Due to other funds	241,209	(227,306)	(2,082)
Advance to other funds	-	-	(75,000)
City fee	(268,077)	(143,001)	(21,856)
Reimbursements	236	236	-
Other revenue	-	-	-
Net cash (used in) provided by non-capital financing activities	(26,632)	(370,071)	(98,938)
Cash flows from capital and related financing activities			
Principal payments	(1,077,815)	(225,000)	-
Interest payments	(527,471)	(42,000)	(29,435)
Purchases of capital assets	(568,306)	(279,914)	-
Proceeds from sale of capital assets	-	-	-
Net cash (used in) capital and related financing activities	(2,173,592)	(546,914)	(29,435)
Cash flows from investing activities			
Interest received	937	6,472	444
Purchase of investments	-	(859)	-
Sale of investments	1,986	-	-
Net cash provided by (used in) investing activities	2,923	5,613	444
Net (decrease) increase in cash and cash equivalents	(35,752)	33,729	(40,582)
Cash and cash equivalents, beginning of year	35,752	303,169	341,017
Cash and cash equivalents, end of year	\$ -	\$ 336,898	\$ 300,435
Statement of net assets classification of cash and cash equivalents			
Cash and cash equivalents	\$ -	\$ 39,697	\$ 300,435
Restricted cash and cash equivalents	-	297,201	-
	\$ -	\$ 336,898	\$ 300,435

Noncash transactions: (1) The Government Activities held a portion of the construction in progress that was funded by the bond proceeds for the Old Town Parking Deck. During the fiscal year the construction was completed and the asset was transferred to the Automobile Parking System in the amount of \$8,069,216. (2) The County advance refunded the 2002 Wastewater Treatment General Obligation Bond which resulted in a deferred savings for the City in the amount of \$523,594 that will be amortized over the life of the new bond.

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>
\$ -	\$ -	\$ 2,256,166
1,494,203	10,420,879	-
(857,169)	(4,735,458)	(972,903)
(95,084)	(1,949,474)	(689,876)
541,950	3,735,947	593,387
50,774	62,595	-
-	(75,000)	-
(110,222)	(543,156)	-
64,939	65,411	-
-	-	66,024
5,491	(490,150)	66,024
-	(1,302,815)	-
-	(598,906)	-
(38,594)	(886,814)	(685,079)
-	-	68,367
(38,594)	(2,788,535)	(616,712)
3,756	11,609	3,187
(26,068)	(26,927)	-
-	1,986	-
(22,312)	(13,332)	3,187
486,535	443,930	45,886
1,884,306	2,564,244	2,213,220
\$ 2,370,841	\$ 3,008,174	\$ 2,259,106
\$ 2,370,841	\$ 2,710,973	\$ 2,259,106
-	297,201	-
\$ 2,370,841	\$ 3,008,174	\$ 2,259,106

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, 2011

	Business-type - Enterprise Funds		
	Wastewater	Water	Marina
Reconciliation of operating income (loss) to net cash provided by operating activities			
Operating income (loss)	\$ 1,366,847	\$ 513,403	\$ (23,344)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Depreciation and amortization	610,610	250,508	132,431
Changes in assets and liabilities			
Accounts receivables	73,143	27,176	5,542
Prepaid cost and other assets	5,895	21,349	742
Inventory	-	(13,011)	6,082
Accounts payable	116,123	173,351	(34,209)
Accrued and other liabilities	(11,069)	(27,675)	103
Net cash provided by operating activities	<u>\$ 2,161,549</u>	<u>\$ 945,101</u>	<u>\$ 87,347</u>

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>
\$ 158,332	\$ 2,015,238	\$ (137,828)
400,471	1,394,020	820,063
(1,805)	104,056	(1,150)
83	28,069	11,974
-	(6,929)	(24,900)
(12,528)	242,737	(43,015)
(2,603)	(41,244)	(31,757)
<u>\$ 541,950</u>	<u>\$ 3,735,947</u>	<u>\$ 593,387</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, 2011

	Pension and Other Postemployment Benefit Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 1,804,783	\$ 5,274,284
Investments, at fair value		
U.S. Government Agencies bonds and notes	2,637,782	-
Mortgage bonds	219,741	-
Other fixed income	23,935	-
Common stock	2,768,800	-
Mutual funds	10,308,687	-
Corporate bonds	2,265,218	-
Direct real estate investments	850,000	-
MERS total market fund	866,158	-
Receivables		
Accounts	-	36,602
Taxes	-	76,395
Accrued interest	45,686	-
Total assets	21,790,790	\$ 5,387,281
Liabilities		
Accrued and other liabilities	47,663	\$ 5,301,391
Due to other governmental units	-	85,890
Total liabilities	47,663	\$ 5,387,281
Net Assets		
Held in trust for pension benefits and other postemployment benefits	\$ 21,743,127	

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, 2011

		Pension and Other Postemployment Trust Funds
Additions		
Contributions		
City contributions	\$	1,477,729
Employee contributions		26,133
		<hr/>
Total contributions		1,503,862
		<hr/>
Investment earnings		
Investment income		479,097
Net appreciation in fair value of investments		2,794,142
		<hr/>
Net investment earnings		3,273,239
		<hr/>
Total additions		4,777,101
		<hr/>
Deductions		
Pension benefits paid		1,674,983
Health insurance premiums paid		349,395
Administrative expense		29,010
Investment advisor fees		125,638
		<hr/>
Total deductions		2,179,026
		<hr/>
Net increase in plan assets attributable to pension plan	2,557,720	
Net increase in plan assets attributable to health insurance	40,355	2,598,075
	<hr/>	
Net assets held in trust, beginning of year		19,145,052
		<hr/>
Net assets held in trust, end of year, attributable to pension plan	21,342,636	
Net assets held in trust, end of year, attributable to health insurance	400,491	\$ 21,743,127
	<hr/>	<hr/>

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

CITY OF TRAVERSE CITY, MICHIGAN

Index

Notes to the Financial Statements

June 30, 2011

	<u>PAGE</u>
I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	
A. Reporting entity	28-29
B. Government-wide and fund financial statements	29-30
C. Measurement focus, basis of accounting, and financial statement presentation	30-33
D. Assets, liabilities and net assets or equity	33-36
II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY	
A. Excess of expenditures over appropriations	37
B. Deficit fund balance	37
III. DETAILED NOTES ON ALL FUNDS	
A. Deposits and investments	37-43
B. Receivables	43
C. Capital assets	44-47
D. Accounts payable and accrued expenses	47
E. Interfund receivables, payables and transfers	48-49
F. Long-term debt and accrued compensated absences	49-52
G. Commitments	52-53
H. Contingencies	53
IV. OTHER INFORMATION	
A. Risk management	54
B. Joint agreements	54
C. Property taxes	54
D. Defined benefit pension plans	55-58
E. Deferred compensation plan	58-59
F. Postemployment health benefits	59-64
G. Entitlement commitment	64-66
H. Related party transactions	67
I. Subsequent events	66-67
J. Designations of net assets	66-67
K. Contingent liability	68
L. GASB pronouncement	68-69
M. Restatement	69

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

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

Discretely presented component units

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

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

Downtown Development Authority (the "DDA")

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

Traverse City Light and Power 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

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

statements for these entities have been excluded from the accompanying financial statements.

Joint operation

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

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

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

The City is responsible for debt service on the 2003 and 1998 capital leases listed in Note III F as determined biannually based upon the percentage of the City's flow to the total flow through the treatment plant. For the biannual period ending December 31, 2010, the City's percentage was forty nine percent. The City is responsible for debt service on the 2011 capital lease listed in Note III F based on capacity rights. The City's capacity right is sixty percent of the related facilities for which they have elected to lease out ten percent of these rights to Townships.

B. Government-wide and fund financial statements

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

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

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

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

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

The government reports the following major governmental funds:

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

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 which shall be endowed in a permanent trust. 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* are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

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

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

D. Assets, liabilities and net assets or equity

1. Deposits and investments

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

Investments are reported at fair value.

2. Receivables and payables

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

3. Restricted assets

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

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

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 expendable supply inventories has been treated as an expenditure at the time of purchase.

5. *Capital assets*

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

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

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

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

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

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.

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

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

7. *Long-term obligations*

In the government-wide financial statements, and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as an other financing source. Premiums received on debt issuances are reported as an other financing source while discounts on debt issuances are reported as an other financing use. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

8. *Fund Equity*

In 2009, the Governmental Accounting Standards Board (“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. The statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved/undesignated were replaced with five new classifications – nonspendable, restricted, committed, assigned, and unassigned. The City implemented Statement No. 54 during the year.

In the fund financial statements, governmental funds report the following components of fund balance:

- Nonspendable – Amounts that are not in spendable form or are legally or contractually required to be maintained intact.
- Restricted – Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose.
- Committed – Amounts that have been formally set aside by the Board for use for specific purposes. Commitments are made and can be rescinded only via resolution of the Board.
- Assigned – Intent to spend resources on specific purposes expressed by the governing body.
- Unassigned – All other resources; the remaining fund balance after non-spendable, restrictions, commitments, and assignments. This class only occurs in the General Fund, except for cases of negative fund balances. Negative fund balances are always reported as Unassigned, no matter which fund the deficit occurs in.

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

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Excess of expenditures over appropriations

For the year ended June 30, 2011, actual expenditure in the General Fund Public Works, PEG Capital Special Revenue Fund, and CDBG Century Inc. Special Revenue Fund exceeded appropriations by \$117,223, \$929, and \$500,000, 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.

B. Deficit fund balance

For the year ended June 30, 2011 the City's Act 345 Millage Special Revenue Fund ended in a deficit unassigned fund balance \$(201,841). 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 with 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 any bank in Michigan for the deposit of City funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government, interest bearing savings and checking accounts, repurchase agreements, bankers' acceptance of United States banks, federal agency instruments, money market funds with

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

a net asset value of \$1.00 per share, commercial paper within the two highest classifications and negotiable and non-negotiable certificates of deposits, but not the remainder of State statutory authority as listed above.

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

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>	<u>Component Units</u>
Cash and cash equivalents	\$ 12,377,250	\$2,710,973	\$ 7,079,067	\$ 22,167,290	\$ 15,331,740
Investments	14,584,388	533,755	19,940,321	35,058,464	17,649,745
Restricted cash and cash equivalents	-	297,201	-	297,201	-
Total	<u>\$ 26,961,638</u>	<u>\$ 3,541,929</u>	<u>\$ 27,019,388</u>	<u>\$ 57,522,955</u>	<u>\$ 32,981,485</u>

Cash and cash equivalents reported above include \$8,800 of cash on hand that is not considered deposits or investments for footnote purposes.

The breakdown between cash and investments is as follows:

Petty cash	\$ 8,800
City and component unit bank deposits (checking, savings accounts and certificates of deposit)	45,147,030
City and component unit investments	23,603,506
Pension and other postemployment benefit fund deposits	1,804,783
Pension and other postemployment benefit fund investments	<u>19,940,321</u>
Total	<u>\$ 90,504,440</u>

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

Investments

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

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>
US Treasury note	11/30/2012	\$ 297,201	AAA
US Treasury note	12/31/2016	53,340	AAA
US Treasury note	02/15/2021	26,068	AAA
US Treasury note	06/30/2012	948,154	AAA
US Treasury note	06/30/2012	52,307	AAA
US Treasury note	03/15/2012	1,008,520	AAA
US Treasury note	05/31/2012	1,041,370	AAA
US Treasury note	06/15/2012	1,015,660	AAA
US Treasury note	08/15/2012	508,360	AAA
US Treasury note	05/31/2013	1,057,930	AAA
US Treasury note	06/30/2013	1,058,130	AAA
US Treasury note	08/15/2013	1,079,380	AAA
US Treasury note	11/15/2013	1,085,550	AAA
US Treasury note	02/15/2014	271,562	AAA
US Treasury note	07/31/2016	804,202	AAA
US Treasury note	02/15/2020	528,945	AAA
US Treasury note	05/15/2014	334,008	AAA
US Treasury note	07/31/2016	134,034	AAA
US Treasury note	06/30/2012	120,305	AAA
US Treasury note	01/31/2012	118,095	AAA
US Treasury note	08/31/2013	174,294	AAA
US Treasury note	07/31/2016	80,420	AAA
US Treasury note	08/31/2013	100,351	AAA
US Treasury note	09/30/2011	1,002,340	AAA
US Treasury note	12/31/2011	1,004,340	AAA
US Treasury note	01/15/2013	507,735	AAA
US Treasury note	04/15/2013	1,023,520	AAA
US Treasury note	09/30/2014	1,046,560	AAA
US Treasury note	12/31/2014	1,054,060	AAA
US Treasury note	06/30/2015	697,411	AAA
US Treasury note	02/16/2016	400,500	AAA
US Treasury note	04/11/2016	500,155	AAA
US Treasury note	05/25/2016	500,045	AAA
US Treasury note	06/30/2018	498,298	AAA
US Treasury note	12/31/2016	960,120	AAA
US Treasury note	02/15/2020	423,156	AAA
US Treasury note	09/30/2013	105,781	AAA
MPPA Investments	Various	1,804,398	Unrated
Michigan CLASS pool	N/A	<u>176,901</u>	AAAm
Total		<u>\$ 23,603,506</u>	

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

Investment and deposit risk

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

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

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. As of year end, \$5,770,238 of the City's bank balance of \$47,064,310 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 \$23,603,506 of investments, the City has a custodial credit risk exposure of \$21,622,207 because the related securities are uninsured, unregistered and held by the government's brokerage firm which is also the counterparty for these particular securities. The custodial credit risk for balances in investment pools cannot be determined because the investments are not evidenced by specific identifiable securities.

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

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

Deposits and Investments – Pension and Other Postemployment Benefit Funds

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

Deposits – The fund maintains a checking account with a bank balance of \$1,352,621 with deposits collateralized and a money market account in the pension fund trust account with a balance of \$452,162 with deposits not insured or collateralized.

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

The trust funds' investments are held in a bank-administered trust fund and a MERS money market account. Following is a summary of the System's investments as of June 30, 2011:

Investments at fair value, as determined	
by quoted market price	
U.S. government agency bonds and notes	\$ 2,637,782
Mortgage bonds	219,741
Other fixed income	23,935
Domestic equities:	
Mutual funds	10,308,687
Common stock	2,768,800
Domestic corporate securities -	
Corporate bonds	2,265,218
MERS total market fund	866,158
Direct real estate investments	<u>850,000</u>
Total investments	<u>\$ 19,940,321</u>

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

Credit Risk. The Pension Trust Fund's investment policy provides that its investments in fixed income securities should have an investment grade rating by two nationally recognized statistical rating organizations. As of June 30, 2011, the funds investments in bonds, notes and asset backed securities were rated by Moody's as follows:

<u>Rating</u>	<u>Fair Value</u>
AAA	\$ 3,189,229
A1	101,586
A2	135,218
A3	103,405
AA1	50,188
AA2	193,977
AA3	63,937
B1	80,037
B2	11,275
B3	15,375
BA1	124,399
BA2	67,031
BA3	59,719
BAA1	317,791
BAA2	357,008
BAA3	211,124
CAA1	10,350
Not rated	<u>921,185</u>
	<u>\$ 6,012,834</u>

Custodial Credit Risk. For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, Systems will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The trust funds' investment policies require that investment securities be held in the name of the Systems, in the name of the nominee of the custodian, or in bearer form. Of the above \$19,940,321 of investments, the City has a custodial credit risk exposure of \$6,012,834 because the related securities are uninsured, unregistered and held by PNC and MERS, the Systems' custodians. Custodial credit risk for investments in mutual funds cannot be determined because the investments are not evidenced by specifically identifiable securities.

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

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

investments should not exceed 5% of the total investment market value of each individual pension trust fund. At June 30, 2011, there were no concentrations in securities of any one issuer greater than 5% of investment fair market value.

Interest Rate Risk. As of June 30, 2011, maturities of the trust funds' debt securities were as follows:

	Investment Maturities (fair value by years)				
	Total	Less Than 1	1-5	6-10	More Than 10
U.S. government agency bonds and notes	\$1,481,000	\$ -	\$ 100,892	\$ 151,042	\$1,229,066
U.S. Treasury bonds	1,156,782	943,841	5,200	58,022	149,719
Mortgage bonds	219,741	-	-	-	219,741
Other fixed income	23,935	-	-	-	23,935
Corporate bonds	2,265,218	-	641,672	1,218,133	405,413
Total debt securities	\$5,146,676	\$943,841	\$ 747,764	\$1,427,197	\$2,027,874

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

B. Receivables

Receivables in the governmental activities consist of 70 percent due from other governments, 6 percent special assessments receivable, 2 percent taxes receivable, 4 percent interest receivable and 18 percent other receivables. Receivables in the business-type activities consist of 29 percent due from other governments, 57 percent due from customers, 1 percent taxes receivable and 13 percent of other receivables. Receivables in the component units consist of 60 percent due from other governments, 35 percent due from customers, 3 percent taxes receivable, 1 percent note receivable, and 1 percent other receivables.

Accounts receivable in the Wastewater and Water Enterprise Funds are net of allowances in the amounts of \$10,358 and \$3,515, respectively. Accounts receivable in the Light and Power discrete component unit is net of allowances in the amount of \$222,749.

Special assessments receivables in the governmental activities of \$98,350 are not expected to be collected within one year.

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

C. Capital assets

Capital assets activity for the year ended June 30, 2011 was as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 11,466,376	\$ -	\$ -	\$ 11,466,376
Construction in progress	<u>8,710,760</u>	<u>1,715,447</u>	<u>9,729,420</u>	<u>696,787</u>
Total capital assets not being depreciated	<u>20,177,136</u>	<u>1,715,447</u>	<u>9,729,420</u>	<u>12,163,163</u>
Capital assets being depreciated				
Land improvements	3,970,774	10,538	7,918	3,973,394
Infrastructure	39,956,945	1,571,320	77,500	41,450,765
Buildings	16,015,412	110,539	49,593	16,076,358
Equipment	<u>12,585,477</u>	<u>728,311</u>	<u>373,767</u>	<u>12,940,021</u>
Total capital assets being depreciated	<u>72,528,608</u>	<u>2,420,708</u>	<u>508,778</u>	<u>74,440,538</u>
Less accumulated depreciation for				
Land improvements	464,632	88,645	7,918	545,359
Infrastructure	33,405,246	816,330	77,500	34,144,076
Buildings	7,799,152	531,787	49,593	8,281,346
Equipment	<u>7,421,114</u>	<u>984,332</u>	<u>341,758</u>	<u>8,063,688</u>
Total accumulated depreciation	<u>49,090,144</u>	<u>2,421,094</u>	<u>476,769</u>	<u>51,034,469</u>
Total capital assets being depreciated, net	<u>23,438,464</u>	<u>(386)</u>	<u>32,009</u>	<u>23,406,069</u>
Governmental activities capital assets, net	<u>\$ 43,615,600</u>	<u>\$ 1,715,061</u>	<u>\$9,761,429</u>	<u>\$ 35,569,232</u>

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	\$ 586,914	\$ 606,872	\$ -	\$ 1,193,786
Land improvements	8,427,432	-	-	8,427,432
Construction in progress	<u>1,255,660</u>	<u>868,409</u>	<u>1,542,212</u>	<u>581,857</u>
Total capital assets not being depreciated	<u>10,270,006</u>	<u>1,475,281</u>	<u>1,542,212</u>	<u>10,203,075</u>
Capital assets being depreciated				
Buildings and improvements	34,912,487	168,422	7,419	35,073,490
Other improvements	12,281,552	8,570,825	4,684	20,847,693
Machinery and equipment	<u>11,502,453</u>	<u>283,714</u>	<u>24,585</u>	<u>11,761,582</u>
Total capital assets being depreciated	<u>58,696,492</u>	<u>9,022,961</u>	<u>36,688</u>	<u>67,682,765</u>
Less accumulated depreciation for				
Buildings and improvements	10,151,633	697,084	7,419	10,841,298
Other improvements	2,873,759	507,215	4,684	3,376,290
Machinery and equipment	<u>4,596,543</u>	<u>187,256</u>	<u>24,585</u>	<u>4,759,214</u>
Total accumulated depreciation	<u>17,621,935</u>	<u>1,391,555</u>	<u>36,688</u>	<u>18,976,802</u>
Total capital assets being depreciated, net	<u>41,074,557</u>	<u>7,631,406</u>	<u>-</u>	<u>48,705,963</u>
Business-type activities capital assets, net	<u>\$ 51,344,563</u>	<u>\$ 9,106,687</u>	<u>\$ 1,542,212</u>	<u>\$ 58,909,038</u>

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

	Beginning Balance	Increases	Decreases	Ending Balance
Light and Power				
Component Unit –				
Capital assets not being depreciated				
Land	\$ 806,695	\$ -	\$ -	\$ 806,695
Construction in progress	82,980	1,201,372	503,501	780,851
Total capital assets not being depreciated	889,675	1,201,372	503,501	1,587,546
Capital assets being depreciated				
Buildings and improvements	4,012,649	-	1,734	4,010,915
Equipment and distribution system	49,781,515	1,724,331	118,532	51,387,314
Fiber system	1,650,712	26,575	-	1,677,287
Total capital assets being depreciated	55,444,876	1,750,906	120,266	57,075,516
Less accumulated depreciation for				
Buildings and improvements	859,278	120,379	1,625	978,032
Equipment and distribution system	17,108,397	1,611,702	96,319	18,623,780
Fiber system	158,144	85,409	-	243,553
Total accumulated depreciation	18,125,819	1,817,490	97,944	19,845,365
Total capital assets being depreciated, net	37,319,057	(66,584)	22,322	37,230,151
Light and Power				
Component Unit				
capital assets, net	\$ 38,208,732	\$ 1,134,788	\$ 525,823	\$ 38,817,697

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

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

Governmental activities	
General government	\$ 58,828
Public safety	137,005
Public works, including depreciation of general infrastructure assets	923,383
Recreation and culture	481,815
Capital assets held by the government's internal service fund are charged to the various functions based on their usage of the assets	<u>820,063</u>
Total depreciation expense – governmental activities	<u>\$2,421,094</u>
Business-type activities	
Wastewater	\$ 608,145
Water	250,508
Marina	132,431
Auto parking	<u>400,471</u>
Total depreciation expense – business-type activities	<u>\$1,391,555</u>
Component unit activities	
Light and power	<u>\$1,817,490</u>

D. Accounts payable and accrued expenses

Accounts payable and accrued expenses in the governmental activities consist of 66 percent vendor payables, 16 percent accrued salaries, 10 percent accrued interest, 7 percent customer deposits and 1 percent other liabilities. Business-type activities accounts payable and accrued expenses consist of 65 percent vendor payables, 9 percent accrued salaries, and 17 percent accrued interest and 9 percent customer deposits. Component unit accounts payable and accrued expenses consist of 78 percent vendor payables, 6 percent accrued salaries, 5 percent customer deposits and 11 percent other liabilities.

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

E. Interfund receivables, payables and transfers

	<u>Due from other funds</u>
	General Fund
<u>Due to other funds</u>	
Local Streets Fund	\$ 30,572
Brown Bridge Trust Fund	30,176
Old Town Parking Deck	3,716
Nonmajor Governmental Funds	78,484
Wastewater Fund	286,717
Water Fund	35,001
Marina Fund	21,856
Automobile Parking System Fund	<u>110,222</u>
Total	<u>\$ 596,744</u>

	<u>Advance to other funds</u>
	General Fund
<u>Advance from other funds</u>	
Nonmajor Governmental Funds	\$ 210,500
Marina Fund	<u>850,000</u>
Total	<u>\$ 1,060,500</u>

	<u>Due from component unit</u>
	General Fund
<u>Due to primary government</u>	
Light and Power	<u>\$ 80,399</u>

	<u>Advance to primary government</u>
	Light & Power
<u>Advance from component unit</u>	
Nonmajor Governmental Funds	\$ 25,739
Marina Fund	<u>525,000</u>
Total	<u>\$ 550,739</u>

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

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

<u>Transfers in</u>	<u>Transfer Out</u>							<u>Total</u>
	General Fund	Brown Bridge Trust Fund	Nonmajor Governmental Funds	Waste- Water Fund	Water Fund	Marina Fund	Automobile Parking System Fund	
General Fund	\$ 316,585	\$ 360,670	\$ 25,874	\$ 268,077	\$ 143,001	\$ 21,856	\$ 110,222	\$ 1,246,285
Major Streets Fund	82,508	-	-	-	-	-	-	82,508
Local Streets Fund	813,805	-	-	-	-	-	-	813,805
Capital Project Funds	<u>1,055,300</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,055,300</u>
 Total	 <u>\$ 2,268,198</u>	 <u>\$ 360,670</u>	 <u>\$ 25,874</u>	 <u>\$ 268,077</u>	 <u>\$ 143,001</u>	 <u>\$ 21,856</u>	 <u>\$ 110,222</u>	 <u>\$ 3,197,898</u>

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

F. Long-term debt and accrued compensated absences

The following is a summary of bond and lease transactions of the City for the year ended June 30, 2011:

	<u>Primary Government</u>			<u>Total Reporting Entity</u>
	<u>Governmental Activities General Obligation Bonds</u>	<u>Business- Type Activities Lease Payable</u>	<u>Business- Type Activities Revenue Bonds</u>	
Long-term debt at July 1, 2010	\$ 17,492,348	\$ 14,202,464	\$ 700,000	\$32,394,812
Reductions				
Principal	(1,210,000)	(1,601,409)	(225,000)	(3,036,409)
Amortization of Premium	<u>9,152</u>	<u>-</u>	<u>-</u>	<u>9,152</u>
Total reductions	<u>(1,200,848)</u>	<u>(1,601,409)</u>	<u>(225,000)</u>	<u>(3,027,257)</u>
 Long-term debt at June 30, 2011	 <u>\$ 16,291,500</u>	 <u>\$ 12,601,055</u>	 <u>\$ 475,000</u>	 <u>\$29,367,555</u>
Due within one year	<u>\$ 1,380,000</u>	<u>\$ 1,120,632</u>	<u>\$ 225,000</u>	<u>\$ 2,725,632</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, 2011:

	<u>Primary Government</u>			
	<u>Governmental</u>	<u>Business-</u>	<u>Component</u>	<u>Total</u>
	<u>Activities</u>	<u>Type</u>	<u>Units</u>	<u>Reporting</u>
		<u>Activities</u>		<u>Entity</u>
Accrued compensated absences at July 1, 2010	\$ 698,971	\$ 56,905	\$ 401,154	\$ 1,157,030
Additions	-	-	44,053	44,053
Reductions	<u>(27,860)</u>	<u>(611)</u>	<u>(83,044)</u>	<u>(111,515)</u>
Accrued compensated absences at June 30, 2011	<u>\$ 671,111</u>	<u>\$ 56,294</u>	<u>\$ 362,163</u>	<u>\$ 1,089,568</u>
Due within one year	<u>\$ 21,906</u>	<u>\$ 3,250</u>	<u>\$ 30,952</u>	<u>\$ 56,108</u>

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

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

Bond and lease obligations at June 30, 2011 are comprised of the following individual issues:

	Final Maturity Date	Interest Rates	Outstanding Balance
Primary Government			
Governmental Activities:			
General obligation Downtown Development			
Series 2009 – Parking Deck	2016	2.25-3.625%	\$6,150,000
Series 2009 Premium			83,751
General obligation Downtown Development			
Series 2007A – Parking Deck - Refund	2028	4.00-4.125	9,690,000
Series 2007A deferred refunding costs			(402,251)
General obligation Downtown Development			
Series 2002B – Parking Deck	2017	6.00-6.50	770,000
Business-type Activities:			
1992 Water Revenue Bonds	2013	6.00	475,000
2003 Wastewater Treatment			
Capital Lease Payable	2015	3.40-3.75	761,735
1998 Wastewater Disposal			
Capital Lease Payable	2013	4.40-4.50	174,344
2011 Wastewater Treatment			
Capital Lease Payable	2022	3.00-4.00	<u>11,664,976</u>
Total Reporting Entity			<u>\$29,367,555</u>

The Wastewater Fund capital leases, which include the 2003 Wastewater Treatment, 1998 Wastewater Disposal, and 2011 Wastewater Treatment, are directly related to bonds issued through Grand Traverse County (the "County"). The City records its share of County bonds as capital leases payable in accordance with the Michigan Committee on Governmental Accounting and Auditing Statement 10, as amended.

Capital assets held under capital leases are approximately \$23,015,000 net of accumulated depreciation of \$19,561,000 at June 30, 2011.

On April 1, 2011, the County issued \$20,385,000, in General Obligation Bonds (City's portion is the 2011 Wastewater Treatment Capital Lease Payable) with an average interest rate of 3.15% to advance refund their 2002 General Obligation Bond (City's portion is the 2002 Wastewater Treatment Capital Lease Payable) with an average interest rate of 3.00%. The City's portion was reduced over the next 11 years by approximately \$100,000 with an economic gain (difference between the present value of the debt service payment on the old and new debt) of approximately \$1,200,000.

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

The annual requirements to pay principal and interest on bond and lease obligations are as follows:

Fiscal Year	Governmental Activities		Business-Type Activities			
	General Obligation Bonds		Capital Leases Payable		Revenue Bond	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 1,380,000	\$ 632,237	\$ 1,120,632	\$ 524,750	\$ 225,000	\$ 28,500
2013	1,285,000	594,500	1,178,675	457,502	250,000	15,000
2014	1,580,000	555,351	1,125,232	410,868	-	-
2015	1,725,000	501,776	1,188,139	366,522	-	-
2016	1,845,000	439,900	1,012,853	319,535	-	-
2017-21	2,965,000	1,567,930	5,702,305	957,347	-	-
2022-26	4,170,000	854,255	1,273,219	50,929	-	-
2027-28	1,660,000	102,506	-	-	-	-
	<u>\$ 16,610,000</u>	<u>\$ 5,248,455</u>	<u>\$ 12,601,055</u>	<u>\$ 3,087,453</u>	<u>\$ 475,000</u>	<u>\$ 43,500</u>

G. Commitments

Primary government - Property

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

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

for bond payment on the 2007 debt. The developer's required contribution is \$18,986 annually through 2017. The City has pledged its limited tax full faith and credit for the payment of the principal and interest on the bonds. The following are the future minimum payments expected to be received from the Downtown Development Authority based on the collection of tax increment revenues in the Tax Increment Financing and Development Plan No. 97 and No. 2:

<u>Fiscal Year</u> <u>End</u>	<u>Amount</u>
2012	\$ 1,993,251
2013	1,860,514
2014	2,116,365
2015	2,207,790
2016	2,265,914
2017-2021	4,513,944
2022-2026	5,024,255
2027-2028	<u>1,762,506</u>
Total	<u>\$ 21,744,539</u>

The Authority has outstanding commitments remaining under contracts for the Waterfront Pedestrian Tunnel and Garland Street Streetscape Design of \$53,210 and \$32,650, respectively.

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.

H. Contingencies

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

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

IV. OTHER INFORMATION

A. Risk management

The government is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. During the year ended June 30, 2011, the government carried insurance through various commercial carriers, including the Michigan Municipal League, to cover risks of losses. The government has had no settled claims resulting from these risks that exceeded its commercial coverage in the past three fiscal years.

B. Joint agreements

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

Under the terms of a separate agreement, the City reimburses the County of Grand Traverse for its pro rata share of operation and maintenance costs of the Governmental Center. The City's share of these costs for the year ended June 30, 2011 amounted to \$116,068, 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 2010 taxable valuation of the City totaled \$784,875,126, on which ad valorem taxes levied consisted of 11.8167 mills for the City operating purposes and 1.74 mills for Act 345.

Included in the taxable valuation is the Downtown Development Authority ("DDA"). The taxable value for the DDA is \$108,728,597. The Downtown Development general operating tax rate for fiscal year 2010-11 was 1.8038 mills. Property taxes are also derived from tax increment financing agreements between the DDA and other taxing districts. Under these arrangements, the DDA receives those property taxes levied on the increment of current taxable valuations (determined as of the preceding December 31, the lien date) over base year assessed valuations on certain property located in the City of Traverse City, which are within the DDA district. Property taxes are recognized in the fiscal year in which they are levied.

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

D. Defined benefit pension plans

The City has two retirement plans, one covering police and fire department personnel and the other covering all other employees of the City, and the Light and Power Component Unit employees.

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

Basis of Accounting

The Police and Fire Retirement System (the "System") Financial Statements are included as a pension trust fund of the City and are prepared using the accrual basis of accounting. Employer contributions are recognized when due. Benefits and refunds are recognized when due and payable in accordance with the Plan. Administrative costs are financed through investment earnings. 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, 2010, 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>55</u>
Total	<u>114</u>

Contributions

Effective July 1, 2010, each Police Captain employee shall make a retirement contribution of 4.00% of gross salary and Firefighter employees shall make a retirement contribution of 1.51% of gross salary by payroll deduction.

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

Funding Policy

The City's obligation to contribute, benefit provisions and all other requirements of the System are established and amended by Michigan statute (P.A. 345). Prior to July 1, 2010, employees of the Police and Fire Retirement System were not required to contribute to the System. All full service Police and Fire Department employees are eligible to participate in the Police and Fire Retirement System. For the years ended June 30, 2009, 2010 and 2011, the City contributed 100% of the annual pension costs, which were also the actuarial determined contribution requirements, in the amounts of \$924,911, \$1,154,441 and \$1,206,390 respectively. There were no net pension obligations at the end of these years. At June 30, 2010, the funded ratio (actuarial value of assets as a percent of actuarial accrued liability) was 67% in comparison to 76% as of June 30, 2009.

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>
6/30/2010	\$ 22,950,947	\$ 34,264,396	\$ 11,313,449	67%	\$ 3,308,083	342%

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.

Actuarial Methods and Assumptions

In the June 30, 2010 actuarial valuation, the entry-age actuarial cost method was used. The actuarial assumptions included (a) 7.50 investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 4.5 to 7.5 percent per year. Projected salary increases includes an inflation component of 3.75%. The cost of living adjustments includes 2.5% of original pension for twenty years payable to pre July 1, 199- retirees, 2.5% of original pension or inflation whichever is less, for twenty years, payable to the Police Captains effective 1/1/94, Police Sergeants effective 8/1/98, Police and Patrol effective 1/1/99 and Firefighters effective 7/1/2000. The Firefighters are not subject to the inflation component. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

value of investments over a four-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2010 was 20 years.

Municipal Employees Retirement System (MERS)

Plan Description

The City's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The City participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the MERS Retirement Board. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit 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 6.60% to 27.63% 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, 2011 the City's annual pension cost of \$1,689,281 for MERS was equal to the City's required and actual contributions.

Three-year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/09	\$1,340,339	100%	\$ -
6/30/10	1,394,741	100%	-
6/30/11	1,689,281	100%	-

The required contribution was determined as part of the December 31, 2010 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

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 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, 2010, the date of the last actuarial valuation, was 28 years.

Funded Status and Funding Progress

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/10	\$ 41,600,136	\$ 56,545,514	\$ 14,945,378	74%	\$ 8,152,207	183%

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 contribution requirements can only be amended by authorization of the City Commission. In fiscal year 2011, the City contributed \$364,681 and employees contributed \$688,176.

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

Component unit

Downtown Development Authority

The Downtown Development Authority sponsors the Traverse City Downtown Development Authority Deferred Compensation Plan created in accordance with the Internal Revenue Code Section 457. The administrator of the plan is ICMA Retirement Corporation. The plan is available to all employees. Participants may contribute any amount allowed by the plan and the employer will match employee contributions up to 7% percent of covered payroll based on the employee's employment contract. Plan provision and contribution requirements can only be amended by authorization of the Board of Directors. In fiscal year 2011, the Downtown Development Authority contributed \$18,010 and the employees contributed \$19,923 to this plan.

F. Postemployment health benefits

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

Act 345 Retiree Health Insurance Plan

Description of benefits

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

Funding Policy

The Police Sergeants' and Officers' collective bargaining units limit the employer contribution to the cost of the January 1, 1991 premium increased five percent per year, compounded thereafter. The Police Captains' collective bargaining unit limits the employer contribution to the cost of the January 1, 1990 premium increased five percent per year, compounded thereafter. The Firefighters' collective bargaining unit provides benefits for retirees previous to July 1, 1994 as described in their collective 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.

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

For the fiscal year end June 30, 2011, the City contributed \$340,273 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 \$3,251,882 as of June 30, 2011.

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	\$ 340,273
Interest on net OPEB obligation	-
Adjustment to annual required contribution	<u>-</u>
Annual OPEB cost (expense)	340,273
Contributions made	<u>340,273</u>
Increase in net OPEB obligation	-
Net OPEB obligation, beginning of year	<u>-</u>
Net OPEB obligation, end of year	<u><u>\$ -</u></u>

Three-year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost (AOC)</u>	<u>Percentage of AOC Contributed</u>	<u>Net OPEB Obligation</u>
6/30/09	\$ 279,931	100%	\$ -
6/30/10	331,647	100%	-
6/30/11	340,273	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>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
6/30/10	\$ 3,774,317	\$ 7,115,866	\$ 3,341,549	53.0%	\$ 3,308,083	101.01%	

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

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

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, 2010, 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 and a payroll growth rate for open divisions assumed to be between 4.5 to 7.5%.

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

Retiree Health Insurance Plan

Description of Benefits

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

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

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

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

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

Funding Policy

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

The City contribution was the annual required contribution in addition to the pay-as-you-go financing requirements. For the current year, the annual required contribution for the City and Traverse City Light and Power was \$317,334. Of this amount, the City's portion of the annual required contribution was \$106,799 and Traverse City Light and Power's portion of the annual required contribution was \$210,535. The pay-as-you-go employer contribution for the City was \$120,635 and the employee contribution to the plan was \$155,997. The pay-as-you-go employer contribution for Traverse City Light and Power was \$164,651 and the employee contribution to the plan was \$49,061.

Funding Progress

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

Primary government

Annual required contribution	\$ 106,799
Interest on net OPEB obligation	-
Adjustment to annual required contribution	<u>-</u>
Annual OPEB cost (expense)	106,799
Contributions made	<u>227,434</u>
Increase in net OPEB asset	120,635
Net OPEB asset, beginning of year	<u>89,057</u>
Net OPEB asset, end of year	<u>\$ 209,692</u>

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

Component unit

Annual required contribution	\$ 210,535
Interest on net OPEB obligation	-
Adjustment to annual required contribution	<u>-</u>
Annual OPEB cost (expense)	210,535
Contributions made	<u>375,186</u>
Increase in net OPEB asset	164,651
Net OPEB asset, beginning of year	<u>144,275</u>
Net OPEB asset, end of year	<u>\$ 308,926</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>
6/30/09	\$ 286,964	100%	\$ -
6/30/10	303,667	100%	\$ -
6/30/11	317,334	100%	\$ -

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Liability (AAL) Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
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 City is currently funding the plan by paying the current insurance premiums due and the annual required contribution.

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

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

In the December 31, 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 28 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%, salary growth rate assumed to be between 4.8% to 12.9% and 8% inflation in 2011 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.

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 terminated 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.

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2011, the Traverse City Light and Power Department recognized expenses totaling \$13,024,492 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 2011 costs adjusted for inflation. These costs are estimated as follows:

<u>Year Ended December 31</u>	<u>Operating Costs</u>
2012	\$ 6,837,096
2013	7,042,209
2014	4,999,236
2015	5,149,213
2016	5,303,690
2017-2021	21,325,946
2022-2026	19,213,230
2027	<u>4,195,297</u>
	<u>\$ 74,065,917</u>

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

<u>Year Ended December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 2,464,976	\$ 1,639,740	\$ 4,104,716
2013	2,587,663	1,518,871	4,106,534
2014	2,699,892	1,390,739	4,090,631
2015	2,803,532	1,250,971	4,054,503
2016	2,906,094	1,105,762	4,011,856
2017-2021	8,436,734	3,742,670	12,179,404
2022-2026	7,916,370	1,772,417	9,688,787
2027	<u>1,840,575</u>	<u>96,630</u>	<u>1,937,205</u>
	<u>\$ 31,655,836</u>	<u>\$ 12,517,800</u>	<u>\$ 44,173,636</u>

The MPPA and its member utilities were over-charged on their power sales contract agreements. Because of this, MPPA and the member utilities have established a trust fund ("The Municipal Competitive Trust"). Specific policies have been established by each member regarding the use of these funds. Traverse City Light and Power

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

Department's share of this trust fund was \$1,804,398 as of June 30, 2011.

In December 2010, Traverse City Light and Power Department entered into a 20-year power purchase agreement with Heritage Stoney Corners Wind Farm I, LLC to purchase up to 10 megawatt of electric energy and all associated renewable energy credits. For the year ended June 30, 2011, the Department recognized expenses totaling \$1,892,441.

In September 2010, Traverse City Light and Power entered into two 5-year agreements with the Lansing Board of Water & Light ("LBWL") to commence January 1, 2011. The purchase power agreement allows for the purchase of a minimum of 10 megawatt of electric energy up to a maximum of 45 megawatt to replace its deficient energy needs from the expired agreement with MPPA. The estimated cost for the 5-year term is \$40,000,000. The energy service agency agreement provides for LBWL to act as the Department's agent with Midwest ISO ("MISO"). LBWL will enter into third party contracts to purchase energy and sell surplus energy into the MISO daily and hourly markets. The estimated cost for the 5-year term is \$375,000. For the year ended June 30, 2011, the Department recognized expenses totaling \$4,450,284.

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 \$36,831 during the year ended June 30, 2011.

Component unit

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

I. Subsequent events

Primary government

On August 15, 2011, an accident resulting in death occurred at the City's Duncan L. Clinch Marina. On September 14, 2011, a complaint and jury demand was filed in the Circuit Court for the County of Grand Traverse against the City under the Michigan

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

Wrongful Death Act in an amount exceeding \$25,000 exclusive of interest and costs. The City has liability insurance in the amount of \$5,000,000 available in the event of a judgment.

Component unit

On September 16, 2011, the DDA received from Brownfield Redevelopment Authority's ("BRA") the first reimbursement payment of \$580,000 under the River's Edge Brownfield Plan.

On September 16, 2011, the DDA received from BRA a reimbursement payment of \$145,000 towards the Michigan Economic Growth Authority eligible expenses associated with the Larry C. Hardy parking deck.

On August 19, 2011, the DDA's Board of Directors authorized the Executive Director to enter into a contract with the Downtown Traverse City Association through August 31, 2012, with an annual compensation of \$55,200. The Authority provides office space and administrative services to the Downtown Traverse City Association.

The MPPA Board approved the refunding of the outstanding revenue bonds relating to the Kalkaska Combustion Turbine Project to take advantage of lower interest rates that will save approximately \$1.8 million in bond payments over the life of the bonds. The October 2011 refunding of the outstanding bonds will save approximately \$110,000/year for the Traverse City Light and Power's entitlement share in the Project.

J. Designations of net assets

Primary government

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

	Automobile Parking System Fund	Wastewater Fund	Water Fund	Garage Fund
Emergencies	\$ 25,492	\$ 49,871	\$ 49,724	\$ -
Capital expenditures	220,000	515,000	680,000	1,160,000
Future maintenance	<u>700,000</u>	-	-	-
Total	<u>\$ 945,492</u>	<u>\$ 564,871</u>	<u>\$ 729,724</u>	<u>\$ 1,160,000</u>

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

Component unit

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

Emergencies	\$ 100,056
Uninsured claims	4,198,398
Capital expansion	<u>10,075,000</u>
Total	<u>\$14,373,454</u>

K. Contingent liability

Primary government – Boot Lake Landfill

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

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

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

This statement also supersedes Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

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

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

M. Restatement

The City adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in the current year. GASB 54 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 resources reported in governmental funds. The City’s beginning General Fund fund balance was restated by an increase of \$3,170,931, with a corresponding decrease to the City’s Nonmajor Governmental Funds beginning fund balance, due to the elimination of several funds shown on the Schedule of GASB 54 Consolidation on pp78.

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

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

Actuarial valuation date	Actuarial Value of Assets (a)	Actuarial 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)
6/30/2001	\$ 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)	107.9	2,402,524	0.0
6/30/2004	22,038,257	22,711,298	673,041	97.0	2,671,393	25.2
6/30/2005	21,881,463	24,977,924	3,096,461	87.6	3,139,509	98.6
6/30/2006	22,591,340	26,163,253	3,571,913	86.3	3,509,371	101.8
6/30/2007	24,182,785	26,789,239	2,606,454	90.3	3,234,852	80.6
6/30/2008	24,838,458	28,047,507	3,209,049	88.6	3,173,479	101.1
6/30/2009	23,755,156	31,384,903	7,629,747	75.7	3,348,677	227.8
6/30/2010	22,950,947	34,264,396	11,313,449	67.0	3,308,083	342.0

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year ended/valuation June 30	Annual Required Contribution	Percentage Contributed
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%
2011 / 2010	1,206,390	100%

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

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

Actuarial valuation date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered payroll ((b - a) / c)
6/30/2001	\$ 2,331,155	\$ 6,983,905	\$ 4,652,750	33.4%	\$ 2,467,235	188.6%
6/30/2002	2,434,672	7,769,958	5,335,286	31.3	2,393,258	222.9
6/30/2003	2,590,432	8,072,071	5,481,639	32.1	2,402,524	228.2
6/30/2004	2,645,396	8,091,713	5,446,317	32.7	2,671,393	203.9
6/30/2005	2,723,028	8,218,900	5,495,872	33.1	3,139,509	175.1
6/30/2006	2,977,346	8,643,119	5,665,773	34.4	3,509,371	161.5
6/30/2007	3,444,580	8,402,945	4,958,365	41.0	3,234,852	153.3
6/30/2008	3,655,194	6,710,657	3,055,463	54.5	3,173,479	96.3
6/30/2009	3,700,439	6,835,257	3,134,818	54.1	3,348,677	93.6
6/30/2010	3,774,317	7,115,866	3,341,549	53.0	3,308,083	101.0

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year ended/valuation June 30	Annual Required Contribution	Percentage Contributed
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
2011 / 2010	340,273	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, 2010
Actuarial cost method	Individual entry-age actuarial cost method
Amortization method	Level percent
Remaining amortization period	29 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 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)
12/31/2001	\$ 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
12/31/2010	41,600,136	56,545,514	14,945,378	73.6	8,152,207	183.3

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year ended/valuation June 30	Annual Required Contribution	Percentage Contributed
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
2011 / 2010	1,689,281	100

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)	UAAAL as a Percentage of Covered payroll ((b - a) / c)
12/31/2006	\$ 1,079,242	\$ 4,622,001	\$ 3,542,759	23.4%	\$ 7,921,231	44.7%
12/31/2008	1,488,166	5,055,539	3,567,373	29.4	8,023,611	44.5

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year ended/valuation June 30	Annual Required Contribution	Percentage Contributed
2008 / 2007	\$ 274,606	100%
2009 / 2008	286,964	100%
2010 / 2009	303,667	100%
2011 / 2010	317,334	100%

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	28 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, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 8,301,800	\$ 8,301,800	\$ 8,292,778	\$ (9,022)
Licenses and permits	222,300	222,300	239,790	17,490
Federal sources	40,000	40,000	37,450	(2,550)
State sources	1,138,500	1,138,500	1,187,864	49,364
Local sources	1,600,250	1,600,250	1,553,109	(47,141)
Charges for services	496,000	516,650	556,572	39,922
Fines and forfeits	70,500	70,500	19,003	(51,497)
Contributions	31,000	39,900	57,203	17,303
Reimbursements	597,300	598,300	452,364	(145,936)
Interest income	178,000	178,000	75,256	(102,744)
Other revenue	381,400	381,400	372,023	(9,377)
Total revenues	<u>13,057,050</u>	<u>13,087,600</u>	<u>12,843,412</u>	<u>(244,188)</u>
Expenditures				
General government	3,092,460	3,180,460	2,898,545	281,915
Public safety	6,129,210	6,118,460	5,761,499	356,961
Public works	392,625	757,625	874,848	(117,223)
Recreation and culture	2,170,040	2,251,540	2,241,141	10,399
Community development	88,200	88,200	74,719	13,481
Total expenditures	<u>11,872,535</u>	<u>12,396,285</u>	<u>11,850,752</u>	<u>545,533</u>
Excess of revenue over expenditures	<u>1,184,515</u>	<u>691,315</u>	<u>992,660</u>	<u>301,345</u>
Other financing sources (uses)				
Transfers in	1,178,000	1,178,000	1,246,285	68,285
Transfers out	<u>(2,806,000)</u>	<u>(2,373,400)</u>	<u>(2,268,198)</u>	<u>105,202</u>
Total other financing sources (uses)	<u>(1,628,000)</u>	<u>(1,195,400)</u>	<u>(1,021,913)</u>	<u>173,487</u>
Net change in fund balance	(443,485)	(504,085)	(29,253)	474,832
Fund balance, beginning of year	<u>7,696,072</u>	<u>7,696,072</u>	<u>7,696,072</u>	<u>-</u>
Fund balance, end of year	<u>\$ 7,252,587</u>	<u>\$ 7,191,987</u>	<u>\$ 7,666,819</u>	<u>\$ 474,832</u>

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget (GAAP Basis) and Actual
Major Streets Special Revenue Fund
For the Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues				
State sources	\$ 1,013,900	\$ 1,013,900	\$ 946,787	\$ (67,113)
Reimbursements	22,500	22,500	518	(21,982)
Interest income	1,000	1,000	138	(862)
Total revenues	<u>1,037,400</u>	<u>1,037,400</u>	<u>947,443</u>	<u>(89,957)</u>
Expenditures				
Public works				
Personnel	540,400	540,400	368,633	171,767
Commodities	135,000	135,000	169,173	(34,173)
Contractual services	89,000	89,000	34,926	54,074
Other charges	745,000	510,000	458,539	51,461
Total expenditures	<u>1,509,400</u>	<u>1,274,400</u>	<u>1,031,271</u>	<u>243,129</u>
(Deficiency) excess of revenue over expenditures	(472,000)	(237,000)	(83,828)	153,172
Other financing sources				
Transfers in	332,000	97,000	82,508	(14,492)
Net change in fund balance	<u>(140,000)</u>	<u>(140,000)</u>	<u>(1,320)</u>	<u>138,680</u>
Fund balance, beginning of year	202,285	202,285	202,285	-
Fund balance, end of year	<u>\$ 62,285</u>	<u>\$ 62,285</u>	<u>\$ 200,965</u>	<u>\$ 138,680</u>

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget (GAAP Basis) and Actual
Local Streets Special Revenue Fund
For the Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
State sources	\$ 295,000	\$ 295,000	\$ 320,554	\$ 25,554
Expenditures				
Public works				
Personnel	605,000	605,000	502,527	102,473
Contractual services	50,000	50,000	23,903	26,097
Commodities	75,000	75,000	68,034	6,966
Other charges	719,500	504,500	539,895	(35,395)
Total expenditures	1,449,500	1,234,500	1,134,359	100,141
(Deficiency) of revenue over expenditures	(1,154,500)	(939,500)	(813,805)	125,695
Other financing sources				
Transfer in	1,154,500	939,500	813,805	(125,695)
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ -	\$ -

CITY OF TRAVERSE CITY, MICHIGAN

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

I. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

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

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of GASB 54 Consolidation
Budget (GAAP Basis) and Actual

For the Year Ended June 30, 2011

	General Fund				Budget Stabilization			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues								
Property taxes	\$ 8,301,800	\$ 8,301,800	\$ 8,292,778	\$ (9,022)	\$ -	\$ -	\$ -	\$ -
Licenses and permits	222,300	222,300	239,790	17,490	-	-	-	-
Federal sources	40,000	40,000	37,450	(2,550)	-	-	-	-
State sources	1,138,500	1,138,500	1,187,864	49,364	-	-	-	-
Local sources	1,520,000	1,520,000	1,520,399	399	-	-	-	-
Charges for services	327,600	327,600	377,041	49,441	-	-	-	-
Fines and forfeits	70,500	70,500	19,003	(51,497)	-	-	-	-
Contributions	-	-	-	-	-	-	-	-
Reimbursements	588,300	588,300	435,633	(152,667)	-	-	-	-
Interest income	120,000	120,000	41,119	(78,881)	7,500	7,500	1,156	(6,344)
Other revenue	373,400	373,400	368,317	(5,083)	-	-	-	-
Total revenues	12,702,400	12,702,400	12,519,394	(183,006)	7,500	7,500	1,156	(6,344)
Expenditures								
General government	3,067,460	3,155,460	2,896,264	259,196	-	-	-	-
Public safety	6,105,960	6,075,960	5,731,154	344,806	-	-	-	-
Public works	392,625	757,625	874,848	(117,223)	-	-	-	-
Recreation and culture	1,702,240	1,711,840	1,688,649	23,191	-	-	-	-
Community development	88,200	88,200	74,719	13,481	-	-	-	-
Total expenditures	11,356,485	11,789,085	11,265,634	523,451	-	-	-	-
Excess (deficiency) of revenue over expenditures	1,345,915	913,315	1,253,760	340,445	7,500	7,500	1,156	(6,344)
Other financing sources (uses)								
Transfers in	989,000	989,000	1,002,587	13,587	-	-	-	-
Transfers out	(2,710,300)	(2,277,700)	(2,121,925)	155,775	(7,500)	(7,500)	(1,156)	6,344
Total other financing sources (uses)	(1,721,300)	(1,288,700)	(1,119,338)	169,362	(7,500)	(7,500)	(1,156)	6,344
Net change in fund balance	(375,385)	(375,385)	134,422	509,807	-	-	-	-
Fund balance, beginning of year	4,525,141	4,525,141	4,525,141	-	750,000	750,000	750,000	-
Fund balance (deficit), end of year	\$ 4,149,756	\$ 4,149,756	\$ 4,659,563	\$ 509,807	\$ 750,000	\$ 750,000	\$ 750,000	\$ -

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of GASB 54 Consolidation
Budget (GAAP Basis) and Actual

For the Year Ended June 30, 2011

	Hazmat				FETN Academy			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Local sources	19,750	19,750	18,960	(790)	3,500	3,500	-	(3,500)
Charges for services	1,000	4,650	2,505	(2,145)	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Contributions	-	-	884	884	-	-	-	-
Reimbursements	-	-	-	-	-	-	-	-
Interest income	-	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-	-
Total revenues	20,750	24,400	22,349	(2,051)	3,500	3,500	-	(3,500)
Expenditures								
General government	-	-	-	-	-	-	-	-
Public safety	19,750	39,000	30,258	8,742	3,500	3,500	87	3,413
Public works	-	-	-	-	-	-	-	-
Recreation and culture	-	-	-	-	-	-	-	-
Community development	-	-	-	-	-	-	-	-
Total expenditures	19,750	39,000	30,258	8,742	3,500	3,500	87	3,413
Excess (deficiency) of revenue over expenditures	1,000	(14,600)	(7,909)	6,691	-	-	(87)	(87)
Other financing sources (uses)								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Net change in fund balance	1,000	(14,600)	(7,909)	6,691	-	-	(87)	(87)
Fund balance, beginning of year	33,235	33,235	33,235	-	632	632	632	-
Fund balance (deficit), end of year	\$ 34,235	\$ 18,635	\$ 25,326	\$ 6,691	\$ 632	\$ 632	\$ 545	\$ (87)

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of GASB 54 Consolidation
Budget (GAAP Basis) and Actual

For the Year Ended June 30, 2011

	Heritage Center Museum				Cherry Capital Cable			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Local sources	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	-	-	-
Reimbursements	-	-	2,500	2,500	-	-	-	-
Interest income	-	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-	-
Total revenues	-	-	2,500	2,500	-	-	-	-
Expenditures								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-
Recreation and culture	104,000	104,000	87,812	16,188	-	-	-	-
Community development	-	-	-	-	-	-	-	-
Total expenditures	104,000	104,000	87,812	16,188	-	-	-	-
Excess (deficiency) of revenue over expenditures	(104,000)	(104,000)	(85,312)	18,688	-	-	-	-
Other financing sources (uses)								
Transfers in	104,000	104,000	88,299	(15,701)	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	104,000	104,000	88,299	(15,701)	-	-	-	-
Net change in fund balance	-	-	2,987	2,987	-	-	-	-
Fund balance, beginning of year	-	-	-	-	4,741	4,741	4,741	-
Fund balance (deficit), end of year	\$ -	\$ -	\$ 2,987	\$ 2,987	\$ 4,741	\$ 4,741	\$ 4,741	\$ -

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of GASB 54 Consolidation
Budget (GAAP Basis) and Actual

For the Year Ended June 30, 2011

	Senior Center				County Senior Center			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Local sources	57,000	57,000	13,750	(43,250)	-	-	-	-
Charges for services	36,000	50,000	49,219	(781)	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Contributions	31,000	39,900	56,319	16,419	-	-	-	-
Reimbursements	-	-	-	-	-	-	-	-
Interest income	2,500	2,500	204	(2,296)	-	-	-	-
Other revenue	8,000	8,000	3,706	(4,294)	-	-	-	-
Total revenues	134,500	157,400	123,198	(34,202)	-	-	-	-
Expenditures								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-
Recreation and culture	232,100	300,000	306,303	(6,303)	-	-	457	(457)
Community development	-	-	-	-	-	-	-	-
Total expenditures	232,100	300,000	306,303	(6,303)	-	-	457	(457)
Excess (deficiency) of revenue over expenditures	(97,600)	(142,600)	(183,105)	(40,505)	-	-	(457)	(457)
Other financing sources (uses)								
Transfers in	85,000	85,000	85,000	-	-	-	70,399	70,399
Transfers out	-	-	(70,399)	(70,399)	-	-	-	-
Total other financing sources (uses)	85,000	85,000	14,601	(70,399)	-	-	70,399	70,399
Net change in fund balance	(12,600)	(57,600)	(168,504)	(110,904)	-	-	69,942	69,942
Fund balance, beginning of year	168,504	168,504	168,504	-	-	-	-	-
Fund balance (deficit), end of year	\$ 155,904	\$ 110,904	\$ -	\$ (110,904)	\$ -	\$ -	\$ 69,942	\$ 69,942

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of GASB 54 Consolidation
Budget (GAAP Basis) and Actual

For the Year Ended June 30, 2011

	Brown Bridge Maintenance				Opera House			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Local sources	-	-	-	-	-	-	-	-
Charges for services	50,000	53,000	53,155	155	81,400	81,400	74,652	(6,748)
Fines and forfeits	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	-	-	-
Reimbursements	-	-	-	-	5,500	5,500	6,771	1,271
Interest income	-	-	-	-	2,000	2,000	57	(1,943)
Other revenue	-	-	-	-	-	-	-	-
Total revenues	50,000	53,000	53,155	155	88,900	88,900	81,480	(7,420)
Expenditures								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-
Recreation and culture	76,500	79,500	80,610	(1,110)	51,700	51,700	76,200	(24,500)
Community development	-	-	-	-	-	-	-	-
Total expenditures	76,500	79,500	80,610	(1,110)	51,700	51,700	76,200	(24,500)
Excess (deficiency) of revenue over expenditures	(26,500)	(26,500)	(27,455)	(955)	37,200	37,200	5,280	(31,920)
Other financing sources (uses)								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Net change in fund balance	(26,500)	(26,500)	(27,455)	(955)	37,200	37,200	5,280	(31,920)
Fund balance, beginning of year	30,676	30,676	30,676	-	(146,774)	(146,774)	(146,774)	-
Fund balance (deficit), end of year	\$ 4,176	\$ 4,176	\$ 3,221	\$ (955)	\$ (109,574)	\$ (109,574)	\$ (141,494)	\$ (31,920)

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of GASB 54 Consolidation
Budget (GAAP Basis) and Actual

For the Year Ended June 30, 2011

	Banner Program				Industrial Development			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Local sources	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	-	-	-
Reimbursements	3,500	4,500	7,460	2,960	-	-	-	-
Interest income	-	-	-	-	42,000	42,000	32,465	(9,535)
Other revenue	-	-	-	-	-	-	-	-
Total revenues	3,500	4,500	7,460	2,960	42,000	42,000	32,465	(9,535)
Expenditures								
General government	-	-	-	-	25,000	25,000	2,281	22,719
Public safety	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-
Recreation and culture	3,500	4,500	1,110	3,390	-	-	-	-
Community development	-	-	-	-	-	-	-	-
Total expenditures	3,500	4,500	1,110	3,390	25,000	25,000	2,281	22,719
Excess (deficiency) of revenue over expenditures	-	-	6,350	6,350	17,000	17,000	30,184	13,184
Other financing sources (uses)								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	(88,200)	(88,200)	(74,718)	13,482
Total other financing sources (uses)	-	-	-	-	(88,200)	(88,200)	(74,718)	13,482
Net change in fund balance	-	-	6,350	6,350	(71,200)	(71,200)	(44,534)	26,666
Fund balance, beginning of year	10,950	10,950	10,950	-	2,152,439	2,152,439	2,152,439	-
Fund balance (deficit), end of year	\$ 10,950	\$ 10,950	\$ 17,300	\$ 6,350	\$ 2,081,239	\$ 2,081,239	\$ 2,107,905	\$ 26,666

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of GASB 54 Consolidation
Budget (GAAP Basis) and Actual

For the Year Ended June 30, 2011

	Recaptured Grant Revolving Loan				Total General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 8,301,800	\$ 8,301,800	\$ 8,292,778	\$ (9,022)
Licenses and permits	-	-	-	-	222,300	222,300	239,790	17,490
Federal sources	-	-	-	-	40,000	40,000	37,450	(2,550)
State sources	-	-	-	-	1,138,500	1,138,500	1,187,864	49,364
Local sources	-	-	-	-	1,600,250	1,600,250	1,553,109	(47,141)
Charges for services	-	-	-	-	496,000	516,650	556,572	39,922
Fines and forfeits	-	-	-	-	70,500	70,500	19,003	(51,497)
Contributions	-	-	-	-	31,000	39,900	57,203	17,303
Reimbursements	-	-	-	-	597,300	598,300	452,364	(145,936)
Interest income	4,000	4,000	255	(3,745)	178,000	178,000	75,256	(102,744)
Other revenue	-	-	-	-	381,400	381,400	372,023	(9,377)
Total revenues	4,000	4,000	255	(3,745)	13,057,050	13,087,600	12,843,412	(244,188)
Expenditures								
General government	-	-	-	-	3,092,460	3,180,460	2,898,545	281,915
Public safety	-	-	-	-	6,129,210	6,118,460	5,761,499	356,961
Public works	-	-	-	-	392,625	757,625	874,848	(117,223)
Recreation and culture	-	-	-	-	2,170,040	2,251,540	2,241,141	10,399
Community development	-	-	-	-	88,200	88,200	74,719	13,481
Total expenditures	-	-	-	-	11,872,535	12,396,285	11,850,752	545,533
Excess (deficiency) of revenue over expenditures	4,000	4,000	255	(3,745)	1,184,515	691,315	992,660	301,345
Other financing sources (uses)								
Transfers in	-	-	-	-	1,178,000	1,178,000	1,246,285	68,285
Transfers out	-	-	-	-	(2,806,000)	(2,373,400)	(2,268,198)	105,202
Total other financing sources (uses)	-	-	-	-	(1,628,000)	(1,195,400)	(1,021,913)	173,487
Net change in fund balance	4,000	4,000	255	(3,745)	(443,485)	(504,085)	(29,253)	474,832
Fund balance, beginning of year	166,528	166,528	166,528	-	7,696,072	7,696,072	7,696,072	-
Fund balance (deficit), end of year	\$ 170,528	\$ 170,528	\$ 166,783	\$ (3,745)	\$ 7,252,587	\$ 7,191,987	\$ 7,666,819	\$ 474,832

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Revenues
Budget and Actual
General Fund
For the Year Ended June 30, 2011

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Property taxes			
Real estate and personal property	\$ 8,195,800	\$ 8,144,345	\$ (51,455)
Collection fees	14,000	14,509	509
Penalties and interest on taxes	92,000	133,924	41,924
Total property taxes	8,301,800	8,292,778	(9,022)
Licenses and permits			
Business	208,000	224,009	16,009
Nonbusiness	14,300	15,781	1,481
Total licenses and permits	222,300	239,790	17,490
Federal sources	40,000	37,450	(2,550)
State sources			
State - shared revenues			
Sales and use tax	1,110,500	1,135,353	24,853
Liquor licenses	28,000	52,511	24,511
Total state sources	1,138,500	1,187,864	49,364
Local sources			
City fee	1,520,000	1,520,399	399
Charges for services			
General fees and services	37,100	36,759	(341)
Sale of assets	2,500	500	(2,000)
Use and admission fees	243,000	292,089	49,089
Fine and forfeitures - ordinance and cost	45,000	47,693	2,693
Total charges for services	327,600	377,041	49,441
Fines and forfeits			
Parking violations	70,500	19,003	(51,497)
Reimbursements	588,300	435,633	(152,667)
Interest income	120,000	41,119	(78,881)
Other revenue			
Rents and royalties	2,500	2,992	492
Contributions	331,400	335,974	4,574
Other	39,500	29,351	(10,149)
Total other revenue	373,400	368,317	(5,083)
Total revenues	\$ 12,702,400	\$ 12,519,394	\$ (183,006)

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Expenditures
Budget and Actual
General Fund
For the Year Ended June 30, 2011

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
General government			
City Commission			
Personnel	\$ 35,170	\$ 35,043	\$ 127
Commodities	1,200	628	572
Contractual services	72,700	53,890	18,810
Other charges	7,300	5,511	1,789
	<u>116,370</u>	<u>95,072</u>	<u>21,298</u>
Total City Commission			
City Manager's Office			
Personnel	321,950	301,416	20,534
Commodities	5,000	4,553	447
Contractual services	27,500	28,845	(1,345)
Other charges	9,300	9,383	(83)
	<u>363,750</u>	<u>344,197</u>	<u>19,553</u>
Total City Manager's Office			
Human Resources			
Personnel	124,150	93,339	30,811
Commodities	1,500	284	1,216
Contractual services	23,500	25,532	(2,032)
Other charges	5,000	2,754	2,246
	<u>154,150</u>	<u>121,909</u>	<u>32,241</u>
Total Human Resources			
Geographic Information Systems			
Personnel	129,000	126,550	2,450
Contractual services	7,000	7,280	(280)
Other charges	2,000	2,450	(450)
	<u>138,000</u>	<u>136,280</u>	<u>1,720</u>
Total Geographic Information Systems			
City Attorney's Office			
Personnel	111,550	108,908	2,642
Commodities	2,500	869	1,631
Contractual services	15,000	10,941	4,059
Other charges	1,700	1,578	122
	<u>130,750</u>	<u>122,296</u>	<u>8,454</u>
Total City Attorney's Office			
City Clerk's Office			
Personnel	325,100	306,944	18,156
Commodities	21,000	20,840	160
Contractual services	47,300	38,997	8,303
Other charges	21,900	21,494	406
	<u>415,300</u>	<u>388,275</u>	<u>27,025</u>
Total City Clerk's Office			

Continued.....

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Expenditures
Budget and Actual
General Fund
For the Year Ended June 30, 2011

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Assessor's Office			
Personnel	\$ 287,100	\$ 285,652	\$ 1,448
Commodities	12,800	11,160	1,640
Contractual services	29,200	27,050	2,150
Other charges	2,900	2,062	838
Total Assessor's Office	<u>332,000</u>	<u>325,924</u>	<u>6,076</u>
Treasurer's Office			
Personnel	295,600	291,039	4,561
Commodities	21,000	12,022	8,978
Contractual services	40,900	34,410	6,490
Other charges	7,000	5,915	1,085
Total Treasurer's Office	<u>364,500</u>	<u>343,386</u>	<u>21,114</u>
Building and grounds			
Other charges	135,000	116,752	18,248
Planning/Zoning			
Personnel	340,900	329,939	10,961
Commodities	6,800	6,934	(134)
Contractual services	21,600	15,360	6,240
Other charges	9,040	8,396	644
Total Planning/Zoning	<u>378,340</u>	<u>360,629</u>	<u>17,711</u>
Cemetery			
Personnel	156,200	126,646	29,554
Commodities	9,800	2,398	7,402
Contractual services	154,200	151,678	2,522
Other charges	52,600	30,644	21,956
Total Cemetery	<u>372,800</u>	<u>311,366</u>	<u>61,434</u>
Appropriations	<u>220,500</u>	<u>207,331</u>	<u>13,169</u>
Capital outlay	<u>34,000</u>	<u>22,847</u>	<u>11,153</u>
Total general government	<u>3,155,460</u>	<u>2,896,264</u>	<u>259,196</u>
Public Safety			
Police			
Personnel	2,639,200	2,572,035	67,165
Commodities	79,900	56,607	23,293
Contractual services	383,400	382,635	765
Other charges	358,300	351,181	7,119
Total Police	<u>3,460,800</u>	<u>3,362,458</u>	<u>98,342</u>

Continued.....

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Expenditures
Budget and Actual
General Fund
For the Year Ended June 30, 2011

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Fire			
Personnel	\$ 2,095,200	\$ 1,960,195	\$ 135,005
Commodities	54,810	43,938	10,872
Contractual services	94,300	76,672	17,628
Other charges	370,850	287,891	82,959
Total Fire	2,615,160	2,368,696	246,464
Total public safety	6,075,960	5,731,154	344,806
Public Works			
Streets, alleys and sidewalks			
Personnel	327,800	371,572	(43,772)
Commodities	28,200	34,933	(6,733)
Contractual services	146,600	145,637	963
Other charges	(387,450)	(236,001)	(151,449)
Total Streets, Alleys and Sidewalks	115,150	316,141	(200,991)
Engineering			
Personnel	556,400	508,077	48,323
Commodities	18,000	10,324	7,676
Contractual services	53,200	26,513	26,687
Other charges	14,875	13,793	1,082
Total Engineering	642,475	558,707	83,768
Total public works	757,625	874,848	(117,223)
Recreation and Culture			
Parks			
Personnel	1,002,700	957,537	45,163
Commodities	54,800	51,314	3,486
Contractual services	218,600	257,062	(38,462)
Other charges	435,740	422,736	13,004
Total Parks	1,711,840	1,688,649	23,191
Community Development			
Personnel	10,900	8,975	1,925
Commodities	16,500	52	16,448
Contractual services	59,500	64,592	(5,092)
Other charges	1,300	1,100	200
Total Community Development	88,200	74,719	13,481
Total expenditures	\$ 11,789,085	\$ 11,265,634	\$ 523,451

Concluded

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Transfers
Budget and Actual
General Fund
For the Year Ended June 30, 2011

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Transfers in			
Brown Bridge Trust	\$ 425,000	\$ 360,670	\$ (64,330)
Other funds	118,700	98,760	(19,940)
City fee	445,300	543,157	97,857
Total Transfers In	<u>\$ 989,000</u>	<u>\$ 1,002,587</u>	<u>\$ 13,587</u>
Transfers out			
Motor Vehicle Highway	\$ 1,036,500	\$ 896,313	\$ 140,187
Public Improvement	1,055,300	1,055,300	-
Con Foster Museum	100,900	85,312	15,588
Senior Center	85,000	85,000	-
Total Transfers Out	<u>\$ 2,277,700</u>	<u>\$ 2,121,925</u>	<u>\$ 155,775</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, 2011

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
State sources	\$ -	\$ 1,292	\$ 1,292
Contributions	532,600	512,683	(19,917)
Reimbursement	-	10,546	10,546
Interest income	-	1,750	1,750
Other revenue	-	10,195	10,195
Total revenues	<u>532,600</u>	<u>536,466</u>	<u>3,866</u>
Expenditures			
General government			
Personnel	-	1,796	(1,796)
Other expense	-	561	(561)
Capital outlay	1,656,900	1,058,520	598,380
Total expenditures	<u>1,656,900</u>	<u>1,060,877</u>	<u>596,023</u>
(Deficiency) excess of revenues over expenditures	(1,124,300)	(524,411)	599,889
Other financing sources			
Transfers in	1,055,300	1,055,300	-
Net change in fund balance	(69,000)	530,889	599,889
Fund balance, beginning of year	1,565,870	1,565,870	-
Fund balance, end of year	<u>\$ 1,496,870</u>	<u>\$ 2,096,759</u>	<u>\$ 599,889</u>

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, 2011

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Interest income	\$ 8,000	\$ 1,673	\$ (6,327)
Expenditures			
Capital outlay	<u>2,508,000</u>	<u>560,967</u>	<u>1,947,033</u>
Net change in fund balance	(2,500,000)	(559,294)	1,940,706
Fund balance, beginning of year	<u>559,570</u>	<u>559,570</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ (1,940,430)</u></u>	<u><u>\$ 276</u></u>	<u><u>\$ 1,940,706</u></u>

CITY OF TRAVERSE CITY, MICHIGAN
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2011

	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Capital Projects Funds</u>	<u>Permanent Cemetery Perpetual Care</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS					
Assets					
Cash and cash equivalents	\$ 506,494	\$ -	\$ 1,551,824	\$ 79,561	\$ 2,137,879
Investments	100,352	-	1,082,903	627,148	1,810,403
Receivables					
Accounts	4,233	715	-	-	4,948
Taxes	1,712	-	3,860	-	5,572
Special assessments	-	-	98,350	-	98,350
Due from other governments	549,041	-	-	-	549,041
Total assets	<u>\$ 1,161,832</u>	<u>\$ 715</u>	<u>\$ 2,736,937</u>	<u>\$ 706,709</u>	<u>\$ 4,606,193</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 506,590	\$ -	\$ 11,661	\$ -	\$ 518,251
Accrued and other liabilities	132	-	36	-	168
Due to other funds	54,882	715	-	22,887	78,484
Advances from other funds	210,500	-	-	-	210,500
Advance from component unit	-	-	25,739	-	25,739
Deferred revenue	316,463	-	72,794	-	389,257
Total liabilities	<u>1,088,567</u>	<u>715</u>	<u>110,230</u>	<u>22,887</u>	<u>1,222,399</u>
Fund balances					
Nonspendable					
Cemetery perpetual care	-	-	-	683,822	683,822
Restricted					
Joint planning	9,268	-	-	-	9,268
Capital improvements	161,786	-	1,078,039	-	1,239,825
Public welfare or civic improvement organizations	104,052	-	-	-	104,052
Committed					
Capital projects	-	-	1,548,668	-	1,548,668
Unassigned (deficit)	(201,841)	-	-	-	(201,841)
Total fund balances	<u>73,265</u>	<u>-</u>	<u>2,626,707</u>	<u>683,822</u>	<u>3,383,794</u>
Total liabilities and fund balances	<u>\$ 1,161,832</u>	<u>\$ 715</u>	<u>\$ 2,736,937</u>	<u>\$ 706,709</u>	<u>\$ 4,606,193</u>

CITY OF TRAVERSE CITY, MICHIGAN
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2011

	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Capital Projects Funds</u>	<u>Permanent Cemetery Perpetual Care</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues					
Property taxes and special assessments	\$ 1,209,846	\$ -	\$ 31,972	\$ -	\$ 1,241,818
Federal sources	609,023	-	-	-	609,023
State sources	53,882	-	-	-	53,882
Local sources	-	1,876,860	-	-	1,876,860
Charges for services	42,377	-	-	35,453	77,830
Contributions	35,950	-	-	-	35,950
Interest income	4,061	-	10,307	14,774	29,142
Other revenue	-	-	40,100	-	40,100
Total revenues	<u>1,955,139</u>	<u>1,876,860</u>	<u>82,379</u>	<u>50,227</u>	<u>3,964,605</u>
Expenditures					
Current expenditures					
General government	45,982	-	-	-	45,982
Public safety	1,266,733	-	-	-	1,266,733
Culture and recreation	50,362	-	-	-	50,362
Capital outlay	574,629	-	52,981	-	627,610
Debt service					
Principal	-	1,210,000	-	-	1,210,000
Interest and fiscal charges	2,652	666,860	-	-	669,512
Total expenditures	<u>1,940,358</u>	<u>1,876,860</u>	<u>52,981</u>	<u>-</u>	<u>3,870,199</u>
Excess of revenues over expenditures	14,781	-	29,398	50,227	94,406
Other financing sources (uses)					
Transfers out	(2,987)	-	-	(22,887)	(25,874)
Net change in fund balance	<u>11,794</u>	<u>-</u>	<u>29,398</u>	<u>27,340</u>	<u>68,532</u>
Fund balances, beginning of year	61,471	-	2,597,309	656,482	3,315,262
Fund balances, end of year	<u>\$ 73,265</u>	<u>\$ -</u>	<u>\$ 2,626,707</u>	<u>\$ 683,822</u>	<u>\$ 3,383,794</u>

CITY OF TRAVERSE CITY, MICHIGAN
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2011

	Act 302 Police Training Fund	State Preparedness Equipment Grant Fund	College Parking Fund	Act 345 Millage Fund
ASSETS				
Assets				
Cash and cash equivalents	\$ -	\$ -	\$ 5,826	\$ 8,659
Investments	-	-	-	-
Receivables				
Accounts	-	-	-	-
Taxes	-	-	-	1,712
Due from other governments	-	8,750	-	-
Total assets	\$ -	\$ 8,750	\$ 5,826	\$ 10,371
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ -	\$ -	\$ 2,840	\$ -
Accrued and other liabilities	-	-	132	-
Due to other funds	-	8,750	2,854	-
Advances from other funds	-	-	-	210,500
Deferred revenue	-	-	-	1,712
Total liabilities	-	8,750	5,826	212,212
Fund balance				
Restricted				
Joint planning	-	-	-	-
Capital improvements	-	-	-	-
Public welfare or civic improvement organizations	-	-	-	-
Unassigned (deficit)	-	-	-	(201,841)
Total fund balances	-	-	-	(201,841)
Total liabilities and fund balances	\$ -	\$ 8,750	\$ 5,826	\$ 10,371

CITY OF TRAVERSE CITY, MICHIGAN
Combining Balance Sheet
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2011

	Senior Center Building Fund	Homeland Security Training Grant Fund	Homeland Security Equipment Grant Fund	McCauley Estate Trust Fund
ASSETS				
Assets				
Cash and cash equivalents	\$ 165,111	\$ -	\$ -	\$ 6,687
Investments	-	-	-	100,352
Receivables				
Accounts	-	-	-	-
Taxes	-	-	-	-
Due from other governments	-	40,291	-	-
Total assets	<u>\$ 165,111</u>	<u>\$ 40,291</u>	<u>\$ -</u>	<u>\$ 107,039</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued and other liabilities	-	-	-	-
Due to other funds	-	40,291	-	2,987
Advances from other funds	-	-	-	-
Deferred revenue	12,613	-	-	-
Total liabilities	<u>12,613</u>	<u>40,291</u>	<u>-</u>	<u>2,987</u>
Fund balance				
Restricted				
Joint planning	-	-	-	-
Capital improvements	152,498	-	-	-
Public welfare or civic improvement organizations	-	-	-	104,052
Unassigned (deficit)	-	-	-	-
Total fund balances	<u>152,498</u>	<u>-</u>	<u>-</u>	<u>104,052</u>
Total liabilities and fund balances	<u>\$ 165,111</u>	<u>\$ 40,291</u>	<u>\$ -</u>	<u>\$ 107,039</u>

Boardman River Dam Removal & Restoration Fund	CDBG Century Inc Fund	Total
\$ 305,888	\$ -	\$ 506,494
-	-	100,352
-	-	4,233
-	-	1,712
-	500,000	549,041
\$ 305,888	\$ 500,000	\$ 1,161,832

\$ 3,750	\$ 500,000	\$ 506,590
-	-	132
-	-	54,882
-	-	210,500
302,138	-	316,463
305,888	500,000	1,088,567

-	-	9,268
-	-	161,786
-	-	104,052
-	-	(201,841)
-	-	73,265
\$ 305,888	\$ 500,000	\$ 1,161,832

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, 2011

	Act 302 Police Training Fund	State Preparedness Equipment Grant Fund	College Parking Fund	Act 345 Millage Fund
Revenues				
Property taxes	\$ -	\$ -	\$ -	\$ 1,209,846
Federal sources	-	32,458	-	-
State sources	6,020	-	-	-
Charges for services	-	-	42,377	-
Contributions	-	-	-	-
Interest income	-	-	-	1,610
Total revenues	6,020	32,458	42,377	1,211,456
Expenditures				
Current expenditures				
General government	-	-	42,377	-
Public safety	6,020	8,750	-	1,206,390
Culture and recreation	-	-	-	-
Capital outlay	-	23,708	-	-
Debt service				
Interest and fiscal charges	-	-	-	2,652
Total expenditures	6,020	32,458	42,377	1,209,042
Excess (deficiency) of revenues over expenditures	-	-	-	2,414
Other financing uses				
Transfers out	-	-	-	-
Net change in fund balance	-	-	-	2,414
Fund balances (deficit), beginning of year	-	-	-	(204,255)
Fund balances (deficit), end of year	\$ -	\$ -	\$ -	\$ (201,841)

<u>Safe Communities Grant Fund</u>	<u>Traverse City and Garfield Township Joint Planning Fund</u>	<u>PEG Capital Fund</u>
\$ -	\$ -	\$ -
-	-	-
-	-	-
-	-	-
-	3,000	20,185
-	-	-
<u>-</u>	<u>3,000</u>	<u>20,185</u>
-	3,605	-
-	-	-
-	-	-
-	-	19,929
-	-	-
<u>-</u>	<u>3,605</u>	<u>19,929</u>
-	(605)	256
-	-	-
<u>-</u>	<u>(605)</u>	<u>256</u>
-	9,873	9,032
<u>-</u>	<u>9,873</u>	<u>9,032</u>
<u>\$ -</u>	<u>\$ 9,268</u>	<u>\$ 9,288</u>

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, 2011

	Senior Center Building Fund	Homeland Security Training Grant Fund	Homeland Security Equipment Grant Fund	McCauley Estate Trust Fund
Revenues				
Property taxes	\$ -	\$ -	\$ -	\$ -
Federal sources	-	45,573	30,992	-
State sources	-	-	-	-
Charges for services	-	-	-	-
Contributions	12,765	-	-	-
Interest income	228	-	-	2,223
Total revenues	12,993	45,573	30,992	2,223
Expenditures				
Current expenditures				
General government	-	-	-	-
Public safety	-	45,573	-	-
Culture and recreation	2,500	-	-	-
Capital outlay	-	-	30,992	-
Debt service				
Interest and fiscal charges	-	-	-	-
Total expenditures	2,500	45,573	30,992	-
Excess (deficiency) of revenues over expenditures	10,493	-	-	2,223
Other financing uses				
Transfers out	-	-	-	(2,987)
Net change in fund balance	10,493	-	-	(764)
Fund balances (deficit), beginning of year	142,005	-	-	104,816
Fund balances (deficit), end of year	\$ 152,498	\$ -	\$ -	\$ 104,052

Boardman River Dam Removal & Restoration Fund	CDBG Century Inc Fund	Total
\$ -	\$ -	\$ 1,209,846
-	500,000	609,023
47,862	-	53,882
-	-	42,377
-	-	35,950
-	-	4,061
47,862	500,000	1,955,139
-	-	45,982
-	-	1,266,733
47,862	-	50,362
-	500,000	574,629
-	-	2,652
47,862	500,000	1,940,358
-	-	14,781
-	-	(2,987)
-	-	11,794
-	-	61,471
\$ -	\$ -	\$ 73,265

Concluded

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (GAAP Basis) and Actual
ACT 302 Police Training Special Revenue Fund
For the Year Ended June 30, 2011

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
State sources	\$ 6,500	\$ 6,020	\$ (480)
Expenditures			
Public safety			
Contractual services	6,500	6,020	480
Net change in fund balance	-	-	-
Fund balance, beginning of year	-	-	-
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (GAAP Basis) and Actual
State Preparedness Equipment Grant Special Revenue Fund
For the Year Ended June 30, 2011

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Federal sources	\$ 74,000	\$ 32,458	\$ (41,542)
Expenditures			
Public safety			
Contractual services	24,000	8,750	15,250
Capital outlay	50,000	23,708	26,292
Total expenditures	74,000	32,458	41,542
Net change in fund balance	-	-	-
Fund balance, beginning of year	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ -

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (GAAP Basis) and Actual
College Parking Special Revenue Fund
For the Year Ended June 30, 2011

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Charges for services	\$ 50,000	\$ 42,377	\$ (7,623)
Expenditures			
General government			
Personnel	9,520	5,087	4,433
Contractual services	36,730	35,993	737
Commodities	300	-	300
Other expense	3,450	1,297	2,153
Total expenditures	50,000	42,377	7,623
Net change in fund balance	-	-	-
Fund balance, beginning of year	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ -

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (GAAP Basis) and Actual
Act 345 Millage Special Revenue Fund
For the Year Ended June 30, 2011

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues			
Property taxes	\$ 1,209,400	\$ 1,209,846	\$ 446
Interest income	-	1,610	1,610
Total revenues	<u>1,209,400</u>	<u>1,211,456</u>	<u>2,056</u>
Expenditures			
Public safety			
Other expense	1,206,400	1,206,390	10
Debt service			
Interest and fiscal charges	3,000	2,652	348
Total expenditures	<u>1,209,400</u>	<u>1,209,042</u>	<u>358</u>
Net change in fund balance	-	2,414	2,414
Fund balance (deficit), beginning of year	(204,255)	(204,255)	-
Fund balance (deficit), end of year	<u><u>\$ (204,255)</u></u>	<u><u>\$ (201,841)</u></u>	<u><u>\$ 2,414</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, 2011

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Federal sources	\$ 12,500	\$ -	\$ (12,500)
Expenditures			
Public safety			
Contractual services	12,500	-	12,500
Net change in fund balance	-	-	-
Fund balance, beginning of year	-	-	-
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (GAAP Basis) and Actual
Traverse City and Garfield Township Joint Planning Special Revenue Fund
For the Year Ended June 30, 2011

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Contributions	\$ 6,000	\$ 3,000	\$ (3,000)
Expenditures			
General government			
Personnel	1,500	-	1,500
Contractual services	3,000	3,605	(605)
Supplies	1,500	-	1,500
Total expenditures	<u>6,000</u>	<u>3,605</u>	<u>2,395</u>
Net change in fund balance	-	(605)	(605)
Fund balance, beginning of year	9,873	9,873	-
Fund balance, end of year	<u>\$ 9,873</u>	<u>\$ 9,268</u>	<u>\$ (605)</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, 2011

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Contributions	\$ 23,000	\$ 20,185	\$ (2,815)
Expenditures			
Capital outlay	19,000	19,929	(929)
Net change in fund balance	4,000	256	(3,744)
Fund balance, beginning of year	9,032	9,032	-
Fund balance, end of year	<u>\$ 13,032</u>	<u>\$ 9,288</u>	<u>\$ (3,744)</u>

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (GAAP Basis) and Actual
Senior Center Building Special Revenue Fund
For the Year Ended June 30, 2011

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues			
Contributions	\$ 12,500	\$ 12,765	\$ 265
Interest income	3,000	228	(2,772)
Total revenues	15,500	12,993	(2,507)
Expenditures			
Culture and recreation			
Contractual services	2,500	2,500	-
Other charges	500	-	500
Total expenditures	3,000	2,500	500
Net change in fund balance	12,500	10,493	(2,007)
Fund balance, beginning of year	142,005	142,005	-
Fund balance, end of year	\$ 154,505	\$ 152,498	\$ (2,007)

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, 2011

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Federal sources	\$ 60,000	\$ 45,573	\$ (14,427)
Expenditures			
Public safety			
Personnel	21,650	10,448	11,202
Contractual services	38,350	34,925	3,425
Supplies	-	200	(200)
Total expenditures	60,000	45,573	14,427
Net change in fund balance	-	-	-
Fund balance, beginning of year	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ -

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (GAAP Basis) and Actual
Homeland Security Equipment Grant Special Revenue Fund
For the Year Ended June 30, 2011

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Federal sources	\$ 55,000	\$ 30,992	\$ (24,008)
Expenditures			
Capital outlay	55,000	30,992	24,008
Net change in fund balance	-	-	-
Fund balance, beginning of year	-	-	-
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (GAAP Basis) and Actual
McCauley Estate Trust Special Revenue Fund
For the Year Ended June 30, 2011

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Interest income	\$ 3,100	\$ 2,223	\$ (877)
Other financing uses			
Transfer out	<u>(3,100)</u>	<u>(2,987)</u>	<u>113</u>
Net change in fund balance	-	(764)	(764)
Fund balance, beginning of year	<u>104,816</u>	<u>104,816</u>	<u>-</u>
Fund balance, end of year	<u>\$ 104,816</u>	<u>\$ 104,052</u>	<u>\$ (764)</u>

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (GAAP Basis) and Actual
Boardman River Dam Removal & Restoration Special Revenue Fund
For the Year Ended June 30, 2011

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
State sources	\$ 350,000	\$ 47,862	\$ (302,138)
Expenditures			
Recreation			
Contractual services	<u>350,000</u>	<u>47,862</u>	<u>302,138</u>
Net change in fund balance	-	-	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (GAAP Basis) and Actual
CDBG Century Inc. Special Revenue Fund
For the Year Ended June 30, 2011

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Federal sources	\$ -	\$ 500,000	\$ 500,000
Expenditures			
Capital outlay	-	500,000	(500,000)
Net change in fund balance	-	-	-
Fund balance, beginning of year	-	-	-
Fund balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

CITY OF TRAVERSE CITY, MICHIGAN
Combining Balance Sheet
Nonmajor Debt Service Funds
June 30, 2011

	<u>Parking Deck Bond Redemption Taxable</u>	<u>Parking Deck Bond Redemption Non-Taxable</u>	<u>Old Town Parking Deck Bond Redemption</u>	<u>Total</u>
ASSETS				
Assets				
Accounts receivable	<u>\$ -</u>	<u>\$ 615</u>	<u>\$ 100</u>	<u>\$ 715</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Due to other funds	<u>\$ -</u>	<u>\$ 615</u>	<u>\$ 100</u>	<u>\$ 715</u>
Fund balances				
Restricted for debt service				
Debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 615</u>	<u>\$ 100</u>	<u>\$ 715</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, 2011

	Parking Deck Bond Redemption Taxable	Parking Deck Bond Redemption Non-Taxable	Old Town Parking Deck Bond Redemption	Total
Revenues				
Local sources	\$ 176,150	\$ 494,904	\$ 1,205,806	\$ 1,876,860
Expenditures				
Debt service				
Principal	120,000	90,000	1,000,000	1,210,000
Interest and fiscal charges	56,150	404,904	205,806	666,860
Total expenditures	176,150	494,904	1,205,806	1,876,860
Net change in fund balances	-	-	-	-
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	\$ -	\$ -	\$ -	\$ -

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget (GAAP Basis) and Actual
Parking Deck Bond Redemption Taxable Debt Service Fund
For the Year Ended June 30, 2011

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Local sources	\$ 176,200	\$ 176,150	\$ (50)
Expenditures			
Debt service			
Principal	120,000	120,000	-
Interest and fiscal charges	56,200	56,150	50
Total expenditures	176,200	176,150	50
Net change in fund balance	-	-	-
Fund balance, beginning of year	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ -

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget (GAAP Basis) and Actual
Parking Deck Bond Redemption Non-Taxable Debt Service Fund
For the Year Ended June 30, 2011

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Local sources	\$ 495,000	\$ 494,904	\$ (96)
Expenditures			
Debt service			
Principal	90,000	90,000	-
Interest and fiscal charges	405,000	404,904	96
Total expenditures	495,000	494,904	96
Net change in fund balance	-	-	-
Fund balance, beginning of year	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ -

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget (GAAP Basis) and Actual
Old Town Parking Deck Bond Redemption Debt Service Fund
For the Year Ended June 30, 2011

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Local sources	\$ 1,206,300	\$ 1,205,806	\$ (494)
Expenditures			
Debt service			
Principal	1,000,000	1,000,000	-
Interest and fiscal charges	206,300	205,806	494
Total expenditures	1,206,300	1,205,806	494
Net change in fund balance	-	-	-
Fund balance, beginning of year	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ -

CITY OF TRAVERSE CITY, MICHIGAN
Combining Balance Sheet
Nonmajor Capital Projects Funds
June 30, 2011

	Parking Deck Bond Construction Taxable	Parking Bond Construction Non-taxable	Special Assessments	Total
ASSETS				
Assets				
Cash and cash equivalents	\$ -	\$ -	\$ 1,551,824	\$ 1,551,824
Investments	106,996	971,043	4,864	1,082,903
Receivables				
Taxes	-	-	3,860	3,860
Special assessments	-	-	98,350	98,350
Total assets	\$ 106,996	\$ 971,043	\$ 1,658,898	\$ 2,736,937
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts payable	\$ -	\$ -	\$ 11,661	\$ 11,661
Accrued and other liabilities	-	-	36	36
Advance from component unit	-	-	25,739	25,739
Deferred revenue	-	-	72,794	72,794
Total liabilities	-	-	110,230	110,230
Fund balances				
Restricted				
Capital improvements	106,996	971,043	-	1,078,039
Committed				
Capital improvements	-	-	1,548,668	1,548,668
Total fund balances	106,996	971,043	1,548,668	2,626,707
Total liabilities and fund balances	\$ 106,996	\$ 971,043	\$ 1,658,898	\$ 2,736,937

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, 2011

	Parking Deck Bond Construction Taxable	Parking Deck Bond Construction Non-Taxable	Special Assessments	Total
Revenues				
Special assessments	\$ -	\$ -	\$ 31,972	\$ 31,972
Interest income	206	3,919	6,182	10,307
Other revenue	-	-	40,100	40,100
Total revenues	206	3,919	78,254	82,379
Expenditures				
Capital outlay	-	-	52,981	52,981
Net change in fund balances	206	3,919	25,273	29,398
Fund balances, beginning of year	106,790	967,124	1,523,395	2,597,309
Fund balances, end of year	\$ 106,996	\$ 971,043	\$ 1,548,668	\$ 2,626,707

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, 2011

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenue			
Interest income	\$ 1,000	\$ 206	\$ (794)
Expenditures			
Capital outlay	107,500	-	107,500
Net change in fund balance	(106,500)	206	106,706
Fund balance, beginning of year	106,790	106,790	-
Fund balance, end of year	\$ 290	\$ 106,996	\$ 106,706

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, 2011

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Interest income	\$ 5,000	\$ 3,919	\$ (1,081)
Expenditures			
Capital outlay	970,000	-	970,000
Net change in fund balance	(965,000)	3,919	968,919
Fund balance, beginning of year	967,124	967,124	-
Fund balance, end of year	<u>\$ 2,124</u>	<u>\$ 971,043</u>	<u>\$ 968,919</u>

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget (GAAP Basis) and Actual
Special Assessments Capital Projects Fund
For the Year Ended June 30, 2011

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Special assessments	\$ 94,460	\$ 31,972	\$ (62,488)
Interest income	25,000	6,182	(18,818)
Other revenue	-	40,100	40,100
Total revenues	119,460	78,254	(41,206)
Expenditures			
Capital outlay	134,460	52,981	81,479
Net change in fund balances	(15,000)	25,273	40,273
Fund balance, beginning of year	1,523,395	1,523,395	-
Fund balance, end of year	\$ 1,508,395	\$ 1,548,668	\$ 40,273

CITY OF TRAVERSE CITY, MICHIGAN
Combining Balance Sheet
Agency Funds
June 30, 2011

	<u>Tax Collection</u>	<u>Imprest Payroll</u>	<u>Act 345 Retiree Health Insurance</u>	<u>Retiree Health Insurance</u>	<u>Total</u>
Assets					
Cash and cash equivalents	\$ 9,495	\$ 73,298	\$ 3,717,548	\$ 1,473,943	\$ 5,274,284
Receivables					
Accounts	-	36,602	-	-	36,602
Taxes	76,395	-	-	-	76,395
Total assets	<u>\$ 85,890</u>	<u>\$ 109,900</u>	<u>\$ 3,717,548</u>	<u>\$ 1,473,943</u>	<u>\$ 5,387,281</u>
Liabilities					
Accrued and other liabilities	\$ -	\$ 109,900	\$ 3,717,548	\$ 1,473,943	\$ 5,301,391
Due to other governmental units	85,890	-	-	-	85,890
Total liabilities	<u>\$ 85,890</u>	<u>\$ 109,900</u>	<u>\$ 3,717,548</u>	<u>\$ 1,473,943</u>	<u>\$ 5,387,281</u>

CITY OF TRAVERSE CITY, MICHIGAN
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2011

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2011</u>
TAX COLLECTION				
Assets				
Cash and cash equivalents	\$ 12,398	\$ 25,896,347	\$ 25,899,250	\$ 9,495
Taxes receivable	87,317	27,912,842	27,923,764	76,395
Total assets	<u>\$ 99,715</u>	<u>\$ 53,809,189</u>	<u>\$ 53,823,014</u>	<u>\$ 85,890</u>
Liabilities				
Due to other governmental units	\$ 99,715	\$ 54,977,821	\$ 54,991,646	\$ 85,890
IMPREST PAYROLL				
Assets				
Cash and cash equivalents	\$ 132,639	\$ 11,724,599	\$ 11,783,940	\$ 73,298
Accounts receivable	8,518	506,854	478,770	36,602
Total assets	<u>\$ 141,157</u>	<u>\$ 12,231,453</u>	<u>\$ 12,262,710</u>	<u>\$ 109,900</u>
Liabilities				
Accrued and other liabilities	\$ 141,157	\$ 11,846,568	\$ 11,877,825	\$ 109,900
Act 345 RETIREE HEALTH INSURANCE				
Assets				
Cash and cash equivalents	\$ 3,354,918	\$ 2,362,630	\$ 2,000,000	\$ 3,717,548
Accrued interest	159	-	159	-
Total assets	<u>\$ 3,355,077</u>	<u>\$ 2,362,630</u>	<u>\$ 2,000,159</u>	<u>\$ 3,717,548</u>
Liabilities				
Accrued and other liabilities	\$ 3,355,077	\$ 362,471	\$ -	\$ 3,717,548
RETIREE HEALTH INSURANCE				
Assets				
Cash and cash equivalents	\$ 1,439,724	\$ 116,794	\$ 82,575	\$ 1,473,943
Liabilities				
Accrued and other liabilities	\$ 1,439,724	\$ 116,794	\$ 82,575	\$ 1,473,943

Continued....

CITY OF TRAVERSE CITY, MICHIGAN
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2011

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
TOTAL - ALL AGENCY FUNDS				
Assets				
Cash and cash equivalents	\$ 4,939,679	\$ 40,100,370	\$ 39,765,765	\$ 5,274,284
Receivables				
Accounts	8,518	506,854	478,770	36,602
Taxes	87,317	27,912,842	27,923,764	76,395
Accrued interest	159	-	159	-
Total assets	\$ 5,035,673	\$ 68,520,066	\$ 68,168,458	\$ 5,387,281
Liabilities				
Accrued and other liabilities	\$ 4,935,958	\$ 12,325,833	\$ 11,960,400	\$ 5,301,391
Due to other governmental units	99,715	54,977,821	54,991,646	85,890
Total liabilities	\$ 5,035,673	\$ 67,303,654	\$ 66,952,046	\$ 5,387,281

Concluded

CITY OF TRAVERSE CITY, MICHIGAN
Combining Statement of Fiduciary Net Assets
Pension and Other Postemployment Benefit Trust Funds
June 30, 2011

	Act 345 Retirement Pension Trust Fund	Retiree Health Insurance Trust	Total
Assets			
Cash and cash equivalents	\$ 1,804,783	\$ -	\$ 1,804,783
Investments, at fair value			
U.S. government agencies bonds and notes	2,637,782	-	2,637,782
Mortgage bonds	219,741	-	219,741
Other fixed income	23,935	-	23,935
Common stock	2,768,800	-	2,768,800
Mutual funds	10,308,687	-	10,308,687
Corporate bonds	2,265,218	-	2,265,218
Direct real estate investments	850,000	-	850,000
MERS total market fund	-	866,158	866,158
Receivables			
Accrued interest	45,686	-	45,686
Total assets	20,924,632	866,158	21,790,790
Liabilities			
Accrued and other liabilities	47,663	-	47,663
Net Assets			
Held in trust for pension benefits and other postemployment benefits	\$ 20,876,969	\$ 866,158	\$ 21,743,127

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, 2011

	Act 345 Retirement System	Retiree Health Insurance Trust	Total
Additions			
Contributions			
City contributions	\$ 1,206,390	\$ 271,339	\$ 1,477,729
Employee contributions	26,133	-	26,133
Total contributions	<u>1,232,523</u>	<u>271,339</u>	<u>1,503,862</u>
Investment earnings			
Investment income	357,496	121,601	479,097
Net appreciation in fair value of investments	2,794,142	-	2,794,142
Net investment earnings	<u>3,151,638</u>	<u>121,601</u>	<u>3,273,239</u>
Total additions	<u>4,384,161</u>	<u>392,940</u>	<u>4,777,101</u>
Deductions			
Pension benefits paid	1,674,983	-	1,674,983
Health insurance premiums paid	349,395	-	349,395
Administrative expense	25,821	3,189	29,010
Investment advisor fees	125,638	-	125,638
Total deductions	<u>2,175,837</u>	<u>3,189</u>	<u>2,179,026</u>
Net increase in plan assets attributable to pension plan	2,557,720		
Net increase in plan assets attributable to health insurance	<u>40,355</u>	2,208,324	2,598,075
Net assets held in trust, beginning of year	<u>18,668,645</u>	<u>476,407</u>	<u>19,145,052</u>
Net assets held in trust, end of year, attributable to pension plan	21,342,636		
Net assets held in trust, end of year, attributable to health insurance	<u>400,491</u>	<u>\$ 20,876,969</u>	<u>\$ 866,158</u>
		<u>\$ 21,743,127</u>	

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

Fiscal years ending June 30,	Taxes	Licenses and permits	Federal sources	State Share Revenue	Other State sources	Charges for services	Fines and forfeitures	Reimbursements	Other revenues	Transfer in	Total revenues
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
2011	8,292,778	239,790	37,450	1,135,353	52,511	377,041	19,003	435,633	1,929,835	1,002,587	13,521,981

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

Fiscal years ending June 30,	General government	Public safety	Streets, alleys and sidewalks	Culture and recreation	Other	Transfer out	Total expenditures
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
2011	1,994,091	5,731,154	316,141	1,688,649	1,535,599	2,121,925	13,387,559

CITY OF TRAVERSE CITY, MICHIGAN
Debt Service Requirements to Maturity

Fiscal years ending June 30,	Parking deck, series 2009		Parking deck non-taxable refunding bond		Parking deck taxable		Sewage disposal		Water plant		Primary government
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total principal and interest
2012	\$ 1,135,000	\$ 183,206	\$ 125,000	\$ 400,331	\$ 120,000	\$ 48,700	\$ 1,120,632	\$ 524,750	\$ 225,000	\$ 28,500	\$ 3,911,119
2013	1,000,000	157,669	160,000	395,331	125,000	41,500	1,178,675	457,502	250,000	15,000	3,780,677
2014	1,250,000	132,669	205,000	388,932	125,000	33,750	1,125,232	410,868	-	-	3,671,451
2015	1,350,000	95,169	250,000	380,732	125,000	25,875	1,188,139	366,522	-	-	3,781,437
2016	1,415,000	51,294	295,000	370,731	135,000	17,875	1,012,853	319,535	-	-	3,617,288
2017	-	-	345,000	354,506	140,000	9,100	1,047,187	279,021	-	-	2,174,814
2018	-	-	540,000	335,531	-	-	1,092,966	237,134	-	-	2,205,631
2019	-	-	590,000	313,931	-	-	1,144,467	193,415	-	-	2,241,813
2020	-	-	645,000	290,331	-	-	1,187,384	147,636	-	-	2,270,351
2021	-	-	705,000	264,531	-	-	1,230,301	100,141	-	-	2,299,973
2022	-	-	770,000	236,331	-	-	1,273,219	50,929	-	-	2,330,479
2023	-	-	845,000	205,531	-	-	-	-	-	-	1,050,531
2024	-	-	860,000	171,731	-	-	-	-	-	-	1,031,731
2025	-	-	850,000	137,331	-	-	-	-	-	-	987,331
2026	-	-	845,000	103,331	-	-	-	-	-	-	948,331
2027	-	-	835,000	68,475	-	-	-	-	-	-	903,475
2028	-	-	825,000	34,031	-	-	-	-	-	-	859,031
Total	\$ 6,150,000	\$ 620,007	\$ 9,690,000	\$ 4,451,648	\$ 770,000	\$ 176,800	\$ 12,601,055	\$ 3,087,453	\$ 475,000	\$ 43,500	\$ 38,065,463

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
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
2011 - Homestead	13.5567	6.2291	3.1000	2.9312	2.8700	6.0000	1.1145	0.3454	0.3594	36.5063
2011 - Non-Homestead	13.5567	6.2291	21.1000	2.9312	2.8700	6.0000	1.1145	0.3454	0.3594	54.5063

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
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	9,137,739	8,631,989	94.5
2011	9,120,496	In process of collection	

(1) Real and personal taxes combined

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

City					
Use	June 30, 2007	June 30, 2008	June 30, 2009	June 30, 2010	June 30, 2011
Commercial	\$ 254,225,769	\$ 263,673,053	\$ 282,294,617	\$ 289,382,988	\$ 291,932,041
Industrial	51,851,195	54,289,034	54,172,374	57,538,324	53,985,894
Residential	363,716,040	390,465,688	405,772,669	429,643,538	433,421,745
Utility	5,555,610	5,453,399	4,871,300	5,087,600	5,535,446
Total	\$ 675,348,614	\$ 713,881,174	\$ 747,110,960	\$ 781,652,450	\$ 784,875,126
Class					
Real Property	\$ 605,004,194	\$ 645,222,855	\$ 678,904,820	\$ 713,225,050	\$ 717,972,224
Personal Property	70,344,420	68,658,319	68,206,140	68,427,400	66,902,902
Total	\$ 675,348,614	\$ 713,881,174	\$ 747,110,960	\$ 781,652,450	\$ 784,875,126
DDA					
Use	June 30, 2007	June 30, 2008	June 30, 2009	June 30, 2010	June 30, 2011
Commercial	\$ 81,421,062	\$ 86,238,118	\$ 90,749,129	\$ 93,149,182	\$ 94,999,083
Industrial	34,310	34,310	39,100	34,300	34,197
Residential	11,127,571	12,155,603	12,778,774	13,224,286	13,406,071
Utility	202,590	200,260	168,800	202,700	289,246
Total	\$ 92,785,533	\$ 98,628,291	\$ 103,735,803	\$ 106,610,468	\$ 108,728,597
Class					
Real Property	\$ 80,766,173	\$ 86,364,911	\$ 91,351,623	\$ 94,837,168	\$ 96,864,687
Personal Property	12,019,360	12,263,380	12,384,180	11,773,300	11,863,910
Total	\$ 92,785,533	\$ 98,628,291	\$ 103,735,803	\$ 106,610,468	\$ 108,728,597

CITY OF TRAVERSE CITY, MICHIGAN
Ten Largest Taxpayers
June 30, 2011

Taxpayer	Principal Product or Service	Taxable Value	Percent of Ten Largest Taxpayers
TC Hotel LLC	Holiday Inn	\$ 5,792,074	13.38%
Big Olives 2 LLC	Commercial & residential property	4,904,245	11.33%
Auto Owners Ins	Commercial property	4,872,700	11.26%
Harbour View Centre Condo	Commercial property	4,660,126	10.77%
East Bay Plaza LLC	Commercial property	4,089,800	9.45%
Radio Centre of TC, Inc	Office	3,881,100	8.97%
Tom's Food Market	Grocery store	4,122,700	9.53%
TC 92 Suites LLC	Cambria Suites hotel	3,830,213	8.85%
Northwestern Bank	Commercial banking	3,594,579	8.31%
USA Bayshore Properties	Bayshore resort	3,526,415	8.15%

(1) Based on \$784,875,126 which is the City's Taxable Value for its fiscal year ended June 30, 2011.

CITY OF TRAVERSE CITY, MICHIGAN
Legal Debt Margin
June 30, 2011

Debt limit (1)		\$	99,264,210
Debt outstanding	61,023,391		
Less: Exempt debt (2)	<u>44,731,891</u>		<u>16,291,500</u>
Legal debt margin		\$	<u><u>82,972,710</u></u>

(1) 10% of \$992,642,100 which is the City's SEV for the fiscal year ending June 30, 2011.

(2) Consists of revenue bonds.

CITY OF TRAVERSE CITY
Debt Statement
June 30, 2011

City Direct Debt	<u>Gross</u>	<u>Self Supporting</u>	<u>Net</u>
Share of Grand Traverse County Issued Bonds			
Dated December 1, 2003	\$ 761,735	\$ 761,735	\$ -
Dated April 1, 2011	11,664,976	11,664,976	-
Dated October 1, 1998	174,344	174,344	-
Subtotal	<u>12,601,055</u>	<u>12,601,055</u>	<u>-</u>
Share of Michigan Public Power Agency			
Dated January 15, 2006	2,136,195	2,136,195	-
Dated May 1, 2002	1,747,796	1,747,796	-
Dated December 2, 2002	7,142,225	7,142,225	-
Dated January 10, 2002	20,629,621	20,629,621	-
Subtotal	<u>31,655,836</u>	<u>31,655,836</u>	<u>-</u>
Water Revenue Bonds			
Dated November 1, 1992	475,000	475,000	-
Downtown Development Bonds			
Dated November 4, 2009	6,233,751	6,233,751	-
Dated February 7, 2007	9,287,749	9,287,749	-
Dated April 1, 2002B (Taxable)	770,000	770,000	-
Subtotal	<u>16,291,500</u>	<u>16,291,500</u>	<u>-</u>
Total	<u><u>\$ 61,023,391</u></u>	<u><u>\$ 61,023,391</u></u>	<u><u>\$ -</u></u>
	<u>Gross</u>	<u>City Share as Percent of Gross</u>	<u>Net</u>
Overlapping Debt			
Traverse City Public Schools	\$ 80,310,000	17.79%	\$ 14,287,149
Grand Traverse County	28,540,000	16.69%	4,763,326
Leelanau County	18,850,000	0.88%	165,880
Northwestern Michigan College	28,620,000	16.69%	4,776,678
Traverse City-Garfield Recreational Authority	6,095,000	45.74%	2,787,853
Traverse Area District Library	4,470,000	17.07%	763,029
Total	<u><u>\$ 166,885,000</u></u>		<u><u>\$ 27,543,915</u></u>

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

Federal Grantor/Pass Through Grantor/Program Title	CFDA Number	Program or Award Number	Federal Expenditures
U.S. Department of Commerce			
Passed through the Michigan Office of the Great Lakes Coastal Zone Management Program	11.419	11D-10.03	\$ 12,983
U.S. Department of Housing and Urban Development			
CDBG - State Administered-Small Cities Program Cluster			
Passed through the Michigan Economic Development Corporation			
CDBG Program	14.228	MSC 208009-EDIG	13,199
CDBG Program	14.228	MSC 210004-EDME	<u>500,000</u>
Total U.S. Department of Housing and Urban Development			<u>513,199</u>
U.S. Department of Justice			
Passed through Michigan Department of Community Health then Missaukee County			
Edward Byrne Memorial Justice Grant	16.579	2010-DJ-BX-0013	30,965
Edward Byrne Memorial Justice Grant	16.579	2009-DJ-BX-0086	750
Direct Program			
Bullet Proof Vest	16.607	N/A	<u>3,755</u>
Total U.S. Department of Justice			<u>35,470</u>
U.S. Department of Transportation			
Highway Safety Cluster			
Passed through Michigan Office of Highway Safety Planning			
OSHP Safe Communities Grant	20.600	AL-11-21	<u>1,980</u>
U.S. Department of Energy			
Passed through Grand Traverse County			
ARRA - Energy Efficiency and Conservation Block Grant	81.128	BES-10-131	92,554
ARRA - Energy Efficiency and Conservation Block Grant	81.128	BES-10-050	<u>250,000</u>
Total U.S. Department of Energy			<u>342,554</u>
U.S. Department of Homeland Security			
Homeland Security Cluster			
Passed through Crawford County			
Homeland Security Grant Program	97.067	2009-SS-T9-0060	11,139
Passed through Antrim County			
Homeland Security Grant Program	97.067	P706-07	8,208
Passed through Otsego County			
Homeland Security Grant Program	97.067	N/A	<u>89,676</u>
Total Department of Homeland Security			<u>109,023</u>
Total Expenditures of Federal Awards			<u>\$ 1,015,209</u>

Notes to Schedule of Expenditures of Federal Awards

1) Basis of Presentation

This Schedule includes the federal grant activity of the City under programs of the federal government for the year ended June 30, 2011. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets or cash flows of the City.

2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting, which is described in Note 1 of the financial statements. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

3) Subrecipients

Of the federal expenditures presented in the Schedule, the City provided a federal award of \$500,000 to a subrecipient from the City's CDBG program CFDA number 14.228.

**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 29, 2011

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *City of Traverse City, Michigan* (the "City"), as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 29, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

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 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.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

In addition, we noted certain matters that we reported to management of the City in a separate letter dated December 29, 2011.

The City's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the City's response and, accordingly, we express no opinion on the response.

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

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

December 29, 2011

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

Compliance

We have audited the compliance of the *City of Traverse City, Michigan* (the "City") 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, 2011. The City's major federal programs are 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's management. Our responsibility is to express an opinion on the City'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'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'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 are applicable to each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of the City 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'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 City'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 black ink that reads "Lehmann Johnson". The signature is written in a cursive, flowing style.

CITY OF TRAVERSE CITY, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2011

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ report issued: *Unqualified*

Internal controls over financial reporting:

Material weakness(es) identified? X yes no

Significant deficiency(ies) 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(ies) 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

CITY OF TRAVERSE CITY, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

Identification of Major Program

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
81.128	Energy Efficiency and Conservation Block Grant
14.228	Community Development Block Grant – State Administered Small Cities Program
Dollar threshold used to distinguish between Type A and Type B programs: <u> \$ 300,000 </u>	
Auditee qualified as low-risk auditee?	<u> </u> yes <u> X </u> no

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2011-1 – Material Audit Adjustments

Criteria: Management is responsible for maintaining its accounting records in accordance with generally accepted accounting principles (GAAP).

Condition: During our audit, we identified and proposed several material adjustments (which were approved and posted by management) to adjust the City’s general ledger to the appropriate year-end balances. These adjustments included entries to record the deferred revenue for the City and to present the financial statements on the accrual method.

Cause: This condition was the result of dependence on external auditors, who by definition cannot be part of the City’s internal control, to make adjustments to the general ledger and reconcile certain balance sheet accounts to their underlying detail.

Effect: As a result of this condition, the City’s accounting records were initially misstated by amounts material to the financial statements. All necessary adjustments were reviewed and agreed to by management, and the financial statements were appropriately corrected prior to issuance.

Recommendation: We recommend that the City carefully review its year-end account balances and make all necessary adjustments before the annual audit begins.

View of Responsible Officials: The significant adjusting journal entry was a result of the City Treasurer’s department not receiving documentation in a timely manner for the audit. The remaining adjusting journal entries had minimal impact on the net assets in the financial statements. The City will endeavor to stress better communication between project managers and the City’s Treasurer’s department, so that information can be provided on a timely basis.

CITY OF TRAVERSE CITY, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported

SECTION IV – PRIOR YEAR FINDINGS

None reported