

CITY OF TRAVERSE CITY, MICHIGAN



FINANCIAL STATEMENTS

**For the Fiscal Year Ended
June 30, 2014**

**Prepared by:
City Treasurer Department**

CITY OF TRAVERSE CITY, MICHIGAN

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CITY OF TRAVERSE CITY, MICHIGAN

List of Elected and Appointed Officials For the Fiscal Year Ended June 30, 2014

Elected Officials

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

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

Appointed Officials

Manager
Clerk
Attorney
Treasurer

Jered Ottenwess
Benjamin C. Marentette
Lauren Tribble-Laucht
William E. Twietmeyer

Principals

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



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Traverse City, Michigan (the City), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Traverse City, Michigan as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Changes in Accounting Principles

As discussed in Note III Section M, during the year the City implemented GASB Statement No. 67, *Financial Reporting for Pension Plans*. As a result, the financial statements now include substantially different note disclosures and required supplementary information. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension and employee benefit information as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparisons, and statistical information are presented for purposes of additional analysis and are not required parts of the financial statements.

The combining and individual nonmajor fund financial statements and budgetary comparisons are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

December 22, 2014

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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, 2014.

Financial Highlights

- The assets and deferred outflows of resources of the City (primary government) exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$115,692,464 (*net position*). Of this amount, \$21,553,928 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors. The government's total net position increased by \$6,535,914.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$25,902,642, a decrease of approximately \$507,000 in comparison with the prior year.
- At the end of the current fiscal year unassigned fund balance for the General Fund was \$5,496,812 or 38 percent of total General Fund expenditures and transfers out.
- The City's total long-term debt decreased \$2,722,473 due to payments made during the fiscal year.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

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

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

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

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

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

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

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

Notes to the Financial Statements

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

Other Information

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

Government-wide Financial Analysis

As noted earlier, net position may serve as a useful indicator of a government's financial position. In the case of the City of Traverse City, assets exceeded liabilities by \$115,692,464 at the close of the most recent fiscal year.

By far the largest portion of the City's net position, \$77,935,287 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 position, \$21,553,928 or 19 percent, may be used to meet the government's ongoing obligations to citizens and creditors. The remaining balance of net position is restricted net position, \$16,203,249 or 14 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 position, both for the governmental and business-type activities.

During the current fiscal year the government's net position increased by \$6,535,914.

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

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

	2014			2013		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 30,371,055	\$ 9,226,267	\$ 39,597,322	\$31,239,176	\$ 5,985,971	\$ 37,225,147
Capital assets	<u>42,904,708</u>	<u>57,287,559</u>	<u>100,192,267</u>	<u>41,231,904</u>	<u>58,119,562</u>	<u>99,351,466</u>
Total assets	<u>73,275,763</u>	<u>66,513,826</u>	<u>139,789,589</u>	<u>72,471,080</u>	<u>64,105,533</u>	<u>136,576,613</u>
Deferred outflows	<u>329,115</u>	-	<u>329,115</u>	<u>353,493</u>	-	<u>353,493</u>
Long-term liabilities outstanding	12,964,871	9,259,399	22,224,270	14,544,695	10,382,252	24,926,947
Other liabilities	<u>1,079,693</u>	<u>655,919</u>	<u>1,735,612</u>	<u>1,547,701</u>	<u>750,610</u>	<u>2,298,311</u>
Total liabilities	<u>14,044,564</u>	<u>9,915,318</u>	<u>23,959,882</u>	<u>16,092,396</u>	<u>11,132,862</u>	<u>27,225,258</u>
Deferred inflows	-	<u>466,358</u>	<u>466,358</u>	-	<u>489,248</u>	<u>489,248</u>
Net position						
Net investment in capital assets	30,974,245	46,961,042	77,935,287	28,257,021	46,103,566	74,360,587
Restricted assets	16,203,249	-	16,203,249	15,733,246	-	15,733,246
Unrestricted	<u>12,382,820</u>	<u>9,171,108</u>	<u>21,553,928</u>	<u>12,741,910</u>	<u>6,379,857</u>	<u>19,121,767</u>
Total net position	<u>\$ 59,560,314</u>	<u>\$56,132,150</u>	<u>\$115,692,464</u>	<u>\$56,732,177</u>	<u>\$52,483,423</u>	<u>\$109,215,600</u>

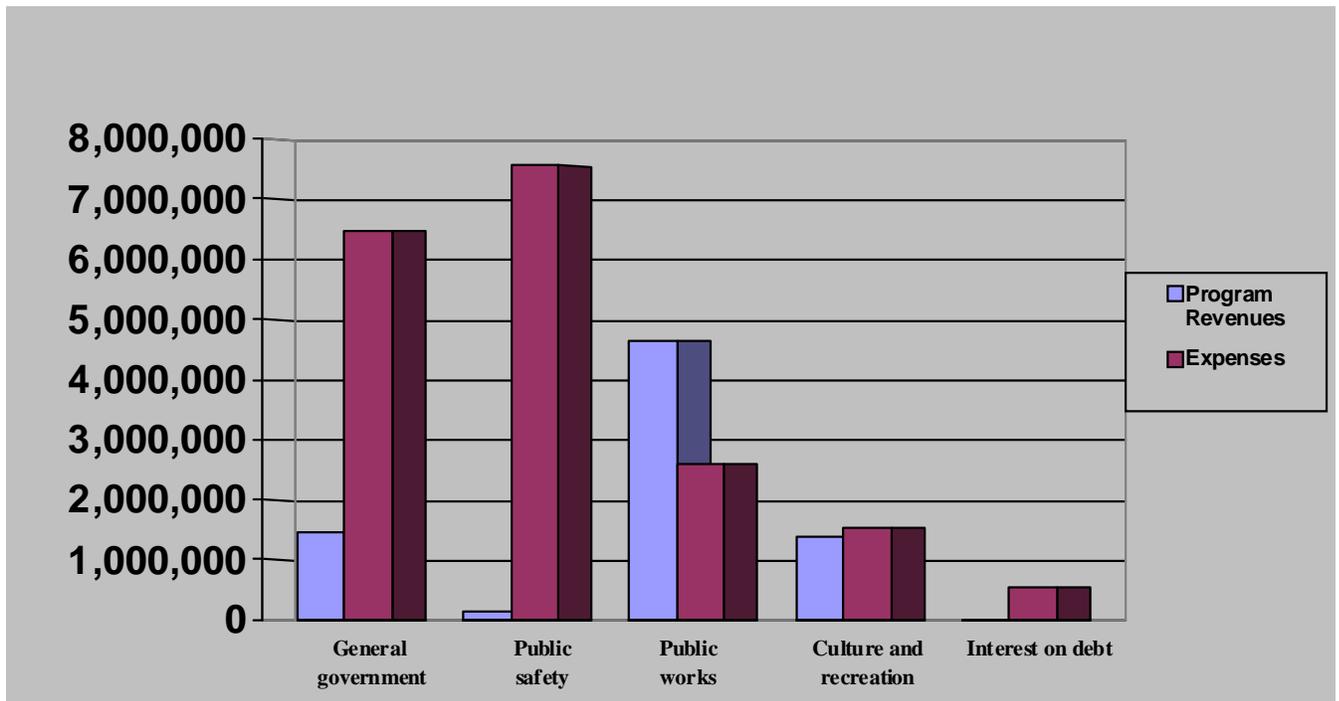
City of Traverse City's Changes in Net Position
Table II

	<u>2014</u>			<u>2013</u>		
	<u>Governmental Activities</u>	<u>Business type Activities</u>	<u>Total</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Program revenue						
Charges for services	\$ 3,725,261	\$ 13,671,911	\$ 17,397,172	\$ 3,393,569	\$ 12,103,750	\$ 15,497,319
Operating grants and contributions	2,999,968	23,203	3,023,171	1,953,416	-	1,953,416
Capital grants and contributions	891,710	35,000	926,710	6,907,736	145,881	7,053,617
General revenue						
Property taxes	11,573,638	-	11,573,638	11,150,027	-	11,150,027
Grants and contributions not restricted to specific programs	1,312,952	-	1,312,952	1,287,510	-	1,287,510
Franchise revenue	238,901	-	238,901	228,255	-	228,255
Other	<u>151,164</u>	<u>7,241</u>	<u>158,405</u>	<u>238,134</u>	<u>3,185</u>	<u>241,319</u>
Total revenue	<u>20,893,594</u>	<u>13,737,355</u>	<u>34,630,949</u>	<u>25,158,647</u>	<u>12,252,816</u>	<u>37,411,463</u>
Expenses						
General government	6,480,060	-	6,480,060	7,723,210	-	7,723,210
Public safety	7,560,262	-	7,560,262	7,332,516	-	7,332,516
Public works	2,603,638	-	2,603,638	2,115,926	-	2,115,926
Recreation and culture	1,537,900	-	1,537,900	2,516,662	-	2,516,662
Community development	-	-	-	-	-	-
Interest and fiscal charges	551,344	-	551,344	594,752	-	594,752
Wastewater	-	4,754,789	4,754,789	-	4,316,445	4,316,445
Water	-	2,559,452	2,559,452	-	2,193,916	2,193,916
Marina	-	509,861	509,861	-	650,462	650,462
Auto Parking	<u>-</u>	<u>1,540,514</u>	<u>1,540,514</u>	<u>-</u>	<u>1,504,977</u>	<u>1,504,977</u>
Total expenses	<u>18,733,204</u>	<u>9,364,616</u>	<u>28,097,820</u>	<u>20,283,066</u>	<u>8,665,800</u>	<u>28,948,866</u>
Increase (decrease) in net position before transfers and contribution to endowment	2,160,390	4,372,739	6,533,129	4,875,581	3,587,016	8,462,597
Transfers	724,012	(724,012)	-	665,271	(665,271)	-
Contribution to endowment	<u>2,785</u>	<u>-</u>	<u>2,785</u>	<u>6,961</u>	<u>-</u>	<u>6,961</u>
Increase in net position	2,887,187	3,648,727	6,535,914	5,547,813	2,921,745	8,469,558
Net position – beginning of year	<u>56,673,127</u>	<u>52,483,423</u>	<u>109,156,550</u>	<u>51,184,364</u>	<u>49,561,678</u>	<u>100,746,042</u>
Net position – end of year	<u>\$ 59,560,314</u>	<u>\$ 56,132,150</u>	<u>\$115,692,464</u>	<u>\$ 56,732,177</u>	<u>\$ 52,483,423</u>	<u>\$109,215,600</u>

Governmental activities increased the City’s net position by \$2,887,187 accounting for 44 percent of the growth in the government’s net position for the current year. Key highlights are as follows:

- Operating grants, capital grants and contributions decreased approximately \$4,969,000 compared to the previous year with most of the decrease attributed to federal grants.
- Property tax revenue increased approximately \$424,000 compared to the previous year.

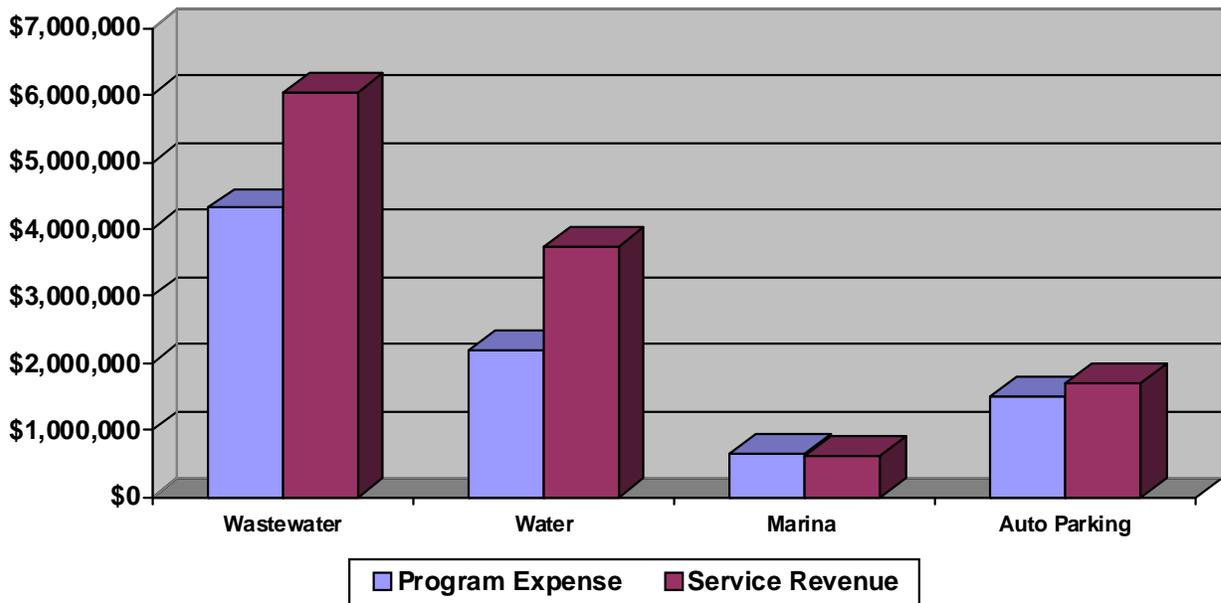
Expenses and Program Revenues – Governmental Activities



Business-type activities increased the City’s net position by \$3,648,727 accounting for 56 percent of the growth in the government’s net position for the current year. Key highlights of activities in the funds are as follows:

- Charges for services in the Wastewater and Water Fund increased approximately \$1,161,000 because of increased consumption by customers and an increase in rates.
- Charges for services in the Marina increased approximately \$26,000 because of increased customer activity.
- Charges for services in the Auto Parking System Fund increased approximately \$292,000 because of increased customer activity and an increase in rates.

Expenses and Program Revenues - Business-type Activities



Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$25,902,642, a decrease of approximately \$507,000 in comparison with the prior year. \$5,496,812 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 \$5,496,812. 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 38 percent of total General Fund expenditures including transfers out.

The Major Streets Fund has a total fund balance of \$223,786 which decreased by \$1,333 during the year. Original and amended budget estimates anticipated no change to fund balance.

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

The Boardman River Dam Removal and Restoration Fund has a \$0 fund balance for the current year. All expenses were offset by federal revenue sources and reimbursements.

The Capital Projects fund balance decreased by \$1,222,279 during the current fiscal year. Final budget estimates anticipated a decrease of \$693,000 to fund balance. Anticipated expenditures exceeded capital outlays by \$2,701,327. Anticipated revenues exceeded actual revenues by \$3,230,606.

The Brown Bridge Permanent Trust Fund increased by \$281,862 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 position of the Wastewater, Water, Marina and Auto Parking System funds at the end of the year amounted to \$9,045,951, with net investment in capital assets of \$46,961,042. For the current year, the Wastewater Fund had an increase in net position of \$2,281,270, the Water Fund had an increase in net position for the year of \$881,687, the Marina Fund had an increase in net position of \$8,017, and the Auto Parking System had an increase in net position of \$392,373.

General Fund Budgetary Highlights

During the year, General Fund revenues were under budgetary estimates by \$366,302. In addition, actual expenditures were under budgeted amounts by \$568,594. As a result, the fund balance decreased by \$311,752, against the budgeted decrease estimate of \$576,925.

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, 2014, amounted to \$100,192,267 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, park facilities, roads, highways, and bridges.

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

- Completion of improvements to Silver Drive totaled approximately \$1,463,000.
- Completion of improvements to Pine Street and State Street totaled approximately \$839,000.
- Completion of East Bay Park storm water project totaled approximately \$733,000.
- Completion of The Bijou By The Bay building improvements totaled approximately \$585,000.
- Completion of the Clinch Park tunnel south entry project totaled approximately \$340,000.
- Completion of annual sidewalk replacement project totaled approximately \$162,000.
- Completion of improvements to Sheridan Road between Eastern Avenue and M-37 totaled approximately \$161,000.
- Completion of improvements to Hope Street between Washington Street and Front Street totaled approximately \$141,000.
- Completion of improvements to Eastwood Avenue between Manor Avenue and Easter Avenue totaled approximately \$123,000.
- Completion of improvements to Washington Street between Barlow Street and Railroad Avenue totaled approximately \$122,000.

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

	2014			2013		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Land	\$11,339,616	\$ 1,187,057	\$12,526,673	\$11,291,376	\$ 1,204,786	\$12,496,162
Land improvement	3,351,371	8,416,432	11,767,803	3,441,358	8,416,432	11,857,790
Buildings and systems	6,760,634	22,439,286	29,199,920	6,965,142	22,865,181	29,830,323
Construction in progress	3,670,522	457,690	4,128,212	6,105,799	1,020,411	7,126,210
Equipment	5,580,501	8,627,264	14,207,765	4,885,841	7,957,580	12,843,421
Infrastructure and other improvements	<u>12,202,064</u>	<u>16,159,830</u>	<u>28,361,894</u>	<u>8,542,388</u>	<u>16,655,172</u>	<u>25,197,560</u>
TOTAL	<u>\$42,904,708</u>	<u>\$57,287,559</u>	<u>\$100,192,267</u>	<u>\$41,231,904</u>	<u>\$58,119,562</u>	<u>\$ 99,351,466</u>

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

Long-term debt. At the end of the current fiscal year, the City had total bonded debt and capital lease payables of \$21,606,760. Of this amount, \$12,430,000 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**

	2014			2013		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
General obligation bonds – Parking decks	\$12,430,243	\$ -	\$12,430,243	\$14,027,485	\$ -	\$ 14,027,485
Capital lease payable – Wastewater Treatment Plant	<u>-</u>	<u>9,176,517</u>	<u>9,176,517</u>	<u>-</u>	<u>10,301,748</u>	<u>10,301,748</u>
TOTAL	<u>\$12,430,243</u>	<u>\$ 9,176,517</u>	<u>\$21,606,760</u>	<u>\$14,027,485</u>	<u>\$10,301,748</u>	<u>\$ 24,329,233</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 \$100,064,771, which is significantly in excess of the City's outstanding general obligation debt.

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

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the City's budget for the 2014/15 fiscal year:

- The City Commission has determined to keep the General Fund tax levy at 11.1167 mills, the same levy as the three previous years. The Act 345 levy for Police/Fire pensions is 2.32 mills, the same levy as the previous two years.
- The General Fund budget includes \$1,458,000 to continue the City Commission's priority on infrastructure spending for streets and sidewalks. This amount is leveraged with other funds for an anticipated construction spending about \$15,000,000 depending on actual bids.
- Health insurance premiums will increase about 7% on July 1, 2014. Some of this increase may be attributed to the unknowns associated with the implementation of the Federal Affordable Care Act and some of this increase is associated with severe health issues for some of our employees. Most employees cost share on an 80/20 basis.
- Legacy costs are being addressed in a meaningful way. Since July 2009 all new hire general City employees are at the 1.5% multiplier; all new hire police/fire employees are at the 2.0% multiplier. These are down from 2.25% and 2.8% respectively. Effective July 1, all current general employees will earn future pension credit at a 1.5% multiplier. Effective June 30, 2014 current Police Patrol employees will earn future pension credit at a 2.5% multiplier rather than the current 2.8% multiplier. These changes should significantly impact accrued unfunded liability although the amount of the impact will not be known until the next actuarial reports.
- The passage of a special road commission millage by voters in the County has resulted in the City setting up a Road Commission Millage Street Project Fund to account for the City's share of the road millage that will be used for street repair and maintenance. That millage is expected to provide about \$750,000 annually over a three year period.

Requests for Information

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

CITY OF TRAVERSE CITY, MICHIGAN
Statement of Net Position
June 30, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 13,918,889	\$ 7,139,475	\$ 21,058,364
Investments	13,339,395	483,121	13,822,516
Receivables, net	1,337,612	2,225,672	3,563,284
Due from component unit	227,315	-	227,315
Internal balances	1,034,853	(1,034,853)	-
Inventories	231,762	141,589	373,351
Prepaid items and other assets	31,160	192,297	223,457
Other postemployment benefit	250,069	78,966	329,035
Advances to primary government	-	-	-
Capital assets not being depreciated	15,010,138	10,061,179	25,071,317
Capital assets being depreciated	27,894,570	47,226,380	75,120,950
Total assets	73,275,763	66,513,826	139,789,589
Deferred outflows of resources			
Deferred charges on refunding	329,115	-	329,115
Liabilities			
Accounts payable and accrued expenses	1,059,038	355,427	1,414,465
Unearned revenue	14,819	492	15,311
Due to primary government	-	-	-
Advances from component units	5,836	300,000	305,836
Long-term liabilities			
Due within one year	1,757,235	1,188,545	2,945,780
Due in more than one year	11,207,636	8,070,854	19,278,490
Total liabilities	14,044,564	9,915,318	23,959,882
Deferred inflows of resources			
Deferred charges on refunding	-	466,358	466,358
Net position			
Net investment in capital assets	30,974,245	46,961,042	77,935,287
Restricted for			
Debt service	425	-	425
Joint planning	14,265	-	14,265
Capital improvements	1,062,046	-	1,062,046
Streets and highways	223,786	-	223,786
Public welfare or civic improvement organizations	843,544	-	843,544
Act 345 retirement	56,128	-	56,128
Tax increment finance districts	-	-	-
Nonexpendable brown bridge trust	13,278,114	-	13,278,114
Nonexpendable cemetery perpetual trust	724,941	-	724,941
Unrestricted	12,382,820	9,171,108	21,553,928
Total net position	\$ 59,560,314	\$ 56,132,150	\$ 115,692,464

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

Component Units	
Downtown Development Authority	Light and Power
\$ 3,273,515	\$ 5,518,023
-	15,852,407
3,906,623	4,488,972
-	-
-	-
-	1,990,709
5,718	5,600
-	928,445
-	305,836
-	3,181,424
-	45,904,927
7,185,856	78,176,343
-	-
63,738	2,836,413
-	34,840
-	227,315
-	-
-	-
33,349	5,996
31,626	163,859
128,713	3,268,423
-	-
-	49,086,351
-	-
-	-
-	-
-	-
-	-
6,867,867	-
-	-
-	-
189,276	25,821,569
\$ 7,057,143	\$ 74,907,920

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, 2014

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	\$ 6,480,060	\$ 933,630	\$ 518,208	\$ -	\$ (5,028,222)
Public safety	7,560,262	41,304	47,070	61,440	(7,410,448)
Public works	2,603,638	2,139,695	2,297,082	207,556	2,040,695
Culture and recreation	1,537,900	610,632	137,608	622,714	(166,946)
Interest and fiscal charges	551,344	-	-	-	(551,344)
Total governmental activities	<u>18,733,204</u>	<u>3,725,261</u>	<u>2,999,968</u>	<u>891,710</u>	<u>(11,116,265)</u>
Business-type activities					
Wastewater	4,754,789	7,361,801	-	-	2,607,012
Water	2,559,452	3,577,551	23,203	35,000	1,076,302
Marina	509,861	546,024	-	-	36,163
Automobile parking	1,540,514	2,186,535	-	-	646,021
Total business-type activities	<u>9,364,616</u>	<u>13,671,911</u>	<u>23,203</u>	<u>35,000</u>	<u>4,365,498</u>
Total primary government	<u>\$ 28,097,820</u>	<u>\$ 17,397,172</u>	<u>\$ 3,023,171</u>	<u>\$ 926,710</u>	<u>\$ (6,750,767)</u>
Component units					
Downtown Development Authority	\$ 3,015,144	\$ 448,081	\$ -	\$ -	\$ (2,567,063)
Light and Power	32,629,767	36,289,158	-	-	3,659,391
Total component units	<u>\$ 35,644,911</u>	<u>\$ 36,737,239</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,092,328</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, 2014

Functions/Programs	Primary Government		
	Governmental Activities	Business-type Activities	Total
Changes in net position			
Net (expense) revenue	\$ (11,116,265)	\$ 4,365,498	\$ (6,750,767)
General revenues			
Unrestricted property taxes	11,573,638	-	11,573,638
Restricted property taxes for tax increment finance districts	-	-	-
Grants and contributions not restricted			
to specific programs	1,312,952	-	1,312,952
Franchise revenue	238,901	-	238,901
Restricted investment earnings	153,134	-	153,134
Unrestricted investment earnings	22,899	7,241	30,140
Gain on sale of capital assets	(24,869)	-	(24,869)
Transfers	724,012	(724,012)	-
Contribution to endowment	2,785	-	2,785
Total general revenues, transfers and contributions	<u>14,003,452</u>	<u>(716,771)</u>	<u>13,286,681</u>
Change in net position	2,887,187	3,648,727	6,535,914
Restated net position, beginning of year	<u>56,673,127</u>	<u>52,483,423</u>	<u>109,156,550</u>
Net position, end of year	<u>\$ 59,560,314</u>	<u>\$ 56,132,150</u>	<u>\$ 115,692,464</u>

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

Component Units	
Downtown Development Authority	Light and Power
\$ (2,567,063)	\$ 3,659,391
70,660	-
2,223,452	-
-	-
-	-
-	-
225	403,039
-	-
-	-
-	-
<u>2,294,337</u>	<u>403,039</u>
(272,726)	4,062,430
<u>7,329,869</u>	<u>70,845,490</u>
<u>\$ 7,057,143</u>	<u>\$ 74,907,920</u>

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

CITY OF TRAVERSE CITY, MICHIGAN
Balance Sheet
Governmental Funds
June 30, 2014

	Special Revenue				Capital Projects
	General Fund	Major Streets Fund	Local Streets Fund	Boardman River Dam Removal & Restoration Fund	Capital Project
ASSETS					
Assets					
Cash and cash equivalents	\$ 3,080,792	\$ 104,255	\$ -	\$ -	\$ 1,313,389
Investments	2,627,417	-	-	-	79,470
Receivables					
Accounts	169,440	93	-	1,160	158,344
Taxes	-	-	-	-	-
Special assessments	-	-	-	-	-
Accrued interest	-	-	-	-	-
Due from other governments	433,456	134,116	44,053	1,079	-
Due from other funds	442,336	-	-	-	-
Due from component unit	227,315	-	-	-	-
Inventory	25,588	-	-	-	-
Prepaid items and other assets	31,160	-	-	-	-
Advances to other funds	850,000	-	-	-	-
Total assets	\$ 7,887,504	\$ 238,464	\$ 44,053	\$ 2,239	\$ 1,551,203
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE					
Liabilities					
Accounts payable	\$ 312,058	\$ 7,983	\$ 4,277	\$ 2,239	\$ 121,356
Accrued and other liabilities	331,070	6,695	14,196	-	-
Due to other funds	-	-	25,580	-	-
Deposits payable	89,921	-	-	-	-
Advance from component unit	-	-	-	-	-
Total liabilities	733,049	14,678	44,053	2,239	121,356
Deferred inflows of resources					
Unavailable revenue	1,121	-	-	-	142,112
Fund balance					
Nonspendable					
Inventory	25,588	-	-	-	-
Prepaid items	31,160	-	-	-	-
Advance to other funds	850,000	-	-	-	-
Brown Bridge trust	-	-	-	-	-
Cemetery perpetual care	-	-	-	-	-
Restricted					
Debt service	-	-	-	-	-
Streets and highways	-	223,786	-	-	-
Joint planning	-	-	-	-	-
Capital improvements	-	-	-	-	-
Public welfare or civic improvement organizations	-	-	-	-	-
Act 345 retirement	-	-	-	-	-
Committed					
Budget stabilization	749,774	-	-	-	-
Capital improvements	-	-	-	-	1,287,735
Unassigned	5,496,812	-	-	-	-
Total fund balance	7,153,334	223,786	-	-	1,287,735
Total liabilities, deferred inflows of resources and fund balance	\$ 7,887,504	\$ 238,464	\$ 44,053	\$ 2,239	\$ 1,551,203

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

<u>Permanent</u>		
<u>Brown Bridge Trust Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
\$ 3,379,989	\$ 3,212,317	\$ 11,090,742
9,863,653	768,855	13,339,395
23,311	5,515	357,863
-	5,012	5,012
-	259,643	259,643
40,950	-	40,950
-	61,440	674,144
-	-	442,336
-	-	227,315
-	-	25,588
-	-	31,160
-	-	850,000
\$ 13,307,903	\$ 4,312,782	\$ 27,344,148

\$ -	\$ 3,016	\$ 450,929
-	274	352,235
29,789	76,954	132,323
-	-	89,921
-	5,836	5,836

29,789	86,080	1,031,244
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-	267,029	410,262
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-	-	25,588
-	-	31,160
-	-	850,000
13,278,114	-	13,278,114
-	724,941	724,941
-	425	425
-	-	223,786
-	14,265	14,265
-	1,062,046	1,062,046
-	843,544	843,544
-	56,128	56,128
-	-	749,774
-	1,258,324	2,546,059
-	-	5,496,812

13,278,114	3,959,673	25,902,642
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\$ 13,307,903	\$ 4,312,782	\$ 27,344,148
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The accompanying notes are an integral part of these financial statements.

CITY OF TRAVERSE CITY, MICHIGAN
Balance Sheet
Governmental Funds
June 30, 2014

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

Fund balances - total governmental funds	\$ 25,902,642
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources, and therefore are not reported in the funds.	
Add: capital assets	83,402,154
Subtract: accumulated depreciation	(46,464,270)
Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures.	
Add: other postemployment benefits asset	222,377
Add: deferred inflows	410,262
Subtract: unavailable revenue	(14,819)
Internal service funds are used by management to charge the costs of certain equipment usage and employee benefits to individual funds. The assets and liabilities of the internal service fund are included in governmental and business-type activities in the statement of net position.	
Add: net position of governmental activities accounted for in internal service fund	8,832,430
Certain liabilities, such as bonds payable, are not due and payable in the current period, and therefore are not reported in the funds.	
Add: deferred charges on refunding	329,115
Subtract: deferred bond premium - Hardy Deck	(27,175)
Subtract: deferred bond premium - Old Town Deck	(38,068)
Subtract: bonds payable	(12,365,000)
Subtract: compensated absences	(503,886)
Subtract: accrued interest on long-term liabilities	(125,448)
Net position of governmental activities	\$ 59,560,314

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, 2014

	General	Special Revenue			Capital Projects
		Major Streets	Local Streets	Boardman River Dam Removal & Restoration Fund	Capital Project
Revenues					
Property taxes and special assessments	\$ 8,109,109	\$ -	\$ -	\$ -	\$ -
Licenses and permits	288,269	-	-	-	-
Federal sources	22,145	-	-	58,464	110,218
State sources	1,312,952	1,135,819	418,927	-	479,400
Local sources	1,806,670	-	-	-	-
Charges for services	529,285	-	-	-	-
Fines and forfeits	16,238	-	-	-	-
Contributions	135,301	-	-	-	137,662
Reimbursement	451,412	-	-	8,000	4,041
Interest income	13,008	44	-	-	358
Other revenue	442,669	-	-	-	2,715
Total revenues	13,127,058	1,135,863	418,927	66,464	734,394
Expenditures					
Current expenditures					
General government	2,961,754	-	-	-	-
Public safety	5,906,802	-	-	-	-
Public works	1,329,368	1,248,396	1,223,831	-	762,745
Culture and recreation	1,921,567	-	-	66,464	-
Capital outlay	-	-	-	-	2,509,378
Debt service					
Principal	-	-	-	-	-
Interest expense and fiscal charges	-	-	-	-	-
Total expenditures	12,119,491	1,248,396	1,223,831	66,464	3,272,123
Excess (deficiency) of revenues over expenditures	1,007,567	(112,533)	(804,904)	-	(2,537,729)
Other financing sources (uses)					
Transfers in	912,559	111,200	804,904	-	1,315,450
Transfers out	(2,231,878)	-	-	-	-
Total other financing sources (uses)	(1,319,319)	111,200	804,904	-	1,315,450
Net change in fund balances	(311,752)	(1,333)	-	-	(1,222,279)
Fund balance, beginning of year - restated	7,465,086	225,119	-	-	2,510,014
Fund balance, end of year	\$ 7,153,334	\$ 223,786	\$ -	\$ -	\$ 1,287,735

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

Permanent		
Brown Bridge Trust	Nonmajor Governmental Funds	Total
\$ -	\$ 1,765,740	\$ 9,874,849
-	-	288,269
-	61,440	252,267
-	5,361	3,352,459
-	2,137,925	3,944,595
319,979	53,078	902,342
-	-	16,238
-	798,696	1,071,659
-	-	463,453
138,344	22,474	174,228
-	-	445,384
458,323	4,844,714	20,785,743
-	71,616	3,033,370
-	1,677,105	7,583,907
-	-	4,564,340
-	28,985	2,017,016
-	170,792	2,680,170
-	1,580,000	1,580,000
-	557,600	557,600
-	4,086,098	22,016,403
458,323	758,616	(1,230,660)
-	-	3,144,113
(176,461)	(11,761)	(2,420,100)
(176,461)	(11,761)	724,013
281,862	746,855	(506,647)
12,996,252	3,212,818	26,409,289
\$ 13,278,114	\$ 3,959,673	\$ 25,902,642

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, 2014

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 \$ (506,647)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add: capital outlay	2,714,494
Subtract: depreciation expense	(1,508,647)
Add: Contribution revenue from transfer of land from TCLP	48,240
Subtract: loss on disposal of building	(299,913)

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

Add: current principal debt payment	1,580,000
Subtract: amortization of deferred savings	(24,378)
Add: amortization of reoffering premium	15,228
Add: amortization of premium	2,013

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 year.

Subtract: prior year deferred property taxes and special assessment receivables	(358,918)
Add: current year deferred property taxes and special assessment receivables	395,443

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	13,390
Subtract: increase in compensated absences payable	(26,074)
Add: increase in other postemployment benefits	23,967

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

Add: interest income from governmental internal service fund	1,805
Add: other revenue from governmental internal service fund	48,934
Add: gain on disposal of capital assets in governmental internal service fund	275,045
Add: net operating income from governmental activities accounted for in internal service fund	493,205

Change in net position of governmental activities \$ 2,887,187

Concluded

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

CITY OF TRAVERSE CITY, MICHIGAN
Statement of Net Position
Proprietary Funds
June 30, 2014

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Wastewater</u>	<u>Water</u>	<u>Marina</u>
Assets			
Current assets			
Cash and cash equivalents	\$ 548,662	\$ 2,279,443	\$ 283,628
Investments	-	455,606	-
Receivables			
Accounts	1,584,273	607,451	2,151
Taxes	3,352	1,372	-
Other governments	-	-	7,217
Inventory	-	118,229	23,360
Prepaid cost and other assets	192,297	-	-
Total current assets	<u>2,328,584</u>	<u>3,462,101</u>	<u>316,356</u>
Noncurrent assets			
Other postemployment benefit	15,139	62,891	-
Capital assets not being depreciated	91,832	457,948	8,412,302
Capital assets being depreciated	23,756,980	6,877,261	1,179,059
Total noncurrent assets	<u>23,863,951</u>	<u>7,398,100</u>	<u>9,591,361</u>
Total assets	<u>26,192,535</u>	<u>10,860,201</u>	<u>9,907,717</u>
Liabilities			
Current liabilities			
Accounts payable	16,152	92,205	59,172
Accrued and other liabilities	83,121	41,359	7,671
Due to other funds	37,250	29,854	27,395
Current portion of long-term debt	1,188,139	406	-
Total current liabilities	<u>1,324,662</u>	<u>163,824</u>	<u>94,238</u>
Long-term liabilities			
Advance from component unit	-	-	300,000
Advance from other funds	-	-	850,000
Long-term debt, net of current portion	7,988,378	-	-
Compensated absences	27,872	46,938	6,652
Unearned revenue	-	-	-
Total long-term liabilities	<u>8,016,250</u>	<u>46,938</u>	<u>1,156,652</u>
Total liabilities	<u>9,340,912</u>	<u>210,762</u>	<u>1,250,890</u>
Deferred inflows			
Deferred refunding - capital lease	466,358	-	-
Net Position			
Net investment in capital assets	14,672,295	7,335,209	8,441,361
Unrestricted	1,712,970	3,314,230	215,466
Total net position	<u>\$ 16,385,265</u>	<u>\$ 10,649,439</u>	<u>\$ 8,656,827</u>

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

Automobile Parking System	Total	Governmental Activities - Internal Service Fund
\$ 4,027,742	\$ 7,139,475	\$ 2,828,147
27,515	483,121	-
19,856	2,213,731	-
-	4,724	-
-	7,217	-
-	141,589	206,175
-	192,297	-
4,075,113	10,182,154	3,034,322
936	78,966	27,692
1,099,097	10,061,179	-
15,413,080	47,226,380	5,966,824
16,513,113	57,366,525	5,994,516
20,588,226	67,548,679	9,028,838
47,826	215,355	19,425
7,921	140,072	21,084
215,511	310,010	-
-	1,188,545	-
271,258	1,853,982	40,509
-	300,000	-
-	850,000	-
-	7,988,378	-
1,014	82,476	30,742
492	492	-
1,506	9,221,346	30,742
272,764	11,075,328	71,251
-	466,358	-
16,512,177	46,961,042	5,966,824
3,803,285	9,045,951	2,990,763
\$ 20,315,462	\$ 56,006,993	\$ 8,957,587

Continued.....

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

CITY OF TRAVERSE CITY, MICHIGAN
Statement of Net Position
Proprietary Funds
June 30, 2014

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

Net position - total enterprise funds \$ 56,006,993

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

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

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

125,157

Net position of business-type activities

\$ 56,132,150

Concluded

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

CITY OF TRAVERSE CITY, MICHIGAN
Statement of Revenues, Expenses
and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2014

	Business-type Activities - Enterprise Funds		
	Wastewater	Water	Marina
Operating revenues			
Charges for services	\$ 7,165,605	\$ 3,489,414	\$ 526,713
Interdepartmental	-	-	-
Contributions	-	35,000	-
Other revenue	187,787	88,091	19,311
Total operating revenues	7,353,392	3,612,505	546,024
Operating expenses			
Personnel services	651,920	1,118,296	117,730
Commodities	31,531	267,228	16,231
Contractual services	2,952,286	432,298	173,691
Other charges	164,060	490,016	70,226
Depreciation and amortization	613,448	271,697	107,999
Total operating expenses	4,413,245	2,579,535	485,877
Operating income (loss)	2,940,147	1,032,970	60,147
Nonoperating revenues (expenses)			
State sources	-	23,203	-
Reimbursements	8,409	46	-
Interest income	424	3,322	133
Other revenue	-	-	-
Interest expense and fiscal charges	(347,863)	-	(24,868)
Gain (Loss) on sale of capital assets	(16,594)	-	-
Total nonoperating revenues (expenses)	(355,624)	26,571	(24,735)
Income before transfers	2,584,523	1,059,541	35,412
Transfers out	(303,253)	(177,854)	(27,395)
Change in net position	2,281,270	881,687	8,017
Net position, beginning of year	14,103,995	9,767,752	8,648,810
Net position, end of year	\$ 16,385,265	\$ 10,649,439	\$ 8,656,827

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>
\$ 1,895,814	\$ 13,077,546	\$ -
-	-	3,052,381
-	35,000	-
38,374	333,563	-
1,934,188	13,446,109	3,052,381
75,269	1,963,215	731,408
34,032	349,022	703,052
684,114	4,242,389	124,042
368,257	1,092,559	143,037
420,341	1,413,485	772,257
1,582,013	9,060,670	2,473,796
352,175	4,385,439	578,585
-	23,203	-
12,500	20,955	-
3,362	7,241	1,805
-	-	48,934
-	(372,731)	-
239,847	223,253	275,045
255,709	(98,079)	325,784
607,884	4,287,360	904,369
(215,511)	(724,013)	-
392,373	3,563,347	904,369
19,923,089	52,443,646	8,053,218
\$ 20,315,462	\$ 56,006,993	\$ 8,957,587

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 Position
Proprietary Funds
For the Year Ended June 30, 2014

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

Change in net position - total enterprise funds \$ 3,563,347

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

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

85,380

Change in net position of business-type activities

\$ 3,648,727

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, 2014

	Business-type - Enterprise Funds		
	Wastewater	Water	Marina
Cash flows from operating activities			
Cash received from customers	\$ 6,569,257	\$ 3,595,072	\$ 549,246
Cash received from interfund services	-	-	-
Cash payments to suppliers for goods and services	(3,345,505)	(1,157,500)	(249,320)
Cash payments to employees for services	(655,047)	(1,123,129)	(116,701)
Net cash provided by operating activities	2,568,705	1,314,443	183,225
Cash flows from non-capital financing activities			
Cash payments from (to) other funds	(102,573)	(45,611)	(73,493)
Cash payments for city fee	(303,253)	(177,854)	(27,395)
Cash received from reimbursements	8,409	46	-
Cash received from other revenue	-	-	-
Net cash provided by (used in) non-capital financing activities	(397,417)	(223,419)	(100,888)
Cash flows from capital and related financing activities			
Cash payments from state government	-	23,203	52,473
Principal payments	(1,152,666)	(4,139)	(275)
Interest payments	(355,349)	-	(24,868)
Purchases of capital assets	(115,125)	(490,960)	(8,221)
Proceeds from sale of capital assets	-	-	-
Net cash provided by (used in) capital and related financing activities	(1,623,140)	(471,896)	19,109
Cash flows from investing activities			
Interest received	424	3,322	133
Sale of investments	-	823	-
Net cash provided by investing activities	424	4,145	133
Net increase (decrease) in cash and cash equivalents	548,572	623,273	101,579
Cash and cash equivalents, beginning of year	90	1,656,170	182,049
Cash and cash equivalents, end of year	\$ 548,662	\$ 2,279,443	\$ 283,628
Statement of net position classification of cash and cash equivalents			
Cash and cash equivalents	\$ 548,662	\$ 2,279,443	\$ 283,628

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>
\$ 1,917,097	\$ 12,630,672	\$ -
-	-	3,055,724
(1,090,374)	(5,842,699)	(979,114)
(114,797)	(2,009,674)	(754,255)
711,926	4,778,299	1,322,355
46,900	(174,777)	-
(215,511)	(724,013)	-
12,500	20,955	-
-	-	48,934
(156,111)	(877,835)	48,934
-	75,676	-
-	(1,157,080)	-
-	(380,217)	-
-	(614,306)	(1,792,743)
256,077	256,077	576,901
256,077	(1,819,850)	(1,215,842)
3,362	7,241	1,805
272	1,095	-
3,634	8,336	1,805
815,526	2,088,950	157,252
3,212,216	5,050,525	2,670,895
\$ 4,027,742	\$ 7,139,475	\$ 2,828,147
<u>\$ 4,027,742</u>	<u>\$ 7,139,475</u>	<u>\$ 2,828,147</u>

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, 2014

	Business-type - Enterprise Funds		
	Wastewater	Water	Marina
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 2,940,147	\$ 1,032,970	\$ 60,147
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation and amortization	613,448	271,697	107,999
Changes in assets and liabilities			
Accounts receivables	(784,135)	(17,433)	3,222
Prepaid cost and other assets	(194,095)	(5,394)	-
Inventory	-	(8,132)	3,303
Accounts payable	(8,915)	38,740	7,525
Accrued and other liabilities	2,255	1,995	1,029
Net cash provided by operating activities	<u>\$ 2,568,705</u>	<u>\$ 1,314,443</u>	<u>\$ 183,225</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>
\$ 352,175	\$ 4,385,439	\$ 578,585
420,341	1,413,485	772,257
(17,091)	(815,437)	3,343
-	(199,489)	-
-	(4,829)	(3,903)
(3,971)	33,379	(5,080)
(39,528)	(34,249)	(22,847)
<u>\$ 711,926</u>	<u>\$ 4,778,299</u>	<u>\$ 1,322,355</u>

Concluded

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

CITY OF TRAVERSE CITY, MICHIGAN
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

	Act 345 Pension Trust Fund	Other Postemployment Benefit Funds	Agency Funds
Assets			
Cash and cash equivalents	\$ 2,087,327	\$ 4,218,261	\$ 76,223
Investments, at fair value			
Fixed income mutual funds	5,073,056	-	-
Common stock	4,226,378	-	-
Equity mutual funds	5,940,945	-	-
Equity common trust funds	6,422,083	-	-
Alternative - SBIC funds	470,923	-	-
Real estate	1,222,608	-	-
MERS total market fund	-	3,361,776	-
Receivables			
Accounts	-	-	142,535
Taxes	-	-	129,205
Accrued interest	6,656	-	-
Due from other funds	838,528	-	-
Total assets	<u>26,288,504</u>	<u>7,580,037</u>	<u>\$ 347,963</u>
Liabilities			
Accrued and other liabilities	1,667	-	\$ 161,891
Due to other funds	-	838,528	-
Due to other governmental units	-	-	186,072
Total liabilities	<u>1,667</u>	<u>838,528</u>	<u>\$ 347,963</u>
Net Position			
Held in trust for pension benefits and other postemployment benefits	<u>\$ 26,286,837</u>	<u>\$ 6,741,509</u>	

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

CITY OF TRAVERSE CITY, MICHIGAN
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2014

	Act 345 Pension Trust Fund	Other Postemployment Benefit Funds
Additions		
Contributions		
City contributions	\$ 1,639,480	\$ 358,555
Employee contributions	75,526	-
Total contributions	<u>1,715,006</u>	<u>358,555</u>
Investment earnings		
Interest and dividends	378,155	422,976
Net increase in fair value of investments	<u>3,505,302</u>	<u>-</u>
Net investment earnings	<u>3,883,457</u>	<u>422,976</u>
Total additions	<u>5,598,463</u>	<u>781,531</u>
Deductions		
Pension benefits paid	2,096,654	-
Health insurance premiums paid	-	345,919
Administrative expense	10,567	-
Investment advisor fees	<u>114,710</u>	<u>-</u>
Total deductions	<u>2,221,931</u>	<u>345,919</u>
Net increase (decrease) in plan assets	3,376,532	435,612
Net position held in trust, beginning of year	<u>22,910,305</u>	<u>6,305,897</u>
Net position held in trust, end of year, attributable to pension plan	<u>\$ 26,286,837</u>	
Net position held in trust, end of year, attributable to health insurance plan		<u>\$ 6,741,509</u>

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

CITY OF TRAVERSE CITY, MICHIGAN

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Notes to the Financial Statements

June 30, 2014

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CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

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

Discretely presented component units

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

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

Downtown Development Authority (the "DDA")

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

Traverse City Light and Power (the "Department")

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

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

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

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

Traverse Area District Library

City of Traverse City and Garfield Township Recreational Authority

Traverse City Housing Commission

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

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

Joint operation

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

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

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

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

B. Government-wide and fund financial statements

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

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

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

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

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

The government reports the following major governmental funds:

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

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

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

The *Boardman River Dam Removal and Restoration Fund* was created to remove the Boardman Dam and to reinstate the Boardman river to its natural state.

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

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

The government reports the following major proprietary funds:

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

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

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

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

Additionally, the government reports the following fund types:

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

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

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

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

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

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

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Wastewater, Water, Marina, and Automobile Parking System enterprise funds, the discretely presented component unit (Light and Power) and the City's internal service fund are charges to customers for sales and services. The enterprise funds also recognize as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

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, deferred outflows/inflows and net position or fund balance

1. *Deposits and investments*

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

2. *Receivables and payables*

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

3. *Inventory*

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

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

4. *Capital assets*

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

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

5. *Deferred outflows/inflows of resources*

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

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

6. *Compensated absences*

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

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

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.

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

7. *Long-term obligations*

In the government-wide financial statements, and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as an other financing source. Premiums received on debt issuances are reported as an other financing source while discounts on debt issuances are reported as an other financing use. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. *Fund Balance*

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

9. *Budget Stabilization Arrangement*

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

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

II. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

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

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

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

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

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>	<u>Component Units</u>
Cash and cash equivalents	\$ 13,918,889	\$ 7,139,475	\$ 6,381,811	\$ 27,440,175	\$ 8,791,538
Investments	<u>13,339,395</u>	<u>483,121</u>	<u>26,717,769</u>	<u>40,540,285</u>	<u>15,852,407</u>
Total	<u>\$ 27,258,284</u>	<u>\$ 7,622,596</u>	<u>\$ 33,099,580</u>	<u>\$ 67,980,460</u>	<u>\$ 24,643,945</u>

Cash and cash equivalents reported above include \$8,366 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	\$ 8,366
City and component unit bank deposits (checking, savings accounts and certificates of deposit)	38,303,095
City and component unit investments	25,498,750
Pension and other postemployment benefit fund - deposits	2,096,425
Pension and other postemployment benefit fund - investments	<u>26,717,769</u>
Total	<u>\$ 92,624,405</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	09/30/2014	\$ 1,005,700	AA+
US Treasury note	12/31/2014	1,012,620	AA+
US Treasury note	06/30/2015	1,002,340	AA+
US Treasury note	07/31/2016	792,952	AA+
US Treasury note	07/31/2016	132,159	AA+
US Treasury note	07/31/2016	79,295	AA+
US Treasury note	12/05/2016	498,840	AA+
US Treasury note	12/31/2016	957,654	AA+
US Treasury note	12/31/2016	53,203	AA+
US Treasury note	03/31/2017	1,005,940	AA+
US Treasury note	10/30/2017	500,200	AA+
US Treasury note	10/31/2017	495,155	AA+
US Treasury note	10/31/2017	148,546	AA+
US Treasury note	06/30/2018	521,135	AA+
US Treasury note	06/30/2018	1,002,270	AA+
US Treasury note	01/31/2019	999,380	AA+
US Treasury note	02/28/2019	748,770	AA+
US Treasury note	04/30/2019	300,312	AA+
US Treasury note	06/30/2019	1,000,000	AA+
US Treasury note	02/15/2020	439,968	AA+
US Treasury note	02/15/2020	549,960	AA+
US Treasury note	06/30/2020	499,530	AA+
US Treasury note	01/31/2021	1,004,920	AA+
US Treasury note	02/15/2021	27,516	AA+
US Treasury note	06/30/2021	999,840	AA+
US Treasury note	02/06/2023	1,490,370	AA+
US Treasury note	03/13/2023	699,265	AA+
US Treasury note	03/20/2023	485,430	AA+
US Treasury note	03/21/2023	967,190	AA+
US Treasury note	02/15/2024	511,365	AA+
US Treasury note	02/15/2024	306,819	AA+
US Treasury note	02/15/2024	97,159	AA+
US Treasury note	08/27/2027	931,500	AA+
US Treasury note	10/29/2027	681,422	AA+
US Treasury note	01/25/2028	942,330	AA+
US Treasury note	02/14/2028	469,435	AA+
MPPA Investments	Various	1,960,897	Unrated
Michigan CLASS pool	N/A	<u>177,363</u>	AAAm
Total		<u>\$ 25,498,750</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, \$10,132,218 of the City's bank balance of \$40,638,853 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 \$25,498,750 of investments, the City has a custodial credit risk exposure of \$23,360,490 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 \$1,750,414 with deposits collateralized and a money market account in the pension fund trust account with a balance of \$346,011 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, 2014:

Investments at fair value, as determined by quoted market price	
Fixed income mutual funds	\$ 5,073,056
Common stock	4,226,378
Equity mutual funds	5,940,945
Equity common trust funds	6,422,083
Alternative – SBIC funds	470,923
MERS total market fund	3,361,776
Direct real estate investments	<u>1,222,608</u>
Total investments	<u>\$ 26,717,769</u>

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

B. Receivables

Receivables in the governmental activities consist of 50 percent due from other governments, 20 percent special assessments receivable, 3 percent interest receivable and 27 percent other receivables.

Receivables in the business-type activities consist of 46 percent due from other governments, 10 percent due from other receivables, and 44 percent due from customers.

Receivables in the component units consist of 46 percent due from other governments, 44 percent due from customers, 1 percent interest receivable, and 9 percent other receivables.

Accounts receivable in the Wastewater and Water Enterprise Funds are net of allowances in the amounts of \$20,639 and \$8,616, respectively.

Accounts receivable in the Light and Power discrete component unit is net of allowances in the amount of \$279,103.

Special assessments receivables in the governmental activities of \$162,955 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, 2014 was as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 11,291,376	\$ 48,240	\$ -	\$ 11,339,616
Construction in progress	<u>6,105,799</u>	<u>2,683,893</u>	<u>5,119,170</u>	<u>3,670,522</u>
Total capital assets not being depreciated	<u>17,397,175</u>	<u>2,732,133</u>	<u>5,119,170</u>	<u>15,010,138</u>
Capital assets being depreciated				
Land improvements	4,169,758	-	-	4,169,758
Infrastructure	44,002,498	4,473,114	134,918	48,340,694
Buildings	16,211,774	599,320	419,403	16,391,691
Equipment	<u>14,047,507</u>	<u>1,870,080</u>	<u>1,653,751</u>	<u>14,263,836</u>
Total capital assets being depreciated	<u>78,431,537</u>	<u>6,942,514</u>	<u>2,208,072</u>	<u>83,165,979</u>
Less accumulated depreciation for				
Land improvements	728,400	89,987	-	818,387
Infrastructure	35,460,110	813,438	134,918	36,138,630
Buildings	9,246,632	503,915	119,490	9,631,057
Equipment	<u>9,161,666</u>	<u>873,565</u>	<u>1,351,896</u>	<u>8,683,335</u>
Total accumulated depreciation	<u>54,596,808</u>	<u>2,280,905</u>	<u>1,606,304</u>	<u>55,271,409</u>
Total capital assets being depreciated, net	<u>23,834,729</u>	<u>4,661,609</u>	<u>601,768</u>	<u>27,894,570</u>
Governmental activities capital assets, net	<u>\$ 41,231,904</u>	<u>\$ 7,393,742</u>	<u>\$ 5,720,938</u>	<u>\$ 42,904,708</u>

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets not being depreciated				
Land	\$ 1,204,786	\$ 192,271	\$ 210,000	\$ 1,187,057
Land improvements	8,416,432	-	-	8,416,432
Construction in progress	<u>1,020,411</u>	<u>1,190,159</u>	<u>1,752,880</u>	<u>457,690</u>
Total capital assets not being depreciated	<u>10,641,629</u>	<u>1,382,430</u>	<u>1,962,880</u>	<u>10,061,179</u>
Capital assets being depreciated				
Buildings and improvements	35,086,247	268,388	-	35,354,635
Other improvements	21,076,005	8,221	-	21,084,226
Machinery and equipment	<u>13,013,776</u>	<u>901,917</u>	<u>96,021</u>	<u>13,819,672</u>
Total capital assets being depreciated	<u>69,176,028</u>	<u>1,178,526</u>	<u>96,021</u>	<u>70,258,533</u>
Less accumulated depreciation for				
Buildings and improvements	12,221,066	694,283	-	12,915,349
Other improvements	4,420,832	503,564	-	4,924,396
Machinery and equipment	<u>5,056,197</u>	<u>215,638</u>	<u>79,427</u>	<u>5,192,408</u>
Total accumulated depreciation	<u>21,698,095</u>	<u>1,413,485</u>	<u>79,427</u>	<u>23,032,153</u>
Total capital assets being depreciated, net	<u>47,477,933</u>	<u>(234,959)</u>	<u>16,594</u>	<u>47,226,380</u>
Business-type activities capital assets, net	<u>\$ 58,119,562</u>	<u>\$ 1,147,471</u>	<u>\$ 1,979,474</u>	<u>\$ 57,287,559</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	\$ 1,309,430	\$ 86,261	\$ -	\$ 1,395,691
Construction in progress	<u>4,521,877</u>	<u>4,301,081</u>	<u>7,037,225</u>	<u>1,785,733</u>
Total capital assets not being depreciated	<u>5,831,307</u>	<u>4,387,342</u>	<u>7,037,225</u>	<u>3,181,424</u>
Capital assets being depreciated				
Buildings and improvements	4,430,975	56,271	-	4,487,246
Equipment and distribution system	56,226,038	8,343,911	291,258	64,278,691
Fiber system	<u>1,705,719</u>	<u>63,536</u>	<u>-</u>	<u>1,769,255</u>
Total capital assets being depreciated	<u>62,362,732</u>	<u>8,463,718</u>	<u>291,258</u>	<u>70,535,192</u>
Less accumulated depreciation for				
Buildings and improvements	1,235,109	133,817	-	1,368,926
Equipment and distribution system	21,143,195	1,893,367	282,618	22,753,944
Fiber system	<u>417,286</u>	<u>90,109</u>	<u>-</u>	<u>507,395</u>
Total accumulated depreciation	<u>22,795,590</u>	<u>2,117,293</u>	<u>282,618</u>	<u>24,630,265</u>
Total capital assets being depreciated, net	<u>39,567,142</u>	<u>6,346,425</u>	<u>8,640</u>	<u>45,904,927</u>
Light and Power				
Component Unit				
capital assets, net	<u>\$ 45,398,449</u>	<u>\$10,733,767</u>	<u>\$ 7,045,865</u>	<u>\$ 49,086,351</u>

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

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

Governmental activities	
General government	\$ 57,206
Public safety	144,872
Public works, including depreciation of general infrastructure assets	821,589
Recreation and culture	484,981
Capital assets held by the government's internal service fund are charged to the various functions based on their usage of the assets	<u>772,257</u>
Total depreciation expense – governmental activities	<u>\$2,280,905</u>
Business-type activities	
Wastewater	\$ 613,448
Water	271,697
Marina	107,999
Auto parking	<u>420,341</u>
Total depreciation expense – business-type activities	<u>\$1,413,485</u>
Component unit activities	
Light and power	<u>\$2,117,293</u>

D. Accounts payable and accrued expenses

Accounts payable and accrued expenses in the governmental activities consist of 44 percent vendor payables, 34 percent accrued salaries, 12 percent accrued interest, 9 percent customer deposits and 1 percent other liabilities.

Business-type activities accounts payable and accrued expenses consist of 61 percent vendor payables, 19 percent accrued salaries, 17 percent accrued interest and 3 percent customer deposits.

Component units accounts payable and accrued expenses consist of 70 percent vendor payables, 27 percent accrued salaries, and 3 percent customer deposits.

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	\$ 25,580
Brown Bridge Trust Fund	29,789
Nonmajor Governmental Funds	76,954
Wastewater Fund	37,250
Water Fund	29,854
Marina Fund	27,395
Automobile Parking System Fund	<u>215,511</u>
Total	<u>\$ 442,333</u>

	<u>Advance to other funds</u>
	General Fund
<u>Advance from other funds</u>	
Marina Fund	<u>\$ 850,000</u>

	<u>Due from component unit</u>
	General Fund
<u>Due to primary government</u>	
Light and Power	<u>\$ 227,315</u>

	<u>Advance to primary government</u>
	Light & Power
<u>Advance from component unit</u>	
Nonmajor Governmental Funds	\$ 5,836
Marina Fund	<u>300,000</u>
Total	<u>\$ 305,836</u>

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

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

	Transfer Out				Total
	General Fund	Major Streets Fund	Local Streets Fund	Capital Projects Fund	
Transfer in					
General Fund	\$ 324	\$ 111,200	\$ 804,904	\$ 1,315,450	\$ 2,231,878
Brown Bridge Trust Fund	176,461	-	-	-	176,461
Non-major Governmental Fund	11,761	-	-	-	11,761
Wastewater Fund	303,253	-	-	-	303,253
Water Fund	177,854	-	-	-	177,854
Marina Fund	27,395	-	-	-	27,395
Automobile Parking System Fund	<u>215,511</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>215,511</u>
Total	<u>\$ 912,559</u>	<u>\$ 111,200</u>	<u>\$ 804,904</u>	<u>\$ 1,315,450</u>	<u>\$ 3,144,113</u>

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

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

F. Long-term debt and accrued compensated absences

The following is a summary of bond and lease transactions of the City for the year ended June 30, 2014:

	Primary Government		
	Governmental Activities General Obligation Bonds	Business- Type Activities Lease Payable	Total Primary Government
Long-term debt at July 1, 2013	\$ 14,027,485	\$ 10,301,748	\$24,329,233
Reductions			
Principal	(1,580,000)	(1,125,231)	(2,705,231)
Amortization of Premium	(17,242)	-	(17,242)
Total reductions	(1,597,242)	(1,125,231)	(2,722,473)
Long-term debt at June 30, 2014	<u>\$ 12,430,243</u>	<u>\$ 9,176,517</u>	<u>\$21,606,760</u>
Due within one year	<u>\$ 1,725,000</u>	<u>\$ 1,188,139</u>	<u>\$ 2,913,139</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, 2014: For the governmental activities, compensated absences are generally liquidated by the General Fund.

	Primary Government			
	Governmental Activities	Business- Type Activities	Component Units	Total Reporting Entity
Accrued compensated absences at July 1, 2013	\$ 517,210	\$ 80,504	\$ 286,690	\$ 884,404
Additions	702,844	65,960	258,288	1,027,092
Reductions	(685,426)	(63,582)	(310,148)	(1,059,156)
Accrued compensated absences at June 30, 2014	<u>\$ 534,628</u>	<u>\$ 82,882</u>	<u>\$ 234,830</u>	<u>\$ 852,340</u>
Due within one year	<u>\$ 32,235</u>	<u>\$ 406</u>	<u>\$ 39,945</u>	<u>\$ 72,586</u>

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

Bond and lease obligations at June 30, 2014 are comprised of the following individual issues:

	Final Maturity Date	Interest Rates	Outstanding Balance
Primary Government			
Governmental Activities:			
General obligation Downtown Development			
Series 2009 – Parking Deck	2016	3.25-3.625%	\$2,765,000
Series 2009 Premium			27,175
General obligation Downtown Development			
Series 2007A – Parking Deck - Refund	2028	4.00-4.125	9,200,000
Series 2007A Premium			38,068
General obligation Downtown Development			
Series 2002B – Parking Deck	2017	6.40-6.50	400,000
Business-type Activities:			
2003 Wastewater Treatment			
Capital Lease Payable	2015	3.75	215,343
2011 Wastewater Treatment			
Capital Lease Payable	2022	4.00	8,961,174
Total Reporting Entity			\$21,606,760

The Wastewater Fund capital leases, which include the 2003 Wastewater Treatment 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 cost approximately \$23,015,000 with accumulated depreciation of \$4,834,000 and a book value of \$18,181,000 at June 30, 2014.

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

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

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

Fiscal Year	Governmental Activities General Obligation Bonds		Business-Type Activities Capital Leases Payable	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 1,725,000	\$ 501,776	\$ 1,188,139	\$ 366,522
2016	1,845,000	439,900	1,012,853	319,535
2017	485,000	363,606	1,047,187	279,021
2018	540,000	335,531	1,092,966	237,134
2019	590,000	313,931	1,144,467	193,415
2020-24	3,825,000	1,168,455	3,690,905	298,706
2025-28	<u>3,355,000</u>	<u>343,168</u>	-	-
	<u>\$ 12,365,000</u>	<u>\$ 3,466,367</u>	<u>\$ 9,176,517</u>	<u>\$ 1,694,333</u>

G. Commitments

Component Units

Downtown Development Authority

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

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

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>
2015	\$ 2,207,790
2016	2,265,914
2017	829,620
2018	875,531
2019	903,931
2020-2024	4,993,455
2025-2028	<u>3,698,168</u>
Total	<u>\$ 15,774,409</u>

Light and Power

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

During fiscal year 2013-14, the Department Board entered into an agreement with ABB Kulman for the purchase of two transformers for the South Substation capital project on LaFranier Road. The contract amount awarded was \$980,900. Additionally, the Department Board entered into contracts with CC Power for electrical cable and equipment installation, Kent Power for construction of the South Substation and Power Line Supply for materials relating to the South Substation capital projects. The costs of these contracts are \$383,545, \$1,304,760 and \$799,319, respectively. The contracts were not fulfilled until after fiscal year end.

During fiscal year 2013-14, the Department Board entered into an agreement with Aspen Wireless for the construction and operation of the WIFI system located within Traverse City’s downtown development authority area. The cost of the contracts are \$381,720 and \$9,600 per year respectively. Additionally, the Department Board entered into an agreement with the Downtown Development Authority for the reimbursement of the capital expenditures and operational costs relating to the project. Construction of the WIFI system began after fiscal year end.

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

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.

III. OTHER INFORMATION

A. Risk management

The government is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. During the year ended June 30, 2014, 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, 2014 amounted to \$174,094, 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 2013 adjusted taxable valuation of the City totaled \$817,961,427, on which ad valorem taxes levied consisted of 11.1167 mills for operating purposes and 2.32 mills for Act 345.

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

Included in the taxable valuation is the Downtown Development Authority (“DDA”). The taxable value for the DDA is \$124,605,945. The DDA general operating tax rate for fiscal year 2013-14 was 1.8038 mills. Property taxes are also derived from tax increment financing agreements between the DDA and other taxing districts. Under these arrangements, the DDA receives those property taxes levied on the increment of current taxable valuations (determined as of the preceding December 31, the lien date) over base year assessed valuations on certain property located in the City of Traverse City, which are within the DDA district. Property taxes are recognized in the fiscal year in which they are levied.

D. Defined benefit pension plans

The City has two retirement plans, one covering police and fire department personnel and the other covering all other employees of the City, and the Light and Power Component Unit employees. The Act 345 Pension Plan (police and fire department personnel) has adopted GASB Statement No. 67 - Financial Reporting for Pensions Plans – An Amendment of GASB Statement 25.

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

Method used to value Investments

Investments are reported at fair value. Short-term investments are valued at cost which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Real Estate consists of shares in a Real Estate Investment Trust which are valued at the last reported sales price at current exchange rates.

Plan Description

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

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

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

Plan membership. At June 30, 2013 the most recent actuarial valuation date, membership consisted of:

Retirees and beneficiaries currently receiving benefits	62
Terminated plan members entitled to but not yet receiving benefits	4
Active plan members	<u>47</u>

Total **113**

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

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

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

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

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

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

A non-duty disability benefit is payable upon the total and permanent disability of a

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

Police or Fire member with 5 or more years of service. The amount will be 1.5% of AFC times the years of service up to age 55 and an amount equal to the service retirement amount at age 55 or older.

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

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

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

Investments

Investment policy. The plans policy in regard to the allocation of invested assets is established and may be amended by the Act 345 Pension Board of Trustees. Investment objectives consider both the plan's financial and liquidity needs and the Board's tolerance for investment risk and inflation expectations. A strategic asset allocation plan is developed to attempt to achieve the Board's investment objectives while maximizing expected investment returns with a prudent amount of investment risk and recognizing that the capital markets may behave differently over any period of time, through the life of the plan. The following was the Board's adopted asset allocation policy as of June 30, 2013:

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

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

Concentrations. At June 30, 2014 the Plan did not hold investments greater than 5% of the plans fiduciary net position in any one organization.

Rate of Return. For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan expense, was 17.06%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability

The components of the net pension liability of the Plan at June 30, 2014 were as follows:

Total pension liability	\$40,722,189
Plan fiduciary net position	26,286,837
Net pension liability	14,435,352

Plan fiduciary net position as a percentage of the total Pension liability	64.55%
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Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2013 with a June 30, 2014 measurement date and reporting date, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary increases	4.0%
Investment rate of return	7.5%, net of pension plan investment expense

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return were adopted by the plan's trustees after considering input from the plan's investment consultant. For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2013, these best estimates are summarized in the following table:

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Domestic Fixed Income	23.00%	1.50%
International Fixed Income	5.00%	.05%
Domestic Equity	50.00%	7.1% to 9.1%**
International Equity	15.00%	3.50%
Real Estate	5.00%	5.00%
Cash	2.00%	.50%

* *Real rate of return is based on inflation assumption of 2.5%*

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

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

Sensitivity of the net pension liability to changes in the discount rate. The following presents the plan's net pension liability, calculated using a single discount rate of 7.50%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate is 100 basis points lower or 100 basis points higher:

	1% decrease	Current rate	1% increase
Total Pension Liability	\$46,142,171	\$40,722,189	\$36,204,666
Plan Fiduciary Net Position	26,286,837	26,286,837	26,286,837
Net Pension Liability/(Asset)	\$19,855,334	\$14,435,352	\$ 9,917,829

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

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 7.34% to 21.26% 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, 2014 the City's annual pension cost of \$1,828,597 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>
6/30/12	\$1,674,337	100%	\$ -
6/30/13	1,687,728	100%	-
6/30/14	1,828,597	100%	-

The required contribution was determined as part of the December 31, 2012 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year, compounded annually, attributable to inflation and (c) additional projected salary increases of 0.0% to 13.00% per year, depending on age, attributable to seniority/merit.

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

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, 2013, the date of the last actuarial valuation, was 25 years.

Funded Status and Funding Progress

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Unfunded Liability (AAL) Entry Age (b)	AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/12	\$ 42,402,116	\$ 61,890,053	\$ 19,487,937	69%	\$ 7,773,357	251%

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

E. Deferred compensation plan

Primary government

The City sponsors the City of Traverse City Deferred Compensation Plan created in accordance with the Internal Revenue Code Section 457. The City has ICMA Retirement Corporation and the Hartford Corporation as administrators for the plan. The plan is available to employees of the Administrative, Confidential and Technical group, General Municipal Employees union, Teamsters union, Police Officers Labor Council and Traverse City Firefighters Association. In addition, the plan is available to Light and Power component unit administrative and union employees. Participants may contribute from zero to six percent of covered payroll and the employer may contribute from two to six percent of covered payroll based on the employee's employment or labor union contract. Plan provision and contribution requirements can only be amended by authorization of the City Commission. In fiscal year 2014, the City contributed \$358,620 and employees contributed \$605,886.

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 the current year, the Downtown Development Authority contributed \$14,674 and the employees contributed \$15,154.

Light and Power

Traverse City Light and Power participated in the City's Deferred Compensation Plan created in accordance with the Internal Revenue Code Section 457. The City has ICMA Retirement Corporation and Mass Mutual as administrators for the Plan. Participants may contribute zero to six percent of covered payroll based on the employee's employment or labor union contract. Plan provision and contribution requirements can only be amended by authorization of the City Commission. In the current fiscal year, Traverse City Light and Power contributed \$147,277 and the employees contributed \$204,252.

F. Postemployment health benefits

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

Act 345 Retiree Health Insurance Plan

Description of benefits

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

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

Funding Policy

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

For the fiscal year end June 30, 2014, the City contributed \$358,555 to fund the benefits. The balance of the Act 345 Retiree Health Insurance Fund to be used for future benefits is \$3,379,733 as of June 30, 2014.

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	\$ 358,555
Interest on net OPEB obligation	-
Adjustment to annual required contribution	<u>-</u>
 Annual OPEB cost (expense)	 358,555
 Contributions made	 <u>358,555</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>
6/30/12	\$ 385,164	100%	-
6/30/13	417,585	100%	-
6/30/14	358,555	100%	-

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Liability (AAL) Entry Age (b)</u>	<u>Actuarial Accrued Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
6/30/12	\$ 3,724,352	\$ 6,835,930	\$ 3,111,578	54.5%	\$ 3,018,448	103.1%

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

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, 2013, actuarial valuation, the individual entry-age actuarial cost method and an amortization period of 20 years were utilized. The actuarial assumptions included a 7.5% rate of investment return and a payroll growth rate for open divisions assumed to be between 4.0 to 7.0%.

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

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

Retiree Health Insurance Plan

Description of Benefits

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

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

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

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

Funding Policy

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

The City contribution was the annual required contribution in addition to the pay-as-you-go financing requirements. For the current year, the annual required contribution for the City and Traverse City Light and Power was \$265,649. Of this amount, the City’s portion of the annual required contribution was \$1,420 and Traverse City Light and Power’s portion of the annual required contribution was \$264,229. The actual employer contribution for the City was \$124,668 and the employee contribution to the plan was \$141,927. The pay-as-you-go employer contribution for Traverse City Light and Power was \$208,769 and the employee contribution to the plan was \$71,538.

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

Funding Progress

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

Primary government

Annual required contribution	\$1,420
Interest on net OPEB asset	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	1,420
Contributions made	37,603
Increase in net OPEB asset	36,183
Net OPEB asset, beginning of year	292,852
Net OPEB asset, end of year	\$ 329,035

Component unit

Annual required contribution	\$ 264,229
Interest on net OPEB asset	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	264,229
Contributions made	472,998
Increase in net OPEB asset	208,769
Net OPEB asset, beginning of year	719,676
Net OPEB asset, end of year	\$ 928,445

Trend Information

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost (AOC)</u>	<u>Percentage of AOC Contributed</u>	<u>Net OPEB Obligation</u>
6/30/12	\$ 303,667	100%	\$ -
6/30/13	284,110	100%	\$ -
6/30/14	265,649	100%	\$ -

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

Schedule of Funding Progress

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

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

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

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

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

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

Statement of Net Position

	<u>Retiree Health Insurance Trust</u>
Assets	
Investments, at fair value	
MERS total market fund	<u>\$3,361,776</u>
Total assets	<u>3,361,776</u>
Net position	
Held in trust for pension	
Benefits and other postemployment benefits	<u>\$ 3,361,776</u>

Statement of Changes in Net Position

	<u>Retiree Health Insurance Trust</u>
Additions	
Contributions	
City contributions	\$ 0
Investment earnings	
Net depreciation in fair value of investments	<u>419,089</u>
Increase in plan assets	419,089
Net position held in trust, beginning of year	<u>2,942,687</u>
Net position held in trust, end of year	<u>\$ 3,361,776</u>

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

G. Entitlement commitment

In September 2010, Traverse City Light and Power Department (“Department”) entered into two 5-year agreements with the Lansing Board of Water & Light (“LBWL”) to commence January 1, 2011. The purchase power agreement allows for the purchase of a minimum of 10 megawatt of electric energy up to a maximum of 45 megawatt to replace its deficient energy needs from the expired agreement with MPPA. The estimated cost for the 5-year term is \$40,000,000. The energy service agency agreement provides for LBWL to act as the Department’s agent with Midwest 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, 2014, the Department recognized expenses totaling \$6,079,198.

The Department, along with other Michigan municipal utilities, is a member of the Michigan Public Power Agency (“MPPA”). The agency was formed to acquire interests in certain electric generating plants and related transmission lines to service its members. MPPA has acquired a 4.8% undivided interest in the Consumers Energy Campbell 3 plant, an 37.22% undivided interest in the Detroit Edison Belle River project, and a 100% undivided interest in the Kalkaska Combustion Turbine project.

In 1983, the Department entered into a 35-year power supply and project support contract with MPPA. Under the agreement, the Department will purchase 26.35% of the energy generated by MPPA’s 4.8% interest in the Campbell 3 plant and 4.53% of the energy generated by MPPA’s 37.22% interest in the Belle River plant. In 2002, the Department entered into a 25-year power supply and project support contract with MPPA. Under the agreement, the Department will purchase 75.9% of the energy generated by MPPA’s 100% interest in the Kalkaska Combustion Turbine. In 2009, the Department entered into a power supply contract with MPPA. Under the agreement, the Department will purchase 8.13% of the energy generated in the MPPA’s renewable energy contract with Grainger Electric of Michigan, LLC.

For the year ended June 30, 2014, the Department recognized expenses totaling \$14,045,658 to purchase power under the terms of all contracts with MPPA. The price of the power was calculated on a basis, as specified in the contract, to enable MPPA to recover its production, transmission and debt service costs

Under the terms of the contracts, the Department must make minimum annual payments to cover their share of annual debt service requirements and fixed operation costs of the Campbell 3, Belle River, and Combustion Turbine projects (based on the percentage of power purchased). Future operating costs are estimated based on 2013 costs adjusted for inflation.

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

The total estimated future operating costs, which do not include the annual debt payments, are as follows:

<u>Year Ended December 31</u>	<u>Operating Costs</u>
2014	\$ 7,876,795
2015	8,113,098
2016	5,245,694
2017	5,403,065
2018	2,993,291
2019-2023	16,368,542
2024-2027	<u>11,047,328</u>
	<u>\$ 57,047,813</u>

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

<u>Year Ended December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 2,773,172	\$ 1,307,908	\$ 4,081,079
2016	2,871,939	1,166,712	4,038,651
2017	3,160,421	1,020,444	4,180,865
2018	3,300,335	880,189	4,180,524
2019	2,197,513	739,091	2,936,603
2020-2024	10,023,774	2,427,396	12,451,170
2025-2027	<u>4,967,655</u>	<u>504,925</u>	<u>5,472,580</u>
	<u>\$ 29,294,809</u>	<u>\$ 8,046,664</u>	<u>\$ 37,341,473</u>

The MPPA and its member utilities were over-charged on their power sales contract agreements by Detroit Edison. Because of this, MPPA and the member utilities have established a trust fund (“The Municipal Competitive Trust”). Specific policies have been established by each member regarding the use of these funds. The Department’s share of this trust fund was \$1,960,897 as of June 30, 2014.

In December 2010, the 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, 2014, the Department recognized expenses totaling \$2,890,566.

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

H. Related party transactions

Component unit

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

I. Subsequent events

Primary government

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

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

fully funded by co-defendant Molon's insurance carrier. With regard to the Circuit Court action, all of the Plaintiffs' claims against the City have been disposed of either through settlement or motion with no payments being made by the City or from its insurance policy. The City will cooperate with the DEQ to resolve the remaining issue of the Enforcement Notice.

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

Component unit

On October 14, 2014, the DDA received from Brownfield Redevelopment Authority's reimbursement payment of \$536,000 under the River's Edge Brownfield Plan and the reimbursement payment of \$115,000 towards the Michigan Economic Growth Authority eligible expenses associated with the Larry C. Hardy parking deck under the Radio Center Brownfield Plan.

On September 30, 2014, the DDA's Board of Directors authorized the Executive Director to enter into a contract with the Downtown Traverse City Association through August 31, 2015, with an annual compensation of \$60,551. The Authority provides office space and administrative services to the Downtown Traverse City Association.

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

J. Designations of net position

Primary government

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

	Automobile Parking System Fund	Wastewater Fund	Water Fund	Internal Service Fund
Emergencies	\$ 25,492	\$ -	\$ 49,724	\$ -
Capital expenditures	1,548,000	1,069,000	2,169,500	2,319,000
Future maintenance	1,300,000	-	-	-
Total	\$ 2,873,492	\$1,069,000	\$2,219,224	\$2,319,000

Component unit

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

Emergencies	\$ 100,056
Capital expansion	9,125,000
Total	\$ 9,225,056

K. Contingent liability

Primary government – Boot Lake Landfill

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

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

L. Restatement of Net Position/Fund Balance

Beginning net position of the governmental activities for the Primary Government has been restated due to an overstatement of amounts due from the State of Michigan at June 30, 2013. This resulted in governmental activities net position being restated from \$56,732,177 to \$56,673,127 at the beginning of the year.

Beginning fund balance of the Capital Project Fund has been restated due to overstating receivable and revenue at June 30, 2013. This resulted in fund balance being restated from \$2,569,064 to \$2,510,014 at the beginning of the year.

M. Change in Accounting Principles

GASB Statement No. 67, *Financial Reporting for Pension Plans* was implemented during the current year. Statement No. 67 replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, establishes standards for financial reporting that outline the basic framework for separately issued pension plan financial reports and specifies the required approach to measuring the liability of employer and certain nonemployer contributing entities, about which information is required to be disclosed.

N. GASB Pronouncements

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

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

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

Fiscal year ending June 30,	<u>2014</u>
Total Pension Liability	
Service Cost	\$ 492,852
Interest on the Total Pension Liability	2,897,030
Benefit changes	-
Difference between expected and actual experience of the Total Pension Liability	-
Assumption changes	-
Benefits paid and refunds	<u>(2,096,654)</u>
Net change in Total Pension Liability	1,293,228
Total Pension Liability - Beginning	<u>39,428,961</u>
Total Pension Liability- Ending (a)	<u><u>\$ 40,722,189</u></u>
Plan Fiduciary Net Position	
Employer contributions	\$ 1,639,480
Employee contributions	75,526
Pension plan net investment income	3,883,457
Benefit payments and refunds	(2,096,654)
Pension plan administrative expense	(10,567)
Other	<u>(114,710)</u>
Net Change in Plan Fiduciary Net Position	3,376,532
Plan Fiduciary Net Position - Beginning	<u>22,910,305</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>26,286,837</u></u>
Net Pension Liability - Ending (a)-(b)	14,435,352
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	64.55%
Covered Employee Payroll	3,018,448
Net Pension Liability as a Percentage of Covered Employee Payroll	478.24%

CITY OF TRAVERSE CITY
Required Supplementary Information
Act 345 Pension Trust Fund
Schedule of the Employer's Net Pension Liability and Related Ratios

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

FY Ending June 30,	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Positon as a % of Total Pension Liability	Covered Payroll	Net Pension Liability as a % of Covered Payroll
2014	\$ 40,722,189	\$ 26,286,837	\$ 14,435,352	64.55%	\$ 3,018,448	478.2%

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

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

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

Notes to Schedule of Contributions

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

Methods and Assumptions Used to Determine Contribution Rates:

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

CITY OF TRAVERSE CITY
Required Supplementary Information
Act 345 Pension Trust Fund
Schedule of Investment Returns

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

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

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

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)
6/30/2004	\$ 2,645,396	\$ 8,091,713	\$ 5,446,317	32.7%	\$ 2,671,393	203.9%
6/30/2005	2,723,028	8,218,900	5,495,872	33.1	3,139,509	175.1
6/30/2006	2,977,346	8,643,119	5,665,773	34.4	3,509,371	161.5
6/30/2007	3,444,580	8,402,945	4,958,365	41.0	3,234,852	153.3
6/30/2008	3,655,194	6,710,657	3,055,463	54.5	3,173,479	96.3
6/30/2009	3,700,439	6,835,257	3,134,818	54.1	3,348,677	93.6
6/30/2010	3,774,317	7,115,866	3,341,549	53.0	3,308,083	101.0
6/30/2011	3,707,242	7,503,406	3,796,164	49.4	3,131,962	121.2
6/30/2012	3,707,242	7,503,406	3,796,164	49.4	3,131,962	121.2
6/30/2013	3,724,352	6,835,930	3,111,578	54.5	3,018,448	103.1

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year ended/valuation June 30	Annual Required Contribution	Percentage Contributed
2005 / 2004	\$ 303,755	100%
2006 / 2005	313,977	100
2007 / 2006	408,471	100
2008 / 2007	373,161	100
2009 / 2008	279,931	100
2010 / 2009	331,647	100
2011 / 2010	340,273	100
2012 / 2011	385,164	100
2013 / 2012	417,585	100
2014 / 2013	358,555	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, 2012
Actuarial cost method	Individual entry-age actuarial cost method
Amortization method	Level percent
Remaining amortization period	20 years closed
Asset valuation method	4 years smoothed market
Actuarial assumptions	
Investment rate of return	7.50%
Projected salary increases	4.0-7.0%
Price inflation	3.00%

CITY OF TRAVERSE CITY
Required Supplementary Information
MERS Pension Plan
Schedule of 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)
12/31/2004	\$ 34,215,650	\$ 44,008,390	\$ 9,792,740	77.7%	\$ 7,656,396	127.9%
12/31/2005	35,574,162	45,667,466	10,093,304	77.9	7,442,267	135.6
12/31/2006	37,648,129	47,608,085	9,959,956	79.1	7,921,231	125.7
12/31/2007	40,033,232	50,210,221	10,176,989	79.7	8,079,158	126.0
12/31/2008	40,805,149	52,758,416	11,953,267	77.3	8,023,611	149.0
12/31/2009	40,980,261	54,216,489	13,236,228	75.6	7,971,182	166.1
12/31/2010	41,600,136	56,545,514	14,945,378	73.6	8,152,207	183.3
12/31/2011	42,069,093	59,144,098	17,075,005	71.1	7,998,283	213.5
12/31/2012	42,016,775	60,259,583	18,242,808	69.7	7,804,965	233.7
12/31/2013	42,402,116	61,890,053	19,487,937	68.5	7,773,357	250.7

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year ended/valuation June 30	Annual Required Contribution	Percentage Contributed
2005 / 2004	\$ 1,013,415	100%
2006 / 2005	1,226,873	100
2007 / 2006	1,352,653	100
2008 / 2007	1,399,592	100
2009 / 2008	1,340,339	100
2010 / 2009	1,394,741	100
2011 / 2010	1,689,281	100
2012 / 2011	1,674,337	100
2013 / 2012	1,687,728	100
2014 / 2013	1,828,597	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, 2012
Actuarial cost method	Entry age normal cost method
Amortization method	Level percent
Remaining amortization period	25 years
Asset valuation method	10 year smoothed market
Actuarial assumptions	
Investment rate of return	8.00%
Projected salary increases	4.50% base

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

Actuarial valuation date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered payroll ((b - a) / c)
12/31/2006	\$ 1,079,242	\$ 4,622,001	\$ 3,542,759	23.4%	\$ 7,921,231	44.7%
12/31/2008	1,488,166	5,055,539	3,567,373	29.4	8,023,611	44.5
12/31/2010	2,531,410	5,381,283	2,849,873	47.0	8,152,207	35.0
12/31/2013	3,200,892	5,707,204	2,506,312	56.1	7,773,357	32.2

SCHEDULE OF EMPLOYER CONTRIBUTIONS

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

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, 2012
Actuarial cost method	Entry age normal
Amortization method	Level dollar
Remaining amortization period	30 years
Asset valuation method	Market Value
Actuarial assumptions	
Investment rate of return	8.00%
Projected salary increases	Not applicable

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget (GAAP Basis) and Actual
General Fund
For the Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 8,110,500	\$ 8,110,500	\$ 8,109,109	\$ (1,391)
Licenses and permits	230,000	260,000	288,269	28,269
Federal sources	20,000	87,100	22,145	(64,955)
State sources	1,296,900	1,296,900	1,312,952	16,052
Local sources	1,720,400	1,720,400	1,806,670	86,270
Charges for services	462,550	462,550	529,285	66,735
Fines and forfeits	14,100	14,100	16,238	2,138
Contributions	179,800	432,300	135,301	(296,999)
Reimbursements	628,500	661,510	451,412	(210,098)
Interest income	47,500	47,500	13,008	(34,492)
Other revenue	384,500	400,500	442,669	42,169
Total revenues	<u>13,094,750</u>	<u>13,493,360</u>	<u>13,127,058</u>	<u>(366,302)</u>
Expenditures				
General government	2,966,130	3,115,130	2,961,754	153,376
Public safety	6,006,215	6,101,315	5,906,802	194,513
Public works	1,088,540	1,231,540	1,329,368	(97,828)
Recreation and culture	1,955,600	2,240,100	1,921,567	318,533
Total expenditures	<u>12,016,485</u>	<u>12,688,085</u>	<u>12,119,491</u>	<u>568,594</u>
Excess (deficiency) of revenue over expenditures	<u>1,078,265</u>	<u>805,275</u>	<u>1,007,567</u>	<u>202,292</u>
Other financing sources (uses)				
Transfers in	888,350	888,350	912,559	24,209
Transfers out	(2,395,550)	(2,270,550)	(2,231,878)	38,672
Total other financing sources (uses)	<u>(1,507,200)</u>	<u>(1,382,200)</u>	<u>(1,319,319)</u>	<u>62,881</u>
Net change in fund balance	(428,935)	(576,925)	(311,752)	265,173
Fund balance, beginning of year	<u>7,465,086</u>	<u>7,465,086</u>	<u>7,465,086</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 7,036,151</u></u>	<u><u>\$ 6,888,161</u></u>	<u><u>\$ 7,153,334</u></u>	<u><u>\$ 265,173</u></u>

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget (GAAP Basis) and Actual
Major Streets Special Revenue Fund
For the Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues				
State sources	\$ 986,400	\$ 1,011,400	\$ 1,135,819	\$ 124,419
Interest income	700	700	44	(656)
Total revenues	<u>987,100</u>	<u>1,012,100</u>	<u>1,135,863</u>	<u>123,763</u>
Expenditures				
Public works				
Personnel	466,100	466,100	444,175	21,925
Commodities	165,000	165,000	183,373	(18,373)
Contractual services	90,000	90,000	74,171	15,829
Other charges	402,200	402,200	546,677	(144,477)
Total expenditures	<u>1,123,300</u>	<u>1,123,300</u>	<u>1,248,396</u>	<u>(125,096)</u>
Excess (deficiency) of revenue over expenditures	(136,200)	(111,200)	(112,533)	(1,333)
Other financing sources (uses)				
Transfers in	136,200	111,200	111,200	-
Net change in fund balance	-	-	(1,333)	(1,333)
Fund balance, beginning of year	225,119	225,119	225,119	-
Fund balance, end of year	<u>\$ 225,119</u>	<u>\$ 225,119</u>	<u>\$ 223,786</u>	<u>\$ (1,333)</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, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues				
State sources	\$ 326,000	\$ 426,000	\$ 418,927	\$ (7,073)
Expenditures				
Public works				
Personnel	596,900	596,900	530,848	66,052
Contractual services	60,000	60,000	16,241	43,759
Commodities	86,000	86,000	86,603	(603)
Other charges	525,000	525,000	590,139	(65,139)
Total expenditures	1,267,900	1,267,900	1,223,831	44,069
Excess (deficiency) of revenue over expenditures	(941,900)	(841,900)	(804,904)	36,996
Other financing sources (uses)				
Transfer in	941,900	841,900	804,904	(36,996)
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
Boardman River Dam Removal & Restoration Special Revenue Fund
For the Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues				
Federal sources	\$ 115,000	\$ 115,000	\$ 58,464	\$ (56,536)
Reimbursements	-	8,500	8,000	(500)
Total revenues	<u>115,000</u>	<u>123,500</u>	<u>66,464</u>	<u>(57,036)</u>
Expenditures				
Recreation				
Contractual services	115,000	123,500	66,464	57,036
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF TRAVERSE CITY, MICHIGAN

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

I. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

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

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

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

B. Excess of expenditures over appropriations

For the year ended June 30, 2014, actual expenditures in the Major Streets Special Revenue Fund, General Fund Public Works, Act 302 Police Training Special Revenue Fund, Senior Center Building Special Revenue Fund exceeded appropriations by \$125,096, \$97,828, \$1,335, and \$1,885, respectively. These over expenditures were funded either by greater than anticipated revenues in the applicable fund and/or the use of prior year fund balance.

C. Budgeted deficit

For the year ended June 30, 2014, there were no budgeted fund balance deficits to report.

CITY OF TRAVERSE CITY
Schedule of GASB 54 Consolidation
Budget (GAAP Basis) and Actual
For the Year Ended June 30, 2014

	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	\$ 8,110,500	\$ 8,110,500	\$ 8,109,109	\$ (1,391)	\$ -	\$ -	\$ -	\$ -
Licenses and permits	230,000	260,000	288,269	28,269	-	-	-	-
Federal sources	20,000	20,000	22,145	2,145	-	-	-	-
State sources	1,296,900	1,296,900	1,312,952	16,052	-	-	-	-
Local sources	1,700,000	1,700,000	1,787,315	87,315	-	-	-	-
Charges for services	312,800	312,800	366,785	53,985	-	-	-	-
Fines and forfeits	14,100	14,100	16,238	2,138	-	-	-	-
Contributions	-	-	-	-	-	-	-	-
Reimbursements	628,000	655,000	445,095	(209,905)	-	-	-	-
Interest income	25,000	25,000	12,174	(12,826)	2,000	2,000	98	(1,902)
Other revenue	384,500	400,500	442,369	41,869	-	-	-	-
Total revenues	12,721,800	12,794,800	12,802,451	7,651	2,000	2,000	98	(1,902)
Expenditures								
General government	2,946,130	3,095,130	2,958,576	136,554	-	-	-	-
Public safety	5,981,465	6,009,465	5,891,957	117,508	-	-	-	-
Public works	1,088,540	1,231,540	1,329,368	(97,828)	-	-	-	-
Recreation and culture	1,727,400	1,759,400	1,704,842	54,558	-	-	-	-
Total expenditures	11,743,535	12,095,535	11,884,743	210,792	-	-	-	-
Excess (deficiency) of revenue over expenditures	978,265	699,265	917,708	218,443	2,000	2,000	98	(1,902)
Other financing sources (uses)								
Transfers in	885,850	885,850	911,107	25,257	-	-	-	-
Transfers out	(2,393,550)	(2,268,550)	(2,231,554)	36,996	(2,000)	(2,000)	(324)	1,676
Total other financing sources (uses)	(1,507,700)	(1,382,700)	(1,320,447)	62,253	(2,000)	(2,000)	(324)	1,676
Net change in fund balance	(529,435)	(683,435)	(402,739)	280,696	-	-	(226)	(226)
Fund balance, beginning of year	4,533,580	4,533,580	4,533,580	-	750,000	750,000	750,000	-
Fund balance, end of year	\$ 4,004,145	\$ 3,850,145	\$ 4,130,841	\$ 280,696	\$ 750,000	\$ 750,000	\$ 749,774	\$ (226)

CITY OF TRAVERSE CITY
Schedule of GASB 54 Consolidation
Budget (GAAP Basis) and Actual
For the Year Ended June 30, 2014

	Hazmat				Heritage Center Museum			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-
Federal sources	-	67,100	-	(67,100)	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Local sources	20,400	20,400	19,355	(1,045)	-	-	-	-
Charges for services	-	-	5,373	5,373	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	-	-	-
Reimbursements	-	-	-	-	-	-	-	-
Interest income	-	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-	-
Total revenues	20,400	87,500	24,728	(62,772)	-	-	-	-
Expenditures								
General government	-	-	-	-	-	-	-	-
Public safety	19,750	86,850	14,224	72,626	-	-	-	-
Public works	-	-	-	-	-	-	-	-
Recreation and culture	-	-	-	-	2,500	2,500	1,452	(1,048)
Total expenditures	19,750	86,850	14,224	72,626	2,500	2,500	1,452	(1,048)
Excess (deficiency) of revenue over expenditures	650	650	10,504	9,854	(2,500)	(2,500)	(1,452)	1,048
Other financing sources (uses)								
Transfers in	-	-	-	-	2,500	2,500	1,452	(1,048)
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	2,500	2,500	1,452	(1,048)
Net change in fund balance	650	650	10,504	9,854	-	-	-	-
Fund balance, beginning of year	32,324	32,324	32,324	-	-	-	-	-
Fund balance, end of year	\$ 32,974	\$ 32,974	\$ 42,828	\$ 9,854	\$ -	\$ -	\$ -	\$ -

CITY OF TRAVERSE CITY
Schedule of GASB 54 Consolidation
Budget (GAAP Basis) and Actual
For the Year Ended June 30, 2014

	Cherry Capital Cable				Coast Guard Committee			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Local sources	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	61,000	61,000	209	(60,791)
Reimbursements	-	-	-	-	-	-	-	-
Interest income	-	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-	-
Total revenues	-	-	-	-	61,000	61,000	209	(60,791)
Expenditures								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	5,000	5,000	621	4,379
Public works	-	-	-	-	-	-	-	-
Recreation and culture	-	-	-	-	-	-	-	-
Total expenditures	-	-	-	-	5,000	5,000	621	4,379
Excess (deficiency) of revenue over expenditures	-	-	-	-	56,000	56,000	(412)	(56,412)
Other financing sources (uses)								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Net change in fund balance	-	-	-	-	56,000	56,000	(412)	(56,412)
Fund balance, beginning of year	4,741	4,741	4,741	-	1,058	1,058	1,058	-
Fund balance, end of year	\$ 4,741	\$ 4,741	\$ 4,741	\$ -	\$ 57,058	\$ 57,058	\$ 646	\$ (56,412)

CITY OF TRAVERSE CITY
Schedule of GASB 54 Consolidation
Budget (GAAP Basis) and Actual
For the Year Ended June 30, 2014

	County Senior Center				Brown Bridge Maintenance			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Local sources	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	56,250	56,250	61,752	5,502
Fines and forfeits	-	-	-	-	-	-	-	-
Contributions	118,800	126,800	119,592	(7,208)	-	-	-	-
Reimbursements	-	-	-	-	-	-	-	-
Interest income	-	-	28	28	-	-	-	-
Other revenue	-	-	-	-	-	-	-	-
Total revenues	118,800	126,800	119,620	(7,180)	56,250	56,250	61,752	5,502
Expenditures								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-
Recreation and culture	120,250	128,250	120,890	(7,360)	56,250	56,250	53,130	(3,120)
Total expenditures	120,250	128,250	120,890	(7,360)	56,250	56,250	53,130	(3,120)
Excess (deficiency) of revenue over expenditures	(1,450)	(1,450)	(1,270)	180	-	-	8,622	8,622
Other financing sources (uses)								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Net change in fund balance	(1,450)	(1,450)	(1,270)	180	-	-	8,622	8,622
Fund balance, beginning of year	63,897	63,897	63,897	-	2,826	2,826	2,826	-
Fund balance, end of year	\$ 62,447	\$ 62,447	\$ 62,627	\$ 180	\$ 2,826	\$ 2,826	\$ 11,448	\$ 8,622

CITY OF TRAVERSE CITY
Schedule of GASB 54 Consolidation
Budget (GAAP Basis) and Actual
For the Year Ended June 30, 2014

	Opera House				Banner Program			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Local sources	-	-	-	-	-	-	-	-
Charges for services	93,500	93,500	93,315	(185)	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Contributions	-	244,500	15,500	(229,000)	-	-	-	-
Reimbursements	4,000	4,000	3,807	(193)	(3,500)	2,510	2,510	-
Interest income	500	500	33	(467)	-	-	-	-
Other revenue	-	-	300	300	-	-	-	-
Total revenues	98,000	342,500	112,955	(229,545)	(3,500)	2,510	2,510	-
Expenditures								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-
Recreation and culture	45,700	290,200	40,773	(249,427)	3,500	3,500	480	(3,020)
Total expenditures	45,700	290,200	40,773	(249,427)	3,500	3,500	480	(3,020)
Excess (deficiency) of revenue over expenditures	52,300	52,300	72,182	19,882	(7,000)	(990)	2,030	3,020
Other financing sources (uses)								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Net change in fund balance	52,300	52,300	72,182	19,882	(7,000)	(990)	2,030	3,020
Fund balance, beginning of year	37,610	37,610	37,610	-	20,840	20,840	20,840	-
Fund balance, end of year	\$ 89,910	\$ 89,910	\$ 109,792	\$ 19,882	\$ 13,840	\$ 19,850	\$ 22,870	\$ 3,020

CITY OF TRAVERSE CITY
Schedule of GASB 54 Consolidation
Budget (GAAP Basis) and Actual
For the Year Ended June 30, 2014

	Economic Development				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	\$ -	\$ -	\$ -	\$ -	\$ 8,110,500	\$ 8,110,500	\$ 8,109,109	\$ (1,391)
Licenses and permits	-	-	-	-	230,000	260,000	288,269	28,269
Federal sources	-	-	-	-	20,000	87,100	22,145	(64,955)
State sources	-	-	-	-	1,296,900	1,296,900	1,312,952	16,052
Local sources	-	-	-	-	1,720,400	1,720,400	1,806,670	86,270
Charges for services	-	-	2,060	2,060	462,550	462,550	529,285	66,735
Fines and forfeits	-	-	-	-	14,100	14,100	16,238	2,138
Contributions	-	-	-	-	179,800	432,300	135,301	(296,999)
Reimbursements	-	-	-	-	628,500	661,510	451,412	(210,098)
Interest income	20,000	20,000	675	(19,325)	47,500	47,500	13,008	(34,492)
Other revenue	-	-	-	-	384,500	400,500	442,669	42,169
Total revenues	20,000	20,000	2,735	(17,265)	13,094,750	13,493,360	13,127,058	(366,302)
Expenditures								
General government	20,000	20,000	3,178	16,822	2,966,130	3,115,130	2,961,754	153,376
Public safety	-	-	-	-	6,006,215	6,101,315	5,906,802	194,513
Public works	-	-	-	-	1,088,540	1,231,540	1,329,368	(97,828)
Recreation and culture	-	-	-	-	1,955,600	2,240,100	1,921,567	318,533
Total expenditures	20,000	20,000	3,178	16,822	12,016,485	12,688,085	12,119,491	568,594
Excess (deficiency) of revenue over expenditures	-	-	(443)	(443)	1,078,265	805,275	1,007,567	202,292
Other financing sources (uses)								
Transfers in	-	-	-	-	888,350	888,350	912,559	24,209
Transfers out	-	-	-	-	(2,395,550)	(2,270,550)	(2,231,878)	38,672
Total other financing sources (uses)	-	-	-	-	(1,507,200)	(1,382,200)	(1,319,319)	62,881
Net change in fund balance	-	-	(443)	(443)	(428,935)	(576,925)	(311,752)	265,173
Fund balance, beginning of year	2,018,210	2,018,210	2,018,210	-	7,465,086	7,465,086	7,465,086	-
Fund balance, end of year	\$ 2,018,210	\$ 2,018,210	\$ 2,017,767	\$ (443)	\$ 7,036,151	\$ 6,888,161	\$ 7,153,334	\$ 265,173

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Revenues
Budget (GAAP Basis) and Actual
General Fund before GASB 54 Consolidation
For the Year Ended June 30, 2014

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Property taxes			
Real estate and personal property	\$ 7,978,000	\$ 8,008,735	\$ 30,735
Collection fees	14,500	14,199	(301)
Penalties and interest on taxes	118,000	86,175	(31,825)
Total property taxes	8,110,500	8,109,109	(1,391)
Licenses and permits			
Business	246,100	263,321	17,221
Nonbusiness	13,900	24,948	11,048
Total licenses and permits	260,000	288,269	28,269
Federal sources	20,000	22,145	2,145
State sources			
State - shared revenues			
Sales and use tax	1,254,900	1,257,242	2,342
Liquor licenses	42,000	55,710	13,710
Total state sources	1,296,900	1,312,952	16,052
Local sources			
City fee	1,700,000	1,787,315	87,315
Charges for services			
General fees and services	26,600	34,260	7,660
Use and admission fees	241,200	281,745	40,545
Fine and forfeitures - ordinance and cost	45,000	50,780	5,780
Total charges for services	312,800	366,785	53,985
Fines and forfeits			
Parking violations	14,100	16,238	2,138
Reimbursements	655,000	445,095	(209,905)
Interest income	25,000	12,174	(12,826)
Other revenue			
Rents and royalties	2,500	2,511	11
Contributions	357,000	394,240	37,240
Sale of assets	2,500	12,940	10,440
Other	38,500	32,678	(5,822)
Total other revenue	400,500	442,369	41,869
Total revenues	\$ 12,794,800	\$ 12,802,451	\$ 7,651

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Expenditures
Budget (GAAP Basis) and Actual
General Fund before GASB 54 Consolidation
For the Year Ended June 30, 2014

	<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	1,000	1,109	(109)
Contractual services	43,500	30,637	12,863
Other charges	7,300	7,514	(214)
Total City Commission	<u>86,970</u>	<u>74,303</u>	<u>12,667</u>
City Manager's Office			
Personnel	333,730	313,094	20,636
Commodities	4,500	3,493	1,007
Contractual services	26,000	23,146	2,854
Other charges	8,800	4,842	3,958
Total City Manager's Office	<u>373,030</u>	<u>344,575</u>	<u>28,455</u>
Human Resources			
Personnel	141,000	142,150	(1,150)
Commodities	1,000	2,007	(1,007)
Contractual services	23,400	18,402	4,998
Other charges	4,000	3,996	4
Total Human Resources	<u>169,400</u>	<u>166,555</u>	<u>2,845</u>
Geographic Information Systems			
Contractual services	<u>20,000</u>	<u>13,132</u>	<u>6,868</u>
City Attorney's Office			
Personnel	119,525	110,823	8,702
Commodities	1,500	1,481	19
Contractual services	30,200	30,733	(533)
Other charges	2,150	2,156	(6)
Total City Attorney's Office	<u>153,375</u>	<u>145,193</u>	<u>8,182</u>
City Clerk's Office			
Personnel	318,200	317,417	783
Commodities	25,000	18,962	6,038
Contractual services	56,595	63,757	(7,162)
Other charges	13,450	13,556	(106)
Total City Clerk's Office	<u>413,245</u>	<u>413,692</u>	<u>(447)</u>

Continued.....

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Expenditures
Budget (GAAP Basis) and Actual
General Fund before GASB 54 Consolidation
For the Year Ended June 30, 2014

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Assessor's Office			
Personnel	\$ 314,950	\$ 308,838	\$ 6,112
Commodities	12,500	11,043	1,457
Contractual services	44,800	48,138	(3,338)
Other charges	3,600	4,226	(626)
Total Assessor's Office	<u>375,850</u>	<u>372,245</u>	<u>3,605</u>
Treasurer's Office			
Personnel	312,050	315,288	(3,238)
Commodities	21,000	19,771	1,229
Contractual services	40,500	30,425	10,075
Other charges	8,000	4,176	3,824
Total Treasurer's Office	<u>381,550</u>	<u>369,660</u>	<u>11,890</u>
Building and grounds			
Other charges	<u>190,000</u>	<u>174,224</u>	<u>15,776</u>
Planning/Zoning			
Personnel	363,550	368,010	(4,460)
Commodities	5,800	6,550	(750)
Contractual services	26,700	29,995	(3,295)
Other charges	14,700	12,342	2,358
Total Planning/Zoning	<u>410,750</u>	<u>416,897</u>	<u>(6,147)</u>
Cemetery			
Personnel	214,720	213,715	1,005
Commodities	11,000	9,389	1,611
Contractual services	20,000	13,855	6,145
Other charges	81,000	86,872	(5,872)
Total Cemetery	<u>326,720</u>	<u>323,831</u>	<u>2,889</u>
Appropriations	<u>142,000</u>	<u>106,582</u>	<u>35,418</u>
Capital outlay	<u>52,240</u>	<u>37,687</u>	<u>14,553</u>
Total general government	<u>3,095,130</u>	<u>2,958,576</u>	<u>136,554</u>
Public Safety			
Police			
Personnel	2,707,850	2,646,106	61,744
Commodities	79,900	97,097	(17,197)
Contractual services	384,500	358,694	25,806
Other charges	358,550	315,419	43,131
Total Police	<u>3,530,800</u>	<u>3,417,316</u>	<u>113,484</u>

Continued.....

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Expenditures
Budget (GAAP Basis) and Actual
General Fund before GASB 54 Consolidation
For the Year Ended June 30, 2014

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Fire			
Personnel	\$ 1,961,705	\$ 1,958,822	\$ 2,883
Commodities	55,100	57,321	(2,221)
Contractual services	96,600	93,174	3,426
Other charges	365,260	365,324	(64)
Total Fire	<u>2,478,665</u>	<u>2,474,641</u>	<u>4,024</u>
Total public safety	<u>6,009,465</u>	<u>5,891,957</u>	<u>117,508</u>
Public Works			
Streets, alleys and sidewalks			
Personnel	278,490	382,151	(103,661)
Commodities	30,000	35,558	(5,558)
Contractual services	182,000	244,952	(62,952)
Other charges	77,100	34,354	42,746
Total Streets, Alleys and Sidewalks	<u>567,590</u>	<u>697,015</u>	<u>(129,425)</u>
Engineering			
Personnel	577,850	570,929	6,921
Commodities	18,000	7,749	10,251
Contractual services	49,200	34,355	14,845
Other charges	18,900	19,320	(420)
Total Engineering	<u>663,950</u>	<u>632,353</u>	<u>31,597</u>
Total public works	<u>1,231,540</u>	<u>1,329,368</u>	<u>(97,828)</u>
Recreation and Culture			
Parks			
Personnel	920,800	929,798	(8,998)
Commodities	59,800	41,380	18,420
Contractual services	277,000	230,029	46,971
Other charges	501,800	503,635	(1,835)
Total Parks	<u>1,759,400</u>	<u>1,704,842</u>	<u>54,558</u>
Total expenditures	<u>\$ 12,095,535</u>	<u>\$ 11,884,743</u>	<u>\$ 210,792</u>

Concluded

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Transfers
Budget (GAAP Basis) and Actual
General Fund before GASB 54 Consolidation
For the Year Ended June 30, 2014

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Transfers in			
Brown Bridge Trust	\$ 250,000	\$ 176,461	\$ (73,539)
Other funds	14,000	10,633	(3,367)
City fee	621,850	724,013	102,163
Total Transfers In	<u>\$ 885,850</u>	<u>\$ 911,107</u>	<u>\$ 25,257</u>
Transfers out			
Motor Vehicle Highway	\$ 953,100	\$ 916,104	\$ 36,996
Public Improvement	1,315,450	1,315,450	-
Total Transfers Out	<u>\$ 2,268,550</u>	<u>\$ 2,231,554</u>	<u>\$ 36,996</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, 2014

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues			
Federal sources	\$ 2,225,000	\$ 110,218	\$ (2,114,782)
State sources	447,000	479,400	32,400
Contributions	1,293,000	137,662	(1,155,338)
Reimbursement	-	4,041	4,041
Interest income	-	358	358
Other revenue	-	2,715	2,715
Total revenues	3,965,000	734,394	(3,230,606)
Expenditures			
Public works			
Contractual services	-	762,745	(762,745)
Capital outlay	5,973,450	2,509,378	3,464,072
Total expenditures	5,973,450	3,272,123	2,701,327
Excess (deficiency) of revenues over expenditures	(2,008,450)	(2,537,729)	(529,279)
Other financing sources (uses)			
Transfers in	1,315,450	1,315,450	-
Net change in fund balance	(693,000)	(1,222,279)	(529,279)
Fund balance, beginning of year - restated	2,510,014	2,510,014	-
Fund balance, end of year	\$ 1,817,014	\$ 1,287,735	\$ (529,279)

CITY OF TRAVERSE CITY, MICHIGAN
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014

	<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	\$ 1,048,476	\$ 325	\$ 2,095,085	\$ 68,431	\$ 3,212,317
Investments	97,159	-	4,877	666,819	768,855
Receivables					
Accounts	4,665	850	-	-	5,515
Taxes	-	-	5,012	-	5,012
Special assessments	-	-	259,643	-	259,643
Due from other governments	61,440	-	-	-	61,440
Total assets	\$ 1,211,740	\$ 1,175	\$ 2,364,617	\$ 735,250	\$ 4,312,782
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 3,016	\$ -	\$ -	\$ -	\$ 3,016
Accrued and other liabilities	274	-	-	-	274
Due to other funds	65,895	750	-	10,309	76,954
Advance from component unit	-	-	5,836	-	5,836
Total liabilities	69,185	750	5,836	10,309	86,080
Deferred inflows of resources					
Unavailable revenue	12,613	-	254,416	-	267,029
Fund balances					
Nonspendable					
Cemetery perpetual care	-	-	-	724,941	724,941
Restricted					
Debt service	-	425	-	-	425
Joint planning	14,265	-	-	-	14,265
Capital improvements	216,005	-	846,041	-	1,062,046
Public welfare or civic improvement organizations	843,544	-	-	-	843,544
Act 345 retirement	56,128	-	-	-	56,128
Committed					
Capital improvements	-	-	1,258,324	-	1,258,324
Total fund balances	1,129,942	425	2,104,365	724,941	3,959,673
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,211,740	\$ 1,175	\$ 2,364,617	\$ 735,250	\$ 4,312,782

CITY OF TRAVERSE CITY, MICHIGAN
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2014

	<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	\$ 1,677,214	\$ -	\$ 88,526	\$ -	\$ 1,765,740
Federal sources	61,440	-	-	-	61,440
State sources	5,361	-	-	-	5,361
Local sources	-	2,137,925	-	-	2,137,925
Charges for services	41,927	-	-	11,151	53,078
Contributions	765,696	-	33,000	-	798,696
Interest income	4,479	-	3,205	14,790	22,474
Total revenues	<u>2,556,117</u>	<u>2,137,925</u>	<u>124,731</u>	<u>25,941</u>	<u>4,844,714</u>
Expenditures					
Current expenditures					
General government	71,616	-	-	-	71,616
Public safety	1,677,105	-	-	-	1,677,105
Public works	-	-	28,985	-	28,985
Capital outlay	31,650	-	139,142	-	170,792
Debt service					
Principal	-	1,580,000	-	-	1,580,000
Interest and fiscal charges	-	557,600	-	-	557,600
Total expenditures	<u>1,780,371</u>	<u>2,137,600</u>	<u>168,127</u>	<u>-</u>	<u>4,086,098</u>
Excess (deficiency) of revenues over expenditures	<u>775,746</u>	<u>325</u>	<u>(43,396)</u>	<u>25,941</u>	<u>758,616</u>
Other financing sources (uses)					
Transfers out	<u>(1,452)</u>	<u>-</u>	<u>-</u>	<u>(10,309)</u>	<u>(11,761)</u>
Net change in fund balance	<u>774,294</u>	<u>325</u>	<u>(43,396)</u>	<u>15,632</u>	<u>746,855</u>
Fund balances, beginning of year	<u>355,648</u>	<u>100</u>	<u>2,147,761</u>	<u>709,309</u>	<u>3,212,818</u>
Fund balances, end of year	<u>\$ 1,129,942</u>	<u>\$ 425</u>	<u>\$ 2,104,365</u>	<u>\$ 724,941</u>	<u>\$ 3,959,673</u>

CITY OF TRAVERSE CITY, MICHIGAN
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2014

	<u>Act 302 Police Training Fund</u>	<u>State Preparedness Equipment Grant Fund</u>	<u>College Parking Fund</u>	<u>Act 345 Millage Fund</u>	<u>Traverse City and Garfield Township Joint Planning Fund</u>	<u>PEG Capital Fund</u>
ASSETS						
Assets						
Cash and cash equivalents	\$ -	\$ -	\$ 7,290	\$ 54,666	\$ 14,265	\$ 7,638
Investments	-	-	-	-	-	-
Receivables						
Accounts	-	-	-	465	-	4,200
Due from other governments	-	61,440	-	-	-	-
Total assets	\$ -	\$ 61,440	\$ 7,290	\$ 55,131	\$ 14,265	\$ 11,838
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ -	\$ -	\$ 3,016	\$ -	\$ -	\$ -
Accrued and other liabilities	-	-	274	-	-	-
Due to other funds	-	61,440	3,003	-	-	-
Total liabilities	-	61,440	6,293	-	-	-
Deferred inflows of resources						
Unavailable revenue	-	-	-	-	-	-
Fund balances						
Restricted						
Joint planning	-	-	-	-	14,265	-
Capital improvements	-	-	-	-	-	11,838
Public welfare or civic improvement organizations	-	-	-	-	-	-
Act 345 retirement	-	-	997	55,131	-	-
Total fund balances	-	-	997	55,131	14,265	11,838
Total liabilities, deferred inflows of resources, and fund balances	\$ -	\$ 61,440	\$ 7,290	\$ 55,131	\$ 14,265	\$ 11,838

Continued...

CITY OF TRAVERSE CITY, MICHIGAN
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2014

	<u>Senior Center Building Fund</u>	<u>Homeland Security Training Grant Fund</u>	<u>McCauley Estate Trust Fund</u>	<u>Better Buildings Grant Fund</u>	<u>County Road Commission Projects Fund</u>	<u>Total</u>
ASSETS						
Assets						
Cash and cash equivalents	\$ 216,780	\$ -	\$ 5,501	\$ -	\$ 742,336	\$ 1,048,476
Investments	-	-	97,159	-	-	97,159
Receivables						
Accounts	-	-	-	-	-	4,665
Due from other governments	-	-	-	-	-	61,440
Total assets	\$ 216,780	\$ -	\$ 102,660	\$ -	\$ 742,336	\$ 1,211,740
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,016
Accrued and other liabilities	-	-	-	-	-	274
Due to other funds	-	-	1,452	-	-	65,895
Total liabilities	-	-	1,452	-	-	69,185
Deferred inflows of resources						
Unavailable revenue	12,613	-	-	-	-	12,613
Fund balances						
Restricted						
Joint planning	-	-	-	-	-	14,265
Capital improvements	204,167	-	-	-	-	216,005
Public welfare or civic improvement organizations	-	-	101,208	-	742,336	843,544
Act 345 retirement	-	-	-	-	-	56,128
Total fund balances	204,167	-	101,208	-	742,336	1,129,942
Total liabilities, deferred inflows of resources, and fund balances	\$ 216,780	\$ -	\$ 102,660	\$ -	\$ 742,336	\$ 1,211,740

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, 2014

	Act 302 Police Training Fund	State Preparedness Equipment Grant Fund	College Parking Fund	Act 345 Millage Fund	Traverse City and Garfield Township Joint Planning Fund	PEG Capital Fund
Revenues						
Property taxes	\$ -	\$ -	\$ -	\$ 1,677,214	\$ -	\$ -
Federal sources	-	61,440	-	-	-	-
State sources	5,361	-	-	-	-	-
Charges for services	-	-	41,927	-	-	-
Contributions	-	-	-	-	6,000	17,354
Interest income	-	-	-	866	-	-
Total revenues	5,361	61,440	41,927	1,678,080	6,000	17,354
Expenditures						
Current expenditures						
General government	-	-	40,930	-	5,222	14,958
Public safety	7,835	29,790	-	1,639,480	-	-
Capital outlay	-	31,650	-	-	-	-
Total expenditures	7,835	61,440	40,930	1,639,480	5,222	14,958
Excess (deficiency) of revenues over expenditures	(2,474)	-	997	38,600	778	2,396
Other financing sources (uses)						
Transfers out	-	-	-	-	-	-
Net change in fund balance	(2,474)	-	997	38,600	778	2,396
Fund balances, beginning of year	2,474	-	-	16,531	13,487	9,442
Fund balances, end of year	\$ -	\$ -	\$ 997	\$ 55,131	\$ 14,265	\$ 11,838

Continued...

CITY OF TRAVERSE CITY, MICHIGAN
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2014

	Senior Center Building Fund	Homeland Security Training Grant Fund	McCauley Estate Trust Fund	Better Buildings Grant Fund	County Road Commission Projects Fund	Total
Revenues						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,677,214
Federal sources	-	-	-	-	-	61,440
State sources	-	-	-	-	-	5,361
Charges for services	-	-	-	-	-	41,927
Contributions	6	-	-	-	742,336	765,696
Interest income	132	-	3,481	-	-	4,479
Total revenues	138	-	3,481	-	742,336	2,556,117
Expenditures						
Current expenditures						
General government	1,885	-	-	8,621	-	71,616
Public safety	-	-	-	-	-	1,677,105
Capital outlay	-	-	-	-	-	31,650
Total expenditures	1,885	-	-	8,621	-	1,780,371
Excess (deficiency) of revenues over expenditures	(1,747)	-	3,481	(8,621)	742,336	775,746
Other financing sources (uses)						
Transfers out	-	-	(1,452)	-	-	(1,452)
Net change in fund balance	(1,747)	-	2,029	(8,621)	742,336	774,294
Fund balances, beginning of year	205,914	-	99,179	8,621	-	355,648
Fund balances, end of year	\$ 204,167	\$ -	\$ 101,208	\$ -	\$ 742,336	\$ 1,129,942

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, 2014

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
State sources	\$ 6,500	\$ 5,361	\$ (1,139)
Expenditures			
Public safety			
Contractual services	6,500	7,835	(1,335)
Net change in fund balance	-	(2,474)	(2,474)
Fund balance, beginning of year	2,474	2,474	-
Fund balance, end of year	<u>\$ 2,474</u>	<u>\$ -</u>	<u>\$ (2,474)</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, 2014

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Federal sources	\$ 75,000	\$ 61,440	\$ (13,560)
Expenditures			
Public safety			
Contractual services	-	29,790	(29,790)
Capital outlay	75,000	31,650	43,350
Total expenditures	<u>75,000</u>	<u>61,440</u>	<u>13,560</u>
Net change in fund balance	-	-	-
Fund balance, beginning of year	-	-	-
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (GAAP Basis) and Actual
College Parking Special Revenue Fund
For the Year Ended June 30, 2014

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Charges for services	\$ 43,000	\$ 41,927	\$ (1,073)
Expenditures			
General government			
Personnel	6,300	6,403	(103)
Contractual services	36,700	33,475	3,225
Other expense	-	1,052	(1,052)
Total expenditures	43,000	40,930	2,070
Net change in fund balance	-	997	997
Fund balance, beginning of year	-	-	-
Fund balance, end of year	\$ -	\$ 997	\$ 997

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, 2014

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Property taxes	\$ 1,641,000	\$ 1,677,214	\$ 36,214
Interest income	-	866	866
Total revenues	<u>1,641,000</u>	<u>1,678,080</u>	<u>37,080</u>
Expenditures			
Public safety			
Other expense	1,640,000	1,639,480	520
Debt service			
Interest and fiscal charges	1,000	-	1,000
Total expenditures	<u>1,641,000</u>	<u>1,639,480</u>	<u>1,520</u>
Net change in fund balance	-	38,600	38,600
Fund balance, beginning of year	16,531	16,531	-
Fund balance, end of year	<u><u>\$ 16,531</u></u>	<u><u>\$ 55,131</u></u>	<u><u>\$ 38,600</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, 2014

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Contributions	\$ 6,000	\$ 6,000	\$ -
Expenditures			
General government			
Contractual services	6,000	5,222	778
Net change in fund balance	-	778	778
Fund balance, beginning of year	13,487	13,487	-
Fund balance, end of year	<u>\$ 13,487</u>	<u>\$ 14,265</u>	<u>\$ 778</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, 2014

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Contributions	\$ 23,000	\$ 17,354	\$ (5,646)
Expenditures			
General government			
Contractual services	19,000	14,958	4,042
Net change in fund balance	4,000	2,396	(1,604)
Fund balance, beginning of year	9,442	9,442	-
Fund balance, end of year	<u>\$ 13,442</u>	<u>\$ 11,838</u>	<u>\$ (1,604)</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, 2014

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Contributions	\$ -	\$ 6	\$ 6
Interest income	-	132	132
Total revenues	<u>-</u>	<u>138</u>	<u>138</u>
Expenditures			
General Government			
Contractual services	-	1,885	(1,885)
Net change in fund balance	<u>-</u>	<u>(1,747)</u>	<u>(1,747)</u>
Fund balance, beginning of year	<u>205,914</u>	<u>205,914</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 205,914</u></u>	<u><u>\$ 204,167</u></u>	<u><u>\$ (1,747)</u></u>

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (GAAP Basis) and Actual
Homeland Security Training Grant Special Revenue Fund
For the Year Ended June 30, 2014

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

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (GAAP Basis) and Actual
McCauley Estate Trust Special Revenue Fund
For the Year Ended June 30, 2014

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Interest income	\$ 2,500	\$ 3,481	\$ 981
Other financing sources (uses)			
Transfer out	<u>(2,500)</u>	<u>(1,452)</u>	<u>1,048</u>
Net change in fund balance	-	2,029	2,029
Fund balance, beginning of year	<u>99,179</u>	<u>99,179</u>	<u>-</u>
Fund balance, end of year	<u>\$ 99,179</u>	<u>\$ 101,208</u>	<u>\$ 2,029</u>

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (GAAP Basis) and Actual
Better Buildings Grant Special Revenue Fund
For the Year Ended June 30, 2014

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Federal sources	\$ 9,000	\$ -	\$ (9,000)
Expenditures			
General government			
Contractual services	9,000	8,621	379
Net change in fund balance	-	(8,621)	(8,621)
Fund balance, beginning of year	8,621	8,621	-
Fund balance, end of year	<u>\$ 8,621</u>	<u>\$ -</u>	<u>\$ (8,621)</u>

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (GAAP Basis) and Actual
County Road Commission Project Fund
For the Year Ended June 30, 2014

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Contributions	\$ -	\$ 742,336	\$ 742,336
Expenditures			
Public works			
Contractual services	-	-	-
Net change in fund balance	-	742,336	742,336
Fund balance, beginning of year	-	-	-
Fund balance, end of year	\$ -	\$ 742,336	\$ 742,336

CITY OF TRAVERSE CITY, MICHIGAN
Combining Balance Sheet
Nonmajor Debt Service Funds
June 30, 2014

	<u>Parking Deck Bond Redemption Taxable</u>	<u>Parking Deck Bond Redemption Non-Taxable</u>	<u>Old Town Parking Deck Bond Redemption</u>	<u>Total</u>
ASSETS				
Assets				
Cash and cash equivalents	\$ -	\$ 325	\$ -	\$ 325
Accounts receivable	-	-	850	850
Total assets	<u>\$ -</u>	<u>\$ 325</u>	<u>\$ 850</u>	<u>\$ 1,175</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Due to other funds	\$ -	\$ -	\$ 750	\$ 750
Fund balances				
Restricted for debt service	-	325	100	425
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 325</u>	<u>\$ 850</u>	<u>\$ 1,175</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, 2014

	Parking Deck Bond Redemption Taxable	Parking Deck Bond Redemption Non-Taxable	Old Town Parking Deck Bond Redemption	Total
Revenues				
Local sources	\$ 159,400	\$ 595,006	\$ 1,383,519	\$ 2,137,925
Expenditures				
Debt service				
Principal	125,000	205,000	1,250,000	1,580,000
Interest and fiscal charges	34,500	389,681	133,419	557,600
Total expenditures	159,500	594,681	1,383,419	2,137,600
Net change in fund balances	(100)	325	100	325
Fund balances, beginning of year	100	-	-	100
Fund balances, end of year	\$ -	\$ 325	\$ 100	\$ 425

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, 2014

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Local sources	\$ 159,800	\$ 159,400	\$ (400)
Expenditures			
Debt service			
Principal	125,000	125,000	-
Interest and fiscal charges	34,800	34,500	300
Total expenditures	<u>159,800</u>	<u>159,500</u>	<u>300</u>
Net change in fund balance	-	(100)	(100)
Fund balance, beginning of year	100	100	-
Fund balance, end of year	<u>\$ 100</u>	<u>\$ -</u>	<u>\$ (100)</u>

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, 2014

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Local sources	\$ 595,000	\$ 595,006	\$ 6
Expenditures			
Debt service			
Principal	205,000	205,000	-
Interest and fiscal charges	390,000	389,681	319
Total expenditures	595,000	594,681	319
Net change in fund balance	-	325	325
Fund balance, beginning of year	-	-	-
Fund balance, end of year	\$ -	\$ 325	\$ 325

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, 2014

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Local sources	\$ 1,384,000	\$ 1,383,519	\$ (481)
Expenditures			
Debt service			
Principal	1,250,000	1,250,000	-
Interest and fiscal charges	134,000	133,419	581
Total expenditures	1,384,000	1,383,419	581
Net change in fund balance	-	100	100
Fund balance, beginning of year	-	-	-
Fund balance, end of year	\$ -	\$ 100	\$ 100

CITY OF TRAVERSE CITY, MICHIGAN
Combining Balance Sheet
Nonmajor Capital Projects Funds
June 30, 2014

	Parking Deck Bond Construction Taxable	Parking Bond Construction Non-taxable	Special Assessments	Total
ASSETS				
Assets				
Cash and cash equivalents	\$ 107,310	\$ 738,731	\$ 1,249,044	\$ 2,095,085
Investments	-	-	4,877	4,877
Receivables				
Taxes	-	-	5,012	5,012
Special assessments	-	-	259,643	259,643
Total assets	<u>\$ 107,310</u>	<u>\$ 738,731</u>	<u>\$ 1,518,576</u>	<u>\$ 2,364,617</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE				
Liabilities				
Advance from component unit	\$ -	\$ -	\$ 5,836	\$ 5,836
Deferred inflows of resources				
Unavailable revenue	-	-	254,416	254,416
Fund balances				
Restricted				
Capital improvements	107,310	738,731	-	846,041
Committed				
Capital improvements	-	-	1,258,324	1,258,324
Total fund balances	<u>107,310</u>	<u>738,731</u>	<u>1,258,324</u>	<u>2,104,365</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 107,310</u>	<u>\$ 738,731</u>	<u>\$ 1,518,576</u>	<u>\$ 2,364,617</u>

CITY OF TRAVERSE CITY, MICHIGAN
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Projects Funds
For the Year Ended June 30, 2014

	Parking Deck Bond Construction Taxable	Parking Deck Bond Construction Non-Taxable	Special Assessments	Total
Revenues				
Special assessments	\$ -	\$ -	\$ 88,526	\$ 88,526
Contributions	-	-	33,000	33,000
Interest income	74	586	2,545	3,205
Total revenues	74	586	124,071	124,731
Expenditures				
Public works:				
Other expense	-	-	28,985	28,985
Capital outlay	-	-	139,142	139,142
Total expenditures	-	-	168,127	168,127
Net change in fund balances	74	586	(44,056)	(43,396)
Fund balances, beginning of year	107,236	738,145	1,302,380	2,147,761
Fund balances, end of year	\$ 107,310	\$ 738,731	\$ 1,258,324	\$ 2,104,365

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, 2014

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenue			
Interest income	\$ 1,000	\$ 74	\$ (926)
Expenditures			
Capital outlay	<u>108,000</u>	<u>-</u>	<u>108,000</u>
Net change in fund balance	(107,000)	74	107,074
Fund balance, beginning of year	<u>107,236</u>	<u>107,236</u>	<u>-</u>
Fund balance, end of year	<u>\$ 236</u>	<u>\$ 107,310</u>	<u>\$ 107,074</u>

CITY OF TRAVERSE CITY, MICHIGAN
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (GAAP Basis) and Actual
Parking Deck Bond Construction Non-Taxable Capital Projects Fund
For the Year Ended June 30, 2014

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Interest income	\$ 5,000	\$ 586	\$ (4,414)
Expenditures			
Capital outlay	680,000	-	680,000
Net change in fund balance	(675,000)	586	675,586
Fund balance, beginning of year	738,145	738,145	-
Fund balance, end of year	\$ 63,145	\$ 738,731	\$ 675,586

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, 2014

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Special assessments	\$ 208,394	\$ 88,526	\$ (119,868)
Contributions	-	33,000	33,000
Interest income	4,000	2,545	(1,455)
Total revenues	<u>212,394</u>	<u>124,071</u>	<u>(88,323)</u>
Expenditures			
Public works:			
Other expense	14,500	28,985	(14,485)
Capital outlay	273,894	139,142	134,752
Total expenditures	<u>288,394</u>	<u>168,127</u>	<u>120,267</u>
Net change in fund balance	(76,000)	(44,056)	31,944
Fund balance, beginning of year	<u>1,302,380</u>	<u>1,302,380</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,226,380</u>	<u>\$ 1,258,324</u>	<u>\$ 31,944</u>

CITY OF TRAVERSE CITY, MICHIGAN
Combining Statement of Assets and Liabilities
Agency Funds
June 30, 2014

	Tax Collection	Imprest Payroll	Retiree Health Insurance	Total
Assets				
Cash and cash equivalents	\$ 56,867	\$ 19,356	\$ -	\$ 76,223
Receivables				
Accounts	-	-	142,535	142,535
Taxes	129,205	-	-	129,205
	\$ 186,072	\$ 19,356	\$ 142,535	\$ 347,963
Total assets	\$ 186,072	\$ 19,356	\$ 142,535	\$ 347,963
Liabilities				
Accrued and other liabilities	\$ -	\$ 19,356	\$ 142,535	\$ 161,891
Due to other governmental units	186,072	-	-	186,072
	\$ 186,072	\$ 19,356	\$ 142,535	\$ 347,963
Total liabilities	\$ 186,072	\$ 19,356	\$ 142,535	\$ 347,963

CITY OF TRAVERSE CITY, MICHIGAN
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2014

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2014</u>
TAX COLLECTION				
Assets				
Cash and cash equivalents	\$ 71,153	\$ 37,375,316	\$ 37,389,602	\$ 56,867
Taxes receivable	115,826	38,853,338	38,839,959	129,205
Total assets	<u>\$ 186,979</u>	<u>\$ 76,228,654</u>	<u>\$ 76,229,561</u>	<u>\$ 186,072</u>
Liabilities				
Due to other governmental units	\$ 186,979	\$ 76,228,654	\$ 76,229,561	\$ 186,072
IMPREST PAYROLL				
Assets				
Cash and cash equivalents	\$ 7,883	\$ 12,601,486	\$ 12,590,013	\$ 19,356
Accounts receivable	1,342	41,790	43,132	-
Total assets	<u>\$ 9,225</u>	<u>\$ 12,643,276</u>	<u>\$ 12,633,145</u>	<u>\$ 19,356</u>
Liabilities				
Accrued and other liabilities	\$ 881,489	\$ 12,721,647	\$ 13,583,780	\$ 19,356
RETIREE HEALTH INSURANCE				
Assets				
Cash and cash equivalents	\$ -	\$ 4,355	\$ 4,355	\$ -
Accounts receivable	57,790	84,745	-	142,535
Total assets	<u>\$ 57,790</u>	<u>\$ 89,100</u>	<u>\$ 4,355</u>	<u>\$ 142,535</u>
Liabilities				
Accrued and other liabilities	\$ 57,790	\$ 89,100	\$ 4,355	\$ 142,535

Continued....

CITY OF TRAVERSE CITY, MICHIGAN
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2014

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2014</u>
TOTAL - ALL AGENCY FUNDS				
Assets				
Cash and cash equivalents	\$ 79,036	\$ 49,981,157	\$ 49,983,970	\$ 76,223
Receivables				
Accounts	59,132	126,535	43,132	142,535
Taxes	<u>115,826</u>	<u>38,853,338</u>	<u>38,839,959</u>	<u>129,205</u>
Total assets	<u>\$ 253,994</u>	<u>\$ 88,961,030</u>	<u>\$ 88,867,061</u>	<u>\$ 347,963</u>
Liabilities				
Accrued and other liabilities	\$ 939,279	\$ 12,810,747	\$ 13,588,135	\$ 161,891
Due to other governmental units	<u>186,979</u>	<u>76,228,654</u>	<u>76,229,561</u>	<u>186,072</u>
Total liabilities	<u>\$ 1,126,258</u>	<u>\$ 89,039,401</u>	<u>\$ 89,817,696</u>	<u>\$ 347,963</u>

Concluded

CITY OF TRAVERSE CITY, MICHIGAN
Combining Statement of Fiduciary Net Position
Pension and Other Postemployment Benefit Funds
June 30, 2014

	Act 345 Pension Trust Fund	Other Postemployment Benefit Funds		Total
		Act 345 Retiree Health Insurance Trust	Retiree Health Insurance Trust	
Assets				
Cash and cash equivalents	\$ 2,087,327	\$ 4,218,261	\$ -	\$ 6,305,588
Investments, at fair value				
Fixed income mutual funds	5,073,056	-	-	5,073,056
Common stock	4,226,378	-	-	4,226,378
Equity mutual funds	5,940,945	-	-	5,940,945
Equity common trust funds	6,422,083	-	-	6,422,083
Alternative - SBIC funds	470,923	-	-	470,923
Real estate	1,222,608	-	-	1,222,608
MERS total market fund	-	-	3,361,776	3,361,776
Receivables				
Due from other funds	838,528	-	-	838,528
Accrued interest	6,656	-	-	6,656
Total assets	26,288,504	4,218,261	3,361,776	33,868,541
Liabilities				
Due to other funds	-	838,528	-	838,528
Accrued and other liabilities	1,667	-	-	1,667
Total liabilities	1,667	838,528	-	840,195
Net Position				
Held in trust for pension benefits and other postemployment benefits	\$ 26,286,837	\$ 3,379,733	\$ 3,361,776	\$ 33,028,346

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

	Other Postemployment Benefit Funds			Total
	Act 345 Pension Trust Fund	Act 345 Retiree Health Insurance Trust	Retiree Health Insurance Trust	
Additions				
Contributions				
City contributions	\$ 1,639,480	\$ 358,555	\$ -	\$ 1,998,035
Employee contributions	75,526	-	-	75,526
Total contributions	1,715,006	358,555	-	2,073,561
Investment earnings				
Interest and dividends	378,155	3,887	419,089	801,131
Net increase in fair value of investments	3,505,302	-	-	3,505,302
Net investment earnings	3,883,457	3,887	419,089	4,306,433
Total additions	5,598,463	362,442	419,089	6,379,994
Deductions				
Pension benefits paid	2,096,654	-	-	2,096,654
Health insurance premiums paid	-	345,919	-	345,919
Administrative expense	10,567	-	-	10,567
Investment advisor fees	114,710	-	-	114,710
Total deductions	2,221,931	345,919	-	2,567,850
Net increase in plan assets	3,376,532	16,523	419,089	3,812,144
Net position held in trust, beginning of year	22,910,305	3,363,210	2,942,687	29,216,202
Net position held in trust, end of year	\$ 26,286,837	\$ 3,379,733	\$ 3,361,776	\$ 33,028,346

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

Fiscal years ending June 30,	Taxes	Licenses and permits	Federal sources	State Share Revenue	Other State sources	Charges for services	Fines and forfeitures	Reimbursements	Other revenues	Transfer in	Total revenues
2005	\$ 7,552,857	\$ 207,619	\$ 67,730	\$ 1,384,945	\$ 25,239	\$ 434,465	\$ 86,207	\$ 519,368	\$ 2,059,315	\$ 328,431	\$ 12,666,176
2006	7,970,675	208,837	38,584	1,369,536	24,869	471,701	75,311	575,182	2,452,553	392,092	13,579,340
2007	8,401,296	209,985	37,441	1,328,752	26,472	318,908	61,726	666,199	2,344,919	898,610	14,294,308
2008	8,869,302	216,745	39,621	1,328,895	26,677	323,938	64,028	498,853	2,397,721	937,958	14,703,738
2009	8,946,172	220,564	50,440	1,271,737	27,874	349,598	83,201	390,960	2,087,122	916,438	14,344,106
2010	8,362,861	230,131	37,925	1,131,864	28,995	350,136	76,137	470,363	1,948,861	875,457	13,512,730
2011	8,292,778	239,790	37,450	1,135,353	52,511	377,041	19,003	435,633	1,929,835	1,002,587	13,521,981
2012	7,814,118	254,302	20,502	1,192,663	42,583	352,526	16,645	434,773	1,992,345	1,278,660	13,399,117
2013	7,936,306	274,612	19,794	1,224,691	62,819	312,323	8,366	489,006	2,003,349	925,392	13,256,658
2014	8,109,109	288,269	22,145	1,257,242	55,710	366,785	16,238	445,095	2,241,858	911,107	13,713,558

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

Fiscal years ending June 30,	General government	Public safety	Streets, alleys and sidewalks	Culture and recreation	Other	Transfer out	Total expenditures
2005	\$ 1,772,334	\$ 6,253,646	\$ 363,012	\$ 1,424,539	\$ 1,918,853	\$ 972,237	\$ 12,704,621
2006	1,813,736	6,641,897	213,461	1,507,000	1,908,819	1,367,699	13,452,612
2007	1,986,207	7,047,105	(21,438)	1,567,482	1,788,606	1,645,080	14,013,042
2008	1,934,839	7,115,999	139,295	1,662,899	1,504,808	2,134,936	14,492,776
2009	1,826,761	7,004,927	255	1,627,293	1,524,156	2,263,298	14,246,690
2010	1,918,983	5,870,187	221,443	1,587,921	1,587,058	2,080,483	13,266,075
2011	1,994,091	5,731,154	316,141	1,688,649	1,535,599	2,121,925	13,387,559
2012	1,913,661	5,735,950	573,186	1,680,362	1,467,930	1,985,326	13,356,415
2013	1,920,252	5,832,434	562,611	1,562,011	1,451,441	2,096,594	13,425,343
2014	2,073,579	5,891,957	697,015	1,704,842	1,517,350	2,231,554	14,116,297

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

Fiscal years ending June 30,	Parking deck, series 2009		Parking deck non-taxable refunding bond		Parking deck taxable		Sewage disposal		Primary government
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total principal and interest
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	\$ 2,765,000	\$ 146,463	\$ 9,200,000	\$ 3,267,054	\$ 400,000	\$ 52,850	\$ 9,176,516	\$ 1,694,333	\$ 26,702,216

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

Fiscal years ending June 30,	City	County	School	ISD	College	State Education Tax	Library	BATA	Recreational Authority	TOTAL
2005 - Homestead	13.2295	6.0770	3.1000	2.9732	2.8324	6.0000	1.1957	0.3428	0.3700	36.1206
2005 - Non-Homestead	13.2295	6.0770	21.1000	2.9732	2.8324	6.0000	1.1957	0.3428	0.3700	54.1206
2006 - Homestead	13.2295	6.2495	3.1000	2.9589	2.9427	6.0000	1.1590	0.3380	0.3700	36.3476
2006 - Non-Homestead	13.2295	6.2495	21.1000	2.9589	2.9427	6.0000	1.1590	0.3380	0.3700	54.3476
2007 - Homestead	13.1765	6.1681	3.1000	2.9421	2.9138	6.0000	1.1029	0.3317	0.3594	36.0945
2007 - Non-Homestead	13.1765	6.1681	21.1000	2.9421	2.9138	6.0000	1.1029	0.3317	0.3594	54.0945
2008 - Homestead	13.1765	6.1291	3.1000	2.9334	2.8700	6.0000	1.1378	0.3283	0.3594	36.0345
2008 - Non-Homestead	13.1765	6.1291	21.1000	2.9334	2.8700	6.0000	1.1378	0.3283	0.3594	54.0345
2009 - Homestead	13.1765	6.1291	3.1000	2.9312	2.8700	6.0000	1.0998	0.3272	0.3594	35.9932
2009 - Non-Homestead	13.1765	6.1291	21.1000	2.9312	2.8700	6.0000	1.0998	0.3272	0.3594	53.9932
2010 - Homestead	13.1765	6.1291	3.1000	2.9312	2.8700	6.0000	1.0892	0.3454	0.3594	36.0008
2010 - Non-Homestead	13.1765	6.1291	21.1000	2.9312	2.8700	6.0000	1.0892	0.3454	0.3594	54.0008
2011 - Homestead	13.5567	6.2291	3.1000	2.9312	2.8700	6.0000	1.1145	0.3454	0.3594	36.5063
2011 - Non-Homestead	13.5567	6.2291	21.1000	2.9312	2.8700	6.0000	1.1145	0.3454	0.3594	54.5063
2012 - Homestead	13.0567	6.2433	3.1000	2.9312	2.9400	6.0000	1.1068	0.3454	0.3594	36.0828
2012 - Non-Homestead	13.0567	6.2433	21.1000	2.9312	2.9400	6.0000	1.1068	0.3454	0.3594	54.0828
2013 - Homestead	13.4367	6.2433	3.1000	2.9312	2.9400	6.0000	1.1092	0.3454	0.3594	36.4652
2013 - Non-Homestead	13.4367	6.2433	21.1000	2.9312	2.9400	6.0000	1.1092	0.3454	0.3594	54.4652
2014 - Homestead	13.4367	7.2433	3.1000	2.9312	2.9200	6.0000	1.1050	0.3454	0.3894	37.4710
2014 - Non-Homestead	13.4367	7.2433	21.1000	2.9312	2.9200	6.0000	1.1050	0.3454	0.3894	55.4710

Notes:

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

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

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

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

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

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

City					
Use	June 30, 2010	June 30, 2011	June 30, 2012	June 30, 2013	June 30, 2014
Commercial	\$ 289,382,988	\$ 291,932,041	\$ 295,608,759	\$ 299,414,706	\$ 309,993,307
Industrial	57,538,324	53,985,894	51,233,253	48,490,192	52,781,173
Residential	429,643,538	433,421,745	445,207,867	454,940,161	471,818,642
Utility	5,087,600	5,535,446	5,614,500	5,894,200	5,913,300
Total	\$ 781,652,450	\$ 784,875,126	\$ 797,664,379	\$ 808,739,259	\$ 840,506,422
Class					
Real Property	\$ 713,225,050	\$ 717,972,224	\$ 730,779,379	\$ 743,493,894	\$ 769,205,631
Personal Property	68,427,400	66,902,902	66,885,000	65,245,365	71,300,791
Total	\$ 781,652,450	\$ 784,875,126	\$ 797,664,379	\$ 808,739,259	\$ 840,506,422
DDA					
Use	June 30, 2010	June 30, 2011	June 30, 2012	June 30, 2013	June 30, 2014
Commercial	\$ 93,149,182	\$ 94,999,083	\$ 96,803,190	\$ 98,081,194	\$ 104,123,843
Industrial	34,300	34,197	34,778	35,717	36,574
Residential	13,224,286	13,406,071	19,285,218	19,676,140	23,041,531
Utility	202,700	289,246	277,000	286,000	341,000
Total	\$ 106,610,468	\$ 108,728,597	\$ 116,400,186	\$ 118,079,051	\$ 127,542,948
Class					
Real Property	\$ 94,837,168	\$ 96,864,687	\$ 104,951,486	\$ 106,833,914	\$ 114,876,448
Personal Property	11,773,300	11,863,910	11,448,700	11,245,137	12,666,500
Total	\$ 106,610,468	\$ 108,728,597	\$ 116,400,186	\$ 118,079,051	\$ 127,542,948

CITY OF TRAVERSE CITY, MICHIGAN
Ten Largest Taxpayers (Unaudited)
June 30, 2014

Taxpayer	Principal Product or Service	Taxable Value	Percent of Ten Largest Taxpayers
VS Traverse City Real Estate HL	Real estate	\$ 7,621,700	16.65%
Century Specialties Inc	Manufacturing	5,105,396	11.16
Grand Traverse Senior Living LLC	Senior living	4,643,300	10.15
Tom's Food Market	Grocery store	4,404,980	9.63
Big Olives 2 LLC	Commercial & residential property	4,368,111	9.55
East Bay Plaza LLC	Commercial property	4,209,500	9.20
Hagerty Insurance Agency Inc	Insurance	4,089,500	8.94
Harbour View Centre Condo	Commercial property	3,822,132	8.35
USA Bayshore Properties	Bayshore resort	3,767,883	8.24
Cone Drive Operations Inc	Manufacturing	3,721,082	8.13

(1) Based on \$840,506,422 which is the City's Taxable Value for its fiscal year ended June 30, 2014.

CITY OF TRAVERSE CITY, MICHIGAN
Legal Debt Margin (Unaudited)
June 30, 2014

Debt limit (1)		\$	100,064,771
Debt outstanding	50,836,326		
Less: Exempt debt (2)	<u>38,471,325</u>		<u>12,365,001</u>
Legal debt margin		\$	<u><u>87,699,770</u></u>

(1) 10% of \$1,000,647,712 which is the City's SEV for the fiscal year ending June 30, 2014.

(2) Consists of revenue bonds.

CITY OF TRAVERSE CITY
Debt Statement (Unaudited)
June 30, 2014

City Direct Debt	<u>Gross</u>	<u>Self Supporting</u>	<u>Net</u>
Share of Grand Traverse County Issued Bonds			
Dated December 1, 2003	\$ 215,343	\$ 215,343	\$ -
Dated April 1, 2011	8,961,174	8,961,174	-
Subtotal	<u>9,176,517</u>	<u>9,176,517</u>	<u>-</u>
Share of Michigan Public Power Agency			
Dated January 15, 2006	4,275,287	4,275,287	-
Dated May 1, 2002	3,497,963	3,497,963	-
Dated December 2, 2002	4,390,929	4,390,929	-
Dated January 10, 2002	17,130,630	17,130,630	-
Subtotal	<u>29,294,809</u>	<u>29,294,808</u>	<u>-</u>
Downtown Development Bonds			
Dated November 4, 2009	2,765,000	2,765,000	-
Dated February 7, 2007	9,200,000	9,200,000	-
Dated April 1, 2002B (Taxable)	400,000	400,000	-
Subtotal	<u>12,365,000</u>	<u>12,365,000</u>	<u>-</u>
Total	<u>\$ 50,836,326</u>	<u>\$ 50,836,326</u>	<u>\$ -</u>
Overlapping Debt	<u>Gross</u>	<u>City Share as Percent of Gross</u>	<u>Net</u>
Traverse City Public Schools	\$ 78,260,000	17.79%	\$ 13,922,454
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>\$ 164,835,000</u>		<u>\$ 27,179,220</u>