June 30, 2019

Annual Audited Financial Statements



CITY &
TRAVERSE CITY

Prepared by Treasurer's Office Vredeveld Haefner LLC, Auditors

List of Elected and Appointed Officials For the Fiscal Year Ended June 30, 2019

Elected Officials

Mayor Pro Tem Amy Shamroe
Commission Member Brian McGillivary
Commission Member Christie Minervini
Commission Member Roger Putman
Commission Member Ashlea Walter
Commission Member Tim Werner

Appointed Officials

Manager
Clerk
Benjamin C. Marentette
Attorney
Lauren Trible-Laucht
Treasurer/Finance Director
William E. Twietmeyer

TABLE OF CONTENTS

	PAGE
FINANCIAL SECTION	21102
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-12
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	13
Statement of Activities	14-15
Fund Financial Statements	1 < 17
Balance Sheet - Governmental Funds	16-17
Statement of Revenues, Expenditures, and Changes in Fund	10.10
Balances - Governmental Funds	18-19
Statement of Net Position - Proprietary Funds	20-21
Statement of Revenues, Expenses, and Changes in Net	22-23
Position - Proprietary Funds Statement of Cash Flows - Proprietary Funds	24-25
Statement of Fiduciary Net Position	26
Statement of Changes in Fiduciary Net Position	27
Notes to the Financial Statements	28-85
SUPPLEMENTARY INFORMATION	
Required Supplementary Information	
Act 345 Pension Retirement System Schedule of Changes in the	
Employer's Net Pension Liability and Related Ratios	87
Act 345 Pension Trust Retirement System Schedule of Contributions	88
Act 345 Pension Retirement System Schedule of Investment Returns	89
Act 345 Police and Fire Health Care Trust Schedule of Changes	
in Net OPEB Liability and Related Ratios	90
Act 345 Police and Fire Health Care Trust Schedule of the Net OPEB Liability	91
Act 345 Police and Fire Health Care Trust Schedule of Contributions	92
Act 345 Police and Fire Health Care Trust Schedule of Investment Returns	93
MERS Pension Plan Schedule of Changes in the Employer's Net Pension	94
Liability and Related Ratios - General Plan MERS Pension Plan Schedule of Contributions - General Plan	94 95
MERS Pension Plan Schedule of Changes in the Employer's Net Pension	93
Liability and Related Ratios - Traverse City Light and Power	96
MERS Pension Plan Schedule of Contributions - Traverse City Light and Power	97
City Retiree Health Insurance Trust Schedule of Changes in the Employer's Net)
OPEB Liability and Related Ratios	98
City Retiree Health Insurance Trust Schedule of the Net OPEB Liability	99
City Retiree Health Insurance Trust Schedule of Contributions	100
City Retiree Health Insurance Trust Schedule of Investments Returns	101

$SUPPLEMENTARY\ INFORMATION\ (CONTINUED)$

Schedule of Changes in Net OPEB Liability and Related Ratios Traverse City Light and Power Other Post Employment Benefit Trust Fund Schedule of Net OPEB Liability Traverse City Light and Power Other Post Employment Benefit Trust Fund Schedule of Contributions Traverse City Light and Power Other Post Employment Benefit Trust Fund Schedule of Contributions Traverse City Light and Power Other Post Employment Benefit Trust Fund Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual General Fund Major Streets Special Revenue Fund Local Streets Special Revenue Fund Notes to Required Supplementary Information Schedule of GASB 54 Consolidation Combining and Individual Fund Statements and Schedules Schedule of Revenues - Budget and Actual - General Fund Schedule of Revenues - Budget and Actual - General Fund Schedule of Transfers - Budget and Actual - General Fund Schedule of Transfers - Budget and Actual - General Fund Schedule of Transfers - Budget and Actual - General Fund Schedule of Transfers - Budget Revenue Fund Tund Balances - Nonmajor Governmental Funds Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds Tund Balances - Nonmajor Special Revenue Funds Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds Tund Balances - Nonmajor Capital Projects Funds Tund Ba		
Traverse City Light and Power Other Post Employment Benefit Trust Fund Schedule of Net OPEB Liability Traverse City Light and Power Other Post Employment Benefit Trust Fund Schedule of Contributions Traverse City Light and Power Other Post Employment Benefit Trust Fund Schedule of Investment Returns Schedule of Investment Returns Schedule of Investment Returns Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual General Fund Major Streets Special Revenue Fund Local Streets Special Revenue Fund Local Streets Special Revenue Fund Local Streets Special Revenue Fund Notes to Required Supplementary Information Schedule of GASB 54 Consolidation Combining and Individual Fund Statements and Schedules Schedule of Revenues - Budget and Actual - General Fund Schedule of Expenditures - Budget and Actual - General Fund Schedule of Transfers - Budget and Actual - General Fund Schedule of Transfers - Budget and Actual - General Fund Schedule of Transfers - Budget and Actual - General Fund Schedule of Transfers - Budget and Actual - General Fund Schedule of Revenues, Expenditures and Changes in Fund Balances Sheet - Nonmajor Governmental Funds Combining Balance Sheet - Nonmajor Special Revenue Funds Combining Balance Sheet - Nonmajor Special Revenue Funds Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds Combining Statement of Revenues, Expenditures and Changes in Fund Balances Sheet - Nonmajor Debt Service Funds Combining Statement of Revenues, Expenditures and Changes in Fund Balances Sheet - Nonmajor Debt Service Funds Combining Statement of Revenues, Expenditures and Changes in Fund Balances Sheet - Nonmajor Debt Service Funds Combining Statement of Revenues, Expenditures and Changes in Fund Balances Sheet - Nonmajor Capital Projects Funds Combining Statement of Revenues, Expenditures and Changes in Fund Balances Sheet - Nonmajor Capital Projects Funds Combining Statement of Revenues, Expenditures and Changes in Fund Balances Sheet - N	Traverse City Light and Power Other Post Employment Benefit Trust Fund	100
Schedule of Net OPEB Liability Traverse City Light and Power Other Post Employment Benefit Trust Fund Schedule of Contributions Traverse City Light and Power Other Post Employment Benefit Trust Fund Schedule of Investment Returns Schedule of Investment Returns Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual General Fund Major Streets Special Revenue Fund Local Streets Special Revenue Fund Notes to Required Supplementary Information Other Supplementary Information Schedule of GASB 54 Consolidation Combining and Individual Fund Statements and Schedules Schedule of Revenues - Budget and Actual - General Fund Schedule of Expenditures - Budget and Actual - General Fund Schedule of Expenditures - Budget and Actual - General Fund Schedule of Transfers - Budget and Actual - General Fund Schedule of Transfers - Budget and Actual - General Fund Schedule of Transfers - Budget and Actual - General Fund Schedule of Transfers - Budget and Actual - General Fund Schedule of Transfers - Budget and Revenue Funds Schedule of Transfers - Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds Schedule of Transfers - Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds Schedule of Transfers - Revenues - Reve		102
Traverse City Light and Power Other Post Employment Benefit Trust Fund Schedule of Contributions 105 Schedule of Investment Returns 105 Schedule of Investment Returns 105 Schedule of Investment Returns 106 Schedule of Investment Returns 106 Schedule of Investment Returns 106 Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual General Fund 106 Major Streets Special Revenue Fund 107 Local Streets Special Revenue Fund 108 Notes to Required Supplementary Information 109 Other Supplementary Information 109 Other Supplementary Information 110-116 Combining and Individual Fund Statements and Schedules Schedule of Revenues - Budget and Actual - General Fund 117 Schedule of Revenues - Budget and Actual - General Fund 118-120 Schedule of Expenditures - Budget and Actual - General Fund 118-120 Schedule of Transfers - Budget and Actual - General Fund 121 Combining Balance Sheet - Nonmajor Governmental Funds 122 Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds 123 Combining Statement of Revenues, Expenditures and Changes in 124-125 Combining Statement of Revenues, Expenditures and Changes in 126-127 Combining Balance Sheet - Nonmajor Special Revenue Funds 126-127 Combining Statement of Revenues, Expenditures and Changes in 126-127 Combining Statement of Revenues, Expenditures and Changes in 126-127 Combining Balances Sheet - Nonmajor Special Revenue Funds 129 Combining Statement of Revenues, Expenditures and Changes in 129 Combining Statement of Revenues, Expenditures, and Changes in 129 Combining Statement of Revenues, Expenditures, and Changes in 129 Combining Statement of Revenues, Expenditures, and Changes in 131 Combining Statement of Revenues, Expenditures, and Changes in 131 Combining Statement of Revenues, Expenditures, and Changes in 131 Combining Statement of Revenues, Expenditures, and Changes in 132 Combining Statement of Revenues, Expenditures, and Changes in 131 Combining Statement of Revenues, Expenditures, and Changes in	, ,	102
Schedule of Contributions 105 Traverse City Light and Power Other Post Employment Benefit Trust Fund Schedule of Investment Returns 105 Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual General Fund 107 Local Streets Special Revenue Fund 107 Local Streets Special Revenue Fund 108 Notes to Required Supplementary Information 109 Other Supplementary Information Schedule of GASB 54 Consolidation 110-116 Combining and Individual Fund Statements and Schedules Schedule of Revenues - Budget and Actual - General Fund 118-120 Schedule of Favenues - Budget and Actual - General Fund 118-120 Schedule of Transfers - Budget and Actual - General Fund 118-120 Schedule of Transfers - Budget and Actual - General Fund 121 Combining Balance Sheet - Nonmajor Governmental Funds 122 Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds 123 Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds 124-125 Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Debt Service Funds 128 Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Debt Service Funds 128 Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Debt Service Funds 128 Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Projects Funds 130 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Debt Service Funds 131 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances of Assets and Liabilities - Agency Funds 131 Combining Statement of Changes in Assets and Liabilities - Agency Funds 133 Combining Statement of Changes in Assets and Liabilities - Agency Funds 133 Combining Statement of Changes in Fiduciary Net Position - Pension and Other Post Employment Benefit Trust Funds 135 Internal Control and Compliance 118-129 Independent Auditor's Report on int		103
Traverse City Light and Power Other Post Employment Benefit Trust Fund Schedule of Investment Returns Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual General Fund 106 Major Streets Special Revenue Fund 107 Local Streets Special Revenue Fund 108 Notes to Required Supplementary Information 109 Other Supplementary Information Schedule of GASB 54 Consolidation 110-116 Combining and Individual Fund Statements and Schedules Schedule of Revenues - Budget and Actual - General Fund 117 Schedule of Expenditures - Budget and Actual - General Fund 118-120 Schedule of Transfers - Budget and Actual - General Fund 118-120 Schedule of Transfers - Budget and Actual - General Fund 121 Combining Balance Sheet - Nonmajor Governmental Funds 122 Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds 123 Combining Statement of Revenues, Expenditures and Changes in Fund Balances Sheet - Nonmajor Special Revenue Funds 124-125 Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds 126-127 Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Debt Service Funds 128 Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Debt Service Funds 129 Combining Statement of Revenues, Expenditures and Changes in 126-127 Combining Statement of Revenues, Expenditures and Changes in 129 Combining Statement of Revenues, Expenditures, and Changes in 131 Combining Statement of Revenues, Expenditures, and Changes in 131 Combining Statement of Revenues, Expenditures, and Changes in 131 Combining Statement of Revenues, Expenditures, and Changes in 131 Combining Statement of Revenues, Expenditures, and Changes in 131 Combining Statement of Changes in Assets and Liabilities - Agency Funds 132 Combining Statement of Changes in Fiduciary Net Position - Pension and Other Post Employment Benefit Trust Funds 135 Internal Control and Compliance Independent Auditor'	, , , , , , , , , , , , , , , , , , ,	104
Schedule of Investment Returns Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual General Fund Major Streets Special Revenue Fund Local Streets Special Revenue Fund Notes to Required Supplementary Information Other Supplementary Information Schedule of GASB 54 Consolidation Combining and Individual Fund Statements and Schedules Schedule of Revenues - Budget and Actual - General Fund Schedule of Expenditures - Budget and Actual - General Fund Schedule of Expenditures - Budget and Actual - General Fund Schedule of Transfers -		104
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual General Fund Major Streets Special Revenue Fund Local Streets Special Revenue Fund Notes to Required Supplementary Information Other Supplementary Information Schedule of GASB 54 Consolidation Combining and Individual Fund Statements and Schedules Schedule of Revenues - Budget and Actual - General Fund Schedule of Expenditures - Budget and Actual - General Fund Schedule of Transfers - Budget and Actual - General Fund Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Projects Funds Combining Statement of Revenues, E		105
Budget and Actual General Fund Major Streets Special Revenue Fund Local Streets Special Revenue Fund Notes to Required Supplementary Information Other Supplementary Information Schedule of GASB 54 Consolidation Combining and Individual Fund Statements and Schedules Schedule of Revenues - Budget and Actual - General Fund Schedule of Expenditures - Budget and Actual - General Fund Schedule of Transfers - Budget and Actual - General Fund Schedule of Transfers - Budget and Actual - General Fund Schedule of Transfers - Budget and Actual - General Fund Schedule of Transfers - Budget and Actual - General Fund Schedule of Transfers - Budget and Actual - General Fund Schedule of Transfers - Budget and Actual - General Fund Schedule of Transfers - Budget and Actual - General Fund Schedule of Transfers - Budget and Actual - General Fund Schedule of Transfers - Budget and Actual - General Fund Schedule of Transfers - Budget and Actual - General Fund Schedule of Transfers - Budget and Actual - General Fund Schedule of Transfers - Budget and Actual - General Fund Schedule of Transfers - Budget and Actual - General Fund Schedule of Transfers - Budget and Actual - General Fund Schedule of Transfers - Budget and Actual - General Fund Schedule of Transfers - Budget and Actual - General Fund Schedule of Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds Schedule of Transfers - Schedule of Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds Schedule of Expenditures and Changes in Fund Balance Sheet - Nonmajor Debt Service Funds Schedule of Expenditures and Changes in Fund Balances - Nonmajor Capital Projects Funds Schedule of Expenditures and Changes in Fund Balances - Nonmajor Capital Projects Funds Schedule of Expenditures and Changes in Fund Balances - Nonmajor Capital Projects Funds Schedule of Expenditures and Changes in Fund Balances - Nonmajor Capital Projects Funds Schedule of Expenditures and Changes in Fund Balances - Nonmajor Capital Projects Funds Schedule of Expenditures a		103
General Fund Major Streets Special Revenue Fund Local Streets Special Revenue Fund Notes to Required Supplementary Information Other Supplementary Information Schedule of GASB 54 Consolidation Combining and Individual Fund Statements and Schedules Schedule of Revenues - Budget and Actual - General Fund Schedule of Expenditures - Budget and Actual - General Fund Schedule of Transfers - Budget and Actual - General Fund Schedule of Transfers - Budget and Actual - General Fund Schedule of Transfers - Budget and Actual - General Fund Schedule of Transfers - Budget and Actual - General Fund Schedule of Transfers - Budget and Actual - General Fund Schedule of Transfers - Budget and Actual - General Fund Schedule of Transfers - Budget and Actual - General Fund Schedule of Transfers - Budget and Actual - General Fund Schedule of Transfers - Budget and Actual - General Fund Schedule of Transfers - Budget and Actual - General Fund Schedule of Transfers - Budget and Actual - General Fund Schedule of Transfers - Budget and Actual - General Fund Schedule of Transfers - Budget and Actual - General Fund Schedule of Transfers - Budget and Actual - General Fund Schedule of Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds Schedule of Transfers - Budget and Actual - General Fund Schedule of Transfers - Budget and Actual - General Fund Schedule of Transfers - Budget and Actual - General Fund Schedule of Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds Schedule of Transfers - Budget and Actual - General Funds Schedule of Transfers - Budget and Actual - General Fund Schedule of Transfers - Budget and Actual - General Fund Schedule of Transfers - Budget and Actual - General Fund Schedule of Transfers - Rependitures and Changes in Fund Balances - Nonmajor Debt Service Funds Schedule of	÷ • • • • • • • • • • • • • • • • • • •	
Major Streets Special Revenue Fund Local Streets Special Revenue Fund Notes to Required Supplementary Information Other Supplementary Information Schedule of GASB 54 Consolidation Combining and Individual Fund Statements and Schedules Schedule of Revenues - Budget and Actual - General Fund Schedule of Expenditures - Budget and Actual - General Fund Schedule of Transfers - Budget and Actual - General Fund Schedule of Transfers - Budget and Actual - General Fund Schedule of Transfers - Budget and Actual - General Fund Schedule of Transfers - Budget and Actual - General Fund Schedule of Transfers - Budget and Actual - General Fund Schedule of Transfers - Budget and Actual - General Fund Schedule of Transfers - Budget and Actual - General Fund Schedule of Transfers - Budget and Actual - General Fund Schedule of Transfers - Budget and Actual - General Fund Schedule of Transfers - Budget and Actual - General Fund Schedule of Transfers - Budget and Actual - General Fund Schedule of Transfers - Budget and Actual - General Fund Schedule of Transfers - Budget and Actual - General Fund Schedule of Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds Schedule of Transfers - Budget and Actual - General Fund Schedule of Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds Schedule of Expenditures and Changes in Fund Balances - Nonmajor Debt Service Funds Schedule of Expenditures, and Changes in Fund Balances - Nonmajor Capital Projects Funds Schedule of Expenditures, and Changes in Fund Balances - Nonmajor Capital Projects Funds Schedule of Expenditures, and Changes in Fund Balances - Nonmajor Capital Projects Funds Schedule of Expenditures, Expenditures, and Changes in Fund Balances - Nonmajor Capital Projects Funds Schedule of Expenditures, and Changes in Fund Balances - Nonmajor Capital Projects Funds Schedule of Expenditures of Schedule	· · · · · · · · · · · · · · · · · · ·	106
Local Streets Special Revenue Fund Notes to Required Supplementary Information 109 Other Supplementary Information		
Other Supplementary Information Schedule of GASB 54 Consolidation Schedule of Revenues - Budget and Actual - General Fund Schedule of Expenditures - Budget and Actual - General Fund Schedule of Expenditures - Budget and Actual - General Fund Schedule of Transfers - Budget and	v -	
Schedule of GASB 54 Consolidation Combining and Individual Fund Statements and Schedules Schedule of Revenues - Budget and Actual - General Fund Schedule of Expenditures - Budget and Actual - General Fund Schedule of Transfers - Budget and Actual - General Fund Schedule of Transfers - Budget and Actual - General Fund 118-120 Schedule of Transfers - Budget and Actual - General Fund 121 Combining Balance Sheet - Nonmajor Governmental Funds 122 Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds 123 Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds 124-125 Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Debt Service Funds 128 Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Debt Service Funds 129 Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Projects Funds 130 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Capital Projects Funds 131 Combining Statement of Revenues, Expenditures - Agency Funds 132 Combining Statement of Priduciary Net Position - Pension and Other Post Employment Benefit Trust Funds 134 Combining Statement of Changes in Fiduciary Net Position - Pension and Other Post Employment Benefit Trust Funds 135 Internal Control and Compliance Independent Auditor's Report on internal control over financial reporting, and other matters based on an audit of financial statements and on compliance performed	•	
Combining and Individual Fund Statements and Schedules Schedule of Revenues - Budget and Actual - General Fund Schedule of Expenditures - Budget and Actual - General Fund 118-120 Schedule of Transfers - Budget and Actual - General Fund 121 Combining Balance Sheet - Nonmajor Governmental Funds 122 Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds 123 Combining Balance Sheet - Nonmajor Special Revenue Funds 124-125 Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds 126-127 Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Debt Service Funds 128 Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Debt Service Funds 129 Combining Balance Sheet - Nonmajor Capital Projects Funds 129 Combining Balance Sheet - Nonmajor Capital Projects Funds 130 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Capital Projects Funds 131 Combining Statement of Assets and Liabilities - Agency Funds 131 Combining Statement of Assets and Liabilities - Agency Funds 132 Combining Statement of Changes in Assets and Liabilities - Agency Funds 133 Combining Statement of Fiduciary Net Position - Pension and Other Post Employment Benefit Trust Funds 134 Combining Statement of Changes in Fiduciary Net Position - Pension and Other Post Employment Benefit Trust Funds 135 Internal Control and Compliance Independent Auditor's Report on internal control over financial reporting, and other matters based on an audit of financial statements and on compliance performed	Other Supplementary Information	
Combining and Individual Fund Statements and Schedules Schedule of Revenues - Budget and Actual - General Fund Schedule of Expenditures - Budget and Actual - General Fund 118-120 Schedule of Transfers - Budget and Actual - General Fund 121 Combining Balance Sheet - Nonmajor Governmental Funds 122 Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds 123 Combining Balance Sheet - Nonmajor Special Revenue Funds 124-125 Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds 126-127 Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Debt Service Funds 128 Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Debt Service Funds 129 Combining Balance Sheet - Nonmajor Capital Projects Funds 129 Combining Balance Sheet - Nonmajor Capital Projects Funds 130 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Capital Projects Funds 131 Combining Statement of Assets and Liabilities - Agency Funds 131 Combining Statement of Assets and Liabilities - Agency Funds 132 Combining Statement of Changes in Assets and Liabilities - Agency Funds 133 Combining Statement of Fiduciary Net Position - Pension and Other Post Employment Benefit Trust Funds 134 Combining Statement of Changes in Fiduciary Net Position - Pension and Other Post Employment Benefit Trust Funds 135 Internal Control and Compliance Independent Auditor's Report on internal control over financial reporting, and other matters based on an audit of financial statements and on compliance performed	Schedule of GASB 54 Consolidation	110-116
Schedule of Revenues - Budget and Actual - General Fund Schedule of Expenditures - Budget and Actual - General Fund Schedule of Transfers - Budget and Actual - General Fund 118-120 Schedule of Transfers - Budget and Actual - General Fund 121 Combining Balance Sheet - Nonmajor Governmental Funds 122 Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds 123 Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds 124-125 Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Debt Service Funds 128 Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Debt Service Funds 129 Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Projects Funds 130 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Capital Projects Funds 131 Combining Statement of Assets and Liabilities - Agency Funds 132 Combining Statement of Changes in Assets and Liabilities - Agency Funds 133 Combining Statement of Fiduciary Net Position - Pension and Other Post Employment Benefit Trust Funds 134 Combining Statement of Changes in Fiduciary Net Position - Pension and Other Post Employment Benefit Trust Funds 135 Internal Control and Compliance Independent Auditor's Report on internal control over financial reporting, and other matters based on an audit of financial statements and on compliance performed		
Schedule of Expenditures - Budget and Actual - General Fund Schedule of Transfers - Budget and Actual - General Fund 121 Combining Balance Sheet - Nonmajor Governmental Funds 122 Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds 123 Combining Balance Sheet - Nonmajor Special Revenue Funds 124-125 Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds 126-127 Combining Balance Sheet - Nonmajor Debt Service Funds 128 Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Debt Service Funds 129 Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Projects Funds 130 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Capital Projects Funds 131 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Capital Projects Funds 131 Combining Statement of Assets and Liabilities - Agency Funds 132 Combining Statement of Changes in Assets and Liabilities - Agency Funds 133 Combining Statement of Fiduciary Net Position - Pension and Other Post Employment Benefit Trust Funds 134 Combining Statement of Changes in Fiduciary Net Position - Pension and Other Post Employment Benefit Trust Funds 135 Internal Control and Compliance Independent Auditor's Report on internal control over financial reporting, and other matters based on an audit of financial statements and on compliance performed		117
Combining Balance Sheet - Nonmajor Governmental Funds Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds Combining Balance Sheet - Nonmajor Special Revenue Funds Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds Fund Balances - Nonmajor Special Revenue Funds Combining Balance Sheet - Nonmajor Debt Service Funds Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Debt Service Funds Combining Balance Sheet - Nonmajor Capital Projects Funds Combining Balance Sheet - Nonmajor Capital Projects Funds Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Capital Projects Funds Combining Statement of Assets and Liabilities - Agency Funds Combining Statement of Changes in Assets and Liabilities - Agency Funds Combining Statement of Fiduciary Net Position - Pension and Other Post Employment Benefit Trust Funds 134 Combining Statement of Changes in Fiduciary Net Position - Pension and Other Post Employment Benefit Trust Funds 135 Internal Control and Compliance Independent Auditor's Report on internal control over financial reporting, and other matters based on an audit of financial statements and on compliance performed	Schedule of Expenditures - Budget and Actual - General Fund	118-120
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds Combining Balance Sheet - Nonmajor Special Revenue Funds Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds Fund Balances - Nonmajor Special Revenue Funds Combining Balance Sheet - Nonmajor Debt Service Funds Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Debt Service Funds Combining Balance Sheet - Nonmajor Capital Projects Funds Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Capital Projects Funds Combining Statement of Assets and Liabilities - Agency Funds Combining Statement of Changes in Assets and Liabilities - Agency Funds Combining Statement of Fiduciary Net Position - Pension and Other Post Employment Benefit Trust Funds Internal Control and Compliance Independent Auditor's Report on internal control over financial reporting, and other matters based on an audit of financial statements and on compliance performed	Schedule of Transfers - Budget and Actual - General Fund	121
Fund Balances - Nonmajor Governmental Funds Combining Balance Sheet - Nonmajor Special Revenue Funds Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds Combining Balance Sheet - Nonmajor Debt Service Funds Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Debt Service Funds Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Debt Service Funds Combining Balance Sheet - Nonmajor Capital Projects Funds Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Capital Projects Funds Combining Statement of Assets and Liabilities - Agency Funds Combining Statement of Changes in Assets and Liabilities - Agency Funds Combining Statement of Fiduciary Net Position - Pension and Other Post Employment Benefit Trust Funds Combining Statement of Changes in Fiduciary Net Position - Pension and Other Post Employment Benefit Trust Funds Internal Control and Compliance Independent Auditor's Report on internal control over financial reporting, and other matters based on an audit of financial statements and on compliance performed	Combining Balance Sheet - Nonmajor Governmental Funds	122
Combining Balance Sheet - Nonmajor Special Revenue Funds Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds Combining Balance Sheet - Nonmajor Debt Service Funds Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Debt Service Funds Combining Balance Sheet - Nonmajor Capital Projects Funds Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Capital Projects Funds Combining Statement of Assets and Liabilities - Agency Funds Combining Statement of Changes in Assets and Liabilities - Agency Funds Combining Statement of Fiduciary Net Position - Pension and Other Post Employment Benefit Trust Funds Combining Statement of Changes in Fiduciary Net Position - Pension and Other Post Employment Benefit Trust Funds Internal Control and Compliance Independent Auditor's Report on internal control over financial reporting, and other matters based on an audit of financial statements and on compliance performed	Combining Statement of Revenues, Expenditures and Changes in	
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds Combining Balance Sheet - Nonmajor Debt Service Funds Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Debt Service Funds Combining Balance Sheet - Nonmajor Capital Projects Funds Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Capital Projects Funds Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Capital Projects Funds Combining Statement of Assets and Liabilities - Agency Funds Combining Statement of Changes in Assets and Liabilities - Agency Funds Combining Statement of Fiduciary Net Position - Pension and Other Post Employment Benefit Trust Funds Combining Statement of Changes in Fiduciary Net Position - Pension and Other Post Employment Benefit Trust Funds 134 Combining Statement of Changes in Fiduciary Net Position - Pension and Other Post Employment Benefit Trust Funds 135 Internal Control and Compliance Independent Auditor's Report on internal control over financial reporting, and other matters based on an audit of financial statements and on compliance performed	Fund Balances - Nonmajor Governmental Funds	123
Fund Balances - Nonmajor Special Revenue Funds Combining Balance Sheet - Nonmajor Debt Service Funds Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Debt Service Funds Combining Balance Sheet - Nonmajor Capital Projects Funds Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Capital Projects Funds Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Capital Projects Funds Combining Statement of Assets and Liabilities - Agency Funds Combining Statement of Changes in Assets and Liabilities - Agency Funds Combining Statement of Fiduciary Net Position - Pension and Other Post Employment Benefit Trust Funds Combining Statement of Changes in Fiduciary Net Position - Pension and Other Post Employment Benefit Trust Funds 134 Combining Statement of Changes in Fiduciary Net Position - Pension and Other Post Employment Benefit Trust Funds 135 Internal Control and Compliance Independent Auditor's Report on internal control over financial reporting, and other matters based on an audit of financial statements and on compliance performed	Combining Balance Sheet - Nonmajor Special Revenue Funds	124-125
Combining Balance Sheet - Nonmajor Debt Service Funds Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Debt Service Funds Combining Balance Sheet - Nonmajor Capital Projects Funds Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Capital Projects Funds Combining Statement of Assets and Liabilities - Agency Funds Combining Statement of Changes in Assets and Liabilities - Agency Funds Combining Statement of Fiduciary Net Position - Pension and Other Post Employment Benefit Trust Funds Combining Statement of Changes in Fiduciary Net Position - Pension and Other Post Employment Benefit Trust Funds Internal Control and Compliance Independent Auditor's Report on internal control over financial reporting, and other matters based on an audit of financial statements and on compliance performed	Combining Statement of Revenues, Expenditures and Changes in	
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Debt Service Funds Combining Balance Sheet - Nonmajor Capital Projects Funds Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Capital Projects Funds Combining Statement of Assets and Liabilities - Agency Funds Combining Statement of Changes in Assets and Liabilities - Agency Funds Combining Statement of Fiduciary Net Position - Pension and Other Post Employment Benefit Trust Funds Combining Statement of Changes in Fiduciary Net Position - Pension and Other Post Employment Benefit Trust Funds Internal Control and Compliance Independent Auditor's Report on internal control over financial reporting, and other matters based on an audit of financial statements and on compliance performed	Fund Balances - Nonmajor Special Revenue Funds	126-127
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Debt Service Funds Combining Balance Sheet - Nonmajor Capital Projects Funds Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Capital Projects Funds Combining Statement of Assets and Liabilities - Agency Funds Combining Statement of Changes in Assets and Liabilities - Agency Funds Combining Statement of Fiduciary Net Position - Pension and Other Post Employment Benefit Trust Funds Combining Statement of Changes in Fiduciary Net Position - Pension and Other Post Employment Benefit Trust Funds Internal Control and Compliance Independent Auditor's Report on internal control over financial reporting, and other matters based on an audit of financial statements and on compliance performed	Combining Balance Sheet - Nonmajor Debt Service Funds	128
Fund Balances - Nonmajor Debt Service Funds Combining Balance Sheet - Nonmajor Capital Projects Funds Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Capital Projects Funds Combining Statement of Assets and Liabilities - Agency Funds Combining Statement of Changes in Assets and Liabilities - Agency Funds Combining Statement of Fiduciary Net Position - Pension and Other Post Employment Benefit Trust Funds Combining Statement of Changes in Fiduciary Net Position - Pension and Other Post Employment Benefit Trust Funds Internal Control and Compliance Independent Auditor's Report on internal control over financial reporting, and other matters based on an audit of financial statements and on compliance performed	ů .	
Combining Balance Sheet - Nonmajor Capital Projects Funds Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Capital Projects Funds Combining Statement of Assets and Liabilities - Agency Funds Combining Statement of Changes in Assets and Liabilities - Agency Funds Combining Statement of Fiduciary Net Position - Pension and Other Post Employment Benefit Trust Funds Combining Statement of Changes in Fiduciary Net Position - Pension and Other Post Employment Benefit Trust Funds Internal Control and Compliance Independent Auditor's Report on internal control over financial reporting, and other matters based on an audit of financial statements and on compliance performed	Fund Balances - Nonmajor Debt Service Funds	129
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Capital Projects Funds Combining Statement of Assets and Liabilities - Agency Funds Combining Statement of Changes in Assets and Liabilities - Agency Funds Combining Statement of Fiduciary Net Position - Pension and Other Post Employment Benefit Trust Funds Combining Statement of Changes in Fiduciary Net Position - Pension and Other Post Employment Benefit Trust Funds 134 Combining Statement of Changes in Fiduciary Net Position - Pension and Other Post Employment Benefit Trust Funds 135 Internal Control and Compliance Independent Auditor's Report on internal control over financial reporting, and other matters based on an audit of financial statements and on compliance performed	<u>v</u>	130
Fund Balances - Nonmajor Capital Projects Funds Combining Statement of Assets and Liabilities - Agency Funds Combining Statement of Changes in Assets and Liabilities - Agency Funds Combining Statement of Fiduciary Net Position - Pension and Other Post Employment Benefit Trust Funds Combining Statement of Changes in Fiduciary Net Position - Pension and Other Post Employment Benefit Trust Funds 134 Combining Statement of Changes in Fiduciary Net Position - Pension and Other Post Employment Benefit Trust Funds 135 Internal Control and Compliance Independent Auditor's Report on internal control over financial reporting, and other matters based on an audit of financial statements and on compliance performed	· · · · · · · · · · · · · · · · · · ·	
Combining Statement of Assets and Liabilities - Agency Funds Combining Statement of Changes in Assets and Liabilities - Agency Funds Combining Statement of Fiduciary Net Position - Pension and Other Post Employment Benefit Trust Funds Combining Statement of Changes in Fiduciary Net Position - Pension and Other Post Employment Benefit Trust Funds 135 Internal Control and Compliance Independent Auditor's Report on internal control over financial reporting, and other matters based on an audit of financial statements and on compliance performed		131
Combining Statement of Changes in Assets and Liabilities - Agency Funds Combining Statement of Fiduciary Net Position - Pension and Other Post Employment Benefit Trust Funds Combining Statement of Changes in Fiduciary Net Position - Pension and Other Post Employment Benefit Trust Funds 135 Internal Control and Compliance Independent Auditor's Report on internal control over financial reporting, and other matters based on an audit of financial statements and on compliance performed		
Combining Statement of Fiduciary Net Position - Pension and Other Post Employment Benefit Trust Funds Combining Statement of Changes in Fiduciary Net Position - Pension and Other Post Employment Benefit Trust Funds Internal Control and Compliance Independent Auditor's Report on internal control over financial reporting, and other matters based on an audit of financial statements and on compliance performed		133
Post Employment Benefit Trust Funds Combining Statement of Changes in Fiduciary Net Position - Pension and Other Post Employment Benefit Trust Funds Internal Control and Compliance Independent Auditor's Report on internal control over financial reporting, and other matters based on an audit of financial statements and on compliance performed		
Combining Statement of Changes in Fiduciary Net Position - Pension and Other Post Employment Benefit Trust Funds 135 Internal Control and Compliance Independent Auditor's Report on internal control over financial reporting, and other matters based on an audit of financial statements and on compliance performed	· · · · · · · · · · · · · · · · · · ·	134
Post Employment Benefit Trust Funds Internal Control and Compliance Independent Auditor's Report on internal control over financial reporting, and other matters based on an audit of financial statements and on compliance performed		
Independent Auditor's Report on internal control over financial reporting, and other matters based on an audit of financial statements and on compliance performed		135
Independent Auditor's Report on internal control over financial reporting, and other matters based on an audit of financial statements and on compliance performed	Internal Control and Compliance	
matters based on an audit of financial statements and on compliance performed	_	
	in accordance with Government Auditing Standards	136-137



Vredeveld Haefner LLC

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INDEPENDENT AUDITORS' REPORT

December 26, 2019

Honorable Mayor and Members of the City Commission City of 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 City of Traverse City, Michigan, as of and for the year ended June 30, 2019, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2019, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12 and the information on pages 87 through 109 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 of Traverse City, Michigan's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic 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 and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 26, 2019 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

Uredeveld Haefner LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Traverse City 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, 2019.

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 \$111,940,805 (*net position*). The City's total net position increased by \$6,404,034 during the year ended June 30, 2019.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$33,837,032 an increase of \$6,114,532 in comparison with the prior year.
- At the end of the current fiscal year unassigned fund balance for the GASB 54 determined General Fund was \$5,185,721 or 29% of total General Fund expenditures and transfers out. The General Fund Operating Fund unassigned fund balance was \$3,550,102 or 21% of General Fund Operating Fund expenditures and transfers out.

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 inflows 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, and recreation/culture. The business-type activities of the City include wastewater, water, hickory hills, marina, and auto parking system operations.

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

Fund Financial Statements

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

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

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

The City maintains twenty-three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Major Streets, Local Streets, Capital Projects, Boardman Lake Trail Construction, Sidewalk Construction and Brown Bridge Trust Funds, each of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report. The General Fund includes the City's General Operating Fund and 12 other "funds" that are consolidated with the General Operating Fund based on GASB Statement 54 guidelines.

The City adopts an annual appropriated budget for its general, special revenue, debt service and capital project funds. Budgetary comparison schedules have been provided herein for major funds 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, hickory hills, 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. These services benefit both governmental and business-type activities and have been allocated based on usage 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, hickory hills recreational facility, 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 and deferred outflows exceeded liabilities and deferred inflows by \$111,940,805 at the close of the most recent fiscal year.

By far the largest portion of the City's net position, \$105,462,060 or 94 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 remaining balance of net position consists of restricted net position of \$23,400,121 which represents resources that are subject to external restrictions on how they may be used and a deficit unrestricted net position of \$16,921,376.

The City's net position increased by \$6,404,034 during the year ended June 30, 2019.

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

	FYE 6/30/19					FYE 6/30/18					
	Go	vernmental	Bu	siness-type		G	overnmental	Bı	isiness-type		
		Activities		Activities	Total		Activities		Activities		Total
Current and other assets	\$	38,652,751	\$	13,735,515	\$ 52,388,266	\$	32,595,617	\$	14,161,653	\$	46,757,270
Capital assets		56,211,823		61,272,656	117,484,479		51,049,560		57,550,571		108,600,131
Total assets		94,864,574		75,008,171	169,872,745		83,645,177		71,712,224		155,357,401
Deferred outflows		6,123,010		830,036	6,953,046		2,434,981		524,424		2,959,405
Long-term liabilities		15,522,983		3,780,799	19,303,782		8,484,582		4,934,238		13,418,820
Net Pension Liability		30,555,821		4,127,897	34,683,718		25,967,694		3,566,994		29,534,688
Net Other Post Employment Benefit Liability		5,406,347		-	5,406,347		5,138,202		-		5,138,202
Other liabilities		2,038,365		1,067,463	3,105,828		1,720,272		664,642		2,384,914
Total Liabilities		53,523,516		8,976,159	62,499,675		41,310,750		9,165,874		50,476,624
Deferred inflows		1,706,657		678,654	2,385,311		1,548,566		754,845		2,303,411
Net Position: Net Investment in capital assets Restricted assets Unrestricted (deficit)		48,655,310 23,400,121 (26,298,020)		56,806,750 - 9,376,644	105,462,060 23,400,121 (16,921,376)		43,205,436 15,354,742 (15,339,336)		51,865,199 - 10,450,730		95,070,635 15,354,742 (4,888,606)
Total net position	\$	45,757,411	\$	66,183,394	\$ 111,940,805	\$	43,220,842	\$	62,315,929	\$	105,536,771

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

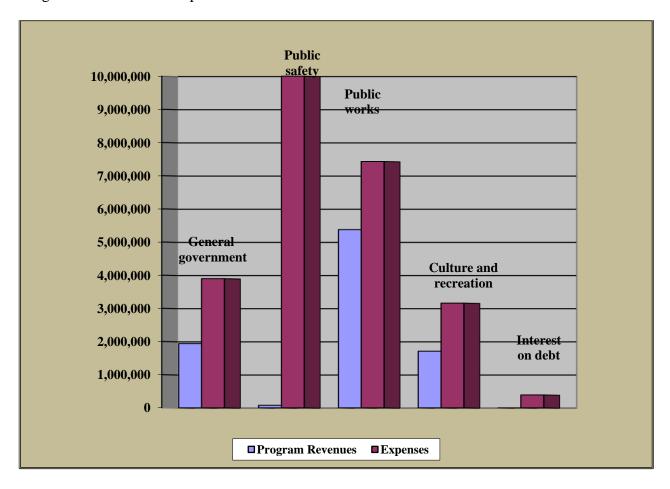
		FYE 6/30/19			FYE 6/30/18	
	Governmental	Business-type		Governmental	Business-type	
	Activities	Activities	Total	Activities	Activities	Total
Program revenue:	e 2.250.462	¢ 16.445.963	¢ 10.000.225	¢ 2.025.000	¢ 14.607.052	e 17.522.041
Charges for services	\$ 3,250,463	\$ 16,445,862	\$ 19,696,325	\$ 2,835,988	\$ 14,697,953	\$ 17,533,941
Operating grants/contributions	4,203,438	-	4,203,438	3,904,926	21.000	3,904,926
Capital grant/contributions	1,641,086	-	1,641,086	3,352,142	21,000	3,373,142
General Revenue:	15115155		12112182	10.000.100		12.002.120
Property taxes	15,115,475	-	15,115,475	13,892,439	-	13,892,439
Unrestricted grants/contributions	1,494,417	-	1,494,417	1,446,709	-	1,446,709
Franchise revenue	261,142	-	261,142	252,447	-	252,447
Other	460,315	131,722	592,037	113,544	37,457	151,001
Total revenue	26,426,336	16,577,584	43,003,920	25,798,195	14,756,410	40,554,605
Expenses:						
General government	3,895,749	-	3,895,749	5,032,888	-	5,032,888
Public safety	10,017,658	-	10,017,658	9,246,056	-	9,246,056
Public works	7,427,204	-	7,427,204	5,927,475	-	5,927,475
Culture and recreation	3,157,484	-	3,157,484	2,670,717	-	2,670,717
Interest and fiscal charges	389,286	_	389,286	220,095	_	220,095
Wastewater	· -	6,040,505	6,040,505	_	5,416,277	5,416,277
Water	_	2,824,076	2,824,076	_	3,156,184	3,156,184
Hickory Hills	_	60,593	60,593	_	-	-
Marina	_	614,060	614,060	_	600,339	600,339
Autoparking		2,178,892	2,178,892		2,156,510	2,156,510
Total expenses	24,887,381	11,718,126	36,605,507	23,097,231	11,329,310	34,426,541
I						
Increase (decrease) before transfers/contributions	1,538,955	4,859,458	6,398,413	2,700,964	3,427,100	6,128,064
Operating transfers	991,993	(991,993)	-	966,059	(966,059)	-
Contribution to endowment	5,621		5,621	7,135		7,135
Increase in net position	2,536,569	3,867,465	6,404,034	3,674,158	2,461,041	6,135,199
Net position beginning of year	43,220,842	62,315,929	105,536,771	39,546,684	59,854,888	99,401,572
Net position end of year	\$ 45,757,411	\$ 66,183,394	\$ 111,940,805	\$ 43,220,842	\$ 62,315,929	\$ 105,536,771

Governmental activities increased the City's net position by \$2,536,569. Key highlights are as follows:

- Charges for services increased approximately \$415,000 due in most part to one time medical marijuana license fees of approximately \$385,000.
- Capital grants/contributions decreased approximately \$1,710,000 due to the one time receipt of funds from Preserve Hickory for the Hickory Hills construction project being received in FYE 2018
- Unrestricted property tax revenue increased approximately \$1,223,000 compared to the previous year as the City continues to experience healthy tax base increases.
- Personnel costs for the Governmental Activities increased approximately \$390,000 compared

to the previous year which was consistent with budgeted increases.

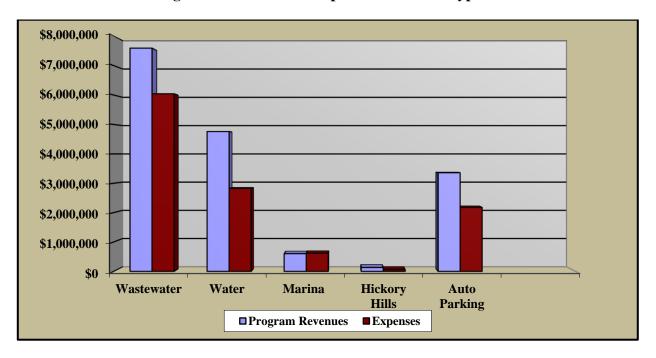
Program Revenues and Expenses - Governmental Activities



Business-type activities increased the City's net position by \$3,867,465. Key highlights of activities in the funds are as follows:

- Charges for services in the Wastewater fund decreased approximately \$790,000. City residents usage fees increased approximately \$380,000 as expected due to a budgeted rate increase. Fees charged to participating townships also increased based on increased usage and reimbursement of an increase in plant expenditures related to planned membrane replacements.
- Charges for services in the Water fund increased approximately \$730,000. As with the wastewater fund there was a rate increase to City residents which played a part in the increase in fees to City residents of approximately \$560,000. Water use fees to townships increased approximately \$170,000.
- Charges for services in the Auto Parking System Fund increased approximately \$80,000 because of continued increased customer activity.
- Marina Charges for services decreased approximately \$30,000 due in most part to summer weather conditions.

Program Revenues and Expenses - 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 \$33,837,032, an increase of \$6,114,532 in comparison with the prior year. \$5,185,721 constitutes unassigned fund balance, which is available for spending at the government's discretion.

The General Fund consists of the chief Operating Fund of the City and 12 other funds that are combined with the Operating Fund for financial reporting. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$5,185,721. 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 29 percent of total General Fund expenditures including transfers out. The unassigned fund balance of the General Operating Fund represented 21 percent of the Operating Fund expenditures including transfers out.

The Major Streets Fund has a total fund balance of \$521,182 which increased by \$255,258 during the year.

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 Operating Fund via a transfer of funds which amounted to \$586,080 for 2019.

The Capital Projects Fund's fund balance of \$2,399,186 decreased by \$2,816,228 during 2019. This is due in most part to not expending contributions that were received 2018 until the 2019 fiscal year.

Two new funds were established during the year end June 30, 2019. The Boardman Lake Trail Construction Capital Projects Fund was set up to track the expenditure of bond issue proceeds of \$3,235,000 related to the West Boardman Lake Trail Loop Project. The Sidewalk Construction Capital Projects Fund was set up to track the expenditures of bond issue proceeds of \$4,500,000 related to sidewalk rehabilitation and sidewalk gap/infill projects.

The Brown Bridge Permanent Trust fund balance increased by \$204,195 during the current fiscal year. The adjustment to market at year end June 30, 2019 increased investment revenue by \$193,883.

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, Hickory Hills, Marina, and Auto Parking System funds at the end of the year amounted to \$9,146,435 with net investment in capital assets of \$56,806,750. For the current year, the Wastewater Fund had an increase in net position of \$1,169,279, the Water Fund had an increase in net position for the year of \$1,711,948, the Hickory Hills Fund had an increased net position of \$72,443, the Marina Fund had an decrease in net position of \$40,910 and the Auto Parking System had an increase in net position of \$948,464.

General Fund Budgetary Highlights

During the year, General Fund revenues were greater than budgetary estimates by \$253,090. Actual expenditures were under amended budget amounts by \$573,584. Overall, the actual fund balance increased by \$1,011,756, compared to an amended budget increase estimate of \$51,050.

Capital Asset and Debt Administration

Capital assets. The City's total capital assets for its governmental and business-type activities as of June 30, 2019, amounted to \$117,484,479 (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 the Lake Avenue Streetscape Project with total costs of \$1,100,000.
- Completion of the Carnegie Building Elevator Replacement with costs of \$371,000.
- Completion of the Hardy and Old Town Deck gate and ticketing system replacement, total costs of \$199,000.
- Continuation of the AMI meter replacement project for Water and Sewer Funds, costs to date of \$1,920,000.
- Start up of the Barlow Reservoir Project in the Water Fund, costs to date of \$1,450,000.
- Near completion of the Hickory Hill phase 1 and maintenance building projects with costs to date of \$4,133,000.
- Start up of the 8th Street Reconstruction Project, costs to date of \$771,000.

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

		2019		2018					
	Governmental	Business-type		Governmental	Business-type				
	Activities	Activities	Total	Activities	Activities	Total			
Land and non depreciated improvements	\$ 11,840,656	\$ 9,603,489	\$ 21,444,145	\$ 11,320,741	\$ 9,603,489	\$ 20,924,230			
Construction in Progress	6,283,506	6,116,575	12,400,081	1,214,032	2,839,781	4,053,813			
Land Improvements	6,476,317	304,857	6,781,174	6,494,962	362,218	6,857,180			
Buildings and improvements	5,762,931	33,716,521	39,479,452	5,693,982	34,646,597	40,340,579			
Equipment	8,081,840	11,230,062	19,311,902	8,127,943	9,714,596	17,842,539			
Infrastructure and other improvements	17,766,573	301,152	18,067,725	18,197,900	383,891	18,581,791			
	\$ 56,211,823	\$ 61,272,656	\$ 117,484,479	\$ 51,049,560	\$ 57,550,572	\$ 108,600,132			

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 \$18,618,016. Of this amount, \$14,927,111 comprises debt backed by the full faith and credit of the government. The remainder of the City's debt represents capital leases.

City of Traverse City's Outstanding Debt General Obligation and Capital Leases Table IV

	2019							2018				
	Go	overnmental		isiness-type				vernmental		ısiness-type		
	_	Activities		Activities	_	Total		Activities	_	Activities	_	Total
Direct placement bonds - Parking												
Deck	\$	7,192,111	\$	-	\$	7,192,111	\$	7,844,124	\$	-	\$	7,844,124
Direct placement bonds - Trail												
and Sidewalk Construction		7,735,000		-		7,735,000		-		-		-
Capital lease payable -												
Wastewater Treatment Plant		-		3,690,905	_	3,690,905				4,835,372		4,835,372
TOTAL	\$	14,927,111	\$	3,690,905	\$	18,618,016	\$	7,844,124	\$	4,835,372	\$	12,679,496

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 \$102,463,474 which is significantly in excess of the City's outstanding general obligation debt.

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

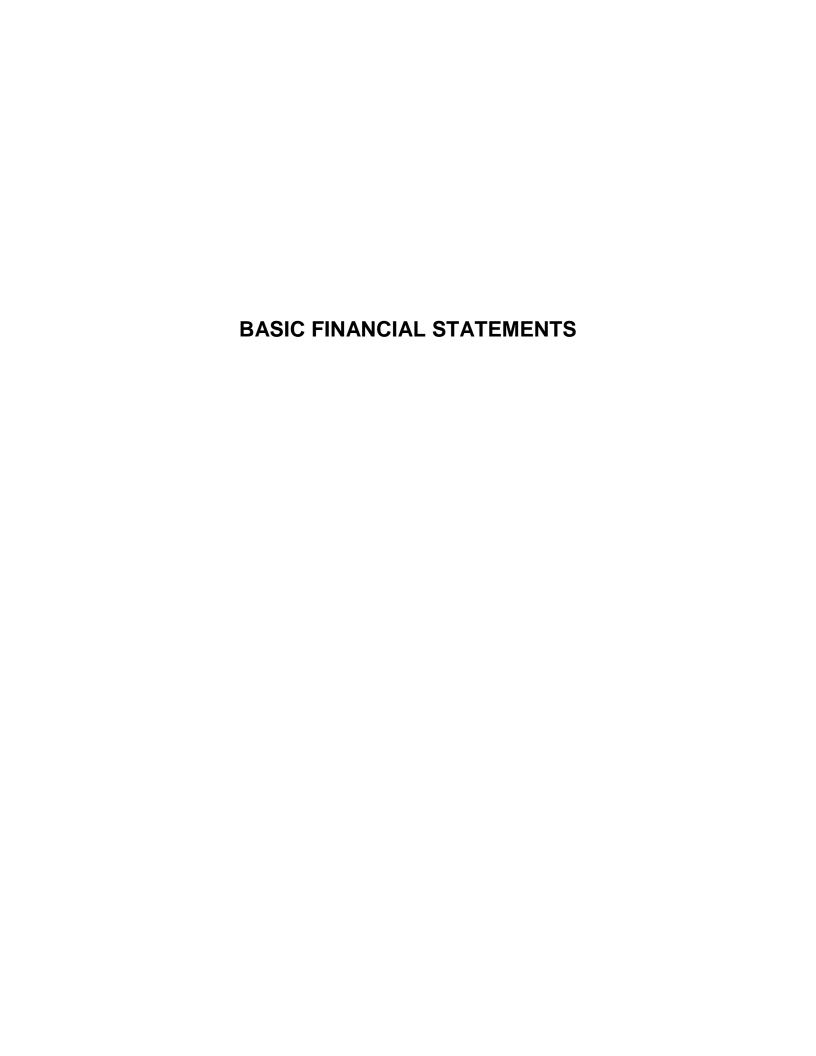
Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the City's budget for the 2019/20 fiscal year:

- The City Commission elected to maintain the General Fund tax levy at 12.1167 mills with 1.0 mill continuing to be used for Street and Sidewalk projects. The Act 345 levy for Police/Fire pensions is 2.32 mills, the same levy as the previous five years.
- The City's capital improvement plan projects approximately \$41 million of potential capital related expenses in fiscal year 2019/20 including close to \$3 million in each the Wastewater and Water Funds, \$8.8 million for Traverse City Light and Power and \$900,000 for the Downtown Development Authority. The General Fund budget includes a \$1,200,000 transfer to the capital projects fund for various projects including \$890,000 of street and sidewalk related projects.
- The renewal 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 pavement preservation projects. That millage is expected to provide about \$815,000 annually over a three year period.
- Significant water and wastewater ongoing and pending projects included AMI meter replacements, the 8th Street reconstruction project, and the Barlow Water Tank project lead to a recommend \$2 base rate increase for the Wastewater Fund and a \$1 base rate increase for the Water Fund.

Requests for Information

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



CITY OF TRAVERSE CITY, MICHIGAN Statement of Net Position June 30, 2019

		Component Units			
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority	Light and Power
Assets					
Cash and cash equivalents	\$ 10,408,885	\$ 3,977,179	\$ 14,386,064	\$ 5,072,147	\$ 526,028
Investments	23,314,535	8,543,165	31,857,700	-	14,821,332
Receivables, net	2,080,331	2,099,552	4,179,883	916,828	5,209,659
Due from component unit	94,250	- (1.050.12.0)	94,250	-	-
Internal balances	1,079,136	(1,079,136)	402.020	-	1 505 744
Inventories	323,554	80,276	403,830	0.221	1,505,744
Prepaid items and other assets	524,980	29,050	554,030	8,321	97,294
Other post employment benefits	827,080	85,429	912,509	-	154 107
Advances to primary government	10 124 162	15 720 064	22 944 226	120.756	154,197
Capital assets not being depreciated Capital assets being depreciated	18,124,162 38,087,661	15,720,064 45,552,592	33,844,226 83,640,253	120,756	3,166,340 64,985,417
Capital assets being depreciated	38,087,001	43,332,392	83,040,233		04,763,417
Total assets	94,864,574	75,008,171	169,872,745	6,118,052	90,466,011
Deferred outflows of resources					
Deferred outflows - pensions	4,998,683	816,961	5,815,644	-	3,518,243
Deferred outflows - other post employment benefits	888,410	13,075	901,485	-	589,934
Deferred outflows - loss on refunding	235,917		235,917		
Total deferred outflows of resources	6,123,010	830,036	6,953,046		4,108,177
Liabilities					
Accounts payable and accrued expenses	1,876,148	1,067,463	2,943,611	890,307	3,404,824
Unearned revenue	8,020	-	8,020	2,000,000	14,815
Due to primary government	-	-	-	-	94,250
Advances from component units	154,197	-	154,197	-	-
Long-term liabilities					
Net pension liability	30,555,821	4,127,897	34,683,718	-	12,200,960
Net other post employment benefit liability	5,406,347	-	5,406,347	-	1,902,402
Other long-term liabilities					
Due within one year	1,215,518	1,187,384	2,402,902	-	24,474
Due in more than one year	14,307,465	2,593,415	16,900,880	66,799	157,633
Total liabilities	53,523,516	8,976,159	62,499,675	2,957,106	17,799,358
Deferred inflows of resources					
Deferred inflows - pensions	1,220,419	411,112	1,631,531	-	1,122,177
Deferred inflows - other post employment benefits	486,238	10,049	496,287	-	406,356
Deferred inflows - gain on refunding	<u> </u>	257,493	257,493		
Total deferred inflows of resources	1,706,657	678,654	2,385,311		1,528,533
Net position					
Net investment in capital assets	48,655,310	56,806,750	105,462,060	120,756	68,151,757
Restricted for					
Debt service	3,251	-	3,251	-	-
Joint planning	16,140	-	16,140	-	-
Capital improvements	8,330,039	-	8,330,039	-	-
Streets and highways	521,182	-	521,182	-	-
Public welfare or civic improvement organizations	1,134,051	-	1,134,051	-	-
Act 345 retirement	454,461	-	454,461	-	-
Tax increment finance districts	-	-	-	2,544,285	-
Nonexpendable brown bridge trust	12,221,200	-	12,221,200	-	-
Nonexpendable cemetery perpetual trust	719,797	-	719,797	-	-
Unrestricted (deficit)	(26,298,020)	9,376,644	(16,921,376)	495,905	7,094,540
Total net position	\$ 45,757,411	\$ 66,183,394	\$ 111,940,805	\$ 3,160,946	\$ 75,246,297

Statement of Activities For the Year Ended June 30, 2019

			Program Revenues	S	
			Operating	Capital	
		Charges	Grants and	Grants and	Net (Expense)
Functions/Programs	Expenses	for Services	Contributions	Contributions	Revenue
Primary government					
Governmental activities					
General government	\$ 3,895,749	\$ 1,270,153	\$ 667,378	\$ -	\$ (1,958,218)
Public safety	10,017,658	46,002	31,408	-	(9,940,248)
Public works	7,427,204	1,014,698	3,254,016	1,103,637	(2,054,853)
Culture and recreation	3,157,484	919,610	250,636	537,449	(1,449,789)
Interest and fiscal charges	389,286	-	-	-	(389,286)
Total governmental activities	24,887,381	3,250,463	4,203,438	1,641,086	(15,792,394)
Business-type activities					
Wastewater	6,040,505	7,591,322	-	-	1,550,817
Water	2,824,076	4,760,150	-	-	1,936,074
Marina	614,060	602,961	-	-	(11,099)
Hickory Hills	60,593	132,982	-	-	72,389
Automobile parking	2,178,892	3,358,447	-	-	1,179,555
Total business-type activities	11,718,126	16,445,862			4,727,736
Total primary government	\$ 36,605,507	\$ 19,696,325	\$ 4,203,438	\$ 1,641,086	\$ (11,064,658)
Component units					
Downtown Development Authority	\$ 3,139,390	\$ 767,341	\$ 145,077	\$ -	\$ (2,226,972)
Light and Power	34,435,386	35,131,511	-		696,125
Total component units	\$ 37,574,776	\$ 35,898,852	\$ 145,077	\$ -	\$ (1,530,847)

Continued...

Statement of Activities For the Year Ended June 30, 2019

		Primary Governi	nent	Component Units			
Functions/Programs	Governmental Activities	Business-type Activities	Total	Downtown Development Authority	Light and		
Changes in net position							
Net (expense) revenue	\$ (15,792,394)	\$ 4,727,736	\$ (11,064,658)	\$ (2,226,972)	\$ 696,125		
General revenues							
Unrestricted property taxes	15,115,475	-	15,115,475	134,996	-		
Restricted property taxes for tax increment finance districts	-	-	-	2,485,263	-		
Grants and contributions not restricted	1 404 417		1 404 417				
to specific programs	1,494,417	-	1,494,417	-	-		
Franchise revenue	261,142	121.722	261,142	- 722	260.022		
Unrestricted investment earnings	371,123	131,722	502,845	732	268,933		
Gain on sale of capital assets	89,192	(001.002)	89,192	=	-		
Transfers	991,993	(991,993)	-	-	-		
Contribution to endowment	5,621		5,621				
Total general revenues, transfers and contributions	18,328,963	(860,271)	17,468,692	2,620,991	268,933		
Change in net position	2,536,569	3,867,465	6,404,034	394,019	965,058		
Net position, beginning of year	43,220,842	62,315,929	105,536,771	2,766,927	74,281,239		
Net position, end of year	\$ 45,757,411	\$ 66,183,394	\$ 111,940,805	\$ 3,160,946	\$ 75,246,297		

Concluded

Balance Sheet Governmental Funds June 30, 2019

				Special Re	evenue		Ca	pital Projects
		General Fund		Major Streets Fund	Local Streets Fund	Capital Projects		ardman Lake l Construction
ASSETS								
Assets								
Cash and cash equivalents	\$	1,222,976	\$	313,800	\$ -	\$ 2,495,628	\$	865,975
Investments		3,962,657		-	-	83,656		2,982,250
Receivables								
Accounts		405,746		190	-	599,448		-
Taxes				-	-	-		-
Special assessments		_		_	_	_		_
Accrued interest		6,036		_	_	_		_
Due from other governments		249,104		218,342	73,941	_		_
Due from other funds		877,677		210,512	75,711	_		_
Due from component unit		94,250		_	_	_		_
Inventory		80,928		_	_	_		_
		524,980		-	-	_		_
Prepaid items and other assets Advances to other funds				-	-	-		-
Advances to other funds		775,000						
Cotal assets	\$	8,199,354	\$	532,332	\$ 73,941	\$ 3,178,732	\$	3,848,225
JABILITIES, DEFERRED INFLOWS OF RESOURCES, AND .iabilities								
Accounts payable	\$	275,700	\$	10,430	\$ 9,010	\$ 467,884	\$	13,604
Accrued and other liabilities		248,226		720	711	-		-
Due to other funds		-		-	64,220	-		-
Deposits payable		146,612		-	-	-		-
Unearned revenue		1,121		-	-	1,085		-
Advance from component unit						154,000		-
Total liabilities		671,659		11,150	73,941	622,969		13,604
Deferred inflows of resources Unavailable revenue						156,577		
Unavailable revenue		-		<u>-</u>	·	156,577		=
Unavailable revenue		<u>-</u>				156,577		-
Unavailable revenue		80,928		<u>-</u>		156,577		<u>-</u>
Unavailable revenue Fund balance Nonspendable		80,928 524,980		<u>-</u> - -		156,577		<u> </u>
Unavailable revenue Fund balance Nonspendable Inventory Prepaid items						156,577 		<u> </u>
Unavailable revenue Fund balance Nonspendable Inventory Prepaid items Advance to other funds		524,980				156,577 		
Unavailable revenue Fund balance Nonspendable Inventory Prepaid items Advance to other funds Brown bridge trust		524,980						- - - -
Unavailable revenue Fund balance Nonspendable Inventory Prepaid items Advance to other funds Brown bridge trust Cemetery perpetual care		524,980 775,000		- - - - -	- - - - -	156,577 - - - -		- - - - - -
Unavailable revenue Fund balance Nonspendable Inventory Prepaid items Advance to other funds Brown bridge trust Cemetery perpetual care Restricted		524,980 775,000		- - - - -		156,577 - - - - -		
Unavailable revenue Fund balance Nonspendable Inventory Prepaid items Advance to other funds Brown bridge trust Cemetery perpetual care Restricted Debt service		524,980 775,000						
Unavailable revenue Fund balance Nonspendable Inventory Prepaid items Advance to other funds Brown bridge trust Cemetery perpetual care Restricted Debt service Streets and highways	_	524,980 775,000		521,182	-			-
Unavailable revenue Fund balance Nonspendable Inventory Prepaid items Advance to other funds Brown bridge trust Cemetery perpetual care Restricted Debt service Streets and highways Joint planning	_	524,980 775,000				156,577		- - - - - - - - - - - - - - - - - - -
Unavailable revenue Fund balance Nonspendable Inventory Prepaid items Advance to other funds Brown bridge trust Cemetery perpetual care Restricted Debt service Streets and highways Joint planning Capital improvements		524,980 775,000			- - - - - - - -			- - - - - - - 3,834,621
Unavailable revenue Fund balance Nonspendable Inventory Prepaid items Advance to other funds Brown bridge trust Cemetery perpetual care Restricted Debt service Streets and highways Joint planning Capital improvements Public safety training		524,980 775,000			-	- - - - - - -		- - - - - - 3,834,621
Unavailable revenue Fund balance Nonspendable Inventory Prepaid items Advance to other funds Brown bridge trust Cemetery perpetual care Restricted Debt service Streets and highways Joint planning Capital improvements Public safety training Public welfare or civic improvement organizations	_	524,980 775,000			-			3,834,621
Unavailable revenue Fund balance Nonspendable Inventory Prepaid items Advance to other funds Brown bridge trust Cemetery perpetual care Restricted Debt service Streets and highways Joint planning Capital improvements Public safety training Public welfare or civic improvement organizations Act 345 retirement		524,980 775,000			-	- - - - - - -	-	- - - - - - 3,834,621
Unavailable revenue Fund balance Nonspendable Inventory Prepaid items Advance to other funds Brown bridge trust Cemetery perpetual care Restricted Debt service Streets and highways Joint planning Capital improvements Public safety training Public welfare or civic improvement organizations Act 345 retirement Committed	_	524,980 775,000 - - - - - - -				- - - - - - -		3,834,621
Unavailable revenue Fund balance Nonspendable Inventory Prepaid items Advance to other funds Brown bridge trust Cemetery perpetual care Restricted Debt service Streets and highways Joint planning Capital improvements Public safety training Public welfare or civic improvement organizations Act 345 retirement Committed Budget stablilization	_	524,980 775,000			-	- - - - - - - -		3,834,621
Unavailable revenue Fund balance Nonspendable Inventory Prepaid items Advance to other funds Brown bridge trust Cemetery perpetual care Restricted Debt service Streets and highways Joint planning Capital improvements Public safety training Public welfare or civic improvement organizations Act 345 retirement Committed Budget stablilization Capital improvements		524,980 775,000 - - - - - - -			-	- - - - - - -		- - - - - 3,834,621 - -
Unavailable revenue Fund balance Nonspendable Inventory Prepaid items Advance to other funds Brown bridge trust Cemetery perpetual care Restricted Debt service Streets and highways Joint planning Capital improvements Public safety training Public welfare or civic improvement organizations Act 345 retirement Committed Budget stablilization Capital improvements Assigned		524,980 775,000 - - - - - - -			-	- - - - - - - -		3,834,621
Unavailable revenue Fund balance Nonspendable Inventory Prepaid items Advance to other funds Brown bridge trust Cemetery perpetual care Restricted Debt service Streets and highways Joint planning Capital improvements Public safety training Public welfare or civic improvement organizations Act 345 retirement Committed Budget stablilization Capital improvements		524,980 775,000 - - - - - - -			-	- - - - - - - -		3,834,621
Fund balance Nonspendable Inventory Prepaid items Advance to other funds Brown bridge trust Cemetery perpetual care Restricted Debt service Streets and highways Joint planning Capital improvements Public safety training Public welfare or civic improvement organizations Act 345 retirement Committed Budget stablilization Capital improvements Streets and highways Capital improvements Public safety training Public welfare or civic improvement organizations Act 345 retirement Committed Budget stablilization Capital improvements Assigned	_	524,980 775,000 - - - - - - - - - - - - - - - - - -	_		-	- - - - - - - -		3,834,621
Fund balance Nonspendable Inventory Prepaid items Advance to other funds Brown bridge trust Cemetery perpetual care Restricted Debt service Streets and highways Joint planning Capital improvements Public safety training Public welfare or civic improvement organizations Act 345 retirement Committed Budget stablilization Capital improvements Subsequent year budget		524,980 775,000 - - - - - - - - - - - - - - - - - -			-	- - - - - - - -		3,834,621
Unavailable revenue Fund balance Nonspendable Inventory Prepaid items Advance to other funds Brown bridge trust Cemetery perpetual care Restricted Debt service Streets and highways Joint planning Capital improvements Public safety training Public welfare or civic improvement organizations Act 345 retirement Committed Budget stablilization Capital improvements Assigned Subsequent year budget Unassigned		524,980 775,000 - - - - - - - - - - - - - - - - - -		521,182	- - - - - - - - - - - - -	- - - - - - - - - - - - - - - - - - -		- - - - -

Sidewalk	Permanent Brown Bridge Trust	Nonmajor Governmental	
Construction	Fund	Funds	Total
\$ 416,799	\$ 290,796	\$ 3,186,447	\$ 8,792,421
3,485,300	12,120,190	680,482	23,314,535
-	-	6,130	1,011,514
-	-	5,812	5,812
-	-	458,023	458,023
-	44,509	-	50,545
-	-	5,400	546,787
-	-	-	877,677
-	-	-	94,250
-	-	-	80,928 524,980
			775,000
\$ 3,902,099	\$ 12,455,495	\$ 4,342,294	\$ 36,532,472
\$ 102,217	\$ -	\$ 402,096	\$ 1,280,941 249,657
-	234,295	33,638	332,153
-	· -	-	146,612
-	-	5,813	8,019
		197	154,197
102,217	234,295	441,744	2,171,579
<u>-</u> _		367,284	523,861
_	-	-	80,928
-	-	-	524,980
-	-	-	775,000
-	12,221,200	-	12,221,200
-	-	719,797	719,797
-	-	3,676	3,676
-	-	16 140	521,182
3,799,882	-	16,140 695,536	16,140 8,330,039
5,177,004	-	053,330	0,330,039
-	- -	1,134,051	1,134,051
-	-	454,461	454,461
		- ,	- , , , -
-	-	-	781,066
-	-	509,605	2,908,791
_		_	180,000
-	-	-	5,185,721
3,799,882	12,221,200	3,533,266	33,837,032

Continued.....

Balance Sheet Governmental Funds June 30, 2019

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	\$ 33,837,032
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 no reported in the funds.	
Add: capital assets Subtract: accumulated depreciation	100,456,513 (53,324,456)
Because the focus of governmental funds is on short-term financing, some items will not be available to pay for current-period expenditures.	
Add: other post employment benefits asset Add: deferred outflow of resources - pension Add: deferred outflow of resources - other post employment benefits Add: unavailable revenue	741,651 4,656,808 875,334 523,861
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: net position of governmental activities accounted for in internal service fund	9,108,239
Certain items, such as bonds payable, are not due and payable in the current period, and therefore are not reported in the funds.	
Add: deferred loss on refunding Subtract: deferred bond premium - Hardy Deck Subtract: deferred inflow of resources - pension Subtract: deferred inflow of resources - other post employement benefits Subtract: net pension liability Subtract: net other post employment benefit liability Subtract: bonds payable Subtract: compensated absences Subtract: accrued interest on long-term liabilities	235,917 (17,110) (1,051,885) (476,190) (28,822,574) (5,406,347) (14,910,000) (566,174) (103,208)
Net position of governmental activities	\$ 45,757,411

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds

For the Year Ended June 30, 2019

		Special Rev	enue Funds	-	Capital Projects
	General	Major Streets	Local Streets	Capital Projects	Boardman Lake Trail Construction
Revenues					
Property taxes and special assessments	\$ 11,279,219	\$ -	\$ -	\$ -	\$ -
Licenses and permits	737,872	-	-	-	-
Federal sources	7,938	-	-	-	-
State sources	1,522,983	1,795,748	504,469	345,000	-
Local sources	1,809,798	-	-	-	-
Charges for services	519,118	-	-	-	-
Fines and forfeits	5,745	-	-	-	-
Contributions	211,997	-	-	933,126	400,000
Reimbursement	510,578	-	-	25,000	2,558
Interest income (loss)	168,151	251	-	25,256	52,075
Other revenue	627,241				
Total revenues	17,400,640	1,795,999	504,469	1,328,382	454,633
Expenditures					
Current expenditures					
General government	3,594,960	-	-	-	-
Public safety	7,220,867	-	-	-	-
Public works	1,683,787	1,528,741	1,090,549	174,526	_
Recreation and Culture	2,630,975	-	-	-	-
Capital outlay	35,027	-	-	5,624,570	84,104
Debt service					
Principal	-	-	-	-	-
Interest expense and fiscal charges					
Total expenditures	15,165,616	1,528,741	1,090,549	5,799,096	84,104
Excess (deficiency) of revenues over expenditures	2,235,024	267,258	(586,080)	(4,470,714)	370,529
Other financing sources (uses)					
Proceeds from construction bond	-	-	-	-	3,235,000
Transfers in	1,321,722	100,000	586,080	2,057,419	333,874
Transfers out	(2,544,990)	(112,000)		(402,933)	(104,782)
Total other financing sources (uses)	(1,223,268)	(12,000)	586,080	1,654,486	3,464,092
Net change in fund balances	1,011,756	255,258	-	(2,816,228)	3,834,621
Fund balance, beginning of year	6,515,939	265,924		5,215,414	
Fund balance, end of year	\$ 7,527,695	\$ 521,182	\$ -	\$ 2,399,186	\$ 3,834,621

_	Permanent			
Sidewalk Construction	Brown Bridge Trust	Nonmajor Governmental Funds	Total	
\$ -	\$ -	\$ 2,183,344	\$ 13,462,563	
-	-	-	737,872	
-	-	-	7,938	
-	-	4,819	4,173,019	
-	-	872,276	2,682,074	
-	-	209,244	728,362	
-	-	-	5,745	
-	-	1,071,163	2,616,286	
-	-	-	538,136	
57,831	438,490	86,888	828,942	
			627,241	
57,831	438,490	4,427,734	26,408,178	
_	_	29,586	3,624,546	
_	_	2,000,000	9,220,867	
661,998	-	1,256,152	6,395,753	
-			2,630,975	
95,951	- 375,9		6,215,633	
-	-	650,000	650,000	
		282,865	282,865	
757,949		4,594,584	29,020,639	
(700,118)	438,490	(166,850)	(2,612,461)	
4.500.000			7.725.000	
4,500,000	-	60,589	7,735,000 4,459,684	
-	(234,295)	(68,691)	(3,467,691)	
	(237,293)	(00,091)	(5,707,051)	
4,500,000	(234,295)	(8,102)	8,726,993	
3,799,882	204,195	(174,952)	6,114,532	
<u>-</u>	12,017,005	3,708,218	27,722,500	
\$ 3,799,882	\$ 12,221,200	\$ 3,533,266	\$ 33,837,032	

Continued.....

Statement of Revenues, Expenditures and Changes in Fund Balances **Governmental Funds** For the Year Ended June 30, 2019

Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances of Governmental Funds to
the Statement of Activities

the Statement of Activities Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances of Governmental Funds to	
Net change in fund balances - total governmental funds	\$ 6,114,532
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 Subtract: depreciation expense	6,215,633 (1,487,996)
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 Add: amortization of premium Subtract: Bond Proceeds Subtract: Amortization of deferred loss on refunding	650,000 2,013 (7,735,000) (27,659)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following year.	
Subtract: decrease in deferred contributions and special assessment receivables	(64,598)
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: increase in other post employment benefit asset, deferred outflow and deferred inflows Add: decrease in compensated absences payable Subract: increase in accrued interest payable Subtract: change in net pension liability, deferred outflows and deferred inflows Add: change in net other post employment benefit liability, deferred outflows and deferred inflows	208,939 40,820 (80,777) (1,399,652) (55,587)
Internal service funds are used by management to charge the costs of certain activities, such as equipment usage, 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 Add: gain on disposal of capital assets in governmental internal service fund Add: net operating income from governmental activities accounted for in internal service fund	 1,714 86,663 67,524

Concluded

2,536,569

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

Change in net position of governmental activities

Statement of Net Position Proprietary Funds June 30, 2019

	Business-type Activities			es - Enterprise Funds		
		W 4		м :	Automobile	
Assets	Wastewater	Water	Hickory Hills	Marina	Parking System	
Current assets						
Cash and cash equivalents	\$ 563,930	\$ 952,314	\$ 83,741	\$ 419,613	\$ 1,957,581	
Investments	-	3,033,476	ψ 05,711 -	ψ 117,015 -	5,509,689	
Receivables		3,033,170			3,307,007	
Accounts	1,235,971	829,848	_	993	18,950	
Taxes	2,560	1,190	_	-	-	
Interest	_,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,		_	_	10,040	
Inventory	_	63,954	_	16,322	-	
Prepaid cost and other assets	20,750	8,300	-		_	
•						
Total current assets	1,823,211	4,889,082	83,741	436,928	7,496,260	
Noncurrent assets						
Other post employment benefits	28,476	56,953	-	-	-	
Capital assets not being depreciated	1,228,373	3,383,857	-	8,412,302	2,695,532	
Capital assets being depreciated	21,455,278	9,214,816		661,887	14,220,611	
Total noncurrent assets	22,712,127	12,655,626		9,074,189	16,916,143	
Total assets	24,535,338	17,544,708	83,741	9,511,117	24,412,403	
Deferred outflows						
Deferred outflow of resources - pensions	277,994	487,981	_	27,465	23,521	
Deferred outflow of resources - other post employment benefits	4,358	8,717	-			
Determine cultion of the cultion of	.,,,,,,	0,717	-		-	
Total deferred outflows	282,352	496,698		27,465	23,521	
Liabilities						
Current liabilities						
Accounts payable	322,394	602,782	8,117	46,573	27,531	
Accrued and other liabilities	30,249	20,023	-	8,681	1,113	
Due to other funds	86,599	73,086	-	32,407	342,255	
Current portion of compensated absences	-	-	-	-	-	
Current portion of long-term debt	1,187,384					
Total current liabilities	1,626,626	695,891	8,117	87,661	370,899	
Long-term liabilities						
Advance from other funds	_	_	_	775,000	_	
Long-term debt, net of current portion	2,503,522	-	-	-	-	
Net pension liability	1,331,650	2,514,623	-	139,049	142,575	
Compensated absences	38,572	40,559	3,181	7,422	157	
Total long-term liabilities	3,873,744	2,555,182	3,181	921,471	142,732	
Total liabilities	5,500,370	3,251,073	11,298	1,009,132	513,631	
Deferred inflows						
Deferred inflows Deferred inflow of resources - pensions	146,920	242,190		13,339	8,663	
Deferred inflow of resources - pensions Deferred inflow of resources - other post employment benefits	3,350	6,699	-	13,339	8,003	
Deferred gain on refunding	257,493	-	<u> </u>	<u> </u>		
Total deferred inflows	407,763	248,889		13,339	8,663	
Net Position						
Net investment in capital assets	18,992,745	12,598,673	_	8,299,189	16,916,143	
Unrestricted (deficit)	(83,188)	1,942,771	72,443	216,922	6,997,487	
Total net position	\$ 18,909,557	\$ 14,541,444	\$ 72,443	\$ 8,516,111	\$ 23,913,630	

		Governmental Activities - Internal
	Total	Service Fund
\$	3,977,179	\$ 1,616,464
Ψ	8,543,165	ÿ 1,010,404
	0,5 15,105	
	2,085,762	7,650
	3,750	-
	10,040	-
	80,276	242,626
	29,050	
	14,729,222	1,866,740
	85,429	85,429
	15,720,064	110,974
	45,552,592	8,968,794
	61,358,085	9,165,197
	76,087,307	11,031,937
	816,961	341,875
	13,075	13,075
	830,036	354,950
	1,007,397	82,470
	60,066	13,264
	534,347	11,177
	-	1,868
	1,187,384	
	2,789,194	108,779
	775,000	-
	2,503,522	-
	4,127,897	1,733,247
	89,891	27,830
	7,496,310	1,761,077
	10,285,504	1,869,856
	,,	-,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
	411,112	168,534
	10,049	10,049
	257,493	
	678,654	178,583
	56,806,750	8,968,794
	9,146,435	369,654
\$	65,953,185	\$ 9,338,448

Statement of Net Position Proprietary Funds June 30, 2019

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

\$ 65,953,185

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

230,209

Net position of business-type activities

\$ 66,183,394

Concluded

Statement of Revenues, Expenses and Changes in Net Position Proprietary Funds For the Year Ended June 30, 2019

	Business-type Activities - Enterprise Funds				
					Automobile
	Wastewater	Water	Hickory Hills	Marina	Parking System
Operating revenues					
Charges for services	\$ 7,432,302	\$ 4,617,416	\$ 132,390	\$ 588,521	\$ 3,317,254
Interdepartmental	-	-	-	-	-
Contributions	-	-	-	-	-
Other revenue	159,020	126,594	592	14,440	41,193
Total operating revenues	7,591,322	4,744,010	132,982	602,961	3,358,447
Operating expenses					
Personnel services	1,027,219	1,449,020	3,181	164,858	17,623
Commodities	21,275	141,803	14,884	8,012	75,678
Contractual services	4,009,675	329,044	8,968	237,396	1,139,086
Other charges	202,887	489,574	33,560	81,337	424,029
Depreciation and amortization	603,566	416,631		108,038	524,087
Total operating expenses	5,864,622	2,826,072	60,593	599,641	2,180,503
Operating income	1,726,700	1,917,938	72,389	3,320	1,177,944
Nonoperating revenues (expenses)					
State sources	-	-	=	-	-
Reimbursements	-	16,140	=	-	-
Interest income	1,432	16,984	54	477	112,775
Interest expense and fiscal charges	(178,401)	-	-	(14,535)	-
Gain (loss) on sale of capital assets					
Total nonoperating revenues (expenses)	(176,969)	33,124	54	(14,058)	112,775
Income before transfers	1,549,731	1,951,062	72,443	(10,738)	1,290,719
Capital contributions	-	-	-	-	-
Transfers out	(380,452)	(239,114)		(30,172)	(342,255)
Total capital contributions and transfers	(380,452)	(239,114)		(30,172)	(342,255)
Change in net position	1,169,279	1,711,948	72,443	(40,910)	948,464
Net position, beginning of year, restated	17,740,278	12,829,496	_ _	8,557,021	22,965,166
Net position, end of year	\$ 18,909,557	\$ 14,541,444	\$ 72,443	\$ 8,516,111	\$ 23,913,630

Total	Governmental Activities - Internal Service Fund
\$ 16,087,88	3 \$ -
	- 3,540,786
341,83	9 20,015
16,429,72	2 3,560,801
2,661,90	1 905,174
261,65	
5,724,16	9 175,192
1,231,38	7 199,361
1,652,32	2 1,638,026
11,531,43	1 3,487,036
11,331,43	3,467,030
4,898,29	1 73,765
16,14	0 -
131,72	2 1,714
(192,93	6) -
-	- 86,663
(45,07	4) 88,377
4,853,21	7162,142
	-
(991,99	3) -
(991,99	3) -
3,861,22	4 162,142
62,091,96	9,176,306
\$ 65,953,18	5 \$ 9,338,448

Continued......

Statement of Revenues, Expenses and Changes in Fund Net Position Proprietary Funds For the Year Ended June 30, 2019

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

\$ 3,861,224

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

6,241

Change in net position of business-type activities

\$ 3,867,465

Concluded

Statement of Cash Flows Proprietary Funds For the Year Ended June 30, 2019

	Business-type - Enterprise Funds				
	Wastewater	Water	Hickory Hills	Marina	Automobile Parking System
Cash flows from operating activities					
Cash received from customers	\$ 7,383,774	\$ 4,784,927	\$ 132,982	\$ 615,979	\$ 3,359,211
Cash received from interfund services	-	-	-	-	-
Cash payments to suppliers for goods and services	(3,977,689)	(500,499)	(49,295)	(339,875)	(1,757,171)
Cash payments to employees for services	(926,196)	(1,319,352)		(155,180)	(16,835)
Net cash provided by operating activities	2,479,889	2,965,076	83,687	120,924	1,585,205
Cash flows from non-capital financing activities					
Cash payments from (to) other funds	11,047	10,001	-	(76,668)	11,366
Cash payments for city fee	(380,452)	(239,114)	-	(30,172)	(342,255)
Cash received from reimbursements		16,140			
Net cash provided by (used in) non-capital					
financing activities	(369,405)	(212,973)		(106,840)	(330,889)
Cash flows from capital and related financing activities					
Principal payments	(1,201,690)	-	-	-	-
Interest payments	(185,236)	-	-	(14,535)	-
Purchases of capital assets	(1,267,839)	(3,587,476)	-	(22,410)	(752,759)
Proceeds from sale of capital assets					256,077
Net cash (used in) capital and related					
financing activities	(2,654,765)	(3,587,476)		(36,945)	(496,682)
Cash flows from investing activities					
Interest received	1,432	16,984	54	477	108,691
Sale (purchase) of investments		(2,983,439)			(3,015,877)
Net cash provided by investing activities	1,432	(2,966,455)	54	477	(2,907,186)
Net increase (decrease) in cash and cash equivalents	(542,849)	(3,801,828)	83,741	(22,384)	(2,149,552)
Cash and cash equivalents, beginning of year	1,106,779	4,754,142		441,997	4,107,133
Cash and cash equivalents, end of year	\$ 563,930	\$ 952,314	\$ 83,741	\$ 419,613	\$ 1,957,581

		Governmental
	Total	Activities - Internal Service Fund
	10111	Service I unu
Φ.	16.006.000	
\$	16,276,873	\$ - 3,553,151
	(6,624,529)	(1,307,085)
	(2,417,563)	(819,330)
	7.224.791	1 406 706
	7,234,781	1,426,736
	(44,254)	(355)
	(991,993) 16,140	-
	10,140	
	(1,020,107)	(355)
	(1,201,690)	-
	(199,771)	-
	(5,630,484)	(2,033,851)
	256,077	47,861
	(6,775,868)	(1,985,990)
	127,638	1,714
	(5,999,316)	
	(5,871,678)	1,714
	(6,432,872)	(557,895)
	10,410,051	2,174,359
\$	3,977,179	\$ 1,616,464

Continued.....

Statement of Cash Flows Proprietary Funds For the Year Ended June 30, 2018

	Business-type - Enterprise Funds						
	Wastewater	Water	Hickory Hills	Marina	Automobile Parking System		
Reconciliation of operating income to net cash							
provided by operating activities							
Operating income	\$ 1,726,700	\$ 1,917,938	\$ 72,389	\$ 3,320	\$ 1,177,944		
Adjustments to reconcile operating income							
to net cash provided by operating activities							
Depreciation and amortization	603,566	416,631	-	108,038	524,087		
Changes in assets and liabilities							
Accounts receivables	(207,548)	40,917	-	13,018	764		
Prepaid cost and other assets	200,772	(4,299)	-	-	-		
Inventory	-	(1,894)	-	5,431	-		
Deferred outflows - pension	(115,886)	(176,454)	-	(10,406)	(338)		
Deferred outflows - other post employment benefits	(842)	(1,686)	-	-	-		
Accounts payable	56,639	468,640	8,117	(18,561)	(118,378)		
Accrued and other liabilities	10,221	(10,449)	3,181	774	499		
Net pension liability	212,290	328,931	-	19,063	619		
Deferred inflows - pension	2,754	4,356	-	247	8		
Deferred inflows - other post employment benefits	(8,777)	(17,555)					
Net cash provided by operating activities	\$ 2,479,889	\$ 2,965,076	\$ 83,687	\$ 120,924	\$ 1,585,205		

Total		Activit	ernmental ies - Internal vice Fund
\$	4,898,291	\$	73,765
	1,652,322		1,638,026
	(152,849)		(7,650)
	196,473		3,788
	3,537		2,543
	(303,084)		(131,833)
	(2,528)		(2,528)
	396,457		(365,792)
	4,226		(1,887)
	560,903		241,503
	7,365		3,133
	(26,332)		(26,332)
\$	7,234,781	\$	1,426,736

Concluded

CITY OF TRAVERSE CITY, MICHIGAN

Statement of Fiduciary Net Position Fiduciary Funds June 30, 2019

	Pension and Other Post Employment Trust Funds		Agency Funds	
Assets				
Cash and cash equivalents	\$	3,044,893	\$	323,135
Investments, at fair value				
Fixed income mutual funds		6,313,109		-
Domestic equities		8,831,285		-
International equities		5,186,819		-
Real estate		2,736,565		-
Other		8,496,985		-
MERS total market fund		1,819,416		-
Receivables				
Accounts		93,975		22,455
Taxes		-		220,839
Accrued interest		12,759		-
Total assets		36,535,806	\$	566,429
Liabilities				
Accrued and other liabilities		108,438	\$	100,727
Due to other governmental units				465,702
Total liabilities		108,438	\$	566,429
Net Position Held in trust for pension benefits and other postemployment benefits	\$	36,427,368		

CITY OF TRAVERSE CITY, MICHIGAN

Statement of Changes in Fiduciary Net Position Fiduciary Funds

For the Year Ended June 30, 2019

	Pension and Other Post Employment Trust Funds
Additions	
Contributions	
City contributions	\$ 2,514,566
Employee contributions	78,115
Total contributions	2,592,681
Investment earnings	
Interest and dividends	537,831
Net increase in fair value of investments	829,097
Investment advisor fees	(126,795)
Net investment earnings	1,240,133
Other	96
Total additions	3,832,910
Deductions	
Pension benefits paid	2,745,588
Health insurance premiums paid	553,963
Administrative expense	42,856
Total deductions	3,342,407
Net increase (decrease) in plan assets	490,503
Net position held in trust, beginning of year	35,936,865
Net position held in trust, end of year	\$ 36,427,368

The accompanying notes are an integral part of these 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, the Tax Incremental Financing District #2, the Tax Incremental Financing District #97, and the Old Town Tax Incremental Financing District 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 budgets of these entities must be approved by the City Commission and the City has the ability to significantly influence their operations.

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

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

Traverse Area District Library City of Traverse City and Garfield Township Recreational Authority Traverse City Housing Commission

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

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 2011 capital lease listed in Note IID based on capacity rights. The City's capacity right is fifty-five percent of the related facilities for which they have elected to lease out fifteen 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 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.

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 maintenance and improvement purposes.

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

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

The *Boardman Lake Trail Construction Fund* accounts for the expenditure of bond proceeds related to construction of the West Boardman Lake Trail Loop.

The *Sidewalk Construction Fund* accounts for the expenditure of bond proceeds related to Sidewalk Rehabilitation and Sidewalk Gap/Infill 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 *Hickory Hills Fund* accounts for activities at the Hickory Hills Recreational Facility.

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

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

Additionally, the government reports the following fund types:

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

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

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 post employment benefit trust funds account for the activities of the public safety employees' pension and post employment benefits and the City's general employees post employment 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.

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

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position/fund balance and unrestricted - net position/fund balance, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to use restricted resources first, then unrestricted resources as they are needed. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

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.

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 \$10,000 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 valued at acquisition value (the price that would be paid to acquire an asset with an equivalent service potential in an orderly market transaction) on the date received. 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

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 related to the loss on bond refunding as well as pension and other post employment benefits plans.

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 related to a gain on bond refunding as well as pension and other post employment benefits plans.

6. Compensated absences

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

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

Since 1990, short-term leave pay has replaced sick leave pay for all employees. Each employee is entitled to 56 hours of short-term leave pay per year on December 1. Unused short-term leave accumulated at November 30 is paid out on the first non-payroll Friday in December. The City accrues unused short-term leave at its fiscal year-end.

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

7. Long-term obligations

In the government-wide financial statements, and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net 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 other financing sources while discounts on debt issuances are reported as other financing uses. 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.

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.

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:

	Governmental Business- Activities Activiti	• •	Total Primary Government	Component Units
Cash and cash equivalents Investments	\$ 10,408,885 \$ 3,977, 23,314,535 8,543,	179 \$ 3,368,028		
Total	<u>\$ 33,723,420</u> <u>\$ 12,520,</u>	<u>\$ 36,752,207</u>	<u>\$82,995,971</u>	<u>\$20,419,507</u>

Cash and cash equivalents reported above include \$11,776 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	\$	11,776
City and component unit bank deposits		
(checking, savings accounts and certificates of deposit)	23	,552,413
City and component unit investments	43	,099,082
Pension and other post employment benefit fund - deposits	3	,368,028
Pension and other post employment benefit fund - investments	_33	,384,179

Total <u>\$103,415,478</u>

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 in the governmental activities, business type activities and component units.

Investment	Maturity	Fair Value	Rating	
US Treasury Note	06/18/2020	\$ 981,590	Aaa	
US Treasury Note	06/30/2019	1,000,000	Aaa	
US Treasury Note	01/31/2021	1,004,570	Aaa	
US Treasury Note	02/15/2022	1,019,650	Aaa	
US Treasury Note	02/15/2024	522,110	Aaa	
US Treasury Note	02/15/2020	403,752	Aaa	
US Treasury Note	02/15/2020	504,690	Aaa	
US Treasury Note	06/30/2019	1,000,000	Aaa	
US Treasury Note	07/31/2020	1,007,340	Aaa	
US Treasury Note	06/30/2022	1,001,250	Aaa	
US Treasury Note	09/30/2019	998,950	Aaa	
US Treasury Note	06/30/2022	1,011,800	Aaa	
US Treasury Note	06/30/2020	499,570	Aaa	
US Treasury Note	05/15/2025	1,016,880	Aaa	
	- 37 -			



US Treasury Note	06/30/2021	\$ 1,007,190	Aaa
US Treasury Note	06/30/2025	526,190	Aaa
US Treasury Note	09/26/2019	994,990	Aaa
US Treasury Note	12/19/2019	990,300	Aaa
US Treasury Note	02/15/2021	25,719	Aaa
US Treasury Note	04/28/2021	999,550	Aaa
FHLB Bond	10/12/2022	500,060	Aaa
FHLB Bond	07/26/2022	1,000,270	Aaa
FHLB Bond	05/17/2021	1,003,990	Aaa
FHLB Bond	08/24/2021	999,940	Aaa
FHLB Bond	12/14/2021	1,001,520	Aaa
FHLB Bond	02/28/2022	1,000,790	Aaa
FHLB Bond	03/29/2022	997,940	Aaa
FHLB Bond	06/22/2022	1,000,270	Aaa
FHLB Bond	08/24/2028	997,140	Aaa
FHLB Bond	07/25/2031	968,510	Aaa
FHLB Bond	08/15/2031	978,500	Aaa
FHLB Bond	10/12/2022	500,060	Aaa
FHLB Bond	05/25/2021	1,000,120	Aaa
FHLB Bond	09/20/2021	998,950	Aaa
US Treasury Note	02/15/2024	313,266	Aaa
US Treasury Note	08/08/2019	997,820	Aaa
US Treasury Note	08/22/2019	996,970	Aaa
US Treasury Note	08/29/2019	996,560	Aaa
US Treasury Note	09/05/2019	996,160	Aaa
US Treasury Note	11/07/2019	992,610	Aaa
US Treasury Note	11/21/2019	991,820	Aaa
US Treasury Note	12/05/2019	495,610	Aaa
US Treasury Note	08/15/2019	997,380	Aaa
US Treasury Note	09/19/2019	995,380	Aaa
US Treasury Note	12/26/2019	989,880	Aaa
US Treasury Note	03/31/2024	50,836	Aaa
FHLB Bond	02/26/2021	500,505	Aaa
FHLB Bond	10/12/2022	1,000,000	Aaa
FHLB Bond	04/27/2023	1,000,010	Aaa
US Treasury Note	02/29/2024	771,120	Aaa
US Treasury Note	06/30/2025	263,095	Aaa
US Treasury Note	02/15/2024	99,201	Aaa
Michigan CLASS Pool	N/A	 186,708	AAAm

\$ 43,099,082

FairValueMeasurements. The City categorizes its fair value measurements of investments within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City has the following recurring fair value measurements as of year-end.

- US Treasury Notes, FHLB Bonds, and commercial paper are valued using quoted market prices (Level 1 inputs).
- The Michigan Class Pool is valued using a pricing model utilizing observable fair value measures of fund/pool investments and other observable inputs to determining the fair value of the securities making up the of investments fund/pool (Level 2 inputs).
- The City does not have any investments that report fair value based on significant unobservable inputs (Level 3 inputs).

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, \$8,160,962 of the City's bank balance of \$24,807,530 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 \$43,099,082 of investments, the City has a custodial credit risk exposure of \$43,099,082 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.

Deposits and Investments - Pension and Other Post Employment Benefit Funds

The City maintains a pension trust fund and a post employment 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 Act 345 pension trust fund maintains a checking account with a bank balance of \$2,129,402 with deposits collateralized and a money market account in the pension fund trust account with a balance of \$316,873, of which \$250,000 is insured and \$66,873 is not insured or collateralized. The Act 345 retiree health insurance trust fund has deposits in a City pooled cash account totaling \$380,365.

Investments - The Michigan Public Employees Retirement Systems' Investment Act, Public Act 314, of 1965, as amended, authorizes pension and post employment 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 Post Employment 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.

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Act 345 pension trust fund 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 approved investment policy the Act 345 pension trust fund 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 Act 345 pension trust fund will do business by subjecting them to certain criteria. Of the below \$33,384,179 of investments, the Act 345 pension trust fund and the post employment benefit trust have a custodial credit risk exposure of \$33,384,179 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.

Fair Value Measurements - The Act 345 pension trust fund and the post employment benefit trust categorize their fair value measurements of investments within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Act 345 pension trust fund and the post employment benefit trust has the following recurring fair value measurements as of year-end.

- Fixed Income Mutual funds, Common stock, and Equity Mutual Funds are valued using quoted market prices (Level 1 inputs).
- The Equity Common Trust Fund, Bond Mutual Funds, and the MERS Total Market Fund are valued using a pricing model utilizing observable fair value measures of fund/pool investments and other observable inputs to determining the fair value of the securities making up the of investments fund/pool (Level 2 inputs).
- The SBIC funds, the direct real estate investment and the private equity real estate investment, being primarily investments in real property, are valued using (amongst other factors) comparable sales information and appraisals (Level 3 inputs).

The trust funds' investments are held in a bank-administered trust fund and a MERS trust account. Following is a summary of the System's investments as of June 30, 2019:

Investments at fair value, as determined by quoted market price:

Fixed income mutual funds	\$	5,346,597
Common stock		6,923,557
Bond Mutual Funds		966,512
Equity mutual funds		7,094,547
Equity common trust funds		7,686,453
Alternative - SBIC funds		810,532
MERS total market fund		1,819,416
Private Equity Real Estate		751,511
Direct real estate investments		1,985,054
Total investments	<u>\$</u> :	<u>33,384,179</u>

B. Capital assets

Capital assets activity for the year ended June 30, 2019 was as follows:

Primary Government

	Beginning			Ending
	Balance	Increases	Decreases	Balance
Governmental activities Capital assets not being depreciated:				
Land	\$ 11,320,741	\$ 519,915	\$ -	\$ 11,840,656
Construction in progress	1,214,032	6,781,806	1,712,332	6,283,506
Total	12,534,773	7,301,721	1,712,332	18,124,162
Capital assets, being depreciated				
Land improvements	8,033,406	270,953	-	8,304,359
Infrastructure	57,035,748	450,592	-	57,486,340
Buildings	17,215,825	371,373	-	17,587,198
Equipment	18,617,420	1,782,464	1,023,296	19,376,588
Total	100,902,399	2,875,382	1,023,296	102,754,485
Less accumulated depreciation:				
Land improvements	1,538,444	289,598	-	1,828,042
Infrastructure	38,837,848	881,919	-	39,719,767
Buildings	11,521,843	302,424	-	11,824,267
Equipment	10,489,477	1,652,081	846,810	11,294,748
Total accumulated				
Depreciation	62,387,612	3,126,022	846,810	64,666,824
Total capital assets being				
depreciated, net	38,514,787	(250,640)	176,486	38,087,661
Governmental activities capital assets, net	\$ 51,049,560	\$ 7,051,081	\$ 1,888,818	\$ 56,211,823



	Beginning Balance	Increases	<u>Decreases</u>	Ending Balance
Business-type activities Capital assets not being				
depreciated:				
Land&Improvements	\$ 9,603,489	\$ -	\$ -	\$ 9,603,489
Construction in progress	2,839,781	5,377,555	2,100,761	6,116,575
Total capital assets not	2,009,701			
being depreciated	12,443,270	5,377,555	2,100,761	15,720,064
8	, -,		, ,	
Capital assets, being depreciated				
Buildings and improvements	54,645,269	219,394	-	54,864,663
Land Improvements	1,259,392	-	=	1,259,392
Other improvements	1,919,211	-	-	1,919,211
Machinery and equipment	16,376,702	1,878,218		18,254,920
Total capital assets being				
depreciated	74,200,574	2,097,612		76,298,186
Less accumulated depreciation:				
Buildings and improvements	19,998,672	1,149,470	-	21,148,142
Land improvements	897,174	57,361	-	954,535
Other improvements	1,535,320	82,739	-	1,618,059
Machinery and equipment	6,662,106	362,752		7,024,858
Total accumulated				
Depreciation	20,002,272	1 650 200		30,745,594
Depreciation	29,093,272	1,652,322		30,743,394
Total capital assets being				
depreciated, net	45,107,302	445,290	_	45,552,592
depreciated, not	73,107,302			73,332,372
Business-type activities				
capital assets, net	\$ 57,550,572	\$ 5,822,845	\$ 2,100,761	<u>\$ 61,272,656</u>



	Beginning Balance	Increases	Decreases	Ending Balance
Light and Power				
Component Unit				
Capital assets not being				
depreciated:				
Land	\$ 1,079,419	\$ 25,651	\$ -	\$ 1,105,070
Construction in progress	2,746,924	7,628,052	8,313,706	2,061,270
Total capital assets not				
being depreciated	3,826,343	7,653,703	8,313,706	3,166,340
Capital assets, being depreciated				
Buildings and improvements	5,687,649	193,915	48,439	5,833,125
Equipment and distribution				
System	83,588,829	8,021,980	3,473,560	88,137,249
Fiber system	1,871,695	9,848	-	1,881,543
Wifi system	501,863			501,863
Total capital assets being				
depreciated	91,650,036	8,225,743	3,521,999	96,353,780
Less accumulated depreciation:				
Buildings and improvements	1,983,831	173,727	32,121	2,125,437
Equipment and distribution				
system	27,545,104	2,706,020	2,210,248	28,040,876
Fiber system	879,652	96,610	-	976,262
Wifi system	175,616	50,172		225,788
Total accumulated				
depreciation	30,584,203	3,026,529	2,242,369	31,368,363
Total capital assets being				
depreciated, net	61,065,833	5,199,214	1,279,630	64,985,417
Light and Power				
Component Unit				
capital assets, net	\$ 64,892,176	\$ 12,852,917	\$ 9,593,336	\$ 68,151,757
Downtown Development				
Authority				
Component Unit				
Capital assets not being				
depreciated:	¢	¢ 100.750	¢	¢ 100.750
Land	\$ -	\$ 120,756	\$ -	\$ 120,756

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

Governmental activities		
General government	\$	69,230
Public safety		90,393
Public works, including depreciation of general		
infrastructure assets		889,056
Recreation and culture		439,317
Capital assets held by the government's internal		
service fund are charged to the various		
functions based on their usage of the assets		1,638,026
Total depreciation expense – governmental activities	<u>\$</u>	3,126,022
Business-type activities		
Wastewater	\$	603,566
Water		416,631
Marina		108,038
Auto parking		524,087
•		
Total depreciation expense – business-type activities	<u>\$</u>	1,652,322
Component unit activities		
Light and power	Ф	3.026.529

C. Short term interfund receivables, payables, and transfers

	Inter-fund		Inter-fund
Fund	Receivable	Fund	Payable
General Fund	\$877,677	Local Street Fund	\$ 64,220
		College Parking Fund	5,745
		State Preparedness Equipment Grant Fund	5,400
		Automobile Parking Fund	342,255
		Wastewater Disposal Fund	86,599
		Water Fund	73,086
		Marina Fund	32,407
		Garage Fund	11,177
		Brown Bridge Trust Fund	234,295
		Cemetery Perpetual Care Fund	16,870
		McCauley Trust Fund	5,623
	\$877,677		\$877,677

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.

Interfund Transfers

	Operating Transfer In	Operating Transfer Out	Total
	Transfer in	Transier Out	Total
General Fund	\$ 1,321,722	\$ 2,544,990	\$ (1,223,268)
Major Streets Fund	100,000	112,000	(12,000)
Local Streets Fund	586,080	-	586,080
Brown Bridge Trust Fund	-	234,295	(234,295)
Capital Projects Fund	2,057,419	402,933	1,654,486
Boardman Lake Trail Construction Fund	333,874	104,782	229,092
Non-major Governmental Funds	60,589	68,691	(8,102)
Wastewater Fund	-	380,452	(380,452)
Water Fund	-	239,114	(239,114)
Marina Fund	-	30,172	(30,172)
Automobile Parking System Fund	-	342,255	(342,255)
	\$ 4,459,684	\$ 4,459,684	\$ -

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.

D. Long-term debt and accrued compensated absences

The following is a summary of Primary Government bond and lease transactions of the City for the year ended June 30, 2019:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019	Due within one year
Governmental Activities Private Placement Bonds and Contracts 2017 Downtown Development Refunding Bonds, due in annual installments \$540,000 to \$825,000 through April 2028 interest at 4.0% to 4.125%	\$7,844,124	\$ -	\$652,013	\$7,192,111	\$695,000
2018 Capital Improvement Bonds Boardman Lake Trail and Sidewalk Improvements, due in annual installments \$330,000 to 695,000 through October 2033 interest at 3.21%		7,735,000	-	7,735,000	505,000
Total Private Placement Bonds and Contracts	7,844,124	7,735,000	652,013	14,927,111	1,200,000
Accrued Compensated Absences	640,458	663,598	708,185	595,871	13,649
Total Governmental Activities	\$8,484,582	\$8,398,598	\$1,360,198	\$15,522,982	\$1,213,649
Business Type Activities Private Placement Bonds and Contracts 2011 Wastewater Treatment Plant					
Capital Lease Payable	\$4,835,372	\$ -	\$1,144,467	\$3,690,905	\$1,187,384
Accrued Compensated Absences	98,866	98,996	107,973	89,889	1,868
Total Business Type Activities	\$4,934,238	\$98,996	\$1,252,440	\$3,780,794	\$1,189,252

The Wastewater Fund capital lease is 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 \$26,929,426 with accumulated depreciation of \$9,928,148 and a book value of \$17,001,278 at June 30, 2019.

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

	Governmental Activities		Business Typ	e Activities
	Private Placer	nent Bonds	Private Placement Cap	oital Lease Contract
Year End June 30,	Principal	Interest	Principal	Interest
2020	\$1,200,000	\$404,711	\$1,187,384	\$147,636
2021	1,270,000	372,243	1,230,301	100,141
2022	1,345,000	337,987	1,273,219	50,929
2023	1,425,000	301,827	-	-
2024	1,445,000	263,650	-	-
2025-2029	6,455,000	732,694	-	-
2030-2034	1,770,000	146,055		-
_	\$14,910,000	\$2,559,167	\$3,690,904	\$298,706

E. Commitments

Primary Government

As part of it's ongoing capital improvement plan, The City has entered into various agreements with construction contractors, engineers and consultants. The estimated open balance on the agreements at June 30, 2019 is \$5,586,509.

Component Units

Traverse City Light and Power

The utility has agreements with the MPPA committing it to purchase of up to 2MW of renewable energy from Granger Electric of Michigan, LLC, .65MW of renewable energy from North American Natural Resources, Inc., and 3.6MW of all energy, capacity, and environmental attributes under the agreement for a development in the thumb area of Michigan. Additionally, through the MPPA Energy Service Committee, the utility has base energy bilateral contracts beginning July 1, 2019 through December 31, 2022 in the amount

of \$4,645,763 and peak energy bilateral contracts beginning July 1, 2019 through December 31, 2021 in the amount of \$3,350,622 and capacity transaction bilateral contracts beginning July 1, 2019 through December 31,2030 in the amount of \$4,010,100.

Downtown Development Authority

The 2017 City of Traverse City Downtown Development Authority Tax Exempt Refunding 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 City has pledged its limited tax full faith and credit for the payment of the principal and interest on the bonds.

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

Fiscal <u>Year End</u>	<u>Amount</u>
2020	\$ 859,523
2021	893,586
2022	931,504
2023	973,160
2024	953,440
2025-2028	3,396,376
Total	\$ 8,007,589

The Authority has committed to assist with West Front Street signal equipment purchases from TIF 97 fund for an estimated \$50,000.

The Authority has committed to assist with the East Front Streetscape – Boardman to Grandview Parkway Project from TIF 97 funds with an estimated commitment balance of \$252,700.

The Authority has committed to assist with the Park Street Bridge Repair Project from TIF 97 funds with an estimated \$140,417 commitment balance at June 30, 2019.

The Authority intends to assist with the Eighth Street Bridge Repair Project with Old Town TIF funds of \$147,520.

The Authority has committed to assist with the West Front Street Bridge Replacement Project with TIF 97 funds estimated at \$202,635.

The Authority has committed to assist with the Uptown/West Front Riverwalk with TIF 97 funds estimated at \$136,723.

F. 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, 2019, 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, 2019 amounted to \$94,909, 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 2018 adjusted ad valorem taxable value in the City totaled \$1,024,634,744, on which taxes levied consisted of 12.1167 mills for operating purposes and 2.32 mills for Act 345.

Included in the taxable valuation is the Downtown Development Authority ("DDA"). The taxable value for the DDA is \$168,653,222. The DDA general operating tax rate for was 1.7188 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 three defined benefit retirement plans, The Act 345 Retirement System covering police and fire department personnel, The MERS Traverse City Light and Power Plan covering the Light and Power Component Unit employees and the MERS City of Traverse City-General Plan covering all other City employees.

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 quoted market price

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.

Plan membership. At June 30, 2018 the most recent actuarial valuation date, membership consisted of:

Retirees and beneficiaries currently receiving benefits	71
Terminated plan members entitled to but not yet receiving benefits	5
Active plan members	51
Total	<u>127</u>

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 6/30/2015) of the

3 year average final compensation (AFC) times first 25 years of service plus 1% of AFC times years of service in excess of 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 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.

Investment policy. The plan's 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, 2019:

Asset class	Target Allocation
Fixed income	25%
Domestic equity	50%
International equity	15%
Real Estate	10%
Cash	0%

Concentrations. At June 30, 2019 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, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan expense, was 3.31%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability. The employer's Net Pension Liability was measured as of June 30, 2019, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of June 30, 2018.

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2018 with a June 30, 2019 measurement date and reporting date, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation 2.50% Salary increases 3.00%-6.00%

Investment rate of return 7.0%, net of pension plan investment expense

The mortality tables used were as follows:

Healthy pre-retirement: The RP-2014 Employee Generational Mortality Tables, with blue collar adjustments and extended via cubic spline. This table is adjusted backwards to 2006 with the MP-2014 scale, resulting in a base year of 2006 with future mortality improvements assumed each year using scale MP-2017.

Healthy post-retirement: The RP-2014 Healthy Annuitant Generational Mortality Tables, with blue collar adjustments and extended via cubic spline. This table is adjusted backwards to 2006 with the MP-2014 scale, resulting in a base year of 2006 with future mortality improvements assumed each year using scale MP-2017.

Disability retirement: The RP-2014 Disabled Mortality Table, extended via cubic spline. This table is adjusted backwards to 2006 with the MP-2014 scale, resulting in a base year of 2006 with future mortality improvements assumed each year using scale MP-2017.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These real rates of return 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.

For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2019, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Fixed Income	25.00%	2.50%
Domestic Equity	50.00%	7.50%
International Equity	15.00%	8.50%
Real Estate	10.00%	4.50%
Cash	0.00%	0.00%

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

Single discount rate. A single discount rate of 7.00% 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 7.00%. 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 7.00%, as well as what the plan's net pension liability would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

	1% Decrease 6.00%	Current SDR 7.00%	1% Increase 8.00%
Total Pension Liability Plan Fiduciary Net Position	\$ 54,976,719 30,665,665	\$ 48,663,369 <u>30,665,665</u>	\$ 43,447,522 30,665,665
Net Pension Liability/(Asset)	<u>\$ 24,311,054</u>	<u>\$ 17,997,704</u>	\$ 12,781,857

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2019 the employer recognized pension expense of \$2,660,106. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflow	Deferred <u>Inflow</u>
Difference in Experience Difference in Assumption Changes Difference in Investment Earnings	\$ 198,245 1,449,521 775,650	\$ -
Total	\$ 2,243,416	<u>\$</u>

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	Net Deferred
	<u>Outflow</u>
2020	\$ 670,860
2021	442,564
2022	691,423
2023	578,190
2024	40,379
Total	<u>\$ 2,423,416</u>

Changes in Net Pension Liability:

Fiscal year ending June 30,	2019	2018	
Total Pension Liability			
Service Cost	\$ 759,397	\$ 721,781	
Interest on the Total Pension Liability	3,347,430	3,195,886	
Benefit changes	-	-	
Difference between expected and actual			
experience of the Total Pension Liability	(124,418)	756,372	
Assumption changes	1,801,057	-	
Benefits paid and refunds	(2,745,588)	(2,598,943)	
Net change in Total Pension Liability	3,037,878	2,075,096	
Total Pension Liability - Beginning	45,625,491	43,550,395	
Total Pension Liability- Ending (a)	\$ 48,663,369	\$ 45,625,491	
Plan Fiduciary Net Position			
Employer contributions	\$ 1,995,181	\$ 1,841,815	
Employee contributions	78,115	81,144	
Pension plan net investment income	996,920	2,285,282	
Benefit payments and refunds	(2,745,588)	(2,598,943)	
Pension plan administrative expense	(33,140)	(19,633)	
Other	96	-	
Net Change in Plan Fiduciary Net Position	291,584	1,589,665	
	20 274 001	20 704 417	
Plan Fiduciary Net Position - Beginning	30,374,081	28,784,416	
Plan Fiduciary Net Position - Ending (b)	\$ 30,665,665	\$ 30,374,081	
Net Pension Liability - Ending (a)-(b)	\$ 17,997,704	\$ 15,251,410	

MERS City of Traverse City - General Plan

Plan Description. The employer's defined benefit pension plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. The employer participates in MERS of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at www.mersofmich.com.

Benefits Provided

01 - Admin Stf & ACT prior 7/1/09: closed to new hires,

linked to Division 13

2018 Valuation

Benefit Multiplier: Bridged Benefit: 2.25% Multiplier

(80% max) Termination FAC; to

1.50% Multiplier (80% max)

Bridged Benefit Date: 06/30/2014

Normal Retirement Age: 60

Vesting: 6 years

Early Retirement (Unreduced): 55/25 **Early Retirement (Reduced):** 50/25

55/15 5 years

Final Average Compensation:

COLA for Current

Retirees:

2.50% (Non-Compound)

Employee Contributions: 0% **Act 88:** No

11 - Gnl GME: Closed to new

hires, linked to Division 14

2018 Valuation

Benefit Multiplier: Bridged Benefit: 2.25% Multiplier

(80% max) Termination FAC; to

1.50% Multiplier (80% max)

Bridged Benefit Date: 06/30/2014

Normal Retirement Age: 60

Vesting: 6 years **Early Retirement (Unreduced):** 55/25 **Early Retirement (Reduced):** 50/25

55/15

Final Average Compensation: 5 years

COLA for Current/Future

Retirees: 2.50% (Non-Compound)

Employee Contributions: 0% Act 88: No

13 - ACT hired after 7/1/09:

Open Division, linked to

Division 01

2018 Valuation

Benefit Multiplier: 1.50% Multiplier (no max)

Normal Retirement Age: 60

Vesting: 6 years

Early Retirement (Unreduced): 55/25 **Early Retirement (Reduced):** 50/25

55/15

Final Average Compensation: 5 years **Employee Contributions:** 0% Act 88: No

14 - General GME hired after 7/1/09: Open Division, linked to

Division 11,16

2018 Valuation

Benefit Multiplier: 1.50% Multiplier (no max)

Normal Retirement Age: 60

Vesting: 6 years

Early Retirement (Unreduced): Early Retirement (Reduced):

55/25 50/25

55/15 **Final Average Compensation:** 5 years **Employee Contributions:** 0% Act 88: No

16 - GME Tech/Clerical hired prior to 7/1/09: Closed to new hires, linked to Division 14

2018 Valuation

Benefit Multiplier: Bridged Benefit: 2.25% Multiplier

(80% max) Termination FAC; to

1.50% Multiplier (80% max)

Bridged Benefit Date 06/30/2013

Normal Retirement Age: Vesting: 60 6 years 55/25

Early Retirement (Unreduced): Early Retirement (Reduced):

50/25 55/15

Final Average Compensation:

5 years

COLA for Future Retirees

2.50% (Non-Compound)

Employee Contributions: Act 88:

0% No

- -Benefits provided include plans with multipliers ranging from 1.5 to 2.25.
- -Vesting period is six years.
- -Normal retirement age is 60 with early retirement at 55 with 25 years of service.
- -Final average compensation is calculated based on 5 years.
- -There are no member contributions.

Employees covered by benefits terms. At the December 31, 2018 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving	
benefits	126
Inactive employees entitled to but not yet receiving	
benefits	23
Active employees	98
	247

Contributions. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

Employer contributions for the fiscal year ended June 30, 2019 were \$600,288 for the Admin & ACT hired prior to 7/1/2009 division, \$43,716 for the GME tech/clerical hired prior to 7/1/2009 division, \$442,528 for the General GME division, \$1146,705 for the General GME hired after 7/1/2009 division, and \$141,279 for the ACT hired after 7/1/2009 division.

Net Pension Liability. The employer's Net Pension Liability was measured as of December 31, 2018, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of that date.

Actuarial assumptions. The total pension liability in the December 31, 2018 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5%

Salary Increases: 3.75% in the long-term.

Investment rate of return: 7.75%, net investment expense, including inflation.

Although no specific price inflation assumptions are needed for the valuation, the 2.5% long-term wage inflation assumption would be consistent with a price inflation of 3%-4%.

Mortality rates used were based on the RP-2014 Group Annuity Mortality Table of a 50% Male and 50% Female blend.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study of 2009-2013.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to provide the long-term expected rate of return by weighting the expected future real rates of return of the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	55.5%	3.41%
Global Fixed Income	18.5%	.23%
Real Assets	13.5%	.97%
Diversifying Strategies	12.5%	.63%

Discount rate. The discount rate used to measure the total pension liability is 8.00% for 2017. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. 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.

Changes in Net Pension Liability

Calculating the Net Pension Liability				
Changes in Net Pension Liability	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)	
Balance at 12/31/17	\$38,781,636	\$24,498,359	\$14,283,277	
Service Cost Interest on Total Pension	473,357	-	473,357	
Liability Differences between expected	3,013,978	-	3,013,978	
and actuarial experience	(720,256)	-	(720,256)	
Change in assumptions	-	-		
Employer Contributions	-	1,325,327	(1,325,327)	
Net investment Income (loss)	-	(914,546)	914,546	
Benefit payments, including employee refunds	(2,687,175)	(2,687,175)	-	
Administrative expense	-	(46,438)	46,438	
Net Changes	79,904	(2,322,832)	2,402,736	
Balances as of 12/31/18	\$38,861,540	\$22,175,527	\$16,686,013	

Sensitivity of the Net Position Liability to changes in the discount rate. The following presents the Net Pension Liability of the employer, calculated using the discount rate of 8.00%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower (7.00%) or 1% higher (9.00%) than the current rate.

	1% Decrease 7.00%	Current Discount Rate 8.00%	1% Increase 9.00%
Net Pension Liability at 12/31/18	\$16,686,013	\$16,686,013	\$16,686,013
Change in Net Pension Liability	4,026,708		(3,425,954)
Calculated NPL	\$20,712,721	\$16,686,013	\$13,260,059

Note: The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because for GASB purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expenses.

<u>Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions</u>

For the year ended June 30, 2019 the employer recognized pension expense of \$2,487,230. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		erred Inflows Resources
Excess (Deficit) Investment Returns	\$	2,705,889	\$ 1,002,148
Changes in assumptions Differences between expected and actual experience		-	629,383
Contributions subsequent to the measurement date*		686,338	-
Total	\$	3,392,227	\$ 1,631,531

^{*} The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the year ending June 30, 2019.

Amounts reported as net deferred outflows and (inflows) of resources related to pensions, excluding subsequent contributions, will be recognized in pension expense as follows:

Year Ended	
2020	\$ 372,117
2021	(8,984)
2022	147,609
2023	563,616
	\$ 1,074,358

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MERS Traverse City Light and Power Plan

Plan Description. The employer's defined benefit pension plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. The employer participates in MERS of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at www.mersofmich.com.

Benefits Provided

01 - Non Union – closed to new hires, linked to Division

11

2018 Valuation

Benefit Multiplier: 2.25% Multiplier (80% max)

Normal Retirement Age: 60

Vesting: 10 years **Early Retirement** 55/25

(Unreduced):

Early Retirement (Reduced): 50/25

55/15

Final Average 5 years

Compensation:

COLA for Current/Future

Retirees: 2.50% (Non-Compound)

Member Contributions: 0% **Act 88:** No

10 - Union closed to new hires, linked to Division 12

2018 Valuation

Benefit Multiplier: 2.25% Multiplier (80% max)

Normal Retirement Age: 60 Vesting: 6 years Early Retirement 50/25

(Unreduced):

Early Retirement (Reduced): 55/15 **Final Average** 5 years

Compensation:

COLA for Current/Future

Retirees: 2.50% (Non-Compound)

Member Contributions: 0% **Act 88:** No

11 - Non-union hired after 7/1/2017, linked to Division

01

2018 Valuation

Benefit Multiplier: 1.5% Multiplier (80% max)

Normal Retirement Age: 60

Vesting: 6 years

Early Retires

Retirement 55/25

(Unreduced):

Early Retirement (Reduced): 55/15

50/25

Final Average 5 years

Compensation:

COLA for Future Retirees:

2.50% (Non-Compound)

Member Contributions: 0% Act 88: No

12 - Union hired after 7/1/2012, linked to Division

10

2018 Valuation

Benefit Multiplier: 1.5% Multiplier (80% max)

Normal Retirement Age: 60 Vesting: 6 years Early Retirement 55/25

(Unreduced):

Early Retirement (Reduced): 55/15

50/25

Final Average 5 years

Compensation:

COLA for Future Retirees: 2.50% (Non-Compound)

Member Contributions: 0% **Act 88:** No

- -Benefits provided include plans with multipliers ranging from 1.5 to 2.25.
- -Vesting periods range from 6 to 10 years.
- -Normal retirement age is 60 with early retirement at 55 with 25 years of service.
- -Final average compensation is calculated based on 5 years.
- -There are no member contributions.

Employees covered by benefits terms. At the December 31, 2018 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	60
Inactive employees entitled to but not yet receiving benefits	6
Active employees	34
	100



Contributions. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

Employer contributions range from 7.37 to 28.09% based on annual payroll for open divisions. One division that is closed to new employees has an annual employer contribution amount of \$64,833.

Net Pension Liability. The employer's Net Pension Liability was measured as of December 31, 2018, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of that date.

Actuarial assumptions. The total pension liability in the December 31, 2018 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5%

Salary Increases: 3.75% in the long-term.

Investment rate of return: 7.75%, net of administrative and investment expense, including inflation.

Although no specific price inflation assumptions are used in this valuation, the long-term annual rate of true inflation implicit in the 3.75% base wage inflation is 2.5%.

Mortality rates used were based on the RP-2014 Group Annuity Mortality Table of a 50% Male 50% Female blend. For disabled retirees, the rates were based on the RP-2014 Disabled Retiree of a 50% Male and a 50% female blend.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study in 2015 that covered the period from December 31, 2008 through December 31, 2013.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to provide the long-term expected rate of return by weighting the expected future real rates of return of the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	57.5%	5.02%
Global Fixed Income	20.0%	2.18%
Real Assets	12.5%	4.23%
Diversifying Strategies	10.0%	6.56%

Discount rate. The discount rate used to measure the total pension liability is 8% for 2018. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. 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.

Changes in Net Pension Liability

Calculating the Net Pension Liability					
Changes in Net Pension Liability	Total Pension	Increase (Decrease) Plan Fiduciary Net	Net Pension		
Balances at 12/31/17	Liability (a)	Position (b)	Liability (a)–(b)		
Changes for the Year	\$30,499,579	\$18,986,521	\$11,513,058		
Service Cost Interest on Total Pension	285,497	-	285,497		
Liability	2,370,497	-	2,370,497		
Difference between expected and actual experience	(370,024)	-	(370,024)		
Employer Contributions	-	2,395,423	(2,395,423)		
Net investment Income	-	(760,557)	760,557		
Benefit payments, including					
employee refunds	(2,021,640)	(2,021,640)	-		
Administrative expense	-	(37,098)	37,098		
Other	(300)	-	(300)		
Net Changes	264,030	(423,872)	687,902		
Balances as of 12/31/18	\$30,763,609	\$18,562,649	\$12,200,960		

Sensitivity of the Net Position Liability to changes in the discount rate. The following presents the Net Pension Liability of the employer, calculated using the discount rate of 8.00%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower (7.00%) or 1% higher (9.00%) than the current rate.

	1% Decrease 7.00%	Current Discount Rate 8.00%	1%Increase 9.00%
Net Pension Liability at 12/31/18	\$12,200,960	\$12,200,960	\$12,200,960
Change in Net Pension Liability (NPL)	3,347,381	-	(2,829,001)
Calculated NPL	\$15,548,341	\$12,200,960	\$9,371,959

Note: The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because for GASB purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expenses.

<u>Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions</u>

For the year ended June 30, 2019 the employer recognized pension expense of \$2,036,057. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

		Deferred	D (
	_	utflows of Resources		Terred Inflows f Resources
	•	\$	U	1 Resources
Excess (Deficit) Investment Returns		2,141,600	\$	(717,160)
Changes in Experience		181,558		(405,017)
Contributions subsequent to				
the measurement date*		1,195,085		
Total	\$	3,518,243	\$	(1,122,177)

^{*} The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the year ending 2019.

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended

2020	\$ 364,911
2021	185,166
2022	192,316
2023	 458,588
	\$ 1,200,981

Deferred Compensation Plans

Downtown Development Authority Component Unit

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. The employer matches participant contributions up to 6% and will provide a minimum of 4% no matter the participant contribution. 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 \$47,050 and the employees contributed \$33,843.

Primary Government and Light and Power Component Unit

The City and 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, the employer contribution to the plan was \$659,491 and the employees contributed \$738,206. Of these amounts Traverse City Light and Power contributed \$194,908 and their employees contributed \$226,411.

E. Post employment health benefits

The City primary government has two post employment health benefit plans, one covering Police and Fire Department personnel and the other covering all other employees of the City. The Traverse City Light and Power Component Unit also has a post employment health benefit plan covering its employees.

Act 345 Retiree Health Insurance Plan

Plan Description

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 Retiree Health Insurance Trust Fiduciary Fund. The Act 345 RHIP does not issue a stand alone financial report. Administrative costs are paid by the plan through employer contributions.

Benefits provided

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.

Membership of the Plan consisted of the following at the date of the latest actuarial valuation (June 30, 2018):

Retirees/beneficiaries receiving benefits	50
Inactive non retired members	-
Active plan members	32
•	
Total	82

The plan is closed to hires after July 1, 2009.

Contributions

The plan was established under the guidance of Public Act 345 and approved by the City Commission. The Plan's funding policy is that the employer will contribute annual amounts recommended via a bi annual actuarial valuation.

For the fiscal year end June 30, 2019, the City contributed \$519,279 to fund the benefits, the actuarially determined contribution for the period was \$480,429.

Net OPEB Liability

The total OPEB liability in the June 30, 2019 statements was determined using the June 30, 2018 actuarial valuation. The annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 4.0%

Wage increase: 4.0% to 7.0% including inflation

Investment rate of return: 7.5% net of OPEB plan investment expense including inflation.

Healthcare cost trend rates: 8.25% gradually decreasing to 4.0% in year 10.

Mortality rates used the RP-2000 mortality table projected 20 years with scale AA.

The actuarial assumptions used in the valuation were based on the results of the most recent actuarial experience study.

The long-term expected rate of return on OPEB plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses 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.

Single Discount Rate: A single discount rate of 7.0% was used to measure the total OPEB liability. The single discount rate was based on an expected rate of return of the OPEB plan investments of 7.0%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the OPEB 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 the OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in the Net OPEB Liability

Total OPEB Liability	
Service Cost	\$ 79,044
Interest on the total OPEB liability	631,831
Difference between expected and actual	
experience of the total OPEB liability	(533,914)
Assumption changes	792,407
Benefit payments including refunds of	
employee contributions	 (444,116)
Net change in total OPEB liability	525,252
Total OPEB liability - beginning	8,606,948
Total OPEB liability - Ending	\$ 9,132,200
Plan fiduciary net position	
Contributions - employer	\$ 519,279
Net investment income	187,943
Benefit payments, including refunds of	
employee contributions	(444,116)
Other	(6,000)
Net change in plan fiduciary net position	257,106
Plan fiduciary net position - beginning	3,468,746
Plan fiduciary net position -ending	3,725,852
Net OPEB liability 6/30/2019	\$ 5,406,348

Sensitivity of the Net OPEB Liability to changes in the single discount rate

The following presents the plan's net OPEB liability, calculated using a single discount rate of 7.5%, as well as what the plan's net OPEB liability would be if it were calculated using a single discount rate that is one percent lower or one percent higher.

	1%	decrease 6.00%	Cı	urrent Rate 7.00%	19	% increase 8.00%
Net OPEB liability	\$	6,494,708	\$	5,406,348	\$	4,498,613
Fiduciary position as a % of total OPEB liability				68.92%		

Sensitivity of the Net OPEB Liability to changes in the healthcare cost trend rates

Regarding the sensitivity of the net OPEB liability to changes in the healthcare cost trend rates, the following presents the plan's net OPEB liability, calculated using the assumed trend rates as well as what the plan's net OPEB liability would be if it were calculated using a trend rate that is one percent lower or one percent higher.

	1%	decrease	Cı	ırrent Rate	1	% increase
Net OPEB liability	\$	4,420,148	\$	5,406,348	\$	6,600,898

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the OPEB Plan

	rred Ouflow Resources	eferred Inflows of Resources
Differences in experience Assumption changes	\$ 22,157 597,339	\$ 402,479
Differences in projected earnings	 165,522	- -
Total	\$ 785,018	\$ 402,479

Amounts reported as deferred outflows related to the OPEB will be recognized in OPEB expense as follows:

2020	\$ 120,741
2021	120,741
2022	120,739
2023	20,318
2024	 -
Total	\$ 382,539

City Retiree Health Insurance Plan

Plan Description

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. 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.

Benefits provided

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.

Membership of the Plan consisted of the following at the date of the latest actuarial valuation:

Active Employees	28
Inactive Empoyees Receiving Benfits	28
Total Employees	56

Contributions

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 was -0-. The actual employer contribution was \$106.



Net OPEB Asset

The total OPEB asset in the June 30, 2019 GASB 74 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement.

Inflation rate: 2.5%

Salary rate increase: 5.0%

Discount Rate 7.5%

Healthcare Trend: Healthcare trend rates are estimated each year through 2029 based on the type of health care plan/coverage. These rates varied from 4.00% to 5.50%.

Mortality: The RP-2014 Combined Annuitant Mortality Table was used for males and females.

The actuarial assumptions used in the valuation were based on the results of the most recent actuarial experience study.

The long-term expected rate of return on OPEB plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses 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. The target allocation and best estimates of arithmetic real rates of return for each major class of assets are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
U.S. Stocks	34.5%	7.0%
International Stocks	5.0%	8.0%
Emerging Market Stocks	5.0%	12.0%
U.S. Bonds	20.0%	6.0%
Global Bonds	15.0%	7.0%
Global Real Estate	7.0%	8.0%
Commodities	5.0%	8.0%
Private Equity	7.0%	12.0%
Cash	1.5%	0.5%
Total	100.0%	



Single Discount Rate: A single discount rate of 7.5% was used to measure the total OPEB asset. The single discount rate was based on an expected rate of return of the OPEB plan investments of 7.5%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the OPEB 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 the OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB asset.

Changes in the Net OPEB Asset

Service Cost	\$ 3,206
Interest on the total OPEB liability	80,728
Difference between expected and actual	
experience of the total OPEB liability	-
Changes of assumptions and other inputs	(9,606)
Benefit payments including refunds of	
employee contributions	(132,031)
Other changes	 38,658

Other changes	 38,038
Net change in total OPEB liability	(19,045)
Total OPEB liability - beginning	 1,142,385
Total OPEB liability - Ending	\$ 1,123,340

Plan fiduciary net position

Total OPEB Liability

Contributions - employer	\$ 106
Net investment income	55,269
Difference between expected and actual experience	(98,770)
Benefit payments, including refunds of	
employee contributions	(132,031)
Administrative expense	(3,716)
Other changes	120,953
Net change in plan fiduciary net position	(58,189)
Plan fiduciary net position - beginning	2,094,038
Plan fiduciary net position -ending	\$ 2,035,849
-	

Net OPEB liability (asset) 6/30/2019 \$ (912,509)

Sensitivity of the Net OPEB Asset to changes in the single discount rate

The following presents the plan's net OPEB Asset, calculated using a single discount rate of 7.5%, as well as what the plan's net OPEB Asset would be if it were calculated using a single discount rate that is one percent lower or one percent higher.

	1%	decrease	Cu	rrent Rate	19	% increase
		6.50%		7.50%		8.50%
Net OPEB Asset	\$	971,210	\$	912,509	\$	846,142
Fiduciary position as a % of total OPEB Asset				223.10%	,	

Sensitivity of the Net OPEB Asset to changes in the healthcare cost trend rates

Regarding the sensitivity of the net OPEB Asset to changes in the healthcare cost trend rates, the following presents the plan's net OPEB Asset, calculated using the assumed trend rates as well as what the plan's net OPEB Asset would be if it were calculated using a trend rate that is one percent lower or one percent higher.

	1%	decrease	Cu	rrent Rate	1	% increase
Net OPEB Asset	\$	901,282	\$	912,509	\$	923,235

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the OPEB Plan

	Deferred Ouflow of Resources		Deferred Inflows of Resources	
Differences in experience	\$	11,787	\$	-
Changes of assumptions		35,388		6,991
Differences in projected earnings		91,450		108,974
Total	\$	138,625	\$	115,965

Amounts reported as deferred outflows/inflows related to the OPEB will be recognized in OPEB expense as follows:

	Outflows		Inflows
2020	\$	67,727	\$ 61,105
2021		27,246	54,860
2022		23,898	-
2023		19,754	-
Total	\$	138,625	\$ 115,965

Traverse City light and Power Retiree Health Insurance Plan

Plan Description. The Department maintains a single-employer defined benefit healthcare plan (the "Plan"). In addition to the retirement benefits described in Note 6, the Plan provides health insurance benefits to certain retirees and their beneficiaries, which are advance funded on a discretionary basis. The Plan is included as an other post-employment benefits trust fund in the Department's financial statements; a stand-alone financial report of the Plan has not been issued.

Benefits provided. The plan provides health insurance premiums paid at 100% for the retiree only. If a retiree receives a reduced benefit pension as calculated by MERS the Board will reduce the retiree health payment by the same percentage. Effective July 1, 2017 for all new hires who become eligible for a pension benefit, the Board will pay the retiree's health insurance premium until the retiree is Medicare eligible. If a retiree receives a reduced benefit pension as calculated by MERS the Board will reduce the retiree health payment by the same percentage.

Membership of the Plan consisted of the following at the date of the latest actuarial valuation (June 30, 2019):

Active pl	an me	mbers		34
Retirees	and	beneficiaries	receiving	38
benefits			J	
Total				72

Contributions. The Plan was established and is being funded under the authority of the Traverse City Light and Power Board. Employees are not required to contribute to the plan.

The Plan's funding policy is that the employer will contribute any required amounts as determined by an annual actuarial valuation. There are no long-term contracts for contributions to the Plan. The plan has no legally required reserves.



Net OPEB Liability. The total OPEB liability in the June 30, 2019 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.50%

Salary Increases: 5.00%

Investment rate of return: 7.5%

Healthcare cost trend rates: 4.5 to 7.0% per year

Mortality rates used RP-2014 Combined Annuitant Mortality Table for males and females.

The actuarial assumptions used in the valuation were based on the results of the most recent actuarial experience study.

The long-term expected rate of return on OPEB plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

	Target	Long-Term Expected Real
Asset Class	Allocation	Rate of Return
US Stocks	34.5%	7.0%
International Stocks	5.0%	8.0%
Emerging Market Stocks	5.0%	12.0%
U.S. Bonds	20.0%	6.0%
Global Bonds	15.0%	7.0%
Global Real Estate	7.0%	8.0%
Commodities	5.0%	8.0%
Private Equity	7.0%	12.0%
Cash	1.5%	.5%
Total	$1\overline{00.0}\%$	

The City, as the investment fiduciary, has chosen for the Plan an asset mix intended to meet or exceed a long-term rate of return of 7.5%.

Concentrations. 100% of the Plan's investments are invested in the MERS total market portfolio.

Discount rate. The discount rate used to measure the total OPEB liability is 7.5%. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates.

Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in the Net OPEB Liability

Calculating the Net Pension Liability				
Ŭ.	Increase (Decrease)			
	Plan Total Fiduciary Net OPI OPEB Net Liabilit			
D 1 (10 10 10 10 10 10 10 10 10 10 10 10 10 1	Liability	Position	(a)-(b)	
Balances at 6/30/2018	(a)	(b)		
Changes for the Year	\$5,383,439	\$3,343,884	\$2,039,555	
Service cost	3,363	-	3,363	
Interest	390,609	-	390,609	
Differences between expected and actual experience	-	(161,940)	161,940	
Net investment Income	-	78,435	(78,435)	
Benefit payments, including refunds	(350,628)	-	(350,628)	
Administrative expense	-	(5,561)	5,561	
Other changes	87,555	357,118	(269,563)	
Net changes	130,899	268,052	(137,153)	
Balance as of 6/30/2019	\$5,514,338	\$3,611,936	\$1,902,402	

Sensitivity of the Net OPEB Liability to changes in the discount rate.

The following presents the net OPEB liability of the employer, calculated using the discount rate of 7.5%, as well as what the employer's net OPEB liability would be using a discount rate that is 1 percentage point lower or higher than the current rate.

		Current	
	1%	Discount	1%
	Decrease	rate	Increase
Net OPEB liability	\$1,377,866	\$1,902,401	\$2,530,472
Plan fiduciary position as a percentage of			
the total OPEB liability	(27.57%)		33,01%

Sensitivity of the Net OPEB Liability to changes in the healthcare cost trend rates.

The following presents the net OPEB liability of the employer, calculated using the healthcare cost trend rate of 4.5%, as well as what the employer's net OPEB liability would be using a healthcare cost trend rate that is 1 percentage point lower or higher than the current rate.

	1% Decrease	Current healthcare cost trend rate	1% Increase
Net OBEB liability	\$2,539,679	\$1,902,401	\$1,362,522
Plan fiduciary position as a percentage of total OPEB liability	33.50%		(28.38%)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Plan

For the year ended June 30, 2019 the employer recognized OPEB expense of \$455,951. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in experience	\$	\$87,046
Changes in assumptions	445,478	25,794
Excess(deficit) investment returns	144,456	145,478
Other changes		148,038
Total	\$589,934	\$406,356

Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

2020	\$ 135,441
2021	(21,606)
2022	37,356
2023	32,388
Total	\$183,579

F. Entitlement commitment - power supply purchase Traverse City Light and Power

The Department, along with other Michigan municipal utilities, is a member of the MPPA. The agency was formed to acquire interest 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 18.6% undivided interest in the Detroit Edison Belle River project, and 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 18.6% 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. In 2011, 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 Northern American Natural Resources of Michigan. In 2014, the Department entered into an Energy Services Agreement with MPPA for the objective of accessing third party marketers in MISO for the purpose of reducing exposure to MISO market during volatile seasons. This is accomplished through MPPA soliciting bids and subsequently entering into contracts on behalf of the Department for firm priced energy supply.

For the year ended June 30, 2019, Traverse City Light and Power recognized expenses totaling \$17,597,873 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 contracts, 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 2018 costs adjusted for inflation and calculated until the time of project's debt retirement. The total estimated future operating costs, which do not include the annual debt payments, are as follows:

Year Ended	Operating	
December 31	Costs	
2020	\$6,410,867	
2021	6,603,193	
2022	6,801,289	
2023	3,719,149	
2024	3,830,724	
2025-2027	12,195,595	
	\$ 39,560,817	

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

ıl
1,827
5,739
3,229
1,600
2,359
2,580
5,334

In December 2009, the Department entered into a 20-year purchase power agreement with Heritage Stoney Corners Wind Farm I, LLC to purchase up to 10 megawatts of electric energy and all associated renewable energy credits. For the year ended June 30, 2019, the Department recognized expenses totaling \$2,927,675.

In December 2014, the Department entered into a 20-year purchase power agreement with options to terminate on January 1, 2025 and January 1, 2030 upon ninety-day notice. The Agreement is with Heritage Sustainable Energy, LLC to purchase up to .6 MW of electric energy for the M-72 wind turbine. For the year ended June 30, 2019, the Department recognized expenses totaling \$25,398.

In August 2017, the Department amended the Heritage Sustainable Energy, LLC contract to purchase and additional 1MW of electric energy for the M-72 solar array. The contract has been an option to expand the solar array to include an additional approximate 1 to 3 MW of solar energy. The contract will terminate December 31, 2038. For the year ended June 30, 2019 the Department recognized expenses totaling \$133,943.

G. Designations of net position

Primary government

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

	 Automobile Parking System Water Fund Fund		Internal Service Fund		
Emergencies Capital Expenditures	\$ 25,492 120,000	\$	49,785 1,982,986	\$	- 369,654
Future Maintenance	 2,500,000		-		
Total	\$ 2,645,492	\$	2,032,771	\$	369,654

Component unit

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

Emergencies	\$ 100,056
Minimum Cash Reserves	<u>8,918,000</u>
Total	\$ 9,018,056

H. 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.

General contingencies

In the normal course of its operations, the City has become a party in various legal actions. The City has also become a party in various property tax appeals. Management of the City is of the opinion that the outcome of such actions will not have a material effect on the financial position of the City. Amounts reserved for losses, if any, related to related to legal actions are undetermined an have not been included as a liability in the financial statements.

I. Tax Abatements

The City entered into property tax abatements agreements with local businesses under the Plant Rehabilitation and Industrial Development Districts Act, (known as the Industrial Facilities Exemption) PA 198 of 1974, as amended, provides a tax incentive to manufacturers to enable renovation and expansion of aging facilities, assist in the building of new facilities, and to promote the establishment of high tech facilities. An Industrial Facilities Exemption (IFE) certificate entitles the facility to exemption from ad valorem real and/or personal property taxes for a term of 1-12 years as determined by the local unit of government. The agreements entered into by the City include claw back provisions should the recipient of the tax abatement fail to fully meet its commitments, such as employment levels and timelines for relocation. The IFT is computed at half the local property tax millage rate. This amounts to a reduction in property taxes of approximately 50%. For the year ended June 30, 2019 the City abated property tax revenues of \$17,101.

Public Act 381 of 1996, the Brownfield Redevelopment Financing Act, was adopted in the State of Michigan as a means to authorize municipalities to create a brownfield redevelopment authority to facilitate the implementation of brownfield plans; to create brownfield redevelopment zones; to promote the revitalization, redevelopment, and reuse of certain property, including, but not limited to, tax reverted, blighted, or functionally obsolete property; to prescribe the powers and duties of brownfield redevelopment authorities; to permit the issuance of bonds and other evidences of indebtedness by an authority; to authorize the acquisition and disposal of certain property; to authorize certain funds; to prescribe certain powers and duties of certain state officers and agencies; and to authorize and permit the use of certain tax increment financing. For the year ended June 30, 2019 the amount of taxes abated was \$715,972.

The City entered into a property tax abatement agreement with a local organization to provide housing for Low Income Persons and Families and to encourage the development of such housing by providing for a service charge in lieu of property taxes in accordance with the State Housing Development Authority Act of 1966 (1966 PA 346, as amended, MCL 125.1401, et seq, MSA 116.11-4(1), et seq). Under the agreement the organization pays 12% of annual shelter rent in lieu of taxes or the ad valorem property taxes whichever is smaller. The agreement is approved for a term dependent on the status of outstanding loans, participation in Low income housing tax credits, and rehabilitation of the property. For the year ended June 30, 2019 the estimated tax abatement was \$609,106.

K. Subsequent Events

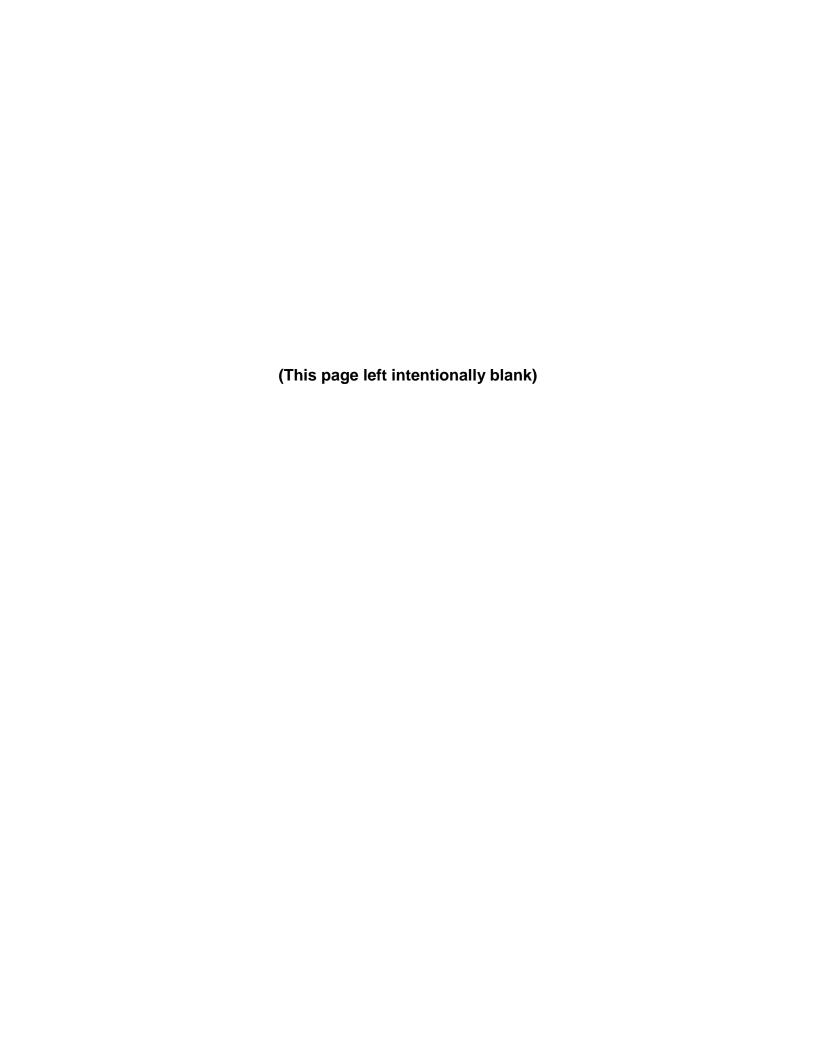
Traverse City Light and Power Component Unit

At the June 11, 2019 board meeting, the Board approved executing a construction agreement with Fujitsu for a phase one Fiber To The Premises (FTTP) deployment in the amount of \$3,309,426.90. This contract was executed on August 9, 2019. At the same meeting, the Board approved executing an operation and maintenance agreement with Fujitsu for a phase one deployment in the amount of \$849,663. The project will be financed through an interfund loan from the Electric Fund.

At the May 14, 2019 meeting, the Board approved the Executive Director to negotiate an amended contract with Heritage Sustainable Energy, LLC to incorporate an additional 2MW of solar energy. The contract was executed on July 11, 2019 and has a contract cost of \$4,098,431 over the contract term of 22 years.

At the August 13, 2019 meeting the Board approved to forward a resolution of intent to the City Commission to establish a clean energy finance program in accordance with Public Act 408. This program allows customers to apply for loans to finance energy waste reduction or renewable energy projects and repay the loan through their utility bill. TCL&P will be applying for funding through the United States Department of Agriculture Rural Energy Savings Program to finance the program. The City Commission approved the resolution at their September 23, 2019 meeting.

* * * * *



REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information

Act 345 Retirement System 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,	2019		2018	2017	2016	2015	2014
Total Pension Liability							
Service Cost	\$	759,397	\$ 721,781	\$ 676,683	\$ 678,748	\$ 644,925	\$ 492,852
Interest on the Total Pension Liability		3,347,430	3,195,886	3,110,650	3,036,795	2,993,916	2,897,030
Benefit changes		-	-	-	-	-	-
Difference between expected and actual							
experience of the Total Pension Liability		(124,418)	756,372	(172,209)	(372,033)	(802,207)	-
Assumption changes		1,801,057	-	-	-	-	-
Benefits paid and refunds		(2,745,588)	(2,598,943)	(2,403,433)	(2,312,077)	(2,251,552)	(2,096,654)
Net change in Total Pension Liability		3,037,878	2,075,096	1,211,691	1,031,433	585,082	1,293,228
Total Pension Liability - Beginning		45,625,491	43,550,395	42,338,704	41,307,271	40,722,189	39,428,961
Total Pension Liability- Ending (a)	\$	48,663,369	\$ 45,625,491	\$ 43,550,395	\$ 42,338,704	\$41,307,271	\$ 40,722,189
Plan Fiduciary Net Position							
Employer contributions	\$	1,995,181	\$ 1,841,815	\$ 1,803,930	\$ 1,810,565	\$ 1,683,306	\$ 1,639,480
Employee contributions		78,115	81,144	104,761	58,510	76,863	75,526
Pension plan net investment income		996,920	2,285,282	3,019,320	498,918	463,881	3,883,457
Benefit payments and refunds		(2,745,588)	(2,598,943)	(2,403,433)	(2,312,077)	(2,251,552)	(2,096,654)
Pension plan administrative expense		(33,140)	(19,633)	(23,599)	(15,450)	(16,523)	(10,567)
Other		96			159		(114,710)
Net Change in Plan Fiduciary Net Position		291,584	1,589,665	2,500,979	40,625	(44,025)	3,376,532
Plan Fiduciary Net Position - Beginning		30,374,081	28,784,416	26,283,437	26,242,812	26,286,837	22,910,305
Plan Fiduciary Net Position - Ending (b)	\$	30,665,665	\$ 30,374,081	\$ 28,784,416	\$ 26,283,437	\$ 26,242,812	\$ 26,286,837
Net Pension Liability - Ending (a)-(b)	\$	17,997,704	\$ 15,251,410	\$ 14,765,979	\$ 16,055,267	\$ 15,064,459	\$ 14,435,352
Plan Fiduciary Net Position as a Percentage of							
Total Pension Liability		63.02%	66.57%	66.09%	62.08%	63.53%	64.55%
Covered Employee Payroll	\$	3,775,976	\$ 3,861,602	\$ 3,752,343	\$ 3,443,789	\$ 3,384,682	\$ 3,018,448
Net Pension Liability as a Percentage of Covered Employee Payroll		476.64%	394.95%	393.51%	466.21%	445.08%	478.24%

Required Supplementary Information Act 345 Retirement System Schedule of Contributions

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

FY Ending June 30,	Actuarially Determined Contribution		Determined		Determined		Actual ontribution	D	eficiency Excess)	 Covered Payroll	Actual Contribution as a % of Covered Payroll
2014	\$	1,639,480	\$ 1,639,480	\$	_	\$ 3,018,448	54.32%				
2015		1,683,306	1,683,306		-	3,384,682	49.73%				
2016		1,760,565	1,810,565		(50,000)	3,443,789	52.57%				
2017		1,803,930	1,803,930		-	3,752,343	48.07%				
2018		1,841,815	1,841,815		-	3,861,602	47.70%				
2019		1,995,181	1,995,181		-	3,775,976	52.84%				

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 16 year closed

Asset Valuation Method 4 Year Smoothed Market

2.75% Inflation 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

Required Supplementary Information Act 345 Retirement System Schedule of Investment Returns

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

FY Ending June 30,	Annual Return *
2014	17.06%
2015	1.77%
2016	1.92%
2017	11.86%
2018	8.19%
2019	3.31%

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

Required Supplementary Information Act 345 Police and Fire Health Care Trust Schedule of Changes in Net OPEB Liability and Related Ratios

Ultimately 10 fiscal years will be displayed - which will be built prospectively from 2017.

Fiscal year ending June 30,	2018			2018	2017	
Total OPEB Liability						
Service Cost	\$	79,044	\$	93,763	\$	93,564
Interest on the total OPEB liability		631,831		611,741		597,245
Benefit changes		-		-		-
Difference between expected and actual experience *		(533,914)		35,999		(75,186)
Assumption changes		792,407		-		-
Benefits paid and refunds		(444,116)		(488,449)		(356,424)
Net change in Total Pension Liability		525,252		253,054		259,199
Total OPEB Liability - Beginning		8,606,948		8,353,894		8,094,695
Total OPEB Liability- Ending (a)	\$	9,132,200	\$	8,606,948	\$	8,353,894
Plan Fiduciary Net Position						
Employer contributions	\$	519,279	\$	512,078	\$	385,866
Pension plan net investment income		187,943		77,551		-
Benefit payments and refunds		(444,116)		(488,449)		(356,424)
Pension plan administrative expense		-		-		-
Other		(6,000)		(6,000)		(8,800)
Net Change in Plan Fiduciary Net Position		257,106		95,180		20,642
Plan Fiduciary Net Position - Beginning		3,468,746		3,373,566		3,352,924
Plan Fiduciary Net Position - Ending (b)	\$	3,725,852	\$	3,468,746	\$	3,373,566
Net OPEB Liability - Ending (a)-(b)	\$	5,406,348	\$	5,138,202	\$	4,980,328
Plan Fiduciary Net Position as a Percentage of		40.000/		40.200/		40.200/
Total Pension Liability		40.80%		40.30%		40.38%
Covered Employee Payroll	\$	2,609,645	\$	2,741,432	\$	3,027,113
Net Pension Liability as a Percentage of						
Covered Employee Payroll		207.17%		187.43%		164.52%

^{*} Due to difference between actual and expected benefit payments.

Required Supplementary Information Act 345 Police and Fire Retiree Health Care Trust Schedule of the Net OPEB Liability

Ultimately 10 fiscal years will be displayed - which will be built prospectively from 2017.

FY Ending June 30,	Total OPEB Plan net Net OPEB Liability Position Liability		OPEB PI			Plan Net Postion as a % of Total OPEB Liability	Cov	vered Payroll	Net OPEB Liability as a % of Covered Payroll	
2019	\$	9,132,200	\$	3,725,852	\$	5,406,348	40.80%	\$	2,609,645	207.17%
2018		8,606,948		3,468,746		5,138,202	40.30%		2,741,432	187.43%
2017		8,353,894		3,373,566		4,980,328	40.38%		3,027,113	164.52%

Required Supplementary Information Act 345 Police and Fire Health Care Trust Schedule of Contributions

Ultimately 10 fiscal years will be displayed - which will be built prospectively from 2017.

FY Ending June 30,	De	etuarially etermined ontribution	Actual Contribution	,		Covered Payroll	Actual Contribution as a % of Covered Payroll
2019	\$	480,429	\$ 519,279	\$	(38,850)	\$ 2,609,645	19.90%
2018		480,230	512,078		(31,848)	2,741,432	18.68%
2017		385,866	386,866		-	3,027,113	12.75%

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 Normal
Amortization Method	Level Dollar, Closed
Remaining Amortization Period	22 years
Asset Valuation Method	Market Value of Assets
Inflation	2.75%
Salary Increase	4% to 7% including inflation
Investment Rate of Return	7.5 % net of OPEB plan investment expense, including inflation
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality	RP-2000 Mortality Table projected 20 years with Scale AA.
Health Care Trend Rates	9.0% trend, gradually decreasing to 4.0% in year 10.
Aging Factors	Based on the 2013 SO Study "Health Care Costs - From Birth to Death".

State of Michigan PA 202 Supplemental Information:

PA 202 uniform assumptions if different than GASB assumptions used:

	Uniform	Assumption	Assumption used
Investment rate			
of return discount			
rate		7.00%	7.50%
	3.00	% merit and	
	longe	vity (based on	4.00% + merit
Salary increase	study da	ted 12/20/2018)	and longevity
Mortality	A versio	n of RP-2014	A version of RP-2000
	Non m	edicare: initial	
	rate of 8	.5% decreasing	
	.025%	per year to a	
	4.5%	longterm rate,	Initial rate of
	medica	re initial rate of	8.25% decreasing
	7.0% de	ecreasing .25%	to a 4% longterm
Healthcare inflation	per ye	ear to a 4.5%	rate in year 10
Actuarially Determined Contribution	Į.		
using uniform assumptions	\$	751,709	

Required Supplementary Information Act 345 Police and Fire Health Care Trust Schedule of Investment Returns

Ultimately 10 fiscal years will be displayed - which will be built prospectively from 2018.

FY Ending	Annual
June 30,	Return *
2019	5.66%
2018	2.31%

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

Required Supplementary Information MERS Parsion General Plan

MERS Pension - General Plan Schedule of Changes in the Employer's Net Pension Liability and Related Ratios

Ultimately $10\,$ years will be displayed - which will be built prospectively from 2014.

			Decem		
	2018	2017	2016	2015	2014
Total Pension Liability					
Service Cost	\$ 473,357	\$ 449,861	\$ 451,469	\$ 424,511	\$ 398,725
Interest on the Total Pension Liability	3,013,978	2,957,067	2,919,079	2,817,148	2,753,614
Benefit changes	-	-	-	-	-
Difference between expected and actual					
experience of the Total Pension Liability	(720,256)	(37,737)	(281,288)	(185,726)	-
Assumption changes	-	-	-	1,782,587	-
Benefits paid and refunds	(2,687,175)	(2,651,928)	(2,575,279)	(2,446,248)	(2,343,998)
Net change in Total Pension Liability	79,904	717,263	513,981	2,392,272	808,341
Total Pension Liability - Beginning	38,781,636	38,064,373	37,550,392	35,158,120	34,349,779
Total Pension Liability- Ending (a)	\$ 38,861,540	\$ 38,781,636	\$ 38,064,373	\$ 37,550,392	\$35,158,120
Plan Fiduciary Net Position	e 1 225 227	£ 1.200.570	e 1 102 021	A 1 011 217	ft 1 022 504
Employer contributions	\$ 1,325,327	\$ 1,209,578	\$ 1,103,031	\$ 1,011,317	\$ 1,033,594
Employee contributions Pension plan net investment income	(914,546)	2,962,186	2,443,206	(343,945)	1,480,312
Benefit payments and refunds	(2,687,175)	(2,651,928)	(2,575,279)	(2,446,248)	(2,343,998)
Pension plan administrative expense	(46,438)	(47,056)	(48,298)	(51,145)	(54,129)
Other	(40,430)	(47,030)	(40,270)	(51,145)	(34,127)
Net Change in Plan Fiduciary Net Position	(2,322,832)	1,472,780	922,660	(1,830,021)	115,779
v	(,,,,,				,
Plan Fiduciary Net Position - Beginning	24,498,359	23,025,579	22,102,919	23,932,940	23,817,161
Plan Fiduciary Net Position - Ending (b)	\$ 22,175,527	\$ 24,498,359	\$ 23,025,579	\$ 22,102,919	\$23,932,940
Net Pension Liability - Ending (a)-(b)	\$ 16,686,013	\$ 14,283,277	\$ 15,038,794	\$ 15,447,473	\$11,225,180
Plan Fiduciary Net Position as a Percentage of					
Total Pension Liability	57.06%	63.17%	60.49%	58.86%	68.07%
Covered Employee Payroll	\$ 6,221,439	\$ 5,942,362	\$ 5,927,328	\$ 5,597,405	\$ 5,254,135
	- 0,221,139		,,,,,,,,	,-,,,,,	- 0,20 .,100
Net Pension Liability as a Percentage of					
Covered Employee Payroll	268.20%	240.36%	253.72%	275.98%	213.64%

Required Supplementary Information MERS Pension - General Plan Schedule of Contributions

Ultimately 10 fiscal years will be displayed - which will be built prospectively from 2015

Fiscal year end June 30,	Actuarially Determined Actual Contribution Contribution			Contribution Deficiency (Excess)		Valuation Covered Payroll	Actual Contribution as a % of Covered Payroll	
2015	\$	975,124	\$	975,124	\$	-	\$ 5,254,135	18.56%
2016		1,041,766		1,041,766		-	5,597,405	18.61%
2017		1,153,788		1,153,788		-	5,927,328	19.47%
2018		1,273,723		1,273,723		-	5,942,362	21.43%

Notes to schedule
Actuarial cost method
Amortization method
Remaining amortization period
Asset valuation method
Inflation
Salary increases
Investment rate of return
Retirrment age
Mortality

Entry Age
Level percentage of payroll, open
23 years
10 year smoothed
2.5%
3.75
7.75%
Varies depending on plan adoption
50% female/50% male 1994 group
annual mortality table

TRAVERSE CITY LIGHT AND POWER

Required Supplementary Information MERS Pension - Traverse City Light & Power 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 December 31, 2018 2017 2016 2015 2014 Total pension liability 285,497 300,475 \$ \$ 310,387 \$ 295,317 313,020 Service cost Interest 2,370,497 2,292,239 2,276,465 2,142,935 2,083,781 Differences between expected and actuarial experience (370,024)363,115 (509,997)363,835 Changes in assumptions 1,444,054 Benefit payments, including refunds (2,021,640) (1,930,810) (1,818,642) (1,715,604) (1,626,244) Other changes (300)1,448 (759)Net change in total pension liability 264,030 1,036,379 248,301 2,529,778 770,557 Total pension liability, beginning of year 30,499,579 25,914,564 29,463,200 29,214,899 26,685,121 Total pension liability, end of year 30,763,609 30,499,579 29,463,200 29,214,899 26,685,121 Plan fiduciary net position Contribution - employer 2,395,423 2,253,396 1,564,302 773,230 858,331 (760,557)2,200,228 1,686,136 (234,339) 1,000,478 Net investment income Administrative expenses (37,098)(34,750)(33,363)(34,767)(36,578)(2,021,640) (1,930,809) (1,818,642) (1,715,604) (1,626,244) Benefit payments, including refunds Net change in plan fiduciary net position (423,872)2,488,065 1,398,433 (1,126,379)110,886 Plan fiduciary net position, beginning of year 18,986,521 16,498,456 15,100,023 16,226,402 16,115,516 16,498,456 15,100,023 Plan fiduciary net position, end of year 18,562,649 18,986,521 16,226,402 Net pension liability 12,200,960 11,513,058 12,964,744 10,458,719 14,114,876 Plan fiduciary net position as a percent of total pension liability 60.34% 62.25% 56.00% 51.69% 60.81% Covered employee payroll 2,679,680 2,883,420 2,728,607 \$ 2,736,729 \$ 2,862,491 \$ Net pension liability as a percent of covered employee payroll 455.31% 399.28% 475.14% 515.76% 365.37%

TRAVERSE CITY LIGHT AND POWER

Required Supplementary Information **MERS Pension - Traverse City Light & Power Schedule of Contributions**

Ultimately 10 fiscal years will be displayed - which will be built prospectively	from	2015								
		2019		2018		2017		2016		2015
Actuarially determined contribution										
Contribution in relation to the actuarially	\$	1,113,276	\$	1,110,648	\$	944,388	\$	891,939	\$	770,572
determined contribution		(2,428,720)		(2,356,392)		(2,202,960)		(891,939)		(770,572)
Contribution deficiency (excess)		(1,315,444)	_	(1,245,744)		(1,258,572)	_	_	_	_
	Φ.	2 (00 050	Φ.	2 0 45 1 0 5	Φ.	2.062.401	Φ.	2.066.124	•	2 000 000
Covered employee payroll	\$	2,680,970	\$	2,947,185	\$	2,862,491	\$	2,866,124	\$	2,880,960
Contribution as a percentage of covered										
employee payroll		41.53%		37.69%		32.99%		31.12%		26.75%

Notes to schedule

Actuarial cost method Entry Age

Level percentage of payroll, open Amortization method

Remaining amortization period 25 years

5 year smoothed (10 yr smoothed in 2014) Asset valuation method

Inflation 2.5% (3.5% 2014)

3.75% to 14.5% (4.50% in 2014) Salary increases Investment rate of return 7.75% (8.25% in 2014)

Retirrment age

Varies depending on plan adoption RP-2014 mortality tables of a 50% Male and 50% Female blend Mortality (50% female/50% male 1994 group annual mortality table 2014)

Required Supplementary Information City of Traverse City Post Retirement Health Plan Schedule of Changes in Net OPEB Liability and Related Ratios

Fiscal year ending June 30,		2019		2018
Total OPEB Liability				
Service Cost	\$	3,206	\$	3,260
	Ф	,	Þ	
Interest on the total OPEB liability		80,728		118,583
Benefit changes		-		25.694
Difference between expected and actual experience		(0.606)		25,684
Assumption changes		(9,606)		40,303
Benefits paid and refunds		(132,031)		(149,325)
Other changes		38,658		(551,889)
Net change in Total Pension Liability		(19,045)		(513,384)
Total OPEB Liability - Beginning		1,142,385		1,655,769
Total OPEB Liability- Ending (a)	\$	1,123,340	\$	1,142,385
Plan Fiduciary Net Position				
Employer contributions	\$	106	\$	11,000
Pension plan net investment income	Ψ	55,269	Ψ	123,862
Difference between expected and actual experience		(98,770)		(20,724)
Benefit payments and refunds		(132,031)		(149,325)
Pension plan administrative expense		(3,716)		(4,157)
Other		120,953		142,932
Net Change in Plan Fiduciary Net Position		(58,189)		103,588
Plan Fiduciary Net Position - Beginning	_	2,094,038		1,990,449
Plan Fiduciary Net Position - Ending (b)	\$	2,035,849	\$	2,094,037
Net OPEB Liability (Asset) - Ending (a)-(b)	\$	(912,509)	\$	(951,652)
Plan Fiduciary Net Position as a Percentage of				
Total Pension Liability		181.23%		183.30%
Covered Employee Payroll	\$	1,697,155	\$	1,827,405
Net OPEB Liability as a Percentage of				
Covered Employee Payroll		-53.77%		-52.08%

Required Supplementary Information City of Traverse City Post Retirement Health Plan Schedule of the Net OPEB Liability

FY Ending June 30,	Total OPEB Liability	 Plan net Position	et OPEB bility (Asset)	Plan Net Postion as a % of Total OPEB Liability	Cov	ered Payroll	Net OPEB Liability as a % of Covered Payroll
2018	\$ 1,142,385	\$ 2,094,037	\$ (951,652)	183.30%	\$	1,827,405	-52.08%
2019	1.123.340	2.035,849	(912.509)	181.23%		1,697,155	-53.77%

Required Supplementary Information City of Traverse City Post Retirement Health Plan Schedule of Contributions

Ultimately 10 fiscal years will be displayed - which will be built prospectively from 2018.

FY Ending June 30,	Deter	arially mined ibution	Actual Contribution		Contribution Deficiency (Excess)		 Covered Payroll	Actual Contribution as a % of Covered Payroll	
2018 2019	\$	-	\$	11,000 106	\$	(11,000) (106)	\$ 1,827,405 1,697,155	0.60% 0.01%	

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 Amortization Method Remaining Amortization Period Asset Valuation Method Inflation Salary Increase Investment Rate of Return Retirement Age Mortality Health Care Trend Rates	RP-2014 combined annuity mo	s that are specific to the type of eligibility condition. ortality table for males and females rrage - ultimate trend rate used 4.5%
	Uniform Assumption	Assumption used
Investment rate of return discount		
rate	7.00%	7.50%
rate	3.00% merit and longevity	7.5070
	(based on study dated	5.00% + merit
Salary increase	12/20/2018)	and longevity
Healthcare inflation	Non medicare: initial rate of 8.5% decreasing .025% per year to a 4.5% longterm rate, medicare initial rate of 7.0% decreasing .25% per year to a 4.5% longterm rate	4.0% to 6.0% based on coverage - ultimate trend rate of 4.5%
Actuarially Determined Contribution		
using uniform assumptions	\$ -	

Required Supplementary Information City of Traverse City Post Retirement Health Plan Schedule of Investment Returns

FY Ending	Annual
June 30,	Return *
2018	7.22%
2019	3.04%

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

Required Supplementary Information

Traverse City Light and Power Other Post Employment Benefit Trust Fund Schedule of Changes in Net OPEB Liability and Related Ratios

Fiscal year ending June 30,	 2019	 2018
Total OPEB Liability		
Service Cost	\$ 3,363	\$ 2,852
Interest on the total OPEB liability	390,609	406,878
Benefit changes	-	-
Difference between expected and actual experience	-	(269,497)
Assumption changes	-	28,187
Benefits paid and refunds	(350,628)	(342,038)
Other changes	87,555	 (38,996)
Net change in Total Pension Liability	130,899	(212,614)
Total OPEB Liability - Beginning	5,383,439	5,596,053
Total OPEB Liability- Ending (a)	\$ 5,514,338	\$ 5,383,439
Plan Fiduciary Net Position		
Employer contributions	\$ -	\$ 229,388
Pension plan net investment income	78,435	191,582
Difference between expected and actual experience	(161,940)	-
Other changes	357,118	-
Pension plan administrative expense	 (5,561)	 (6,220)
Net Change in Plan Fiduciary Net Position	268,052	414,750
Plan Fiduciary Net Position - Beginning	3,343,884	2,929,134
Plan Fiduciary Net Position - Ending (b)	\$ 3,611,936	\$ 3,343,884
Net OPEB Liability - Ending (a)-(b)	\$ 1,902,402	\$ 2,039,555
Plan Fiduciary Net Position as a Percentage of		
Total Pension Liability	65.50%	62.11%
Covered Employee Payroll	\$ 2,680,970	\$ 2,837,222
Net OPEB Liability as a Percentage of Covered Employee Payroll	70.96%	71.89%

Required Supplementary Information Traverse City Light and Power Other Post Employment Benefit Trust Fund Schedule of the Net OPEB Liability

FY Ending June 30,	 		Plan net Net OPEB Position Liability (Asset)		Plan Net Postion as a % of Total OPEB Liability		vered Payroll	Net OPEB Liability as a % of Covered Payroll	
2018 2019	\$ 5,583,440 5,514,338	\$	3,343,884 3,611,936	\$	2,039,555 1,902,402	62.11% 65.50%	\$	2,837,222 2,680,970	71.89% 70.96%

Required Supplementary Information Traverse City Light and Power Post Retirement Health Plan Schedule of Contributions

Ultimately 10 fiscal years will be displayed - which will be built prospectively from 2018.

Actuarially FY Ending Determined June 30, Contribution		Actual entribution	De	eficiency Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll	
2018 2019	\$	175,757 175,757	\$ 229,388 175,757	\$	(53,631)	\$ 2,837,222 2,680,970	6.19% 6.56%

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 Normal Amortization Method Straight line Remaining Amortization Period Asset Valuation Method Market Value of Assets Inflation 2.50% Salary Increase 5% Investment Rate of Return varies depending on retirement plan Retirement Age RP-2014 combined annuity mortality table for males and females Mortality Health Care Trend Rates 4.0 to 7.0%

Required Supplementary Information Traverse City Light and Power Other Post Employment Benefit Trust Fund Schedule of Investment Returns

FY Ending	Annual
June 30,	Return *
	_
2018	5.90%
2019	2.60%

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

Schedule of Revenues, Expenditures and Changes in Fund Balance Budget (GAAP Basis) and Actual

General Fund For the Year Ended June 30, 2019

		Original Budget		Final Budget		Actual	Variance with Final Budget Positive (Negative)		
Davanuas									
Revenues Property taxes	\$	10,983,000	\$	11,133,000	\$	11,279,219	\$	146,219	
Licenses and permits	φ	301,000	Ψ	686,000	Ψ	737,872	Φ	51,872	
Federal sources		301,000		080,000		7,938		7,938	
State sources		1,485,000		1,485,000		1,522,983		37,983	
Local sources		1,762,500		1,762,500		1,809,798		47,298	
Charges for services		631,550		638,550		519,118		(119,432)	
Fines and forfeits		10,000		10,000		5,745		(4,255)	
Contributions		208,000		258,500		211,997		(46,503)	
Reimbursements		612,000		612,000		510,578		(101,422)	
Interest income		78,500		78,500		168,151		89,651	
Other revenue		483,500		483,500		627,241		143,741	
Total revenues		16,555,050		17,147,550		17,400,640		253,090	
Expenditures									
General government		3,888,400		3,888,900		3,594,960		293,940	
Public safety		7,099,200		7,409,200		7,220,867		188,333	
Public works		1,376,500		1,576,500		1,683,787		(107,287)	
Recreation and culture		2,721,900		2,778,900		2,630,975		147,925	
Capital Outlay		60,700		85,700		35,027		50,673	
Total expenditures		15,146,700		15,739,200		15,165,616		573,584	
Excess (deficiency) of revenue									
over expenditures		1,408,350		1,408,350		2,235,024		826,674	
Other financing sources (uses)									
Transfers in		1,312,900		1,337,900		1,321,722		(16,178)	
Transfers out		(2,670,200)		(2,695,200)		(2,544,990)		150,210	
Total other financing sources (uses)		(1,357,300)		(1,357,300)		(1,223,268)		134,032	
Net change in fund balance		51,050		51,050		1,011,756		960,706	
Fund balance, beginning of year		6,515,939		6,515,939		6,515,939			
Fund balance, end of year	\$	6,566,989	\$	6,566,989	\$	7,527,695	\$	960,706	

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, 2019

	Original Budget	 Final Budget	 Actual	Variance with Final Budget Positive (Negative)	
Revenues					
State sources	\$ 1,504,800	\$ 1,704,800	\$ 1,795,748	\$	90,948
Reimbursements	1,000	1,000	-		(1,000)
Interest income	 200	 200	 251		51
Total revenues	 1,506,000	 1,706,000	 1,795,999		89,999
Expenditures					
Public works					
Personnel	546,200	546,200	563,364		(17,164)
Commodities	138,000	238,000	134,289		103,711
Contractual services	280,000	280,000	117,376		162,624
Other charges Capital outlay	 650,000	 750,000	 713,712		36,288
Total expenditures	 1,614,200	1,814,200	 1,528,741		285,459
Excess (deficiency) of revenue					
over expenditures	 (108,200)	 (108,200)	 267,258		375,458
Other financing sources (uses)					
Transfers in	100,000	100,000	100,000		-
Transfers out	 (100,000)	 (100,000)	 (112,000)		(12,000)
Total other financing sources (uses)	 	 	 (12,000)		(12,000)
Net change in fund balance	(108,200)	(108,200)	255,258		363,458
Fund balance, beginning of year	 265,924	265,924	265,924		
Fund balance, end of year	\$ 157,724	\$ 157,724	\$ 521,182	\$	363,458

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, 2019

	Original Budget	Final Budget	Actual	Fin	riance with aal Budget Positive Vegative)
Revenues					
State sources	\$ 490,000	\$ 490,000	\$ 504,469	\$	14,469
Reimbursements	 	 	 		-
Total revenues	 490,000	 490,000	 504,469		14,469
Expenditures					
Public works					
Personnel	602,200	602,200	454,901		147,299
Contractual services	95,000	95,000	56,195		38,805
Commodities	86,000	86,000	95,792		(9,792)
Other charges	 678,000	 678,000	 483,661		194,339
Total expenditures	 1,461,200	 1,461,200	 1,090,549		370,651
(Deficiency) of revenue					
over expenditures	(971,200)	(971,200)	(586,080)		385,120
Other financing sources (uses) Transfer in	971,200	971,200	586,080		(385,120)
Trunstot in	 771,200	 <i>5</i> ,1,200	 200,000		(505,120)
Net change in fund balance	-	-	-		-
Fund balance, beginning of year	 -	 	 -		-
Fund balance, end of year	\$ 	\$ 	\$ 	\$	-

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended June 30, 2019

I. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

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

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

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing board is the Department Level for the General Operating Fund and the Fund Level for all other Funds which is the level at which expenditures may not legally exceed appropriations.

B. Excess of expenditures over appropriations

For the year ended June 30, 2019, actual expenditures in the General Operating Fund Streets, Alleys and Sidewalks Department exceeded final appropriations by \$103,869.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

				Genera	ıl Fun	ıd			Budget Stabilization							
		Original Budget		Final Budget		Actual	F	ariance with Final Budget Positive (Negative)		Original Budget		Final Budget		Actual	Fina Po	nce with I Budget ositive gative)
Revenues	•	10.002.000	•	11 122 000	Φ.	11 250 210	•	146 210	•		Φ.		•		Φ.	
Property taxes	\$	10,983,000	\$	11,133,000	\$	11,279,219	\$	146,219	\$	-	\$	-	\$	-	\$	-
Licenses and permits		301,000		686,000		737,872		51,872		-		-		-		-
Federal sources		-		-		7,938		7,938		-		-		-		-
State sources		1,466,000		1,466,000		1,515,417		49,417		-		-		-		-
Local sources		1,746,000		1,746,000		1,746,628		628		-		-		-		-
Charges for services		404,150		404,150		258,201		(145,949)		-		-		-		-
Fines and forfeits		10,000		10,000		5,745		(4,255)		-		-		-		-
Contributions		-		-		-		-		-		-		-		-
Reimbursements		600,000		600,000		503,736		(96,264)		-		-		-		-
Interest income		50,000		50,000		112,668		62,668		11,500		11,500		40,039		28,539
Other revenue		483,500		483,500		627,241		143,741						<u>-</u> _		
Total revenues		16,043,650		16,578,650		16,794,665		216,015		11,500		11,500		40,039		28,539
Expenditures																
General government		3,871,400		3,871,400		3,587,035		284,365		_		_		_		_
Public safety		7,038,200		7,348,200		7,201,805		146,395		_		_		_		_
Public works		1,376,500		1,576,500		1,664,087		(87,587)		_		_		_		_
Recreation and culture		2,222,800		2,222,800		2,205,885		16,915		_		_		_		_
Capital outlay		35,700		35,700				35,700		-		-		-		-
Total expenditures		14,544,600		15,054,600		14,658,812		395,788								
1 otal expenditures		14,544,000		13,034,000		14,030,012		393,788								
Excess (deficiency) of revenue over																
expenditures		1,499,050		1,524,050		2,135,853		611,803		11,500		11,500		40,039		28,539
Other financing sources (uses)																
Transfers in		1,218,900		1,218,900		1,255,431		36,531		_		_		_		_
Transfers out		(2,568,700)		(2,593,700)		(2,308,580)		285,120		(11,500)		(11,500)		(12,273)		(773)
		,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,		777		7 7-				<u> </u>		, ,,,,,,		, , , , , , , , ,		
Total other financing sources (uses)		(1,349,800)		(1,374,800)		(1,053,149)		321,651		(11,500)		(11,500)		(12,273)		(773)
Net change in fund balance		149,250		149,250		1,082,704		933,454		-		-		27,766		27,766
Fund balance, beginning of year		3,253,306		3,253,306		3,253,306				753,300		753,300		753,300		
Fund balance, end of year	\$	3,402,556	\$	3,402,556	\$	4,336,010	\$	933,454	\$	753,300	\$	753,300	\$	781,066	\$	27,766

		Haz	mat		Carnegie Building 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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
Licenses and permits	-	-	-	-	-	-	-	-		
Federal sources	-	-	-	-	-	-	-	-		
State sources	-	-	-	-	19,000	19,000	7,566	(11,434)		
Local sources	16,500	16,500	18,170	1,670	-	-	-	-		
Charges for services	500	500	-	(500)	38,300	38,300	50,124	11,824		
Fines and forfeits	-	-	-	<u>-</u>	-	-	-	-		
Contributions	-	-	-	-	-	-	-	-		
Reimbursements	-	-	-	-	5,000	5,000	1,239	(3,761)		
Interest income	-	-	-	_	-	-	-	-		
Other revenue						<u> </u>				
Total revenues	17,000	17,000	18,170	1,170	62,300	62,300	58,929	(3,371)		
Expenditures										
General government	_	-	-	_	-	-	-	=		
Public safety	31,000	31,000	11,682	19,318	-	-	-	=		
Public works	· -		-	· -	-	-	-	=		
Recreation and culture	_	_	_	_	123,300	123,300	77,320	45,980		
Capital outlay				-	-	25,000	35,027	(10,027)		
Total expenditures	31,000	31,000	11,682	19,318	123,300	148,300	112,347	35,953		
Excess (deficiency) of revenue over										
expenditures	(14,000)	(14,000)	6,488	20,488	(61,000)	(86,000)	(53,418)	32,582		
Other financing sources (uses)										
Transfers in	-	-	-	_	64,000	89,000	36,291	(52,709)		
Transfers out					- _					
Total other financing sources (uses)					64,000	89,000	36,291	(52,709)		
Net change in fund balance	(14,000)	(14,000)	6,488	20,488	3,000	3,000	(17,127)	(20,127)		
Fund balance, beginning of year	102,107	102,107	102,107		68,661	68,661	68,661			
Fund balance, end of year	\$ 88,107	\$ 88,107	\$ 108,595	\$ 20,488	\$ 71,661	\$ 71,661	\$ 51,534	\$ (20,127)		

			Cherry Ca	pital Cable		Coast Guard Committee				
	Origin: Budge		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		-	500	-	(500)	55,000	55,000	481	(54,519)	
Reimbursements		-	-	-	-	-	-	-	-	
Interest income		-	-	-	-	-	-	-	-	
Other revenue				-	-		-		·	
Total revenues			500		(500)	55,000	55,000	481	(54,519)	
Expenditures										
General government		_	500	_	500	_	_	_	_	
Public safety		_	-	_	-	30,000	30,000	7,380	22,620	
Public works		_	-	_	_		,	-	,	
Recreation and culture		_	_	_	_	_	_	_	_	
Capital outlay						25,000	25,000		25,000	
Total expenditures		_	500		500	55,000	55,000	7,380	47,620	
Excess (deficiency) of revenue over										
expenditures		_	-	-	-	-	-	(6,899)	(6,899)	
Other financing sources (uses)										
Transfers in		-	-	-	-	-	-	-	-	
Transfers out			-	-	-	· -			· -	
Total other financing sources (uses)	_									
Net change in fund balance		-	-	-	-	-	-	(6,899)	(6,899)	
Fund balance, beginning of year		(402)	(402)	(402)		11,819	11,819	11,819		
Fund balance, end of year	\$	(402)	\$ (402)	\$ (402)	<u>s</u> -	\$ 11,819	\$ 11,819	\$ 4,920	\$ (6,899)	

				County Sen	ior C	enter			Brown Bridge Maintenance							
	Orig Bud			Final Budget		Actual	Fin	riance with nal Budget Positive Negative)		Original Budget		Final Budget		Actual	Fin F	iance with al Budget Positive egative)
Revenues																
Property taxes	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
Licenses and permits		-		-		-		-		-		-		-		-
Federal sources		-		-		-		-		-		-		-		-
State sources		-		-		-		-		-		-		-		-
Local sources		-		-		-		-		-		-		-		-
Charges for services		-		-		-		-		76,000		83,000		80,361		(2,639)
Fines and forfeits		-		-		-		-		-		-		-		-
Contributions		138,000		138,000		132,011		(5,989)		-		-		-		-
Reimbursements		-		-		-		-		-		-		-		-
Interest income		-		-		48		48		-		-		-		-
Other revenue		-								-		-				
Total revenues		138,000		138,000		132,059		(5,941)		76,000		83,000		80,361		(2,639)
Expenditures																
General government		_		_		_		_		_		_		_		_
Public safety		_		_		-		_		-		-		_		_
Public works		_		_		-		_		-		-		_		_
Recreation and culture		147,200		147,200		147,182		18		76,000		83,000		61,873		21,127
Capital outlay		-		<u> </u>		<u> </u>						<u> </u>		<u> </u>		
Total expenditures		147,200		147,200		147,182		18		76,000		83,000		61,873		21,127
Excess (deficiency) of revenue over																
expenditures		(9,200)		(9,200)		(15,123)		(5,923)				-		18,488		18,488
Other financing sources (uses)																
Transfers in		-		-		-		-		-		-		-		-
Transfers out				<u> </u>		<u> </u>				-		-		<u> </u>		
Total other financing sources (uses)		-											-			
Net change in fund balance		(9,200)		(9,200)		(15,123)		(5,923)		-		-		18,488		18,488
Fund balance, beginning of year		67,485	<u> </u>	67,485		67,485				59,153		59,153		59,153		
Fund balance, end of year	\$	58,285	\$	58,285	\$	52,362	\$	(5,923)	\$	59,153	\$	59,153	\$	77,641	\$	18,488

		Opera	House	•			Banner Program							
	ginal dget	 Final Budget		Actual	Final Pos	nce with Budget sitive (ative)		Original Budget		Final Budget		Actual	Fina P	ance with al Budget ositive egative)
Revenues														
Property taxes	\$ -	\$ -	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
Licenses and permits	-	-		-		-		-		-		-		-
Federal sources	-	-		-		-		-		-		-		-
State sources	-	-		-		-		-		-		-		-
Local sources	-	-		-		-		-		-		-		-
Charges for services	112,600	112,600		130,432		17,832		-		-		-		-
Fines and forfeits	-	-		-		-		-		-		-		-
Contributions	-	-		-		-		-		-		-		-
Reimbursements	4,000	4,000		4,243		243		3,000		3,000		1,360		(1,640)
Interest income	-	-		37		37		-		-		-		-
Other revenue	 -	 -		-		-		-		-				
Total revenues	 116,600	116,600		134,712		18,112		3,000	_	3,000		1,360		(1,640)
Expenditures														
General government	_	_		_		_		_		_		_		_
Public safety	_	_		_		_		_		_		_		_
Public works	_	_		_		_		_		_		_		_
Recreation and culture	116,600	116,600		88,036		28,564		6,000		6,000		2,295		3,705
Capital outlay	 -	 -		-				-		-		-,		-,,,,-
Total expenditures	116,600	116,600		88,036		28,564		6,000		6,000		2,295		3,705
F (15:) 6														
Excess (deficiency) of revenue over expenditures	_	_		46,676		46,676		(3,000)		(3,000)		(935)		2,065
expenditures				10,070		10,070		(5,000)		(3,000)		(755)		2,000
Other financing sources (uses)														
Transfers in	_	_		-		_		-		-		-		-
Transfers out	 -	 -			-			-		-				
Total other financing sources (uses)	_	 _				_								
Net change in fund balance	-	-		46,676		46,676		(3,000)		(3,000)		(935)		2,065
Fund balance, beginning of year	 20,606	 20,606		20,606		-		17,526		17,526		17,526		
Fund balance, end of year	\$ 20,606	\$ 20,606	\$	67,282	\$	46,676	\$	14,526	\$	14,526	\$	16,591	\$	2,065

			Economic D	evelo	pment		Stormwater 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	\$ -	\$	_	\$	-	\$ -	\$	-	\$ -	\$ -	\$ -	
Licenses and permits	-		_		-	-		-	-	-	-	
Federal sources	-		_		-	-		-	-	-	-	
State sources	-		_		-	-		-	-	-	-	
Local sources	-		_		-	-		-	-	45,000	45,000	
Charges for services	-		-		-	-		-	-	-	-	
Fines and forfeits	_		_		-	-		-	-	-	-	
Contributions	_		_		-	-		_	-	_	-	
Reimbursements	_		_		-	-		_	-	_	-	
Interest income	17,000		17,000		15,359	(1,641)		-	-	_	-	
Other revenue	-		· -		_	-		_	-	-	-	
Total revenues	 17,000		17,000		15,359	(1,641)		_		45,000	45,000	
Expenditures												
General government	17,000		17,000		7,925	9,075		-	-	-	-	
Public safety	-		-		-	-		-	-	-	-	
Public works	-		-		-	-		-	-	19,700	(19,700)	
Recreation and culture	-		-		-	-		-	-	-	-	
Capital outlay	 -		-									
Total expenditures	 17,000	_	17,000	_	7,925	9,075				19,700	(19,700)	
Excess (deficiency) of revenue over expenditures	 				7,434	7,434				25,300	25,300	
Other financing sources (uses)												
Transfers in	-		-		-	-		-	-	-	-	
Transfers out	 -		-					(90,000)	(90,000)	(224,137)	(134,137)	
Total other financing sources (uses)	 -		-		<u>-</u>			(90,000)	(90,000)	(224,137)	(134,137)	
Net change in fund balance	-		-		7,434	7,434		(90,000)	(90,000)	(198,837)	(108,837)	
Fund balance, beginning of year	 1,863,649		1,863,649		1,863,649	<u> </u>		234,137	234,137	234,137		
Fund balance, end of year	\$ 1,863,649	\$	1,863,649	\$	1,871,083	\$ 7,434	\$	144,137	\$ 144,137	\$ 35,300	\$ (108,837)	

		Public Arts	Commission		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	\$	- \$ -	\$ -	s -	\$ 10,983,000	\$ 11,133,000	\$ 11,279,219	\$ 146,219			
Licenses and permits	*		_	-	301,000	686,000	737,872	51,872			
Federal sources		_	_	_		-	7,938	7,938			
State sources		_	_	_	1,485,000	1,485,000	1,522,983	37,983			
Local sources		_	_	_	1,762,500	1,762,500	1,809,798	47,298			
Charges for services		_	_	_	631,550	638,550	519,118	(119,432)			
Fines and forfeits		_	_	_	10,000	10,000	5,745	(4,255)			
Contributions	15,000	65,000	79,505	14,505	208,000	258,500	211,997	(46,503)			
Reimbursements	,		-		612,000	612,000	510,578	(101,422)			
Interest income			_	_	78,500	78,500	168,151	89,651			
Other revenue		_	_	_	483,500	483,500	627,241	143,741			
Total revenues	15,000	65,000	79,505	14,505	16,555,050	17,147,550	17,400,640	253,090			
Expenditures											
General government			-	-	3,888,400	3,888,900	3,594,960	293,940			
Public safety			-	-	7,099,200	7,409,200	7,220,867	188,333			
Public works			-	-	1,376,500	1,576,500	1,683,787	(107,287)			
Recreation and culture	30,000	80,000	48,384	31,616	2,721,900	2,778,900	2,630,975	147,925			
Capital outlay		<u> </u>			60,700	85,700	35,027	50,673			
Total expenditures	30,000	80,000	48,384	31,616	15,146,700	15,739,200	15,165,616	573,584			
Excess (deficiency) of revenue over											
expenditures	(15,000	(15,000)	31,121	46,121	1,408,350	1,408,350	2,235,024	826,674			
Other financing sources (uses)											
Transfers in	30,000	30,000	30,000	_	1,312,900	1,337,900	1,321,722	(16,178)			
Transfers out	50,000	- 50,000	50,000	_	(2,670,200)	(2,695,200)	(2,544,990)	150,210			
Transfers out			-		(2,070,200)	(2,073,200)	(2,311,770)	150,210			
Total other financing sources (uses)	30,000	30,000	30,000		(1,357,300)	(1,357,300)	(1,223,268)	134,032			
Net change in fund balance	15,000	15,000	61,121	46,121	51,050	51,050	1,011,756	960,706			
Fund balance, beginning of year	64,592	2 64,592	64,592	<u> </u>	6,515,939	6,515,939	6,515,939				
Fund balance, end of year	\$ 79,592	2 \$ 79,592	\$ 125,713	\$ 46,121	\$ 6,566,989	\$ 6,566,989	\$ 7,527,695	\$ 960,706			

Schedule of Revenues

Budget (GAAP Basis) and Actual General Fund before GASB 54 Consolidation For the Year Ended June 30, 2019

Percentage	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Property taxes Real estate and personal property	\$ 10,661,000	\$ 10,811,000	\$ 10,924,591	\$ 113,591
Collection fees	227,000	227,000	254,819	27,819
Penalties and interest on taxes	95,000	95,000	99,809	4,809
Total property taxes	10,983,000	11,133,000	11,279,219	146,219
Licenses and permits				
Business	271,100	656,100	700,972	44,872
Nonbusiness	29,900	29,900	36,900	7,000
Total licenses and permits	301,000	686,000	737,872	51,872
Federal sources			7,938	7,938
State sources				
State - shared revenues				
Sales and use tax	1,400,000	1,400,000	1,440,190	40,190
Liquor licenses	65,000	65,000	54,227	(10,773)
Other state	1,000	1,000	21,000	20,000
Total state sources	1,466,000	1,466,000	1,515,417	49,417
Local sources				
City fee - Component Units	1,746,000	1,746,000	1,746,628	628
Charges for services				
General fees and services	52,400	52,400	49,476	(2,924)
Use and admission fees	321,750	321,750	177,872	(143,878)
Fine and forfeitures - ordinance and cost	30,000	30,000	30,853	853
Total charges for services	404,150	404,150	258,201	(145,949)
Fines and forfeits				
Parking violations	10,000	10,000	5,745	(4,255)
Reimbursements	600,000	600,000	503,736	(96,264)
Interest income	50,000	50,000	112,668	62,668
Other revenue				
Rents and royalties	2,500	2,500	63,698	61,198
Contributions	446,000	446,000	511,798	65,798
Sale of assets	2,500	2,500	2,529	29
Other	32,500	32,500	49,216	16,716
Total other revenue	483,500	483,500	627,241	143,741
Total revenues	\$ 16,043,650	\$ 16,578,650	\$ 16,794,665	\$ 216,015

Schedule of Expenditures Budget (GAAP Basis) and Actual General Fund before GASB 54 Consolidation For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
General government	Buuget	Duaget	Actual	(regative)
City Commission				
Personnel	\$ 51,600	\$ 51,600	\$ 45,752	\$ 5,848
Commodities	800	800	1,043	(243)
Contractual services	52,400	52,400	32,021	20,379
Other charges	5,200	5,200	834	4,366
Total City Commission	110,000	110,000	79,650	30,350
City Manager's Office				
Personnel	388,700	388,700	374,180	14,520
Commodities	7,000	7,000	4,222	2,778
Contractual services	42,500	42,500	28,439	14,061
Other charges	6,500	6,500	5,827	673
Total City Manager's Office	444,700	444,700	412,668	32,032
Human Resources				
Personnel	194,000	194,000	194,243	(243)
Commodities	1,000	1,000	1,372	(372)
Contractual services	31,200	31,200	25,800	5,400
Other charges	3,000	3,000	3,250	(250)
Total Human Resources	229,200	229,200	224,665	4,535
Geographic Information Systems				
Personnel	139,800	139,800	110,625	29,175
Commodities	6,000	6,000	3,067	2,933
Contractual services	40,300	40,300	35,061	5,239
Other charges				
Total Geographic Information Systems	186,100	186,100	148,753	37,347
City Attorney's Office				
Personnel	207,900	207,900	211,418	(3,518)
Commodities	1,500	1,500	1,640	(140)
Contractual services	16,000	41,000	33,058	7,942
Other charges	2,500	2,500	2,154	346
Total City Attorney's Office	227,900	252,900	248,270	4,630
City Clerk's Office				
Personnel	458,400	458,400	417,035	41,365
Commodities	20,000	20,000	28,568	(8,568)
Contractual services	42,150	42,150	42,334	(184)
Other charges	20,950	20,950	25,855	(4,905)
Total City Clerk's Office	541,500	541,500	513,792	27,708

Continued.....

Schedule of Expenditures Budget (GAAP Basis) and Actual General Fund before GASB 54 Consolidation For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Assessor's Office				
Personnel	\$ 390,100	\$ 390,100	\$ 391,870	\$ (1,770)
Commodities	10,000	10,000	6,772	3,228
Contractual services	57,500	57,500	28,894	28,606
Other charges	9,200	9,200	6,775	2,425
Total Assessor's Office	466,800	466,800	434,311	32,489
Treasurer's Office				
Personnel	361,900	361,900	371,678	(9,778)
Commodities	19,000	19,000	13,126	5,874
Contractual services	46,000	46,000	34,291	11,709
Other charges	8,000	8,000	5,349	2,651
Total Treasurer's Office	434,900	434,900	424,444	10,456
Building and grounds				
Other charges	120,000	120,000	94,910	25,090
Planning/Zoning				
Personnel	496,800	496,800	472,151	24,649
Commodities	5,400	5,400	2,759	2,641
Contractual services	27,500	27,500	33,091	(5,591)
Other charges	16,500	16,500	14,307	2,193
Total Planning/Zoning	546,200	546,200	522,308	23,892
Cemetery				
Personnel	264,400	264,400	269,151	(4,751)
Commodities	12,000	12,000	8,885	3,115
Contractual services	16,000	16,000	14,515	1,485
Other charges	112,500	112,500	89,473	23,027
Total Cemetery	404,900	404,900	382,024	22,876
Appropriations	159,200	134,200	101,240	32,960
Total general government	3,871,400	3,871,400	3,587,035	284,365
Public Safety				
Police	2 100 000	2 260 000	2 267 002	(7.100)
Personnel Commodities	3,100,800	3,260,800	3,267,982	(7,182)
	85,000 418,000	85,000	88,416	(3,416)
Contractual services Other charges	418,000 406,600	418,000 406,600	397,315 391,751	20,685 14,849
Total Police	4,010,400	4,170,400	4,145,464	24,936

Continued.....

Schedule of Expenditures Budget (GAAP Basis) and Actual General Fund before GASB 54 Consolidation For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Fire				
Personnel	\$ 2,260,300	\$ 2,410,300	\$ 2,329,613	\$ 80,687
Commodities	127,600	127,600	111,882	15,718
Contractual services	194,100	194,100	169,876	24,224
Other charges	445,800	445,800	444,970	830
Total Fire	3,027,800	3,177,800	3,056,341	121,459
Total public safety	7,038,200	7,348,200	7,201,805	146,395
Public Works				
Streets, alleys and sidewalks				
Personnel	416,400	616,400	536,609	79,791
Commodities	31,000	31,000	36,609	(5,609)
Contractual services	144,000	144,000	140,394	3,606
Other charges	(22,000)	(22,000)	159,657	(181,657)
Total Streets, Alleys and Sidewalks	569,400	769,400	873,269	(103,869
Engineering				
Personnel	716,100	716,100	713,010	3,090
Commodities	18,000	18,000	11,785	6,215
Contractual services	44,400	44,400	38,564	5,836
Other charges	28,600	28,600	27,459	1,141
Total Engineering	807,100	807,100	790,818	16,282
Total public works	1,376,500	1,576,500	1,664,087	(87,587)
Recreation and Culture				
Parks				
Personnel	1,168,800	1,168,800	1,162,313	6,487
Commodities	77,000	77,000	84,764	(7,764)
Contractual services	242,000	242,000	228,452	13,548
Other charges	735,000	735,000	730,356	4,644
Total Recreation and Culture	2,222,800	2,222,800	2,205,885	16,915
Capital outlay	35,700	35,700		35,700
Total expenditures	\$ 14,544,600	\$ 15,054,600	\$ 14,658,812	\$ 395,788

Concluded

Schedule of Transfers

Budget (GAAP Basis) and Actual General Fund before GASB 54 Consolidation For the Year Ended June 30, 2019

	Original Final Budget Budget		Actual	Fin I	Variance with Final Budget Positive (Negative)		
Transfers in							
Brown Bridge Trust	\$ 245,000	\$	245,000	\$	234,295	\$	(10,705)
Other funds	28,500		28,500		29,144		644
City fee - Proprietary Funds	 945,400		945,400		991,992		46,592
Total Transfers In	\$ 1,218,900	\$	1,218,900	\$	1,255,431	\$	36,531
Transfers out							
Major Streets	\$ 385,120	\$	385,120	\$	100,000	\$	285,120
Local Streets	586,080		586,080		586,080		_
Capital Projects	1,567,500		1,567,500		1,567,500		-
Heritage Center	_		25,000		25,000		_
Public Arts Commission	 30,000		30,000		30,000		
Total Transfers Out	\$ 2,568,700	\$	2,593,700	\$	2,308,580	\$	285,120

CITY OF TRAVERSE CITY, MICHIGAN Combining Balance Sheet Nonmajor Governmental Funds June 30, 2019

	Special Revenue Funds	S	Debt ervice Funds	P	Capital rojects Funds	(ermanent Cemetery Terpetual Care		Total Nonmajor overnmenta Funds
ASSETS									
Assets									
Cash and cash equivalents	\$ 2,405,767	\$	3,676	\$	616,698	\$	160,306	\$	3,186,447
Investments	99,201		-		4,920		576,361		680,482
Receivables									
Accounts	6,130		-		-		-		6,130
Taxes	-		-		5,812		-		5,812
Special assessments	-		-		458,023		-		458,023
Due from other governments	5,400								5,400
Total asssets	\$ 2,516,498	\$	3,676	\$ 1	1,085,453	\$	736,667	\$	4,342,294
Accounts payable Accrued and other liabilities Due to other funds	\$ 402,096 - 16,768	\$	- - -	\$	- - -	\$	16,870	\$	402,096 - 33,638
Unearned revenue Advance from component unit	5,813		<u>-</u>		197		<u>-</u>	_	5,813 197
Total liabilities	424,677				197		16,870	_	441,744
Deferred inflows of resouces Unavailable revenue					367,284				367,284
Fund balances Nonspendable									
Cemetery perpetual care	_		_		_		719,797		719,797
Restricted							,		,
Debt service	_		3,676		_		_		3,676
Joint planning	16,140				_		_		16,140
Capital improvements	487,169		_		208,367		_		695,536
Public welfare or civic improvement organization			-		-		-		1,134,051
Act 345 retirement	454,461		-		-		-		454,461
Committed									
Capital improvements					509,605			_	509,605
Total fund balances	2,091,821		3,676		717,972		719,797		3,533,266
Total liabilities, deferred inflows of resources, and fund balances	\$ 2,516,498	\$	3,676	\$ 1	1,085,453	\$	736,667	\$	4,342,294

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds For the Year Ended June 30, 2019

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Cemetery Perpetual Care	Total Nonmajor Governmental Funds
Revenues	Φ 2.000 (20	Φ	02.716	Φ.	6 2.102.244
Property taxes and special assessments	\$ 2,089,628	\$ -	\$ 93,716	\$ -	\$ 2,183,344
Federal sources	4.010	-	-	-	4.010
State sources	4,819	972 276	-	-	4,819
Local sources	100.002	872,276	-	10.251	872,276
Charges for services Contributions	189,893	-	00.262	19,351	209,244
	980,800	-	90,363	44.440	1,071,163
Interest income	33,912		8,527	44,449	86,888
Total revenues	3,299,052	872,276	192,606	63,800	4,427,734
Expenditures					
Current expenditures					
General government	29,586	-	-	-	29,586
Public safety	2,000,000	-	-	-	2,000,000
Public works	1,249,492	-	6,660	-	1,256,152
Recreation and Culture	-	-	-	-	-
Capital outlay	64,716	-	311,265	-	375,981
Debt service					
Principal	-	650,000	-	-	650,000
Interest and fiscal charges		282,865			282,865
Total expenditures	3,343,794	932,865	317,925		4,594,584
Excess (deficiency) of revenues over expenditures	(44,742)	(60,589)	(125,319)	63,800	(166,850)
Other financing sources (uses)					
Transfers in	-	60,589	-	-	60,589
Transfers (out)	(51,821)			(16,870)	(68,691)
Total other financing sources (uses)	(51,821)	60,589	<u>-</u>	(16,870)	(8,102)
Net change in fund balance	(96,563)	-	(125,319)	46,930	(174,952)
Fund balances, beginning of year	2,188,384	3,676	843,291	672,867	3,708,218
Fund balances, end of year	\$ 2,091,821	\$ 3,676	\$ 717,972	\$ 719,797	\$ 3,533,266

Combining Balance Sheet Nonmajor Special Revenue Funds June 30, 2019

	Pol Trai	302 lice ining	Prep Eq	State paredness uipment Grant Fund	F	College Parking Fund	Act 345 Millage Fund	and T	verse City I Garfield ownship at Planning Fund	 PEG Capital Fund
ASSETS										
Assets										
Cash and cash equivalents	\$	-	\$	-	\$	11,492	\$ 454,461	\$	16,140	\$ 74,065
Investments Receivables		-		-		-	-		-	-
Accounts				_		_			_	6,130
Due from other governments		-		5,400			 			 - 0,130
Total assets	<u>\$</u>		\$	5,400	\$	11,492	\$ 454,461	\$	16,140	\$ 80,195
LIABILITIES AND FUND BALANCES										
Liabilities										
Accounts payable	\$	-	\$	-	\$	-	\$ -	\$	-	\$ 11,762
Accrued and other liabilities		-		-		-	-		-	-
Unearned revenue		-		- - 400		- 715	-		-	-
Due to other funds			-	5,400		5,745	 			 -
Total liabilities			. <u></u>	5,400		5,745	 -			 11,762
Fund balances										
Restricted										
Joint planning		-		-		-	-		16,140	- 69 122
Capital improvements Public safety training		-		-		-	-		-	68,433
Public welfare or civic improvement										
organizations		-		-		5,747	-		-	-
Act 345 retirement		-					 454,461		-	 -
Total fund balances (deficit)		-				5,747	 454,461		16,140	 68,433
Total liabilities and fund balances	\$	-	\$	5,400	\$	11,492	\$ 454,461	\$	16,140	\$ 80,195

Continued...

Combining Balance Sheet Nonmajor Special Revenue Funds June 30, 2019

	Senior Center Building Fund	Homeland Security Training Grant Fund	McCauley Estate Trust Fund	County Road Commission Projects Fund	Brown Bridge Trust Park Improvement Fund	Total
ASSETS						
Assets						
Cash and cash equivalents	\$ 424,549	\$ -	\$ 18,616	\$ 1,049,079	\$ 357,365	\$ 2,405,767
Investments Receivables	-	-	99,201	-	-	99,201
Accounts	_	_	_	_	-	6,130
Due from other governments						5,400
Total assets	\$ 424,549	\$ -	\$ 117,817	\$ 1,049,079	\$ 357,365	\$ 2,516,498
LIABILITIES AND FUND BALAN	CES					
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ 390,334	\$ -	\$ 402,096
Accrued and other liabilities Unearned revenue	5.012	-	-	-	-	- 5.012
Due to other funds	5,813	-	5,623	-	-	5,813 16,768
Due to other rands			3,023			10,700
Total liabilities	5,813		5,623	390,334		424,677
Fund balances						
Restricted Joint planning						16,140
Capital improvements	418,736	-	-	-	-	487,169
Public safety training	,	-	-	-	-	-
Public welfare or civic						
improvement organizations Act 345 retirement	-	-	112,194	658,745	357,365	1,134,051 454,461
Total fund balances	418,736		112,194	658,745	357,365	2,091,821
Total liabilities and fund balances	\$ 424,549	\$ -	\$ 117,817	\$ 1,049,079	\$ 357,365	\$ 2,516,498

Concluded

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Special Revenue Funds For the Year Ended June 30, 2019

	Training Grant Parking Milla		Act 345 Millage Fund	Traverse City and Garfield Township Joint Planning Fund	PEG Capital Fund	
Revenues						
Property taxes	\$ -	\$ -	\$ -	\$ 2,089,628	\$ -	\$ -
Federal sources	-	-	-	-	-	-
State sources	4,819	-	-	=	=	-
Charges for services	-	-	15,452	=	-	-
Contributions	-	-	-	-	2,000	60,807
Interest income				25,844	-	
Total revenues	4,819		15,452	2,115,472	2,000	60,807
Expenditures						
Current expenditures						
General government	-	-	9,709	-	-	19,877
Public safety	4,819	-	-	1,995,181	-	-
Public works	-	-	-	-	-	-
Capital outlay						
Total expenditures	4,819		9,709	1,995,181		19,877
Excess (deficiency) of revenues over expenditures	_	_	5,743	120,291	2,000	40,930
c (or emperiument)						,,,,,
Other financing sources (uses)						
Transfers in	-	-	-	-	-	-
Transfers (out)						
Total other financing sources (uses)						
Net change in fund balance	-	-	5,743	120,291	2,000	40,930
Fund balances, beginning of year			4	334,170	14,140	27,503
Fund balances, (deficit) end of year	<u>\$</u> -	\$ -	\$ 5,747	\$ 454,461	\$ 16,140	\$ 68,433

Continued....

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Special Revenue Funds For the Year Ended June 30, 2019

	Senior Center Building Fund	Homeland Security Training Grant Fund	McCauley Estate Trust Fund	County Road Commission Projects Fund	Brown Bridge Trust Park Improvement Fund	Total
Revenues						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,089,628
Federal sources	-	-	-	-	-	=
State sources	-	-	-	-	-	4,819
Charges for services	-	-	-	-	174,441	189,893
Contributions	9,194	-	-	908,799	-	980,800
Interest income (loss)	520		7,148	<u> </u>	400	33,912
Total revenues	9,714		7,148	908,799	174,841	3,299,052
Expenditures						
Current expenditures						
General government	-	-	-	-	-	29,586
Public safety	-	-	-	-	-	2,000,000
Public works	-	-	-	1,249,492	-	1,249,492
Capital outlay				<u> </u>	64,716	64,716
Total expenditures				1,249,492	64,716	3,343,794
Excess (deficiency) of revenues						
over expenditures	9,714		7,148	(340,693)	110,125	(44,742)
Other financing sources (uses)						
Transfers in	-	-	-	-	-	-
Transfers (out)			(2,821)		(49,000)	(51,821)
Total other financing sources (uses)			(2,821)		(49,000)	(51,821)
Net change in fund balance	9,714	-	4,327	(340,693)	61,125	(96,563)
Fund balances, beginning of year	409,022		107,867	999,438	296,240	2,188,384
Fund balances, end of year	\$ 418,736	\$ -	\$ 112,194	\$ 658,745	\$ 357,365	\$ 2,091,821

Concluded

Combining Balance Sheet Nonmajor Debt Service Funds June 30, 2019

ASSETS	Parking De Bond Sidewalk and Trail Debt Retirement Non-Taxab		ond mption	Parking n Deck Bond		Total		
Assets								
Cash and cash equivalents Accounts receivable	\$	-	\$	3,576	\$	100	\$	3,676
Total assets	\$		\$	3,576	\$	100	\$	3,676
LIABILITIES AND FUND BALANCES								
Liabilities								
Due to other funds	\$	-	\$		\$		\$	
Fund balances								
Restricted for debt service	-			3,576		100		3,676
Total liabilities and fund balancess	\$	_	\$	3,576	\$	100	\$	3,676

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Debt Service Funds For the Year Ended June 30, 2019

	Sidewalk and Trail Debt Retirement	Parking Deck Bond Redemption Non-Taxable	Old Town Parking Deck Bond Redemption	Total
Revenues				
Local sources	\$ 43,557	\$ 828,719	\$ -	\$ 872,276
Expenditures				
Debt service				
Principal	-	650,000	-	650,000
Interest and fiscal charges	104,146	178,719		282,865
Total expenditures	104,146	828,719		932,865
Other financing sources (uses)				
Transfers in	60,589			60,589
Total other financing sources (uses)	60,589			60,589
Net change in fund balances	-	-	-	-
Fund balances, beginning of year		3,576	100	3,676
Fund balances, end of year	\$ -	\$ 3,576	\$ 100	\$ 3,676

CITY OF TRAVERSE CITY, MICHIGAN Combining Balance Shee Nonmajor Capital Projects Fund June 30, 2019

	Parking Bond Construction Non-taxable		Special Assessments		Total	
ASSETS						
Assets						
Cash and cash equivalents	\$	208,367	\$	408,331	\$	616,698
Investments		-		4,920		4,920
Receivables						
Taxes		-		5,812		5,812
Special assessments				458,023		458,023
Total assets	\$	208,367	\$	877,086	\$	1,085,453
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALAN	CES					
Liabilities						
Accounts payable	\$	-	\$	-	\$	-
Advance from component unit				197		197
Total liabilities		<u>-</u>		197		197
Deferred inflows of resources						
Unavailable revenue				367,284		367,284
Fund balances						
Restricted						
Capital improvements		208,367		-		208,367
Committed Capital improvements				509,605		509,605
Capital improvements				309,003		309,003
Total fund balances		208,367		509,605		717,972
Total liabilities, deferred inflows of						
resources, and fund balances	\$	208,367	\$	877,086	\$	1,085,453

CITY OF TRAVERSE CITY, MICHIGAN Combining Statement of Revenues, Expenditures and Changes in Fund Balanc Nonmajor Capital Projects Fund For the Year Ended June 30, 2019

	Parking Deck Bond Construction Non-Taxable	Special Assessments	Total
Revenues Special assessments Contributions Interest income	\$ -	\$ 93,716 90,363 7,471	\$ 93,716 90,363 8,527
Total revenues	1,056	191,550	192,606
Expenditures Public works Capital outlay Total expenditures	- - -	6,660 311,265 317,925	6,660 311,265 317,925
Net change in fund balances	1,056	(126,375)	(125,319)
Other financing sources (uses) Transfer out			
Net change in fund balances	1,056	(126,375)	(125,319)
Fund balances, beginning of year	207,311	635,980	843,291
Fund balances, end of year	\$ 208,367	\$ 509,605	\$ 717,972

CITY OF TRAVERSE CITY, MICHIGAN Combining Statement of Assets and Liabilities Agency Funds June 30, 2019

	Tax Collection			Imprest Payroll	<u> </u>		
Assets							
Cash and cash equivalents	\$	244,863	\$	78,272	\$	323,135	
Receivables							
Accounts		-		22,455		22,455	
Taxes		220,839				220,839	
Total assets	\$	465,702		100,727	\$	566,429	
Liabilities							
Accrued and other liabilities	\$	_	\$	100,727	\$	100,727	
Due to other governmental units		465,702		-		465,702	
Total liabilities	\$	465,702	\$	100,727	\$	566,429	

Combining Statement of Changes in Assets and Liabilities Agency Funds

For the Year Ended June 30, 2019

	Balance July 1, 2018		Additions		Deletions		Balance June 30, 2019	
TAX COLLECTION								
Assets Cash and cash equivalents	\$ 196,015	\$	47,273,468	\$	47,224,620	\$	244,863	
Taxes receivable	 191,157		48,352,121		48,322,439		220,839	
Total assets	\$ 387,172	\$	95,625,589	\$	95,547,059	\$	465,702	
Liabilities								
Due to other governmental units	\$ 387,172	\$	95,625,589	\$	95,547,059	\$	465,702	
IMPREST PAYROLL								
Assets								
Cash and cash equivalents Accounts receivable	\$ 62,420 20,544	\$	11,622,249 237,116	\$	11,606,397 235,205	\$	78,272 22,455	
Total assets	\$ 82,964	\$	11,859,365	\$	11,841,602	\$	100,727	
Liabilities								
Accrued and other liabilities	\$ 82,964	\$	11,676,978	\$	11,659,215	\$	100,727	
TOTAL - ALL AGENCY FUNDS								
Assets								
Cash and cash equivalents Receivables	\$ 258,435	\$	58,895,717	\$	58,831,017	\$	323,135	
Accounts	20,544		237,116		235,205		22,455	
Taxes	 191,157		48,352,121		48,322,439		220,839	
Total assets	\$ 470,136	\$	107,484,954	\$	107,388,661	\$	566,429	
Liabilities								
Accrued and other liabilities Due to other governmental units	\$ 82,964 387,172	\$	11,676,978 95,625,589	\$	11,659,215 95,547,059	\$	100,727 465,702	
Total liabilities	\$ 470,136	\$	107,302,567	\$	107,206,274	\$	566,429	

Concluded

CITY OF TRAVERSE CITY, MICHIGAN Combining Statement of Fiduciary Net Position Pension and Other Post Employment Benefit Funds June 30, 2019

			Other Postemployment Benefit Funds					
	Act 345 Pension Trust Fund		Act 345 Retiree Health Insurance Trust		Retiree Health Insurance Trust		Total	
Assets								
Cash and cash equivalents	\$ 2,446,2	275	\$	382,184	\$	216,434	\$	3,044,893
Investments, at fair value								
Fixed income mutual funds	5,346,5	597		966,512		-		6,313,109
Domestic equities	7,031,3	320		1,799,965		-		8,831,285
International equities	4,705,7	735		481,084		-		5,186,819
Real estate	2,736,5	565		-		-		2,736,565
Other	8,496,9	985		-		-		8,496,985
MERS total market fund		-		-		1,819,416		1,819,416
Receivables								
Accounts receivable		-		93,975		-		93,975
Accrued interest	10,6	526		2,133				12,759
Total assets	30,774,1	103		3,725,853		2,035,850		36,535,806
Liabilities								
Accrued and other liabilities	108,4	138						108,438
Total liabilities	108,4	138						108,438
Net Position								
Held in trust for pension benefits and other post employment benefits	\$ 30,665,66	65	\$	3,725,853	\$	2,035,850	•	36,427,368
and other post employment benefits	\$ 50,005,00	<u> </u>	Φ	3,143,033	Φ	4,033,030	Φ.	JU, 1 47,JU0

Combining Statement of Changes in Fiduciary Net Position Pension and Other Post Employment Benefit Funds For the Year Ended June 30, 2019

	Act 345 Pension Trust Fund	Act 345 Retiree Health Insurance Trust	Retiree Health Insurance Trust	Total	
Additions					
Contributions					
City contributions	\$ 1,995,181	\$ 519,279	106	\$ 2,514,566	
Employee contributions	78,115	·	_	78,115	
Other			<u>-</u>	<u> </u>	
Total contributions	2,073,296	519,279	106	2,592,681	
Investment earnings					
Interest and dividends	464,174	70,802	2,855	537,831	
Net increase in fair value of investments	657,816	118,867	52,414	829,097	
Investment expense	(125,070)	(1,725)	-	(126,795)	
Net investment earnings	996,920	187,944	55,269	1,240,133	
Other	96			96	
Total additions	3,070,312	707,223	55,375	3,832,910	
Deductions					
Pension benefits paid	2,745,588	-	-	2,745,588	
Health insurance premiums paid	-	444,116	109,847	553,963	
Administrative expense (other)	33,140	6,000	3,716	42,856	
Total deductions	2,778,728	450,116	113,563	3,342,407	
Net increase (decrease) in plan net position	291,584	257,107	(58,188)	490,503	
Net position held in trust, beginning of year	30,374,081	3,468,746	2,094,038	35,936,865	
Net position held in trust, end of year	\$ 30,665,665	\$ 3,725,853	\$ 2,035,850	\$ 36,427,368	

INTERNAL CONTROL AND COMPLIANCE



Vredeveld Haefner LLC

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

December 26, 2019

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Traverse City, Michigan, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise City of Traverse City, Michigan's basic financial statements, and have issued our report thereon dated December 26, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Traverse City, Michigan's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Traverse City, Michigan's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Traverse City, Michigan's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Uredoveld Haefner LLC