



CITY OF
TRAVERSE CITY

ANNUAL AUDITED

FINANCIAL STATEMENTS

June 30, 2025



Prepared by the City Treasurer's Office

Vredevelde Haefner LLC, Auditors

CITY OF TRAVERSE CITY, MICHIGAN

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CITY OF TRAVERSE CITY, MICHIGAN

List of Elected and Appointed Officials For the Fiscal Year Ended June 30, 2025

Elected Officials

Mayor	Amy Shamroe
Mayor Pro Tem	Laura Ness
Commission Member	Jackie Anderson
Commission Member	Heather Shaw
Commission Member	Mitch Treadwell
Commission Member	Lance Boehmer
Commission Member	Kenneth Funk

Appointed Officials

City Manager	Benjamin Marentette
Clerk	Sara Lutz
Attorney	Lauren Tribble-Laucht
Treasurer/Finance Director	Heidi Scheppe

FINANCIAL SECTION



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INDEPENDENT AUDITORS' REPORT

December 22, 2025

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

Report on the Audit of the Financial Statements

Opinions

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, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2025, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 13 and the budgetary comparison information and benefit plan schedules on pages 90 through 109 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 fund financial statements and schedules and the schedule of expenditures of federal awards 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 22, 2025, 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 solely 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 the City's 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.

Vredexeld Haefner LLC

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, 2025.

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 \$199,808,238 (*net position*). The City’s total net position increased by \$25,735,910 during the year ended June 30, 2025.
- As of the close of the current fiscal year, the City’s governmental funds reported combined ending fund balances of \$41,845,402 an increase of \$500,790 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 \$11,419,834 or 41.93% of total General Fund expenditures and transfers out. The General Fund Operating Fund unassigned fund balance was \$8,793,709 or 33.57% 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, Senior Center Building Fund, Capital Projects and Brown Bridge Trust Funds, each of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report. The General Fund includes the City's General Operating Fund and 10 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 the General Fund and the Major Special Revenue 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 \$199,808,238 at the close of the most recent fiscal year.

By far the largest portion of the City's net position, \$167,506,309 or 83.83 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 \$25,848,710 which represents resources that are subject to external restrictions on how they may be used and an unrestricted net position of \$6,481,655.

The City's net position increased by \$25,735,910 during the year ended June 30, 2025.

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 6/30/25			FYE 6/30/24		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 52,114,525	\$ 23,430,764	\$ 75,545,289	\$ 56,372,403	\$ 22,026,706	\$ 78,399,109
Capital assets	87,517,903	92,542,275	180,060,178	70,279,944	83,983,134	154,263,078
Total assets	139,632,428	115,973,039	255,605,467	126,652,347	106,009,840	232,662,187
Deferred outflows	5,136,420	978,785	6,115,205	6,735,128	1,150,407	7,885,535
Long-term liabilities	7,568,095	6,955,637	14,523,732	8,911,116	2,579,393	11,490,509
Net Pension Liability	29,434,782	5,233,880	34,668,662	31,724,047	5,078,425	36,802,472
Net Other Post Employment Benefit Liability	6,773,982	-	6,773,982	6,490,441	-	6,490,441
Other liabilities	2,702,108	1,124,197	3,826,305	6,669,993	2,513,408	9,183,401
Total Liabilities	46,478,967	13,313,714	59,792,681	53,795,597	10,171,226	63,966,823
Deferred inflows	1,835,462	284,291	2,119,753	2,039,214	469,357	2,508,571
Net Position:						
Net Investment in capital assets	82,163,044	85,343,265	167,506,309	63,657,078	81,472,199	145,129,277
Restricted assets	25,848,710	-	25,848,710	21,180,421	-	21,180,421
Unrestricted (deficit)	(11,557,335)	18,010,554	6,453,219	(7,284,835)	15,047,465	7,762,630
Total net position	\$ 96,454,419	\$ 103,353,819	\$ 199,808,238	\$ 77,552,664	\$ 96,519,664	\$ 174,072,328

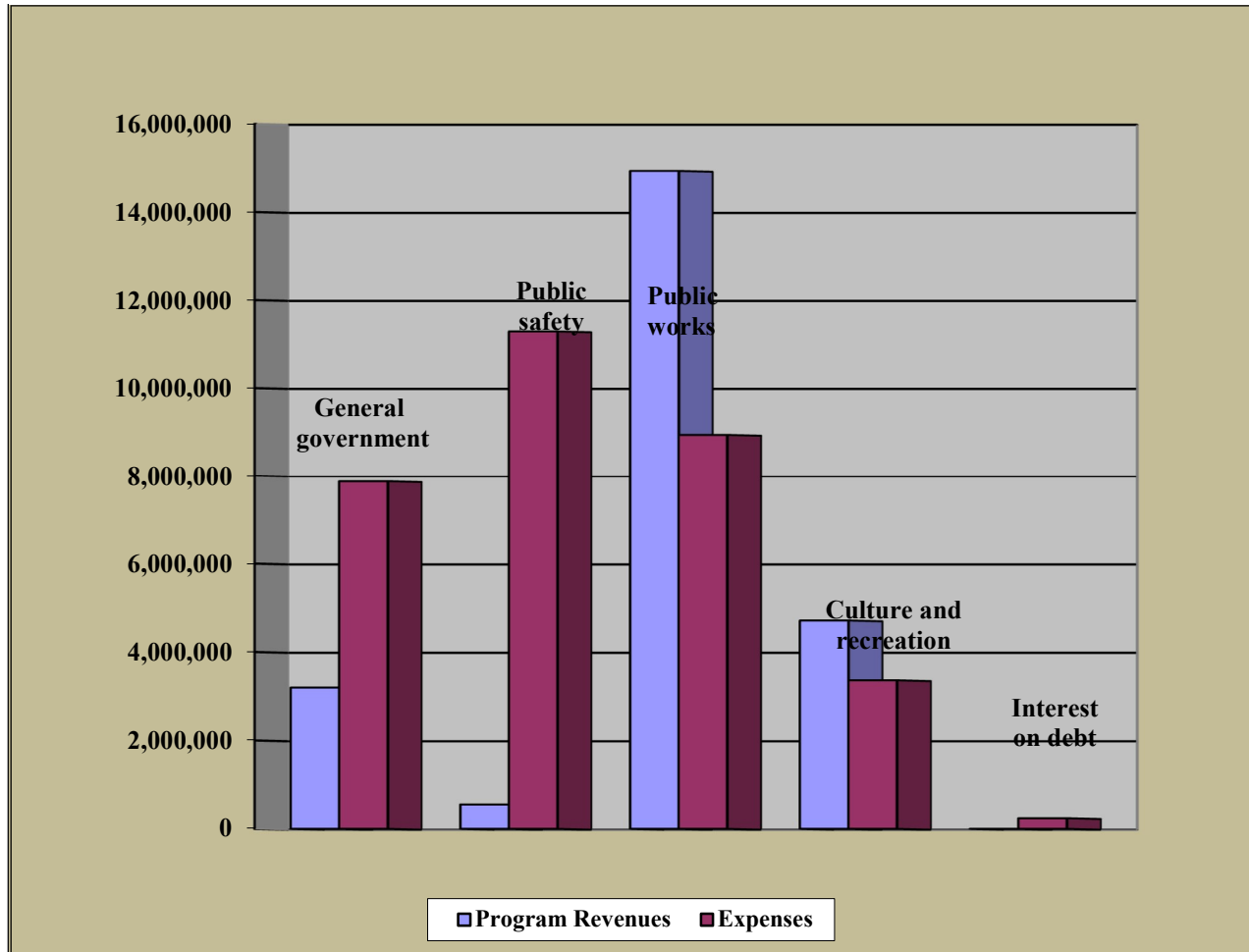
City of Traverse City's Changes in Net Position
Table II

	FYE 6/30/25			FYE 6/30/24		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Program revenue:						
Charges for services	\$ 4,512,828	\$ 21,381,967	\$ 25,894,795	\$ 4,142,561	\$ 19,589,025	\$ 23,731,586
Operating grants/contributions	5,113,562	1,012,798	6,126,360	6,125,758	1,916,150	8,041,908
Capital grant/contributions	13,763,661	32,385	13,796,046	10,680,422	54,757	10,735,179
General Revenue:						
Property taxes	22,066,336	-	22,066,336	19,371,053	-	19,371,053
Unrestricted grants/contributions	2,301,501	-	2,301,501	2,359,479	-	2,359,479
Franchise revenue	195,954	-	195,954	154,084	-	154,084
Other	1,969,367	796,002	2,765,369	1,492,121	487,942	1,980,063
Total revenue	49,923,209	23,223,152	73,146,361	44,325,478	22,047,874	66,373,352
Expenses:						
General government	7,866,091	-	7,866,091	6,413,907	-	6,413,907
Public safety	11,287,303	-	11,287,303	10,362,913	-	10,362,913
Public works	8,936,370	-	8,936,370	7,096,834	-	7,096,834
Culture and recreation	3,360,306	-	3,360,306	2,980,630	-	2,980,630
Interest and fiscal charges	241,562	-	241,562	280,931	-	280,931
Wastewater	-	6,792,780	6,792,780	-	7,232,568	7,232,568
Water	-	4,391,614	4,391,614	-	3,890,869	3,890,869
Hickory Hills	-	962,854	962,854	-	828,507	828,507
Marina	-	475,632	475,632	-	553,498	553,498
Autoparking	-	3,099,336	3,099,336	-	2,663,690	2,663,690
Total expenses	31,691,632	15,722,216	47,413,848	27,135,215	15,169,132	42,304,347
Increase (decrease) before transfers/contributions	18,231,577	7,500,936	25,732,513	17,190,263	6,878,742	24,069,005
Operating transfers	666,781	(666,781)	-	615,612	(615,612)	-
Contribution to endowment	3,397	-	3,397	13,957	-	13,957
Increase in net position	18,901,755	6,834,155	25,735,910	17,819,832	6,263,130	24,082,962
Net position beginning of year	77,552,664	96,519,664	174,072,328	59,732,832	90,256,534	149,989,366
Net position end of year	\$ 96,454,419	\$ 103,353,819	\$ 199,808,238	\$ 77,552,664	\$ 96,519,664	\$ 174,072,328

- **Governmental activities** increased the City's net position by \$18,901,755. Key highlights are as follows:
- Operating grants and contributions decreased overall approximately \$1,012,000 due in large part to the one time contribution from Grant Traverse County in 2024 of \$800,000 to be used for future Senior Center Building operational costs.
- Capital grants and contributions increased approximately \$3,083,000 from 2024. The increase can be attributed mostly to the recognition of the State of Michigan contributions to bridge reconstruction projects in 2025.

- Property tax revenue increased approximately \$2,695,000 from 2024. The General Fund operating levy increased over \$1,031,000 and 2025 was the first year of the EMS/Ambulance operating levy which collected approximately \$1,282,000.

Program Revenues and Expenses - Governmental Activities

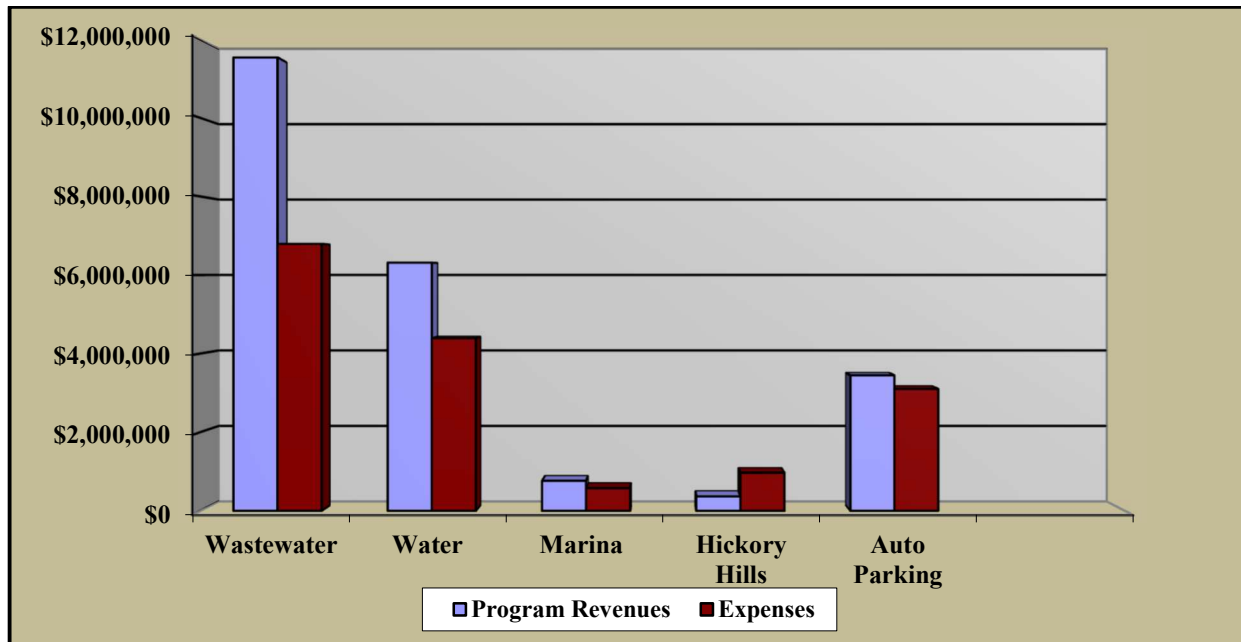


Business-type activities increased the City's net position by \$6,834,155. Key highlights of activities in the funds are as follows:

- Charges for services in the Wastewater fund increased approximately \$680,000 with \$400,000 of the increase coming as a result of increases in charges to Townships for their share of plant operating costs.
- Charges for services in the Water fund increased approximately \$500,000 from FYE 6/30/2024. City resident charges increase approximately \$200,000 (4.5%) and the Township's share of plant operating costs increased approximately \$300,000.
- The Auto Parking System fund revenues had a \$127,000 increase from 2024 due mostly to increased parking deck permit revenue at the Hardy and Old Town Decks.

- Marina Charges for services were consistent from 2024 to 2025 with transient slip fees accounting for the majority of an approximately \$50,000 decrease.
- Hickory Hills revenues increased overall by \$61,000 (23%) with ski pass revenue accounting for almost all of the increase.

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 \$41,845,402 an increase of \$500,790 in comparison with the prior year. \$11,419,834 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 10 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 \$11,419,834. 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 42.20 percent of total General Fund expenditures including transfers out. The unassigned fund balance of the General Operating Fund represented 33.57 percent of the Operating Fund expenditures including transfers out.

The Major Streets Fund has a total fund balance of \$1,853,363 which increased by \$36,463 during the year.

The Local Streets Fund has a \$18,586 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 \$810,580 for 2025.

The Senior Center Building Fund had a \$61,961 fund balance for the current year. The fund spent \$5,159,962 on reconstruction of the Senior Center in 2025.

The Capital Projects Fund's fund balance of \$1,009,489 decreased by \$3,168,079. This is due in most part to transferring the project balance for open street infrastructure project to the County Road Millage Fund.

The Brown Bridge Permanent Trust fund balance increased by \$265,378 ending the year at \$11,936,899. The increase was almost exclusively related to the year-end adjustment to market value of investments held by the trust.

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 \$17,517,584 with net investment in capital assets of \$85,415,312. For the current year, the Wastewater Fund had an increase in net position of \$4,395,372, the Water Fund had an increase in net position for the year of \$1,804,825, the Hickory Hills Fund had a decrease in net position of \$ 233,171, the Marina Fund had an increase in net position of \$282,388 and the Auto Parking System had an increase in net position of \$564,762.

General Fund Budgetary Highlights

During the year, General Fund revenues and transfers in were greater than budgetary estimates by \$1,792,226. Actual expenditures and transfers out were under amended budget amounts by \$1,713,243. Overall, the actual fund balance decreased by \$597,230, compared to an amended budget decrease estimate of \$4,102,700.

Capital Asset and Debt Administration

Capital assets. The City's total capital assets for its governmental and business-type activities as of June 30, 2025, amounted to \$180,060,178 (net of accumulated depreciation and amortization). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, park facilities, roads, highways, bridges.

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

- Construction was completed on the new Senior Center Building with total capitalized costs of \$9,487,676.
- Completion of 4 bridge reconstruction projects with City share costs totaling \$1,722,780. Two other bridge construction projects were at or near completion pending only final closeouts with MDOT which should occur in fiscal year end 2026.
- Completion of the Madison/Jefferson Street reconstruction project total costs to date of \$3,458,382.
- Completion of the 8th Street intersections at Cass and Union Streets with total costs of \$894,436

- Continued work on the Grandview Tart Trail with cost incurred during FYE 2025 of \$705,939
- Near completion pending MDOT closeout of the Veterans Drive reconstruction with City share costs of \$680,975 to date
- Start of the West End Beach Bathhouse project with cost incurred through 6/30/2025 of \$591,239
- Completion of the Wastewater and Water AMI (automated meter reading) project totaling \$2,409,561.
- Start of the Wastewater Treatment Plan Headworks and UV upgrade project with costs incurred through 6/30/2025 of \$2,262,381
- Continuation of the Water Fund's galvanized water line replacement project with \$4,303,018 of costs incurred through 6/30/2025.

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

	2025			2024		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Land and non depreciated improvements	\$ 10,522,692	\$ 18,912,831	\$ 29,435,523	\$ 10,522,692	\$ 18,912,831	\$ 29,435,523
Construction in Progress	8,497,349	14,229,873	22,727,222	12,692,580	10,932,928	23,625,508
Land Improvements	12,698,602	697,774	13,396,376	12,883,624	716,488	13,600,112
Infrastructure	34,877,572	18,993,940	53,871,512	23,909,066	15,873,222	39,782,288
Buildings and improvements	14,016,938	32,592,846	46,609,784	4,619,157	32,947,838	37,566,995
Machinery and equipment	6,904,750	7,115,011	14,019,761	5,652,825	4,599,827	10,252,652
	<u>\$ 87,517,903</u>	<u>\$ 92,542,275</u>	<u>\$ 180,060,178</u>	<u>\$ 70,279,944</u>	<u>\$ 83,983,134</u>	<u>\$ 154,263,078</u>

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

Long-term debt. At the end of the current fiscal year, the City had total bonded debt and State Revolving Loan Fund payables of \$13,569,993. The entire amount represents debt backed by the full faith and credit of the government.

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

	2025			2024		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Direct placement bonds - Parking Deck	\$ 2,375,000		\$ 2,375,000	\$ 3,215,000		\$ 3,215,000
Direct placement bonds - Trail and Sidewalk Construction	4,405,000		4,405,000	5,010,000		5,010,000
State Revolving Loan Program - Water Fund	-	2,676,239	2,676,239	-	538,614	538,614
State Revolving Loan Program - Wastewater Fund	-	4,113,754	4,113,754	-	1,925,444	1,925,444
TOTAL	<u>\$ 6,780,000</u>	<u>\$ 6,789,993</u>	<u>\$ 13,569,993</u>	<u>\$ 8,225,000</u>	<u>\$ 2,464,058</u>	<u>\$ 10,689,058</u>

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the City is \$160,279,026 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 2025/26 fiscal year:

- The General Fund tax levy adjusted from 11.6322 mills in 2024/25 to 11.5775 mills in 2025/26 with 1.0 mill continuing to be used for street projects and sidewalk debt service. The Act 345 levy for Police/Fire pensions is 2.32 mills, the same levy as the previous five years. The EMS/Ambulance millage adjusted from .9884 mills in 2024/25 to .9837 mills in 2025/26.
- Fiscal year 2025/2026 will be the third year the City receives marijuana excise tax funding with the budgeted revenue in the General Fund being \$ 711,000.
- The City's primary government projects approximately \$34 million of potential capital related expenses in fiscal year 2025/26 including \$11.9 million in the Wastewater and \$5.2 million in the Water Fund. The General Fund budget includes a \$1,821,800 transfer to the street capital projects fund and \$894,400 to the capital projects fund for various other projects.
- The City projects to complete spending of their approximately \$1.6 million in American Rescue Plan Act funding from the Federal Government during 25/26.

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, Benjamin Marentette, 400 Boardman Avenue, Traverse City, Michigan 49684.

CITY OF TRAVERSE CITY, MICHIGAN
Statement of Net Position
June 30, 2025

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority	Light and Power
Assets					
Cash & equity in pooled cash and investments	\$ 29,801,665	\$ 7,721,012	\$ 37,522,677	\$ 9,760,465	\$ 359,776
Investments	15,680,345	8,223,085	23,903,430	-	10,366,850
Receivables, net	4,123,587	7,485,841	11,609,428	8,948	8,943,567
Due from component unit	363,311	-	363,311	-	-
Internal balances	182,044	(182,044)	-	-	-
Inventories	337,452	72,078	409,530	-	3,166,201
Prepaid items and other assets	584,518	22,341	606,859	29,311	87,687
Other post employment benefits	881,603	88,451	970,054	-	420,665
Advances to/due from primary government	-	-	-	-	-
Advances to component unit	160,000	-	160,000	-	-
Capital assets not being depreciated	19,020,041	33,142,704	52,162,745	1,997,110	4,626,019
Capital assets being depreciated	68,497,862	59,399,571	127,897,433	363,388	75,095,525
Total assets	139,632,428	115,973,039	255,605,467	12,159,222	103,066,290
Deferred outflows of resources					
Deferred outflows - pensions	4,586,189	970,516	5,556,705	-	3,239,035
Deferred outflows - other post employment benefits	480,265	8,269	488,534	-	359,120
Deferred outflows - loss on refunding	69,966	-	69,966	-	-
Total deferred outflows of resources	5,136,420	978,785	6,115,205	-	3,598,155
Liabilities					
Accounts payable and accrued expenses	2,360,137	1,124,197	3,484,334	452,280	4,592,260
Unearned revenue	341,971	-	341,971	163,963	66,275
Due to primary government	-	-	-	-	363,311
Advance from primary government	-	-	-	-	160,000
Advances from /due to component units	-	-	-	-	-
Long-term liabilities					
Net pension liability	29,434,782	5,233,880	34,668,662	-	9,841,557
Net other post employment benefit liability	6,773,982	-	6,773,982	-	-
Other long-term liabilities					
Due within one year	2,228,062	250,141	2,478,203	50,758	148,554
Due in more than one year	5,340,033	6,705,496	12,045,529	322,132	1,984,444
Total liabilities	46,478,967	13,313,714	59,792,681	989,133	17,156,401
Deferred inflows of resources					
Deferred inflows - Lease	75,465	-	75,465	-	224,386
Deferred inflows - pensions	1,459,780	274,354	1,734,134	-	1,040,725
Deferred inflows - other post employment benefits	300,217	9,937	310,154	-	521,657
Total deferred inflows of resources	1,835,462	284,291	2,119,753	-	1,786,768
Net position					
Net investment in capital assets	82,163,044	85,343,265	167,506,309	1,997,110	74,814,069
Restricted for					
Debt service	3,301	-	3,301	-	-
Joint planning	20,140	-	20,140	-	-
Capital improvements	1,769,792	-	1,769,792	-	-
Streets and highways	1,853,363	-	1,853,363	-	-
Public safety training	60,402	-	60,402	-	-
Public welfare or civic improvement organizations	7,891,469	-	7,891,469	-	-
Act 345 retirement	1,542,844	-	1,542,844	-	-
Tax increment finance districts	-	-	-	8,653,068	-
Nonexpendable brown bridge trust	11,936,899	-	11,936,899	-	-
Nonexpendable cemetery perpetual trust	770,500	-	770,500	-	-
Unrestricted (deficit)	(11,557,335)	18,010,554	6,453,219	519,911	12,907,207
Total net position	\$ 96,454,419	\$ 103,353,819	\$ 199,808,238	\$ 11,170,089	\$ 87,721,276

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

CITY OF TRAVERSE CITY, MICHIGAN
Statement of Activities
For the Year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities					
General government	\$ 7,866,091	\$ 2,530,329	\$ 664,773	\$ -	\$ (4,670,989)
Public safety	11,287,303	169,361	383,139	-	(10,734,803)
Public works	8,936,370	977,999	4,032,148	9,923,844	5,997,621
Culture and recreation	3,360,306	835,139	33,502	3,839,817	1,348,152
Interest and fiscal charges	241,562	-	-	-	(241,562)
Total governmental activities	<u>31,691,632</u>	<u>4,512,828</u>	<u>5,113,562</u>	<u>13,763,661</u>	<u>(8,301,581)</u>
Business-type activities					
Wastewater	6,792,780	10,753,924	786,968	-	4,748,112
Water	4,391,614	6,054,378	225,830	32,385	1,920,979
Marina	475,632	761,838	-	-	286,206
Hickory Hills	962,854	364,896	-	-	(597,958)
Automobile parking	3,099,336	3,446,931	-	-	347,595
Total business-type activities	<u>15,722,216</u>	<u>21,381,967</u>	<u>1,012,798</u>	<u>32,385</u>	<u>6,704,934</u>
Total primary government	<u>\$ 47,413,848</u>	<u>\$ 25,894,795</u>	<u>\$ 6,126,360</u>	<u>\$ 13,796,046</u>	<u>\$ (1,596,647)</u>
Component units					
Downtown Development Authority	\$ 4,195,262	\$ 347,751	\$ 114,417	\$ -	\$ (3,733,094)
Light and Power	42,325,363	44,153,038	-	602,445	2,430,120
Total component units	<u>\$ 46,520,625</u>	<u>\$ 44,500,789</u>	<u>\$ 114,417</u>	<u>\$ 602,445</u>	<u>\$ (1,302,974)</u>

Continued...

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

CITY OF TRAVERSE CITY, MICHIGAN
Statement of Activities
For the Year Ended June 30, 2025

Functions/Programs	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority	Light and Power
Changes in net position					
Net (expense) revenue	\$ (8,301,581)	\$ 6,704,934	\$ (1,596,647)	\$ (3,733,094)	\$ 2,430,120
General revenues					
Unrestricted property taxes	22,066,336	-	22,066,336	122,431	-
Restricted property taxes for tax increment finance districts	-	-	-	5,142,335	-
Grants and contributions not restricted to specific programs	2,301,501	-	2,301,501	-	-
Franchise revenue	195,954	-	195,954	-	-
Interest income	1,382,971	354,557	1,737,528	7,622	130,146
Change in fair value of investments	586,388	441,445	1,027,833	-	546,950
Gain (loss) on sale of capital assets	8	-	8	-	(167,461)
Transfers	666,781	(666,781)	-	-	-
Contribution to endowment	3,397	-	3,397	-	-
Total general revenues, transfers and contributions	27,203,336	129,221	27,332,557	5,272,388	509,635
Change in net position	18,901,755	6,834,155	25,735,910	1,539,294	2,939,755
Net position, beginning of year	77,552,664	96,519,664	174,072,328	9,630,795	84,781,521
Net position, end of year	\$ 96,454,419	\$ 103,353,819	\$ 199,808,238	\$ 11,170,089	\$ 87,721,276

Concluded

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

CITY OF TRAVERSE CITY, MICHIGAN
Balance Sheet
Governmental Funds
June 30, 2025

		Special Revenue Funds		Capital Projects Funds		Permanent			
	General	Major	Local	Senior Center	Capital	Brown	Nonmajor		
	Fund	Streets	Streets	Building	Projects	Bridge	Governmental	Total	
	Fund	Fund	Fund	Fund		Trust	Funds		
						Fund			
ASSETS									
Assets									
Cash & equity in pooled cash and investments	\$ 9,520,489	\$ 1,592,450	\$ 18,586	\$ 178,832	\$ 1,106,029	\$ -	\$ 12,654,266	\$ 25,070,652	
Investments	2,993,193	-	-	-	98,272	12,268,458	320,422	15,680,345	
Receivables									
Accounts	634,034	3,320	292	-	2,060,412	15,414	25,099	2,738,571	
Taxes	-	-	-	-	-	-	5,686	5,686	
Special assessments	-	-	-	-	-	-	231,161	231,161	
Accrued interest	10,567	-	-	-	-	44,248	4,615	59,430	
Lease receivable	75,465	-	-	-	-	-	-	75,465	
Due from other governments	399,749	271,755	95,375	-	240,995	-	5,400	1,013,274	
Due from other funds	747,142	-	-	-	-	-	-	747,142	
Inventory	68,594	-	-	-	-	-	-	68,594	
Prepaid items and other assets	583,107	-	-	-	-	-	1,411	584,518	
Advances to other funds	336,970	-	-	-	-	-	-	336,970	
Advances to component units	160,000	-	-	-	-	-	-	160,000	
Total assets	\$ 15,892,621	\$ 1,867,525	\$ 114,253	\$ 178,832	\$ 3,505,708	\$ 12,328,120	\$ 13,248,060	\$ 47,135,119	
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE									
Liabilities									
Accounts payable	\$ 373,068	\$ 12,636	\$ 9,880	\$ 116,871	\$ 569,394	\$ -	\$ 112,898	\$ 1,194,747	
Accrued and other liabilities	600,233	1,526	1,263	-	-	-	-	603,022	
Due to other funds	-	-	84,524	-	-	391,221	5,400	481,145	
Deposits payable	436,646	-	-	-	-	-	-	436,646	
Unearned revenue	1,121	-	-	-	1,085	-	339,765	341,971	
Advance from component unit	-	-	-	-	-	-	-	-	
Total liabilities	1,411,068	14,162	95,667	116,871	570,479	391,221	458,063	3,057,531	
Deferred inflows of resources									
Deferred inflows - leases	75,465	-	-	-	-	-	-	75,465	
Unavailable revenue	-	-	-	-	1,925,740	-	230,981	2,156,721	
Total deferred inflows of resources	75,465	-	-	-	1,925,740	-	230,981	2,232,186	
Fund balance									
Nonspendable									
Inventory	68,594	-	-	-	-	-	-	68,594	
Prepaid items	583,107	-	-	-	-	-	-	583,107	
Advance to other funds	336,970	-	-	-	-	-	-	336,970	
Advance to component unit	160,000	-	-	-	-	-	-	160,000	
Brown bridge trust	-	-	-	-	-	11,936,899	-	11,936,899	
Cemetery perpetual care	-	-	-	-	-	-	770,500	770,500	
Restricted									
Debt service	-	-	-	-	-	-	3,726	3,726	
Streets and highways	-	1,853,363	18,586	-	-	-	-	1,871,949	
Joint planning	-	-	-	-	-	-	20,140	20,140	
Capital improvements	-	-	-	-	-	-	1,769,792	1,769,792	
Public safety training	-	-	-	-	-	-	60,402	60,402	
Public welfare or civic improvement organizati	-	-	-	-	-	-	7,891,469	7,891,469	
Act 345 retirement	-	-	-	-	-	-	1,542,844	1,542,844	
Committed									
Budget stabilization	1,016,383	-	-	-	-	-	-	1,016,383	
Senior Center Building	-	-	-	61,961	-	-	-	61,961	
Capital improvements	-	-	-	-	1,009,489	-	500,143	1,509,632	
Assigned									
Subsequent year budget	821,200	-	-	-	-	-	-	821,200	
Unassigned	11,419,834	-	-	-	-	-	-	11,419,834	
Total fund balance	14,406,088	1,853,363	18,586	61,961	1,009,489	11,936,899	12,559,016	41,845,402	
Total liabilities, deferred inflows of resources and fund balance	\$ 15,892,621	\$ 1,867,525	\$ 114,253	\$ 178,832	\$ 3,505,708	\$ 12,328,120	\$ 13,248,060	\$ 47,135,119	

Continued.....

CITY OF TRAVERSE CITY, MICHIGAN
Balance Sheet
Governmental Funds
June 30, 2025

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 \$ 41,845,402

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

Capital assets used in governmental activities are not financial resources, and therefore are not reported in the funds.

Add: capital assets	141,991,045
Subtract: accumulated depreciation	(64,717,099)

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	793,152
Add: deferred outflow of resources - pension	4,168,069
Add: deferred outflow of resources - other post employment benefits	471,996
Add: unavailable revenue	2,156,721

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	12,915,592
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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	69,966
Subtract: deferred bond premium - Hardy Deck	(5,033)
Subtract: deferred inflow of resources - pension	(1,332,269)
Subtract: deferred inflow of resources - other post employment benefits	(290,280)
Subtract: net pension liability	(27,263,471)
Subtract: net other post employment benefit liability	(6,773,982)
Subtract: bonds payable	(6,780,000)
Subtract: compensated absences	(746,425)
Subtract: accrued interest on long-term liabilities	(48,965)

Net position of governmental activities	<u>\$ 96,454,419</u>
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Concluded

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

CITY OF TRAVERSE CITY, MICHIGAN
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2025

	Special Revenue Funds			Capital Projects Funds		Permanent		
	General	Major Streets	Local Streets	Senior Center Building Fund	Capital Projects	Brown Bridge Trust	Nonmajor Governmental Funds	Total
Revenues								
Property taxes and special assessments	\$ 15,576,761	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,369,326	\$ 19,946,087
Licenses and permits	1,269,777	-	-	-	-	-	-	1,269,777
Federal sources	197,459	-	-	-	46,464	-	495,418	739,341
State sources	2,373,009	1,997,874	673,249	3,500,000	1,279,902	-	94,817	9,918,851
Local sources	2,189,200	-	-	-	-	-	964,920	3,154,120
Charges for services	520,823	-	-	-	-	78,725	89,370	688,918
Ordinance fees and fines	26,794	-	-	-	-	-	12,900	39,694
Contributions	33,502	-	-	213,962	550,603	-	1,503,959	2,302,026
Reimbursement	1,181,389	-	383	-	-	-	-	1,181,772
Interest revenue	785,950	46,398	-	24,674	4,553	425,663	390,698	1,677,936
Change in fair value of investments	395,928	-	-	-	-	193,011	7,176	596,115
Other revenue	197,559	-	-	-	-	-	-	197,559
Total revenues	24,748,151	2,044,272	673,632	3,738,636	1,881,522	697,399	7,928,584	41,712,196
Expenditures								
Current expenditures								
General government	7,353,601	-	-	-	-	-	356,092	7,709,693
Public safety	9,519,857	-	-	-	-	-	2,755,297	12,275,154
Public works	2,054,333	2,007,809	1,465,626	-	564,967	-	1,104,496	7,197,231
Recreation and Culture	2,527,487	-	-	-	-	150	-	2,527,637
Capital outlay	135,587	-	-	5,159,962	4,206,177	-	1,004,859	10,506,585
Debt service								
Principal	-	-	-	-	-	-	1,445,000	1,445,000
Interest expense and fiscal charges	-	-	-	-	-	-	225,587	225,587
Total expenditures	21,590,865	2,007,809	1,465,626	5,159,962	4,771,144	150	6,891,331	41,886,887
Excess (deficiency) of revenues over expenditures	3,157,286	36,463	(791,994)	(1,421,326)	(2,889,622)	697,249	1,037,253	(174,691)
Other financing sources (uses)								
Transfers in	1,892,187	-	810,580	1,246,369	2,794,481	-	4,223,405	10,967,022
Transfers out	(5,646,703)	-	-	-	(3,072,938)	(431,871)	(1,140,029)	(10,291,541)
Total other financing sources (uses)	(3,754,516)	-	810,580	1,246,369	(278,457)	(431,871)	3,083,376	675,481
Net change in fund balances	(597,230)	36,463	18,586	(174,957)	(3,168,079)	265,378	4,120,629	500,790
Fund balance, beginning of year	15,003,318	1,816,900	-	236,918	4,177,568	11,671,521	8,438,387	41,344,612
Fund balance, end of year	\$ 14,406,088	\$ 1,853,363	\$ 18,586	\$ 61,961	\$ 1,009,489	\$ 11,936,899	\$ 12,559,016	\$ 41,845,402

Continued.....

CITY OF TRAVERSE CITY, MICHIGAN
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2025

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

Net change in fund balances - total governmental funds	\$	500,790
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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		18,326,222
Subtract: depreciation expense		(2,698,317)

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

Add: current principal debt payment		1,445,000
Add: amortization of premium		2,013
Subtract: Amortization of deferred loss on refunding		(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.

Add: Increase in deferred contributions and special assessment receivables		228,978
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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: change in other post employment benefit asset, deferred outflow and deferred inflows		112,440
Subtract: increase in compensated absences payable		(100,899)
Add: decrease in accrued interest payable		9,670
Add: change in net pension liability, deferred outflows and deferred inflows		957,956
Subtract: change in net other post employment benefit liability, deferred outflows and deferred inflows		(151,334)

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		165,794
Subtract: operating transfer out from governmental internal service fund		(8,700)
Add: net operating income from governmental activities accounted for in internal service fund		139,801

Change in net position of governmental activities	\$	<u>18,901,755</u>
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Concluded

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

CITY OF TRAVERSE CITY, MICHIGAN
Statement of Net Position
Proprietary Funds
June 30, 2025

	Business-type Activities - Enterprise Funds					Total	Governmental Activities - Internal Service Fund
	Wastewater	Water	Hickory Hills	Marina	Automobile Parking System		
Assets							
Current assets							
Cash & equity in pooled cash and investments	\$ 5,840,517	\$ 5,341	\$ 6,124	\$ 1,182,237	\$ 686,793	\$ 7,721,012	\$ 4,731,013
Investments	-	2,849,310	-	-	5,373,775	8,223,085	-
Receivables							
Accounts	4,395,980	2,957,580	3,336	63,860	43,638	7,464,394	-
Taxes	-	766	-	-	-	766	-
Interest	-	5,145	-	-	15,536	20,681	-
Other governments	-	-	-	-	-	-	-
Due from component unit	-	-	-	-	-	-	-
Inventory	-	57,067	-	15,011	-	72,078	268,858
Prepaid cost and other assets	15,958	6,383	-	-	-	22,341	-
Total current assets	10,252,455	5,881,592	9,460	1,261,108	6,119,742	23,524,357	4,999,871
Noncurrent assets							
Other post employment benefits	51,416	37,035	-	-	-	88,451	88,451
Capital assets not being depreciated	3,727,558	10,179,602	1,729,467	8,412,302	9,093,775	33,142,704	3,022,999
Capital assets being depreciated	25,393,227	16,760,992	3,374,065	262,305	13,608,982	59,399,571	7,220,958
Total noncurrent assets	29,172,201	26,977,629	5,103,532	8,674,607	22,702,757	92,630,726	10,332,408
Total assets	39,424,656	32,859,221	5,112,992	9,935,715	28,822,499	116,155,083	15,332,279
Deferred outflows							
Deferred outflow of resources - pensions	337,532	566,839	1,962	23,450	40,733	970,516	418,120
Deferred outflow of resources - other post employment benefits	(2,512)	10,781	-	-	-	8,269	8,269
Total deferred outflows	335,020	577,620	1,962	23,450	40,733	978,785	426,389
Liabilities							
Current liabilities							
Accounts payable	119,826	694,425	6,044	41,538	49,088	910,921	44,187
Accrued and other liabilities	50,281	77,362	10,486	32,054	43,093	213,276	32,570
Due to other funds	-	243,150	22,847	-	-	265,997	-
Unearned Revenue	-	-	-	-	-	-	-
Current portion of compensated absences	50,095	65,941	14,145	-	34,614	164,795	36,637
Current portion of long-term debt	84,497	-	-	-	-	84,497	-
Total current liabilities	304,699	1,080,878	53,522	73,592	126,795	1,639,486	113,394
Long-term liabilities							
Advance from component unit	-	-	-	-	-	-	-
Advance from other funds	-	-	-	336,970	-	336,970	-
Long-term debt, net of current portion	4,029,257	2,676,239	-	-	-	6,705,496	-
Net pension liability	1,729,714	3,119,996	313	149,837	234,020	5,233,880	2,171,311
Compensated absences	-	-	-	849	-	849	-
Total long-term liabilities	5,758,971	5,796,235	313	487,656	234,020	12,277,195	2,171,311
Total liabilities	6,063,670	6,877,113	53,835	561,248	360,815	13,916,681	2,284,705
Deferred inflows							
Deferred inflow of resources - pensions	113,879	176,546	3,291	14,123	(33,485)	274,354	127,511
Deferred inflow of resources - other post employment benefits	450	9,487	-	-	-	9,937	9,937
Total deferred inflows	114,329	186,033	3,291	14,123	(33,485)	284,291	137,448
Net Position							
Net investment in capital assets	25,007,031	24,264,355	5,103,532	8,337,637	22,702,757	85,415,312	10,243,957
Unrestricted	8,574,646	2,109,340	(45,704)	1,046,157	5,833,145	17,517,584	3,092,558
Total net position	\$ 33,581,677	\$ 26,373,695	\$ 5,057,828	\$ 9,383,794	\$ 28,535,902	\$ 102,932,896	\$ 13,336,515

Continued....

CITY OF TRAVERSE CITY, MICHIGAN
Statement of Net Position
Proprietary Funds
June 30, 2025

**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	\$ 102,932,896
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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	<u>420,923</u>
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Net position of business-type activities	<u><u>\$ 103,353,819</u></u>
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Concluded

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

CITY OF TRAVERSE CITY, MICHIGAN
Statement of Revenues, Expenses
and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2025

	Business-type Activities - Enterprise Funds						Governmental
	Wastewater	Water	Hickory Hills	Marina	Automobile Parking System	Total	Activities - Internal Service Fund
Operating revenues							
Charges for services	\$ 10,234,516	\$ 5,891,841	\$ 323,152	\$ 740,683	\$ 3,412,734	\$ 20,602,926	\$ -
Interdepartmental	-	-	-	-	-	-	4,074,603
Contributions	-	31,893	-	-	-	31,893	-
Other revenue	468,569	146,067	41,744	21,155	34,197	711,732	90,091
Total operating revenues	10,703,085	6,069,801	364,896	761,838	3,446,931	21,346,551	4,164,694
Operating expenses							
Personnel services	1,093,141	1,897,868	359,965	247,223	851,399	4,449,596	1,033,426
Commodities	52,166	411,963	72,135	11,967	60,612	608,843	678,146
Contractual services	4,554,959	831,482	154,137	116,285	618,284	6,275,147	331,927
Other charges	261,753	520,636	242,869	53,064	1,042,648	2,120,970	221,356
Depreciation and amortization	802,266	729,234	138,961	32,321	528,762	2,231,544	1,740,059
Total operating expenses	6,764,285	4,391,183	968,067	460,860	3,101,705	15,686,100	4,004,914
Operating income (loss)	3,938,800	1,678,618	(603,171)	300,978	345,226	5,660,451	159,780
Nonoperating revenues (expenses)							
Federal Grants	466,743	226,322	-	-	-	693,065	-
State Grants	320,225	-	-	-	-	320,225	-
Reimbursements	50,839	16,470	-	-	-	67,309	-
Interest revenue	168,746	58,206	-	34,053	93,552	354,557	165,794
Change in fair value of investments	-	143,040	-	-	298,405	441,445	-
Interest expense and fiscal charges	(34,892)	(6,290)	-	(14,913)	-	(56,095)	-
Gain (loss) on sale of capital assets	-	-	-	-	-	-	-
Total nonoperating revenues (expenses)	971,661	437,748	-	19,140	391,957	1,820,506	165,794
Income before transfers	4,910,461	2,116,366	(603,171)	320,118	737,183	7,480,957	325,574
Transfers In	-	-	370,000	-	-	370,000	-
Transfers out	(515,089)	(311,541)	-	(37,730)	(172,421)	(1,036,781)	(8,700)
Total capital contributions and transfers	(515,089)	(311,541)	370,000	(37,730)	(172,421)	(666,781)	(8,700)
Change in net position	4,395,372	1,804,825	(233,171)	282,388	564,762	6,814,176	316,874
Net position, beginning of year	29,186,305	24,568,870	5,290,999	9,101,406	27,971,140	96,118,720	13,019,641
Net position, end of year	\$ 33,581,677	\$ 26,373,695	\$ 5,057,828	\$ 9,383,794	\$ 28,535,902	\$ 102,932,896	\$ 13,336,515

Continued.....

CITY OF TRAVERSE CITY, MICHIGAN
Statement of Revenues, Expenses
and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2025

**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	\$ 6,814,176
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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	19,979
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Change in net position of business-type activities	<u><u>\$ 6,834,155</u></u>
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Concluded

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

CITY OF TRAVERSE CITY, MICHIGAN
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2025

	Business-type - Enterprise Funds					Total	Governmental Activities - Internal Service Fund
	Wastewater	Water	Hickory Hills	Marina	Automobile Parking System		
Cash flows from operating activities							
Cash received from customers	\$ 8,551,076	\$ 5,070,405	\$ 367,180	\$ 788,417	\$ 3,452,636	\$ 18,229,714	\$ -
Cash received from interfund services	-	-	-	-	-	-	4,172,344
Cash payments to suppliers for goods and services	(5,236,845)	(1,959,446)	(491,002)	(247,204)	(2,144,613)	(10,079,110)	(1,758,902)
Cash payments to employees for services	(1,050,016)	(1,814,407)	(351,262)	(240,780)	(744,579)	(4,201,044)	(993,147)
Net cash provided by operating activities	2,264,215	1,296,552	(475,084)	300,433	563,444	3,949,560	1,420,295
Cash flows from non-capital financing activities							
Cash payments from (to) other funds and component units	-	243,150	22,847	(75,000)	-	190,997	-
Cash payments for city fee	(515,089)	(311,541)	-	(37,730)	(172,421)	(1,036,781)	-
Cash received from reimbursements	50,839	16,470	-	-	-	67,309	-
Cash received from operating transfers	-	-	370,000	-	-	370,000	-
Cash payments for operating transfers	-	-	-	-	-	-	(8,700)
Net cash provided by (used in) non-capital financing activities	(464,250)	(51,921)	392,847	(112,730)	(172,421)	(408,475)	(8,700)
Cash flows from capital and related financing activities							
Cash payments from federal government	466,743	226,322	-	-	-	693,065	-
Cash payments from state government	320,225	-	-	-	-	320,225	-
Note proceeds	2,188,310	2,137,625	-	-	-	4,325,935	-
Advance from component unit proceeds	-	-	-	-	-	-	-
Interest payments	(34,892)	(6,290)	-	(14,913)	-	(56,095)	-
Purchases of capital assets	(3,769,551)	(6,059,134)	(1)	(52,525)	(909,474)	(10,790,685)	(3,350,113)
Proceeds from sale of capital assets	-	-	-	-	-	-	-
Net cash (used in) capital and related financing activities	(829,165)	(3,701,477)	(1)	(67,438)	(909,474)	(5,507,555)	(3,350,113)
Cash flows from investing activities							
Interest received	168,746	58,288	-	34,053	93,716	354,803	165,794
Purchase of investments	-	-	-	-	-	-	-
Sale (change in value) of investments	-	-	-	-	-	-	-
Net cash provided by investing activities	168,746	58,288	-	34,053	93,716	354,803	165,794
Net increase (decrease) in cash and cash equivalents	1,139,546	(2,398,558)	(82,238)	154,318	(424,735)	(1,611,667)	(1,772,724)
Cash and cash equivalents, beginning of year	4,700,971	2,403,899	88,362	1,027,919	1,111,528	9,332,679	6,503,737
Cash and cash equivalents, end of year	\$ 5,840,517	\$ 5,341	\$ 6,124	\$ 1,182,237	\$ 686,793	\$ 7,721,012	\$ 4,731,013

Continued.....

CITY OF TRAVERSE CITY, MICHIGAN
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2025

	Business-type - Enterprise Funds					Total	Governmental Activities - Internal Service Fund
	Wastewater	Water	Hickory Hills	Marina	Automobile Parking System		
Reconciliation of operating income to net cash provided by operating activities							
Operating income	\$3,938,800	\$1,678,618	\$ (603,171)	\$ 300,978	\$ 345,226	\$ 5,660,451	\$ 159,780
Adjustments to reconcile operating income to net cash provided by operating activities							
Depreciation and amortization	802,266	729,234	138,961	32,321	528,762	2,231,544	1,740,059
Changes in assets and liabilities							
Accounts receivables	(2,025,861)	(999,396)	2,284	26,579	5,705	(2,990,689)	7,650
Prepaid cost and other assets	241,162	(6,383)	-	-	-	234,779	(22,290)
Inventory	-	-	-	10,366	-	10,366	(28,436)
Deferred outflows - pension	66,035	111,136	-	3,300	(16,700)	163,771	65,906
Deferred outflows - other post employment benefits	7,851	-	-	-	-	7,851	7,851
Accounts payable	(631,419)	(188,982)	(21,861)	(76,254)	(423,069)	(1,341,585)	(499,037)
Accrued and other liabilities	17,129	22,735	8,703	4,632	75,632	128,831	13,429
Unearned revenue	(126,148)	-	-	-	-	(126,148)	-
Net pension liability	32,844	31,630	-	959	90,022	155,455	34,981
Deferred inflows - pension	(56,820)	(82,040)	-	(2,448)	(42,134)	(183,442)	(57,974)
Deferred inflows - other post employment benefits	(1,624)	-	-	-	-	(1,624)	(1,624)
Net cash provided by operating activities	\$ 2,264,215	\$ 1,296,552	\$ (475,084)	\$ 300,433	\$ 563,444	\$ 3,949,560	\$ 1,420,295

Concluded

CITY OF TRAVERSE CITY, MICHIGAN
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2025

	Pension and Other Post Employment Trust Funds	Custodial Funds
Assets		
Cash & equity in pooled cash and investments	\$ 1,890,997	\$ 131,608
Investments, at fair value		
Fixed income mutual funds	12,373,059	-
Domestic equities	17,110,774	-
International equities	4,529,991	-
Real estate	4,745,650	-
Other	11,589,327	-
MERS total market fund	2,101,907	-
Receivables		
Accounts	-	34,818
Accrued interest	32,171	-
Prepaid items	-	-
Total assets	<u>54,373,876</u>	<u>166,426</u>
Liabilities		
Accrued and other liabilities	28,460	-
Due to other governmental units	-	166,426
Total liabilities	<u>28,460</u>	<u>166,426</u>
Net Position		
Held in trust for pension benefits and other postemployment benefits	<u><u>\$ 54,345,416</u></u>	<u><u>\$ -</u></u>

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

CITY OF TRAVERSE CITY, MICHIGAN
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2025

	Pension and Other Post Employment Trust Funds	Custodial Funds
Additions		
Contributions		
City contributions	\$ 3,553,549	\$ -
Employee contributions	95,289	-
Property taxes collected	-	73,285,797
	<u>3,648,838</u>	<u>73,285,797</u>
Total contributions		
Investment earnings		
Interest and dividends	1,345,688	-
Net (decrease) increase in fair value of investments	3,598,228	-
Investment advisor fees	(108,726)	-
	<u>4,835,190</u>	<u>-</u>
Net investment earnings		
	<u>4,835,190</u>	<u>-</u>
Total additions	<u>8,484,028</u>	<u>73,285,797</u>
Deductions		
Pension benefits paid	3,483,722	-
Health insurance premiums paid	691,842	-
Administrative expense	89,084	-
Property taxes distributed	-	73,285,797
	<u>4,264,648</u>	<u>73,285,797</u>
Total deductions	<u>4,264,648</u>	<u>73,285,797</u>
Net increase (decrease) in net position	4,219,380	-
Net position, beginning of year	<u>50,126,036</u>	<u>-</u>
Net position, end of year	<u><u>\$ 54,345,416</u></u>	<u><u>\$ -</u></u>

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 #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.

NOTES TO THE FINANCIAL STATEMENTS

Joint operation

The City entered into a master sewer agreement effective July 1, 1987 and amended January 1, 2017 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. The City is the owner of the treatment plant and all of the multi-user facilities.

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'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 is 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.

NOTES TO THE 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. 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 *Senior Center Building Fund* accounts for operating and maintenance of the Senior Center Building. Grand Traverse County provides programming. During fiscal year end 6/30/255 the City completed construction of a new Senior Center.

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

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

NOTES TO THE FINANCIAL STATEMENTS

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 fiduciary funds include the *pension and other post-employment benefit trust funds* which account for the activities of the public safety employees' pension and post-employment benefits and the City's general employees post-employment benefits and the *tax collection custodial fund* which collects and distributes property taxes on behalf of other taxing units with taxing jurisdiction within the City.

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.

NOTES TO THE FINANCIAL STATEMENTS

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, Hickory Hills, 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 non spendable 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."

NOTES TO THE FINANCIAL STATEMENTS

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

NOTES TO THE FINANCIAL STATEMENTS

5. *Deferred outflows/inflows of resources*

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

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.

Under agreements negotiated with employee groups, individual employees have a vested right to receive payments for unused vacation, paid time off (PTO), and sick leave under formulas and conditions specified in the contracts. The City recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment. The liability for compensated absences is recognized in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The liability for compensated absences includes salary-related benefits, where applicable.

NOTES TO THE FINANCIAL STATEMENTS

7. *Long-term obligations*

In the government-wide financial statements, and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as an other financing source. Premiums received on debt issuances are reported as 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 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.

NOTES TO THE FINANCIAL STATEMENTS

10. Property Taxes

The City's total adjusted taxable value for the year end 6/30/2025 was \$ 1,602,790,267. The City has an operating millage of 11.6322 mills an Act 345 Police and Fire Pension millage of 2.32 mills and a Fire 202 millage of 0.9884.

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 & equity in pooled cash investments and nonpooled investments are reported in the financial statements as follows:

NOTES TO THE FINANCIAL STATEMENTS

	Governmental Activities	Business-Type Activities	Fiduciary Funds	Total Primary Government	Component Units
Cash & Equity in Pooled Cash and Investments	\$ 29,801,665	\$ 7,721,012	\$ 2,022,605	\$ 39,545,282	\$ 10,120,241
Investments	15,680,345	8,223,085	52,450,708	76,354,138	10,366,850
Total	45,482,010	15,944,097	54,473,313	115,899,420	20,487,091

Cash and cash equivalents reported above include \$20,803 of cash on hand that is not considered deposits or investments for footnote purposes.

The breakdown between cash and investments is as follows:

Cash on hand	\$ 20,803
Primary government and component unit checking and deposit accounts	18,255,064
Primary government and component unit investments held in pooled cash and investments	29,367,051
Primary government and component unit investments	34,270,280
Fiduciary funds checking and deposit accounts	2,022,605
Fiduciary funds investments	52,450,708
	<u>\$ 136,386,511</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.

NOTES TO THE FINANCIAL STATEMENTS

Investment	Maturity	Fair Value	Rating
Michigan CLASS Investment Pool	na	\$ 17,998,508	AAAm
Huntington Business Premier MMA Public Funds	na	11,948	na
Federated Hermes TR US TRSY CS	na	21,042	na
Fidelity Government Class investment money market	na	141,032	na
Invesco Stit Govt & Agency Inst. Money market	na	3,168,444	na
Morgan Stanley Govt Inst. Money market	na	2,761,555	na
Goldman Sacs Financial Sq Government inst. Money market	na	1,012,751	na
Merchantile Bank Certificate of Deposit	5/20/2028	250,000	na
US Treasury	8/7/2025	796,504	Aaa
US Treasury	10/30/2025	805,513	Aaa
US Treasury	11/28/2025	655,528	Aaa
US Treasury	10/2/2025	494,530	Aaa
US Treasury	7/31/2026	977,810	Aaa
US Treasury	2/15/2027	301,419	Aaa
US Treasury	2/28/2029	763,095	Aaa
US Treasury	2/28/2025	2,619,396	Aaa
US Treasury	9/4/2025	992,310	Aaa
US Treasury	11/13/2025	984,490	Aaa
Federal Home Loan Mortgage Bond	7/1/2025	1,000,000	Aaa
Federal Home Loan Mortgage Bond	10/15/2025	4,944,500	Aaa
Federal Home Loan Mortgage Bond	10/29/2025	1,974,900	Aaa
Federal Home Loan Mortgage Bond	10/29/2025	987,450	Aaa
Federal Home Loan Mortgage Bond	12/15/2025	1,237,612	Aaa
Federal Home Loan Mortgage Bond	11/24/2026	974,760	Aaa
Federal Home Loan Mortgage Bond	6/4/2027	948,400	Aaa
Federal Home Loan Mortgage Bond	11/16/2029	1,863,940	Aaa
Federal Home Loan Mortgage Bond	3/25/2030	760,225	Aaa
Federal Home Loan Mortgage Bond	10/29/1930	1,722,920	Aaa
Federal Home Loan Mortgage Bond	10/29/1930	1,722,920	Aaa
Federal Farm CR BKS Bond	2/17/2026	249,143	Aaa
Federal Farm CR BKS Bond	1/22/2027	1,903,180	Aaa
Federal Farm CR BKS Bond	1/22/2027	1,903,180	Aaa
Federal Farm CR BKS Bond	4/27/2027	1,899,540	Aaa
Federal Farm CR BKS Bond	4/27/2027	2,849,310	Aaa
Federal Farm CR BKS Bond	4/27/2027	949,770	Aaa
Honeywell commercial Paper	9/23/2025	989,706	A1
Total		\$ 63,637,331	

NOTES TO THE FINANCIAL STATEMENTS

Fair Value Measurements. 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, Federal Farm Credit Bonds and commercial paper are valued using quoted market prices (Level 1 inputs).
- The Michigan Class Pool, Federated Hermes TR, and money market funds 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 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, \$12,154,042 of the City's bank balance (including the primary government, component units and pooled cash held by fiduciary funds) of \$21,256,411 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 \$63,637,331 in investments, the City has a custodial credit risk exposure of \$38,522,050 because the related securities are uninsured, unregistered and held by the government's brokerage firm which is also the counterparty for

NOTES TO THE FINANCIAL STATEMENTS

these particular securities. The custodial credit risk for balances in investment pools, money markets and Federated Hermes Trust accounts 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 post-employment benefit trust funds where certain 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 and Act 345 retiree health trust fund have money market cash deposits held by the investment bank with a bank balance of \$476,507, of which \$250,000 is insured and \$226,507 is not insured or collateralized.

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 Act 345 Pension Trust Fund and Act 345 Retiree Health Trust Fund account for the pension and post-employment benefit activities of the City's public safety employees. The investments are managed by the ACT 345 Retirement Board ("Retirement Board") 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 assets. All investment decisions are subject to Michigan law and the investment policy established by the Retirement Board.

General municipal employees and Traverse City Light and Power component unit employees Retiree Health Insurance Trust Fund's investments are managed by the Municipal Employees Retirement System ("MERS").

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the pension trust fund and retiree health trust funds 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 and retiree health 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 and retiree health trust fund will do business by subjecting them to certain criteria.

NOTES TO THE FINANCIAL STATEMENTS

Of the below \$52,450,708 of investments, the Act 345 pension trust fund and the post-employment benefit trust funds have a custodial credit risk exposure of \$52,450,708 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 funds 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 funds have the following recurring fair value measurements as of year-end.

- Fixed income mutual funds, equity stocks and equity mutual funds are valued using quoted market prices (Level 1 inputs).
- The equity common trust 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 alternative real estate and private equity real estate, 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 bank-administered trust funds and a MERS trust account. Following is a summary of the System's investments as of June 30, 2025:

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

MERS total market fund	\$	2,101,907
Real Estate		4,745,650
Domestic Equity		17,110,774
Fixed income - mutual funds		12,373,059
International equity		4,529,991
other		11,589,327
		<hr/>
Total	\$	<u>52,450,708</u>

NOTES TO THE FINANCIAL STATEMENTS

B. Lease Receivable

The City leases land at the Brown Bridge Recreation Area without transfer of ownership and for a period greater than one year to a third party that uses it as a cell tower site. The rights associated with this lease are recognized at their net present value using the three year Treasury Bill rate and future year earnings are reported as deferred inflows. The value of this lease receivable as of June 30, 2025 was \$75,465. Lease revenue for the year ended June 30, 2025 was \$32,572 and interest revenue was \$4,753. The lease expires on September 1, 2027 and the City is in the process of negotiating an extension with the third party.

C. Capital assets

Capital assets activity for the year ended June 30, 2025 was as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not depreciated:				
Land & Improvements	\$ 10,522,692	\$ -	\$ -	\$ 10,522,692
Construction in progress	12,692,580	10,927,440	15,122,671	8,497,349
Total	23,215,272	10,927,440	15,122,671	19,020,041
Capital assets being depreciated:				
Land improvements	16,339,084	341,507	-	16,680,591
Infrastructure	69,092,095	12,555,040	-	81,647,135
Buildings and improvements	17,955,701	9,945,128	-	27,900,829
Machinery and equipment	22,730,376	3,029,891	8,143	25,752,124
Total	126,117,256	25,871,566	8,143	151,980,679
Less accumulated depreciation:				
Land improvements	3,455,460	526,529	-	3,981,989
Infrastructure	45,183,029	1,586,534	-	46,769,563
Buildings and improvements	13,336,544	547,347	-	13,883,891
Machinery and equipment	17,077,551	1,777,966	8,143	18,847,374
Total accumulated depreciation	79,052,584	4,438,376	8,143	83,482,817
Total assets being depreciated, net	47,064,672	21,433,190	-	68,497,862
Governmental activities, net	\$ 70,279,944	\$ 32,360,630	\$ 15,122,671	\$ 87,517,903

NOTES TO THE FINANCIAL STATEMENTS

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not depreciated:				
Land & Improvements	\$ 18,912,831	\$ -	\$ -	\$ 18,912,831
Construction in progress	10,932,928	9,807,273	6,510,328	14,229,873
Total	29,845,759	9,807,273	6,510,328	33,142,704
Capital assets being depreciated:				
Building and improvements	58,904,140	965,950	-	59,870,090
Land improvements	3,993,938	52,525	-	4,046,463
Infrastructure	24,507,693	3,616,367	-	28,124,060
Machinery and equipment	6,807,219	2,858,898	-	9,666,117
Total	94,212,990	7,493,740	-	101,706,730
Less accumulated depreciation:				
Building and improvements	25,956,302	1,320,943	-	27,277,245
Land improvements	3,277,450	71,239	-	3,348,689
Infrastructure	8,634,471	495,649	-	9,130,120
Machinery and equipment	2,207,392	343,713	-	2,551,105
Total accumulated depreciation	40,075,615	2,231,544	-	42,307,159
Total assets being depreciated, net	54,137,375	5,262,196	-	59,399,571
Business-type activities, net	\$ 83,983,134	\$ 15,069,469	\$6,510,328	\$ 92,542,275

NOTES TO THE FINANCIAL STATEMENTS

Component Units – Capital Assets

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Light and Power Component Unit				
Capital assets not depreciated:				
Land	\$ 1,071,410	\$ -	\$ -	\$ 1,071,410
Construction in progress	1,435,581	4,093,581	1,974,553	3,554,609
	<u>2,506,991</u>	<u>4,093,581</u>	<u>1,974,553</u>	<u>4,626,019</u>
Total				
Capital assets being depreciated:				
Building and improvements	6,216,001	520,993	-	6,736,994
Equipment and distribution system	105,014,032	2,682,714	845,379	106,851,367
Electric vehicle charging stations	374,773	16,970	13,355	378,388
Fiber system	6,686,647	349,415	-	7,036,062
WiFi system	501,863	-	-	501,863
	<u>118,793,316</u>	<u>3,570,092</u>	<u>858,734</u>	<u>121,504,674</u>
Total				
Less accumulated depreciation:				
Building and improvements	3,016,881	195,938	-	3,212,819
Equipment and distribution system	39,046,052	3,288,285	688,159	41,646,178
Electric vehicle charging stations	62,465	25,552	3,116	84,901
Fiber system	2,183,823	343,370	-	2,527,193
WiFi system	476,720	25,100	-	501,820
	<u>44,785,941</u>	<u>3,878,245</u>	<u>691,275</u>	<u>47,972,911</u>
Total accumulated depreciation				
Total assets being depreciated, net	74,007,375	(308,153)	167,459	73,531,763
Intangible asset				
Right of use subscriptions	1,802,786	-	-	1,802,786
Less accumulated amortization	180,279	120,185	-	300,464
	<u>1,622,507</u>	<u>(120,185)</u>	<u>-</u>	<u>1,502,322</u>
Net intangible asset				
	<u>1,622,507</u>	<u>(120,185)</u>	<u>-</u>	<u>1,502,322</u>
Light and Power Component Unit, Net	<u>\$ 78,136,873</u>	<u>\$ 3,665,243</u>	<u>\$2,142,012</u>	<u>\$ 79,660,104</u>
 Downtown Development Authority				
Component Unit				
Capital assets not depreciated:				
Land	<u>\$ 1,997,110</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,997,110</u>

NOTES TO THE FINANCIAL STATEMENTS

Component Units – Right to use assets

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Light and Power Component Unit				
Right to use assets:				
Tower	\$ 45,652	\$ -		\$ 45,652
Transmission pole attachment	105,436	-		105,436
Land	5,183	-		5,183
Total right to use assets	156,271	-	-	156,271
Accumulated amortization:				
Tower	22,820	7,606	-	30,426
Transmission pole attachment	45,186	15,061	-	60,247
Land	3,118	1,040	-	4,158
Total accumulated amortization	71,124	23,707	-	94,831
Net right to use assets	\$ 85,147	\$ (23,707)	\$ -	\$ 61,440

	<u>Beginning Balance restated</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
DDA Component Unit				
Right to Use Assets consist of the lease of property for use as a downtown public restroom				
Right to Use Asset	\$ 403,149	\$ -	\$ -	\$ 403,149
Accumulated Amortization	-	39,761	-	39,761
Total Right to Use Asset	\$ 403,149	\$ (39,761)	\$ -	\$ 363,388

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

Governmental activities

General government	\$ 69,768
Public safety	89,808
Public works, including depreciation of general infrastructure assets	1,639,728

NOTES TO THE FINANCIAL STATEMENTS

Recreation and culture	899,013
Capital assets held by the government's internal service fund are charged to the various functions based on their usage of the assets	<u>1,740,059</u>
Total depreciation expense – governmental activities	<u>\$ 4,368,476</u>
Business-type activities	
Wastewater	\$ 802,266
Water	729,234
Marina	32,321
Hickory Hills	138,961
Auto parking	<u>528,762</u>
Total depreciation expense – business-type activities	<u>\$ 2,231,544</u>
Component unit activities	
DDA	<u>\$ 39,761</u>
Light and power	<u>\$ 4,032,973</u>

D. Short term interfund receivables, payables, and transfers

<u>Fund</u>	<u>Inter-fund Receivable</u>	<u>Fund</u>	<u>Inter-fund Payable</u>
General Fund	\$ 747,142	Local Street Fund	84,524
	-	State Domestic Preparedness Fund	5,400
	-	Brown Bridge Trust Fund	391,221
	-	Hickory Hills Fund	22,847
	-	Water Fund	<u>243,150</u>
	<u>\$ 747,142</u>		<u>\$ 747,142</u>

Interfund receivables and payables were established to cover deficit pooled cash at 6/30/25.

NOTES TO THE FINANCIAL STATEMENTS

Interfund Transfers

<u>Fund</u>	<u>Operating Transfer In</u>	<u>Operating Transfer Out</u>	<u>Total</u>
General Fund	\$ 1,892,187	\$ 5,646,703	\$ (3,754,516)
Local Street Fund	810,580	-	810,580
Senior Center Building Fund	1,246,369	-	1,246,369
Capital Projects Fund	2,794,481	3,072,938	(278,457)
Brown Bridge Trust Fund	-	431,871	(431,871)
Non-major Governmental Funds	4,223,405	1,140,029	3,083,376
Garage Fund	-	8,700	(8,700)
Wastewater Fund	-	515,089	(515,089)
Water Fund	-	311,541	(311,541)
Hickory Hills Fund	370,000	-	370,000
Marina Fund	-	37,730	(37,730)
Automobile Parking Fund	-	172,421	(172,421)
	<u>\$ 11,337,022</u>	<u>\$ 11,337,022</u>	<u>\$ -</u>

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

NOTES TO THE FINANCIAL STATEMENTS

E. 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, 2025:

	Balance July 1, 2024	Additions	Deletions	Balance June 30, 2025	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%	\$ 3,222,045	\$ -	\$ 842,012	\$ 2,380,033	\$ 820,000
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%	5,010,000	-	605,000	4,405,000	625,000
Total Private Placement Bonds and Contracts	8,232,045	-	1,447,012	6,785,033	1,445,000
Accrued Compensated Absences	679,071	1,038,108	934,117	783,062	783,062
Total Governmental Activities	\$ 8,911,116	\$ 1,038,108	\$ 2,381,129	\$ 7,568,095	\$ 2,228,062
Business Type Activities					
Junior Lien Revenue Bonds - SRLF					
Clean Water State Revolving Loan 5745-01	\$ 1,925,444	\$ -	\$ 84,497	\$ 1,840,947	\$ 84,497
Clean Water State Revolving Loan 5793-01	-	2,272,807	-	2,272,807	- *
Drinking Water State Revolving Loan 7623-01	538,614	2,137,625	-	2,676,239	- *
Accrued Compensated Absences	115,335	247,515	197,206	165,644	165,644
Total Business Type Activities	\$ 2,579,393	\$ 4,657,947	\$ 281,703	\$ 6,955,637	\$ 250,141

* At June 30, 2025 only partial draws had been made on the Clean Water State Revolving Loan 5793-01 and the Drinking Water State Revolving Loan 7623-01. When the final draws have been made a final amortization schedule will be created that will indicate both a principal and interest payment schedule.

NOTES TO THE FINANCIAL STATEMENTS

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

Year End June 30,	Governmental Activities Private Placement Bonds	
	Principal	Interest
2026	1,445,000	185,828
2027	1,435,000	146,642
2028	1,435,000	107,421
2029	695,000	67,972
2030	330,000	51,521
2031-2034	1,440,000	94,535
	<u>\$ 6,780,000</u>	<u>\$ 653,919</u>

Year End June 30,	Business type Activities Clean Water State Revolving Loan Program	
	Principal	Interest
2026	84,497	34,518
2027	89,497	32,933
2028	89,497	31,255
2029	89,497	29,577
2030	94,497	27,899
2031-2035	492,485	103,211
2036-2040	542,485	64,593
2041-2043	358,492	13,631
	<u>\$ 1,840,947</u>	<u>\$ 337,617</u>

At June 30, 2025 only a partial draw of \$2,676,239 had been made on the Drinking Water State Revolving Loan # 7623-01 and a partial draw of \$2,272,807 for the Clean Water State Revolving Loan # 5793-01. When the final draws have been made a final amortization schedule will be created. The maximum available loan funds (principal) to draw is \$3,510,500 for Drinking Water # 7623-01 loan and \$ 41,030,000 for the Clean Water # 5793-01 loan.

NOTES TO THE FINANCIAL STATEMENTS

F. Commitments

Primary Government

As part of its 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, 2025 is \$8,222,047.

Component Units

Traverse City Light and Power – Power Supply Purchase Agreements

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 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 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 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 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 contracts on behalf of the Department for firm priced energy supply. In 2017, the Department entered a commitment with MPPA for 5.80% of energy generated from the Pegasus Wind Farm. In 2018, the department entered a commitment with MPPA for 24.4% of energy generated on MPPA's share of Assembly 1 Solar Farm and Invenergy Solar Farm. In 2019 the Department entered a commitment with MPPA for 18.95% of energy generated on MPPA's share of Assembly II Solar Farm. In 2021, the Department entered a commitment with MPPA for 27.2% of energy generated on MPPA's share of Calhoun solar and 26.4% of energy generated on MPPA's share of the Hart Solar Farm.

For the year ended June 30, 2025, Traverse City Light and Power recognized expenses totaling \$20,805,184 to purchase power under the terms of all contracts with MPPA. The

NOTES TO THE FINANCIAL STATEMENTS

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 2025 costs adjusted for inflation and calculated until the time of project's estimated retirement date or debt retirement.

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

Year Ended 12/31	Operating Costs
2026	\$8,267,117
2027	7,237,249
2028	7,337,874
2029	8,122,245
2030	8,678,502
Total	\$39,642,987

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

Year Ended December 31	Principal	Interest	Total
2026	\$1,733,027	\$103,628	\$1,836,655
2027	1,765,083	73,206	1,838,289
2028	159,683	44,145	203,828
2029	167,837	35,753	203,590
2030 and thereafter	555,378	56,432	611,810
Total	\$4,381,008	\$313,164	\$4,694,172

As of December 31, 2024, MPPA has two projects that have identified asset retirement obligations. Campbell project in the amount of \$4,001,880 with the Department share at \$1,054,142 and Belle River in the amount of \$14,457,313 with the Department share at \$654,902.

NOTES TO THE FINANCIAL STATEMENTS

On June 23, 2022, the Michigan Public Service Commission approved a settlement in Consumers Energy's Integrated Resource Plan that secured May 2025 as the retirement date for Consumers Energy's J.H. Campbell coal plant, 15 years earlier than previously planned. The U.S. Department of Energy has issued emergency orders citing a risk to grid reliability and is requiring Consumers Energy to continue to operate the coal plant. On July 26, 2023, the Michigan Public Service Commission approved a settlement in DTE's Integrated Resource Plan that secures 2028 as the retirement date for DTE's Belle River Coal Plan which will be transitioned to a natural gas plant.

In December 2009, the Department entered into a 20-year purchase power agreement with Heritage Stoney Corners Wind Farm I, LLC which was subsequently sold in 2020 to DTE to purchase up to 10 megawatts of electric energy and all associated renewable energy credits. For the year ended June 30, 2025, the Department recognized expenses totaling \$3,359,857 under this agreement.

In August 2017, the Department amended the Heritage Sustainable Energy, LLC contract to purchase an additional 1MW of electric energy from the M-72 solar array. It was amended again on July 11, 2019, to include an additional 2MW of electric energy through an expansion of the M-72 1MW solar array. It was amended again on July 28, 2022 to include an additional 2 MW of electric energy through another expansion. The contract will terminate December 31, 2042. For the year ended June 30, 2025, the Department recognized expenses totaling \$386,111 under this agreement.

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:

NOTES TO THE FINANCIAL STATEMENTS

Fiscal Year End	Amount
2026	874,459
2028	825,656
2028	<u>782,541</u>
Total	<u><u>\$ 2,482,656</u></u>

G. 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. In the normal course of business, the City and its component units become a party in various legal actions and claims, some of which are uninsured. The outcome of the actions and claims is not expected to have a material effect on the financial position of the City or its component units.

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, 2025, 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, 2025 amounted to \$140,046, which is included in General Fund expenditures.

NOTES TO THE FINANCIAL STATEMENTS

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 2025 adjusted ad valorem taxable value in the City totaled \$1,602,790,267, on which taxes levied consisted of 11.6322 mills for operating purposes, 2.32 mills for Act 345 and 0.9884 mills for Fire/EMS.

Included in the taxable valuation is the Downtown Development Authority ("DDA"). The taxable value for the DDA is \$286,126,788. The DDA general operating tax rate for was 1.5879 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 is 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.

NOTES TO THE FINANCIAL STATEMENTS

Plan membership. At June 30, 2025 the most recent actuarial valuation date, membership consisted of:

Retirees and beneficiaries currently receiving benefits	79
Terminated plan members entitled to but not yet receiving benefits	7
Active plan members	<u>50</u>
Total	<u>136</u>

Brief Summary of Benefit Provisions

Service Retirement

The benefit amounts attributable to regular retirements and the conditions under which such benefits may be paid are described in tabular form on page B-3.

Deferred Retirement

Eligibility: 10 or more years of service.

Amount: Computed as service retirement but based upon service, AFC and benefit in effect at termination. Benefit begins at date retirement would have occurred had member remained in employment.

Non-Duty Death-in-Service Survivor's Pension

Eligibility: Payable to a surviving spouse, if any, upon the death of a member with 20 (10 for Fire) or more years of service.

Amount: Accrued straight life pension actuarially reduced in accordance with an Option I election.

Duty Death-in-Service Survivor's Pension

Eligibility: Police: Payable upon the expiration of Worker's Compensation to the survivors of a member who died in the line of duty. Fire: Payable to a surviving spouse.

Amount: Police: Same amount that was paid by Worker's Compensation. Fire: 100% joint and survivor benefit calculated as if the deceased member had retired with 25 years of service.

Non-Duty Disability

Eligibility: Payable upon the total and permanent disability of a member with 5 or more years of service.

Amount: To Age 55: 1.5% of AFC times years of service. At Age 55: 2.0% of AFC times years of service.

NOTES TO THE FINANCIAL STATEMENTS

Duty Disability

Eligibility: Payable upon the total and permanent disability of a member in the line of duty.
Amount: To Age 55: 50% (70% for Fire) of AFC. At Age 55: Same as Service Retirement Pension with service credit from date of disability to age 55.

Post-Retirement Increases

Eligibility: Payable to pre-July 1, 1990 retirees.

Amount: 2.5% of the original pension amount. The adjustment to be given annually for the twenty-year period June 30, 1991 to June 30, 2010.

Eligibility: Police Sergeants Unit (effective 8/1/1998).

Amount: 2.5% of the original pension amount or inflation, whichever is less. The adjustment to be given annually for the twenty-year period beginning one year after retirement. Police Sergeants hired after July 1, 2021 are not eligible for post-retirement increases.

Eligibility: Police Captain's Unit hired before July 1, 2021 (effective 1/1/1994).

Amount: 2.5% of the original pension amount or inflation, whichever is less. The adjustment to be given annually for the twenty-year period beginning one year after retirement. Police Captains hired after July 1, 2021 are not eligible for post-retirement increases.

Eligibility: Police Patrol Unit hired before July 1, 2021 (effective 1/1/1999).

Amount: 2.5% of the original pension amount or inflation, whichever is less. The adjustment to be given annually for the twenty-year period beginning one year after retirement. Police Patrol hired after July 1, 2021 are not eligible for post-retirement increases.

Eligibility: Firefighters Unit hired before July 1, 2022.

Amount: 2.5% of the original pension amount. The adjustment to be given annually for the twenty-year period beginning one year after retirement.

Member Contributions

Amount: Police Captains: 6.0%

Police Patrol: 1.0% effective 7/1/2021, 2.0% effective 7/1/2022

Police Lieutenants: 3.0% effective 7/1/2019

Police Sergeants: 1.0% effective 7/1/2014, 2.0% effective 7/1/2015

Firefighters hired prior to 7/1/2009: 4.53%

Others: None

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, 2025:

NOTES TO THE FINANCIAL STATEMENTS

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

Concentrations. At June 30, 2025 the Plan held the following investments that were greater than 5% of the plans fiduciary net position.

City of Traverse City
Act 345 Pension Plan
Investment Concentration Table

Investment Description	Percent of Net Postion
Baird Intermediate Bond Fund (BMIX)	9.27%
Loomis Say Int Dur Bnd-N (LSDNX)	7.23%
T ROWE PRICE STRUCTURED RESEARCH	26.33%
SOUTHERNSUN US EQUITY FUND CLASS I	7.63%
FIDELITY MIDCAP IDEX-FAI	9.23%
FIRST EAGLE OVERSEAS	7.77%

Rate of Return. For the year ended June 30, 2025, the annual money-weighted rate of return on pension plan investments, net of pension plan expense, was 9.73%. 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, 2025, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of June 30, 2025.

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2025 with a June 30, 2025 measurement date and reporting date, using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.0%
Projected Salary increases *	3.0%-5.3%
* Includes wage inflation at	3.0%

NOTES TO THE FINANCIAL STATEMENTS

Cost of Living Adjustments. 2.5% of original pension for 20 years, payable to pre-July 1, 1990 retirees and Firefighters unit. 2.5% of original pension or inflation whichever is less, for 20 years, payable to the Police Captains unit (effective 1/1/1994) and Police Sergeants (effective 8/1/1998) and Police Patrol (effective 1/1/1999). Police Patrol and Police Captains hired after July 1, 2021 and Firefighters hired after July 1, 2022 are not eligible for COLA.

The mortality tables used were as follows:

Healthy pre-retirement: Pub-2010 Safety Employee Mortality Tables, amount-weighted, and projected with mortality improvements using the fully generational MP-2021 projection scale from a base year of 2010.

Healthy post-retirement: Pub-2010 Safety Healthy Retiree Mortality Tables, amount-weighted, and projected with mortality improvements using the fully generational MP-2021 projection scale from a base year of 2010.

Disability retirement: Pub-2010 Safety Disabled Retiree Mortality Tables, amount-weighted and projected with mortality improvements using the fully generational MP-2021 projection scale from a base year of 2010.

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, 2025, 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

NOTES TO THE FINANCIAL STATEMENTS

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 Single Discount Rate 7.00%	1% Increase 8.00%
Total Pension Liability	\$ 65,994,989	\$ 58,697,046	\$ 52,654,868
Plan Fiduciary Net Position	45,390,367	45,390,367	45,390,367
Net Pension Liability	<u>\$ 20,604,622</u>	<u>\$ 13,306,679</u>	<u>\$ 7,264,501</u>

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2025 the employer recognized pension expense of \$1,433,550. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference in Experience	\$ 745,606	\$ -
Difference in Assumption Changes	758,905	-
Difference in Investment Earnings	-	612,395
Total	<u>\$ 1,504,511</u>	<u>\$ 612,395</u>

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

NOTES TO THE FINANCIAL STATEMENTS

	Net Deferred Outflow (Inflow)
Year Ended	
2026	\$ 1,107,120
2027	142,288
2028	(68,526)
2029	(288,766)
Total	\$ 892,116

Changes in Net Pension Liability:

Fiscal year ending June 30,	2025	2024
Total Pension Liability		
Service Cost	\$ 706,586	\$ 752,852
Interest on the Total Pension Liability	3,958,521	3,682,984
Benefit changes	-	-
Difference between expected and actual experience of the Total Pension Liability	(423,200)	1,607,037
Assumption changes	-	1,294,893
Benefits paid and refunds	(3,483,722)	(3,273,066)
Net change in Total Pension Liability	758,185	4,064,700
Total Pension Liability - Beginning	57,938,861	53,874,161
Total Pension Liability- Ending (a)	\$ 58,697,046	\$ 57,938,861
Plan Fiduciary Net Position		
Employer contributions	\$ 2,713,273	\$ 2,426,502
Employee contributions	95,289	93,572
Pension plan net investment income	4,015,185	4,000,646
Benefit payments and refunds	(3,483,722)	(3,273,066)
Pension plan administrative expense	(63,809)	(2,631)
Other	(1,150)	-
Net Change in Plan Fiduciary Net Position	3,275,066	3,245,023
Plan Fiduciary Net Position - Beginning	42,115,301	38,870,278
Plan Fiduciary Net Position - Ending (b)	\$ 45,390,367	\$ 42,115,301
Net Pension Liability - Ending (a)-(b)	\$ 13,306,679	\$ 15,823,560

NOTES TO THE FINANCIAL STATEMENTS

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	
Benefit Multiplier:	2024 Valuation 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	
Retirees:	2.50% (Non-Compound)
Employee Contributions:	0%
Act 88:	No
11 - Gnl GME: Closed to new hires, linked to Division 14	
Benefit Multiplier:	2024 Valuation 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)

NOTES TO THE FINANCIAL STATEMENTS

Employee Contributions:	0%
Act 88:	No

14 - General GME hired after 7/1/09: Open Division, linked to Division 11,16

	2024 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

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

	2024 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:	60
Vesting:	6 years
Early Retirement (Unreduced):	55/25
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	5 years
COLA for 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

	2024 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

NOTES TO THE FINANCIAL STATEMENTS

Employees covered by benefits terms. At the December 31, 2024 valuation date, the following employees were covered by the benefit terms:

Retirees and Beneficiaries	139
Vested Former Employees	30
Active Employees	<u>110</u>
	<u>279</u>

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, 2025 were \$881,796 for the Admin & ACT hired prior to 7/1/2009 division, \$61,008 for the GME tech/clerical hired prior to 7/1/2009 division, \$749,676 for the General GME division hired prior to 7/1/2009, \$284,575 for the General GME hired after 7/1/2009 division, and \$391,586 for the ACT hired after 7/1/2009 division.

Net Pension Liability. The employer's Net Pension Liability was measured as of December 31, 2024, 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, 2024 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5%

Salary Increases: 3.00% in the long term plus a percentage based on an age related scale to reflect merit, longevity and promotional pay increases.

Investment rate of return: 6.93%, net of administrative and investment expenses.

This valuation incorporates fully generational mortality. The base mortality tables used are constructed as described below and are based on amount weighted sex distinct rates:

Pre-Retirement Mortality:

- 1.100% of Pub-2010 Juvenile Mortality Tables for Ages 0-17
- 2.100% of PubG-2010 Employee Mortality Tables for Ages 18-80
- 3.100% of PubG-2010 Healthy Retiree Tables for Ages 81-120

NOTES TO THE FINANCIAL STATEMENTS

Non-Disabled retired plan members and beneficiaries:

1. 106% of Pub-2010 Juvenile Mortality Tables for Ages 0-17
2. 106% of PubG-2010 Employee Mortality Tables for Ages 18-49
3. 106% of PubG-2010 Healthy Retiree Tables for Ages 50-120

Disabled retired plan members:

1. 100% of Pub-2010 Juvenile Mortality Tables for Ages 0-17
2. 100% of PubNS-2010 Disabled Retiree Tables for Ages 18-120

Future mortality improvements are assumed each year using scale MP-2021 applied fully generationally from the Pub-2010 base year of 2010.

These mortality tables were first used for the December 31, 2020 actuarial valuations.

The long-term expected real 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	Base Allocation	Long-Term Expected Real Rate of Return
Global Equity	60.0%	4.5%
Global Fixed Income	20.0%	.90%
Private Investments	20.0%	1.90%

Discount rate. The discount rate used to measure the total pension liability is 7.18% for 2024. 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.

NOTES TO THE FINANCIAL STATEMENTS

Changes in Net Pension Liability

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance as of 12/31/2023	\$ 46,099,248.62	\$ 25,120,343.44	\$ 20,978,905.18
Service cost	715,420.00	-	715,420.00
Interest	3,219,526.97	-	3,219,526.97
Benefit changes	-	-	-
Differences between expected and actuarial experience	882,021.00	-	882,021.00
Changes in assumptions	(153,601.00)	-	(153,601.00)
Contribution - employer	-	2,480,365.59	(2,480,365.59)
alternative investment adjustment from MERS annual audited statement	-	1,854,850.62	(1,854,850.62)
Benefit payments, including refunds of employee contributions	(3,233,499.07)	(3,233,499.07)	-
Administrative expense	-	(54,925.45)	54,925.45
Net Changes	1,429,867.90	1,046,791.69	383,076.21
Balances at 12/31/2024	\$ 47,529,116.52	\$ 26,167,135.13	\$ 21,361,981.39

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 7.18%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower (6.18%) or 1% higher (8.18%) than the current rate.

	1% Decrease 6.18%	Current Discount Rate 7.18%	1% Increase 8.18%
Net Pension Liability at 12/31/24	\$ 21,361,981	\$ 21,361,981	\$ 21,361,981
Change in Net Pension Liability	5,188,738	-	(4,382,436)
Calculated Net Pension Liability	\$ 26,550,719	\$ 21,361,981	\$ 16,979,545

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.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2025 the employer recognized pension expense of \$3,119,109. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

NOTES TO THE FINANCIAL STATEMENTS

	Deferred Outflows of Resources	Deferred Inflows of Resources
Excess (deficit) investment returns	\$ 2,009,144	\$ 930,143
Changes in assumptions	160,827	76,398
Differences expected and actual experience	677,546	115,201
Contributions subsequent to measurement date*	1,204,678	-
Total	<u>\$ 4,052,195</u>	<u>\$ 1,121,742</u>

* 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, 2026.

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	
2026	\$ 696,783
2027	1,069,019
2028	(23,982)
2029	(16,044)
Total	<u>\$ 1,725,776</u>

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**

Benefit Multiplier: **2024 Valuation**
2.25% Multiplier (80% max)

NOTES TO THE FINANCIAL STATEMENTS

Normal Retirement Age:	60
Vesting:	10 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)
Member Contributions:	0%
Act 88:	No

10 - Union closed to new hires, linked to Division 12	
	2024 Valuation
Benefit Multiplier:	2.25% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	6 years
Early Retirement (Unreduced):	50/25
Early Retirement (Reduced):	55/15
Final Average Compensation:	5 years
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	
	2024 Valuation
Benefit Multiplier:	1.5% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	6 years
Early Retirement Unreduced):	55/25
Early Retirement (Reduced):	55/15 50/25
Final Average Compensation:	5 years
COLA for Future Retirees:	2.50% (Non-Compound)
Member Contributions:	0%
Act 88:	No

NOTES TO THE FINANCIAL STATEMENTS

12 - Union hired after 7/1/2012, linked to Division 10	
	2024 Valuation
Benefit Multiplier:	1.5% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	6 years
Early Retirement (Unreduced):	55/25
Early Retirement (Reduced):	55/15 50/25
Final Average Compensation:	5 years
COLA for Future Retirees:	2.50% (Non-Compound)
Member Contributions:	0%
Act 88:	No
13 - Union line workers hired pre 7/1/2012, closed to new hires	
	2024 Valuation
Benefit Multiplier:	2.25% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	6 years
Early Retirement (Unreduced):	50/25
Early Retirement (Reduced):	55/15
Final Average Compensation:	5 years
COLA for Future Retirees:	2.50% (Non-Compound)
Member Contributions:	0%
DC plan for New Hires:	2/1/2019
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 and 50 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, 2024 valuation date, the following employees were covered by the benefit terms:

NOTES TO THE FINANCIAL STATEMENTS

Inactive employees or beneficiaries currently receiving benefits	61
Inactive employees entitled to but not yet receiving benefits	7
Active employees	41
	<u>109</u>

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 minimum contributions range from 10.17 to 10.99% based on annual payroll for open divisions. There are two divisions that are closed to new employees and have annual employer contributions of \$39,399 and \$80,241.

Net Pension Liability. The employer's Net Pension Liability was measured as of December 31, 2024, 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, 2024 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5%

Salary Increases: 3.00% in the long-term.

Investment rate of return: 7.00%, net of administrative and investment expense, including inflation.

Mortality rates used were based on the RP-2014 Group Annuity Mortality Tables, with rates multiplied by 105%, RP 2014 Employee Mortality Tables, and RP 2014 Juvenile Mortality Tables of a 50% male and 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 2021.

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

NOTES TO THE FINANCIAL STATEMENTS

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	Expected Money Weighted Rate of Return
Global Equity	60.0%	4.50%	2.70%
Global Fixed Income	20.0%	2.00%	.40%
Real Assets	20.0%	7.00%	1.40%
MES Gain Adjustment			(.07%)
Inflation			2.50%
Administrative fee			.25%
Investment Rate of Return			7.18%

Discount rate. The discount rate used to measure the total pension liability is 7.25%. 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.

NOTES TO THE FINANCIAL STATEMENTS

Changes in Net Pension Liability

Calculating the Net Pension Liability			
Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at 12/31/23			
Changes for the Year	\$37,572,123	\$27,594,783	\$9,977,340
Service Cost	409,889	-	409,889
Interest on Total Pension Liability	2,621,338	-	2,621,338
Difference between expected and actual experience	430,879	-	430,879
Change in Assumption	(102,878)	-	(102,878)
Employer contributions	-	1,515,001	(1,515,001)
Net investment income	-	2,040,482	(2,040,482)
Benefit payments, including employee refunds	(2,536,364)	(2,536,364)	-
Administrative expense	-	(60,472)	60,472
Net Changes	822,864	958,647	(135,783)
Balances as of 12/31/24	38,394,987	28,553,430	9,841,557

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 7.25%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower (6.25%) or 1% higher (8.25) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
Net Pension Liability at 12/31/24	\$9,841,557	\$9,841,557	\$9,841,557
Change in Net Pension Liability (NPL)	4,296,233	-	(3,589,320)
Calculated NPL	\$14,137,790	\$9,841,557	\$6,252,237

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.

NOTES TO THE FINANCIAL STATEMENTS

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2025 the employer recognized pension expense of \$1,994,551. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Excess (Deficit) Investment Returns	\$1,967,000	\$(922,980)
Change in Experience	323,159	(40,581)
Change in Assumption	92,358	(77,164)
Contributions subsequent to the measurement date*	856,518	-
Total	\$3,239,035	\$(1,040,725)

* 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 2025.

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

Year ended	
2026	\$647,183
2027	848,859
2028	(134,641)
2029	(19,609)
Total	\$1,341,792

E. 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 7% based on the employee's employment contract. Plan provision and contribution requirements can only be amended by authorization of the Board of Directors. In the current year, the Downtown Development Authority contributed \$39,546 and the employees contributed \$32,071.

NOTES TO THE FINANCIAL STATEMENTS

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 Empower and Mission Square as administrators for the Plan. Traverse City Light and Power also uses Empower and Mission Square as well as MERS for administration. 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 \$1,037,353 and the employees contributed \$1,015,766. Of these amounts Traverse City Light and Power contributed \$401,597 and their employees contributed \$347,701.

Defined Contribution Plan Light and Power Component Unit

Effective February 1, 2019, the Department eliminated the defined benefit pension plan for line workers hired after July 1, 2012 and replaced it with a MERS defined contribution plan. The employer contributes six percent of base wage only and there is no employee contribution requirement. The plan requires a one-year vesting period. In the current fiscal year, the Department contributed \$65,751 to this plan.

F. 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.

NOTES TO THE FINANCIAL STATEMENTS

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, 2024):

Retirees/beneficiaries receiving benefits	56
Inactive non retired members	6
Active plan members	<u>20</u>
Total	<u>82</u>

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, 2025, the City contributed \$809,162 which includes an adjustment for any implicit rate subsidy present in the pre-65 rates to fund the benefits, the actuarially determined contribution for the period was \$755,106.

Net OPEB Liability

The total OPEB liability in the June 30, 2025 statements was determined using the June 30, 2024 actuarial valuation. The annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 3.00%

Wage increase: 3.0% to 5.25% including inflation

Investment rate of return: 7.0% net of OPEB plan investment expense including inflation.

Healthcare cost trend rates: Fire Retired Before 7/1/95: 6.25% trend, gradually decreasing to 3.50% in year 12.

NOTES TO THE FINANCIAL STATEMENTS

Fire Retired on or after 7/1/21 and Police Retired on or after 7/1/09: 7.50% trend, gradually decreasing to 3.50% in year 12.

Mortality: 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 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.

NOTES TO THE FINANCIAL STATEMENTS

Changes in the Net OPEB Liability

Fiscal year ending June 30,	2025	2024
Total OPEB Liability		
Service Cost	\$ 85,633	\$ 117,037
Interest on the total OPEB liability	852,312	800,829
Benefit changes	-	-
Difference between expected and actual experience *	225,723	63,382
Assumption changes	542,796	371,313
Benefits paid and refunds	(548,299)	(654,492)
Net change in Total OPEB Liability	1,158,165	698,069
Total OPEB Liability - Beginning	12,407,215	11,709,146
Total OPEB Liability- Ending (a)	\$ 13,565,380	\$ 12,407,215
Plan Fiduciary Net Position		
Employer contributions	\$ 809,162	\$ 818,310
OPEB plan net investment income	633,709	662,627
Benefit payments and refunds	(548,299)	(654,492)
Pension plan administrative expense	(19,949)	(8,000)
Other	-	-
Net Change in Plan Fiduciary Net Position	874,623	818,445
Plan Fiduciary Net Position - Beginning	5,916,774	5,098,329
Plan Fiduciary Net Position - Ending (b)	\$ 6,791,397	\$ 5,916,774
Net OPEB Liability - Ending (a)-(b)	\$ 6,773,983	\$ 6,490,441

*Due to difference between actual and expected benefit payments.

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 7.0, 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%	Current Single Discount Rate 7.00%	1% Increase 8.00%
Net OPEB Liability	\$ 8,491,262	\$ 6,773,983	\$ 5,359,416

NOTES TO THE FINANCIAL STATEMENTS

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.

	Current Health Care Cost		
	1% Decrease	Trend Rate Assumption	1% Increase
Net OPEB Liability	\$ 5,273,527	\$ 6,773,983	\$ 8,603,837

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference in Experience	\$ 109,733	
Difference in Assumption Changes	306,693	-
Difference in Investment Earnings	-	204,904
Total	\$ 416,426	\$ 204,904

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

Year Ended	Net Deferred Outflow (Inflow)
2026	\$ 482,063
2027	(126,043)
2028	(102,279)
2029	(42,219)
Total	\$ 211,522

NOTES TO THE FINANCIAL STATEMENTS

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 single person health insurance premiums paid for three years (only the retiree). The Teamsters municipal, clerical, and technical employees or their spouse 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	14
Inactive Employees Receiving Benefits	38
Total Employees	<u>52</u>

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 \$31,114.

Net OPEB Asset

The total OPEB asset in the June 30, 2025 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: 3.0 to 3.6%%

Discount Rate 7.0%

NOTES TO THE FINANCIAL STATEMENTS

Healthcare Trend: Healthcare trend rates are estimated each year through 2040 based on the type of health care plan/coverage. These rates varied from 3.5% to 7.25%.

Healthy pre-retirement mortality: Sex distinct pub-2010 general employees tables without adjustment. The base year is 2010 and future mortality improvements are assumed each year using scale MP-2021, as published by the Society of Actuaries. Ninety percent of active member deaths are assumed to be non-duty death and 10 percent are assumed to be duty related.

Healthy post-retirement mortality: Sex Distinct Pub-2010 General Healthy retiree tables scaled by a factor of 106%. The base year is 2010 and future mortality improvements are assumed each year using scale MP-2021, as published by the Society of Actuaries.

Disability retirement mortality: Sex distinct PubNS-2010 Disabled tables without adjustment. The base year is 2010 and future mortality improvements are assumed each year using scale MP-2021, as published by the Society of Actuaries.

The long-term expected rate of return on OPEB plan investments was determined using a building block method in which expected future real rates of return (expected returns, net of OPEB 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 OPEB plan's target asset allocation as of June 30, 2025, these best estimates of returns are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
MERS total Market Portfolio	100%	7.00%

Single Discount Rate: A single discount rate of 7.0% 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 7.0%. 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 asset.

NOTES TO THE FINANCIAL STATEMENTS

Changes in the Net OPEB Asset

Total OPEB Liability	
Service Cost	\$ 8,968
Interest on the total OPEB liability	88,006
Benefit changes	-
Difference between expected and actual experience	(85,990)
Assumption changes	1,640
Benefits paid and refunds	(143,543)
Other changes	-
Net change in Total Pension Liability	(130,919)
Total OPEB Liability - Beginning	1,324,517
Total OPEB Liability- Ending (a)	\$ 1,193,598
Plan Fiduciary Net Position	
Employer contributions	\$ 31,114
Plan net investment income	186,296
Difference between expected and actual experience	-
Benefit payments and refunds	(143,543)
Pension plan administrative expense	(4,176)
Other	-
Net Change in Plan Fiduciary Net Position	69,691
Plan Fiduciary Net Position - Beginning	2,093,961
Plan Fiduciary Net Position - Ending (b)	\$ 2,163,652
Net OPEB Liability (Asset) - Ending (a)-(b)	\$ (970,054)

NOTES TO THE FINANCIAL STATEMENTS

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 7.0%, 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 6.00%	Current Rate 7.00%	1% increase 8.00%
Net OPEB Asset	\$ 866,215	\$ 970,054	\$ 1,060,266
Fiduciary position as a % of total OPEB Asset		<u>223.04%</u>	

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	Current Rate	1 % increase
Net OPEB Asset	\$ 977,187	\$ 970,054	\$ 961,824

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

	Deferred Outflow of Resources	Deferred Inflows of Resources
Differences in experience	\$ -	\$ 41,690
Changes of assumptions	793	-
Differences in projected earnings	71,316	63,563
Total	<u>\$ 72,109</u>	<u>\$ 105,253</u>

NOTES TO THE FINANCIAL STATEMENTS

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

	net deferred outflow (inflow) of resources	
2026	\$	10,434
2027		(19,983)
2028		(14,835)
2029		<u>(8,760)</u>
Total	\$	<u><u>(33,144)</u></u>

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 retirement benefits, 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. Effective July 1, 2021, for all new hires, no retiree hospital-medical-surgical insurance coverage will be provided.

Membership of the Plan consisted of the following at the date of the latest actuarial valuation (June 30, 2024):

Active plan members	47
Retirees and beneficiaries receiving benefits	<u>39</u>
Total	<u><u>86</u></u>

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.

NOTES TO THE FINANCIAL STATEMENTS

Net OPEB Liability (Asset). The total OPEB liability (asset) in the June 30, 2024 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.25%

Salary Increases: 3.00%

Investment rate of return: 7.5%

Healthcare cost trend rates: 4.4% to 7.31% per year

Mortality rates used MP-2019 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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	60.0%	7.75%
Global Fixed Income	20.0%	3.75%
Private Investments	20.0%	9.75%
Total	100.0%	

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.

NOTES TO THE FINANCIAL STATEMENTS

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 (Asset)

Calculating the Net OPEB Liability (Asset)			
	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances at 6/30/2024	\$5,164,141	\$5,424,359	\$(260,218)
Changes for the Year			
Service cost	37,756	-	37,756
Interest on OPEB liability	374,117	-	374,117
Employer Contributions	-	64,460	(64,460)
Net investment income	-	507,860	(507,860)
Benefit payments, including employee refunds	(351,844)	(351,844)	-
Net changes	60,029	220,476	(160,449)
Balance as of 6/30/2025	\$5,224,170	\$5,644,835	\$(420,665)

Sensitivity of the Net OPEB Liability (Asset) 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.

	1% Decrease	Current Discount rate	1% Increase
Net OPEB liability	\$131,472	\$(420,667)	\$(885,020)

NOTES TO THE FINANCIAL STATEMENTS

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 rates of 4.40 to 5.0%, 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 OPEB liability	(\$972,563)	(\$420,667)	\$238,775

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

For the year ended June 30, 2025 the employer recognized OPEB expense of \$54,464. 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	\$ 163,085	\$ 348,062
Changes in assumptions	31,119	25,768
Excess (deficit) investment returns	164,916	147,827
Total	\$ 359,120	\$521,657

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

2026	123,931
2027	(63,682)
2028	(120,989)
2029	(98,658)
2030	(3,139)
Total	<u><u>\$ (162,537)</u></u>

NOTES TO THE FINANCIAL STATEMENTS

G. Designations of net position

Primary government

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

	Automobile Parking System	Wastewater	Water	Garage Internal Service
Capital Expenditures	100,000	8,574,646	2,109,340	2,413,000
Future Maintenance	2,500,000	-	-	-
Total	<u>\$ 2,600,000</u>	<u>\$ 8,574,646</u>	<u>\$ 2,109,340</u>	<u>\$ 2,413,000</u>

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>9,459,550</u>
Total	<u>\$ 9,559,606</u>

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.

NOTES TO THE FINANCIAL STATEMENTS

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 legal actions are undetermined and have not been included as a liability in the financial statements.

I. Tax Abatements

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, 2025 the amount of taxes abated was \$1,106,659.

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, 2025 the estimated tax abatement was \$314,618.

J. Subsequent Events

On August 6, 2025, subsequent to the fiscal year end, the City issued 2025 Capital Improvement Bonds for the Traverse City Light and Power's Smart Grid Fiber to the Premise Project in the amount of \$13,460,000.

On October 20, 2025, the City Commission approved a request for a renewal of a ten-year interfund loan of \$1,000,000 from the Economic Development Fund to Traverse City Light and Power for the Smart Grid Project. The intention was to provide a flexible financial mechanism to address potential cost overruns or increased customer participation causing additional drop costs than originally anticipated.

NOTES TO THE FINANCIAL STATEMENTS

K. Prior Period Adjustment

Both the City and the Downtown Development Authority recorded leases. The right to use asset and associated lease liability for both were recorded as of June 30, 2024. These changes had no impact on net assets.

* * * * *

SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION

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

Fiscal year ending June 30,	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total Pension Liability										
Service Cost	\$ 706,586	\$ 752,852	\$ 699,648	\$ 703,850	\$ 742,000	\$ 749,125	\$ 759,397	\$ 721,781	\$ 676,683	\$ 678,748
Interest on the Total Pension Liability	3,958,521	3,682,984	3,568,152	3,516,035	3,429,154	3,335,038	3,347,430	3,195,886	3,110,650	3,036,795
Benefit changes	-	-	-	-	-	(12,591)	-	-	-	-
Difference between expected and actual experience of the Total Pension Liability	(423,200)	1,607,037	548,537	(394,696)	36,008	105,359	(124,418)	756,372	(172,209)	(372,033)
Assumption changes	-	1,294,893	-	-	-	-	1,801,057	-	-	-
Benefits paid and refunds	(3,483,722)	(3,273,066)	(3,131,917)	(3,025,184)	(2,868,674)	(2,789,052)	(2,745,588)	(2,598,943)	(2,403,433)	(2,312,077)
Net change in Total Pension Liability	<u>758,185</u>	<u>4,064,700</u>	<u>1,684,420</u>	<u>800,005</u>	<u>1,338,488</u>	<u>1,387,879</u>	<u>3,037,878</u>	<u>2,075,096</u>	<u>1,211,691</u>	<u>1,031,433</u>
Total Pension Liability - Beginning	<u>57,938,861</u>	<u>53,874,161</u>	<u>52,189,741</u>	<u>51,389,736</u>	<u>50,051,248</u>	<u>48,663,369</u>	<u>45,625,491</u>	<u>43,550,395</u>	<u>42,338,704</u>	<u>41,307,271</u>
Total Pension Liability- Ending (a)	<u>\$ 58,697,046</u>	<u>\$ 57,938,861</u>	<u>\$ 53,874,161</u>	<u>\$ 52,189,741</u>	<u>\$ 51,389,736</u>	<u>\$ 50,051,248</u>	<u>\$ 48,663,369</u>	<u>\$ 45,625,491</u>	<u>\$ 43,550,395</u>	<u>\$ 42,338,704</u>
Plan Fiduciary Net Position										
Employer contributions	\$ 2,713,273	\$ 2,426,502	\$ 2,340,786	\$ 2,507,587	\$ 2,380,153	\$ 2,104,146	\$ 1,995,181	\$ 1,841,815	\$ 1,803,930	\$ 1,810,565
Employee contributions	95,289	93,572	101,373	80,785	71,472	77,002	78,115	81,144	104,761	58,510
Pension plan net investment income	4,015,185	4,000,646	2,500,485	(2,313,699)	9,085,387	1,153,460	996,920	2,285,282	3,019,320	498,918
Benefit payments and refunds	(3,483,722)	(3,273,066)	(3,131,917)	(3,025,184)	(2,868,674)	(2,789,052)	(2,745,588)	(2,598,943)	(2,403,433)	(2,312,077)
Pension plan administrative expense	(63,809)	(2,631)	(31,461)	(600)	(18,916)	(18,520)	(33,140)	(19,633)	(23,599)	(15,450)
Other	(1,150)	-	-	-	-	-	96	-	-	159
Net Change in Plan Fiduciary Net Position	<u>3,275,066</u>	<u>3,245,023</u>	<u>1,779,266</u>	<u>(2,751,111)</u>	<u>8,649,422</u>	<u>527,036</u>	<u>291,584</u>	<u>1,589,665</u>	<u>2,500,979</u>	<u>40,625</u>
Plan Fiduciary Net Position - Beginning	<u>42,115,301</u>	<u>38,870,278</u>	<u>37,091,012</u>	<u>39,842,123</u>	<u>31,192,701</u>	<u>30,665,665</u>	<u>30,374,081</u>	<u>28,784,416</u>	<u>26,283,437</u>	<u>26,242,812</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 45,390,367</u>	<u>\$ 42,115,301</u>	<u>\$ 38,870,278</u>	<u>\$ 37,091,012</u>	<u>\$ 39,842,123</u>	<u>\$ 31,192,701</u>	<u>\$ 30,665,665</u>	<u>\$ 30,374,081</u>	<u>\$ 28,784,416</u>	<u>\$ 26,283,437</u>
Net Pension Liability - Ending (a)-(b)	<u>\$ 13,306,679</u>	<u>\$ 15,823,560</u>	<u>\$ 15,003,883</u>	<u>\$ 15,098,729</u>	<u>\$ 11,547,613</u>	<u>\$ 18,858,547</u>	<u>\$ 17,997,704</u>	<u>\$ 15,251,410</u>	<u>\$ 14,765,979</u>	<u>\$ 16,055,267</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	77.33%	72.69%	72.15%	71.07%	77.53%	62.32%	63.02%	66.57%	66.09%	62.08%
Covered Employee Payroll	\$ 4,702,654	\$ 4,132,864	\$ 4,224,452	\$ 3,987,359	\$ 3,925,135	\$ 3,682,282	\$ 3,775,976	\$ 3,861,602	\$ 3,752,343	\$ 3,443,789
Net Pension Liability as a Percentage of Covered Employee Payroll	282.96%	382.87%	355.17%	378.66%	294.20%	512.14%	476.64%	394.95%	393.51%	466.21%

CITY OF TRAVERSE CITY
Required Supplementary Information
Act 345 Retirement System
Schedule of Contributions

FY Ending June 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
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%
2020	2,104,146	2,104,146	-	3,682,282	57.14%
2021	2,380,153	2,380,153	-	3,925,135	60.64%
2022	2,507,587	2,507,587	-	3,987,359	62.89%
2023	2,340,786	2,340,786	-	4,224,452	55.41%
2024	2,426,502	2,426,502	-	4,132,864	58.71%
2025	2,713,273	2,713,273	-	4,702,654	57.70%

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	10 year closed
Asset Valuation Method	4 Year Smoothed Market
Inflation	2.50%
Salary Increase	3% to 5.3%
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	<p>Healthy Pre-Retirement: RP-2014 generational mortality tables with blue collar adjustments. and extended via cubic spline. Tables are adjusted backwards to 2006 with the MP-2014 scale. Future mortality improvements assumed each using scale MP-2017.</p> <p>Healthy Post-Retirement: The RP-2014 Healthy Annuitant Generational Mortality Tables, with blue-collar adjustments and extended via cubic spline. This table is adjusted backward to 2006 with the MP-2014 scale, resulting in a base of 2006 with future mortality improvements assumed each year using scale MP-2017.</p> <p>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.</p>

CITY OF TRAVERSE CITY
Required Supplementary Information
Act 345 Retirement System
Schedule of Investment Returns

<u>FY Ending June 30,</u>	<u>Annual Return *</u>
2016	1.92%
2017	11.86%
2018	8.19%
2019	3.31%
2020	3.86%
2021	30.24%
2022	(6.01)%
2023	6.91%
2024	10.68%
2025	9.73%

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

CITY OF TRAVERSE CITY
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,	2025	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability									
Service Cost	\$ 85,633	\$ 117,037	\$ 56,319	\$ 77,897	\$ 76,049	\$ 86,712	\$ 79,044	\$ 93,763	\$ 93,564
Interest on the total OPEB liability	852,312	800,829	677,477	665,178	638,322	625,391	631,831	611,741	597,245
Benefit changes	-	-	2,126,915	-	-	-	-	-	-
Difference between expected and actual experience *	225,723	63,382	(1,046,323)	(52,550)	36,432	(29,774)	(533,914)	35,999	(75,186)
Assumption changes	542,796	371,313	496,562	-	134,950	-	792,407	-	-
Benefits paid and refunds	(548,299)	(654,492)	(503,778)	(504,295)	(501,743)	(482,795)	(444,116)	(488,449)	(356,424)
Net change in Total OPEB Liability	1,158,165	698,069	1,807,172	186,230	384,010	199,534	525,252	253,054	259,199
Total OPEB Liability - Beginning	12,407,215	11,709,146	9,901,974	9,715,744	9,331,734	9,132,200	8,606,948	8,353,894	8,094,695
Total OPEB Liability- Ending (a)	\$ 13,565,380	\$ 12,407,215	\$ 11,709,146	\$ 9,901,974	\$ 9,715,744	\$ 9,331,734	\$ 9,132,200	\$ 8,606,948	\$ 8,353,894
Plan Fiduciary Net Position									
Employer contributions	\$ 809,162	\$ 818,310	\$ 623,832	\$ 625,782	\$ 572,909	\$ 565,895	\$ 519,279	\$ 512,078	\$ 385,866
OPEB plan net investment income	633,709	662,627	441,205	(601,504)	1,002,377	184,192	187,943	77,551	-
Benefit payments and refunds	(548,299)	(654,492)	(503,778)	(504,295)	(501,743)	(482,795)	(444,116)	(488,449)	(356,424)
Pension plan administrative expense	(19,949)	(8,000)	(16,800)	(8,000)	-	-	-	-	-
Other	-	-	-	-	(16,800)	(8,000)	(6,000)	(6,000)	(8,800)
Net Change in Plan Fiduciary Net Position	874,623	818,445	544,459	(488,017)	1,056,743	259,292	257,106	95,180	20,642
Plan Fiduciary Net Position - Beginning	5,916,774	5,098,329	4,553,870	5,041,887	3,985,144	3,725,852	3,468,746	3,373,566	3,352,924
Plan Fiduciary Net Position - Ending (b)	\$ 6,791,397	\$ 5,916,774	\$ 5,098,329	\$ 4,553,870	\$ 5,041,887	\$ 3,985,144	\$ 3,725,852	\$ 3,468,746	\$ 3,373,566
Net OPEB Liability - Ending (a)-(b)	\$ 6,773,983	\$ 6,490,441	\$ 6,610,817	\$ 5,348,104	\$ 4,673,857	\$ 5,346,590	\$ 5,406,348	\$ 5,138,202	\$ 4,980,328
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	50.06%	47.69%	43.54%	45.99%	51.89%	42.71%	40.80%	40.30%	40.38%
Covered Employee Payroll	\$ 2,035,106	\$ 2,085,585	\$ 2,146,738	\$ 2,158,710	\$ 2,283,277	\$ 2,383,949	\$ 2,609,645	\$ 2,741,432	\$ 3,027,113
Net OPEB Liability as a Percentage of Covered Employee Payroll	332.86%	311.20%	307.95%	247.75%	204.70%	224.27%	207.17%	187.43%	164.52%

* Due to difference between actual and expected benefit payments.

CITY OF TRAVERSE CITY
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,	Actuarially Determined Contribution	Actual Contribution (1)	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2025	\$ 755,106	\$ 809,162	\$ (54,056)	\$ 2,035,106	39.76%
2024	761,020	818,310	(57,290)	2,085,585	39.24%
2023	577,751	623,832	(46,081)	2,146,738	29.06%
2022	578,428	625,782	(47,354)	2,158,710	28.99%
2021	527,496	572,909	(45,413)	2,283,277	25.09%
2020	526,118	565,895	(39,777)	2,383,949	23.74%
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	385,866	-	3,027,113	12.75%

(1) Includes an adjustment for any implicit rate subsidy present in the pre-65 rates.

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	16 years
Asset Valuation Method	Market Value of Assets
Inflation	3.00%
Salary Increase	3% to 5.25% including inflation
Investment Rate of Return	7.0 % 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	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
Health Care Trend Rates	Fire retired before 7/1/95: 6.25% trend, gradually decreasing to 3.5% in year 12 Fire on or after 7/1/21 and Police retired on or after 7/1/09: 7.5% trend, gradually decreasing to 3.5% in year 12
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:

	PA 202	Valuation Assumption Used	Uniform Assumption Used
Investment rate of return discount rate	Maximum of 7.00% Minimum of 3.25% or based on experience study within last 5 years	7.00% 3.00% + Merit and longevity (based on study dated June 12/2024)	7.00% 3.00% + Merit and longevity (based on study dated June 12/2024)
Salary increase	A version of the Pub-2010 mortality tables with future mortality improvement projected generationally using Scale MP-2021 or based on an actuarial experience study conducted with the last 5 years	A version fo the Pub-2010 mortality tables with future mortality improvement projected generationally using Scale MP-2021 (based on study dated June 12,2024)	A version fo the Pub-2010 mortality tables with future mortality improvement projected generationally using Scale MP-2021 (based on study dated June 12,2024)
Mortality	Non medicare: initial rate of 7.50% decreasing .025% per year to a 4.5% longterm rate, medicare initial rate of 5.75% decreasing .25% per year to a 4.5% longterm rate	fire retired before 7/1/95: initial rate of 7.25% decreasing to 3.5% longterm rate in year 15. Police retired before 7/1/09 5.00% drops to 3.5% in year 16. Police after 7/1/09 initial rate of 7.25% decreasing to 3.5% longterm rate in year 15	Non medicare: initial rate of 7.50% decreasing .025% per year to a 4.5% longterm rate, medicare initial rate of 5.75% decreasing .25% per year to a 4.5% longterm rate
Healthcare inflation			
Period	maximum 24 years	15 years	15 years
Method	level dollar	level dollar	level dollar
Type	closed	closed	closed
Actuarially Determined Contribution using uniform assumptions	\$ 984,732		

CITY OF TRAVERSE CITY
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.

<u>FY Ending June 30,</u>	<u>Annual Return *</u>
2025	10.62%
2024	13.55%
2023	9.58%
2022	(.40)%
2021	26.30%
2020	5.05%
2019	5.66%
2018	2.31%

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

CITY OF TRAVERSE CITY
Required Supplementary Information
MERS Pension - General Plan
Schedule of Changes in the Employer's Net Pension Liability and Related Ratios

	2024	2023	2022	2021	2020	December 31, 2019	2018	2017	2016	2015
Total Pension Liability										
Service Cost	\$ 715,420	\$ 587,629	\$ 572,549	\$ 484,578	\$ 545,797	\$ 479,481	\$ 473,357	\$ 449,861	\$ 451,469	\$ 424,511
Interest on the Total Pension Liability	3,219,527	3,178,602	3,156,970	3,113,379	2,948,270	3,020,489	3,013,978	2,957,067	2,919,079	2,817,148
Benefit changes	-	-	-	-	-	-	-	-	-	-
Difference between expected and actual experience of the Total Pension Liability	882,021	32,061	(305,591)	478,570	281,691	(956,280)	(720,256)	(37,737)	(281,288)	(185,726)
Assumption changes	(153,601)	321,654	-	1,522,625	1,317,879	1,194,941	-	-	-	1,782,587
Benefits paid and refunds	(3,233,499)	(3,139,345)	(3,126,846)	(3,001,623)	(2,779,444)	(2,690,327)	(2,687,175)	(2,651,928)	(2,575,279)	(2,446,248)
Net change in Total Pension Liability	<u>1,429,868</u>	<u>980,601</u>	<u>297,082</u>	<u>2,597,529</u>	<u>2,314,193</u>	<u>1,048,304</u>	<u>79,904</u>	<u>717,263</u>	<u>513,981</u>	<u>2,392,272</u>
Total Pension Liability - Beginning	<u>46,099,249</u>	<u>45,118,648</u>	<u>44,821,566</u>	<u>42,224,037</u>	<u>39,909,844</u>	<u>38,861,540</u>	<u>38,781,636</u>	<u>38,064,373</u>	<u>37,550,392</u>	<u>35,158,120</u>
Total Pension Liability- Ending (a)	<u>\$ 47,529,117</u>	<u>\$ 46,099,249</u>	<u>\$ 45,118,648</u>	<u>\$ 44,821,566</u>	<u>\$ 42,224,037</u>	<u>\$ 39,909,844</u>	<u>\$ 38,861,540</u>	<u>\$ 38,781,636</u>	<u>\$ 38,064,373</u>	<u>\$ 37,550,392</u>
Plan Fiduciary Net Position										
Employer contributions	\$ 2,480,366	\$ 2,072,547	\$ 1,974,567	\$ 1,750,159	\$ 1,559,957	\$ 1,430,516	\$ 1,325,327	\$ 1,209,578	\$ 1,103,031	\$ 1,011,317
Employee contributions	-	-	-	-	-	-	-	-	-	-
Pension plan net investment income (loss)	1,854,851	2,621,992	(3,046,016)	3,388,702	3,227,500	2,944,943	(914,546)	2,962,186	2,443,206	(343,945)
Benefit payments and refunds	(3,233,499)	(3,139,345)	(3,126,846)	(3,001,623)	(2,779,444)	(2,690,327)	(2,687,175)	(2,651,928)	(2,575,279)	(2,446,248)
Pension plan administrative expense	(54,926)	(54,487)	(50,046)	(40,275)	(46,960)	(50,697)	(46,438)	(47,056)	(48,298)	(51,145)
Other	-	-	-	-	-	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	<u>1,046,792</u>	<u>1,500,707</u>	<u>(4,248,341)</u>	<u>2,096,963</u>	<u>1,961,053</u>	<u>1,634,435</u>	<u>(2,322,832)</u>	<u>1,472,780</u>	<u>922,660</u>	<u>(1,830,021)</u>
Plan Fiduciary Net Position - Beginning	<u>25,120,344</u>	<u>23,619,637</u>	<u>27,867,978</u>	<u>25,771,015</u>	<u>23,809,962</u>	<u>22,175,527</u>	<u>24,498,359</u>	<u>23,025,579</u>	<u>22,102,919</u>	<u>23,932,940</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 26,167,136</u>	<u>\$ 25,120,344</u>	<u>\$ 23,619,637</u>	<u>\$ 27,867,978</u>	<u>\$ 25,771,015</u>	<u>\$ 23,809,962</u>	<u>\$ 22,175,527</u>	<u>\$ 24,498,359</u>	<u>\$ 23,025,579</u>	<u>\$ 22,102,919</u>
Net Pension Liability - Ending (a)-(b)	<u>\$ 21,361,981</u>	<u>\$ 20,978,905</u>	<u>\$ 21,499,011</u>	<u>\$ 16,953,588</u>	<u>\$ 16,453,022</u>	<u>\$ 16,099,882</u>	<u>\$ 16,686,013</u>	<u>\$ 14,283,277</u>	<u>\$ 15,038,794</u>	<u>\$ 15,447,473</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	55.05%	54.49%	52.35%	62.18%	61.03%	59.66%	57.06%	63.17%	60.49%	58.86%
Covered Employee Payroll	\$ 8,589,881	\$ 7,126,823	\$ 6,819,015	\$ 6,230,594	\$ 6,433,749	\$ 6,368,689	\$ 6,221,439	\$ 5,942,362	\$ 5,927,328	\$ 5,597,405
Net Pension Liability as a Percentage of Covered Employee Payroll	248.69%	294.37%	315.28%	272.10%	255.73%	252.80%	268.20%	240.36%	253.72%	275.98%

CITY OF TRAVERSE CITY
Required Supplementary Information
MERS Pension - General Plan
Schedule of Contributions

Fiscal year end June 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Valuation Covered Payroll	Actual Contribution as a % of Covered Payroll
2016	\$ 975,124	\$ 975,124	\$ -	\$ 5,254,135	18.56%
2017	1,041,766	1,041,766	-	5,597,405	18.61%
2018	1,153,788	1,153,788	-	5,927,328	19.47%
2019	1,273,723	1,273,723	-	5,942,362	21.43%
2020	1,374,516	1,374,516	-	6,221,439	22.09%
2021	1,627,463	1,627,463	-	6,368,689	25.55%
2022	1,879,256	1,879,256	-	6,433,749	29.21%
2023	2,067,279	2,067,279	-	6,819,015	30.32%
2024	2,103,006	2,103,006	-	7,126,823	29.51%
2025	2,368,641	2,368,641	-	8,589,881	27.57%

Notes to schedule

Actuarial cost method	Entry age normal cost
Amortization method	Level percentage of payroll, open
Remaining amortization period	10 to 15 years depending on division status
Asset valuation method	10 year smoothed
Inflation	2.5%
Salary increases - base	3.0%
Salary increases - merit and longevity	0.0 to 6.7%
Investment rate of return	6.93%
Retirement age	Varies depending on plan adoption
Mortality	Fully generational, details available in the Appendix to the Actuarial Valuation Report

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**

	December 31,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability										
Service cost	\$ 409,889	\$ 347,633	\$ 316,301	\$ 251,797	\$ 261,413	\$ 264,001	\$ 285,497	\$ 310,387	\$ 300,475	\$ 295,317
Interest	2,621,338	2,602,696	2,537,411	2,502,605	2,386,190	2,386,419	2,370,497	2,292,239	2,276,465	2,142,935
Differences between expected and actuarial experience	430,879	(121,743)	501,584	346,956	316,198	(12,114)	(370,024)	363,115	(509,997)	363,835
Changes in assumptions	(102,878)	277,076	-	1,303,436	845,524	1,104,897	-	-	-	1,444,054
Benefit payments, including refunds	(2,536,364)	(2,517,949)	(2,423,015)	(2,311,561)	(2,233,905)	(2,130,738)	(2,021,640)	(1,930,810)	(1,818,642)	(1,715,604)
Other changes	-	-	-	-	-	7,402	(300)	1,448	-	(759)
Net change in total pension liability	822,864	587,713	932,281	2,093,233	1,575,420	1,619,867	264,030	1,036,379	248,301	2,529,778
Total pension liability, beginning of year	37,572,123	36,984,410	36,052,129	33,958,896	32,383,476	30,763,609	30,499,579	29,463,200	29,214,899	26,685,121
Total pension liability, end of year	38,394,987	37,572,123	36,984,410	36,052,129	33,958,896	32,383,476	30,763,609	30,499,579	29,463,200	29,214,899
Plan fiduciary net position										
Contribution - employer	1,515,001	2,082,539	2,681,471	2,551,769	2,471,828	2,403,450	2,395,423	2,253,396	1,564,302	858,331
Net investment income (loss)	2,040,482	2,800,706	(2,882,548)	3,145,898	3,099,212	2,532,810	(760,557)	2,200,228	1,686,136	(234,339)
Administrative expenses	(60,472)	(59,588)	(51,839)	(39,507)	(43,213)	(43,690)	(37,098)	(34,750)	(33,363)	(34,767)
Benefit payments, including refunds	(2,536,364)	(2,517,949)	(2,423,015)	(2,311,561)	(2,233,902)	(2,130,737)	(2,021,640)	(1,930,809)	(1,818,642)	(1,715,604)
Net change in plan fiduciary net position	958,647	2,305,708	(2,675,931)	3,346,599	3,293,925	2,761,833	(423,872)	2,488,065	1,398,433	(1,126,379)
Plan fiduciary net position, beginning of year	27,594,783	25,289,075	27,965,006	24,618,407	21,324,482	18,562,649	18,986,521	16,498,456	15,100,023	16,226,402
Plan fiduciary net position, end of year	28,553,430	27,594,783	25,289,075	27,965,006	24,618,407	21,324,482	18,562,649	18,986,521	16,498,456	15,100,023
Net pension liability	\$ 9,841,557	\$ 9,977,340	\$ 11,695,335	\$ 8,087,123	\$ 9,340,489	\$ 11,058,994	\$ 12,200,960	\$11,513,058	\$ 12,964,744	\$ 14,114,876
Plan fiduciary net position as a percent of total pension liability	74.37%	73.44%	68.38%	77.57%	72.49%	65.85%	60.34%	62.25%	56.00%	51.69%
Covered employee payroll	\$ 3,554,386	\$ 3,008,483	\$ 2,697,151	\$ 2,351,541	\$ 2,369,118	\$ 2,412,833	\$ 2,679,680	\$ 2,883,420	\$ 2,728,607	\$ 2,736,729
Net pension liability as a percent of covered employee payroll	276.88%	331.64%	433.62%	343.91%	394.26%	458.34%	455.31%	399.28%	475.14%	515.76%

TRAVERSE CITY LIGHT AND POWER

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

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially determined contribution										
Contribution in relation to the actuarially determined contribution	\$ 1,694,236	\$ 1,343,619	\$ 2,850,241	\$ 2,548,975	\$ 2,556,504	\$ 2,382,248	\$ 1,113,276	\$ 1,110,648	\$ 944,388	\$ 891,939
	(1,694,236)	(1,343,619)	(2,850,241)	(2,548,975)	(2,556,504)	(2,382,248)	(2,428,720)	(2,356,392)	(2,202,960)	(891,939)
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>(1,315,444)</u>	<u>(1,245,744)</u>	<u>(1,258,572)</u>	<u>-</u>
Covered employee payroll	\$ 3,554,386	\$ 3,008,483	\$ 2,697,151	\$ 2,351,541	\$ 2,369,118	\$ 2,412,833	\$ 2,680,970	\$ 2,947,185	\$ 2,862,491	\$ 2,866,124
Contribution as a percentage of covered employee payroll	47.67%	44.66%	105.68%	108.40%	107.91%	98.73%	41.53%	37.69%	32.99%	31.12%
Notes to schedule										
Actuarial cost method	Entry Age									
Amortization method	Level percentage of payroll, open									
Remaining amortization period	15 years									
Asset valuation method	5 year smoothed (10 year smoothing 2014)									
Inflation	2.5% (3.5% 2014)									
Salary increases	3.00% to 14.5% (3.75% in 2023)									
Investment rate of return	7.00% (7.35% 2023)									
Retirement age	Varies depending on plan adoption									
Mortality	RP-2014 mortality tables of a 50% Male and 50% Female blend (50% female/50% male 1994 group annuity mortality table 2014)									

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

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

Fiscal year ending June 30,	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability								
Service Cost	\$ 8,968	\$ 10,027	\$ 10,893	\$ 15,946	\$ 18,227	\$ 3,016	\$ 3,206	\$ 3,260
Interest on the total OPEB liability	88,006	91,107	94,129	95,829	68,449	80,100	80,728	118,583
Benefit changes	-	-	-	-	-	-	-	-
Difference between expected and actual experience	(85,990)	(3,744)	(8,537)	15,783	394,671	-	-	25,684
Assumption changes	1,640	-	5,032	-	54,336	13,606	(9,606)	40,303
Benefits paid and refunds	(143,543)	(138,787)	(149,704)	(148,932)	(137,871)	(110,685)	(132,031)	(149,325)
Other changes	-	-	-	-	-	(71,714)	38,658	(551,889)
Net change in Total Pension Liability	(130,919)	(41,397)	(48,187)	(21,374)	397,812	(85,677)	(19,045)	(513,384)
Total OPEB Liability - Beginning	1,324,517	1,365,914	1,414,101	1,435,475	1,037,663	1,123,340	1,142,385	1,655,769
Total OPEB Liability- Ending (a)	\$ 1,193,598	\$ 1,324,517	\$ 1,365,914	\$ 1,414,101	\$ 1,435,475	\$ 1,037,663	\$ 1,123,340	\$ 1,142,385
Plan Fiduciary Net Position								
Employer contributions	\$ 31,114	\$ 16,929	\$ 12,611	\$ 11,772	\$ 16,997	\$ 2,670	\$ 106	\$ 11,000
Plan net investment income	186,296	169,506	162,817	(195,892)	523,209	43,205	55,269	123,862
Difference between expected and actual experience	-	-	-	-	-	(106,929)	(98,770)	(20,724)
Benefit payments and refunds	(143,543)	(138,787)	(149,704)	(148,932)	(137,871)	(110,685)	(132,031)	(149,325)
Pension plan administrative expense	(4,176)	(4,168)	(4,115)	(4,270)	(3,848)	(3,333)	(3,716)	(4,157)
Other	-	-	-	-	-	106,928	120,953	142,932
Net Change in Plan Fiduciary Net Position	69,691	43,480	21,609	(337,322)	398,487	(68,144)	(58,189)	103,588
Plan Fiduciary Net Position - Beginning	2,093,961	2,050,481	2,028,872	2,366,194	1,967,707	2,035,851	2,094,040	1,990,449
Plan Fiduciary Net Position - Ending (b)	\$ 2,163,652	\$ 2,093,961	\$ 2,050,481	\$ 2,028,872	\$ 2,366,194	\$ 1,967,707	\$ 2,035,851	\$ 2,094,037
Net OPEB Liability (Asset) - Ending (a)-(b)	\$ (970,054)	\$ (769,444)	\$ (684,567)	\$ (614,771)	\$ (930,719)	\$ (930,044)	\$ (912,511)	\$ (951,652)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	181.27%	158.09%	150.12%	143.47%	164.84%	189.63%	181.23%	183.30%
Covered Employee Payroll	\$ 673,877	\$ 1,534,743	\$ 1,018,199	\$ 1,129,272	\$ 1,477,292	\$ 1,665,544	\$ 1,697,155	\$ 1,827,405
Net OPEB Liability as a Percentage of Covered Employee Payroll	-143.95%	-50.14%	-67.23%	-54.44%	-63.00%	-55.84%	-53.77%	-52.08%

CITY OF TRAVERSE CITY
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,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2018	\$ -	\$ 11,000	\$ (11,000)	\$ 1,827,405	0.60%
2019	-	106	(106)	1,697,155	0.01%
2020	-	2,670	(2,670)	1,665,544	0.16%
2021	-	16,997	(16,997)	1,477,292	1.15%
2022	-	11,772	(11,772)	1,129,272	1.04%
2023	-	12,611	(12,611)	1,018,199	1.24%
2024	-	16,929	(16,929)	1,534,743	1.10%
2025	-	31,114	(31,114)	673,877	4.62%

Notes to Schedule of Contributions

Based on the City's funding policy and the scope of the valuation, no actuarially determined employer contribution is required in connection with the most recent valuation of the plan. Based on the provisions of GASB Statement # 74, paragraph 36©, this schedule is not required. However based on Michigan Dept. of Treasury Numbered Letter 2018-3 issued September 28, 2018, local units of government that sponsor retiree health plans subject to PA 202 of 2017 are required to include an actuarially determined contribution in their audited financial statements.

	PA 202	Valuation Assumptions used	Uniform Assumptions used
Investment rate of return discount rate	maximum of 7.00%	7.00%	7.00%
Salary increase	Minimum of 3.65% or based on experience study within last 5 years	3.00% + merit and longevity (based on experience study issued February 3, 2025 by current MERS pension actuary	3.00% + merit and longevity (based on experience study issued February 3, 2025 by current MERS pension actuary
Mortality	Aversion of Pub-2010 mortality tables with future mortality improvement projected generatoinally using scale MP-2021 or based on an experience study within last 5 years	A version of Pub-2010 mortality tables with generational mortality improvement using scale MP- 2021 (based on experience study issued February 3, 2025 by current MERS pension	A version of Pub-2010 mortality tables with generational mortality improvement using scale MP- 2021 (based on experience study issued February 3, 2025 by current MERS pension
Healthcare inflation	Non-Medicare: Initial rate of 7.5% decreasing 0.25% per to a 4.0% long-term rate. Medicare: Initial rate of 5.75% decreasing 0.25% per year to a 4.5% long-term rate.	Non-Medicare: Initial rate of 7.25% decreasing to a 3.5% long-term rate in year 15. Medicare: initial rate of 6.5% decreasing to a 3.5% long-term rate in year 15.	Non-Medicare: initial rate of 7.5% decreasing .25% per year to a 4.5% long-term rate. Medicare: initial rate of 5.75% decreasing .25% per year to a 4.5% long-term rate.
Amortization of the Unfunded accrued Actuarial Liability:			
Period	24 years	24 years	24 years
Method	closed plans: Level dollar. Open Plans: Level percent of payroll or level dollar	level dollar	level dollar
Type	closed	closed	closed
Actuarially Determined Contribution using uniform assumptions	\$ -	\$ -	\$ -

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

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

<u>FY Ending June 30,</u>	<u>Annual Return *</u>
2018	7.22%
2019	3.04%
2020	2.32%
2021	27.19%
2022	(8.71)%
2023	8.09%
2024	8.32%
2025	8.99%

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

CITY OF TRAVERSE CITY
Required Supplementary Information
Traverse City Light and Power
Other Post Employment Benefit Trust Fund
Schedule of Changes in Net OPEB Liability and Related Ratios

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

Fiscal year ending June 30,	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability								
Service Cost	\$ 37,756	\$ 32,788	\$ 30,505	\$ 27,928	\$ 24,167	\$ 3,615	\$ 3,363	\$ 2,852
Interest on the total OPEB liability	374,117	403,760	398,670	362,322	361,942	400,451	390,609	406,878
Difference between expected and actual experience	-	(520,370)	-	553,716	-	(104,468)	-	(269,497)
Assumption changes	-	46,525	-	(87,492)	-	(449,662)	-	28,187
Benefits paid and refunds	(351,844)	(364,133)	(358,396)	(385,277)	(376,806)	(349,982)	(350,628)	(342,038)
Other changes	-	-	-	-	-	-	87,555	(38,996)
Net change in Total Pension Liability	60,029	(401,430)	70,779	471,197	9,303	(500,046)	130,899	(212,614)
Total OPEB Liability - Beginning	5,164,141	5,565,571	5,494,792	5,023,595	5,014,292	5,514,338	5,383,439	5,596,053
Total OPEB Liability- Ending (a)	\$ 5,224,170	\$ 5,164,141	\$ 5,565,571	\$ 5,494,792	\$ 5,023,595	\$ 5,014,292	\$ 5,514,338	\$ 5,383,439
Plan Fiduciary Net Position								
Employer contributions	\$ 64,460	\$ 159,894	\$ 455,138	\$ 467,997	\$ 515,224	\$ 514,424	\$ -	\$ 229,388
Pension plan net investment income	507,862	496,569	340,966	(424,666)	1,061,721	64,798	78,435	191,582
Difference between expected and actual experience	-	-	-	-	-	-	(161,940)	-
Benefits paid and refunds	(351,844)	(364,133)	(358,396)	(385,277)	(376,806)	(349,982)	-	-
Other changes	-	-	-	-	-	-	357,118	-
Pension plan administrative expense	-	-	-	-	-	(5,048)	(5,561)	(6,220)
Net Change in Plan Fiduciary Net Position	220,478	292,330	437,708	(341,946)	1,200,139	224,192	268,052	414,750
Plan Fiduciary Net Position - Beginning	5,424,359	5,132,029	4,694,321	5,036,267	3,836,128	3,611,936	3,343,884	2,929,134
Plan Fiduciary Net Position - Ending (b)	\$ 5,644,837	\$ 5,424,359	\$ 5,132,029	\$ 4,694,321	\$ 5,036,267	\$ 3,836,128	\$ 3,611,936	\$ 3,343,884
Net OPEB Liability (asset) - Ending (a)-(b)	\$ (420,667)	\$ (260,218)	\$ 433,542	\$ 800,471	\$ (12,672)	\$ 1,178,164	\$ 1,902,402	\$ 2,039,555
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	108.05%	105.04%	92.21%	85.43%	100.25%	76.50%	65.50%	62.11%
Covered Employee Payroll	\$ 2,402,716	\$ 2,306,425	\$ 2,836,094	\$ 2,283,935	\$ 2,334,263	\$ 2,198,312	\$ 2,680,970	\$ 2,837,222
Net OPEB (Asset) Liability as a Percentage of Covered Employee Payroll	-17.51%	-11.28%	15.29%	35.05%	-0.54%	53.59%	70.96%	71.89%

CITY OF TRAVERSE CITY
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.

FY Ending June 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2018	\$ 175,757	\$ 229,388	\$ (53,631)	\$ 2,837,222	6.19%
2019	175,757	175,757	-	2,680,970	6.56%
2020	164,442	164,442	-	2,198,312	7.48%
2021	138,418	138,418	-	2,334,263	5.93%
2022	82,720	82,720	-	2,283,395	3.62%
2023	96,742	96,742	-	2,836,094	3.41%
2024	65,071	65,071	-	2,306,425	2.82%
2025	10,443	10,443	-	2,402,716	0.43%

Notes to Schedule

Actuarial cost method	Entry Age Normal
Amortization method	Straight Line
Remaining amortization period	4.45
Asset valuation method	Market Value
Inflation	2.25%
Salary increases	3.00%
Investment rate of return	7.50%
Retirement age	Varies depending on retirement plan
Mortality	MP-2019 Combined Annuitant Mortality Table for males and females
Health Care Trend rates	-10.51 to 6.50%

State of Michigan PA 202 information

Actuarially recommended contributions in accordance with
State PA 202 \$ 182,943

State of Michigan PA 202 assumptions, if different from GASB:

Mortality - Public Employee and Police, headcount weighted, MP-2018
Expected asset return - 6.85%
Expected salary increase - 3.0%
Effective discount rate - 6.85%

Non-Medicare: initial rate of 7.5% decreasing to a 3.5% long-term rate in year 12. Medicare:
initial rate of 6.25% decreasing to a 3.5% long-term rate in year 12.

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

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

<u>FY Ending June 30,</u>	<u>Annual Return *</u>
2017	20.50%
2018	5.90%
2019	2.60%
2020	1.83%
2021	24.10%
2022	-8.73%
2023	13.54%
2024	9.63%
2025	9.12%

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

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget (GAAP Basis) and Actual
General Fund
For the Year Ended June 30, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 14,902,000	\$ 15,251,400	\$ 15,576,761	\$ 325,361
Licenses and permits	1,229,600	1,231,900	1,269,777	37,877
Federal sources	100,000	116,961	197,459	80,498
State sources	2,342,500	2,406,150	2,373,009	(33,141)
Local sources	2,089,900	2,089,900	2,189,200	99,300
Charges for services	531,900	531,900	520,823	(11,077)
Ordinance fees and fines	42,500	42,500	26,794	(15,706)
Contributions	60,600	60,600	33,502	(27,098)
Reimbursements	939,400	939,400	1,181,389	241,989
Investment income	258,900	258,900	785,950	527,050
Change in fair value of investments	-	-	395,928	395,928
Other revenue	234,200	253,100	197,559	(55,541)
Total revenues	22,731,500	23,182,711	24,748,151	1,565,440
Expenditures				
General government	7,369,400	7,876,100	7,353,601	522,499
Public safety	9,884,700	9,984,211	9,519,857	464,354
Public works	2,325,100	2,370,100	2,054,333	315,767
Recreation and culture	2,444,200	2,600,800	2,527,487	73,313
Capital Outlay	85,000	160,000	135,587	24,413
Total expenditures	22,108,400	22,991,211	21,590,865	1,400,346
Excess (deficiency) of revenue over expenditures	623,100	191,500	3,157,286	2,965,786
Other financing sources (uses)				
Transfers in	1,408,000	1,665,400	1,892,187	226,787
Transfers out	(3,216,700)	(5,988,600)	(5,646,703)	341,897
Total other financing sources (uses)	(1,808,700)	(4,323,200)	(3,754,516)	568,684
Net change in fund balance	(1,185,600)	(4,131,700)	(597,230)	3,534,470
Fund balance, beginning of year	15,003,318	15,003,318	15,003,318	-
Fund balance, end of year	\$ 13,817,718	\$ 10,871,618	\$ 14,406,088	\$ 3,534,470

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget (GAAP Basis) and Actual
Major Streets Special Revenue Fund
For the Year Ended June 30, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
State sources	\$ 2,062,500	\$ 2,062,500	\$ 1,997,874	\$ (64,626)
Interest income	8,000	8,000	46,398	38,398
Change in fair value of investments	-	-	-	-
Total revenues	<u>2,070,500</u>	<u>2,070,500</u>	<u>2,044,272</u>	<u>(26,228)</u>
Expenditures				
Public works				
Personnel	623,000	623,000	725,679	(102,679)
Commodities	139,400	139,400	171,090	(31,690)
Contractual services	422,900	422,900	275,033	147,867
Other charges	708,800	708,800	836,007	(127,207)
Total expenditures	<u>1,894,100</u>	<u>1,894,100</u>	<u>2,007,809</u>	<u>(113,709)</u>
Net change in fund balance	<u>176,400</u>	<u>176,400</u>	<u>36,463</u>	<u>(139,937)</u>
Fund balance, beginning of year	<u>1,816,900</u>	<u>1,816,900</u>	<u>1,816,900</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 1,993,300</u></u>	<u><u>\$ 1,993,300</u></u>	<u><u>\$ 1,853,363</u></u>	<u><u>\$ (139,937)</u></u>

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget (GAAP Basis) and Actual
Local Streets Special Revenue Fund
For the Year Ended June 30, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
State sources	\$ 672,400	\$ 672,400	\$ 673,249	\$ 849
Reimbursements	-	-	383	383
Total revenues	<u>672,400</u>	<u>672,400</u>	<u>673,632</u>	<u>1,232</u>
Expenditures				
Public works				
Personnel	653,200	653,200	645,914	7,286
Contractual services	305,000	305,000	142,070	162,930
Commodities	105,000	105,000	122,913	(17,913)
Other charges	525,000	525,000	554,729	(29,729)
Total expenditures	<u>1,588,200</u>	<u>1,588,200</u>	<u>1,465,626</u>	<u>122,574</u>
(Deficiency) of revenue over expenditures	(915,800)	(915,800)	(791,994)	123,806
Other financing sources (uses)				
Transfer in	915,800	915,800	810,580	(105,220)
Net change in fund balance	<u>-</u>	<u>-</u>	<u>18,586</u>	<u>18,586</u>
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,586</u>	<u>\$ 18,586</u>

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended June 30, 2025

I. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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 ending June 30, 2025, actual expenditures in the General Operating Fund City GIS Department exceeded final appropriations by \$6,074 and the Cemetery Department by \$1,762. These amounts are related to an underestimate of personnel related costs and contractual services during the year end budget review process. Overall, the General Operating Fund's total actual expenditures and transfers out were lower than the total amended budget expenditures and transfers out by \$1,399,386. The Major Street Fund expenditures exceeded budgeted amounts by \$113,709 due to underestimated year end allocated payroll and equipment rental expenditures, overall, the actual net change in fund balance was \$36,463.

OTHER SUPPLEMENTARY INFORMATION

CITY OF TRAVERSE CITY
Schedule of GASB 54 Consolidation
Budget (GAAP Basis) and Actual
For the Year Ended June 30, 2025

	General Fund				Budget Stabilization			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues								
Property taxes	\$ 14,902,000	\$ 15,251,400	\$ 15,576,761	\$ 325,361	\$ -	\$ -	\$ -	\$ -
Licenses and permits	1,229,600	1,231,900	1,269,777	37,877	-	-	-	-
Federal sources	100,000	116,961	197,459	80,498	-	-	-	-
State sources	2,342,500	2,406,150	2,373,009	(33,141)	-	-	-	-
Local sources	2,074,500	2,074,500	2,169,845	95,345	-	-	-	-
Charges for services	230,600	230,600	277,393	46,793	-	-	-	-
Ordinance fees and fines	42,500	42,500	26,794	(15,706)	-	-	-	-
Contributions	-	-	-	-	-	-	-	-
Reimbursements	939,400	939,400	1,181,389	241,989	-	-	-	-
Interest income	200,000	200,000	698,185	498,185	31,800	31,800	31,788	(12)
Change in fair value of investments	-	-	379,465	379,465	-	-	16,463	16,463
Other revenue	234,200	253,100	197,559	(55,541)	-	-	-	-
Total revenues	22,295,300	22,746,511	24,347,636	1,601,125	31,800	31,800	48,251	16,451
Expenditures								
General government	7,306,400	7,393,100	6,875,537	517,563	-	-	-	-
Public safety	9,825,400	9,924,911	9,478,239	446,672	-	-	-	-
Public works	2,325,100	2,370,100	2,054,333	315,767	-	-	-	-
Recreation and culture	2,032,800	2,047,800	2,037,401	10,399	-	-	-	-
Capital outlay	85,000	145,000	135,587	9,413	-	-	-	-
Total expenditures	21,574,700	21,880,911	20,581,097	1,299,814	-	-	-	-
Excess (deficiency) of revenue over expenditures	720,600	865,600	3,766,539	2,900,939	31,800	31,800	48,251	16,451
Other financing sources (uses)								
Transfers in	1,319,400	1,319,400	1,539,122	219,722	-	242,400	242,400	-
Transfers out	(3,184,900)	(5,714,400)	(5,614,828)	99,572	(31,800)	(274,200)	(31,875)	242,325
Total other financing sources (uses)	(1,865,500)	(4,395,000)	(4,075,706)	319,294	(31,800)	(31,800)	210,525	242,325
Net change in fund balance	(1,144,900)	(3,529,400)	(309,167)	3,220,233	-	-	258,776	258,776
Fund balance, beginning of year	10,575,777	10,575,777	10,575,777	-	757,607	757,607	757,607	-
Fund balance, end of year	\$ 9,430,877	\$ 7,046,377	\$ 10,266,610	\$ 3,220,233	\$ 757,607	\$ 757,607	\$ 1,016,383	\$ 258,776

CITY OF TRAVERSE CITY
Schedule of GASB 54 Consolidation
Budget (GAAP Basis) and Actual
For the Year Ended June 30, 2025

	Hazmat				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	-	-	-	-	-	-	-	-
Local sources	15,400	15,400	19,355	3,955	-	-	-	-
Charges for services	900	900	-	(900)	51,200	51,200	49,700	(1,500)
Ordinance fees and fines	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	-	-	-
Reimbursements	-	-	-	-	-	-	-	-
Interest income	-	-	-	-	-	-	-	-
Change in fair value of investments	-	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-	-
Total revenues	<u>16,300</u>	<u>16,300</u>	<u>19,355</u>	<u>3,055</u>	<u>51,200</u>	<u>51,200</u>	<u>49,700</u>	<u>(1,500)</u>
Expenditures								
General government	-	-	-	-	-	-	-	-
Public safety	58,800	58,800	41,618	17,182	-	-	-	-
Public works	-	-	-	-	-	-	-	-
Recreation and culture	-	-	-	-	91,000	167,600	158,886	8,714
Capital outlay	-	-	-	-	-	-	-	-
Total expenditures	<u>58,800</u>	<u>58,800</u>	<u>41,618</u>	<u>17,182</u>	<u>91,000</u>	<u>167,600</u>	<u>158,886</u>	<u>8,714</u>
Excess (deficiency) of revenue over expenditures	<u>(42,500)</u>	<u>(42,500)</u>	<u>(22,263)</u>	<u>20,237</u>	<u>(39,800)</u>	<u>(116,400)</u>	<u>(109,186)</u>	<u>7,214</u>
Other financing sources (uses)								
Transfers in	-	-	-	-	58,600	58,600	58,600	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>58,600</u>	<u>58,600</u>	<u>58,600</u>	<u>-</u>
Net change in fund balance	<u>(42,500)</u>	<u>(42,500)</u>	<u>(22,263)</u>	<u>20,237</u>	<u>18,800</u>	<u>(57,800)</u>	<u>(50,586)</u>	<u>7,214</u>
Fund balance, beginning of year	<u>47,425</u>	<u>47,425</u>	<u>47,425</u>	<u>-</u>	<u>125,054</u>	<u>125,054</u>	<u>125,054</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 4,925</u></u>	<u><u>\$ 4,925</u></u>	<u><u>\$ 25,162</u></u>	<u><u>\$ 20,237</u></u>	<u><u>\$ 143,854</u></u>	<u><u>\$ 67,254</u></u>	<u><u>\$ 74,468</u></u>	<u><u>\$ 7,214</u></u>

CITY OF TRAVERSE CITY
Schedule of GASB 54 Consolidation
Budget (GAAP Basis) and Actual
For the Year Ended June 30, 2025

	Coast Guard Committee				County Senior Center			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Local sources	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Ordinance fees and fines	-	-	-	-	-	-	-	-
Contributions	200	200	-	(200)	43,700	43,700	32,302	(11,398)
Reimbursements	-	-	-	-	-	-	-	-
Interest income	-	-	-	-	-	-	16,680	16,680
Change in fair value of investments	-	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-	-
Total revenues	<u>200</u>	<u>200</u>	<u>-</u>	<u>(200)</u>	<u>43,700</u>	<u>43,700</u>	<u>48,982</u>	<u>5,282</u>
Expenditures								
General government	-	-	-	-	-	-	-	-
Public safety	500	500	-	500	-	-	-	-
Public works	-	-	-	-	-	-	-	-
Recreation and culture	-	-	-	-	43,700	73,700	63,533	10,167
Capital outlay	-	-	-	-	-	-	-	-
Total expenditures	<u>500</u>	<u>500</u>	<u>-</u>	<u>500</u>	<u>43,700</u>	<u>73,700</u>	<u>63,533</u>	<u>10,167</u>
Excess (deficiency) of revenue over expenditures	<u>(300)</u>	<u>(300)</u>	<u>-</u>	<u>300</u>	<u>-</u>	<u>(30,000)</u>	<u>(14,551)</u>	<u>15,449</u>
Other financing sources (uses)								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>(300)</u>	<u>(300)</u>	<u>-</u>	<u>300</u>	<u>-</u>	<u>(30,000)</u>	<u>(14,551)</u>	<u>15,449</u>
Fund balance, beginning of year	<u>6,164</u>	<u>6,164</u>	<u>6,164</u>	<u>-</u>	<u>853,210</u>	<u>853,210</u>	<u>853,210</u>	<u>-</u>
Fund balance, end of year	<u>\$ 5,864</u>	<u>\$ 5,864</u>	<u>\$ 6,164</u>	<u>\$ 300</u>	<u>\$ 853,210</u>	<u>\$ 823,210</u>	<u>\$ 838,659</u>	<u>\$ 15,449</u>

CITY OF TRAVERSE CITY
Schedule of GASB 54 Consolidation
Budget (GAAP Basis) and Actual
For the Year Ended June 30, 2025

	Brown Bridge Maintenance				Opera House			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Local sources	-	-	-	-	-	-	-	-
Charges for services	106,800	106,800	103,172	(3,628)	142,400	142,400	90,558	(51,842)
Ordinance fees and fines	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	-	-	-
Reimbursements	-	-	-	-	-	-	-	-
Interest income	2,500	2,500	15,712	13,212	-	-	-	-
Change in fair value of investments	-	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-	-
Total revenues	<u>109,300</u>	<u>109,300</u>	<u>118,884</u>	<u>9,584</u>	<u>142,400</u>	<u>142,400</u>	<u>90,558</u>	<u>(51,842)</u>
Expenditures								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-
Recreation and culture	80,800	80,800	70,647	10,153	128,200	163,200	183,498	(20,298)
Capital outlay	-	-	-	-	-	-	-	-
Total expenditures	<u>80,800</u>	<u>80,800</u>	<u>70,647</u>	<u>10,153</u>	<u>128,200</u>	<u>163,200</u>	<u>183,498</u>	<u>(20,298)</u>
Excess (deficiency) of revenue over expenditures	<u>28,500</u>	<u>28,500</u>	<u>48,237</u>	<u>19,737</u>	<u>14,200</u>	<u>(20,800)</u>	<u>(92,940)</u>	<u>(72,140)</u>
Other financing sources (uses)								
Transfers in	-	-	7,065	7,065	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>7,065</u>	<u>7,065</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>28,500</u>	<u>28,500</u>	<u>55,302</u>	<u>26,802</u>	<u>14,200</u>	<u>(20,800)</u>	<u>(92,940)</u>	<u>(72,140)</u>
Fund balance, beginning of year	<u>345,125</u>	<u>345,125</u>	<u>345,125</u>	<u>-</u>	<u>206,654</u>	<u>206,654</u>	<u>206,654</u>	<u>-</u>
Fund balance, end of year	<u>\$ 373,625</u>	<u>\$ 373,625</u>	<u>\$ 400,427</u>	<u>\$ 26,802</u>	<u>\$ 220,854</u>	<u>\$ 185,854</u>	<u>\$ 113,714</u>	<u>\$ (72,140)</u>

CITY OF TRAVERSE CITY
Schedule of GASB 54 Consolidation
Budget (GAAP Basis) and Actual
For the Year Ended June 30, 2025

	Banner Program				Economic Development			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Local sources	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Ordinance fees and fines	-	-	-	-	-	-	-	-
Contributions	1,700	1,700	1,200	(500)	-	-	-	-
Reimbursements	-	-	-	-	-	-	-	-
Interest income	-	-	-	-	23,600	23,600	23,585	(15)
Change in fair value of investments	-	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-	-
Total revenues	<u>1,700</u>	<u>1,700</u>	<u>1,200</u>	<u>(500)</u>	<u>23,600</u>	<u>23,600</u>	<u>23,585</u>	<u>(15)</u>
Expenditures								
General government	-	-	-	-	63,000	483,000	478,064	4,936
Public safety	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-
Recreation and culture	1,700	1,700	-	1,700	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Total expenditures	<u>1,700</u>	<u>1,700</u>	<u>-</u>	<u>1,700</u>	<u>63,000</u>	<u>483,000</u>	<u>478,064</u>	<u>4,936</u>
Excess (deficiency) of revenue over expenditures	<u>-</u>	<u>-</u>	<u>1,200</u>	<u>1,200</u>	<u>(39,400)</u>	<u>(459,400)</u>	<u>(454,479)</u>	<u>4,921</u>
Other financing sources (uses)								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>1,200</u>	<u>1,200</u>	<u>(39,400)</u>	<u>(459,400)</u>	<u>(454,479)</u>	<u>4,921</u>
Fund balance, beginning of year	<u>10,145</u>	<u>10,145</u>	<u>10,145</u>	<u>-</u>	<u>1,922,067</u>	<u>1,922,067</u>	<u>1,922,067</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 10,145</u></u>	<u><u>\$ 10,145</u></u>	<u><u>\$ 11,345</u></u>	<u><u>\$ 1,200</u></u>	<u><u>\$ 1,882,667</u></u>	<u><u>\$ 1,462,667</u></u>	<u><u>\$ 1,467,588</u></u>	<u><u>\$ 4,921</u></u>

	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	\$ -	\$ -	\$ -	\$ -	\$ 14,902,000	\$ 15,251,400	\$ 15,576,761	\$ 325,361
Licenses and permits	-	-	-	-	1,229,600	1,231,900	1,269,777	37,877
Federal sources	-	-	-	-	100,000	116,961	197,459	80,498
State sources	-	-	-	-	2,342,500	2,406,150	2,373,009	(33,141)
Local sources	-	-	-	-	2,089,900	2,089,900	2,189,200	99,300
Charges for services	-	-	-	-	531,900	531,900	520,823	(11,077)
Ordinance fees and fines	-	-	-	-	42,500	42,500	26,794	(15,706)
Contributions	15,000	15,000	-	(15,000)	60,600	60,600	33,502	(27,098)
Reimbursements	-	-	-	-	939,400	939,400	1,181,389	241,989
Interest income	1,000	1,000	-	(1,000)	258,900	258,900	785,950	527,050
Change in fair value of investments	-	-	-	-	-	-	395,928	395,928
Other revenue	-	-	-	-	234,200	253,100	197,559	(55,541)
Total revenues	16,000	16,000	-	(16,000)	22,731,500	23,182,711	24,748,151	1,565,440
Expenditures								
General government	-	-	-	-	7,369,400	7,876,100	7,353,601	522,499
Public safety	-	-	-	-	9,884,700	9,984,211	9,519,857	464,354
Public works	-	-	-	-	2,325,100	2,370,100	2,054,333	315,767
Recreation and culture	66,000	66,000	13,522	52,478	2,444,200	2,600,800	2,527,487	73,313
Capital outlay	-	15,000	-	15,000	85,000	160,000	135,587	24,413
Total expenditures	66,000	81,000	13,522	67,478	22,108,400	22,991,211	21,590,865	1,400,346
Excess (deficiency) of revenue over expenditures	(50,000)	(65,000)	(13,522)	51,478	623,100	191,500	3,157,286	2,965,786
Other financing sources (uses)								
Transfers in	30,000	45,000	45,000	-	1,408,000	1,665,400	1,892,187	226,787
Transfers out	-	-	-	-	(3,216,700)	(5,988,600)	(5,646,703)	341,897
Total other financing sources (uses)	30,000	45,000	45,000	-	(1,808,700)	(4,323,200)	(3,754,516)	568,684
Net change in fund balance	(20,000)	(20,000)	31,478	51,478	(1,185,600)	(4,131,700)	(597,230)	3,534,470
Fund balance, beginning of year	154,090	154,090	154,090	-	15,003,318	15,003,318	15,003,318	-
Fund balance, end of year	\$ 134,090	\$ 134,090	\$ 185,568	\$ 51,478	\$ 13,817,718	\$ 10,871,618	\$ 14,406,088	\$ 3,534,470

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Revenues
Budget (GAAP Basis) and Actual
General Fund before GASB 54 Consolidation
For the Year Ended June 30, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Property taxes				
Real estate and personal property	\$ 14,384,200	\$ 14,733,600	\$ 15,077,689	\$ 344,089
Collection fees	352,800	352,800	378,166	25,366
Penalties and interest on taxes	165,000	165,000	120,906	(44,094)
Total property taxes	14,902,000	15,251,400	15,576,761	325,361
Licenses and permits				
Business	1,145,700	1,145,700	1,200,292	54,592
Nonbusiness	83,900	86,200	69,485	(16,715)
Total licenses and permits	1,229,600	1,231,900	1,269,777	37,877
Federal sources	100,000	116,961	197,459	80,498
State sources				
State - shared revenues				
Sales and use tax	1,945,600	1,945,600	1,915,637	(29,963)
Liquor licenses	53,000	53,000	45,529	(7,471)
Other state	343,900	407,550	411,843	4,293
Total state sources	2,342,500	2,406,150	2,373,009	(33,141)
Local sources				
City fee - Component Units	2,074,500	2,074,500	2,169,845	95,345
Charges for services				
General fees and services	53,000	53,000	67,073	14,073
Use and admission fees	177,600	177,600	210,320	32,720
Total charges for services	230,600	230,600	277,393	46,793
Ordinance fees and fines	42,500	42,500	26,794	(15,706)
Reimbursements	939,400	939,400	1,181,389	241,989
Investment related income (loss)				
Interest income	200,000	200,000	698,185	498,185
Change in fair value of investments	-	-	379,465	379,465
Total investment related income (loss)	200,000	200,000	1,077,650	877,650
Other revenue				
Rents and royalties	101,200	101,200	98,215	(2,985)
Contributions	112,000	130,900	53,926	(76,974)
Sale of assets	-	-	8	8
Other	21,000	21,000	45,410	24,410
Total other revenue	234,200	253,100	197,559	(55,541)
Total revenues	\$ 22,295,300	\$ 22,746,511	\$ 24,347,636	\$ 1,601,125

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Expenditures
Budget (GAAP Basis) and Actual
General Fund before GASB 54 Consolidation
For the Year Ended June 30, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
General government				
City Commission				
Personnel	\$ 66,000	\$ 66,000	\$ 69,396	\$ (3,396)
Commodities	700	1,100	1,233	(133)
Contractual services	240,000	239,900	197,665	42,235
Other charges	1,900	1,600	1,552	48
Total City Commission	308,600	308,600	269,846	38,754
City Manager's Office				
Personnel	527,300	527,300	502,788	24,512
Commodities	10,000	9,963	4,676	5,287
Contractual services	48,000	47,000	67,312	(20,312)
Other charges	6,700	7,737	8,355	(618)
Total City Manager's Office	592,000	592,000	583,131	8,869
Human Resources				
Personnel	380,000	380,000	378,561	1,439
Commodities	20,000	20,000	13,960	6,040
Contractual services	60,300	59,520	40,926	18,594
Other charges	3,500	4,280	4,279	1
Total Human Resources	463,800	463,800	437,726	26,074
Geographic Information Systems				
Personnel	139,200	269,200	216,412	52,788
Commodities	3,000	5,000	3,885	1,115
Contractual services	70,700	68,700	129,472	(60,772)
Other charges	1,000	1,000	205	795
Total Geographic Information Systems	213,900	343,900	349,974	(6,074)
City Attorney's Office				
Personnel	354,400	354,400	366,467	(12,067)
Commodities	1,200	18,700	3,701	14,999
Contractual services	236,200	217,330	139,098	78,232
Other charges	2,500	3,370	2,607	763
Total City Attorney's Office	594,300	593,800	511,873	81,927
City Clerk's Office				
Personnel	680,400	680,400	704,011	(23,611)
Commodities	70,000	66,500	34,641	31,859
Contractual services	106,600	108,100	73,587	34,513
Other charges	68,200	70,700	23,019	47,681
Total City Clerk's Office	925,200	925,700	835,258	90,442

Continued.....

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Expenditures
Budget (GAAP Basis) and Actual
General Fund before GASB 54 Consolidation
For the Year Ended June 30, 2025

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Assessor's Office				
Personnel	\$ 460,700	\$ 460,700	\$ 427,534	\$ 33,166
Commodities	4,600	4,600	7,719	(3,119)
Contractual services	51,300	50,970	38,183	12,787
Other charges	11,800	12,130	12,956	(826)
Total Assessor's Office	<u>528,400</u>	<u>528,400</u>	<u>486,392</u>	<u>42,008</u>
Treasurer's Office				
Personnel	414,200	414,200	424,715	(10,515)
Commodities	16,600	20,600	19,092	1,508
Contractual services	127,200	122,360	89,336	33,024
Other charges	9,500	10,340	12,021	(1,681)
Total Treasurer's Office	<u>567,500</u>	<u>567,500</u>	<u>545,164</u>	<u>22,336</u>
Building and grounds				
Other charges	<u>330,400</u>	<u>275,400</u>	<u>164,093</u>	<u>111,307</u>
Planning/Zoning				
Personnel	621,800	621,800	635,574	(13,774)
Commodities	15,000	15,000	10,698	4,302
Contractual services	134,400	134,400	115,311	19,089
Other charges	32,100	34,400	18,185	16,215
Total Planning/Zoning	<u>803,300</u>	<u>805,600</u>	<u>779,768</u>	<u>25,832</u>
Cemetery				
Personnel	268,000	322,400	329,991	(7,591)
Commodities	17,500	17,500	15,711	1,789
Contractual services	38,200	38,030	31,816	6,214
Other charges	93,600	93,770	95,944	(2,174)
Total Cemetery	<u>417,300</u>	<u>471,700</u>	<u>473,462</u>	<u>(1,762)</u>
Appropriations	<u>298,500</u>	<u>253,500</u>	<u>175,702</u>	<u>77,798</u>
Contribution to defined benefit pension plan	<u>1,263,200</u>	<u>1,263,200</u>	<u>1,263,148</u>	<u>52</u>
Total general government	<u>7,306,400</u>	<u>7,393,100</u>	<u>6,875,537</u>	<u>517,563</u>
Public Safety				
Police				
Personnel	4,370,700	4,365,544	4,280,474	85,070
Commodities	156,600	178,519	148,510	30,009
Contractual services	571,500	591,129	589,004	2,125
Other charges	501,800	501,269	505,354	(4,085)
Total Police	<u>5,600,600</u>	<u>5,636,461</u>	<u>5,523,342</u>	<u>113,119</u>

Continued.....

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Expenditures
Budget (GAAP Basis) and Actual
General Fund before GASB 54 Consolidation
For the Year Ended June 30, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Fire				
Personnel	\$ 3,118,100	\$ 3,118,100	\$ 2,989,300	\$ 128,800
Commodities	218,100	279,530	218,770	60,760
Contractual services	310,900	310,900	271,424	39,476
Other charges	577,700	579,920	475,403	104,517
Total Fire	4,224,800	4,288,450	3,954,897	333,553
Total public safety	9,825,400	9,924,911	9,478,239	446,672
Public Works				
Streets, alleys and sidewalks				
Personnel	641,300	641,300	553,073	88,227
Commodities	51,500	52,500	30,359	22,141
Contractual services	213,200	211,890	163,894	47,996
Other charges	246,900	247,210	123,297	123,913
Total Streets, Alleys and Sidewalks	1,152,900	1,152,900	870,623	282,277
Engineering				
Personnel	1,026,500	1,021,500	1,025,033	(3,533)
Commodities	29,800	29,800	29,075	725
Contractual services	91,800	141,800	105,652	36,148
Other charges	24,100	24,100	23,950	150
Total Engineering	1,172,200	1,217,200	1,183,710	33,490
Total public works	2,325,100	2,370,100	2,054,333	315,767
Recreation and Culture				
Parks				
Personnel	981,700	981,700	1,010,746	(29,046)
Commodities	72,000	70,500	63,722	6,778
Contractual services	275,400	290,400	319,474	(29,074)
Other charges	703,700	705,200	643,459	61,741
Total Recreation and Culture	2,032,800	2,047,800	2,037,401	10,399
Capital outlay	85,000	145,000	135,587	9,413
Total expenditures	\$ 21,574,700	\$ 21,880,911	\$ 20,581,097	\$ 1,299,814

Concluded

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Transfers
Budget (GAAP Basis) and Actual
General Fund before GASB 54 Consolidation
For the Year Ended June 30, 2025

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Transfers in				
Brown Bridge Trust	\$ 280,000	\$ 280,000	\$ 431,871	\$ 151,871
Other funds	48,400	48,400	70,470	22,070
City fee - Proprietary Funds	991,000	991,000	1,036,781	45,781
Total Transfers In	<u><u>\$ 1,319,400</u></u>	<u><u>\$ 1,319,400</u></u>	<u><u>\$ 1,539,122</u></u>	<u><u>\$ 219,722</u></u>
Transfers out				
Local Streets	\$ 915,800	\$ 915,800	\$ 810,580	\$ 105,220
Budget Stabilization	-	242,400	242,400	-
Heritage Center	58,600	58,600	58,600	-
Public Arts Commission	30,000	45,000	45,000	-
Opera House	-	-	-	-
Sidewalk and Trail Debt Retirement	375,000	375,000	375,667	(667)
Capital Projects	1,435,500	2,623,500	2,628,481	(4,981)
Street Capital Projects	-	436,100	436,100	-
Senior Center Construction	-	648,000	648,000	-
Hickory Hills	370,000	370,000	370,000	-
Total Transfers Out	<u><u>\$ 3,184,900</u></u>	<u><u>\$ 5,714,400</u></u>	<u><u>\$ 5,614,828</u></u>	<u><u>\$ 99,572</u></u>

CITY OF TRAVERSE CITY, MICHIGAN
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2025

	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Capital Projects Funds</u>	<u>Permanent Cemetery Perpetual Care</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS					
Assets					
Cash & equity in pooled cash and investments	\$ 10,138,476	\$ 3,726	\$ 2,060,821	\$ 451,243	\$ 12,654,266
Investments	-	-	5,780	314,642	320,422
Receivables					
Accounts	25,099	-	-	-	25,099
Taxes	-	-	5,686	-	5,686
Special assessments	-	-	231,161	-	231,161
Interest	-	-	-	4,615	4,615
Due from other governments	5,400	-	-	-	5,400
Prepaid costs and other assets	1,411	-	-	-	1,411
Total assets	\$ 10,170,386	\$ 3,726	\$ 2,303,448	\$ 770,500	\$ 13,248,060
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 112,898	\$ -	\$ -	\$ -	\$ 112,898
Accrued and other liabilities	-	-	-	-	-
Due to other funds	5,400	-	-	-	5,400
Unearned revenue	339,765	-	-	-	339,765
Advance from component unit	-	-	-	-	-
Total liabilities	458,063	-	-	-	458,063
Deferred inflows of resources					
Unavailable revenue	-	-	230,981	-	230,981
Fund balances					
Nonspendable					
Cemetery perpetual care	-	-	-	770,500	770,500
Restricted					
Debt service	-	3,726	-	-	3,726
Joint planning	20,140	-	-	-	20,140
Capital improvements	197,468	-	1,572,324	-	1,769,792
Public safety training	60,402	-	-	-	60,402
Public welfare or civic improvement organizations	7,891,469	-	-	-	7,891,469
Act 345 retirement	1,542,844	-	-	-	1,542,844
Committed					
Capital improvements	-	-	500,143	-	500,143
Total fund balances	9,712,323	3,726	2,072,467	770,500	12,559,016
Total liabilities, deferred inflows of resources, and fund balances	\$ 10,170,386	\$ 3,726	\$ 2,303,448	\$ 770,500	\$ 13,248,060

CITY OF TRAVERSE CITY, MICHIGAN
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2025

	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Capital Projects Funds</u>	<u>Permanent Cemetery Perpetual Care</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues					
Property taxes and special assessments	\$ 4,319,730	\$ -	\$ 49,596	\$ -	\$ 4,369,326
Federal sources	495,418	-	-	-	495,418
State sources	94,817	-	-	-	94,817
Local sources	-	964,920	-	-	964,920
Charges for services	77,764	-	-	11,606	89,370
Ordinance fees and fines	12,900	-	-	-	12,900
Contributions	1,379,844	-	124,115	-	1,503,959
Interest income	287,447	-	68,155	35,096	390,698
Change in fair value of investments	(2,551)	-	-	9,727	7,176
Total revenues	<u>6,665,369</u>	<u>964,920</u>	<u>241,866</u>	<u>56,429</u>	<u>7,928,584</u>
Expenditures					
Current expenditures					
General government	314,876	-	-	41,216	356,092
Public safety	2,755,297	-	-	-	2,755,297
Public works	1,104,496	-	-	-	1,104,496
Capital outlay	688,724	-	316,135	-	1,004,859
Debt service					
Principal	-	1,445,000	-	-	1,445,000
Interest and fiscal charges	-	225,587	-	-	225,587
Total expenditures	<u>4,863,393</u>	<u>1,670,587</u>	<u>316,135</u>	<u>41,216</u>	<u>6,891,331</u>
Excess (deficiency) of revenues over expenditures	<u>1,801,976</u>	<u>(705,667)</u>	<u>(74,269)</u>	<u>15,213</u>	<u>1,037,253</u>
Other financing sources (uses)					
Transfers in	3,517,738	705,667	-	-	4,223,405
Transfers (out)	(771,434)	-	(330,000)	(38,595)	(1,140,029)
Total other financing sources (uses)	<u>2,746,304</u>	<u>705,667</u>	<u>(330,000)</u>	<u>(38,595)</u>	<u>3,083,376</u>
Net change in fund balance	4,548,280	-	(404,269)	(23,382)	4,120,629
Fund balance, beginning of year	<u>5,164,043</u>	<u>3,726</u>	<u>2,476,736</u>	<u>793,882</u>	<u>8,438,387</u>
Fund balances, end of year	<u><u>\$ 9,712,323</u></u>	<u><u>\$ 3,726</u></u>	<u><u>\$ 2,072,467</u></u>	<u><u>\$ 770,500</u></u>	<u><u>\$ 12,559,016</u></u>

CITY OF TRAVERSE CITY, MICHIGAN
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2025

	Act 302 Police Training Fund	State Preparedness Equipment Grant Fund	College Parking Fund	Act 345 Millage Fund	Traverse City and Garfield Township Joint Planning Fund	PEG Capital Fund
ASSETS						
Assets						
Cash & equity in pooled cash and investments	\$ 60,402	\$ -	\$ 3,014	\$ 1,532,326	\$ 20,140	\$ 131,390
Investments	-	-	-	-	-	-
Receivables						
Accounts	-	-	-	10,518	-	-
Interest	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Due from other governments	-	5,400	-	-	-	-
Prepaid costs and other assets	-	-	-	-	-	1,411
Total assets	\$ 60,402	\$ 5,400	\$ 3,014	\$ 1,542,844	\$ 20,140	\$ 132,801
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ -	\$ -	\$ 3,012	\$ -	\$ -	\$ -
Accrued and other liabilities	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-
Due to other funds	-	5,400	-	-	-	-
Total liabilities	-	5,400	3,012	-	-	-
Deferred inflows of resources						
Unavailable revenue	-	-	-	-	-	-
Fund balances						
Restricted						
Joint planning	-	-	-	-	20,140	-
Capital improvements	-	-	-	-	-	132,801
Public safety training	60,402	-	-	-	-	-
Public welfare or civic improvement organizations	-	-	2	-	-	-
Act 345 retirement	-	-	-	1,542,844	-	-
Total fund balances (deficit)	60,402	-	2	1,542,844	20,140	132,801
Total liabilities and fund balances	\$ 60,402	\$ 5,400	\$ 3,014	\$ 1,542,844	\$ 20,140	\$ 132,801

Continued...

CITY OF TRAVERSE CITY, MICHIGAN
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2025

	Coronavirus Fiscal Recovery Fund	McCauley Estate Trust Fund	County Road Commission Projects Fund	Brown Bridge Trust Park Improvement Fund	Tree Ordinance Fund	EMS & Fire Fund	CDBG SEFA # 14.218 Fund	Total
ASSETS								
Assets								
Cash & equity in pooled cash and investments	\$ 417,328	\$ -	\$ 6,305,835	\$ 290,673	\$ 78,996	\$ 1,298,372	\$ -	\$ 10,138,476
Investments	-	-	-	-	-	-	-	-
Receivables								
Accounts	-	-	10,100	-	-	4,481	-	25,099
Interest	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	-	5,400
Prepaid costs and other assets	-	-	-	-	-	-	-	1,411
Total assets	\$ 417,328	\$ -	\$ 6,315,935	\$ 290,673	\$ 78,996	\$ 1,302,853	\$ -	\$ 10,170,386
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts payable	\$ 12,896	\$ -	\$ 95,628	\$ -	\$ -	\$ 1,362	\$ -	\$ 112,898
Accrued and other liabilities	-	-	-	-	-	-	-	-
Unearned revenue	339,765	-	-	-	-	-	-	339,765
Due to other funds	-	-	-	-	-	-	-	5,400
Total liabilities	352,661	-	95,628	-	-	1,362	-	458,063
Deferred inflows of resources								
Unavailable revenue	-	-	-	-	-	-	-	-
Fund balances								
Restricted								
Joint planning	-	-	-	-	-	-	-	20,140
Capital improvements	64,667	-	-	-	-	-	-	197,468
Public safety training	-	-	-	-	-	-	-	60,402
Public welfare or civic improvement organizations	-	-	6,220,307	290,673	78,996	1,301,491	-	7,891,469
Act 345 retirement	-	-	-	-	-	-	-	1,542,844
Total fund balances	64,667	-	6,220,307	290,673	78,996	1,301,491	-	9,712,323
Total liabilities and fund balances	\$ 417,328	\$ -	\$ 6,315,935	\$ 290,673	\$ 78,996	\$ 1,302,853	\$ -	\$ 10,170,386

Concluded

CITY OF TRAVERSE CITY, MICHIGAN
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2025

	Act 302 Police Training Fund	State Preparedness Equipment Grant Fund	College Parking Fund	Act 345 Millage Fund	Traverse City and Garfield Township Joint Planning Fund	PEG Capital Fund
Revenues						
Property taxes	\$ -	\$ -	\$ -	\$ 3,031,231	\$ -	\$ -
Federal sources	-	-	-	-	-	-
State sources	62,629	-	-	32,188	-	-
Charges for services	-	-	6,023	-	-	-
Ordinance fees and fines	-	-	-	-	-	-
Contributions	-	-	-	-	-	18,819
Interest income	-	-	-	100,220	-	3,638
Change in fair value of investments	-	-	-	-	-	-
Total revenues	<u>62,629</u>	<u>-</u>	<u>6,023</u>	<u>3,163,639</u>	<u>-</u>	<u>22,457</u>
Expenditures						
Current expenditures						
General government	-	-	6,023	-	-	6,020
Public safety	20,878	-	-	2,713,273	-	-
Public works	-	-	-	-	-	-
Recreation and Culture	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Total expenditures	<u>20,878</u>	<u>-</u>	<u>6,023</u>	<u>2,713,273</u>	<u>-</u>	<u>6,020</u>
Excess (deficiency) of revenues over expenditures	<u>41,751</u>	<u>-</u>	<u>-</u>	<u>450,366</u>	<u>-</u>	<u>16,437</u>
Other financing sources (uses)						
Transfers in	-	-	-	-	-	-
Transfers (out)	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>41,751</u>	<u>-</u>	<u>-</u>	<u>450,366</u>	<u>-</u>	<u>16,437</u>
Fund balance, beginning of year	<u>18,651</u>	<u>-</u>	<u>2</u>	<u>1,092,478</u>	<u>20,140</u>	<u>116,364</u>
Fund balances, end of year	<u><u>\$ 60,402</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2</u></u>	<u><u>\$ 1,542,844</u></u>	<u><u>\$ 20,140</u></u>	<u><u>\$ 132,801</u></u>

Continued....

CITY OF TRAVERSE CITY, MICHIGAN
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2025

	Coronavirus Fiscal Recovery Fund	McCauley Estate Trust Fund	County Road Commission Projects Fund	Brown Bridge Trust Park Improvement Fund	Tree Ordinance Fund	EMS & Fire Fund	CDBG SEFA # 14.218 Fund	Total
Revenues								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,288,499	\$ -	\$ 4,319,730
Federal sources	480,183	-	-	-	-	-	15,235	495,418
State sources	-	-	-	-	-	-	-	94,817
Charges for services	-	-	-	71,741	-	-	-	77,764
Ordinance fees and fines	-	-	-	-	12,900	-	-	12,900
Contributions	-	-	1,358,200	-	2,825	-	-	1,379,844
Interest income	20,137	3,435	113,914	10,166	1,799	34,138	-	287,447
Change in fair value of investments	-	(2,551)	-	-	-	-	-	(2,551)
Total revenues	<u>500,320</u>	<u>884</u>	<u>1,472,114</u>	<u>81,907</u>	<u>17,524</u>	<u>1,322,637</u>	<u>15,235</u>	<u>6,665,369</u>
Expenditures								
Current expenditures								
General government	287,598	-	-	-	-	-	15,235	314,876
Public safety	-	-	-	-	-	21,146	-	2,755,297
Public works	-	-	1,104,496	-	-	-	-	1,104,496
Recreation and culture	-	-	-	-	-	-	-	-
Capital outlay	-	-	688,724	-	-	-	-	688,724
Total expenditures	<u>287,598</u>	<u>-</u>	<u>1,793,220</u>	<u>-</u>	<u>-</u>	<u>21,146</u>	<u>15,235</u>	<u>4,863,393</u>
Excess (deficiency) of revenues over expenditures	<u>212,722</u>	<u>884</u>	<u>(321,106)</u>	<u>81,907</u>	<u>17,524</u>	<u>1,301,491</u>	<u>-</u>	<u>1,801,976</u>
Other financing sources (uses)								
Transfers in	-	-	3,509,038	-	8,700	-	-	3,517,738
Transfers (out)	(192,586)	(155,783)	(75,000)	(348,065)	-	-	-	(771,434)
Total other financing sources (uses)	<u>(192,586)</u>	<u>(155,783)</u>	<u>3,434,038</u>	<u>(348,065)</u>	<u>8,700</u>	<u>-</u>	<u>-</u>	<u>2,746,304</u>
Net change in fund balance	<u>20,136</u>	<u>(154,899)</u>	<u>3,112,932</u>	<u>(266,158)</u>	<u>26,224</u>	<u>1,301,491</u>	<u>-</u>	<u>4,548,280</u>
Fund balance, beginning of year	<u>44,531</u>	<u>154,899</u>	<u>3,107,375</u>	<u>556,831</u>	<u>52,772</u>	<u>-</u>	<u>-</u>	<u>5,164,043</u>
Fund balances, end of year	<u>\$ 64,667</u>	<u>\$ -</u>	<u>\$ 6,220,307</u>	<u>\$ 290,673</u>	<u>\$ 78,996</u>	<u>\$ 1,301,491</u>	<u>\$ -</u>	<u>\$ 9,712,323</u>

Concluded

CITY OF TRAVERSE CITY, MICHIGAN
Combining Balance Sheet
Nonmajor Debt Service Funds
June 30, 2025

	<u>Sidewalk and Trail Debt Retirement</u>	<u>Parking Deck Bond Redemption Non-Taxable</u>	<u>Total</u>
ASSETS			
Assets			
Cash & equity in pooled cash and investments	\$ 50	\$ 3,676	\$ 3,726
Accounts receivable	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 50</u>	<u>\$ 3,676</u>	<u>\$ 3,726</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Due to other funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balances			
Restricted for debt service	<u>50</u>	<u>3,676</u>	<u>3,726</u>
Total liabilities and fund balances	<u>\$ 50</u>	<u>\$ 3,676</u>	<u>\$ 3,726</u>

CITY OF TRAVERSE CITY, MICHIGAN
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Debt Service Funds
For the Year Ended June 30, 2025

	Sidewalk and Trail Debt Retirement	Parking Deck Bond Redemption Non-Taxable	Total
Revenues			
Local sources	\$ 51,200	\$ 913,720	\$ 964,920
Expenditures			
Debt service			
Principal	605,000	840,000	1,445,000
Interest and fiscal charges	151,867	73,720	225,587
Total expenditures	756,867	913,720	1,670,587
Other financing sources (uses)			
Transfers in	705,667	-	705,667
Total other financing sources (uses)	705,667	-	705,667
Net change in fund balances	-	-	-
Fund balances, beginning of year	50	3,676	3,726
Fund balances, end of year	\$ 50	\$ 3,676	\$ 3,726

CITY OF TRAVERSE CITY, MICHIGAN
Combining Balance Sheet
Nonmajor Capital Projects Funds
June 30, 2025

	<u>Boardman Lake Trail Construction</u>	<u>Special Assessments</u>	<u>Total</u>
ASSETS			
Assets			
Cash & equity in pooled cash and investments	\$ 1,572,324	\$ 488,497	\$ 2,060,821
Investments	-	5,780	5,780
Receivables			
Accounts	-		-
Taxes	-	5,686	5,686
Special assessments	-	231,161	231,161
Total assets	<u><u>\$ 1,572,324</u></u>	<u><u>\$ 731,124</u></u>	<u><u>\$ 2,303,448</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities			
Accounts payable	\$ -	\$ -	\$ -
Advance from component unit	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources			
Unavailable revenue	-	230,981	230,981
Fund balances			
Restricted			
Capital improvements	1,572,324	-	1,572,324
Committed			
Capital improvements	-	500,143	500,143
Total fund balances	<u>1,572,324</u>	<u>500,143</u>	<u>2,072,467</u>
Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 1,572,324</u></u>	<u><u>\$ 731,124</u></u>	<u><u>\$ 2,303,448</u></u>

CITY OF TRAVERSE CITY, MICHIGAN
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Projects Funds
For the Year Ended June 30, 2025

	Boardman Lake Trail Construction	Special Assessments	Total
Revenues			
Federal sources	\$ -	\$ -	\$ -
Special assessments	-	49,596	49,596
Contributions	124,115	-	124,115
Interest income	47,435	20,720	68,155
Change in fair value of investments	-	-	-
Total revenues	<u>171,550</u>	<u>70,316</u>	<u>241,866</u>
Expenditures			
Public works	-	-	-
Capital outlay	-	316,135	316,135
Total expenditures	<u>-</u>	<u>316,135</u>	<u>316,135</u>
Excess (deficiency) of revenues over expenditures	<u>171,550</u>	<u>(245,819)</u>	<u>(74,269)</u>
Other financing sources (uses)			
Transfer in	-	-	-
Transfer out	(330,000)	-	(330,000)
Total other financing sources (uses)	<u>(330,000)</u>	<u>-</u>	<u>(330,000)</u>
Net change in fund balances	(158,450)	(245,819)	(404,269)
Fund balances, beginning of year	<u>1,730,774</u>	<u>745,962</u>	<u>2,476,736</u>
Fund balances, end of year	<u><u>\$ 1,572,324</u></u>	<u><u>\$ 500,143</u></u>	<u><u>\$ 2,072,467</u></u>

CITY OF TRAVERSE CITY, MICHIGAN
Combining Statement of Fiduciary Net Position
June 30, 2025

	Other Postemployment				Total
	Benefit Funds		Custodial Fund		
	Act 345	Retiree	Tax		
	Pension	Health	Health		
Trust Fund	Insurance	Insurance	Collection	Fund	
Trust Fund	Trust	Trust	Fund		
Assets					
Cash & equity in pooled cash and investments	\$ 595,768	\$ 1,233,484	\$ 61,745	\$ 131,608	\$ 2,022,605
Investments, at fair value					
Fixed income mutual funds	10,887,780	1,485,279	-	-	12,373,059
Domestic equities	13,042,608	4,068,166	-	-	17,110,774
International equities	4,529,991	-	-	-	4,529,991
Real estate	4,745,650	-	-	-	4,745,650
Other	11,589,327	-	-	-	11,589,327
MERS total market fund	-	-	2,101,907	-	2,101,907
Receivables					
Accounts receivable	-	-	-	34,818	34,818
Accrued interest	27,703	4,468	-	-	32,171
Prepaid items	-	-	-	-	-
Total assets	<u>45,418,827</u>	<u>6,791,397</u>	<u>2,163,652</u>	<u>166,426</u>	<u>54,540,302</u>
Liabilities					
Due to other goverments	-	-	-	166,426	166,426
Accrued and other liabilities	<u>28,460</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,460</u>
Total liabilities	<u>28,460</u>	<u>-</u>	<u>-</u>	<u>166,426</u>	<u>194,886</u>
Net Position					
Held in trust for pension benefits					
and other post employment benefits	<u>\$ 45,390,367</u>	<u>\$ 6,791,397</u>	<u>\$ 2,163,652</u>	<u>\$ -</u>	<u>\$ 54,345,416</u>

CITY OF TRAVERSE CITY, MICHIGAN
Combining Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2025

	Act 345 Pension Trust Fund	Other Postemployment Benefit Funds		Custodial Fund Tax Collection Fund	Total
		Act 345 Retiree Health Insurance Trust	Retiree Health Insurance Trust		
Additions					
Contributions					
City contributions	\$ 2,713,273	\$ 809,162	\$ 31,114	\$ -	\$ 3,553,549
Employee contributions	95,289	-	-	-	95,289
Property taxes collected	-	-	-	73,285,797	73,285,797
Other	-	-	-	-	-
Total contributions	2,808,562	809,162	31,114	73,285,797	76,934,635
Investment earnings					
Interest and dividends	1,242,669	103,019	-	-	1,345,688
Net increase (decrease) in fair value of investments	2,881,242	530,690	186,296	-	3,598,228
Investment expense	(108,726)	-	-	-	(108,726)
Net investment earnings (loss)	4,015,185	633,709	186,296	-	4,835,190
Other	-	-	-	-	-
Total additions	6,823,747	1,442,871	217,410	73,285,797	81,769,825
Deductions					
Pension benefits paid	3,483,722	-	-	-	3,483,722
Health insurance premiums paid	-	548,299	143,543	-	691,842
Administrative expense (other)	64,959	19,949	4,176	-	89,084
Property taxes distributed	-	-	-	73,285,797	73,285,797
Total deductions	3,548,681	568,248	147,719	73,285,797	77,550,445
Net increase (decrease) in net position	3,275,066	874,623	69,691	-	4,219,380
Net position, beginning of year	42,115,301	5,916,774	2,093,961	-	50,126,036
Net position, end of year	\$ 45,390,367	\$ 6,791,397	\$ 2,163,652	\$ -	\$ 54,345,416

SINGLE AUDIT SECTION



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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 22, 2025

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, 2025, 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 22, 2025.

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.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

December 22, 2025

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of Traverse City, Michigan's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of City of Traverse City, Michigan's major federal programs for the year ended June 30, 2025. City of Traverse City, Michigan's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, City of Traverse City, Michigan complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City of Traverse City, Michigan and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of City of Traverse City, Michigan's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to City of Traverse City, Michigan's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City of Traverse City, Michigan's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City of Traverse City, Michigan's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding City of Traverse City, Michigan's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City of Traverse City, Michigan's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of City of Traverse City, Michigan's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Ordenfeld Haefner LLC

CITY OF TRAVERSE CITY, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2025

Federal Grantor/Pass Through Grantor/Program Title	COVID-19 related	Federal Assistance Listing Number	Pass-Through Grantor's Number	Expenditures
U.S. Department of Agriculture				
National Resource Conservation Service				
Urban Agriculture and Innovative Production	no	10.935	NR233A750005C014	\$ 46,464
U.S. Department of Housing and Urban Development				
Office of Community Planning and Development				
Community Development Block Grant Program	no	14.218	B-24-MC-26-0043	15,235
U.S. Department of Justice				
Passed through Michigan State Police				
Comprehensive Opioid, Stimulant & Substance Abuse Program	no	16.838	15PBJA-21-04538-COAP	197,459
U.S. Department of Treasury				
Passed through Michigan Department of Treasury				
American Rescue Plan Act - Corona Virus State & Local Fiscal Recovery Fund	yes	21.027	MI2841	480,183
Passed through Michigan EGLE				
American Rescue Plan Act - Corona Virus State & Local Fiscal Recovery Fund	yes	21.027	FRF2970-EM016	225,830
United States Environmental Protection Agency				
Passed Through Michigan Department of Environment, Great Lakes and Energy				
Drinking Water State Revolving Fund - Surface Water Intake Program	no	66.468	na	492
U.S. Department of Health and Human Services				
Passed through Michigan Department of Health and Human Services				
Epidemiology and Laboratory Capacity for Infectious Diseases	yes	93.323	E20242548-00	130,903
Epidemiology and Laboratory Capacity for Infectious Diseases	yes	93.323	E20251902-00	335,840
Total Federal Awards				\$ 1,432,406

See accompanying note to Schedule of Expenditures of Federal Awards.

CITY OF TRAVERSE CITY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2025

1. The Schedule of Expenditures of Federal Awards is prepared in accordance with the modified accrual basis of accounting for governmental funds and the accrual basis for proprietary funds.
2. Reconciliation of revenues from federal sources per financial statements and expenditures per the Schedule of Expenditures of Federal Awards:

Grants reported on Governmental Funds Statement of Revenues, Expenditures
and Changes in Fund Balance

\$ 739,341

Federal operating grants reported on Proprietary Funds Statement of
Revenue, Expenses and Changes in Net Position

693,065

Agrees to Schedule of Expenditures of Federal Awards

\$ 1,432,406

3. The City did not elect to use the 10% de minimis cost rate as covered in Uniform Guidance section 2 CFR 200.414 indirect costs.

CITY OF TRAVERSE CITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2025

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued	Unmodified		
Internal control over financial reporting:			
Material weakness(es) identified?	<u> </u> yes	<u> X </u> no	
Significant deficiency(ies) identified?	<u> </u> yes	<u> X </u> none reported	
Noncompliance material to financial statements noted?	<u> </u> yes	<u> X </u> no	

Federal Awards

Internal control over major programs:			
Material weakness(es) identified?	<u> </u> yes	<u> X </u> no	
Significant deficiency(ies) identified?	<u> </u> yes	<u> X </u> none reported	
Type of auditors' report issued on compliance for major programs	Unmodified		
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a) of the Uniform Guidance?	<u> </u> yes	<u> X </u> no	

Identification of major programs:

Assistance Listing Number(s)

93.323

Name of Federal Program or Cluster

Epidemiology and Laboratory Capacity
for Infectious Diseases

Dollar threshold used to distinguish between Type A and B programs:	<u> \$750,000 </u>	
Auditee qualified as low-risk auditee?	<u> X </u> yes	<u> </u> no

SECTION II - FINANCIAL STATEMENT FINDINGS

None noted

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted

SECTION IV - SUMMARY OF PRIOR AUDIT FINDINGS

None noted