CITY OF TRAVERSE CITY, MICHIGAN

Audited Financial Statements For the Year Ended June 30, 2017

Prepared by City Treasurer's Office Vredeveld 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, 2017

Elected Officials

Mayor Mayor Pro Tem Commission Member Commission Member Commission Member Commission Member Jim Carruthers Gary L. Howe Brian Haas Richard I. Lewis Amy Shamroe Tim Werner Michele Howard

Appointed Officials

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



Vredeveld Haefner LLC

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INDEPENDENT AUDITORS' REPORT

December 15, 2017

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Traverse City, Michigan, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Traverse City, Michigan, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12 and the information on pages 85 through 101 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Traverse City, Michigan's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2017 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

Uredeveld Haefner LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Traverse City Management's Discussion and Analysis

As management of the *City of Traverse City, Michigan* (the "City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2017.

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 \$104,638,619 (*net position*). The City's total net position increased by \$2,263,953 during the year ended June 30, 2017.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$25,069,478, a decrease of \$321,707 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 \$3,635,901 or 22% of total General Fund expenditures and transfers out. The General Fund Operating Fund alone had \$2,946,818 or 12% of 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, culture and recreation, and community development. The business-type activities of the City include wastewater, water, marina, and auto parking system operations.

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

Fund Financial Statements

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

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

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

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

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

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

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

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

Notes to the Financial Statements

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

Other Information

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

Government-wide Financial Analysis

As noted earlier, net position may serve as a useful indicator of a government's financial position. In the case of the City of Traverse City, assets and deferred outflows exceeded liabilities and deferred inflows by \$104,638,619 at the close of the most recent fiscal year.

By far the largest portion of the City's net position, \$90,320,096 or 86 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 \$16,689,234 which represents resources that are subject to external restrictions on how they may be used and a deficit unrestricted net position of \$2,370,711.

The City's net position increased by \$2,263,953 during the year ended June 30, 2017.

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

		FY	YE 6/30/17				FY	Æ6/30/16	
	 overnmental Activities	B	usiness-type Activities	Total	G	Governmental Activities	В	usiness-type Activities	Total
Current and other assets	\$ 29,215,796	\$	11,719,024	\$ 40,934,820	\$	30,833,811	\$	10,721,388	\$ 41,555,199
Capital assets	 49,939,531		58,232,428	 108,171,959		49,036,979		56,333,214	 105,370,193
Total assets	 79,155,327		69,951,452	 149,106,779		79,870,790		67,054,602	 146,925,392
Deferred outflows	 3,148,763		745,062	 3,893,825		5,280,079		976,982	 6,257,061
Long-term liabilities	9,025,112		6,012,973	15,038,085		9,464,973		7,077,107	16,542,080
Net Pension Liability	26,048,458		3,756,316	29,804,774		27,644,612		3,858,128	31,502,740
Other liabilities	 1,208,547		396,898	 1,605,445		2,037,701		464,706	 2,502,407
Total Liabilities	 36,282,117		10,166,187	 46,448,304		39,147,286		11,399,941	 50,547,227
Deferred inflows	 1,325,514		588,167	 1,913,681		864,694		440,961	 1,305,655
Net Position:									
Net Investment in capital assets	41,962,406		48,357,690	90,320,096		40,718,525		48,357,690	89,076,215
Restricted assets	16,689,234		-	16,689,234		17,031,427		-	17,031,427
Unrestricted (deficit)	 (13,955,181)		11,584,470	 (2,370,711)		(12,611,063)		7,832,992	 (4,778,071)
Total net position	\$ 44,696,459	\$	59,942,160	\$ 104,638,619	\$	45,138,889	\$	56,190,682	\$ 101,329,571

City of Traverse City's Net Position Table I

		FYE 6/30/17		FYE 6/30/16							
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total					
Program revenue:											
Charges for services	\$ 2,289,818	\$ 14,864,847	\$ 17,154,665	\$ 4,488,512	\$ 15,630,781	\$ 20,119,293					
Operating grants/contributions	4,166,316	-	4,166,316	4,559,888	-	4,559,888					
Capital grant/contributions	1,380,514	-	1,380,514	2,556,229	7,000	2,563,229					
General Revenue:											
Property taxes	12,734,842	-	12,734,842	12,126,837	-	12,126,837					
Unrestricted grants/contributions	1,414,646	-	1,414,646	1,326,587	-	1,326,587					
Franchise revenue	244,148	-	244,148	247,291	-	247,291					
Other	99,888	18,337	118,225	1,274,425	13,302	1,287,727					
Total revenue	22,330,172	14,883,184	37,213,356	26,579,769	15,651,083	42,230,852					
Expenses:											
General government	5,805,446	-	5,805,446	7,270,773	-	7,270,773					
Public safety	8,716,814	-	8,716,814	8,441,271	-	8,441,271					
Public works	5,926,150	-	5,926,150	5,342,515	-	5,342,515					
Culture and recreation	2,915,576	-	2,915,576	2,323,769	-	2,323,769					
Interest and fiscal charges	362,675	-	362,675	421,852	-	421,852					
Wastewater	-	6,008,855	6,008,855	-	7,171,226	7,171,226					
Water	-	2,695,146	2,695,146	-	3,383,048	3,383,048					
Marina	-	519,542	519,542	-	548,165	548,165					
Autoparking		2,003,801	2,003,801		1,930,211	1,930,211					
Total expenses	23,726,661	11,227,344	34,954,005	23,800,180	13,032,650	36,832,830					
Increase (decrease) before											
transfers/contributions	(1,396,489)	3,655,840	2,259,351	2,779,589	2,618,433	5,398,022					
Operating transfers	949,457	(949,457)	-	921,601	(921,601)	-					
Contribution to endowment	4,602		4,602	7,504	-	7,504					
Increase in net position	(442,430)	2,706,383	2,263,953	3,708,694	1,696,832	5,405,526					
Net position beginning of year - restated	45,138,889	57,235,777	102,374,666	41,430,195	54,493,850	95,924,045					
Net position end of year	\$ 44,696,459	\$ 59,942,160	\$ 104,638,619	\$ 45,138,889	\$ 56,190,682	\$ 101,329,571					

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

Beginning net position of the business-type activities increased by \$1,045,095 as detailed in note III-J.

Governmental activities decreased the City's net position by \$442,430. Key highlights are as follows:

- Charges for services decreased approximately \$ 2,200,000 compared to the previous year with a significant portion related to the final reimbursement for Old Town Deck debt service being received in 2016.
- Capital grants and contributions decreased approximately \$1,175,000 due in most part to the winding down of several significant construction projects during the year ended June 30, 2017, with the majority of construction cost being reimbursed during the year end June 30, 2016.
- Unrestricted property tax revenue increased approximately \$608,000 compared to the previous year.
- Personnel costs for the General Fund increased approximately \$577,800 compared to the previous year.





Business-type activities increased the City's net position by \$2,706,383. Key highlights of activities in the funds are as follows:

- Charges for services in the Wastewater fund decreased approximately \$666,000 while there were minimal decreases in usage fees during the year ended June 20, 2017. There was a significant decrease in the amounts charged to participating townships for reimbursement of plant membranes in 2017. One membrane was replaced in 2017 while three were replaced in 2016.
- Charges for services in the Water fund decreased approximately \$360,000 as with the wastewater fund there were minimal decreases in useage fees during 2017. In addition the 2016 charges for services included a onetime adjustment of approximately \$240,000 related to costs billed to participating townships for the period ended June 30, 2015.
- Charges for services in the Auto Parking System Fund increased approximately \$333,000 because of continued increased customer activity.
- Marina Charges for services increased approximately \$53,000 corresponding to the improved summer weather between the fiscal years.





Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$25,069,478, a decrease of \$321,707 in comparison with the prior year. \$3,635,901 constitutes unassigned fund balance, which is available for spending at the government's discretion.

The General Fund consists of the chief Operating Fund of the City and 12 other funds that are combined with the Operating Fund for financial reporting. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$3,635,901. 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 22 percent of total General Fund expenditures including transfers out. The unassigned fund balance of the Operating Fund represented 12 percent of the Operating Fund expenditures including transfers out.

The Major Streets Fund has a total fund balance of \$139,104 which decreased by \$105,398 during the year. The amended budget anticipated a \$50,000 decrease.

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

The Capital Projects fund balance increased by \$597,542 during the current fiscal year. This is due in most part to General Fund contributions for public improvement projects that had not been completed as of June 30, 2017.

The Brown Bridge Permanent Trust fund balance decreased by \$360,847 during the current fiscal year. The adjustment to market at June 30, 2017 created a net investment loss during the year.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Wastewater, Water, Marina, and Auto Parking System funds at the end of the year amounted to \$8,299,914 with net investment in capital assets of \$51,379,091. For the current year, the Wastewater Fund had an increase in net position of \$682,738, the Water Fund had an increase in net position for the year of \$1,099,578, the Marina Fund had an increase in net position of \$43,579, and the Auto Parking System had an increase in net position of \$862,748.

General Fund Budgetary Highlights

During the year, General Fund revenues were less than budgetary estimates by \$247,338. Actual expenditures were under amended budget amounts by \$637,711. Overall, the actual fund balance decreased by \$343,646, compared to an amended budget decrease estimate of \$849,600.

Capital Asset and Debt Administration

Capital assets. The City's total capital assets for its governmental and business-type activities as of June 30, 2017, amounted to \$108,171,959 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, park facilities, roads, highways, and bridges.

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

- Wrap up of West Front Street reconstruction projects with total costs of approximately \$2,414,000.
- Completion of the Bayfront Plan Clinch Parks phases I and II as well as the tunnel, with total project costs of \$2,920,000.
- Completion of the Garland Street reconstruction project with total costs of \$1,767,000.
- Completion of the Pine Street Pedestrian Bridge, total costs were approximately \$894,000.
- Starting work on the West Front Street Division Street to Elmwood Street with costs to date of approximately \$254,700.
- Starting the Park Street streetscaping and 300 Front Street midblock crosswalk project with costs to date of \$292,000.
- Starting the Boardman River Boatlaunch and Lot D reconstruction project with costs to date of \$227,000.

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

		2017			2016	
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Land	\$11,320,741	\$ 1,187,057	\$12,507,798	\$11,342,816	\$ 1,187,057	\$ 12,529,873
Land improvements	6,065,577	8,416,432	14,482,009	3,236,249	8,416,432	11,652,681
Buildings and systems	5,781,227	21,426,541	27,207,768	6,242,205	21,057,588	27,299,793
Construction in progress	5 1,591,351	2,786,796	4,378,147	7,737,567	1,851,426	9,588,993
Equipment	7,819,789	9,139,007	16,958,796	7,483,973	8,312,886	15,796,859
Infrastructure and other						
improvements	17,360,846	15,276,595	32,637,441	12,994,169	15,507,825	28,501,994
TOTAL	<u>\$49,939,531</u>	<u>\$58,232,428</u>	<u>\$108,171,959</u>	<u>\$49,036,979</u>	<u>\$56,333,214</u>	<u>\$105,370,193</u>

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

Long-term debt. At the end of the current fiscal year, the City had total bonded debt and capital lease payables of \$14,338,337. Of this amount, \$8,410,000 comprises debt backed by the full faith and credit of the government. The remainder of the City's debt represents capital leases.

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

		2017			2016	
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
General obligation bond Parking decks Capital lease payable - Wastewater Treatment	\$ 8,410,000	\$ -	\$8,410,000	\$ 8,818,150	\$-	\$ 8,818,150
Plant		5,928,337	5,928,337		6,975,524	6,975,524
TOTAL	<u>\$ 8,410,000</u>	<u>\$ 5,928,337</u>	<u>\$14,338,337</u>	<u>\$10,818,150</u>	<u>\$ 6,975,524</u>	<u>\$ 15,793,674</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 \$96,487,927 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 2017/18 fiscal year:

- The City Commission has determined to keep the General Fund tax levy at 11.1167 mills, the same levy as the five previous years. The Act 345 levy for Police/Fire pensions is 2.32 mills, the same levy as the previous four years.
- The City's capital improvement plan projects approximately \$28,000,000 of potential capital related expenses in fiscal year 17/18. The General Fund budget includes \$915,000 to continue the City Commission's priority on infrastructure spending for streets and sidewalks as well as new accounting software and parks improvements.
- Health insurance premiums will increase about 5% on July 1, 2017. Most employees cost share on an 80/20 basis.
- Legacy costs are being addressed in a meaningful way. Since July 2009 all new hire general City employees are at the 1.5% multiplier; all new hire policy/fire employees are at the 2.0% multiplier. These are down from 2.25% and 2.8% respectively. Effective July 1, all current general employees will earn future pension credit at a 1.5% multiplier. Effective June 30, 2014 current Police Patrol employees will earn future pension credit at a 2.5% multiplier rather than the current 2.8% multiplier. These changes should significantly impact accrued unfunded liability although the amount of the impact will not be known until the next actuarial reports.
- The renewal of a special road commission millage by voters in the County has resulted in the City setting up a Road Commission Millage Street Project Fund to account for the City's share of the road millage that will be used for street pavement preservation projects. That millage is expected to provide about \$815,000 annually over a three year period.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

CITY OF TRAVERSE CITY, MICHIGA Statement of Net Position June 30, 2017

		Primary Governmen	t
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 9,600,082	\$ 8,233,908	\$ 17,833,990
Investments	14,070,096	2,063,239	16,133,335
Receivables, net	3,072,769	2,163,121	5,235,890
Due from component unit	243,138	-	243,138
Internal balances	1,141,300	(1,141,300)	-
Inventories	303,552	76,053	379,605
Prepaid items and other assets	435,445	218,936	654,381
Other postemployment benefit	349,414	105,067	454,481
Advances to primary government	-	-	-
Capital assets not being depreciated	12,912,092	12,390,285	25,302,377
Capital assets being depreciated	37,027,439	45,842,143	82,869,582
Total assets	79,155,327	69,951,452	149,106,779
Deferred outflows of resources			
Deferred outflows - pensions	2,857,529	745,062	3,602,591
Deferred outflows - loss on refunding	291,234		291,234
Total deferred outflows of resources	3,148,763	745,062	3,893,825
Liabilities	1 200 242	204 000	1 505 141
Accounts payable and accrued expenses	1,200,243	396,898	1,597,141
Unearned revenue	8,019	-	8,019
Due to primary government	-	-	-
Advances from component units	285	-	285
Long-term liabilities	26 040 450	2 756 216	00 004 774
Net pension liability	26,048,458	3,756,316	29,804,774
Due within one year Due in more than one year	636,960 8,388,152	1,102,359 4,910,614	1,739,319 13,298,766
Due in more than one year	0,500,152		15,296,700
Total liabilities	36,282,117	10,166,187	46,448,304
Deferred inflows of resources			
Deferred inflows - pensions	1,325,514	221,949	1,547,463
Deferred inflows - gain on refunding	<u> </u>	366,218	366,218
Total deferred inflows of resources	1,325,514	588,167	1,913,681
Net position			
Net investment in capital assets	41,962,406	48,357,690	90,320,096
Restricted for			
Debt service	3,251	-	3,251
Joint planning	10,140	-	10,140
Capital improvements	1,044,553	-	1,044,553
Streets and highways	139,084	-	139,084
Public safety training	-	-	-
Public welfare or civic improvement organizations	2,507,162	-	2,507,162
Act 345 retirement	110,278	-	110,278
Tax increment finance districts	-	-	-
Nonexpendable brown bridge trust	12,192,044	-	12,192,044
Nonexpendable cemetery perpetual trust	682,722	-	682,722
Unrestricted (deficit)	(13,955,181)	11,584,470	(2,370,711)
Total net position	\$ 44,696,459	\$ 59,942,160	\$ 104,638,619

Compo	nent Units
Downtown Development Authority	Light and Power
\$ 2,901,553	\$ 5,574,469
-	13,951,707
1,124,773	5,191,892
-	-
-	-
-	1,600,534
8,020	92,136
-	1,643,502
-	285 3,177,490
-	56,453,337
	50,455,557
4,034,346	87,685,352
-	3,021,899
-	-
	3,021,899
1,435,189	2,750,977
-	14,815
-	243,138
-	-
-	12,964,744
27,028 49,869	161,945
1,512,086	16,135,619
-	774,212
-	774,212
-	59,630,827
-	-
-	-
-	-
-	-
-	-
-	-
2,200,647	-
_,0,0,0,1,	-
-	-
321,613	14,166,593
5 2,522,260	\$ 73,797,420

CITY OF TRAVERSE CITY, MICHIGAN Statement of Activities For the Year Ended June 30, 2017

			Program Revenues			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue	
Primary government						
Governmental activities						
General government	\$ 5,805,446	\$ 871,214	\$ 523,969	\$ -	\$ (4,410,263)	
Public safety	8,716,814	41,260	25,103	-	(8,650,451)	
Public works	5,926,150	933,257	3,372,720	994,788	(625,385)	
Culture and recreation	2,915,576	444,087	244,524	385,726	(1,841,239)	
Interest and fiscal charges	362,675	-			(362,675)	
Total governmental activities	23,726,661	2,289,818	4,166,316	1,380,514	(15,890,013)	
Business-type activities						
Wastewater	6,008,855	7,043,632	-	-	1,034,777	
Water	2,695,146	3,996,056	-	-	1,300,910	
Marina	519,542	592,680	-	-	73,138	
Automobile parking	2,003,801	3,232,479	-	-	1,228,678	
Total business-type activities	11,227,344	14,864,847			3,637,503	
Total primary government	\$ 34,954,005	\$ 17,154,665	\$ 4,166,316	\$ 1,380,514	\$ (12,252,510)	
Component units						
Downtown Development Authority	\$ 3,194,055	\$ 626,396	\$ 1,000	\$ -	\$ (2,566,659)	
Light and Power	33,268,051	35,168,324			1,900,273	
Total component units	\$ 36,462,106	\$ 35,794,720	\$ 1,000	<u>\$</u>	\$ (666,386)	

Continued...

CITY OF TRAVERSE CITY, MICHIGAN Statement of Activities For the Year Ended June 30, 2017

Functions/Programs Changes in net position Net (expense) revenue General revenues Unrestricted property taxes Restricted property taxes for tax increment finance district Grants and contributions not restricted to specific programs Franchise revenue Unrestricted investment earnings Gain on sale of capital assets Transfers Contribution to endowment	Primary Government										
Functions/Programs		overnmental Activities		isiness-type Activities		Total					
Changes in net position											
	\$	(15,890,013)	\$	3,637,503	\$	(12,252,510)					
Unrestricted property taxes		12,734,842		-		12,734,842					
Restricted property taxes for tax increment finance districts		-		-		-					
Grants and contributions not restricted											
to specific programs		1,414,646		-		1,414,646					
Franchise revenue		244,148		-		244,148					
Unrestricted investment earnings		39,466		18,337		57,803					
Gain on sale of capital assets		60,422		-		60,422					
Transfers		949,457		(949,457)		-					
Contribution to endowment		4,602				4,602					
Total general revenues, transfers and contributions		15,447,583		(931,120)		14,516,463					
Change in net position		(442,430)		2,706,383		2,263,953					
Net position, beginning of year, restated		45,138,889		57,235,777		102,374,666					
Net position, end of year	\$	44,696,459	\$	59,942,160	\$	104,638,619					

	Compon	ent l	Units
De	Downtown evelopment Authority		Light and Power
\$	(2,566,659)	\$	1,900,273
	138,929		-
	1,693,757		-
	-		-
	-		-
	346		(43,623)
	_		-
	-		-
	1,833,032		(43,623)
	(733,627)		1,856,650
	3,255,887		71,940,770
\$	2,522,260	\$	73,797,420

Concluded

CITY OF TRAVERSE CITY, MICHIGAN Balance Sheet Governmental Funds June 30, 2017

	-		Special Revenue			Capital Projects		Permanent Brown					
	General Fund		Major Streets Fund		Local Streets Fund	Capital Project		Bridge Trust Fund		Nonmajor Governmental Funds		Total	
ASSETS													
Assets				÷									
Cash and cash equivalents Investments	\$ 1,954,732 1,332,881	\$	121,937	\$	-	\$	461,714 80,467	\$	116,437 12,091,200	\$	4,552,645 565,548	\$	7,207,465 14,070,096
Receivables											= .		
Accounts	921,872		202		-		1,094,289		8,125		14,474		2,038,962
Taxes	-		-		-		-		-		6,370		6,370
Special assessments	-		-		-		-		- 34,832		331,449		331,449 34,832
Accrued interest Due from other governments	230,440		- 199,211		64,302		-		54,852		- 167,128		54,852 661,081
Due from other funds	891,831		199,211		04,502						107,120		891,831
Due from component unit	243,138												243,138
Inventory	86,541		-				-				-		86,541
Prepaid items and other assets	435,445		-				-		-		-		435,445
Advances to other funds	925,000		-		-		-		-		-		925,000
Total assets	\$ 7,021,880	\$	321,350	\$	64,302	\$	1,636,470	\$	12,250,594	\$	5,637,614	s	26,932,210
LIABILITIES, DEFERRED INFLOWS OF RESO	OURCES, AND F	UND	BALANCE										
Liabilities													
Accounts payable	\$ 319,054	\$	17,092	\$	14,312	\$	308,354	\$	_	\$	8,744	\$	667,556
Accrued and other liabilities	182,561	φ	50,218	φ	4,509	φ		φ		φ	706	φ	237,994
Due to other funds			114,956		45,481		-		58,550		193,386		412,373
Deposits payable	114,151		-		-				-		-		114,151
Unearned revenue	1,121		-		-		1,085				5,813		8,019
Advance from component unit			-		-				-		285		285
Total liabilities	616,887		182,266		64,302		309,439		58,550		208,934		1,440,378
Deferred inflows of resources													
Unavailable revenue			-				111,027				311,327		422,354
Fund balance													
Nonspendable													
Inventory	86,541		-		-		-		-		-		86,541
Prepaid items	435,445		-		-		-		-		-		435,445
Advance to other funds	925,000		-		-		-		-		-		925,000
Brown bridge trust	-		-		-		-		12,192,044		-		12,192,044
Cemetery perpetual care	-		-		-		-		-		682,722		682,722
Restricted Debt service											2 676		2 676
	-		120.094		-		-		-		3,676		3,676
Streets and highways Joint planning	-		139,084		-		-		-		- 10,140		139,084 10,140
Capital improvements	-		-		-		-		-		1,044,553		1,044,553
Public welfare or civic improvement organizations	-		-		-		-		-		2,507,162		2,507,162
Act 345 retirement			-		-		-		-		110,278		110,278
Committed	-		=		-		-		-		110,270		110,270
Budget stablilization	752,556		-		-		-		-		-		752,556
Capital improvements	-		-		-		1,216,004		-		758,822		1,974,826
Assigned											.,		, ,
Subsequent year budget	569,550		-		-		-		-		-		569,550
Unassigned	3,635,901		-		-		-		-		-		3,635,901
Total fund balance	6,404,993		139,084		_		1,216,004		12,192,044		5,117,353		25,069,478
	.,,						, .,		, . . ,		, ,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,		.,,.,.,0
Total liabilities, deferred inflows of resources and fund balance	\$ 7,021,880	\$	321,350	\$	64,302	\$	1,636,470		12,250,594	\$	5,637,614	-	26,932,210

Continued.....

CITY OF TRAVERSE CITY, MICHIGAN Balance Sheet Governmental Funds June 30, 2017

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

Fund balances - total governmental funds	\$ 25,069,478
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 no reported in the funds.	
Add: capital assets Subtract: accumulated depreciation	91,976,607 (50,419,753)
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 postemployment benefits asset Add: deferred outflow of resources - pension Add: unavailable revenue	300,032 2,552,637 422,354
Internal service funds are used by management to charge the costs of certain equipment usage to individual funds. The assets and liabilities of the internal service fund are included in governmental and business-type activities in the statement of net position.	
Add: net position of governmental activities accounted for in internal service fund	9,263,938
Certain items, such as bonds payable, are not due and payable in the current period, and therefore are not reported in the funds.	
Add: deferred loss on refunding Subtract: deferred bond premium - Hardy Deck Subtract: deferred inflow of resources - pension Subtract: net pension liability Subtract: bonds payable Subtract: compensated absences Subtract: accrued interest on long-term liabilities	 291,234 (21,137) (1,234,215) (24,478,929) (8,410,000) (574,072) (41,715)
Net position of governmental activities	\$ 44,696,459
	Concluded

CITY OF TRAVERSE CITY, MICHIGAN Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Year Ended June 30, 2017

		Special Rev	venue Funds	Capital Projects	Permanent		
	General	Major Streets	Local Streets	Capital Projects	Brown Bridge Trust	Nonmajor Governmental Funds	Total
Revenues							
Property taxes and special assessments	\$ 9,109,325	s -	\$ -	s -	\$ -	\$ 2,000,424	\$ 11,109,749
Licenses and permits	305,043	-	-	-	-	-	305,043
State sources	1,470,801	1,220,277	427,950	-	-	665,256	3,784,284
Local sources	1,761,113	-	-	-	-	813,007	2,574,120
Charges for services	596,963	-	-	-	-	212,465	809,428
Fines and forfeits	9,528	-	-	-	-	-	9,528
Contributions	549,056	-	-	1,611,639	-	1,096,972	3,257,667
Reimbursement	461,274	-	-	19,800	-	-	481,074
Interest income (loss)	32,127	118	-	1,144	(133,816)	5,762	(94,665)
Other revenue	587,332						587,332
Total revenues	14,882,562	1,220,395	427,950	1,632,583	(133,816)	4,793,886	22,823,560
Expenditures							
Current expenditures							
General government	3,594,555	-	-	-	-	49,230	3,643,785
Public safety	6,754,113	-	-	-	-	1,809,058	8,563,171
Public works	1,341,309	1,375,793	1,218,380	601,249	-	1,863,926	6,400,657
Recreation and Culture	2,510,646	-	-	-	-	-	2,510,646
Capital outlay	124,166	-	-	1,851,734	-	190,809	2,166,709
Debt service	<i>,</i>			· · ·		, í	· · ·
Principal	-	-	-	-	-	485,000	485,000
Interest expense and fiscal charges						424,756	424,756
Total expenditures	14,324,789	1,375,793	1,218,380	2,452,983		4,822,779	24,194,724
Excess (deficiency) of revenues over expenditures	557,773	(155,398)	(790,430)	(820,400)	(133,816)	(28,893)	(1,371,164)
Other financing sources (uses)							
Proceeds from refunding debt issue						8,410,000	8,410,000
Debt refunding payment						(8,310,000)	(8,310,000)
Transfers in	1,165,276	50,000	790,430	1,417,942	-	(0,510,000)	3,423,648
Transfers out	(2,066,695)				(227,031)	(180,465)	(2,474,191)
Total other financing sources (uses)	(901,419)	50,000	790,430	1,417,942	(227,031)	(80,465)	1,049,457
	(242.646)	(105.200)		507 542	(2(0,047)	(100.250)	(221 202)
Net change in fund balances	(343,646)	(105,398)	-	597,542	(360,847)	(109,358)	(321,707)
Fund balance, beginning of year	6,748,639	244,482		618,462	12,552,891	5,226,711	25,391,185
Fund balance, end of year	\$ 6,404,993	\$ 139,084	\$ -	\$ 1,216,004	\$ 12,192,044	\$ 5,117,353	\$ 25,069,478

Continued.....

CITY OF TRAVERSE CITY, MICHIGA Statement of Revenues, Expenditures and Changes in Fund Balance Governmental Funds For the Year Ended June 30, 2017

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	\$	(321,707)
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.	e	
Add: capital outlay		2,166,709
Subtract: depreciation expense		(1,563,107)
Subtract: construction in progress reclassified to expense		(49,180)
Subtract: loss on disposal of assets		(2,180)
Subtract: book value of land sold		(22,075)
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.		
Subtract: refunding bond proceeds		(8,410,000)
Add: current principal debt payment		8,795,000
Add: increase in deferred loss on refunding		10,877
Add: amortization of premium		2,013
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.	e	
Subtract: decrease in deferred contributions and special assessment receivables		(609,752)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	;	
Add: decrease in accrued interest payable		49,190
Add: decrease in compensated absences payable		46,749
Add: increase in other postemployment benefit asset		17,727
Subtract: change in net pension liability, deferred outflows and deferred inflows		(876,124)
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		3.068
Add: other revenue from governmental internal service fund		106,338
Add: gain on disposal of capital assets in governmental internal service fund		33,634
Add: net operating income from governmental activities accounted for in internal service fund		180,390
Change in net position of governmental activities	\$	(442,430)

Concluded

CITY OF TRAVERSE CITY, MICHIGAN

Statement of Net Position Proprietary Funds

June 30, 2017

	Business-t	Business-type Activities - Enterprise Funds				
				Automobile		
Assets	Wastewater	Water	Marina	Parking System		
Current assets						
Cash and cash equivalents	\$ 121,598	\$ 4,321,704	\$ 383,191	\$ 3,407,415		
Investments	-	50,037	-	2,013,202		
Receivables						
Accounts	1,378,363	755,170	928	14,476		
Taxes	3,029	11,155	-	-		
Other governments	-	-	-	-		
Inventory	-	52,556	23,497	-		
Prepaid cost and other assets	215,984	2,952				
Total current assets	1,718,974	5,193,574	407,616	5,435,093		
Noncurrent assets						
Other postemployment benefit	21,072	83,059	-	936		
Capital assets not being depreciated	191,406	1,197,596	8,412,302	2,588,981		
Capital assets being depreciated	22,371,541	7,831,926	854,375	14,784,301		
Total noncurrent assets	22,584,019	9,112,581	9,266,677	17,374,218		
Total assets	24,302,993	14,306,155	9,674,293	22,809,311		
Deferred outflows						
Deferred outflow of resources - pensions	245,165	446,635	24,558	28,704		
Liabilities						
Current liabilities						
Accounts payable	88,350	51,515	50,748	138,809		
Accrued and other liabilities	49,631	16,335	279	1,231		
Due to other funds	81,863	44,009	29,652	323,933		
Current portion of compensated absences	747	6,992	-	1,356		
Current portion of long-term debt	1,092,965					
Total current liabilities	1,313,556	118,851	80,679	465,329		
Long-term liabilities						
Advance from component unit	-	-	-	-		
Advance from other funds	-	-	925,000	-		
Long-term debt, net of current portion	4,835,372	-	-	-		
Net pension liability	1,187,416	2,295,328	126,138	147,434		
Compensated absences	33,399	35,449	6,608	83		
Total long-term liabilities	6,056,187	2,330,777	1,057,746	147,517		
Total liabilities	7,369,743	2,449,628	1,138,425	612,846		
Deferred inflows						
Deferred inflow of resources - pensions	79,028	127,213	7,243	8,465		
Deferred gain on refunding	366,218					
Total deferred inflows	445,246	127,213	7,243	8,465		
Net Position						
Net investment in capital assets	16,634,610	9,029,522	8,341,677	17,373,282		
Unrestricted	98,559	3,146,427	211,506	4,843,422		
Total net position	\$ 16,733,169	\$ 12,175,949	\$ 8,553,183	\$ 22,216,704		

	Governmental Activities - Interna
Total	Service Fund
\$ 8,233,908	\$ 2,392,617
2,063,239	-
2 1 49 027	75
2,148,937 14,184	75
-	-
76,053	217,012
218,936	
12,755,257	2,609,704
105,067	49,382
12,390,285	19,925
45,842,143	8,362,752
58,337,495	8,432,059
71,092,752	11,041,763
745,062	304,892
329,422	129,025
67,476	9,806
479,457	-
9,095	299
1,092,965	
1,978,415	139,130
-	-
925,000 4,835,372	-
4,855,572	- 1,569,529
75,539	1,509,529
9,592,227	1,589,133
11,570,642	1,728,263
221,949	91,299
366,218	
588,167	91,299
51,379,091	8,362,752
8,299,914	1,164,341
\$ 59,679,005	\$ 9,527,093
- 57,077,005	φ <i>2,321,093</i>

CITY OF TRAVERSE CITY, MICHIGAN Statement of Net Position Proprietary Funds June 30, 2017

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	\$ 59,679,005
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	 263,155
Net position of business-type activities	\$ 59,942,160
	Concluded

CITY OF TRAVERSE CITY, MICHIGA Statement of Revenues, Expenses and Changes in Net Position Proprietary Fund For the Year Ended June 30, 201

	Business-type Activities - Enterprise Funds							
							Automobile	
	w	astewater		Water		Marina	Parking System	
Operating revenues								8.,
Charges for services	\$	6,908,675	\$	3,857,445	\$	577,377	\$	3,201,927
Interdepartmental		-		-		-		-
Contributions		-		-		-		-
Other revenue		129,404		138,611		15,303		30,552
Total operating revenues		7,038,079		3,996,056		592,680		3,232,479
Operating expenses								
Personnel services		923,924		1,439,951		152,899		58,760
Commodities		18,056		189,082		10,623		56,144
Contractual services		3,940,734		276,802		174,999		996,701
Other charges		269,186		466,921		55,955		389,560
Depreciation and amortization		603,679		329,156		108,228		506,214
Total operating expenses		5,755,579		2,701,912		502,704		2,007,379
Operating income		1,282,500		1,294,144		89,976		1,225,100
Nonoperating revenues (expenses)								
Reimbursements		5,553		-		-		-
Interest income		958		5,443		355		11,581
Other revenue		-		-		-		-
Interest expense and fiscal charges		(260,410)		-		(17,100)		-
Gain on sale of capital assets		-		-		-		-
Total nonoperating revenues (expenses)		(253,899)		5,443		(16,745)		11,581
Income before capital contributions and transfers		1,028,601		1,299,587		73,231		1,236,681
Transfers out		(345,863)		(200,009)		(29,652)		(373,933)
Change in net position		682,738		1,099,578		43,579		862,748
Net position, beginning of year, restated		16,050,431		11,076,371		8,509,604		21,353,956
Net position, end of year	\$	16,733,169	\$	12,175,949	\$	8,553,183	\$	22,216,704

Total	Governmental Activities - Internal Service Fund
\$ 14,545,424 -	\$ - 3,274,197
313,870	
14,859,294	3,274,197
2,575,534 273,905	868,736 520,174
5,389,236 1,181,622 1,547,277	187,846 161,511 1,337,800
10,967,574	3,076,067
3,891,720	198,130
5,553 18,337 - (277,510)	- 3,068 106,338 - 33,634
(253,620)	143,040
3,638,100	341,170
(949,457)	
2,688,643	341,170
56,990,362	9,185,923
\$ 59,679,005	\$ 9,527,093
	Continued

CITY OF TRAVERSE CITY, MICHIGAN Statement of Revenues, Expenses and Changes in Fund Net Position Proprietary Funds For the Year Ended June 30, 2017

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	\$ 2,688,643
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 Change in net position of business-type activities	\$ 17,740 2,706,383

Concluded

CITY OF TRAVERSE CITY, MICHIGA Statement of Cash Flow: Proprietary Fund For the Year Ended June 30, 201

	Business-type - Enterprise Funds						
				Automobile			
	Wastewater	Water	Marina	Parking System			
Cash flows from operating activities							
Cash received from customers	\$ 6,795,336	\$ 4,041,856	\$ 593,729	\$ 3,236,353			
Cash received from interfund services	-	-	-	-			
Cash payments to suppliers for goods and services	(4,243,818)	(963,066)	(279,531)	(1,361,743)			
Cash payments to employees for services	(874,990)	(1,310,092)	(147,039)	(52,319)			
Net cash provided by operating activities	1,676,528	1,768,698	167,159	1,822,291			
Cash flows from non-capital financing activities							
Cash payments from (to) other funds	(39,506)	(18,723)	(72,327)	33,412			
Cash payments for city fee	(345,863)	(200,009)	(29,652)	(373,933)			
Cash received from reimbursements	5,553	-	-	-			
Cash received from other revenue							
Net cash provided by (used in) non-capital							
financing activities	(379,816)	(218,732)	(101,979)	(340,521)			
Cash flows from capital and related financing activities							
Principal payments	(1,087,243)	-	-	-			
Interest payments	(220,888)	-	(17,100)	-			
Purchases of capital assets	(38,466)	(645,169)	-	(1,973,838)			
Proceeds from sale of capital assets	-			256,077			
Net cash (used in) capital and related							
financing activities	(1,346,597)	(645,169)	(17,100)	(1,717,761)			
Cash flows from investing activities							
Interest received	958	5,443	355	11,581			
Sale (purchase) of investments		668	-	(983,755)			
Net cash provided by investing activities	958	6,111	355	(972,174)			
Net increase (decrease) in cash and cash equivalents	(48,927)	910,908	48,435	(1,208,165)			
Cash and cash equivalents, beginning of year	170,525	3,410,796	334,756	4,615,580			
Cash and cash equivalents, end of year	\$ 121,598	\$ 4,321,704	\$ 383,191	\$ 3,407,415			

 Total	Governmental Activities - Internal Service Fund
\$ 14,667,274 - (6,848,158)	\$ - 3,274,222 (776,110)
 (2,384,440)	(769,889)
 5,434,676	1,728,223
 (97,144) (949,457) 5,553	106,338
 (1,041,048)	106,338
(1,087,243) (237,988) (2,657,473) 256,077	- (1,724,412) 47,861
 (3,726,627)	(1,676,551)
 18,337 (983,087)	3,068
 (964,750)	3,068
(297,749)	161,078
 8,531,657	2,231,539
\$ 8,233,908	\$ 2,392,617
	Continued

Continued.....

CITY OF TRAVERSE CITY, MICHIGA Statement of Cash Flow: Proprietary Fund For the Year Ended June 30, 201

	Business	Business-type - Enterprise Funds					
	Wastewater	Water	Marina		tomobile ng System		
Reconciliation of operating income to net cash provided by operating activities							
Operating income	\$ 1,282,500	\$ 1,294,144	\$ 89,976	\$	1,225,100		
Adjustments to reconcile operating income							
to net cash provided by operating activities							
Depreciation and amortization	603,679	329,156	108,228		506,214		
Changes in assets and liabilities							
Accounts receivables	(242,743)	45,800	1,049		3,874		
Prepaid cost and other assets	(400)	(4,970)	-		-		
Inventory	-	14,463	(14,487)		-		
Deferred outflows - pension	80,295	135,169	7,587		8,869		
Accounts payable	(15,442)	(46,200)	(23,467)		80,662		
Accrued and other liabilities	(65,275)	(44,417)	(4,486)		(5,652)		
Net pension liability	(33,475)	(61,080)	(3,346)		(3,911)		
Deferred inflows - pension	67,389	106,633	6,105		7,135		
Net cash provided by operating activities	\$ 1,676,528	\$ 1,768,698	\$ 167,159	\$	1,822,291		
Total		Governmental Activities - Intern Service Fund					
-------	-----------	---	-----------	--			
\$	3,891,720	\$	198,130				
	1,547,277		1,337,800				
	(192,020)		25				
	(5,370)		(9,147)				
	(24)		(9,244)				
	231,920		95,048				
	(4,447)		102,665				
	(119,830)		(22,742)				
	(101,812)		(41,452)				
	187,262		77,140				
\$	5,434,676	\$	1,728,223				

Concluded

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

CITY OF TRAVERSE CITY, MICHIGAN Statement of Fiduciary Net Position Fiduciary Funds June 30, 2017

		Act 345 Pension rust Fund	Other temployment nefit Funds	Agency Funds
Assets				
Cash and cash equivalents	\$	3,499,352	\$ 3,631,250	\$ 238,013
Investments, at fair value				
Fixed income mutual funds		5,105,496	-	-
Domestic equities		6,828,116	-	-
International equities		4,175,976	-	-
Real estate		1,716,685	-	-
Other		7,548,401	-	-
MERS total market fund		-	4,111,159	-
Receivables				
Accounts		-	550,741	35,211
Taxes		-	-	159,224
Accrued interest		15,358	 	
Total assets		28,889,384	 8,293,150	\$ 432,448
Liabilities				
Accrued and other liabilities		104,968	-	\$ 104,849
Due to other governmental units		-	 -	 327,599
Total liabilities		104,968	 -	\$ 432,448
Net Position Held in trust for pension benefits and other postemployment benefits	_\$	28,784,416	\$ 8,293,150	

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, 2017

	Act 345 Pension Trust Fund	Other Postemployment Benefit Funds
Additions		
Contributions		
City contributions	\$ 1,803,930	\$ 644,441
Employee contributions	104,761	-
Other		
Total contributions	1,908,691	644,441
Investment earnings		
Interest and dividends	269,489	-
Net increase in fair value of investments	2,861,339	900,092
Investment advisor fees	(111,508)	(9,889)
Net investment earnings	3,019,320	890,203
Total additions	4,928,011	1,534,644
Deductions		
Pension benefits paid	2,403,433	-
Health insurance premiums paid	-	356,424
Administrative expense	23,599	8,800
Total deductions	2,427,032	365,224
Net increase (decrease) in plan assets	2,500,979	1,169,420
Net position held in trust, beginning of year, restated	26,283,437	7,123,730
Net position held in trust, end of year, attributable to pension plan Net position held in trust, end of year, attributable to health insurance plan	\$ 28,784,416	\$ 8,293,150



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 nature and significance of the relationship between these entities and the City is such that exclusion of these entities would render the basic financial statements misleading or incomplete.

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

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

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

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



Joint operation

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

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

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

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

B. Government-wide and fund financial statements

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



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

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

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

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

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

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

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

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

The government reports the following major proprietary funds:

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

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

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

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

Additionally, the government reports the following fund types:

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

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

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



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

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

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

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

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

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

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

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



D. Assets, liabilities, deferred outflows/inflows and net position or fund balance

1. Deposits and investments

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

2. Receivables and payables

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

3. Inventory

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

4. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities, business-type activities, or component unit columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are valued at acquisition value (the price that would be paid to acquire an asset with an equivalent service potential in an orderly market transaction) on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.



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

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

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

5. Deferred outflows/inflows of resources

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

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

6. Compensated absences

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

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



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

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

7. Long-term obligations

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

8. Fund balance

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



9. Budget stabilization arrangement

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

II. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

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

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



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

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

	Governmental Activities	Business-type Activities	Fiduciary Funds	Total Primary Government	Component Units
Cash and cash					
equivalents	\$ 9,600,082	\$8,233,908	\$ 7,368,615	\$ 25,202,605	\$ 8,476,022
Investments	14,070,096	2,063,239	29,485,833	45,619,168	13,951,707
Total	<u>\$ 23,670,178</u>	<u>\$ 10,297,147</u>	<u>\$ 36,854,448</u>	<u>\$ 70,821,773</u>	<u>\$ 22,427,729</u>

Cash and cash equivalents reported above include \$11,607 of cash on hand that is not considered deposits or investments for footnote purposes.

The breakdown between cash and investments is as follows:

Petty cash	\$ 11,607
City and component unit bank deposits	
(checking, savings accounts and certificates of deposit)	27,500,730
City and component unit investments	28,882,717
Pension and other postemployment benefit fund - deposits	7,368,615
Pension and other postemployment benefit fund - investments	 29,485,833

Total

<u>\$93,249,502</u>



Investments

The City chooses to disclose its investments by specifically identifying each. Investment ratings were provided by Standard & Poor's. The City had the following investments in the governmental activities, business type activities and component units.

Investment	Maturity	Fair Value	Rating
US Traceury Note	02/15/2024	\$ 520,235	Aaa
US Treasury Note	01/31/2019	1,002,030	
US Treasury Note	06/30/2019	997,270	Aaa Aaa
US Treasury Note	01/31/2021	1,015,390	Aaa
US Treasury Note	02/15/2020	421,764	Aaa
US Treasury Note US Treasury Note	06/30/2022	1,010,860	Aaa
US Treasury Note	10/31/2017	149,829	
US Treasury Note	06/30/2019	1,004,450	Aaa
5	10/31/2017	499,430	Aaa
US Treasury Note	06/30/2018	1,000,860	Aaa
US Treasury Note		1,000,800	Aaa
US Treasury Note	09/30/2019	527,205	Aaa
US Treasury Note	02/15/2020		Aaa
US Treasury Note	06/30/2020	504,670	Aaa
US Treasury Note	05/15/2025	993,710	Aaa
US Treasury Note	06/30/2022	993,520	Aaa
US Treasury Note	06/30/2021	1,014,380	Aaa
US Treasury Note	06/30/2018	505,235	Aaa
US Treasury Note-FHLB	03/23/2020	1,001,100	Aaa/AA+
US Treasury Note-FHLB	05/17/2021	993,580	Aaa/AA+
US Treasury Note-FHLB	08/24/2021	991,180	Aaa/AA+
US Treasury Note-FHLB	12/14/2021	999,560	Aaa/AA+
US Treasury Note-FHLB	02/28/2022	998,070	Aaa/AA+
US Treasury Note-FHLB	03/29/2022	993,110	Aaa/AA+
US Treasury Note-FHLB	06/22/2022	996,080	Aaa/AA+
US Treasury Note-FHLB	08/24/2028	974,480	Aaa/AA+
US Treasury Note-FHLB	07/25/2031	945,890	Aaa/AA+
US Treasury Note-FHLB	08/15/2031	949,310	Aaa/AA+
US Treasury Note-FHLB	10/12/2022	985,470	Aaa/AA+
US Treasury Note-FHLB	02/26/2021	498,900	Aaa/AA+
US Treasury Note-FHLB	04/27/2023	982,590	Aaa/AA+
US Treasury Note-FHLB	05/25/2021	996,540	Aaa
US Treasury Note-FHLB	09/20/2021	989,960	Aaa
US Treasury Note	02/15/2021	26,702	Aaa
US Treasury Note	02/15/2024	312,141	Aaa
US Treasury Note	02/28/2019	751,553	Aaa
US Treasury Note	03/31/2024	50,037	Aaa
US Treasury Note	02/15/2024	98,845	Aaa
Michigan CLASS Pool	N/A	179,591	AAAm
		\$ 28,882,717	



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

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

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

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. As of year end, \$8,408,949 of the City's bank balance of \$34,566,035 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 \$28,882,716 of investments, the City has a custodial credit risk exposure of \$28,703,126



because the related securities are uninsured, unregistered and held by the government's brokerage firm which is also the counterparty for these particular securities. The custodial credit risk for balances in investment pools cannot be determined because the investments are not evidenced by specific identifiable securities.

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

Deposits and Investments - Pension and Other Postemployment Benefit Funds

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

Deposits - The Act 345 pension trust fund maintains a checking account with a bank balance of \$1,882,871 with deposits collateralized and a money market account in the pension fund trust account with a balance of \$1,616,480, of which \$250,000 is insured and \$1,366,480 is not insured or collateralized. The Act 345 retiree health insurance trust fund has deposits in pooled cash account totaling \$3,287,551.

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

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Act 345 pension trust fund will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. In accordance with the approved investment policy the Act 345 pension trust fund will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities allowed by the policy. In addition, the City Treasurer will prequalify all financial



institutions, broker/dealers, intermediaries and advisors with which the Act 345 pension trust fund will do business by subjecting them to certain criteria. Of the below \$29,485,833 of investments, the Act 345 pension trust fund has a custodial credit risk exposure of \$29,485,833 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 and mutual funds cannot be determined because the investments are not evidenced by specific identifiable securities.

Fair Value Measurements - The Act 345 pension trust fund 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 Act 345 pension trust fund has the following recurring fair value measurements as of year-end.

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

The trust funds' investments are held in a bank-administered trust fund and a MERS trust account. Following is a summary of the System's investments as of June 30, 2017:

Investments at fair value, as determined	
by quoted market price	
Fixed income mutual funds	\$ 5,105,496
Common stock	4,461,404
Equity mutual funds	6,542,688
Equity common trust funds	6,769,945
Alternative - SBIC funds	778,456
MERS total market fund	4,111,159
Direct real estate investments	1,716,685
Total investments	<u>\$ 29,485,833</u>



B. Capital assets

Capital assets activity for the year ended June 30, 2017 was as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 11,342,816	\$ -	\$ 22,075	\$ 11,320,741
Construction in progress	7,737,568	2,046,852	8,193,069	1,591,351
Total	19,080,384	2,046,852	8,215,144	12,912,092
Capital assets, being depreciated				
Land improvements	4,240,367	3,078,631	-	7,318,998
Infrastructure	50,457,292	5,115,950	133,726	55,439,516
Buildings	16,887,918	64,345	-	16,952,263
Equipment	16,441,447	1,729,232	844,815	17,325,864
Total	88,027,024	9,988,158	978,541	97,036,641
Less accumulated depreciation:				
Land improvements	1,004,118	249,303	-	1,253,421
Infrastructure	37,463,125	749,271	133,726	38,078,670
Buildings	10,645,712	525,324	-	11,171,036
Equipment	8,957,474	1,377,009	828,408	9,506,075
Total accumulated				
Depreciation	58,070,429	2,900,907	962,134	60,009,202
Total capital assets being				
depreciated, net	29,956,595	7,087,251	16,407	37,027,439
Governmental activities				
capital assets, net	\$ 49,036,979	\$ 9,134,103	\$ 8,231,551	\$ 49,939,531



	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being				
depreciated: Land	\$ 1,187,057	\$ -	\$ -	\$ 1,187,057
Land improvements	\$ 1,187,037 8,416,432	р = -	φ - -	\$ 1,187,037 8,416,432
Construction in progress	1,851,426	2,050,570	1,115,200	2,786,796
Total capital assets not	1,031,420	2,030,370	1,113,200	2,700,790
being depreciated	11,454,915	2,050,570	1,115,200	12,390,285
Capital assets, being depreciated	05 054 605	1 105 500		26 460 125
Buildings and improvements	35,354,635	1,105,500	-	36,460,135
Other improvements Machinery and equipment	21,532,934 13,932,693	365,342 1,040,280	-	21,898,276 14,972,973
Total capital assets being	13,932,093	1,040,200		14,972,975
depreciated	70,820,262	2,511,122	_	73,331,384
depreented	, 0,020,202			
Less accumulated depreciation:				
Buildings and improvements	14,297,047	736,547	-	15,033,594
Other improvements	6,025,109	596,572	-	6,621,681
Machinery and equipment	5,619,808	214,158		5,833,966
Total accumulated				
depreciation	25,941,964	1,547,277	_	27,489,241
depreclation	23,941,904	1,547,277		27,407,241
Total capital assets being				
depreciated, net	44,878,298	963,845		45,842,143
Design and there are the state				
Business-type activities capital assets, net	\$ 56,333,213	\$ 3,014,415	\$ 1,115,200	\$ 58,232,428
······································				



	Beginning Balance	Increases	Decreases	Ending Balance
Light and Power				
Component Unit				
Capital assets not being				
depreciated: Land	\$ 1,079,419	\$ -	\$ -	\$ 1,079,419
Construction in progress	\$ 1,079,419 1,384,254	ۍ 4,579,268	» <u>-</u> 3,865,451	\$ 1,079,419 2,098,071
construction in progress	1,304,234	4,577,200	5,005,451	2,070,071
Total capital assets not				
being depreciated	2,463,673	4,579,268	3,865,451	3,177,490
			· · · · · · · · · · · · · · · · · · ·	
Capital assets, being depreciated				
Buildings and improvements	5,383,556	284,838	-	5,668,394
Equipment and distribution			< 10 1 0 0	50 40 4 01 1
system	75,509,586	3,572,564	648,139	78,434,011
Fiber system	1,831,912 501,720	16,262	6,952	1,841,222
Wifi system				501,720
Total capital assets being				
depreciated	83,226,774	3,873,664	655,091	86,445,347
1.			·	
Less accumulated depreciation:				
Buildings and improvements	1,651,746	165,827	-	1,817,573
Equipment and distribution				
system	25,550,865	2,345,700	631,087	27,265,478
Fiber system	692,126	94,458	3,055	783,529
Wifi system	75,258	50,172		125,430
Total accumulated				
depreciation	27,969,995	2,656,157	634,142	29,992,010
depreclation		2,030,137	054,142	29,992,010
Total capital assets being				
depreciated, net	55,256,779	1,217,507	20,949	56,453,337
-		i i		
Light and Power				
Component Unit		• • • • • • • • • • •	A A A A A A A A A A	
capital assets, net	<u>\$ 57,720,452</u>	\$ 5,796,775	\$ 3,886,400	\$ 59,630,827



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

Governmental activities		
General government	\$	50,579
Public safety		113,039
Public works, including depreciation of general		
infrastructure assets		756,323
Recreation and culture		643,166
Capital assets held by the government's internal		
service fund are charged to the various		
functions based on their usage of the assets		1,337,800
Total depreciation expense – governmental activities	\$	<u>2,900,907</u>
Business-type activities		
Wastewater	\$	603,679
Water		329,156
Marina		108,228
Auto parking		506,214
Total depreciation expense – business-type activities	<u>\$</u>	<u>1,547,277</u>
Component unit activities		
Light and power	<u>\$</u>	2,656,157



C. Short term interfund receivables, payables, and transfers

Fund	 er-fund eivable	Fund	 r-fund yable
General Fund	\$ 891,831	Major Street Fund	\$ 114,956
		Local Street Fund	45,481
		College Parking Fund	8,735
		Stormwater Grant Fund	167,128
		Automobile Parking Fund	323,933
		Wastewater Disposal Fund	81,863
		Water Fund	44,009
		Marina Fund	29,652
		Brown Bridge Trust Fund	58,550
		Cemetery Trust Fund	4,448
		Cemetery Perpetual Care Fund	10,395
	 	McCauley Trust Fund	 2,681
	\$ 891,831		\$ 891,831

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

Interfund Transfers

	Operating Transfer In	Operating Transfer Out	Total	
General Fund	\$ 1,165,276	\$ 2,066,695	\$ (1,023,159)	
Major Streets Fund	50,000	-	50,000	
Local Streets Fund	790,430	-	790,430	
Brown Bridge Trust Fund	-	227,031	(227,031)	
Capital Projects Fund	1,417,942	-	1,417,942	
Non-major Governmental Funds	-	180,465	(180,465)	
Wastewater Fund	-	345,863	(345,863)	
Water Fund	-	200,009	(200,009)	
Marina Fund	-	29,652	(29,652)	
Automobile Parking System Fund		373,933	(373,933)	
	\$ 3,423,648	\$ 3,423,648	\$ -	

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



D. Long-term debt and accrued compensated absences

The following is a summary of bond and lease transactions of the City for the year ended June 30, 2017:

ine 50, 2017.			
		Primary Government	
	Governmental	Business-	
	Activities	Type	
	General	Activities	Total
	Obligation	Lease	Primary
	Bonds	Payable	Government
	Donus	1 ayabic	Government
Long-term debt at July 1, 2016	\$ 8,818,150	\$ 6,975,524	\$ 15,793,674
Additions	8,410,000	-	8,410,000
Reductions			
	(9 705 000)	(1.047.197)	(0.942.197)
Principal	(8,795,000)	(1,047,187)	(9,842,187)
Amortization of Premium	(2,013)		(2,013)
	(0,707,012)	(1.047.107)	(0.044.200)
Total reductions	(8,797,013)	(1,047,187)	(9,844,200)
Long-term debt at June 30, 2017	<u>\$ 8,431,137</u>	<u>\$ </u>	<u>\$ 14,359,474</u>
Due within one year	<u>\$ </u>	<u>\$ 1,092,966</u>	<u>\$ 1,677,966</u>

The following is a summary of accrued compensated absences of the City for the year ended June 30, 2017. For the governmental activities, compensated absences are generally liquidated by the General Fund.

Primary Government								
			F	Business-				Total
	Go	vernmental	Туре		C	Component		Reporting
	A	<u>ctivities</u>		Activities		Units		Entity
Accrued compensated								
absences at July 1, 2016	\$	646,823	\$	101,583	\$	267,566	\$	1,015,972
Additions		614,076		102,552		216,387		933,015
Reductions		(666,924)		(119,499)		(245,111)	_(<u>1,031,534)</u>
Accrued compensated absences at June 30, 2017	<u>\$</u>	<u>593,975</u>	<u>\$</u>	84,636	<u>\$</u>	238,842	<u>\$</u>	917,453
Due within one year	\$	<u>51,960</u>	<u>\$</u>	<u>9,393</u>	<u>\$</u>	27,028	<u>\$</u>	88,381



Bond and lease obligations at June 30, 2017 are comprised of the following individual issues:

	Final Maturity Date	Interest Rates	Outstanding Balance
Primary Government			
Governmental Activities:			
2017 Downtown Development			
Refunding Bonds	2028	2.293%	\$ 8,410,000
Business-type Activities:			
2011 Wastewater Treatment			
Capital Lease Payable	2022	4.00%	5,928,337
Total Reporting Entity			<u>\$ 14,338,337</u>

The Wastewater Fund capital lease is directly related to bonds issued through Grand Traverse County (the "County"). The City records its share of County bonds as capital leases payable in accordance with the Michigan Committee on Governmental Accounting

and Auditing Statement 10, as amended.

Capital assets held under capital leases cost approximately \$26,929,426 with accumulated depreciation of \$8,876,926 and a book value of \$18,052,500 at June 30, 2017.

On February 22, 2017 the City issued the 2017 Downtown Development Refunding Bonds. This issue was a current refunding of the 2007 Downtown Development Refunding Bonds. The new Bonds totaling \$8,410,000 will have a final maturity date of April 1, 2028 and refunded 8,310,000 of principal and \$167,766 of interest related to the 2007 issue. The 2007 refunded issue had cash flow requirements of \$10,638,853 and the 2017 refunding issue will have cash flow requirements of \$9,767,164 for a cash flow difference of \$871,689. The economic gain for the transaction was calculated to be \$765,771.



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

	-					•	ness-Type Activities Ital Leases Payable		
Fiscal Year	<u>P</u>	Principal		Interest		Principal		Interest	
2018	\$	585,000	\$	213,732	\$	1,092,966	\$	237,133	
2019		650,000		179,427		1,144,467		193,415	
2020		695,000		164,523		1,187,384		147,636	
2021		745,000		148,586		1,230,301		100,141	
2022		800,000		131,504		1,273,219		50,929	
2023-27		4,170,000		370,434		-		-	
2028		765,000		17,542					
	\$	<u>8,410,000</u>	\$	<u>1,225,748</u>	<u>\$</u>	<u>5,928,337</u>	<u>\$</u>	729,254	

E. Commitments

Primary Government

As part of it's ongoing capital improvement plan, The City has entered into various agreements with construction contractors, engineers and consultants. The estimated open balance on the agreements at June 30, 2017 is \$2,847,000.

Component Units

Downtown Development Authority

The 2017 City of Traverse City Downtown Development Authority Tax Exempt Refunding Bonds are reported on the City of Traverse City financial statements. The Downtown Development Authority has pledged tax increment revenues for the payment of these bonds. The City has pledged its limited tax full faith and credit for the payment of the principal and interest on the bonds.



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

Fiscal <u>Year End</u>	Amount
2018	\$ 798,732
2019	829,427
2020	859,523
2021	893,586
2022	931,504
2023-2027	4,540,434
2028	782,542
Total	<u>\$ 9,635,748</u>

The Authority intends to fund a portion of the Cass and Lake Street Streetscape project with Old Town TIF funds, the estimated commitment at June 30, 2017 is approximately \$269,000.

The Authority intends to assist in the funding of the South Cass Street Bridge Repair Project with future Old Town TIF and TIF 97 funds. The estimated commitment at June 30, 2017 is approximately \$44,000 from each fund.

The Authority has committed to assist with West Front Street signal equipment purchases from TIF 97 fund for an estimated \$49,000.

The Authority has committed to assist with the East Front Streetscape – Boardman to Grandview Parkway Project from TIF 97 funds with an estimated commitment balance of \$252,000.

The Authority has committed to assist with the Park Street Bridge Repair Project from TIF 97 funds with an estimated \$148,000 commitment balance at June 30, 2017.

The Authority intends to assist with the Eighth Street Bridge Repair Project with Old Town TIF funds of \$147,000.

The Authority has committed to assist with the West Front Street Bridge Replacement Project with TIF 97 funds estimated at \$218,000.

The Authority also intends to assist with the Eighth Street Reconstruction and Union St Dam projects with Old Town TIF funds in future years.



Traverse City Light and Power

The utility has agreements with the MPPA committing it to purchase of up to 2MW of renewable energy from Granger Electric of Michigan, LLC, .65MW of renewable energy from North American Natural Resources, Inc., and 3.6MW of all energy, capacity, and environmental attributes under the agreement for a development in the thumb area of Michigan. Additionally through the MPPA Energy Service Committee, the utility has base energy bilateral contracts for the calendar year 2018 through 2021 in the amount of \$5,641,525 and peak energy bilateral contracts for the calendar year 2018 through 2020 in the amount of \$3,013,632 and capacity transaction bilateral contracts for the calendar year 2018 through 2027 in the amount of \$4,364,160.

F. Contingencies

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

III. OTHER INFORMATION

A. Risk management

The government is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. During the year ended June 30, 2017, 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, 2017 amounted to \$77,034, which is included in General Fund expenditures.



C. Property taxes

The government's property taxes are levied each July 1 on the taxable valuation of property located in the City as of the preceding December 31, the lien date. Property taxes are payable without penalty and interest through August 31; as of March 1 of the succeeding year, unpaid real property taxes are sold to and collected by Grand Traverse County.

The 2016 adjusted ad valorem taxable value in the City totaled \$914,910,171, on which taxes levied consisted of 11.1167 mills for operating purposes and 2.32 mills for Act 345.

Included in the taxable valuation is the Downtown Development Authority ("DDA"). The taxable value for the DDA is \$96,094,934. The DDA general operating tax rate for was 1.8038 mills. Property taxes are also derived from tax increment financing agreements between the DDA and other taxing districts. Under these arrangements, the DDA receives those property taxes levied on the increment of current taxable valuations (determined as of the preceding December 31, the lien date) over base year assessed valuations on certain property located in the City of Traverse City, which are within the DDA district. Property taxes are recognized in the fiscal year in which they are levied.

D. Defined benefit pension plans

The City has three defined benefit retirement plans, The Act 345 Retirement System covering police and fire department personnel, The MERS Traverse City Light and Power Plan covering the Light and Power Component Unit employees and the MERS City of Traverse City-General Plan covering all other City employees.

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

Method used to value Investments

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

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

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



Plan membership. At June 30, 2017 the most recent actuarial valuation date, membership consisted of:

Total	<u>120</u>
Active plan members	49
Terminated plan members entitled to but not yet receiving benefits	4
Retirees and beneficiaries currently receiving benefits	67

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

Police employees hired prior to 7/1/2009 receive retirement equal to 2.8% (2.5% for service on or after 6/30/2015) of the 3 year average final compensation (AFC) times first 25 years of service plus 1% of AFC times years of service in excess of 25 years. Fire employees hired prior to 7/1/2009 receive 2.8% of 3 year AFC times first 25 years of service plus 1% of AFC times years of service after 25 years. All Police or Fire employees hired on or after 7/1/2009 receive 2% of the 3 year AFC times first 25 years of service plus 1% of AFC times years of service after 25 years.

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

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

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

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

A non-duty disability benefit is payable upon the total and permanent disability of a Police or Fire member with 5 or more years of service. The amount will be 1.5% of AFC times the years of service up to age 55 and an amount equal to the service retirement amount at age 55 or older.



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

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

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

Investment policy. The plan's policy in regard to the allocation of invested assets is established and may be amended by the Act 345 Pension Board of Trustees. Investment objectives consider both the plan's financial and liquidity needs and the Board's tolerance for investment risk and inflation expectations. A strategic asset allocation plan is developed to attempt to achieve the Board's investment objectives while maximizing expected investment returns with a prudent amount of investment risk and recognizing that the capital markets may behave differently over any period of time, through the life of the plan. The following was the Board's adopted asset allocation policy as of June 30, 2017:

Asset class	Target Allocation			
Domestic fixed income	20%			
International fixed income	5%			
Domestic equity	50%			
International equity	15%			
Real Estate	10%			
Cash	0%			

Concentrations. At June 30, 2017 the Plan did not hold investments greater than 5% of the plans fiduciary net position in any one organization.

Rate of Return. For the year ended June 30, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan expense, was 11.86%. 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, 2017, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as June 30, 2016.

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2016 with a June 30, 2017 measurement date and reporting date, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	4.0%
Salary increases	4.00%-7.00%
Investment rate of return	7.5%, net of pension plan investment expense

Mortality rates were determined based on the RP-2000 Male set back one year and Female (unadjusted) Mortality Table, projected 20 years with Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which 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, 2017, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Domestic Fixed Income	20.00%	2.50%
International Fixed Income	5.00%	3.50%
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 2.0%

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



Changes in Net Pension Liability.

Fiscal year ending June 30,		2016	2017
Total Pension Liability			
Service Cost	\$	678,748	\$ 676,683
Interest on the Total Pension Liability		3,036,795	3,110,650
Benefit changes		-	-
Difference between expected and actual			
experience of the Total Pension Liability		(372,033)	(172,209)
Assumption changes		-	-
Benefits paid and refunds		(2,312,077)	(2,403,433)
Net change in Total Pension Liability		1,031,433	1,211,691
Total Pension Liability - Beginning		41,307,271	42,338,704
Total Pension Liability- Ending (a)	\$	42,338,704	\$43,550,395
Plan Fiduciary Net Position			
Employer contributions	\$	1,810,565	\$ 1,803,930
Employee contributions		58,510	104,761
Pension plan net investment income		498,918	3,019,320
Benefit payments and refunds		(2,312,077)	(2,403,433)
Pension plan administrative expense		(15,450)	(23,599)
Other		159	-
Net Change in Plan Fiduciary Net Position		40,625	2,500,979
Plan Fiduciary Net Position - Beginning		26,242,812	26,283,437
Plan Fiduciary Net Position - Ending (b)	\$	26,283,437	\$28,784,416
Net Pension Liability - Ending (a)-(b)	\$	16,055,267	\$ 14,765,979



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

	1% Decrease 6.50%	Current SDR 7.50%	1% Increase 8.50%
Total Pension Liability Plan Fiduciary Net Position	\$48,931,760 28,784,416	\$ 43,550,395 	\$ 39,057,652 28,784,416
Net Pension Liability/(Asset)	<u>\$ 20,147,344</u>	<u>\$ 14,765,979</u>	<u>\$ 10,273,236</u>

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2017 the employer recognized pension expense of \$1,851,693. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflow	Deferred Inflow
Difference in Investment Return Difference in Experience	\$ 1,466,699 	\$ 854,000 <u>654,999</u>
Total	<u>\$ 1,466,699</u>	<u>\$ 1,508,999</u>

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

	Net Deferred	
	(Outflow)	
2018	\$ 97,342	
2019	149,620	
2020	(29,476)	
2021	(257,772)	
2022	(2,014)	
Total	<u>\$ (42,300)</u>	



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:	2016 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:	2016 Valuation Bridged Benefit: 2.25% Multiplier (80% max) Termination FAC; to 1.50% Multiplier (80% max)
Dridged Denefit Dates	06/30/2014
Bridged Benefit Date:	
Normal Retirement Age:	60
Vesting:	6 years 55/25
Early Retirement (Unreduced): Early Retirement (Reduced):	50/25
Early Retirement (Reduced):	55/15
Final Avarage Companyation	
Final Average Compensation: COLA for Current/Future	5 years
Retirees:	2 50% (Non Compound)
Employee Contributions:	2.50% (Non-Compound) 0%
Act 88:	No
AU 00.	110
Open Division, linked to Division 01	2016 Valuation
T. (**) J (*) *	
Benefit Multiplier:	1.50% Multiplier (no max) 60
Normal Retirement Age: Vesting:	
8	6 years 55/25
Early Retirement (Unreduced): Early Retirement (Reduced):	50/25
Early Keurement (Keuuceu):	55/15
Final Avarage Companyation	
Final Average Compensation: Employee Contributions:	5 years 0%
Act 88:	No
AU 00.	110
14 - General GME hired after 7/1/09: Open Division, linked to Division 11,16	
	2016 Valuation
Benefit Multiplier:	1.50% Multiplier (no max)
Normal Retirement Age:	60
Vesting:	6
	6 years
Early Retirement (Unreduced):	55/25
8	•
Early Retirement (Unreduced):	55/25

5 years

0%

No

Final Average Compensation:

Employee Contributions:

Act 88:



16 - GME Tech/Clerical hired	
prior to 7/1/09: Closed to new	
hires, linked to Division 14	
	2016 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


-Benefits provided include plans with multipliers ranging from 1.5 to 2.25.

- -Vesting period is six years.
- -Normal retirement age is 60 with early retirement at 55 with 25 years of service.

-Final average compensation is calculated based on 5 years.

-There are no member contributions.

Employees covered by benefits terms. At the December 31, 2016 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	128
Inactive employees entitled to but not yet receiving benefits	22
Active employees	98
	248

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, 2017 were \$513,576 for the Admin & ACT hired prior to 7/1/2009 division, \$40,200 for the GME tech/clerical hired prior to 7/1/2009 division, \$358,780 for the General GME division, \$121,104 for the General GME hired after 7/1/2009 division, and \$120,127 for the ACT hired after 7/1/2009 division.

Net Pension Liability. The employer's Net Pension Liability was measured as of December 31, 2016, 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, 2016 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5%

Salary Increases: 3.75% in the long-term.

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



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

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

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

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

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

Discount rate. The discount rate used to measure the total pension liability is 8.00% for 2016. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.



Changes in Net Pension Liability

Calculating the Net Pension Liability			
Changes in Net Pension Liability		Increase (Decrease)	
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/15	\$37,550,392	\$22,102,919	\$15,447,473
Service cost	451,469	-	451,469
Interest on total pension liability Differences between expected	2,919,079	-	2,919,079
and actuarial experience	(281,288)	-	(281,288)
Change in assumptions	-	-	
Employer contributions	-	1,103,031	(1,103,031)
Net investment Income (loss)	-	2,443,206	(2,443,206)
Benefit payments, including employee refunds	(2,575,279)	(2,575,279)	-
Administrative expense	-	(48,298)	48,298
Net changes	513,981	922,660	(408,679)
Balances as of 12/31/16	\$38,064,373	\$23,025,579	\$15,038,794

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

	1% Decrease 7.00%	Current Discount Rate 8.00%	1% Increase 9.00%
Net pension liability at 12/31/16	\$15,038,794	\$15,038,794	\$15,038,794
Change in net pension liability	4,014,271	_	(3,406,133)
Calculated NPL	\$19,053,065	\$15,038,794	\$11,632,661

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



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

For the year ended June 30, 2017 the employer recognized pension expense of \$2,430,255. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflow of Resources	
Excess (Deficit) investment returns	\$	936,957	\$	-
Changes in assumptions Differences between expected and actual experience		891,294		- 303,829
Contributions subsequent to the measurement date*		573,005		-
Total	\$	2,401,256	\$	303,829

* 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, 2017.

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

Year Ended	
2018	\$ 718,820
2019	718,820
2020	233,941
2021	 147,160
	\$ 1,524,422

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

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01 - Non Union – Open Division	
	2016 Valuation
Benefit Multiplier:	2.25% Multiplier (80% max)
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:	U Contraction of the second se
Member Contributions:	0%
Act 88:	No
10 - Union closed to new hires,	
linked to Division 12	
	2016 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:	
Member Contributions:	0%
Act 88:	No
12 - Union hired after 7/1/2012,	
linked to Division 10	
	2016 Valuation
Benefit Multiplier:	1.5% Multiplier (no 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



-Benefits provided include plans with multipliers ranging from 1.5 to 2.25.

- -Vesting periods range from 6 to 10 years.
- -Normal retirement age is 60 with early retirement at 55 with 25 years of service.

-Final average compensation is calculated based on 5 years.

-There are no member contributions.

Employees covered by benefits terms. At the December 31, 2016 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	57
Inactive employees entitled to but not yet receiving benefits	6
Active employees	36
	99

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

Employer contributions range from 7.39 to 29.14% based on annual payroll for open divisions. One division that is closed to new employees has an annual employer contribution amount of \$57,972.

Net Pension Liability. The employer's Net Pension Liability was measured as of December 31, 2016, 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, 2016 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5%

Salary Increases: 3.75% in the long-term.

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

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



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

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

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

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

Discount rate. The discount rate used to measure the total pension liability is 8% for 2016. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.



Changes in Net Pension Liability

Calculating the Net Pension Liability				
Changes in Net Pension Liability		Increase (Decrease)		
Balances at 12/31/15	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)–(b)	
Changes for the Year	\$29,214,897	\$15,100,022	\$14,114,875	
Service cost Interest on total pension	300,475	-	300,475	
liability	2,276,465	-	2,276,465	
Difference between expected and actual experience	(509,997)	-	(500,997)	
Employer contributions	-	1,564,302	(1,564,302)	
Net investment income	-	1,686,136	(1,686,136)	
Benefit payments, including employee refunds	(1,818,642)	(1,818,642)	-	
Administrative expense	-	(33,364)	33,364	
Net changes	248,301	1,398,432	(1,150,131)	
Balances as of 12/31/16	\$29,463,198	\$16,498,454	\$12,964,744	

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

	1% Decrease 7.00%	Current Discount Rate 8.00%	1%Increase 9.00%
Net Pension Liability at 12/31/16	\$12,964,744	\$12,964,744	\$12,964,744
Change in Net Pension Liability (NPL)	3,297,830	-	(2,784,828)
Calculated NPL	\$16,262,574	\$12,964,744	\$10,179,916

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



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

For the year ended June 30, 2017 the employer recognized pension expense of \$1,188,382. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	erred Inflows f Resources
Excess (Deficit) Investment Returns	\$ 1,038,675	\$ (391,714)
Changes in Experience	\$ 181,918	\$ (382,498)
Changes in Assumptions	\$ 722,027	\$ -
Contributions subsequent to		
the measurement date*	\$ 1,079,279	\$ -
Total	\$ 3,021,899	\$ (774,212)

* 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 2017.

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

Year Ended	
2018	\$ 592,260
2019	592,260
2020	81,816
2021	(97,928)
	\$1,168,408



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. Participants may contribute any amount allowed by the plan and the employer will match employee contributions up to 7% percent of covered payroll based on the employee's employment contract. Plan provision and contribution requirements can only be amended by authorization of the Board of Directors. In the current year, the Downtown Development Authority contributed \$31,293 and the employees contributed \$25,131.

Primary Government and Light and Power Component Unit

The City and Traverse City Light and Power participated in the City's Deferred Compensation Plan created in accordance with the Internal Revenue Code Section 457. The City has ICMA Retirement Corporation and Mass Mutual as administrators for the Plan. Participants may contribute zero to six percent of covered payroll based on the employee's employment or labor union contract. Plan provision and contribution requirements can only be amended by authorization of the City Commission. In the current fiscal year, the employer contribution to the plan was \$614,869 and the employees contributed \$811,348. Of these amounts Traverse City Light and Power contributed \$156,268 and their employees contributed \$218,043.

E. Postemployment health benefits

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

Act 345 Retiree Health Insurance Plan

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.



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, 2017, the City contributed \$385,866 to fund the benefits which corresponds to the annual required contribution.

OPEB liability under GASB 45

The City's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement #45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of thirty years. The most recent actuarial valuation of the Retiree Health Plan was performed as of June 30, 2016. The following table shows the components of the City's OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's OPEB obligation and asset with the plan.:

Annual required contribution Interest on net OPEB obligation Adjustment to annual required contribution	\$ 385,866 - -
Annual OPEB cost (expense)	385,866
Contributions made	385,866
Increase in net OPEB obligation Net OPEB obligation, beginning of year	-
Net OPEB obligation, end of year	<u>\$</u>

Three-year Trend Information

Fiscal Year <u>Ending</u>	Annual OPEB <u>Cost (AOC)</u>	Percentage of AOC <u>Contributed</u>	Net OPEB <u>Obligation</u>
6/30/15	\$ 368,876	100%	-
6/30/16	384,646	100%	-
6/30/17	385,866	100%	-



Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrue Liability (AAL) Entry Age (b)		Funded Ratio <u>(a/b)</u>	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll <u>((b-a)/c)</u>
6/30/16	\$ 3,761,310	\$ 8,094,695	\$4,333,385	46.5%	\$ 2,785,524	4 155.6%

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

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

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, 2016):

Retirees/beneficiaries receiving benefits	43	
Inactive non-retired members	1	
Active plan members		
Total	83	

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

Net OPEB Liability

The total OPEB liability was determined for the plans fiscal year end June 30, 2017 based on the actuarial valuation dated June 30, 2016 using the following assumptions applied to all periods included in the measurement:

Infation: 4.0%
Salary increase: Varies from .1% to 3% depending on age
Investment rate of return net of investment expense 7.5%
Health costs: varies between 4% and 7.5% depending on year for fire employees, and 5% for police employees.
Mortality: Based on the RP-2000 Mortality table projected 20 years with scale AA

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

As of June 30, 2017 100% of plan assets were in cash and cash equivalents with a 0% rate of return. On July 1, 2017 the plan Board which is made up of the same members as the Act 345 Pension Retirement Board implemented an investment plan that mirrors the Act 345 Pension investment plan.

Single Discount Rate: A single discount rate of 7.5% 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 7.5%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on the OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.



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

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

	1% decrease		Current Rate		1% increase	
Total OPEB liability	\$	5,986,306	\$	4,980,328	\$	4,138,494
Fidicuiary net position		3,373,566		3,373,566		3,376,566
Net OPEB liability	\$	2,612,740	\$	1,606,762	\$	761,928
Fiduciary position as						
a % of total OPEB liability		56.35%		67.74%		81.59%

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

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

	1% decrease		Current Rate		% increase
Total OPEB liability	\$ 4,038,711	\$	4,980,328	\$	6,122,688
Fiduciary net position	3,373,566		3,373,566		3,373,566
Net OPEB liability	\$ 665,145	\$	1,606,762	\$	2,749,122

Subsequent reporting

Effective for the year ending June 30, 2018, the City will be required to implement a new reporting standard. This standard establishes new requirements for governments to report a "net OPEB liability" for the unfunded portion of its OPEB plan. Historically, governments have only been required to report a net OPEB obligation to the extent that they have not met the annual required contribution (ARC) in any given year. Upon implementation of this standard, governments will be required to report a net OPEB liability based on the funded status of the plan (actuarially accrued liability less plan assets). This liability will be reported on the accrual basis financial statements. Changes in this liability from year to year will largely be reflected on the accrual basis income statement, though certain amounts may be deferred and amortized over varying periods



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.

Contributions

The City contribution was the annual required contribution in addition to the pay-as-yougo financing requirements. For the current year, the annual required contribution for the City and Traverse City Light and Power was \$258,717. Of this amount, the City's portion of the annual required contribution was \$22,957 and Traverse City Light and Power's portion of the annual required contribution was \$235,760. The actual employer contribution for the City was \$26,617 and \$235,760 for Traverse City Light and Power. In addition, the City and Traverse City Light in Power made direct premium payments of \$33,319 and \$25,115 respectively.

OPEB Liability under GASB 45

The City's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement #45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of thirty years. Fiscal year June 30, 2016 liability information and annual required contribution information were based on an actuarial valuation with a December 31, 2015 measurement date. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's OPEB obligation and asset with the plan.



Annual required contribution	\$ 258,717
Interest on net OPEB obligation	(122,342)
Adjustment to annual required contribution	 125,780
Annual OPEB costs	262,155
Estimated Employer Contributions	 (262,155)
Change in net OPEB obligation	-
Net OPEB obligation - Beginning of year	 (1,529,287)
Net OPEB obligation - End of year	\$ (1,529,287)

Trend Information

Fiscal Year <u>Ending</u>	Annual OPEB <u>Cost (AOC</u>)	Percentage of AOC <u>Contributed</u>	Net OPEB <u>Obligation asset</u>
6/30/15	\$ 262,155	100%	\$ 1,529,287
6/30/16	\$ 287,178	100%	\$ 1,803,931
6/30/17	\$ 258,575	100%	\$ 2,107,494

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrue Liability (AAL) Entry Age (b)		Funded Ratio <u>(a/b)</u>	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll <u>((b-a)/c)</u>
12/31/15	\$ 4,205,338	\$ 6,669,514	\$ 2,464,176	63%	not availab	le

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The actuarial required contribution represents a level of funding, if paid on an ongoing basis, is projected to cover normal costs and the amortization of any unfunded actuarial accrued liability over a period not to exceed 30 years. The City is currently funding the plan by paying the current insurance premiums due and the annual required contribution.



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

Benefits provided

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

An actuarial valuation of other postemployment benefits in accordance with GASB statement 74 as of June 30, 2017 listed plan membership as follows:

Active Employees	134
Inactive Empoyees	74
Total Employees	208

Net OPEB Liability

The total OPEB liability in the June 30, 2017 GASB 74 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement.

Inflation rate: 2.5% Salary rate increase: 5.0% Discount Rate 8.0% Healthcare Trend: Healthcare trend rates are estimated each year through 2027 based on the type of health care plan/coverage. These rates varied from 4.0% to 10.5%. Mortality: For Healthy actives and retirees, the 1994 Group Annuity Mortality Tables blended 50% male / 50% female. For disabled actives and retirees, the 1994 Group Annuity Mortality Tables 50% male and female with rates set forward 10 years. For actives, 90% of deaths are a assumed non duty and 10% duty related.



Discount Rate: The projection of cash flows used to determine the discount rate showed that the OPEB plan's fiduciary net position is projected to be sufficient to make projected benefit payments during the entire valuation projection horizon. As such, the discount rate used to measure the Total OPEB Liability is 7.5%, which is the single equivalent discount rate taking into account the long-term expected rate of return on OPEB plan investments.

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
US Stocks	34.5%	7.0%
International Stocks	5.0%	8.0%
Emerging Market Stocks	5.0%	12.0%
US Bonds	20.0%	6.0%
Global Bonds	15.0%	7.0%
Global Real Estate	7.0%	8.0%
Commodities	5.0%	8.0%
Private Equity	7.0%	12.0%
Cash	1.5%	0.5%
Total	100.0%	

Concentrations: At June 30, 2017 92% of the plan assets were invested in the MERS total Market Porfolio.

Rate of return: For the year ended June 30, 2017 the annual rate of return net of investment expenses was 10.8%.



Sensitivity of the Net OPEB liability to changes in the discount rate

The following presents the net OPEB liability of the employer, calculated using the discount rate of 7.5%, as well as what the employer's net OPEB liability would be using a discount rate that is 1 percentage point lower (6.5%) or 1% higher (8.5%) than the current rate.

	1% decrease			Current Rate	1% increase		
Total OPEB Liability	\$	7,985,610	\$	7,251,821	\$ 6,630,766		
Fiduciary net Position		4,919,584		4,919,584	4,919,584		
Net OPEB liability	\$	3,066,026	\$	2,332,237	\$ 1,711,182		
Fiduciary Net Position							
as a percentage of							
total OPEB liability		61.6%		67.8%	74.2%		

The following presents the net OPEB liability of the employer, calculated using the current blended healthcare cost trend rates, 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 1% higher than the current rate.

	1% decrease	Current Rate	1% increase		
Total OPEB Liability	\$ 6,669,722	\$ 7,251,821	\$	7,930,898	
Fiduciary net Position	 4,919,584	4,919,584		4,919,584	
Net OPEB liability	\$ 1,750,138	\$ 2,332,237	\$	3,011,314	

Subsequent reporting

Effective for the year ending June 30, 2018, the City will be required to implement a new reporting standard. This standard establishes new requirements for governments to report a "net OPEB liability" for the unfunded portion of its OPEB plan. Historically, governments have only been required to report a net OPEB obligation to the extent that they have not met the annual required contribution (ARC) in any given year. Upon implementation of this standard, governments will be required to report a net OPEB liability less plan assets). This liability will be reported on the accrual basis financial statements. Changes in this liability from year to year will largely be reflected on the accrual basis income statement, though certain amounts may be deferred and amortized over varying periods



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

The Department, along with other Michigan municipal utilities, is a member of the MPPA. The agency was formed to acquire interest in certain electric generating plants and related transmission lines to service its members. MPPA has acquired a 4.8% undivided interest in the Consumers Energy Campbell 3 plant, an 18.6% undivided interest in the Detroit Edison Belle River project, and 100% undivided interest in the Kalkaska Combustion Turbine project.

In 1983, the Department entered into a 35-year power supply and project support contract with MPPA. Under the agreement, the Department will purchase 26.35% of the energy generated by MPPA's 4.8% interest in the Campbell 3 plant and 4.53% of the energy generated by MPPA's 18.6% interest in the Belle River plant. In 2002, the Department entered into a 25-year power supply and project support contract with MPPA. Under the agreement, the Department will purchase 75.9% of the energy generated by MPPA's 100% interest in the Kalkaska Combustion Turbine. In 2009, the Department entered into a power supply contract with MPPA. Under the agreement, the Department will purchase 8.13% of the energy generated in the MPPA's renewable energy contract with Grainger Electric of Michigan, LLC. In 2011, the Department entered into a power supply contract with MPPA. Under the agreement, the Department will purchase 8.13% of the energy generated in the MPPA's renewable energy contract with Northern American Natural Resources of Michigan. In 2015, the Department entered into an Energy Services Agreement with MPPA for the objective of accessing third party marketers in MISO for the purpose of reducing exposure to MISO market during volatile seasons. This is accomplished through MPPA soliciting bids and subsequently entering into contracts on behalf of TCL&P for firm priced energy supply.

For the year ended June 30, 2017, Traverse City Light and Power recognized expenses totaling \$18,570,490 to purchase power under the terms of all contracts with MPPA. The price of the power was calculated on a basis, as specified in the contracts, to enable MPPA to recover its production, transmission, and debt service costs.



Under the terms of the contracts, the Department must make minimum annual payments to cover their share of annual debt service requirements and fixed operation costs of the Campbell 3, Belle River, and Combustion Turbine projects (based on the percentage of power purchased). Future operating costs are estimated based on 2015 costs adjusted for inflation. The total estimated future operating costs, which do not include the annual debt payments, are as follows:

Year Ended December 31,	Operating Costs
2018	\$7,461,621
2019	5,437,093
2020	5,600,206
2021	5,768,212
2022	5,941,259
2023-2027	17,338,178
	\$47,546,569

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

Principal	Interest	Total
\$3,300,335	\$880,189	\$4,180,524
2,197,513	739,091	2,936,604
2,276,835	656,765	2,933,600
2,366,383	571,050	2,937,433
2,454,613	481,566	2,936,179
7,893,600	1,222,939	9,116,539
\$20,489,279	\$4,551,600	\$25,040,879
	\$3,300,335 2,197,513 2,276,835 2,366,383 2,454,613 7,893,600	\$3,300,335\$880,1892,197,513739,0912,276,835656,7652,366,383571,0502,454,613481,5667,893,6001,222,939

In December 2009, the Department entered into a 20-year purchase power agreement with Heritage Stoney Corners Wind Farm I, LLC to purchase up to 10 megawatts of electric energy and all associated renewable energy credits. For the year ended June 30, 2017, the Department recognized expenses totaling \$3,115,585.

In December 2014, the Department entered into a 20-year purchase power agreement with options to terminate on the 10th and 15th anniversary dates. The Agreement is with Heritage Sustainable Energy, LLC to purchase up to .6 MW of electric energy. For the year ended June 30, 2017, the Department recognized expenses totaling \$27,551.



G. Designations of net position

Primary government

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

	A	Automobile Parking System Fund	W	astewater Fund	 Water Fund	Internal Service Fund		
Emergencies Capital Expenditures Future Maintenance	\$	25,492 440,000 1,900,000	\$	- 98,559 -	\$ 49,785 3,096,642 -	\$	- 1,164,341 -	
Total	\$	2,365,492	\$	98,559	\$ 3,146,427	\$	1,164,341	

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>9,667,324</u>
Total	\$ 9,767,380

H. Contingent liability

Primary government - Boot Lake Landfill

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



General contingencies

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

I. Tax Abatements

The City entered into property tax abatements agreements with local businesses under the Plant Rehabilitation and Industrial Development Districts Act, (known as the Industrial Facilities Exemption) PA 198 of 1974, as amended, provides a tax incentive to manufacturers to enable renovation and expansion of aging facilities, assist in the building of new facilities, and to promote the establishment of high tech facilities. An Industrial Facilities Exemption (IFE) certificate entitles the facility to exemption from ad valorem real and/or personal property taxes for a term of 1-12 years as determined by the local unit of government. The agreements entered into by the City include claw back provisions should the recipient of the tax abatement fail to fully meet its commitments, such as employment levels and timelines for relocation. The IFT is computed at half the local property tax millage rate. This amounts to a reduction in property tax revenues of \$28,656.

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, 2017 the amount of taxes abated was \$410,877.

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, 2017 the estimated tax abatement was \$445,831.



J. Restatement of Net Position

Primary Government

The beginning net position of the Business-type Activities for the Primary Government was increased by \$1,045,095 to reflect a change in the accounting treatment of the Water Plants SCADA monitoring system. Project costs that were treated as expenses in prior years were restated to work in progress. The SCADA project was completed during the year ended June 30, 2017 and the entire cost of the project was recorded as a capital asset.

K. GASB Pronouncements

In June 2015, the GASB issued two new standards addressing accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans other than Pension Plans, addressed reporting by OPEB plans, whereas GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, addressed accounting and reporting by employer governments that provide OPEB benefits to their employees. Along with the currently required statement of fiduciary net position and statement of changes in fiduciary net position, OPEB plans will be required to include in the financial statement more extensive note disclosures and required supplemental information related to the measurement of the OPEB liabilities for which assets have been accumulated. In addition, the City will, after, adoption of GASB Statement No. 75, recognize on the face of the financial statements its net OPEB liability. The City has implemented the GASB 74 Standard requirements as of June 30, 2017 and will implement GASB 75 standard requirements for the year ended June 30, 2018.

L. Subsequent Events – Traverse City Light and Power Component Unit

On July 11, 2017 the Board authorized the execution of an amended and restated purchase power agreement with Heritage Sustainable Energy, LLC to purchase the power form a 1MW solar array at the cost of \$.1125 per kwh, comprising of energy costs, capacity credit, and renewable energy credit for a term of 20 years.

On July 11, 2017 the Board authorized the execution of a procurement agreement with Delta Star in the amount of 1,251,768 for two 12/16/20 MVA transformers to be installed at the Barlow Substation.

* * * * *

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

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

Fiscal year ending June 30,	2014	2015	2016	2017	
Total Pension Liability					
Service cost	\$ 492,852	\$ 644,925	\$ 678,748	\$ 676,683	
Interest on the total pension liability	2,897,030	2,993,916	3,036,795	3,110,650	
Benefit changes	-	-	-	-	
Difference between expected and actual					
experience of the total pension liability	-	(802,207)	(372,033)	(172,209)	
Assumption changes	-	-	-	-	
Benefits paid and refunds	(2,096,654)	(2,251,552)	(2,312,077)	(2,403,433)	
Net change in Total Pension Liability	1,293,228	585,082	1,031,433	1,211,691	
	20,420,071	40 700 100	41 207 271	10 220 704	
Total Pension Liability - Beginning	<u>39,428,961</u> \$ 40,722,189	40,722,189 \$ 41,307,271	41,307,271 \$ 42,338,704	42,338,704	
Total Pension Liability- Ending (a)	\$ 40,722,189	\$ 41,307,271	\$ 42,338,704	\$ 43,550,395	
Plan Fiduciary Net Position					
Employer contributions	\$ 1,639,480	\$ 1,683,306	\$ 1,810,565	\$ 1,803,930	
Employee contributions	75,526	76,863	58,510	104,761	
Pension plan net investment income	3,883,457	463,881	498,918	3,019,320	
Benefit payments and refunds	(2,096,654)	(2,251,552)	(2,312,077)	(2,403,433)	
Pension plan administrative expense	(10,567)	(16,523)	(15,450)	(23,599)	
Other	(114,710)	-	159	-	
Net Change in Plan Fiduciary Net Position	3,376,532	(44,025)	40,625	2,500,979	
	22 010 205	26.206.025		26 202 427	
Plan Fiduciary Net Position - Beginning	22,910,305	26,286,837	26,242,812	26,283,437	
Plan Fiduciary Net Position - Ending (b)	\$ 26,286,837	\$ 26,242,812	\$ 26,283,437	\$ 28,784,416	
Net Pension Liability - Ending (a)-(b)	\$ 14,435,352	\$ 15,064,459	\$ 16,055,267	\$ 14,765,979	
Plan Fiduciary Net Position as a Percentage of			1		
Total Pension Liability	64.55%	63.53%	62.08%	66.09%	
Covered Employee Payroll	\$ 3,018,448	\$ 3,384,682	\$ 3,443,789	\$ 3,752,343	
Net Pension Liability as a Percentage of					
Covered Employee Payroll	478.24%	445.08%	466.21%	393.51%	

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

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

FY Ending June 30,	Ι	Actuarially Determined Contribution	Actual Contribution		Contribution Deficiency (Excess)			Covered Payroll	Actual Contribution as a % of Covered Payroll	
2014	\$	1,639,480	\$	1,639,480	\$	-	\$	3,018,448	54.32%	
2015		1,683,306		1,683,306		-		3,384,682	49.73%	
2016		1,760,565		1,810,565		(50,000)		3,443,789	52.57%	
2017		1,803,930		1,803,930		_		3,752,343	48.07%	

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

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

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

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

* 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,		2017
Total OPEB Liability		
Service cost	\$	93,564
Interest on the total OPEB liability		597,245
Benefit changes		-
Difference between expected and actual experience *		(75,186)
Assumption changes		-
Benefits paid and refunds		(356,424)
Net change in Total Pension Liability		259,199
Total OPEB Liability - Beginning		8,094,695
Total OPEB Liability- Ending (a)	\$	8,353,894
Plan Fiduciary Net Position		
Employer contributions	\$	385,866
Pension plan net investment income		-
Benefit payments and refunds		(356,424)
Pension plan administrative expense		-
Other		(8,800)
Net Change in Plan Fiduciary Net Position		20,642
Plan Fiduciary Net Position - Beginning		3,352,924
Plan Fiduciary Net Position - Ending (b)	\$	3,373,566
Than Tradean y Pret Position - Dhuning (b)	Ψ	5,575,500
Net OPEB Liability - Ending (a)-(b)	\$	4,980,328
Plan Fiduciary Net Position as a Percentage of Total Pension Liability		40.38%
Covered Employee Payroll	\$	3,027,113
Net Pension Liability as a Percentage of Covered Employee Payroll		164.52%

* Due to difference between actual and expected benefit payments.

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

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

FY Ending June 30,	 Total OPEB Liability	 Plan net Position	Net OPEB Liability		Plan Net Postion as a % of Total OPEB Liability	Co	vered Payroll	Net OPEB Liability as a % of Covered Payroll
2017	\$ 8,353,894	\$ 3,373,566	\$	4,980,328	40.38%	\$	3,027,113	164.52%

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 Co		Actual Contribution		Contribution Deficiency (Excess)		Covered Payroll	Actual Contribution as a % of Covered Payroll		
2017	\$	385,866	\$ 386,866	\$	-	\$	3,027,113	12.75%		

Notes to Schedule of Contributions

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar, Closed
Remaining Amortization Period	24 years
Asset Valuation Method	Market Value of Assets
Inflation	2.75%
Salary Increase	4% to 7% including inflation
Investment Rate of Return	7.5 % (net of expenses)
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality	RP-2000 Mortality Table projected 20 years with Scale AA.
Health Care Trend Rates	9.0% trend, gradually decreasing to 4.0% in year 10.
Aging Factors	Based on the 2013 SO Study "Health Care Costs - From Birth to Death".

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

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

	2014	December 31, 2015	2016
Total Pension Liability			
Service Cost	\$ 398,725	\$ 424,511	\$ 451,469
Interest on the Total Pension Liability	2,753,614	2,817,148	2,919,079
Benefit changes	-	-	-
Difference between expected and actual			
experience of the Total Pension Liability	-	(185,726)	(281,288)
Assumption changes	-	1,782,587	-
Benefits paid and refunds	(2,343,998)	(2,446,248)	(2,575,279)
Net change in Total Pension Liability	808,341	2,392,272	513,981
Total Pension Liability - Beginning	34,349,779	35,158,120	37,550,392
Total Pension Liability- Ending (a)	\$ 35,158,120	\$ 37,550,392	\$ 38,064,373
Plan Fiduciary Net Position Employer contributions Employee contributions Pension plan net investment income Benefit payments and refunds Pension plan administrative expense Other	\$ 1,033,594 1,480,312 (2,343,998) (54,129)	\$ 1,011,317 (343,945) (2,446,248) (51,145)	\$ 1,103,031 2,443,206 (2,575,279) (48,298)
Net Change in Plan Fiduciary Net Position	115,779	(1,830,021)	922,660
Plan Fiduciary Net Position - Beginning Plan Fiduciary Net Position - Ending (b)	23,817,161 \$ 23,932,940	23,932,940 \$ 22,102,919	22,102,919 \$ 23,025,579
Net Pension Liability - Ending (a)-(b)	\$ 11,225,180	\$ 15,447,473	\$ 15,038,794
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	68.07%	58.86%	60.49%
Covered Employee Payroll	\$ 5,254,135	\$ 5,597,405	\$ 5,927,328
Net Pension Liability as a Percentage of Covered Employee Payroll	213.64%	275.98%	253.72%

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

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

Fiscal year end June 30,	5		Actual Contribution		Contribution Deficiency (Excess)		Valuation Covered Payroll		Actual Contribution as a % of Covered Payroll	
2015 2016	\$	975,124 1,041,766	\$	975,124 1,041,766	\$	-	\$	5,417,193 5,594,176	18.00% 18.62%	
2017		1,153,788		1,153,788		-		6,149,050	18.76%	

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

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

CITY OF TRAVERSE CITY TRAVERSE CITY LIGHT AND POWER COMPONENT UNIT

Required Supplementary Information MERS Defined Benefit Pension Plan Schedule of Changes in the Employer's Net Pension Liability and Related Ratios

Ultimately 10 fiscal years will be displayed - which will be built prospectively from 2014	 2014	De	ecember 31, 2015	2016			
Total pension liability Service cost Interest Differences between expected and actuarial experience Changes in assumptions	\$ 313,020 2,083,781	\$	295,317 2,142,935 363,835 1,444,054	\$	300,475 2,276,465 (509,997)		
Benefit payments, including refunds Other changes	 (1,626,244)		(1,715,604) (759)		(1,818,642)		
Net change in total pension liability	770,557		2,529,778		248,301		
Total pension liability, beginning of	 25,914,564	26,685,121			29,214,899		
Total pension liability, end of yea	 26,685,121	29,214,899			29,463,200		
Plan fiduciary net positio Contribution - employer Net investment income Administrative expenses Benefit payments, including refunds	 773,230 1,000,478 (36,578) (1,626,244)		858,331 (234,339) (34,767) (1,715,604)		1,564,302 1,686,136 (33,363) (1,818,642)		
Net change in plan fiduciary net position	110,886		(1,126,379)		1,398,433		
Plan fiduciary net position, beginning of	 16,115,516		16,226,403		15,100,023		
Plan fiduciary net position, end of yea	 16,226,402		15,100,024		16,498,456		
Net pension liability	\$ 10,458,719	\$	14,114,875	\$	12,964,744		
Plan fiduciary net position as a percent of total pension liability	60.81%		51.69%		56.00%		
Covered employee payroll	\$ 2,862,491	\$	2,736,729	\$	2,728,607		
Net pension liability as a percent of covered employee payroll	365.37%		515.76%		475.14%		

CITY OF TRAVERSE CITY TRAVERSE CITY LIGHT AND POWER COMPONENT UNIT

Required Supplementary Information MERS Defined Benefit Pension Plan Schedule of Contributions

Ultimately 10 fiscal years will be displayed - which will be built prospectively from 20	15	2015	2016	 2017
Actuarially determined contribution Contribution in relation to the actuarially determined contribution Contribution deficiency (excess)		\$ 770,572 (770,572)	\$ 891,939 (891,939)	\$ 944,388 (2,202,960) (1,258,572)
Covered employee payroll		\$ 2,880,960	\$ 2,866,124	\$ 2,862,491
Contribution as a percentage of covered employee payroll		26.75%	31.12%	32.99%
Notes to schedule Actuarial cost method	Entry Age			

Amortization method Remaining amortization period Asset valuation method Inflation Salary increases Investment rate of return Retirrment age Mortality Entry Age Level percentage of payroll, open 25 years 5 year smoothed (10 yr smoothed in 2014) 2.5% (3.5% 2014) 3.75% to 14.5% (4.50% in 2014) 7.75% (8.25% in 2014) Varies depending on plan adoption RP-2014 mortality tables of a 50% Male and 50% Female blend (50% female/50% male 1994 group annual mortality table 2014)

CITY OF TRAVERSE CITY Required Supplementary Information Retiree Health Insurance Trust Schedule of Changes in Net OPEB Liability and Related Ratios

Ultimately 10 years will be displayed - which will be built prospectively from 2016

	2016
Total Pension Liability	
Service cost	\$ 12,102
Interest on the total OPEB liability	500,213
Benefit changes	
Difference between expected and actual	
experience of the Total OPEB Liability	(769,605)
Assumption changes	876,681
Benefits paid and refunds	(484,033)
Other changes	446,950
Net change in Total OPEB Liability	582,308
Total OPEB Liability - Beginning	6,669,513
Total OPEB Liability- Ending (a	\$ 7,251,821
Total OT LD Elability Eliung (a	\$ 7,251,021
Plan Fiduciary Net Positio	
Employer contributions	\$ 258,575
Plan net investment income	900,092
Plan plan administrative expense	(9,889)
Other	
Net Change in Plan Fiduciary Net Positio	1,148,778
Plan Fiduciary Net Position - Beginnin	3,770,806
Plan Fiduciary Net Position - Ending ()	\$ 4,919,584
	+))
Net OPEP Liability - Ending (a)-(b	\$ 2,332,237
Plan Fiduciary Net Position as a Percentage of	
Total OPEB Liability	67.84%
	0,.01/0
Covered Employee Payrol	\$ 7,412,787
Net OPEB Liability as a Percentage of Covered Employee Powell	21 160/
Covered Employee Payrol	31.46%
CITY OF TRAVERSE CITY Required Supplementary Information Retiree Health Insurance Trust Schedule of the Net OPEB Liability

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

FY Ending June 30,	 Total OPEB Liability	 Plan net Position	1	Net OPEB Liability	Plan Net Postion as a % of Total OPEB Liability	Co	vered Payroll	Net OPEB Liability as a % of Covered Payroll
2017	\$ 7,251,821	\$ 4,919,584	\$	2,332,237	67.84%	\$	7,412,787	31.46%

CITY OF TRAVERSE CITY Required Supplementary Information Retiree Health Insurance Trust Schedule of Contributions

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

FY Ending June 30,	De	Actuarially Determined Actual Contribution Contributio			(Contribution Deficiency (Excess)	 Covered Payroll	Actual Contribution as a % of Covered Payroll
2017	\$	258,717	\$	258,717	\$	-	\$ 7,412,787	3.49%

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
Remaining Amortization Period	30 years
Asset Valuation Method	Market Value of Assets
Inflation	2.50%
Salary Increase	5%
Investment Rate of Return	7.5%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality	1994 Group annuity Mortality tables
Health Care Trend Rates	4% to 10.5% depending on coverage - ultimate trend rate used 4.5%

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, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 8,808,500	\$ 9,058,500	\$ 9,109,325	\$ 50,825
Licenses and permits	287,700	287,700	305,043	17,343
Federal sources	5,000	5,000	-	(5,000)
State sources	1,474,000	1,474,000	1,470,801	(3,199)
Local sources	1,763,400	1,763,400	1,761,113	(2,287)
Charges for services	649,300	659,300	596,963	(62,337)
Fines and forfeits	10,000	10,000	9,528	(472)
Contributions	486,000	617,000	549,056	(67,944)
Reimbursements	659,000	685,500	461,274	(224,226)
Interest income	53,500	53,500	32,127	(21,373)
Other revenue	454,500	517,000	587,332	70,332
Total revenues	14,650,900	15,130,900	14,882,562	(248,338)
Expenditures				
General government	3,633,600	3,750,100	3,594,555	155,545
Public safety	6,708,200	6,750,700	6,754,113	(3,413)
Public works	1,404,900	1,416,900	1,341,309	75,591
Recreation and culture	2,638,800	2,684,800	2,510,646	174,154
Capital Outlay	235,000	360,000	124,166	235,834
Total expenditures	14,620,500	14,962,500	14,324,789	637,711
Excess of revenue over				
expenditures	30,400	168,400	557,773	389,373
Other financing sources (uses)				
Transfers in	1,243,500	1,243,500	1,165,276	(78,224)
Transfers out	(1,775,500)	(2,260,500)	(2,066,695)	193,805
Total other financing sources (uses)	(532,000)	(1,017,000)	(901,419)	115,581
Net change in fund balance	(501,600)	(848,600)	(343,646)	504,954
Fund balance, beginning of year	6,748,639	6,748,639	6,748,639	
Fund balance, end of year	\$ 6,247,039	\$ 5,900,039	\$ 6,404,993	\$ 504,954

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, 2017

	Original Budget		Final Budget		Actual		Variance with Final Budget Positive (Negative)	
Revenues								
State sources Interest income	\$	1,299,800 700	\$	1,299,800 700	\$	1,220,277 118	\$	(79,523) (582)
Total revenues		1,300,500		1,300,500		1,220,395		(80,105)
Expenditures								
Public works		175.000		525 000				24.240
Personnel		475,000		525,000		500,760		24,240
Commodities Contractual services		143,000 120,000		143,000 120,000		143,771 139,064		(771)
Other charges		562,500		612,500		592,198		(19,064) 20,302
o ther only get		502,500		012,000		592,190		20,502
Total expenditures		1,300,500		1,400,500		1,375,793		24,707
(Deficiency) of revenue								
over expenditures		-		(100,000)		(155,398)		(55,398)
Other financing sources (uses)								
Transfers in		-		50,000		50,000		-
Net change in fund balance		-		(50,000)		(105,398)		(55,398)
Fund balance, beginning of year		244,482		244,482		244,482		
Fund balance, end of year	\$	244,482	\$	194,482	\$	139,084	\$	(55,398)

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, 2017

	riginal 3udget	 Final Budget	 Actual	Variance with Final Budget Positive (Negative)	
Revenues					
State sources	\$ 397,000	\$ 397,000	\$ 427,950	\$	30,950
Expenditures					
Public works					
Personnel	565,000	565,000	549,967		15,033
Contractual services	50,000	50,000	21,407		28,593
Commodities	86,000	86,000	67,347		18,653
Other charges	 680,000	 680,000	 579,659		100,341
Total expenditures	 1,381,000	 1,381,000	 1,218,380		162,620
(Deficiency) of revenue over expenditures	(984,000)	(984,000)	(790,430)		193,570
Other financing sources (uses) Transfer in	 984,000	 984,000	 790,430		(193,570)
Net change in fund balance	-	-	-		-
Fund balance, beginning of year	 	 -	 -		-
Fund balance, end of year	\$ -	\$ -	\$ -	\$	-

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended June 30, 2017

I. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

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

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

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

B. Excess of expenditures over appropriations

For the year ended June 30, 2017, actual expenditures in the General Operating Fund City Attorney, Assessor, Police, Fire and Parks Departments exceed final appropriations by \$19,194, \$7,231, \$25,202, \$35,110 and \$45,237 respectively. The Parking Bond Redemption Non-Taxable Fund actual expenditures exceeded final appropriations by \$8,369,406 due to the financial reporting effects of a debt refunding issue, corresponding actual revenues exceeded budgeted revenues by a similar amount. The Capital Projects Fund actual expenditures exceeded final appropriations by \$552,983 because several construction projects incurred significant costs close to year end, actual revenues exceeded budgeted revenues by a similar amount.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

		Genera	al Fund		Budget Stabilization					
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)		
Revenues										
Property taxes	\$ 8,808,500	\$ 9,058,500	\$ 9,109,325	\$ 50,825	\$ -	\$ -	\$ -	\$ -		
Licenses and permits	287,700	287,700	305,043	17,343	-	-	-	-		
Federal sources	5,000	5,000	-	(5,000)	-	-	-	-		
State sources	1,384,000	1,384,000	1,417,646	33,646	-	-	-	-		
Local sources	1,743,000	1,743,000	1,743,138	138	-	-	-	-		
Charges for services	442,800	442,800	365,605	(77,195)	-	-	-	-		
Fines and forfeits	10,000	10,000	9,528	(472)	-	-	-	-		
Contributions	-	-	-	-	-	-	-	-		
Reimbursements	647,000	673,500	449,244	(224,256)	-	-	-	-		
Interest income	20,000	20,000	17,059	(2,941)	11,500	11,500	(3,240)	(14,740)		
Other revenue	454,500	517,000	587,332	70,332						
Total revenues	13,802,500	14,141,500	14,003,920	(137,580)	11,500	11,500	(3,240)	(14,740)		
Expenditures										
General government	3,618,600	3,735,100	3,575,928	159,172	-	-	-	-		
Public safety	6,636,800	6,679,300	6,739,612	(60,312)	-	-	-	-		
Public works	1,404,900	1,404,900	1,329,709	75,191	-	-	-	-		
Recreation and culture	2,048,800	2,048,800	2,094,037	(45,237)	-	-	-	-		
Capital outlay										
Total expenditures	13,709,100	13,868,100	13,739,286	128,814						
Excess (deficiency) of revenue over										
expenditures	93,400	273,400	264,634	(8,766)	11,500	11,500	(3,240)	(14,740)		
Other financing sources (uses)										
Transfers in	1,176,000	1,176,000	1,152,596	(23,404)						
Transfers out	(1,664,000)	(1,844,000)	(1,650,430)	193,570	(11,500)	(11,500)	(11,265)	235		
	(1,001,000)	(1,011,000)	(1,000,100)	170,070	(11,000)	(11,000)	(11,200)			
Total other financing sources (uses)	(488,000)	(668,000)	(497,834)	170,166	(11,500)	(11,500)	(11,265)	235		
Net change in fund balance	(394,600)	(394,600)	(233,200)	161,400	-	-	(14,505)	(14,505)		
Fund balance, beginning of year	3,180,018	3,180,018	3,180,018		767,061	767,061	767,061			
Fund balance, end of year	\$ 2,785,418	\$ 2,785,418	\$ 2,946,818	\$ 161,400	\$ 767,061	\$ 767,061	\$ 752,556	\$ (14,505)		

		Haz	mat			Carnegie Building Fund					
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)			
Revenues											
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -			
Licenses and permits	-	-	-	-	-	-	-	-			
Federal sources	-	-	-	-	-	-	-	-			
State sources Local sources	20,400	20,400	17,975	(2,425)	90,000	90,000	53,155	(36,845)			
Charges for services	20,400		400	(2,425) 400	30,500	30,500	29,439	(1,061)			
Fines and forfeits	-	-	-	-		-		(1,001)			
Contributions	-	-	-	-	220,000	345,000	358,826	13,826			
Reimbursements	-	-	-	-	5,000	5,000	4,631	(369)			
Interest income	-	-	-	-	-	-	-	-			
Other revenue											
Total revenues	20,400	20,400	18,375	(2,025)	345,500	470,500	446,051	(24,449)			
Expenditures											
General government	-	-	-	-	-	-	-	-			
Public safety	25,400	25,400	13,229	12,171	-	-	-	-			
Public works	-	-	-	-	-	-	-	-			
Recreation and culture	-	-	-	-	168,000	168,000	114,639	53,361			
Capital outlay					220,000	345,000	9,821	335,179			
Total expenditures	25,400	25,400	13,229	12,171	388,000	513,000	124,460	388,540			
Excess (deficiency) of revenue over											
expenditures	(5,000)	(5,000)	5,146	10,146	(42,500)	(42,500)	321,591	364,091			
Other financing sources (uses)											
Transfers in	-	-	-	-	42,500	42,500	2,680	(39,820)			
Transfers out											
Total other financing sources (uses)					42,500	42,500	2,680	(39,820)			
Net change in fund balance	(5,000)	(5,000)	5,146	10,146	-	-	324,271	324,271			
Fund balance, beginning of year	74,665	74,665	74,665		(2,531)	(2,531)	(2,531)	<u> </u>			
Fund balance, end of year	\$ 69,665	\$ 69,665	\$ 79,811	\$ 10,146	\$ (2,531)	\$ (2,531)	\$ 321,740	\$ 324,271			

		Cherry C	apital Cable		Coast Guard Committee					
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)		
Revenues										
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$-	\$ -	\$ -		
Licenses and permits	-	-	-	-	-	-	-	-		
Federal sources State sources	-	-	-	-	-	-	-	-		
Local sources	-	-	-	-	-	-	-	-		
Charges for services	-	-	-	_	-	-	-	-		
Fines and forfeits	-	-	-	-	-	-	-	-		
Contributions	-	-	4,217	4,217	61,000	61,000	2,000	(59,000)		
Reimbursements	-	-	-	-	-	-	-	-		
Interest income	-	-	-	-	-	-	-	-		
Other revenue										
Total revenues			4,217	4,217	61,000	61,000	2,000	(59,000)		
Expenditures										
General government	-	-	5,243	(5,243)	-	-	-	-		
Public safety	-	-	-	-	46,000	46,000	1,272	44,728		
Public works	-	-	-	-	-	-	-	-		
Recreation and culture	-	-	-	-	-	-	-	-		
Capital outlay					15,000	15,000		15,000		
Total expenditures	-		5,243	(5,243)	61,000	61,000	1,272	59,728		
Excess (deficiency) of revenue over										
expenditures			(1,026)	(1,026)			728	728		
Other financing sources (uses)										
Transfers in	-	-	-	-	-	-	-	-		
Transfers out										
Total other financing sources (uses)										
Net change in fund balance	-	-	(1,026)	(1,026)	-	-	728	728		
Fund balance, beginning of year	4,741	4,741	4,741		15,526	15,526	15,526			
Fund balance, end of year	\$ 4,741	\$ 4,741	\$ 3,715	\$ (1,026)	\$ 15,526	\$ 15,526	\$ 16,254	\$ 728		

		County Ser	nior Center			Brown Bridge Maintenance					
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)			
Revenues											
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -			
Licenses and permits Federal sources	-	-	-	-	-	-	-	-			
State sources	-	-	-	-	-	-	-	-			
Local sources	-	-	-	-	-	-	-	-			
Charges for services	-	-	-	-	65,000	75,000	90,453	15,453			
Fines and forfeits	-	-	-	-	-	-	-	-			
Contributions	130,000	136,000	131,533	(4,467)	-	-	-	-			
Reimbursements Interest income	-	-	- 67	- 67	-	-	-	-			
Other revenue	-	-		07	-	-	-	-			
ould levelue											
Total revenues	130,000	136,000	131,600	(4,400)	65,000	75,000	90,453	15,453			
Expenditures											
General government	-	-	-	-	-	-	-	-			
Public safety	-	-	-	-	-	-	-	-			
Public works	-	-	-	-	-	-	-	-			
Recreation and culture	130,000	136,000	129,146	6,854	65,000	75,000	80,100	(5,100)			
Capital outlay											
Total expenditures	130,000	136,000	129,146	6,854	65,000	75,000	80,100	(5,100)			
Excess (deficiency) of revenue over											
expenditures			2,454	2,454			10,353	10,353			
Other financing sources (uses)											
Transfers in	-	-	-	-	-	-	-	-			
Transfers out							-				
Total other financing sources (uses)											
Net change in fund balance	-	-	2,454	2,454	-	-	10,353	10,353			
Fund balance, beginning of year	69,450	69,450	69,450		41,364	41,364	41,364				
Fund balance, end of year	\$ 69,450	\$ 69,450	\$ 71,904	\$ 2,454	\$ 41,364	\$ 41,364	\$ 51,717	\$ 10,353			

		Opera	House			Banner Program					
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)			
Revenues											
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -			
Licenses and permits Federal sources	-	-	-	-	-	-	-	-			
State sources	-	-	-	_	_	-	-	-			
Local sources	-	-	-	-	-	-	-	-			
Charges for services	111,000	111,000	111,066	66	-	-	-	-			
Fines and forfeits	-	-	-	-	-	-	-	-			
Contributions	-	-	-	-	-	-	-	-			
Reimbursements	4,000	4,000	4,239	239	3,000	3,000	3,160	160			
Interest income Other revenue	-	-	23	23	-	-	-	-			
Other revenue											
Total revenues	115,000	115,000	115,328	328	3,000	3,000	3,160	160			
Expenditures											
General government	-	-	-	-	-	-	-	-			
Public safety	-	-	-	-	-	-	-	-			
Public works	-	-	-	-	-	-	-	-			
Recreation and culture	115,000	145,000	84,068	60,932	12,000	12,000	4,864	7,136			
Capital outlay			64,345	(64,345)							
Total expenditures	115,000	145,000	148,413	(3,413)	12,000	12,000	4,864	7,136			
Excess (deficiency) of revenue over											
expenditures		(30,000)	(33,085)	(3,085)	(9,000)	(9,000)	(1,704)	7,296			
Other financing sources (uses)											
Transfers in	-	-	-	-	-	-	-	-			
Transfers out											
Total other financing sources (uses)											
Net change in fund balance	-	(30,000)	(33,085)	(3,085)	(9,000)	(9,000)	(1,704)	7,296			
Fund balance, beginning of year	35,806	35,806	35,806		19,640	19,640	19,640				
Fund balance, end of year	\$ 35,806	\$ 5,806	\$ 2,721	\$ (3,085)	\$ 10,640	\$ 10,640	\$ 17,936	\$ 7,296			

		Economic D	evelopment			Stormwater Fund						
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)				
Revenues												
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -				
Licenses and permits Federal sources	-	-	-	-	-	-	-	-				
State sources	-	-	-	-	-	-	-	-				
Local sources	-	-	-	-	-	-	-	-				
Charges for services	-	-	-	-	-	-	-	-				
Fines and forfeits	-	-	-	-	-	-	-	-				
Contributions Reimbursements	-	-	-	-	-	-	-	-				
Interest income	22,000	22,000	18,218	(3,782)	-	-	-	-				
Other revenue				(0,702)	-	-	-	-				
Total revenues	22,000	22,000	18,218	(3,782)								
Expenditures												
General government	15,000	15,000	13,384	1,616	-	-	-	-				
Public safety	-	-	-	-	-	-	-	-				
Public works	-	-	-	-	-	12,000	11,600	400				
Recreation and culture Capital outlay	-	-	-	-	-	-	-	-				
Capital outlay												
Total expenditures	15,000	15,000	13,384	1,616		12,000	11,600	400				
Excess (deficiency) of revenue over												
expenditures	7,000	7,000	4,834	(2,166)		(12,000)	(11,600)	400				
Other financing sources (uses)												
Transfers in	-	-	-	-	-	-	-	-				
Transfers out	(100,000)	(175,000)	(175,000)			(230,000)	(230,000)					
Total other financing sources (uses)	(100,000)	(175,000)	(175,000)			(230,000)	(230,000)					
Net change in fund balance	(93,000)	(168,000)	(170,166)	(2,166)	-	(242,000)	(241,600)	400				
Fund balance, beginning of year	2,021,824	2,021,824	2,021,824		500,000	500,000	500,000					
Fund balance, end of year	\$ 1,928,824	\$ 1,853,824	\$ 1,851,658	\$ (2,166)	\$ 500,000	\$ 258,000	\$ 258,400	\$ 400				

		Public Arts	Commission			Total Ger	ieral Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)		
Revenues										
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 8,808,500	\$ 9,058,500	\$ 9,109,325	\$ 50,825		
Licenses and permits	-	-	-	-	287,700	287,700	305,043	17,343		
Federal sources	-	-	-	-	5,000	5,000	-	(5,000)		
State sources	-	-	-	-	1,474,000	1,474,000	1,470,801	(3,199)		
Local sources	-	-	-	-	1,763,400	1,763,400	1,761,113	(2,287)		
Charges for services	-	-	-	-	649,300	659,300	596,963	(62,337)		
Fines and forfeits	-	-	-	-	10,000	10,000	9,528	(472)		
Contributions	75,000	75,000	52,480	(22,520)	486,000	617,000	549,056	(67,944)		
Reimbursements	-	-	-	-	659,000	685,500	461,274	(224,226)		
Interest income	-	-	-	-	53,500	53,500	32,127	(21,373)		
Other revenue					454,500	517,000	587,332	70,332		
Total revenues	75,000	75,000	52,480	(22,520)	14,650,900	15,130,900	14,882,562	(248,338)		
Expenditures										
General government	-	-	-	-	3,633,600	3,750,100	3,594,555	155,545		
Public safety	-	-	-	-	6,708,200	6,750,700	6,754,113	(3,413)		
Public works	-	-	-	-	1,404,900	1,416,900	1,341,309	75,591		
Recreation and culture	100,000	100,000	3,792	96,208	2,638,800	2,684,800	2,510,646	174,154		
Capital outlay	-		50,000	(50,000)	235,000	360,000	124,166	235,834		
Total expenditures	100,000	100,000	53,792	46,208	14,620,500	14,962,500	14,324,789	637,711		
Excess (deficiency) of revenue over										
expenditures	(25,000)	(25,000)	(1,312)	23,688	30,400	168,400	557,773	389,373		
Other financing sources (uses)										
Transfers in	25,000	25,000	10,000	(15,000)	1,243,500	1,243,500	1,165,276	(78,224)		
Transfers out					(1,775,500)	(2,260,500)	(2,066,695)	193,805		
Total other financing sources (uses)	25,000	25,000	10,000	(15,000)	(532,000)	(1,017,000)	(901,419)	115,581		
Net change in fund balance	-	-	8,688	8,688	(501,600)	(848,600)	(343,646)	504,954		
Fund balance, beginning of year			21,075		6,748,639	6,748,639	6,748,639			
Fund balance, end of year	\$ -	\$ -	\$ 29,763	\$ 29,763	\$ 6,247,039	\$ 5,900,039	\$ 6,404,993	\$ 504,954		

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, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Property taxes				
Real estate and personal property	\$ 8,700,000	\$ 8,950,000	\$ 9,002,548	\$ 52,548
Collection fees	13,500	13,500	13,423	(77)
Penalties and interest on taxes	95,000	95,000	93,354	(1,646)
Total property taxes	8,808,500	9,058,500	9,109,325	50,825
Licenses and permits				
Business	267,100	267,100	272,891	5,791
Nonbusiness	20,600	20,600	32,152	11,552
Total licenses and permits	287,700	287,700	305,043	17,343
Federal sources	5,000	5,000		(5,000)
State sources				
State - shared revenues				
Sales and use tax	1,325,000	1,325,000	1,342,361	17,361
Liquor licenses	58,000	58,000	72,285	14,285
Other state	1,000	1,000	3,000	2,000
Total state sources	1,384,000	1,384,000	1,417,646	33,646
Local sources				
City fee - Component Units	1,743,000	1,743,000	1,743,138	138
Charges for services				
General fees and services	92,050	92,050	49,875	(42,175)
Use and admission fees	300,750	300,750	285,659	(15,091)
Fine and forfeitures - ordinance and cost	50,000	50,000	30,071	(19,929)
Total charges for services	442,800	442,800	365,605	(77,195)
Fines and forfeits				
Parking violations	10,000	10,000	9,528	(472)
Reimbursements	647,000	673,500	449,244	(224,256)
Interest income	20,000	20,000	17,059	(2,941)
Other revenue				
Rents and royalties	2,500	2,500	37,128	34,628
Contributions	417,000	429,500	450,134	20,634
Sale of assets	2,500	52,500	48,863	(3,637)
Other	32,500	32,500	51,207	18,707
Total other revenue	454,500	517,000	587,332	70,332
Total revenues	\$ 13,802,500	\$ 14,141,500	\$ 14,003,920	\$ (137,580)

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, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
General government				(1.19,111.1)
City Commission				
Personnel	\$ 43,900	\$ 43,900	\$ 43,373	\$ 527
Commodities	1,300	1,300	330	970
Contractual services	38,300	38,300	25,568	12,732
Other charges	5,800	5,800	4,126	1,674
Total City Commission	89,300	89,300	73,397	15,903
City Manager's Office				
Personnel	367,000	369,000	370,015	(1,015)
Commodities	5,000	8,000	7,672	328
Contractual services	30,500	30,500	25,833	4,667
Other charges	6,500	6,500	4,802	1,698
Total City Manager's Office	409,000	414,000	408,322	5,678
Human Resources				
Personnel	194,400	194,400	177,358	17,042
Commodities	1,000	1,000	1,696	(696)
Contractual services	35,200	35,200	25,613	9,587
Other charges	5,000	5,000	3,722	1,278
Total Human Resources	235,600	235,600	208,389	27,211
Geographic Information Systems				
Personnel	105,400	160,400	161,507	(1,107)
Commodities	9,100	9,100	2,844	6,256
Contractual services	18,700	28,700	28,215	485
Other charges		5,000	10,404	(5,404)
Total Geographic Information Systems	133,200	203,200	202,970	230
City Attorney's Office				
Personnel	198,700	198,700	199,116	(416)
Commodities	1,700	1,700	1,770	(70)
Contractual services	12,200	37,200	56,939	(19,739)
Other charges	2,700	2,700	1,669	1,031
Total City Attorney's Office	215,300	240,300	259,494	(19,194)
City Clerk's Office				
Personnel	418,500	418,500	389,643	28,857
Commodities	24,000	24,000	28,842	(4,842)
Contractual services	32,250	32,250	37,138	(4,888)
Other charges	17,650	22,650	29,822	(7,172)
Total City Clerk's Office	492,400	497,400	485,445	11,955

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, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Assessor's Office				
Personnel	362,200	\$ 362,200	\$ 373,475	\$ (11,275)
Commodities	10,000	10,000	9,707	293
Contractual services	47,000	57,000	58,348	(1,348)
Other charges	7,400	7,400	2,301	5,099
Total Assessor's Office	426,600	436,600	443,831	(7,231)
Treasurer's Office				
Personnel	371,000	371,000	364,029	6,971
Commodities	19,000	19,000	12,373	6,627
Contractual services	40,000	40,000	31,474	8,526
Other charges	8,000	8,000	4,413	3,587
Total Treasurer's Office	438,000	438,000	412,289	25,711
Building and grounds Other charges	120,000	120,000	77,034	42,966
Planning/Zoning				
Personnel	433,500	433,500	431,525	1,975
Commodities	7,500	7,500	4,294	3,206
Contractual services	40,100	66,600	49,678	16,922
Other charges	15,100	15,100	13,912	1,188
Total Planning/Zoning	496,200	522,700	499,409	23,291
Cemetery				
Personnel	278,000	278,000	256,355	21,645
Commodities	12,000	12,000	7,268	4,732
Contractual services	15,500	15,500	16,965	(1,465)
Other charges	95,500	95,500	100,465	(4,965)
Total Cemetery	401,000	401,000	381,053	19,947
Appropriations	156,500	131,500	124,295	7,205
Capital outlay	5,500	5,500		5,500
Total general government	3,618,600	3,735,100	3,575,928	159,172
Public Safety				
Police				
Personnel	2,940,000	2,940,000	2,918,472	21,528
Commodities	77,000	89,500	144,307	(54,807)
Contractual services	370,000	370,000	380,480	(10,480)
Other charges	387,800	387,800	369,243	18,557
Total Police	3,774,800	3,787,300	3,812,502	(25,202)

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, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Fire		• • • • • • • • • •	• • • • • • • • • •	•
Personnel	2,273,600	\$ 2,273,600	\$ 2,286,613	\$ (13,013)
Commodities	75,000	75,000	96,917	(21,917)
Contractual services	135,950	135,950	133,387	2,563
Other charges	377,450	407,450	410,193	(2,743)
Total Fire	2,862,000	2,892,000	2,927,110	(35,110)
Total public safety	6,636,800	6,679,300	6,739,612	(60,312)
Public Works				
Streets, alleys and sidewalks				
Personnel	472,500	472,500	383,528	88,972
Commodities	31,000	31,000	29,884	1,116
Contractual services	178,500	178,500	117,795	60,705
Other charges	(25,500)	(25,500)	115,806	(141,306)
Total Streets, Alleys and Sidewalks	656,500	656,500	647,013	9,487
Engineering				
Personnel	654,500	654,500	616,429	38,071
Commodities	25,000	25,000	9,196	15,804
Contractual services	49,600	49,600	34,136	15,464
Other charges	19,300	19,300	22,935	(3,635)
Total Engineering	748,400	748,400	682,696	65,704
Total public works	1,404,900	1,404,900	1,329,709	75,191
Recreation and Culture				
Parks				
Personnel	1,160,000	1,160,000	1,101,777	58,223
Commodities	61,800	61,800	74,113	(12,313)
Contractual services	201,000	201,000	201,011	(11)
Other charges	626,000	626,000	717,136	(91,136)
Total Parks	2,048,800	2,048,800	2,094,037	(45,237)
Total expenditures	\$ 13,709,100	\$ 13,868,100	\$ 13,739,286	\$ 128,814
				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, 2017

	 Original Budget			 Actual		Variance with Final Budget Positive (Negative)	
Transfers in							
Brown Bridge Trust	\$ 215,000	\$	215,000	\$ 227,031	\$	12,031	
Other funds	28,000		28,000	26,108		(1,892)	
City fee - Proprietary Funds	 933,000		933,000	 899,457		(33,543)	
Total Transfers In	\$ 1,176,000	\$	1,176,000	\$ 1,152,596	\$	(23,404)	
Transfers out							
Major Streets	379,000	\$	429,000	\$ 50,000	\$	379,000	
Local Streets	605,000		605,000	790,430		(185,430)	
Capital Projects	670,000		800,000	800,000		-	
Public Arts Commission	10,000		10,000	10,000		-	
Stormwater Fund	 			 		-	
Total Transfers Out	\$ 1,664,000	\$	1,844,000	\$ 1,650,430	\$	193,570	

CITY OF TRAVERSE CITY, MICHIGAN Combining Balance Sheet Nonmajor Governmental Funds June 30, 2017

ASSETS	Special Revenue Funds	Debt Service Funds		Capital Projects Funds		Permanent Cemetery Perpetual Care		Total Nonmajor vernmental Funds
Assets								
Cash and cash equivalents	\$ 2,781,403	\$	3,676	\$	1,531,971	\$	235,595	\$ 4,552,645
Investments	98,845		-		4,733		461,970	565,548
Receivables								
Accounts	14,474		-		-		-	14,474
Taxes	-		-		6,370		-	6,370
Special assessments Due from other governments	167,128		-		331,449		-	331,449 167,128
Due nom other governments	107,120				-		-	 107,128
Total assets	\$ 3,061,850	\$	3,676	\$	1,874,523	\$	697,565	\$ 5,637,614
LIABILITIES, DEFERRED INFLOWS OF RESOU Liabilities Accounts payable Accrued and other liabilities Due to other funds Unearned revenue	\$ 8,744 74 178,543 5,813	\$	- -	\$	632	\$	- 14,843	\$ 8,744 706 193,386 5,813
	5,813		-		-		-	
Advance from component unit			-		285		-	 285
Total liabilities	193,174		-		917		14,843	 208,934
Deferred inflows of resouces								
Unavailable revenue			-		311,327		-	 311,327
Fund balances Nonspendable								
Cemetery perpetual care Restricted	-		-		-		682,722	682,722
Debt service	-		3,676		-		-	3,676
Joint planning	10,140		-		-		-	10,140
Capital improvements	241,096		-		803,457		-	1,044,553
Public welfare or civic improvement organizations Act 345 retirement	2,507,162 110,278		-		-		-	2,507,162 110,278
Committed Capital improvements			-		758,822		-	758,822
Total fund balances	2,868,676		3,676	_	1,562,279		682,722	5,117,353
Total liabilities, deferred inflows of resources, and fund balances	\$ 3,061,850	\$	3,676	\$	1,874,523	\$	697,565	\$ 5,637,614

CITY OF TRAVERSE CITY, MICHIGAN Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds For the Year Ended June 30, 2017

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Cemetery Perpetual Care	Total Nonmajor Governmental Funds
Revenues		<u>.</u>		•	
Property taxes and special assessments	\$ 1,882,379	\$ -	\$ 118,045	\$ -	\$ 2,000,424
State sources	665,256	- 813,007	-	-	665,256 813,007
Local sources Charges for services	195,674	813,007	-	16,791	212,465
Contributions	1,096,972	-	-	10,791	1,096,972
Interest income	453	-	11,848	(6,539)	5,762
interest meone			11,040	(0,557)	5,762
Total revenues	3,840,734	813,007	129,893	10,252	4,793,886
Expenditures Current expenditures					
General government	49,230	-	-	-	49,230
Public safety	1,809,058	-	-	-	1,809,058
Public works	1,756,262	-	107,664	-	1,863,926
Capital outlay	25,439	-	165,370	-	190,809
Debt service	- ,)
Principal	-	485,000	-	-	485,000
Interest and fiscal charges		424,756			424,756
Total expenditures	3,639,989	909,756	273,034		4,822,779
Excess (deficiency) of revenues over expenditures	200,745	(96,749)	(143,141)	10,252	(28,893)
Other financing sources (uses)					
Proceeds from refunding debt issue	-	8,410,000	-	-	8,410,000
Debt refunding payment	-	(8,310,000)	-	-	(8,310,000)
Transfers (out)	(31,580)		(134,042)	(14,843)	(180,465)
Total other financing sources (uses)	(31,580)	100,000	(134,042)	(14,843)	(80,465)
Net change in fund balance	169,165	3,251	(277,183)	(4,591)	(109,358)
Fund balances, beginning of year	2,699,511	425	1,839,462	687,313	5,226,711
Fund balances, end of year	\$ 2,868,676	\$ 3,676	\$ 1,562,279	\$ 682,722	\$ 5,117,353

CITY OF TRAVERSE CITY, MICHIGAN

Combining Balance Sheet Nonmajor Special Revenue Funds June 30, 2017

	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 and cash equivalents	\$	-	\$	-	\$	17,484	\$	107,111	\$	10,140	\$ 15,497
Investments		-		-		-		-		-	-
Receivables Accounts								2 1 (7			2 904
Due from other governments		-		-		-		3,167		-	3,804
Due nom outer governments											
Total assets	\$	-	\$	-	\$	17,484	\$	110,278	\$	10,140	\$ 19,301
LIABILITIES AND FUND BALANCES											
Liabilities											
Accounts payable	\$	-	\$	-	\$	8,744	\$	-	\$	-	\$ -
Accrued and other liabilities Unearned revenue		-		-		74		-		-	-
Due to other funds		-		-		- 8,735		-		-	-
		-									
Total liabilities		-		-		17,553				-	 -
Fund balances											
Restricted										10.1.10	
Joint planning		-		-		-		-		10,140	-
Capital improvements Public welfare or civic improvement		-		-		-		-		-	19,301
organizations		-		-		(69)		-		-	-
Act 345 retirement		-			·	-		110,278			 -
Total fund balances		-		-		(69)		110,278		10,140	 19,301
Total liabilities and fund balances	\$	_	\$	-	\$	17,484	\$	110,278	\$	10,140	\$ 19,301

Continued...

CITY OF TRAVERSE CITY, MICHIGAN Combining Balance Sheet Nonmajor Special Revenue Funds June 30, 2017

	Senior Center Building Fund	Center Training Building Grant		County Road Commission Projects Fund	Brown Bridge Trust Park Improvement Fund	Stormwater Asset Management Grant Fund	Total
ASSETS							
Assets Cash and cash equivalents	\$ 227,608	\$-	\$ 15,672	\$ 817,181	\$ 1,570,710	\$-	\$ 2,781,403
Investments	-	-	98,845	-	-	-	98,845
Receivables Accounts					7,502		14,474
Due from other governments	-	-	-	-	7,503	167,128	14,474
Due nom outer governments			<u> </u>			107,120	107,120
Total assets	\$ 227,608	<u>\$</u> -	\$ 114,517	\$ 817,181	\$ 1,578,213	\$ 167,128	\$ 3,061,850
LIABILITIES AND FUND BALANCES							
Liabilities	<u>,</u>	<u>.</u>	<u>^</u>	<u>.</u>	<u>,</u>	^	• • • • • • •
Accounts payable Accrued and other liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,744 74
Unearned revenue	5,813	-	-	-	-	-	5,813
Due to other funds			2,680			167,128	178,543
Total liabilities	5,813		2,680			167,128	193,174
Fund balances							
Restricted							
Joint planning	- 221,795	-	-	-	-	-	10,140
Capital improvements Public welfare or civic	221,795	-	-	-	-	-	241,096
improvement organizations	-	-	111,837	817,181	1,578,213	-	2,507,162
Act 345 retirement							110,278
Total fund balances	221,795		111,837	817,181	1,578,213		2,868,676
Total liabilities and fund balances	\$ 227,608	\$ -	\$ 114,517	\$ 817,181	\$ 1,578,213	\$ 167,128	\$ 3,061,850

Concluded

CITY OF TRAVERSE CITY, MICHIGA Combining Statement of Revenues, Expenditures and Changes in Fund Balanc Nonmajor Special Revenue Fund For the Year Ended June 30, 201'

	Act 302 Police Training Fund	State Preparedness Equipment Grant Fund	College Parking Fund	Act 345 Millage Fund	Traverse City and Garfield Township Joint Planning Fund	PEG Capital Fund
Revenues						
Property taxes	\$ -	\$ -	\$ -	\$ 1,882,379	\$ -	\$ -
State sources	5,128	-	-	-	-	-
Charges for services	-	-	26,548	-	-	-
Contributions	-	-	-	-	3,000	15,411
Interest income				1,811		-
Total revenues	5,128		26,548	1,884,190	3,000	15,411
Expenditures Current expenditures						
General government	-	-	26,617	-	9,935	12,678
Public safety	5,128	-		1,803,930		
Public works	-	-	-	-	-	-
Capital outlay					<u> </u>	
Total expenditures	5,128		26,617	1,803,930	9,935	12,678
Excess (deficiency) of revenues over expenditures	-	-	(69)	80,260	(6,935)	2,733
Other financing sources (uses)			<u>, , , , , , , , , , , , , , , , , </u>		<u>, </u>	
Transfers (out)					<u> </u>	
Total other financing sources (uses)						
Net change in fund balance	-	-	(69)	80,260	(6,935)	2,733
Fund balances, beginning of year				30,018	17,075	16,568
Fund balances, end of year	<u>\$ </u>	\$ -	\$ (69)	\$ 110,278	\$ 10,140	\$ 19,301

Continued....

CITY OF TRAVERSE CITY, MICHIGA Combining Statement of Revenues, Expenditures and Changes in Fund Balanc Nonmajor Special Revenue Fund For the Year Ended June 30, 201

	C B	Homeland Senior Security Center Training Building Grant Fund Fund		McCauley Estate Trust Fund		County Road Commission Projects Fund		Brown Bridge Trust Park Improvement Fund		Stormwater Asset Management Grant Fund	Total	
Revenues												
Property taxes	\$	-	\$	-	\$	-	\$	-	\$	-	\$ -	\$ 1,882,379
State sources		-		-		-		-		-	660,128	665,256
Charges for services		-		-		-		-		169,126	-	195,674
Contributions		1,196		-		-		814,783		13,000	249,582	1,096,972
Interest income (loss)		259		-	(3,343)				1,726		453
Total revenues		1,455			(3,343 <u>)</u>		814,783		183,852	909,710	3,840,734
Expenditures												
Current expenditures												
General government		-		-		-		-		-	-	49,230
Public safety		-		-		-		-		-	-	1,809,058
Public works		-		-		-		846,552		-	909,710	1,756,262
Capital outlay		-		-		-		-		25,439		25,439
Total expenditures		-		-		-		846,552		25,439	909,710	3,639,989
Excess (deficiency) of revenues												
over expenditures		1,455		-	(3,343)		(31,769)		158,413		200,745
Other financing sources (uses)						•				(20.000)		(24, 200)
Transfers (out)		-		-	(2,680)		-		(28,900)		(31,580)
Total other financing sources (uses)		-		-	(2,680)				(28,900)		(31,580)
Net change in fund balance		1,455		-	(6,023)		(31,769)		129,513	-	169,165
Fund balances, beginning of year		220,340		-	11	7,860		848,950		1,448,700		2,699,511
Fund balances, end of year	\$	221,795	\$	-	\$ 11	1,837	\$	817,181	\$	1,578,213	\$ -	\$ 2,868,676

Concluded

CITY OF TRAVERSE CITY, MICHIGAN Combining Balance Sheet Nonmajor Debt Service Funds June 30, 2017

	Parking De Bond Redemptio Taxable		Parking Deck Bond Redemption Non-Taxable		d Parking otion Deck Bond		Total	
Assets								
Cash and cash equivalents Accounts receivable	\$	-	\$	3,576	\$	100	\$	3,676
Total assets	\$	-	\$	3,576	\$	100	\$	3,676
Fund balances Restricted for debt service		-		3,576		100		3,676
Total liabilities and fund balancess	\$	-	\$	3,576	\$	100	\$	3,676

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, 2017

	Parking Deck Bond Redemption Taxable		Bond Redemption		Bond Bond Redemption Redemption		Bond Parking edemption Deck Bond		Parking Deck Bond		Parking Deck Bond		Total
Revenues Local sources	\$	149,850	\$	663,157	\$	_	\$	813,007					
Expenditures Debt service Principal Interest and fiscal charges	_Φ	149,830 140,000 9,850		345,000 414,906			<u>.</u>	485,000 424,756					
Total expenditures		149,850		759,906		-		909,756					
Other financing sources (uses) Proceeds from refunding debt issue Debt refunding payment Total other financing sources (uses)		- - -		8,410,000 (8,310,000) 100,000		-		8,410,000 (8,310,000) 100,000					
Net change in fund balances		-		3,251		-		3,251					
Fund balances, beginning of year				325		100		425					
Fund balances, end of year	\$		\$	3,576	\$	100	\$	3,676					

CITY OF TRAVERSE CITY, MICHIGA Combining Balance Shee Nonmajor Capital Projects Fund June 30, 2017

	Bo Constr	rking Deck Parking Bond Bond Instruction Construction Taxable Non-taxable		Special Assessments		 Total	
ASSETS							
Assets							
Cash and cash equivalents	\$ 1	07,711	\$	695,746	\$	728,514	\$ 1,531,971
Investments Receivables		-		-		4,733	4,733
Taxes						6,370	6,370
Special assessments		_				331,449	331,449
Total assets	\$ 1	07,711	\$	695,746	\$	1,071,066	\$ 1,874,523
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND Liabilities Accounts payable Advance from component unit	D FUND I	BALANC - -	SES \$	-	\$	632 285	\$ 632 285
Total liabilities				-		917	 917
Deferred inflows of resources							
Unavailable revenue				-		311,327	 311,327
Fund balances Restricted							
Capital improvements	1	07,711		695,746		-	803,457
Committed Capital improvements		-				758,822	 758,822
Total fund balances	1	07,711		695,746		758,822	 1,562,279
Total liabilities, deferred inflows of							
resources, and fund balances	\$ 1	07,711	\$	695,746	\$	1,071,066	\$ 1,874,523

CITY OF TRAVERSE CITY, MICHIGA Combining Statement of Revenues, Expenditures and Changes in Fund Balanc Nonmajor Capital Projects Fund For the Year Ended June 30, 201'

	E Cons	ing Deck Bond truction axable	Parking Deck Bond Construction Non-Taxable		Special Assessments		 Total
Revenues							
Special assessments Interest income	\$	252	\$	1,743	\$	118,045 9,853	\$ 118,045 11,848
Total revenues		252		1,743		127,898	 129,893
Expenditures Public works Capital outlay		-		11,726		107,664 153,644	 107,664 165,370
Total expenditures		-		11,726		261,308	 273,034
Net change in fund balances		252		(9,983)		(133,410)	(143,141)
Other financing sources (uses) Transfer out				(34,042)		(100,000)	 (134,042)
Net change in fund balances		252		(44,025)		(233,410)	(277,183)
Fund balances, beginning of year		107,459		739,771		992,232	 1,839,462
Fund balances, end of year	\$	107,711	\$	695,746	\$	758,822	\$ 1,562,279

CITY OF TRAVERSE CITY, MICHIGA Combining Statement of Assets and Liabilities Agency Funds June 30, 2017

	Tax Collection		Imprest Payroll			Total
Assets						
Cash and cash equivalents	\$	168,375	\$	69,638	\$	238,013
Receivables						
Accounts		-		35,211		35,211
Taxes		159,224		-		159,224
Total assets	\$	327,599	\$	104,849	\$	432,448
	¢		¢	104.940	¢	104 840
Accrued and other liabilities	\$	-	\$	104,849	\$	104,849
Due to other governmental units		327,599		-		327,599
Total liabilities	\$	327,599	\$	104,849	\$	432,448

CITY OF TRAVERSE CITY, MICHIGAN Combining Statement of Changes in Assets and Liabilities Agency Funds For the Year Ended June 30, 2017

	 Balance July 1, 2016	Additions		 Deletions	Balance June 30, 2017
TAX COLLECTION					
Assets Cash and cash equivalent Taxes receivable	\$ 75,209 215,111	\$	40,922,634 44,224,671	\$ 40,829,468 44,280,558	\$ 168,375 159,224
Total assets	\$ 290,320	\$	85,147,305	\$ 85,110,026	\$ 327,599
Liabilities Due to other governmental units	\$ 290,320	\$	85,147,305	\$ 85,110,026	\$ 327,599
IMPREST PAYROLI					
Assets Cash and cash equivalent Accounts receivable	\$ 17,909 16,543	\$	15,595,515 133,508	\$ 15,543,786 114,840	\$ 69,638 35,211
Total assets	\$ 34,452	\$	15,729,023	\$ 15,658,626	\$ 104,849
Liabilities Accrued and other liabilities	\$ 34,452	\$	16,079,872	\$ 16,009,475	\$ 104,849
RETIREE HEALTH INSURANC					
Assets Cash and cash equivalent Accounts receivable	\$ 186,210	\$	-	\$ 186,210	\$ -
Total assets	\$ 186,210	\$	-	\$ 186,210	\$ -
Liabilities Accrued and other liabilities	\$ 186,210	\$		\$ 186,210	\$

Continued....

CITY OF TRAVERSE CITY, MICHIGAN Combining Statement of Changes in Assets and Liabilities Agency Funds For the Year Ended June 30, 2017

	 Balance July 1, 2016	 Additions	 Deletions	Balance June 30, 2017
TOTAL - ALL AGENCY FUND				
Assets Cash and cash equivalent Receivables	\$ 279,328	\$ 56,518,149	\$ 56,559,464	\$ 238,013
Accounts Taxes	 16,543 215,111	 133,508 44,224,671	 114,840 44,280,558	 35,211 159,224
Total assets	\$ 510,982	\$ 100,876,328	\$ 100,954,862	\$ 432,448
Liabilities Accrued and other liabilities Due to other governmental units	\$ 220,662 290,320	\$ 16,079,872 85,147,305	\$ 16,195,685 85,110,026	\$ 104,849 327,599
Total liabilities	\$ 510,982	\$ 101,227,177	\$ 101,305,711	\$ 432,448

Concluded

CITY OF TRAVERSE CITY, MICHIGAN Combining Statement of Fiduciary Net Position Pension and Other Postemployment Benefit Funds June 30, 2017

		(
Act 345 Pension Trust Fund		Act 345 Retiree Health Insurance Trust		Retiree Health Insurance Trust			Total
\$ 3,499,35	2 \$	5	3,287,551	\$	343,699	\$	7,130,602
			-		-		5,105,496
			-		-		6,828,116
			-		-		4,175,976
			-		-		1,716,685
7,548,40	1		-				7,548,401
	-		-		4,111,159		4,111,159
	-		86,015		464,726		550,741
15,3:	58		-		-		15,358
28,889,38	4		3,373,566		4,919,584		37,182,534
104,90							104,968
104,90	8		-		-		104,968
¢ 28 784 A	6 ¢	с ·	2 272 566	¢	4 010 584	¢	37,077,566
	Pension Trust Fund \$ 3,499,35 5,105,49 6,828,11 4,175,97 1,716,68 7,548,40 15,35 28,889,38 104,96	Pension Trust Fund \$ 3,499,352 \$ 5,105,496 6,828,116 4,175,976 1,716,685 7,548,401 - 15,358 28,889,384 104,968	Act 345 Retire Pension Ins Trust Fund T \$ 3,499,352 \$ \$ 3,499,352 \$ \$ 3,499,352 \$ \$ 3,499,352 \$ \$ 5,105,496 6,828,116 4,175,976 1,716,685 1,716,685 7,548,401 - - - - 15,358 - 28,889,384 - 104,968 -	Act 345 Retiree Health Pension Trust Fund Trust \$ 3,499,352 \$ 3,287,551 \$ 3,499,352 \$ 3,287,551 \$ 5,105,496 - 6,828,116 - 4,175,976 - 1,716,685 - 7,548,401 - - 86,015 15,358 - 28,889,384 3,373,566 104,968 -	Benefit Funds Act 345 Retiree Health Pension Insurance Insurance Trust Fund Trust Insurance Insurance \$ 3,499,352 \$ 3,287,551 \$ \$ 3,499,352 \$ 3,287,551 \$ \$ 3,499,352 \$ 3,287,551 \$ \$ 5,105,496 - - 6,828,116 - - 4,175,976 - - 1,716,685 - - 7,548,401 - - - 86,015 - 15,358 - - 28,889,384 3,373,566 - 104,968 - -	Act 345 PensionRetiree Health InsuranceHealth InsuranceTrust FundTrustTrust\$ 3,499,352\$ 3,287,551\$ 343,699 $5,105,496$ $6,828,116$ $4,175,976$ $1,716,685$ $7,548,401$ -4,111,159- $86,015$ $464,726$ 15,35828,889,384 $3,373,566$ $4,919,584$ 104,968	$\begin{tabular}{ c c c c c c } \hline Benefit Funds & Retiree \\ \hline Act 345 & Retiree \\ \hline Retiree Health & Insurance \\ \hline Trust Fund & Trust & Trust \\ \hline \\ \hline \\ \$ & 3,499,352 & \$ & 3,287,551 & \$ & 343,699 & \$ \\ \hline \\ \$ & 3,499,352 & \$ & 3,287,551 & \$ & 343,699 & \$ \\ \hline \\ \$ & 3,499,352 & \$ & 3,287,551 & \$ & 343,699 & \$ \\ \hline \\ \$ & 3,499,352 & \$ & 3,287,551 & \$ & 343,699 & \$ \\ \hline \\ \$ & 5,105,496 & - & - & - \\ \hline \\ \$ & 6,828,116 & - & - & - \\ \hline \\ \$ & 6,828,116 & - & - & - \\ \hline \\ \$ & 6,828,116 & - & - & - \\ \hline \\ \$ & 6,828,116 & - & - & - \\ \hline \\ \$ & 6,828,116 & - & - & - \\ \hline \\ \$ & 6,828,116 & - & - & - \\ \hline \\ \$ & 6,828,116 & - & - & - \\ \hline \\ \$ & 6,828,116 & - & - & - \\ \hline \\ \$ & 6,828,116 & - & - & - \\ \hline \\ \$ & 7,548,401 & - & - & - \\ \hline \\ \$ & 7,548,401 & - & - & - \\ \hline \\ \hline \\ $ & 1,716,685 & - & - & - \\ \hline \\ \hline \\ $ & 1,716,685 & - & - & - \\ \hline \\ \hline \\ $ & 1,716,685 & - & - & - \\ \hline \\ \hline \\ $ & 1,716,685 & - & - & - \\ \hline \\$

CITY OF TRAVERSE CITY, MICHIGAN Combining Statement of Changes in Fiduciary Net Position Pension and Other Postemployment Benefit Funds For the Year Ended June 30, 2016

		Other Posten Benefit F		
	Act 345 Pension Trust Fund	Act 345 Retiree Health Insurance Trust	Retiree Health Insurance Trust	Total
Additions				
Contributions	¢ 1.002.020	¢ 205.044	250 575	¢ 0.440.071
City contributions	\$ 1,803,930 104,761	\$ 385,866	258,575	\$ 2,448,371 104,761
Employee contributions Other		-		- 104,701
Total contributions	1,908,691	385,866	258,575	2,553,132
Investment earnings				
Interest and dividends	269,489	-	-	269,489
Net increase in fair value of investments	2,861,339	-	900,092	3,761,431
Investment advisor fees	(111,508)	-	(9,889)	(121,397)
Net investment earnings	3,019,320		890,203	3,909,523
Total additions	4,928,011	385,866	1,148,778	6,462,655
Deductions				
Pension benefits paid	2,403,433	-	-	2,403,433
Health insurance premiums paid	-	356,424	-	356,424
Administrative expense	23,599	8,800		32,399
Total deductions	2,427,032	365,224		2,792,256
Net increase (decrease) in plan net position	2,500,979	20,642	1,148,778	3,670,399
iver merease (decrease) in plan net position	2,300,979	20,042	1,140,778	3,070,399
Net position held in trust, beginning of year, restated	26,283,437	3,352,924	3,770,806	33,407,167
Net position held in trust, end of year	\$ 28,784,416	\$ 3,373,566	\$ 4,919,584	\$ 37,077,566

INTERNAL CONTROL AND COMPLIANCE



Vredeveld Haefner LLC

CPAs and Consultants 10302 20th Avenue Grand Rapids, MI 49534 Fax (616) 828-0307 Douglas J. Vredeveld, CPA (616) 446-7474 Peter S. Haefner, CPA (616) 460-9388

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 15, 2017

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, 2017, 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 15, 2017.

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 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.

Uredeveld Haefner LLC