June 30, 2018

Annual Audited Financial Statements



Prepared by Treasurer's Office

Vredeveld Haefner LLC, Auditors

TABLE OF CONTENTS

	PAGE
FINANCIAL SECTION	
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-12
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	13
Statement of Activities	14-15
Fund Financial Statements	
Balance Sheet - Governmental Funds	16-17
Statement of Revenues, Expenditures, and Changes in Fund	
Balances - Governmental Funds	18-19
Statement of Net Position - Proprietary Funds	20-21
Statement of Revenues, Expenses, and Changes in Net	22.22
Position - Proprietary Funds	22-23
Statement of Cash Flows - Proprietary Funds	24-25
Statement of Fiduciary Net Position	26
Statement of Changes in Fiduciary Net Position Notes to the Financial Statements	27
Notes to the Financial Statements	28-86
SUPPLEMENTARY INFORMATION	
Required Supplementary Information	
Act 345 Pension Retirement System Schedule of Changes in the	
Employer's Net Pension Liability and Related Ratios	87
Act 345 Pension Trust Retirement System Schedule of Contributions	88
Act 345 Pension Retirement System Schedule of Investment Returns	89
Act 345 Police and Fire Health Care Trust Schedule of Changes	
in Net OPEB Liability and Related Ratios	90
Act 345 Police and Fire Health Care Trust Schedule of the Net OPEB Liability	91
Act 345 Police and Fire Health Care Trust Schedule of Contributions	92
Act 345 Police and Fire Health Care Trust Schedule of Investment Returns	93
MERS Pension Plan Schedule of Changes in the Employer's Net Pension	0.4
Liability and Related Ratios - General Plan	94
MERS Pension Plan Schedule of Contributions - General Plan	95
MERS Pension Plan Schedule of Changes in the Employer's Net Pension	06
Liability and Related Ratios - Traverse City Light and Power	96
MERS Pension Plan Schedule of Contributions - Traverse City Light and Power	97
City Retiree Health Insurance Trust Schedule of Changes in the Employer's Net	98
OPEB Liability and Related Ratios City Retiree Health Insurance Trust Schedule of the Net OPEB Liability	98 99
City Retiree Health Insurance Trust Schedule of Contributions	100
City Retiree Health Insurance Trust Schedule of Investments Returns	100
City remove from mountained frust semedule of mivestments returns	101

SUPPLEMENTARY INFORMATION (CONTINUED)

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

List of Elected and Appointed Officials For the Fiscal Year Ended June 30, 2018

Elected Officials

MayorJim CarruthersMayor Pro TemBrian HaasCommission MemberMichele HowardCommission MemberRichard I. LewisCommission MemberBrian McGillivaryCommission MemberAmy ShamroeCommission MemberTim Werner

Appointed Officials

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



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

December 21, 2018

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, 2018, 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, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12 and the information on pages 87 through 109 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Traverse City, Michigan's basic financial statements. The 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 21, 2018 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.

Urodovold Haofnor 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, 2018.

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 \$105,536,771 (*net position*). The City's total net position increased by \$6,135,199 during the year ended June 30, 2018.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$27,722,500 an increase of \$2,653,022 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 \$4,413,946 or 26% of total General Fund expenditures and transfers out. The General Fund Operating Fund unassigned fund balance was \$2,754,613 or 17% of General Fund Operating Fund expenditures and transfers out.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

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

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of the costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, 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-one 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 \$105,536,771 at the close of the most recent fiscal year.

By far the largest portion of the City's net position, \$95,070,635 or 90 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 \$15,354,742 which represents resources that are subject to external restrictions on how they may be used and a deficit unrestricted net position of \$4,888,606.

The City's net position increased by \$6,135,199 during the year ended June 30, 2018.

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

City of Traverse City's Net Position Table I

	·	F	YE 6/30/18				FY	E6/30/17	
	overnmental Activities	В	usiness-type Activities	Total	G	overnmental Activities		usiness-type Activities	Total
Current and other assets Capital assets	\$ 32,595,617 51,049,560	\$	14,161,653 57,550,571	\$ 46,757,270 108,600,131	\$	29,215,796 49,939,531	\$	11,719,024 58,232,428	\$ 40,934,820 108,171,959
Total assets	83,645,177		71,712,224	155,357,401		79,155,327		69,951,452	149,106,779
Deferred outflows	 2,434,981		524,424	2,959,405		3,148,763	ī	745,062	3,893,825
Long-term liabilities Net Pension Liability	8,484,582 25,967,694		4,934,238 3,566,994	13,418,820 29,534,688		9,025,112 26,048,458		6,012,973 3,756,316	15,038,085 29,804,774
Net Other Post Employment Benefit Liability Other liabilities	5,138,202 1,720,272		664,642	5,138,202 2,384,914		1,208,547		396,898	1,605,445
Total Liabilities	 41,310,750		9,165,874	50,476,624		36,282,117		10,166,187	 46,448,304
Deferred inflows	 1,548,566		754,845	2,303,411		1,325,514		588,167	 1,913,681
Net Position:									
Net Investment in capital assets Restricted assets	43,205,436 15,354,742		51,865,199	95,070,635 15,354,742		41,962,406 16,689,234		48,357,690	90,320,096 16,689,234
Unrestricted (deficit)	 (15,339,336)		10,450,730	(4,888,606)		(13,955,181)		11,584,470	 (2,370,711)
Total net position	\$ 43,220,842	\$	62,315,929	\$ 105,536,771	\$	44,696,459	\$	59,942,160	\$ 104,638,619

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

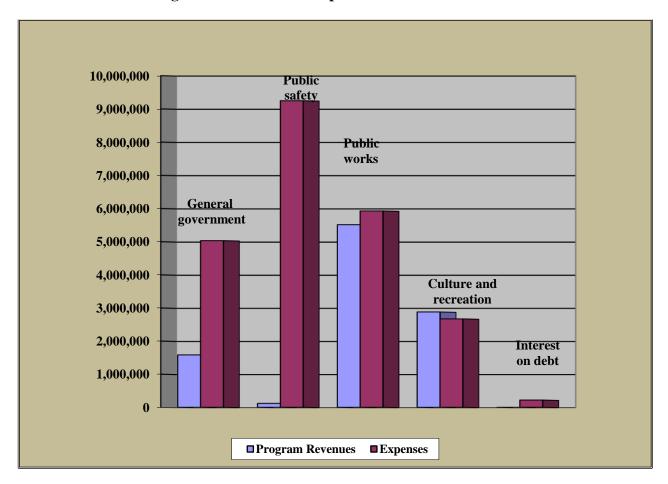
		FYE 6/30/18			FYE 6/30/17	
	Governmental	Business-type		Governmental	Business-type	
	Activities	Activities	Total	Activities	Activities	Total
D						
Program revenue: Charges for services	\$ 2,835,988	\$ 14,697,953	\$ 17.533.941	\$ 2,289,818	\$ 14.864.847	\$ 17.154.665
2	3,904,926	\$ 14,097,933	\$ 17,533,941 3,904,926	\$ 2,289,818 4,166,316	\$ 14,864,847	\$ 17,154,665 4,166,316
Operating grants/contributions Capital grant/contributions	3,352,142	21,000	3,373,142	1,380,514	-	1,380,514
General Revenue:	3,332,142	21,000	3,373,142	1,360,314	-	1,360,314
Property taxes	13,892,439		13,892,439	12,734,842		12,734,842
Unrestricted grants/contributions	1,446,709	-	1,446,709	1,414,646	-	1,414,646
Franchise revenue	252,447	-	252,447	244,148	-	244,148
	,	27.457	,	,	10 227	,
Other	113,544	37,457	151,001	99,888	18,337	118,225
Total revenue	25,798,195	14,756,410	40,554,605	22,330,172	14,883,184	37,213,356
Expenses:						
General government	5,032,888	-	5,032,888	5,805,446	_	5,805,446
Public safety	9,246,056	_	9,246,056	8,716,814	_	8,716,814
Public works	5,927,475	-	5,927,475	5,926,150	_	5,926,150
Culture and recreation	2,670,717	-	2,670,717	2,915,576	_	2,915,576
Interest and fiscal charges	220,095	-	220,095	362,675	_	362,675
Wastewater	-	5,416,277	5,416,277	-	6,008,855	6,008,855
Water	-	3,156,184	3,156,184	-	2,695,146	2,695,146
Marina	-	600,339	600,339	-	519,542	519,542
Autoparking		2,156,510	2,156,510		2,003,801	2,003,801
Total expenses	23,097,231	11,329,310	34,426,541	23,726,661	11,227,344	34,954,005
Increase (decrease) before						
transfers/contributions	2,700,964	3,427,100	6,128,064	(1,396,489)	3,655,840	2,259,351
Operating transfers	966,059	(966,059)	-	949,457	(949,457)	-
Contribution to endowment	7,135		7,135	4,602	<u> </u>	4,602
Increase in net position	3,674,158	2,461,041	6,135,199	(442,430)	2,706,383	2,263,953
Net position beginning of year - restated	39,546,684	59,854,888	99,401,572	45,138,889	57,235,777	102,374,666
Net position end of year	\$ 43,220,842	\$ 62,315,929	\$ 105,536,771	\$ 44,696,459	\$ 59,942,160	\$ 104,638,619

Net position was restated at July 1, 2017 to record other post employment benefits in connection with the implementation of GASB 75.

Governmental activities increased the City's net position by \$3,674,158. Key highlights are as follows:

- Capital grants and contributions increased approximately \$1,975,000 due in most part to the to the contributions from the private Preserve Hickory Association which provided \$1,800,000 in funding towards the Hickory Hills Ski Area upgrade project during the year ended June 30, 2018.
- Unrestricted property tax revenue increased approximately \$1,158,000 compared to the previous year as the City continues to experience healthy tax base increases.
- Personnel costs for the Governmental Activities increased approximately \$580,000 compared to the previous year which was consistent with budgeted increases.

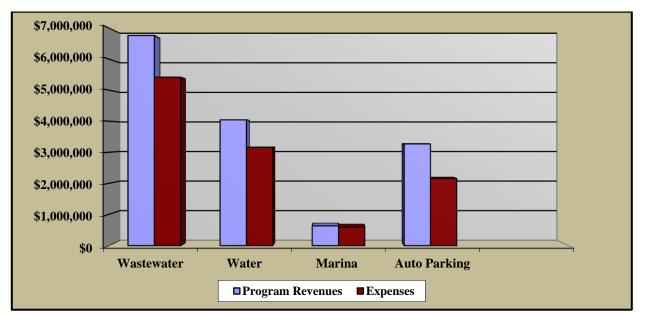
Program Revenues and Expenses - Governmental Activities



Business-type activities increased the City's net position by \$2,461,041. Key highlights of activities in the funds are as follows:

- Charges for services in the Wastewater fund decreased approximately \$300,000. While there were increases in usage fees for City residents during the year ended June 20, 2018, there was a significant decrease in the amounts charged participating townships for their share of plant use and reimbursement of plant expenditures.
- Charges for services in the Water fund increased approximately \$45,000. As with the wastewater fund there were minimal increases in usage fees to City residents during 2018 and water usage billed to townships had no net change.
- Charges for services in the Auto Parking System Fund increased approximately \$36,000 because of continued increased customer activity.
- Marina Charges for services also increased approximately \$36,000 due to corresponding good summer weather conditions and a slight increase in docking rates.

Program Revenues and Expenses - Business-type Activities



Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$27,722,500, an increase of \$2,653,022 in comparison with the prior year. \$4,413,946 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 \$4,413,946. 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 26 percent of total General Fund expenditures including transfers out. The unassigned fund balance of the Operating Fund represented 17 percent of the Operating Fund expenditures including transfers out.

The Major Streets Fund has a total fund balance of \$265,924 which increased by \$126,840 during the year.

The Local Streets Fund has a \$0 fund balance for the current year. All expenses not offset by state revenue sources are covered by the General Fund Operating Fund via a transfer of funds which amounted to \$772,532 for 2018.

The Capital Projects fund balance increased by \$3,999,410 during the current fiscal year. This is due in most part to private contributions, General Fund contributions, and the Brown Bridge Parks Trust Fund contributions for public improvement projects that had not been completed as of June 30, 2018.

The Brown Bridge Permanent Trust fund balance decreased by \$175,039 during the current fiscal year. The adjustment to market at year end June 30, 2018 decreased investment revenue by \$174,404.

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 \$10,226,762 with net investment in capital assets of \$51,865,199. For the current year, the Wastewater Fund had an increase in net position of \$1,021,845, the Water Fund had an increase in net position for the year of \$726,083, the Marina Fund had an increase in net position of \$3,838, and the Auto Parking System had an increase in net position of \$748,462.

General Fund Budgetary Highlights

During the year, General Fund revenues were greater than budgetary estimates by \$26,900. Actual expenditures were under amended budget amounts by \$695,222. Overall, the actual fund balance increased by \$110,946, compared to an amended budget decrease estimate of \$761,550.

Capital Asset and Debt Administration

Capital assets. The City's total capital assets for its governmental and business-type activities as of June 30, 2018, amounted to \$108,600,131 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, park facilities, roads, highways, and bridges.

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

- Completion of the Park Street streetscaping and 300 Front Street midblock crosswalk project with total costs of approximately \$795,000.
- Completion of the Station Street Project with total project costs of \$225,000.
- Completion of various alley resurfacing projects with total costs of approximately \$200,000.
- Completion of the Hardy Deck public restroom project, total costs were approximately \$300,000.
- Completion of the West Front Street Division Street to Elmwood Street with total costs of approximately \$790,000.
- Completion of the Boardman River Boatlaunch and Lot D reconstruction project with total costs of approximately \$525,000.
- Start up of the Hickory Hill phase 1 and maintenance building projects with costs to date of approximately \$480,000

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

Governmental Activities	Business-type Activities		Governmental	Business-type	
Activities	Activities				
	/icuvities	Total	Activities	Activities	Total
11,320,741	\$ 1,187,057	\$ 12,507,798	\$ 11,320,741	\$ 1,187,057	\$ 12,507,798
6,494,962	8,416,432	14,911,394	6,065,577	8,416,432	14,482,009
1,214,032	2,839,780	4,053,812	1,591,351	2,786,796	4,378,147
5,693,982	20,644,840	26,338,822	5,781,227	21,426,541	27,207,768
8,127,943	9,570,145	17,698,088	7,819,789	9,139,007	16,958,796
18,197,900	14,892,317	33,090,217	17,360,846	15,276,595	32,637,441
51,049,560	\$ 57,550,571	\$ 108,600,131	\$ 49,939,531	\$ 58,232,428	\$ 108,171,959
	6,494,962 1,214,032 5,693,982 8,127,943 18,197,900	6,494,962 8,416,432 1,214,032 2,839,780 5,693,982 20,644,840 8,127,943 9,570,145 18,197,900 14,892,317	6,494,962 8,416,432 14,911,394 1,214,032 2,839,780 4,053,812 5,693,982 20,644,840 26,338,822 8,127,943 9,570,145 17,698,088 18,197,900 14,892,317 33,090,217	6,494,962 8,416,432 14,911,394 6,065,577 1,214,032 2,839,780 4,053,812 1,591,351 5,693,982 20,644,840 26,338,822 5,781,227 8,127,943 9,570,145 17,698,088 7,819,789 18,197,900 14,892,317 33,090,217 17,360,846	6,494,962 8,416,432 14,911,394 6,065,577 8,416,432 1,214,032 2,839,780 4,053,812 1,591,351 2,786,796 5,693,982 20,644,840 26,338,822 5,781,227 21,426,541 8,127,943 9,570,145 17,698,088 7,819,789 9,139,007 18,197,900 14,892,317 33,090,217 17,360,846 15,276,595

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 \$12,679,496. Of this amount, \$7,844,124 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

				2018			, r			2017		
	Go	ve rnme ntal	Bu	isiness-type			Go	vernmental	Bı	usiness-type		
		Activities		Activities		Total	Total Activities		Activities		Total	
General obligation bonds -												
Parking Deck	\$	7,844,124	\$	-	\$	7,844,124	\$	8,431,137	\$	-	\$	8,431,137
Capital lease payable -												
Wastewater Treatment												
Plant		-		4,835,372		4,835,372		-		5,928,337		5,928,337
TOTAL	\$	7,844,124	\$	4,835,372	\$	12,679,496	\$	8,431,137	\$	5,928,337	\$	14,359,474

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 \$96,505,067 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 2018/19 fiscal year:

- The City Commission elected to increase the General Fund tax levy from 11.1167 mills to 12.1167 mills with the proceeds related to the additional 1.00 mill to be used for Street and Sidewalk projects. The Act 345 levy for Police/Fire pensions is 2.32 mills, the same levy as the previous five years.
- The City's capital improvement plan projects approximately \$42 million of potential capital related expenses in fiscal year 2018/19 including 7.5 million for Traverse City Light and Power and 2.5 million for the Downtown Development Authority. The General Fund budget includes \$842,000 to continue the City Commission's priority on infrastructure spending for streets, sidewalks and parks improvements.
- 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, MICHIGAN Statement of Net Position June 30, 2018

ental	Business-type Activities \$ 10,410,051 2,543,849 1,942,619 (1,129,631) 83,813 221,735 89,217	* 22,114,557 18,510,674 3,840,002 290,975 - 366,116	Downtown Development Authority \$ 1,939,647 - 995,742	Light and Power \$ 4,162,710 14,203,540
5,825 7,383 0,975 0,631 2,303 1,559 2,435	2,543,849 1,942,619 (1,129,631) 83,813 221,735	18,510,674 3,840,002 290,975 - 366,116	-	14,203,540
5,825 7,383 0,975 0,631 2,303 1,559 2,435	2,543,849 1,942,619 (1,129,631) 83,813 221,735	18,510,674 3,840,002 290,975 - 366,116	-	14,203,540
7,383 0,975 0,631 2,303 1,559 2,435	1,942,619 - (1,129,631) 83,813 221,735	3,840,002 290,975 - 366,116	995,742	
0,975 0,631 2,303 1,559 2,435 -	(1,129,631) 83,813 221,735	290,975 - 366,116	995,742	
2,631 2,303 1,559 2,435	83,813 221,735	366,116	-	5,463,281
2,303 1,559 2,435 - 1,773	83,813 221,735	,	_	-
2,435 - 4,773	221,735	,	_	-
2,435 - 4,773	,		-	1,586,622
- 1,773	89,217	683,294	9,729	95,817
	,	951,652	-	- 210
	12 442 260	24.070.042	-	219
1,/8/	12,443,269	24,978,042	-	3,826,343
	45,107,302	83,622,089	-	61,065,833
5,177	71,712,224	155,357,401	2,945,118	90,404,365
9,473	513,877	2,413,350	-	2,579,331
,932	10,547	282,479	-	1,005,715
3,576		263,576		
1,981	524,424	2,959,405		3,585,046
2,034	664,642	2,376,676	119,894	3,717,398
3,019	-	8,019	-	14,815
-	-	-	-	290,975
219	-	219	-	-
7,694	3,566,994	29,534,688	=	11,513,058
3,202	-	5,138,202	=	2,039,555
,197	1,147,023	1,808,220	12,269	3,728
3,385	3,787,215	11,610,600	46,028	198,762
0,750	9,165,874	50,476,624	178,191	17,778,291
5,882	403,747	1,600,629	-	1,243,854
,684	36,381	388,065	-	686,027
	314,717	314,717		
3,566	754,845	2,303,411		1,929,881
5,436	51,865,199	95,070,635	=	64,892,176
3,251	-	3,251	-	-
1,140	-	14,140	-	-
3,836	-	643,836	-	-
5,924	-	265,924	-	-
3,549	-	1,403,549	-	-
170	-	334,170	2 221 000	-
1,170	-	12.017.005	2,321,889	-
-	-		-	-
7,005	10,450,730	(4,888,606)	445,038	9,389,063
- 7,005 2,867				\$ 74,281,239
	4,170 - 7,005 2,867 9,336)	4,170	4,170 - 334,170 	4,170 - 334,170 - 2,321,889 7,005 - 12,017,005 - 2,867 - 672,867 -

Statement of Activities For the Year Ended June 30, 2018

			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	\$ 5,032,888	\$ 1,056,460	\$ 525,591	\$ -	\$ (3,450,837)		
Public safety	9,246,056	70,440	42,898	5,400	(9,127,318)		
Public works	5,927,475	1,007,126	2,978,622	1,527,230	(414,497)		
Culture and recreation	2,670,717	701,962	357,815	1,819,512	208,572		
Interest and fiscal charges	220,095	-	-	-	(220,095)		
Total governmental activities	23,097,231	2,835,988	3,904,926	3,352,142	(13,004,175)		
Business-type activities							
Wastewater	5,416,277	6,753,514	-	-	1,337,237		
Water	3,156,184	4,041,096	-	21,000	905,912		
Marina	600,339	634,879	-	-	34,540		
Automobile parking	2,156,510	3,268,464	-	-	1,111,954		
Total business-type activities	11,329,310	14,697,953		21,000	3,389,643		
Total primary government	\$ 34,426,541	\$ 17,533,941	\$ 3,904,926	\$ 3,373,142	\$ (9,614,532)		
Component units							
Downtown Development Authority	\$ 2,876,779	\$ 691,091	\$ 10,000	\$ -	\$ (2,175,688)		
Light and Power	32,425,361	36,281,669	<u> </u>		3,856,308		
Total component units	\$ 35,302,140	\$ 36,972,760	\$ 10,000	\$ -	\$ 1,680,620		

Continued...

Statement of Activities For the Year Ended June 30, 2018

		Primary Governm	Component Units			
Functions/Programs	Governmental Activities	Business-type Activities	Total	Downtown Development Authority	Light and	
Changes in net position						
Net (expense) revenue	\$ (13,004,175)	\$ 3,389,643	\$ (9,614,532)	\$ (2,175,688)	\$ 3,856,308	
General revenues						
Unrestricted property taxes	13,892,439	-	13,892,439	192,798	-	
Restricted property taxes for tax increment finance districts Grants and contributions not restricted	-	-	-	2,226,994	-	
to specific programs	1,446,709		1,446,709			
Franchise revenue	252,447	-	252,447	-	-	
Unrestricted investment earnings	105,244	37,457	142,701	563	242,075	
Gain on sale of capital assets	8,300	57,457	8,300	505	242,073	
Transfers	966,059	(966,059)	-	_	_	
Contribution to endowment	7,135	-	7,135			
Total general revenues, transfers and contributions	16,678,333	(928,602)	15,749,731	2,420,355	242,075	
Change in net position	3,674,158	2,461,041	6,135,199	244,667	4,098,383	
Net position, beginning of year, restated	39,546,684	59,854,888	99,401,572	2,522,260	70,182,856	
Net position, end of year	\$ 43,220,842	\$ 62,315,929	\$ 105,536,771	\$ 2,766,927	\$ 74,281,239	

Concluded

Balance Sheet Governmental Funds June 30, 2018

				Special	Reve	enue	Capital Projects	Permanent Brown		
		General Str		Major Local Streets Streets Fund Fund		Streets	Capital Projects	Bridge Trust Fund	Nonmajor Governmental Funds	Total
ASSETS										
Assets										
Cash and cash equivalents	\$	1,119,978	\$	72,014	\$	-	\$ 4,064,213	\$ 1,071,899	\$ 3,202,043	\$ 9,530,147
Investments		2,329,044		-		-	2,068,610	10,920,711	648,460	15,966,825
Receivables										
Accounts		281,563		192		-	457,254	55,938	25,306	820,253
Taxes		-		-		-	-	-	8,057	8,057
Special assessments		-		-		-	-	-	294,522	294,522
Accrued interest		5,956		-		-	-	34,196	-	40,152
Due from other governments		241,717		268,206		68,125	150,951	-	5,400	734,399
Due from other funds		1,583,444		-		-	-	-	-	1,583,444
Due from component unit		290,975		-		-	-	-	-	290,975
Inventory		37,134		-		-	-	-	-	37,134
Prepaid items and other assets		461,559		-		-	-	-	-	461,559
Advances to other funds	_	850,000	-			-	<u> </u>			850,000
Total assets	\$	7,201,370	\$	340,412	\$	68,125	\$ 6,741,028	\$12,082,744	\$ 4,183,788	\$30,617,467
LIABILITIES, DEFERRED INFLOWS OF RESOURCES Liabilities	, AND I	FUND BALA	NCE							
Accounts payable	\$	328,910	\$	62,022	\$	12,961	\$ 315,194	s -	\$ 105,537	\$ 824,624
Accrued and other liabilities		196,845		4,987		4,596	-	-	40,352	246,780
Due to other funds		_		7,479		50,568	915,000	65,739	29,525	1,068,311
Deposits payable		158,555		_		_	· -	· -	· -	158,555
Unearned revenue		1,121		-		-	1,085	-	5,813	8,019
Advance from component unit			_			-	-		219	219
Total liabilities		685,431		74,488		68,125	1,231,279	65,739	181,446	2,306,508
Deferred inflows of resources										
Unavailable revenue			_			-	294,335		294,124	588,459
Fund balance										
Nonspendable										
Inventory		37,134		-		-	-	-	-	37,134
Prepaid items		461,559		-		-	-	-	-	461,559
Advance to other funds		850,000		-		-	-	-	-	850,000
Brown bridge trust		-		-		-	-	12,017,005	-	12,017,005
Cemetery perpetual care		-		-		-	-	-	672,867	672,867
Restricted										
Debt service		-		265.02:		-	-	-	3,676	3,676
Streets and highways		-		265,924		-	-	-	14.140	265,924
Joint planning		-		-		-	-	-	14,140	14,140
Capital improvements		-		-		-	-	-	643,836	643,836
Public welfare or civic improvement organizations		-		-		-	-	-	1,403,549	1,403,549
Act 345 retirement		-		-		-	-	-	334,170	334,170
Committed Budget stablilization		753,300							_	752 200
Capital improvements		133,300		-		-	5,215,414	-	635,980	753,300 5,851,394
Unassigned		4,413,946				-	5,215,414		- 033,980	4,413,946
Total fund balance		6,515,939		265,924			5,215,414	12,017,005	3,708,218	27,722,500
Total liabilities, deferred inflows of										
resources and fund balance	\$	7,201,370	s	340,412	\$	68,125	\$ 6,741,028	\$12,082,744	\$ 4,183,788	\$30,617,467

Continued.....

Balance Sheet Governmental Funds June 30, 2018

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	\$ 27,722,500
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources, and therefore are no reported in the funds.	
Add: capital assets Subtract: accumulated depreciation	94,240,880 (51,836,461)
Because the focus of governmental funds is on short-term financing, some items will not be available to pay for current-period expenditures.	
Add: other post employment benefits asset Add: deferred outflow of resources - pension Add: deferred outflow of resources - other post employment benefits Add: unavailable revenue	773,218 1,689,431 261,385 588,459
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	8,952,338
Certain items, such as bonds payable, are not due and payable in the current period, and therefore are not reported in the funds.	
Add: deferred loss on refunding Subtract: deferred bond premium - Hardy Deck Subtract: deferred inflow of resources - pension Subtract: deferred inflow of resources - other post employement benefits Subtract: net pension liability Subtract: net other post employment benefit liability Subtract: bonds payable Subtract: compensated absences Subtract: accrued interest on long-term liabilities	263,576 (19,124) (1,031,481) (315,302) (24,475,950) (5,138,202) (7,825,000) (606,994) (22,431)
Net position of governmental activities	\$ 43,220,842

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

Concluded

CITY OF TRAVERSE CITY, MICHIGAN Statement of Revenues, Expenditures and Changes in Fund Balances **Governmental Funds**

For the Year Ended June 30, 2018

		Special Rev	enue Funds	Capital Projects	Permanent		
	General	Major Streets	Local Streets	Capital Projects	Brown Bridge Trust	Nonmajor Governmental Funds	Total
Revenues							
Property taxes and special assessments	\$ 10,070,208	\$ -	\$ -	\$ -	\$ -	\$ 2,252,577	\$ 12,322,785
Licenses and permits	315,757	-	_	-	-	-	315,757
Federal sources	5,100	-	-	329,742	_	5,400	340,242
State sources	1,456,213	1,616,930	493,861	150,951	-	5,014	3,722,969
Local sources	1,779,806	-	_	_	_	798,732	2,578,538
Charges for services	675,332	_	_	_	_	220,017	895,349
Fines and forfeits	8,100	_	_	_	_	,	8,100
Contributions	193,473	_	_	2,362,063	_	1,129,247	3,684,783
Reimbursement	691,105	7,356	6,266	337,881	_	1,127,217	1,042,608
Interest income (loss)	79,632	141	0,200	5,767	57,886	20,376	163,802
Other revenue	489,999	141	-	3,707	37,000	20,370	489,999
Other revenue	489,999						489,999
Total revenues	15,764,725	1,624,427	500,127	3,186,404	57,886	4,431,363	25,564,932
Expenditures							
Current expenditures							
General government	3,616,106	_	_	_	_	35,112	3,651,218
Public safety	7,140,538	_	_	_	_	1,852,229	8,992,767
Public works	1,343,099	1,577,587	1,272,659	455,665	_	770,398	5,419,408
Recreation and Culture	2,560,844	-,,	-,-,-,	-	_	-	2,560,844
Capital outlay	373,991	_	_	1,241,605	_	839,404	2,455,000
Debt service	3,3,7,1			1,2 11,000		037,101	2,122,000
Principal		_	_	_	_	585,000	585,000
Interest expense and fiscal charges	-	-	-	-	-	213,732	213,732
interest expense and usear charges						213,732	213,732
Total expenditures	15,034,578	1,577,587	1,272,659	1,697,270		4,295,875	23,877,969
Excess (deficiency) of revenues over expenditures	730,147	46,840	(772,532)	1,489,134	57,886	135,488	1,686,963
Other financing sources (uses)							
Transfers in	1,278,597	80,000	772,532	2,510,276	_	_	4,641,405
Transfers out	(1,897,798)	00,000	112,332	2,310,270	(232,925)	(1,544,623)	(3,675,346)
Transfers out	(1,097,790)				(232,923)	(1,344,023)	(3,073,340)
Total other financing sources (uses)	(619,201)	80,000	772,532	2,510,276	(232,925)	(1,544,623)	966,059
Net change in fund balances	110,946	126,840	-	3,999,410	(175,039)	(1,409,135)	2,653,022
Fund balance, beginning of year	6,404,993	139,084		1,216,004	12,192,044	5,117,353	25,069,478
Fund balance, end of year	\$ 6,515,939	\$ 265,924	\$ -	\$ 5,215,414	\$12,017,005	\$ 3,708,218	\$27,722,500

Continued.....

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Year Ended June 30, 2018

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

the Statement of Activities		
Net change in fund balances - total governmental funds	\$	2,653,022
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 thos assets is allocated over their estimated useful lives and reported as depreciation expense.	e	
Add: capital outlay Subtract: depreciation expense Subtract: Construction in progress reclassified to expense Subtract: Book value of disposed building assets		2,455,000 (1,513,683) (80,916) (12,836)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilitie in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Add: current principal debt payment Add: amortization of premium Subtract: Amortization of deferred loss on refunding		585,000 2,014 (27,658)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in th funds, but rather are deferred to the following year.	e	
Add: increase in deferred contributions and special assessment receivables		166,104
Some expenses reported in the statement of activities do not require the use of current financial resources and therefor are not reported as expenditures in governmental funds.	e	
Add: decrease in accrued interest payable		19,281
Add: increase in other post employment benefit asset, deferred outflow and deferred inflows		384,588
Subtract: increase in compensated absences payable Subtract: change in net pension liability, deferred outflows and deferred inflows		(32,922) (657,491)
Subtract: change in net other post employment benefit liability, deferred outflows and deferred inflows		12,106
Internal service funds are used by management to charge the costs of certain activities, such as equipment usage, t individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.	o	
Add: interest income from governmental internal service fund		2,902
Add: other revenue from governmental internal service fund		63,091
Add: gain on disposal of capital assets in governmental internal service fund		21,136 (364,580)
Add: net operating income from governmental activities accounted for in internal service fund		(304,380)
Change in net position of governmental activities	\$	3,674,158

Concluded

Statement of Net Position Proprietary Funds June 30, 2018

	R	Business-type Activities - Enterprise Funds					
	Wastewater	Water	Marina	Parking System			
Assets							
Current assets							
Cash and cash equivalents	\$ 1,106,779	\$ 4,754,142	\$ 441,997	\$ 4,107,133			
Investments	-	50,037	-	2,493,812			
Receivables							
Accounts	1,028,285	871,031	14,011	19,714			
Taxes	2,698	924	-	-			
Interest	-	-	-	5,956			
Inventory	-	62,060	21,753	-			
Prepaid cost and other assets	220,259	1,476					
Total current assets	2,358,021	5,739,670	477,761	6,626,615			
Noncurrent assets							
Other post employment benefits	29,739	59,478	-	-			
Capital assets not being depreciated	149,977	1,425,312	8,413,670	2,454,310			
Capital assets being depreciated	21,869,401	8,002,516	746,147	14,489,238			
Total noncurrent assets	22,049,117	9,487,306	9,159,817	16,943,548			
Total assets	24,407,138	15,226,976	9,637,578	23,570,163			
Deferred outflows							
Deferred outflow of resources - pensions	162,108	311,527	17,059	23,183			
Deferred outflow of resources - pensions Deferred outflow of resources - other post employment benefits	3,516	7,031	17,037	25,165			
Deterred outflow of resources - other post employment benefits	3,510	7,031					
Total deferred inflows	165,624	318,558	17,059	23,183			
Liabilities							
Current liabilities							
Accounts payable	265,755	134,142	65,134	145,909			
Accrued and other liabilities	25,906	19,367	7,811	618			
Due to other funds	75,552	63,085	34,075	330,889			
Current portion of compensated absences	-	2,557	-	-			
Current portion of long-term debt	1,144,466						
Total current liabilities	1,511,679	219,151	107,020	477,416			
Long-term liabilities							
Advance from other funds	-	-	850,000	-			
Long-term debt, net of current portion	3,690,906	-	-	-			
Net pension liability	1,119,360	2,185,692	119,986	141,956			
Compensated absences	39,529	49,107	7,518	153			
Total long-term liabilities	4,849,795	2,234,799	977,504	142,109			
Total liabilities	6,361,474	2,453,950	1,084,524	619,525			
Deferred inflows							
Deferred inflow of resources - pensions	144,166	237,834	13,092	8,655			
Deferred inflow of resources - other post employment benefits	12,127	24,254		-,			
Deferred gain on refunding	314,717						
Total deferred inflows	471,010	262,088	13,092	8,655			
Net Position							
Net investment in capital assets	17,184,006	9,427,828	8,309,817	16,943,548			
Unrestricted (deficit)	556,272	3,401,668	247,204	6,021,618			
omediated (utility)	330,272	3,401,000	247,204	0,021,010			
Total net position	\$ 17,740,278	\$ 12,829,496	\$ 8,557,021	\$ 22,965,166			

Total	Governmental Activities - Internal Service Fund
\$ 10,410,051	\$ 2,174,359
2,543,849	5 2,174,339
_,,	
1,933,041	-
3,622	-
5,956	-
83,813	245,169
221,735	
15,202,067	2,419,528
89,217	89,217
12,443,269	-
45,107,302	8,645,141
57,639,788	8,734,358
72,841,855	11,153,886
513,877	210,042
10,547	10,547
524,424	220,589
610,940	448,262
53,702	11,385
503,601 2,557	11,532
1,144,466	-
	471 170
2,315,266	471,179
850,000	-
3,690,906	-
3,566,994	1,491,744
96,307	33,464
8,204,207	1,525,208
10,519,473	1,996,387
403,747 36,381	165,401
314,717	36,381
754,845	201,782
51,865,199	8,645,141
10,226,762	531,165
\$ 62,091,961	\$ 9,176,306

Continued.....

Statement of Net Position Proprietary Funds June 30, 2018

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

\$ 62,091,961

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

223,968

Net position of business-type activities

\$ 62,315,929

Concluded

Statement of Revenues, Expenses and Changes in Net Position Proprietary Funds For the Year Ended June 30, 2018

	Business-type Activities - Enterprise Funds							
							Au	itomobile
	Wa	stewater		Water		Marina	Park	ing System
Operating revenues						,		
Charges for services	\$	6,639,522	\$	3,884,423	\$	620,299	\$	3,239,349
Interdepartmental		-		-		-		-
Contributions		-		21,000		-		-
Other revenue		146,983		165,795		14,580		30,897
Total operating revenues		6,786,505		4,071,218		634,879		3,270,246
Operating expenses								
Personnel services		969,653		1,467,974		150,552		29,872
Commodities		9,133		169,963		16,040		40,091
Contractual services		3,361,325		314,008		221,272		1,139,632
Other charges		270,322		794,288		87,853		423,197
Depreciation and amortization		597,155		394,498		108,228		516,625
Total operating expenses		5,207,588		3,140,731		583,945		2,149,417
Operating income		1,578,917		930,487		50,934		1,120,829
Nonoperating revenues (expenses)								
Reimbursements		(32,991)		(9,122)		-		-
Interest income		1,752		8,234		491		26,980
Other revenue		-		-		-		-
Interest expense and fiscal charges		(192,624)		-		(15,818)		-
Gain (loss) on sale of capital assets								(1,782)
Total nonoperating revenues (expenses)		(223,863)		(888)		(15,327)		25,198
Income before transfers		1,355,054		929,599		35,607		1,146,027
Transfers out		(333,209)		(203,516)		(31,769)		(397,565)
Change in net position		1,021,845		726,083		3,838		748,462
Net position, beginning of year, restated		16,718,433		12,103,413		8,553,183		22,216,704
Net position, end of year	\$ 1	17,740,278	\$	12,829,496	\$	8,557,021	\$ 2	22,965,166

Activ	overnmental ities - Internal ervice Fund - - 3,302,818 - - - 3,302,818 846,918 557,485
Total Solution \$ 14,383,593 \$ 21,000 358,255 14,762,848 2,618,051 235,227 5,036,237 1,575,660 1,616,506	3,302,818 - 3,302,818 - 3,302,818
\$ 14,383,593 \$ 21,000 358,255 14,762,848 2,618,051 235,227 5,036,237 1,575,660 1,616,506	3,302,818 - - 3,302,818 846,918
21,000 358,255 14,762,848 2,618,051 235,227 5,036,237 1,575,660 1,616,506	3,302,818
21,000 358,255 14,762,848 2,618,051 235,227 5,036,237 1,575,660 1,616,506	3,302,818
358,255 14,762,848 2,618,051 235,227 5,036,237 1,575,660 1,616,506	3,302,818
358,255 14,762,848 2,618,051 235,227 5,036,237 1,575,660 1,616,506	846,918
2,618,051 235,227 5,036,237 1,575,660 1,616,506	846,918
2,618,051 235,227 5,036,237 1,575,660 1,616,506	846,918
235,227 5,036,237 1,575,660 1,616,506	
235,227 5,036,237 1,575,660 1,616,506	
5,036,237 1,575,660 1,616,506	557,485
1,575,660 1,616,506	,
1,616,506	189,152
	602,793
11,081,681	1,510,237
	3,706,585
3,681,167	(403,767)
(42.112)	
(42,113) 37,457	2,902
31, 4 31	63,091
(208,442)	-
(1,782)	21,136
(214,880)	87,129
	·
3,466,287	(316,638)
(966,059)	-
2,500,228	(316,638)
59,591,733	9,492,944
\$ 62,091,961 \$	

Continued......

Statement of Revenues, Expenses and Changes in Fund Net Position Proprietary Funds For the Year Ended June 30, 2018

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

\$ 2,500,228

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

(39,187)

Change in net position of business-type activities

\$ 2,461,041

Concluded

CITY OF TRAVERSE CITY, MICHIGAN Statement of Cash Flows **Proprietary Fund** For the Year Ended June 30, 2018

	Business-type - Enterprise Funds					
			-	Automobile		
	Wastewater Water		Marina	Parking System		
Cash flows from operating activities						
Cash received from customers	\$ 7,136,914	\$ 3,965,588	\$ 621,796	\$ 3,265,008		
Cash received from interfund services	-	-	-	-		
Cash payments to suppliers for goods and services	(3,467,650)	(1,203,660)	(309,035)	(1,595,820)		
Cash payments to employees for services	(922,648)	(1,351,358)	(134,914)	(30,602)		
Net cash provided by operating activities	2,746,616	1,410,570	177,847	1,638,586		
Cash flows from non-capital financing activities						
Cash payments from (to) other funds	(6,311)	19,076	(70,577)	6,956		
Cash payments for city fee	(333,209)	(203,516)	(31,769)	(397,565)		
Cash received from reimbursements	(32,991)	(9,122)	-	-		
Cash received from other revenue	-	-	-	-		
Net cash provided by (used in) non-capital						
financing activities	(372,511)	(193,562)	(102,346)	(390,609)		
Cash flows from capital and related financing activities						
Principal payments	(1,144,466)	-	-	-		
Interest payments	(192,624)	-	(15,818)	-		
Purchases of capital assets	(53,586)	(792,804)	(1,368)	(344,750)		
Proceeds from sale of capital assets				256,077		
Net cash (used in) capital and related						
financing activities	(1,390,676)	(792,804)	(17,186)	(88,673)		
Cash flows from investing activities						
Interest received	1,752	8,234	491	21,024		
Sale (purchase) of investments				(480,610)		
Net cash provided by investing activities	1,752	8,234	491	(459,586)		
Net increase (decrease) in cash and cash equivalents	985,181	432,438	58,806	699,718		
Cash and cash equivalents, beginning of year	121,598	4,321,704	383,191	3,407,415		
Cash and cash equivalents, end of year	\$ 1,106,779	\$ 4,754,142	\$ 441,997	\$ 4,107,133		

Total	Governmental Activities - Internal Service Fund
14 080 306	\$ -
14,989,300	3,302,893
(6 576 165)	(1,058,350)
	(788,761)
(2, 137, 122)	(/00,/01)
5,973,619	1,455,782
(50.856)	11,532
(42,113)	-
	63,091
(1,059,028)	74,623
(1.144.466)	_
(208,442)	-
(1,192,508)	(1,799,426)
256,077	47,861
(2,289,339)	(1,751,565)
31,501	2,902
(480,610)	
(449,109)	2,902
2,176,143	(218,258)
8,233,908	2,392,617
10,410,051	\$ 2,174,359
	14,989,306 - (6,576,165) (2,439,522) 5,973,619 (50,856) (966,059) (42,113) - (1,059,028) (1,144,466) (208,442) (1,192,508) 256,077 (2,289,339) 31,501 (480,610) (449,109) 2,176,143 8,233,908

Continued.....

CITY OF TRAVERSE CITY, MICHIGAN Statement of Cash Flows **Proprietary Fund** For the Year Ended June 30, 2018

		Business-type - Enterprise Funds						
			•	Automobile				
	Wastewater	Water	Marina	Parking System				
Reconciliation of operating income to net cash								
provided by operating activities								
Operating income	\$ 1,578,917	\$ 930,487	\$ 50,934	\$ 1,120,829				
Adjustments to reconcile operating income								
to net cash provided by operating activities								
Depreciation and amortization	597,155	394,498	108,228	516,625				
Changes in assets and liabilities								
Accounts receivables	350,409	(105,630)	(13,083)	(5,238)				
Prepaid cost and other assets	(23,555)	(39,233)	-	-				
Inventory	-	(9,504)	1,744	-				
Deferred outflows - pension	83,057	135,108	7,499	5,521				
Deferred outflows - other post employment benefits	(491)	(982)	-	-				
Accounts payable	177,405	82,627	14,386	7,100				
Accrued and other liabilities	(18,342)	12,255	8,442	(963)				
Net pension liability	(68,056)	(109,636)	(6,152)	(5,478)				
Deferred inflows - pension	65,138	110,621	5,849	190				
Deferred inflows - other post employment benefits	4,979	9,959						
Net cash provided by operating activities	\$ 2,746,616	\$ 1,410,570	\$ 177,847	\$ 1,638,586				

 Total	Activit	ernmental iies - Internal vice Fund
\$ 3,681,167	\$	(403,767)
1,616,506		1,510,237
226,458		75
(62,788)		(61,614)
(7,760)		(28,157)
231,185		94,850
(1,473)		(1,474)
281,518		319,237
1,392		15,140
(189,322)		(77,785)
181,798		74,102
 14,938		14,938
\$ 5,973,619	\$	1,455,782

Concluded

Statement of Fiduciary Net Position Fiduciary Funds June 30, 2018

	Act 345 Pension Trust Fund Other Postemployment Benefit Funds		Pension Postemploym		Postemployment		Postemployment		Agency Funds
\$	2,722,334	\$	2,108,994	\$	258,435				
	5,070,633		520,051		-				
	7,249,766		801,502		-				
	4,327,175		222,643		-				
	2,551,863		-		-				
	8,583,883		-		-				
	-		1,770,612		-				
	-		135,762		20,544				
	-		-		191,157				
	13,795		3,220						
	30,519,449		5,562,784	\$	470,136				
	145,368		-	\$	82,964				
		-			387,172				
	145,368			\$	470,136				
\$	30,374,081	\$	5,562,784						
		5,070,633 7,249,766 4,327,175 2,551,863 8,583,883	5,070,633 7,249,766 4,327,175 2,551,863 8,583,883	5,070,633 520,051 7,249,766 801,502 4,327,175 222,643 2,551,863 - 8,583,883 - - 1,770,612 - 135,762 - - 13,795 3,220 30,519,449 5,562,784 145,368 - - - 145,368 -	5,070,633 520,051 7,249,766 801,502 4,327,175 222,643 2,551,863 - 8,583,883 - - 1,770,612 - 135,762 - - 13,795 3,220 30,519,449 5,562,784 \$ - 145,368 - - - 145,368 - \$ - 145,368 -				

CITY OF TRAVERSE CITY, MICHIGAN

Statement of Changes in Fiduciary Net Position Fiduciary Funds

For the Year Ended June 30, 2018

	Act 345 Pension Trust Fund	Other Postemployment Benefit Funds	
Additions			
Contributions			
City contributions	\$ 1,841,815	\$ 523,078	
Employee contributions	81,144		
Total contributions	1,922,959	523,078	
Investment earnings			
Interest and dividends	374,362	51,997	
Net increase in fair value of investments	2,039,025	158,624	
Investment advisor fees	(128,105)	(5,156)	
Net investment earnings	2,285,282	205,465	
Total additions	4,208,241	728,543	
Deductions			
Pension benefits paid	2,598,943	-	
Health insurance premiums paid	-	523,774	
Administrative expense	19,633	6,000	
Total deductions	2,618,576	529,774	
Net increase (decrease) in plan assets	1,589,665	198,769	
Net position held in trust, beginning of year, restated	28,784,416	5,364,015	
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	\$ 30,374,081	\$ 5,562,784	

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

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

Discretely presented component units

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

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

Downtown Development Authority (the "DDA")

• Includes the DDA General Fund, the Tax Incremental Financing District #2, the Tax Incremental Financing District #97, and the Old Town Tax Incremental Financing District Special Revenue Funds

Traverse City Light and Power (the "Department")

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

These discretely presented component units are presented in the statement of net position and statement of activities. They are legally separate, and while the City is not responsible for the operations of the entities, the City is financially accountable for them. In addition, the City appoints the DDA's Board of Trustees and the Department's Board of Directors. The 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 within the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The government reports the following major governmental funds:

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

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

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

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

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

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

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

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

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

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

1. Deposits and investments

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

2. Receivables and payables

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

3. Inventory

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

4. Capital assets

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

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

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

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

5. Deferred outflows/inflows of resources

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

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

6. Compensated absences

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

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

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

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

7. Long-term obligations

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

8. Fund Balance

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

9. Budget Stabilization Arrangement

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

II. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

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

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

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

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

	Governmental Activities	Business-type Activities	Fiduciary Funds	Total Primary Government	Component Units
Cash and cash equivalents Investments	\$ 11,704,506 15,966,825	\$10,410,051 2,543,849		\$ 27,204,320 49,608,802	\$ 6,102,357
Total	<u>\$ 27,671,331</u>	<u>\$ 12,953,900</u>	<u>\$ 36,187,891</u>	<u>\$ 76,813,122</u>	<u>\$ 20,305,897</u>

Cash and cash equivalents reported above include \$12,946 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	\$	12,946
City and component unit bank deposits		
(checking, savings accounts and certificates of deposit)	3(),157,574
City and component unit investments	30	0,760,608
Pension and other post employment benefit fund - deposits	5	5,089,763
Pension and other post employment benefit fund - investments	31	1,098,128
Total	<u>\$ 97</u>	<u>7,119,019</u>

Investments

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

Investment	Maturity	Fair Value	Rating
US Treasury Note	09/13/2018	\$ 996,190	Aaa
US Treasury Note	12/13/2018	990,740	Aaa
US Treasury Note	06/30/2022	998,265	Aaa
US Treasury Note	01/31/2019	995,820	Aaa
US Treasury Note	02/15/2020	407,064	Aaa
US Treasury Note	06/30/2022	996,364	Aaa
US Treasury Note	02/15/2020	488,891	Aaa
US Treasury Note	06/30/2019	992,700	Aaa
US Treasury Note	01/31/2021	988,090	Aaa
US Treasury Note	06/30/2019	998,147	Aaa
US Treasury Note	09/30/2019	997,694	Aaa
US Treasury Note	02/15/2024	499,335	Aaa
US Treasury Note	06/30/2020	498,223	Aaa
US Treasury Note	05/15/2025	970,577	Aaa
US Treasury Note	06/30/2021	998,317	Aaa
US Treasuty Note	06/30/2025	498,287	Aaa
US Treasury Note	10/12/2022	492,545	Aaa
US Treasury Note	03/31/2024	50,037	Aaa
US Treasury Note-FHLB	10/12/2022	492,545	Aaa
US Treasury Note-FHLB	07/26/2022	991,320	Aaa/AA+
US Treasury Note-FHLB	05/17/2021	986,800	Aaa/AA+
US Treasury Note-FHLB	08/24/2021	985,910	Aaa/AA+
US Treasury Note-FHLB	12/14/2021	995,690	Aaa/AA+
US Treasury Note-FHLB	02/28/2022	991,920	Aaa/AA+
US Treasury Note-FHLB	03/29/2022	976,620	Aaa/AA+
US Treasury Note-FHLB	06/22/2022	981,590	Aaa/AA+
US Treasury Note-FHLB	08/24/2028	959,120	Aaa/AA+
US Treasury Note-FHLB	07/25/2031	909,040	Aaa/AA+
US Treasury Note-FHLB	08/15/2031	911,860	Aaa/AA+
US Treasury Note-FHLB	10/12/2022	955,160	Aaa/AA+
US Treasury Note-FHLB	02/26/2021	496,480	Aaa/AA+
US Treasury Note-FHLB	04/27/2023	951,070	Aaa/AA+
US Treasury Note-FHLB	05/25/2021	990,430	Aaa
US Treasury Note-FHLB	09/20/2021	985,200	Aaa
US Treasury Note	02/15/2021	25,638	Aaa
US Treasury Note	02/15/2024	299,601	Aaa
US Treasury Note	02/28/2019	746,340	Aaa
US Treasury Note	06/30/2025	249,181	Aaa
US Treasury Note	02/15/2024	94,874	Aaa
Michigan CLASS Pool	N/A	182,298	AAAm
Huntington Bank-Commercial Paper	10/12/2018	496,585	A1P1
Huntington Bank-Commercial Paper	10/26/2018	248,050	A1P1

\$ 30,760,608

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

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

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

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. As of year end, \$4,588,575 of the City's bank balance of \$32,941,107 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 \$30,760,608 of investments, the City has a custodial credit risk exposure of \$30,760,608 because the related securities are uninsured, unregistered and held by the government's brokerage firm which is also the counterparty for

these particular securities. The custodial credit risk for balances in investment pools cannot be determined because the investments are not evidenced by specific identifiable securities.

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

Deposits and Investments - Pension and Other Post Employment Benefit Funds

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

Deposits - The Act 345 pension trust fund maintains a checking account with a bank balance of \$2,215,214 with deposits collateralized and a money market account in the pension fund trust account with a balance of \$522,120, of which \$250,000 is insured and \$272,120 is not insured or collateralized. The Act 345 retiree health insurance trust fund has deposits in a City pooled cash account totaling \$268,094.

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

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Act 345 pension trust fund will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. In accordance with the approved investment policy the Act 345 pension trust fund will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities allowed by the policy. In addition, the City Treasurer will prequalify all financial institutions, broker/dealers, intermediaries and advisors with which the Act 345 pension trust fund will do business by subjecting them to certain criteria. Of the below \$31,098,128 of investments, the Act 345

pension trust fund has a custodial credit risk exposure of \$31,098,128 because the related securities are uninsured, unregistered and held by the government's brokerage firm which is also the counterparty for these particular securities. The custodial credit risk for balances in investment pools cannot be determined because the investments are not evidenced by specific identifiable securities.

Fair Value Measurements - The Act 345 pension trust fund 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.

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

The trust funds' investments are held in a bank-administered trust fund and a MERS trust account. Following is a summary of the System's investments as of June 30, 2018:

Investments	at fair	value, as	determined
-------------	---------	-----------	------------

\$ 5,070,633
5,632,284
520,051
6,968,802
7,800,647
783,236
1,770,612
681,511
1,870,352
\$ 31,098,128

B. Capital assets

Capital assets activity for the year ended June 30, 2018 was as follows:

Primary Government

	Beginning			Ending	
	Balance	Increases	Decreases	Balance	
Governmental activities Capital assets not being depreciated:					
Land	\$ 11,320,741	\$ -	\$ -	\$ 11,320,741	
Construction in progress	1,591,351	2,818,478	3,195,797	1,214,032	
Total	12,912,092	2,818,478	3,195,797	12,534,773	
Capital assets, being depreciated					
Land improvements	7,318,998	714,408	-	8,033,406	
Infrastructure	55,439,516	1,688,570	92,338	57,035,748	
Buildings	16,952,263	281,035	17,473	17,215,825	
Equipment	17,325,864	1,984,531	692,975	18,617,420	
Total	97,036,641	4,668,544	802,786	100,902,399	
Less accumulated depreciation:					
Land improvements	1,253,421	285,023	=	1,538,444	
Infrastructure	38,078,670	851,516	92,338	38,837,848	
Buildings	11,171,036	355,445	4,638	11,521,843	
Equipment	9,506,075	1,531,936	548,534	10,489,477	
Total accumulated					
Depreciation	60,009,202	3,023,920	645,510	62,387,612	
Total capital assets being					
depreciated, net	37,027,439	1,644,624	157,276	38,514,787	
Governmental activities capital assets, net	\$ 49,939,531	\$ 4,463,102	\$ 3,353,073	\$ 51,049,560	



	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being				
depreciated: Land	\$ 1,187,057	' \$ <u>-</u>	\$ -	\$ 1,187,057
Land improvements	8,416,432	•	5 -	8,416,432
Construction in progress	2,786,796	1,197,346	1,144,362	2,839,780
Total capital assets not	2,700,770	1,177,540	1,177,302	2,037,700
being depreciated	12,390,285	1,197,346	1,144,362	12,443,269
	, ,			
Capital assets, being depreciate	ed			
Buildings and improvements	36,460,135		-	36,460,135
Other improvements	21,898,276	,	14,257	22,107,363
Machinery and equipment	14,972,973	660,103		15,633,076
Total capital assets being				
depreciated	73,331,384	883,447	14,257	74,200,574
T 1.4. 1.1				
Less accumulated depreciation		701 701		15 015 005
Buildings and improvements Other improvements	15,033,594 6,621,681		12,475	15,815,295
Machinery and equipment	5,833,966		12,473	7,215,046 6,062,931
Machinery and equipment	3,833,900	228,903		0,002,931
Total accumulated				
depreciation	27,489,241	1,616,506	12,475	29,093,272
Total capital assets being				
depreciated, net	45,842,143	(733,059)	1,782	45,107,302
Business-type activities	h 444.50=		A == == ·
capital assets, net	\$ 58,232,428	\$ 464,287	\$ 1,146,144	<u>\$ 57,550,571</u>



	Beginning Balance	Increases	Decreases	Ending Balance	
Light and Power					
Component Unit					
Capital assets not being					
depreciated:	Φ 1.070.410	ф	Ф	Φ 1.070.410	
Land	\$ 1,079,419	\$ -	\$ -	\$ 1,079,419	
Construction in progress	2,098,071	8,161,852	7,512,999	2,746,924	
Total capital assets not					
being depreciated	3,177,490	8,161,852	7,512,999	3,826,343	
			, ,		
Capital assets, being depreciated					
Buildings and improvements	5,668,394	32,219	12,964	5,687,649	
Equipment and distribution					
System	78,434,011	7,554,864	2,400,046	83,588,829	
Fiber system	1,841,222	30,473	-	1,871,695	
Wifi system	501,720	143		501,863	
Total capital assets being					
depreciated	86,445,347	7,617,699	2,413,010	91,650,036	
depreciated	00,113,317	7,017,022	2,113,010	71,050,050	
Less accumulated depreciation:					
Buildings and improvements	1,817,573	166,258	-	1,983,831	
Equipment and distribution					
system	27,265,478	2,468,932	2,189,306	27,545,104	
Fiber system	783,529	96,123	-	879,652	
Wifi system	125,430	50,186		175,616	
m . 1					
Total accumulated	20,002,010	2.701.400	2 100 206	20.504.202	
depreciation	29,992,010	2,781,499	2,189,306	30,584,203	
Total capital assets being					
depreciated, net	56,453,337	4,836,200	223,704	61,065,833	
products, not		.,000,200			
Light and Power					
Component Unit					
capital assets, net	59,630,827	12,998,052	7,736,703	64,892,176	

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

Governmental activities		
General government	\$	47,337
Public safety		102,867
Public works, including depreciation of general		
infrastructure assets		860,912
Recreation and culture		502,567
Capital assets held by the government's internal		
service fund are charged to the various		
functions based on their usage of the assets		1,510,237
Total depreciation expense – governmental activities	<u>\$</u>	3,023,920
Business-type activities		
Wastewater	\$	597,155
Water		394,498
Marina		108,228
Auto parking		516,625
Total depreciation expense – husiness-type activities	\$	1 616 506
Total depreciation expense – business-type activities	<u>\$</u>	<u>1,616,506</u>
Total depreciation expense – business-type activities Component unit activities	<u>\$</u>	<u>1,616,506</u>

C. Short term interfund receivables, payables, and transfers

Fund	 ter-fund eceivable	Fund	er-fund yable
General Fund	\$ 1,583,444	Major Street Fund	\$ 7,479
		Local Street Fund	50,568
		College Parking Fund	8,100
		State Preparedness Equipment Grant Fund	5,400
		Automobile Parking Fund	330,889
		Capital Projects Fund	915,000
		Wastewater Disposal Fund	75,552
		Water Fund	63,085
		Marina Fund	34,075
		Brown Bridge Trust Fund	65,739
		Garage Fund	11,532
		Cemetery Perpetual Care Fund	13,223
	 	McCauley Trust Fund	 2,802
	\$ 1,583,444		\$ 1,583,444

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	\$ 1,278,597	\$ 1,897,798	\$ (619,201)
Major Streets Fund	80,000	-	80,000
Local Streets Fund	772,532	-	772,532
Brown Bridge Trust Fund	-	232,925	(232,925)
Capital Projects Fund	2,510,276	-	2,510,276
Non-major Governmental Funds	-	1,544,623	(1,544,623)
Wastewater Fund	-	333,209	(333,209)
Water Fund	-	203,516	(203,516)
Marina Fund	-	31,769	(31,769)
Automobile Parking System Fund		397,565	(397,565)
	\$ 4,641,405	\$ 4,641,405	\$ -

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, 2018:

	Primary Government					
	Governmental			Business-		
		Activities		Type		
		General		Activities		Total
	(Obligation		Lease		Primary
	_	Bonds		Payable	_(Government
Long-term debt at July 1, 2017	\$	8,431,137	\$	5,928,337	\$	14,359,474
Additions		-		-		-
Reductions						
Principal		(585,000)		(1,092,965)		(1,677,965)
Amortization of Premium		(2,013)	_	<u> </u>		(2,013)
Total reductions		(587,013)		(1,092,965)	_	(1,679,978)
Long-term debt at June 30, 2018	<u>\$</u>	7,844,124	<u>\$</u>	4,835,372	\$	12,679,496
Due within one year	\$	650,000	\$	1,144,467	\$	1,794,467

The following is a summary of accrued compensated absences of the City for the year ended June 30, 2018. For the governmental activities, compensated absences are generally liquidated by the General Fund.

Primary Government					
		Business-			
	Governmental Activities	Type Activities	Component Units	Reporting Entity	
Accrued compensated absences July 1, 2017	\$ 593,975	\$ 84,636	\$ 238,842	\$ 917,453	
Additions	698,093	120,626	261,055	1,079,774	
Reductions	(651,610)	(106,396)	(242,838)	(1,000,844)	
Accrued compensated Absences June 30, 2018	<u>\$ 640,458</u>	<u>\$ 98,866</u>	<u>\$ 257,059</u>	<u>\$ 996,383</u>	
Due within one year	<u>\$ 11,197</u>	\$ 2,556	<u>\$ 15,997</u>	\$ 29,750	

Bond and lease obligations at June 30, 2018 are comprised of the following individual issues:

	Final Maturity <u>Date</u>	Interest Rates	Outstanding Balance
Primary Government			
Governmental Activities:			
2017 Downtown Development			
Refunding Bonds	2028	2.293	\$ 7,825,000
Business-type Activities:			
2011 Wastewater Treatment			
Capital Lease Payable	2022	4.00	4,835,372
Total Reporting Entity			\$ 12,660,372

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

Capital assets held under capital leases cost approximately \$26,929,426 with accumulated depreciation of \$9,402,515 and a book value of \$17,526,911 at June 30, 2018.

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

General Oblig		tal Activities Business-Type Activities Capital Leases Pay						
Fiscal <u>Year</u>	<u> P</u>	rincipal	_1	<u>Interest</u>]	Principal	1	<u>Interest</u>
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		1,230,302		100,141
2022		800,000		131,504		1,273,219		50,928
2023		860,000		113,160		_		-
2024-28		4,075,000		274,816		<u>-</u>		_
	<u>\$</u>	7,825,000	<u>\$</u>	<u>1,012,016</u>	<u>\$</u>	4,835,372	<u>\$</u>	492,120

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, 2018 is \$4,135,311.

Component Units

Traverse City Light and Power

The utility has agreements with the MPPA committing it to purchase of up to 2MW of renewable energy from Granger Electric of Michigan, LLC, .65MW of renewable energy from North American Natural Resources, Inc., and 3.6MW of all energy, capacity, and environmental attributes under the agreement for a development in the thumb area of Michigan. Additionally, through the MPPA Energy Service Committee, the utility has base energy bilateral contracts for the calendar year 2018 through 2021 in the amount of \$5,881,238 and peak energy bilateral contracts for the calendar year 2018 through 2020 in the amount of \$3,289,013 and capacity transaction bilateral contracts for the calendar year 2018 through 2027 in the amount of \$3,366,680.

On May 9, 2017, the Board authorized the execution of a contract for advanced metering infrastructures system from Eaton in the amount of \$3,573,292. As of June 30, 2018, the balance left on the contract is \$1,825,370.

Downtown Development Authority

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

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

Fiscal <u>Year End</u>	<u>Amount</u>
2019	\$ 829,427
2020	859,523
2021	893,586
2022	931,504
2023	973,160
2024-2028	4,349,816
Total	\$ 8,837,016

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, 2018 is approximately \$449,000.

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

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

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, 2018.

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 \$209,000.

The Authority has committed to assist with the Uptown/West Front Riverwalk with TIF 97 funds estimated at \$374,000,

The Authority has committed to assist with the Wellington Plaza Erosion project with TIF 97 funds estimated at \$50,000.

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, 2018, 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, 2018 amounted to \$80,069, 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 2017 adjusted ad valorem taxable value in the City totaled \$965,050,671, 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 \$158,604,272. The DDA general operating tax rate for was 1.7424 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:

Retirees and beneficiaries currently receiving benefits	67
Terminated plan members entitled to but not yet receiving benefits	5
Active plan members	_50
Total	<u>122</u>

Benefits provided. The plan provides retirement, disability, and death benefits. Police employees are eligible at age 50 with 25 or more years of service, additionally, Police Patrol employees at age 60 with 10 years of service and Police Captains at age 60 regardless of service. Fire employees are eligible at any age with 25 years of service, at age 55 with 10 years of service and at age 60 regardless of service. Police employees hired prior to 7/1/2009 receive retirement equal to 2.8% (2.5% for service on or after 6/30/2015) of the 3 year average final compensation (AFC) times first 25 years of service plus 1% of AFC times years of service in excess of 25 years. Fire employees hired prior to 7/1/2009 receive 2.8% of 3 year AFC times first 25 years of service plus 1% of AFC times years of service after 25 years. All Police or Fire employees hired on or after 7/1/2009 receive 2% of the 3 year AFC times first 25 years of service plus 1% of AFC times years of service after 25 years.

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

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

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

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

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

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

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

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

Investment policy. The plan's policy in regard to the allocation of invested assets is established and may be amended by the Act 345 Pension Board of Trustees. Investment objectives consider both the plan's financial and liquidity needs and the Board's tolerance

for investment risk and inflation expectations. A strategic asset allocation plan is developed to attempt to achieve the Board's investment objectives while maximizing expected investment returns with a prudent amount of investment risk and recognizing that the capital markets may behave differently over any period of time, through the life of the plan. The following was the Board's adopted asset allocation policy as of June 30, 2018:

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, 2018 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, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan expense, was 8.19%. 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, 2018, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of June 30, 2017.

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2017 with a June 30, 2018 measurement date and reporting date, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
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, 2018, 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 2.5%

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,	2018	2017
Total Pension Liability		
Service Cost	\$ 721,781	\$ 676.683
	, ,	+ 0.0,000
Interest on the Total Pension Liability	3,195,886	3,110,650
Benefit changes	-	-
Difference between expected and actual		
experience of the Total Pension Liability	756,372	(172,209)
Assumption changes	-	-
Benefits paid and refunds	(2,598,943)	(2,403,433)
Net change in Total Pension Liability	2,075,096	1,211,691
Total Pension Liability - Beginning	43,550,395	42,338,704
Total Pension Liability- Ending (a)	\$45,625,491	\$43,550,395
Total Tension Endonity - Ending (a)	Ψ+3,023,+71	Ψ+3,330,373
Plan Fiduciary Net Position		
Employer contributions	\$ 1,841,815	\$ 1,803,930
Employee contributions	81,144	104,761
Pension plan net investment income	2,285,282	3,019,320
Benefit payments and refunds	(2,598,943)	(2,403,433)
Pension plan administrative expense	(19,633)	(23,599)
Other		-
Net Change in Plan Fiduciary Net Position	1,589,665	2,500,979
Plan Fiduciary Net Position - Beginning	28,784,416	26,283,437
Plan Fiduciary Net Position - Ending (b)		
rian Figuriary ivet Position - Enging (b)	\$30,374,081	\$28,784,416
Net Pension Liability - Ending (a)-(b)	\$15,251,410	\$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	\$ 51,280,042 <u>30,374,081</u>	\$ 45,625,491 <u>30,374,081</u>	\$ 40,903,029 <u>30,374,081</u>
Net Pension Liability/(Asset)	<u>\$ 20,905,961</u>	\$ 15,251,410	\$ 10,528,948

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2018 the employer recognized pension expense of \$1,942,899. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflow	Deferred <u>Inflow</u>	
Difference in Investment Return Difference in Experience	\$ 116,031 226,016	\$ - -	
Total	\$ 342,047	\$ -	

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

	Net Deferred
	(Outflow)
2019	\$ 271,767
2020	92,669
2020	(135,624)
2022	113,235
2023	
Total	<u>\$ 342,047</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 - A	Admin	Stf	&	ACT	prior
7/1/09:	close	d t	0	new	hires,

linked to Division 13

2017 Valuation

Benefit Multiplier: Bridged Benefit: 2.25% Multiplier

(80% max) Termination FAC; to

1.50% Multiplier (80% max)

Bridged Benefit Date: 06/30/2014

Normal Retirement Age: 60

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

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

55/15 5 years

Final Average Compensation:

COLA for Current

Retirees: 2.50% (Non-Compound)

Employee Contributions: 0% Act 88: No

11 - Gnl GME: Closed to new

hires, linked to Division 14

2017 Valuation

Benefit Multiplier: Bridged Benefit: 2.25% Multiplier

(80% max) Termination FAC; to

1.50% Multiplier (80% max)

Bridged Benefit Date: 06/30/2014

Normal Retirement Age: 60

Vesting: 6 years
Early Retirement (Unreduced): 55/25
Early Retirement (Reduced): 50/25
55/15

Final Average Compensation: 5 years

COLA for Current/Future

Retirees: 2.50% (Non-Compound)

Employee Contributions: 0% Act 88: No

13 - ACT hired after 7/1/09: Open Division, linked to

Division 01

2017 Valuation

Benefit Multiplier: 1.50% Multiplier (no max)

Normal Retirement Age: 60

Vesting: 6 years

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

55/15

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

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

Division 11,16

201 Valuation

Benefit Multiplier: 1.50% Multiplier (no max)

Normal Retirement Age: 60

Vesting: 6 years

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

55/15

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

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

2017 Valuation

Benefit Multiplier: Bridged Benefit: 2.25% Multiplier

(80% max) Termination FAC; to

1.50% Multiplier (80% max)

Bridged Benefit Date 06/30/2013

Normal Retirement Age: Vesting:

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

55/15

60

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, 2017 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving	
benefits	125
Inactive employees entitled to but not yet receiving	
benefits	23
Active employees	95
	243

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, 2018 were \$550,068 for the Admin & ACT hired prior to 7/1/2009 division, \$52,884 for the GME tech/clerical hired prior to 7/1/2009 division, \$409,131 for the General GME division, \$130,750 for the General GME hired after 7/1/2009 division, and \$130,890 for the ACT hired after 7/1/2009 division.

Net Pension Liability. The employer's Net Pension Liability was measured as of December 31, 2017, 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, 2017 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5%

Salary Increases: 3.75% in the long-term.

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

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

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	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 2017. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

Calculating the Net Pension Liability			
Changes in Net Pension Liability		Increase (Decrease)	
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/16	\$38,064,373	\$23,025,579	\$15,038,794
Service Cost	449,861	-	449,861
Interest on Total Pension Liability Differences between expected	2,957,067	-	2,957,067
and actuarial experience	(37,737)	-	(37,737)
Change in assumptions	-	-	
Employer Contributions	-	1,209,578	(1,209,578)
Net investment Income (loss)	-	2,962,186	(2,962,186)
Benefit payments, including employee refunds	(2,651,928)	(2,651,928)	-
Administrative expense	-	(47,056)	47,056
Net Changes	717,263	1,472,780	(755,517)
Balances as of 12/31/17	\$38,781,636	\$24,498,359	\$14,283,277

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 12/31/17	\$14,283,277	\$14,283,277	\$14,283,277
Change in Net Pension Liability	4,058,486		(3,445,785)
Calculated NPL	\$18,341,763	\$14,283,277	\$10,837,492

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

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

For the year ended June 30, 2018 the employer recognized pension expense of \$2,144,956. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		erred Inflows Resources
Excess (Deficit) Investment Returns	\$	988,508	\$ 1,385,250
Changes in assumptions Differences between expected and actual experience		445,647	215,379
Contributions subsequent to the measurement date*		637,149	-
Total	\$	2,071,304	\$ 1,600,629

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

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

Year Ended	
2019	\$ 473,442
2020	(11,436)
2021	(392,537)
2022	(235,943)
	\$ (166,474)

MERS Traverse City Light and Power Plan

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

Benefits Provided

01 - Non Union - Open Division

2017 Valuation

Benefit Multiplier: 2.25% Multiplier (80% max)

Normal Retirement Age: 60 Vesting: 6 years

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

55/15

Final Average Compensation: 5 years

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

Member Contributions: 0% Act 88: No

10 - Union closed to new hires,

linked to Division 12

2017 Valuation

Benefit Multiplier: 2.25% Multiplier (80% max)

Normal Retirement Age: 60

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

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

Member Contributions: 0% Act 88: No

12 - Union hired after 7/1/2012,

linked to Division 10

2017 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, 2017 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	58
Inactive employees entitled to but not yet receiving benefits	4
Active employees	_37_
	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 7.31 to 32.52% based on annual payroll for open divisions. One division that is closed to new employees has an annual employer contribution amount of \$65,832.

Net Pension Liability. The employer's Net Pension Liability was measured as of December 31, 2017, 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, 2017 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:

		Long-Term Expected Real
Asset Class	Target Allocation	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 2017. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

Calculating the Net Pension Liability				
Changes in Net Pension Liability	Total Pension	Increase (Decrease) Plan Fiduciary Net	Net Pension	
Balances at 12/31/16	Liability (a)	Position (b)	Liability (a)–(b)	
Changes for the Year	\$29,463,200	\$16,498,456	\$12,964,744	
Service Cost	310,387	-	310,387	
Interest on Total Pension Liability	2,292,239	-	2,292,239	
Difference between expected and actual experience	363,115	-	363,115	
Employer Contributions	-	2,253,396	(2,253,396)	
Net investment Income	-	2,200,228	(2,200,228)	
Benefit payments, including employee refunds	(1,930,810)	(1,930,810)	-	
Administrative expense	-	(34,750)	34,750	
Other	1,448	-	1,448	
Net Changes	1,036,379	2,488,065	(1,451,686)	
Balances as of 12/31/17	\$30,499,579	\$18,986,521	\$11,513,058	

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 12/31/17	\$11,513,058	\$11,513,058	\$11,513,058
Change in Net Pension Liability (NPL)	3,387,924	-	(2,863,200)
Calculated NPL	\$14,900,982	\$11,513,058	\$8,649,858

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 not of administrative expenses.

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

For the year ended June 30, 2018 the employer recognized pension expense of \$1,930,353. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Deferred Inflows				
		Resources	of Resources		
Excess (Deficit) Investment Returns	\$	672,959	\$	(948,856)	
Changes in Experience		363,295		(294,998)	
Changes in Assumptions		361,014		-	
Contributions subsequent to					
the measurement date*		1,182,063		-	
Total	\$	2,579,331	\$	(1,243,854)	

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

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

Year Ended

2019	\$ 509,271
2020	(1,173)
2021	(180,917)
2022	(173,767)
	\$ 153,414

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 \$36,649 and the employees contributed \$29,804.

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 \$622,715 and the employees contributed \$675,032. Of these amounts Traverse City Light and Power contributed \$175,697 and their employees contributed \$216,809.

E. Post employment health benefits

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

Act 345 Retiree Health Insurance Plan

Plan Description

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

Benefits provided

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

Membership of the Plan consisted of the following at the date of the latest actuarial valuation (June 30, 2016):

Retirees/beneficiaries receiving benefits	43
Inactive non retired members	1
Active plan members	39
_	
Total	83

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

Contributions

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

For the fiscal year end June 30, 2018, the City contributed \$512,078 to fund the benefits, the actuarially determined contribution for the period was \$480,230.

Net OPEB Liability

The total OPEB liability in the June 30, 2018 statements was determined using the June 30, 2016 actuarial valuation. The annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.75%

Wage increase: 4.0% to 7.0% including inflation

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

Healthcare cost trend rates: 9.0% gradually decreasing to 4% in year 10.

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

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

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

Single Discount Rate: A single discount rate of 7.5% 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.

Changes in the Net OPEB Liability

Total	OPEB	Liability
--------------	-------------	-----------

Total OPEB Liability	
Service Cost	\$ 93,763
Interest on the total OPEB liability	611,741
Difference between expected and actual	
experience of the total OPEB liability	35,999
Benefit payments including refunds of	
employee contributions	(488,449)
Net change in total OPEB liability	253,054
Total OPEB liability - beginning	 8,353,894
Total OPEB liability - Ending	\$ 8,606,948
Plan fiduciary net position	
Contributions - employer	\$ 512,078
Net investment income	77,551
Benefit payments, including refunds of	
employee contributions	(488,449)
Other	 (6,000)
Net change in plan fiduciary net position	95,180
Plan fiduciary net position - beginning	 3,373,566
Plan fiduciary net position -ending	 3,468,746
Net OPEB liability 6/30/2018	\$ 5,138,202

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

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

	1% decrease		Current Rate		1% increase	
		6.50%		7.50%		8.50%
Net OPEB liability	\$	6,156,369	\$	5,138,202	\$	4,284,764
Fiduciary position as						
a % of total OPEB liability				67.51%		

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	Cι	ırrent Rate	1 '	% increase
Net OPEB liability	\$	4,112,239	\$	5,138,202	\$	6,385,117

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

	erred Ouflow Resources	rred Inflows Resources
Differences in experience	\$ _,,	\$ -
Differences in projected earnings	 140,902	-
Total	\$ 169,980	\$ -

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

	2019	\$	42,147
	2020		42,147
	2021		42,147
	2022		41,145
	2023		1,394
Total		\$	168,980

City Retiree Health Insurance Plan

Plan Description

The Retiree Health Insurance Plan (the "RHIP") is a single-employer defined benefit health care plan administered by the City. The RHIP provides medical insurance benefits to general municipal eligible retirees and their spouses. The plan is accounted for in the Retiree Health Insurance Trust Fund. The RHIP does not issue a stand alone financial report. Administrative costs are paid by the plan through employer contributions. The City approved a resolution April 16, 2007, which allows the City to establish a retiree health funding vehicle, a trust fund, under the MERS system.

Benefits provided

The City non-union employees are eligible at the time of retirement for health insurance premiums paid for three years (only the retiree). The Teamsters municipal, clerical, and technical employees are eligible at the time of retirement if they have ten years of service for premium payments of \$225 per month.

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

Active Employees	32
Inactive Empoyees	29
Total Employees	61

Contributions

The City contribution was the annual required contribution in addition to the pay-as-you-go financing requirements. For the current year, the annual required contribution for the City was -0-. The actual employer contribution was \$11,000.



Net OPEB Asset

The total OPEB asset in the June 30, 2018 GASB 74 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement.

Inflation rate: 2.5%

Salary rate increase: 5.0%

Discount Rate 7.5%

Healthcare Trend: Healthcare trend rates are estimated each year through 2028 based on the type of health care plan/coverage. These rates varied from 4.5% to 6.0%.

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

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

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

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

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

Changes in the Net OPEB Asset

Total OPEB Liability		
Service Cost	\$	3,260
Interest on the total OPEB liability		118,583
Difference between expected and actual		
experience of the total OPEB liability		25,684
Changes of assumptions and other inputs		40,303
Benefit payments including refunds of		
employee contributions		(149, 325)
Other changes		(551,889)
Net change in total OPEB liability		(513,384)
Total OPEB liability - beginning		1,655,769
Total OPEB liability - Ending	\$	1,142,385
Total Of ED hability - Ending	Ψ	1,172,303
Total Of ED hability - Ending	Ψ	1,142,303
Plan fiduciary net position	Ψ	1,142,303
, ,	\$	11,000
Plan fiduciary net position		
Plan fiduciary net position Contributions - employer		11,000
Plan fiduciary net position Contributions - employer Net investment income		11,000 123,862
Plan fiduciary net position Contributions - employer Net investment income Difference between expected and actual experience		11,000 123,862
Plan fiduciary net position Contributions - employer Net investment income Difference between expected and actual experience Benefit payments, including refunds of		11,000 123,862 (20,724)
Plan fiduciary net position Contributions - employer Net investment income Difference between expected and actual experience Benefit payments, including refunds of employee contributions		11,000 123,862 (20,724) (149,325)
Plan fiduciary net position Contributions - employer Net investment income Difference between expected and actual experience Benefit payments, including refunds of employee contributions Administrative expense		11,000 123,862 (20,724) (149,325) (4,157)
Plan fiduciary net position Contributions - employer Net investment income Difference between expected and actual experience Benefit payments, including refunds of employee contributions Administrative expense Other changes		11,000 123,862 (20,724) (149,325) (4,157) 142,932

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

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

	1% decrease		Current Rate		1% increase	
		6.50%		7.50%		8.50%
Net OPEB Asset	\$	888,490	\$	951,652	\$	1,007,753
Fiduciary position as						
a % of total OPEB Asset				220.04%		

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

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

	1% decrease		Current Rate		1 % increase	
Net OPEB Asset	\$	964,931	\$	951,652	\$	937,786

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

	ferred Ouflow f Resources	D	eferred Inflows of Resources
Differences in experience	\$ 32,316	\$	-
Changes of assumptions	63,604		224,605
Differences in projected earnings	16,579		163,460
Total	\$ 112,499	\$	388,065

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

	0	Outflows		Inflows
2019	\$	65,571	\$	275,251
2020		35,292		57,954
2021		7,492		54,860
2022		4,144		
Total	\$	112,499	\$	388,065

Traverse City light and Power Retiree Health Insurance Plan

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

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

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

Active pl	34			
Retirees	and	beneficiaries	receiving	38
benefits				
Total				72

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

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



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

Inflation: 2.50%

Salary Increases: 5.00%

Investment rate of return: 7.5%

Healthcare cost trend rates: 4.5 to 7.0% per year

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

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

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

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%
U.S. Bonds	20.0%	6.0%
Global Bonds	15.0%	7.0%
Global Real Estate	7.0%	8.0%
Commodities	5.0%	8.0%
Private Equity	7.0%	12.0%
Cash	1.5%	.5%
Total	$1\overline{00.0}\%$	

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

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

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

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

Changes in the Net OPEB Liability

Calculating the Net Pension Liability							
Ü	Increase (Decrease)						
Balances at 6/30/2017	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)				
Changes for the Year	\$5,596,053	\$2,929,134	\$2,666,919				
Service cost	2,852	-	2,852				
Interest	406,878	-	406,878				
Differences between expected and actual experience	(269,497)	(24,842)	(244,655)				
Change in assumptions	28,187	-	28,187				
Contributions: employer	-	229,388	(229,388)				
Net investment Income	-	191,582	(191,582)				
Benefit payments, including refunds	(342,038)	-	(342,038)				
Administrative expense	-	(6,220)	6,220				
Other changes	(38,996)	24,842	(63,838)				
Net changes	(212,614)	414,750	(627,364)				
Balance as of 6/30/2018	\$5,383,439	\$3,343,884	\$2,039,555				

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

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

		Current	
	1%	Discount	1%
	Decrease	rate	Increase
Net OPEB liability	\$1,520,136	\$2,039,555	\$2,663,596
Plan fiduciary position as a percentage of			
the total OPEB liability	(25.47%)		30.60%

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

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

		Current healthcare	
	1%	cost trend	1%
	Decrease	rate	Increase
Net OBEB liability	\$2,678,854	\$2,039,555	\$1,500,267
Plan fiduciary position as a percentage of			
total OPEB liability	31.35%		(26.44%)

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

For the year ended June 30, 2018 the employer recognized OPEB expense of \$530,432. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in experience Changes in assumptions	\$ - 985,843	\$270,539 176,234
Excess(deficit) investment returns Other changes	19,872	218,217 21,037
Total	\$1,005,715	\$686,027

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

2020 227,657	
===:,==:	
2021 (33,639)	
2022 4,968	
Total \$319,688	

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

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

In 1983, the Department entered into a 35-year power supply and project support contract with MPPA. Under the agreement, the Department will purchase 26.35% of the energy generated by MPPA's 4.8% interest in the Campbell 3 plant and 4.53% of the energy generated by MPPA's 18.6% interest in the Belle River plant. In 2002, the Department entered into a 25-year power supply and project support contract with MPPA. Under the agreement, the Department will purchase 75.9% of the energy generated by MPPA's 100% interest in the Kalkaska Combustion Turbine. In 2009, the Department entered into a power supply contract with MPPA. Under the agreement, the Department will purchase 8.13% of the energy generated in the MPPA's renewable energy contract with Grainger Electric of Michigan, LLC. In 2011, the Department entered into a power supply contract with MPPA. Under the agreement, the Department will purchase 8.13% of the energy generated in the MPPA's renewable energy contract with Northern American Natural Resources of Michigan. In 2014, the Department entered into an Energy Services Agreement with MPPA for the objective of accessing third party marketers in MISO for the purpose of reducing exposure to MISO market during volatile seasons. This is accomplished through MPPA soliciting bids and subsequently entering into contracts on behalf of the Department for firm priced energy supply.

For the year ended June 30, 2018, Traverse City Light and Power recognized expenses totaling \$17,628,451 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 2016 costs adjusted for inflation. The total estimated future operating costs, which do not include the annual debt payments, are as follows:

Year Ended	Operating
December 31	Costs
2019	\$7,478,632
2020	5,519,270
2021	5,684,848
2022	5,855,394
2023	6,031,055
2024-2027	14,035,960
	\$ 44,605,159

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

Year Ended December			
31	Principal	Interest	Total
2019	\$ 2,197,513	\$739,091	\$ 2,936,604
2020	2,276,835	656,765	2,933,600
2021	2,366,383	571,050	2,937,433
2022	2,454,613	481,566	2,936,179
2023	1,426,920	394,680	1,821,600
2024-2027	6,466,680	828,259	7,294,939
	\$ 7,188,944	\$3,671,411	\$ 20,860,355

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, 2018, the Department recognized expenses totaling \$2,810,991.

In December 2014, the Department entered into a 20-year purchase power agreement with options to terminate on January 1, 2025 and January 1, 2030 upon ninety-day notice. The Agreement is with Heritage Sustainable Energy, LLC to purchase up to .6 MW of electric energy for the M-72 wind turbine. For the year ended June 30, 2018, the Department recognized expenses totaling \$30,143.

In August 2017, the Department amended the Heritage Sustainable Energy, LLC contract to purchase and additional 1MW of electric energy for the M-72 solar array. The contract has been an option to expand the solar array to include an additional approximate 1 to 3 MW of solar energy. The contract will terminate December 31, 2038. For the year ended June 30, 2018 the Department recognized expenses totaling \$99,416.

G. Designations of net position

Primary government

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

Automobile Parking System Fund		rking stem Wastewater			Water Fund	Internal Service Fund		
Emergencies Capital Expenditures Future Maintenance	\$	25,492 100,000 2,100,000	\$	556,216 -	\$	49,785 3,394,836 -	\$	520,938 -
Total	\$	2,225,492		\$ 556,216	\$	3,444,621	\$	520,938

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	8,900,000
Total	\$ 9,000,056

H. Contingent liability

Primary government - Boot Lake Landfill

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

General contingencies

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

I. Tax Abatements

The City entered into property tax abatements agreements with local businesses under the Plant Rehabilitation and Industrial Development Districts Act, (known as the Industrial Facilities Exemption) PA 198 of 1974, as amended, provides a tax incentive to manufacturers to enable renovation and expansion of aging facilities, assist in the building of new facilities, and to promote the establishment of high tech facilities. An Industrial Facilities Exemption (IFE) certificate entitles the facility to exemption from ad valorem real and/or personal property taxes for a term of 1-12 years as determined by the local unit of government. The agreements entered into by the City include claw back provisions should the recipient of the tax abatement fail to fully meet its commitments, such as employment levels and timelines for relocation. The IFT is computed at half the local property tax millage rate. This amounts to a reduction in property taxes of approximately 50%. For the year ended June 30, 2018 the City abated property tax revenues of \$27,022.

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, 2018 the amount of taxes abated was \$552,616.

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, 2018 the estimated tax abatement was \$611,060.

J. Restatement of Net Position

Primary Government

The beginning net position of the Governmental Activities was decreased by \$5,149,776 and the Business Type Activities were decreased by \$87,272 to reflect reporting the beginning net other post employment benefit liability/asset in accordance with Governmental Accounting Standards Board Statement #75.

The beginning net position held in trust of the Retiree Health Insurance Trust Fiduciary Fund was decreased by \$2,929,135 to move the portion of the trust fund's activity related to Traverse City Light and Power employees to the Traverse City Light and Power discretely presented component unit financial statements.

Component Unit

Beginning net position of the Light & Power component unit was decreased by \$3,614,565 to record the other post employment benefits liability in accordance with the implementation of Governmental Accounting Standards Board Statement No. 75.

K. Subsequent Events

Primary Government

On October 30, 2018 the City issued the 2018 Limited Tax General Obligation Capital Improvement Bond in the amount of \$7,735,000. Of this amount \$3,235,000 will be used for the Boardman Lake Trial Loop project and a proportional share of issue costs. The balance of \$4,500,000 will be used for the Sidewalk Improvement Project and a proportional share of issue costs.

Traverse City Light and Power Component Unit

On September 25, 2018 the Board authorized the execution of a project transaction authorization for 22 MW of solar energy with the Michigan Public Power Agency for a term of 25 years with an expected commencement in 2021 for an estimated total contract cost of \$48,000,000.

* * * * *

REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information Act 345 Retirement System

Schedule of Changes in the Employer's Net Pension Liability and Related Ratios

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

Fiscal year ending June 30,	2018	2017	2016	2015	2014
Total Pension Liability					
Service Cost	\$ 721,781	\$ 676,683	\$ 678,748	\$ 644,925	\$ 492,852
Interest on the Total Pension Liability	3,195,886	3,110,650	3,036,795	2,993,916	2,897,030
Benefit changes	-	-	-	-	-
Difference between expected and actual					
experience of the Total Pension Liability	756,372	(172,209)	(372,033)	(802,207)	-
Assumption changes	-	-	-	-	-
Benefits paid and refunds	(2,598,943)	(2,403,433)	(2,312,077)	(2,251,552)	(2,096,654)
Net change in Total Pension Liability	2,075,096	1,211,691	1,031,433	585,082	1,293,228
Total Pension Liability - Beginning	43,550,395	42,338,704	41,307,271	40,722,189	39,428,961
Total Pension Liability- Ending (a)	\$ 45,625,491	\$ 43,550,395	\$ 42,338,704	\$ 41,307,271	\$ 40,722,189
Plan Fiduciary Net Position					
Employer contributions	\$ 1,841,815	\$ 1,803,930	\$ 1,810,565	\$ 1,683,306	\$ 1,639,480
Employee contributions	81,144	104,761	58,510	76,863	75,526
Pension plan net investment income	2,285,282	3,019,320	498,918	463,881	3,883,457
Benefit payments and refunds	(2,598,943)	(2,403,433)	(2,312,077)	(2,251,552)	(2,096,654)
Pension plan administrative expense	(19,633)	(23,599)	(15,450)	(16,523)	(10,567)
Other			159		(114,710)
Net Change in Plan Fiduciary Net Position	1,589,665	2,500,979	40,625	(44,025)	3,376,532
Plan Fiduciary Net Position - Beginning	28,784,416	26,283,437	26,242,812	26,286,837	22,910,305
Plan Fiduciary Net Position - Ending (b)	\$ 30,374,081	\$ 28,784,416	\$ 26,283,437	\$ 26,242,812	\$ 26,286,837
Net Pension Liability - Ending (a)-(b)	\$ 15,251,410	\$ 14,765,979	\$ 16,055,267	\$ 15,064,459	\$ 14,435,352
Plan Fiduciary Net Position as a Percentage of					
Total Pension Liability	66.57%	66.09%	62.08%	63.53%	64.55%
Total Tension Liability	00.5770	00.0770	02.0070	05.5570	04.5570
Covered Employee Payroll	\$ 3,861,602	\$ 3,752,343	\$ 3,443,789	\$ 3,384,682	\$ 3,018,448
Net Pension Liability as a Percentage of					
Covered Employee Payroll	394.95%	393.51%	466.21%	445.08%	478.24%

Required Supplementary Information Act 345 Retirement System Schedule of Contributions

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

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

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 17 year closed

Asset Valuation Method 4 Year Smoothed Market

Inflation 2.75% Salary Increase 4% to 7%

Investment Rate of Return 7.5 % (net of expenses)

Retirement Age Experience-based table of rates that are specific to the type of eligibility condition Mortality

RP-2000 Male set back one year and Female (unadjusted) Mortality Table

projected 20 years with Scale AA

Required Supplementary Information Act 345 Retirement System Schedule of Investment Returns

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

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

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

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

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

Fiscal year ending June 30,		2018	2017		
Total OPEB Liability					
Service Cost	\$	93,763	\$	93,564	
Interest on the total OPEB liability	•	611,741	•	597,245	
Benefit changes		´ -		-	
Difference between expected and actual experience *		35,999		(75,186)	
Assumption changes				-	
Benefits paid and refunds		(488,449)		(356,424)	
Net change in Total Pension Liability		253,054		259,199	
Total OPEB Liability - Beginning		8,353,894		8,094,695	
Total OPEB Liability- Ending (a)	\$		\$		
Plan Fiduciary Net Position					
Employer contributions	\$	512,078	\$	385,866	
Pension plan net investment income		77,551		-	
Benefit payments and refunds		(488,449)		(356,424)	
Pension plan administrative expense		-		-	
Other		(6,000)		(8,800)	
Net Change in Plan Fiduciary Net Position		95,180		20,642	
Plan Fiduciary Net Position - Beginning		3,373,566		3,352,924	
Plan Fiduciary Net Position - Ending (b)	\$	3,468,746	\$	3,373,566	
Net OPEB Liability - Ending (a)-(b)	\$	5,138,202	\$	4,980,328	
Dlan Eidneism Net Decition on a Demontors of					
Plan Fiduciary Net Position as a Percentage of Total Pension Liability		40.30%		40.38%	
Covered Employee Payroll	\$	2,741,432	\$	3,027,113	
Net Pension Liability as a Percentage of					
Covered Employee Payroll		187.43%		164.52%	

 $[\]boldsymbol{*}$ Due to difference between actual and expected benefit payments.

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

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

FY Ending June 30,	Total G OPEB Plan net Net OPEB Liability Position Liability		Plan Net Postion as a % of Total OPEB Liability	Covered Payroll	Net OPEB Liability as a % of Covered Payroll		
2018	8,606,948	3,468,746	5,138,202	40.30%	2,741,432	187.43%	
2017	8,353,894	3,373,566	4,980,328	40.38%	3,027,113	164.52%	

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

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

	Actuarially	Contribution		Actual Contribution			
FY Ending	Determined	Actual	Deficiency	Covered	as a % of		
June 30,	Contribution	Contribution	(Excess)	Payroll	Covered Payroll		
2018	480,230	512,078	(31,848)	2,741,432	18.68%		
2017	385,866	386,866	-	3,027,113	12.75%		

Notes to Schedule of Contributions

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method Entry Age Normal Amortization Method Level Dollar, Closed

Remaining Amortization Period 23 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".

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

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

FY Ending	Annual
June 30,	Return *
2018	2.31%

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

Required Supplementary Information MERS Pension - General Plan

Schedule of Changes in the Employer's Net Pension Liability and Related Ratios

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

	December 31.						
	2017 2016		2015	2014			
Total Pension Liability							
Service Cost	\$ 449,861	\$ 451,469	\$ 424,511	\$ 398,725			
Interest on the Total Pension Liability	2,957,067	2,919,079	2,817,148	2,753,614			
Benefit changes	-	-	-	-			
Difference between expected and actual							
experience of the Total Pension Liability	(37,737)	(281,288)	(185,726)	-			
Assumption changes	-	-	1,782,587	-			
Benefits paid and refunds	(2,651,928)	(2,575,279)	(2,446,248)	(2,343,998)			
Net change in Total Pension Liability	717,263	513,981	2,392,272	808,341			
Total Pension Liability - Beginning	38,064,373	37,550,392	35,158,120	34,349,779			
Total Pension Liability- Ending (a)	\$ 38,781,636	\$ 38,064,373	\$ 37,550,392	\$35,158,120			
Plan Fiduciary Net Position							
Employer contributions	\$ 1,209,578	\$ 1,103,031	\$ 1,011,317	\$ 1,033,594			
Employee contributions	- 1,20,,5,0	-	-	-			
Pension plan net investment income	2,962,186	2,443,206	(343,945)	1,480,312			
Benefit payments and refunds	(2,651,928)	(2,575,279)	(2,446,248)	(2,343,998)			
Pension plan administrative expense	(47,056)	(48,298)	(51,145)	(54,129)			
Other	-	-	-	-			
Net Change in Plan Fiduciary Net Position	1,472,780	922,660	(1,830,021)	115,779			
Plan Fiduciary Net Position - Beginning	23,025,579	22,102,919	23,932,940	23,817,161			
Plan Fiduciary Net Position - Ending (b)	\$ 24,498,359	\$ 23,025,579	\$ 22,102,919	\$23,932,940			
Net Pension Liability - Ending (a)-(b)	\$ 14,283,277	\$ 15,038,794	\$ 15,447,473	\$11,225,180			
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	63.17%	60.49%	58.86%	68.07%			
Constant Program Program	¢ 5 450 473	e 5007.000	e 5 507 405	© 5.254.125			
Covered Employee Payroll	\$ 5,450,472	\$ 5,927,328	\$ 5,597,405	\$ 5,254,135			
Net Pension Liability as a Percentage of							
Covered Employee Payroll	262.06%	253.72%	275.98%	213.64%			

Required Supplementary Information MERS Pension - General Plan Schedule of Contributions

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

	Actuarially				Contr	ibution	,	Valuation	Actual Contribution		
Fiscal year end	D	Determined		Actual	Deficiency Covered		as a % of				
June 30,	C	Contribution		Contribution (Excess)		(Excess) Payroll		Covered Payroll			
2015	\$	975,124	\$	975,124	\$	-	\$	5,417,193	18.00%		
2016		1,041,766		1,041,766		-		5,594,176	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

TRAVERSE CITY LIGHT AND POWER

Required Supplementary Information MERS Pension - Traverse City Light & Power Schedule of Changes in the Employer's Net Pension Liability and Related Ratios

Ultimately 10 fiscal years will be displayed - which will be built prospective	rely from 2014	December 21		
	2017	December 31, 2016	2015	2014
Total pension liability	2017	2010	2013	2014
Service cost Interest Differences between expected and actuarial experience Changes in assumptions Benefit payments, including refunds Other changes	\$ 310,387 2,292,239 363,115 - (1,930,810) 1,448	\$ 300,475 2,276,465 (509,997) - (1,818,642)	\$ 295,317 2,142,935 363,835 1,444,054 (1,715,604) (759)	\$ 313,020 2,083,781 - (1,626,244)
Net change in total pension liability	1,036,379	248,301	2,529,778	770,557
Total pension liability, beginning of year	29,463,200	29,214,899	26,685,121	25,914,564
Total pension liability, end of year	30,499,579	29,463,200	29,214,899	26,685,121
Plan fiduciary net position				
Contribution - employer	2,253,396	1,564,302	858,331	773,230
Net investment income	2,200,228	1,686,136	(234,339)	1,000,478
Administrative expenses	(34,750)	(33,363)	(34,767)	(36,578)
Benefit payments, including refunds	(1,930,809)	(1,818,642)	(1,715,604)	(1,626,244)
Net change in plan fiduciary net position	2,488,065	1,398,433	(1,126,379)	110,886
Plan fiduciary net position, beginning of year	16,498,456	15,100,023	16,226,402	16,115,516
Plan fiduciary net position, end of year	18,986,521	16,498,456	15,100,023	16,226,402
Net pension liability	\$ 11,513,058	\$ 12,964,744	\$ 14,114,876	\$ 10,458,719
Plan fiduciary net position as a percent of total pension liability	62.25%	56.00%	51.69%	60.81%
Covered employee payroll	\$ 2,883,420	\$ 2,728,607	\$ 2,736,729	\$ 2,862,491
Net pension liability as a percent of covered employee payroll	399.28%	475.14%	515.76%	365.37%

TRAVERSE CITY LIGHT AND POWER

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

Ultimately 10 fiscal years will be displayed - which will be built prospective	ely f	rom 2015				
	2018 2017		2016	2015		
Actuarially determined contribution			_			
Contribution in relation to the actuarially	\$	1,110,648	\$ 944,388	\$ 891,939	\$	770,572
determined contribution		(2,356,392)	(2,202,960)	(891,939)		(770,572)
Contribution deficiency (excess)		(1,245,744)	(1,258,572)	-	_	
Covered employee payroll	\$	2,947,185	\$ 2,862,491	\$ 2,866,124	\$	2,880,960
Contribution as a percentage of covered						
employee payroll		37.69%	32.99%	31.12%		26.75%

Notes to schedule

Actuarial cost method Entry Age

Level percentage of payroll, open Amortization method

Remaining amortization period 25 years

5 year smoothed (10 yr smoothed in 2014) 2.5% (3.5% 2014) Asset valuation method

Inflation

Salary increases

Investment rate of return

Retirrment age

2.5% (3.5% 2014)
3.75% to 14.5% (4.50% in 2014)
7.75% (8.25% in 2014)
Varies depending on plan adoptior
RP-2014 mortality tables of a 50% Male and 50% Female blend
(50% female/50% male 1994 group annual mortality table 2014) Mortality

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

Fiscal year ending June 30,		2018
Total OPEB Liability		
Service Cost	\$	3,260
Interest on the total OPEB liability	Ф	118,583
Benefit changes		110,303
Difference between expected and actual experience		25,684
Assumption changes		40,303
Benefits paid and refunds		(149,325)
Other changes		(551,889)
Net change in Total Pension Liability	-	(513,384)
		(===,===)
Total OPEB Liability - Beginning		1,655,769
Total OPEB Liability- Ending (a)	\$	1,142,385
Plan Fiduciary Net Position		
Employer contributions	\$	11,000
Pension plan net investment income		123,862
Difference between expected and actual experience		(20,724)
Benefit payments and refunds		(149,325)
Pension plan administrative expense		(4,157)
Other		142,932
Net Change in Plan Fiduciary Net Position		103,588
Plan Fiduciary Net Position - Beginning		1,990,449
Plan Fiduciary Net Position - Ending (b)	\$	2,094,037
•		
Net OPEB Liability (Asset) - Ending (a)-(b)	\$	(951,652)
Plan Fiduciary Net Position as a Percentage of		
Total Pension Liability		183.30%
•		
Covered Employee Payroll	\$	1,827,405
Net OPEB Liability as a Percentage of		
Covered Employee Payroll		-52.08%
~ · · · · · · · · · · · · · · · · · · ·		

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

	Total				Plan Net Postion			Net OPEB Liability
FY Ending	OPEB	Plan net	N	et OPEB	as a % of Total			as a % of
June 30,	Liability			oility (Asset)	OPEB Liability	Cov	ered Payroll	Covered Payroll
2018	\$ 1,142,385	\$ 2,094,037	\$	(951,652)	183.30%	\$	1,827,405	-52.08%

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

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

	Actua	rially			Co	ntribution		Actual Contribution
FY Ending June 30,	8				eficiency Excess)	 Covered Payroll	as a % of Covered Payroll	
2018	\$	_	\$	11,000	\$	(11,000)	\$ 1,827,405	0.60%

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

Inflation2.50%Salary Increase5%Investment Rate of Return7.5%

Retirement Age Experience-based table of rates that are specific to the type of eligibility condition.

Mortality RP-2014 combined annuity mortality table for males and females Health Care Trend Rates 4% to 6.0% depending on coverage - ultimate trend rate used 4.5%

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

FY Ending	Annual
June 30,	Return *
2018	7.22%

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

Required Supplementary Information Traverse City Light and Power

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

Fiscal year ending June 30,		2018
Total OPEB Liability		
Service Cost	\$	2,852
Interest on the total OPEB liability		406,878
Benefit changes		-
Difference between expected and actual experience		(269,497)
Assumption changes		28,187
Benefits paid and refunds		(342,038)
Other changes		(38,996)
Net change in Total Pension Liability		(212,614)
Total OPEB Liability - Beginning		5,596,053
Total OPEB Liability- Ending (a)	\$	5,383,439
Plan Fiduciary Net Position		
Employer contributions	\$	229,388
Pension plan net investment income	•	191,582
Benefit payments and refunds		-
Pension plan administrative expense		(6,220)
Net Change in Plan Fiduciary Net Position		414,750
Plan Fiduciary Net Position - Beginning		2,929,134
Plan Fiduciary Net Position - Ending (b)	\$	3,343,884
Net OPEB Liability - Ending (a)-(b)	\$	2,039,555
Plan Fiduciary Net Position as a Percentage of		
Total Pension Liability		62.11%
Covered Employee Payroll	\$	2,947,185
Net OPEB Liability as a Percentage of		60.209/
Covered Employee Payroll		69.20%

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

		Total				Plan Net Pos	tion			Net OPEB	Liability
FY Ending		OPEB	Plan net	N	let OPEB	as a % of To	otal			as a %	of
June 30,		Liability	Position	Lial	oility (Asset)	OPEB Liab	ility	Cov	ered Payroll	Covered l	Payroll
2018	s	5,583,440	\$ 3.343.884	\$	2.039.555	62.	11%	\$	2.947.185		69.20%

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

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

	Ac	ctuarially		Cont		Actual Contribution			
FY Ending June 30,		etermined entribution	Actual entribution		ccess)		Covered Payroll	as a % of Covered Payroll	
2018	\$	229,388	\$ 229,388	\$	_	\$	2.947.185	7.78%	

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

Retirement Age Experience-based table of rates that are specific to the type of eligibility condition.

Mortality RP-2014 combined annuity mortality table for males and females
Health Care Trend Rates 4% to 10.5% depending on coverage - ultimate trend rate used 4.5%

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

FY Ending	Annual
June 30,	Return *
2018	7.65%

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

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

General Fund

For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)		
Revenues						
Property taxes	\$ 9,338,500	\$ 10,022,500	\$ 10,070,208	\$ 47,708		
Licenses and permits	291,800	291,800	315,757	23,957		
Federal sources	-	-	5,100	5,100		
State sources	1,461,000	1,461,000	1,456,213	(4,787)		
Local sources	1,854,475	1,854,475	1,779,806	(74,669)		
Charges for services	642,550	649,550	675,332	25,782		
Fines and forfeits	10,000	10,000	8,100	(1,900)		
Contributions	207,500	234,500	193,473	(41,027)		
Reimbursements	692,000	692,000	691,105	(895)		
Interest income	48,500	48,500	79,632	31,132		
Other revenue	473,500	473,500	489,999	16,499		
Total revenues	15,019,825	15,737,825	15,764,725	26,900		
Expenditures						
General government	3,877,400	3,953,400	3,616,106	337,294		
Public safety	6,934,400	7,269,400	7,140,538	128,862		
Public works	1,476,900	1,506,900	1,343,099	163,801		
Recreation and culture	2,557,100	2,655,100	2,560,844	94,256		
Capital Outlay	95,000	345,000	373,991	(28,991)		
Total expenditures	14,940,800	15,729,800	15,034,578	695,222		
Excess (deficiency) of revenue						
over expenditures	79,025	8,025	730,147	722,122		
Other financing sources (uses)						
Transfers in	1,222,925	1,334,925	1,278,597	(56,328)		
Transfers out	(1,925,500)	(2,104,500)	(1,897,798)	206,702		
Total other financing sources (uses)	(702,575)	(769,575)	(619,201)	150,374		
Net change in fund balance	(623,550)	(761,550)	110,946	872,496		
Fund balance, beginning of year	6,404,993	6,404,993	6,404,993			
Fund balance, end of year	\$ 5,781,443	\$ 5,643,443	\$ 6,515,939	\$ 872,496		

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, 2018

	Priginal Budget	 Final Budget	 Actual	Variance with Final Budget Positive (Negative)		
Revenues						
State sources	\$ 1,469,800	\$ 1,489,800	\$ 1,616,930	\$	127,130	
Reimbursements	· · ·	· · · · -	7,356		7,356	
Interest income	 1,200	 1,200	 141		(1,059)	
Total revenues	 1,471,000	 1,491,000	 1,624,427		133,427	
Expenditures						
Public works	400.000	400.000	545 (01		(55.601)	
Personnel	490,000	490,000	545,601		(55,601)	
Commodities Contractual services	143,000 288,000	143,000 288,000	119,392 206,907		23,608 81,093	
Other charges	550,000	650,000	705,687		(55,687)	
omer charges	 220,000	 030,000	 700,007		(33,007)	
Total expenditures	 1,471,000	 1,571,000	 1,577,587		(6,587)	
Excess (deficiency) of revenue over expenditures		(80,000)	46,840		126,840	
over expenditures	 	 (80,000)	 40,040		120,040	
Other financing sources (uses)		00.000	00.000			
Transfers in Transfers out	-	80,000	80,000		-	
Transfers out	 	 	 <u> </u>			
Total other financing sources (uses)	 	 80,000	 80,000			
Net change in fund balance	-	-	126,840		126,840	
Fund balance, beginning of year	 139,084	 139,084	 139,084			
Fund balance, end of year	\$ 139,084	\$ 139,084	\$ 265,924	\$	126,840	

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, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)		
Revenues						
State sources Reimbursements	\$ 460,000	\$ 460,000	\$ 493,861 6,266	\$	33,861 6,266	
Total revenues	 460,000	 460,000	 500,127		40,127	
Expenditures						
Public works Personnel	577,000	577.000	526 555		40 445	
Contractual services	90,000	577,000 90,000	536,555 93,412		40,445 (3,412)	
Commodities	86,000	86,000	62,485		23,515	
Other charges	 686,000	 686,000	 580,207		105,793	
Total expenditures	 1,439,000	 1,439,000	 1,272,659		166,341	
(Deficiency) of revenue						
over expenditures	(979,000)	(979,000)	(772,532)		206,468	
Other financing sources (uses) Transfer in	 979,000	 979,000	 772,532		(206,468)	
Net change in fund balance	-	-	-		-	
Fund balance, beginning of year	 	 	 			
Fund balance, end of year	\$ 	\$ 	\$ 	\$	-	

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended June 30, 2018

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, 2018, actual expenditures in the General Operating Fund City Attorney and Parks Departments exceed final appropriations by \$23,546 and \$32,421 respectively, and the Capital Outlay budget exceeded final appropriations by \$7,465.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

				Genera	al Fun	d				Budget Stabilization								
		Original Budget		Final Budget		Actual		ariance with Final Budget Positive (Negative)		Original Budget		Final Budget		Actual	Final Po	nce with Budget sitive gative)		
Revenues																		
Property taxes	\$	9,338,500	\$	10,022,500	\$	10,070,208	\$	47,708	\$	-	\$	-	\$	-	\$	-		
Licenses and permits		291,800		291,800		315,757		23,957		-		-		-		-		
Federal sources		-		-		-		-		-		-		-		-		
State sources		1,376,000		1,376,000		1,446,709		70,709		-		-		-		-		
Local sources		1,835,975		1,835,975		1,762,821		(73,154)		-		-		-		_		
Charges for services		432,150		432,150		434,298		2,148		-		-		-		-		
Fines and forfeits		10,000		10,000		8,100		(1,900)		_		_		_		_		
Contributions		-		-		-		-		_		_		_		_		
Reimbursements		600,000		600,000		685,772		85,772		_		_		_		_		
Interest income		20,000		20,000		50,475		30,475		11,500		11,500		12,009		509		
Other revenue		473,500		473,500		489,977		16,477						-		-		
Suioi ievenae		173,300		175,500		102,277		10,177										
Total revenues		14,377,925		15,061,925		15,264,117		202,192		11,500		11,500		12,009		509		
Expenditures																		
General government		3,759,400		3,814,400		3,589,765		224,635		-		-		-		-		
Public safety		6,874,400		7,209,400		7,109,604		99,796		-		-		-		-		
Public works		1,476,900		1,506,900		1,318,836		188,064		_		_		_		_		
Recreation and culture		2,044,800		2,129,800		2,162,221		(32,421)		_		_		_		_		
Capital outlay		40,000		40,000		47,465		(7,465)				_				-		
Total expenditures		14,195,500		14,700,500		14,227,891		472,609		-		-				_		
D (15:) 5																		
Excess (deficiency) of revenue over expenditures		182,425		361,425		1,036,226		674,801		11,500		11,500		12,009		509		
expenditures		102,423	. —	301,423		1,030,220		074,001		11,500		11,500	-	12,007	-	307		
Other financing sources (uses)																		
Transfers in		1,162,025		1,162,025		1,156,795		(5,230)		-		-		_		-		
Transfers out		(1,914,000)		(2,093,000)		(1,886,533)		206,467		(11,500)		(11,500)		(11,265)		235		
Total other financing sources (uses)		(751,975)		(930,975)		(729,738)		201,237		(11,500)		(11,500)		(11,265)		235		
Net change in fund balance		(569,550)		(569,550)		306,488		876,038		-		-		744		744		
Fund balance, beginning of year		2,946,818		2,946,818		2,946,818		_		752,556		752,556		752,556		-		
	•		•		•		•	977, 939	•		•		•		•	744		
Fund balance, end of year	\$	2,377,268	3	2,377,268	\$	3,253,306	\$	876,038	\$	752,556	\$	752,556	\$	753,300	\$	744		

	Hazmat								Carnegie Building Fund							
		Original Budget		Final Budget		Actual		Variance with Final Budget Positive (Negative)		Original Budget	Final Budget		Actual		Fin	iance with al Budget Positive (egative)
Revenues																
Property taxes	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
Licenses and permits		-		-		-		-		-		-		_		-
Federal sources		-		-		5,100		5,100		-		-		_		-
State sources		-		-		-		-		85,000		85,000		9,504		(75,496)
Local sources		18,500		18,500		16,985		(1,515)		-		-		_		-
Charges for services		500		500		10,911		10,411		27,500		27,500		39,140		11,640
Fines and forfeits		-		-		-		-		-		-		_		-
Contributions		-		-		-		-		-		-		100		100
Reimbursements		-		-		-		-		5,000		5,000		_		(5,000)
Interest income		-		-		-		-		-		-		_		-
Other revenue		-												22		22
Total revenues		19,000		19,000		32,996		13,996		117,500		117,500		48,766		(68,734)
Expenditures																
General government		_		_		_		_		_		_		_		_
Public safety		24,000		24,000		10,700		13,300		_		_		_		_
Public works		-		-		-		-		_		_		_		_
Recreation and culture		_		_		_		_		158,400		158,400		77,121		81,279
Capital outlay		-		<u> </u>		<u> </u>				<u> </u>		250,000		326,526		(76,526)
Total expenditures		24,000		24,000		10,700		13,300		158,400		408,400		403,647		4,753
Excess (deficiency) of revenue over																
expenditures		(5,000)		(5,000)		22,296		27,296		(40,900)		(290,900)		(354,881)		(63,981)
Other financing sources (uses)										40.000				404.000		4 000
Transfers in		-		-		-		-		40,900		152,900		101,802		(51,098)
Transfers out		-		-		-						-		-		<u>-</u>
Total other financing sources (uses)		-							-	40,900		152,900		101,802		(51,098)
Net change in fund balance		(5,000)		(5,000)		22,296		27,296		-		(138,000)		(253,079)		(115,079)
Fund balance, beginning of year		79,811		79,811		79,811				321,740		321,740		321,740		
Fund balance, end of year	\$	74,811	\$	74,811	\$	102,107	\$	27,296	\$	321,740	\$	183,740	\$	68,661	s	(115,079)

			Cherry Ca	pital 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		-	21,000	17,149	(3,851)	61,000	61,000	15,799	(45,201)				
Reimbursements		-	-	-	-	-	-	-	-				
Interest income		-	-	-	-	-	-	-	-				
Other revenue			-	. -			-						
Total revenues			21,000	17,149	(3,851)	61,000	61,000	15,799	(45,201)				
Expenditures													
General government		_	21,000	21,266	(266)	_	-	_	-				
Public safety		_	, , , , , , , , , , , , , , , , , , ,	· -	-	36,000	36,000	20,234	15,766				
Public works		_	-	-	-	_	· -	-	-				
Recreation and culture		_	-	-	-	_	-	_	-				
Capital outlay			-			25,000	25,000		25,000				
Total expenditures			21,000	21,266	(266)	61,000	61,000	20,234	40,766				
Excess (deficiency) of revenue over													
expenditures			-	(4,117)	(4,117)			(4,435)	(4,435)				
Other financing sources (uses)													
Transfers in		_	-	-	-	_	-	_	-				
Transfers out			-										
Total other financing sources (uses)			-										
Net change in fund balance		-	-	(4,117)	(4,117)	-	-	(4,435)	(4,435)				
Fund balance, beginning of year	3,	715	3,715	3,715		16,254	16,254	16,254					
Fund balance, end of year	\$ 3,	715	\$ 3,715	\$ (402)	\$ (4,117)	\$ 16,254	\$ 16,254	\$ 11,819	\$ (4,435)				

	County Senior Center						Brown Bridge Maintenance									
		Original Budget		Final Budget		Actual	F	Yariance with Final Budget Positive (Negative)		Original Budget		Final Budget		Actual	Fin	riance with al Budget Positive Negative)
Revenues																
Property taxes	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
Licenses and permits		-		-		-		-		-		-		-		-
Federal sources		-		-		-		-		-		-		-		-
State sources		-		-		-		-		-		-		-		-
Local sources		-		-		-		-		-		-		-		-
Charges for services		-		-		-		-		70,000		77,000		76,910		(90)
Fines and forfeits		-		-		-		-		-		-		-		-
Contributions		136,500		142,500		133,425		(9,075)		-		-		-		-
Reimbursements		-		-		-		-		-		-		-		-
Interest income		-		-		72		72		-		-		-		-
Other revenue		-		-				-		-		-				
Total revenues		136,500		142,500		133,497		(9,003)		70,000		77,000		76,910		(90)
Expenditures																
General government		-		-		-		-		-		-		-		-
Public safety		-		-		-		-		-		-		-		-
Public works		-		_		-		-		-		-		-		-
Recreation and culture		136,500		142,500		137,916		4,584		70,000		77,000		69,474		7,526
Capital outlay		-							_	-		-				
Total expenditures		136,500		142,500		137,916		4,584		70,000		77,000		69,474		7,526
Excess (deficiency) of revenue over expenditures		_		_		(4,419)		(4,419)		_		_		7,436		7,436
experiences						(1,117)		(1,117)	_					7,130		7,130
Other financing sources (uses)																
Transfers in		-		-		-		-		-		-		-		-
Transfers out		-		-					_	-		-				
Total other financing sources (uses)		-								-		-				
Net change in fund balance		-		-		(4,419)		(4,419)		-		-		7,436		7,436
Fund balance, beginning of year		71,904		71,904		71,904			_	51,717		51,717		51,717		
Fund balance, end of year	\$	71,904	\$	71,904	\$	67,485	\$	(4,419)	\$	51,717	\$	51,717	\$	59,153	\$	7,436

		Ope	era 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	112,400	112,40	0 114,073	1,673	-	-	-	-					
Fines and forfeits		-		-	-	-	-	-					
Contributions		-		-	-	-	-	-					
Reimbursements	4,000	4,00		243	3,000	3,000	1,090	(1,910)					
Interest income		-	- 10	10	-	-	-	-					
Other revenue	·	-	<u>-</u>			<u> </u>							
Total revenues	116,400	116,40	0 118,326	1,926	3,000	3,000	1,090	(1,910)					
Expenditures													
General government		-		_	_	_	_	_					
Public safety		-		-	-	_	_	_					
Public works		-		-	-	_	_	_					
Recreation and culture	116,400	116,40	0 100,441	15,959	6,000	6,000	1,500	4,500					
Capital outlay		<u>-</u>	<u>- </u>		_ <u> </u>		. 						
Total expenditures	116,400	116,40	0 100,441	15,959	6,000	6,000	1,500	4,500					
Excess (deficiency) of revenue over													
expenditures		-	- 17,885	17,885	(3,000)	(3,000)	(410)	2,590					
1													
Other financing sources (uses)													
Transfers in		-		-	-	-	-	-					
Transfers out		-					-						
Total other financing sources (uses)		<u>-</u>	<u>-</u>										
Net change in fund balance		-	- 17,885	17,885	(3,000)	(3,000)	(410)	2,590					
Fund balance, beginning of year	2,72	1 2,72	1 2,721		17,936	17,936	17,936						
Fund balance, end of year	\$ 2,72	1 \$ 2,72	1 \$ 20,606	\$ 17,885	\$ 14,936	\$ 14,936	\$ 17,526	\$ 2,590					

	Economic Development							Stormwater Fund							
	 Original Budget		Final Budget		Actual	Variance with Final Budget Positive (Negative)		Original Budget		Final Budget		Actual	Fin I	iance with al Budget Positive (egative)	
Revenues															
Property taxes	\$ -	\$	-	\$	-	\$ -	\$	-	\$	-	\$	-	\$	-	
Licenses and permits	_		-		-	-		-		-		-		-	
Federal sources	-		-		-	-		-		-		-		-	
State sources	-		-		-	-		-		-		-		-	
Local sources	-		-		-	-		-		-		-		-	
Charges for services	-		-		-	-		-		-		-		-	
Fines and forfeits	-		-		-	-		-		-		-		-	
Contributions	-		-		-	-		-		-		-		-	
Reimbursements	80,000		80,000		-	(80,000)		-		-		-		-	
Interest income	17,000		17,000		17,066	66		-		-		-		-	
Other revenue	-				-			-		-				-	
Total revenues	 97,000		97,000		17,066	(79,934)		-							
Expenditures															
General government	118,000		118,000		5,075	112,925		_		_		_		_	
Public safety	,		,		-			_		_		_		_	
Public works	_		_		_	_		_		_		24,263		(24,263)	
Recreation and culture	_		_		_	_		_		_				(= 1,=00)	
Capital outlay	 -		_		-			30,000		30,000				30,000	
Total expenditures	 118,000		118,000		5,075	112,925		30,000		30,000		24,263		5,737	
Excess (deficiency) of revenue over	(21,000)		(21,000)		11.001	22.001		(20,000)		(20,000)		(24.2(2)		5 505	
expenditures	 (21,000)		(21,000)		11,991	32,991	_	(30,000)		(30,000)		(24,263)		5,737	
Other financing sources (uses)															
Transfers in	_		-		-	-		-		_		-		-	
Transfers out	 -		<u> </u>					-							
Total other financing sources (uses)	 				<u>-</u>			-							
Net change in fund balance	(21,000)		(21,000)		11,991	32,991		(30,000)		(30,000)		(24,263)		5,737	
Fund balance, beginning of year	 1,851,658		1,851,658		1,851,658			258,400		258,400		258,400		_	
Fund balance, end of year	\$ 1,830,658	\$	1,830,658	\$	1,863,649	\$ 32,991	\$	228,400	\$	228,400	\$	234,137	\$	5,737	

		Public Arts	Commission			Total General Fund								
	Original Budget		Final Budget	Actual	Variance with Final Budget Positive Actual (Negative)		 Original Budget		Final Budget	Actual		Variance with Final Budget Positive (Negative)		
Revenues														
Property taxes	\$	- \$	-	\$	-	\$ -	\$ 9,338,500	\$	10,022,500	\$	10,070,208	\$	47,708	
Licenses and permits		-	-		-	-	291,800		291,800		315,757		23,957	
Federal sources		-	-		-	-	-		-		5,100		5,100	
State sources		-	-		-	-	1,461,000		1,461,000		1,456,213		(4,787)	
Local sources		-	-		-	-	1,854,475		1,854,475		1,779,806		(74,669)	
Charges for services		-	-		-	-	642,550		649,550		675,332		25,782	
Fines and forfeits		-	_		-	-	10,000		10,000		8,100		(1,900)	
Contributions	10,0	00	10,000	2	7,000	17,000	207,500		234,500		193,473		(41,027)	
Reimbursements		-	· <u>-</u>		-	-	692,000		692,000		691,105		(895)	
Interest income		-	_		-	-	48,500		48,500		79,632		31,132	
Other revenue	_					-	 473,500		473,500		489,999		16,499	
Total revenues	10,0	00	10,000	2	7,000	17,000	 15,019,825		15,737,825		15,764,725		26,900	
Expenditures														
General government		_	_		_	_	3,877,400		3,953,400		3,616,106		337,294	
Public safety			_		_		6,934,400		7,269,400		7,140,538		128,862	
Public works		_	_		_	_	1,476,900		1,506,900		1,343,099		163,801	
Recreation and culture	25,0	00	25,000	1	2,171	12,829	2,557,100		2,655,100		2,560,844		94,256	
Capital outlay	23,0	,,	23,000	1	2,1/1	12,629	95,000		345,000		373,991		(28,991)	
Capital outlay		<u> </u>		-	<u> </u>	<u>-</u>	 93,000		343,000	-	373,991		(20,991)	
Total expenditures	25,0	00	25,000	1	2,171	12,829	 14,940,800		15,729,800		15,034,578		695,222	
Excess (deficiency) of revenue over														
expenditures	(15,0	00)	(15,000)	1	4,829	29,829	 79,025		8,025		730,147		722,122	
Other financing sources (uses)														
Transfers in	20,0	00	20,000	2	0,000	-	1,222,925		1,334,925		1,278,597		(56,328)	
Transfers out						-	 (1,925,500)		(2,104,500)		(1,897,798)		206,702	
Total other financing sources (uses)	20,0	00	20,000	2	0,000	<u> </u>	 (702,575)		(769,575)		(619,201)		150,374	
Net change in fund balance	5,0	00	5,000	3	4,829	29,829	(623,550)		(761,550)		110,946		872,496	
Fund balance, beginning of year	29,7	53	29,763	2	9,763		 6,404,993		6,404,993		6,404,993			
Fund balance, end of year	\$ 34,7	63 <u>\$</u>	34,763	\$ 6	4,592	\$ 29,829	\$ 5,781,443	\$	5,643,443	\$	6,515,939	\$	872,496	

Schedule of Revenues

Budget (GAAP Basis) and Actual

General Fund before GASB 54 Consolidation For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Property taxes				
Real estate and personal property	\$ 9,230,000	\$ 9,914,000	\$ 9,963,806	\$ 49,806
Collection fees	13,500	13,500	13,831	331
Penalties and interest on taxes	95,000	95,000	92,571	(2,429)
Total property taxes	9,338,500	10,022,500	10,070,208	47,708
Licenses and permits				
Business	269,900	269,900	285,477	15,577
Nonbusiness	21,900	21,900	30,280	8,380
Total licenses and permits	291,800	291,800	315,757	23,957
Federal sources				
State sources				
State - shared revenues				
Sales and use tax	1,313,000	1,313,000	1,385,247	72,247
Liquor licenses	62,000	62,000	61,462	(538)
Other state	1,000	1,000		(1,000)
Total state sources	1,376,000	1,376,000	1,446,709	70,709
Local sources				
City fee - Component Units	1,835,975	1,835,975	1,762,821	(73,154)
Charges for services				
General fees and services	94,400	94,400	63,321	(31,079)
Use and admission fees	292,750	292,750	343,464	50,714
Fine and forfeitures - ordinance and cost	45,000	45,000	27,513	(17,487)
Total charges for services	432,150	432,150	434,298	2,148
Fines and forfeits				
Parking violations	10,000	10,000	8,100	(1,900)
Reimbursements	600,000	600,000	685,772	85,772
Interest income	20,000	20,000	50,475	30,475
Other revenue				
Rents and royalties	2,500	2,500	6,155	3,655
Contributions	436,000	436,000	446,790	10,790
Sale of assets	2,500	2,500	-	(2,500)
Other	32,500	32,500	37,032	4,532
Total other revenue	473,500	473,500	489,977	16,477
Total revenues	\$ 14,377,925	\$ 15,061,925	\$ 15,264,117	\$ 202,192

Schedule of Expenditures Budget (GAAP Basis) and Actual

General Fund before GASB 54 Consolidation For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
General government	Duuger	Dauger		(rieguerie)
City Commission				
Personnel	\$ 45,300	\$ 55,300	\$ 49,850	\$ 5,450
Commodities	1,300	1,300	600	700
Contractual services	43,800	43,800	40,432	3,368
Other charges	4,800	4,800	2,332	2,468
Total City Commission	95,200	105,200	93,214	11,986
City Manager's Office				
Personnel	396,200	396,200	378,442	17,758
Commodities	5,000	5,000	6,235	(1,235)
Contractual services	36,500	36,500	26,219	10,281
Other charges	6,500	6,500	4,813	1,687
Total City Manager's Office	444,200	444,200	415,709	28,491
Human Resources				
Personnel	193,800	193,800	191,154	2,646
Commodities	1,000	1,000	2,434	(1,434)
Contractual services	35,200	35,200	34,212	988
Other charges	3,000	3,000	1,770	1,230
Total Human Resources	233,000	233,000	229,570	3,430
Geographic Information Systems				
Personnel	153,000	153,000	105,382	47,618
Commodities	6,000	6,000	2,403	3,597
Contractual services	39,300	39,300	32,799	6,501
Other charges	15,400	15,400	12,840	2,560
Total Geographic Information Systems	213,700	213,700	153,424	60,276
City Attorney's Office				
Personnel	204,500	204,500	182,630	21,870
Commodities	1,700	1,700	2,760	(1,060)
Contractual services	16,200	16,200	61,396	(45,196)
Other charges	2,700	2,700	1,860	840
Total City Attorney's Office	225,100	225,100	248,646	(23,546)
City Clerk's Office				
Personnel	427,300	427,300	394,380	32,920
Commodities	27,000	27,000	27,392	(392)
Contractual services	31,800	31,800	29,175	2,625
Other charges	19,900	19,900	24,574	(4,674)
Total City Clerk's Office	506,000	506,000	475,521	30,479

Continued.....

Schedule of Expenditures Budget (GAAP Basis) and Actual General Fund before GASB 54 Consolidation For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Assessor's Office				
Personnel	\$ 379,400	\$ 379,400	\$ 385,137	\$ (5,737)
Commodities	10,000	10,000	11,265	(1,265)
Contractual services	57,500	57,500	40,152	17,348
Other charges	8,900	8,900	6,039	2,861
Total Assessor's Office	455,800	455,800	442,593	13,207
Treasurer's Office				
Personnel	369,000	369,000	364,149	4,851
Commodities	19,000	19,000	12,662	6,338
Contractual services	42,000	42,000	43,068	(1,068)
Other charges	8,000	8,000	4,720	3,280
Total Treasurer's Office	438,000	438,000	424,599	13,401
Building and grounds				
Other charges	120,000	120,000	80,069	39,931
Planning/Zoning				
Personnel	457,900	457,900	452,285	5,615
Commodities	7,700	7,700	3,960	3,740
Contractual services	35,600	35,600	31,446	4,154
Other charges	15,700	15,700	13,953	1,747
Total Planning/Zoning	516,900	516,900	501,644	15,256
Cemetery				
Personnel	247,800	277,800	275,239	2,561
Commodities	12,000	12,000	12,857	(857)
Contractual services	16,000	16,000	18,154	(2,154)
Other charges	83,200	123,200	108,276	14,924
Total Cemetery	359,000	429,000	414,526	14,474
Appropriations	152,500	127,500	110,250	17,250
Total general government	3,759,400	3,814,400	3,589,765	224,635
Public Safety Police				
Personnel	3,060,000	3,170,000	3,190,509	(20,509)
Commodities	82,000	82,000	107,529	(25,529)
Contractual services	396,000	396,000	378,474	17,526
Other charges	399,400	399,400	364,339	35,061
Total Police	3,937,400	4,047,400	4,040,851	6,549

Continued.....

Schedule of Expenditures Budget (GAAP Basis) and Actual

General Fund before GASB 54 Consolidation For the Year Ended June 30, 2018

	Origin: Budge		Fina Budg			Actual	Fin P	iance with al Budget Positive egative)
Fire Personnel	e 2.20	2 000	\$ 2.4	02.000	e	2 264 022	\$	127.067
Commodities		92,000 80,000	,	92,000 80,000	\$	2,364,033 99,061	2	127,967 (19,061)
Contractual services		26,000		26,000		143,502		(17,502)
Other charges		39,000		64,000		462,157		1,843
Total Fire	2,93	37,000	3,1	62,000	_	3,068,753		93,247
Total public safety	6,8	74,400	7,2	09,400		7,109,604		99,796
Public Works								
Streets, alleys and sidewalks								
Personnel	54	12,000	5	42,000		431,241		110,759
Commodities		31,000		31,000		61,133		(30,133)
Contractual services		18,500		78,500		137,319		41,181
Other charges	(2	24,000)	(24,000)		(68,834)		44,834
Total Streets, Alleys and Sidewalks	69	97,500	7	27,500		560,859		166,641
Engineering								
Personnel		30,500		80,500		681,488		(988)
Commodities		25,000		25,000		6,601		18,399
Contractual services		19,600		49,600		37,371		12,229
Other charges	2	24,300		24,300		32,517		(8,217)
Total Engineering	77	79,400	7	79,400		757,977		21,423
Total public works	1,4′	76,900	1,5	06,900		1,318,836		188,064
Recreation and Culture								
Parks								
Personnel	,	01,000		16,000		1,123,443		(7,443)
Commodities		51,800		61,800		63,469		(1,669)
Contractual services		86,000		36,000		237,502		(1,502)
Other charges		16,000	/	16,000		737,807		(21,807)
Total Recreation and Culture	2,04	44,800	2,1	29,800		2,162,221		(32,421)
Capital outlay		10,000		40,000	_	47,465		(7,465)
Total expenditures	\$ 14,195	5,500_	\$ 14,70	0,500	\$	14,227,891	\$	472,609

Concluded

Schedule of Transfers

Budget (GAAP Basis) and Actual

General Fund before GASB 54 Consolidation For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Fin 1	riance with nal Budget Positive Jegative)
Transfers in					
Brown Bridge Trust	\$ 240,000	\$ 240,000	\$ 232,925	\$	(7,075)
Other funds	25,500	25,500	24,488		(1,012)
City fee - Proprietary Funds	 896,525	 896,525	 899,382		2,857
Total Transfers In	\$ 1,162,025	\$ 1,162,025	\$ 1,156,795	\$	(5,230)
Transfers out					
Major Streets	-	\$ 80,000	80,000	\$	-
Local Streets	979,000	979,000	772,533		206,467
Capital Projects	915,000	915,000	915,000		-
Heritage Center	-	99,000	99,000		-
Public Arts Commission	 20,000	 20,000	 20,000		
Total Transfers Out	\$ 1,914,000	\$ 2,093,000	\$ 1,886,533	\$	206,467

CITY OF TRAVERSE CITY, MICHIGAN Combining Balance Sheet Nonmajor Governmental Funds June 30, 2018

	Special Revenue Funds	Debt Service Funds		Capital Projects Funds		Permanent Cemetery Perpetual Care		Total Nonmajor overnmental Funds	
ASSETS									
Assets									
Cash and cash equivalents	\$ 2,190,456	\$	3,676	\$	870,603	\$	137,308	\$ 3,202,043	
Investments	94,874		-		4,804		548,782	648,460	
Receivables									
Accounts	25,306		-		-		-	25,306	
Taxes	=		-		8,057		-	8,057	
Special assessments	-		-		294,522		-	294,522	
Due from other governments	5,400			_	-			 5,400	
Total asssets	\$ 2,316,036	\$	3,676	\$	1,177,986	\$	686,090	\$ 4,183,788	
Accounts payable Accrued and other liabilities Due to other funds Unearned revenue Advance from component unit Total liabilities	\$ 105,537 16,302 5,813 	\$ 	- - - -	\$	40,352 - - 219 40,571	\$ 	13,223	\$ 105,537 40,352 29,525 5,813 219 181,446	
Total habilities	127,032			_	40,571		13,223	 101,440	
Deferred inflows of resouces									
Unavailable revenue					294,124			 294,124	
Fund balances									
Nonspendable							672 967	672 967	
Cemetery perpetual care Restricted	-		-		-		672,867	672,867	
Debt service			3,676				_	3,676	
Joint planning	14,140		3,070		_		_	14,140	
Capital improvements	436,525		_		207,311		_	643,836	
Public safety training	-		_		207,511		_		
Public welfare or civic improvement organization	1,403,549		_		_		_	1,403,549	
Act 345 retirement	334,170		_		-		_	334,170	
Committed									
Capital improvements					635,980			 635,980	
Total fund balances	2,188,384		3,676		843,291		672,867	3,708,218	
Total liabilities, deferred inflows of									
resources, and fund balances	\$ 2,316,036	\$	3,676	\$	1,177,986	\$	686,090	\$ 4,183,788	

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds For the Year Ended June 30, 2018

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Cemetery Perpetual Care	Total Nonmajor Governmental Funds
Revenues					
Property taxes and special assessments	\$ 2,059,410	\$ -	\$ 193,167	\$ -	\$ 2,252,577
State sources Local sources	5,014	700 722	-	-	5,014
Charges for services	193,304	798,732	-	26,713	798,732 220,017
Contributions	1,129,247	-	-	20,713	1,129,247
Interest income	7,550	- -	12,073	753	20,376
Total revenues	3,399,925	798,732	205,240	27,466	4,431,363
Expenditures Current expenditures					
General government	35,112	-	-	-	35,112
Public safety	1,852,229	-	-	-	1,852,229
Public works	685,574	-	84,824	-	770,398
Capital outlay	-	-	839,404	-	839,404
Debt service		505 000			505,000
Principal Interest and fiscal charges	-	585,000 213,732	-	-	585,000 213,732
Total expenditures	2,572,915	798,732	924,228		4,295,875
Excess (deficiency) of revenues over expenditures	827,010		(718,988)	27,466	135,488
Other financing sources (uses) Proceeds from refunding debt issue Debt refunding payment Transfers (out)	- - (1,507,302)	- -	- -	(37,321)	- - (1,544,623)
Transfers (Out)	(1,307,302)			(37,321)	(1,344,023)
Total other financing sources (uses)	(1,507,302)			(37,321)	(1,544,623)
Net change in fund balance	(680,292)	-	(718,988)	(9,855)	(1,409,135)
Fund balances, beginning of year	2,868,676	3,676	1,562,279	682,722	5,117,353
Fund balances, end of year	\$ 2,188,384	\$ 3,676	\$ 843,291	\$ 672,867	\$ 3,708,218

Combining Balance Sheet Nonmajor Special Revenue Funds June 30, 2018

	Act Pol Trai Fu	lice ining	Prep Eq	State paredness uipment Grant Fund	F	College Parking Fund		Act 345 Millage Fund	and T	verse City I Garfield ownship It Planning Fund		PEG Capital Fund
ASSETS												
Assets												
Cash and cash equivalents	\$	-	\$	-	\$	16,204	\$	334,170	\$	14,140	\$	21,271
Investments		-		-		-		-		-		-
Receivables												(222
Accounts Due from other governments		-		5,400		_		-		-		6,232
Due nom outer governments	-		· 	3,400	_		-				_	
Total assets	\$	-	\$	5,400	\$	16,204	\$	334,170	\$	14,140	\$	27,503
LIABILITIES AND FUND BALANCES												
Liabilities												
Accounts payable	\$	-	\$	-	\$	8,100	\$	-	\$	-	\$	-
Accrued and other liabilities		-		-		-		-		-		-
Unearned revenue		-		- 5 400		- 0.100		-		-		-
Due to other funds		-	· —	5,400		8,100				-		-
Total liabilities		-		5,400		16,200						-
Fund balances												
Restricted												
Joint planning		-		-		-		-		14,140		-
Capital improvements		-		-		-		-		-		27,503
Public safety training Public welfare or civic improvement		-		-		-		-		-		-
organizations		_		_		4		_		_		_
Act 345 retirement		_				<u> </u>		334,170				_
Total fund balances (deficit)		-				4		334,170		14,140		27,503
Total liabilities and fund balances	\$	_	\$	5,400	\$	16,204	\$	334,170	\$	14,140	\$	27,503

Continued...

Combining Balance Sheet Nonmajor Special Revenue Funds June 30, 2018

	Senior Center Building Fund	Homeland Security Training Grant Fund	McCauley Estate Trust Fund	te Commission Trust Park st Projects Improvement		Total	
ASSETS							
Assets							
Cash and cash equivalents	\$ 414,835	\$ -	\$ 15,795	\$ 1,096,875	\$ 277,166	\$ 2,190,456	
Investments Receivables	-	-	94,874	-	-	94,874	
Accounts	_	_	_	_	19,074	25,306	
Due from other governments					-	5,400	
Total assets	\$ 414,835	\$ -	\$ 110,669	\$ 1,096,875	\$ 296,240	\$ 2,316,036	
LIABILITIES AND FUND BALAN	CES						
Liabilities	•	•	Φ.	Ф 07.427	0	0 105 527	
Accounts payable Accrued and other liabilities	\$ -	\$ -	\$ -	\$ 97,437	\$ -	\$ 105,537	
Unearned revenue	5,813	_	-	_	- -	5,813	
Due to other funds			2,802			16,302	
Total liabilities	5,813		2,802	97,437	-	127,652	
Fund balances Restricted							
Joint planning	-	-	-	-	-	14,140	
Capital improvements Public safety training	409,022	-	-	-	-	436,525	
Public welfare or civic	-	-	-	-	-	-	
improvement organizations Act 345 retirement	-	-	107,867	999,438	296,240	1,403,549 334,170	
Total fund balances	409,022		107,867	999,438	296,240	2,188,384	
Total liabilities and fund balances	\$ 414,835	\$ -	\$ 110,669	\$ 1,096,875	\$ 296,240	\$ 2,316,036	

Concluded

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Special Revenue Funds For the Year Ended June 30, 2018

	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	\$ -	\$ -	\$ -	\$ 2,059,410	\$ -	\$ -
Federal sources	-	5,400	-	-	-	-
State sources	5,014	-	-	=	=	-
Charges for services	=	-	22,767	=	-	-
Contributions	-	-	-	- 207	4,000	20,620
Interest income			-	6,297	-	
Total revenues	5,014	5,400	22,767	2,065,707	4,000	20,620
Expenditures						
Current expenditures						
General government	-	-	22,694	-	-	12,418
Public safety	5,014	5,400	-	1,841,815	-	-
Public works	-	-	-	-	-	-
Capital outlay			<u> </u>			
Total expenditures	5,014	5,400	22,694	1,841,815		12,418
Excess (deficiency) of revenues						
over expenditures			73	223,892	4,000	8,202
Other financing sources (uses)						
Transfers in	-	-	-	-	-	-
Transfers (out)						
Total other financing sources (uses)						
Net change in fund balance	-	-	73	223,892	4,000	8,202
Fund balances, beginning of year		- _	(69)	110,278	10,140	19,301
Fund balances, (deficit) end of year	s -	\$ -	\$ 4	\$ 334,170	\$ 14,140	\$ 27,503

Continued....

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Special Revenue Funds For the Year Ended June 30, 2018

	Senior Center Building Fund	Homeland Security Training Grant Fund	McCauley Estate Trust Fund	County Road Commission Projects Fund	Brown Bridge Trust Park Improvement Fund	Total
Revenues						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,059,410
Federal sources	-	-	-	-	-	5,400
State sources	-	-	-	-	-	5,014
Charges for services	-	-	-	-	170,537	193,304
Contributions	186,796	-	_	867,831	50,000	1,129,247
Interest income (loss)	431		(1,168)		1,990	7,550
Total revenues	187,227		(1,168)	867,831	222,527	3,399,925
Expenditures						
Current expenditures						
General government	-	-	-	-	-	35,112
Public safety	-	-	_	-	-	1,852,229
Public works	-	-	_	685,574	-	685,574
Capital outlay						
Total expenditures				685,574		2,572,915
Excess (deficiency) of revenues						
over expenditures	187,227		(1,168)	182,257	222,527	827,010
Other financing sources (uses)						
Transfers in	=	-	-	-	-	-
Transfers (out)	-		(2,802)		(1,504,500)	(1,507,302)
Total other financing sources (uses)			(2,802)		(1,504,500)	(1,507,302)
Net change in fund balance	187,227	-	(3,970)	182,257	(1,281,973)	(680,292)
Fund balances, beginning of year	221,795		111,837	817,181	1,578,213	2,868,676
Fund balances, end of year	\$ 409,022	\$ -	\$ 107,867	\$ 999,438	\$ 296,240	\$ 2,188,384

Concluded

Combining Balance Sheet Nonmajor Debt Service Funds June 30, 2018

	Park Rec Non	Pa Dec	l Town arking ak Bond emption	Total		
ASSETS						
Assets						
Cash and cash equivalents Accounts receivable	\$	3,576	\$	100	\$	3,676
Total assets	_\$	3,576	\$	100	\$	3,676
LIABILITIES AND FUND BALANCES						
Liabilities						
Due to other funds	\$		\$		\$	-
Fund balances						
Restricted for debt service		3,576		100		3,676
Total liabilities and fund balancess	\$	3,576	\$	100	\$	3,676

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Debt Service Funds For the Year Ended June 30, 2018

	Parking Deck Bond Redemption Non-Taxable	Old Town Parking Deck Bond Redemption	Total
Revenues Local sources	\$ 798,732	\$ -	\$ 798,732
Expenditures Debt service Principal Interest and fiscal charges	585,000 213,732	-	585,000 213,732
Total expenditures	798,732		798,732
Net change in fund balances	-	-	-
Fund balances, beginning of year	3,576	100	3,676
Fund balances, end of year	\$ 3,576	\$ 100	\$ 3,676

CITY OF TRAVERSE CITY, MICHIGAN Combining Balance Shee Nonmajor Capital Projects Fund June 30, 2018

	Parking Dec Bond Construction Taxable		Coı	Parking Bond istruction n-taxable	Special ssessments	 Total
ASSETS						
Assets Cash and cash equivalents Investments Receivables	\$	- -	\$	207,311	\$ 663,292 4,804	\$ 870,603 4,804
Taxes Special assessments		- <u>-</u>		- -	 8,057 294,522	 8,057 294,522
Total assets	\$	_	\$	207,311	\$ 970,675	\$ 1,177,986
LIABILITIES, DEFERRED INFLOWS OF RESOURC	ES, AND FUND BALA	NCE	ES			
Liabilities						
Accounts payable Advance from component unit	\$	- 	\$	- -	\$ 40,352 219	\$ 40,352 219
Total liabilities		_			 40,571	 40,571
Deferred inflows of resources Unavailable revenue		<u>-</u>			 294,124	 294,124
Fund balances Restricted						
Capital improvements Committed		-		207,311	-	207,311
Capital improvements					 635,980	 635,980
Total fund balances		_		207,311	 635,980	 843,291
Total liabilities, deferred inflows of resources, and fund balances	\$	_	\$	207,311	\$ 970,675	\$ 1,177,986

Combining Statement of Revenues, Expenditures and Changes in Fund Balanc Nonmajor Capital Projects Fund For the Year Ended June 30, 2018

	Parking Deck Bond Construction Taxable	Parking Deck Bond Construction Non-Taxable	Special Assessments	Total
Revenues Special assessments	\$ -	\$ -	\$ 193,167	\$ 193,167
Interest income Total revenues	140	2,670 2,670	9,263	12,073 205,240
Expenditures Public works Capital outlay	107,851	491,105	84,824 240,448	84,824 839,404
Total expenditures	107,851	491,105	325,272	924,228
Net change in fund balances	(107,711)	(488,435)	(122,842)	(718,988)
Other financing sources (uses) Transfer out				
Net change in fund balances	(107,711)	(488,435)	(122,842)	(718,988)
Fund balances, beginning of year	107,711	695,746	758,822	1,562,279
Fund balances, end of year	<u>\$</u> -	\$ 207,311	\$ 635,980	\$ 843,291

CITY OF TRAVERSE CITY, MICHIGAN Combining Statement of Assets and Liabilities Agency Funds June 30, 2018

	Tax Collection			mprest Payroll	Total		
Assets							
Cash and cash equivalents Receivables	\$	196,015	\$	62,420	\$	258,435	
Accounts		-		20,544		20,544	
Taxes		191,157				191,157	
Total assets	\$	387,172	\$	82,964	\$	470,136	
Liabilities Accrued and other liabilities Due to other governmental units	\$	387,172	\$	82,964	\$	82,964 387,172	
Total liabilities	<u> </u>	387,172	\$	82,964	\$	470,136	

Combining Statement of Changes in Assets and Liabilities Agency Funds

For the Year Ended June 30, 2018

		Balance July 1, 2017		Additions	_	Deletions	Balance June 30, 2018	
TAX COLLECTION								
Assets Cash and cash equivalents Taxes receivable	\$	168,375 159,230	\$	43,338,788 44,209,675	\$	43,311,148 44,177,748	\$	196,015 191,157
Total assets	\$	327,605	\$	87,548,463	\$	87,488,896	\$	387,172
Liabilities Due to other governmental units	\$	327,605	\$	87,548,463	\$	87,488,896	\$	387,172
IMPREST PAYROLL								
Assets Cash and cash equivalents Accounts receivable	\$	69,638 35,211	\$	16,540,128 103,190	\$	16,547,346 117,857	\$	62,420 20,544
Total assets	\$	104,849	\$	16,643,318	\$	16,665,203	\$	82,964
Liabilities Accrued and other liabilities	\$	104,849	\$	16,643,318	\$	16,665,203	\$	82,964
TOTAL - ALL AGENCY FUNDS								
Assets Cash and cash equivalents Receivables Accounts Taxes	\$	238,013 35,211 159,230	\$	59,878,916 103,190 44,209,675	\$	59,858,494 117,857 44,177,748	\$	258,435 20,544 191,157
Total assets	\$	432,454	<u> </u>	104,191,781	S	104,154,099	S	470,136
	4	,		1,22 1,101	Ψ.			,100
Liabilities Accrued and other liabilities Due to other governmental units	\$	104,849 327,605	\$	16,643,318 87,548,463	\$	16,665,203 87,488,896	\$	82,964 387,172
Total liabilities	\$	432,454	\$	104,191,781	\$	104,154,099	\$	470,136

Concluded

Combining Statement of Fiduciary Net Position Pension and Other Post Employment Benefit Funds June 30, 2018

				Other Poste Benefit		•		
	Act 345 Pension Trust Fund			Act 345 tiree Health insurance Trust		Retiree Health nsurance Trust		Total
Accepto								
Assets Cash and cash equivalents	\$	2,722,334	\$	1,785,568	\$	323,426	\$	4,831,328
Investments, at fair value	Ψ	2,722,334	Ψ	1,765,500	Ψ	323,720	Ψ	7,031,320
Fixed income mutual funds		5,070,633		520,051		_		5,590,684
Domestic equities		7,249,766		801,502		_		8,051,268
International equities		4,327,175		222,643		=		4,549,818
Real estate		2,551,863		, -		_		2,551,863
Other		8,583,883		_		_		8,583,883
MERS total market fund		-		_		1,770,612		1,770,612
Receivables								
Accounts receivable		-		135,762		-		135,762
Accrued interest		13,795		3,220				17,015
Total assets		30,519,449		3,468,746		2,094,038		36,082,233
Liabilities								
Accounts payable		145,368						145,368
Total liabilities		145,368						145,368
Net Position								
Held in trust for pension benefits and other post employment benefits	\$	30,374,081	\$	3,468,746	\$	2,094,038	\$	35,936,865

Combining Statement of Changes in Fiduciary Net Position Pension and Other Post Employment Benefit Funds For the Year Ended June 30, 2018

		Other Postemployment Benefit Funds		
	Act 345 Pension Trust Fund	Act 345 Retiree Health Insurance Trust	Retiree Health Insurance Trust	Total
Additions				
Contributions City contributions	\$ 1,841,815	\$ 512,078	11,000	\$ 2,364,893
Employee contributions	81,144	\$ 312,076	11,000	81,144
Other				
Total contributions	1,922,959	512,078	11,000	2,446,037
Investment earnings				
Interest and dividends	374,362	47,945	4,052	426,359
Net increase in fair value of investments	2,039,025	30,606	128,018	2,197,649
Investment advisor fees	(128,105)	(1,000)	(4,156)	(133,261)
Net investment earnings	2,285,282	77,551	127,914	2,490,747
Total additions	4,208,241	589,629	138,914	4,936,784
Deductions				
Pension benefits paid	2,598,943	-	-	2,598,943
Health insurance premiums paid	-	488,449	35,325	523,774
Administrative expense	19,633	6,000		25,633
Total deductions	2,618,576	494,449	35,325	3,148,350
Net increase (decrease) in plan net position	1,589,665	95,180	103,589	1,788,434
Net position held in trust, beginning of year - restated	28,784,416	3,373,566	1,990,449	34,148,431
Net position held in trust, end of year	\$ 30,374,081	\$ 3,468,746	\$ 2,094,038	\$ 35,936,865

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 21, 2018

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, 2018, 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 21, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Uredoveld Haefner LLC