

June 30, 2021

Annual Audited Financial Statements



CITY *of*
TRAVERSE CITY

Prepared by The City Treasurer's Office
Vredeveld Haefner LLC, Auditors

CITY OF TRAVERSE CITY, MICHIGAN

List of Elected and Appointed Officials For the Fiscal Year Ended June 30, 2021

Elected Officials

Mayor	Richard Lewis
Mayor Pro Tem	Amy Shamroe
Commission Member	Mi Stanley
Commission Member	Mitchell Treadwell
Commission Member	Mark Wilson
Commission Member	Ashlea Walter
Commission Member	Tim Werner

Appointed Officials

Manager	Martin Colburn
Clerk	Benjamin C. Marentette
Attorney	Lauren Tribble-Laucht
Treasurer/Finance Director	James Henderson

CITY OF TRAVERSE CITY, MICHIGAN

TABLE OF CONTENTS

	<u>PAGE</u>
<i>FINANCIAL SECTION</i>	
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 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	27
Notes to the Financial Statements	28-86
<i>SUPPLEMENTARY INFORMATION</i>	
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 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 Liability and Related Ratios - Traverse City Light and Power	96
MERS Pension Plan Schedule of Contributions - Traverse City Light and Power	97
City Retiree Health Insurance Trust Schedule of Changes in the Employer's Net OPEB Liability and Related Ratios	98
City Retiree Health Insurance Trust Schedule of the Net OPEB Liability	99
City Retiree Health Insurance Trust Schedule of Contributions	100
City Retiree Health Insurance Trust Schedule of Investments Returns	101

SUPPLEMENTARY INFORMATION (CONTINUED)

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 Schedule of Net OPEB Liability	103
Traverse City Light and Power Other Post Employment Benefit Trust Fund Schedule of Contributions	104
Traverse City Light and Power Other Post Employment Benefit Trust Fund Schedule of Investment Returns	105
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	
General Fund	106
Major Streets Special Revenue Fund	107
Local Streets Special Revenue Fund	108
Notes to Required Supplementary Information	109

Other Supplementary Information

Schedule of GASB 54 Consolidation	110-116
Combining and Individual Fund Statements and Schedules	
Schedule of Revenues - Budget and Actual - General Fund	117
Schedule of Expenditures - Budget and Actual - General Fund	118-120
Schedule of Transfers - Budget and Actual - General Fund	121
Combining Balance Sheet - Nonmajor Governmental Funds	122
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	123
Combining Balance Sheet - Nonmajor Special Revenue Funds	124-125
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds	126-127
Combining Balance Sheet - Nonmajor Debt Service Funds	128
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Debt Service Funds	129
Combining 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 Fiduciary Net Position	132
Combining Statement of Changes in Fiduciary Net Position	133

Single Audit Section

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	134-135
Independent Auditor's Report on compliance for each major program and on internal control over compliance required by the Uniform Guidance	136-137
Schedule of expenditures of federal awards	138
Notes to schedule of expenditures of federal awards	139
Schedule of findings and questioned costs	140



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 28, 2021

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, 2021, 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, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Traverse City, Michigan's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards 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 and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2021 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

Urodeheld Haefner LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Traverse City Management's Discussion and Analysis

As management of the *City of Traverse City, Michigan* (the “City”), we offer readers of the City’s financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2021.

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 \$127,464,744 (*net position*). The City’s total net position increased by \$10,576,685 during the year ended June 30, 2021.
- As of the close of the current fiscal year, the City’s governmental funds reported combined ending fund balances of \$33,507,012 a decrease of \$91,864 in comparison with the prior year.
- At the end of the current fiscal year unassigned fund balance for the GASB 54 determined General Fund was \$5,706,797 or 30.3% of total General Fund expenditures and transfers out. The General Fund Operating Fund unassigned fund balance was \$4,900,804 or 26.9% of General Fund Operating Fund expenditures and transfers out.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

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

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

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

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

Proprietary funds. The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its wastewater, water, hickory hills, marina, and auto parking system operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for its municipal garage. These services benefit both governmental and business-type activities and have been allocated based on usage in the financial statements.

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

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

Notes to the Financial Statements

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

Other Information

The combining statements and schedules 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 \$127,464,744 at the close of the most recent fiscal year.

By far the largest portion of the City's net position, \$113,154,054 or 89 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 \$21,121,592 which represents resources that are subject to external restrictions on how they may be used and a deficit unrestricted net position of \$6,810,902.

The City's net position increased by \$10,576,685 during the year ended June 30, 2021.

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

City of Traverse City's Net Position Table I

	FYE 6/30/21			FYE 6/30/20		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 42,821,589	\$ 14,151,956	\$ 56,973,545	\$ 38,938,703	\$ 12,252,169	\$ 51,190,872
Capital assets	53,508,282	70,710,926	124,219,208	52,048,542	69,893,013	121,941,555
Total assets	96,329,871	84,862,882	181,192,753	90,987,245	82,145,182	173,132,427
Deferred outflows	4,624,745	921,743	5,546,488	6,085,266	816,831	6,902,097
Long-term liabilities	13,123,382	1,374,271	14,497,653	14,421,402	2,613,042	17,034,444
Net Pension Liability	23,943,930	4,056,708	28,000,638	30,970,573	3,987,858	34,958,431
Net Other Post Employment Benefit Liability	4,673,856	-	4,673,856	5,346,589	-	5,346,589
Other liabilities	3,239,135	584,050	3,823,185	1,882,767	694,029	2,576,796
Total Liabilities	44,980,303	6,015,029	50,995,332	52,621,331	7,294,929	59,916,260
Deferred inflows	7,464,323	814,842	8,279,165	2,379,648	850,557	3,230,205
Net Position:						
Net Investment in capital assets	44,341,347	68,812,707	113,154,054	44,082,998	66,689,491	110,772,489
Restricted assets	21,121,592	-	21,121,592	23,022,596	-	23,022,596
Unrestricted (deficit)	(16,952,949)	10,142,047	(6,810,902)	(25,034,062)	8,127,036	(16,907,026)
Total net position	\$ 48,509,990	\$ 78,954,754	\$ 127,464,744	\$ 42,071,532	\$ 74,816,527	\$ 116,888,059

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

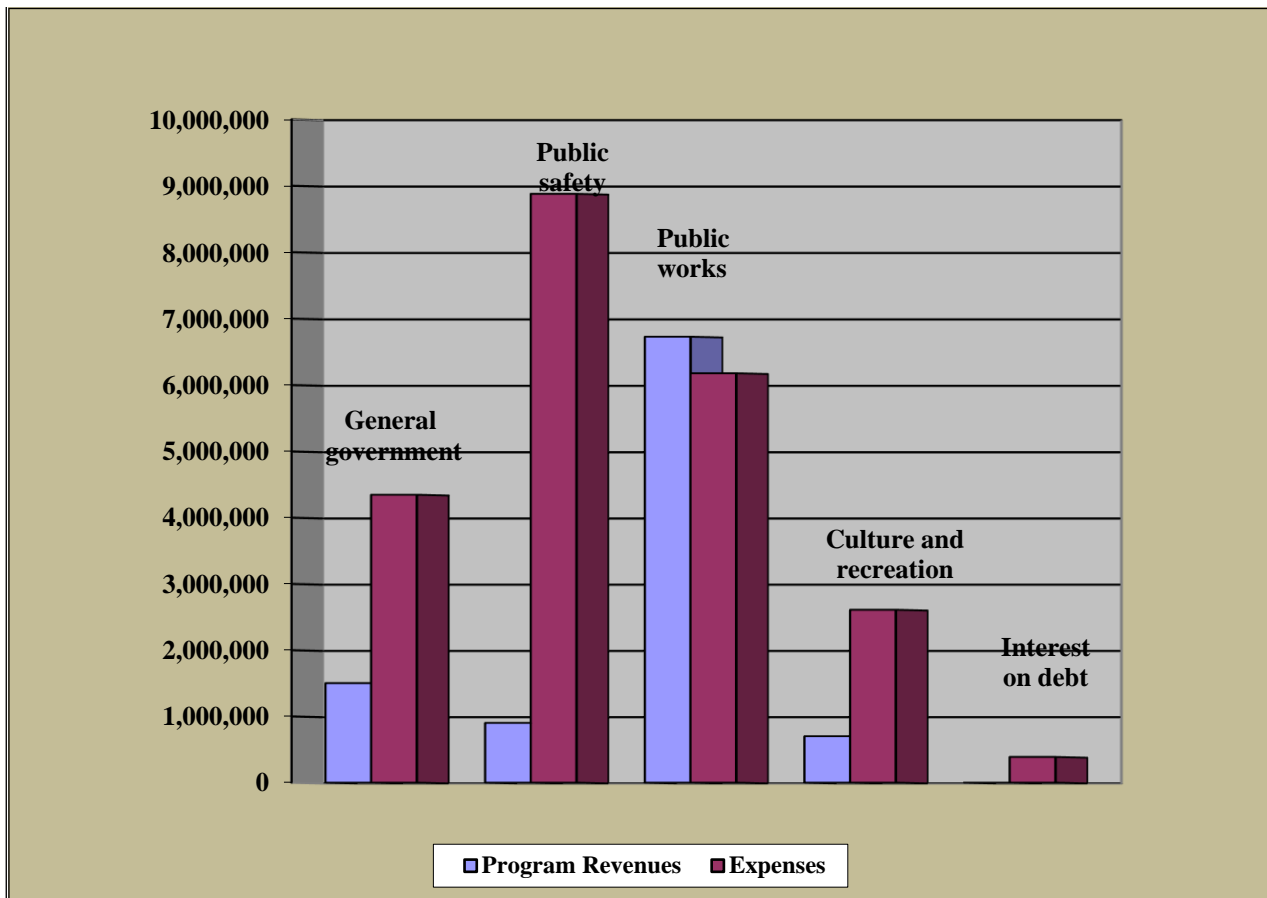
	FYE 6/30/21			FYE 6/30/20		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Program revenue:						
Charges for services	\$ 2,481,766	\$ 16,951,175	\$ 19,432,941	\$ 3,157,547	\$ 16,205,362	\$ 19,362,909
Operating grants/contributions	4,751,220	76,932	4,828,152	3,838,612	-	3,838,612
Capital grant/contributions	2,601,590	-	2,601,590	538,266	-	538,266
General Revenue:						
Property taxes	16,148,753	-	16,148,753	15,683,743	-	15,683,743
Unrestricted grants/contributions	1,881,907	-	1,881,907	1,458,302	-	1,458,302
Franchise revenue	241,553	-	241,553	252,450	-	252,450
Other	103,563	56,068	159,631	489,760	5,864,251	6,354,011
Total revenue	28,210,352	17,084,175	45,294,527	25,418,680	22,069,613	47,488,293
Expenses:						
General government	4,346,793	-	4,346,793	3,922,658	-	3,922,658
Public safety	8,878,607	-	8,878,607	10,280,277	-	10,280,277
Public works	6,177,746	-	6,177,746	6,758,757	-	6,758,757
Culture and recreation	2,610,363	-	2,610,363	8,302,749	-	8,302,749
Interest and fiscal charges	388,150	-	388,150	420,805	-	420,805
Wastewater	-	6,174,462	6,174,462	-	6,339,086	6,339,086
Water	-	2,908,866	2,908,866	-	2,871,403	2,871,403
Hickory Hills	-	619,932	619,932	-	621,808	621,808
Marina	-	510,810	510,810	-	619,049	619,049
Autoparking	-	2,105,964	2,105,964	-	2,410,259	2,410,259
Total expenses	22,401,659	12,320,034	34,721,693	29,685,246	12,861,605	42,546,851
Increase (decrease) before transfers/contributions	5,808,693	4,764,141	10,572,834	(4,266,566)	9,208,008	4,941,442
Operating transfers	625,914	(625,914)	-	574,875	(574,875)	-
Contribution to endowment	3,851	-	3,851	5,812	-	5,812
Increase in net position	6,438,458	4,138,227	10,576,685	(3,685,879)	8,633,133	4,947,254
Net position beginning of year	42,071,532	74,816,527	116,888,059	45,757,411	66,183,394	111,940,805
Net position end of year	\$ 48,509,990	\$ 78,954,754	\$ 127,464,744	\$ 42,071,532	\$ 74,816,527	\$ 116,888,059

Governmental activities increased the City's net position by \$6,438,458. Key highlights are as follows:

- Charges for services decreased approximately \$675,000 due in most part to the write down to market adjustment of restricted investments at year end.
- Operating grants and contributions increased approximately \$1,100,000 due in large part to the receipt in 2021 of approximately \$815,000 of federal CARES act funding and an increase of approximately \$150,000 in state gas & weight tax street funding.

- Unrestricted property tax revenue increased approximately \$1,500,000 due in large part to a \$1,400,000 brownfield authority receivable recorded for eligible portions of the 8th Street construction projects.
- Culture and Recreation Expenses decreased approximately \$5,700,000 due to the completion of the Hickory Hills renovation project and transfer of the related assets to the Hickory Hills Enterprise (Business Type Activity) Fund in fiscal year end 6/30/2020.

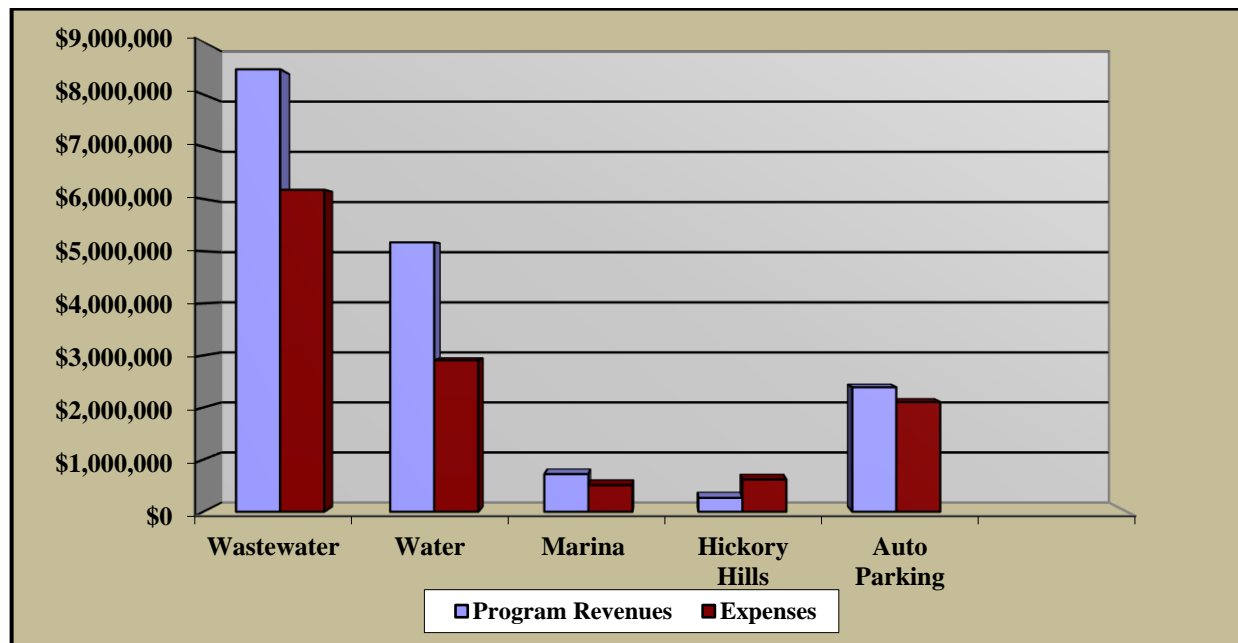
Program Revenues and Expenses - Governmental Activities



Business-type activities increased the City’s net position by \$4,138,227. Key highlights of activities in the funds are as follows:

- Charges for services in the Wastewater fund increased approximately \$580,000. City resident usage fees were down slightly but fees charged to participating townships increased over \$600,000 as the townships share of plant useage continues to increase.
- Charges for services in the Water fund increased approximately \$500,000 with charges to townships again making up the vast majority of the increase.
- The Auto Parking System fund was hardest hit by COVID 19 restrictions and changes in work from home policies with a decrease in charges for services of \$400,000.
- Marina Charges for services increased approximately \$90,000 due to summer weather conditions as well as the overall increase in outdoor, specifically boating recreation, activities that have arisen as a result of Covid 19 .

Program Revenues and Expenses - Business-type Activities



Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$33,507,012, a decrease of \$91,864 in comparison with the prior year. \$5,706,797 constitutes unassigned fund balance, which is available for spending at the government's discretion.

The General Fund consists of the chief Operating Fund of the City and 12 other funds that are combined with the Operating Fund for financial reporting. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$5,706,797. 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 30.2 percent of total General Fund expenditures including transfers out. The unassigned fund balance of the General Operating Fund represented 26.9 percent of the Operating Fund expenditures including transfers out.

The Major Streets Fund has a total fund balance of \$948,819 which increased by \$349,562 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 \$484,073 for 2021.

The Capital Projects Fund's fund balance of \$2,560,423 increased by \$539,796 during 2021. This is due in most part to delays in starting projects that were funded to be completed in 2021.

The Boardman Lake Trail Construction Capital Projects Fund's fund balance of \$2,331,151 decreased by \$1,226,021 as bond proceeds received in the prior year were used on the construction of the trail.

The Sidewalk Construction Capital Projects Fund's fund balance of \$774,872 decreased by \$1,783,070 as bond proceeds received in the prior year were used for the sidewalk gap and infill program.

The Brown Bridge Permanent Trust fund balance decreased by \$290,911 ending the year at \$12,315,416. The decrease was almost exclusively related to the year end adjustment to market of investments held by the trust.

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

Unrestricted net position of the Wastewater, Water, Hickory Hills, Marina, and Auto Parking System funds at the end of the year amounted to \$9,858,517 with net investment in capital assets of \$68,812,707. For the current year, the Wastewater Fund had an increase in net position of \$1,875,550, the Water Fund had an increase in net position for the year of \$1,967,860, the Hickory Hills Fund had a decrease in net position of \$ 31,928, the Marina Fund had an increase in net position of \$175,934 and the Auto Parking System had an increase in net position of \$104,431.

General Fund Budgetary Highlights

During the year, General Fund revenues and transfers in were greater than budgetary estimates by \$1,426,434. Actual expenditures and transfers out were under amended budget amounts by \$1,150,185. Overall, the actual fund balance increased by \$1,145,176, compared to an amended budget decrease estimate of \$1,431,443.

Capital Asset and Debt Administration

Capital assets. The City's total capital assets for its governmental and business-type activities as of June 30, 2021, amounted to \$124,219,208 (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 8th Street Reconstruction Project with total costs of approximately \$4.6 million.
- Completion of the Boardman Riverwalk Project, total costs \$487,000.
- Completion of Randolph Street Reconstruction Project, total costs \$617,600.
- Continuation of the Sidewalk Gap and Infill Project costs to date of \$2,900,000.
- Continuation of the West Boardman Lake Trail Loop Project, costs to date of \$1,209,000.
- Completion of the Sewer Plant Digester 3 Reconditioning Project, total costs of \$922,700.
- Continuation of the Water Plant Filter 1,2 & 3 Rehab Project cost to date \$706,000

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

	2021			2020		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Land and non depreciated improvements	\$ 10,394,767	\$ 11,957,420	\$ 22,352,187	\$ 10,394,767	\$ 11,957,420	\$ 22,352,187
Construction in Progress	5,415,724	7,738,310	13,154,034	5,000,024	8,809,421	13,809,445
Land Improvements	6,374,337	1,075,107	7,449,444	6,184,282	1,243,350	7,427,632
Infrastructure	19,089,442	13,687,816	32,777,258	17,302,345	11,514,190	28,816,535
Buildings and improvements	5,475,021	34,045,026	39,520,047	5,633,471	34,203,201	39,836,672
Machinery and equipment	6,758,991	2,207,247	8,966,238	7,533,653	2,165,431	9,699,084
	\$ 53,508,282	\$ 70,710,926	\$ 124,219,208	\$ 52,048,542	\$ 69,893,013	\$ 121,941,555

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 \$13,726,304. Of this amount, \$12,453,085 comprises debt backed by the full faith and credit of the government. The remainder of the City's long-term debt represents capital leases.

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

	2021			2020		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Direct placement bonds - Parking Deck	\$ 5,748,085	\$ -	\$ 5,748,085	\$ 6,495,098	\$ -	\$ 6,495,098
Direct placement bonds - Trail and Sidewalk Construction	6,705,000	-	6,705,000	7,230,000	-	7,230,000
Capital lease payable - Wastewater Treatment Plant	-	1,273,219	1,273,219	-	2,503,521	2,503,521
TOTAL	\$ 12,453,085	\$ 1,273,219	\$ 13,726,304	\$ 13,725,098	\$ 2,503,521	\$ 16,228,619

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 \$117,069,227 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 2021/22 fiscal year:

- The City Commission elected to maintain the General Fund tax levy at 12.1167 mills with 1.0 mill continuing to be used for Street and Sidewalk projects. The Act 345 levy for Police/Fire pensions is 2.32 mills, the same levy as the previous five years.
- The City's capital improvement plan projects approximately \$32 million of potential capital related expenses in fiscal year 2021/22 including \$1.6 million in the Wastewater and close to \$3.9 million in the Water Fund, \$4.1 million for Traverse City Light and Power and \$1.8 million for the Downtown Development Authority. The General Fund budget includes a \$1,115,6000 transfer to the capital projects fund for various projects including \$896,000 of street and sidewalk related projects.
- The City is expected to receive approximately \$1.6 million in American Rescue Plan Act funding from the Federal Government and has establish a separate fund to track the use of these one time payments to the City.
- 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 \$910,000 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, 2021

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority	Light and Power
Assets					
Cash and cash equivalents	\$ 15,809,745	\$ 3,162,155	\$ 18,971,900	\$ 7,517,865	\$ 1,605,528
Investments	19,536,379	8,886,406	28,422,785	-	10,327,950
Receivables, net	3,810,027	2,242,002	6,052,029	589,636	5,502,907
Internal balances	582,412	(582,412)	-	-	-
Inventories	285,808	93,664	379,472	-	1,452,172
Prepaid items and other assets	1,153,948	262,692	1,416,640	4,701	211,715
Other post employment benefits	843,270	87,449	930,719	-	12,672
Advances to primary government	-	-	-	-	166,796
Advances to component unit	800,000	-	800,000	-	-
Capital assets not being depreciated	15,810,491	19,695,730	35,506,221	120,756	1,525,285
Capital assets being depreciated	37,697,791	51,015,196	88,712,987	-	72,904,714
Total assets	96,329,871	84,862,882	181,192,753	8,232,958	93,709,739
Deferred outflows of resources					
Deferred outflows - pensions	3,788,452	881,140	4,669,592	-	3,338,287
Deferred outflows - other post employment benefits	655,693	40,603	696,296	-	193,400
Deferred outflows - loss on refunding	180,600	-	180,600	-	-
Total deferred outflows of resources	4,624,745	921,743	5,546,488	-	3,531,687
Liabilities					
Accounts payable and accrued expenses	3,030,579	584,050	3,614,629	413,882	2,275,204
Unearned revenue	41,760	-	41,760	1,980,719	11,206
Due to primary government	-	-	-	-	800,000
Advances from component units	166,796	-	166,796	-	-
Long-term liabilities					
Net pension liability	23,943,930	4,056,708	28,000,638	-	9,340,489
Net other post employment benefit liability	4,673,856	-	4,673,856	-	-
Other long-term liabilities					
Due within one year	1,376,077	1,281,268	2,657,345	-	43,567
Due in more than one year	11,747,305	93,003	11,840,308	46,523	236,017
Total liabilities	44,980,303	6,015,029	50,995,332	2,441,124	12,706,483
Deferred inflows of resources					
Deferred inflows - pensions	6,596,383	684,241	7,280,624	-	2,070,416
Deferred inflows - other post employment benefits	867,940	30,472	898,412	-	924,251
Deferred inflows - gain on refunding	-	100,129	100,129	-	-
Total deferred inflows of resources	7,464,323	814,842	8,279,165	-	2,994,667
Net position					
Net investment in capital assets	44,341,347	68,812,707	113,154,054	120,756	71,750,404
Restricted for					
Debt service	4,249	-	4,249	-	-
Joint planning	20,140	-	20,140	-	-
Capital improvements	3,779,423	-	3,779,423	-	-
Streets and highways	948,819	-	948,819	-	-
Public safety training	7,766	-	7,766	-	-
Public welfare or civic improvement organizations	2,795,192	-	2,795,192	-	-
Act 345 retirement	479,132	-	479,132	-	-
Tax increment finance districts	-	-	-	4,820,294	-
Nonexpendable brown bridge trust	12,315,416	-	12,315,416	-	-
Nonexpendable cemetery perpetual trust	771,455	-	771,455	-	-
Unrestricted (deficit)	(16,952,949)	10,142,047	(6,810,902)	850,784	9,789,872
Total net position	\$ 48,509,990	\$ 78,954,754	\$ 127,464,744	\$ 5,791,834	\$ 81,540,276

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

CITY OF TRAVERSE CITY, MICHIGAN
Statement of Activities
For the Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Primary government					
Governmental activities					
General government	\$ 4,346,793	\$ 913,688	\$ 589,701	\$ -	\$ (2,843,404)
Public safety	8,878,607	43,534	858,740	-	(7,976,333)
Public works	6,177,746	1,012,927	3,202,418	2,512,405	550,004
Culture and recreation	2,610,363	511,617	100,361	89,185	(1,909,200)
Interest and fiscal charges	388,150	-	-	-	(388,150)
Total governmental activities	<u>22,401,659</u>	<u>2,481,766</u>	<u>4,751,220</u>	<u>2,601,590</u>	<u>(12,567,083)</u>
Business-type activities					
Wastewater	6,174,462	8,402,013	76,932	-	2,304,483
Water	2,908,866	5,168,692	-	-	2,259,826
Marina	510,810	723,601	-	-	212,791
Hickory Hills	619,932	266,791	-	-	(353,141)
Automobile parking	2,105,964	2,390,078	-	-	284,114
Total business-type activities	<u>12,320,034</u>	<u>16,951,175</u>	<u>76,932</u>	<u>-</u>	<u>4,708,073</u>
Total primary government	<u>\$ 34,721,693</u>	<u>\$ 19,432,941</u>	<u>\$ 4,828,152</u>	<u>\$ 2,601,590</u>	<u>\$ (7,859,010)</u>
Component units					
Downtown Development Authority	\$ 3,536,366	\$ 1,062,974	\$ 199,134	\$ -	\$ (2,274,258)
Light and Power	31,335,635	33,364,320	17,710	-	2,046,395
Total component units	<u>\$ 34,872,001</u>	<u>\$ 34,427,294</u>	<u>\$ 216,844</u>	<u>\$ -</u>	<u>\$ (227,863)</u>

Continued...

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

CITY OF TRAVERSE CITY, MICHIGAN
Statement of Activities
For the Year Ended June 30, 2021

Functions/Programs	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority	Light and Power
Changes in net position					
Net (expense) revenue	\$ (12,567,083)	\$ 4,708,073	\$ (7,859,010)	\$ (2,274,258)	\$ 2,046,395
General revenues					
Unrestricted property taxes	16,148,753	-	16,148,753	128,739	-
Restricted property taxes for tax increment finance districts	-	-	-	3,278,179	-
Grants and contributions not restricted to specific programs	1,881,907	-	1,881,907	-	-
Franchise revenue	241,553	-	241,553	-	-
Unrestricted investment earnings (loss)	(9,474)	56,068	46,594	908	77,447
Gain on sale of capital assets	113,037	-	113,037	-	-
Special Item	-	-	-	-	1,358,904
Transfers	625,914	(625,914)	-	-	-
Contribution to endowment	3,851	-	3,851	-	-
Total general revenues, transfers and contributions	<u>19,005,541</u>	<u>(569,846)</u>	<u>18,435,695</u>	<u>3,407,826</u>	<u>1,436,351</u>
Change in net position	6,438,458	4,138,227	10,576,685	1,133,568	3,482,746
Net position, beginning of year	<u>42,071,532</u>	<u>74,816,527</u>	<u>116,888,059</u>	<u>4,658,266</u>	<u>78,057,530</u>
Net position, end of year	<u>\$ 48,509,990</u>	<u>\$ 78,954,754</u>	<u>\$ 127,464,744</u>	<u>\$ 5,791,834</u>	<u>\$ 81,540,276</u>

Concluded

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

CITY OF TRAVERSE CITY, MICHIGAN
Balance Sheet
Governmental Funds
June 30, 2021

	Special Revenue			Capital Projects	
	General Fund	Major Streets Fund	Local Streets Fund	Capital Projects	Boardman Lake Trail Construction
ASSETS					
Assets					
Cash and cash equivalents	\$ 72,144	\$ 678,495	\$ -	\$ 226,264	\$ 2,894,933
Investments	10,501,607	-	-	85,122	-
Receivables					
Accounts	362,205	637	290	2,185,679	-
Taxes	-	-	-	-	-
Special assessments	-	-	-	-	-
Accrued interest	5,954	-	-	-	-
Due from other governments	301,116	289,095	80,043	275,000	-
Due from other funds	-	-	-	2,000,000	-
Inventory	102,112	-	-	-	-
Prepaid items and other assets	438,238	-	-	-	-
Advances to other funds	625,000	-	-	-	-
Advances to component units	800,000	-	-	-	-
Total assets	\$ 13,208,376	\$ 968,227	\$ 80,333	\$ 4,772,065	\$ 2,894,933
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE					
Liabilities					
Accounts payable	\$ 370,654	\$ 18,454	\$ 1,978	\$ 436,611	\$ 563,782
Accrued and other liabilities	313,775	954	789	-	-
Due to other funds	2,981,117	-	77,566	-	-
Deposits payable	445,775	-	-	-	-
Unearned revenue	1,121	-	-	34,826	-
Advance from component unit	-	-	-	166,630	-
Total liabilities	4,112,442	19,408	80,333	638,067	563,782
Deferred inflows of resources					
Unavailable revenue	-	-	-	1,573,575	-
Fund balance					
Nonspendable					
Inventory	102,112	-	-	-	-
Prepaid items	438,238	-	-	-	-
Advance to other funds	625,000	-	-	-	-
Advance to component unit	800,000	-	-	-	-
Brown bridge trust	-	-	-	-	-
Cemetery perpetual care	-	-	-	-	-
Restricted					
Debt service	-	-	-	-	-
Streets and highways	-	948,819	-	-	-
Joint planning	-	-	-	-	-
Capital improvements	-	-	-	-	2,331,151
Public safety training	-	-	-	-	-
Public welfare or civic improvement organizations	-	-	-	-	-
Act 345 retirement	-	-	-	-	-
Committed					
Budget stabilization	799,387	-	-	-	-
Capital improvements	-	-	-	2,560,423	-
Assigned					
Subsequent year budget	624,400	-	-	-	-
Unassigned	5,706,797	-	-	-	-
Total fund balance	9,095,934	948,819	-	2,560,423	2,331,151
Total liabilities, deferred inflows of resources and fund balance	\$ 13,208,376	\$ 968,227	\$ 80,333	\$ 4,772,065	\$ 2,894,933

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

Sidewalk Construction	Permanent Brown Bridge Trust Fund	Nonmajor Governmental Funds	Total
\$ 1,444,520	\$ 3,944,186	\$ 3,469,283	\$ 12,729,825
-	8,260,905	688,745	19,536,379
-	-	17,387	2,566,198
-	-	3,669	3,669
-	-	161,478	161,478
-	110,325	4,099	120,378
-	-	5,400	950,654
-	-	1,305,027	3,305,027
-	-	-	102,112
-	-	-	438,238
-	-	-	625,000
-	-	-	800,000
\$ 1,444,520	\$ 12,315,416	\$ 5,655,088	\$ 41,338,958

\$ 669,648	\$ -	\$ 1,920	\$ 2,063,047
-	-	261	315,779
-	-	5,400	3,064,083
-	-	-	445,775
-	-	5,813	41,760
-	-	165	166,795
669,648	-	13,559	6,097,239

-	-	161,132	1,734,707
---	---	---------	-----------

-	-	-	102,112
-	-	-	438,238
-	-	-	625,000
-	-	-	800,000
-	12,315,416	-	12,315,416
-	-	771,455	771,455
-	-	4,674	4,674
-	-	-	948,819
-	-	20,140	20,140
774,872	-	673,400	3,779,423
-	-	7,766	7,766
-	-	2,795,192	2,795,192
-	-	479,132	479,132
-	-	-	799,387
-	-	728,638	3,289,061
-	-	-	624,400
-	-	-	5,706,797
774,872	12,315,416	5,480,397	33,507,012
\$ 1,444,520	\$ 12,315,416	\$ 5,655,088	\$ 41,338,958

Continued.....

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

CITY OF TRAVERSE CITY, MICHIGAN
Balance Sheet
Governmental Funds
June 30, 2021

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

Fund balances - total governmental funds	\$ 33,507,012
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources, and therefore are not reported in the funds.	
Add: capital assets	102,253,702
Subtract: accumulated depreciation	(56,401,722)
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	755,821
Add: deferred outflow of resources - pension	3,413,219
Add: deferred outflow of resources - other post employment benefits	615,090
Add: unavailable revenue	1,734,707
Internal service funds are used by management to charge the costs of certain equipment usage to individual funds. The assets and liabilities of the internal service fund are included in governmental and business-type activities in the statement of net position.	
Add: net position of governmental activities accounted for in internal service fund	9,687,237
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	180,600
Subtract: deferred bond premium - Hardy Deck	(13,085)
Subtract: deferred inflow of resources - pension	(6,313,627)
Subtract: deferred inflow of resources - other post employment benefits	(837,468)
Subtract: net pension liability	(22,233,891)
Subtract: net other post employment benefit liability	(4,673,856)
Subtract: bonds payable	(12,440,000)
Subtract: compensated absences	(637,466)
Subtract: accrued interest on long-term liabilities	(86,283)
Net position of governmental activities	\$ 48,509,990

Concluded

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

CITY OF TRAVERSE CITY, MICHIGAN
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2021

	Special Revenue Funds			Capital Projects	
	General	Major Streets	Local Streets	Capital Projects	Boardman Lake Trail Construction
Revenues					
Property taxes and special assessments	\$ 12,223,174	\$ -	\$ -	\$ -	\$ -
Licenses and permits	457,519	-	-	-	-
Federal sources	837,265	-	-	372,471	-
State sources	1,862,068	1,609,584	561,029	-	-
Local sources	1,663,713	-	-	-	-
Charges for services	475,317	-	-	-	-
Fines and forfeits	1,920	-	-	-	-
Contributions	96,023	-	-	849,716	34,905
Reimbursement	533,038	5,626	-	9,300	-
Investment and interest income (loss)	(21,249)	75	-	503	2,162
Other revenue	506,661	-	-	-	-
Total revenues	18,635,449	1,615,285	561,029	1,231,990	37,067
Expenditures					
Current expenditures					
General government	4,266,146	-	-	-	-
Public safety	7,732,304	-	-	-	-
Public works	2,332,253	1,265,723	1,045,102	719,602	-
Recreation and Culture	2,217,500	-	-	-	-
Capital outlay	90,288	-	-	1,013,258	978,088
Debt service					
Principal	-	-	-	-	-
Interest expense and fiscal charges	-	-	-	-	-
Total expenditures	16,638,491	1,265,723	1,045,102	1,732,860	978,088
Excess (deficiency) of revenues over expenditures	1,996,958	349,562	(484,073)	(500,870)	(941,021)
Other financing sources (uses)					
Transfers in	1,372,485	-	484,073	1,040,666	-
Transfers out	(2,224,267)	-	-	-	(285,000)
Total other financing sources (uses)	(851,782)	-	484,073	1,040,666	(285,000)
Net change in fund balances	1,145,176	349,562	-	539,796	(1,226,021)
Fund balance, beginning of year	7,950,758	599,257	-	2,020,627	3,557,172
Fund balance, end of year	\$ 9,095,934	\$ 948,819	\$ -	\$ 2,560,423	\$ 2,331,151

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

	Permanent		
Sidewalk Construction	Brown Bridge Trust	Nonmajor Governmental Funds	Total
\$ -	\$ -	\$ 2,393,729	\$ 14,616,903
-	-	-	457,519
-	-	-	1,209,736
-	-	26,777	4,059,458
-	-	983,364	2,647,077
-	-	170,656	645,973
-	-	-	1,920
-	-	1,055,505	2,036,149
-	-	-	547,964
1,067	49,197	4,496	36,251
-	-	-	506,661
<u>1,067</u>	<u>49,197</u>	<u>4,634,527</u>	<u>26,765,611</u>
-	-	14,070	4,280,216
-	-	2,380,153	10,112,457
266	-	3,373	5,366,319
-	-	-	2,217,500
1,783,871	-	-	3,865,505
-	-	1,270,000	1,270,000
-	-	371,392	371,392
<u>1,784,137</u>	<u>-</u>	<u>4,038,988</u>	<u>27,483,389</u>
<u>(1,783,070)</u>	<u>49,197</u>	<u>595,539</u>	<u>(717,778)</u>
-	-	658,215	3,555,439
-	(340,108)	(80,150)	(2,929,525)
-	(340,108)	578,065	625,914
(1,783,070)	(290,911)	1,173,604	(91,864)
<u>2,557,942</u>	<u>12,606,327</u>	<u>4,306,793</u>	<u>33,598,876</u>
<u>\$ 774,872</u>	<u>\$ 12,315,416</u>	<u>\$ 5,480,397</u>	<u>\$ 33,507,012</u>

Continued.....

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

CITY OF TRAVERSE CITY, MICHIGAN
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2021

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

Net change in fund balances - total governmental funds \$ (91,864)

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

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

Add: capital outlay	3,865,505
Subtract: depreciation expense	(1,559,018)

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

Add: current principal debt payment	1,270,000
Add: amortization of premium	2,013
Subtract: Amortization of deferred loss on refunding	(27,659)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following year.

Add: increase in deferred contributions and special assessment receivables	1,335,198
--	-----------

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Add: increase in other post employment benefit asset, deferred outflow and deferred inflows	3,042
Add: decrease in compensated absences payable	20,290
Add: decrease in accrued interest payable	8,885
Add: change in net pension liability, deferred outflows and deferred inflows	1,104,340
Add: change in net other post employment benefit liability, deferred outflows and deferred inflows	81,101

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

Add: interest income from governmental internal service fund	394
Add: gain on disposal of capital assets in governmental internal service fund	113,000
Add: net operating income from governmental activities accounted for in internal service fund	313,231

Change in net position of governmental activities	\$ 6,438,458
--	---------------------

Concluded

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

CITY OF TRAVERSE CITY, MICHIGAN
Statement of Net Position
Proprietary Funds
June 30, 2021

	Business-type Activities - Enterprise Funds			
	Wastewater	Water	Hickory Hills	Marina
Assets				
Current assets				
Cash and cash equivalents	\$ -	\$ 482,377	\$ 152,109	\$ 634,868
Investments	-	3,025,496	-	-
Receivables				
Accounts	1,120,205	1,058,840	-	6,171
Interest	-	5,494	-	-
Inventory	-	63,028	-	30,636
Prepaid cost and other assets	251,457	11,235	-	-
Total current assets	<u>1,371,662</u>	<u>4,646,470</u>	<u>152,109</u>	<u>671,675</u>
Noncurrent assets				
Other post employment benefits	29,126	58,323	-	-
Capital assets not being depreciated	1,542,225	4,853,416	1,751,461	8,412,302
Capital assets being depreciated	21,959,126	11,201,445	3,844,791	443,542
Total noncurrent assets	<u>23,530,477</u>	<u>16,113,184</u>	<u>5,596,252</u>	<u>8,855,844</u>
Total assets	<u>24,902,139</u>	<u>20,759,654</u>	<u>5,748,361</u>	<u>9,527,519</u>
Deferred outflows				
Deferred outflow of resources - pensions	301,698	535,083	1,962	18,773
Deferred outflow of resources - other post employment benefits	5,339	35,264	-	-
Total deferred outflows	<u>307,037</u>	<u>570,347</u>	<u>1,962</u>	<u>18,773</u>
Liabilities				
Current liabilities				
Accounts payable	93,580	232,797	1,682	84,828
Accrued and other liabilities	21,459	25,903	-	16,959
Due to other funds	240,944	-	-	-
Current portion of compensated absences	1,577	6,472	-	-
Current portion of long-term debt	1,273,219	-	-	-
Total current liabilities	<u>1,630,779</u>	<u>265,172</u>	<u>1,682</u>	<u>101,787</u>
Long-term liabilities				
Advance from other funds	-	-	-	625,000
Net pension liability	1,300,182	2,487,178	313	126,508
Compensated absences	43,532	49,300	-	-
Total long-term liabilities	<u>1,343,714</u>	<u>2,536,478</u>	<u>313</u>	<u>751,508</u>
Total liabilities	<u>2,974,493</u>	<u>2,801,650</u>	<u>1,995</u>	<u>853,295</u>
Deferred inflows				
Deferred inflow of resources - pensions	258,148	392,814	3,291	21,019
Deferred inflow of resources - other post employment benefits	2,074	28,398	-	-
Deferred gain on refunding	100,129	-	-	-
Total deferred inflows	<u>360,351</u>	<u>421,212</u>	<u>3,291</u>	<u>21,019</u>
Net Position				
Net investment in capital assets	22,228,132	16,054,861	5,596,252	8,230,844
Unrestricted (deficit)	(353,800)	2,052,278	148,785	441,134
Total net position	<u>\$ 21,874,332</u>	<u>\$ 18,107,139</u>	<u>\$ 5,745,037</u>	<u>\$ 8,671,978</u>

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

<u>Automobile Parking System</u>	<u>Total</u>	<u>Governmental Activities - Internal Service Fund</u>
\$ 1,892,801	\$ 3,162,155	\$ 3,079,920
5,860,910	8,886,406	-
34,703	2,219,919	7,650
16,589	22,083	-
-	93,664	183,696
-	262,692	715,710
<u>7,805,003</u>	<u>14,646,919</u>	<u>3,986,976</u>
-	87,449	87,449
3,136,326	19,695,730	526,580
13,566,292	51,015,196	7,129,722
<u>16,702,618</u>	<u>70,798,375</u>	<u>7,743,751</u>
<u>24,507,621</u>	<u>85,445,294</u>	<u>11,730,727</u>
23,624	881,140	375,233
-	40,603	40,603
<u>23,624</u>	<u>921,743</u>	<u>415,836</u>
105,133	518,020	102,743
1,709	66,030	16,955
-	240,944	-
-	8,049	-
-	1,273,219	-
<u>106,842</u>	<u>2,106,262</u>	<u>119,698</u>
-	625,000	-
142,527	4,056,708	1,710,039
169	93,001	32,831
<u>142,696</u>	<u>4,774,709</u>	<u>1,742,870</u>
<u>249,538</u>	<u>6,880,971</u>	<u>1,862,568</u>
8,969	684,241	282,756
-	30,472	30,472
-	100,129	-
<u>8,969</u>	<u>814,842</u>	<u>313,228</u>
16,702,618	68,812,707	7,656,302
7,570,120	9,858,517	2,314,465
<u>\$ 24,272,738</u>	<u>\$ 78,671,224</u>	<u>\$ 9,970,767</u>

Continued....

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

CITY OF TRAVERSE CITY, MICHIGAN
Statement of Net Position
Proprietary Funds
June 30, 2021

**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 \$ 78,671,224

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 283,530

Net position of business-type activities **\$ 78,954,754**

Concluded

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

CITY OF TRAVERSE CITY, MICHIGAN
Statement of Revenues, Expenses
and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2021

	Business-type Activities - Enterprise Funds			
	Wastewater	Water	Hickory Hills	Marina
Operating revenues				
Charges for services	\$ 8,217,879	\$ 5,074,185	\$ 243,322	\$ 710,131
Interdepartmental	-	-	-	-
Other revenue	183,795	88,543	23,469	13,470
Total operating revenues	<u>8,401,674</u>	<u>5,162,728</u>	<u>266,791</u>	<u>723,601</u>
Operating expenses				
Personnel services	904,173	1,273,736	151,555	104,577
Commodities	22,122	148,086	50,330	7,898
Contractual services	4,353,588	478,721	72,267	193,419
Other charges	226,063	546,529	225,751	70,705
Depreciation and amortization	633,767	474,644	132,316	109,172
Total operating expenses	<u>6,139,713</u>	<u>2,921,716</u>	<u>632,219</u>	<u>485,771</u>
Operating income	<u>2,261,961</u>	<u>2,241,012</u>	<u>(365,428)</u>	<u>237,830</u>
Nonoperating revenues (expenses)				
Federal Grants	76,932	-	-	-
Reimbursements	339	5,964	-	-
Investment income (loss)	38	(18,283)	-	60
Interest expense and fiscal charges	(48,954)	-	-	(25,773)
Gain (loss) on sale of capital assets	-	-	-	-
Total nonoperating revenues (expenses)	<u>28,355</u>	<u>(12,319)</u>	<u>-</u>	<u>(25,713)</u>
Income before transfers	<u>2,290,316</u>	<u>2,228,693</u>	<u>(365,428)</u>	<u>212,117</u>
Transfers In	-	-	333,500	-
Transfers out	(414,766)	(260,833)	-	(36,183)
Total capital contributions and transfers	<u>(414,766)</u>	<u>(260,833)</u>	<u>333,500</u>	<u>(36,183)</u>
Change in net position	1,875,550	1,967,860	(31,928)	175,934
Net position, beginning of year	19,998,782	16,139,279	5,776,965	8,496,044
Net position, end of year	<u>\$ 21,874,332</u>	<u>\$ 18,107,139</u>	<u>\$ 5,745,037</u>	<u>\$ 8,671,978</u>

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

Automobile		Governmental	
Parking System	Total	Activities - Internal	Service Fund
\$ 2,363,292	\$ 16,608,809	\$ -	-
-	-	3,583,135	-
26,770	336,047	33,466	-
<u>2,390,062</u>	<u>16,944,856</u>	<u>3,616,601</u>	
10,780	2,444,821	853,556	
47,382	275,818	442,375	
1,155,813	6,253,808	226,700	
437,832	1,506,880	208,847	
460,461	1,810,360	1,525,513	
<u>2,112,268</u>	<u>12,291,687</u>	<u>3,256,991</u>	
<u>277,794</u>	<u>4,653,169</u>	<u>359,610</u>	
-	76,932	-	
16	6,319	-	
74,253	56,068	394	
-	(74,727)	-	
<u>-</u>	<u>-</u>	<u>113,000</u>	
<u>74,269</u>	<u>64,592</u>	<u>113,394</u>	
<u>352,063</u>	<u>4,717,761</u>	<u>473,004</u>	
-	333,500	-	
<u>(247,632)</u>	<u>(959,414)</u>	<u>-</u>	
<u>(247,632)</u>	<u>(625,914)</u>	<u>-</u>	
104,431	4,091,847	473,004	
<u>24,168,307</u>	<u>74,579,377</u>	<u>9,497,763</u>	
<u>\$ 24,272,738</u>	<u>\$ 78,671,224</u>	<u>\$ 9,970,767</u>	

Continued.....

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

CITY OF TRAVERSE CITY, MICHIGAN
Statement of Revenues, Expenses
and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2021

**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	\$ 4,091,847
<p>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.</p>	
Add: net operating income of the internal service fund attributable to business-type activities	<u>46,379</u>
Change in net position of business-type activities	<u><u>\$ 4,138,226</u></u>
	Concluded

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

CITY OF TRAVERSE CITY, MICHIGAN
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2021

	Business-type - Enterprise Funds			
	Wastewater	Water	Hickory Hills	Marina
Cash flows from operating activities				
Cash received from customers	\$ 8,315,296	\$ 4,947,726	\$ 266,791	\$ 720,690
Cash received from interfund services	-	-	-	-
Cash payments to suppliers for goods and services	(5,142,022)	(1,063,451)	(356,635)	(267,215)
Cash payments to employees for services	(903,111)	(1,266,303)	(151,631)	(96,872)
Net cash provided by operating activities	2,270,163	2,617,972	(241,475)	356,603
Cash flows from non-capital financing activities				
Cash payments from (to) other funds	240,944	-	-	(75,000)
Cash payments for city fee	(414,766)	(260,833)	-	(36,183)
Cash received from reimbursements	339	5,964	-	-
Cash received from operating transfers	-	-	333,500	-
Net cash provided by (used in) non-capital financing activities	(173,483)	(254,869)	333,500	(111,183)
Cash flows from capital and related financing activities				
Cash payments from federal government	76,932	-	-	-
Cash payments from state government	-	-	-	-
Principal payments	(1,316,138)	-	-	-
Interest payments	(53,303)	-	-	(25,773)
Purchases of capital assets	(963,826)	(1,588,363)	(21,994)	-
Proceeds from sale of capital assets	-	-	-	-
Net cash (used in) capital and related financing activities	(2,256,335)	(1,588,363)	(21,994)	(25,773)
Cash flows from investing activities				
Interest received	38	(23,515)	-	60
Purchase of investments	-	-	-	-
Sale (purchase) of investments	-	(1,972,735)	-	-
Net cash provided by investing activities	38	(1,996,250)	-	60
Net increase (decrease) in cash and cash equivalents	(159,617)	(1,221,510)	70,031	219,707
Cash and cash equivalents, beginning of year	159,617	1,703,887	82,078	415,161
Cash and cash equivalents, end of year	\$ -	\$ 482,377	\$ 152,109	\$ 634,868
Statement of net position classification of cash and cash equivalents				
Cash and cash equivalents	\$ -	\$ 482,377	\$ 152,109	\$ 634,868

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

<u>Automobile Parking System</u>	<u>Total</u>	<u>Governmental Activities - Internal Service Fund</u>
\$ 2,384,397	\$ 16,634,900	\$ -
-	-	3,616,601
(1,562,691)	(8,392,014)	(1,551,119)
<u>(10,719)</u>	<u>(2,428,636)</u>	<u>(850,631)</u>
810,987	5,814,250	1,214,851
-	165,944	-
(247,632)	(959,414)	-
16	6,319	-
<u>-</u>	<u>333,500</u>	<u>-</u>
(247,616)	(453,651)	-
-	76,932	-
-	-	-
-	(1,316,138)	-
-	(79,076)	-
(54,090)	(2,628,273)	(746,579)
<u>-</u>	<u>-</u>	<u>180,813</u>
(54,090)	(3,946,555)	(565,766)
63,266	39,849	394
-	-	-
<u>(2,832,424)</u>	<u>(4,805,159)</u>	<u>-</u>
(2,769,158)	(4,765,310)	394
(2,259,877)	(3,351,266)	649,479
<u>4,152,678</u>	<u>6,513,421</u>	<u>2,430,441</u>
\$ 1,892,801	\$ 3,162,155	\$ 3,079,920
<u>\$ 1,892,801</u>	<u>\$ 3,162,155</u>	<u>\$ 3,079,920</u>

Continued.....

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

CITY OF TRAVERSE CITY, MICHIGAN
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2020

	Business-type - Enterprise Funds			
	Wastewater	Water	Hickory Hills	Marina
Reconciliation of operating income to net cash provided by operating activities				
Operating income	\$ 2,261,961	\$ 2,241,012	\$ (365,428)	\$ 237,830
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation and amortization	633,767	474,644	132,316	109,172
Changes in assets and liabilities				
Accounts receivables	(86,378)	(215,002)	-	(2,911)
Prepaid cost and other assets	(227,779)	2,418	-	-
Inventory	-	4,542	-	(18,464)
Deferred outflows - pension	(24,360)	(63,627)	-	7,779
Deferred outflows - other post employment benefits	-	(24,586)	-	-
Accounts payable	(312,470)	102,854	(8,287)	23,271
Accrued and other liabilities	(4,361)	(1,114)	(76)	7,705
Net pension liability	20,037	56,488	-	(7,779)
Deferred inflows - pension	9,746	16,092	-	-
Deferred inflows - other post employment benefits	-	24,251	-	-
Net cash provided by operating activities	<u>\$ 2,270,163</u>	<u>\$ 2,617,972</u>	<u>\$ (241,475)</u>	<u>\$ 356,603</u>

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

<u>Automobile Parking System</u>	<u>Total</u>	<u>Governmental Activities - Internal Service Fund</u>
\$ 277,794	\$ 4,653,169	\$ 359,610
460,461	1,810,360	1,525,513
(5,665)	(309,956)	-
-	(225,361)	(714,881)
-	(13,922)	(23,464)
(118)	(80,326)	(41,744)
-	(24,586)	(24,586)
78,336	(116,296)	65,977
44	2,198	(4,016)
104	68,850	36,603
31	25,869	11,588
-	24,251	24,251
<u>\$ 810,987</u>	<u>\$ 5,814,250</u>	<u>\$ 1,214,851</u>

Concluded

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

CITY OF TRAVERSE CITY, MICHIGAN
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2021

	Pension and Other Post Employment Trust Funds	Custodial Funds
Assets		
Cash and cash equivalents	\$ 3,471,405	\$ 344,122
Investments, at fair value		
Fixed income mutual funds	8,673,114	-
Domestic equities	12,489,996	-
International equities	6,512,341	-
Real estate	3,447,051	-
Other	10,658,953	-
MERS total market fund	2,380,575	-
Receivables		
Accounts	58,576	-
Accrued interest	11,062	-
Total assets	47,703,073	\$ 344,122
Liabilities		
Accrued and other liabilities	108,747	\$ -
Due to other governmental units	-	344,122
Total liabilities	108,747	\$ 344,122
Net Position		
Held in trust for pension benefits and other postemployment benefit	\$ 47,594,326	\$ -

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

CITY OF TRAVERSE CITY, MICHIGAN
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2021

	Pension and Other Post Employment Trust Funds	Custodial Funds
Additions:		
Contributions		
City contributions	\$ 2,970,059	\$ -
Employee contributions	71,472	-
Property taxes collected	-	52,586,183
	<u>3,041,531</u>	<u>52,586,183</u>
Total contributions		
Investment earnings		
Interest and dividends	368,745	-
Net increase in fair value of investments	10,357,981	-
Investment advisor fees	(115,753)	-
	<u>10,610,973</u>	<u>-</u>
Net investment earnings		
	<u>13,652,504</u>	<u>52,586,183</u>
Total additions:		
Deductions		
Pension benefits paid	3,370,417	-
Health insurance premiums paid	137,871	-
Administrative expense	39,564	-
Property taxes distributed	-	52,586,183
	<u>3,547,852</u>	<u>52,586,183</u>
Total deduction:		
	<u>10,104,652</u>	<u>-</u>
Net increase (decrease) in net position		
Net position, beginning of year	<u>37,145,552</u>	<u>-</u>
Net position, end of year	<u><u>\$ 47,250,204</u></u>	<u><u>\$ -</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

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

Discretely presented component units

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

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

Downtown Development Authority (the “DDA”)

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

Traverse City Light and Power (the “Department”)

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

These discretely presented component units are presented in the statement of net position and statement of activities. They are legally separate, and while the City is not responsible for the operations of the entities, the City is financially accountable for them. In addition, the City appoints the DDA’s Board of Trustees and the Department’s Board of Directors. The budgets of these entities must be approved by the City Commission and the City has the ability to significantly influence their operations.

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

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

Traverse Area District Library

City of Traverse City and Garfield Township Recreational Authority

Traverse City Housing Commission

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

NOTES TO THE FINANCIAL STATEMENTS

Joint operation

The City entered into a master sewer agreement effective July 1, 1987 and amended 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*.

NOTES TO THE FINANCIAL STATEMENTS

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. 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.

NOTES TO THE FINANCIAL STATEMENTS

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

The *Sidewalk Construction Fund* accounts for the expenditure of bond proceeds related to Sidewalk Rehabilitation and Sidewalk Gap/Infill construction projects.

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

The government reports the following major proprietary funds:

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

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

The *Hickory Hills Fund* accounts for activities at the Hickory Hills Recreational Facility.

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

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

Additionally, the government reports the following fund types:

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS

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 and prepaid items*

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. The cost of inventories has been accounted for following the consumption method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items are recorded as expenditures/expenses when consumed rather than when purchased.

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.

NOTES TO THE FINANCIAL STATEMENTS

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. No interest was capitalized in the current year. 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.

NOTES TO THE FINANCIAL STATEMENTS

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 expenditures/expenses regardless of fund or activity.

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.

NOTES TO THE FINANCIAL STATEMENTS

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.

10. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense; information about the fiduciary net position of the Municipal Employees Retirement System (MERS) of Michigan and additions to/deductions from MERS' fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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.

NOTES TO THE FINANCIAL STATEMENTS

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:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>	<u>Component Units</u>	<u>Component Units - Fiduciary</u>
Cash and Equivalents	\$ 15,809,745	\$ 3,162,155	\$ 3,471,405	\$ 22,443,305	\$ 9,123,393	\$ -
Investments	<u>19,536,379</u>	<u>8,886,406</u>	<u>44,162,030</u>	<u>72,584,815</u>	<u>10,327,950</u>	<u>5,005,497</u>
Total	<u>\$ 35,346,124</u>	<u>\$ 12,048,561</u>	<u>\$ 47,633,435</u>	<u>\$95,028,120</u>	<u>\$ 19,451,343</u>	<u>\$ 5,005,497</u>

Cash and cash equivalents reported above include \$11,660 of cash on hand that is not considered deposits or investments for footnote purposes.

The breakdown between cash and investments is as follows:

Cash on hand	\$ 11,660
Primary government and component unit checking and deposit accounts	30,588,154
Primary government and component unit investments	36,246,214
Fiduciary funds checking and deposit accounts	3,471,405
Fiduciary funds investments	<u>49,167,527</u>
	<u>\$ 119,484,960</u>

NOTES TO THE FINANCIAL STATEMENTS
Investments

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

Investment	Maturity	Fair Value	Rating
Michigan CLASS Investment Pool	na	\$ 189,977	AAAm
US Treasury	2/15/2022	1,015,160	Aaa
Walt Disney Comm Paper	5/27/2022	1,197,432	na
US Treasury	6/30/2022	1,020,160	Aaa
US Treasury	6/30/2022	1,016,370	Aaa
US Treasury	2/15/2024	530,975	Aaa
US Treasury	2/15/2024	318,585	Aaa
US Treasury	2/15/2024	94,704	Aaa
US Treasury	2/29/2024	789,525	Aaa
US Treasury	3/31/2024	52,346	Aaa
US Treasury	9/30/2024	1,031,840	Aaa
US Treasury	5/15/2025	1,056,170	Aaa
US Treasury	6/30/2025	540,900	Aaa
US Treasury	6/30/2025	270,450	Aaa
Federal Home Loan Mortgage Bond	6/30/2025	990,550	Aaa
Federal Home Loan Mortgage Bond	10/15/2025	4,940,600	Aaa
Federal Home Loan Mortgage Bond	10/29/2025	1,972,620	Aaa
Federal Home Loan Mortgage Bond	10/29/2025	986,310	Aaa
Federal Home Loan Mortgage Bond	12/15/2025	1,243,125	Aaa
Federal Farm CR BKS Bond	2/17/2026	252,215	Aaa
US Treasury	7/31/2026	1,049,570	Aaa
Federal Farm CR BKS Bond	1/22/2027	1,959,040	Aaa
Federal Farm CR BKS Bond	1/22/2027	1,959,040	Aaa
Federal Farm CR BKS Bond	4/27/2027	1,982,100	Aaa
Federal Farm CR BKS Bond	4/27/2027	2,973,150	Aaa
Federal Farm CR BKS Bond	4/27/2027	991,050	Aaa
Federal Home Loan Mortgage Bond	6/4/2027	991,130	Aaa
Federal Home Loan Mortgage Bond	3/25/2030	1,000,000	Aaa
Federal Home Loan Mortgage Bond	10/29/2030	1,915,560	Aaa
Federal Home Loan Mortgage Bond	10/29/1930	1,915,560	Aaa
Total		<u>\$ 36,246,214</u>	

NOTES TO THE FINANCIAL STATEMENTS

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

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

- US Treasury Notes, FHLB Bonds, Federal Farm Credit Bonds and commercial paper are valued using quoted market prices (Level 1 inputs).
- The Michigan Class Pool 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, \$11,997,422 of the City's bank balance (including the primary government, component units and a portion of the fiduciary funds) of \$35,723,715 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 \$36,246,214 of investments, the City has a custodial credit risk exposure of \$36,056,237 because the related securities are uninsured, unregistered and held by the government's brokerage firm which is also the counterparty for

NOTES TO THE FINANCIAL STATEMENTS

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

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

Deposits and Investments - Pension and Other Post Employment Benefit Funds

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

Deposits - The Act 345 pension trust fund and Act 345 retiree health trust fund have money market cash deposits held by the investment bank with a bank balance of \$130,943, of which \$130,943 is insured and \$0 is not insured or collateralized.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

Of the below \$49,167,527 of investments, the Act 345 pension trust fund and the post employment benefit trust funds have a custodial credit risk exposure of \$49,167,527 because the related securities are uninsured, unregistered and held by the government's brokerage firm which is also the counterparty for these particular securities. The custodial credit risk for balances in investment pools cannot be determined because the investments are not evidenced by specific identifiable securities.

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

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

- Fixed income mutual funds, equity stocks and equity mutual funds are valued using quoted market prices (Level 1 inputs).
- The equity common trust and the MERS Total Market Fund are valued using a pricing model utilizing observable fair value measures of fund/pool investments and other observable inputs to determining the fair value of the securities making up the of investments fund/pool (Level 2 inputs).
- The alternative real estate and private equity real estate, being primarily investments in real property, are valued using (amongst other factors) comparable sales information and appraisals (Level 3 inputs).

The trust funds' investments are held in bank-administered trust funds and a MERS trust account. Following is a summary of the System's investments as of June 30, 2021:

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

MERS total market fund	\$	7,386,072
Alternative real estate		2,327,631
Equity - common trust		9,876,523
Equity - mutual funds		12,317,859
Equity - stocks		6,684,479
Fixed income - mutual funds		8,673,114
Private equity real estate		1,901,849

Total	\$	49,167,527

NOTES TO THE FINANCIAL STATEMENTS
B. Capital assets

Capital assets activity for the year ended June 30, 2021 was as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not depreciated:				
Land & Improvements	\$ 10,394,767	\$ -	\$ -	\$ 10,394,767
Construction in progress	5,000,024	3,775,217	3,359,517	5,415,724
Total	15,394,791	3,775,217	3,359,517	15,810,491
Capital assets being depreciated:				
Land improvements	8,304,359	486,842	-	8,791,201
Infrastructure	57,932,005	2,730,400	-	60,662,405
Buildings and improvements	17,762,510	142,276	-	17,904,786
Machinery and equipment	19,672,098	836,868	769,971	19,738,995
Total	103,670,972	4,196,386	769,971	107,097,387
Less accumulated depreciation:				
Land improvements	2,120,077	296,787		2,416,864
Infrastructure	40,629,660	943,303		41,572,963
Buildings and improvements	12,129,039	300,726		12,429,765
Machinery and equipment	12,138,445	1,543,716	702,157	12,980,004
Total accumulated depreciation	67,017,221	3,084,532	702,157	69,399,596
Total assets being depreciated, net	36,653,751	1,111,854	67,814	37,697,791
Governmental activities, net	\$ 52,048,542	\$ 4,887,071	\$ 3,427,331	\$ 53,508,282

NOTES TO THE FINANCIAL STATEMENTS

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not depreciated:				
Land & Improvements	\$ 11,957,420			\$ 11,957,420
Construction in progress	8,809,421	2,495,602	3,566,713	7,738,310
Total	20,766,841	2,495,602	3,566,713	19,695,730
Capital assets being depreciated:				
Building and improvements	55,166,886	1,053,833	-	56,220,719
Land improvements	3,971,943	-	-	3,971,943
Infrastructure	18,808,668	2,478,152	-	21,286,820
Machinery and equipment	3,642,636	167,399	-	3,810,035
Total	81,590,133	3,699,384	-	85,289,517
Less accumulated depreciation:				
Building and improvements	20,963,685	1,212,008	-	22,175,693
Land improvements	2,728,593	168,243	-	2,896,836
Infrastructure	7,294,478	304,526	-	7,599,004
Machinery and equipment	1,477,205	125,583	-	1,602,788
Total accumulated depreciation	32,463,961	1,810,360	-	34,274,321
Total assets being depreciated, net	49,126,172	1,889,024	-	51,015,196
Business-type activities, net	\$ 69,893,013	\$ 4,384,626	\$3,566,713	\$ 70,710,926

NOTES TO THE FINANCIAL STATEMENTS
Component Units

	Beginning Balance	Increases	Decreases	Ending Balance
Light and Power Component Unit				
Capital assets not depreciated:				
Land	\$ 1,071,410	\$ -	\$ -	\$ 1,071,410
Construction in progress	3,671,515	4,199,720	7,417,360	453,875
Total	4,742,925	4,199,720	7,417,360	1,525,285
Capital assets being depreciated:				
Building and improvements	5,836,798	15,175	-	5,851,973
Equipment and distribution system	91,804,920	6,154,508	1,342,919	96,616,509
Fiber system	1,881,543	3,847,323	-	5,728,866
WiFi system	501,863	-	-	501,863
Total	100,025,124	10,017,006	1,342,919	108,699,211
Less accumulated depreciation:				
Building and improvements	2,302,032	176,879	-	2,478,911
Equipment and distribution system	29,964,608	2,962,386	1,192,652	31,734,342
Fiber system	1,073,167	181,915	-	1,255,082
WiFi system	275,976	50,186	-	326,162
Total accumulated depreciation	33,615,783	3,371,366	1,192,652	35,794,497
Total assets being depreciated, net	66,409,341	6,645,640	150,267	72,904,714
Light and Power Component Unit, Net	\$ 71,152,266	\$ 10,845,360	\$7,567,627	\$ 74,429,999
Downtown Development Authority Component Unit				
Capital assets not depreciated:				
Land	\$ 120,756	\$ -	\$ -	\$ 120,756

NOTES TO THE FINANCIAL STATEMENTS

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

Governmental activities

General government	\$ 73,265
Public safety	95,620
Public works, including depreciation of general infrastructure assets	958,035
Recreation and culture	432,099
Capital assets held by the government's internal service fund are charged to the various functions based on their usage of the assets	<u>1,525,513</u>

Total depreciation expense – governmental activities **\$ 3,084,532**

Business-type activities

Wastewater	\$ 633,767
Water	474,644
Marina	109,172
Hickory Hills	132,316
Auto parking	<u>460,461</u>

Total depreciation expense – business-type activities **\$ 1,810,360**

Component unit activities

Light and power	<u>\$ 3,371,366</u>
-----------------	----------------------------

NOTES TO THE FINANCIAL STATEMENTS
C. Short term interfund receivables, payables, and transfers

Fund	Inter-fund Receivable	Fund	Inter-fund Payable
Capital Projects	\$ 2,000,000	General Fund	\$ 2,981,117
County Road Commission Projects	1,305,027	Local Street Fund	77,566
		State Domestic Preparedness Fund	5,400
		Wastewater Fund	240,944
	<u>\$ 3,305,027</u>		<u>\$ 3,305,027</u>

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

Interfund Transfers

Fund	Operating Transfer In	Operating Transfer Out	Total
General Fund	1,372,485	\$ 2,224,267	\$ (851,782)
Local Street Fund	484,073	-	484,073
Capital Projects Fund	1,040,666	-	1,040,666
Boardman Lake Trail Construction Fund	-	285,000	(285,000)
Brown Bridge Trust Fund	-	340,108	(340,108)
Non-major Governmental Funds	658,215	80,150	578,065
Wastewater Fund	-	414,766	(414,766)
Water Fund	-	260,833	(260,833)
Hickory Hills Fund	333,500	-	333,500
Marina Fund	-	36,183	(36,183)
Automobile Parking System Fund	-	247,632	(247,632)
	<u>\$ 3,888,939</u>	<u>\$ 3,888,939</u>	<u>\$ -</u>

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

NOTES TO THE FINANCIAL STATEMENTS
D. Long-term debt and accrued compensated absences

The following is a summary of Primary Government bond and lease transactions of the City for the year ended June 30, 2021:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021	Due within one year
Governmental Activities					
Private Placement Bonds and Contracts					
2017 Downtown Development Refunding Bonds, due in annual installments \$540,000 to \$825,000 through April 2028 interest at 4.0% to 4.125%	\$6,495,098	\$ -	\$747,013	\$5,748,085	\$800,000
2018 Capital Improvement Bonds Boardman Lake Trail and Sidewalk Improvements, due in annual installments \$330,000 to 695,000 through October 2033 interest at 3.21%	7,230,000	-	525,000	6,705,000	545,000
Total Private Placement Bonds and Contracts	13,725,098	-	1,272,013	12,453,085	1,345,000
Accrued Compensated Absences	696,304	772,681	798,688	670,297	31,077
Total Governmental Activities	\$14,421,402	\$772,681	\$2,070,701	\$13,123,382	\$1,376,077
Business Type Activities					
Private Placement Bonds and Contracts					
2011 Wastewater Treatment Plant Capital Lease Payable	\$2,503,521	\$ -	\$1,230,302	\$1,273,219	\$1,273,219
Accrued Compensated Absences	109,521	103,372	111,841	101,052	8,049
Total Business Type Activities	\$2,613,042	\$103,372	\$1,342,143	\$1,374,271	\$1,281,268

NOTES TO THE FINANCIAL STATEMENTS

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 \$27,866,916 with accumulated depreciation of \$11,005,078 and a book value of \$16,881,838 at June 30, 2021.

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

<u>Year End June 30,</u>	Governmental Activities		Business Type Activities	
	Private Placement Bonds		Private Placement	Capital Lease Contract
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 1,345,000	337,987	\$ 1,273,219	\$ 50,928
2023	1,425,000	301,827		
2024	1,445,000	263,650	-	-
2025	1,445,000	224,831	-	-
2026	1,445,000	185,828		
2027-2031	4,235,000	443,935	-	-
2032-2034	1,100,000	53,768	-	-
	<u>\$ 12,440,000</u>	<u>\$ 1,811,826</u>	<u>\$ 1,273,219</u>	<u>\$ 50,928</u>

E. Commitments
Primary Government

As part of its ongoing capital improvement plan, The City has entered into various agreements with construction contractors, engineers and consultants. The estimated open balance on the agreements at June 30, 2021 is \$3,203,558.

Component Units
Traverse City Light and Power

The utility has agreements with the MPPA committing it to purchase of up to 2MW of landfill renewable energy from Granger Electric of Michigan, LLC, .65MW of landfill renewable energy from North American Natural Resources, Inc., and 49.6 MW of all energy, capacity, and environmental attributes for solar renewable energy located in Michigan and 3.6 MW of all energy, capacity, and environmental attributes for wind renewable energy located in Michigan. Additionally, through the MPPA Energy Service

NOTES TO THE FINANCIAL STATEMENTS

Committee, the utility has base energy bilateral contracts for the fiscal year beginning July 1, 2021 through December 31, 2022 in the amount of \$1,849,372, and capacity transaction bilateral contracts for the fiscal year beginning July 1, 2021 through December 31, 2030 in the amount of \$2,694,045.

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:

<u>Fiscal Year End</u>	<u>Amount</u>
2022	\$ 931,504
2023	973,160
2024	953,440
2025	913,720
2026	874,459
2027-2028	<u>1,608,198</u>
Total	<u>\$ 6,254,481</u>

The Authority has committed to assist the City with various infrastructure related projects within their boundaries including bridge repairs, streetscapes and river walk improvements. The estimated Authority commitment for projects that have started is \$1,069,910 at June 30, 2021.

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

NOTES TO THE FINANCIAL STATEMENTS

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, 2021, 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, 2021 amounted to \$102,737, 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 2020 adjusted ad valorem taxable value in the City totaled \$1,170,692,267, on which taxes levied consisted of 12.1167 mills for operating purposes and 2.32 mills for Act 345.

Included in the taxable valuation is the Downtown Development Authority ("DDA"). The taxable value for the DDA is \$205,870,771. The DDA general operating tax rate for was 1.64310 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.

NOTES TO THE FINANCIAL STATEMENTS

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, 2020 the most recent actuarial valuation date, membership consisted of:

Retirees and beneficiaries currently receiving benefits	73
Terminated plan members entitled to but not yet receiving benefits	6
Active plan members	<u>52</u>
Total	<u>131</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.

NOTES TO THE FINANCIAL STATEMENTS

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.

NOTES TO THE FINANCIAL STATEMENTS

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, 2021:

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

Concentrations. At June 30, 2021 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, 2021, the annual money-weighted rate of return on pension plan investments, net of pension plan expense, was 30.24%. 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, 2021, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of June 30, 2020.

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2020 with a June 30, 2021 measurement date and reporting date, using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.0%
Projected Salary increases *	3.0%-5.3%
* Includes wage inflation at	2.5%
Cost of living adjustments:	
2.5% of original pension for twenty years, payable to pre July 1, 1990 retirees, 2.5% of original pension or inflation whichever is less for twenty years, payable to Police Captains (effective 1/1/1994) and Police Sergeants (effective 8/1/1998) and Police Patrol (effective 1/1/1999) and Firefighters (effective 7/1/2000)	

NOTES TO THE FINANCIAL STATEMENTS

The mortality tables used were as follows:

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

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

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

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

For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2021, these best estimates are summarized in the following table:

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

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

Single discount rate. A single discount rate of 7.00% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.00%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of

NOTES TO THE FINANCIAL STATEMENTS

return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease <u>6.00%</u>	Current SDR <u>7.00%</u>	1% Increase <u>8.00%</u>
Total Pension Liability	\$ 57,932,166	\$51,389,736	\$45,978,447
Plan Fiduciary Net Position	<u>39,842,123</u>	<u>39,842,123</u>	<u>39,842,123</u>
Net Pension Liability/(Asset)	<u>\$18,090,043</u>	<u>\$11,547,613</u>	<u>\$6,136,324</u>

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2021 the employer recognized pension expense of \$1,231,828. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflow</u>	<u>Deferred Inflow</u>
Difference in Experience	\$ 184,628	\$ -
Difference in Assumption Changes	746,451	-
Difference in Investment Earnings	<u>-</u>	<u>4,479,631</u>
Total	<u>\$ 931,079</u>	<u>\$ 4,479,631</u>

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

	<u>Net Deferred Inflow</u>
2022	\$ 469,681
2023	582,916
2024	1,120,722
2025	<u>1,375,233</u>
Total	<u>\$ 3,548,552</u>

NOTES TO THE FINANCIAL STATEMENTS
Changes in Net Pension Liability:

Fiscal year ending June 30,	2021	2020
Total Pension Liability		
Service Cost	\$ 742,000	\$ 749,125
Interest on the Total Pension Liability	3,429,154	3,335,038
Benefit changes	-	(12,591)
Difference between expected and actual experience of the Total Pension Liability	36,008	105,359
Assumption changes	-	-
Benefits paid and refunds	(2,868,674)	(2,789,052)
Net change in Total Pension Liability	<u>1,338,488</u>	<u>1,387,879</u>
Total Pension Liability - Beginning	<u>50,051,248</u>	<u>48,663,369</u>
Total Pension Liability- Ending (a)	<u>\$ 51,389,736</u>	<u>\$ 50,051,248</u>
Plan Fiduciary Net Position		
Employer contributions	\$ 2,380,153	\$ 2,104,146
Employee contributions	71,472	77,002
Pension plan net investment income	9,085,387	1,153,460
Benefit payments and refunds	(2,868,674)	(2,789,052)
Pension plan administrative expense	(18,916)	(18,520)
Other	-	-
Net Change in Plan Fiduciary Net Position	<u>8,649,422</u>	<u>527,036</u>
Plan Fiduciary Net Position - Beginning	<u>31,192,701</u>	<u>30,665,665</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 39,842,123</u>	<u>\$ 31,192,701</u>
Net Pension Liability - Ending (a)-(b)	<u>\$ 11,547,613</u>	<u>\$ 18,858,547</u>

NOTES TO THE FINANCIAL STATEMENTS

MERS City of Traverse City - General Plan

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

Benefits Provided

01 - Admin Stf & ACT prior 7/1/09: closed to new hires, linked to Division 13	
	2020 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 Retirees:	2.50% (Non-Compound)
Employee Contributions:	0%
Act 88:	No

NOTES TO THE FINANCIAL STATEMENTS
11 - Gnl GME: Closed to new hires, linked to Division 14

	2018 Valuation
Benefit Multiplier:	Bridged Benefit: 2.25% Multiplier (80% max) Termination FAC; to 1.50% Multiplier (80% max)
Bridged Benefit Date:	06/30/2014
Normal Retirement Age:	60
Vesting:	6 years
Early Retirement (Unreduced):	55/25
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	5 years
COLA for Current/Future Retirees:	2.50% (Non-Compound)
Employee Contributions:	0%
Act 88:	No

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

	2018 Valuation
Benefit Multiplier:	1.50% Multiplier (no max)
Normal Retirement Age:	60
Vesting:	6 years
Early Retirement (Unreduced):	55/25
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	5 years
Employee Contributions:	0%
Act 88:	No

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

	2018 Valuation
Benefit Multiplier:	Bridged Benefit: 2.25% Multiplier (80% max) Termination FAC; to 1.50% Multiplier (80% max)
Bridged Benefit Date	06/30/2013
Normal Retirement Age:	60
Vesting:	6 years
Early Retirement (Unreduced):	55/25
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	5 years

NOTES TO THE FINANCIAL STATEMENTS

COLA for Future Retirees	2.50% (Non-Compound)
Employee Contributions:	0%
Act 88:	No
13 - ACT hired after 7/1/09: Open Division, linked to Division 01	
	2018 Valuation
Benefit Multiplier:	1.50% Multiplier (no max)
Normal Retirement Age:	60
Vesting:	6 years
Early Retirement (Unreduced):	55/25
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	5 years
Employee Contributions:	0%
Act 88:	No

- 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, 2020 valuation date, the following employees were covered by the benefit terms:

Retirees and Beneficiaries	125
Vested Former Employees	26
Active Employees	99
	<u>250</u>

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

Employer contributions for the fiscal year ended June 30, 2021 were \$662,352 for the Admin & ACT hired prior to 7/1/2009 division, \$50,664 for the GME tech/clerical hired prior to 7/1/2009 division, \$566,134 for the General GME division, \$171,075 for the General GME hired after 7/1/2009 division, and \$177,239 for the ACT hired after 7/1/2009 division.

NOTES TO THE FINANCIAL STATEMENTS

Net Pension Liability. The employer's Net Pension Liability was measured as of December 31, 2020, 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, 2020 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5%

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

Investment rate of return: 7.35%, net of administrative and investment expenses.

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

Pre-Retirement Mortality:

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

Non-Disabled retired plan members and beneficiaries:

- 1.106% of Pub-2010 Juvenile Mortality Tables for Ages 0-17
- 2.106% of PubG-2010 Employee Mortality Tables for Ages 18-49
- 3.106% of PubG-2010 Healthy Retiree Tables for Ages 50-120

Disabled retired plan members:

- 1.100% of Pub-2010 Juvenile Mortality Tables for Ages 0-17
- 2.100% of PubNS-2010 Disabled Retiree Tables for Ages 18-120

Future mortality improvements are assumed each year using scale MP-2019 applied fully generationally from the Pub-2010 base year of 2010.

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

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

NOTES TO THE FINANCIAL STATEMENTS

Asset Class	Base Allocation	Long-Term Expected Real Rate of Return
Global Equity	60.0%	3.15%
Global Fixed Income	20.0%	.25%
Real Assets	20.0%	1.45%

Discount rate. The discount rate used to measure the total pension liability is 7.60% for 2020. 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

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance as of 12/31/2019	39,909,844	23,809,963	16,099,882
Service cost	545,797	-	545,797
Interest	2,948,269	-	2,948,269
Benefit changes	-	-	-
Differences between expected and actuarial experience	281,691	-	281,691
Changes in assumptions	1,317,879	-	1,317,879
Contribution - employer	-	1,559,957	(1,559,957)
Net investment income (loss)	-	2,911,718	(2,911,718)
alternative investment adjustment from MERS annual audited statement	-	315,781	(315,781)
Benefit payments, including refunds of employee contributions	(2,779,444)	(2,779,444)	-
Administrative expense	-	(46,960)	46,960
Net Changes	2,314,192	1,961,052	353,140
Balances at 12/31/2020	42,224,037	25,771,015	16,453,022

NOTES TO THE FINANCIAL STATEMENTS

Sensitivity of the Net Position Liability to changes in the discount rate. The following presents the Net Pension Liability of the employer, calculated using the discount rate of 7.60%, as well as what the employer’s Net Pension Liability would be using a discount rate that is 1 percentage point lower (6.60%) or 1% higher (8.60%) than the current rate.

	1% Decrease 6.60%	Current Discount Rate 7.60%	1% Increase 8.60%
Net Pension Liability at 12/31/20	\$16,453,022	\$16,453,022	\$16,453,022
Change in Net Pension Liability	4,545,001	-	(3,843,836)
Calculated NPL	\$20,998,023	\$16,453,022	\$12,609,186

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

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

For the year ended June 30, 2021 the employer recognized pension expense of \$1,692,291. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Excess (Deficit) Investment Returns	\$ 1,127,234	\$ 2,142,790
Changes in assumptions	1,585,880	-
Differences between expected and actual experience	211,268	658,204
Contributions subsequent to the measurement date*	814,132	-
Total	\$ 3,738,514	\$ 2,800,994

* 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, 2022.

NOTES TO THE FINANCIAL STATEMENTS

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

<u>Year Ended</u>	
2022	\$ 69,289
2023	485,297
2024	(137,985)
2025	<u>(293,213)</u>
	<u>\$ 123,388</u>

MERS Traverse City Light and Power Plan

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

NOTES TO THE FINANCIAL STATEMENTS
Benefits Provided

01 - Non Union – closed to new hires, linked to Division 11	
	2020 Valuation
Benefit Multiplier:	2.25% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 years
Early Retirement (Unreduced):	55/25
Early Retirement (Reduced):	50/25 55/15
Final Compensation: Average	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	
	2020 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 Compensation: Average	5 years
COLA for Current/Future Retirees:	2.50% (Non-Compound)
Member Contributions:	0%
Act 88:	No

NOTES TO THE FINANCIAL STATEMENTS

11 - Non-union hired after 7/1/2017, linked to Division 01	
	2020 Valuation
Benefit Multiplier:	1.5% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	6 years
Early Retirement (Unreduced):	55/25
Early Retirement (Reduced):	55/15 50/25
Final Average Compensation:	5 years
COLA for Future Retirees:	2.50% (Non-Compound)
Member Contributions:	0%
Act 88:	No

12 - Union hired after 7/1/2012, linked to Division 10	
	2020 Valuation
Benefit Multiplier:	1.5% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	6 years
Early Retirement (Unreduced):	55/25
Early Retirement (Reduced):	55/15 50/25
Final Average Compensation:	5 years
COLA for Future Retirees:	2.50% (Non-Compound)
Member Contributions:	0%
Act 88:	No

NOTES TO THE FINANCIAL STATEMENTS

13 - Union lineworkers hired pre 7/1/2012, closed to new hires	
	2020 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 Compensation:	Average 5 years
COLA for Future Retirees:	2.50% (Non-Compound)
Member Contributions:	0%
DC plan for New Hires:	2/1/2019
Act 88:	No

- Benefits provided include plans with multipliers ranging from 1.5 to 2.25.
- Vesting periods range from 6 to 10 years.
- Normal retirement age is 60 with early retirement at 55 and 50 with 25 years of service.
- Final average compensation is calculated based on 5 years.
- There are no member contributions.

Employees covered by benefits terms. At the December 31, 2020 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	62
Inactive employees entitled to but not yet receiving benefits	7
Active employees	<u>27</u>
	<u>96</u>

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

NOTES TO THE FINANCIAL STATEMENTS

Employer minimum contributions range from 8.04 to 9.88% based on annual payroll for open divisions. There are two divisions that are closed to new employees and have annual employer contributions of \$53,476 and \$138,956.

Net Pension Liability. The employer's Net Pension Liability was measured as of December 31, 2020, 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, 2020 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5%

Salary Increases: 3.00% in the long-term.

Investment rate of return: 7.35%, net of administrative and investment expense, including inflation.

Mortality rates used were based on the RP-2014 Group Annuity Mortality Tables, with rates multiplied by 105%, RP 2014 Employee Mortality Tables, and RP 2014 Juvenile Mortality Tables of a 50% male and 50% female blend. For disabled retirees, the rates were based on the RP-2014 Disabled Retiree of a 50% Male and a 50% female blend.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study in 2020.

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:

NOTES TO THE FINANCIAL STATEMENTS

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Expected Money Weighted Rate of Return
Global Equity	60.0%	7.75%	3.15%
Global Fixed Income	20.0%	3.75%	.25%
Real Assets	20.0%	9.75%	1.45%
Inflation			2.50%
Administrative fee			.25%
Investment rate of return			7.60%

Discount rate. The discount rate used to measure the total pension liability is 7.6%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTES TO THE FINANCIAL STATEMENTS
Changes in Net Pension Liability

Calculating the Net Pension Liability			
Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance as of 12/31/2019	\$32,383,476	\$21,324,482	\$11,058,994
Service Cost	261,413	-	261,413
Interest on Total Pension Liability	2,386,190	-	2,386,190
Difference between expected and actual experience	316,198	-	316,198
Changes in assumption	845,524	-	845,524
Employer contributions	-	2,471,829	(2,471,829)
Net investment income	-	3,099,212	(3,099,212)
Benefit payments, including employee refunds	(2,233,905)	(2,233,905)	-
Administrative expense	-	(43,211)	43,211
Other	-	-	-
Net Changes	<u>1,575,420</u>	<u>3,293,925</u>	<u>(1,718,505)</u>
Balances as of 12/31/20	<u>\$33,958,896</u>	<u>\$24,618,407</u>	<u>\$9,340,489</u>

Sensitivity of the Net Position Liability to changes in the discount rate. The following presents the Net Pension Liability of the employer, calculated using the discount rate of 7.60%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower (6.60%) or 1% higher (8.60%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
Net Pension Liability at 12/31/20	\$9,340,491	\$9,340,489	\$9,340,491
Change in Net Pension Liability (NPL)	3,876,258	-	(3,244,231)
Calculated NPL	<u>\$13,216,749</u>	<u>\$9,340,489</u>	<u>\$6,096,260</u>

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

NOTES TO THE FINANCIAL STATEMENTS
Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2021 the employer recognized pension expense of \$1,497,465. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Excess (Deficit) Investment Returns	\$917,178	(\$1,973,872)
Change in Experience	210,799	(96,544)
Change in Assumption	931,982	-
Contributions subsequent to the measurement date*	1,278,334	-
Total	\$3,338,293	(\$2,070,416)

* 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 2022.

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

<u>Year Ended</u>	
2022	\$ 441,859
2023	343,872
2024	(501,958)
2025	(294,230)
	<u>\$ 10,457</u>

Deferred Compensation Plans
Downtown Development Authority Component Unit

The Downtown Development Authority sponsors the Traverse City Downtown Development Authority Deferred Compensation Plan created in accordance with the Internal Revenue Code Section 457. The administrator of the plan is ICMA Retirement Corporation. The plan is available to all employees. The employer matches participant contributions up to 7% based on the employee's employment contract. Plan provision and contribution requirements can only be amended by authorization of the Board of Directors. In the current year, the Downtown Development Authority contributed \$61,267 and the employees contributed \$58,086.

NOTES TO THE FINANCIAL STATEMENTS

Primary Government and Light and Power Component Unit

The City and Traverse City Light and Power participated in the City's Deferred Compensation Plan created in accordance with the Internal Revenue Code Section 457. The City has 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 \$691,151 and the employees contributed \$745,082. Of these amounts Traverse City Light and Power contributed \$226,204 and their employees contributed \$230,562.

Defined Contribution Plan

Effective February 1, 2019, the Department eliminated the defined benefit pension plan for line workers hired after July 1, 2012 and replaced it with a MERS defined contribution plan. The employer contributes six percent of base wage only and there is no employee contribution requirement. The plan requires a one-year vesting period. In the current fiscal year, the Department contributed \$41,875 to this plan.

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

NOTES TO THE FINANCIAL STATEMENTS

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, 2020):

Retirees/beneficiaries receiving benefits	49
Inactive non retired members	6
Active plan members	<u>29</u>
Total	<u>84</u>

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

Contributions

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

For the fiscal year end June 30, 2021, the City contributed \$572,909 to fund the benefits, the actuarially determined contribution for the period was \$527,496.

Net OPEB Liability

The total OPEB liability in the June 30, 2021 statements was determined using the June 30, 2020 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: 8.25% gradually decreasing to 4.0% in year 10.
- Mortality rates used the RP-2000 mortality table projected 20 years with scale AA.

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

NOTES TO THE FINANCIAL STATEMENTS

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

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

Changes in the Net OPEB Liability

Total OPEB Liability	
Service Cost	\$ 76,049
Interest on the total OPEB liability	638,322
Benefit changes	
Difference between expected and actual experience *	36,432
Assumption changes	134,950
Benefits paid and refunds	(501,743)
Net change in Total Pension Liability	<u>384,010</u>
Total OPEB Liability - Beginning	<u>9,331,734</u>
Total OPEB Liability- Ending (a)	<u>\$ 9,715,744</u>
Plan Fiduciary Net Position	
Employer contributions	\$ 572,909
Pension plan net investment income	1,002,377
Benefit payments and refunds	(501,743)
Pension plan administrative expense	-
Other	(16,800)
Net Change in Plan Fiduciary Net Position	<u>1,056,743</u>
Plan Fiduciary Net Position - Beginning	<u>3,985,144</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 5,041,887</u>
Net OPEB Liability - Ending (a)-(b)	<u>\$ 4,673,857</u>

*Due to difference between actual and expected benefit payments.

NOTES TO THE FINANCIAL STATEMENTS
Sensitivity of the Net OPEB Liability to changes in the single discount rate

The following presents the plan's net OPEB liability, calculated using a single discount rate of 7.0, as well as what the plan's net OPEB liability would be if it were calculated using a single discount rate that is one percent lower or one percent higher.

	1% decrease 6.00%	Current Rate 7.00%	1% increase 8.00%
Net OPEB liability	\$ 5,810,152	\$ 4,673,857	\$ 3,725,095

Fiduciary position as a % of total OPEB liability	<u>85.26%</u>
--	---------------

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

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

	1% decrease	Current Rate	1 % increase
Net OPEB liability	\$ 3,637,768	\$ 4,673,857	\$ 5,923,363

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

	Deferred Outflow of Resources	Deferred Inflows of Resources
Differences in experience	\$ -	\$ 121,997
Assumption changes	297,630	-
Differences in projected earnings	-	464,517
Total	<u>\$ 297,630</u>	<u>\$ 586,514</u>

NOTES TO THE FINANCIAL STATEMENTS

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

2022	\$	41,498
2023		(58,929)
2024		(127,151)
2025		(144,302)
2026		-
		<hr/>
Total	\$	<u>(288,884)</u>

City Retiree Health Insurance Plan

Plan Description

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

Benefits provided

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

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

Active Employees	27
Inactive Employees Receiving Benefits	40
Total Employees	<u>67</u>

Contributions

The City contribution was the annual required contribution in addition to the pay-as-you-go financing requirements. For the current year, the annual required contribution for the City was -0-. The actual employer contribution was \$16,997.

NOTES TO THE FINANCIAL STATEMENTS

Net OPEB Asset

The total OPEB asset in the June 30, 2021 GASB 74 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement.

Inflation rate: 2.5%

Salary rate increase: 3.0%

Discount Rate 7.0%

Healthcare Trend: Healthcare trend rates are estimated each year through 2035 based on the type of health care plan/coverage. These rates varied from 3.5% to 7.5%.

Mortality: A version of Pub-2010 mortality tables with generational mortality improvement using scale MP-2019 (based on experience study issued February 14, 2020 by current MERS pension actuary).

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 Real Rate of Return
MERS total Market Portfolio	100%	7.00%

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

NOTES TO THE FINANCIAL STATEMENTS

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	\$ 18,227
Interest on the total OPEB liability	68,449
Benefit changes	
Difference between expected and actual experience	394,671
Assumption changes	54,336
Benefits paid and refunds	(137,871)
Other changes	-
Net change in Total Pension Liability	<u>397,812</u>
Total OPEB Liability - Beginning	<u>1,037,663</u>
Total OPEB Liability- Ending (a)	<u>\$ 1,435,475</u>
Plan Fiduciary Net Position	
Employer contributions	\$ 16,997
Plan net investment income	523,209
Difference between expected and actual experience	-
Benefit payments and refunds	(137,871)
Pension plan administrative expense	(3,848)
Other	-
Net Change in Plan Fiduciary Net Position	<u>398,487</u>
Plan Fiduciary Net Position - Beginning	<u>1,967,707</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 2,366,194</u>
Net OPEB Liability (Asset) - Ending (a)-(b)	<u>\$ (930,719)</u>

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

The following presents the plan's net OPEB Asset, calculated using a single discount rate of 7.0%, as well as what the plan's net OPEB Asset would be if it were calculated using a single discount rate that is one percent lower or one percent higher.

	1% decrease	Current Rate	1% increase
	6.00%	7.00%	8.00%
Net OPEB Asset	<u>\$ 800,144</u>	<u>\$ 930,719</u>	<u>\$ 1,043,119</u>

Fiduciary position as
a % of total OPEB Asset 211.42%

NOTES TO THE FINANCIAL STATEMENTS
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	\$ 933,410	\$ 930,719	\$ 920,949

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

	Deferred Outflow of Resources	Deferred Inflows of Resources
Differences in experience	\$ 255,658	\$ -
Changes of assumptions	35,198	-
Differences in projected earnings	107,809	311,868
Total	\$ 398,665	\$ 311,868

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

	net deferred outflow (inflow) of resources
2021	\$ 125,468
2022	95,878
2023	(56,582)
2024	(77,967)
2025	-
Total	\$ 86,797

NOTES TO THE FINANCIAL STATEMENTS

Traverse City Light and Power Retiree Health Insurance Plan

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

Benefits provided. The plan provides health insurance premiums paid at 100% for the retiree only. If a retiree receives a reduced benefit pension as calculated by MERS the Board will reduce the retiree health payment by the same percentage. Effective July 1, 2017 for all new hires who become eligible for a pension benefit, the Board will pay the retiree’s health insurance premium until the retiree is Medicare eligible. If a retiree receives a reduced benefit pension as calculated by MERS the Board will reduce the retiree health payment by the same percentage. Effective July 1, 2021, for all new hires, no retiree hospital-medical-surgical insurance coverage will be provided.

Membership of the Plan consisted of the following at the date of the latest actuarial valuation (June 30, 2020):

Active plan members	26
Retirees and beneficiaries receiving benefits	<u>45</u>
Total	<u>71</u>

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

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

Net OPEB Liability. The total OPEB liability in the June 30, 2020 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.25%

Salary Increases: 2.50%

Investment rate of return: 7.5%

Healthcare cost trend rates: -10.51 to 6.50% per year

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

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS
Changes in the Net OPEB Liability

Calculating the Net OPEB Liability			
	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability(Asset) (a)-(b)
Balances at 6/30/2019	\$5,014,292	\$3,836,128	\$1,178,165
Changes for the Year			
Service cost	24,167	-	24,167
Interest on total OPEB liability	361,942	-	361,942
Employer Contributions	-	515,225	(515,225)
Net investment income	-	1,061,720	(1,061,720)
Benefit payments, including employee refunds	(376,806)	(376,806)	-
Net changes	<u>9,303</u>	<u>1,200,139</u>	<u>(1,190,836)</u>
Balance as of 6/30/2020	<u>\$5,023,595</u>	<u>\$5,036,267</u>	<u>(\$ 12,672)</u>

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

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

	1% Decrease	Current Discount rate	1% Increase
Net OPEB liability (asset)	\$513,467	\$(12,672)	\$(446,987)

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

The following presents the net OPEB liability of the employer, calculated using the healthcare cost trend rates of -10.51 to 6.5%, as well as what the employer's net OPEB liability would be using a healthcare cost trend rate that is 1 percentage point lower or higher than the current rate.

	1% Decrease	Current healthcare cost trend rate	1% Increase
Net OBEB liability (asset)	\$(525,534)	\$(12,672)	\$608,477

NOTES TO THE FINANCIAL STATEMENTS
OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Plan

For the year ended June 30, 2021 the employer recognized OPEB expense of \$(95,887). 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	\$ -	\$ 57,508
Changes in assumptions	-	247,534
Excess (deficit) investment returns	193,401	619,208
Total	\$193,401	\$924,250

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

2022	\$ (200,771)
2023	(205,739)
2024	(169,540)
2025	<u>(154,799)</u>
Total	<u>\$ (730,849)</u>

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

NOTES TO THE FINANCIAL STATEMENTS

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. In 2017, the Department entered into a commitment with MPPA for 5.80% of energy generated from the Pegasus Wind Farm.

For the year ended June 30, 2021, Traverse City Light and Power recognized expenses totaling \$15,507,144 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 2020 costs adjusted for inflation and calculated until the time of project’s estimated retirement date or debt retirement.

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

Year Ended December 31	Operating Costs
2022	\$6,796,132
2023	7,000,016
2024	7,210,017
2025	7,426,317
2026	4,610,469
2027-2028	6,914,331
Total	<u>\$39,957,282</u>

NOTES TO THE FINANCIAL STATEMENTS

G. Designations of net position

Primary government

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

	Automobile Parking System Fund	Water Fund	Internal Service Fund
	<u> </u>	<u> </u>	<u> </u>
Emergencies	\$ -	\$ 49,785	\$ -
Capital Expenditures	165,000	2,002,493	1,414,800
Future Maintenance	<u>2,500,000</u>	<u>-</u>	<u>-</u>
Total	<u><u>\$2,665,000</u></u>	<u><u>\$2,052,278</u></u>	<u><u>\$1,414,800</u></u>

Component unit

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

Emergencies	\$ 100,056
Minimum Cash Reserves	<u>8,704,000</u>
Total	<u><u>\$ 8,804,056</u></u>

H. Contingent liability

Primary government - Boot Lake Landfill

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

NOTES TO THE FINANCIAL STATEMENTS

General contingencies

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

I. Tax Abatements

The City entered into property tax abatements agreements with local businesses under the Plant Rehabilitation and Industrial Development Districts Act, (known as the Industrial Facilities Exemption) PA 198 of 1974, as amended, provides a tax incentive to manufacturers to enable renovation and expansion of aging facilities, assist in the building of new facilities, and to promote the establishment of high tech facilities. An Industrial Facilities Exemption (IFE) certificate entitles the facility to exemption from ad valorem real and/or personal property taxes for a term of 1-12 years as determined by the local unit of government. The agreements entered into by the City include claw back provisions should the recipient of the tax abatement fail to fully meet its commitments, such as employment levels and timelines for relocation. The IFT is computed at half the local property tax millage rate. This amounts to a reduction in property taxes of approximately 50%. For the year ended June 30, 2021 the City abated property tax revenues of \$14,134.

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, 2021 the amount of taxes abated was \$783,007.

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, 2021 the estimated tax abatement was \$119,120.

NOTES TO THE FINANCIAL STATEMENTS

J. Special Item**Traverse City Light and Power Component Unit**

MPPA refinanced their bonds related to the Kalkaska Combustion Turbine and the bond covenants related to debt reserve requirements were released. The MPPA Board approved returning the debtreserve funds to the corresponding project members based on their entitlement share.

K. Upcoming Pronouncements

GASB has approved Statement No. 87 Leases, and Statement No. 97 Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32.

The statements listed above through Statement No. 93 had their required effective dates postponed by one year with the issuance of Statement No. 95, Postponement of Effective Dates of Certain Authoritative Guidance, with the exception of Statement No. 87 which was postponed by one and a half years.

L. Subsequent Event – Downtown Development Authority Component Unit

On November 15, 2021 the DDA closed on the purchase of property that will be used as the location of the new Civic Square project. The total purchase price was \$1,750,000 and was funded via the use of grant funds provided by the Michigan Economic Development Commission.

* * * * *

REQUIRED SUPPLEMENTARY INFORMATION

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

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

Fiscal year ending June 30,	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability								
Service Cost	\$ 742,000	\$ 749,125	\$ 759,397	\$ 721,781	\$ 676,683	\$ 678,748	\$ 644,925	\$ 492,852
Interest on the Total Pension Liability	3,429,154	3,335,038	3,347,430	3,195,886	3,110,650	3,036,795	2,993,916	2,897,030
Benefit changes	-	(12,591)	-	-	-	-	-	-
Difference between expected and actual experience of the Total Pension Liability	36,008	105,359	(124,418)	756,372	(172,209)	(372,033)	(802,207)	-
Assumption changes	-	-	1,801,057	-	-	-	-	-
Benefits paid and refunds	(2,868,674)	(2,789,052)	(2,745,588)	(2,598,943)	(2,403,433)	(2,312,077)	(2,251,552)	(2,096,654)
Net change in Total Pension Liability	<u>1,338,488</u>	<u>1,387,879</u>	<u>3,037,878</u>	<u>2,075,096</u>	<u>1,211,691</u>	<u>1,031,433</u>	<u>585,082</u>	<u>1,293,228</u>
Total Pension Liability - Beginning	<u>50,051,248</u>	<u>48,663,369</u>	<u>45,625,491</u>	<u>43,550,395</u>	<u>42,338,704</u>	<u>41,307,271</u>	<u>40,722,189</u>	<u>39,428,961</u>
Total Pension Liability- Ending (a)	<u>\$ 51,389,736</u>	<u>\$ 50,051,248</u>	<u>\$ 48,663,369</u>	<u>\$ 45,625,491</u>	<u>\$ 43,550,395</u>	<u>\$ 42,338,704</u>	<u>\$ 41,307,271</u>	<u>\$ 40,722,189</u>
Plan Fiduciary Net Position								
Employer contributions	\$ 2,380,153	\$ 2,104,146	\$ 1,995,181	\$ 1,841,815	\$ 1,803,930	\$ 1,810,565	\$ 1,683,306	\$ 1,639,480
Employee contributions	71,472	77,002	78,115	81,144	104,761	58,510	76,863	75,526
Pension plan net investment income	9,085,387	1,153,460	996,920	2,285,282	3,019,320	498,918	463,881	3,883,457
Benefit payments and refunds	(2,868,674)	(2,789,052)	(2,745,588)	(2,598,943)	(2,403,433)	(2,312,077)	(2,251,552)	(2,096,654)
Pension plan administrative expense	(18,916)	(18,520)	(33,140)	(19,633)	(23,599)	(15,450)	(16,523)	(10,567)
Other	-	-	96	-	-	159	-	(114,710)
Net Change in Plan Fiduciary Net Position	<u>8,649,422</u>	<u>527,036</u>	<u>291,584</u>	<u>1,589,665</u>	<u>2,500,979</u>	<u>40,625</u>	<u>(44,025)</u>	<u>3,376,532</u>
Plan Fiduciary Net Position - Beginning	<u>31,192,701</u>	<u>30,665,665</u>	<u>30,374,081</u>	<u>28,784,416</u>	<u>26,283,437</u>	<u>26,242,812</u>	<u>26,286,837</u>	<u>22,910,305</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 39,842,123</u>	<u>\$ 31,192,701</u>	<u>\$ 30,665,665</u>	<u>\$ 30,374,081</u>	<u>\$ 28,784,416</u>	<u>\$ 26,283,437</u>	<u>\$ 26,242,812</u>	<u>\$ 26,286,837</u>
Net Pension Liability - Ending (a)-(b)	<u>\$ 11,547,613</u>	<u>\$ 18,858,547</u>	<u>\$ 17,997,704</u>	<u>\$ 15,251,410</u>	<u>\$ 14,765,979</u>	<u>\$ 16,055,267</u>	<u>\$ 15,064,459</u>	<u>\$ 14,435,352</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	77.53%	62.32%	63.02%	66.57%	66.09%	62.08%	63.53%	64.55%
Covered Employee Payroll	\$ 3,925,135	\$ 3,682,282	\$ 3,775,976	\$ 3,861,602	\$ 3,752,343	\$ 3,443,789	\$ 3,384,682	\$ 3,018,448
Net Pension Liability as a Percentage of Covered Employee Payroll	294.20%	512.14%	476.64%	394.95%	393.51%	466.21%	445.08%	478.24%

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

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

FY Ending June 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2014	\$ 1,639,480	\$ 1,639,480	\$ -	\$ 3,018,448	54.32%
2015	1,683,306	1,683,306	-	3,384,682	49.73%
2016	1,760,565	1,810,565	(50,000)	3,443,789	52.57%
2017	1,803,930	1,803,930	-	3,752,343	48.07%
2018	1,841,815	1,841,815	-	3,861,602	47.70%
2019	1,995,181	1,995,181	-	3,775,976	52.84%
2020	2,104,146	2,104,146	-	3,682,282	57.14%
2021	2,380,153	2,380,153	-	3,925,135	57.14%

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	14 year closed
Asset Valuation Method	4 Year Smoothed Market
Inflation	2.50%
Salary Increase	3% to 5.3%
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility
Mortality	RP-2014 generational mortality tables with blue collar adjustments. Tables are adjusted backwards to 2006 with the MP-2014 scale. Future mortality improvements assumed each using scale MP-2017

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

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

FY Ending June 30,	Annual Return *
2014	17.06%
2015	1.77%
2016	1.92%
2017	11.86%
2018	8.19%
2019	3.31%
2020	3.86%
2021	30.24%

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

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

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

Fiscal year ending June 30,	2021	2020	2019	2018	2017
Total OPEB Liability					
Service Cost	\$ 76,049	\$ 86,712	\$ 79,044	\$ 93,763	\$ 93,564
Interest on the total OPEB liability	638,322	625,391	631,831	611,741	597,245
Benefit changes	-	-	-	-	-
Difference between expected and actual experience *	36,432	(29,774)	(533,914)	35,999	(75,186)
Assumption changes	134,950	-	792,407	-	-
Benefits paid and refunds	(501,743)	(482,795)	(444,116)	(488,449)	(356,424)
Net change in Total Pension Liability	384,010	199,534	525,252	253,054	259,199
Total OPEB Liability - Beginning	9,331,734	9,132,200	8,606,948	8,353,894	8,094,695
Total OPEB Liability- Ending (a)	\$ 9,715,744	\$ 9,331,734	\$ 9,132,200	\$ 8,606,948	\$ 8,353,894
Plan Fiduciary Net Position					
Employer contributions	\$ 572,909	\$ 565,895	\$ 519,279	\$ 512,078	\$ 385,866
Pension plan net investment income	1,002,377	184,192	187,943	77,551	-
Benefit payments and refunds	(501,743)	(482,795)	(444,116)	(488,449)	(356,424)
Pension plan administrative expense	-	-	-	-	-
Other	(16,800)	(8,000)	(6,000)	(6,000)	(8,800)
Net Change in Plan Fiduciary Net Position	1,056,743	259,292	257,106	95,180	20,642
Plan Fiduciary Net Position - Beginning	3,985,144	3,725,852	3,468,746	3,373,566	3,352,924
Plan Fiduciary Net Position - Ending (b)	\$ 5,041,887	\$ 3,985,144	\$ 3,725,852	\$ 3,468,746	\$ 3,373,566
Net OPEB Liability - Ending (a)-(b)	\$ 4,673,857	\$ 5,346,590	\$ 5,406,348	\$ 5,138,202	\$ 4,980,328
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	51.89%	42.71%	40.80%	40.30%	40.38%
Covered Employee Payroll	\$ 2,283,277	\$ 2,383,949	\$ 2,609,645	\$ 2,741,432	\$ 3,027,113
Net Pension Liability as a Percentage of Covered Employee Payroll	204.70%	224.27%	207.17%	187.43%	164.52%

* Due to difference between actual and expected benefit payments.

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

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

<u>FY Ending June 30,</u>	<u>Total OPEB Liability</u>	<u>Plan net Position</u>	<u>Net OPEB Liability</u>	<u>Plan Net Postion as a % of Total OPEB Liability</u>	<u>Covered Payroll</u>	<u>Net OPEB Liability as a % of Covered Payroll</u>
2021	\$ 9,715,744	\$ 5,041,887	\$ 4,673,857	51.89%	\$ 2,283,277	204.70%
2020	9,331,734	3,958,144	5,346,590	42.71%	2,383,949	224.27%
2019	9,132,200	3,725,852	5,406,348	40.80%	2,609,645	207.17%
2018	8,606,948	3,468,746	5,138,202	40.30%	2,741,432	187.43%
2017	8,353,894	3,373,566	4,980,328	40.38%	3,027,113	164.52%

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

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

FY Ending June 30.	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2021	\$ 527,496	\$ 572,909	\$ (45,413)	\$ 2,283,277	25.09%
2020	526,118	565,895	(39,777)	2,383,949	23.74%
2019	480,429	519,279	(38,850)	2,609,645	19.90%
2018	480,230	512,078	(31,848)	2,741,432	18.68%
2017	385,866	385,866	-	3,027,113	12.75%

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	20 years
Asset Valuation Method	Market Value of Assets
Inflation	2.75%
Salary Increase	4% to 7% including inflation
Investment Rate of Return	7.5 % net of OPEB plan investment expense, including inflation
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality	RP-2000 Mortality Table projected 20 years with Scale AA.
Health Care Trend Rates	8.25% trend, gradually decreasing to 4.0% in year 10.
Aging Factors	Based on the 2013 SO Study "Health Care Costs - From Birth to Death".

State of Michigan PA 202 Supplemental Information:

PA 202 uniform assumptions if different than GASB assumptions used:

	Uniform Assumption	Assumption used
return discount rate	7.00%	7.00%
Salary increase	3.00% merit and longevity (based on study dated 12/20/2018)	3.00% merit and longevity (based on study dated 12/20/2018)
Mortality	A version of RP-2014 (based on study dated 12/20/2018)	A version of RP-2014 (based on study dated 12/20/2018)
Healthcare inflation	Non medicare: initial rate of 7.5% decreasing .025% per year to a 4.5% longterm rate, medicare initial rate of 5.75% decreasing .25% per year to a 4.5% longterm rate	fire retired before 7/1/95: initial rate of 6.25% decreasing to 3.5% longterm rate in year 10. Police retired before 7/1/09 5% drops to 3.5% in year 15. Police after 7/1/09 initial rate of 7.5% decreasing to 3.5% longterm rate in year
Period	19 years	19 years
Method	level dollar	level dollar
Type	closed	closed
Actuarially Determined Contribution using uniform assumptions	\$ 677,330	

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

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

<u>FY Ending June 30,</u>	<u>Annual Return *</u>
2021	26.30%
2020	5.05%
2019	5.66%
2018	2.31%

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

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

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

	2020	2019	2018	December 31, 2017	2016	2015	2014
Total Pension Liability							
Service Cost	\$ 545,797	\$ 479,481	\$ 473,357	\$ 449,861	\$ 451,469	\$ 424,511	\$ 398,725
Interest on the Total Pension Liability	2,948,270	3,020,489	3,013,978	2,957,067	2,919,079	2,817,148	2,753,614
Benefit changes	-	-	-	-	-	-	-
Difference between expected and actual experience of the Total Pension Liability	281,691	(956,280)	(720,256)	(37,737)	(281,288)	(185,726)	-
Assumption changes	1,317,879	1,194,941	-	-	-	1,782,587	-
Benefits paid and refunds	(2,779,444)	(2,690,327)	(2,687,175)	(2,651,928)	(2,575,279)	(2,446,248)	(2,343,998)
Net change in Total Pension Liability	<u>2,314,193</u>	<u>1,048,304</u>	<u>79,904</u>	<u>717,263</u>	<u>513,981</u>	<u>2,392,272</u>	<u>808,341</u>
Total Pension Liability - Beginning	<u>39,909,844</u>	<u>38,861,540</u>	<u>38,781,636</u>	<u>38,064,373</u>	<u>37,550,392</u>	<u>35,158,120</u>	<u>34,349,779</u>
Total Pension Liability- Ending (a)	<u>\$ 42,224,037</u>	<u>\$ 39,909,844</u>	<u>\$ 38,861,540</u>	<u>\$ 38,781,636</u>	<u>\$ 38,064,373</u>	<u>\$ 37,550,392</u>	<u>\$ 35,158,120</u>
Plan Fiduciary Net Position							
Employer contributions	\$ 1,559,957	\$ 1,430,516	\$ 1,325,327	\$ 1,209,578	\$ 1,103,031	\$ 1,011,317	\$ 1,033,594
Employee contributions	-	-	-	-	-	-	-
Pension plan net investment income	3,227,500	2,944,943	(914,546)	2,962,186	2,443,206	(343,945)	1,480,312
Benefit payments and refunds	(2,779,444)	(2,690,327)	(2,687,175)	(2,651,928)	(2,575,279)	(2,446,248)	(2,343,998)
Pension plan administrative expense	(46,960)	(50,697)	(46,438)	(47,056)	(48,298)	(51,145)	(54,129)
Other	-	-	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	<u>1,961,053</u>	<u>1,634,435</u>	<u>(2,322,832)</u>	<u>1,472,780</u>	<u>922,660</u>	<u>(1,830,021)</u>	<u>115,779</u>
Plan Fiduciary Net Position - Beginning	<u>23,809,962</u>	<u>22,175,527</u>	<u>24,498,359</u>	<u>23,025,579</u>	<u>22,102,919</u>	<u>23,932,940</u>	<u>23,817,161</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 25,771,015</u>	<u>\$ 23,809,962</u>	<u>\$ 22,175,527</u>	<u>\$ 24,498,359</u>	<u>\$ 23,025,579</u>	<u>\$ 22,102,919</u>	<u>\$ 23,932,940</u>
Net Pension Liability - Ending (a)-(b)	<u>\$ 16,453,022</u>	<u>\$ 16,099,882</u>	<u>\$ 16,686,013</u>	<u>\$ 14,283,277</u>	<u>\$ 15,038,794</u>	<u>\$ 15,447,473</u>	<u>\$ 11,225,180</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	61.03%	59.66%	57.06%	63.17%	60.49%	58.86%	68.07%
Covered Employee Payroll	\$ 6,433,749	\$ 6,368,689	\$ 6,221,439	\$ 5,942,362	\$ 5,927,328	\$ 5,597,405	\$ 5,254,135
Net Pension Liability as a Percentage of Covered Employee Payroll	255.73%	252.80%	268.20%	240.36%	253.72%	275.98%	213.64%

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

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

Fiscal year end June 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Valuation Covered Payroll	Actual Contribution as a % of Covered Payroll
2015	\$ 975,124	\$ 975,124	\$ -	\$ 5,254,135	18.56%
2016	1,041,766	1,041,766	-	5,597,405	18.61%
2017	1,153,788	1,153,788	-	5,927,328	19.47%
2018	1,273,723	1,273,723	-	5,942,362	21.43%
2019	1,374,516	1,374,516	-	6,221,439	22.09%
2020	1,627,463	1,627,463	-	6,368,689	25.55%

Notes to schedule

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, open
Remaining amortization period	19 years
Asset valuation method	10 year smoothed
Inflation	2.5%
Salary increases	3.0%
Investment rate of return	7.35%
Retirement age	Varies depending on plan adoption
Mortality	50% female/50% male 1994 group annual mortality table

TRAVERSE CITY LIGHT AND POWER

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

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

	December 31,						
	2020	2019	2018	2017	2016	2015	2014
Total pension liability							
Service cost	\$ 261,413	\$ 264,001	\$ 285,497	\$ 310,387	\$ 300,475	\$ 295,317	\$ 313,020
Interest	2,386,190	2,386,419	2,370,497	2,292,239	2,276,465	2,142,935	2,083,781
Differences between expected and actuarial experience	316,198	(12,114)	(370,024)	363,115	(509,997)	363,835	-
Changes in assumptions	845,524	1,104,897	-	-	-	1,444,054	-
Benefit payments, including refunds	(2,233,905)	(2,130,738)	(2,021,640)	(1,930,810)	(1,818,642)	(1,715,604)	(1,626,244)
Other changes	-	7,402	(300)	1,448	-	(759)	-
Net change in total pension liability	1,575,420	1,619,867	264,030	1,036,379	248,301	2,529,778	770,557
Total pension liability, beginning of year	32,383,476	30,763,609	30,499,579	29,463,200	29,214,899	26,685,121	25,914,564
Total pension liability, end of year	33,958,896	32,383,476	30,763,609	30,499,579	29,463,200	29,214,899	26,685,121
Plan fiduciary net position							
Contribution - employer	2,471,828	2,403,450	2,395,423	2,253,396	1,564,302	858,331	773,230
Net investment income	3,099,212	2,532,810	(760,557)	2,200,228	1,686,136	(234,339)	1,000,478
Administrative expenses	(43,213)	(43,690)	(37,098)	(34,750)	(33,363)	(34,767)	(36,578)
Benefit payments, including refunds	(2,233,902)	(2,130,737)	(2,021,640)	(1,930,809)	(1,818,642)	(1,715,604)	(1,626,244)
Net change in plan fiduciary net position	3,293,925	2,761,833	(423,872)	2,488,065	1,398,433	(1,126,379)	110,886
Plan fiduciary net position, beginning of year	21,324,482	18,562,649	18,986,521	16,498,456	15,100,023	16,226,402	16,115,516
Plan fiduciary net position, end of year	24,618,407	21,324,482	18,562,649	18,986,521	16,498,456	15,100,023	16,226,402
Net pension liability	\$ 9,340,489	\$ 11,058,994	\$ 12,200,960	\$ 11,513,058	\$ 12,964,744	\$ 14,114,876	\$ 10,458,719
Plan fiduciary net position as a percent of total pension liability	72.49%	65.85%	60.34%	62.25%	56.00%	51.69%	60.81%
Covered employee payroll	\$ 2,369,118	\$ 2,412,833	\$ 2,679,680	\$ 2,883,420	\$ 2,728,607	\$ 2,736,729	\$ 2,862,491
Net pension liability as a percent of covered employee payroll	394.26%	458.34%	455.31%	399.28%	475.14%	515.76%	365.37%

TRAVERSE CITY LIGHT AND POWER

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

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution							
Contribution in relation to the actuarially determined contribution	\$ 2,556,504	\$ 2,382,248	\$ 1,113,276	\$ 1,110,648	\$ 944,388	\$ 891,939	\$ 770,572
	(2,556,504)	(2,382,248)	(2,428,720)	(2,356,392)	(2,202,960)	(891,939)	(770,572)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,315,444)</u>	<u>\$ (1,245,744)</u>	<u>\$ (1,258,572)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 2,369,118	\$ 2,412,833	\$ 2,680,970	\$ 2,947,185	\$ 2,862,491	\$ 2,866,124	\$ 2,880,960
Contribution as a percentage of covered employee payroll	107.91%	98.73%	41.53%	37.69%	32.99%	31.12%	26.75%

Notes to schedule

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, open
Remaining amortization period	15 years
Asset valuation method	5 year smoothed (10 year smoothing 2014)
Inflation	2.5% (3.5% 2014)
Salary increases	3.75 to 14.5% (4.50% in 2014)
Investment rate of return	7.35% (8.25% 2014)
Retirement age	Varies depending on plan adoption
Mortality	RP-2014 mortality tables of a 50% Male and 50% Female blend (50% female/50% male 1994 group annuity mortality table 2014)

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

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

Fiscal year ending June 30,	2021	2020	2019	2018
Total OPEB Liability				
Service Cost	\$ 18,227	\$ 3,016	\$ 3,206	\$ 3,260
Interest on the total OPEB liability	68,449	80,100	80,728	118,583
Benefit changes	-	-	-	-
Difference between expected and actual experience	394,671	-	-	25,684
Assumption changes	54,336	13,606	(9,606)	40,303
Benefits paid and refunds	(137,871)	(110,685)	(132,031)	(149,325)
Other changes	-	(71,714)	38,658	(551,889)
Net change in Total Pension Liability	<u>397,812</u>	<u>(85,677)</u>	<u>(19,045)</u>	<u>(513,384)</u>
Total OPEB Liability - Beginning	<u>1,037,663</u>	<u>1,123,340</u>	<u>1,142,385</u>	<u>1,655,769</u>
Total OPEB Liability- Ending (a)	<u>\$ 1,435,475</u>	<u>\$ 1,037,663</u>	<u>\$ 1,123,340</u>	<u>\$ 1,142,385</u>
Plan Fiduciary Net Position				
Employer contributions	\$ 16,997	\$ 2,670	\$ 106	\$ 11,000
Plan net investment income	523,209	43,205	55,269	123,862
Difference between expected and actual experience	-	(106,929)	(98,770)	(20,724)
Benefit payments and refunds	(137,871)	(110,685)	(132,031)	(149,325)
Pension plan administrative expense	(3,848)	(3,333)	(3,716)	(4,157)
Other	-	106,928	120,953	142,932
Net Change in Plan Fiduciary Net Position	<u>398,487</u>	<u>(68,144)</u>	<u>(58,189)</u>	<u>103,588</u>
Plan Fiduciary Net Position - Beginning	<u>1,967,707</u>	<u>2,035,851</u>	<u>2,094,040</u>	<u>1,990,449</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 2,366,194</u>	<u>\$ 1,967,707</u>	<u>\$ 2,035,851</u>	<u>\$ 2,094,037</u>
Net OPEB Liability (Asset) - Ending (a)-(b)	<u>\$ (930,719)</u>	<u>\$ (930,044)</u>	<u>\$ (912,511)</u>	<u>\$ (951,652)</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	164.84%	189.63%	181.23%	183.30%
Covered Employee Payroll	\$ 1,477,292	\$ 1,665,544	\$ 1,697,155	\$ 1,827,405
Net OPEB Liability as a Percentage of Covered Employee Payroll	-63.00%	-55.84%	-53.77%	-52.08%

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

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

FY Ending June 30,	Total OPEB Liability	Plan net Position	Net OPEB Liability (Asset)	Plan Net Postion as a % of Total OPEB Liability	Covered Payroll	Net OPEB Liability as a % of Covered Payroll
2018	\$ 1,142,385	\$ 2,094,037	\$ (951,652)	183.30%	\$ 1,827,405	-52.08%
2019	1,123,340	2,035,851	(912,511)	181.23%	1,697,155	-53.77%
2020	1,037,663	1,967,707	(930,044)	189.63%	1,665,544	-55.84%
2021	1,435,475	2,366,194	(930,719)	164.84%	1,477,292	-63.00%

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

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

FY Ending June 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2018	\$ -	\$ 11,000	\$ (11,000)	\$ 1,827,405	0.60%
2019	-	106	(106)	1,697,155	0.01%
2020	-	2,670	(2,670)	1,665,544	0.16%
2021	-	16,997	(2,670)	1,477,292	1.15%

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	Individual Entry-Age	
Asset Valuation Method	Market Value of Assets	
Inflation	2.50%	
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition.	
	Uniform Assumption	Assumption used
Investment rate of return discount rate	7.00%	7.00%
Salary increase	3.00% merit and longevity (based on experience study issued February 14, 2020 by current MERS pension actuary)	3.00% merit and longevity (based on experience study issued February 14, 2020 by current MERS pension actuary)
Mortality	A version of Pub-2010 mortality tables with generational mortality improvement using scale MP-2019 (based on experience study issued February 14, 2020 by current MERS pension actuary)	A version of Pub-2010 mortality tables with generational mortality improvement using scale MP-2019 (based on experience study issued February 14, 2020 by current MERS pension actuary)
Healthcare inflation	Non-Medicare: initial rate of 7.5% decreasing .25% per year to a 4.5% long-term rate. Medicare: initial rate of 5.75% decreasing .25% per year to a 4.5% long-term	Non-Medicare: initial rate of 7.5% decreasing to a 3.5% long-term rate in year 12. Medicare: initial rate of 6.25% decreasing to a 3.5% long-term rate in year
Amortization of the Unfunded accrued Actuarial Liability:		
Period	28 years	28 years
Method	level dollar	level dollar
Type	closed	closed
Actuarially Determined Contribution using uniform assumptions	\$ -	\$ -

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

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

<u>FY Ending June 30,</u>	<u>Annual Return *</u>
2018	7.22%
2019	3.04%
2020	2.32%
2021	27.19%

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

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

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

Fiscal year ending June 30,	2021	2020	2019	2018
Total OPEB Liability				
Service Cost	\$ 24,167	\$ 3,615	\$ 3,363	\$ 2,852
Interest on the total OPEB liability	361,942	400,451	390,609	406,878
Benefit changes	-	-	-	-
Difference between expected and actual experience	-	(104,468)	-	(269,497)
Assumption changes	-	(449,662)	-	28,187
Benefits paid and refunds	(376,806)	(349,982)	(350,628)	(342,038)
Other changes	-	-	87,555	(38,996)
Net change in Total Pension Liability	<u>9,303</u>	<u>(500,046)</u>	<u>130,899</u>	<u>(212,614)</u>
Total OPEB Liability - Beginning	<u>5,014,292</u>	<u>5,514,338</u>	<u>5,383,439</u>	<u>5,596,053</u>
Total OPEB Liability- Ending (a)	<u>\$ 5,023,595</u>	<u>\$ 5,014,292</u>	<u>\$ 5,514,338</u>	<u>\$ 5,383,439</u>
Plan Fiduciary Net Position				
Employer contributions	\$ 515,224	\$ 514,424	\$ -	\$ 229,388
Pension plan net investment income	1,061,721	64,798	78,435	191,582
Difference between expected and actual experience	-	-	(161,940)	-
Benefits paid and refunds	(376,806)	(349,982)	-	-
Other changes	-	-	357,118	-
Pension plan administrative expense	-	(5,048)	(5,561)	(6,220)
Net Change in Plan Fiduciary Net Position	<u>1,200,139</u>	<u>224,192</u>	<u>268,052</u>	<u>414,750</u>
Plan Fiduciary Net Position - Beginning	<u>3,836,128</u>	<u>3,611,936</u>	<u>3,343,884</u>	<u>2,929,134</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 5,036,267</u>	<u>\$ 3,836,128</u>	<u>\$ 3,611,936</u>	<u>\$ 3,343,884</u>
Net OPEB Liability - Ending (a)-(b)	<u>\$ (12,672)</u>	<u>\$ 1,178,164</u>	<u>\$ 1,902,402</u>	<u>\$ 2,039,555</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	100.25%	76.50%	65.50%	62.11%
Covered Employee Payroll	\$ 23,334,263	\$ 2,198,312	\$ 2,680,970	\$ 2,837,222
Net OPEB (Asset) Liability as a Percentage of Covered Employee Payroll	-0.54%	53.59%	70.96%	71.89%

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

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

FY Ending June 30,	Total OPEB Liability	Plan net Position	Net OPEB Liability (Asset)	Plan Net Postion as a % of Total OPEB Liability	Covered Payroll	Net OPEB Liability as a % of Covered Payroll
2018	\$ 5,583,440	\$ 3,343,884	\$ 2,039,555	62.11%	\$ 2,837,222	71.89%
2019	5,514,338	3,611,936	1,902,402	65.50%	2,680,970	70.96%
2020	5,014,292	3,836,128	1,178,164	76.50%	2,198,312	53.59%
2021	5,023,594	5,036,266	(12,372)	100.25%	2,334,263	0.54%

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

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

FY Ending June 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2018	\$ 175,757	\$ 229,388	\$ (53,631)	\$ 2,837,222	6.19%
2019	175,757	175,757	-	2,680,970	6.56%
2020	164,442	164,442	-	2,198,312	7.48%
2021	138,418	138,418	-	2,334,263	5.93%

Notes to Schedule

Actuarial cost method	Entry Age Normal
Amortization method	Straight Line
Remaining amortization period	4.45
Asset valuation method	Market Value
Inflation	2.25%
Salary increases	2.50%
Investment rate of return	7.50%
Retirement age	Varies depending on retirement plan
Mortality	MP-2019 Combined Annuitant Mortality Table for males and females
Health Care Trend rates	-10.51 to 6.50%

State of Michigan PA 202 information

Actuarially recommended contributions in accordance with	\$ 164,442
Minimum required contribution under PA 202	164,442
Actual contribution	164,442
Contribution for employees hired after June 30, 20	3,363

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

Mortality - Public Employee and Police, headcount weighted, MP-2018
Expected asset return - 7.0%
Expected salary increase - 3.5%
Effective discount rate - 7.0%
Medical trend - Pre-medicare: 8.5% graded down to 4.25% by .25% per year, Post-medicare 7.0% graded to 4.5% by .25% per year

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

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

<u>FY Ending June 30,</u>	<u>Annual Return *</u>
2017	20.50%
2018	5.90%
2019	2.60%
2020	1.83%
2021	24.10%

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

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget (GAAP Basis) and Actual
General Fund
For the Year Ended June 30, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Property taxes	\$ 12,165,000	\$ 12,165,000	\$ 12,223,174	\$ 58,174
Licenses and permits	371,100	371,100	457,519	86,419
Federal sources	5,000	5,000	837,265	832,265
State sources	1,034,700	1,034,700	1,862,068	827,368
Local sources	1,698,000	18,000	1,663,713	1,645,713
Charges for services	518,600	518,600	475,317	(43,283)
Fines and forfeits	8,000	8,000	1,920	(6,080)
Contributions	230,500	254,500	96,023	(158,477)
Reimbursements	601,000	601,000	533,038	(67,962)
Investment income (loss)	47,000	47,000	(21,249)	(68,249)
Other revenue	498,500	498,500	506,661	8,161
Total revenues	<u>17,177,400</u>	<u>15,521,400</u>	<u>18,635,449</u>	<u>3,114,049</u>
Expenditures				
General government	4,189,100	4,566,523	4,266,146	300,377
Public safety	7,305,600	7,625,600	7,732,304	(106,704)
Public works	1,855,600	2,288,100	2,332,253	(44,153)
Recreation and culture	2,554,000	2,574,000	2,217,500	356,500
Capital Outlay	184,000	312,420	90,288	222,132
Total expenditures	<u>16,088,300</u>	<u>17,366,643</u>	<u>16,638,491</u>	<u>728,152</u>
Excess (deficiency) of revenue over expenditures	<u>1,089,100</u>	<u>(1,845,243)</u>	<u>1,996,958</u>	<u>3,842,201</u>
Other financing sources (uses)				
Transfers in	1,380,100	3,060,100	1,372,485	(1,687,615)
Transfers out	(2,646,300)	(2,646,300)	(2,224,267)	422,033
Total other financing sources (uses)	<u>(1,266,200)</u>	<u>413,800</u>	<u>(851,782)</u>	<u>(1,265,582)</u>
Net change in fund balance	(177,100)	(1,431,443)	1,145,176	2,576,619
Fund balance, beginning of year	<u>7,950,758</u>	<u>7,950,758</u>	<u>7,950,758</u>	<u>-</u>
Fund balance, end of year	<u>\$ 7,773,658</u>	<u>\$ 6,519,315</u>	<u>\$ 9,095,934</u>	<u>\$ 2,576,619</u>

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget (GAAP Basis) and Actual
Major Streets Special Revenue Fund
For the Year Ended June 30, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
State sources	\$ 1,548,500	\$ 1,548,500	\$ 1,609,584	\$ 61,084
Reimbursements	300	300	5,626	5,326
Interest income	200	200	75	(125)
Total revenues	<u>1,549,000</u>	<u>1,549,000</u>	<u>1,615,285</u>	<u>66,285</u>
Expenditures				
Public works				
Personnel	549,500	549,500	436,791	112,709
Commodities	138,000	138,000	94,805	43,195
Contractual services	260,000	260,000	155,917	104,083
Other charges	601,500	601,500	578,210	23,290
Capital outlay	-	-	-	-
Total expenditures	<u>1,549,000</u>	<u>1,549,000</u>	<u>1,265,723</u>	<u>283,277</u>
Net change in fund balance	-	-	349,562	349,562
Fund balance, beginning of year	599,257	599,257	599,257	-
Fund balance, end of year	<u>\$ 599,257</u>	<u>\$ 599,257</u>	<u>\$ 948,819</u>	<u>\$ 349,562</u>

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget (GAAP Basis) and Actual
Local Streets Special Revenue Fund
For the Year Ended June 30, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
State sources	\$ 455,000	\$ 455,000	\$ 561,029	\$ 106,029
Reimbursements	-	-	-	-
Total revenues	<u>455,000</u>	<u>455,000</u>	<u>561,029</u>	<u>106,029</u>
Expenditures				
Public works				
Personnel	474,000	474,000	431,953	42,047
Contractual services	100,000	100,000	94,619	5,381
Commodities	86,000	86,000	80,794	5,206
Other charges	700,000	700,000	437,736	262,264
Total expenditures	<u>1,360,000</u>	<u>1,360,000</u>	<u>1,045,102</u>	<u>314,898</u>
(Deficiency) of revenue over expenditures	(905,000)	(905,000)	(484,073)	420,927
Other financing sources (uses)				
Transfer in	905,000	905,000	484,073	(420,927)
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF TRAVERSE CITY, MICHIGAN

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended June 30, 2021

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, 2021, actual expenditures in the General Operating Fund Assessor's Office exceeded final appropriations by \$7,117, The Cemetery Department by \$582, the Police Department by \$47,847, the Fire Department by \$75,395, the Streets alleys and sidewalks department by \$18,627, the Engineering Department by \$27,081. These amounts are related to an underestimate of personnel related costs during the year end budget review process. Overall, the General Operating Fund's total actual expenditures and transfers out were lower than the total amended budget expenditures and transfers out by \$739,356.

OTHER SUPPLEMENTARY INFORMATION

CITY OF TRAVERSE CITY
Schedule of GASB 54 Consolidation
Budget (GAAP Basis) and Actual
For the Year Ended June 30, 2021

	General Fund				Budget Stabilization			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues								
Property taxes	\$ 12,165,000	\$ 12,165,000	\$ 12,223,174	\$ 58,174	\$ -	\$ -	\$ -	\$ -
Licenses and permits	371,100	371,100	457,519	86,419	-	-	-	-
Federal sources	5,000	5,000	836,423	831,423	-	-	-	-
State sources	1,034,700	1,034,700	1,861,308	826,608	-	-	-	-
Local sources	1,680,000	-	1,645,148	1,645,148	-	-	-	-
Charges for services	232,800	232,800	203,959	(28,841)	-	-	-	-
Fines and forfeits	8,000	8,000	1,920	(6,080)	-	-	-	-
Contributions	-	-	-	-	-	-	-	-
Reimbursements	594,000	594,000	495,261	(98,739)	-	-	-	-
Investment income (loss)	10,000	10,000	(45,293)	(55,293)	19,000	19,000	(1,939)	(20,939)
Other revenue	498,500	498,500	506,661	8,161	-	-	-	-
Total revenues	16,599,100	14,919,100	18,186,080	3,266,980	19,000	19,000	(1,939)	(20,939)
Expenditures								
General government	4,164,100	4,221,100	3,939,187	281,913	-	-	-	-
Public safety	7,273,700	7,593,700	7,716,942	(123,242)	-	-	-	-
Public works	1,855,600	2,280,600	2,326,308	(45,708)	-	-	-	-
Recreation and culture	2,046,900	2,046,900	1,912,485	134,415	-	-	-	-
Capital outlay	112,000	161,420	90,288	71,132	-	-	-	-
Total expenditures	15,452,300	16,303,720	15,985,210	318,510	-	-	-	-
Excess (deficiency) of revenue over expenditures	1,146,800	(1,384,620)	2,200,870	3,585,490	19,000	19,000	(1,939)	(20,939)
Other financing sources (uses)								
Transfers in	1,271,300	2,951,300	1,332,485	(1,618,815)	-	-	-	-
Transfers out	(2,627,300)	(2,627,300)	(2,206,454)	420,846	(19,000)	(19,000)	(17,813)	1,187
Total other financing sources (uses)	(1,356,000)	324,000	(873,969)	(1,197,969)	(19,000)	(19,000)	(17,813)	1,187
Net change in fund balance	(209,200)	(1,060,620)	1,326,901	2,387,521	-	-	(19,752)	(19,752)
Fund balance, beginning of year	4,738,853	4,738,853	4,738,853	-	819,139	819,139	819,139	-
Fund balance, end of year	\$ 4,529,653	\$ 3,678,233	\$ 6,065,754	\$ 2,387,521	\$ 819,139	\$ 819,139	\$ 799,387	\$ (19,752)

CITY OF TRAVERSE CITY
Schedule of GASB 54 Consolidation
Budget (GAAP Basis) and Actual
For the Year Ended June 30, 2021

	Hazmat				Carnegie Building Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	842	842
State sources	-	-	-	-	-	-	760	760
Local sources	18,000	18,000	18,565	565	-	-	-	-
Charges for services	-	-	2,952	2,952	51,200	51,200	34,040	(17,160)
Fines and forfeits	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	24,000	-	(24,000)
Reimbursements	-	-	-	-	-	-	33,534	33,534
Interest income	-	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-	-
Total revenues	<u>18,000</u>	<u>18,000</u>	<u>21,517</u>	<u>3,517</u>	<u>51,200</u>	<u>75,200</u>	<u>69,176</u>	<u>(6,024)</u>
Expenditures								
General government	-	-	-	-	-	-	-	-
Public safety	21,900	21,900	15,397	6,503	-	-	-	-
Public works	-	-	-	-	-	-	-	-
Recreation and culture	-	-	-	-	112,000	112,000	61,157	50,843
Capital outlay	-	-	-	-	-	24,000	-	24,000
Total expenditures	<u>21,900</u>	<u>21,900</u>	<u>15,397</u>	<u>6,503</u>	<u>112,000</u>	<u>136,000</u>	<u>61,157</u>	<u>74,843</u>
Excess (deficiency) of revenue over expenditures	<u>(3,900)</u>	<u>(3,900)</u>	<u>6,120</u>	<u>10,020</u>	<u>(60,800)</u>	<u>(60,800)</u>	<u>8,019</u>	<u>68,819</u>
Other financing sources (uses)								
Transfers in	-	-	-	-	63,800	63,800	-	(63,800)
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>63,800</u>	<u>63,800</u>	<u>-</u>	<u>(63,800)</u>
Net change in fund balance	<u>(3,900)</u>	<u>(3,900)</u>	<u>6,120</u>	<u>10,020</u>	<u>3,000</u>	<u>3,000</u>	<u>8,019</u>	<u>5,019</u>
Fund balance, beginning of year	<u>86,422</u>	<u>86,422</u>	<u>86,422</u>	<u>-</u>	<u>1,791</u>	<u>1,791</u>	<u>1,791</u>	<u>-</u>
Fund balance, end of year	<u>\$ 82,522</u>	<u>\$ 82,522</u>	<u>\$ 92,542</u>	<u>\$ 10,020</u>	<u>\$ 4,791</u>	<u>\$ 4,791</u>	<u>\$ 9,810</u>	<u>\$ 5,019</u>

CITY OF TRAVERSE CITY
Schedule of GASB 54 Consolidation
Budget (GAAP Basis) and Actual
For the Year Ended June 30, 2021

	Cherry Capital Cable				Coast Guard Committee			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Local sources	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	-	574	574
Reimbursements	-	-	-	-	-	-	-	-
Interest income	-	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-	-
Total revenues	-	-	-	-	-	-	574	574
Expenditures								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	10,000	10,000	(35)	10,035
Public works	-	-	-	-	-	-	-	-
Recreation and culture	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Total expenditures	-	-	-	-	10,000	10,000	(35)	10,035
Excess (deficiency) of revenue over expenditures	-	-	-	-	(10,000)	(10,000)	609	10,609
Other financing sources (uses)								
Transfers in	-	-	-	-	10,000	10,000	10,000	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	10,000	10,000	10,000	-
Net change in fund balance	-	-	-	-	-	-	10,609	10,609
Fund balance, beginning of year	-	-	-	-	13,230	13,230	13,230	-
Fund balance, end of year	\$ -	\$ -	\$ -	\$ -	\$ 13,230	\$ 13,230	\$ 23,839	\$ 10,609

CITY OF TRAVERSE CITY
Schedule of GASB 54 Consolidation
Budget (GAAP Basis) and Actual
For the Year Ended June 30, 2021

	County Senior Center				Brown Bridge Maintenance			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Local sources	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	122,000	122,000	131,432	9,432
Fines and forfeits	-	-	-	-	-	-	-	-
Contributions	135,000	135,000	79,054	(55,946)	-	-	-	-
Reimbursements	-	-	-	-	-	-	-	-
Interest income	-	-	-	-	-	-	25	25
Other revenue	-	-	-	-	-	-	-	-
Total revenues	<u>135,000</u>	<u>135,000</u>	<u>79,054</u>	<u>(55,946)</u>	<u>122,000</u>	<u>122,000</u>	<u>131,457</u>	<u>9,457</u>
Expenditures								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-
Recreation and culture	149,800	149,800	75,355	74,445	76,000	76,000	62,398	13,602
Capital outlay	-	-	-	-	-	-	-	-
Total expenditures	<u>149,800</u>	<u>149,800</u>	<u>75,355</u>	<u>74,445</u>	<u>76,000</u>	<u>76,000</u>	<u>62,398</u>	<u>13,602</u>
Excess (deficiency) of revenue over expenditures	<u>(14,800)</u>	<u>(14,800)</u>	<u>3,699</u>	<u>18,499</u>	<u>46,000</u>	<u>46,000</u>	<u>69,059</u>	<u>23,059</u>
Other financing sources (uses)								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>(14,800)</u>	<u>(14,800)</u>	<u>3,699</u>	<u>18,499</u>	<u>46,000</u>	<u>46,000</u>	<u>69,059</u>	<u>23,059</u>
Fund balance, beginning of year	<u>36,691</u>	<u>36,691</u>	<u>36,691</u>	<u>-</u>	<u>141,915</u>	<u>141,915</u>	<u>141,915</u>	<u>-</u>
Fund balance, end of year	<u>\$ 21,891</u>	<u>\$ 21,891</u>	<u>\$ 40,390</u>	<u>\$ 18,499</u>	<u>\$ 187,915</u>	<u>\$ 187,915</u>	<u>\$ 210,974</u>	<u>\$ 23,059</u>

CITY OF TRAVERSE CITY
Schedule of GASB 54 Consolidation
Budget (GAAP Basis) and Actual
For the Year Ended June 30, 2021

	Opera House				Banner Program			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Local sources	-	-	-	-	-	-	-	-
Charges for services	112,600	112,600	102,934	(9,666)	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Contributions	55,000	55,000	-	(55,000)	-	-	-	-
Reimbursements	4,000	4,000	4,243	243	3,000	3,000	-	(3,000)
Interest income	-	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-	-
Total revenues	<u>171,600</u>	<u>171,600</u>	<u>107,177</u>	<u>(64,423)</u>	<u>3,000</u>	<u>3,000</u>	<u>-</u>	<u>(3,000)</u>
Expenditures								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-
Recreation and culture	141,100	141,100	89,054	52,046	7,000	7,000	470	6,530
Capital outlay	-	55,000	-	55,000	-	-	-	-
Total expenditures	<u>141,100</u>	<u>196,100</u>	<u>89,054</u>	<u>107,046</u>	<u>7,000</u>	<u>7,000</u>	<u>470</u>	<u>6,530</u>
Excess (deficiency) of revenue over expenditures	<u>30,500</u>	<u>(24,500)</u>	<u>18,123</u>	<u>42,623</u>	<u>(4,000)</u>	<u>(4,000)</u>	<u>(470)</u>	<u>3,530</u>
Other financing sources (uses)								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>30,500</u>	<u>(24,500)</u>	<u>18,123</u>	<u>42,623</u>	<u>(4,000)</u>	<u>(4,000)</u>	<u>(470)</u>	<u>3,530</u>
Fund balance, beginning of year	<u>96,650</u>	<u>96,650</u>	<u>96,650</u>	<u>-</u>	<u>5,060</u>	<u>5,060</u>	<u>5,060</u>	<u>-</u>
Fund balance, end of year	<u>\$ 127,150</u>	<u>\$ 72,150</u>	<u>\$ 114,773</u>	<u>\$ 42,623</u>	<u>\$ 1,060</u>	<u>\$ 1,060</u>	<u>\$ 4,590</u>	<u>\$ 3,530</u>

CITY OF TRAVERSE CITY
Schedule of GASB 54 Consolidation
Budget (GAAP Basis) and Actual
For the Year Ended June 30, 2021

	Economic Development				Stormwater Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Local sources	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	-	-	-
Reimbursements	-	-	-	-	-	-	-	-
Interest income	18,000	18,000	25,958	7,958	-	-	-	-
Other revenue	-	-	-	-	-	-	-	-
Total revenues	<u>18,000</u>	<u>18,000</u>	<u>25,958</u>	<u>7,958</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures								
General government	25,000	345,423	326,959	18,464	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	7,500	5,945	1,555
Recreation and culture	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Total expenditures	<u>25,000</u>	<u>345,423</u>	<u>326,959</u>	<u>18,464</u>	<u>-</u>	<u>7,500</u>	<u>5,945</u>	<u>1,555</u>
Excess (deficiency) of revenue over expenditures	<u>(7,000)</u>	<u>(327,423)</u>	<u>(301,001)</u>	<u>26,422</u>	<u>-</u>	<u>(7,500)</u>	<u>(5,945)</u>	<u>1,555</u>
Other financing sources (uses)								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>(7,000)</u>	<u>(327,423)</u>	<u>(301,001)</u>	<u>26,422</u>	<u>-</u>	<u>(7,500)</u>	<u>(5,945)</u>	<u>1,555</u>
Fund balance, beginning of year	<u>1,899,782</u>	<u>1,899,782</u>	<u>1,899,782</u>	<u>-</u>	<u>20,452</u>	<u>20,452</u>	<u>20,452</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 1,892,782</u></u>	<u><u>\$ 1,572,359</u></u>	<u><u>\$ 1,598,781</u></u>	<u><u>\$ 26,422</u></u>	<u><u>\$ 20,452</u></u>	<u><u>\$ 12,952</u></u>	<u><u>\$ 14,507</u></u>	<u><u>\$ 1,555</u></u>

CITY OF TRAVERSE CITY
Schedule of GASB 54 Consolidation
Budget (GAAP Basis) and Actual
For the Year Ended June 30, 2021

	Public Arts Commission				Total General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 12,165,000	\$ 12,165,000	\$ 12,223,174	\$ 58,174
Licenses and permits	-	-	-	-	371,100	371,100	457,519	86,419
Federal sources	-	-	-	-	5,000	5,000	837,265	832,265
State sources	-	-	-	-	1,034,700	1,034,700	1,862,068	827,368
Local sources	-	-	-	-	1,698,000	18,000	1,663,713	1,645,713
Charges for services	-	-	-	-	518,600	518,600	475,317	(43,283)
Fines and forfeits	-	-	-	-	8,000	8,000	1,920	(6,080)
Contributions	40,500	40,500	16,395	(24,105)	230,500	254,500	96,023	(158,477)
Reimbursements	-	-	-	-	601,000	601,000	533,038	(67,962)
Interest income	-	-	-	-	47,000	47,000	(21,249)	(68,249)
Other revenue	-	-	-	-	498,500	498,500	506,661	8,161
Total revenues	<u>40,500</u>	<u>40,500</u>	<u>16,395</u>	<u>(24,105)</u>	<u>17,177,400</u>	<u>15,521,400</u>	<u>18,635,449</u>	<u>3,114,049</u>
Expenditures								
General government	-	-	-	-	4,189,100	4,566,523	4,266,146	300,377
Public safety	-	-	-	-	7,305,600	7,625,600	7,732,304	(106,704)
Public works	-	-	-	-	1,855,600	2,288,100	2,332,253	(44,153)
Recreation and culture	21,200	41,200	16,581	24,619	2,554,000	2,574,000	2,217,500	356,500
Capital outlay	72,000	72,000	-	72,000	184,000	312,420	90,288	222,132
Total expenditures	<u>93,200</u>	<u>113,200</u>	<u>16,581</u>	<u>96,619</u>	<u>16,088,300</u>	<u>17,366,643</u>	<u>16,638,491</u>	<u>728,152</u>
Excess (deficiency) of revenue over expenditures	<u>(52,700)</u>	<u>(72,700)</u>	<u>(186)</u>	<u>72,514</u>	<u>1,089,100</u>	<u>(1,845,243)</u>	<u>1,996,958</u>	<u>3,842,201</u>
Other financing sources (uses)								
Transfers in	35,000	35,000	30,000	(5,000)	1,380,100	3,060,100	1,372,485	(1,687,615)
Transfers out	-	-	-	-	(2,646,300)	(2,646,300)	(2,224,267)	422,033
Total other financing sources (uses)	<u>35,000</u>	<u>35,000</u>	<u>30,000</u>	<u>(5,000)</u>	<u>(1,266,200)</u>	<u>413,800</u>	<u>(851,782)</u>	<u>(1,265,582)</u>
Net change in fund balance	<u>(17,700)</u>	<u>(37,700)</u>	<u>29,814</u>	<u>67,514</u>	<u>(177,100)</u>	<u>(1,431,443)</u>	<u>1,145,176</u>	<u>2,576,619</u>
Fund balance, beginning of year	<u>90,773</u>	<u>90,773</u>	<u>90,773</u>	<u>-</u>	<u>7,950,758</u>	<u>7,950,758</u>	<u>7,950,758</u>	<u>-</u>
Fund balance, end of year	<u>\$ 73,073</u>	<u>\$ 53,073</u>	<u>\$ 120,587</u>	<u>\$ 67,514</u>	<u>\$ 7,773,658</u>	<u>\$ 6,519,315</u>	<u>\$ 9,095,934</u>	<u>\$ 2,576,619</u>

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Revenues
Budget (GAAP Basis) and Actual
General Fund before GASB 54 Consolidation
For the Year Ended June 30, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Property taxes				
Real estate and personal property	\$ 11,800,000	\$ 11,800,000	\$ 11,803,492	\$ 3,492
Collection fees	270,000	270,000	282,832	12,832
Penalties and interest on taxes	95,000	95,000	136,850	41,850
Total property taxes	<u>12,165,000</u>	<u>12,165,000</u>	<u>12,223,174</u>	<u>58,174</u>
Licenses and permits				
Business	338,800	338,800	377,488	38,688
Nonbusiness	32,300	32,300	80,031	47,731
Total licenses and permits	<u>371,100</u>	<u>371,100</u>	<u>457,519</u>	<u>86,419</u>
Federal sources	<u>5,000</u>	<u>5,000</u>	<u>836,423</u>	<u>831,423</u>
State sources				
State - shared revenues				
Sales and use tax	993,700	993,700	1,611,761	618,061
Liquor licenses	40,000	40,000	55,831	15,831
Other state	1,000	1,000	193,716	192,716
Total state sources	<u>1,034,700</u>	<u>1,034,700</u>	<u>1,861,308</u>	<u>826,608</u>
Local sources				
City fee - Component Units	1,680,000	-	1,645,148	1,645,148
Charges for services				
General fees and services	45,500	45,500	65,041	19,541
Use and admission fees	157,300	157,300	104,872	(52,428)
Fine and forfeitures - ordinance and cost	30,000	30,000	34,046	4,046
Total charges for services	<u>232,800</u>	<u>232,800</u>	<u>203,959</u>	<u>(28,841)</u>
Fines and forfeits				
Parking violations	8,000	8,000	1,920	(6,080)
Reimbursements	<u>594,000</u>	<u>594,000</u>	<u>495,261</u>	<u>(98,739)</u>
Investment income (loss)	<u>10,000</u>	<u>10,000</u>	<u>(45,293)</u>	<u>(55,293)</u>
Other revenue				
Rents and royalties	2,500	2,500	30,554	28,054
Contributions	461,000	461,000	449,986	(11,014)
Sale of assets	2,500	2,500	37	(2,463)
Other	32,500	32,500	26,084	(6,416)
Total other revenue	<u>498,500</u>	<u>498,500</u>	<u>506,661</u>	<u>8,161</u>
Total revenues	<u>\$ 16,599,100</u>	<u>\$ 14,919,100</u>	<u>\$ 18,186,080</u>	<u>\$ 3,266,980</u>

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Expenditures
Budget (GAAP Basis) and Actual
General Fund before GASB 54 Consolidation
For the Year Ended June 30, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
General government				
City Commission				
Personnel	\$ 53,500	\$ 53,500	\$ 53,560	\$ (60)
Commodities	600	600	208	392
Contractual services	40,350	40,350	28,809	11,541
Other charges	5,200	5,200	401	4,799
Total City Commission	<u>99,650</u>	<u>99,650</u>	<u>82,978</u>	<u>16,672</u>
City Manager's Office				
Personnel	390,500	390,500	405,118	(14,618)
Commodities	4,000	4,000	3,632	368
Contractual services	38,300	38,300	17,511	20,789
Other charges	6,000	6,000	5,238	762
Total City Manager's Office	<u>438,800</u>	<u>438,800</u>	<u>431,499</u>	<u>7,301</u>
Human Resources				
Personnel	209,300	209,300	198,540	10,760
Commodities	1,000	1,000	2,775	(1,775)
Contractual services	44,550	44,550	46,969	(2,419)
Other charges	3,000	3,000	2,581	419
Total Human Resources	<u>257,850</u>	<u>257,850</u>	<u>250,865</u>	<u>6,985</u>
Geographic Information Systems				
Personnel	98,300	98,300	98,663	(363)
Commodities	9,100	9,100	-	9,100
Contractual services	47,900	47,900	32,603	15,297
Other charges	1,000	1,000	-	1,000
Total Geographic Information Systems	<u>156,300</u>	<u>156,300</u>	<u>131,266</u>	<u>25,034</u>
City Attorney's Office				
Personnel	219,200	219,200	222,317	(3,117)
Commodities	1,500	1,500	1,073	427
Contractual services	36,000	76,000	58,192	17,808
Other charges	2,500	2,500	1,513	987
Total City Attorney's Office	<u>259,200</u>	<u>299,200</u>	<u>283,095</u>	<u>16,105</u>
City Clerk's Office				
Personnel	486,500	486,500	489,512	(3,012)
Commodities	69,200	69,200	44,295	24,905
Contractual services	51,800	56,800	47,208	9,592
Other charges	25,700	25,700	29,790	(4,090)
Total City Clerk's Office	<u>633,200</u>	<u>638,200</u>	<u>610,805</u>	<u>27,395</u>

Continued.....

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Expenditures
Budget (GAAP Basis) and Actual
General Fund before GASB 54 Consolidation
For the Year Ended June 30, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Assessor's Office				
Personnel	\$ 414,900	\$ 414,900	\$ 422,136	\$ (7,236)
Commodities	10,000	10,000	6,705	3,295
Contractual services	65,500	65,500	69,439	(3,939)
Other charges	8,200	8,200	7,437	763
Total Assessor's Office	<u>498,600</u>	<u>498,600</u>	<u>505,717</u>	<u>(7,117)</u>
Treasurer's Office				
Personnel	403,100	403,100	357,615	45,485
Commodities	19,000	19,000	17,197	1,803
Contractual services	53,000	53,000	55,829	(2,829)
Other charges	8,500	8,500	4,879	3,621
Total Treasurer's Office	<u>483,600</u>	<u>483,600</u>	<u>435,520</u>	<u>48,080</u>
Building and grounds				
Other charges	<u>120,000</u>	<u>120,000</u>	<u>102,737</u>	<u>17,263</u>
Planning/Zoning				
Personnel	497,000	497,000	532,889	(35,889)
Commodities	7,100	7,100	3,826	3,274
Contractual services	66,100	66,100	32,426	33,674
Other charges	17,600	17,600	10,028	7,572
Total Planning/Zoning	<u>587,800</u>	<u>587,800</u>	<u>579,169</u>	<u>8,631</u>
Cemetery				
Personnel	267,400	297,400	301,671	(4,271)
Commodities	11,000	11,000	16,212	(5,212)
Contractual services	19,500	19,500	27,704	(8,204)
Other charges	110,700	110,700	93,595	17,105
Total Cemetery	<u>408,600</u>	<u>438,600</u>	<u>439,182</u>	<u>(582)</u>
Appropriations	<u>220,500</u>	<u>202,500</u>	<u>86,354</u>	<u>116,146</u>
Total general government	<u>4,164,100</u>	<u>4,221,100</u>	<u>3,939,187</u>	<u>281,913</u>
Public Safety				
Police				
Personnel	3,164,500	3,364,500	3,488,702	(124,202)
Commodities	91,000	191,000	108,543	82,457
Contractual services	430,000	430,000	471,069	(41,069)
Other charges	464,100	464,100	429,133	34,967
Total Police	<u>4,149,600</u>	<u>4,449,600</u>	<u>4,497,447</u>	<u>(47,847)</u>

Continued.....

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Expenditures
Budget (GAAP Basis) and Actual
General Fund before GASB 54 Consolidation
For the Year Ended June 30, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Fire				
Personnel	\$ 2,362,500	\$ 2,382,500	\$ 2,491,858	\$ (109,358)
Commodities	146,500	146,500	123,781	22,719
Contractual services	142,500	142,500	167,673	(25,173)
Other charges	472,600	472,600	436,183	36,417
Total Fire	<u>3,124,100</u>	<u>3,144,100</u>	<u>3,219,495</u>	<u>(75,395)</u>
Total public safety	<u>7,273,700</u>	<u>7,593,700</u>	<u>7,716,942</u>	<u>(123,242)</u>
Public Works				
Streets, alleys and sidewalks				
Personnel	791,000	1,191,000	845,263	345,737
Commodities	33,000	33,000	78,498	(45,498)
Contractual services	197,000	197,000	94,965	102,035
Other charges	(39,000)	(39,000)	381,901	(420,901)
Total Streets, Alleys and Sidewalks	<u>982,000</u>	<u>1,382,000</u>	<u>1,400,627</u>	<u>(18,627)</u>
Engineering				
Personnel	764,900	789,900	853,560	(63,660)
Commodities	28,000	28,000	10,233	17,767
Contractual services	53,600	53,600	37,606	15,994
Other charges	27,100	27,100	24,282	2,818
Total Engineering	<u>873,600</u>	<u>898,600</u>	<u>925,681</u>	<u>(27,081)</u>
Total public works	<u>1,855,600</u>	<u>2,280,600</u>	<u>2,326,308</u>	<u>(45,708)</u>
Recreation and Culture				
Parks				
Personnel	1,113,500	1,113,500	1,060,056	53,444
Commodities	68,700	68,700	47,173	21,527
Contractual services	267,200	267,200	198,005	69,195
Other charges	597,500	597,500	607,251	(9,751)
Total Recreation and Culture	<u>2,046,900</u>	<u>2,046,900</u>	<u>1,912,485</u>	<u>134,415</u>
Capital outlay	<u>112,000</u>	<u>161,420</u>	<u>90,288</u>	<u>71,132</u>
Total expenditures	<u>\$ 15,452,300</u>	<u>\$ 16,303,720</u>	<u>\$ 15,985,210</u>	<u>\$ 318,510</u>

Concluded

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Transfers
Budget (GAAP Basis) and Actual
General Fund before GASB 54 Consolidation
For the Year Ended June 30, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Transfers in				
Brown Bridge Trust	\$ 210,000	\$ 210,000	\$ 340,108	\$ 130,108
Other funds	37,000	37,000	32,963	(4,037)
City fee - Proprietary Funds	1,024,300	2,704,300	959,414	(1,744,886)
Total Transfers In	<u>\$ 1,271,300</u>	<u>\$ 2,951,300</u>	<u>\$ 1,332,485</u>	<u>\$ (1,618,815)</u>
Transfers out				
Major Streets	\$ -	\$ -	\$ -	\$ -
Local Streets	905,000	905,000	484,073	420,927
Heritage Center	-	-	-	-
Public Arts Commission	30,000	30,000	30,000	-
Coast Guard Committee	10,000	10,000	10,000	-
Sidewalk and Trail Debt Retirement	373,200	373,200	373,215	(15)
Capital Projects	975,600	975,600	975,666	(66)
Hickory Hills	333,500	333,500	333,500	-
Total Transfers Out	<u>\$ 2,627,300</u>	<u>\$ 2,627,300</u>	<u>\$ 2,206,454</u>	<u>\$ 420,846</u>

CITY OF TRAVERSE CITY, MICHIGAN
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2021

	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Capital Projects Funds</u>	<u>Permanent Cemetery Perpetual Care</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS					
Assets					
Cash and cash equivalents	\$ 2,356,173	\$ 4,674	\$ 929,134	\$ 179,302	\$ 3,469,283
Investments	94,704	-	5,006	589,035	688,745
Receivables					
Accounts	17,387	-	-	-	17,387
Taxes	-	-	3,669	-	3,669
Special assessments	-	-	161,478	-	161,478
Interest	981	-	-	3,118	4,099
Due from other funds	1,305,027	-	-	-	1,305,027
Due from other governments	5,400	-	-	-	5,400
Total assets	<u>\$ 3,779,672</u>	<u>\$ 4,674</u>	<u>\$ 1,099,287</u>	<u>\$ 771,455</u>	<u>\$ 5,655,088</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 1,920	\$ -	\$ -	\$ -	\$ 1,920
Accrued and other liabilities	-	-	261	-	261
Due to other funds	5,400	-	-	-	5,400
Unearned revenue	5,813	-	-	-	5,813
Advance from component unit	-	-	165	-	165
Total liabilities	<u>13,133</u>	<u>-</u>	<u>426</u>	<u>-</u>	<u>13,559</u>
Deferred inflows of resources					
Unavailable revenue	-	-	161,132	-	161,132
Fund balances					
Nonspendable					
Cemetery perpetual care	-	-	-	771,455	771,455
Restricted					
Debt service	-	4,674	-	-	4,674
Joint planning	20,140	-	-	-	20,140
Capital improvements	464,309	-	209,091	-	673,400
Public safety training	7,766	-	-	-	7,766
Public welfare or civic improvement organization	2,795,192	-	-	-	2,795,192
Act 345 retirement	479,132	-	-	-	479,132
Committed					
Capital improvements	-	-	728,638	-	728,638
Total fund balances	<u>3,766,539</u>	<u>4,674</u>	<u>937,729</u>	<u>771,455</u>	<u>5,480,397</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,779,672</u>	<u>\$ 4,674</u>	<u>\$ 1,099,287</u>	<u>\$ 771,455</u>	<u>\$ 5,655,088</u>

CITY OF TRAVERSE CITY, MICHIGAN
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2021

	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Capital Projects Funds</u>	<u>Permanent Cemetery Perpetual Care</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues					
Property taxes and special assessments	\$ 2,280,431	\$ -	\$ 113,298	\$ -	\$ 2,393,729
State sources	26,777	-	-	-	26,777
Local sources	-	983,364	-	-	983,364
Charges for services	155,993	-	-	14,663	170,656
Contributions	1,055,174	-	331	-	1,055,505
Interest income	(5,692)	-	13,971	(3,783)	4,496
Total revenues	<u>3,512,683</u>	<u>983,364</u>	<u>127,600</u>	<u>10,880</u>	<u>4,634,527</u>
Expenditures					
Current expenditures					
General government	14,070	-	-	-	14,070
Public safety	2,380,153	-	-	-	2,380,153
Public works	-	-	3,373	-	3,373
Debt service					
Principal	-	1,270,000	-	-	1,270,000
Interest and fiscal charges	-	371,392	-	-	371,392
Total expenditures	<u>2,394,223</u>	<u>1,641,392</u>	<u>3,373</u>	<u>-</u>	<u>4,038,988</u>
Excess (deficiency) of revenues over expenditures	<u>1,118,460</u>	<u>(658,028)</u>	<u>124,227</u>	<u>10,880</u>	<u>595,539</u>
Other financing sources (uses)					
Transfers in	-	658,215	-	-	658,215
Transfers (out)	(65,000)	-	-	(15,150)	(80,150)
Total other financing sources (uses)	<u>(65,000)</u>	<u>658,215</u>	<u>-</u>	<u>(15,150)</u>	<u>578,065</u>
Net change in fund balance	1,053,460	187	124,227	(4,270)	1,173,604
Fund balances, beginning of year	<u>2,713,079</u>	<u>4,487</u>	<u>813,502</u>	<u>775,725</u>	<u>4,306,793</u>
Fund balances, end of year	<u>\$ 3,766,539</u>	<u>\$ 4,674</u>	<u>\$ 937,729</u>	<u>\$ 771,455</u>	<u>\$ 5,480,397</u>

CITY OF TRAVERSE CITY, MICHIGAN
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2021

	<u>Act 302 Police Training Fund</u>	<u>State Preparedness Equipment Grant Fund</u>	<u>College Parking Fund</u>	<u>Act 345 Millage Fund</u>	<u>Traverse City and Garfield Township Joint Planning Fund</u>	<u>PEG Capital Fund</u>
ASSETS						
Assets						
Cash and cash equivalents	\$ 7,766	\$ -	\$ 1,922	\$ 467,327	\$ 20,140	\$ 95,253
Investments	-	-	-	-	-	-
Receivables						
Accounts	-	-	-	11,805	-	5,582
Interest	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Due from other governments	-	5,400	-	-	-	-
Total assets	<u>\$ 7,766</u>	<u>\$ 5,400</u>	<u>\$ 1,922</u>	<u>\$ 479,132</u>	<u>\$ 20,140</u>	<u>\$ 100,835</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ -	\$ -	\$ 1,920	\$ -	\$ -	\$ -
Unearned revenue	-	-	-	-	-	-
Due to other funds	-	5,400	-	-	-	-
Total liabilities	<u>-</u>	<u>5,400</u>	<u>1,920</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances						
Restricted						
Joint planning	-	-	-	-	20,140	-
Capital improvements	-	-	-	-	-	100,835
Public safety training	7,766	-	-	-	-	-
Public welfare or civic improvement organizations	-	-	2	-	-	-
Act 345 retirement	-	-	-	479,132	-	-
Total fund balances (deficit)	<u>7,766</u>	<u>-</u>	<u>2</u>	<u>479,132</u>	<u>20,140</u>	<u>100,835</u>
Total liabilities and fund balances	<u>\$ 7,766</u>	<u>\$ 5,400</u>	<u>\$ 1,922</u>	<u>\$ 479,132</u>	<u>\$ 20,140</u>	<u>\$ 100,835</u>

Continued..

CITY OF TRAVERSE CITY, MICHIGAN
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2021

	Senior Center Building Fund	Homeland Security Training Grant Fund	McCauley Estate Trust Fund	County Road Commission Projects Fund	Brown Bridge Trust Park Improvement Fund	Total
ASSETS						
Assets						
Cash and cash equivalents	\$ 369,287	\$ -	\$ 3,247	\$ 839,215	\$ 552,016	\$ 2,356,173
Investments	-	-	94,704	-	-	94,704
Receivables						
Accounts	-	-	-	-	-	17,387
Interest	-	-	981	-	-	981
Due from other funds	-	-	-	1,305,027	-	1,305,027
Due from other governments	-	-	-	-	-	5,400
Total assets	\$ 369,287	\$ -	\$ 98,932	\$ 2,144,242	\$ 552,016	\$ 3,779,672
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,920
Unearned revenue	5,813	-	-	-	-	5,813
Due to other funds	-	-	-	-	-	5,400
Total liabilities	5,813	-	-	-	-	13,133
Fund balances						
Restricted						
Joint planning	-	-	-	-	-	20,140
Capital improvements	363,474	-	-	-	-	464,309
Public safety training	-	-	-	-	-	7,766
Public welfare or civic improvement organizations	-	-	98,932	2,144,242	552,016	2,795,192
Act 345 retirement	-	-	-	-	-	479,132
Total fund balances	363,474	-	98,932	2,144,242	552,016	3,766,539
Total liabilities and fund balances	\$ 369,287	\$ -	\$ 98,932	\$ 2,144,242	\$ 552,016	\$ 3,779,672

Concluded

CITY OF TRAVERSE CITY, MICHIGAN
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2021

	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	\$ -	\$ -	\$ -	\$ 2,280,431	\$ -	\$ -
State sources	3,178	-	-	23,599	-	-
Charges for services	-	-	4,438	-	-	-
Contributions	-	-	-	-	-	23,189
Interest income	-	-	-	420	-	-
Total revenues	<u>3,178</u>	<u>-</u>	<u>4,438</u>	<u>2,304,450</u>	<u>-</u>	<u>23,189</u>
Expenditures						
Current expenditures						
General government	-	-	4,439	-	-	7,277
Public safety	-	-	-	2,380,153	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>4,439</u>	<u>2,380,153</u>	<u>-</u>	<u>7,277</u>
Excess (deficiency) of revenues over expenditures	3,178	-	(1)	(75,703)	-	15,912
Other financing sources (uses)						
Transfers (out)	-	-	-	-	-	-
Net change in fund balance	3,178	-	(1)	(75,703)	-	15,912
Fund balances, beginning of year	4,588	-	3	554,835	20,140	84,923
Fund balances, (deficit) end of year	<u>\$ 7,766</u>	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ 479,132</u>	<u>\$ 20,140</u>	<u>\$ 100,835</u>

Continued....

CITY OF TRAVERSE CITY, MICHIGAN
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2021

	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,280,431
State sources	-	-	-	-	-	26,777
Charges for services	-	-	-	-	151,555	155,993
Contributions	310	-	-	1,031,675	-	1,055,174
Interest income (loss)	57	-	(6,410)	171	70	(5,692)
Total revenues	<u>367</u>	<u>-</u>	<u>(6,410)</u>	<u>1,031,846</u>	<u>151,625</u>	<u>3,512,683</u>
Expenditures						
Current expenditures						
General government	-	-	-	-	2,354	14,070
Public safety	-	-	-	-	-	2,380,153
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,354</u>	<u>2,394,223</u>
Excess (deficiency) of revenues over expenditures	367	-	(6,410)	1,031,846	149,271	1,118,460
Other financing sources (uses)						
Transfers (out)	-	-	-	-	(65,000)	(65,000)
Net change in fund balance	367	-	(6,410)	1,031,846	84,271	1,053,460
Fund balances, beginning of year	363,107	-	105,342	1,112,396	467,745	2,713,079
Fund balances, end of year	<u>\$ 363,474</u>	<u>\$ -</u>	<u>\$ 98,932</u>	<u>\$ 2,144,242</u>	<u>\$ 552,016</u>	<u>\$ 3,766,539</u>

Concluded

CITY OF TRAVERSE CITY, MICHIGAN
Combining Balance Sheet
Nonmajor Debt Service Funds
June 30, 2021

	Sidewalk and Trail Debt Retirement	Parking Deck Bond Redemption Non-Taxable	Old Town Parking Deck Bond Redemption	Total
ASSETS				
Assets				
Cash and cash equivalents	998	3,576	100	4,674
Total assets	\$ 998	\$ 3,576	\$ 100	\$ 4,674
LIABILITIES AND FUND BALANCES				
Liabilities				
Due to other funds	\$ -	\$ -	\$ -	\$ -
Fund balances				
Restricted for debt service	998	3,576	100	4,674
Total liabilities and fund balances	\$ 998	\$ 3,576	\$ 100	\$ 4,674

CITY OF TRAVERSE CITY, MICHIGAN
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Debt Service Funds
For the Year Ended June 30, 2021

	<u>Sidewalk and Trail Debt Retirement</u>	<u>Parking Deck Bond Redemption Non-Taxable</u>	<u>Old Town Parking Deck Bond Redemption</u>	<u>Total</u>
Revenues				
Local sources	\$ 90,442	\$ 892,922	\$ -	\$ 983,364
Expenditures				
Debt service				
Principal	525,000	745,000	-	1,270,000
Interest and fiscal charges	223,470	147,922	-	371,392
Total expenditures	748,470	892,922	-	1,641,392
Other financing sources (uses)				
Transfers in	658,215	-	-	658,215
Net change in fund balances	187	-	-	187
Fund balances, beginning of year	811	3,576	100	4,487
Fund balances, end of year	<u>\$ 998</u>	<u>\$ 3,576</u>	<u>\$ 100</u>	<u>\$ 4,674</u>

CITY OF TRAVERSE CITY, MICHIGAN
Combining Balance Sheet
Nonmajor Capital Projects Fund
June 30, 2021

	Parking Bond Construction Non-taxable	Special Assessments	Total
ASSETS			
Assets			
Cash and cash equivalents	\$ 209,091	\$ 720,043	\$ 929,134
Investments	-	5,006	5,006
Receivables			
Taxes	-	3,669	3,669
Special assessments	-	161,478	161,478
	\$ 209,091	\$ 890,196	\$ 1,099,287
Total assets			
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities			
Accounts payable	\$ -	\$ 261	\$ 261
Advance from component unit	-	165	165
	-	426	426
Total liabilities			
Deferred inflows of resources			
Unavailable revenue	-	161,132	161,132
	-	161,132	161,132
Fund balances			
Restricted			
Capital improvements	209,091	-	209,091
Committed			
Capital improvements	-	728,638	728,638
	209,091	728,638	937,729
Total fund balances			
Total liabilities, deferred inflows of resources, and fund balances			
	\$ 209,091	\$ 890,196	\$ 1,099,287

CITY OF TRAVERSE CITY, MICHIGAN
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Capital Projects Fund
For the Year Ended June 30, 2021

	Parking Deck Bond Construction Non-Taxable	Special Assessments	Total
Revenues			
Special assessments	\$ -	\$ 113,298	\$ 113,298
Contributions	-	331	331
Interest income	59	13,912	13,971
Total revenues	<u>59</u>	<u>127,541</u>	<u>127,600</u>
Expenditures			
Public works	-	3,373	3,373
Capital outlay	-	-	-
Total expenditures	<u>-</u>	<u>3,373</u>	<u>3,373</u>
Net change in fund balances	59	124,168	124,227
Fund balances, beginning of year	<u>209,032</u>	<u>604,470</u>	<u>813,502</u>
Fund balances, end of year	<u>\$ 209,091</u>	<u>\$ 728,638</u>	<u>\$ 937,729</u>

CITY OF TRAVERSE CITY, MICHIGAN
Combining Statement of Fiduciary Net Position
June 30, 2021

	Other Postemployment Benefit Funds				Custodial Fund	Total
	Act 345	Act 345	Retiree	Tax		
	Pension Trust Fund	Retiree Health Insurance Trust	Health Insurance Trust	Collection Fund		
Assets						
Cash and cash equivalents	\$ 2,571,345	\$ 555,938	\$ -	\$ 344,122	\$ 3,471,405	
Investments, at fair value						
Fixed income mutual funds	7,370,959	1,302,155	-	-	8,673,114	
Domestic equities	9,987,826	2,502,170	-	-	12,489,996	
International equities	5,882,502	629,839	-	-	6,512,341	
Real estate	3,447,051	-	-	-	3,447,051	
Other	10,658,953	-	-	-	10,658,953	
MERS total market fund			2,380,575	-	2,380,575	
Receivables						
Accounts receivable	-	58,576	-	-	58,576	
Accrued interest	9,053	2,009	-	-	11,062	
Total assets	39,927,689	5,050,687	2,380,575	344,122	47,703,073	
Liabilities						
Due to other governments	-	-	-	344,122	344,122	
Accrued and other liabilities	85,566	8,800	14,381	-	108,747	
Total liabilities	85,566	8,800	14,381	344,122	452,869	
Net Position						
Held in trust for pension benefits and other post employment benefits	\$ 39,842,123	\$ 5,041,887	\$ 2,366,194	\$ -	\$ 47,250,204	

CITY OF TRAVERSE CITY, MICHIGAN
Combining Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2021

	Other Postemployment			Custodial Fund	Total
	Benefit Funds				
	Act 345 Pension Trust Fund	Act 345 Retiree Health Insurance Trust	Retiree Health Insurance Trust		
Additions					
Contributions					
City contributions	\$ 2,380,153	\$ 572,909	\$ 16,997	\$ -	\$ 2,970,059
Employee contributions	71,472	-	-	-	71,472
Property taxes collected	-	-	-	52,586,183	52,586,183
Total contributions	<u>2,451,625</u>	<u>572,909</u>	<u>16,997</u>	<u>52,586,183</u>	<u>55,627,714</u>
Investment earnings					
Interest and dividends	296,625	72,093	27	-	368,745
Net increase in fair value of investments	8,902,485	932,314	523,182	-	10,357,981
Investment expense	(113,723)	(2,030)	-	-	(115,753)
Net investment earnings	<u>9,085,387</u>	<u>1,002,377</u>	<u>523,209</u>	<u>-</u>	<u>10,610,973</u>
Total additions	<u>11,537,012</u>	<u>1,575,286</u>	<u>540,206</u>	<u>52,586,183</u>	<u>66,238,687</u>
Deductions					
Pension benefits paid	2,868,674	501,743	-	-	3,370,417
Health insurance premiums paid	-	-	137,871	-	137,871
Administrative expense (other)	18,916	16,800	3,848	-	39,564
Property taxes distributed	-	-	-	52,586,183	52,586,183
Total deductions	<u>2,887,590</u>	<u>518,543</u>	<u>141,719</u>	<u>52,586,183</u>	<u>56,134,035</u>
Net increase (decrease) in net position	8,649,422	1,056,743	398,487	-	10,104,652
Net position, beginning of year	<u>31,192,701</u>	<u>3,985,144</u>	<u>1,967,707</u>	<u>-</u>	<u>37,145,552</u>
Net position, end of year	<u>\$ 39,842,123</u>	<u>\$ 5,041,887</u>	<u>\$ 2,366,194</u>	<u>\$ -</u>	<u>\$ 47,250,204</u>

SINGLE AUDIT SECTION



Vredevelde Haefner LLC

CPAs and Consultants
10302 20th Avenue
Grand Rapids, MI 49534
Fax (616) 828-0307

Douglas J. Vredevelde, 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 28, 2021

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, 2021, 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 28, 2021.

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.

Orederold Haefner LLC



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

December 28, 2021

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

Report on Compliance for Each Major Federal Program

We have audited the City of Traverse City, Michigan's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2021. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of the City, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Uredaxeld Haefner LLC

CITY OF TRAVERSE CITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass- through Grantor's Number	Approved Grant Award Amount	Expenditures
Coronavirus Aid, Relief and Economic Security (CARES Act)				
U.S. Department of Treasury				
Passed through Michigan Department of Treasury				
Public Safety Public Health Payroll	21.019		\$ 713,719	\$ 713,719
First Responder Hazard Pay Premiums Program (FRHPPP)	21.019		55,000	55,000
Coronavirus Relief Local Government Grant (CRLGG)	21.019	28-2010-CRLGG	47,479	<u>47,479</u>
Total U.S. Department of Treasury				816,198
U.S Department of Health and Human Services				
Passed through Michigan Dept of Environment, Great Lakes, and Energy				
SARS -CoV-2 Wastewater Monitoring	93.323	2020-7514		76,932
U.S Department of FEMA				
Passed through Michigan State Police				
Public Assistance Grant (COVID-19)	97.036	FEMA-4494-DR-MI	19,426	19,426
U.S Department of Justice				
Office of Justice Programs (direct funding)				
Bullet Proof Vests	16.607			799
U.S Department of Commerce				
Passed through Grand Traverse Bay Watershed Initiative, Inc.				
Kids Creek Stream Corridor Restoration Project	11.463	NA18NMF4630291	1,708,259	372,471
U.S Department of Commerce				
National Park Service				
Native American Grave Protection & Repatriation Act	15.922			<u>842</u>
Total Federal expenditures				<u>\$ 1,286,668</u>

See notes to schedule of expenditures of federal awards.

CITY OF TRAVERSE CITY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2021

1. The Schedule of Expenditures of Federal Awards is prepared in accordance with the modified accrual basis of accounting except as noted in note 4 below.

2. Reconciliation of revenues from federal sources per financial statements and expenditures per the Schedule of Expenditures of Federal Awards:

Grants reported on Governmental Funds Statement of Revenue, Expenditures and Changes in Fund Balance	<u>\$ 1,209,736</u>
Federal/State operating grants reported on Proprietary Funds Statement of Revenue, Expenses and Changes in Net Position	<u>76,932</u>
Agrees to Schedule of Expenditures of Federal Awards	<u><u>\$ 1,286,668</u></u>

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

4. Expenditures reported on the Schedule of Expenditures of Federal Awards include \$713,719 of public safety and public health payroll reimbursement program expenditures incurred in City fiscal year 2020.

CITY OF TRAVERSE CITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

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

Federal Awards

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
21.019	Coronavirus Relief Fund

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

SECTION II - FINANCIAL STATEMENT FINDINGS

None noted

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted

SECTION IV - SUMMARY OF PRIOR AUDIT FINDINGS

None noted