

June 30, 2020

Annual Audited Financial Statements



CITY *of*
TRAVERSE CITY

Prepared by 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, 2020

Elected Officials

Mayor
Mayor Pro Tem
Commission Member
Commission Member
Commission Member
Commission Member
Commission Member

Jim Carruthers
Amy Shamroe
Brian McGillivary
Christie Minervini
Roger Putman
Ashlea Walter
Tim Werner

Appointed Officials

Manager
Clerk
Attorney
Treasurer/Finance Director

Martin Colburn
Benjamin C. Marentette
Lauren Tribble-Laucht
Kelli Martin

CITY OF TRAVERSE CITY, MICHIGAN

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INDEPENDENT AUDITORS' REPORT

December 28, 2020

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, 2020, 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, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Traverse City, Michigan's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2020 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.

Ordenold 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, 2020.

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 \$116,888,059 (*net position*). The City's total net position increased by \$4,947,254 during the year ended June 30, 2020.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$33,598,876 a decrease of \$238,156 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 \$5,322,782 or 29% of total General Fund expenditures and transfers out. The General Fund Operating Fund unassigned fund balance was \$3,630,016 or 20.5% of General Fund Operating Fund expenditures and transfers out.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

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

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

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

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

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

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

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

Notes to the Financial Statements

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

Other Information

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

Government-wide Financial Analysis

As noted earlier, net position may serve as a useful indicator of a government's financial position. In the case of the City of Traverse City, assets and deferred outflows exceeded liabilities and deferred inflows by \$116,888,059 at the close of the most recent fiscal year.

By far the largest portion of the City's net position, \$110,772,489 or 95 percent, reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure), less any related debt used to acquire those assets still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of net position consists of restricted net position of \$23,022,596 which represents resources that are subject to external restrictions on how they may be used, and a deficit unrestricted net position of \$16,907,026.

The City's net position increased by \$4,947,254 during the year ended June 30, 2020.

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 6/30/20			FYE 6/30/19		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 38,938,703	\$ 12,252,169	\$ 51,190,872	\$ 38,652,751	\$ 13,735,515	\$ 52,388,266
Capital assets	52,048,542	69,893,013	121,941,555	56,211,823	61,272,656	117,484,479
Total assets	90,987,245	82,145,182	173,132,427	94,864,574	75,008,171	169,872,745
Deferred outflows	6,085,266	816,831	6,902,097	6,123,010	830,036	6,953,046
Long-term liabilities	14,421,402	2,613,042	17,034,444	15,522,983	3,780,799	19,303,782
Net Pension Liability	30,970,573	3,987,858	34,958,431	30,555,821	4,127,897	34,683,718
Net Other Post Employment Benefit Liability	5,346,589	-	5,346,589	5,406,347	-	5,406,347
Other liabilities	1,882,767	694,029	2,576,796	2,038,365	1,067,463	3,105,828
Total Liabilities	52,621,331	7,294,929	59,916,260	53,523,516	8,976,159	62,499,675
Deferred inflows	2,379,648	850,557	3,230,205	1,706,657	678,654	2,385,311
Net Position:						
Net Investment in capital assets	44,082,998	66,689,491	110,772,489	48,655,310	56,806,750	105,462,060
Restricted assets	23,022,596	-	23,022,596	23,400,121	-	23,400,121
Unrestricted (deficit)	(25,034,062)	8,127,036	(16,907,026)	(26,298,020)	9,376,644	(16,921,376)
Total net position	\$ 42,071,532	\$ 74,816,527	\$ 116,888,059	\$ 45,757,411	\$ 66,183,394	\$ 111,940,805

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

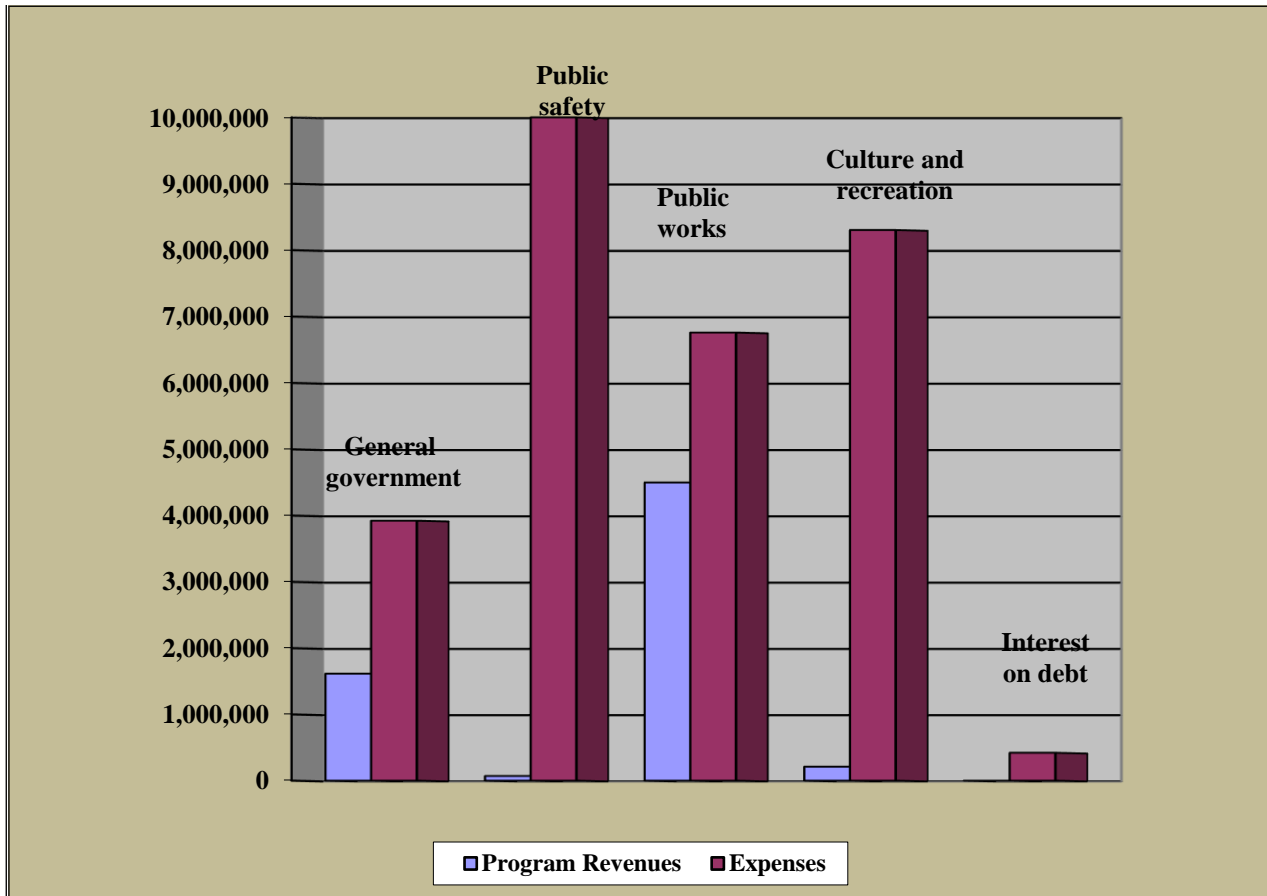
	FYE 6/30/20			FYE 6/30/19		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Program revenue:						
Charges for services	\$ 3,157,547	\$ 16,205,362	\$ 19,362,909	\$ 3,250,463	\$ 16,445,862	\$ 19,696,325
Operating grants/contributions	3,838,612	-	3,838,612	4,203,438	-	4,203,438
Capital grant/contributions	538,266	-	538,266	1,641,086	-	1,641,086
General Revenue:						
Property taxes	15,683,743	-	15,683,743	15,115,475	-	15,115,475
Unrestricted grants/contributions	1,458,302	-	1,458,302	1,494,417	-	1,494,417
Franchise revenue	252,450	-	252,450	261,142	-	261,142
Other	489,760	5,864,251	6,354,011	460,315	131,722	592,037
Total revenue	25,418,680	22,069,613	47,488,293	26,426,336	16,577,584	43,003,920
Expenses:						
General government	3,922,658	-	3,922,658	3,895,749	-	3,895,749
Public safety	10,280,277	-	10,280,277	10,017,658	-	10,017,658
Public works	6,758,757	-	6,758,757	7,427,204	-	7,427,204
Culture and recreation	8,302,749	-	8,302,749	3,157,484	-	3,157,484
Interest and fiscal charges	420,805	-	420,805	389,286	-	389,286
Wastewater	-	6,339,086	6,339,086	-	6,040,505	6,040,505
Water	-	2,871,403	2,871,403	-	2,824,076	2,824,076
Hickory Hills	-	621,808	621,808	-	60,593	60,593
Marina	-	619,049	619,049	-	614,060	614,060
Autoparking	-	2,410,259	2,410,259	-	2,178,892	2,178,892
Total expenses	29,685,246	12,861,605	42,546,851	24,887,381	11,718,126	36,605,507
Increase (decrease) before transfers/contributions	(4,266,566)	9,208,008	4,941,442	1,538,955	4,859,458	6,398,413
Operating transfers	574,875	(574,875)	-	991,993	(991,993)	-
Contribution to endowment	5,812	-	5,812	5,621	-	5,621
Increase in net position	(3,685,879)	8,633,133	4,947,254	2,536,569	3,867,465	6,404,034
Net position beginning of year	45,757,411	66,183,394	111,940,805	43,220,842	62,315,929	105,536,771
Net position end of year	\$ 42,071,532	\$ 74,816,527	\$ 116,888,059	\$ 45,757,411	\$ 66,183,394	\$ 111,940,805

Governmental activities decreased the City's net position by \$3,685,879. Key highlights are as follows:

- Charges for services decreased approximately \$90,000 due in most part to one time medical marijuana license fees of approximately \$385,000 being received in fiscal year end 2019.
- Capital grants/contributions decreased approximately \$1,100,000 due in large part to the receipt in 2019 of contributions from the Downtown Development Authority (\$590,000) and TART Trails (\$400,000) related to Lake Avenue Reconstruction, the Boardman Riverwalk and West Boardman Lake Trail construction projects.

- Unrestricted property tax revenue increased approximately \$570,000 compared to the previous year as the City continues to experience healthy tax base increases.
- Culture and Recreation Expenses increased approximately \$5,100,000 almost exclusively 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.
- Personnel costs for the Governmental Activities increased approximately \$430,000 compared to the previous year which was consistent with budgeted increases.

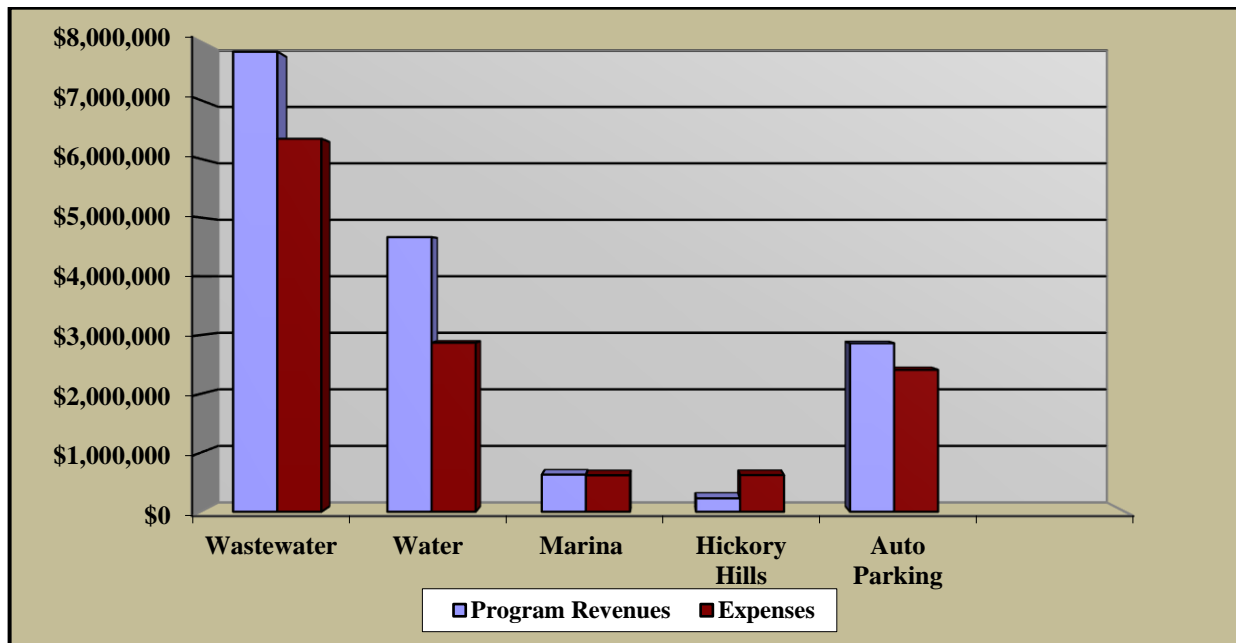
Program Revenues and Expenses - Governmental Activities



Business-type activities increased the City’s net position by \$8,633,133. Key highlights of activities in the funds are as follows:

- Charges for services in the Wastewater fund increased approximately \$225,000. City resident usage fees were almost unchanged despite a \$2 dollar base rate increase during 2020. Fees charged to participating townships increased due to an increase in their share of plant usage.
- Charges for services in the Water fund decreased approximately \$79,000. Both the Wastewater fund and Water fund experienced unexpected declines in charges for services due to the impact COVID 19 restrictions had on commercial users.
- Hickory Hills fund charges for services increased significantly from \$132,000 to \$227,000 reflecting a large increase in customers due to upgrades to the facility that were completed during the 2019 year end. The Hickory Hills fund also received a one time capital contribution of \$5.7 million related to the transfer of assets constructed by and previously reported by Governmental Activities.
- The Auto Parking System fund was hardest hit by COVID 19 restrictions with a decrease in charges for services of \$492,000.
- Marina Charges for services increased approximately \$30,000 due in most part to summer weather conditions.

Program Revenues and Expenses - Business-type Activities



Financial Analysis of the Government’s Funds

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

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

As of the end of the current fiscal year, the City’s governmental funds reported combined ending fund balances of \$33,598,876, a decrease of \$238,156 in comparison with the prior year. \$5,322,782 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 \$5,322,782. As a measure of the General Fund’s liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 29 percent of total General Fund expenditures including transfers out. The unassigned fund balance of the General Operating Fund represented 20.5 percent of the Operating Fund expenditures including transfers out.

The Major Streets Fund has a total fund balance of \$599,257 which increased by \$78,075 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 \$598,638 for 2020.

The Capital Projects Fund’s fund balance of \$2,020,627 decreased by \$378,559 during 2020. This is due in most part to completing projects that had been funded in previous years.

Two new funds were established during the year end June 30, 2019. The Boardman Lake Trail Construction Capital Projects Fund was set up to track the expenditure of bond issue proceeds of \$3,235,000 related to the West Boardman Lake Trail Loop Project. The Sidewalk Construction Capital Projects Fund was set up to track the expenditures of bond issue proceeds of \$4,500,000 related to sidewalk rehabilitation and sidewalk gap/infill projects. The Sidewalk Construction Fund started using construction funds during the year end 2020 incurring approximately \$1.3 million in expenditures. The West Boardman Lake Trail Loop Project Fund will begin significant construction at the start of fiscal year end 2021.

The Brown Bridge Permanent Trust fund balance increased by \$385,127 during the current fiscal year. The adjustment to market at year end June 30, 2020 increased investment revenue by \$372,749.

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 \$7,889,886 with net investment in capital assets of \$66,689,491. For the current year, the Wastewater Fund had an increase in net position of \$1,089,225, the Water Fund had an increase in net position for the year of \$1,597,835, the Hickory Hills Fund had an increased net position of \$ 5,704,522, the Marina Fund had a decrease in net position of \$20,067 and the Auto Parking System had an increase in net position of \$254,677.

General Fund Budgetary Highlights

During the year, General Fund revenues were greater than budgetary estimates by \$229,659. Actual expenditures were under amended budget amounts by \$585,534. Overall, the actual fund balance increased by \$423,063, compared to an amended budget decrease estimate of \$511,900.

Capital Asset and Debt Administration

Capital assets. The City's total capital assets for its governmental and business-type activities as of June 30, 2020, amounted to \$121,941,555 (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 Hickory Hills phase 1 and maintenance building projects with assets transferred to the Hickory Hills Enterprise Fund of approximately \$4.2 million.
- Near completion of the 8th Street Reconstruction Project, costs to date of \$4,565,000.
- Completion of the 8th Street North Alley Project total costs of \$308,000
- Continuation of the Sidewalk Gap and Infill Project costs to date of \$1,120,000.
- Continuation of the AMI meter replacement project for Water and Sewer Funds, costs to date of \$2,318,000.
- Continuation of the Barlow Reservoir Project in the Water Fund, costs to date of \$2,103,000.

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

	2020			2019		
	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	\$ 11,840,656	\$ 9,603,489	\$ 21,444,145
Construction in Progress	5,000,024	8,809,421	13,809,445	6,283,506	6,116,575	12,400,081
Land Improvements	6,184,282	1,243,350	7,427,632	6,476,317	304,857	6,781,174
Infrastructure	17,302,345	11,514,190	28,816,535	17,766,573	301,152	18,067,725
Buildings and improvements	5,633,471	34,203,201	39,836,672	5,762,931	33,716,521	39,479,452
Machinery and equipment	7,533,653	2,165,431	9,699,084	8,081,840	11,230,062	19,311,902
	<u>\$ 52,048,542</u>	<u>\$ 69,893,013</u>	<u>\$ 121,941,555</u>	<u>\$ 56,211,823</u>	<u>\$ 61,272,656</u>	<u>\$ 117,484,479</u>

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

Long-term debt. At the end of the current fiscal year, the City had total bonded debt and capital lease payables of \$16,228,619. Of this amount, \$13,725,098 comprises debt backed by the full faith and credit of the government. The remainder of the City's debt represents capital leases.

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

	2020			2019		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Direct placement bonds - Parking Deck	\$ 6,495,098	\$ -	\$ 6,495,098	\$ 7,192,111	\$ -	\$ 7,192,111
Direct placement bonds - Trail and Sidewalk Construction	7,230,000	-	7,230,000	7,735,000	-	7,735,000
Capital lease payable - Wastewater Treatment Plant	-	2,503,521	2,503,521	-	3,690,905	3,690,905
TOTAL	<u>\$ 13,725,098</u>	<u>\$ 2,503,521</u>	<u>\$ 16,228,619</u>	<u>\$ 14,927,111</u>	<u>\$ 3,690,905</u>	<u>\$ 18,618,016</u>

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the City is \$110,191,072 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 2020/21 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 \$45 million of potential capital related expenses in fiscal year 2020/21 including \$2 million in the Wastewater and close to \$3 million in the Water Fund, \$5 million for Traverse City Light and Power and \$2 million for the Downtown Development Authority. The General Fund budget includes a \$975,000 transfer to the capital projects fund for various projects including \$918,000 of street and sidewalk related projects.
- The renewal of a special road commission millage by voters in the County has resulted in the City setting up a Road Commission Millage Street Project Fund to account for the City's share of the road millage that will be used for street pavement preservation projects. That millage is expected to provide about \$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.

FINANCIAL STATEMENTS

CITY OF TRAVERSE CITY, MICHIGAN
Statement of Net Position
June 30, 2020

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority	Light and Power
Assets					
Cash and cash equivalents	\$ 17,319,220	\$ 6,513,421	\$ 23,832,641	\$ 5,949,303	\$ 2,725,660
Investments	17,823,352	4,081,247	21,904,599	-	10,993,555
Receivables, net	1,434,847	1,915,827	3,350,674	808,747	5,147,278
Internal balances	462,848	(462,848)	-	-	-
Inventories	321,849	79,742	401,591	-	1,500,816
Prepaid items and other assets	733,020	37,402	770,422	4,654	127,925
Other post employment benefits	843,567	87,378	930,945	-	-
Advances to primary government	-	-	-	-	162,021
Capital assets not being depreciated	15,394,791	20,766,841	36,161,632	120,756	4,742,925
Capital assets being depreciated	36,653,751	49,126,172	85,779,923	-	66,409,341
Total assets	90,987,245	82,145,182	173,132,427	6,883,460	91,809,521
Deferred outflows of resources					
Deferred outflows - pensions	5,146,924	800,814	5,947,738	-	3,396,088
Deferred outflows - other post employment benefits	730,083	16,017	746,100	-	278,461
Deferred outflows - loss on refunding	208,259	-	208,259	-	-
Total deferred outflows of resources	6,085,266	816,831	6,902,097	-	3,674,549
Liabilities					
Accounts payable and accrued expenses	1,135,296	694,029	1,829,325	170,072	3,039,133
Unearned revenue	585,450	-	585,450	2,000,000	33,797
Advances from component units	162,021	-	162,021	-	-
Long-term liabilities					
Net pension liability	30,970,573	3,987,858	34,958,431	-	11,058,994
Net other post employment benefit liability	5,346,589	-	5,346,589	-	1,178,164
Other long-term liabilities					
Due within one year	1,284,657	1,238,624	2,523,281	-	11,081
Due in more than one year	13,136,745	1,374,418	14,511,163	55,122	206,323
Total liabilities	52,621,331	7,294,929	59,916,260	2,225,194	15,527,492
Deferred inflows of resources					
Deferred inflows - pensions	2,026,105	658,372	2,684,477	-	1,469,462
Deferred inflows - other post employment benefits	353,543	6,221	359,764	-	429,586
Deferred inflows - gain on refunding	-	185,964	185,964	-	-
Total deferred inflows of resources	2,379,648	850,557	3,230,205	-	1,899,048
Net position					
Net investment in capital assets	44,082,998	66,689,491	110,772,489	120,756	71,152,266
Restricted for					
Debt service	4,062	-	4,062	-	-
Joint planning	20,140	-	20,140	-	-
Capital improvements	6,772,176	-	6,772,176	-	-
Streets and highways	599,257	-	599,257	-	-
Public safety training	4,588	-	4,588	-	-
Public welfare or civic improvement organizations	1,685,486	-	1,685,486	-	-
Act 345 retirement	554,835	-	554,835	-	-
Tax increment finance districts	-	-	-	3,865,826	-
Nonexpendable brown bridge trust	12,606,327	-	12,606,327	-	-
Nonexpendable cemetery perpetual trust	775,725	-	775,725	-	-
Unrestricted (deficit)	(25,034,062)	8,127,036	(16,907,026)	671,684	6,905,264
Total net position	\$ 42,071,532	\$ 74,816,527	\$ 116,888,059	\$ 4,658,266	\$ 78,057,530

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, 2020

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	\$ 3,922,658	\$ 1,022,647	\$ 591,727	\$ -	\$ (2,308,284)
Public safety	10,280,277	42,874	27,674	-	(10,209,729)
Public works	6,758,757	953,561	3,064,439	482,012	(2,258,745)
Culture and recreation	8,302,749	1,138,465	154,772	56,254	(6,953,258)
Interest and fiscal charges	420,805	-	-	-	(420,805)
Total governmental activities	<u>29,685,246</u>	<u>3,157,547</u>	<u>3,838,612</u>	<u>538,266</u>	<u>(22,150,821)</u>
Business-type activities					
Wastewater	6,339,086	7,819,561	-	-	1,480,475
Water	2,871,403	4,666,426	-	-	1,795,023
Marina	619,049	630,125	-	-	11,076
Hickory Hills	621,808	226,774	-	-	(395,034)
Automobile parking	2,410,259	2,862,476	-	-	452,217
Total business-type activities	<u>12,861,605</u>	<u>16,205,362</u>	<u>-</u>	<u>-</u>	<u>3,343,757</u>
Total primary government	<u>\$ 42,546,851</u>	<u>\$ 19,362,909</u>	<u>\$ 3,838,612</u>	<u>\$ 538,266</u>	<u>\$ (18,807,064)</u>
Component units					
Downtown Development Authority	\$ 2,754,482	\$ 991,207	\$ 189,243	\$ -	\$ (1,574,032)
Light and Power	30,744,270	33,779,174	-	-	3,034,904
Total component units	<u>\$ 33,498,752</u>	<u>\$ 34,770,381</u>	<u>\$ 189,243</u>	<u>\$ -</u>	<u>\$ 1,460,872</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, 2020

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	\$ (22,150,821)	\$ 3,343,757	\$ (18,807,064)	\$ (1,574,032)	\$ 3,034,904
General revenues					
Unrestricted property taxes	15,683,743	-	15,683,743	129,391	-
Restricted property taxes for tax increment finance districts	-	-	-	2,941,013	-
Grants and contributions not restricted to specific programs	1,458,302	-	1,458,302	-	-
Franchise revenue	252,450	-	252,450	-	-
Unrestricted investment earnings	382,471	142,915	525,386	948	296,433
Capital Contributions	-	5,721,336	5,721,336	-	-
Gain on sale of capital assets	107,289	-	107,289	-	-
Transfers	574,875	(574,875)	-	-	-
Contribution to endowment	5,812	-	5,812	-	-
Total general revenues, transfers and contributions	18,464,942	5,289,376	23,754,318	3,071,352	296,433
Change in net position	(3,685,879)	8,633,133	4,947,254	1,497,320	3,331,337
Net position, beginning of year	45,757,411	66,183,394	111,940,805	3,160,946	74,726,193
Net position, end of year	\$ 42,071,532	\$ 74,816,527	\$ 116,888,059	\$ 4,658,266	\$ 78,057,530

Concluded

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

CITY OF TRAVERSE CITY, MICHIGAN
Balance Sheet
Governmental Funds
June 30, 2020

	Special Revenue			Capital Projects	
	General Fund	Major Streets Fund	Local Streets Fund	Capital Projects	Boardman Lake Trail Construction
ASSETS					
Assets					
Cash and cash equivalents	\$ 3,992,164	\$ 416,309	\$ -	\$ 2,396,006	\$ 2,062,362
Investments	2,530,713	-	-	85,036	1,499,230
Receivables	-				
Accounts	200,862	129	-	133,357	-
Taxes	-	-	-	-	-
Special assessments	-	-	-	-	-
Accrued interest	5,905	-	-	-	-
Due from other governments	216,266	185,712	61,998	275,000	-
Due from other funds	65,586	-	-	-	-
Inventory	161,617	-	-	-	-
Prepaid items and other assets	733,020	-	-	-	-
Advances to other funds	700,000	-	-	-	-
Total assets	\$ 8,606,133	\$ 602,150	\$ 61,998	\$ 2,889,399	\$ 3,561,592
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE					
Liabilities					
Accounts payable	\$ 272,382	\$ 2,046	\$ 1,111	\$ 3,400	\$ 4,420
Accrued and other liabilities	257,839	847	701	-	-
Due to other funds	-	-	60,186	-	-
Deposits payable	124,033	-	-	-	-
Unearned revenue	1,121	-	-	578,516	-
Advance from component unit	-	-	-	161,856	-
Total liabilities	655,375	2,893	61,998	743,772	4,420
Deferred inflows of resources					
Unavailable revenue	-	-	-	125,000	-
Fund balance					
Nonspendable					
Inventory	161,617	-	-	-	-
Prepaid items	733,020	-	-	-	-
Advance to other funds	700,000	-	-	-	-
Brown bridge trust	-	-	-	-	-
Cemetery perpetual care	-	-	-	-	-
Restricted					
Debt service	-	-	-	-	-
Streets and highways	-	599,257	-	-	-
Joint planning	-	-	-	-	-
Capital improvements	-	-	-	-	3,557,172
Public safety training	-	-	-	-	-
Public welfare or civic improvement organizations	-	-	-	-	-
Act 345 retirement	-	-	-	-	-
Committed					
Budget stabilization	819,139	-	-	-	-
Capital improvements	-	-	-	2,020,627	-
Assigned					
Subsequent year budget	214,200	-	-	-	-
Unassigned	5,322,782	-	-	-	-
Total fund balance	7,950,758	599,257	-	2,020,627	3,557,172
Total liabilities, deferred inflows of resources and fund balance	\$ 8,606,133	\$ 602,150	\$ 61,998	\$ 2,889,399	\$ 3,561,592

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

Sidewalk Construction	Permanent Brown Bridge Trust Fund	Nonmajor Governmental Funds	Total
\$ 1,842,064	\$ 565,610	\$ 3,614,264	\$ 14,888,779
999,730	11,991,955	716,688	17,823,352
-	-	5,985	340,333
-	-	8,438	8,438
-	-	275,276	275,276
-	48,762	4,107	58,774
-	-	5,400	744,376
-	-	-	65,586
-	-	-	161,617
-	-	-	733,020
-	-	-	700,000
\$ 2,841,794	\$ 12,606,327	\$ 4,630,158	\$ 35,799,551
\$ 283,852	\$ -	\$ 37,478	\$ 604,689
-	-	-	259,387
-	-	5,400	65,586
-	-	-	124,033
-	-	5,813	585,450
-	-	165	162,021
<u>283,852</u>	<u>-</u>	<u>48,856</u>	<u>1,801,166</u>
-	-	274,509	399,509
-	-	-	161,617
-	-	-	733,020
-	-	-	700,000
-	12,606,327	-	12,606,327
-	-	775,725	775,725
-	-	4,487	4,487
-	-	-	599,257
-	-	20,140	20,140
2,557,942	-	657,062	6,772,176
-	-	4,588	4,588
-	-	1,685,486	1,685,486
-	-	554,835	554,835
-	-	-	819,139
-	-	604,470	2,625,097
-	-	-	214,200
-	-	-	5,322,782
<u>2,557,942</u>	<u>12,606,327</u>	<u>4,306,793</u>	<u>33,598,876</u>
\$ 2,841,794	\$ 12,606,327	\$ 4,630,158	\$ 35,799,551

Continued.....

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

CITY OF TRAVERSE CITY, MICHIGAN
Balance Sheet
Governmental Funds
June 30, 2020

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	\$ 33,598,876
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	98,388,197
Subtract: accumulated depreciation	(54,842,704)
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	755,289
Add: deferred outflow of resources - pension	4,813,435
Add: deferred outflow of resources - other post employment benefits	714,066
Add: unavailable revenue	399,509
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	9,260,613
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	208,259
Subtract: deferred bond premium - Hardy Deck	(15,098)
Subtract: deferred inflow of resources - pension	(1,754,937)
Subtract: deferred inflow of resources - other post employment benefits	(347,322)
Subtract: net pension liability	(29,297,137)
Subtract: net other post employment benefit liability	(5,346,589)
Subtract: bonds payable	(13,710,000)
Subtract: compensated absences	(657,756)
Subtract: accrued interest on long-term liabilities	(95,169)
Net position of governmental activities	\$ 42,071,532

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, 2020

	Special Revenue Funds			Capital Projects	
	General	Major Streets	Local Streets	Capital Projects	Boardman Lake Trail Construction
Revenues					
Property taxes and special assessments	\$ 11,823,999	\$ -	\$ -	\$ -	\$ -
Licenses and permits	370,101	-	-	-	-
Federal sources	2,377	-	-	150,000	-
State sources	1,466,773	1,582,686	521,812	125,000	-
Local sources	1,697,579	-	-	-	-
Charges for services	533,759	-	-	-	-
Fines and forfeits	7,084	-	-	-	-
Contributions	141,841	-	-	318,043	-
Reimbursement	634,818	767	-	69,575	-
Interest income (loss)	208,207	359	-	18,825	38,626
Other revenue	529,121	-	-	-	-
Total revenues	17,415,659	1,583,812	521,812	681,443	38,626
Expenditures					
Current expenditures					
General government	3,720,778	-	-	-	-
Public safety	7,446,100	-	-	-	-
Public works	2,095,614	1,313,423	1,120,450	74,126	-
Recreation and Culture	2,290,792	-	-	-	-
Capital outlay	111,082	-	-	2,408,428	41,075
Debt service					
Principal	-	-	-	-	-
Interest expense and fiscal charges	-	-	-	-	-
Total expenditures	15,664,366	1,313,423	1,120,450	2,482,554	41,075
Excess (deficiency) of revenues over expenditures	1,751,293	270,389	(598,638)	(1,801,111)	(2,449)
Other financing sources (uses)					
Transfers in	1,309,238	50,000	598,638	1,422,552	-
Transfers out	(2,637,468)	(242,314)	-	-	(275,000)
Total other financing sources (uses)	(1,328,230)	(192,314)	598,638	1,422,552	(275,000)
Net change in fund balances	423,063	78,075	-	(378,559)	(277,449)
Fund balance, beginning of year	7,527,695	521,182	-	2,399,186	3,834,621
Fund balance, end of year	\$ 7,950,758	\$ 599,257	\$ -	\$ 2,020,627	\$ 3,557,172

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

	Permanent		
Sidewalk Construction	Brown Bridge Trust	Nonmajor Governmental Funds	Total
\$ -	\$ -	\$ 2,274,597	\$ 14,098,596
-	-	-	370,101
-	-	-	152,377
-	-	4,588	3,700,859
-	-	958,249	2,655,828
-	-	180,562	714,321
-	-	-	7,084
-	-	992,202	1,452,086
-	-	-	705,160
45,007	651,022	93,705	1,055,751
-	-	-	529,121
<u>45,007</u>	<u>651,022</u>	<u>4,503,903</u>	<u>25,441,284</u>
-	-	62,885	3,783,663
-	-	2,104,146	9,550,246
262,368	-	507,416	5,373,397
-	-	-	2,290,792
1,024,579	-	67,856	3,653,020
-	-	1,200,000	1,200,000
-	-	403,197	403,197
<u>1,286,947</u>	<u>-</u>	<u>4,345,500</u>	<u>26,254,315</u>
<u>(1,241,940)</u>	<u>651,022</u>	<u>158,403</u>	<u>(813,031)</u>
-	-	645,759	4,026,187
-	(265,895)	(30,635)	(3,451,312)
-	(265,895)	615,124	574,875
<u>(1,241,940)</u>	<u>385,127</u>	<u>773,527</u>	<u>(238,156)</u>
<u>3,799,882</u>	<u>12,221,200</u>	<u>3,533,266</u>	<u>33,837,032</u>
<u>\$ 2,557,942</u>	<u>\$ 12,606,327</u>	<u>\$ 4,306,793</u>	<u>\$ 33,598,876</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, 2020

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 \$ (238,156)

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	3,653,020
Subtract: land transferred/contributed to Enterprise Fund	(1,452,554)
Subtract: work in progress transferred/contributed to Enterprise Fund	(4,268,782)
Subtract: depreciation expense	(1,518,247)

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	1,200,000
Add: amortization of premium	2,012
Subtract: Amortization of deferred loss on refunding	(27,658)

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

Subtract: decrease in deferred contributions and special assessment receivables	(124,351)
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Add: increase in other post employment benefit asset, deferred outflow and deferred inflows	61,026
Subtract: increase in compensated absences payable	(91,583)
Add: decrease in accrued interest payable	8,041
Subtract: change in net pension liability, deferred outflows and deferred inflows	(1,020,988)
Subtract: change in net other post employment benefit liability, deferred outflows and deferred inflows	(20,032)

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	2,173
Add: gain on disposal of capital assets in governmental internal service fund	105,387
Add: net operating income from governmental activities accounted for in internal service fund	44,813

Change in net position of governmental activities	\$ (3,685,879)
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Concluded

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

CITY OF TRAVERSE CITY, MICHIGAN
Statement of Net Position
Proprietary Funds
June 30, 2020

	Business-type Activities - Enterprise Funds				
	Wastewater	Water	Hickory Hills	Marina	Automobile Parking System
Assets					
Current assets					
Cash and cash equivalents	\$ 159,617	\$ 1,703,887	\$ 82,078	\$ 415,161	\$ 4,152,678
Investments	-	1,052,761	-	-	3,028,486
Receivables					
Accounts	1,033,827	843,838	-	2,189	29,038
Interest	-	262	-	-	5,602
Other governments	-	-	-	1,071	-
Inventory	-	67,570	-	12,172	-
Prepaid cost and other assets	23,678	13,724	-	-	-
Total current assets	1,217,122	3,682,042	82,078	430,593	7,215,804
Noncurrent assets					
Other post employment benefits	29,126	58,252	-	-	-
Capital assets not being depreciated	2,288,878	5,253,958	1,729,467	8,412,302	3,082,236
Capital assets being depreciated	20,882,414	9,687,184	3,977,107	552,714	14,026,753
Total noncurrent assets	23,200,418	14,999,394	5,706,574	8,965,016	17,108,989
Total assets	24,417,540	18,681,436	5,788,652	9,395,609	24,324,793
Deferred outflows					
Deferred outflow of resources - pensions	277,338	471,456	1,962	26,552	23,506
Deferred outflow of resources - other post employment benefits	5,339	10,678	-	-	-
Total deferred outflows	282,677	482,134	1,962	26,552	23,506
Liabilities					
Current liabilities					
Accounts payable	406,050	129,943	9,969	61,557	26,797
Accrued and other liabilities	26,091	22,845	-	9,076	1,701
Due to other funds	-	-	-	-	-
Current portion of compensated absences	4,034	4,034	76	-	-
Current portion of long-term debt	1,230,302	-	-	-	-
Total current liabilities	1,666,477	156,822	10,045	70,633	28,498
Long-term liabilities					
Advance from other funds	-	-	-	700,000	-
Long-term debt, net of current portion	1,273,220	-	-	-	-
Net pension liability	1,280,145	2,430,690	313	134,287	142,423
Compensated absences	45,153	55,910	-	178	133
Total long-term liabilities	2,598,518	2,486,600	313	834,465	142,556
Total liabilities	4,264,995	2,643,422	10,358	905,098	171,054
Deferred inflows					
Deferred inflow of resources - pensions	248,402	376,722	3,291	21,019	8,938
Deferred inflow of resources - other post employment benefits	2,074	4,147	-	-	-
Deferred gain on refunding	185,964	-	-	-	-
Total deferred inflows	436,440	380,869	3,291	21,019	8,938
Net Position					
Net investment in capital assets	20,667,770	14,941,142	5,706,574	8,265,016	17,108,989
Unrestricted (deficit)	(668,988)	1,198,137	70,391	231,028	7,059,318
Total net position	\$ 19,998,782	\$ 16,139,279	\$ 5,776,965	\$ 8,496,044	\$ 24,168,307

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

		Governmental Activities - Internal	
Total		Service Fund	
\$	6,513,421	\$	2,430,441
	4,081,247		-
	1,908,892		7,650
	5,864		-
	1,071		-
	79,742		160,232
	37,402		-
	<u>12,627,639</u>		<u>2,598,323</u>
	87,378		88,278
	20,766,841		526,580
	<u>49,126,172</u>		<u>7,976,469</u>
	69,980,391		8,591,327
	<u>82,608,030</u>		<u>11,189,650</u>
	800,814		333,489
	<u>16,017</u>		<u>16,017</u>
	816,831		349,506
	634,316		36,766
	59,713		15,254
	-		-
	8,144		-
	<u>1,230,302</u>		<u>-</u>
	1,932,475		52,020
	700,000		-
	1,273,220		-
	3,987,858		1,673,436
	<u>101,374</u>		<u>38,548</u>
	6,062,452		1,711,984
	<u>7,994,927</u>		<u>1,764,004</u>
	658,372		271,168
	6,221		6,221
	<u>185,964</u>		<u>-</u>
	850,557		277,389
	66,689,491		8,503,049
	<u>7,889,886</u>		<u>994,714</u>
\$	<u>74,579,377</u>	\$	<u>9,497,763</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, 2020

**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 \$ 74,579,377

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 237,150

Net position of business-type activities **\$ 74,816,527**

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, 2020

	Business-type Activities - Enterprise Funds				
	Wastewater	Water	Hickory Hills	Marina	Automobile Parking System
Operating revenues					
Charges for services	\$ 7,656,926	\$ 4,538,666	\$ 226,774	\$ 617,278	\$ 2,825,093
Interdepartmental	-	-	-	-	-
Other revenue	149,488	122,006	-	12,847	37,383
Total operating revenues	<u>7,806,414</u>	<u>4,660,672</u>	<u>226,774</u>	<u>630,125</u>	<u>2,862,476</u>
Operating expenses					
Personnel services	1,044,320	1,344,867	206,997	174,300	14,791
Commodities	24,103	133,141	56,006	15,413	80,760
Contractual services	4,380,350	292,728	93,972	221,507	1,309,164
Other charges	204,106	657,702	200,480	85,473	516,032
Depreciation and amortization	607,725	444,937	66,158	109,172	490,375
Total operating expenses	<u>6,260,604</u>	<u>2,873,375</u>	<u>623,613</u>	<u>605,865</u>	<u>2,411,122</u>
Operating income	<u>1,545,810</u>	<u>1,787,297</u>	<u>(396,839)</u>	<u>24,260</u>	<u>451,354</u>
Nonoperating revenues (expenses)					
State sources	-	-	-	-	-
Reimbursements	13,147	5,754	-	-	-
Interest income	2,063	40,508	25	456	99,863
Capital Contributions	-	-	5,721,336	-	-
Interest expense and fiscal charges	(80,714)	-	-	(13,253)	-
Gain (loss) on sale of capital assets	-	-	-	-	-
Total nonoperating revenues (expenses)	<u>(65,504)</u>	<u>46,262</u>	<u>5,721,361</u>	<u>(12,797)</u>	<u>99,863</u>
Income before transfers	<u>1,480,306</u>	<u>1,833,559</u>	<u>5,324,522</u>	<u>11,463</u>	<u>551,217</u>
Transfers In	-	-	380,000	-	-
Transfers out	(391,081)	(235,724)	-	(31,530)	(296,540)
Total capital contributions and transfers	<u>(391,081)</u>	<u>(235,724)</u>	<u>380,000</u>	<u>(31,530)</u>	<u>(296,540)</u>
Change in net position	1,089,225	1,597,835	5,704,522	(20,067)	254,677
Net position, beginning of year	<u>18,909,557</u>	<u>14,541,444</u>	<u>72,443</u>	<u>8,516,111</u>	<u>23,913,630</u>
Net position, end of year	<u><u>\$ 19,998,782</u></u>	<u><u>\$ 16,139,279</u></u>	<u><u>\$ 5,776,965</u></u>	<u><u>\$ 8,496,044</u></u>	<u><u>\$ 24,168,307</u></u>

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

<u>Total</u>	<u>Governmental Activities - Internal Service Fund</u>
\$ 15,864,737	\$ -
-	3,580,516
<u>321,724</u>	<u>28,009</u>
<u>16,186,461</u>	<u>3,608,525</u>
2,785,275	849,753
309,423	558,759
6,297,721	215,327
1,663,793	220,426
<u>1,718,367</u>	<u>1,712,505</u>
<u>12,774,579</u>	<u>3,556,770</u>
<u>3,411,882</u>	<u>51,755</u>
-	-
18,901	-
142,915	2,173
5,721,336	-
(93,967)	-
<u>-</u>	<u>105,387</u>
<u>5,789,185</u>	<u>107,560</u>
<u>9,201,067</u>	<u>159,315</u>
380,000	-
<u>(954,875)</u>	<u>-</u>
<u>(574,875)</u>	<u>-</u>
8,626,192	159,315
<u>65,953,185</u>	<u>9,338,448</u>
<u>\$ 74,579,377</u>	<u>\$ 9,497,763</u>

Continued.....

CITY OF TRAVERSE CITY, MICHIGAN
Statement of Revenues, Expenses
and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2020

**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 \$ 8,626,192

Internal service funds are used by management to charge the costs of certain equipment usage to individual funds. The net revenue (expense) attributable to enterprise funds is reported with business-type activities.

Add: net operating income of the internal service fund attributable to business-type activities

6,941

Change in net position of business-type activities

\$ 8,633,133

Concluded

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

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

	Business-type - Enterprise Funds				
	Wastewater	Water	Hickory Hills	Marina	Automobile Parking System
Cash flows from operating activities					
Cash received from customers	\$ 8,011,118	\$ 4,647,872	\$ 226,774	\$ 628,929	\$ 2,852,388
Cash received from interfund services	-	-	-	-	-
Cash payments to suppliers for goods and services	(4,527,831)	(1,565,450)	(348,606)	(303,259)	(1,906,690)
Cash payments to employees for services	(983,139)	(1,261,348)	(208,460)	(177,318)	(14,089)
Net cash provided by operating activities	<u>2,500,148</u>	<u>1,821,074</u>	<u>(330,292)</u>	<u>148,352</u>	<u>931,609</u>
Cash flows from non-capital financing activities					
Cash payments from (to) other funds	(86,599)	(73,086)	-	(107,407)	(342,255)
Cash payments for city fee	(391,081)	(235,724)	-	(31,530)	(296,540)
Cash received from reimbursements	13,147	5,754	-	-	-
Cash received from operating transfers	-	-	380,000	-	-
Net cash provided by (used in) non-capital financing activities	<u>(464,533)</u>	<u>(303,056)</u>	<u>380,000</u>	<u>(138,937)</u>	<u>(638,795)</u>
Cash flows from capital and related financing activities					
Cash payments from state government	-	-	-	(1,071)	-
Principal payments	(1,258,913)	-	-	-	-
Interest payments	(87,712)	-	-	(13,253)	-
Purchases of capital assets	(1,095,366)	(2,787,406)	(51,396)	-	(939,298)
Proceeds from sale of capital assets	-	-	-	-	256,077
Net cash (used in) capital and related financing activities	<u>(2,441,991)</u>	<u>(2,787,406)</u>	<u>(51,396)</u>	<u>(14,324)</u>	<u>(683,221)</u>
Cash flows from investing activities					
Interest received	2,063	40,246	25	457	104,301
Sale (purchase) of investments	-	1,980,715	-	-	2,481,203
Net cash provided by investing activities	<u>2,063</u>	<u>2,020,961</u>	<u>25</u>	<u>457</u>	<u>2,585,504</u>
Net increase (decrease) in cash and cash equivalents	<u>(404,313)</u>	<u>751,573</u>	<u>(1,663)</u>	<u>(4,452)</u>	<u>2,195,097</u>
Cash and cash equivalents, beginning of year	<u>563,930</u>	<u>952,314</u>	<u>83,741</u>	<u>419,613</u>	<u>1,957,581</u>
Cash and cash equivalents, end of year	<u><u>\$ 159,617</u></u>	<u><u>\$ 1,703,887</u></u>	<u><u>\$ 82,078</u></u>	<u><u>\$ 415,161</u></u>	<u><u>\$ 4,152,678</u></u>

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

<u>Total</u>	<u>Governmental Activities - Internal Service Fund</u>
\$ 16,367,081	\$ -
-	3,608,525
(8,651,836)	(957,822)
<u>(2,644,354)</u>	<u>(797,323)</u>
5,070,891	1,853,380
(609,347)	(11,177)
(954,875)	-
18,901	-
<u>380,000</u>	<u>-</u>
<u>(1,165,321)</u>	<u>(11,177)</u>
(1,071)	-
(1,258,913)	-
(100,965)	-
(4,873,466)	(1,078,260)
<u>256,077</u>	<u>47,861</u>
<u>(5,978,338)</u>	<u>(1,030,399)</u>
147,092	2,173
<u>4,461,918</u>	<u>-</u>
4,609,010	2,173
2,536,242	813,977
<u>3,977,179</u>	<u>1,616,464</u>
<u>\$ 6,513,421</u>	<u>\$ 2,430,441</u>

Continued.....

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

	Business-type - Enterprise Funds				
	Wastewater	Water	Hickory Hills	Marina	Automobile Parking System
Reconciliation of operating income to net cash provided by operating activities					
Operating income	\$ 1,545,810	\$ 1,787,297	\$ (396,839)	\$ 24,260	\$ 451,354
Adjustments to reconcile operating income to net cash provided by operating activities					
Depreciation and amortization	607,725	444,937	66,158	109,172	490,375
Changes in assets and liabilities					
Accounts receivables	204,704	(12,800)	-	(1,196)	(10,088)
Prepaid cost and other assets	(3,578)	(6,723)	-	-	-
Inventory	-	(3,616)	-	4,150	-
Deferred outflows - pension	656	16,525	(1,962)	913	15
Deferred outflows - other post employment benefits	(981)	(1,961)	-	-	-
Accounts payable	83,656	(472,839)	1,852	14,984	(734)
Accrued and other liabilities	13,455	22,207	(3,105)	(6,849)	564
Net pension liability	(51,505)	(83,933)	313	(4,762)	(152)
Deferred inflows - pension	101,482	134,532	3,291	7,680	275
Deferred inflows - other post employment benefits	(1,276)	(2,552)	-	-	-
Net cash provided by operating activities	<u>\$ 2,500,148</u>	<u>\$ 1,821,074</u>	<u>\$ (330,292)</u>	<u>\$ 148,352</u>	<u>\$ 931,609</u>

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

<u>Total</u>	<u>Governmental Activities - Internal Service Fund</u>
\$ 3,411,882	\$ 51,755
1,718,367	1,712,505
180,620	-
(10,301)	(2,849)
534	82,394
16,147	8,386
(2,942)	(2,942)
(373,081)	(45,704)
26,272	10,840
(140,039)	(59,811)
247,260	102,634
<u>(3,828)</u>	<u>(3,828)</u>
<u>\$ 5,070,891</u>	<u>\$ 1,853,380</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, 2020

	Pension and Other Post Employment Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 2,908,549	\$ 381,446
Investments, at fair value		
Fixed income mutual funds	6,600,546	-
Domestic equities	8,609,097	-
International equities	5,497,997	-
Real estate	2,922,758	-
Other	8,742,414	-
MERS total market fund	1,861,242	-
Receivables		
Accounts	68,140	17,976
Taxes	-	373,446
Accrued interest	10,385	-
	<u>37,221,128</u>	<u>\$ 772,868</u>
Total assets		
	<u>37,221,128</u>	<u>\$ 772,868</u>
Liabilities		
Accrued and other liabilities	75,576	\$ 56,239
Due to other governmental units	-	716,629
	<u>75,576</u>	<u>\$ 772,868</u>
Total liabilities		
	<u>75,576</u>	<u>\$ 772,868</u>
Net Position		
Held in trust for pension benefits and other postemployment benefits	<u>\$ 37,145,552</u>	

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

CITY OF TRAVERSE CITY, MICHIGAN
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2020

	Pension and Other Post Employment Trust Funds
Additions	
Contributions	
City contributions	\$ 2,672,710
Employee contributions	77,002
	2,749,712
Total contributions	
Investment earnings	
Interest and dividends	481,755
Net increase in fair value of investments	1,017,415
Investment advisor fees	(118,314)
	1,380,856
Net investment earnings	
Total additions	4,130,568
Deductions	
Pension benefits paid	2,789,052
Health insurance premiums paid	593,479
Administrative expense	29,853
	3,412,384
Total deductions	3,412,384
Net increase (decrease) in plan assets	718,184
Net position held in trust, beginning of year	36,427,368
	36,427,368
Net position held in trust, end of year	\$ 37,145,552

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, except for agency funds, which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers property tax revenues to be available if they are collected within sixty days of the end of the current fiscal period. Grant revenue, state-shared revenue, and interest associated with the current fiscal period are considered to be available if they are collected within the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The government reports the following major governmental funds:

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

The *Major Streets Fund* accounts for the use of motor fuel taxes and trunkline maintenance funds, which are earmarked by State statute for major street and trunkline 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 *pension and other post employment benefit trust funds* account for the activities of the public safety employees' pension and post employment benefits and the City's general employees post employment benefits.

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

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

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

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

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

Inventory held by the General Fund is valued on the first-in, first-out basis. Enterprise and internal service funds value inventory at average cost, except for fuel, which is valued on the first-in, first-out basis. Inventory of expendable supplies in other funds have not been recorded and the amount of any such inventories is not considered material. The consumption method of accounting is followed for inventory in governmental funds.

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. 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 debt service expenditures or 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.

9. 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

NOTES TO THE FINANCIAL STATEMENTS

payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

9. Budget Stabilization Arrangement

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

II. DETAILED NOTES ON ALL FUNDS**A. Deposits and investments**

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

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

NOTES TO THE FINANCIAL STATEMENTS

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>
Cash and cash equivalents	\$ 17,319,220	\$ 6,513,421	\$ 3,289,995	\$26,122,636	\$ 8,674,963
Investments	<u>17,823,352</u>	<u>4,081,247</u>	<u>34,234,054</u>	<u>56,138,653</u>	<u>10,993,555</u>
Total	<u>\$ 35,142,572</u>	<u>\$ 10,594,668</u>	<u>\$ 37,524,049</u>	<u>\$83,261,289</u>	<u>\$19,668,518</u>

Cash and cash equivalents reported above include \$10,664 of cash on hand that is not considered deposits or investments for footnote purposes.

The breakdown between cash and investments is as follows:

Petty cash	\$ 10,664
City and component unit bank deposits (checking, savings accounts and certificates of deposit)	36,592,530
City and component unit investments	28,802,564
Pension and other post employment benefit fund - deposits	3,289,995
Pension and other post employment benefit fund - investments	<u>34,234,054</u>
Total	<u>\$102,929,807</u>

Investments

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

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>
US Treasury Note	09/03/2020	\$ 499,875	Aaa
US Treasury Note	09/10/2020	999,730	Aaa
US Treasury Note	07/30/2020	499,950	Aaa
US Treasury Note	12/10/2020	999,280	Aaa
US Treasury Note	01/31/2021	1,011,210	Aaa
US Treasury Note	02/15/2022	1,037,580	Aaa
US Treasury Note	02/15/2024	545,920	Aaa
US Treasury Note	07/31/2026	1,087,930	Aaa
US Treasury Note	07/31/2020	1,002,020	Aaa
US Treasury Note	09/03/2020	499,875	Aaa
US Treasury Note	06/30/2021	1,019,340	Aaa
US Treasury Note	06/30/2021	1,014,530	Aaa

NOTES TO THE FINANCIAL STATEMENTS

US Treasury Note	06/30/2022	\$ 1,039,060	Aaa
US Treasury Note	06/30/2022	1,031,480	Aaa
US Treasury Note	09/30/2024	1,053,280	Aaa
US Treasury Note	05/15/2025	1,088,910	Aaa
US Treasury Note	06/30/2025	560,820	Aaa
US Treasury Note	08/13/2020	999,840	Aaa
US Treasury Note	09/17/2020	999,690	Aaa
US Treasury Note	02/15/2021	25,537	Aaa
US Treasury Note	03/25/2030	1,003,420	Aaa
US Treasury Note	08/20/2020	999,820	Aaa/AA+
US Treasury Note	09/24/2020	999,660	Aaa/AA+
US Treasury Note	11/19/2020	999,360	Aaa/AA+
US Treasury Note-FHLB	02/05/2025	1,001,060	Aaa/AA+
US Treasury Note-FHLB	03/25/2025	1,000,540	Aaa/AA+
US Treasury Note-FHLB	06/02/2026	1,000,050	Aaa/AA+
US Treasury Note-FHLB	06/04/2027	999,010	Aaa/AA+
US Treasury Note-FHLB	03/10/2031	268,724	Aaa/AA+
US Treasury Note-FHLB	02/12/2035	500,555	Aaa/AA+
US Treasury Note-FHLB	04/02/2024	250,948	Aaa/AA+
US Treasury Note	02/15/2024	327,552	Aaa
US Treasury Note	12/24/2020	999,190	Aaa
US Treasury Note	03/31/2024	53,571	Aaa
US Treasury Note	02/29/2024	809,325	Aaa
US Treasury Note	06/30/2025	280,410	Aaa
US Treasury Note	02/15/2024	103,725	Aaa
Michigan CLASS Pool	N/A	<u>189,787</u>	AAAm
		<u>\$ 28,802,564</u>	

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, 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).

NOTES TO THE FINANCIAL STATEMENTS

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, \$6,181,192 of the City's bank balance of \$32,661,564 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. In accordance with the City's investment policy the City will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities allowed by the policy. In addition, the City Treasurer will prequalify all financial institutions, broker/dealers, intermediaries and advisors with which the City will do business by subjecting them to certain criteria. Of the above \$28,802,564 of investments, the City has a custodial credit risk exposure of \$28,612,777 because the related securities are uninsured, unregistered and held by the government's brokerage firm which is also the counterparty for these particular securities. The custodial credit risk for balances in investment pools cannot be determined because the investments are not evidenced by specific identifiable securities.

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

Deposits and Investments - Pension and Other Post Employment Benefit Funds

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

NOTES TO THE FINANCIAL STATEMENTS

Deposits - The Act 345 pension trust fund maintains a checking account with a bank balance of \$2,101,692 with deposits collateralized and a money market account in the pension fund trust account with a balance of \$216,427, of which \$216,427 is insured and \$0 is not insured or collateralized. The Act 345 retiree health insurance trust fund has deposits in a City pooled cash account totaling \$482,591.

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

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Act 345 pension trust fund will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. In accordance with the approved investment policy the Act 345 pension trust fund will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities allowed by the policy. In addition, the City Treasurer will prequalify all financial institutions, broker/dealers, intermediaries and advisors with which the Act 345 pension trust fund will do business by subjecting them to certain criteria. Of the below \$34,234,054 of investments, the Act 345 pension trust fund and the post employment benefit trust have a custodial credit risk exposure of \$34,234,054 because the related securities are uninsured, unregistered and held by the government's brokerage firm which is also the counterparty for these particular securities. The custodial credit risk for balances in investment pools cannot be determined because the investments are not evidenced by specific identifiable securities.

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

NOTES TO THE FINANCIAL STATEMENTS

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

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

The trust funds' investments are held in a bank-administered trust fund and a MERS trust account. Following is a summary of the System's investments as of June 30, 2020:

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

Fixed income mutual funds	\$ 5,546,906
Common stock	5,128,298
Bond Mutual Funds	1,053,640
Equity mutual funds	8,978,798
Equity common trust funds	7,931,881
Alternative - SBIC funds	810,532
MERS total market fund	1,861,242
Private Equity Real Estate	864,761
Direct real estate investments	<u>2,057,996</u>
Total investments	<u>\$ 34,234,054</u>

NOTES TO THE FINANCIAL STATEMENTS
B. Capital assets

Capital assets activity for the year ended June 30, 2020 was as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not depreciated:				
Land & Improvements	\$ 11,840,656	\$ 6,665	\$ 1,452,554	\$ 10,394,767
Construction in progress	6,283,506	3,548,602	4,832,084	5,000,024
Total	18,124,162	3,555,267	6,284,638	15,394,791
Capital assets being depreciated:				
Land improvements	8,304,359	-	-	8,304,359
Infrastructure	57,486,340	445,665	-	57,932,005
Buildings and improvements	17,587,198	175,312	-	17,762,510
Machinery and equipment	19,376,588	1,499,969	1,204,459	19,672,098
Total	102,754,485	2,120,946	1,204,459	103,670,972
Less accumulated depreciation:				
Land improvements	1,828,042	292,035	-	2,120,077
Infrastructure	39,719,767	909,893	-	40,629,660
Buildings and improvements	11,824,267	304,772	-	12,129,039
Machinery and equipment	11,294,748	1,724,052	880,355	12,138,445
Total accumulated depreciation	64,666,824	3,230,752	880,355	67,017,221
Total assets being depreciated, net	38,087,661	(1,109,806)	324,104	36,653,751
Governmental activities, net	\$ 56,211,823	\$ 2,445,461	\$6,608,742	\$ 52,048,542

NOTES TO THE FINANCIAL STATEMENTS

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not depreciated:				
Land & Improvements	\$ 9,603,489	\$ 2,353,931	\$ -	\$ 11,957,420
Construction in progress	6,116,575	4,566,038	1,873,192	8,809,421
Total	15,720,064	6,919,969	1,873,192	20,766,841
Capital assets being depreciated:				
Building and improvements	52,514,020	2,652,866	-	55,166,886
Land improvements	3,178,603	793,340	-	3,971,943
Infrastructure	18,808,668	-	-	18,808,668
Machinery and equipment	1,796,896	1,845,740	-	3,642,636
Total	76,298,186	5,291,946	-	81,590,133
Less accumulated depreciation:				
Building and improvements	19,812,318	1,151,367	-	20,963,685
Land improvements	2,572,594	155,999	-	2,728,593
Infrastructure	7,011,155	283,323	-	7,294,478
Machinery and equipment	1,349,527	127,678	-	1,477,205
Total accumulated depreciation	30,745,594	1,718,367	-	32,463,961
Total assets being depreciated, net	45,552,592	3,573,579	-	49,126,172
Business-type activities, net	\$ 61,272,656	\$ 10,493,548	\$ 1,873,192	\$ 69,893,013

NOTES TO THE FINANCIAL STATEMENTS
Component Units

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Light and Power Component Unit				
Capital assets not depreciated:				
Land	\$ 1,105,070	\$ 6,105	\$ 39,765	\$ 1,071,410
Construction in progress	2,061,270	6,305,354	4,695,109	3,671,515
Total	3,166,340	6,311,459	4,734,874	4,742,925
Capital assets being depreciated:				
Building and improvements	5,833,125	3,673	-	5,836,798
Equipment and distribution system	88,137,249	4,684,146	1,016,475	91,804,920
Fiber system	1,881,543	-	-	1,881,543
WiFi system	501,863	-	-	501,863
Total	96,353,780	4,687,819	1,016,475	100,025,124
Less accumulated depreciation:				
Building and improvements	2,125,437	176,595	-	2,302,032
Equipment and distribution system	28,040,876	2,841,552	917,820	29,964,608
Fiber system	976,262	96,905	-	1,073,167
WiFi system	225,788	50,188	-	275,976
Total accumulated depreciation	31,368,363	3,165,240	917,820	33,615,783
Total assets being depreciated, net	64,985,417	1,522,579	98,655	66,409,341
Light and Power Component Unit, Net	\$ 68,151,757	\$ 7,834,038	\$4,833,529	\$ 71,152,266
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	\$ 74,096
Public safety	91,186
Public works, including depreciation of general infrastructure assets	924,625
Recreation and culture	428,340
Capital assets held by the government's internal service fund are charged to the various functions based on their usage of the assets	<u>1,712,505</u>

Total depreciation expense – governmental activities **\$ 3,230,752**

Business-type activities

Wastewater	\$ 607,725
Water	444,937
Marina	109,172
Hickory Hills	66,158
Auto parking	<u>490,375</u>

Total depreciation expense – business-type activities **\$ 1,718,367**

Component unit activities

Light and power	<u>\$ 3,165,240</u>
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NOTES TO THE FINANCIAL STATEMENTS
C. Short term interfund receivables, payables, and transfers

Fund	Inter-fund Receivable	Fund	Inter-fund Payable
General Fund	\$ 65,586	State Preparedness Equipment Grant Fund	\$ 5,400
		Local Street Fund	60,186
	<u>\$ 65,586</u>		<u>\$ 65,586</u>

Interfund receivables and payables were established to cover cash deficits.

Interfund Transfers

Fund	Operating Transfer In	Operating Transfer Out	Total
General Fund	1,309,238	\$ 2,637,468	\$ (1,328,230)
Major Street Fund	50,000	242,314	(192,314)
Local Street Fund	598,638	-	598,638
Capital Projects Fund	1,422,552	-	1,422,552
Boardman Lake Trail Construction Fund	-	275,000	(275,000)
Brown Bridge Trust Fund	-	265,895	(265,895)
Non-major Governmental Funds	645,759	30,635	615,124
Wastewater Fund	-	391,081	(391,081)
Water Fund	-	235,724	(235,724)
Hickory Hills Fund	380,000	-	380,000
Marina Fund	-	31,530	(31,530)
Automobile Parking System Fund	-	296,540	(296,540)
	<u>\$ 4,406,187</u>	<u>\$ 4,406,187</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, 2020:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020	Due within one year
Governmental Activities					
Private Placement Bonds and Contracts					
2017 Downtown Development Refunding Bonds, due in annual installments \$540,000 to \$825,000 through April 2028 interest at 4.0% to 4.125%	\$7,192,111	\$ -	\$697,013	\$6,495,098	\$745,000
2018 Capital Improvement Bonds Boardman Lake Trail and Sidewalk Improvements, due in annual installments \$330,000 to 695,000 through October 2033 interest at 3.21%	7,735,000	-	505,000	7,230,000	525,000
Total Private Placement Bonds and Contracts	14,927,111	-	1,202,013	13,725,098	1,270,000
Accrued Compensated Absences	595,871	855,000	754,567	696,304	14,657
Total Governmental Activities	<u>\$15,522,982</u>	<u>\$855,000</u>	<u>\$1,956,580</u>	<u>\$14,421,402</u>	<u>\$1,284,657</u>
Business Type Activities					
Private Placement Bonds and Contracts					
2011 Wastewater Treatment Plant Capital Lease Payable	\$3,690,905	\$ -	\$1,187,384	\$2,503,521	\$1,230,302
Accrued Compensated Absences	89,889	248,208	228,576	109,521	8,322
Total Business Type Activities	<u>\$3,780,794</u>	<u>\$248,208</u>	<u>\$1,415,960</u>	<u>\$2,613,042</u>	<u>\$1,238,624</u>

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 \$26,964,286 with accumulated depreciation of \$10,454,644 and a book value of \$16,509,642 at June 30, 2020.

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>
2021	1,270,000	372,243	1,230,302	100,141
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	-	-
2026-2030	5,340,000	559,384	-	-
2031-2034	1,440,000	94,535	-	-
	<u>13,710,000</u>	<u>2,154,457</u>	<u>2,503,521</u>	<u>151,069</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, 2020 is \$3,170,910.

Component Units
Traverse City Light and Power

The utility has agreements with the MPPA committing it to purchase of up to 2MW of renewable energy from Granger Electric of Michigan, LLC, .65MW of renewable energy from North American Natural Resources, Inc., and 29.6 MW of all energy, capacity, and environmental attributes for solar renewable energy located in Michigan. Additionally, through the MPPA Energy Service Committee, the utility has base energy bilateral contracts

NOTES TO THE FINANCIAL STATEMENTS

beginning July 1, 2020 through December 31, 2022 in the amount of \$4,793,602 and capacity transaction bilateral contracts for the fiscal beginning July 1, 2020 through December 31, 2030 in the amount of \$3,448,020.

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>
2021	\$ 893,586
2022	931,504
2023	973,160
2024	953,440
2025	913,720
2026-2028	2,482,656
Total	<u>\$ 7,148,066</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 \$1,215,500 at June 30, 2020.

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, 2020, 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, 2020 amounted to \$95,852, 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 2019 adjusted ad valorem taxable value in the City totaled \$1,101,910,720, 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 \$187,889,122. The DDA general operating tax rate for was 1.66580 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, 2019 the most recent actuarial valuation date, membership consisted of:

Retirees and beneficiaries currently receiving benefits	72
Terminated plan members entitled to but not yet receiving benefits	6
Active plan members	<u>51</u>
Total	<u>129</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, 2020:

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

Concentrations. At June 30, 2020 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, 2020, the annual money-weighted rate of return on pension plan investments, net of pension plan expense, was 3.86%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability. The employer’s Net Pension Liability was measured as of June 30, 2020, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of June 30, 2019.

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2019 with a June 30, 2020 measurement date and reporting date, using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.0%
Projected Salary increases *	3.0%-5.3%
* Includes wage inflation at	3.0%
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, 2020, 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	\$ 56,479,769	\$ 50,051,248	\$ 44,737,188
Plan Fiduciary Net Position	<u>31,192,701</u>	<u>31,192,701</u>	<u>31,192,701</u>
Net Pension Liability/(Asset)	<u>\$ 25,287,068</u>	<u>\$ 18,858,547</u>	<u>\$ 13,544,487</u>

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2020 the employer recognized pension expense of \$2,774,352. 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	\$ 260,803	\$ -
Difference in Assumption Changes	1,097,986	-
Difference in Investment Earnings	<u>1,255,267</u>	<u>-</u>
Total	<u>\$ 2,614,056</u>	<u>\$ -</u>

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

	<u>Net Deferred Outflow</u>
2021	\$ 657,639
2022	906,498
2023	793,262
2024	255,457
2025	<u>1,200</u>
Total	<u>\$ 2,614,056</u>

NOTES TO THE FINANCIAL STATEMENTS
Changes in Net Pension Liability:

Fiscal year ending June 30,	2020	2019
Total Pension Liability		
Service Cost	\$ 749,125	\$ 759,397
Interest on the Total Pension Liability	3,335,038	3,347,430
Benefit changes	(12,591)	-
Difference between expected and actual experience of the Total Pension Liability	105,359	(124,418)
Assumption changes	-	1,801,057
Benefits paid and refunds	<u>(2,789,052)</u>	<u>(2,745,588)</u>
Net change in Total Pension Liability	1,387,879	3,037,878
Total Pension Liability - Beginning	<u>48,663,369</u>	<u>45,625,491</u>
Total Pension Liability- Ending (a)	<u>\$ 50,051,248</u>	<u>\$ 48,663,369</u>
Plan Fiduciary Net Position		
Employer contributions	\$ 2,104,146	\$ 1,995,181
Employee contributions	77,002	78,115
Pension plan net investment income	1,153,460	996,920
Benefit payments and refunds	(2,789,052)	(2,745,588)
Pension plan administrative expense	(18,520)	(33,140)
Other	-	96
Net Change in Plan Fiduciary Net Position	<u>527,036</u>	<u>291,584</u>
Plan Fiduciary Net Position - Beginning	<u>30,665,665</u>	<u>30,374,081</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 31,192,701</u>	<u>\$ 30,665,665</u>
Net Pension Liability - Ending (a)-(b)	<u>\$ 18,858,547</u>	<u>\$ 17,997,704</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	
	2019 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
Final Average Compensation:	55/15
COLA for Current	5 years
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**

	2019 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**

	2019 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**

	2019 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	
	2019 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, 2019 valuation date, the following employees were covered by the benefit terms:

Retirees and Beneficiaries	123
Vested Former Employees	24
Active Employees	<u>97</u>
	<u>244</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, 2020 were \$623,928 for the Admin & ACT hired prior to 7/1/2009 division, \$57,096 for the GME tech/clerical hired prior to 7/1/2009 division, \$502,338 for the General GME division, \$154,976 for the General GME hired after 7/1/2009 division, and \$152,467 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, 2019, 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, 2019 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.

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

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

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

Asset Class	Target 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 2019. 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 at 12/31/18	\$38,861,540	\$22,175,527	\$16,686,013
Service Cost	479,481	-	479,481
Interest on Total Pension Liability	3,020,489	-	3,020,489
Differences between expected and actuarial experience	(956,280)	-	(956,280)
Change in assumptions	1,194,941	-	1,194,941
Employer Contributions	-	1,430,516	(1,430,516)
Net investment Income (loss)	-	2,944,943	(2,944,943)
Benefit payments, including employee refunds	(2,690,327)	(2,690,327)	-
Administrative expense	-	(50,697)	50,697
Net Changes	1,048,304	1,634,435	(586,131)
Balances as of 12/31/19	\$39,909,844	\$23,809,962	\$16,099,882

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 12/31/19	\$16,099,882	\$16,099,882	\$16,099,882
Change in Net Pension Liability	4,117,661	-	(3,512,963)
Calculated NPL	\$20,217,543	\$16,099,882	\$12,586,919

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, 2020 the employer recognized pension expense of \$2,016,163. 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	\$ 1,690,850	\$ 1,597,703
Changes in assumptions	896,206	-
Differences between expected and actual experience	-	1,086,772
Contributions subsequent to the measurement date*	746,626	-
Total	\$ 3,333,682	\$ 2,684,475

* 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, 2021.

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>	
2021	\$ (193,983)
2022	(37,390)
2023	378,618
2024	<u>(244,664)</u>
	<u>\$ (97,419)</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	
	2019 Valuation
Benefit Multiplier:	2.25% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 years
Early Retirement (Unreduced):	55/25
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	5 years
COLA for Current/Future Retirees:	2.50% (Non-Compound)
Member Contributions:	0%
Act 88:	No

10 - Union closed to new hires, linked to Division 12	
	2019 Valuation
Benefit Multiplier:	2.25% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	6 years
Early Retirement (Unreduced):	50/25
Early Retirement (Reduced):	55/15
Final Average Compensation:	5 years
COLA for Current/Future Retirees:	2.50% (Non-Compound)
Member Contributions:	0%
Act 88:	No

NOTES TO THE FINANCIAL STATEMENTS

11 - Non-union hired after 7/1/2017, linked to Division 01	
	2019 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	
	2019 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	
	2019 Valuation
Benefit Multiplier:	1.5% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	6 years
Early Retirement (Unreduced):	50/25
Early Retirement (Reduced):	55/15
Final Average Compensation:	5 years
COLA for Future Retirees:	2.50% (Non-Compound)
Member Contributions:	0%
DC plan for New Hires:	2/1/2019
Act 88:	No

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

Employees covered by benefits terms. At the December 31, 2019 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	61
Inactive employees entitled to but not yet receiving benefits	7
Active employees	<u>29</u>
	<u>97</u>

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

Employer minimum contributions range from 6.91 to 9.16% based on annual payroll for open divisions. There are two divisions that are closed to new employees and have annual employer contributions of \$44,373 and \$142,008.

NOTES TO THE FINANCIAL STATEMENTS

Net Pension Liability. The employer’s Net Pension Liability was measured as of December 31, 2019, 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, 2019 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 2015 that covered the period from December 31, 2008 through December 31, 2013.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	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 7.6% for 2019. 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

NOTES TO THE FINANCIAL STATEMENTS

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

Changes in Net Pension Liability

Calculating the Net Pension Liability			
Changes in Net Pension Liability	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at 12/31/18	\$30,763,609	\$18,562,649	\$12,200,960
Service Cost	264,001	-	264,001
Interest on Total Pension Liability	2,386,419	-	2,386,419
Difference between expected and actual experience	(12,114)	-	(12,114)
Changes in assumptions	1,104,897	-	
Employer Contributions	-	2,403,450	(2,403,450)
Net investment Income	-	2,532,811	(2,532,811)
Benefit payments, including employee refunds	(2,130,738)	(2,130,738)	-
Administrative expense	-	(43,690)	43,690
Other	7,402	-	7,402
Net Changes	1,619,867	2,761,833	(1,141,966)
Balances as of 12/31/19	\$32,383,476	\$21,324,482	\$11,058,994

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	Current Discount Rate	1%Increase
Net Pension Liability at 12/31/19	\$11,058,994	\$11,058,994	\$11,058,994
Change in Net Pension Liability (NPL)	3,568,337	-	(3,010,146)
Calculated NPL	\$14,627,331	\$11,058,994	\$8,048,848

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, 2020 the employer recognized pension expense of \$1,721,381. 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	\$1,375,767	\$ (1,276,374)
Changes in Experience	90,779	(193,088)
Change in Assumptions	736,598	-
Contributions subsequent to the measurement date*	1,192,944	-
Total	\$ 3,396,088	\$ (1,469,462)

* 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 2020.

NOTES TO THE FINANCIAL STATEMENTS

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

<u>Year Ended</u>	
2021	\$ 341,699
2022	348,849
2023	250,862
2024	<u>(207,728)</u>
	<u>\$ 733,682</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 6% and will provide a minimum of 4% no matter the participant contribution. Plan provision and contribution requirements can only be amended by authorization of the Board of Directors. In the current year, the Downtown Development Authority contributed \$51,438 and the employees contributed \$38,111.

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 \$702,407 and the employees contributed \$724,809. Of these amounts Traverse City Light and Power contributed \$214,065 and their employees contributed \$226,736.

Defined Contribution Plan

Light and Power Component Unit: Effective February 1, 2019 Traverse City Light and Power 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 wages only and there is no employee contribution requirement. The plan requires a one-year vesting period. During the year ended June 30, 2020 the Department contributed \$32,071 to the plan.

NOTES TO THE FINANCIAL STATEMENTS

E. Post employment health benefits

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

Act 345 Retiree Health Insurance Plan

Plan Description

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

Benefits provided

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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, 2020, the City contributed \$565,895 to fund the benefits, the actuarially determined contribution for the period was \$526,118.

Net OPEB Liability

The total OPEB liability in the June 30, 2020 statements was determined using the June 30, 2018 actuarial valuation. The annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

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	\$ 86,712
Interest on the total OPEB liability	625,391
Benefit changes	-
Difference between expected and actual experience *	(29,774)
Assumption changes	-
Benefits paid and refunds	<u>(482,795)</u>
Net change in Total OPEB Liability	199,534
Total OPEB Liability - Beginning	<u>9,132,200</u>
Total OPEB Liability- Ending (a)	<u><u>\$ 9,331,734</u></u>
Plan Fiduciary Net Position	
Employer contributions	\$ 565,895
Pension plan net investment income	184,192
Benefit payments and refunds	(482,795)
Pension plan administrative expense	-
Other	<u>(8,000)</u>
Net Change in Plan Fiduciary Net Position	259,292
Plan Fiduciary Net Position - Beginning	<u>3,725,852</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 3,985,144</u></u>
Net OPEB Liability - Ending (a)-(b)	<u><u>\$ 5,346,590</u></u>

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	\$ 6,438,072	\$ 5,346,590	\$ 4,435,012
Fiduciary position as a % of total OPEB liability		<u>42.71%</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	\$ 4,280,464	\$ 5,346,590	\$ 6,640,026

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	\$ 15,236	\$ 293,488
Assumption changes	402,271	-
Differences in projected earnings	178,732	-
Total	<u>\$ 596,239</u>	<u>\$ 293,488</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2020 the employer recognized OPEB expense of \$585,925. Amounts reported as deferred outflows related to the OPEB will be recognized in OPEB expense as follows:

2021	\$	129,260
2022		129,258
2023		28,837
2024		15,396
2025		-
		<hr/>
Total	\$	<u><u>302,751</u></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 health insurance premiums paid for three years (only the retiree). The Teamsters municipal, clerical, and technical employees are eligible at the time of retirement if they have ten years of service for premium payments of \$225 per month.

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

Active Employees	27
Inactive Employees Receiving Benefits	24
Total Employees	<u><u>51</u></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 \$2,670.

NOTES TO THE FINANCIAL STATEMENTS

Net OPEB Asset

The total OPEB asset in the June 30, 2020 GASB 74 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement.

Inflation rate: 2.5%

Salary rate increase: 5.0%

Discount Rate 7.0%

Healthcare Trend: Healthcare trend rates are estimated each year through 2035 based on the type of health care plan/coverage. These rates varied from 4.00% to 5.50%.

Mortality: PubG. H-2010 Mortality Table - General.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

Changes in the Net OPEB Asset

Total OPEB Liability	
Service Cost	\$ 3,016
Interest on the total OPEB liability	80,100
Benefit changes	
Difference between expected and actual experience	
Assumption changes	13,606
Benefits paid and refunds	(110,685)
Other changes	<u>(71,714)</u>
Net change in Total Pension Liability	(85,677)
Total OPEB Liability - Beginning	<u>1,123,340</u>
Total OPEB Liability- Ending (a)	<u><u>\$ 1,037,663</u></u>
Plan Fiduciary Net Position	
Employer contributions	\$ 2,670
Plan net investment income	43,205
Difference between expected and actual experience	(106,929)
Benefit payments and refunds	(110,685)
Pension plan administrative expense	(3,333)
Other	<u>106,929</u>
Net Change in Plan Fiduciary Net Position	(68,143)
Plan Fiduciary Net Position - Beginning	<u>2,035,851</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 1,967,708</u></u>
Net OPEB Liability (Asset) - Ending (a)-(b) 6/30/2020	<u><u>\$ (930,045)</u></u>

NOTES TO THE FINANCIAL STATEMENTS

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

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

	1% decrease 6.00%	Current Rate 7.00%	1% increase 8.00%
Net OPEB Asset	\$ 983,154	\$ 930,045	\$ 870,198

Fiduciary position as a % of total OPEB Asset	<u>211.57%</u>
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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	\$ 919,388	\$ 930,045	\$ 940,237

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	\$ 1,144	\$ -
Changes of assumptions	10,860	27,023
Differences in projected earnings	153,094	54,487
Total	<u>\$ 165,098</u>	<u>\$ 81,510</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2020 the employer recognized OPEB expense of \$71,009. Amounts reported as deferred outflows/inflows related to the OPEB will be recognized in OPEB expense as follows:

	Outflows	Inflows
2021	\$ 57,289	\$ 81,510
2022	45,284	-
2023	41,140	-
2024	21,385	-
	<hr/>	<hr/>
Total	<u>\$ 165,098</u>	<u>\$ 81,510</u>

Traverse City light and Power Retiree Health Insurance Plan

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

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

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><u>71</u></u>

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

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

NOTES TO THE FINANCIAL STATEMENTS

Net OPEB Liability. 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.

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

NOTES TO THE FINANCIAL STATEMENTS

projected benefit payments to determine the total OPEB liability.

Changes in the Net OPEB Liability

Calculating the Net Pension Liability			
	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances at 6/30/2019	\$5,514,338	\$3,611,936	\$1,902,402
Changes for the Year			
Service cost	3,615	-	3,615
Interest	400,451	-	400,451
Differences between expected and actual experience	(104,468)	-	(104,468)
Changes in assumptions	(449,662)	-	(449,662)
Employer contributions	-	514,424	(514,424)
Net investment Income	-	64,798	(64,798)
Benefit payments, including refunds	(349,982)	(349,982)	-
Administrative expense	-	(5,048)	5,048
Net changes	(500,046)	224,192	(724,238)
Balance as of 6/30/2020	\$5,014,292	\$3,836,128	\$1,178,164

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

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

	1% Decrease	Current Discount rate	1% Increase
Net OPEB liability	\$1,706,246	\$1,178,164	\$735,171

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	\$702,328	\$1,178,164	\$1,745,592

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, 2020 the employer recognized OPEB expense of \$395,213. 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	\$ -	\$80,998
Changes in assumptions	6,485	348,598
Excess(deficit) investment returns	271,977	-
Total	\$278,462	\$429,586

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

2021	\$ (39,483)
2022	(45,968)
2023	(50,936)
2024	<u>(14,737)</u>
Total	<u>\$(151,124)</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.

NOTES TO THE FINANCIAL STATEMENTS

Under the agreement, the Department will purchase 8.13% of the energy generated in the MPPA’s renewable energy contract with Northern American Natural Resources of Michigan. In 2014, the Department entered into an Energy Services Agreement with MPPA for the objective of accessing third party marketers in MISO for the purpose of reducing exposure to MISO market during volatile seasons. This is accomplished through MPPA soliciting bids and subsequently entering into contracts on behalf of the Department for firm priced energy supply. 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, 2020, Traverse City Light and Power recognized expenses totaling \$16,064,496 to purchase power under the terms of all contracts with MPPA. The price of the power was calculated on a basis, as specified in the contracts, to enable MPPA to recover its production, transmission and debt service costs.

Under the terms of the contracts, the Department must make minimum annual payments to cover their share of annual debt service requirements and fixed operation costs of the Campbell 3, Belle River, and Combustion Turbine projects (based on the percentage of power purchased). Future operating costs are estimated based on 2018 costs adjusted for inflation and calculated until the time of project’s debt retirement. The total estimated future operating costs, which do not include the annual debt payments, are as follows:

Year Ended December 31	Operating Costs
2021	\$5,247,117
2022	5,404,531
2023	2,711,600
2024	2,792,948
2025	2,876,736
2026-2027	6,014,968
Total	<u>\$25,047,900</u>

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

Year Ended December 31	Principal	Interest	Total
2021	\$2,376,923	\$558,816	\$ 2,935,739
2022	1,909,168	469,061	2,378,229
2023	1,426,920	394,680	1,821,600
2024	1,499,025	323,334	1,822,359
2025	1,574,925	248,383	1,823,308
2026-2027	3,392,730	256,542	3,649,272
Total	<u>\$12,179,691</u>	<u>\$2,250,816</u>	<u>\$14,430,507</u>

NOTES TO THE FINANCIAL STATEMENTS

In December 2009, the Department entered into a 20-year purchase power agreement with Heritage Stoney Corners Wind Farm I, LLC to purchase up to 10 megawatts of electric energy and all associated renewable energy credits. For the year ended June 30, 2020, the Department recognized expenses totaling \$3,007,159.

In December 2014, the Department entered into a 20-year purchase power agreement with options to terminate on January 1, 2025 and January 1, 2030 upon ninety-day notice. The Agreement is with Heritage Sustainable Energy, LLC to purchase up to .6 MW of electric energy for the M-72 wind turbine. For the year ended June 30, 2020, the Department recognized expenses totaling \$34,367 under this agreement.

In August 2017, the Department amended the Heritage Sustainable Energy, LLC contract to purchase and additional 1MW of electric energy for the M-72 solar array. The contract has been an option to expand the solar array to include an additional approximate 1 to 3 MW of solar energy. The contract will terminate December 31, 2038. For the year ended June 30, 2020 the Department recognized expenses totaling \$209,768 under this agreement.

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
Emergencies	\$ 25,492	\$ 49,785	\$ -
Capital Expenditures	159,000	1,148,352	1,512,000
Future Maintenance	<u>2,500,000</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 2,684,492</u>	<u>\$ 1,198,137</u>	<u>\$ 1,512,000</u>

Component unit

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

Emergencies	\$ 100,056
Minimum Cash Reserves	<u>9,118,000</u>
Total	<u>\$ 9,218,056</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.

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, 2020 the City abated property tax revenues of \$15,353.

NOTES TO THE FINANCIAL STATEMENTS

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, 2020 the amount of taxes abated was \$791,963.

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, 2020 the estimated tax abatement was \$160,804.

K. Subsequent Events**Traverse City Light and Power Component Unit**

At the August 11, 2020 board meeting, the Light and Power Board approved executing the USDA commitment letter acknowledging and accepting the approval of \$1.8M in financing for the On-Bill Program. Concurrently, the City Commission the commitment letter an issued a notice of intent for this loan commitment.

On October 1, 2020 Traverse City Light and Power launched phase one of the Fiber to the premise/Smart Grid deployment.

NOTES TO THE FINANCIAL STATEMENTS

L. Prior Period Adjustment

Traverse City Light and Power Component Unit

Beginning net position for Traverse City Light and Power was decreased by \$520,104 to reflect a change in other post employment benefit deferred inflows and outflows based on the most recent actuary report.

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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,	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability							
Service Cost	\$ 749,125	\$ 759,397	\$ 721,781	\$ 676,683	\$ 678,748	\$ 644,925	\$ 492,852
Interest on the Total Pension Liability	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	105,359	(124,418)	756,372	(172,209)	(372,033)	(802,207)	-
Assumption changes	-	1,801,057	-	-	-	-	-
Benefits paid and refunds	(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>1,387,879</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>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>\$ 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	\$ 2,104,146	\$ 1,995,181	\$ 1,841,815	\$ 1,803,930	\$ 1,810,565	\$ 1,683,306	\$ 1,639,480
Employee contributions	77,002	78,115	81,144	104,761	58,510	76,863	75,526
Pension plan net investment income	1,153,460	996,920	2,285,282	3,019,320	498,918	463,881	3,883,457
Benefit payments and refunds	(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	(18,520)	(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>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>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>\$ 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>\$ 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	62.32%	63.02%	66.57%	66.09%	62.08%	63.53%	64.55%
Covered Employee Payroll	\$ 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	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%

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	15 year closed
Asset Valuation Method	4 Year Smoothed Market
Inflation	2.50%
Salary Increase	4% to 7%
Investment Rate of Return	7.5 % (net of expenses)
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	RP-2000 Male set back one year and Female (unadjusted) Mortality Table projected 20 years with Scale AA

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

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

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

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

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

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

Fiscal year ending June 30,	2020	2019	2018	2017
Total OPEB Liability				
Service Cost	\$ 86,712	\$ 79,044	\$ 93,763	\$ 93,564
Interest on the total OPEB liability	625,391	631,831	611,741	597,245
Benefit changes	-	-	-	-
Difference between expected and actual experience *	(29,774)	(533,914)	35,999	(75,186)
Assumption changes	-	792,407	-	-
Benefits paid and refunds	(482,795)	(444,116)	(488,449)	(356,424)
Net change in Total Pension Liability	199,534	525,252	253,054	259,199
Total OPEB Liability - Beginning	9,132,200	8,606,948	8,353,894	8,094,695
Total OPEB Liability- Ending (a)	\$ 9,331,734	\$ 9,132,200	\$ 8,606,948	\$ 8,353,894
Plan Fiduciary Net Position				
Employer contributions	\$ 565,895	\$ 519,279	\$ 512,078	\$ 385,866
Pension plan net investment income	184,192	187,943	77,551	-
Benefit payments and refunds	(482,795)	(444,116)	(488,449)	(356,424)
Pension plan administrative expense	-	-	-	-
Other	(8,000)	(6,000)	(6,000)	(8,800)
Net Change in Plan Fiduciary Net Position	259,292	257,106	95,180	20,642
Plan Fiduciary Net Position - Beginning	3,725,852	3,468,746	3,373,566	3,352,924
Plan Fiduciary Net Position - Ending (b)	\$ 3,985,144	\$ 3,725,852	\$ 3,468,746	\$ 3,373,566
Net OPEB Liability - Ending (a)-(b)	\$ 5,346,590	\$ 5,406,348	\$ 5,138,202	\$ 4,980,328
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	42.71%	40.80%	40.30%	40.38%
Covered Employee Payroll	\$ 2,383,949	\$ 2,609,645	\$ 2,741,432	\$ 3,027,113
Net Pension Liability as a Percentage of Covered Employee Payroll	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>
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
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	21 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
Investment rate of return discount rate	7.00%	7.50%
Salary increase	3.00% merit and longevity (based on study dated 12/20/2018)	4.00% + merit and longevity
Mortality	A version of RP-2014	A version of RP-2000
Healthcare inflation	Non medicare: initial rate of 8.25% decreasing .025% per year to a 4.5% longterm rate, medicare initial rate of 6.5% decreasing .25% per year to a	Initial rate of 8.25% decreasing to a 4% longterm rate in year 10
Actuarially Determined Contribution using uniform assumptions	\$ 796,010	

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>
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.

	December 31,					
	2019	2018	2017	2016	2015	2014
Total Pension Liability						
Service Cost	\$ 479,481	\$ 473,357	\$ 449,861	\$ 451,469	\$ 424,511	\$ 398,725
Interest on the Total Pension Liability	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	(956,280)	(720,256)	(37,737)	(281,288)	(185,726)	-
Assumption changes	1,194,941	-	-	-	1,782,587	-
Benefits paid and refunds	(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>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>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>\$ 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	\$ 1,430,516	\$ 1,325,327	\$ 1,209,578	\$ 1,103,031	\$ 1,011,317	\$ 1,033,594
Employee contributions	-	-	-	-	-	-
Pension plan net investment income	2,944,943	(914,546)	2,962,186	2,443,206	(343,945)	1,480,312
Benefit payments and refunds	(2,690,327)	(2,687,175)	(2,651,928)	(2,575,279)	(2,446,248)	(2,343,998)
Pension plan administrative expense	(50,697)	(46,438)	(47,056)	(48,298)	(51,145)	(54,129)
Other	-	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	<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>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>\$ 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>\$ 16,099,882</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	59.66%	57.06%	63.17%	60.49%	58.86%	68.07%
Covered Employee Payroll	\$ 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	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%

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,					
	2019	2018	2017	2016	2015	2014
Total pension liability						
Service cost	\$ 264,001	\$ 285,497	\$ 310,387	\$ 300,475	\$ 295,317	\$ 313,020
Interest	2,386,419	2,370,497	2,292,239	2,276,465	2,142,935	2,083,781
Differences between expected and actuarial experience	(12,114)	(370,024)	363,115	(509,997)	363,835	-
Changes in assumptions	1,104,897	-	-	-	1,444,054	-
Benefit payments, including refunds	(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	1,619,867	264,030	1,036,379	248,301	2,529,778	770,557
Total pension liability, beginning of year	30,763,609	30,499,579	29,463,200	29,214,899	26,685,121	25,914,564
Total pension liability, end of year	32,383,476	30,763,609	30,499,579	29,463,200	29,214,899	26,685,121
Plan fiduciary net position						
Contribution - employer	2,403,450	2,395,423	2,253,396	1,564,302	858,331	773,230
Net investment income	2,532,810	(760,557)	2,200,228	1,686,136	(234,339)	1,000,478
Administrative expenses	(43,690)	(37,098)	(34,750)	(33,363)	(34,767)	(36,578)
Benefit payments, including refunds	(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	2,761,833	(423,872)	2,488,065	1,398,433	(1,126,379)	110,886
Plan fiduciary net position, beginning of year	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	21,324,482	18,562,649	18,986,521	16,498,456	15,100,023	16,226,402
Net pension liability	\$ 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	65.85%	60.34%	62.25%	56.00%	51.69%	60.81%
Covered employee payroll	\$ 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	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

	2020	2019	2018	2017	2016	2015
Actuarially determined contributor						
Contribution in relation to the actuarially determined contribution	\$ 2,382,248	\$ 1,113,276	\$ 1,110,648	\$ 944,388	\$ 891,939	\$ 770,572
	<u>(2,382,248)</u>	<u>(2,428,720)</u>	<u>(2,356,392)</u>	<u>(2,202,960)</u>	<u>(891,939)</u>	<u>(770,572)</u>
Contribution deficiency (excess)	<u>-</u>	<u>(1,315,444)</u>	<u>(1,245,744)</u>	<u>(1,258,572)</u>	<u>-</u>	<u>-</u>
Covered employee payroll	\$ 2,412,833	\$ 2,680,970	\$ 2,947,185	\$ 2,862,491	\$ 2,866,124	\$ 2,880,960
Contribution as a percentage of covered employee payroll	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	25 years
Asset valuation method	5 year smoothed (10 yr smoothed in 2014)
Inflation	2.5% (3.5% 2014)
Salary increases	3.75% to 14.5% (4.50% in 2014)
Investment rate of return	7.75% (8.25% in 2014)
Retirement age	Varies depending on plan adoptior
Mortality	RP-2014 mortality tables of a 50% Male and 50% Female blend (50% female/50% male 1994 group annual mortality table 2014)

CITY OF TRAVERSE CITY
Required Supplementary Information
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,	2020	2019	2018
Total OPEB Liability			
Service Cost	\$ 3,016	\$ 3,206	\$ 3,260
Interest on the total OPEB liability	80,100	80,728	118,583
Benefit changes		-	-
Difference between expected and actual experience		-	25,684
Assumption changes	13,606	(9,606)	40,303
Benefits paid and refunds	(110,685)	(132,031)	(149,325)
Other changes	(71,714)	38,658	(551,889)
Net change in Total Pension Liability	<u>(85,677)</u>	<u>(19,045)</u>	<u>(513,384)</u>
Total OPEB Liability - Beginning	<u>1,123,340</u>	<u>1,142,385</u>	<u>1,655,769</u>
Total OPEB Liability- Ending (a)	<u>\$ 1,037,663</u>	<u>\$ 1,123,340</u>	<u>\$ 1,142,385</u>
Plan Fiduciary Net Position			
Employer contributions	\$ 2,669	\$ 106	\$ 11,000
Plan net investment income	43,205	55,269	123,862
Difference between expected and actual experience	(106,929)	(98,770)	(20,724)
Benefit payments and refunds	(110,685)	(132,031)	(149,325)
Pension plan administrative expense	(3,333)	(3,716)	(4,157)
Other	106,929	120,953	142,932
Net Change in Plan Fiduciary Net Position	<u>(68,144)</u>	<u>(58,189)</u>	<u>103,588</u>
Plan Fiduciary Net Position - Beginning	<u>2,035,851</u>	<u>2,094,040</u>	<u>1,990,449</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 1,967,707</u>	<u>\$ 2,035,851</u>	<u>\$ 2,094,037</u>
Net OPEB Liability (Asset) - Ending (a)-(b) 6/30/2020	<u>\$ (930,044)</u>	<u>\$ (912,511)</u>	<u>\$ (951,652)</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	189.63%	181.23%	183.30%
Covered Employee Payroll	\$ 1,665,544	\$ 1,697,155	\$ 1,827,405
Net OPEB Liability as a Percentage of Covered Employee Payroll	-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	1,967,708	(930,045)	189.63%	1,665,544	-55.84%

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 Contributio 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%

Notes to Schedule of Contributions

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar
Remaining Amortization Period	30 years
Asset Valuation Method	Market Value of Assets
Inflation	2.50%
Salary Increase	5%
Investment Rate of Return	7.0%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality	PubGH.2010 Mortality table - General
Health Care Trend Rates	4% to 5.5% depending on coverage - ultimate trend rate used 4.5%

	Uniform Assumption	Assumption used
Investment rate of return discount rate	7.00%	7.00%
Salary increase	3.00% merit and longevity (based on study dated 12/20/2018)	5.00% + merit and longevity
Healthcare inflation	Non medicare: initial rate of 8.5% decreasing .025% per year to a 4.5% longterm rate, medicare initial rate of 7.0% decreasing .25% per year to a 4.5% longterm rate	4.0% to 5.5% based on coverage - ultimate trend rate of 4.5%
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%

* 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,	2020	2019	2018
Total OPEB Liability			
Service Cost	\$ 3,615	\$ 3,363	\$ 2,852
Interest on the total OPEB liability	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	(349,982)	(350,628)	(342,038)
Other changes	-	87,555	(38,996)
Net change in Total Pension Liability	<u>(500,046)</u>	<u>130,899</u>	<u>(212,614)</u>
Total OPEB Liability - Beginning	<u>5,514,338</u>	<u>5,383,439</u>	<u>5,596,053</u>
Total OPEB Liability- Ending (a)	<u>\$ 5,014,292</u>	<u>\$ 5,514,338</u>	<u>\$ 5,383,439</u>
Plan Fiduciary Net Position			
Employer contributions	\$ 514,424	\$ -	\$ 229,388
Pension plan net investment income	64,798	78,435	191,582
Difference between expected and actual experience	-	(161,940)	-
Benefits paid and refunds	(349,982)	-	-
Other changes	-	357,118	-
Pension plan administrative expense	(5,048)	(5,561)	(6,220)
Net Change in Plan Fiduciary Net Position	<u>224,192</u>	<u>268,052</u>	<u>414,750</u>
Plan Fiduciary Net Position - Beginning	<u>3,611,936</u>	<u>3,343,884</u>	<u>2,929,134</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 3,836,128</u>	<u>\$ 3,611,936</u>	<u>\$ 3,343,884</u>
Net OPEB Liability - Ending (a)-(b)	<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	76.50%	65.50%	62.11%
Covered Employee Payroll	\$ 2,198,312	\$ 2,680,970	\$ 2,837,222
Net OPEB Liability as a Percentage of Covered Employee Payroll	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%

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%

Notes to Schedule of Contributions

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Straight line
Remaining Amortization Period	4.45
Asset Valuation Method	Market Value of Assets
Inflation	2.25%
Salary Increase	2.50%
Investment Rate of Return	7.5%
Retirement Age	varies depending on retirement plan
Mortality	MP-2019 Combined Annuitant Mortality Table for males and females
Health Care Trend Rates	-10.51 to 6.50%

State of Michigan PA 202 information

Actuarially recommended contributions in accordance with State PA 202	\$ 164,442
Minimum required contribution under PA 202	164,442
Actual contribution	164,442
Contribution for employees hired after June 30, 2019	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

Note to Schedule

The schedule is being accumulated prospectively until 10 years of information is presented.

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.

FY Ending June 30,	Annual Return *
2017	20.50%
2018	5.90%
2019	2.60%
2020	1.83%

* 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, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Property taxes	\$ 11,518,000	\$ 11,518,000	\$ 11,823,999	\$ 305,999
Licenses and permits	386,100	386,100	370,101	(15,999)
Federal sources	8,000	8,000	2,377	(5,623)
State sources	1,563,000	1,563,000	1,466,773	(96,227)
Local sources	1,698,000	1,698,000	1,697,579	(421)
Charges for services	518,400	538,400	533,759	(4,641)
Fines and forfeits	8,000	8,000	7,084	(916)
Contributions	185,000	185,000	141,841	(43,159)
Reimbursements	662,000	672,000	634,818	(37,182)
Interest income	121,000	121,000	208,207	87,207
Other revenue	488,500	488,500	529,121	40,621
Total revenues	<u>17,156,000</u>	<u>17,186,000</u>	<u>17,415,659</u>	<u>229,659</u>
Expenditures				
General government	4,065,600	4,044,600	3,720,778	323,822
Public safety	7,562,300	7,603,300	7,446,100	157,200
Public works	1,697,900	2,017,900	2,095,614	(77,714)
Recreation and culture	2,577,300	2,456,200	2,290,792	165,408
Capital Outlay	127,900	127,900	111,082	16,818
Total expenditures	<u>16,031,000</u>	<u>16,249,900</u>	<u>15,664,366</u>	<u>585,534</u>
Excess (deficiency) of revenue over expenditures	<u>1,125,000</u>	<u>936,100</u>	<u>1,751,293</u>	<u>815,193</u>
Other financing sources (uses)				
Transfers in	1,458,300	1,458,300	1,309,238	(149,062)
Transfers out	(3,095,200)	(2,906,300)	(2,637,468)	268,832
Total other financing sources (uses)	<u>(1,636,900)</u>	<u>(1,448,000)</u>	<u>(1,328,230)</u>	<u>119,770</u>
Net change in fund balance	(511,900)	(511,900)	423,063	934,963
Fund balance, beginning of year	<u>7,527,695</u>	<u>7,527,695</u>	<u>7,527,695</u>	<u>-</u>
Fund balance, end of year	<u>\$ 7,015,795</u>	<u>\$ 7,015,795</u>	<u>\$ 7,950,758</u>	<u>\$ 934,963</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, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
State sources	\$ 1,594,500	\$ 1,794,500	\$ 1,582,686	\$ (211,814)
Reimbursements	300	300	767	467
Interest income	200	200	359	159
Total revenues	<u>1,595,000</u>	<u>1,795,000</u>	<u>1,583,812</u>	<u>(211,188)</u>
Expenditures				
Public works				
Personnel	619,000	619,000	435,765	183,235
Commodities	138,000	138,000	118,550	19,450
Contractual services	287,700	287,700	147,729	139,971
Other charges	532,100	632,100	611,379	20,721
Capital outlay	-	-	-	-
Total expenditures	<u>1,576,800</u>	<u>1,676,800</u>	<u>1,313,423</u>	<u>363,377</u>
Excess (deficiency) of revenue over expenditures	<u>18,200</u>	<u>118,200</u>	<u>270,389</u>	<u>152,189</u>
Other financing sources (uses)				
Transfers in	50,000	50,000	50,000	-
Transfers out	(162,000)	(262,000)	(242,314)	19,686
Total other financing sources (uses)	<u>(112,000)</u>	<u>(212,000)</u>	<u>(192,314)</u>	<u>19,686</u>
Net change in fund balance	(93,800)	(93,800)	78,075	171,875
Fund balance, beginning of year	521,182	521,182	521,182	-
Fund balance, end of year	<u>\$ 427,382</u>	<u>\$ 427,382</u>	<u>\$ 599,257</u>	<u>\$ 171,875</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, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
State sources	\$ 525,000	\$ 525,000	\$ 521,812	\$ (3,188)
Reimbursements	-	-	-	-
Total revenues	<u>525,000</u>	<u>525,000</u>	<u>521,812</u>	<u>(3,188)</u>
Expenditures				
Public works				
Personnel	590,800	590,800	460,305	130,495
Contractual services	122,200	122,200	44,534	77,666
Commodities	86,000	86,000	119,338	(33,338)
Other charges	708,100	708,100	496,273	211,827
Total expenditures	<u>1,507,100</u>	<u>1,507,100</u>	<u>1,120,450</u>	<u>386,650</u>
(Deficiency) of revenue over expenditures	(982,100)	(982,100)	(598,638)	383,462
Other financing sources (uses)				
Transfer in	982,100	982,100	598,638	(383,462)
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, 2020

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, 2020, actual expenditures in the General Operating Fund Streets, Alleys and Sidewalks Department exceeded final appropriations by \$117,777.

OTHER SUPPLEMENTARY INFORMATION

CITY OF TRAVERSE CITY
Schedule of GASB 54 Consolidation
Budget (GAAP Basis) and Actual
For the Year Ended June 30, 2020

	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	\$ 11,518,000	\$ 11,518,000	\$ 11,823,999	\$ 305,999	\$ -	\$ -	\$ -	\$ -
Licenses and permits	386,100	386,100	370,101	(15,999)	-	-	-	-
Federal sources	8,000	8,000	2,377	(5,623)	-	-	-	-
State sources	1,563,000	1,563,000	1,458,302	(104,698)	-	-	-	-
Local sources	1,680,000	1,680,000	1,678,619	(1,381)	-	-	-	-
Charges for services	285,800	285,800	235,944	(49,856)	-	-	-	-
Fines and forfeits	8,000	8,000	7,084	(916)	-	-	-	-
Contributions	-	-	-	-	-	-	-	-
Reimbursements	650,000	650,000	629,565	(20,435)	-	-	-	-
Interest income	85,000	85,000	120,130	35,130	19,000	19,000	55,906	36,906
Other revenue	488,500	488,500	528,435	39,935	-	-	-	-
Total revenues	16,672,400	16,672,400	16,854,556	182,156	19,000	19,000	55,906	36,906
Expenditures								
General government	4,040,600	4,019,600	3,717,744	301,856	-	-	-	-
Public safety	7,521,300	7,542,300	7,396,618	145,682	-	-	-	-
Public works	1,664,600	1,984,600	2,080,766	(96,166)	-	-	-	-
Recreation and culture	2,089,200	1,958,100	1,844,444	113,656	-	-	-	-
Capital outlay	52,900	52,900	46,744	6,156	-	-	-	-
Total expenditures	15,368,600	15,557,500	15,086,316	471,184	-	-	-	-
Excess (deficiency) of revenue over expenditures	1,303,800	1,114,900	1,768,240	653,340	19,000	19,000	55,906	36,906
Other financing sources (uses)								
Transfers in	1,368,300	1,368,300	1,254,238	(114,062)	-	-	-	-
Transfers out	(2,852,100)	(2,663,200)	(2,619,635)	43,565	(19,000)	(19,000)	(17,833)	1,167
Total other financing sources (uses)	(1,483,800)	(1,294,900)	(1,365,397)	(70,497)	(19,000)	(19,000)	(17,833)	1,167
Net change in fund balance	(180,000)	(180,000)	402,843	582,843	-	-	38,073	38,073
Fund balance, beginning of year	4,336,010	4,336,010	4,336,010	-	781,066	781,066	781,066	-
Fund balance, end of year	\$ 4,156,010	\$ 4,156,010	\$ 4,738,853	\$ 582,843	\$ 781,066	\$ 781,066	\$ 819,139	\$ 38,073

CITY OF TRAVERSE CITY
Schedule of GASB 54 Consolidation
Budget (GAAP Basis) and Actual
For the Year Ended June 30, 2020

	Hazmat				Carnegie Building Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	8,471	8,471	8,471
Local sources	18,000	18,000	18,960	960	-	-	-	-
Charges for services	-	20,000	4,805	(15,195)	44,000	44,000	48,081	4,081
Fines and forfeits	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	-	-	-
Reimbursements	-	-	-	-	5,000	5,000	-	(5,000)
Interest income	-	-	105	105	-	-	-	-
Other revenue	-	-	686	686	-	-	-	-
Total revenues	<u>18,000</u>	<u>38,000</u>	<u>24,556</u>	<u>(13,444)</u>	<u>49,000</u>	<u>49,000</u>	<u>56,552</u>	<u>7,552</u>
Expenditures								
General government	-	-	-	-	-	-	-	-
Public safety	31,000	51,000	46,729	4,271	-	-	-	-
Public works	-	-	-	-	-	-	-	-
Recreation and culture	-	-	-	-	97,000	97,000	121,295	(24,295)
Capital outlay	-	-	-	-	-	-	-	-
Total expenditures	<u>31,000</u>	<u>51,000</u>	<u>46,729</u>	<u>4,271</u>	<u>97,000</u>	<u>97,000</u>	<u>121,295</u>	<u>(24,295)</u>
Excess (deficiency) of revenue over expenditures	<u>(13,000)</u>	<u>(13,000)</u>	<u>(22,173)</u>	<u>(9,173)</u>	<u>(48,000)</u>	<u>(48,000)</u>	<u>(64,743)</u>	<u>(16,743)</u>
Other financing sources (uses)								
Transfers in	-	-	-	-	50,000	50,000	15,000	(35,000)
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,000</u>	<u>50,000</u>	<u>15,000</u>	<u>(35,000)</u>
Net change in fund balance	<u>(13,000)</u>	<u>(13,000)</u>	<u>(22,173)</u>	<u>(9,173)</u>	<u>2,000</u>	<u>2,000</u>	<u>(49,743)</u>	<u>(51,743)</u>
Fund balance, beginning of year	<u>108,595</u>	<u>108,595</u>	<u>108,595</u>	<u>-</u>	<u>51,534</u>	<u>51,534</u>	<u>51,534</u>	<u>-</u>
Fund balance, end of year	<u>\$ 95,595</u>	<u>\$ 95,595</u>	<u>\$ 86,422</u>	<u>\$ (9,173)</u>	<u>\$ 53,534</u>	<u>\$ 53,534</u>	<u>\$ 1,791</u>	<u>\$ (51,743)</u>

CITY OF TRAVERSE CITY
Schedule of GASB 54 Consolidation
Budget (GAAP Basis) and Actual
For the Year Ended June 30, 2020

	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	-	-	402	402	-	-	1,063	1,063
Reimbursements	-	-	-	-	-	-	-	-
Interest income	-	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-	-
Total revenues	-	-	402	402	-	-	1,063	1,063
Expenditures								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	10,000	10,000	2,753	7,247
Public works	-	-	-	-	-	-	-	-
Recreation and culture	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Total expenditures	-	-	-	-	10,000	10,000	2,753	7,247
Excess (deficiency) of revenue over expenditures	-	-	402	402	(10,000)	(10,000)	(1,690)	8,310
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	-	-	402	402	-	-	8,310	8,310
Fund balance, beginning of year	(402)	(402)	(402)	-	4,920	4,920	4,920	-
Fund balance, end of year	\$ (402)	\$ (402)	\$ -	\$ 402	\$ 4,920	\$ 4,920	\$ 13,230	\$ 8,310

CITY OF TRAVERSE CITY
Schedule of GASB 54 Consolidation
Budget (GAAP Basis) and Actual
For the Year Ended June 30, 2020

	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	-	-	-	-	76,000	76,000	125,100	49,100
Fines and forfeits	-	-	-	-	-	-	-	-
Contributions	135,000	135,000	133,690	(1,310)	-	-	-	-
Reimbursements	-	-	-	-	-	-	-	-
Interest income	-	-	25	25	-	-	156	156
Other revenue	-	-	-	-	-	-	-	-
Total revenues	<u>135,000</u>	<u>135,000</u>	<u>133,715</u>	<u>(1,285)</u>	<u>76,000</u>	<u>76,000</u>	<u>125,256</u>	<u>49,256</u>
Expenditures								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-
Recreation and culture	151,600	151,600	149,386	2,214	76,000	76,000	60,982	15,018
Capital outlay	-	-	-	-	-	-	-	-
Total expenditures	<u>151,600</u>	<u>151,600</u>	<u>149,386</u>	<u>2,214</u>	<u>76,000</u>	<u>76,000</u>	<u>60,982</u>	<u>15,018</u>
Excess (deficiency) of revenue over expenditures	<u>(16,600)</u>	<u>(16,600)</u>	<u>(15,671)</u>	<u>929</u>	<u>-</u>	<u>-</u>	<u>64,274</u>	<u>64,274</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>(16,600)</u>	<u>(16,600)</u>	<u>(15,671)</u>	<u>929</u>	<u>-</u>	<u>-</u>	<u>64,274</u>	<u>64,274</u>
Fund balance, beginning of year	<u>52,362</u>	<u>52,362</u>	<u>52,362</u>	<u>-</u>	<u>77,641</u>	<u>77,641</u>	<u>77,641</u>	<u>-</u>
Fund balance, end of year	<u>\$ 35,762</u>	<u>\$ 35,762</u>	<u>\$ 36,691</u>	<u>\$ 929</u>	<u>\$ 77,641</u>	<u>\$ 77,641</u>	<u>\$ 141,915</u>	<u>\$ 64,274</u>

**CITY OF TRAVERSE CITY
Schedule of GASB 54 Consolidation
Budget (GAAP Basis) and Actual
For the Year Ended June 30, 2020**

	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	119,829	7,229	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	-	-	-
Reimbursements	4,000	4,000	4,243	243	3,000	13,000	1,010	(11,990)
Interest income	-	-	48	48	-	-	-	-
Other revenue	-	-	-	-	-	-	-	-
Total revenues	<u>116,600</u>	<u>116,600</u>	<u>124,120</u>	<u>7,520</u>	<u>3,000</u>	<u>13,000</u>	<u>1,010</u>	<u>(11,990)</u>
Expenditures								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-
Recreation and culture	119,600	119,600	94,752	24,848	6,000	16,000	12,541	3,459
Capital outlay	-	-	-	-	-	-	-	-
Total expenditures	<u>119,600</u>	<u>119,600</u>	<u>94,752</u>	<u>24,848</u>	<u>6,000</u>	<u>16,000</u>	<u>12,541</u>	<u>3,459</u>
Excess (deficiency) of revenue over expenditures	<u>(3,000)</u>	<u>(3,000)</u>	<u>29,368</u>	<u>32,368</u>	<u>(3,000)</u>	<u>(3,000)</u>	<u>(11,531)</u>	<u>(8,531)</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>(3,000)</u>	<u>(3,000)</u>	<u>29,368</u>	<u>32,368</u>	<u>(3,000)</u>	<u>(3,000)</u>	<u>(11,531)</u>	<u>(8,531)</u>
Fund balance, beginning of year	<u>67,282</u>	<u>67,282</u>	<u>67,282</u>	<u>-</u>	<u>16,591</u>	<u>16,591</u>	<u>16,591</u>	<u>-</u>
Fund balance, end of year	<u>\$ 64,282</u>	<u>\$ 64,282</u>	<u>\$ 96,650</u>	<u>\$ 32,368</u>	<u>\$ 13,591</u>	<u>\$ 13,591</u>	<u>\$ 5,060</u>	<u>\$ (8,531)</u>

CITY OF TRAVERSE CITY
Schedule of GASB 54 Consolidation
Budget (GAAP Basis) and Actual
For the Year Ended June 30, 2020

	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	17,000	17,000	31,733	14,733	-	-	-	-
Other revenue	-	-	-	-	-	-	-	-
Total revenues	17,000	17,000	31,733	14,733	-	-	-	-
Expenditures								
General government	25,000	25,000	3,034	21,966	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Public works	-	-	-	-	33,300	33,300	14,848	18,452
Recreation and culture	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Total expenditures	25,000	25,000	3,034	21,966	33,300	33,300	14,848	18,452
Excess (deficiency) of revenue over expenditures	(8,000)	(8,000)	28,699	36,699	(33,300)	(33,300)	(14,848)	18,452
Other financing sources (uses)								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	(224,100)	(224,100)	-	224,100
Total other financing sources (uses)	-	-	-	-	(224,100)	(224,100)	-	224,100
Net change in fund balance	(8,000)	(8,000)	28,699	36,699	(257,400)	(257,400)	(14,848)	242,552
Fund balance, beginning of year	1,871,083	1,871,083	1,871,083	-	35,300	35,300	35,300	-
Fund balance, end of year	\$ 1,863,083	\$ 1,863,083	\$ 1,899,782	\$ 36,699	\$ (222,100)	\$ (222,100)	\$ 20,452	\$ 242,552

CITY OF TRAVERSE CITY
Schedule of GASB 54 Consolidation
Budget (GAAP Basis) and Actual
For the Year Ended June 30, 2020

	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	\$ -	\$ -	\$ -	\$ -	\$ 11,518,000	\$ 11,518,000	\$ 11,823,999	\$ 305,999
Licenses and permits	-	-	-	-	386,100	386,100	370,101	(15,999)
Federal sources	-	-	-	-	8,000	8,000	2,377	(5,623)
State sources	-	-	-	-	1,563,000	1,563,000	1,466,773	(96,227)
Local sources	-	-	-	-	1,698,000	1,698,000	1,697,579	(421)
Charges for services	-	-	-	-	518,400	538,400	533,759	(4,641)
Fines and forfeits	-	-	-	-	8,000	8,000	7,084	(916)
Contributions	50,000	50,000	6,686	(43,314)	185,000	185,000	141,841	(43,159)
Reimbursements	-	-	-	-	662,000	672,000	634,818	(37,182)
Interest income	-	-	104	104	121,000	121,000	208,207	87,207
Other revenue	-	-	-	-	488,500	488,500	529,121	40,621
Total revenues	50,000	50,000	6,790	(43,210)	17,156,000	17,186,000	17,415,659	229,659
Expenditures								
General government	-	-	-	-	4,065,600	4,044,600	3,720,778	323,822
Public safety	-	-	-	-	7,562,300	7,603,300	7,446,100	157,200
Public works	-	-	-	-	1,697,900	2,017,900	2,095,614	(77,714)
Recreation and culture	37,900	37,900	7,392	30,508	2,577,300	2,456,200	2,290,792	165,408
Capital outlay	75,000	75,000	64,338	10,662	127,900	127,900	111,082	16,818
Total expenditures	112,900	112,900	71,730	41,170	16,031,000	16,249,900	15,664,366	585,534
Excess (deficiency) of revenue over expenditures	(62,900)	(62,900)	(64,940)	(2,040)	1,125,000	936,100	1,751,293	815,193
Other financing sources (uses)								
Transfers in	30,000	30,000	30,000	-	1,458,300	1,458,300	1,309,238	(149,062)
Transfers out	-	-	-	-	(3,095,200)	(2,906,300)	(2,637,468)	268,832
Total other financing sources (uses)	30,000	30,000	30,000	-	(1,636,900)	(1,448,000)	(1,328,230)	119,770
Net change in fund balance	(32,900)	(32,900)	(34,940)	(2,040)	(511,900)	(511,900)	423,063	934,963
Fund balance, beginning of year	125,713	125,713	125,713	-	7,527,695	7,527,695	7,527,695	-
Fund balance, end of year	\$ 92,813	\$ 92,813	\$ 90,773	\$ (2,040)	\$ 7,015,795	\$ 7,015,795	\$ 7,950,758	\$ 934,963

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, 2020

	<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	\$ 11,165,000	\$ 11,165,000	\$ 11,436,608	\$ 271,608
Collection fees	258,000	258,000	272,090	14,090
Penalties and interest on taxes	95,000	95,000	115,301	20,301
Total property taxes	<u>11,518,000</u>	<u>11,518,000</u>	<u>11,823,999</u>	<u>305,999</u>
Licenses and permits				
Business	353,800	353,800	333,090	(20,710)
Nonbusiness	32,300	32,300	37,011	4,711
Total licenses and permits	<u>386,100</u>	<u>386,100</u>	<u>370,101</u>	<u>(15,999)</u>
Federal sources	<u>8,000</u>	<u>8,000</u>	<u>2,377</u>	<u>(5,623)</u>
State sources				
State - shared revenues				
Sales and use tax	1,497,000	1,497,000	1,412,539	(84,461)
Liquor licenses	65,000	65,000	45,763	(19,237)
Other state	1,000	1,000	-	(1,000)
Total state sources	<u>1,563,000</u>	<u>1,563,000</u>	<u>1,458,302</u>	<u>(104,698)</u>
Local sources				
City fee - Component Units	1,680,000	1,680,000	1,678,619	(1,381)
Charges for services				
General fees and services	52,500	52,500	43,013	(9,487)
Use and admission fees	203,300	203,300	154,066	(49,234)
Fine and forfeitures - ordinance and cost	30,000	30,000	38,865	8,865
Total charges for services	<u>285,800</u>	<u>285,800</u>	<u>235,944</u>	<u>(49,856)</u>
Fines and forfeits				
Parking violations	8,000	8,000	7,084	(916)
Reimbursements	<u>650,000</u>	<u>650,000</u>	<u>629,565</u>	<u>(20,435)</u>
Interest income	<u>85,000</u>	<u>85,000</u>	<u>120,130</u>	<u>35,130</u>
Other revenue				
Rents and royalties	2,500	2,500	62,751	60,251
Contributions	451,000	451,000	434,498	(16,502)
Sale of assets	2,500	2,500	1,902	(598)
Other	32,500	32,500	29,284	(3,216)
Total other revenue	<u>488,500</u>	<u>488,500</u>	<u>528,435</u>	<u>39,935</u>
Total revenues	<u>\$ 16,672,400</u>	<u>\$ 16,672,400</u>	<u>\$ 16,854,556</u>	<u>\$ 182,156</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, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
General government				
City Commission				
Personnel	\$ 48,500	\$ 48,500	\$ 59,593	\$ (11,093)
Commodities	600	600	588	12
Contractual services	50,800	50,800	31,005	19,795
Other charges	5,200	5,200	711	4,489
Total City Commission	<u>105,100</u>	<u>105,100</u>	<u>91,897</u>	<u>13,203</u>
City Manager's Office				
Personnel	383,500	383,500	385,830	(2,330)
Commodities	5,000	5,000	6,449	(1,449)
Contractual services	42,000	51,000	23,316	27,684
Other charges	6,500	6,500	6,207	293
Total City Manager's Office	<u>437,000</u>	<u>446,000</u>	<u>421,802</u>	<u>24,198</u>
Human Resources				
Personnel	201,300	201,300	201,875	(575)
Commodities	1,000	1,000	1,523	(523)
Contractual services	29,700	34,700	21,668	13,032
Other charges	3,500	3,500	3,125	375
Total Human Resources	<u>235,500</u>	<u>240,500</u>	<u>228,191</u>	<u>12,309</u>
Geographic Information Systems				
Personnel	94,000	94,000	100,958	(6,958)
Commodities	9,700	9,700	1,076	8,624
Contractual services	42,400	42,400	33,632	8,768
Other charges	1,000	1,000	-	1,000
Total Geographic Information Systems	<u>147,100</u>	<u>147,100</u>	<u>135,666</u>	<u>11,434</u>
City Attorney's Office				
Personnel	212,900	212,900	216,171	(3,271)
Commodities	1,500	1,500	1,229	271
Contractual services	36,000	36,000	13,038	22,962
Other charges	2,500	2,500	3,518	(1,018)
Total City Attorney's Office	<u>252,900</u>	<u>252,900</u>	<u>233,956</u>	<u>18,944</u>
City Clerk's Office				
Personnel	449,900	449,900	410,100	39,800
Commodities	35,300	35,300	45,219	(9,919)
Contractual services	49,100	49,100	41,621	7,479
Other charges	25,700	25,700	25,169	531
Total City Clerk's Office	<u>560,000</u>	<u>560,000</u>	<u>522,109</u>	<u>37,891</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, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Assessor's Office				
Personnel	\$ 394,100	\$ 394,100	\$ 408,752	\$ (14,652)
Commodities	10,000	10,000	3,899	6,101
Contractual services	60,000	60,000	42,221	17,779
Other charges	8,200	8,200	6,386	1,814
Total Assessor's Office	<u>472,300</u>	<u>472,300</u>	<u>461,258</u>	<u>11,042</u>
Treasurer's Office				
Personnel	388,200	388,200	391,392	(3,192)
Commodities	19,000	19,000	10,612	8,388
Contractual services	46,000	61,000	57,861	3,139
Other charges	8,500	8,500	5,412	3,088
Total Treasurer's Office	<u>461,700</u>	<u>476,700</u>	<u>465,277</u>	<u>11,423</u>
Building and grounds				
Other charges	<u>120,000</u>	<u>120,000</u>	<u>95,852</u>	<u>24,148</u>
Planning/Zoning				
Personnel	513,600	513,600	488,858	24,742
Commodities	6,600	6,600	4,176	2,424
Contractual services	41,600	41,600	41,544	56
Other charges	17,900	17,900	15,119	2,781
Total Planning/Zoning	<u>579,700</u>	<u>579,700</u>	<u>549,697</u>	<u>30,003</u>
Cemetery				
Personnel	283,800	283,800	276,449	7,351
Commodities	12,000	12,000	6,726	5,274
Contractual services	17,000	17,000	30,685	(13,685)
Other charges	116,500	116,500	98,602	17,898
Total Cemetery	<u>429,300</u>	<u>429,300</u>	<u>412,462</u>	<u>16,838</u>
Appropriations	<u>240,000</u>	<u>190,000</u>	<u>99,577</u>	<u>90,423</u>
Total general government	<u>4,040,600</u>	<u>4,019,600</u>	<u>3,717,744</u>	<u>301,856</u>
Public Safety				
Police				
Personnel	3,275,200	3,296,200	3,294,556	1,644
Commodities	91,000	91,000	72,075	18,925
Contractual services	440,000	440,000	436,337	3,663
Other charges	443,000	443,000	405,325	37,675
Total Police	<u>4,249,200</u>	<u>4,270,200</u>	<u>4,208,293</u>	<u>61,907</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, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Fire				
Personnel	\$ 2,501,100	\$ 2,501,100	\$ 2,443,631	\$ 57,469
Commodities	130,800	130,800	144,078	(13,278)
Contractual services	195,700	195,700	182,891	12,809
Other charges	444,500	444,500	417,725	26,775
Total Fire	<u>3,272,100</u>	<u>3,272,100</u>	<u>3,188,325</u>	<u>83,775</u>
Total public safety	<u>7,521,300</u>	<u>7,542,300</u>	<u>7,396,618</u>	<u>145,682</u>
Public Works				
Streets, alleys and sidewalks				
Personnel	561,000	561,000	817,151	(256,151)
Commodities	33,000	33,000	23,498	9,502
Contractual services	180,000	180,000	131,819	48,181
Other charges	49,000	369,000	288,309	80,691
Total Streets, Alleys and Sidewalks	<u>823,000</u>	<u>1,143,000</u>	<u>1,260,777</u>	<u>(117,777)</u>
Engineering				
Personnel	726,800	726,800	736,118	(9,318)
Commodities	36,500	36,500	16,780	19,720
Contractual services	50,300	50,300	43,754	6,546
Other charges	28,000	28,000	23,337	4,663
Total Engineering	<u>841,600</u>	<u>841,600</u>	<u>819,989</u>	<u>21,611</u>
Total public works	<u>1,664,600</u>	<u>1,984,600</u>	<u>2,080,766</u>	<u>(96,166)</u>
Recreation and Culture				
Parks				
Personnel	1,076,700	1,076,700	1,003,937	72,763
Commodities	66,500	66,500	58,853	7,647
Contractual services	341,200	210,100	189,020	21,080
Other charges	604,800	604,800	592,634	12,166
Total Recreation and Culture	<u>2,089,200</u>	<u>1,958,100</u>	<u>1,844,444</u>	<u>113,656</u>
Capital outlay	<u>52,900</u>	<u>52,900</u>	<u>46,744</u>	<u>6,156</u>
Total expenditures	<u>\$ 15,368,600</u>	<u>\$ 15,557,500</u>	<u>\$ 15,086,316</u>	<u>\$ 471,184</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, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Transfers in				
Brown Bridge Trust	\$ 245,000	\$ 245,000	\$ 265,895	\$ 20,895
Other funds	37,000	37,000	33,467	(3,533)
City fee - Proprietary Funds	1,086,300	1,086,300	954,876	(131,424)
Total Transfers In	<u>\$ 1,368,300</u>	<u>\$ 1,368,300</u>	<u>\$ 1,254,238</u>	<u>\$ (114,062)</u>
Transfers out				
Major Streets	\$ -	\$ -	\$ -	\$ -
Local Streets	982,100	662,100	598,638	63,462
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	370,800	370,800	370,759	41
Capital Projects	1,210,300	1,210,300	1,230,238	(19,938)
Hickory Hills	248,900	380,000	380,000	-
Total Transfers Out	<u>\$ 2,852,100</u>	<u>\$ 2,663,200</u>	<u>\$ 2,619,635</u>	<u>\$ 43,565</u>

CITY OF TRAVERSE CITY, MICHIGAN
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2020

	<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	\$ 2,645,677	\$ 4,487	\$ 799,461	\$ 164,639	\$ 3,614,264
Investments	103,725	-	5,001	607,962	716,688
Receivables					
Accounts	5,985	-	-	-	5,985
Taxes	-	-	8,438	-	8,438
Special assessments	-	-	275,276	-	275,276
Interest	983	-	-	3,124	4,107
Due from other governments	5,400	-	-	-	5,400
Total assets	<u>\$ 2,761,770</u>	<u>\$ 4,487</u>	<u>\$ 1,088,176</u>	<u>\$ 775,725</u>	<u>\$ 4,630,158</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 37,478	\$ -	\$ -	\$ -	\$ 37,478
Accrued and other liabilities	-	-	-	-	-
Due to other funds	5,400	-	-	-	5,400
Unearned revenue	5,813	-	-	-	5,813
Advance from component unit	-	-	165	-	165
Total liabilities	<u>48,691</u>	<u>-</u>	<u>165</u>	<u>-</u>	<u>48,856</u>
Deferred inflows of resources					
Unavailable revenue	-	-	274,509	-	274,509
Fund balances					
Nonspendable					
Cemetery perpetual care	-	-	-	775,725	775,725
Restricted					
Debt service	-	4,487	-	-	4,487
Joint planning	20,140	-	-	-	20,140
Capital improvements	448,030	-	209,032	-	657,062
Public safety training	4,588	-	-	-	4,588
Public welfare or civic improvement organization	1,685,486	-	-	-	1,685,486
Act 345 retirement	554,835	-	-	-	554,835
Committed					
Capital improvements	-	-	604,470	-	604,470
Total fund balances	<u>2,713,079</u>	<u>4,487</u>	<u>813,502</u>	<u>775,725</u>	<u>4,306,793</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,761,770</u>	<u>\$ 4,487</u>	<u>\$ 1,088,176</u>	<u>\$ 775,725</u>	<u>\$ 4,630,158</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, 2020

	<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	\$ 2,181,125	\$ -	\$ 93,472	\$ -	\$ 2,274,597
Federal sources	-	-	-	-	-
State sources	4,588	-	-	-	4,588
Local sources	-	958,249	-	-	958,249
Charges for services	159,359	-	-	21,203	180,562
Contributions	992,202	-	-	-	992,202
Interest income	32,934	-	10,411	50,360	93,705
Total revenues	<u>3,370,208</u>	<u>958,249</u>	<u>103,883</u>	<u>71,563</u>	<u>4,503,903</u>
Expenditures					
Current expenditures					
General government	62,885	-	-	-	62,885
Public safety	2,104,146	-	-	-	2,104,146
Public works	505,934	-	1,482	-	507,416
Recreation and Culture	-	-	-	-	-
Capital outlay	60,985	-	6,871	-	67,856
Debt service					
Principal	-	1,200,000	-	-	1,200,000
Interest and fiscal charges	-	403,197	-	-	403,197
Total expenditures	<u>2,733,950</u>	<u>1,603,197</u>	<u>8,353</u>	<u>-</u>	<u>4,345,500</u>
Excess (deficiency) of revenues over expenditures	<u>636,258</u>	<u>(644,948)</u>	<u>95,530</u>	<u>71,563</u>	<u>158,403</u>
Other financing sources (uses)					
Transfers in	-	645,759	-	-	645,759
Transfers (out)	(15,000)	-	-	(15,635)	(30,635)
Total other financing sources (uses)	<u>(15,000)</u>	<u>645,759</u>	<u>-</u>	<u>(15,635)</u>	<u>615,124</u>
Net change in fund balance	621,258	811	95,530	55,928	773,527
Fund balances, beginning of year	<u>2,091,821</u>	<u>3,676</u>	<u>717,972</u>	<u>719,797</u>	<u>3,533,266</u>
Fund balances, end of year	<u><u>\$ 2,713,079</u></u>	<u><u>\$ 4,487</u></u>	<u><u>\$ 813,502</u></u>	<u><u>\$ 775,725</u></u>	<u><u>\$ 4,306,793</u></u>

CITY OF TRAVERSE CITY, MICHIGAN
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2020

	<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	\$ 4,588	\$ -	\$ 12,831	\$ 554,835	\$ 20,140	\$ 78,938
Investments	-	-	-	-	-	-
Receivables						
Accounts	-	-	-	-	-	5,985
Interest	-	-	-	-	-	-
Due from other governments	-	5,400	-	-	-	-
Total assets	<u>\$ 4,588</u>	<u>\$ 5,400</u>	<u>\$ 12,831</u>	<u>\$ 554,835</u>	<u>\$ 20,140</u>	<u>\$ 84,923</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ -	\$ -	\$ 12,828	\$ -	\$ -	\$ -
Accrued and other liabilities	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-
Due to other funds	-	5,400	-	-	-	-
Total liabilities	<u>-</u>	<u>5,400</u>	<u>12,828</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources						
Unavailable revenue	-	-	-	-	-	-
Fund balances						
Restricted						
Joint planning	-	-	-	-	20,140	-
Capital improvements	-	-	-	-	-	84,923
Public safety training	4,588	-	-	-	-	-
Public welfare or civic improvement organizations	-	-	3	-	-	-
Act 345 retirement	-	-	-	554,835	-	-
Total fund balances (deficit)	<u>4,588</u>	<u>-</u>	<u>3</u>	<u>554,835</u>	<u>20,140</u>	<u>84,923</u>
Total liabilities and fund balances	<u>\$ 4,588</u>	<u>\$ 5,400</u>	<u>\$ 12,831</u>	<u>\$ 554,835</u>	<u>\$ 20,140</u>	<u>\$ 84,923</u>

Continued..

CITY OF TRAVERSE CITY, MICHIGAN
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2020

	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	\$ 368,920	\$ -	\$ 634	\$ 1,112,396	\$ 492,395	\$ 2,645,677
Investments	-	-	103,725	-	-	103,725
Receivables						
Accounts	-	-	-	-	-	5,985
Interest	-	-	983	-	-	983
Due from other governments	-	-	-	-	-	5,400
Total assets	\$ 368,920	\$ -	\$ 105,342	\$ 1,112,396	\$ 492,395	\$ 2,761,770
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 24,650	\$ 37,478
Accrued and other liabilities	-	-	-	-	-	-
Unearned revenue	5,813	-	-	-	-	5,813
Due to other funds	-	-	-	-	-	5,400
Total liabilities	5,813	-	-	-	24,650	48,691
Deferred inflows of resources						
Unavailable revenue	-	-	-	-	-	-
Fund balances						
Restricted						
Joint planning	-	-	-	-	-	20,140
Capital improvements	363,107	-	-	-	-	448,030
Public safety training	-	-	-	-	-	4,588
Public welfare or civic improvement organizations	-	-	105,342	1,112,396	467,745	1,685,486
Act 345 retirement	-	-	-	-	-	554,835
Total fund balances	363,107	-	105,342	1,112,396	467,745	2,713,079
Total liabilities and fund balances	\$ 368,920	\$ -	\$ 105,342	\$ 1,112,396	\$ 492,395	\$ 2,761,770

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, 2020

	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	\$ -	\$ -	\$ -	\$ 2,181,125	\$ -	\$ -
Federal sources	-	-	-	-	-	-
State sources	4,588	-	-	-	-	-
Charges for services	-	-	15,168	-	-	-
Contributions	-	-	-	-	4,000	24,113
Interest income	-	-	-	23,395	-	75
Total revenues	<u>4,588</u>	<u>-</u>	<u>15,168</u>	<u>2,204,520</u>	<u>4,000</u>	<u>24,188</u>
Expenditures						
Current expenditures						
General government	-	-	20,912	-	-	7,698
Public safety	-	-	-	2,104,146	-	-
Public works	-	-	-	-	-	-
Recreation and Culture	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>20,912</u>	<u>2,104,146</u>	<u>-</u>	<u>7,698</u>
Excess (deficiency) of revenues over expenditures	<u>4,588</u>	<u>-</u>	<u>(5,744)</u>	<u>100,374</u>	<u>4,000</u>	<u>16,490</u>
Other financing sources (uses)						
Transfers in	-	-	-	-	-	-
Transfers (out)	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	4,588	-	(5,744)	100,374	4,000	16,490
Fund balances, beginning of year	-	-	5,747	454,461	16,140	68,433
Fund balances, (deficit) end of year	<u>\$ 4,588</u>	<u>\$ -</u>	<u>\$ 3</u>	<u>\$ 554,835</u>	<u>\$ 20,140</u>	<u>\$ 84,923</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, 2020

	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,181,125
Federal sources	-	-	-	-	-	-
State sources	-	-	-	-	-	4,588
Charges for services	-	-	-	-	144,191	159,359
Contributions	4,915	-	-	959,174	-	992,202
Interest income (loss)	441	-	8,148	411	464	32,934
Total revenues	<u>5,356</u>	<u>-</u>	<u>8,148</u>	<u>959,585</u>	<u>144,655</u>	<u>3,370,208</u>
Expenditures						
Current expenditures						
General government	-	-	-	-	34,275	62,885
Public safety	-	-	-	-	-	2,104,146
Public works	-	-	-	505,934	-	505,934
Recreation and culture	-	-	-	-	-	-
Capital outlay	60,985	-	-	-	-	60,985
Total expenditures	<u>60,985</u>	<u>-</u>	<u>-</u>	<u>505,934</u>	<u>34,275</u>	<u>2,733,950</u>
Excess (deficiency) of revenues over expenditures	<u>(55,629)</u>	<u>-</u>	<u>8,148</u>	<u>453,651</u>	<u>110,380</u>	<u>636,258</u>
Other financing sources (uses)						
Transfers in	-	-	-	-	-	-
Transfers (out)	-	-	(15,000)	-	-	(15,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(15,000)</u>	<u>-</u>	<u>-</u>	<u>(15,000)</u>
Net change in fund balance	(55,629)	-	(6,852)	453,651	110,380	621,258
Fund balances, beginning of year	418,736	-	112,194	658,745	357,365	2,091,821
Fund balances, end of year	<u>\$ 363,107</u>	<u>\$ -</u>	<u>\$ 105,342</u>	<u>\$ 1,112,396</u>	<u>\$ 467,745</u>	<u>\$ 2,713,079</u>

Concluded

CITY OF TRAVERSE CITY, MICHIGAN
Combining Balance Sheet
Nonmajor Debt Service Funds
June 30, 2020

	<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>
ASSETS				
Assets				
Cash and cash equivalents	\$ 811	\$ 3,576	\$ 100	\$ 4,487
Accounts receivable	-	-	-	-
Total assets	\$ 811	\$ 3,576	\$ 100	\$ 4,487
LIABILITIES AND FUND BALANCES				
Liabilities				
Due to other funds	\$ -	\$ -	\$ -	\$ -
Fund balances				
Restricted for debt service	811	3,576	100	4,487
Total liabilities and fund balances	\$ 811	\$ 3,576	\$ 100	\$ 4,487

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, 2020

	<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	\$ 99,430	\$ 858,819	\$ -	\$ 958,249
Expenditures				
Debt service				
Principal	505,000	695,000	-	1,200,000
Interest and fiscal charges	239,378	163,819	-	403,197
Total expenditures	<u>744,378</u>	<u>858,819</u>	<u>-</u>	<u>1,603,197</u>
Other financing sources (uses)				
Transfers in	645,759	-	-	645,759
Total other financing sources (uses)	<u>645,759</u>	<u>-</u>	<u>-</u>	<u>645,759</u>
Net change in fund balances	811	-	-	811
Fund balances, beginning of year	-	3,576	100	3,676
Fund balances, end of year	<u>\$ 811</u>	<u>\$ 3,576</u>	<u>\$ 100</u>	<u>\$ 4,487</u>

CITY OF TRAVERSE CITY, MICHIGAN
Combining Balance Sheet
Nonmajor Capital Projects Fund
June 30, 2020

	Parking Bond Construction Non-taxable	Special Assessments	Total
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Assets			
Cash and cash equivalents	\$ 209,032	\$ 590,429	\$ 799,461
Investments	-	5,001	5,001
Receivables			
Taxes	-	8,438	8,438
Special assessments	-	275,276	275,276
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 209,032</u>	<u>\$ 879,144</u>	<u>\$ 1,088,176</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities			
Accounts payable	\$ -	\$ -	\$ -
Advance from component unit	-	165	165
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u> </u>	<u> 165</u>	<u> 165</u>
Deferred inflows of resources			
Unavailable revenue	-	274,509	274,509
	<u> </u>	<u> </u>	<u> </u>
Fund balances			
Restricted			
Capital improvements	209,032	-	209,032
Committed			
Capital improvements	-	604,470	604,470
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u> 209,032</u>	<u> 604,470</u>	<u> 813,502</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 209,032</u>	<u>\$ 879,144</u>	<u>\$ 1,088,176</u>

CITY OF TRAVERSE CITY, MICHIGAN
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Projects Fund
For the Year Ended June 30, 2020

	Parking Deck Bond Construction Non-Taxable	Special Assessments	Total
Revenues			
Special assessments	\$ -	\$ 93,472	\$ 93,472
Contributions	-	-	-
Interest income	665	9,746	10,411
Total revenues	<u>665</u>	<u>103,218</u>	<u>103,883</u>
Expenditures			
Public works	-	1,482	1,482
Capital outlay	-	6,871	6,871
Total expenditures	<u>-</u>	<u>8,353</u>	<u>8,353</u>
Net change in fund balances	665	94,865	95,530
Other financing sources (uses)			
Transfer out	-	-	-
Net change in fund balances	665	94,865	95,530
Fund balances, beginning of year	<u>208,367</u>	<u>509,605</u>	<u>717,972</u>
Fund balances, end of year	<u><u>\$ 209,032</u></u>	<u><u>\$ 604,470</u></u>	<u><u>\$ 813,502</u></u>

CITY OF TRAVERSE CITY, MICHIGAN
Combining Statement of Assets and Liabilities
Agency Funds
June 30, 2020

	Tax Collection	Imprest Payroll	Total
Assets			
Cash and cash equivalents	\$ 343,183	\$ 38,263	\$ 381,446
Receivables			
Accounts	-	17,976	17,976
Taxes	373,446	-	373,446
	\$ 716,629	\$ 56,239	\$ 772,868
Total assets	\$ 716,629	\$ 56,239	\$ 772,868
Liabilities			
Accrued and other liabilities	\$ -	\$ 56,239	\$ 56,239
Due to other governmental units	716,629	-	716,629
	\$ 716,629	\$ 56,239	\$ 772,868
Total liabilities	\$ 716,629	\$ 56,239	\$ 772,868

CITY OF TRAVERSE CITY, MICHIGAN
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2020

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
TAX COLLECTION				
Assets				
Cash and cash equivalents	\$ 244,863	\$ 50,536,086	\$ 50,437,766	\$ 343,183
Taxes receivable	220,839	51,488,883	51,336,276	373,446
Total assets	\$ 465,702	\$ 102,024,969	\$ 101,774,042	\$ 716,629
Liabilities				
Due to other governmental units	\$ 465,702	\$ 102,024,969	\$ 101,774,042	\$ 716,629
IMPREST PAYROLL				
Assets				
Cash and cash equivalents	\$ 78,272	\$ 8,929,572	\$ 8,969,581	\$ 38,263
Accounts receivable	22,455	306,215	310,694	17,976
Total assets	\$ 100,727	\$ 9,235,787	\$ 9,280,275	\$ 56,239
Liabilities				
Accrued and other liabilities	\$ 100,727	\$ 9,235,786	\$ 9,280,274	\$ 56,239
TOTAL - ALL AGENCY FUNDS				
Assets				
Cash and cash equivalents	\$ 323,135	\$ 59,465,658	\$ 59,407,347	\$ 381,446
Receivables				
Accounts	22,455	306,215	310,694	17,976
Taxes	220,839	51,488,883	51,336,276	373,446
Total assets	\$ 566,429	\$ 111,260,756	\$ 111,054,317	\$ 772,868
Liabilities				
Accrued and other liabilities	\$ 100,727	\$ 9,235,786	\$ 9,280,274	\$ 56,239
Due to other governmental units	465,702	102,024,969	101,774,042	716,629
Total liabilities	\$ 566,429	\$ 111,260,755	\$ 111,054,316	\$ 772,868

CITY OF TRAVERSE CITY, MICHIGAN
Combining Statement of Fiduciary Net Position
Pension and Other Post Employment Benefit Funds
June 30, 2020

	Other Postemployment Benefit Funds			Total
	Act 345 Pension Trust Fund	Act 345 Retiree Health Insurance Trust	Retiree Health Insurance Trust	
Assets				
Cash and cash equivalents	\$ 2,318,118	\$ 483,966	\$ 106,465	\$ 2,908,549
Investments, at fair value				
Fixed income mutual funds	5,546,906	1,053,640	-	6,600,546
Domestic equities	6,693,048	1,916,049	-	8,609,097
International equities	5,036,613	461,384	-	5,497,997
Real estate	2,922,758	-	-	2,922,758
Other	8,742,414	-	-	8,742,414
MERS total market fund	-	-	1,861,242	1,861,242
Receivables				
Accounts receivable	-	68,140	-	68,140
Accrued interest	8,420	1,965	-	10,385
Total assets	<u>31,268,277</u>	<u>3,985,144</u>	<u>1,967,707</u>	<u>37,221,128</u>
Liabilities				
Accrued and other liabilities	<u>75,576</u>	<u>-</u>	<u>-</u>	<u>75,576</u>
Total liabilities	<u>75,576</u>	<u>-</u>	<u>-</u>	<u>75,576</u>
Net Position				
Held in trust for pension benefits and other post employment benefits	<u>\$ 31,192,701</u>	<u>\$ 3,985,144</u>	<u>\$ 1,967,707</u>	<u>\$ 37,145,552</u>

CITY OF TRAVERSE CITY, MICHIGAN
Combining Statement of Changes in Fiduciary Net Position
Pension and Other Post Employment Benefit Funds
For the Year Ended June 30, 2020

	<u>Act 345 Pension Trust Fund</u>	<u>Act 345 Retiree Health Insurance Trust</u>	<u>Retiree Health Insurance Trust</u>	<u>Total</u>
Additions				
Contributions				
City contributions	\$ 2,104,146	\$ 565,895	2,669	\$ 2,672,710
Employee contributions	77,002	-	-	77,002
Other	-	-	-	-
Total contributions	<u>2,181,148</u>	<u>565,895</u>	<u>2,669</u>	<u>2,749,712</u>
Investment earnings				
Interest and dividends	406,006	75,033	716	481,755
Net increase in fair value of investments	863,967	110,959	42,489	1,017,415
Investment expense	<u>(116,513)</u>	<u>(1,801)</u>	<u>-</u>	<u>(118,314)</u>
Net investment earnings	<u>1,153,460</u>	<u>184,191</u>	<u>43,205</u>	<u>1,380,856</u>
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total additions	<u>3,334,608</u>	<u>750,086</u>	<u>45,874</u>	<u>4,130,568</u>
Deductions				
Pension benefits paid	2,789,052	-	-	2,789,052
Health insurance premiums paid	-	482,795	110,684	593,479
Administrative expense (other)	<u>18,520</u>	<u>8,000</u>	<u>3,333</u>	<u>29,853</u>
Total deductions	<u>2,807,572</u>	<u>490,795</u>	<u>114,017</u>	<u>3,412,384</u>
Net increase (decrease) in plan net position	527,036	259,291	(68,143)	718,184
Net position held in trust, beginning of year	<u>30,665,665</u>	<u>3,725,853</u>	<u>2,035,850</u>	<u>36,427,368</u>
Net position held in trust, end of year	<u><u>\$ 31,192,701</u></u>	<u><u>\$ 3,985,144</u></u>	<u><u>\$ 1,967,707</u></u>	<u><u>\$ 37,145,552</u></u>

INTERNAL CONTROL AND COMPLIANCE



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

December 28, 2020

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, 2020, 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, 2020.

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.

Orlando Haefner LLC