

June 30, 2023

Annual Audited Financial Statements



**CITY of
TRAVERSE CITY**

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

CITY OF TRAVERSE CITY, MICHIGAN

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CITY OF TRAVERSE CITY, MICHIGAN

List of Elected and Appointed Officials For the Fiscal Year Ended June 30, 2023

Elected Officials

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

Appointed Officials

Interim Manager	Nate Geinzer
Clerk	Benjamin C. Marentette
Attorney	Lauren Tribble-Laucht
Interim Treasurer/Finance Director	Jahna Robinson



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INDEPENDENT AUDITORS' REPORT

December 27, 2023

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Traverse City, Michigan, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 13 and the budgetary comparison information and benefit plan schedules on pages 87 through 109 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2023, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

Uredewald 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, 2023.

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 \$149,989,366 (*net position*). The City’s total net position increased by \$11,482,656 during the year ended June 30, 2023.
- As of the close of the current fiscal year, the City’s governmental funds reported combined ending fund balances of \$35,915,848 an increase of \$2,794,315 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 \$8,814,203 or 42.44% of total General Fund expenditures and transfers out. The General Fund Operating Fund unassigned fund balance was \$7,011,013 or 34.43% 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-five 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, Coronavirus Fiscal Recovery, Capital Projects and Brown Bridge Trust Funds, each of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report. The General Fund includes the City's General Operating Fund and 11 other "funds" that are consolidated with the General Operating Fund based on GASB Statement 54 guidelines.

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

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

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

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

Notes to the Financial Statements

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

Other Information

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

Government-wide Financial Analysis

As noted earlier, net position may serve as a useful indicator of a government's financial position. In the case of the City of Traverse City, assets and deferred outflows exceeded liabilities and deferred inflows by \$149,989,366 at the close of the most recent fiscal year.

By far the largest portion of the City's net position, \$125,512,608 or 83.68 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 \$19,571,324 which represents resources that are subject to external restrictions on how they may be used and an unrestricted net position of \$4,905,434.

The City's net position increased by \$11,482,656 during the year ended June 30, 2023.

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 6/30/23			FYE 6/30/22		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 47,974,788	\$ 21,777,147	\$ 69,751,935	\$ 44,373,596	\$ 15,331,140	\$ 59,704,736
Capital assets	60,123,562	79,946,472	140,070,034	59,446,853	72,303,474	131,750,327
Total assets	108,098,350	101,723,619	209,821,969	103,820,449	87,634,614	191,455,063
Deferred outflows	6,623,831	1,519,809	8,143,640	5,137,936	1,004,288	6,142,224
Long-term liabilities	10,323,384	355,455	10,678,839	11,786,146	97,013	11,883,159
Net Pension Liability	31,305,019	5,197,881	36,502,900	27,894,840	4,157,481	32,052,321
Net Other Post Employment Benefit Liability	6,610,817	-	6,610,817	5,348,103	-	5,348,103
Other liabilities	4,485,114	6,926,404	11,411,518	5,101,101	1,366,700	6,467,801
Total Liabilities	52,724,334	12,479,740	65,204,074	50,130,190	5,621,194	55,751,384
Deferred inflows	2,265,015	507,154	2,772,169	2,635,199	703,994	3,339,193
Net Position:						
Net Investment in capital assets	51,846,014	73,666,594	125,512,608	50,421,162	71,753,474	122,174,636
Restricted assets	19,571,324	-	19,571,324	20,291,519	-	20,291,519
Unrestricted (deficit)	(11,684,506)	16,589,940	4,905,434	(14,519,685)	10,560,240	(3,959,445)
Total net position	<u>\$ 59,732,832</u>	<u>\$ 90,256,534</u>	<u>\$ 149,989,366</u>	<u>\$ 56,192,996</u>	<u>\$ 82,313,714</u>	<u>\$ 138,506,710</u>

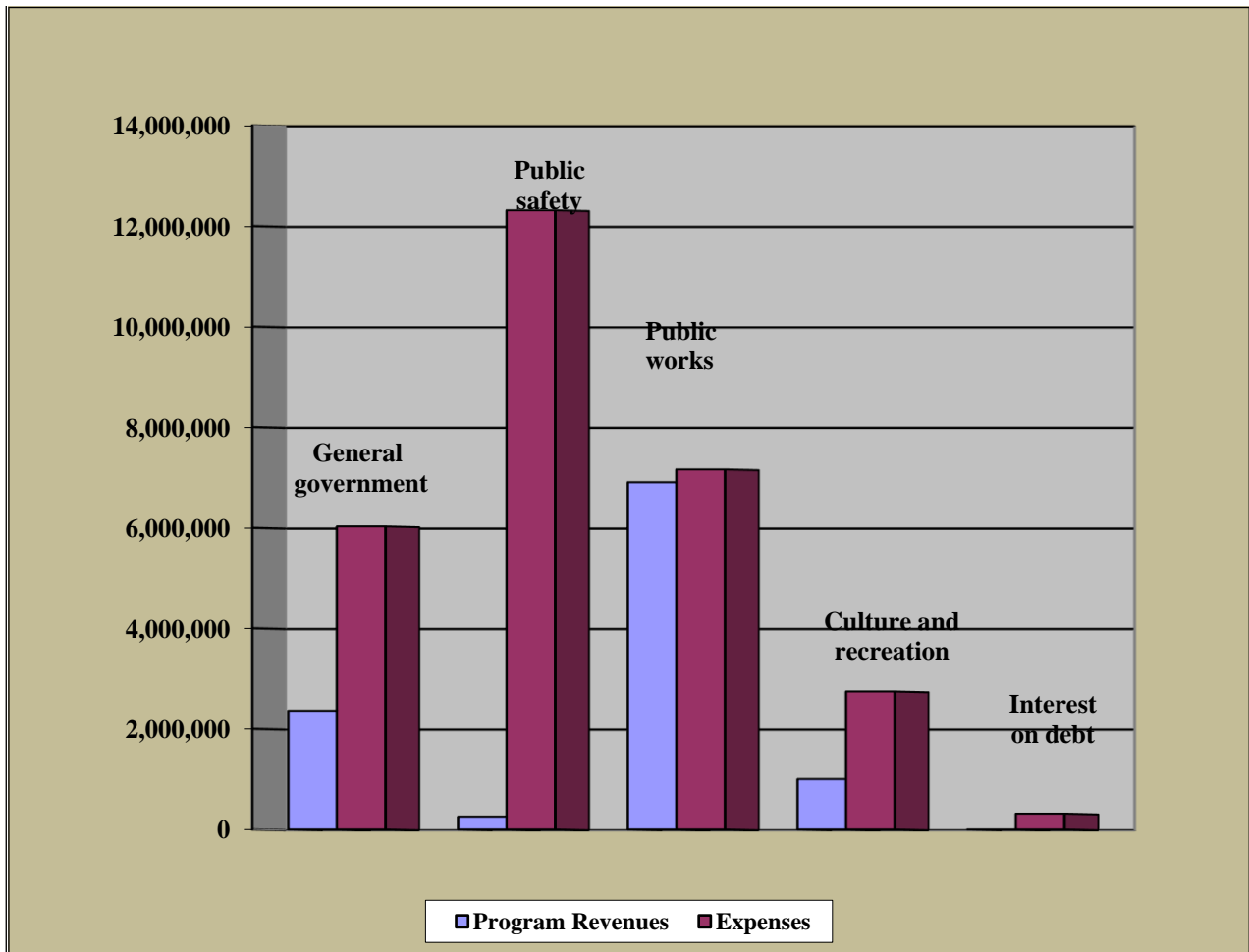
**City of Traverse City's Changes in Net Position
Table II**

	FYE 6/30/23			FYE 6/30/22		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Program revenue:						
Charges for services	\$ 3,446,794	\$ 18,860,004	\$ 22,306,798	\$ 2,887,529	\$ 17,469,111	\$ 20,356,640
Operating grants/contributions	4,705,195	976,462	5,681,657	4,355,473	645,623	5,001,096
Capital grant/contributions	2,374,508	1,925	2,376,433	6,341,477	28,778	6,370,255
General Revenue:						
Property taxes	18,208,497	-	18,208,497	16,964,001	-	16,964,001
Unrestricted grants/contributions	2,259,440	-	2,259,440	2,173,466	-	2,173,466
Franchise revenue	224,590	-	224,590	238,046	-	238,046
Other	148,273	2,274,120	2,422,393	(967,028)	(1,027,784)	(1,994,812)
Total revenue	31,367,297	22,112,511	53,479,808	31,992,964	17,115,728	49,108,692
Expenses:						
General government	6,028,333	-	6,028,333	4,971,374	-	4,971,374
Public safety	12,312,579	-	12,312,579	9,477,614	-	9,477,614
Public works	7,158,774	-	7,158,774	7,457,487	-	7,457,487
Culture and recreation	2,744,908	-	2,744,908	2,725,517	-	2,725,517
Interest and fiscal charges	317,653	-	317,653	353,930	-	353,930
Wastewater	-	6,057,201	6,057,201	-	6,620,248	6,620,248
Water	-	3,515,042	3,515,042	-	3,054,016	3,054,016
Hickory Hills	-	876,511	876,511	-	703,411	703,411
Marina	-	758,258	758,258	-	472,029	472,029
Autoparking	-	2,234,648	2,234,648	-	2,245,295	2,245,295
Total expenses	28,562,247	13,441,660	42,003,907	24,985,922	13,094,999	38,080,921
Increase (decrease) before transfers/contributions	2,805,050	8,670,851	11,475,901	7,007,042	4,020,729	11,027,771
Operating transfers	728,031	(728,031)	-	661,769	(661,769)	-
Contribution to endowment	6,755	-	6,755	14,195	-	14,195
Increase in net position	3,539,836	7,942,820	11,482,656	7,683,006	3,358,960	11,041,966
Net position beginning of year	56,192,996	82,313,714	138,506,710	48,509,990	78,954,754	127,464,744
Net position end of year	\$ 59,732,832	\$ 90,256,534	\$ 149,989,366	\$ 56,192,996	\$ 82,313,714	\$ 138,506,710

Governmental activities increased the City's net position by \$3,539,836. Key highlights are as follows:

- Charges for services increased approximately \$560,000 versus 2022 with increases spread throughout the category.
- Operating grants and contributions decreased overall approximately \$350,000 due in part to the recognition of \$160,000 of ARPA federal funding in 2023 and an increase of approximately \$200,000 during 2023 in state gas & weight tax street funding.
- Capital grants and contributions decreased approximately \$3,960,000 due to receipt of Brownfield funding for the West Boardman Lake Trail Loop project and federal funding for the NOAA Kids Creek Restoration project in 2022 when the majority of the work on these projects was completed.
- Unrestricted property tax revenue increased approximately \$1,240,000 with over \$760,000 coming from an increase in The General Fund operating levy.

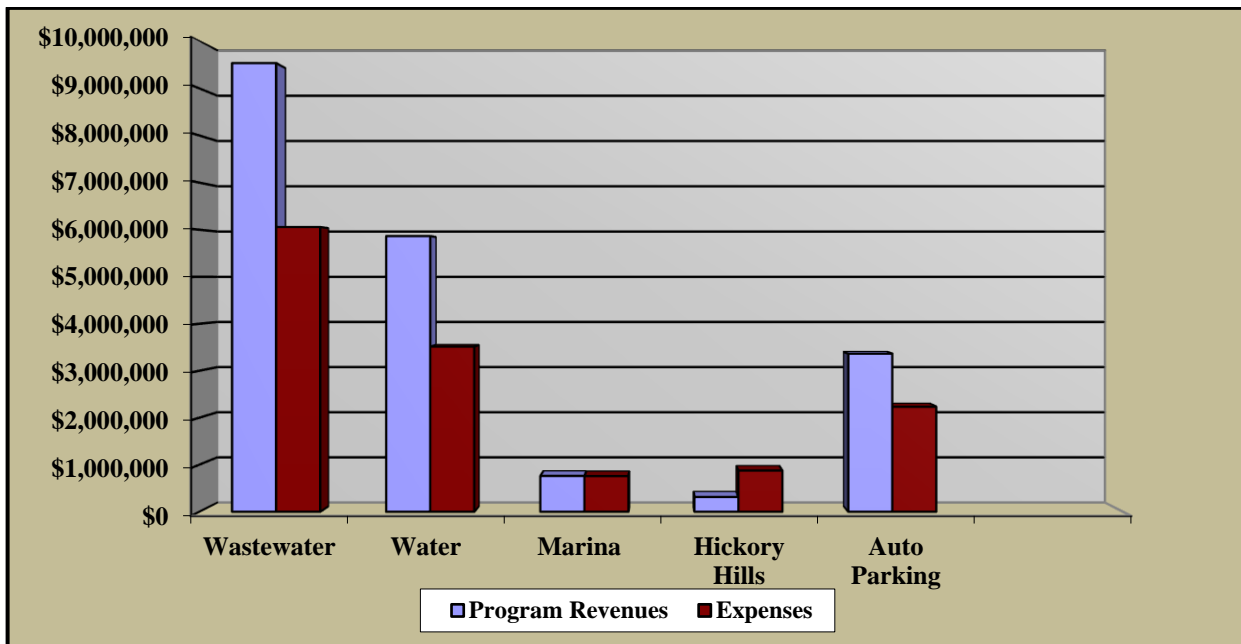
Program Revenues and Expenses - Governmental Activities



Business-type activities increased the City’s net position by \$7,942,820. Key highlights of activities in the funds are as follows:

- Charges for services in the Wastewater fund increased approximately \$760,000 as a result of a rate increase for regular users effective 7/1/2022 and well as increased consumption.
- Charges for services in the Water fund increased approximately \$625,000. There was no water rate increase, customer consumption and Township consumption changes accounted for the increase.
- The Auto Parking System fund revenues had a modest \$85,000 increase after rebounding from COVID 19 restrictions in fiscal year end 2022 .
- Marina Charges for services were consistent from 2022 to 2023 with increased gas prices accounting for the majority of the approximately \$15,000 increase .
- Hickory Hills charges increased \$27,000 as the combination of ski pass, food concession and equipment rentals increased nearly 14%.

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 \$35,915,848, an increase of \$2,794,315 in comparison with the prior year. \$8,814,203 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 11 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 \$8,814,203. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 42.44 percent of total General Fund expenditures including transfers out. The unassigned fund balance of the General Operating Fund represented 34.43 percent of the Operating Fund expenditures including transfers out.

The Major Streets Fund has a total fund balance of \$1,485,577 which increased by \$342,662 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 \$719,512 for 2023.

The Coronavirus fund had a \$22,390 fund balance for the current year. The fund had \$1,496,488 of unearned revenue related to the receipt of federal coronavirus relief funds that had not been expended/earned at year end.

The Capital Projects Fund's fund balance of \$3,669,354 increased by \$1,927,643 during 2023. This is due in most part to projects that have been funded but not completed as of 6/30/2023 and a contribution from the County Road Millage Fund to cover costs incurred in previous years.

The Brown Bridge Permanent Trust fund balance decreased by \$132,636 ending the year at \$11,465,625. The decrease was almost exclusively related to the year-end adjustment to market value of investments held by the trust.

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

Unrestricted net position of the Wastewater, Water, Hickory Hills, Marina, and Auto Parking System funds at the end of the year amounted to \$16,224,719 with net investment in capital assets of \$73,666,594. For the current year, the Wastewater Fund had an increase in net position of \$3,064,750, the Water Fund had an increase in net position for the year of \$2,077,791, the Hickory Hills Fund had a decrease in net position of \$ 241,887, the Marina Fund had a decrease in net position of \$24,776 and the Auto Parking System had an increase in net position of \$3,047,151.

General Fund Budgetary Highlights

During the year, General Fund revenues and transfers in were greater than budgetary estimates by \$1,374,700. Actual expenditures and transfers out were under amended budget amounts by \$1,463,440. Overall, the actual fund balance increased by \$1,595,540, compared to an amended budget decrease estimate of \$1,242,600.

Capital Asset and Debt Administration

Capital assets. The City's total capital assets for its governmental and business-type activities as of June 30, 2023, amounted to \$140,070,034 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, park facilities, roads, highways, and bridges.

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

- Completion of the NOAA funded Kids Creek stormwater project, total costs \$1,629,573.
- Significant progress on the completion of six different bridge reconstruction projects with City share costs during the year of \$959,842.
- Near completion of the West Boardman Lake Trail Loop Project, costs to date of \$5,686,803.
- Start of the Water Fund’s galvanized water line replacement project with \$656,590 of costs incurred through 6/30/2023.
- Start of the Sewer Fund’s Boardman Riverwall Relocation projects with \$ 2,052,009 of costs incurred through 6/30/2023.
- In the Autoparking Fund: expanding the smart meter program and upgrading parking deck collection systems and the Old Town Deck entrance with costs incurred during the year of \$612,693 and land purchases for future parking needs of \$6,955,410.

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

	2023			2022		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Land and non depreciated improvements	\$ 10,522,692	\$ 18,912,831	\$ 29,435,523	\$ 10,508,260	\$ 11,957,419	\$ 22,465,679
Construction in Progress	10,017,663	9,608,424	19,626,087	8,810,949	10,684,348	19,495,297
Land Improvements	6,086,794	803,677	6,890,471	6,147,267	930,782	7,078,049
Infrastructure	22,467,992	13,869,024	36,337,016	22,054,383	13,375,107	35,429,490
Buildings and improvements	4,870,351	31,952,210	36,822,561	5,172,480	32,974,237	38,146,717
Machinery and equipment	6,158,070	4,800,306	10,958,376	6,753,514	2,381,581	9,135,095
	\$ 60,123,562	\$ 79,946,472	\$ 140,070,034	\$ 59,446,853	\$ 72,303,474	\$ 131,750,327

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

Long-term debt. At the end of the current fiscal year, the City had total bonded debt and State Revolving Loan Fund payables of \$9,907,008. The entire amount represents debt backed by the full faith and credit of the government

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

	2023			2022		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Direct placement bonds - Parking Deck	\$ 4,075,000		\$ 4,075,000	\$ 4,935,000	\$ -	\$ 4,935,000
Direct placement bonds - Trail and Sidewalk Construction	5,595,000		5,595,000	6,160,000	-	6,160,000
State Revolving Loan Program - Wastewater Fund	-	237,008	237,008	-	-	-
TOTAL	\$ 9,670,000	\$ 237,008	\$ 9,907,008	\$ 12,453,085	\$ -	\$ 11,095,000

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 \$135,509,808 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 2023/24 fiscal year:

- The General Fund tax levy remained the same at 11.7688 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.
- Fiscal year 2023/2024 will be the first year the City receives marijuana excise tax funding with the budgeted revenue in the General Fund being \$ 828,800.
- The City's capital improvement plan projects approximately \$39 million of potential capital related expenses in fiscal year 2023/24 including \$2.4 million in the Wastewater and \$2.7 million in the Water Fund. The Traverse City Light and Power component unit projects \$12.1 million and the Downtown Development Authority component unit \$8.25 million. The General Fund budget includes a \$1,832,600 transfer to the capital projects fund for various projects including \$795,000 of street related projects.
- The City received approximately \$1.6 million in American Rescue Plan Act funding from the Federal Government and has establish a separate fund to track the use of these one-time payments to the City.
- The renewal of a special road commission millage by voters in the County has resulted in the City setting up a Road Commission Millage Street Project Fund to account for the City's share of the road millage that will be used for street pavement preservation projects. That millage is expected to provide about \$1,100,000 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 Interim City Manager, Nate Geinzer, 400 Boardman Avenue, Traverse City, Michigan 49684.

BASIC FINANCIAL STATEMENTS

CITY OF TRAVERSE CITY, MICHIGAN
Statement of Net Position
June 30, 2023

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority	Light and Power
Assets					
Cash & equity in pooled cash and investments	\$ 23,813,394	\$ 10,826,562	\$ 34,639,956	\$ 2,256,813	\$ -
Investments	12,300,846	7,645,276	19,946,122	-	9,557,297
Receivables, net	4,919,445	3,020,848	7,940,293	279,143	9,257,347
Due from component unit	4,988,788	-	4,988,788	-	-
Internal balances	121,749	(121,749)	-	-	-
Inventories	279,104	85,206	364,310	-	2,097,526
Prepaid items and other assets	446,994	260,905	707,899	34,605	206,029
Other post employment benefits	624,468	60,099	684,567	-	-
Advances to/due from primary government	-	-	-	5,555,900	176,772
Advances to component unit	480,000	-	480,000	-	-
Capital assets not being depreciated	20,540,355	28,521,255	49,061,610	1,997,110	1,848,571
Capital assets being depreciated	39,583,207	51,425,217	91,008,424	-	76,028,988
Total assets	108,098,350	101,723,619	209,821,969	10,123,571	99,172,530
Deferred outflows of resources					
Deferred outflows - pensions	5,773,984	1,496,577	7,270,561	-	6,234,366
Deferred outflows - other post employment benefits	724,564	23,232	747,796	-	889,937
Deferred outflows - loss on refunding	125,283	-	125,283	-	-
Total deferred outflows of resources	6,623,831	1,519,809	8,143,640	-	7,124,303
Liabilities					
Accounts payable and accrued expenses	2,803,834	1,370,504	4,174,338	766,340	3,363,757
Unearned revenue	1,504,508	-	1,504,508	178,737	10,421
Due to primary government	-	-	-	-	4,988,788
Advance from primary government	-	-	-	-	480,000
Advances from /due to component units	176,772	5,555,900	5,732,672	-	-
Long-term liabilities					
Net pension liability	31,305,019	5,197,881	36,502,900	-	11,695,335
Net other post employment benefit liability	6,610,817	-	6,610,817	-	433,542
Other long-term liabilities					
Due within one year	1,494,859	96,250	1,591,109	-	129,271
Due in more than one year	8,828,525	259,205	9,087,730	41,856	2,056,337
Total liabilities	52,724,334	12,479,740	65,204,074	986,933	23,157,451
Deferred inflows of resources					
Deferred inflows - Lease	-	-	-	-	271,077
Deferred inflows - pensions	1,456,566	491,233	1,947,799	-	1,556,557
Deferred inflows - other post employment benefits	808,449	15,921	824,370	-	422,188
Total deferred inflows of resources	2,265,015	507,154	2,772,169	-	2,249,822
Net position					
Net investment in capital assets	51,846,014	73,666,594	125,512,608	1,997,110	72,907,068
Restricted for					
Debt service	4,890	-	4,890	-	-
Joint planning	20,140	-	20,140	-	-
Capital improvements	1,988,000	-	1,988,000	-	-
Streets and highways	1,485,577	-	1,485,577	-	-
Public safety training	4,862	-	4,862	-	-
Public welfare or civic improvement organizations	3,203,850	-	3,203,850	-	-
Act 345 retirement	624,597	-	624,597	-	-
Tax increment finance districts	-	-	-	6,685,312	-
Nonexpendable brown bridge trust	11,465,625	-	11,465,625	-	-
Nonexpendable cemetery perpetual trust	773,783	-	773,783	-	-
Unrestricted (deficit)	(11,684,506)	16,589,940	4,905,434	454,216	7,982,492
Total net position	\$ 59,732,832	\$ 90,256,534	\$ 149,989,366	\$ 9,136,638	\$ 80,889,560

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, 2023

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	\$ 6,028,333	\$ 1,646,081	\$ 716,709	\$ -	\$ (3,665,543)
Public safety	12,312,579	104,921	153,477	-	(12,054,181)
Public works	7,158,774	1,017,187	3,797,066	2,091,296	(253,225)
Culture and recreation	2,744,908	678,605	37,943	283,212	(1,745,148)
Interest and fiscal charges	317,653	-	-	-	(317,653)
Total governmental activities	<u>28,562,247</u>	<u>3,446,794</u>	<u>4,705,195</u>	<u>2,374,508</u>	<u>(18,035,750)</u>
Business-type activities					
Wastewater	6,057,201	8,674,420	858,770	-	3,475,989
Water	3,515,042	5,746,755	117,141	-	2,348,854
Marina	758,258	762,612	-	-	4,354
Hickory Hills	876,511	311,717	538	1,925	(562,331)
Automobile parking	2,234,648	3,364,500	13	-	1,129,865
Total business-type activities	<u>13,441,660</u>	<u>18,860,004</u>	<u>976,462</u>	<u>1,925</u>	<u>6,396,731</u>
Total primary government	<u>\$ 42,003,907</u>	<u>\$ 22,306,798</u>	<u>\$ 5,681,657</u>	<u>\$ 2,376,433</u>	<u>\$ (11,639,019)</u>
Component units					
Downtown Development Authority	\$ 5,548,950	\$ 978,783	\$ 732,710	\$ 135,079	\$ (3,702,378)
Light and Power	41,871,696	41,899,640	28,140	-	56,084
Total component units	<u>\$ 47,420,646</u>	<u>\$ 42,878,423</u>	<u>\$ 760,850</u>	<u>\$ 135,079</u>	<u>\$ (3,646,294)</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, 2023

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	\$ (18,035,750)	\$ 6,396,731	\$ (11,639,019)	\$ (3,702,378)	\$ 56,084
General revenues					
Unrestricted property taxes	18,208,497	-	18,208,497	127,690	-
Restricted property taxes for tax increment finance districts	-	-	-	4,356,848	-
Grants and contributions not restricted to specific programs	2,259,440	-	2,259,440	-	-
Franchise revenue	224,590	-	224,590	-	-
Interest income	318,419	160,487	478,906	2,211	107,498
Change in fair value of investments	(210,255)	(208,389)	(418,644)	-	(283,810)
Gain (loss) on sale of capital assets	40,109	2,322,022	2,362,131	-	(57,067)
Transfers	728,031	(728,031)	-	-	-
Contribution to endowment	6,755	-	6,755	-	-
Total general revenues, transfers and contributions	<u>21,575,586</u>	<u>1,546,089</u>	<u>23,121,675</u>	<u>4,486,749</u>	<u>(233,379)</u>
Change in net position	3,539,836	7,942,820	11,482,656	784,371	(177,295)
Net position, beginning of year	<u>56,192,996</u>	<u>82,313,714</u>	<u>138,506,710</u>	<u>8,352,267</u>	<u>81,066,855</u>
Net position, end of year	<u>\$ 59,732,832</u>	<u>\$ 90,256,534</u>	<u>\$ 149,989,366</u>	<u>\$ 9,136,638</u>	<u>\$ 80,889,560</u>

Concluded

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

CITY OF TRAVERSE CITY, MICHIGAN
Balance Sheet
Governmental Funds
June 30, 2023

	Special Revenue			Capital Projects	Permanent	Nonmajor Governmental Funds	Total	
	General Fund	Major Streets Fund	Local Streets Fund	Coronavirus Fiscal Recovery Fund	Capital Projects			Brown Bridge Trust Fund
ASSETS								
Assets								
Cash & equity in pooled cash and investments	\$ 8,740,824	\$ 1,145,914	\$ -	\$ 1,518,878	\$ 3,464,952	\$ 2,058,014	\$ 6,462,655	\$ 23,391,237
Investments	2,209,984	-	-	-	88,744	9,368,537	633,581	12,300,846
Receivables								
Accounts	414,031	-	290	-	2,485,677	-	759,986	3,659,984
Taxes	-	-	-	-	-	-	5,295	5,295
Special assessments	-	-	-	-	-	-	78,171	78,171
Accrued interest	5,954	-	-	-	-	39,074	4,099	49,127
Due from other governments	625,303	349,075	94,440	-	45,000	-	5,400	1,119,218
Due from other funds	84,211	-	-	-	-	-	-	84,211
Inventory	46,912	-	-	-	-	-	-	46,912
Prepaid items and other assets	446,352	-	-	-	-	-	-	446,352
Advances to other funds	486,970	-	-	-	-	-	-	486,970
Advances to component units	480,000	-	-	-	-	-	-	480,000
Total assets	\$ 13,540,541	\$ 1,494,989	\$ 94,730	\$ 1,518,878	\$ 6,084,373	\$ 11,465,625	\$ 7,949,187	\$ 42,148,323
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE								
Liabilities								
Accounts payable	\$ 936,154	\$ 8,172	\$ 14,893	\$ -	\$ 255,165	\$ -	\$ 132,843	\$ 1,347,227
Accrued and other liabilities	439,111	1,240	1,026	-	-	-	390,439	831,816
Due to other funds	-	-	78,811	-	-	-	5,400	84,211
Deposits payable	227,954	-	-	-	-	-	-	227,954
Unearned revenue	1,121	-	-	1,496,488	1,085	-	5,813	1,504,507
Advance from component unit	-	-	-	-	176,607	-	165	176,772
Total liabilities	1,604,340	9,412	94,730	1,496,488	432,857	-	534,660	4,172,487
Deferred inflows of resources								
Unavailable revenue	-	-	-	-	1,982,162	-	77,826	2,059,988
Fund balance								
Nonspendable								
Inventory	46,912	-	-	-	-	-	-	46,912
Prepaid items	446,352	-	-	-	-	-	-	446,352
Advance to other funds	486,970	-	-	-	-	-	-	486,970
Advance to component unit	480,000	-	-	-	-	-	-	480,000
Brown bridge trust	-	-	-	-	-	11,465,625	-	11,465,625
Cemetery perpetual care	-	-	-	-	-	-	773,783	773,783
Restricted								
Debt service	-	-	-	-	-	-	5,315	5,315
Streets and highways	-	1,485,577	-	-	-	-	-	1,485,577
Joint planning	-	-	-	-	-	-	20,140	20,140
Capital improvements	-	-	-	-	-	-	1,988,000	1,988,000
Public safety training	-	-	-	-	-	-	4,862	4,862
Public welfare or civic improvement organizations	-	-	-	-	-	-	3,203,850	3,203,850
Act 345 retirement	-	-	-	-	-	-	624,597	624,597
Committed								
Budget stabilization	745,064	-	-	-	-	-	-	745,064
Coronavirus relief programs	-	-	-	22,390	-	-	-	22,390
Capital improvements	-	-	-	-	3,669,354	-	716,154	4,385,508
Assigned								
Subsequent year budget	916,700	-	-	-	-	-	-	916,700
Unassigned	8,814,203	-	-	-	-	-	-	8,814,203
Total fund balance	11,936,201	1,485,577	-	22,390	3,669,354	11,465,625	7,336,701	35,915,848
Total liabilities, deferred inflows of resources and fund balance	\$ 13,540,541	\$ 1,494,989	\$ 94,730	\$ 1,518,878	\$ 6,084,373	\$ 11,465,625	\$ 7,949,187	\$ 42,148,323

Continued.....

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

CITY OF TRAVERSE CITY, MICHIGAN
Balance Sheet
Governmental Funds
June 30, 2023

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	\$	35,915,848
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		113,103,790
Subtract: accumulated depreciation		(60,080,564)
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		564,369
Add: deferred outflow of resources - pension		5,138,557
Add: deferred outflow of resources - other post employment benefits		701,332
Add: unavailable revenue		2,059,988
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		10,336,674
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		125,283
Subtract: deferred bond premium - Hardy Deck		(9,059)
Subtract: deferred inflow of resources - pension		(1,258,524)
Subtract: deferred inflow of resources - other post employment benefits		(792,528)
Subtract: net pension liability		(29,108,479)
Subtract: net other post employment benefit liability		(6,610,817)
Subtract: bonds payable		(9,670,000)
Subtract: compensated absences		(614,777)
Subtract: accrued interest on long-term liabilities		(68,261)
Net position of governmental activities	\$	<u>59,732,832</u>

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, 2023

	<u>Special Revenue Funds</u>				<u>Capital Projects</u>	<u>Permanent</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
	<u>General</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>Coronavirus Fiscal Recovery Fund</u>	<u>Capital Projects</u>	<u>Brown Bridge Trust</u>		
Revenues								
Property taxes and special assessments	\$ 13,563,940	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,612,280	\$ 16,176,220
Licenses and permits	612,986	-	-	-	-	-	-	612,986
Federal sources	128,707	-	-	55,066	142,896	-	150,000	476,669
State sources	2,252,774	2,010,700	635,809	-	288,277	-	37,585	5,225,145
Local sources	2,077,448	-	-	-	-	-	1,044,559	3,122,007
Charges for services	825,622	-	-	-	-	-	198,333	1,023,955
Ordinance fees and fines	37,003	-	-	-	-	-	14,700	51,703
Contributions	12,678	-	-	-	1,199,142	-	1,240,395	2,452,215
Reimbursement	713,956	-	345	-	126,801	-	-	841,102
Interest revenue	183,048	8,511	-	21,908	3,414	215,389	75,578	507,848
Change in fair value of investments	(67,139)	-	-	-	-	(141,824)	(13,848)	(222,811)
Other revenue	625,770	-	-	-	-	-	-	625,770
Total revenues	20,966,793	2,019,211	636,154	76,974	1,760,530	73,565	5,359,582	30,892,809
Expenditures								
Current expenditures								
General government	5,563,578	-	-	35,066	-	-	41,590	5,640,234
Public safety	8,279,219	-	-	-	-	-	2,344,321	10,623,540
Public works	1,912,780	1,676,549	1,355,666	-	359,957	-	278,277	5,583,229
Recreation and Culture	2,126,943	-	-	-	-	-	-	2,126,943
Capital outlay	63,050	-	-	-	2,245,361	-	824,296	3,132,707
Debt service								
Principal	-	-	-	-	-	-	1,425,000	1,425,000
Interest expense and fiscal charges	-	-	-	-	-	-	301,472	301,472
Total expenditures	17,945,570	1,676,549	1,355,666	35,066	2,605,318	-	5,214,956	28,833,125
Excess (deficiency) of revenues over expenditures	3,021,223	342,662	(719,512)	41,908	(844,788)	73,565	144,626	2,059,684
Other financing sources (uses)								
Transfers in	1,399,807	-	719,512	-	2,773,747	-	690,081	5,583,147
Transfers out	(2,825,490)	-	-	(20,000)	(1,316)	(206,201)	(1,795,509)	(4,848,516)
Total other financing sources (uses)	(1,425,683)	-	719,512	(20,000)	2,772,431	(206,201)	(1,105,428)	734,631
Net change in fund balances	1,595,540	342,662	-	21,908	1,927,643	(132,636)	(960,802)	2,794,315
Fund balance, beginning of year	10,340,661	1,142,915	-	482	1,741,711	11,598,261	8,297,503	33,121,533
Fund balance, end of year	\$ 11,936,201	\$ 1,485,577	\$ -	\$ 22,390	\$ 3,669,354	\$ 11,465,625	\$ 7,336,701	\$ 35,915,848

Continued.....

CITY OF TRAVERSE CITY, MICHIGAN
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2023

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 \$ 2,794,315

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	3,132,707
Subtract: depreciation expense	(1,859,536)

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	1,425,000
Add: amortization of premium	2,013
Subtract: Amortization of deferred loss on refunding	(27,659)

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

Add: Increase in deferred contributions and special assessment receivables	402,645
--	---------

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.

Subtract: change in other post employment benefit asset, deferred outflow and deferred inflows	(97,559)
Add: decrease in compensated absences payable	33,460
Add: decrease in accrued interest payable	9,465
Subtract: change in net pension liability, deferred outflows and deferred inflows	(678,681)
Subtract: change in net other post employment benefit liability, deferred outflows and deferred inflows	(1,801,839)

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	42,576
Add: gain on disposal of capital assets in governmental internal service fund	30,918
Add: federal grant income from governmental internal service fund	5,103
Subtract: operating transfer out from governmental internal service fund	(6,600)
Add: net operating income from governmental activities accounted for in internal service fund	133,508

Change in net position of governmental activities \$ 3,539,836

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, 2023

	Business-type Activities - Enterprise Funds					Total	Governmental
	Wastewater	Water	Hickory Hills	Marina	Automobile Parking System		Activities - Internal Service Fund
Assets							
Current assets							
Cash & equity in pooled cash and investments	\$ 1,993,163	\$ 2,288,733	\$ 121,192	\$ 751,817	\$ 5,671,657	\$ 10,826,562	\$ 422,157
Investments	-	2,691,715	-	-	4,953,561	7,645,276	-
Receivables							
Accounts	1,545,269	1,205,466	-	126,333	37,236	2,914,304	7,650
Taxes	4,945	3,096	-	-	-	8,041	-
Interest	-	5,494	-	-	15,700	21,194	-
Other governments	77,309	-	-	-	-	77,309	-
Due from component unit	-	-	-	-	-	-	4,988,788
Inventory	-	57,067	-	28,139	-	85,206	232,192
Prepaid cost and other assets	259,007	1,898	-	-	-	260,905	642
Total current assets	3,879,693	6,253,469	121,192	906,289	10,678,154	21,838,797	5,651,429
Noncurrent assets							
Other post employment benefits	29,126	30,973	-	-	-	60,099	60,099
Capital assets not being depreciated	3,736,688	5,204,472	1,729,467	8,412,302	9,438,326	28,521,255	654,505
Capital assets being depreciated	21,246,235	13,328,529	3,622,986	273,669	12,953,798	51,425,217	6,445,831
Total noncurrent assets	25,012,049	18,563,974	5,352,453	8,685,971	22,392,124	80,006,571	7,160,435
Total assets	28,891,742	24,817,443	5,473,645	9,592,260	33,070,278	101,845,368	12,811,864
Deferred outflows							
Deferred outflow of resources - pensions	542,443	893,861	1,962	33,776	24,535	1,496,577	635,427
Deferred outflow of resources - other post employment benefits	5,339	17,893	-	-	-	23,232	23,232
Total deferred outflows	547,782	911,754	1,962	33,776	24,535	1,519,809	658,659
Liabilities							
Current liabilities							
Accounts payable	558,452	516,615	9,574	82,695	100,954	1,268,290	299,303
Accrued and other liabilities	28,015	44,426	3,419	24,624	1,730	102,214	29,274
Current portion of long-term debt	96,250	-	-	-	-	96,250	-
Total current liabilities	682,717	561,041	12,993	107,319	102,684	1,466,754	328,577
Long-term liabilities							
Advance from component unit	-	-	-	-	5,555,900	5,555,900	-
Advance from other funds	-	-	-	486,970	-	486,970	-
Long-term debt, net of current portion	140,758	-	-	-	-	140,758	-
Net pension liability	1,744,898	3,156,957	313	151,526	144,187	5,197,881	2,196,540
Compensated absences	43,468	62,432	12,284	-	263	118,447	29,548
Total long-term liabilities	1,929,124	3,219,389	12,597	638,496	5,700,350	11,499,956	2,226,088
Total liabilities	2,611,841	3,780,430	25,590	745,815	5,803,034	12,966,710	2,554,665
Deferred inflows							
Deferred inflow of resources - pensions	183,208	278,868	3,291	17,174	8,692	491,233	198,042
Deferred inflow of resources - other post employment benefits	2,074	13,847	-	-	-	15,921	15,921
Total deferred inflows	185,282	292,715	3,291	17,174	8,692	507,154	213,963
Net Position							
Net investment in capital assets	24,745,915	18,533,001	5,352,453	8,199,001	16,836,224	73,666,594	7,100,336
Unrestricted	1,896,486	3,123,051	94,273	664,046	10,446,863	16,224,719	3,601,559
Total net position	\$ 26,642,401	\$ 21,656,052	\$ 5,446,726	\$ 8,863,047	\$ 27,283,087	\$ 89,891,313	\$ 10,701,895

Continued....

CITY OF TRAVERSE CITY, MICHIGAN
Statement of Net Position
Proprietary Funds
June 30, 2023

**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 \$ 89,891,313

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 365,221

Net position of business-type activities \$ 90,256,534

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, 2023

	Business-type Activities - Enterprise Funds					Total	Governmental
	Wastewater	Water	Hickory Hills	Marina	Automobile Parking System		Activities - Internal Service Fund
Operating revenues							
Charges for services	\$ 8,633,491	\$ 5,575,092	\$ 306,338	\$ 745,597	\$ 3,349,004	\$ 18,609,522	\$ -
Interdepartmental	-	-	-	-	-	-	3,959,131
Contributions	-	-	1,925	-	-	1,925	-
Other revenue	928	131,663	5,379	17,015	15,496	170,481	23,193
Total operating revenues	8,634,419	5,706,755	313,642	762,612	3,364,500	18,781,928	3,982,324
Operating expenses							
Personnel services	978,943	1,744,691	289,816	199,556	16,367	3,229,373	1,078,135
Commodities	32,734	291,004	69,397	20,186	76,502	489,823	710,358
Contractual services	4,081,740	457,426	119,592	116,257	1,265,902	6,040,917	238,421
Other charges	284,482	447,086	267,501	330,339	393,299	1,722,707	229,937
Depreciation and amortization	686,176	579,019	136,061	71,895	485,136	1,958,287	1,572,174
Total operating expenses	6,064,075	3,519,226	882,367	738,233	2,237,206	13,441,107	3,829,025
Operating income	2,570,344	2,187,529	(568,725)	24,379	1,127,294	5,340,821	153,299
Nonoperating revenues (expenses)							
Federal Grants	450,020	7,004	538	-	13	457,575	5,103
State Grants	408,750	110,137	-	-	-	518,887	-
Reimbursements	40,000	40,000	-	-	-	80,000	-
Interest revenue	7,601	43,825	-	7,660	101,401	160,487	42,576
Change in fair value of investments	-	(41,087)	-	-	(167,302)	(208,389)	-
Interest expense and fiscal charges	-	-	-	(20,343)	-	(20,343)	-
Gain (loss) on sale of capital assets	-	-	-	-	2,322,022	2,322,022	30,918
Total nonoperating revenues (expenses)	906,371	159,879	538	(12,683)	2,256,134	3,310,239	78,597
Income before transfers	3,476,715	2,347,408	(568,187)	11,696	3,383,428	8,651,060	231,896
Transfers In	-	-	326,300	-	-	326,300	-
Transfers out	(411,965)	(269,617)	-	(36,472)	(336,277)	(1,054,331)	(6,600)
Total capital contributions and transfers	(411,965)	(269,617)	326,300	(36,472)	(336,277)	(728,031)	(6,600)
Change in net position	3,064,750	2,077,791	(241,887)	(24,776)	3,047,151	7,923,029	225,296
Net position, beginning of year	23,577,651	19,578,261	5,688,613	8,887,823	24,235,936	81,968,284	10,476,599
Net position, end of year	\$ 26,642,401	\$ 21,656,052	\$ 5,446,726	\$ 8,863,047	\$ 27,283,087	\$ 89,891,313	\$ 10,701,895

Continued.....

CITY OF TRAVERSE CITY, MICHIGAN

**Statement of Revenues, Expenses
and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2023**

**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 \$ 7,923,029

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

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

19,791

Change in net position of business-type activities

\$ 7,942,820

Concluded

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

CITY OF TRAVERSE CITY, MICHIGAN
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2023

	Business-type - Enterprise Funds					Total	Governmental Activities - Internal Service Fund
	Wastewater	Water	Hickory Hills	Marina	Automobile Parking System		
Cash flows from operating activities							
Cash received from customers	\$ 8,796,409	\$ 5,534,990	\$ 313,642	\$ 682,839	\$ 3,369,672	\$ 18,697,552	\$ -
Cash received from interfund services	-	-	-	-	-	-	3,982,324
Cash payments to suppliers for goods and services	(4,188,892)	(1,340,457)	(451,872)	(437,573)	(1,826,485)	(8,245,279)	(1,111,846)
Cash payments to employees for services	(849,821)	(1,526,779)	(276,244)	(184,321)	(15,857)	(2,853,022)	(920,898)
Net cash provided by operating activities	3,757,696	2,667,754	(414,474)	60,945	1,527,330	7,599,251	1,949,580
Cash flows from non-capital financing activities							
Cash payments from (to) other funds and component units	(251,280)	-	-	(63,030)	-	(314,310)	(4,988,788)
Cash payments for city fee	(411,965)	(269,617)	-	(36,472)	(336,277)	(1,054,331)	-
Cash received from reimbursements	40,000	40,000	-	-	-	80,000	-
Cash received from operating transfers	-	-	326,300	-	-	326,300	-
Cash payments for operating transfers	-	-	-	-	-	-	(6,600)
Net cash provided by (used in) non-capital financing activities	(623,245)	(229,617)	326,300	(99,502)	(336,277)	(962,341)	(4,995,388)
Cash flows from capital and related financing activities							
Cash payments from federal government	450,020	7,004	538	-	13	457,575	5,103
Cash payments from state government	408,750	110,137	-	-	-	518,887	-
Note proceeds	237,008	-	-	-	-	237,008	-
Advance from component unit proceeds	-	-	-	-	5,555,900	5,555,900	-
Interest payments	-	-	-	(20,343)	-	(20,343)	-
Purchases of capital assets	(2,246,011)	(1,089,014)	-	-	(8,837,836)	(12,172,861)	(975,712)
Proceeds from sale of capital assets	-	-	-	-	4,893,598	4,893,598	30,918
Net cash (used in) capital and related financing activities	(1,150,233)	(971,873)	538	(20,343)	1,611,675	(530,236)	(939,691)
Cash flows from investing activities							
Interest received	7,601	43,825	-	7,660	101,401	160,487	42,576
Sale (change in value) of investments	-	(1)	-	-	-	(1)	-
Net cash provided by investing activities	7,601	43,824	-	7,660	101,401	160,486	42,576
Net increase (decrease) in cash and cash equivalents	1,991,819	1,510,088	(87,636)	(51,240)	2,904,129	6,267,160	(3,942,923)
Cash and cash equivalents, beginning of year	1,344	778,645	208,828	803,057	2,767,528	4,559,402	4,365,080
Cash and cash equivalents, end of year	\$ 1,993,163	\$ 2,288,733	\$ 121,192	\$ 751,817	\$ 5,671,657	\$ 10,826,562	\$ 422,157

Continued.....

CITY OF TRAVERSE CITY, MICHIGAN
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2023

	Business-type - Enterprise Funds					Total	Governmental Activities - Internal Service Fund
	Wastewater	Water	Hickory Hills	Marina	Automobile Parking System		
Reconciliation of operating income to net cash provided by operating activities							
Operating income	\$ 2,570,344	\$ 2,187,529	\$ (568,725)	\$ 24,379	\$ 1,127,294	\$ 5,340,821	\$ 153,299
Adjustments to reconcile operating income to net cash provided by operating activities							
Depreciation and amortization	686,176	579,019	136,061	71,895	485,136	1,958,287	1,572,174
Changes in assets and liabilities							
Accounts receivables	161,990	(171,765)	-	(79,773)	5,172	(84,376)	-
Prepaid cost and other assets	6,168	(74)	-	-	-	6,094	(8,398)
Inventory	-	(855)	-	26,003	-	25,148	11,169
Deferred outflows - pension	(212,318)	(314,950)	-	(15,003)	(834)	(543,105)	(278,838)
Deferred outflows - other post employment benefits	-	27,584	-	-	-	27,584	27,584
Accounts payable	203,896	(151,767)	4,618	3,206	(90,782)	(30,829)	56,343
Accrued and other liabilities	10,154	23,206	13,572	9,065	70	56,067	8,202
Net pension liability	405,442	608,391	-	25,018	1,549	1,040,400	498,141
Deferred inflows - pension	(74,156)	(112,676)	-	(3,845)	(275)	(190,952)	(84,208)
Deferred inflows - other post employment benefits	-	(5,888)	-	-	-	(5,888)	(5,888)
Net cash provided by operating activities	\$ 3,757,696	\$ 2,667,754	\$ (414,474)	\$ 60,945	\$ 1,527,330	\$ 7,599,251	\$ 1,949,580

Concluded

CITY OF TRAVERSE CITY, MICHIGAN
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2023

	Pension and Other Post Employment Trust Funds	Custodial Funds
Assets		
Cash & equity in pooled cash and investments	\$ 3,839,858	\$ 249,661
Investments, at fair value		
Fixed income mutual funds	7,245,264	-
Domestic equities	12,426,282	-
International equities	5,803,196	-
Real estate	4,457,354	-
Other	10,217,119	-
MERS total market fund	2,339,791	-
Receivables		
Accounts	73,173	7,128
Accrued interest	17,548	-
Prepaid items	6,426	-
Total assets	46,426,011	\$ 256,789
Liabilities		
Accrued and other liabilities	406,923	\$ -
Due to other governmental units	-	256,789
Total liabilities	406,923	\$ 256,789
Net Position		
Held in trust for pension benefits and other postemployment benefits	\$ 46,019,088	\$ -

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, 2023

	Pension and Other Post Employment Trust Funds	Custodial Funds
Additions		
Contributions		
City contributions	\$ 2,977,229	\$ -
Employee contributions	101,373	-
Property taxes collected	-	60,742,557
Total contributions	3,078,602	60,742,557
Investment earnings		
Interest and dividends	1,429,957	-
Net (decrease) increase in fair value of investments	1,805,734	-
Investment advisor fees	(131,184)	-
Net investment earnings	3,104,507	-
Total additions	6,183,109	60,742,557
Deductions		
Pension benefits paid	3,131,917	-
Health insurance premiums paid	653,482	-
Administrative expense	52,376	-
Property taxes distributed	-	60,742,557
Total deductions	3,837,775	60,742,557
Net increase (decrease) in net position	2,345,334	-
Net position, beginning of year	43,673,754	-
Net position, end of year	\$ 46,019,088	\$ -

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 January 1, 2017 to continue until June 30, 2041 with the Townships of East Bay, Acme, Peninsula, and Garfield in Grand Traverse County and the Township of Elmwood in Leelanau County. The master sewer agreement defines the allocation of costs and establishes certain rights and responsibilities with respect to the wastewater treatment plant. The City is the owner of the treatment plant and all of the multi-user facilities.

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

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

The City's capacity right is fifty-five percent of the related facilities for which they have elected to lease out fifteen percent of these rights to Townships.

B. Government-wide and fund financial statements

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

The government reports the following major governmental funds:

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

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

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

The *Coronavirus Fiscal Recovery Fund* accounts for the use of the City's State and Local Fiscal Recovery Funds allocation.

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

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

NOTES TO THE FINANCIAL STATEMENTS

The government reports the following major proprietary funds:

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

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

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

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

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

Additionally, the government reports the following fund types:

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

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

D. Assets, liabilities, deferred outflows/inflows and net position or fund balance**1. Deposits and investments**

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

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year and all other outstanding balances between funds are referred to as "due to/from other funds" except if they are noncurrent then they are reported as "advance from/advance to." The advances reported in governmental funds are offset by a fund balance 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."

NOTES TO THE FINANCIAL STATEMENTS

3. Inventory

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

4. Capital assets

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

5. *Deferred outflows/inflows of resources*

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

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

6. *Compensated absences*

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS

7. Long-term obligations

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

8. Fund Balance

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

9. Budget Stabilization Arrangement

The City Commission has formally established a budget stabilization arrangement through City ordinance pursuant to Public Act 30 of 1978. The 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.

NOTES TO THE FINANCIAL STATEMENTS

II. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

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

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

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

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>	<u>Component Units</u>
Cash & equity in pooled					
cash and investments	\$ 23,813,394	\$ 10,826,562	\$ 4,089,519	\$ 38,729,475	\$ 2,256,813
Investments	<u>12,300,846</u>	<u>7,645,276</u>	<u>42,489,006</u>	<u>62,435,128</u>	<u>9,557,297</u>
Total	<u>\$ 36,114,240</u>	<u>\$ 18,471,838</u>	<u>\$ 46,578,525</u>	<u>\$ 101,164,603</u>	<u>\$ 11,814,110</u>

Cash and cash equivalents reported above include \$10,995 of cash on hand that is not considered deposits or investments for footnote purposes.

NOTES TO THE FINANCIAL STATEMENTS

The breakdown between cash and investments is as follows:

Cash on hand	\$	10,995
Primary government and component unit checking and deposit accounts		23,604,255
Primary government and component unit investments held in pooled cash and investments		13,281,519
Primary government and component unit investments		29,503,419
Fiduciary funds checking and deposit accounts		4,089,519
Fiduciary funds investments		<u>42,489,006</u>
	\$	<u>112,978,713</u>

Investments

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

NOTES TO THE FINANCIAL STATEMENTS

Investment	Maturity	Fair Value	Rating
Michigan CLASS Investment Pool	na	\$ 198,061	AAAm
Cash, Money Funds, Bank Deposits Held for Investment	na	11,061	na
Federated Hermes TR US TRSY CS	na	67,383	na
Huntington Business Premier MMA Public Funds	na	2,024,728	na
Walgreens Boots Disc Commerical Paper	7/19/2023	1,993,840	na
American Honda Fin Disc Commercial Paper	8/16/2023	992,830	na
General Motors Finl C Disc Commerical Paper	8/28/2023	990,480	na
General Motors Finl C Disc Commerical Paper	10/18/2023	981,600	na
US Treasury	12/14/2023	651,105	Aaa
US Treasury	11/30/2023	754,933	Aaa
US Treasury	12/31/2023	670,839	Aaa
US Treasury	2/15/2024	491,835	Aaa
US Treasury	2/15/2024	295,077	Aaa
US Treasury	2/15/2024	93,441	Aaa
US Treasury	2/29/2024	735,203	Aaa
US Treasury	3/31/2024	48,804	Aaa
US Treasury	9/30/2024	954,140	Aaa
US Treasury	5/15/2025	949,690	Aaa
US Treasury	6/30/2025	479,690	Aaa
US Treasury	6/30/2025	239,845	Aaa
US Treasury	7/31/2026	925,590	Aaa
Federal Home Loan Mortgage Bond	2/28/2025	2,499,250	Aaa
Federal Home Loan Mortgage Bond	6/30/2025	917,950	Aaa
Federal Home Loan Mortgage Bond	10/15/2025	4,536,100	Aaa
Federal Home Loan Mortgage Bond	10/29/2025	1,811,680	Aaa
Federal Home Loan Mortgage Bond	10/29/2025	905,840	Aaa
Federal Home Loan Mortgage Bond	12/15/2025	1,145,400	Aaa
Federal Home Loan Mortgage Bond	11/24/2026	916,420	Aaa
Federal Home Loan Mortgage Bond	6/4/2027	875,300	Aaa
Federal Home Loan Mortgage Bond	11/16/2029	1,728,140	Aaa
Federal Home Loan Mortgage Bond	3/25/2030	711,242	Aaa
Federal Home Loan Mortgage Bond	10/29/2030	1,582,680	Aaa
Federal Home Loan Mortgage Bond	10/29/1930	1,582,680	Aaa
Federal Farm CR BKS Bond	2/17/2026	228,661	Aaa
Federal Farm CR BKS Bond	1/22/2027	1,753,800	Aaa
Federal Farm CR BKS Bond	1/22/2027	1,753,800	Aaa
Federal Farm CR BKS Bond	4/27/2027	1,761,940	Aaa
Federal Farm CR BKS Bond	4/27/2027	2,642,910	Aaa
Federal Farm CR BKS Bond	4/27/2027	880,970	Aaa
Total		\$ 42,784,938	

NOTES TO THE FINANCIAL STATEMENTS

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

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

- US Treasury Notes, FHLB Bonds, Federal Farm Credit Bonds and commercial paper are valued using quoted market prices (Level 1 inputs).
- The Michigan Class Pool, Federated Hermes TR, and money market funds are valued using a pricing model utilizing observable fair value measures of fund/pool investments and other observable inputs to determining the fair value of the securities making up the of investments fund/pool (Level 2 inputs).
- The City does not have any investments that report fair value based on significant unobservable inputs (Level 3 inputs).

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

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

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. As of year-end, \$4,915,141 of the City's bank balance (including the primary government, component units and pooled cash held by fiduciary funds) of \$27,771,550 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 \$42,784,938 of investments, the City has a custodial credit risk exposure of \$40,483,705 because the related securities are uninsured, unregistered and held by the government's brokerage firm which is also the counterparty for

NOTES TO THE FINANCIAL STATEMENTS

these particular securities. The custodial credit risk for balances in investment pools, money markets and Federated Hermes Trust accounts cannot be determined because the investments are not evidenced by specific identifiable securities.

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

Deposits and Investments - Pension and Other Post Employment Benefit Funds

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

Deposits - The Act 345 pension trust fund and Act 345 retiree health trust fund have money market cash deposits held by the investment bank with a bank balance of \$743,625, of which \$250,000 is insured and \$493,625 is not insured or collateralized.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

Of the below \$42,489,006 of investments, the Act 345 pension trust fund and the post-employment benefit trust funds have a custodial credit risk exposure of \$42,489,006 because the related securities are uninsured, unregistered and held by the government's brokerage firm which is also the counterparty for these particular securities. The custodial credit risk for balances in investment pools cannot be determined because the investments are not evidenced by specific identifiable securities.

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

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

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

The trust funds' investments are held in bank-administered trust funds and a MERS trust account. Following is a summary of the System's investments as of June 30, 2023:

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

MERS total market fund	\$	2,339,791
Alternative real estate		4,138,377
Equity - common trust		9,707,382
Equity - mutual funds		14,624,383
Equity - stocks		3,065,890
Fixed income - mutual funds		7,245,263
Private equity real estate		<u>1,367,920</u>
 Total	 \$	 <u>42,489,006</u>

NOTES TO THE FINANCIAL STATEMENTS
B. Capital assets

Capital assets activity for the year ended June 30, 2023 was as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not depreciated:				
Land & Improvements	\$ 10,508,260	\$ 14,432	\$ -	\$ 10,522,692
Construction in progress	8,810,949	3,037,406	1,830,692	10,017,663
Total	19,319,209	3,051,838	1,830,692	20,540,355
Capital assets being depreciated:				
Land improvements	8,873,584	265,045	-	9,138,629
Infrastructure	64,802,570	1,629,573	-	66,432,143
Buildings and improvements	17,904,786	-	-	17,904,786
Machinery and equipment	21,080,490	992,655	61,035	22,012,110
Total	112,661,430	2,887,273	61,035	115,487,668
Less accumulated depreciation:				
Land improvements	2,726,317	325,518	-	3,051,835
Infrastructure	42,748,187	1,215,964	-	43,964,151
Buildings and improvements	12,732,306	302,129	-	13,034,435
Machinery and equipment	14,326,976	1,588,099	61,035	15,854,040
Total accumulated depreciation	72,533,786	3,431,710	61,035	75,904,461
Total assets being depreciated, net	40,127,644	(544,437)	-	39,583,207
Governmental activities, net	\$ 59,446,853	\$ 2,507,401	\$ 1,830,692	\$ 60,123,562

NOTES TO THE FINANCIAL STATEMENTS

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not depreciated:				
Land & Improvements	\$ 11,957,420	\$ 8,205,664	\$ 1,250,253	\$ 18,912,831
Construction in progress	10,684,347	3,805,972	4,881,895	9,608,424
Total	22,641,767	12,011,636	6,132,148	28,521,255
Capital assets being depreciated:				
Building and improvements	56,394,698	234,464	-	56,629,162
Land improvements	3,993,938	-	-	3,993,938
Infrastructure	21,301,379	838,353	-	22,139,732
Machinery and equipment	4,129,238	2,648,981	-	6,778,219
Total	85,819,253	3,721,798	-	89,541,051
Less accumulated depreciation:				
Building and improvements	23,420,461	1,256,491	-	24,676,952
Land improvements	3,063,156	127,105	-	3,190,261
Infrastructure	7,926,272	344,436	-	8,270,708
Machinery and equipment	1,747,657	230,256	-	1,977,913
Total accumulated depreciation	36,157,546	1,958,288	-	38,115,834
Total assets being depreciated, net	49,661,707	1,763,510	-	51,425,217
Business-type activities, net	\$ 72,303,474	\$ 13,775,146	\$6,132,148	\$ 79,946,472

NOTES TO THE FINANCIAL STATEMENTS
Component Units – Capital Assets

	Beginning Balance	Increases	Decreases	Ending Balance
Light and Power Component Unit				
Capital assets not depreciated:				
Land	\$ 1,071,410	\$ -	\$ -	\$ 1,071,410
Construction in progress	993,717	5,840,791	6,057,347	777,161
Total	2,065,127	5,840,791	6,057,347	1,848,571
Capital assets being depreciated:				
Building and improvements	5,862,329	9,428	-	5,871,757
Equipment and distribution system	98,262,876	5,505,501	1,557,543	102,210,834
Electric vehicle charging stations	374,773	-	-	374,773
Fiber system	5,994,001	329,505	-	6,323,506
WiFi system	501,863	-	-	501,863
Total	110,995,842	5,844,434	1,557,543	115,282,733
Less accumulated depreciation:				
Building and improvements	2,656,268	177,654	-	2,833,922
Equipment and distribution system	34,336,623	3,130,229	1,491,304	35,975,548
Electric vehicle charging stations	12,493	24,986	-	37,479
Fiber system	1,553,193	306,349	-	1,859,542
WiFi system	376,348	50,186	-	426,534
Total accumulated depreciation	38,934,925	3,689,404	1,491,304	41,133,025
Total assets being depreciated, net	72,060,917	2,155,030	66,239	74,149,708
Intangible asset				
Right of use subscriptions	-	1,802,786	-	1,802,786
Less accumulated amortization	-	60,093	-	60,093
Net intangible asset	-	1,742,693	-	1,742,693
Light and Power Component Unit, Net	\$ 74,126,044	\$ 9,738,514	\$6,123,586	\$ 77,740,972
Downtown Development Authority Component Unit				
Capital assets not depreciated:				
Land	\$ 1,879,558	\$ 117,552	\$ -	\$ 1,997,110

NOTES TO THE FINANCIAL STATEMENTS
Component Units – Right to use assets

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Light and Power Component Unit				
Right to use assets:				
Tower	\$ 59,879	\$ -	\$ -	\$ 59,879
Transmission pole attachment	116,398	-	-	116,398
Land	7,726	-	-	7,726
	<u>184,003</u>	<u>-</u>	<u>-</u>	<u>184,003</u>
Total right to use assets				
Accumulated amortization:				
Tower	7,608	7,606	-	15,214
Transmission pole attachment	15,062	15,062	-	30,124
Land	1,039	1,039	-	2,078
	<u>23,709</u>	<u>23,707</u>	<u>-</u>	<u>47,416</u>
Total accumulated amortization				
Net right to use assets	<u>\$ 160,294</u>	<u>\$ (23,707)</u>	<u>\$ -</u>	<u>\$ 136,587</u>

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

Governmental activities

General government	\$ 69,089
Public safety	96,174
Public works, including depreciation of general infrastructure assets	1,235,004
Recreation and culture	459,269
Capital assets held by the government's internal service fund are charged to the various functions based on their usage of the assets	<u>1,572,174</u>
Total depreciation expense – governmental activities	<u>\$ 3,431,710</u>

NOTES TO THE FINANCIAL STATEMENTS
Business-type activities

Wastewater	\$ 686,176
Water	579,019
Marina	71,895
Hickory Hills	136,061
Auto parking	<u>485,136</u>

Total depreciation expense – business-type activities **\$ 1,958,287**

Component unit activities

Light and power	<u>\$ 3,773,198</u>
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C. Short term interfund receivables, payables, and transfers

Fund	Inter-fund Receivable	Fund	Inter-fund Payable
General Fund	\$ 84,211	Local Street Fund	78,811
	<u>-</u>	State Domestic Preparedness Fund	<u>5,400</u>
	<u><u>\$ 84,211</u></u>		<u><u>\$ 84,211</u></u>

Interfund receivables and payables were established to cover deficit pooled cash at 6/30/23.

Interfund Transfers

Fund	Operating Transfer In	Operating Transfer Out	Total
General Fund	\$ 1,399,807	\$ 2,825,490	\$ (1,425,683)
Local Street Fund	719,512	-	719,512
Coronavirus Fiscal Recovery Fund	-	20,000	(20,000)
Capital Projects Fund	2,773,747	1,316	2,772,431
Brown Bridge Trust Fund	-	206,201	(206,201)
Non-major Governmental Funds	690,081	1,795,509	(1,105,428)
Garage Fund	-	6,600	(6,600)
Wastewater Fund	-	411,965	(411,965)
Water Fund	-	269,617	(269,617)
Hickory Hills Fund	326,300	-	326,300
Marina Fund	-	36,472	(36,472)
Automobile Parking Fund	-	336,277	(336,277)
	<u><u>\$ 5,909,447</u></u>	<u><u>\$ 5,909,447</u></u>	<u><u>\$ -</u></u>

NOTES TO THE FINANCIAL STATEMENTS

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

D. Long-term debt and accrued compensated absences

The following is a summary of Primary Government bond and lease transactions of the City for the year ended June 30, 2023:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023	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%	\$ 4,946,072	\$ -	\$ 862,013	\$ 4,084,059	\$ 860,000
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%	6,160,000	-	565,000	5,595,000	585,000
Total Private Placement Bonds and Contracts	11,106,072	-	1,427,013	9,679,059	1,445,000
Accrued Compensated Absences	680,074	785,313	821,062	644,325	49,859
Total Governmental Activities	\$ 11,786,146	\$ 785,313	\$ 2,248,075	\$ 10,323,384	\$ 1,494,859
Business Type Activities					
Junior Lien Revenue Bonds - SRLF					
Clean Water State Revolving Loan Fund Project	\$ -	\$ 237,008	\$ -	\$ 237,008	\$ 96,250 *
Accrued Compensated Absences	97,013	166,777	145,343	118,447	-
Total Business Type Activities	\$ 97,013	\$ 403,785	\$ 145,343	\$ 355,455	\$ 96,250

* At June 30, 2023 only a partial draw had been made on the State Revolving Loan Fund Project. When the final draws have been made (projected to be during fiscal year end 6/30/2024) a final amortization schedule will be created that will indicate both a principal and interest payment schedule.

NOTES TO THE FINANCIAL STATEMENTS

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

<u>Year End June 30,</u>	Governmental Activities	
	<u>Principal</u>	<u>Interest</u>
2024	1,445,000	263,650
2025	1,445,000	224,831
2026	1,445,000	185,828
2027	1,435,000	146,642
2028	1,435,000	107,421
2029-2033	2,085,000	207,928
2034	380,000	6,099
	<u>\$ 9,670,000</u>	<u>\$ 1,142,399</u>

<u>Year End June 30,</u>	Business type Activities	
	<u>Principal</u>	<u>Interest</u>
2024	96,250	4,999
2025-2043	TBD	TBD
	<u>\$ 96,250</u>	<u>\$ 4,999</u>

At June 30, 2023 only a partial draw of \$237,008 had been made on the State Revolving Loan Fund Project. When the final draws have been made (projected to be during fiscal year end 6/30/2024) a final amortization schedule will be created. The maximum available loan funds (principal) to draw is \$2,316,250.

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, 2023 is \$8,848,897.

NOTES TO THE FINANCIAL STATEMENTS

Component Units
Traverse City Light and Power

The utility has agreements with the MPPA committing it to purchase of up to 2MW of landfill renewable energy from Granger Electric of Michigan, LLC, .65MW of landfill renewable energy from North American Natural Resources, Inc., and 49.6 MW of all energy, capacity, and environmental attributes for solar renewable energy located in Michigan and 3.6 MW of all energy, capacity, and environmental attributes for wind renewable energy located in Michigan. Additionally, through the MPPA Energy Service Committee, the utility has base energy bilateral contracts for the fiscal year beginning July 1, 2023, through December 31, 2028, in the amount of \$7,823,488, and capacity transaction bilateral contracts for the fiscal year beginning July 1, 2022, through May 31, 2030, in the amount of \$1,757,640.

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>	Amount
2024	953,440
2025	913,720
2026	874,459
2027	825,656
2028	<u>782,541</u>
Total	<u><u>4,349,816</u></u>

NOTES TO THE FINANCIAL STATEMENTS

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.

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, 2023, 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, 2023 amounted to \$99,791, 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.

NOTES TO THE FINANCIAL STATEMENTS

The 2023 adjusted ad valorem taxable value in the City totaled \$1,355,098,080, on which taxes levied consisted of 11.7688 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 \$251,652,342. The DDA general operating tax rate for was 1.5927 mills. Property taxes are also derived from tax increment financing agreements between the DDA and other taxing districts. Under these arrangements, the DDA receives those property taxes levied on the increment of current taxable valuations (determined as of the preceding December 31, the lien date) over base year assessed valuations on certain property located in the City of Traverse City, which are within the DDA district. Property taxes are recognized in the fiscal year in which they are levied.

D. Defined benefit pension plans

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

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

Method used to value Investments

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

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

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

Plan membership. At June 30, 2022 the most recent actuarial valuation date, membership consisted of:

Retirees and beneficiaries currently receiving benefits	74
Terminated plan members entitled to but not yet receiving benefits	6
Active plan members	<u>50</u>
Total	<u>130</u>

NOTES TO THE FINANCIAL STATEMENTS

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 patrol employees hired prior to 7/1/2009 receive retirement equal to 2.8% for service to 6/30/2014 plus 2.5% for service after 6/30/2014 of the 3 year average final compensation (AFC) times years of service. Police Command and Sergeants hired before 7/1/2009 receive retirement equal to 2.8% of AFC times years of service for first 25 years plus 1% for years over 25. 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. Police patrol hired after 7/1/2009 receive 2% of AFC times all years of service. Police sergeants hired between 7/1/2009 and 6/30/2016 receive 2% before promotion and 2.8% after promotion of AFC times years of service. Police patrol, Police command and all Fire employees hired on or after 7/1/2009 and Police sergeants hired on or after 7/1/2016 receive 2% of the 3 year AFC times first 25 years of service plus 1% of AFC times years of service after 25 years.

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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 inflation whichever is lower, given annually for twenty years. Police Captains Unit hired before July 1, 2021 effective 1/1/1994 - 2.5% of the original pension or the inflation rate whichever is lower, given annually for twenty years. Police Captains hired after July 1, 2021 are not eligible for post-retirement increases. Police Patrol Unit hired before July 1, 2021 effective 1/1/1999 - 2.5% of the original pension or the inflation rate whichever is lower, given annually for twenty years. Police Patrol hired after 7/1/2021 are not eligible for post-retirement increases. 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.

Member Contributions. Effective July 1, 2013, each Police Captain employee shall make a retirement contribution of 6.00% of gross salary and all Firefighter employees hired prior to 7/1/2009 shall make a retirement contribution of 4.53% of gross salary. Effective 7/1/2021 Police Patrol members will contribute 1% of gross salary and effective 7/1/2022 2%. Police Sergeants contribute 1% effective 7/1/2014 and 2% effective 7/1/2015.

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, 2022:

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

Concentrations. At June 30, 2022 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, 2023, the annual money-weighted rate of return on pension plan investments, net of pension plan expense, was 6.91%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NOTES TO THE FINANCIAL STATEMENTS

Net Pension Liability. The employer’s Net Pension Liability was measured as of June 30, 2023, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of June 30, 2022.

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2022 with a June 30, 2023 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 and Firefighters unit. 2.5% of original pension or inflation whichever is less, for twenty years, payable to the police captains unit (effective 1/1/1994) and police sergeants (effective 8/1/1998) and police patrol (effective 1/1/1999). Police patrol and police captains hired after July 1, 2021 are not eligible for COLA.

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.

NOTES TO THE FINANCIAL STATEMENTS

For each major asset class that is included in the pension plan’s target asset allocation as of June 30, 2023, 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 return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease 6.00%	Current Single Discount Rate 7.00%	1% Increase 8.00%
Total Pension Liability	\$ 60,606,259	\$ 53,874,161	\$ 48,302,565
Plan Fiduciary Net Position	38,870,278	38,870,278	38,870,278
Net Pension Liability	\$ 21,735,981	\$ 15,003,883	\$ 9,432,287

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2023 the employer recognized pension expense of \$2,107,532. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

NOTES TO THE FINANCIAL STATEMENTS

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference in Experience	\$ 236,165	\$ -
Difference in Assumption Changes	43,379	-
Difference in Investment Earnings	536,297	-
Total	<u>\$ 815,841</u>	<u>\$ -</u>

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

Year Ended	<u>Net Deferred Outflow (Inflow)</u>
2024	\$ (57,036)
2025	(311,549)
2026	1,074,629
2027	109,797
Total	<u>\$ 815,841</u>

NOTES TO THE FINANCIAL STATEMENTS
Changes in Net Pension Liability:

Fiscal year ending June 30,	2023	2022
Total Pension Liability		
Service Cost	\$ 699,648	\$ 703,850
Interest on the Total Pension Liability	3,568,152	3,516,035
Benefit changes	-	-
Difference between expected and actual experience of the Total Pension Liability	548,537	(394,696)
Assumption changes	-	-
Benefits paid and refunds	(3,131,917)	(3,025,184)
Net change in Total Pension Liability	<u>1,684,420</u>	<u>800,005</u>
Total Pension Liability - Beginning	<u>52,189,741</u>	<u>51,389,736</u>
Total Pension Liability- Ending (a)	<u>\$ 53,874,161</u>	<u>\$ 52,189,741</u>
Plan Fiduciary Net Position		
Employer contributions	\$ 2,340,786	\$ 2,507,587
Employee contributions	101,373	80,785
Pension plan net investment income	2,500,485	(2,313,699)
Benefit payments and refunds	(3,131,917)	(3,025,184)
Pension plan administrative expense	(31,461)	(600)
Other	-	-
Net Change in Plan Fiduciary Net Position	<u>1,779,266</u>	<u>(2,751,111)</u>
Plan Fiduciary Net Position - Beginning	<u>37,091,012</u>	<u>39,842,123</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 38,870,278</u>	<u>\$ 37,091,012</u>
Net Pension Liability - Ending (a)-(b)	<u>\$ 15,003,883</u>	<u>\$ 15,098,729</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	
	2022 Valuation
Benefit Multiplier:	Bridged Benefit: 2.25% Multiplier (80% max) Termination FAC; to 1.50% Multiplier (80% max)
Bridged Benefit Date:	06/30/2014
Normal Retirement Age:	60
Vesting:	6 years
Early Retirement (Unreduced):	55/25
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	5 years
COLA for Current Retirees:	2.50% (Non-Compound)
Employee Contributions:	0%
Act 88:	No
11 - Gnl GME: Closed to new hires, linked to Division 14	
	2022 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)

NOTES TO THE FINANCIAL STATEMENTS

Employee Contributions:	0%
Act 88:	No
14 - General GME hired after 7/1/09: Open Division, linked to Division 11,16	
	2022 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	
	2022 Valuation
Benefit Multiplier:	Bridged Benefit: 2.25% Multiplier (80% max) Termination FAC; to 1.50% Multiplier (80% max)
Bridged Benefit Date	06/30/2013
Normal Retirement Age:	60
Vesting:	6 years
Early Retirement (Unreduced):	55/25
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	5 years
COLA for Future Retirees	2.50% (Non-Compound)
Employee Contributions:	0%
Act 88:	No
13 - ACT hired after 7/1/09: Open Division, linked to Division 01	
	2022 Valuation
Benefit Multiplier:	1.50% Multiplier (no max)
Normal Retirement Age:	60
Vesting:	6 years
Early Retirement (Unreduced):	55/25
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	5 years
Employee Contributions:	0%
Act 88:	No

NOTES TO THE FINANCIAL STATEMENTS

- 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, 2022 valuation date, the following employees were covered by the benefit terms:

Retirees and Beneficiaries	131
Vested Former Employees	29
Active Employees	99
	<u>259</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, 2023 were \$819,216 for the Admin & ACT hired prior to 7/1/2009 division, \$70,428 for the GME tech/clerical hired prior to 7/1/2009 division, \$738,756 for the General GME division hired prior to 7/1/2009, \$210,755 for the General GME hired after 7/1/2009 division, and \$228,124 for the ACT hired after 7/1/2009 division.

Net Pension Liability. The employer's Net Pension Liability was measured as of December 31, 2022, 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, 2022 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5%

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

Investment rate of return: 7.00%, net of administrative and investment expenses.

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

NOTES TO THE FINANCIAL STATEMENTS

Pre-Retirement Mortality:

1. 100% of Pub-2010 Juvenile Mortality Tables for Ages 0-17
2. 100% of PubG-2010 Employee Mortality Tables for Ages 18-80
3. 100% of PubG-2010 Healthy Retiree Tables for Ages 81-120

Non-Disabled retired plan members and beneficiaries:

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

Disabled retired plan members:

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

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

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

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

Asset Class	Base Allocation	Long-Term Expected Real Rate of Return
Global Equity	60.0%	4.5%
Global Fixed Income	20.0%	.90%
Private Investments	20.0%	1.90%

Discount rate. The discount rate used to measure the total pension liability is 7.25% for 2022. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTES TO THE FINANCIAL STATEMENTS
Changes in Net Pension Liability

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance as of 12/31/2021	\$ 44,821,566.06	\$ 27,867,978.03	\$ 16,953,588.03
Service cost	572,549.00	-	572,549.00
Interest	3,156,970.12	-	3,156,970.12
Benefit changes	-	-	-
Differences between expected and actuarial experience	(305,591.00)	-	(305,591.00)
Changes in assumptions	-	-	-
Contribution - employer	-	1,974,566.95	(1,974,566.95)
alternative investment adjustment from MERS annual audited statement	-	(3,046,015.32)	3,046,015.32
Benefit payments, including refunds of employee contributions	(3,126,846.23)	(3,126,846.23)	-
Administrative expense	-	(50,046.45)	50,046.45
Net Changes	297,081.89	(4,248,341.05)	4,545,422.94
Balances at 12/31/2022	\$ 45,118,647.95	\$ 23,619,636.98	\$ 21,499,010.97

Sensitivity of the Net Position Liability to changes in the discount rate. The following presents the Net Pension Liability of the employer, calculated using the discount rate of 7.25%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower (6.25%) or 1% higher (8.25%) than the current rate.

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Net Pension Liability at 12/31/22	\$ 21,499,011	\$ 21,499,011	\$ 21,499,011
Change in Net Pension Liability	4,910,135	-	(4,146,686)
Calculated Net Pension Liability	\$ 26,409,146	\$ 21,499,011	\$ 17,352,325

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, 2023 the employer recognized pension expense of \$3,420,653. 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	\$ 4,018,288	\$ 1,718,606
Changes in assumptions	1,090,782	-
Differences expected and actual experience	309,708	229,193
Contributions subsequent to measurement date*	1,035,942	-
Total	\$ 6,454,720	\$ 1,947,799

* 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, 2024.

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

Year Ended	
2024	\$ 994,650
2025	839,421
2026	632,336
2027	1,004,572
Total	\$ 3,470,979

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	
	2022 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	
	2022 Valuation
Benefit Multiplier:	2.25% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	6 years
Early Retirement (Unreduced):	50/25
Early Retirement (Reduced):	55/15
Final Average Compensation:	5 years
COLA for Current/Future Retirees:	2.50% (Non-Compound)
Member Contributions:	0%
Act 88:	No

11 - Non-union hired after 7/1/2017, linked to Division 01	
	2022 Valuation
Benefit Multiplier:	1.5% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	6 years

NOTES TO THE FINANCIAL STATEMENTS

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	
	2022 Valuation
Benefit Multiplier:	1.5% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	6 years
Early Retirement (Unreduced):	55/25
Early Retirement (Reduced):	55/15 50/25
Final Average Compensation:	5 years
COLA for Future Retirees:	2.50% (Non-Compound)
Member Contributions:	0%
Act 88:	No

13 - Union line workers hired pre 7/1/2012, closed to new hires	
	2022 Valuation
Benefit Multiplier:	2.25% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	6 years
Early Retirement (Unreduced):	50/25
Early Retirement (Reduced):	55/15
Final Average Compensation:	5 years
COLA for Future Retirees:	2.50% (Non-Compound)
Member Contributions:	0%
DC plan for New Hires:	2/1/2019
Act 88:	No

NOTES TO THE FINANCIAL STATEMENTS

- 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, 2022 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	62
Inactive employees entitled to but not yet receiving benefits	7
Active employees	<u>32</u>
	<u>101</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 7.42 to 9.24% based on annual payroll for open divisions. There are two divisions that are closed to new employees and have annual employer contributions of \$53,476 and \$138,956.

Net Pension Liability. The employer's Net Pension Liability was measured as of December 31, 2022, 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, 2022 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5%

Salary Increases: 3.00% in the long-term.

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

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

NOTES TO THE FINANCIAL STATEMENTS

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study in 2021.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class.

These ranges are combined to provide the long-term expected rate of return by weighting the expected future real rates of return of the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Expected Money Weighted Rate of Return
Global Equity	60.0%	4.50%	2.70%
Global Fixed Income	20.0%	2.00%	.40%
Real Assets	20.0%	7.00%	1.40%
Inflation			2.50%
Administrative fee			.25%
Discount rate			7.25%

Discount rate. The discount rate used to measure the total pension liability is 7.25%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTES TO THE FINANCIAL STATEMENTS
Changes in Net Pension Liability

Calculating the Net Pension Liability			
Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at 12/31/21			
Changes for the Year	\$36,052,129	\$27,965,006	\$8,087,123
Service Cost	316,301	-	316,301
Interest on Total Pension Liability	2,537,411	-	2,537,411
Difference between expected and actual experience	501,584	-	501,584
Employer contributions	-	2,681,471	(2,681,471)
Net investment income	-	(2,882,548)	2,882,548
Benefit payments, including employee refunds	(2,423,015)	(2,423,015)	-
Administrative expense	-	(51,839)	51,839
Net Changes	<u>932,281</u>	<u>(2,675,931)</u>	<u>3,608,212</u>
Balances as of 12/31/22	<u>\$36,984,410</u>	<u>\$25,289,075</u>	<u>\$11,695,335</u>

Sensitivity of the Net Position Liability to changes in the discount rate. The following presents the Net Pension Liability of the employer, calculated using the discount rate of 7.25%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower (6.25%) or 1% higher (8.25) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
Net Pension Liability at 12/31/22	\$11,695,335	\$11,695,335	\$11,695,335
Change in Net Pension Liability (NPL)	4,296,233	-	(3,589,320)
Calculated NPL	\$15,991,568	\$11,695,335	\$8,106,015

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, 2023 the employer recognized pension expense of \$1,653,128. 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	\$3,934,001	\$(1,556,557)
Change in Experience	450,040	-
Change in Assumption	434,479	-
Contributions subsequent to the measurement date*	1,415,846	-
Total	\$6,234,366	\$(1,556,557)

* 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 2024.

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

Year ended	
2024	\$ 945,413
2025	603,010
2026	730,046
2027	983,494
Total	\$ 3,261,963

Deferred Compensation Plans
Downtown Development Authority Component Unit

The Downtown Development Authority sponsors the Traverse City Downtown Development Authority Deferred Compensation Plan created in accordance with the Internal Revenue Code Section 457. The administrator of the plan is ICMA Retirement Corporation. The plan is available to all employees. The employer matches participant contributions up to 7% based on the employee's employment contract. Plan provision and contribution requirements can only be amended by authorization of the Board of Directors. In the current year, the Downtown Development Authority contributed \$75,556 and the employees contributed \$64,814.

NOTES TO THE FINANCIAL STATEMENTS

Primary Government and Light and Power Component Unit

The City and Traverse City Light and Power participated in the City's Deferred Compensation Plan created in accordance with the Internal Revenue Code Section 457. The City has ICMA Retirement Corporation and Mass Mutual as administrators for the Plan. Participants may contribute zero to six percent of covered payroll based on the employee's employment or labor union contract. Plan provision and contribution requirements can only be amended by authorization of the City Commission. In the current fiscal year, the employer contribution to the plan was \$810,601 and the employees contributed \$817,325. Of these amounts Traverse City Light and Power contributed \$272,041 and their employees contributed \$255,340.

Defined Contribution Plan Light and Power Component Unit

Effective February 1, 2019, the Department eliminated the defined benefit pension plan for line workers hired after July 1, 2012 and replaced it with a MERS defined contribution plan. The employer contributes six percent of base wage only and there is no employee contribution requirement. The plan requires a one-year vesting period. In the current fiscal year, the Department contributed \$48,503 to this plan.

E. Post employment health benefits

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

Act 345 Retiree Health Insurance Plan**Plan Description**

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

Benefits provided

The Police Sergeants' and Officers' collective bargaining units limit the employer contribution to the cost of the January 1, 1991 premium increased five percent per year, compounded thereafter. The Police Captains' collective bargaining unit limits the employer contribution to the cost of the January 1, 1990 premium increased five percent

NOTES TO THE FINANCIAL STATEMENTS

per year, compounded thereafter. The Firefighters' collective bargaining unit provides benefits for retirees previous to July 1, 1994 as described in their collective bargaining agreement in effect on the date of their retirement. Firefighters who retire after July 1, 1995 receive a capped benefit as described in the July 1, 1999 collective bargaining agreement.

Membership of the Plan consisted of the following at the date of the latest actuarial valuation (June 30, 2022):

Retirees/beneficiaries receiving benefits	49
Inactive non retired members	6
Active plan members	<u>25</u>
Total	<u>80</u>

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

Contributions

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

For the fiscal year end June 30, 2023, the City contributed \$623,832 which includes an adjustment for any implicit rate subsidy present in the pre-65 rates to fund the benefits, the actuarially determined contribution for the period was \$577,751.

Net OPEB Liability

The total OPEB liability in the June 30, 2023 statements was determined using the June 30, 2022 actuarial valuation. The annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

- Inflation: 3.00%
- Wage increase: 3.0% to 5.25% including inflation
- Investment rate of return: 7.0% net of OPEB plan investment expense including inflation.
- Healthcare cost trend rates: 7.5% gradually decreasing to 3.5% in year 10.
- Mortality rates used the RP-2014 mortality table based on a study dated December 20, 2018.

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

NOTES TO THE FINANCIAL STATEMENTS

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

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

Changes in the Net OPEB Liability

Fiscal year ending June 30,	▲ 2023
Total OPEB Liability	
Service Cost	\$ 56,319
Interest on the total OPEB liability	677,477
Benefit changes	2,126,915
Difference between expected and actual experience *	(1,046,323)
Assumption changes	496,562
Benefits paid and refunds	(503,778)
Net change in Total Pension Liability	1,807,172
Total OPEB Liability - Beginning	9,901,974
Total OPEB Liability- Ending (a)	\$ 11,709,146
Plan Fiduciary Net Position	
Employer contributions	\$ 623,832
OPEB plan net investment income	441,205
Benefit payments and refunds	(503,778)
Pension plan administrative expense	(16,800)
Other	-
Net Change in Plan Fiduciary Net Position	544,459
Plan Fiduciary Net Position - Beginning	4,553,870
Plan Fiduciary Net Position - Ending (b)	\$ 5,098,329
Net OPEB Liability - Ending (a)-(b)	\$ 6,610,817

*Due to difference between actual and expected benefit payments.

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

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

	1% Decrease 6.00%	Single Discount Rate 7.00%	1% Increase 8.00%
Net OPEB Liability	\$ 8,129,201	\$ 6,610,817	\$ 5,362,027

Fiduciary Position as a % of total OPEB liability	<u>43.54%</u>
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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 Health Care Cost Trend Rate Assumption	1% Increase
Net OPEB Liability	\$ 5,262,563	\$ 6,610,817	\$ 8,271,192

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference in Experience	\$ -	\$ 643,463
Difference in Assumption Changes	298,235	-
Difference in Investment Earnings	207,233	-
Total	<u>\$ 505,468</u>	<u>\$ 643,463</u>

NOTES TO THE FINANCIAL STATEMENTS

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

Year Ended	Net Deferred Outflow (Inflow)
2024	\$ (197,678)
2025	(84,471)
2026	167,918
2027	(23,764)
Total	<u>\$ (137,995)</u>

City Retiree Health Insurance Plan
Plan Description

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

Benefits provided

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

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

Active Employees	16
Inactive Employees Receiving Benefits	47
Total Employees	<u>63</u>

NOTES TO THE FINANCIAL STATEMENTS

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 \$12,611.

Net OPEB Asset

The total OPEB asset in the June 30, 2023 GASB 74 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement.

Inflation rate: 2.5%

Salary rate increase: 3.0%

Discount Rate 7.0%

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

Healthy pre-retirement mortality: Sex distinct pub-2010 general employees table without adjustment. The base year is 2010 and future mortality improvements are assumed each year using scale MP-2019, as published by the Society of Actuaries. Ninety percent of active member deaths are assumed to be non-duty death and 10 percent are assumed to be duty related.

Healthy post-retirement mortality: Sex Distinct Pub-2010 General Healthy retiree tables scaled by a factor of 106%. The base year is 2010 and future mortality improvements are assumed each year using scale MP-2019, as published by the Society of Actuaries.

Disability retirement mortality: Sex distinct PubNS-2010 Disabled tables without adjustment. The base year is 2010 and future mortality improvements are assumed each year using scale MP-2019, as published by the Society of Actuaries.

The long-term expected rate of return on OPEB plan investments was determined using a building block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. For each major asset class that is included in the OPEB plan's target asset allocation as of June 30, 2023, these best estimates of returns are summarized in the following table:

NOTES TO THE FINANCIAL STATEMENTS

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

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

Changes in the Net OPEB Asset

Total OPEB Liability	
Service Cost	\$ 10,893
Interest on the total OPEB liability	94,129
Benefit changes	
Difference between expected and actual experience	(8,537)
Assumption changes	5,032
Benefits paid and refunds	(149,704)
Other changes	-
Net change in Total Pension Liability	<u>(48,187)</u>
Total OPEB Liability - Beginning	1,414,101
Total OPEB Liability- Ending (a)	<u>\$ 1,365,914</u>
 Plan Fiduciary Net Position	
Employer contributions	\$ 12,611
Plan net investment income	162,817
Difference between expected and actual experience	-
Benefit payments and refunds	(149,704)
Pension plan administrative expense	(4,115)
Other	-
Net Change in Plan Fiduciary Net Position	<u>21,609</u>
Plan Fiduciary Net Position - Beginning	2,028,872
Plan Fiduciary Net Position - Ending (b)	<u>\$ 2,050,481</u>
 Net OPEB Liability (Asset) - Ending (a)-(b)	 <u>\$ (684,567)</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 7.0%, as well as what the plan's net OPEB Asset would be if it were calculated using a single discount rate that is one percent lower or one percent higher.

	1% decrease 6.00%	Current Rate 7.00%	1% increase 8.00%
Net OPEB Asset	\$ 563,388	\$ 684,567	\$ 789,267

Fiduciary position as a % of total OPEB Asset	<u>299.53%</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	\$ 695,031	\$ 684,567	\$ 672,568

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	\$ 4,413	\$ 4,383
Changes of assumptions	2,584	-
Differences in projected earnings	235,331	176,524
Total	<u>\$ 242,328</u>	<u>\$ 180,907</u>

NOTES TO THE FINANCIAL STATEMENTS

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

	net deferred outflow (inflow) of resources	
2024	\$	12,199
2025		(11,800)
2026		66,168
2027		<u>(5,146)</u>
Total	\$	<u><u>61,421</u></u>

Traverse City light and Power Retiree Health Insurance Plan

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

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

Membership of the Plan consisted of the following at the date of the latest actuarial valuation (June 30, 2022):

Active plan members	38
Retirees and beneficiaries receiving benefits	<u>43</u>
Total	<u><u>81</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, 2022 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: .9% to 7.80% per year

Mortality rates used MP-2019 Combined Annuitant Mortality Table for males and females.

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

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

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS

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

Changes in the Net OPEB Liability

Calculating the Net OPEB Liability (Asset)			
	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances at 6/30/2022	\$5,494,792	\$4,694,321	\$800,471
Changes for the Year			
Service cost	30,505	-	30,505
OPEB liability	398,670	-	398,670
Employer Contributions	-	455,138	(455,138)
Net investment income	-	340,966	(340,966)
Benefit payments, including employee refunds	(358,396)	(358,396)	-
Net changes	<u>70,779</u>	<u>437,708</u>	<u>(366,929)</u>
Balance as of 6/30/2023	<u>\$5,565,571</u>	<u>\$5,132,029</u>	<u>\$433,542</u>

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

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

	1% Decrease	Current Discount rate	1% Increase
Net OPEB liability (asset)	\$1,030,442	\$433,542	\$(68,131)

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

NOTES TO THE FINANCIAL STATEMENTS

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 OPEB liability (asset)	\$155,187	\$433,542	\$1,135,473

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

For the year ended June 30, 2023 the employer recognized OPEB expense of \$54,464. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in experience	\$ 358,401	\$ (10,548)
Changes in assumptions	-	(102,034)
Excess (deficit) investment returns	531,536	(309,606)
Total	\$ 889,937	(\$422,188)

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

2024	\$ 75,387
2025	90,128
2026	244,923
2027	57,311
Total	\$ 467,749

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.

NOTES TO THE FINANCIAL STATEMENTS

In 1983, the Department entered a 35-year power supply and project support contract with MPPA. Under the agreement, the Department will purchase 26.35% of the energy generated by MPPA’s 4.8% interest in the Campbell 3 plant and 4.53% of the energy generated by MPPA’s 18.6% interest in the Belle River plant. In 2002, the Department entered a 25-year power supply and project support contract with MPPA. Under the agreement, the Department will purchase 75.9% of the energy generated by MPPA’s 100% interest in the Kalkaska Combustion Turbine. In 2009, the Department entered a power supply contract with MPPA. Under the agreement, the Department will purchase 8.13% of the energy generated in the MPPA’s renewable energy contract with Grainger Electric of Michigan, LLC. In 2011, the Department entered a power supply contract with MPPA. Under the agreement, the Department will purchase 8.13% of the energy generated in the MPPA’s renewable energy contract with Northern American Natural Resources of Michigan. In 2014, the Department entered into an Energy Services Agreement with MPPA for the objective of accessing third party marketers in MISO for the purpose of reducing exposure to MISO market during volatile seasons. This is accomplished through MPPA soliciting bids and subsequently entering contracts on behalf of the Department for firm priced energy supply. In 2017, the Department entered a commitment with MPPA for 5.80% of energy generated from the Pegasus Wind Farm.

For the year ended June 30, 2023, Traverse City Light and Power recognized expenses totaling \$25,829,066 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 2024 costs adjusted for inflation and calculated until the time of project’s estimated retirement date or debt retirement.

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

<u>Year Ended December 31</u>	<u>Operating Costs</u>
2024	\$14,814,854
2025	12,666,637
2026	10,228,291
2027	8,285,365
2028	8,340,763
2029	5,358,157
Total	<u>\$59,694,067</u>

NOTES TO THE FINANCIAL STATEMENTS

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

Year Ended December 31	Principal	Interest	Total
2024	\$1,548,360	\$84,089	\$1,632,449
2025	1,571,130	63,496	1,634,626
2026	1,590,105	42,600	1,632,705
2027	1,612,875	21,450	1,634,325
Total	\$6,322,470	\$211,635	\$6,534,105

As of December 31, 2022, MPPA has two projects that have identified asset retirement obligations. Campbell project in the amount of \$4,586,626 with the Department share at \$1,208,576 and Belle River in the amount of \$743,489 with the Department share at \$33,680.

On June 23, 2022, the Michigan Public Service Commission approved a settlement in Consumers Energy’s Integrated Resource Plan that secures 2025 as the retirement date for Consumers Energy’s J.H. Campbell coal plant, 15 years earlier than previously planned. On July 26, 2023, the Michigan Public Service Commission approved a settlement in DTE’s Integrated Resource Plan that secures 2028 as the retirement date for DTE’s Belle River Coal Plan which will be transitioned to a natural gas plant.

In December 2009, the Department entered into a 20-year purchase power agreement with Heritage Stoney Corners Wind Farm I, LLC which was subsequently sold in 2020 to DTE to purchase up to 10 megawatts of electric energy and all associated renewable energy credits. For the year ended June 30, 2022, the Department recognized expenses totaling \$3,057,787 under this agreement.

In August 2017, the Department amended the Heritage Sustainable Energy, LLC contract to purchase an additional 1MW of electric energy from the M-72 solar array. It was amended again on July 11, 2019, to include an additional 2MW of electric energy through an expansion of the M-72 1MW solar array. It was amended again on July 28, 2022 to include an additional 2 MW of electric energy through another expansion. The contract will terminate December 31, 2042. For the year ended June 30, 2022, the Department recognized expenses totaling \$298,530 under this agreement.

G. Designations of net position
Primary government

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

NOTES TO THE FINANCIAL STATEMENTS

	<u>Automobile Parking System</u>	<u>Wastewater</u>	<u>Water</u>	<u>Garage Internal Service</u>
Emergencies	\$ -	\$ -	\$ 49,785	\$ -
Capital Expenditures	130,000	1,899,993	3,078,595	3,638,600
Future Maintenance	<u>2,500,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 2,630,000</u>	<u>\$ 1,899,993</u>	<u>\$ 3,128,380</u>	<u>\$ 3,638,600</u>

Component unit

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

Emergencies	\$ 100,056
Minimum Cash Reserves	<u>8,511,897</u>
Total	<u>\$ 8,611,953</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.

NOTES TO THE FINANCIAL STATEMENTS

I. Tax Abatements

The City entered into property tax abatement 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, 2023 the City abated property tax revenues of \$2,789.

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, 2023 the amount of taxes abated was \$920,954.

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, 2023 the estimated tax abatement was \$167,733.

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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

Fiscal year ending June 30,	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability										
Service Cost	\$ 699,648	\$ 703,850	\$ 742,000	\$ 749,125	\$ 759,397	\$ 721,781	\$ 676,683	\$ 678,748	\$ 644,925	\$ 492,852
Interest on the Total Pension Liability	3,568,152	3,516,035	3,429,154	3,335,038	3,347,430	3,195,886	3,110,650	3,036,795	2,993,916	2,897,030
Benefit changes	-	-	-	(12,591)	-	-	-	-	-	-
Difference between expected and actual experience of the Total Pension Liability	548,537	(394,696)	36,008	105,359	(124,418)	756,372	(172,209)	(372,033)	(802,207)	-
Assumption changes	-	-	-	-	1,801,057	-	-	-	-	-
Benefits paid and refunds	(3,131,917)	(3,025,184)	(2,868,674)	(2,789,052)	(2,745,588)	(2,598,943)	(2,403,433)	(2,312,077)	(2,251,552)	(2,096,654)
Net change in Total Pension Liability	<u>1,684,420</u>	<u>800,005</u>	<u>1,338,488</u>	<u>1,387,879</u>	<u>3,037,878</u>	<u>2,075,096</u>	<u>1,211,691</u>	<u>1,031,433</u>	<u>585,082</u>	<u>1,293,228</u>
Total Pension Liability - Beginning	<u>52,189,741</u>	<u>51,389,736</u>	<u>50,051,248</u>	<u>48,663,369</u>	<u>45,625,491</u>	<u>43,550,395</u>	<u>42,338,704</u>	<u>41,307,271</u>	<u>40,722,189</u>	<u>39,428,961</u>
Total Pension Liability- Ending (a)	<u>\$ 53,874,161</u>	<u>\$ 52,189,741</u>	<u>\$ 51,389,736</u>	<u>\$ 50,051,248</u>	<u>\$ 48,663,369</u>	<u>\$ 45,625,491</u>	<u>\$ 43,550,395</u>	<u>\$ 42,338,704</u>	<u>\$ 41,307,271</u>	<u>\$ 40,722,189</u>
Plan Fiduciary Net Position										
Employer contributions	\$ 2,340,786	\$ 2,507,587	\$ 2,380,153	\$ 2,104,146	\$ 1,995,181	\$ 1,841,815	\$ 1,803,930	\$ 1,810,565	\$ 1,683,306	\$ 1,639,480
Employee contributions	101,373	80,785	71,472	77,002	78,115	81,144	104,761	58,510	76,863	75,526
Pension plan net investment income	2,500,485	(2,313,699)	9,085,387	1,153,460	996,920	2,285,282	3,019,320	498,918	463,881	3,883,457
Benefit payments and refunds	(3,131,917)	(3,025,184)	(2,868,674)	(2,789,052)	(2,745,588)	(2,598,943)	(2,403,433)	(2,312,077)	(2,251,552)	(2,096,654)
Pension plan administrative expense	(31,461)	(600)	(18,916)	(18,520)	(33,140)	(19,633)	(23,599)	(15,450)	(16,523)	(10,567)
Other	-	-	-	-	96	-	-	159	-	(114,710)
Net Change in Plan Fiduciary Net Position	<u>1,779,266</u>	<u>(2,751,111)</u>	<u>8,649,422</u>	<u>527,036</u>	<u>291,584</u>	<u>1,589,665</u>	<u>2,500,979</u>	<u>40,625</u>	<u>(44,025)</u>	<u>3,376,532</u>
Plan Fiduciary Net Position - Beginning	<u>37,091,012</u>	<u>39,842,123</u>	<u>31,192,701</u>	<u>30,665,665</u>	<u>30,374,081</u>	<u>28,784,416</u>	<u>26,283,437</u>	<u>26,242,812</u>	<u>26,286,837</u>	<u>22,910,305</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 38,870,278</u>	<u>\$ 37,091,012</u>	<u>\$ 39,842,123</u>	<u>\$ 31,192,701</u>	<u>\$ 30,665,665</u>	<u>\$ 30,374,081</u>	<u>\$ 28,784,416</u>	<u>\$ 26,283,437</u>	<u>\$ 26,242,812</u>	<u>\$ 26,286,837</u>
Net Pension Liability - Ending (a)-(b)	<u>\$ 15,003,883</u>	<u>\$ 15,098,729</u>	<u>\$ 11,547,613</u>	<u>\$ 18,858,547</u>	<u>\$ 17,997,704</u>	<u>\$ 15,251,410</u>	<u>\$ 14,765,979</u>	<u>\$ 16,055,267</u>	<u>\$ 15,064,459</u>	<u>\$ 14,435,352</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	72.15%	71.07%	77.53%	62.32%	63.02%	66.57%	66.09%	62.08%	63.53%	64.55%
Covered Employee Payroll	\$ 4,224,452	\$ 3,987,359	\$ 3,925,135	\$ 3,682,282	\$ 3,775,976	\$ 3,861,602	\$ 3,752,343	\$ 3,443,789	\$ 3,384,682	\$ 3,018,448
Net Pension Liability as a Percentage of Covered Employee Payroll	355.17%	378.66%	294.20%	512.14%	476.64%	394.95%	393.51%	466.21%	445.08%	478.24%

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

FY Ending June 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2014	\$ 1,639,480	\$ 1,639,480	\$ -	\$ 3,018,448	54.32%
2015	1,683,306	1,683,306	-	3,384,682	49.73%
2016	1,760,565	1,810,565	(50,000)	3,443,789	52.57%
2017	1,803,930	1,803,930	-	3,752,343	48.07%
2018	1,841,815	1,841,815	-	3,861,602	47.70%
2019	1,995,181	1,995,181	-	3,775,976	52.84%
2020	2,104,146	2,104,146	-	3,682,282	57.14%
2021	2,380,153	2,380,153	-	3,925,135	60.64%
2022	2,507,587	2,507,587	-	3,987,359	62.89%
2023	2,340,786	2,340,786	-	4,224,452	55.41%

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

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

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

<u>FY Ending June 30,</u>	<u>Annual Return *</u>
2014	17.06%
2015	1.77%
2016	1.92%
2017	11.86%
2018	8.19%
2019	3.31%
2020	3.86%
2021	30.24%
2022	(6.01)%
2023	6.91%

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

* Due to difference between actual and expected benefit payments.

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

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

FY Ending June 30,	Total OPEB Liability	Plan net Position	Net OPEB Liability	Plan Net Postion as a % of Total OPEB Liability	Covered Payroll	Net OPEB Liability as a % of Covered Payroll
2023	\$ 11,709,146	\$ 5,098,329	\$ 6,610,817	43.54%	\$ 2,146,738	307.95%
2022	9,901,974	4,553,870	5,348,104	45.99%	2,158,710	247.75%
2021	9,715,744	5,041,887	4,673,857	51.89%	2,283,277	204.70%
2020	9,331,734	3,958,144	5,346,590	42.71%	2,383,949	224.27%
2019	9,132,200	3,725,852	5,406,348	40.80%	2,609,645	207.17%
2018	8,606,948	3,468,746	5,138,202	40.30%	2,741,432	187.43%
2017	8,353,894	3,373,566	4,980,328	40.38%	3,027,113	164.52%

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

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

FY Ending June 30,	Actuarially Determined Contribution	Actual Contribution (1)	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2023	\$ 577,751	\$ 623,832	\$ (46,081)	\$ 2,146,738	29.06%
2022	578,428	625,782	(47,354)	2,158,710	28.99%
2021	527,496	572,909	(45,413)	2,283,277	25.09%
2020	526,118	565,895	(39,777)	2,383,949	23.74%
2019	480,429	519,279	(38,850)	2,609,645	19.90%
2018	480,230	512,078	(31,848)	2,741,432	18.68%
2017	385,866	385,866	-	3,027,113	12.75%

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

Notes to Schedule of Contributions

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar, Closed
Remaining Amortization Period	18 years
Asset Valuation Method	Market Value of Assets
Inflation	2.75%
Salary Increase	3% to 5.25% including inflation
Investment Rate of Return	7.0 % net of OPEB plan investment expense, including inflation
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality	Healthy pre-retirement: The RP-2014 Employee generational mortality tables, with blue-collar adjustments and extended via cubic spline. This table is adjusted backwards to 2006 with the MP-2014 scale, resulting in a base year of 2006 with future mortality improvements assumed each year using scale MP-2017. Healthy post-retirement: The RP-2014 healthy annuitant generational mortality tables, with blue-collar adjustments and extended via cubic spline. This table is adjusted backwards to 2006 with the MP-2014 scale, resulting in a base year of 2006 with future mortality improvements assumed each year using scale MP-2017. Disability Retirement: The RP-2014 disabled mortality table, extended via cubic spline. This table is adjusted backwards to 2006 with the MP-2014 scale, resulting in a base year of 2006 with future mortality improvements assumed each year using scale MP-2017

Health Care Trend Rates	Fire retired before 7/1/95: 6.25% trend, gradually decreasing to 3.5% in year 10 Police retired on or after 7/1/09: 7.5% trend, gradually decreasing to 3.5% 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	6.85%	7.00%
Salary increase	3.00% merit and longevity (based on study dated 12/20/2018)	3.00% merit and longevity (based on study dated 12/20/2018)
Mortality	A version of RP-2014 (based on study dated 12/20/2018)	A version of RP-2014 (based on study dated 12/20/2018)
Healthcare inflation	Non medicare: initial rate of 7.25% decreasing .025% per year to a 4.5% longterm rate, medicare initial rate of 5.55% decreasing .25% per year to a 4.5% longterm rate	fire retired before 7/1/95: initial rate of 6.25% decreasing to 3.5% longterm rate in year 10. Police retired before 7/1/09 5% drops to 3.5% in year 15. Police after 7/1/09 initial rate of 7.5% decreasing to 3.5% longterm rate in year 10
Period	17 years	17 years
Method	level dollar	level dollar
Type	closed	closed
Actuarially Determined Contribution using uniform assumptions	\$ 875,459	

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>
2023	9.58%
2022	(.40)%
2021	26.30%
2020	5.05%
2019	5.66%
2018	2.31%

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

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

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

	December 31,								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability									
Service Cost	\$ 572,549	\$ 484,578	\$ 545,797	\$ 479,481	\$ 473,357	\$ 449,861	\$ 451,469	\$ 424,511	\$ 398,725
Interest on the Total Pension Liability	3,156,970	3,113,379	2,948,270	3,020,489	3,013,978	2,957,067	2,919,079	2,817,148	2,753,614
Benefit changes	-	-	-	-	-	-	-	-	-
Difference between expected and actual experience of the Total Pension Liability	(305,591)	478,570	281,691	(956,280)	(720,256)	(37,737)	(281,288)	(185,726)	-
Assumption changes	-	1,522,625	1,317,879	1,194,941	-	-	-	1,782,587	-
Benefits paid and refunds	(3,126,846)	(3,001,623)	(2,779,444)	(2,690,327)	(2,687,175)	(2,651,928)	(2,575,279)	(2,446,248)	(2,343,998)
Net change in Total Pension Liability	297,082	2,597,529	2,314,193	1,048,304	79,904	717,263	513,981	2,392,272	808,341
Total Pension Liability - Beginning	44,821,566	42,224,037	39,909,844	38,861,540	38,781,636	38,064,373	37,550,392	35,158,120	34,349,779
Total Pension Liability- Ending (a)	\$ 45,118,648	\$ 44,821,566	\$ 42,224,037	\$ 39,909,844	\$ 38,861,540	\$ 38,781,636	\$ 38,064,373	\$ 37,550,392	\$ 35,158,120
Plan Fiduciary Net Position									
Employer contributions	\$ 1,974,567	\$ 1,750,159	\$ 1,559,957	\$ 1,430,516	\$ 1,325,327	\$ 1,209,578	\$ 1,103,031	\$ 1,011,317	\$ 1,033,594
Employee contributions	-	-	-	-	-	-	-	-	-
Pension plan net investment income (loss)	(3,046,016)	3,388,702	3,227,500	2,944,943	(914,546)	2,962,186	2,443,206	(343,945)	1,480,312
Benefit payments and refunds	(3,126,846)	(3,001,623)	(2,779,444)	(2,690,327)	(2,687,175)	(2,651,928)	(2,575,279)	(2,446,248)	(2,343,998)
Pension plan administrative expense	(50,046)	(40,275)	(46,960)	(50,697)	(46,438)	(47,056)	(48,298)	(51,145)	(54,129)
Other	-	-	-	-	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	(4,248,341)	2,096,963	1,961,053	1,634,435	(2,322,832)	1,472,780	922,660	(1,830,021)	115,779
Plan Fiduciary Net Position - Beginning	27,867,978	25,771,015	23,809,962	22,175,527	24,498,359	23,025,579	22,102,919	23,932,940	23,817,161
Plan Fiduciary Net Position - Ending (b)	\$ 23,619,637	\$ 27,867,978	\$ 25,771,015	\$ 23,809,962	\$ 22,175,527	\$ 24,498,359	\$ 23,025,579	\$ 22,102,919	\$ 23,932,940
Net Pension Liability - Ending (a)-(b)	\$ 21,499,011	\$ 16,953,588	\$ 16,453,022	\$ 16,099,882	\$ 16,686,013	\$ 14,283,277	\$ 15,038,794	\$ 15,447,473	\$ 11,225,180
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	52.35%	62.18%	61.03%	59.66%	57.06%	63.17%	60.49%	58.86%	68.07%
Covered Employee Payroll	\$ 6,819,015	\$ 6,230,594	\$ 6,433,749	\$ 6,368,689	\$ 6,221,439	\$ 5,942,362	\$ 5,927,328	\$ 5,597,405	\$ 5,254,135
Net Pension Liability as a Percentage of Covered Employee Payroll	315.28%	272.10%	255.73%	252.80%	268.20%	240.36%	253.72%	275.98%	213.64%

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

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

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

Notes to schedule

Actuarial cost method	Entry age normal cost
Amortization method	Level percentage of payroll, open
Remaining amortization period	10 to 15 years depending on division status
Asset valuation method	10 year smoothed
Inflation	2.5%
Salary increases - base	3.0%
Salary increases - merit and longevity	0.0 to 6.7%
Investment rate of return	7.0%
Retirement age	Varies depending on plan adoption
Mortality	Fully generational, details available in the Appendix to the Actuarial Valuation Report

TRAVERSE CITY LIGHT AND POWER

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

	December 31,								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability									
Service cost	\$ 316,301	\$ 251,797	\$ 261,413	\$ 264,001	\$ 285,497	\$ 310,387	\$ 300,475	\$ 295,317	\$ 313,020
Interest	2,537,411	2,502,605	2,386,190	2,386,419	2,370,497	2,292,239	2,276,465	2,142,935	2,083,781
Differences between expected and actuarial experience	501,584	346,956	316,198	(12,114)	(370,024)	363,115	(509,997)	363,835	-
Changes in assumptions	-	1,303,436	845,524	1,104,897	-	-	-	1,444,054	-
Benefit payments, including refunds	(2,423,015)	(2,311,561)	(2,233,905)	(2,130,738)	(2,021,640)	(1,930,810)	(1,818,642)	(1,715,604)	(1,626,244)
Other changes	-	-	-	7,402	(300)	1,448	-	(759)	-
Net change in total pension liability	932,281	2,093,233	1,575,420	1,619,867	264,030	1,036,379	248,301	2,529,778	770,557
Total pension liability, beginning of year	36,052,129	33,958,896	32,383,476	30,763,609	30,499,579	29,463,200	29,214,899	26,685,121	25,914,564
Total pension liability, end of year	36,984,410	36,052,129	33,958,896	32,383,476	30,763,609	30,499,579	29,463,200	29,214,899	26,685,121
Plan fiduciary net position									
Contribution - employer	2,681,471	2,551,769	2,471,828	2,403,450	2,395,423	2,253,396	1,564,302	858,331	773,230
Net investment income (loss)	(2,882,548)	3,145,898	3,099,212	2,532,810	(760,557)	2,200,228	1,686,136	(234,339)	1,000,478
Administrative expenses	(51,839)	(39,507)	(43,213)	(43,690)	(37,098)	(34,750)	(33,363)	(34,767)	(36,578)
Benefit payments, including refunds	(2,423,015)	(2,311,561)	(2,233,902)	(2,130,737)	(2,021,640)	(1,930,809)	(1,818,642)	(1,715,604)	(1,626,244)
Net change in plan fiduciary net position	(2,675,931)	3,346,599	3,293,925	2,761,833	(423,872)	2,488,065	1,398,433	(1,126,379)	110,886
Plan fiduciary net position, beginning of year	27,965,006	24,618,407	21,324,482	18,562,649	18,986,521	16,498,456	15,100,023	16,226,402	16,115,516
Plan fiduciary net position, end of year	25,289,075	27,965,006	24,618,407	21,324,482	18,562,649	18,986,521	16,498,456	15,100,023	16,226,402
Net pension liability	\$ 11,695,335	\$ 8,087,123	\$ 9,340,489	\$ 11,058,994	\$ 12,200,960	\$11,513,058	\$ 12,964,744	\$ 14,114,876	\$ 10,458,719
Plan fiduciary net position as a percent of total pension liability	68.38%	77.57%	72.49%	65.85%	60.34%	62.25%	56.00%	51.69%	60.81%
Covered employee payroll	\$ 2,697,151	\$ 2,351,541	\$ 2,369,118	\$ 2,412,833	\$ 2,679,680	\$ 2,883,420	\$ 2,728,607	\$ 2,736,729	\$ 2,862,491
Net pension liability as a percent of covered employee payroll	433.62%	343.91%	394.26%	458.34%	455.31%	399.28%	475.14%	515.76%	365.37%

TRAVERSE CITY LIGHT AND POWER

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution									
Contribution in relation to the actuarially determined contribution	\$ 2,850,241	\$ 2,548,975	\$ 2,556,504	\$ 2,382,248	\$ 1,113,276	\$ 1,110,648	\$ 944,388	\$ 891,939	\$ 770,572
	<u>(2,850,241)</u>	<u>(2,548,975)</u>	<u>(2,556,504)</u>	<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>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>(1,315,444)</u>	<u>(1,245,744)</u>	<u>(1,258,572)</u>	<u>-</u>	<u>-</u>
Covered employee payroll	\$ 2,697,151	\$ 2,351,541	\$ 2,369,118	\$ 2,412,833	\$ 2,680,970	\$ 2,947,185	\$ 2,862,491	\$ 2,866,124	\$ 2,880,960
Contribution as a percentage of covered employee payroll	105.68%	108.40%	107.91%	98.73%	41.53%	37.69%	32.99%	31.12%	26.75%

Notes to schedule

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

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

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,	2,023	2022	2021	2020	2019	2018
Total OPEB Liability						
Service Cost	\$ 10,893	\$ 15,946	\$ 18,227	\$ 3,016	\$ 3,206	\$ 3,260
Interest on the total OPEB liability	94,129	95,829	68,449	80,100	80,728	118,583
Benefit changes					-	-
Difference between expected and actual experience	(8,537)	15,783	394,671	-	-	25,684
Assumption changes	5,032	-	54,336	13,606	(9,606)	40,303
Benefits paid and refunds	(149,704)	(148,932)	(137,871)	(110,685)	(132,031)	(149,325)
Other changes	-	-	-	(71,714)	38,658	(551,889)
Net change in Total Pension Liability	<u>(48,187)</u>	<u>(21,374)</u>	<u>397,812</u>	<u>(85,677)</u>	<u>(19,045)</u>	<u>(513,384)</u>
Total OPEB Liability - Beginning	<u>1,414,101</u>	<u>1,435,475</u>	<u>1,037,663</u>	<u>1,123,340</u>	<u>1,142,385</u>	<u>1,655,769</u>
Total OPEB Liability- Ending (a)	<u>\$ 1,365,914</u>	<u>\$ 1,414,101</u>	<u>\$ 1,435,475</u>	<u>\$ 1,037,663</u>	<u>\$ 1,123,340</u>	<u>\$ 1,142,385</u>
Plan Fiduciary Net Position						
Employer contributions	\$ 12,611	\$ 11,772	\$ 16,997	\$ 2,670	\$ 106	\$ 11,000
Plan net investment income	162,817	(195,892)	523,209	43,205	55,269	123,862
Difference between expected and actual experience	-	-	-	(106,929)	(98,770)	(20,724)
Benefit payments and refunds	(149,704)	(148,932)	(137,871)	(110,685)	(132,031)	(149,325)
Pension plan administrative expense	(4,115)	(4,270)	(3,848)	(3,333)	(3,716)	(4,157)
Other	-	-	-	106,928	120,953	142,932
Net Change in Plan Fiduciary Net Position	<u>21,609</u>	<u>(337,322)</u>	<u>398,487</u>	<u>(68,144)</u>	<u>(58,189)</u>	<u>103,588</u>
Plan Fiduciary Net Position - Beginning	<u>2,028,872</u>	<u>2,366,194</u>	<u>1,967,707</u>	<u>2,035,851</u>	<u>2,094,040</u>	<u>1,990,449</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 2,050,481</u>	<u>\$ 2,028,872</u>	<u>\$ 2,366,194</u>	<u>\$ 1,967,707</u>	<u>\$ 2,035,851</u>	<u>\$ 2,094,037</u>
Net OPEB Liability (Asset) - Ending (a)-(b)	<u>\$ (684,567)</u>	<u>\$ (614,771)</u>	<u>\$ (930,719)</u>	<u>\$ (930,044)</u>	<u>\$ (912,511)</u>	<u>\$ (951,652)</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	150.12%	143.47%	164.84%	189.63%	181.23%	183.30%
Covered Employee Payroll	\$ 1,018,199	\$ 1,129,272	\$ 1,477,292	\$ 1,665,544	\$ 1,697,155	\$ 1,827,405
Net OPEB Liability as a Percentage of Covered Employee Payroll	-67.23%	-54.44%	-63.00%	-55.84%	-53.77%	-52.08%

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

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

FY Ending June 30,	Total OPEB Liability	Plan net Position	Net OPEB Liability (Asset)	Plan Net Postion as a % of Total OPEB Liability	Covered Payroll	Net OPEB Liability as a % of Covered Payroll
2018	\$ 1,142,385	\$ 2,094,037	\$ (951,652)	183.30%	\$ 1,827,405	-52.08%
2019	1,123,340	2,035,851	(912,511)	181.23%	1,697,155	-53.77%
2020	1,037,663	1,967,707	(930,044)	189.63%	1,665,544	-55.84%
2021	1,435,475	2,366,194	(930,719)	164.84%	1,477,292	-63.00%
2022	1,414,101	2,028,872	(614,771)	143.47%	1,129,272	-54.44%
2023	1,365,914	2,050,481	(684,567)	150.12%	1,018,199	-67.23%

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

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

FY Ending June 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2018	\$ -	\$ 11,000	\$ (11,000)	\$ 1,827,405	0.60%
2019	-	106	(106)	1,697,155	0.01%
2020	-	2,670	(2,670)	1,665,544	0.16%
2021	-	16,997	(16,997)	1,477,292	1.15%
2022	-	11,772	(11,772)	1,129,272	1.04%
2023	-	12,611	(12,611)	1,018,199	1.24%

Notes to Schedule of Contributions

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

	Uniform Assumption	Assumption used
Investment rate of return discount rate	6.85%	7.00%
Salary increase	3.00% merit and longevity (based on experience study issued February 14, 2020 by current MERS pension actuary)	3.00% merit and longevity (based on experience study issued February 14, 2020 by current MERS pension actuary)
Mortality	A version of Pub-2010 mortality tables with generational mortality improvement using scale MP-2019 (based on experience study issued February 14, 2020 by current MERS pension actuary)	A version of Pub-2010 mortality tables with generational mortality improvement using scale MP-2019 (based on experience study issued February 14, 2020 by current MERS pension actuary)
Healthcare inflation	Non-Medicare: initial rate of 7.25% decreasing .25% per year to a 4.5% long-term rate. Medicare: initial rate of 5.50% decreasing .25% per year to a 4.5% long-term rate.	Non-Medicare: initial rate of 7.5% decreasing to a 3.5% long-term rate in year 12. Medicare: initial rate of 6.25% decreasing to a 3.5% long-term rate in year 12.
Amortization of the Unfunded accrued Actuarial Liability:		
Period	26 years	26 years
Method	level dollar	level dollar
Type	closed	closed
Actuarially Determined Contribution using uniform assumptions	\$ -	\$ -

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

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

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

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

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

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

FY Ending June 30,	Total OPEB Liability	Plan net Position	Net OPEB Liability (Asset)	Plan Net Postion as a % of Total OPEB Liability	Covered Payroll	Net OPEB Liability as a % of Covered Payroll
2018	\$ 5,583,440	\$ 3,343,884	\$ 2,039,555	62.11%	\$ 2,837,222	71.89%
2019	5,514,338	3,611,936	1,902,402	65.50%	2,680,970	70.96%
2020	5,014,292	3,836,128	1,178,164	76.50%	2,198,312	53.59%
2021	5,023,594	5,036,266	(12,372)	100.25%	2,334,263	-0.54%
2022	5,494,792	4,694,321	800,471	85.43%	2,283,935	35.05%
2023	5,565,571	5,132,029	433,542	92.21%	2,836,094	15.29%

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

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

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

Notes to Schedule

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

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%
2021	24.10%
2022	-8.73%
2023	13.54%

* 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, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Property taxes	\$ 13,365,900	\$ 13,365,900	\$ 13,563,940	\$ 198,040
Licenses and permits	479,600	479,600	612,986	133,386
Federal sources	70,500	70,500	128,707	58,207
State sources	1,873,100	1,873,100	2,252,774	379,674
Local sources	1,887,600	1,887,600	2,077,448	189,848
Charges for services	506,600	506,600	825,622	319,022
Ordinance fees and fines	51,000	51,000	37,003	(13,997)
Contributions	27,500	27,500	12,678	(14,822)
Reimbursements	595,000	595,000	713,956	118,956
Investment income	82,700	82,700	183,048	100,348
Change in fair value of investments	-	-	(67,139)	(67,139)
Other revenue	638,000	638,000	625,770	(12,230)
Total revenues	<u>19,577,500</u>	<u>19,577,500</u>	<u>20,966,793</u>	<u>1,389,293</u>
Expenditures				
General government	6,478,100	6,371,100	5,563,578	807,522
Public safety	8,285,050	8,340,050	8,279,219	60,831
Public works	2,240,700	2,254,700	1,912,780	341,920
Recreation and culture	2,262,400	2,262,400	2,126,943	135,457
Capital Outlay	194,050	194,050	63,050	131,000
Total expenditures	<u>19,460,300</u>	<u>19,422,300</u>	<u>17,945,570</u>	<u>1,476,730</u>
Excess (deficiency) of revenue over expenditures	<u>117,200</u>	<u>155,200</u>	<u>3,021,223</u>	<u>2,866,023</u>
Other financing sources (uses)				
Transfers in	1,414,400	1,414,400	1,399,807	(14,593)
Transfers out	(2,755,200)	(2,812,200)	(2,825,490)	(13,290)
Total other financing sources (uses)	<u>(1,340,800)</u>	<u>(1,397,800)</u>	<u>(1,425,683)</u>	<u>(27,883)</u>
Net change in fund balance	(1,223,600)	(1,242,600)	1,595,540	2,838,140
Fund balance, beginning of year	<u>10,340,661</u>	<u>10,340,661</u>	<u>10,340,661</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 9,117,061</u></u>	<u><u>\$ 9,098,061</u></u>	<u><u>\$ 11,936,201</u></u>	<u><u>\$ 2,838,140</u></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, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
State sources	\$ 1,737,200	\$ 1,837,200	\$ 2,010,700	\$ 173,500
Interest income	100	100	8,511	8,411
Change in fair value of investments	-	-	-	-
Total revenues	<u>1,737,300</u>	<u>1,837,300</u>	<u>2,019,211</u>	<u>181,911</u>
Expenditures				
Public works				
Personnel	525,500	525,500	595,792	(70,292)
Commodities	127,000	127,000	124,377	2,623
Contractual services	346,600	346,600	254,759	91,841
Other charges	665,100	765,100	701,621	63,479
Total expenditures	<u>1,664,200</u>	<u>1,764,200</u>	<u>1,676,549</u>	<u>87,651</u>
Net change in fund balance	73,100	73,100	342,662	269,562
Fund balance, beginning of year	<u>1,142,915</u>	<u>1,142,915</u>	<u>1,142,915</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,216,015</u>	<u>\$ 1,216,015</u>	<u>\$ 1,485,577</u>	<u>\$ 269,562</u>

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget (GAAP Basis) and Actual
Local Streets Special Revenue Fund
For the Year Ended June 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
State sources	\$ 600,700	\$ 615,700	\$ 635,809	\$ 20,109
Reimbursements	-	-	345	345
Total revenues	<u>600,700</u>	<u>615,700</u>	<u>636,154</u>	<u>20,454</u>
Expenditures				
Public works				
Personnel	495,700	495,700	609,897	(114,197)
Contractual services	246,700	246,700	131,665	115,035
Commodities	89,500	89,500	105,640	(16,140)
Other charges	475,000	490,000	508,464	(18,464)
Total expenditures	<u>1,306,900</u>	<u>1,321,900</u>	<u>1,355,666</u>	<u>(33,766)</u>
(Deficiency) of revenue over expenditures	(706,200)	(706,200)	(719,512)	(13,312)
Other financing sources (uses)				
Transfer in	706,200	706,200	719,512	13,312
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, 2023

I. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary information

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

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

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

B. Excess of expenditures over appropriations

For the year ended June 30, 2023, actual expenditures in the General Operating Fund Human Resources Department exceeded final appropriations by \$1,412, The Treasurer's Department by \$9,827, the Cemetery Department by \$33,042, the Fire Department by \$68,094 the Parks Department by \$11,248 and operating transfers out by \$13,277. These amounts are related to an underestimate of personnel related costs and contractual services during the year end budget review process as well as underestimating the required year end transfer to the Local Street Fund. Overall, the General Operating Fund's total actual expenditures and transfers out were lower than the total amended budget expenditures and transfers out by \$1,314,229. The Local Street fund expenditures exceeded budgeted amounts by \$33,766 due to underestimated year end allocated expenditures, overall the actual net change in fund balance was \$0.

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

CITY OF TRAVERSE CITY
Schedule of GASB 54 Consolidation
Budget (GAAP Basis) and Actual
For the Year Ended June 30, 2023

	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	\$ 13,365,900	\$ 13,365,900	\$ 13,563,940	\$ 198,040	\$ -	\$ -	\$ -	\$ -
Licenses and permits	479,600	479,600	612,986	133,386	-	-	-	-
Federal sources	70,500	70,500	128,707	58,207	-	-	-	-
State sources	1,873,100	1,873,100	2,252,774	379,674	-	-	-	-
Local sources	1,871,000	1,871,000	2,059,673	188,673	-	-	-	-
Charges for services	198,700	198,700	229,727	31,027	-	-	-	-
Ordinance fees and fines	51,000	51,000	37,003	(13,997)	-	-	-	-
Contributions	-	-	-	-	-	-	-	-
Reimbursements	591,000	591,000	709,713	118,713	-	-	-	-
Interest income	27,000	27,000	122,695	95,695	17,800	17,800	17,813	13
Change in fair value of investments	-	-	(58,904)	(58,904)	-	-	(8,235)	(8,235)
Other revenue	638,000	638,000	625,770	(12,230)	-	-	-	-
Total revenues	19,165,800	19,165,800	20,284,084	1,118,284	17,800	17,800	9,578	(8,222)
Expenditures								
General government	6,414,600	6,307,600	5,511,090	796,510	-	-	-	-
Public safety	8,252,150	8,302,150	8,248,584	53,566	-	-	-	-
Public works	2,240,700	2,240,700	1,899,422	341,278	-	-	-	-
Recreation and culture	1,836,400	1,836,400	1,847,648	(11,248)	-	-	-	-
Capital outlay	194,050	194,050	46,650	147,400	-	-	-	-
Total expenditures	18,937,900	18,880,900	17,553,394	1,327,506	-	-	-	-
Excess (deficiency) of revenue over expenditures	227,900	284,900	2,730,690	2,445,790	17,800	17,800	9,578	(8,222)
Other financing sources (uses)								
Transfers in	1,193,800	1,193,800	1,294,207	100,407	-	-	-	-
Transfers out	(2,737,400)	(2,794,400)	(2,807,677)	(13,277)	(17,800)	(17,800)	(17,813)	(13)
Total other financing sources (uses)	(1,543,600)	(1,600,600)	(1,513,470)	87,130	(17,800)	(17,800)	(17,813)	(13)
Net change in fund balance	(1,315,700)	(1,315,700)	1,217,220	2,532,920	-	-	(8,235)	(8,235)
Fund balance, beginning of year	7,203,757	7,203,757	7,203,757	-	753,299	753,299	753,299	-
Fund balance, end of year	\$ 5,888,057	\$ 5,888,057	\$ 8,420,977	\$ 2,532,920	\$ 753,299	\$ 753,299	\$ 745,064	\$ (8,235)

CITY OF TRAVERSE CITY
Schedule of GASB 54 Consolidation
Budget (GAAP Basis) and Actual
For the Year Ended June 30, 2023

	Hazmat				Carnegie Building Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Local sources	16,600	16,600	17,775	1,175	-	-	-	-
Charges for services	4,000	4,000	395	(3,605)	46,800	46,800	50,200	3,400
Ordinance fees and fines	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	-	-	-
Reimbursements	-	-	-	-	-	-	-	-
Interest income	-	-	754	754	-	-	-	-
Change in fair value of investments	-	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-	-
Total revenues	<u>20,600</u>	<u>20,600</u>	<u>18,924</u>	<u>(1,676)</u>	<u>46,800</u>	<u>46,800</u>	<u>50,200</u>	<u>3,400</u>
Expenditures								
General government	-	-	-	-	-	-	-	-
Public safety	32,400	32,400	25,494	6,906	-	-	-	-
Public works	-	-	-	-	-	-	-	-
Recreation and culture	-	-	-	-	165,400	165,400	69,954	95,446
Capital outlay	-	-	-	-	-	-	-	-
Total expenditures	<u>32,400</u>	<u>32,400</u>	<u>25,494</u>	<u>6,906</u>	<u>165,400</u>	<u>165,400</u>	<u>69,954</u>	<u>95,446</u>
Excess (deficiency) of revenue over expenditures	<u>(11,800)</u>	<u>(11,800)</u>	<u>(6,570)</u>	<u>5,230</u>	<u>(118,600)</u>	<u>(118,600)</u>	<u>(19,754)</u>	<u>98,846</u>
Other financing sources (uses)								
Transfers in	-	-	-	-	173,600	173,600	58,600	(115,000)
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>173,600</u>	<u>173,600</u>	<u>58,600</u>	<u>(115,000)</u>
Net change in fund balance	<u>(11,800)</u>	<u>(11,800)</u>	<u>(6,570)</u>	<u>5,230</u>	<u>55,000</u>	<u>55,000</u>	<u>38,846</u>	<u>(16,154)</u>
Fund balance, beginning of year	<u>92,572</u>	<u>92,572</u>	<u>92,572</u>	<u>-</u>	<u>58,580</u>	<u>58,580</u>	<u>58,580</u>	<u>-</u>
Fund balance, end of year	<u>\$ 80,772</u>	<u>\$ 80,772</u>	<u>\$ 86,002</u>	<u>\$ 5,230</u>	<u>\$ 113,580</u>	<u>\$ 113,580</u>	<u>\$ 97,426</u>	<u>\$ (16,154)</u>

CITY OF TRAVERSE CITY
Schedule of GASB 54 Consolidation
Budget (GAAP Basis) and Actual
For the Year Ended June 30, 2023

	Coast Guard Committee				County Senior Center			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Local sources	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Ordinance fees and fines	-	-	-	-	-	-	-	-
Contributions	-	-	300	300	20,000	20,000	10,678	(9,322)
Reimbursements	-	-	-	-	-	-	-	-
Interest income	-	-	-	-	-	-	-	-
Change in fair value of investments	-	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>300</u>	<u>300</u>	<u>20,000</u>	<u>20,000</u>	<u>10,678</u>	<u>(9,322)</u>
Expenditures								
General government	-	-	-	-	-	-	-	-
Public safety	500	5,500	5,141	359	-	-	-	-
Public works	-	-	-	-	-	-	-	-
Recreation and culture	-	-	-	-	20,000	20,000	26,962	(6,962)
Capital outlay	-	-	-	-	-	-	-	-
Total expenditures	<u>500</u>	<u>5,500</u>	<u>5,141</u>	<u>359</u>	<u>20,000</u>	<u>20,000</u>	<u>26,962</u>	<u>(6,962)</u>
Excess (deficiency) of revenue over expenditures	<u>(500)</u>	<u>(5,500)</u>	<u>(4,841)</u>	<u>659</u>	<u>-</u>	<u>-</u>	<u>(16,284)</u>	<u>(16,284)</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>(500)</u>	<u>(5,500)</u>	<u>(4,841)</u>	<u>659</u>	<u>-</u>	<u>-</u>	<u>(16,284)</u>	<u>(16,284)</u>
Fund balance, beginning of year	<u>11,065</u>	<u>11,065</u>	<u>11,065</u>	<u>-</u>	<u>76,043</u>	<u>76,043</u>	<u>76,043</u>	<u>-</u>
Fund balance, end of year	<u>\$ 10,565</u>	<u>\$ 5,565</u>	<u>\$ 6,224</u>	<u>\$ 659</u>	<u>\$ 76,043</u>	<u>\$ 76,043</u>	<u>\$ 59,759</u>	<u>\$ (16,284)</u>

CITY OF TRAVERSE CITY
Schedule of GASB 54 Consolidation
Budget (GAAP Basis) and Actual
For the Year Ended June 30, 2023

	Brown Bridge Maintenance				Opera House			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Local sources	-	-	-	-	-	-	-	-
Charges for services	144,500	144,500	100,954	(43,546)	112,600	112,600	124,647	12,047
Ordinance fees and fines	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	-	-	-
Reimbursements	-	-	-	-	4,000	4,000	4,243	243
Interest income	200	200	2,906	2,706	-	-	-	-
Change in fair value of investments	-	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-	-
Total revenues	144,700	144,700	103,860	(40,840)	116,600	116,600	128,890	12,290
Expenditures								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-
Recreation and culture	69,600	69,600	60,473	9,127	133,500	133,500	105,323	28,177
Capital outlay	-	-	-	-	-	-	-	-
Total expenditures	69,600	69,600	60,473	9,127	133,500	133,500	105,323	28,177
Excess (deficiency) of revenue over expenditures	75,100	75,100	43,387	(31,713)	(16,900)	(16,900)	23,567	40,467
Other financing sources (uses)								
Transfers in	-	-	-	-	17,000	17,000	17,000	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	17,000	17,000	17,000	-
Net change in fund balance	75,100	75,100	43,387	(31,713)	100	100	40,567	40,467
Fund balance, beginning of year	258,986	258,986	258,986	-	144,379	144,379	144,379	-
Fund balance, end of year	\$ 334,086	\$ 334,086	\$ 302,373	\$ (31,713)	\$ 144,479	\$ 144,479	\$ 184,946	\$ 40,467

CITY OF TRAVERSE CITY
Schedule of GASB 54 Consolidation
Budget (GAAP Basis) and Actual
For the Year Ended June 30, 2023

	Banner Program				Economic Development			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Local sources	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	319,699	319,699
Ordinance fees and fines	-	-	-	-	-	-	-	-
Contributions	2,500	2,500	1,700	(800)	-	-	-	-
Reimbursements	-	-	-	-	-	-	-	-
Interest income	-	-	-	-	37,700	37,700	37,687	(13)
Change in fair value of investments	-	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-	-
Total revenues	<u>2,500</u>	<u>2,500</u>	<u>1,700</u>	<u>(800)</u>	<u>37,700</u>	<u>37,700</u>	<u>357,386</u>	<u>319,686</u>
Expenditures								
General government	-	-	-	-	63,500	63,500	52,488	11,012
Public safety	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-
Recreation and culture	2,500	2,500	-	2,500	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Total expenditures	<u>2,500</u>	<u>2,500</u>	<u>-</u>	<u>2,500</u>	<u>63,500</u>	<u>63,500</u>	<u>52,488</u>	<u>11,012</u>
Excess (deficiency) of revenue over expenditures	<u>-</u>	<u>-</u>	<u>1,700</u>	<u>1,700</u>	<u>(25,800)</u>	<u>(25,800)</u>	<u>304,898</u>	<u>330,698</u>
Other financing sources (uses)								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>1,700</u>	<u>1,700</u>	<u>(25,800)</u>	<u>(25,800)</u>	<u>304,898</u>	<u>330,698</u>
Fund balance, beginning of year	6,825	6,825	6,825	-	1,590,010	1,590,010	1,590,010	-
Fund balance, end of year	<u>\$ 6,825</u>	<u>\$ 6,825</u>	<u>\$ 8,525</u>	<u>\$ 1,700</u>	<u>\$ 1,564,210</u>	<u>\$ 1,564,210</u>	<u>\$ 1,894,908</u>	<u>\$ 330,698</u>

CITY OF TRAVERSE CITY
Schedule of GASB 54 Consolidation
Budget (GAAP Basis) and Actual
For the Year Ended June 30, 2023

	Stormwater Fund				Public Arts Commission			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-
Local sources	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Ordinance fees and fines	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	5,000	5,000	-	(5,000)
Reimbursements	-	-	-	-	-	-	-	-
Interest income	-	-	-	-	-	-	1,193	1,193
Change in fair value of investments	-	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-	-
Total revenues	-	-	-	-	5,000	5,000	1,193	(3,807)
Expenditures								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Public works	-	14,000	13,358	642	-	-	-	-
Recreation and culture	-	-	-	-	35,000	35,000	16,583	18,417
Capital outlay	-	-	-	-	-	-	16,400	(16,400)
Total expenditures	-	14,000	13,358	642	35,000	35,000	32,983	2,017
Excess (deficiency) of revenue over expenditures	-	(14,000)	(13,358)	642	(30,000)	(30,000)	(31,790)	(1,790)
Other financing sources (uses)								
Transfers in	-	-	-	-	30,000	30,000	30,000	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	30,000	30,000	30,000	-
Net change in fund balance	-	(14,000)	(13,358)	642	-	-	(1,790)	(1,790)
Fund balance, beginning of year	13,359	13,359	13,359	-	131,786	131,786	131,786	-
Fund balance, end of year	\$ 13,359	\$ (641)	\$ 1	\$ 642	\$ 131,786	\$ 131,786	\$ 129,996	\$ (1,790)

Total General Fund				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 13,365,900	\$ 13,365,900	\$ 13,563,940	\$ 198,040
Licenses and permits	479,600	479,600	612,986	133,386
Federal sources	70,500	70,500	128,707	58,207
State sources	1,873,100	1,873,100	2,252,774	379,674
Local sources	1,887,600	1,887,600	2,077,448	189,848
Charges for services	506,600	506,600	825,622	319,022
Ordinance fees and fines	51,000	51,000	37,003	(13,997)
Contributions	27,500	27,500	12,678	(14,822)
Reimbursements	595,000	595,000	713,956	118,956
Interest income	82,700	82,700	183,048	100,348
Change in fair value of investments	-	-	(67,139)	(67,139)
Other revenue	638,000	638,000	625,770	(12,230)
Total revenues	19,577,500	19,577,500	20,966,793	1,389,293
Expenditures				
General government	6,478,100	6,371,100	5,563,578	807,522
Public safety	8,285,050	8,340,050	8,279,219	60,831
Public works	2,240,700	2,254,700	1,912,780	341,920
Recreation and culture	2,262,400	2,262,400	2,126,943	135,457
Capital outlay	194,050	194,050	63,050	131,000
Total expenditures	19,460,300	19,422,300	17,945,570	1,476,730
Excess (deficiency) of revenue over expenditures	117,200	155,200	3,021,223	2,866,023
Other financing sources (uses)				
Transfers in	1,414,400	1,414,400	1,399,807	(14,593)
Transfers out	(2,755,200)	(2,812,200)	(2,825,490)	(13,290)
Total other financing sources (uses)	(1,340,800)	(1,397,800)	(1,425,683)	(27,883)
Net change in fund balance	(1,223,600)	(1,242,600)	1,595,540	2,838,140
Fund balance, beginning of year	10,340,661	10,340,661	10,340,661	-
Fund balance, end of year	\$ 9,117,061	\$ 9,098,061	\$ 11,936,201	\$ 2,838,140

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, 2023

	<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	\$ 12,882,900	\$ 12,882,900	\$ 13,096,188	\$ 213,288
Collection fees	298,000	298,000	312,001	14,001
Penalties and interest on taxes	185,000	185,000	155,751	(29,249)
Total property taxes	<u>13,365,900</u>	<u>13,365,900</u>	<u>13,563,940</u>	<u>198,040</u>
Licenses and permits				
Business	401,000	401,000	533,410	132,410
Nonbusiness	78,600	78,600	79,576	976
Total licenses and permits	<u>479,600</u>	<u>479,600</u>	<u>612,986</u>	<u>133,386</u>
Federal sources	<u>70,500</u>	<u>70,500</u>	<u>128,707</u>	<u>58,207</u>
State sources				
State - shared revenues				
Sales and use tax	1,704,600	1,704,600	1,879,629	175,029
Liquor licenses	50,000	50,000	53,819	3,819
Other state	118,500	118,500	319,326	200,826
Total state sources	<u>1,873,100</u>	<u>1,873,100</u>	<u>2,252,774</u>	<u>379,674</u>
Local sources				
City fee - Component Units	1,871,000	1,871,000	2,059,673	188,673
Charges for services				
General fees and services	66,700	66,700	56,777	(9,923)
Use and admission fees	132,000	132,000	172,950	40,950
Total charges for services	<u>198,700</u>	<u>198,700</u>	<u>229,727</u>	<u>31,027</u>
Ordinance fees and fines	<u>51,000</u>	<u>51,000</u>	<u>37,003</u>	<u>(13,997)</u>
Reimbursements	<u>591,000</u>	<u>591,000</u>	<u>709,713</u>	<u>118,713</u>
Investment related income (loss)				
Interest income	27,000	27,000	122,695	95,695
Change in fair value of investments	-	-	(58,904)	(58,904)
Total investment related income (loss)	<u>27,000</u>	<u>27,000</u>	<u>63,791</u>	<u>36,791</u>
Other revenue				
Rents and royalties	55,000	55,000	55,292	292
Contributions	560,500	560,500	531,944	(28,556)
Sale of assets	-	-	9,191	9,191
Other	22,500	22,500	29,343	6,843
Total other revenue	<u>638,000</u>	<u>638,000</u>	<u>625,770</u>	<u>(12,230)</u>
Total revenues	<u>\$ 19,165,800</u>	<u>\$ 19,165,800</u>	<u>\$ 20,284,084</u>	<u>\$ 1,118,284</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, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
General government				
City Commission				
Personnel	\$ 57,400	\$ 57,400	\$ 57,530	\$ (130)
Commodities	600	600	651	(51)
Contractual services	47,300	47,300	38,680	8,620
Other charges	4,000	4,000	1,121	2,879
Total City Commission	<u>109,300</u>	<u>109,300</u>	<u>97,982</u>	<u>11,318</u>
City Manager's Office				
Personnel	544,800	544,800	502,262	42,538
Commodities	4,500	4,500	2,070	2,430
Contractual services	54,800	54,800	79,201	(24,401)
Other charges	6,500	6,500	5,986	514
Total City Manager's Office	<u>610,600</u>	<u>610,600</u>	<u>589,519</u>	<u>21,081</u>
Human Resources				
Personnel	215,800	215,800	204,474	11,326
Commodities	5,000	5,000	2,900	2,100
Contractual services	31,400	81,400	97,248	(15,848)
Other charges	2,400	2,400	1,390	1,010
Total Human Resources	<u>254,600</u>	<u>304,600</u>	<u>306,012</u>	<u>(1,412)</u>
Geographic Information Systems				
Personnel	106,800	106,800	109,431	(2,631)
Commodities	4,500	4,500	684	3,816
Contractual services	62,000	62,000	47,904	14,096
Other charges	1,000	1,000	-	1,000
Total Geographic Information Systems	<u>174,300</u>	<u>174,300</u>	<u>158,019</u>	<u>16,281</u>
City Attorney's Office				
Personnel	231,800	231,800	269,201	(37,401)
Commodities	1,500	1,500	754	746
Contractual services	158,200	158,200	100,089	58,111
Other charges	2,100	2,100	1,954	146
Total City Attorney's Office	<u>393,600</u>	<u>393,600</u>	<u>371,998</u>	<u>21,602</u>
City Clerk's Office				
Personnel	514,400	514,400	544,965	(30,565)
Commodities	75,000	75,000	44,048	30,952
Contractual services	80,800	80,800	68,163	12,637
Other charges	38,200	38,200	24,703	13,497
Total City Clerk's Office	<u>708,400</u>	<u>708,400</u>	<u>681,879</u>	<u>26,521</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, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Assessor's Office				
Personnel	\$ 427,900	\$ 427,900	\$ 442,881	\$ (14,981)
Commodities	3,000	3,000	1,417	1,583
Contractual services	67,000	67,000	30,870	36,130
Other charges	7,700	7,700	7,863	(163)
Total Assessor's Office	<u>505,600</u>	<u>505,600</u>	<u>483,031</u>	<u>22,569</u>
Treasurer's Office				
Personnel	358,000	358,000	327,488	30,512
Commodities	12,000	12,000	13,704	(1,704)
Contractual services	55,200	55,200	93,862	(38,662)
Other charges	5,100	5,100	5,073	27
Total Treasurer's Office	<u>430,300</u>	<u>430,300</u>	<u>440,127</u>	<u>(9,827)</u>
Building and grounds				
Other charges	<u>128,200</u>	<u>128,200</u>	<u>121,890</u>	<u>6,310</u>
Planning/Zoning				
Personnel	418,900	418,900	427,696	(8,796)
Commodities	8,500	8,500	7,750	750
Contractual services	230,600	230,600	164,411	66,189
Other charges	17,300	17,300	13,010	4,290
Total Planning/Zoning	<u>675,300</u>	<u>675,300</u>	<u>612,867</u>	<u>62,433</u>
Cemetery				
Personnel	275,000	275,000	243,011	31,989
Commodities	11,000	11,000	13,318	(2,318)
Contractual services	32,500	32,500	33,059	(559)
Other charges	85,800	85,800	147,954	(62,154)
Total Cemetery	<u>404,300</u>	<u>404,300</u>	<u>437,342</u>	<u>(33,042)</u>
Appropriations	<u>1,048,200</u>	<u>891,200</u>	<u>238,528</u>	<u>652,672</u>
Contribution to defined benefit pension plan	<u>971,900</u>	<u>971,900</u>	<u>971,896</u>	<u>4</u>
Total general government	<u>6,414,600</u>	<u>6,307,600</u>	<u>5,511,090</u>	<u>796,510</u>
Public Safety				
Police				
Personnel	3,684,800	3,684,800	3,630,004	54,796
Commodities	79,900	79,900	87,907	(8,007)
Contractual services	577,200	577,200	525,310	51,890
Other charges	418,750	418,750	395,769	22,981
Total Police	<u>4,760,650</u>	<u>4,760,650</u>	<u>4,638,990</u>	<u>121,660</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, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Fire				
Personnel	\$ 2,560,400	\$ 2,610,400	\$ 2,656,319	\$ (45,919)
Commodities	166,500	166,500	200,395	(33,895)
Contractual services	235,200	235,200	151,079	84,121
Other charges	529,400	529,400	601,801	(72,401)
Total Fire	<u>3,491,500</u>	<u>3,541,500</u>	<u>3,609,594</u>	<u>(68,094)</u>
Total public safety	<u>8,252,150</u>	<u>8,302,150</u>	<u>8,248,584</u>	<u>53,566</u>
Public Works				
Streets, alleys and sidewalks				
Personnel	750,400	750,400	523,290	227,110
Commodities	33,200	33,200	21,838	11,362
Contractual services	202,600	202,600	186,909	15,691
Other charges	270,500	270,500	259,231	11,269
Total Streets, Alleys and Sidewalks	<u>1,256,700</u>	<u>1,256,700</u>	<u>991,268</u>	<u>265,432</u>
Engineering				
Personnel	860,800	860,800	830,211	30,589
Commodities	27,000	27,000	12,083	14,917
Contractual services	64,900	64,900	42,332	22,568
Other charges	31,300	31,300	23,528	7,772
Total Engineering	<u>984,000</u>	<u>984,000</u>	<u>908,154</u>	<u>75,846</u>
Total public works	<u>2,240,700</u>	<u>2,240,700</u>	<u>1,899,422</u>	<u>341,278</u>
Recreation and Culture				
Parks				
Personnel	961,900	961,900	868,154	93,746
Commodities	66,500	66,500	71,836	(5,336)
Contractual services	175,800	175,800	160,141	15,659
Other charges	632,200	632,200	747,517	(115,317)
Total Recreation and Culture	<u>1,836,400</u>	<u>1,836,400</u>	<u>1,847,648</u>	<u>(11,248)</u>
Capital outlay	<u>194,050</u>	<u>194,050</u>	<u>46,650</u>	<u>147,400</u>
Total expenditures	<u><u>\$ 18,937,900</u></u>	<u><u>\$ 18,880,900</u></u>	<u><u>\$ 17,553,394</u></u>	<u><u>\$ 1,327,506</u></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, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Transfers in				
Brown Bridge Trust	\$ 200,000	\$ 200,000	\$ 206,201	\$ 6,201
Other funds	32,000	32,000	33,674	1,674
City fee - Proprietary Funds	961,800	961,800	1,054,332	92,532
Total Transfers In	<u>\$ 1,193,800</u>	<u>\$ 1,193,800</u>	<u>\$ 1,294,207</u>	<u>\$ 100,407</u>
Transfers out				
Major Streets	\$ -	\$ -	\$ -	\$ -
Local Streets	706,200	706,200	719,512	(13,312)
Heritage Center	58,600	58,600	58,600	-
Public Arts Commission	30,000	30,000	30,000	-
Opera House	17,000	17,000	17,000	-
Coast Guard Committee	-	-	-	-
Sidewalk and Trail Debt Retirement	377,200	377,200	377,165	35
Capital Projects	1,222,100	1,279,100	1,279,100	-
Hickory Hills	326,300	326,300	326,300	-
Total Transfers Out	<u>\$ 2,737,400</u>	<u>\$ 2,794,400</u>	<u>\$ 2,807,677</u>	<u>\$ (13,277)</u>

CITY OF TRAVERSE CITY, MICHIGAN
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2023

	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Capital Projects Funds</u>	<u>Permanent Cemetery Perpetual Care</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS					
Assets					
Cash & equity in pooled cash and investments	\$ 4,196,840	\$ 5,315	\$ 2,024,756	\$ 235,744	\$ 6,462,655
Investments	93,441	-	5,219	534,921	633,581
Receivables					
Accounts	9,986	-	750,000	-	759,986
Taxes	-	-	5,295	-	5,295
Special assessments	-	-	78,171	-	78,171
Interest	981	-	-	3,118	4,099
Due from other governments	5,400	-	-	-	5,400
Total assets	<u>\$ 4,306,648</u>	<u>\$ 5,315</u>	<u>\$ 2,863,441</u>	<u>\$ 773,783</u>	<u>\$ 7,949,187</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 132,843	\$ -	\$ -	\$ -	\$ 132,843
Accrued and other liabilities	-	-	390,439	-	390,439
Due to other funds	5,400	-	-	-	5,400
Unearned revenue	5,813	-	-	-	5,813
Advance from component unit	-	-	165	-	165
Total liabilities	<u>144,056</u>	<u>-</u>	<u>390,604</u>	<u>-</u>	<u>534,660</u>
Deferred inflows of resources					
Unavailable revenue	-	-	77,826	-	77,826
Fund balances					
Nonspendable					
Cemetery perpetual care	-	-	-	773,783	773,783
Restricted					
Debt service	-	5,315	-	-	5,315
Joint planning	20,140	-	-	-	20,140
Capital improvements	309,143	-	1,678,857	-	1,988,000
Public safety training	4,862	-	-	-	4,862
Public welfare or civic improvement organizations	3,203,850	-	-	-	3,203,850
Act 345 retirement	624,597	-	-	-	624,597
Committed					
Capital improvements	-	-	716,154	-	716,154
Total fund balances	<u>4,162,592</u>	<u>5,315</u>	<u>2,395,011</u>	<u>773,783</u>	<u>7,336,701</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,306,648</u>	<u>\$ 5,315</u>	<u>\$ 2,863,441</u>	<u>\$ 773,783</u>	<u>\$ 7,949,187</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, 2023

	<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	\$ 2,584,884	\$ -	\$ 27,396	\$ -	\$ 2,612,280
Federal sources	-	-	150,000	-	150,000
State sources	37,585	-	-	-	37,585
Local sources	-	1,044,559	-	-	1,044,559
Charges for services	174,230	-	-	24,103	198,333
Ordinance fees and fines	14,700	-	-	-	14,700
Contributions	1,175,648	-	64,747	-	1,240,395
Interest income	46,617	-	13,099	15,862	75,578
Change in fair value of investments	(1,292)	-	-	(12,556)	(13,848)
Total revenues	<u>4,032,372</u>	<u>1,044,559</u>	<u>255,242</u>	<u>27,409</u>	<u>5,359,582</u>
Expenditures					
Current expenditures					
General government	35,090	-	-	6,500	41,590
Public safety	2,344,321	-	-	-	2,344,321
Public works	277,679	-	598	-	278,277
Capital outlay	169,723	-	654,573	-	824,296
Debt service					
Principal	-	1,425,000	-	-	1,425,000
Interest and fiscal charges	-	301,472	-	-	301,472
Total expenditures	<u>2,826,813</u>	<u>1,726,472</u>	<u>655,171</u>	<u>6,500</u>	<u>5,214,956</u>
Excess (deficiency) of revenues over expenditures	<u>1,205,559</u>	<u>(681,913)</u>	<u>(399,929)</u>	<u>20,909</u>	<u>144,626</u>
Other financing sources (uses)					
Transfers in	7,916	682,165	-	-	690,081
Transfers (out)	(1,474,647)	-	(305,000)	(15,862)	(1,795,509)
Total other financing sources (uses)	<u>(1,466,731)</u>	<u>682,165</u>	<u>(305,000)</u>	<u>(15,862)</u>	<u>(1,105,428)</u>
Net change in fund balance	(261,172)	252	(704,929)	5,047	(960,802)
Fund balances, beginning of year	<u>4,423,764</u>	<u>5,063</u>	<u>3,099,940</u>	<u>768,736</u>	<u>8,297,503</u>
Fund balances, end of year	<u>\$ 4,162,592</u>	<u>\$ 5,315</u>	<u>\$ 2,395,011</u>	<u>\$ 773,783</u>	<u>\$ 7,336,701</u>

CITY OF TRAVERSE CITY, MICHIGAN
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2023

	Act 302 Police Training Fund	State Preparedness Equipment Grant Fund	College Parking Fund	Act 345 Millage Fund	Traverse City and Garfield Township Joint Planning Fund	PEG Capital Fund
ASSETS						
Assets						
Cash & equity in pooled cash and investments	\$ 4,862	\$ -	\$ 1,762	\$ 614,611	\$ 20,140	\$ 126,475
Investments	-	-	-	-	-	-
Receivables						
Accounts	-	-	-	9,986	-	-
Interest	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Due from other governments	-	5,400	-	-	-	-
Total assets	\$ 4,862	\$ 5,400	\$ 1,762	\$ 624,597	\$ 20,140	\$ 126,475
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ -	\$ -	\$ 1,759	\$ -	\$ -	\$ -
Accrued and other liabilities	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-
Due to other funds	-	5,400	-	-	-	-
Total liabilities	-	5,400	1,759	-	-	-
Deferred inflows of resources						
Unavailable revenue	-	-	-	-	-	-
Fund balances						
Restricted						
Joint planning	-	-	-	-	20,140	-
Capital improvements	-	-	-	-	-	126,475
Public safety training	4,862	-	-	-	-	-
Public welfare or civic improvement organizations	-	-	3	-	-	-
Act 345 retirement	-	-	-	624,597	-	-
Total fund balances (deficit)	4,862	-	3	624,597	20,140	126,475
Total liabilities and fund balances	\$ 4,862	\$ 5,400	\$ 1,762	\$ 624,597	\$ 20,140	\$ 126,475

Continued...

CITY OF TRAVERSE CITY, MICHIGAN
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2023

	Senior Center Building Fund	McCauley Estate Trust Fund	County Road Commission Projects Fund	Brown Bridge Trust Park Improvement Fund	Tree Ordinance Fund	Total
ASSETS						
Assets						
Cash & equity in pooled cash and investments	\$ 319,565	\$ 53,776	\$ 2,510,640	\$ 518,057	\$ 26,952	\$ 4,196,840
Investments	-	93,441	-	-	-	93,441
Receivables						
Accounts	-	-	-	-	-	9,986
Interest	-	981	-	-	-	981
Due from other funds	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	5,400
Total assets	\$ 319,565	\$ 148,198	\$ 2,510,640	\$ 518,057	\$ 26,952	\$ 4,306,648
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 131,084	\$ -	\$ -	\$ -	\$ -	\$ 132,843
Accrued and other liabilities	-	-	-	-	-	-
Unearned revenue	5,813	-	-	-	-	5,813
Due to other funds	-	-	-	-	-	5,400
Total liabilities	136,897	-	-	-	-	144,056
Deferred inflows of resources						
Unavailable revenue	-	-	-	-	-	-
Fund balances						
Restricted						
Joint planning	-	-	-	-	-	20,140
Capital improvements	182,668	-	-	-	-	309,143
Public safety training	-	-	-	-	-	4,862
Public welfare or civic improvement organizations	-	148,198	2,510,640	518,057	26,952	3,203,850
Act 345 retirement	-	-	-	-	-	624,597
Total fund balances	182,668	148,198	2,510,640	518,057	26,952	4,162,592
Total liabilities and fund balances	\$ 319,565	\$ 148,198	\$ 2,510,640	\$ 518,057	\$ 26,952	\$ 4,306,648

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, 2023

	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	\$ -	\$ -	\$ -	\$ 2,584,884	\$ -	\$ -
Federal sources	-	-	-	-	-	-
State sources	6,695	-	-	30,890	-	-
Charges for services	-	-	6,693	-	-	-
Ordinance fees and fines	-	-	-	-	-	-
Contributions	-	-	-	-	-	23,750
Interest income	-	-	-	5,621	-	1,033
Change in fair value of investments	-	-	-	-	-	-
Total revenues	<u>6,695</u>	<u>-</u>	<u>6,693</u>	<u>2,621,395</u>	<u>-</u>	<u>24,783</u>
Expenditures						
Current expenditures						
General government	-	-	9,419	-	-	9,220
Public safety	3,535	-	-	2,340,786	-	-
Public works	-	-	-	-	-	-
Recreation and Culture	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Total expenditures	<u>3,535</u>	<u>-</u>	<u>9,419</u>	<u>2,340,786</u>	<u>-</u>	<u>9,220</u>
Excess (deficiency) of revenues over expenditures	<u>3,160</u>	<u>-</u>	<u>(2,726)</u>	<u>280,609</u>	<u>-</u>	<u>15,563</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	3,160	-	(2,726)	280,609	-	15,563
Fund balances, beginning of year	<u>1,702</u>	<u>-</u>	<u>2,729</u>	<u>343,988</u>	<u>20,140</u>	<u>110,912</u>
Fund balances, (deficit) end of year	<u>\$ 4,862</u>	<u>\$ -</u>	<u>\$ 3</u>	<u>\$ 624,597</u>	<u>\$ 20,140</u>	<u>\$ 126,475</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, 2023

	Senior Center Building Fund	McCauley Estate Trust Fund	County Road Commission Projects Fund	Brown Bridge Trust Park Improvement Fund	Tree Ordinance Fund	Total
Revenues						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,584,884
Federal sources	-	-	-	-	-	-
State sources	-	-	-	-	-	37,585
Charges for services	-	-	-	167,537	-	174,230
Ordinance fees and fines	-	-	-	-	14,700	14,700
Contributions	1,341	-	1,142,449	-	8,108	1,175,648
Interest income	6,184	2,695	25,267	5,383	434	46,617
Change in fair value of investments	-	(1,292)	-	-	-	(1,292)
Total revenues	7,525	1,403	1,167,716	172,920	23,242	4,032,372
Expenditures						
Current expenditures						
General government	-	-	-	16,451	-	35,090
Public safety	-	-	-	-	-	2,344,321
Public works	-	-	202,225	-	75,454	277,679
Recreation and culture	-	-	-	-	-	-
Capital outlay	169,723	-	-	-	-	169,723
Total expenditures	169,723	-	202,225	16,451	75,454	2,826,813
Excess (deficiency) of revenues over expenditures	(162,198)	1,403	965,491	156,469	(52,212)	1,205,559
Other financing sources (uses)						
Transfers in	1,316	-	-	-	6,600	7,916
Transfers (out)	-	-	(1,327,647)	(147,000)	-	(1,474,647)
Total other financing sources (uses)	1,316	-	(1,327,647)	(147,000)	6,600	(1,466,731)
Net change in fund balance	(160,882)	1,403	(362,156)	9,469	(45,612)	(261,172)
Fund balances, beginning of year	343,550	146,795	2,872,796	508,588	72,564	4,423,764
Fund balances, end of year	\$ 182,668	\$ 148,198	\$ 2,510,640	\$ 518,057	\$ 26,952	\$ 4,162,592

Concluded

CITY OF TRAVERSE CITY, MICHIGAN
Combining Balance Sheet
Nonmajor Debt Service Funds
June 30, 2023

	<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 & equity in pooled cash and investments	\$ 1,639	\$ 3,676	\$ -	\$ 5,315
Accounts receivable	-	-	-	-
Total assets	<u>\$ 1,639</u>	<u>\$ 3,676</u>	<u>\$ -</u>	<u>\$ 5,315</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Due to other funds	\$ -	\$ -	\$ -	\$ -
Fund balances				
Restricted for debt service	1,639	3,676	-	5,315
Total liabilities and fund balances	<u>\$ 1,639</u>	<u>\$ 3,676</u>	<u>\$ -</u>	<u>\$ 5,315</u>

CITY OF TRAVERSE CITY, MICHIGAN
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Debt Service Funds
For the Year Ended June 30, 2023

	<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	\$ 71,503	\$ 973,056	\$ -	\$ 1,044,559
Expenditures				
Debt service				
Principal	565,000	860,000	-	1,425,000
Interest and fiscal charges	188,416	112,956	100	301,472
Total expenditures	<u>753,416</u>	<u>972,956</u>	<u>100</u>	<u>1,726,472</u>
Other financing sources (uses)				
Transfers in	682,165	-	-	682,165
Total other financing sources (uses)	<u>682,165</u>	<u>-</u>	<u>-</u>	<u>682,165</u>
Net change in fund balances	252	100	(100)	252
Fund balances, beginning of year	<u>1,387</u>	<u>3,576</u>	<u>100</u>	<u>5,063</u>
Fund balances, end of year	<u>\$ 1,639</u>	<u>\$ 3,676</u>	<u>\$ -</u>	<u>\$ 5,315</u>

CITY OF TRAVERSE CITY, MICHIGAN
Combining Balance Sheet
Nonmajor Capital Projects Funds
June 30, 2023

	Parking Bond Construction Non-taxable	Boardman Lake Trail Construction	Sidewalk Construction	Special Assessments	Total
ASSETS					
Assets					
Cash & equity in pooled cash and investments	\$ -	\$ 1,312,127	\$ 7,169	\$ 705,460	\$ 2,024,756
Investments	-	-	-	5,219	5,219
Receivables					
Accounts	-	750,000			750,000
Taxes	-	-	-	5,295	5,295
Special assessments	-	-	-	78,171	78,171
Total assets	\$ -	\$ 2,062,127	\$ 7,169	\$ 794,145	\$ 2,863,441
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities					
Accounts payable	\$ -	\$ 390,439	\$ -	\$ -	\$ 390,439
Advance from component unit	-	-	-	165	165
Total liabilities	-	390,439	-	165	390,604
Deferred inflows of resources					
Unavailable revenue	-	-	-	77,826	77,826
Fund balances					
Restricted					
Capital improvements	-	1,671,688	7,169	-	1,678,857
Committed					
Capital improvements	-	-	-	716,154	716,154
Total fund balances	-	1,671,688	7,169	716,154	2,395,011
Total liabilities, deferred inflows of resources, and fund balances	\$ -	\$ 2,062,127	\$ 7,169	\$ 794,145	\$ 2,863,441

CITY OF TRAVERSE CITY, MICHIGAN
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Projects Funds
For the Year Ended June 30, 2023

	Parking Deck Bond				
	Construction Non-Taxable	Boardman Lake Trail Construction	Sidewalk Construction	Special Assessments	Total
Revenues					
Federal sources	\$ -	\$ 150,000	\$ -	\$ -	\$ 150,000
Special assessments	-	-	-	27,396	27,396
Contributions	-	64,747	-	-	64,747
Interest income	-	-	-	13,099	13,099
Change in fair value of investments	-	-	-	-	-
Total revenues	-	214,747	-	40,495	255,242
Expenditures					
Public works	598	-	-	-	598
Capital outlay	-	583,497	-	71,076	654,573
Total expenditures	598	583,497	-	71,076	655,171
Net change in fund balances	(598)	(368,750)	-	(30,581)	(399,929)
Other financing sources (uses)					
Transfer out	-	(305,000)	-	-	(305,000)
Net change in fund balances	(598)	(673,750)	-	(30,581)	(704,929)
Fund balances, beginning of year	598	2,345,438	7,169	746,735	3,099,940
Fund balances, end of year	\$ -	\$ 1,671,688	\$ 7,169	\$ 716,154	\$ 2,395,011

CITY OF TRAVERSE CITY, MICHIGAN
Combining Statement of Fiduciary Net Position
June 30, 2023

	Other Postemployment				Total
	Act 345 Pension Trust Fund	Benefit Funds		Custodial Fund	
		Act 345 Retiree Health Insurance Trust	Retiree Health Insurance Trust	Tax Collection Fund	
Assets					
Cash & equity in pooled cash and investments	\$ 3,028,568	\$ 811,290	\$ -	\$ 249,661	\$ 4,089,519
Investments, at fair value					
Fixed income mutual funds	6,064,271	1,180,993	-	-	7,245,264
Domestic equities	10,012,747	2,413,535	-	-	12,426,282
International equities	5,186,961	616,235	-	-	5,803,196
Real estate	4,457,354	-	-	-	4,457,354
Other	10,217,119	-	-	-	10,217,119
MERS total market fund	-	-	2,339,791	-	2,339,791
Receivables					
Accounts receivable	-	73,173	-	7,128	80,301
Accrued interest	14,445	3,103	-	-	17,548
Prepaid items	-	-	6,426	-	6,426
Total assets	<u>38,981,465</u>	<u>5,098,329</u>	<u>2,346,217</u>	<u>256,789</u>	<u>46,682,800</u>
Liabilities					
Due to other governments	-	-	-	256,789	256,789
Accrued and other liabilities	111,187	-	295,736	-	406,923
Total liabilities	<u>111,187</u>	<u>-</u>	<u>295,736</u>	<u>256,789</u>	<u>663,712</u>
Net Position					
Held in trust for pension benefits and other post employment benefits	<u>\$ 38,870,278</u>	<u>\$ 5,098,329</u>	<u>\$ 2,050,481</u>	<u>\$ -</u>	<u>\$ 46,019,088</u>

CITY OF TRAVERSE CITY, MICHIGAN
Combining Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2023

	Other Postemployment				Total
	Act 345 Pension Trust Fund	Benefit Funds		Custodial Fund	
		Act 345 Retiree Health Insurance Trust	Retiree Health Insurance Trust	Tax Collection Fund	
Additions					
Contributions					
City contributions	\$ 2,340,786	\$ 623,832	\$ 12,611	\$ -	\$ 2,977,229
Employee contributions	101,373	-	-	-	101,373
Property taxes collected	-	-	-	60,742,557	60,742,557
Other	-	-	-	-	-
Total contributions	<u>2,442,159</u>	<u>623,832</u>	<u>12,611</u>	<u>60,742,557</u>	<u>63,821,159</u>
Investment earnings					
Interest and dividends	1,348,285	81,407	265	-	1,429,957
Net increase (decrease) in fair value of investments	1,280,755	362,427	162,552	-	1,805,734
Investment expense	(128,555)	(2,629)	-	-	(131,184)
Net investment earnings (loss)	<u>2,500,485</u>	<u>441,205</u>	<u>162,817</u>	<u>-</u>	<u>3,104,507</u>
Other	-	-	-	-	-
Total additions	<u>4,942,644</u>	<u>1,065,037</u>	<u>175,428</u>	<u>60,742,557</u>	<u>66,925,666</u>
Deductions					
Pension benefits paid	3,131,917	-	-	-	3,131,917
Health insurance premiums paid	-	503,778	149,704	-	653,482
Administrative expense (other)	31,461	16,800	4,115	-	52,376
Property taxes distributed	-	-	-	60,742,557	60,742,557
Total deductions	<u>3,163,378</u>	<u>520,578</u>	<u>153,819</u>	<u>60,742,557</u>	<u>64,580,332</u>
Net increase (decrease) in net position	1,779,266	544,459	21,609	-	2,345,334
Net position, beginning of year	37,091,012	4,553,870	2,028,872	-	43,673,754
Net position, end of year	<u>\$ 38,870,278</u>	<u>\$ 5,098,329</u>	<u>\$ 2,050,481</u>	<u>\$ -</u>	<u>\$ 46,019,088</u>

SINGLE AUDIT SECTION



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

December 27, 2023

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, 2023, 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 27, 2023.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Orederold Haefner LLC



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

December 27, 2023

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of Traverse City, Michigan's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of City of Traverse City, Michigan's major federal programs for the year ended June 30, 2023. City of Traverse City, Michigan's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, City of Traverse City, Michigan complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

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

Report on Internal Control over Compliance

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

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

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

Purpose of this Report

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

Ordedwald Haefner LLC

CITY OF TRAVERSE CITY, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass Through Grantor/Program Title	COVID-19 related	Federal Assistance Listing Number	Pass-Through Grantor's Number	Expenditures
United States Department of Commerce National Oceanic and Atmospheric Administration Passed through Grand Traverse Watershed Center Habitat Conservation - Kids Creek Restoration	no	11.463	NA18NMF4630291	\$ 142,896
U.S. Department of Justice Passed through Michigan State Police Comprehensive Opioid, Stimulant & Substance Abuse Program	no	16.838	15PBJA-21-04538-COAP	66,484
U.S. Department of Treasury Passed through Michigan Department of Treasury American Rescue Plan Act - Corona Virus Local Fiscal Recovery Fund	yes	21.027	MI2841	157,399
U.S. Nation Parks Service Passed through Grand Traverse County Land and Water Conservation Fund State and Local Assistance Program	no	15.916	LW18-0066	150,000
United States Environmental Protection Agency Passed Through Michigan Department of Environment, Great Lakes and Energy Clean Water State Revolving Loan Fund	no	66.468	5745-01	237,008
U.S. Department of Health and Human Services Passed through Michigan Department of Health and Human Services Epidemiology and Laboratory Capacity for Infectious Diseases	yes	93.323	E20224057-001	128,545
Epidemiology and Laboratory Capacity for Infectious Diseases	yes	93.323	E20230194-001	<u>317,183</u>
Total Federal Awards				<u>\$ 1,199,515</u>

See accompanying note to Schedule of Expenditures of Federal Awards.

CITY OF TRAVERSE CITY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2023

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

Grants reported on Governmental Funds Statement of Revenue, Expenditures and Changes in Fund Balance	\$ 476,669
Federal operating grants reported on Proprietary Funds Statement of Revenue, Expenses and Changes in Net Position	462,678
Federal operating grants reported on Component unit financial statements	<u>23,160</u>
Total Federal grant funding per financial statements	962,507
Federal grant draws added to proprietary fund long-term debt	<u>237,008</u>
Agrees to Schedule of Expenditures of Federal Awards	<u>\$ 1,199,515</u>

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

CITY OF TRAVERSE CITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	_____ yes	_____ <u>X</u> no	
Significant deficiency(ies) identified?	_____ yes	_____ <u>X</u> none reported	

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	_____ yes	_____ <u>X</u> no	
Significant deficiency(ies) identified?	_____ yes	_____ <u>X</u> none reported	

Type of auditors' report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a) of the Uniform Guidance? _____ yes X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
15.916	Land and Water Conservation Fund State and Local Assistance Program
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases

Dollar threshold used to distinguish between Type A and B programs: _____ \$750,000 _____

Auditee qualified as low-risk auditee? _____ yes X no

SECTION II - FINANCIAL STATEMENT FINDINGS

None noted

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted

SECTION IV - SUMMARY OF PRIOR AUDIT FINDINGS

None noted