

June 30, 2022

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, 2022

Elected Officials

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

Appointed Officials

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



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INDEPENDENT AUDITORS' REPORT

December 29, 2022

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, 2022, 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, 2022, 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 89 through 111 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 29, 2022, 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, 2022.

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 \$138,506,710 (*net position*). The City’s total net position increased by \$11,041,966 during the year ended June 30, 2022.
- As of the close of the current fiscal year, the City’s governmental funds reported combined ending fund balances of 33,121,533 a decrease of \$385,479 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 \$6,600,964 or 34.71% of total General Fund expenditures and transfers out. The General Fund Operating Fund unassigned fund balance was \$5,407,359 or 29.06% 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, Boardman Lake Trail Construction, Sidewalk Construction and Brown Bridge Trust Funds, each of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report. The General Fund includes the City's General Operating Fund and 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 \$138,506,710 at the close of the most recent fiscal year.

By far the largest portion of the City's net position, \$122,174,636 or 88.21 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 \$19,070,372 which represents resources that are subject to external restrictions on how they may be used and a deficit unrestricted net position of \$2,738,298.

The City's net position increased by \$11,041,966 during the year ended June 30, 2022.

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 6/30/22			FYE 6/30/21		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 44,373,596	\$ 15,331,140	\$ 59,704,736	\$ 42,821,589	\$ 14,151,956	\$ 56,973,545
Capital assets	59,446,853	72,303,474	131,750,327	53,508,282	70,710,926	124,219,208
Total assets	103,820,449	87,634,614	191,455,063	96,329,871	84,862,882	181,192,753
Deferred outflows	5,137,936	1,004,288	6,142,224	4,624,745	921,743	5,546,488
Long-term liabilities	11,786,146	97,013	11,883,159	13,123,382	1,374,271	14,497,653
Net Pension Liability	27,894,840	4,157,481	32,052,321	23,943,930	4,056,708	28,000,638
Net Other Post Employment Benefit Liability	5,348,103	-	5,348,103	4,673,856	-	4,673,856
Other liabilities	5,101,101	1,366,700	6,467,801	3,239,135	584,050	3,823,185
Total Liabilities	50,130,190	5,621,194	55,751,384	44,980,303	6,015,029	50,995,332
Deferred inflows	2,635,199	703,994	3,339,193	7,464,323	814,842	8,279,165
Net Position:						
Net Investment in capital assets	50,421,162	71,753,474	122,174,636	44,341,347	68,812,707	113,154,054
Restricted assets	19,070,372	-	19,070,372	21,121,592	-	21,121,592
Unrestricted (deficit)	(13,298,538)	10,560,240	(2,738,298)	(16,952,949)	10,142,047	(6,810,902)
Total net position	\$ 56,192,996	\$ 82,313,714	\$ 138,506,710	\$ 48,509,990	\$ 78,954,754	\$ 127,464,744

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

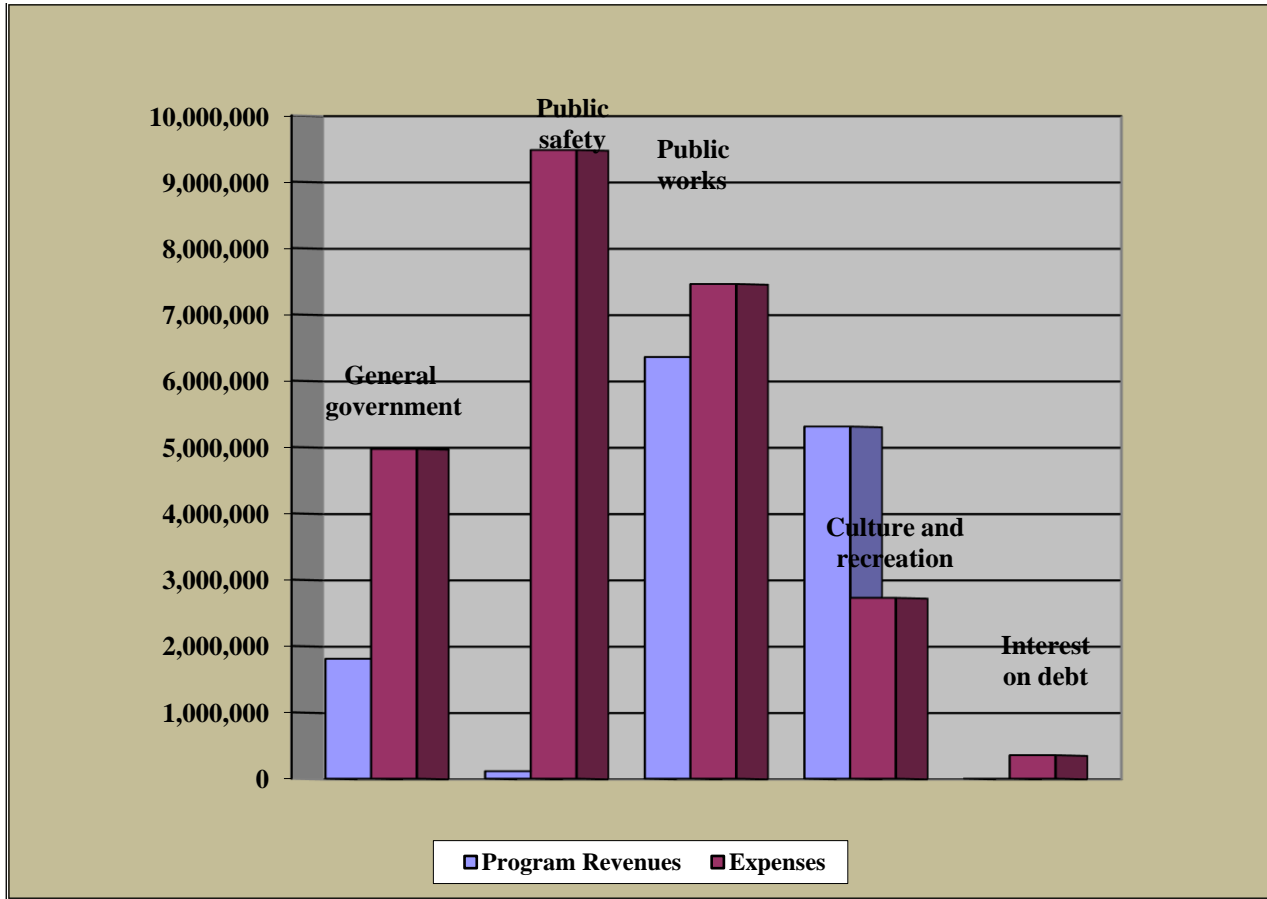
	FYE 6/30/22			FYE 6/30/21		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Program revenue:						
Charges for services	\$ 2,250,811	\$ 17,469,111	\$ 19,719,922	\$ 2,481,766	\$ 16,951,175	\$ 19,432,941
Operating grants/contributions	4,355,473	645,623	5,001,096	4,751,220	76,932	4,828,152
Capital grant/contributions	6,341,477	28,778	6,370,255	2,601,590	-	2,601,590
General Revenue:						
Property taxes	16,964,001	-	16,964,001	16,148,753	-	16,148,753
Unrestricted grants/contributions	2,173,466	-	2,173,466	1,881,907	-	1,881,907
Franchise revenue	238,046	-	238,046	241,553	-	241,553
Other	(330,310)	(1,027,784)	(1,358,094)	103,563	56,068	159,631
Total revenue	31,992,964	17,115,728	49,108,692	28,210,352	17,084,175	45,294,527
Expenses:						
General government	4,971,374	-	4,971,374	4,346,793	-	4,346,793
Public safety	9,477,614	-	9,477,614	8,878,607	-	8,878,607
Public works	7,457,487	-	7,457,487	6,177,746	-	6,177,746
Culture and recreation	2,725,517	-	2,725,517	2,610,363	-	2,610,363
Interest and fiscal charges	353,930	-	353,930	388,150	-	388,150
Wastewater	-	6,620,248	6,620,248	-	6,174,462	6,174,462
Water	-	3,054,016	3,054,016	-	2,908,866	2,908,866
Hickory Hills	-	703,411	703,411	-	619,932	619,932
Marina	-	472,029	472,029	-	510,810	510,810
Autoparking	-	2,245,295	2,245,295	-	2,105,964	2,105,964
Total expenses	24,985,922	13,094,999	38,080,921	22,401,659	12,320,034	34,721,693
Increase (decrease) before transfers/contributions	7,007,042	4,020,729	11,027,771	5,808,693	4,764,141	10,572,834
Operating transfers	661,769	(661,769)	-	625,914	(625,914)	-
Contribution to endowment	14,195	-	14,195	3,851	-	3,851
Increase in net position	7,683,006	3,358,960	11,041,966	6,438,458	4,138,227	10,576,685
Net position beginning of year	48,509,990	78,954,754	127,464,744	42,071,532	74,816,527	116,888,059
Net position end of year	\$ 56,192,996	\$ 82,313,714	\$ 138,506,710	\$ 48,509,990	\$ 78,954,754	\$ 127,464,744

Governmental activities increased the City's net position by \$7,683,006. Key highlights are as follows:

- Charges for services increased approximately \$400,000 versus 2021 with increases spread throughout the category.
- Operating grants and contributions decreased approximately \$400,000 due in large part to the receipt in 2021 of approximately \$815,000 of one time federal CARES act funding and an increase of approximately \$200,000 during 2022 in state gas & weight tax street funding.

- Capital grants and contributions increased approximately \$3,750,000 due to receipt of Brownfield funding for the West Boardman Lake Trail Loop project and federal funding for the NOAA Kids Creek Restoration project. Unrestricted property tax revenue increased approximately \$960,000 with over \$500,000 coming from an increase in The General Fund operating levy.

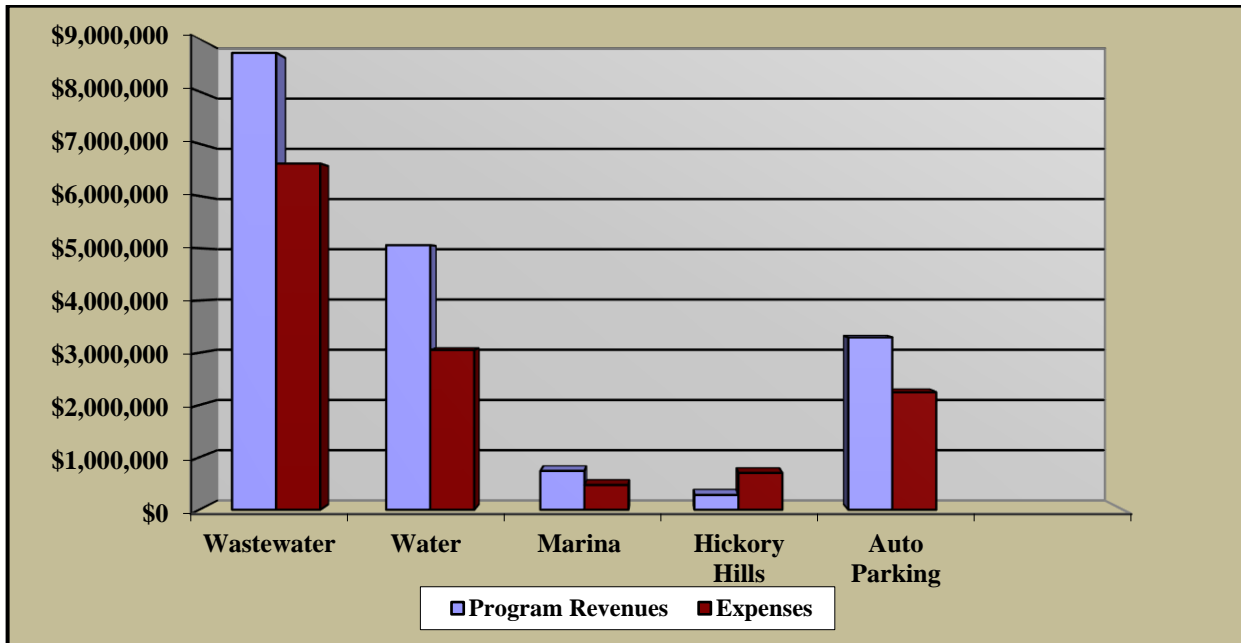
Program Revenues and Expenses - Governmental Activities



Business-type activities increased the City’s net position by \$3,358,960. Key highlights of activities in the funds are as follows:

- Charges for services in the Wastewater fund decreased approximately \$350,000. City resident usage fees were up by nearly \$400,000 but fees charged to participating townships decreased over \$700,000 as the amount of eligible plan related costs that can be charged to townships decreased significantly.
- Charges for services in the Water fund decreased approximately \$100,000 with charges to townships making up the vast majority of the decrease.
- The Auto Parking System fund rebounded from COVID 19 restrictions in 2022 with total charges for services increasing \$900,000 from 2021 .
- Marina Charges for services were consistent from 2021 to 2022 with increased gas prices accounting for the majority of the approximately \$20,000 increase .
- Hickory Hills charges increased slightly with food concession sales and lodge rental making up the majority of the approximately \$15,000 increase.

Program Revenues and Expenses - Business-type Activities



Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$33,121,533, a decrease of \$385,479 in comparison with the prior year. \$6,600,964 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 \$6,600,964. 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 34.71 percent of total General Fund expenditures including transfers out. The unassigned fund balance of the General Operating Fund represented 29.06 percent of the Operating Fund expenditures including transfers out.

The Major Streets Fund has a total fund balance of \$1,142,915 which increased by \$194,096 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 \$548,915 for 2022.

The Coronavirus fund had a \$482 fund balance for the current year. The fund had \$1,653,886 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 \$1,741,711 decreased by \$818,712 during 2022. This is due in most part to previously funded projects being completed in 2022.

The Boardman Lake Trail Construction Capital Projects Fund's fund balance of \$2,345,438 increased by \$14,287.

The Sidewalk Construction Capital Projects Fund's fund balance of \$7,169 decreased by \$767,703 as bond proceeds received in the prior year were used for the sidewalk gap and infill program.

The Brown Bridge Permanent Trust fund balance decreased by \$717,155 ending the year at \$11,598,261. The decrease was almost exclusively related to the year-end adjustment to market of investments held by the trust.

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

Unrestricted net position of the Wastewater, Water, Hickory Hills, Marina, and Auto Parking System funds at the end of the year amounted to \$10,214,810 with net investment in capital assets of \$71,753,474. For the current year, the Wastewater Fund had an increase in net position of \$1,703,319, the Water Fund had an increase in net position for the year of \$1,471,122, the Hickory Hills Fund had a decrease in net position of \$ 56,424, the Marina Fund had an increase in net position of \$215,845 and the Auto Parking System had a decrease in net position of \$36,802.

General Fund Budgetary Highlights

During the year, General Fund revenues and transfers in were greater than budgetary estimates by \$567,123. Actual expenditures and transfers out were under amended budget amounts by \$1,264,104. Overall, the actual fund balance increased by \$1,244,727, compared to an amended budget decrease estimate of \$586,500.

Capital Asset and Debt Administration

Capital assets. The City's total capital assets for its governmental and business-type activities as of June 30, 2022, amounted to \$131,750,327 (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 Kids Creek Culvert project, total costs \$349,200.
- Completion of the Sidewalk Gap and Infill Project total costs of \$3,710,000.
- Continuation of the West Boardman Lake Trail Loop Project, costs to date of \$5,103,300.
- Purchase of Parking Deck Video Management System for \$202,200.
- Purchase of Pierce Fire Pumper Truck for \$715,000.

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

	2022			2021		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Land and non depreciated improvements	\$ 10,508,260	\$ 11,957,419	\$ 22,465,679	\$ 10,394,767	\$ 11,957,420	\$ 22,352,187
Construction in Progress	8,810,949	10,684,348	19,495,297	5,415,724	7,738,310	13,154,034
Land Improvements	6,147,267	930,782	7,078,049	6,374,337	1,075,107	7,449,444
Infrastructure	22,054,383	13,375,107	35,429,490	19,089,442	13,687,816	32,777,258
Buildings and improvements	5,172,480	32,974,237	38,146,717	5,475,021	34,045,026	39,520,047
Machinery and equipment	6,753,514	2,381,581	9,135,095	6,758,991	2,207,247	8,966,238
	\$ 59,446,853	\$ 72,303,474	\$ 131,750,327	\$ 53,508,282	\$ 70,710,926	\$ 124,219,208

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

Long-term debt. At the end of the current fiscal year, the City had total bonded debt and capital lease payables of \$11,095,000. 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 Capital Leases
Table IV

	2021			2021		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Direct placement bonds - Parking Deck	\$ 4,935,000	\$ -	\$ 4,935,000	\$ 5,748,085	\$ -	\$ 5,748,085
Direct placement bonds - Trail and Sidewalk Construction	6,160,000	-	6,160,000	6,705,000	-	6,705,000
Capital lease payable - Wastewater Treatment Plant	-	-	-	-	1,273,219	1,273,219
TOTAL	\$ 11,095,000	\$ -	\$ 11,095,000	\$ 12,453,085	\$ 1,273,219	\$ 13,726,304

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 \$124,024,457 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 2022/23 fiscal year:

- The General Fund tax levy was adjusted down to 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.
- The City's capital improvement plan projects approximately \$41 million of potential capital related expenses in fiscal year 2022/23 including \$4.5 million in the Wastewater and close to \$3.1 million in the Water Fund. The Traverse City Light and Power component unit projects \$5.5 million and the Downtown Development Authority component unit \$16 million. The General Fund budget includes a \$1,222,100 transfer to the capital projects fund for various projects including \$711,500 of street related projects.
- The City received approximately \$1.6 million in American Rescue Plan Act funding from the Federal Government and has established a separate fund to track the use of these one-time payments to the City.
- The renewal of a special road commission millage by voters in the County has resulted in the City setting up a Road Commission Millage Street Project Fund to account for the City's share of the road millage that will be used for street pavement preservation projects. That millage is expected to provide about \$910,000 annually over a three year period.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

CITY OF TRAVERSE CITY, MICHIGAN
Statement of Net Position
June 30, 2022

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority	Light and Power
Assets					
Cash & equity in pooled cash and investments	\$ 22,902,447	\$ 4,559,402	\$ 27,461,849	\$ 6,993,568	\$ 870,754
Investments	12,391,203	7,853,664	20,244,867	-	9,837,577
Receivables, net	6,697,610	2,936,472	9,634,082	601,660	6,794,184
Due from component unit	-	-	-	-	-
Internal balances	455,850	(455,850)	-	-	-
Inventories	291,669	110,354	402,023	-	1,674,398
Prepaid items and other assets	432,390	274,754	707,144	3,112	219,128
Other post employment benefits	562,427	52,344	614,771	-	-
Advances to primary government	-	-	-	-	171,711
Advances to component unit	640,000	-	640,000	-	-
Right to use asset	-	-	-	-	160,294
Capital assets not being depreciated	19,319,209	22,641,767	41,960,976	1,879,558	2,065,127
Capital assets being depreciated	40,127,644	49,661,707	89,789,351	-	72,060,917
Total assets	103,820,449	87,634,614	191,455,063	9,477,898	93,854,090
Deferred outflows of resources					
Deferred outflows - pensions	4,106,705	953,472	5,060,177	-	3,222,303
Deferred outflows - other post employment benefits	878,289	50,816	929,105	-	1,212,795
Deferred outflows - loss on refunding	152,942	-	152,942	-	-
Total deferred outflows of resources	5,137,936	1,004,288	6,142,224	-	4,435,098
Liabilities					
Accounts payable and accrued expenses	3,267,486	1,366,700	4,634,186	876,294	3,808,608
Unearned revenue	1,661,904	-	1,661,904	213,816	11,206
Advance from primary government	-	-	-	-	640,000
Advances from component units	171,711	-	171,711	-	-
Long-term liabilities					
Net pension liability	27,894,840	4,157,481	32,052,321	-	8,087,123
Net other post employment benefit liability	5,348,103	-	5,348,103	-	800,471
Other long-term liabilities					
Due within one year	1,430,578	1,621	1,432,199	-	43,251
Due in more than one year	10,355,568	95,392	10,450,960	35,521	488,802
Total liabilities	50,130,190	5,621,194	55,751,384	1,125,631	13,879,461
Deferred inflows of resources					
Deferred inflows - Lease	-	-	-	-	313,936
Deferred inflows - pensions	2,385,690	682,185	3,067,875	-	2,311,970
Deferred inflows - other post employment benefits	249,509	21,809	271,318	-	716,966
Total deferred inflows of resources	2,635,199	703,994	3,339,193	-	3,342,872
Net position					
Net investment in capital assets	50,421,162	71,753,474	122,174,636	1,879,558	71,148,442
Restricted for					
Debt service	4,638	-	4,638	-	-
Joint planning	20,140	-	20,140	-	-
Capital improvements	2,807,667	-	2,807,667	-	-
Streets and highways	1,142,915	-	1,142,915	-	-
Public safety training	1,702	-	1,702	-	-
Public welfare or civic improvement organizations	3,603,472	-	3,603,472	-	-
Act 345 retirement	343,988	-	343,988	-	-
Tax increment finance districts	-	-	-	5,772,046	-
Nonexpendable brown bridge trust	11,598,261	-	11,598,261	-	-
Nonexpendable cemetery perpetual trust	768,736	-	768,736	-	-
Unrestricted (deficit)	(14,519,685)	10,560,240	(3,959,445)	700,663	9,918,413
Total net position	\$ 56,192,996	\$ 82,313,714	\$ 138,506,710	\$ 8,352,267	\$ 81,066,855

CITY OF TRAVERSE CITY, MICHIGAN
Statement of Activities
For the Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities					
General government	\$ 4,971,374	\$ 1,164,855	\$ 641,844	\$ -	\$ (3,164,675)
Public safety	9,477,614	91,798	20,706	-	(9,365,110)
Public works	7,457,487	1,062,386	3,459,624	1,834,747	(1,100,730)
Culture and recreation	2,725,517	568,490	233,299	4,506,730	2,583,002
Interest and fiscal charges	353,930	-	-	-	(353,930)
Total governmental activities	<u>24,985,922</u>	<u>2,887,529</u>	<u>4,355,473</u>	<u>6,341,477</u>	<u>(11,401,443)</u>
Business-type activities					
Wastewater	6,620,248	8,091,100	645,623	-	2,116,475
Water	3,054,016	5,058,227	-	-	2,004,211
Marina	472,029	742,623	-	-	270,594
Hickory Hills	703,411	281,527	-	28,778	(393,106)
Automobile parking	2,245,295	3,295,634	-	-	1,050,339
Total business-type activities	<u>13,094,999</u>	<u>17,469,111</u>	<u>645,623</u>	<u>28,778</u>	<u>5,048,513</u>
Total primary government	<u>\$ 38,080,921</u>	<u>\$ 20,356,640</u>	<u>\$ 5,001,096</u>	<u>\$ 6,370,255</u>	<u>\$ (6,352,930)</u>
Component units					
Downtown Development Authority	\$ 4,535,439	\$ 1,022,136	\$ 367,754	\$ 1,827,115	\$ (1,318,434)
Light and Power	35,519,758	36,421,589	157,672	-	1,059,503
Total component units	<u>\$ 40,055,197</u>	<u>\$ 37,443,725</u>	<u>\$ 525,426</u>	<u>\$ 1,827,115</u>	<u>\$ (258,931)</u>

Continued...

CITY OF TRAVERSE CITY, MICHIGAN
Statement of Activities
For the Year Ended June 30, 2022

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	\$ (11,401,443)	\$ 5,048,513	\$ (6,352,930)	\$ (1,318,434)	\$ 1,059,503
General revenues					
Unrestricted property taxes	16,964,001	-	16,964,001	129,683	-
Restricted property taxes for tax increment finance districts	-	-	-	3,748,269	-
Grants and contributions not restricted to specific programs	2,173,466	-	2,173,466	-	-
Franchise revenue	238,046	-	238,046	-	-
Interest income	108,557	95,878	204,435	915	-
Change in fair value of investments	(1,101,185)	(1,123,662)	(2,224,847)	-	(985,620)
Gain (loss) on sale of capital assets	25,600	-	25,600	-	(91,231)
Transfers	661,769	(661,769)	-	-	-
Contribution to endowment	14,195	-	14,195	-	-
Total general revenues, transfers and contributions	19,084,449	(1,689,553)	17,394,896	3,878,867	(1,076,851)
Change in net position	7,683,006	3,358,960	11,041,966	2,560,433	(17,348)
Net position, beginning of year, as restated	48,509,990	78,954,754	127,464,744	5,791,834	81,084,203
Net position, end of year	\$ 56,192,996	\$ 82,313,714	\$ 138,506,710	\$ 8,352,267	\$ 81,066,855

Concluded

CITY OF TRAVERSE CITY, MICHIGAN
Balance Sheet
Governmental Funds
June 30, 2022

	Special Revenue				Capital Projects			Permanent	Nonmajor Governmental Funds	Total
	General Fund	Major Streets Fund	Local Streets Fund	Coronavirus Fiscal Recovery Fund	Capital Projects	Boardman Lake Trail Construction	Sidewalk Construction	Brown Bridge Trust Fund		
ASSETS										
Assets										
Cash & equity in pooled cash and investments	\$ 5,900,551	\$ 841,225	\$ -	\$ 1,654,368	\$ 2,705,991	\$ -	\$ 7,169	\$ 2,136,068	\$ 5,291,995	\$ 18,537,367
Investments	2,226,340	-	-	-	85,329	-	-	9,432,306	647,228	12,391,203
Receivables										
Accounts	588,979	-	290	-	1,742,565	3,219,009	-	-	7,781	5,558,624
Taxes	-	-	-	-	-	-	-	-	4,957	4,957
Special assessments	-	-	-	-	-	-	-	-	105,567	105,567
Accrued interest	5,954	-	-	-	-	-	-	29,887	4,099	39,940
Due from other governments	330,759	324,413	82,906	-	237,394	-	-	-	5,400	980,872
Due from other funds	767,011	-	-	-	-	-	-	-	-	767,011
Inventory	48,308	-	-	-	-	-	-	-	-	48,308
Prepaid items and other assets	432,390	-	-	-	-	-	-	-	-	432,390
Advances to other funds	550,000	-	-	-	-	-	-	-	-	550,000
Advances to component units	640,000	-	-	-	-	-	-	-	-	640,000
Total assets	\$ 11,490,292	\$ 1,165,638	\$ 83,196	\$ 1,654,368	\$ 4,771,279	\$ 3,219,009	\$ 7,169	\$ 11,598,261	\$ 6,067,027	\$ 40,056,239
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE										
Liabilities										
Accounts payable	\$ 722,569	\$ 21,351	\$ 14,128	\$ -	\$ 1,304,817	\$ 431,173	\$ -	\$ -	\$ 5,157	\$ 2,499,195
Accrued and other liabilities	340,890	1,372	1,135	-	-	-	-	-	375	343,772
Due to other funds	-	-	67,933	-	-	442,398	-	-	5,400	515,731
Deposits payable	85,051	-	-	-	-	-	-	-	-	85,051
Unearned revenue	1,121	-	-	1,653,886	1,085	-	-	-	5,813	1,661,905
Advance from component unit	-	-	-	-	171,546	-	-	-	165	171,711
Total liabilities	1,149,631	22,723	83,196	1,653,886	1,477,448	873,571	-	-	16,910	5,277,365
Deferred inflows of resources										
Unavailable revenue	-	-	-	-	1,552,120	-	-	-	105,221	1,657,341
Fund balance										
Nonspendable										
Inventory	48,308	-	-	-	-	-	-	-	-	48,308
Prepaid items	432,390	-	-	-	-	-	-	-	-	432,390
Advance to other funds	550,000	-	-	-	-	-	-	-	-	550,000
Advance to component unit	640,000	-	-	-	-	-	-	-	-	640,000
Brown bridge trust	-	-	-	-	-	-	-	11,598,261	-	11,598,261
Cemetery perpetual care	-	-	-	-	-	-	-	-	768,736	768,736
Restricted										
Debt service	-	-	-	-	-	-	-	-	5,063	5,063
Streets and highways	-	1,142,915	-	-	-	-	-	-	-	1,142,915
Joint planning	-	-	-	-	-	-	-	-	20,140	20,140
Capital improvements	-	-	-	-	-	2,345,438	7,169	-	455,060	2,807,667
Public safety training	-	-	-	-	-	-	-	-	1,702	1,702
Public welfare or civic improvement organizati	-	-	-	-	-	-	-	-	3,603,472	3,603,472
Act 345 retirement	-	-	-	-	-	-	-	-	343,988	343,988
Committed										
Budget stabilization	753,299	-	-	-	-	-	-	-	-	753,299
Coronavirus relief programs	-	-	-	482	-	-	-	-	-	482
Capital improvements	-	-	-	-	1,741,711	-	-	-	746,735	2,488,446
Assigned										
Subsequent year budget	1,315,700	-	-	-	-	-	-	-	-	1,315,700
Unassigned	6,600,964	-	-	-	-	-	-	-	-	6,600,964
Total fund balance	10,340,661	1,142,915	-	482	1,741,711	2,345,438	7,169	11,598,261	5,944,896	33,121,533
Total liabilities, deferred inflows of resources and fund balance	\$ 11,490,292	\$ 1,165,638	\$ 83,196	\$ 1,654,368	\$ 4,771,279	\$ 3,219,009	\$ 7,169	\$ 11,598,261	\$ 6,067,027	\$ 40,056,239

Continued.....

CITY OF TRAVERSE CITY, MICHIGAN
Balance Sheet
Governmental Funds
June 30, 2022

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

Fund balances - total governmental funds	\$	33,121,533
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		109,971,083
Subtract: accumulated depreciation		(58,221,028)
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		510,084
Add: deferred outflow of resources - pension		3,750,116
Add: deferred outflow of resources - other post employment benefits		827,473
Add: unavailable revenue		1,657,341
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		10,131,169
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		152,942
Subtract: deferred bond premium - Hardy Deck		(11,072)
Subtract: deferred inflow of resources - pension		(2,103,440)
Subtract: deferred inflow of resources - other post employment benefits		(227,700)
Subtract: net pension liability		(26,196,441)
Subtract: net other post employment benefit liability		(5,348,103)
Subtract: bonds payable		(11,095,000)
Subtract: compensated absences		(648,237)
Subtract: accrued interest on long-term liabilities		(77,724)
Net position of governmental activities	\$	<u>56,192,996</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, 2022

	Special Revenue Funds				Capital Projects			Permanent	Nonmajor Governmental Funds	Total
	General	Major Streets	Local Streets	Coronavirus Fiscal Recovery Fund	Capital Projects	Boardman Lake Trail Construction	Sidewalk Construction	Brown Bridge Trust		
Revenues										
Property taxes and special assessments	\$ 12,790,270	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,432,972	\$ 15,223,242
Licenses and permits	519,562	-	-	-	-	-	-	-	-	519,562
Federal sources	471	-	-	-	1,205,600	-	-	-	-	1,206,071
State sources	2,151,534	1,786,500	599,151	-	-	600,000	-	-	25,577	5,162,762
Local sources	1,813,125	-	-	-	-	-	-	-	1,011,830	2,824,955
Charges for services	585,918	-	-	-	-	-	-	-	248,231	834,149
Ordinance fees and fines	44,905	-	-	-	-	-	-	-	6,600	51,505
Contributions	65,720	-	-	-	1,008,698	3,603,342	-	-	1,258,706	5,936,466
Reimbursement	570,839	67,548	-	-	1,203	-	-	-	-	639,590
Interest revenue	86,358	-	-	482	207	-	-	87,352	37,192	211,591
Change in fair value of investments	(322,681)	-	-	-	-	-	-	(636,718)	(190,618)	(1,150,017)
Other revenue	599,049	-	-	-	-	-	-	-	-	599,049
Total revenues	18,905,070	1,854,048	599,151	482	2,215,708	4,203,342	-	(549,366)	4,830,490	32,058,925
Expenditures										
Current expenditures										
General government	4,799,064	-	-	-	-	-	-	-	171,680	4,970,744
Public safety	7,686,744	-	-	-	-	-	-	-	2,517,296	10,204,040
Public works	1,817,598	1,659,952	1,148,066	-	355,087	-	-	-	220,869	5,201,572
Recreation and Culture	2,109,447	-	-	-	-	-	-	-	-	2,109,447
Capital outlay	75,815	-	-	-	4,123,855	3,894,055	805,966	-	38,838	8,938,529
Debt service										
Principal	-	-	-	-	-	-	-	-	1,345,000	1,345,000
Interest expense and fiscal charges	-	-	-	-	-	-	-	-	336,841	336,841
Total expenditures	16,488,668	1,659,952	1,148,066	-	4,478,942	3,894,055	805,966	-	4,630,524	33,106,173
Excess (deficiency) of revenues over expenditures	2,416,402	194,096	(548,915)	482	(2,263,234)	309,287	(805,966)	(549,366)	199,966	(1,047,248)
Other financing sources (uses)										
Proceeds from construction bond	-	-	-	-	-	-	-	-	-	-
Transfers in	1,355,953	-	548,915	-	1,549,600	-	38,263	-	737,215	4,229,946
Transfers out	(2,527,628)	-	-	-	(105,078)	(295,000)	-	(167,789)	(472,682)	(3,568,177)
Total other financing sources (uses)	(1,171,675)	-	548,915	-	1,444,522	(295,000)	38,263	(167,789)	264,533	661,769
Net change in fund balances	1,244,727	194,096	-	482	(818,712)	14,287	(767,703)	(717,155)	464,499	(385,479)
Fund balance, beginning of year	9,095,934	948,819	-	-	2,560,423	2,331,151	774,872	12,315,416	5,480,397	33,507,012
Fund balance, end of year	\$ 10,340,661	\$ 1,142,915	\$ -	\$ 482	\$ 1,741,711	\$ 2,345,438	\$ 7,169	\$ 11,598,261	\$ 5,944,896	\$ 33,121,533

Continued.....

CITY OF TRAVERSE CITY, MICHIGAN
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2022

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 \$ (385,479)

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	7,717,382
Subtract: depreciation expense	(1,819,306)

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	1,345,000
Add: amortization of premium	2,013
Subtract: Amortization of deferred loss on refunding	(27,658)

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

Subtract: decrease in deferred contributions and special assessment receivables	(77,365)
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Subtract: decrease in other post employment benefit asset, deferred outflow and deferred inflows	(113,601)
Subtract: increase in compensated absences payable	(10,771)
Add: decrease in accrued interest payable	8,558
Add: change in net pension liability, deferred outflows and deferred inflows	584,534
Add: change in net other post employment benefit liability, deferred outflows and deferred inflows	15,767

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: gain on disposal of capital assets in governmental internal service fund	25,600
Add: net operating income from governmental activities accounted for in internal service fund	<u>418,332</u>

Change in net position of governmental activities	<u>\$ 7,683,006</u>
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Concluded

CITY OF TRAVERSE CITY, MICHIGAN
Statement of Net Position
Proprietary Funds
June 30, 2022

	Business-type Activities - Enterprise Funds					Total	Governmental Activities - Internal Service Fund
	Wastewater	Water	Hickory Hills	Marina	Automobile Parking System		
Assets							
Current assets							
Cash & equity in pooled cash and investments	\$ 1,344	\$ 778,645	\$ 208,828	\$ 803,057	\$ 2,767,528	\$ 4,559,402	\$ 4,365,080
Investments	-	2,732,801	-	-	5,120,863	7,853,664	-
Receivables							
Accounts	1,722,978	1,036,797	-	46,560	42,408	2,848,743	7,650
Taxes	-	-	-	-	-	-	-
Interest	-	5,494	-	-	15,700	21,194	-
Other governments	66,535	-	-	-	-	66,535	-
Inventory	-	56,212	-	54,142	-	110,354	243,361
Prepaid cost and other assets	265,175	9,579	-	-	-	274,754	-
Total current assets	2,056,032	4,619,528	208,828	903,759	7,946,499	15,734,646	4,616,091
Noncurrent assets							
Other post employment benefits	29,126	23,218	-	-	-	52,344	52,343
Capital assets not being depreciated	1,949,009	7,240,382	1,729,467	8,412,302	3,310,607	22,641,767	640,073
Capital assets being depreciated	21,474,079	10,782,624	3,759,047	345,564	13,300,393	49,661,707	7,056,725
Total noncurrent assets	23,452,214	18,046,224	5,488,514	8,757,866	16,611,000	72,355,818	7,749,141
Total assets	25,508,246	22,665,752	5,697,342	9,661,625	24,557,499	88,090,464	12,365,232
Deferred outflows							
Deferred outflow of resources - pensions	330,125	578,911	1,962	18,773	23,701	953,472	356,589
Deferred outflow of resources - other post employment benefits	5,339	45,477	-	-	-	50,816	50,816
Total deferred outflows	335,464	624,388	1,962	18,773	23,701	1,004,288	407,405
Liabilities							
Current liabilities							
Accounts payable	354,556	668,382	4,956	79,489	191,736	1,299,119	242,960
Accrued and other liabilities	19,021	29,150	2,131	15,559	1,720	67,581	18,783
Due to other funds	251,280	-	-	-	-	251,280	-
Current portion of compensated absences	23	1,598	-	-	-	1,621	-
Current portion of long-term debt	-	-	-	-	-	-	-
Total current liabilities	624,880	699,130	7,087	95,048	193,456	1,619,601	261,743
Long-term liabilities							
Advance from other funds	-	-	-	550,000	-	550,000	-
Long-term debt, net of current portion	-	-	-	-	-	-	-
Net pension liability	1,339,456	2,548,566	313	126,508	142,638	4,157,481	1,698,399
Compensated absences	42,285	52,904	-	-	203	95,392	31,837
Total long-term liabilities	1,381,741	2,601,470	313	676,508	142,841	4,802,873	1,730,236
	2,006,621	3,300,600	7,400	771,556	336,297	6,422,474	1,991,979
Deferred inflows							
Deferred inflow of resources - pensions	257,364	391,544	3,291	21,019	8,967	682,185	282,250
Deferred inflow of resources - other post employment benefits	2,074	19,735	-	-	-	21,809	21,809
Deferred gain on refunding	-	-	-	-	-	-	-
Total deferred inflows	259,438	411,279	3,291	21,019	8,967	703,994	304,059
Net Position							
Net investment in capital assets	23,423,088	18,023,006	5,488,514	8,207,866	16,611,000	71,753,474	7,056,725
Unrestricted (deficit)	154,563	1,555,255	200,099	679,957	7,624,936	10,214,810	3,419,874
Total net position	\$ 23,577,651	\$ 19,578,261	\$ 5,688,613	\$ 8,887,823	\$ 24,235,936	\$ 81,968,284	\$ 10,476,599

Continued.....

CITY OF TRAVERSE CITY, MICHIGAN
Statement of Net Position
Proprietary Funds
June 30, 2022

**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 \$ 81,968,284

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

345,430

Net position of business-type activities

\$ 82,313,714

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, 2022

	Business-type Activities - Enterprise Funds					Total	Governmental Activities - Internal Service Fund
	Wastewater	Water	Hickory Hills	Marina	Automobile Parking System		
Operating revenues							
Charges for services	\$ 7,869,973	\$ 4,949,893	\$ 279,152	\$ 730,836	\$ 3,264,414	\$ 17,094,268	\$ -
Interdepartmental	-	-	-	-	-	-	3,686,018
Contributions	-	-	28,778	-	-	28,778	-
Other revenue	221,127	107,097	2,375	11,787	31,220	373,606	75,620
Total operating revenues	8,091,100	5,056,990	310,305	742,623	3,295,634	17,496,652	3,761,638
Operating expenses							
Personnel services	805,053	1,460,465	217,325	171,145	14,091	2,668,079	891,217
Commodities	33,357	210,796	62,313	12,052	50,451	368,969	507,025
Contractual services	4,853,048	415,640	101,169	95,201	1,269,252	6,734,310	208,279
Other charges	254,128	487,617	202,634	61,503	452,138	1,458,020	213,016
Depreciation and amortization	673,585	496,936	134,188	110,416	468,099	1,883,224	1,461,869
Total operating expenses	6,619,171	3,071,454	717,629	450,317	2,254,031	13,112,602	3,281,406
Operating income	1,471,929	1,985,536	(407,324)	292,306	1,041,603	4,384,050	480,232
Nonoperating revenues (expenses)							
Federal Grants	645,623	-	-	-	-	645,623	-
Reimbursements	-	1,237	-	-	-	1,237	-
Interest revenue	541	29,955	-	1,477	63,905	95,878	-
Change in fair value of investments	-	(292,695)	-	(18,184)	(812,783)	(1,123,662)	-
Capital Contributions	-	-	-	-	-	-	-
Interest expense and fiscal charges	(21,239)	-	-	(23,058)	-	(44,297)	-
Gain (loss) on sale of capital assets	-	-	-	-	-	-	25,600
Total nonoperating revenues (expenses)	624,925	(261,503)	-	(39,765)	(748,878)	(425,221)	25,600
Income before transfers	2,096,854	1,724,033	(407,324)	252,541	292,725	3,958,829	505,832
Transfers In	-	-	370,900	-	-	370,900	-
Transfers out	(393,535)	(252,911)	(20,000)	(36,696)	(329,527)	(1,032,669)	-
Total capital contributions and transfers	(393,535)	(252,911)	350,900	(36,696)	(329,527)	(661,769)	-
Change in net position	1,703,319	1,471,122	(56,424)	215,845	(36,802)	3,297,060	505,832
Net position, beginning of year	21,874,332	18,107,139	5,745,037	8,671,978	24,272,738	78,671,224	9,970,767
Net position, end of year	\$ 23,577,651	\$ 19,578,261	\$ 5,688,613	\$ 8,887,823	\$ 24,235,936	\$ 81,968,284	\$ 10,476,599

Continued.....

CITY OF TRAVERSE CITY, MICHIGAN
Statement of Revenues, Expenses
and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2022

**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 \$ 3,297,060

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

61,900

Change in net position of business-type activities

\$ 3,358,960

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, 2022

	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	\$ 7,421,792	\$ 5,079,033	\$ 310,305	\$ 702,234	\$ 3,287,929	\$ 16,801,293	\$ -
Cash received from interfund services	-	-	-	-	-	-	3,761,638
Cash payments to suppliers for goods and services	(4,893,275)	(669,996)	(362,842)	(197,601)	(1,685,238)	(7,808,952)	(132,058)
Cash payments to employees for services	(800,229)	(1,425,969)	(215,194)	(172,545)	(14,014)	(2,627,951)	(867,655)
Net cash provided by operating activities	<u>1,728,288</u>	<u>2,983,068</u>	<u>(267,731)</u>	<u>332,088</u>	<u>1,588,677</u>	<u>6,364,390</u>	<u>2,761,925</u>
Cash flows from non-capital financing activities							
Cash payments from (to) other funds	10,336	-	-	(75,000)	-	(64,664)	-
Cash payments for city fee	(393,535)	(252,911)	-	(36,696)	(329,527)	(1,012,669)	-
Cash received from reimbursements	-	1,237	-	-	-	1,237	-
Cash received from operating transfers	-	-	370,900	-	-	370,900	-
Cash payments for operating transfers	-	-	(20,000)	-	-	(20,000)	-
Net cash provided by (used in) non-capital financing activities	<u>(383,199)</u>	<u>(251,674)</u>	<u>350,900</u>	<u>(111,696)</u>	<u>(329,527)</u>	<u>(725,196)</u>	<u>-</u>
Cash flows from capital and related financing activities							
Cash payments from federal government	645,623	-	-	-	-	645,623	-
Cash payments from state government	-	-	-	-	-	-	-
Principal payments	(1,373,348)	-	-	-	-	(1,373,348)	-
Interest payments	(21,239)	-	-	(23,058)	-	(44,297)	-
Purchases of capital assets	(595,322)	(2,465,081)	(26,450)	(12,438)	(376,481)	(3,475,772)	(1,657,578)
Proceeds from sale of capital assets	-	-	-	-	-	-	180,813
Net cash (used in) capital and related financing activities	<u>(1,344,286)</u>	<u>(2,465,081)</u>	<u>(26,450)</u>	<u>(35,496)</u>	<u>(376,481)</u>	<u>(4,247,794)</u>	<u>(1,476,765)</u>
Cash flows from investing activities							
Interest received	541	29,955	-	1,477	64,794	96,767	-
Purchase of investments	-	-	-	-	-	-	-
Sale (change in value) of investments	-	-	-	(18,184)	(72,736)	(90,920)	-
Net cash provided by investing activities	<u>541</u>	<u>29,955</u>	<u>-</u>	<u>(16,707)</u>	<u>(7,942)</u>	<u>5,847</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	<u>1,344</u>	<u>296,268</u>	<u>56,719</u>	<u>168,189</u>	<u>874,727</u>	<u>1,397,247</u>	<u>1,285,160</u>
Cash and cash equivalents, beginning of year	-	482,377	152,109	634,868	1,892,801	3,162,155	3,079,920
Cash and cash equivalents, end of year	<u>\$ 1,344</u>	<u>\$ 778,645</u>	<u>\$ 208,828</u>	<u>\$ 803,057</u>	<u>\$ 2,767,528</u>	<u>\$ 4,559,402</u>	<u>\$ 4,365,080</u>

Continued.....

CITY OF TRAVERSE CITY, MICHIGAN
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2022

	<u>Business-type - Enterprise Funds</u>					<u>Total</u>	<u>Governmental Activities - Internal Service Fund</u>
	<u>Wastewater</u>	<u>Water</u>	<u>Hickory Hills</u>	<u>Marina</u>	<u>Automobile Parking System</u>		
Reconciliation of operating income to net cash provided by operating activities							
Operating income	\$ 1,471,929	\$ 1,985,536	\$ (407,324)	\$ 292,306	\$ 1,041,603	\$ 4,384,050	\$ 480,232
Adjustments to reconcile operating income to net cash provided by operating activities							
Depreciation and amortization	673,585	496,936	134,188	110,416	468,099	1,883,224	1,461,869
Changes in assets and liabilities							
Accounts receivables	(669,308)	22,043	-	(40,389)	(7,705)	(695,359)	-
Prepaid cost and other assets	(13,718)	36,761	-	-	-	23,043	750,816
Inventory	-	6,816	-	(23,506)	-	(16,690)	(59,665)
Deferred outflows - pension	(28,427)	(43,828)	-	-	(77)	(72,332)	18,644
Deferred outflows - other post employment benefi	-	(10,213)	-	-	-	(10,213)	(10,213)
Construction in progress reclassified to expense	-	-	-	-	-	-	-
Accounts payable	260,976	435,585	3,274	(5,339)	86,603	781,099	140,217
Accrued and other liabilities	(5,239)	1,977	2,131	(1,400)	45	(2,486)	834
Net pension liability	39,274	61,388	-	-	111	100,773	(11,640)
Deferred inflows - pension	(784)	(1,270)	-	-	(2)	(2,056)	(506)
Deferred inflows - other post employment benefit	-	(8,663)	-	-	-	(8,663)	(8,663)
Net cash provided by operating activities	\$ 1,728,288	\$ 2,983,068	\$ (267,731)	\$ 332,088	\$ 1,588,677	\$ 6,364,390	\$ 2,761,925

Concluded

CITY OF TRAVERSE CITY, MICHIGAN
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2022

	Pension and Other Post Employment Trust Funds	Custodial Funds
Assets		
Cash & equity in pooled cash and investments	\$ 3,087,985	\$ 342,544
Investments, at fair value		
Fixed income mutual funds	7,780,457	-
Domestic equities	10,216,225	-
International equities	5,530,839	-
Real estate	3,870,398	-
Other	10,598,185	-
MERS total market fund	2,180,713	-
Receivables		
Accounts	658,410	-
Taxes	-	-
Accrued interest	10,025	-
Total assets	43,933,237	\$ 342,544
Liabilities		
Accrued and other liabilities	259,483	\$ -
Due to other governmental units	-	342,544
Total liabilities	259,483	\$ 342,544
Net Position		
Held in trust for pension benefits and other postemployment benefits	\$ 43,673,754	\$ -

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, 2022

	Pension and Other Post Employment Trust Funds	Custodial Funds
Additions		
Contributions		
City contributions	\$ 3,145,141	\$ -
Employee contributions	80,785	-
Property taxes collected		55,936,547
	<u>3,225,926</u>	<u>55,936,547</u>
Total contributions		
	3,225,926	55,936,547
Investment earnings		
Interest and dividends	1,225,268	-
Net (decrease) increase in fair value of investments	(4,211,890)	-
Investment advisor fees	(124,473)	-
	<u>(3,111,095)</u>	<u>-</u>
Net investment earnings		
	(3,111,095)	-
Other	-	-
	<u>-</u>	<u>-</u>
Total additions	<u>114,831</u>	<u>55,936,547</u>
Deductions		
Pension benefits paid	3,529,479	-
Health insurance premiums paid	148,932	-
Administrative expense	12,870	-
Property taxes distributed	-	55,936,547
	<u>-</u>	<u>55,936,547</u>
Total deductions	<u>3,691,281</u>	<u>55,936,547</u>
Net increase (decrease) in net position	(3,576,450)	-
Net position, beginning of year	47,250,204	-
	<u>47,250,204</u>	<u>-</u>
Net position, end of year	<u>\$ 43,673,754</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**A. Reporting entity**

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

Discretely presented component units

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

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

Downtown Development Authority (the “DDA”)

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

Traverse City Light and Power (the “Department”)

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

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

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

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

Traverse Area District Library

City of Traverse City and Garfield Township Recreational Authority

Traverse City Housing Commission

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

NOTES TO THE FINANCIAL STATEMENTS

Joint operation

The City entered into a master sewer agreement effective July 1, 1987 and amended 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 *Boardman Lake Trail Construction Fund* accounts for the expenditure of bond proceeds related to construction of the West Boardman Lake Trail Loop.

NOTES TO THE FINANCIAL STATEMENTS

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

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

The government reports the following major proprietary funds:

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

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

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

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

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

Additionally, the government reports the following fund types:

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

offset by a fund balance nonspendable account indicating these financial resources are not expendable and are not available for appropriation. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

3. Inventory

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

4. Capital assets

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

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

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

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

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	\$ 22,902,447	\$ 4,559,402	\$ 3,430,529	\$ 30,892,378	\$ 7,864,322
Investments	<u>12,391,203</u>	<u>7,853,664</u>	<u>40,176,817</u>	<u>60,421,684</u>	<u>9,837,577</u>
Total	<u>\$ 35,293,650</u>	<u>\$ 12,413,066</u>	<u>\$ 43,607,346</u>	<u>\$ 91,314,062</u>	<u>\$ 17,701,899</u>

NOTES TO THE FINANCIAL STATEMENTS

Cash and cash equivalents reported above include \$6,387 of cash on hand that is not considered deposits or investments for footnote purposes.

The breakdown between cash and investments is as follows:

Cash on hand	\$	6,387
Primary government and component unit checking and deposit accounts		23,811,208
Primary government and component unit investments held in pooled cash and investments		11,508,576
Primary government and component unit investments		30,082,444
Fiduciary funds checking and deposit accounts		3,430,529
Fiduciary funds investments		40,176,817
		40,176,817
	\$	109,015,961

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	\$ 190,440	AAAm
Federated Hermes TR US TRSY CS	na	71,403	na
Apple Inc Commercial Paper	10/25/2022	1,191,636	na
JP Morgan Commercial Paper	11/15/2022	660,071	na
CITIGROUP commercial paper	5/3/2023	970,180	na
CITIGROUP commercial paper	2/28/2023	978,590	na
CITIGROUP commercial paper	11/14/2022	989,760	na
CITIGROUP commercial paper	9/1/2022	996,310	na
US Treasury	11/30/2022	660,930	Aaa
US Treasury	5/31/2023	659,316	Aaa
US Treasury	2/15/2024	498,595	Aaa
US Treasury	2/15/2024	299,157	Aaa
US Treasury	2/15/2024	94,733	Aaa
US Treasury	2/29/2024	743,438	Aaa
US Treasury	3/31/2024	49,301	Aaa
US Treasury	9/30/2024	968,240	Aaa
US Treasury	5/15/2025	976,480	Aaa
US Treasury	6/30/2025	496,640	Aaa
US Treasury	6/30/2025	248,320	Aaa
US Treasury	7/31/2026	956,520	Aaa
Federal Home Loan Mortgage Bond	2/28/2025	2,539,420	Aaa
Federal Home Loan Mortgage Bond	6/30/2025	930,110	Aaa
Federal Home Loan Mortgage Bond	10/15/2025	4,593,100	Aaa
Federal Home Loan Mortgage Bond	10/29/2025	1,834,100	Aaa
Federal Home Loan Mortgage Bond	10/29/2025	917,050	Aaa
Federal Home Loan Mortgage Bond	12/15/2025	1,154,662	Aaa
Federal Home Loan Mortgage Bond	11/24/2026	944,690	Aaa
Federal Home Loan Mortgage Bond	6/4/2027	901,180	Aaa
Federal Home Loan Mortgage Bond	11/16/2029	1,809,560	Aaa
Federal Home Loan Mortgage Bond	3/25/2030	738,933	Aaa
Federal Home Loan Mortgage Bond	10/29/2030	1,657,040	Aaa
Federal Home Loan Mortgage Bond	10/29/1930	1,657,040	Aaa
Federal Farm CR BKS Bond	2/17/2026	231,395	Aaa
Federal Farm CR BKS Bond	1/22/2027	1,807,840	Aaa
Federal Farm CR BKS Bond	1/22/2027	1,807,840	Aaa
Federal Farm CR BKS Bond	4/27/2027	1,789,000	Aaa
Federal Farm CR BKS Bond	4/27/2027	2,683,500	Aaa
Federal Farm CR BKS Bond	4/27/2027	894,500	Aaa

Total

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\$ 41,591,020

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

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

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

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. As of year-end, \$10,092,095 of the City's bank balance (including the primary government, component units and a portion of the fiduciary funds) of \$27,992,233 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 \$41,591,020 of investments, the City has a custodial credit risk exposure of \$41,591,020 because the related securities are uninsured, unregistered and held by the government's brokerage firm which is also the counterparty for

NOTES TO THE FINANCIAL STATEMENTS

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

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

Deposits and Investments - Pension and Other Post Employment Benefit Funds

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

Deposits - The Act 345 pension trust fund and Act 345 retiree health trust fund have money market cash deposits held by the investment bank with a bank balance of \$446,369, of which \$250,000 is insured and \$196,369 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 \$40,176,817 of investments, the Act 345 pension trust fund and the post-employment benefit trust funds have a custodial credit risk exposure of \$40,176,817 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, 2022:

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

MERS total market fund	\$	2,180,713
Alternative real estate		2,664,819
Equity - common trust		9,815,755
Equity - mutual funds		13,281,010
Equity - stocks		2,466,054
Fixed income - mutual funds		7,780,457
Private equity real estate		<u>1,988,009</u>
 Total	 \$	 <u><u>40,176,817</u></u>

NOTES TO THE FINANCIAL STATEMENTS
B. Capital assets

Capital assets activity for the year ended June 30, 2022 was as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not depreciated:				
Land & Improvements	\$ 10,394,767	\$ 113,493	\$ -	\$ 10,508,260
Construction in progress	5,415,724	7,648,885	4,253,660	8,810,949
Total	15,810,491	7,762,378	4,253,660	19,319,209
Capital assets being depreciated:				
Land improvements	8,791,201	82,383	-	8,873,584
Infrastructure	60,662,405	4,140,165	-	64,802,570
Buildings and improvements	17,904,786	-	-	17,904,786
Machinery and equipment	19,738,995	1,488,480	146,985	21,080,490
Total	107,097,387	5,711,028	146,985	112,661,430
Less accumulated depreciation:				
Land improvements	2,416,864	309,453		2,726,317
Infrastructure	41,572,963	1,175,224		42,748,187
Buildings and improvements	12,429,765	302,541		12,732,306
Machinery and equipment	12,980,004	1,493,957	146,985	14,326,976
Total accumulated depreciation	69,399,596	3,281,175	146,985	72,533,786
Total assets being depreciated, net	37,697,791	2,429,853	-	40,127,644
Governmental activities, net	\$ 53,508,282	\$ 10,192,231	\$ 4,253,660	\$ 59,446,853

NOTES TO THE FINANCIAL STATEMENTS

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not depreciated:				
Land & Improvements	\$ 11,957,420	\$ -	\$ -	\$ 11,957,420
Construction in progress	7,738,310	3,224,407	278,370	10,684,347
Total	19,695,730	3,224,407	278,370	22,641,767
Capital assets being depreciated:				
Building and improvements	56,220,719	173,979	-	56,394,698
Land improvements	3,971,943	21,995	-	3,993,938
Infrastructure	21,286,820	14,559	-	21,301,379
Machinery and equipment	3,810,035	319,203	-	4,129,238
Total	85,289,517	529,736	-	85,819,253
Less accumulated depreciation:				
Building and improvements	22,175,693	1,244,768	-	23,420,461
Land improvements	2,896,836	166,320	-	3,063,156
Infrastructure	7,599,004	327,268	-	7,926,272
Machinery and equipment	1,602,788	144,869	-	1,747,657
Total accumulated depreciation	34,274,321	1,883,225	-	36,157,546
Total assets being depreciated, net	51,015,196	(1,353,489)	-	49,661,707
Business-type activities, net	\$ 70,710,926	\$ 1,870,918	\$ 278,370	\$ 72,303,474

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	453,875	2,995,398	2,455,556	993,717
Total	1,525,285	2,995,398	2,455,556	2,065,127
Capital assets being depreciated:				
Building and improvements	5,851,973	10,356	-	5,862,329
Equipment and distribution system	96,616,509	2,073,354	426,987	98,262,876
Electric vehicle charging stations	-	374,773	-	374,773
Fiber system	5,728,866	265,135	-	5,994,001
WiFi system	501,863	-	-	501,863
Total	108,699,211	2,723,618	426,987	110,995,842
Less accumulated depreciation:				
Building and improvements	2,478,911	177,357	-	2,656,268
Equipment and distribution system	31,734,342	2,938,039	335,758	34,336,623
Electric vehicle charging stations	-	12,493	-	12,493
Fiber system	1,255,082	298,111	-	1,553,193
WiFi system	326,162	50,186	-	376,348
Total accumulated depreciation	35,794,497	3,476,186	335,758	38,934,925
Total assets being depreciated, net	72,904,714	(752,568)	91,229	72,060,917
Light and Power Component Unit, Net	\$ 74,429,999	\$ 2,242,830	\$2,546,785	\$ 74,126,044
Downtown Development Authority Component Unit				
Capital assets not depreciated:				
Land	\$ 120,756	\$ 1,758,802	\$ -	\$ 1,879,558

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	\$ 68,451	\$ -	\$ 8,572	\$ 59,879
Transmission pole attachment	131,366	-	14,968	116,398
Land	9,074	-	1,348	7,726
Total right to use assets	<u>208,891</u>	<u>-</u>	<u>24,888</u>	<u>184,003</u>
Accumulated amortization:				
Tower	-	7,608	-	7,608
Transmission pole attachment	-	15,062	-	15,062
Land	-	1,039	-	1,039
Total accumulated amortization	<u>-</u>	<u>23,709</u>	<u>-</u>	<u>23,709</u>
Net right to use assets	<u>\$ 208,891</u>	<u>\$ (23,709)</u>	<u>\$ 24,888</u>	<u>\$ 160,294</u>

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

Governmental activities

General government	\$ 74,161
Public safety	107,672
Public works, including depreciation of general infrastructure assets	1,192,708
Recreation and culture	444,765
Capital assets held by the government's internal service fund are charged to the various functions based on their usage of the assets	<u>1,461,869</u>

Total depreciation expense – governmental activities **\$ 3,281,175**

Business-type activities

Wastewater	\$ 673,585
Water	496,936
Marina	110,416
Hickory Hills	134,188
Auto parking	<u>468,099</u>

Total depreciation expense – business-type activities **\$ 1,883,224**

NOTES TO THE FINANCIAL STATEMENTS
Component unit activities

Light and power **\$ 3,499,896**

C. Leases Receivable

TCLP provides lease rights for pole attachments to third parties without transfer of ownership for periods greater than one year. The rights associated with these leases are required to be recognized at their net present value using TCLP's incremental borrowing rate or in accordance with lease terms. The value of these lease receivables as of June 30, 2022, was \$314,773. Lease revenue amounted to \$42,855 and interest revenue was \$4,345 for the year ended June 30, 2022.

C. Short term interfund receivables, payables, and transfers

Fund	Inter-fund Receivable	Fund	Inter-fund Payable
General Fund	\$ 767,011	Boardman Lake Trail Construction Fund	\$ 442,398
		Local Street Fund	67,933
		State Domestic Preparedness Fund	5,400
		Wastewater Fund	251,280
	\$ 767,011		\$ 767,011

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

Interfund Transfers

Fund	Operating Transfer In	Operating Transfer Out	Total
General Fund	\$ 1,355,953	\$ 2,527,628	\$ (1,171,675)
Local Street Fund	548,915	-	548,915
Capital Projects Fund	1,549,600	105,078	1,444,522
Boardman Lake Trail Construction Fund	-	295,000	(295,000)
Sidewalk Construction Fund	38,263	-	38,263
Brown Bridge Trust Fund	-	167,789	(167,789)
Non-major Governmental Funds	737,215	472,682	264,533
Wastewater Fund	-	393,535	(393,535)
Water Fund	-	252,911	(252,911)
Hickory Hills Fund	370,900	20,000	350,900
Marina Fund	-	36,696	(36,696)
Automobile Parking Fund	-	329,527	(329,527)
	\$ 4,600,846	\$ 4,600,846	\$ -

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

NOTES TO THE FINANCIAL STATEMENTS

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, 2022:

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022	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%	\$ 5,748,085	\$ -	\$ 802,013	\$ 4,946,072	\$ 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%	6,705,000	-	545,000	6,160,000	565,000
Total Private Placement Bonds and Contracts	12,453,085	-	1,347,013	11,106,072	1,425,000
Accrued Compensated Absences	670,297	859,727	849,950	680,074	5,578
Total Governmental Activities	\$ 13,123,382	\$ 859,727	\$ 2,196,963	\$ 11,786,146	\$ 1,430,578
Business Type Activities					
Private Placement Bonds and Contracts					
2011 Wastewater Treatment Plant Capital Lease Payable	\$ 1,273,219	\$ -	\$ 1,273,219	\$ -	\$ -
Accrued Compensated Absences	101,050	125,219	129,256	97,013	1,622
Total Business Type Activities	\$ 1,374,269	\$ 125,219	\$ 1,402,475	\$ 97,013	\$ 1,622

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

NOTES TO THE FINANCIAL STATEMENTS

<u>Year End June 30,</u>	Governmental Activities Private Placement Bonds	
	<u>Principal</u>	<u>Interest</u>
2023	1,425,000	301,827
2024	1,445,000	263,650
2025	1,445,000	224,831
2026	1,445,000	185,828
2027	1,435,000	146,642
2027-2032	3,155,000	297,293
2033-2034	745,000	24,155
	<u>\$ 11,095,000</u>	<u>\$ 1,444,226</u>

Traverse City Light and Power Component Unit long-term debt at June 30, 2022, consists of the following:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Accrued compensated absences	\$230,952	\$257,584	\$246,210	\$242,326	\$5,108
Notes Payable	48,632	87,633	4,823	131,442	11,567
Total	\$279,584	\$345,217	\$251,033	\$373,768	\$16,675

Notes Payable

The City of Traverse City executed a note agreement with the United States Department of Agriculture (USDA) for \$1,800,000, along with an intergovernmental agreement with TCLP providing for all costs of the program and repayment of the USDA loan to be paid with TCL&P funds. The purpose of this loan is for zero percent financing for a term of ten years for an On-Bill Financing Program. TCL&P grants funds to the City's ratepayers for energy efficiency improvements and renewable energy projects at an interest rate of 3% in accordance with the Traverse City Light & Power Work Plan. The Plan was approved by the City Commission and authorized by the Municipal Utility Residential Clean Energy Program Act MCL 460.961.

Lease Liability

TCLP has entered into lease agreements whereby TCLP obtains the right to the present service capacity of certain assets without the transfer of ownership for periods greater than one year. These lease obligations are recorded as a liability at present value using OUC's incremental borrowing rate unless otherwise noted in the lease terms and are as follows:

Tower leases: Tower leases have been secured to support radio communications. This lease is payable monthly and have lease terms for 20 years. This lease does not contain provisions for residual guarantees. Additionally, there are no other payments such as residual value guarantees or termination penalties, not previously included in the measurement of the lease liability reflected as outflows of resources.

NOTES TO THE FINANCIAL STATEMENTS

Land leases: TCLP leases land for a water retention area for a term of 25 years. This lease is payable monthly with a cost of living increase every five years. This lease does not contain provisions for variable payments or residual guarantees. Additionally, there are no other payments such as residual value guarantees, or termination penalties not previously included in the measurement of the lease liability reflected as outflows of resources.

Pole Attachment leases: TCLP leases for pole attachments to Consumer’s Energy poles. This lease payment is made annually and adjusted in accordance with the PPI for Electric Power Distribution Code. This lease does not contain provisions for variable payments or residual guarantees. Additionally, there are no other payments such as residual value guarantees, or termination penalties not previously included in the measurement of the lease liability reflected as outflows of resources.

The principal and interest requirements to maturity for these leases for the subsequent fiscal years ending June 30 were:

<u>(Dollars in thousands)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 26,576	\$ 5,167	\$ 31,743
2024	27,465	4,278	81,243
2025	28,386	3,357	31,743
2026	29,340	2,403	31,743
2027	28,565	1,414	29,979
2028	17,953	472	18,425
Total	\$158,285	\$17,091	\$175,516

E. Commitments
Primary Government

As part of it’s ongoing capital improvement plan, The City has entered into various agreements with construction contractors, engineers and consultants. The estimated open balance on the agreements at June 30, 2022 is \$1,507,529.

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, 2022, through December 31, 2024, in the amount of \$709,800, and capacity transaction bilateral contracts for the fiscal year beginning July 1, 2022, through May 31, 2030, in the amount of \$2,238,480.

NOTES TO THE FINANCIAL STATEMENTS

Downtown Development Authority

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

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

Fiscal Year End	Amount
2023	\$ 973,160
2024	953,440
2025	913,720
2026	874,459
2027	825,656
2028	782,541
Total	5,322,976

The Authority has committed to assist the City with various infrastructure related projects within their boundaries including bridge repairs, streetscapes and river walk improvements. The estimated Authority commitment for projects that have started is \$1,520,959 at June 30, 2022.

F. Contingencies

The City and its component units participate in federally assisted grant programs, which are subject to financial and compliance audits. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements, and is subject to audit by grantor agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial. In the normal course of business, the City and its component units become a party in various legal actions and claims, some of which are uninsured. The outcome of the actions and claims is not expected to have a material effect on the financial position of the City or its component units.

NOTES TO THE FINANCIAL STATEMENTS

III. OTHER INFORMATION**A. Risk management**

The government is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. During the year ended June 30, 2022, 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, 2022 amounted to \$121,770, which is included in General Fund expenditures.

C. Property taxes

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

The 2021 adjusted ad valorem taxable value in the City totaled \$1,240,244,569, on which taxes levied consisted of 12.0954 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 \$224,321,729. The DDA general operating tax rate for was 1.6371 mills. Property taxes are also derived from tax increment financing agreements between the DDA and other taxing districts. Under these arrangements, the DDA receives those property taxes levied on the increment of current taxable valuations (determined as of the preceding December 31, the lien date) over base year assessed valuations on certain property located in the City of Traverse City, which are within the DDA district. Property taxes are recognized in the fiscal year in which they are levied.

NOTES TO THE FINANCIAL STATEMENTS

D. Defined benefit pension plans

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

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

Method used to value Investments

Investments are reported at fair value. Short-term investments are valued at cost which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Real Estate consists of shares in a Real Estate Investment Trust which 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, 2021 the most recent actuarial valuation date, membership consisted of:

Retirees and beneficiaries currently receiving benefits	75
Terminated plan members entitled to but not yet receiving benefits	6
Active plan members	<u>51</u>
Total	<u>132</u>

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

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

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

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

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

Post retirement increases are available at various rates as follows: Pre 7/1/1990 retirees- 2.5% of original pension amount given annually for twenty years. Police Sergeants Unit effective 8/1/1998 - 2.5% of the original pension or the current consumers price index inflation rate whichever is lower, given annually for twenty years. Police Captains Unit hired before July 1, 2021 effective 1/1/1994 - 2.5% of the original pension or the current consumers price index inflation rate whichever is lower, given annually for twenty years. Police Patrol Unit hired before July 1, 2021 effective 1/1/1999 - 2.5% of the original pension or the current consumers price index inflation rate whichever is lower, given annually for twenty years. Firefighters effective 7/1/2000 - 2.5% of the original pension or the current consumers price index inflation rate whichever is lower, given annually for twenty years.

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.

NOTES TO THE FINANCIAL STATEMENTS

Investment policy. The plan’s policy in regard to the allocation of invested assets is established and may be amended by the Act 345 Pension Board of Trustees. Investment objectives consider both the plan’s financial and liquidity needs and the Board’s tolerance for investment risk and inflation expectations. A strategic asset allocation plan is developed to attempt to achieve the Board’s investment objectives while maximizing expected investment returns with a prudent amount of investment risk and recognizing that the capital markets may behave differently over any period of time, through the life of the plan. The following was the Board’s adopted asset allocation policy as of June 30, 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, 2022, the annual money-weighted rate of return on pension plan investments, net of pension plan expense, was (6.01)%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability. The employer’s Net Pension Liability was measured as of June 30, 2022, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of June 30, 2021.

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2020 with a June 30, 2022 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.

NOTES TO THE FINANCIAL STATEMENTS

The mortality tables used were as follows:

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

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

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

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

For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2022, these best estimates are summarized in the following table:

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

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

	1% Decrease <u>6.00%</u>	Current SDR <u>7.00%</u>	1% Increase <u>8.00%</u>
Total Pension Liability	\$58,742,761	\$52,189,741	\$46,767,341
Plan Fiduciary Net Position	<u>37,091,012</u>	<u>37,091,012</u>	<u>37,091,012</u>
Net Pension Liability/(Asset)	<u>\$21,651,749</u>	<u>\$15,098,729</u>	<u>\$9,676,329</u>

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2022 the employer recognized pension expense of \$1,832,720. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflow</u>	<u>Deferred Inflow</u>
Difference in Experience	\$ -	\$ 276,483
Difference in Assumption Changes	394,915	-
Difference in Investment Earnings	<u>558,998</u>	<u>-</u>
Total	<u>\$ 953,913</u>	<u>\$ 276,483</u>

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

	<u>Net Deferred Outflow (Inflow)</u>
2023	\$ 353,423
2024	(184,382)
2025	(438,895)
2026	<u>947,284</u>
Total	<u>\$ 677,430</u>

NOTES TO THE FINANCIAL STATEMENTS
Changes in Net Pension Liability:

Fiscal year ending June 30,	2022	2021
Total Pension Liability		
Service Cost	\$ 703,850	\$ 742,000
Interest on the Total Pension Liability	3,516,035	3,429,154
Benefit changes	-	-
Difference between expected and actual experience of the Total Pension Liability	(394,696)	36,008
Assumption changes	-	-
Benefits paid and refunds	(3,025,184)	(2,868,674)
Net change in Total Pension Liability	<u>800,005</u>	<u>1,338,488</u>
Total Pension Liability - Beginning	<u>51,389,736</u>	<u>50,051,248</u>
Total Pension Liability- Ending (a)	<u>\$ 52,189,741</u>	<u>\$ 51,389,736</u>
Plan Fiduciary Net Position		
Employer contributions	\$ 2,507,587	\$ 2,380,153
Employee contributions	80,785	71,472
Pension plan net investment income	(2,313,699)	9,085,387
Benefit payments and refunds	(3,025,184)	(2,868,674)
Pension plan administrative expense	(600)	(18,916)
Other	-	-
Net Change in Plan Fiduciary Net Position	<u>(2,751,111)</u>	<u>8,649,422</u>
Plan Fiduciary Net Position - Beginning	<u>39,842,123</u>	<u>31,192,701</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 37,091,012</u>	<u>\$ 39,842,123</u>
Net Pension Liability - Ending (a)-(b)	<u>\$ 15,098,729</u>	<u>\$ 11,547,613</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	
	2021 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	
	2021 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

NOTES TO THE FINANCIAL STATEMENTS

COLA for Current/Future	
Retirees:	2.50% (Non-Compound)
Employee Contributions:	0%
Act 88:	No
14 - General GME hired after 7/1/09: Open Division, linked to Division 11,16	
	2021 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	
	2021 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	
	2021 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, 2021 valuation date, the following employees were covered by the benefit terms:

Retirees and Beneficiaries	132
Vested Former Employees	31
Active Employees	95
	<u>258</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, 2022 were \$755,448 for the Admin & ACT hired prior to 7/1/2009 division, \$61,212 for the GME tech/clerical hired prior to 7/1/2009 division, \$676,892 for the General GME division, \$191,042 for the General GME hired after 7/1/2009 division, and \$196,662 for the ACT hired after 7/1/2009 division.

Net Pension Liability. The employer's Net Pension Liability was measured as of December 31, 2021, 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, 2021 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 2021. 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 12/31/2020	42,224,036.70	25,771,014.77	16,453,021.93
Service cost	484,578.00	-	484,578.00
Interest	3,113,378.96	-	3,113,378.96
Benefit changes	-	-	-
Differences between expected and actuarial experience	478,570.00	-	478,570.00
Changes in assumptions	1,522,625.00	-	1,522,625.00
Contribution - employer	-	1,750,159.07	(1,750,159.07)
Net investment income (loss)	-	3,195,338.28	(3,195,338.28)
alternative investment adjustment from MERS annual audited statement	-	193,363.19	(193,363.19)
Benefit payments, including refunds of employee contributions	(3,001,622.61)	(3,001,622.61)	-
Administrative expense	-	(40,274.67)	40,274.67
Net Changes	2,597,529.35	2,096,963.26	500,566.09
Balances at 12/31/2021	44,821,566.06	27,867,978.03	16,953,588.03

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 12/31/21	\$16,953,588	\$16,953,588	\$16,953,588
Change in Net Pension Liability	4,889,525	-	(4,125,876)
Calculated NPL	\$21,843,113	\$16,953,588	\$12,827,712

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, 2022 the employer recognized pension expense of \$2,002,471. 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	\$ 563,617	\$ 2,552,321
Changes in assumptions	2,099,643	-
Differences between expected and actual experience	499,773	239,070
Contributions subsequent to the measurement date*	943,230	-
Total	\$ 4,106,263	\$ 2,791,391

* The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the year ending June 30, 2022.

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

<u>Year Ended</u>	
2023	\$ 689,757
2024	66,475
2025	(88,753)
2026	<u>.(295,838)</u>
	<u>\$ 371,641</u>

MERS Traverse City Light and Power Plan

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

NOTES TO THE FINANCIAL STATEMENTS
Benefits Provided

01 - Non Union – closed to new hires, linked to Division 11	
	2021 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
Final Compensation:	55/15
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	
	2021 Valuation
Benefit Multiplier:	2.25% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	6 years
Early Retirement (Unreduced):	50/25
Early Retirement (Reduced):	55/15
Final Compensation:	5 years
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	
	2021 Valuation
Benefit Multiplier:	1.5% Multiplier (80% max)
Normal Retirement Age:	60

NOTES TO THE FINANCIAL STATEMENTS

Vesting:	6 years
Early Retirement (Unreduced):	55/25
Early Retirement (Reduced):	55/15 50/25
Final Average Compensation:	5 years
COLA for Future Retirees:	2.50% (Non-Compound)
Member Contributions:	0%
Act 88:	No

12 - Union hired after 7/1/2012, linked to Division 10	
	2021 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	
	2021 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)

NOTES TO THE FINANCIAL STATEMENTS

Member Contributions:	0%
DC plan for New Hires:	2/1/2019
Act 88:	No

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

Employees covered by benefits terms. At the December 31, 2021 valuation date, the following employees were covered by the benefit terms:

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

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

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, 2021, 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, 2021 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

NOTES TO THE FINANCIAL STATEMENTS

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

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study in 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	Plan	Net
	Pension	Fiduciary	Pension
	Liability	Net Position	Liability
	(a)	(b)	(a) – (b)
Balance as of 12/31/2020	\$33,958,896	\$24,618,407	\$9,340,489
Service Cost	251,797	-	251,797
Interest on Total Pension Liability	2,502,605	-	2,502,605
Difference between expected and actual experience	346,956	-	346,956
Changes in assumption	1,303,436	-	1,303,436
Employer contributions	-	2,551,769	(2,551,769)
Net investment income	-	3,145,898	(3,145,898)
Benefit payments, including employee refunds	(2,311,561)	(2,311,561)	-
Administrative expense	-	(39,507)	(39,507)
Other	-	-	-
Net Changes	<u>2,093,233</u>	<u>3,346,599</u>	<u>(1,253,366)</u>
Balances as of 12/31/21	<u>\$36,052,129</u>	<u>\$27,965,006</u>	<u>\$8,087,123</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%	Current	1%
	Decrease	Discount Rate	Increase
Net Pension Liability at 12/31/21	\$8,087,123	\$8,087,123	\$8,087,123
Change in Net Pension Liability (NPL)	4,218,898	-	(3,520,105)
Calculated NPL	\$12,306,021	\$8,087,123	\$4,567,018

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, 2022 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	\$458,589	(\$2,311,970)
Change in Experience	336,703	-
Change in Assumption	1,150,799	-
Contributions subsequent to the measurement date*	1,276,212	-
Total	\$3,222,303	(\$2,311,970)

* 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 2023.

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

<u>Year Ended</u>	
2023	\$ 640,548
2024	(205,282)
2025	(547,685)
2026	(253,460)
	<u>\$ (365,879)</u>

Deferred Compensation Plans
Downtown Development Authority Component Unit

The Downtown Development Authority sponsors the Traverse City Downtown Development Authority Deferred Compensation Plan created in accordance with the Internal Revenue Code Section 457. The administrator of the plan is ICMA Retirement Corporation. The plan is available to all employees. The employer matches participant contributions up to 7% based on the employee's employment contract. Plan provision and contribution requirements can only be amended by authorization of the Board of Directors. In the current year, the Downtown Development Authority contributed \$73,902 and the employees contributed \$75,487.

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 \$664,841 and the employees contributed \$706,312. Of these amounts Traverse City Light and Power contributed \$236,759 and their employees contributed \$241,172.

Defined Contribution Plan

Effective February 1, 2019, the Department eliminated the defined benefit pension plan for line workers hired after July 1, 2012 and replaced it with a MERS defined contribution plan. The employer contributes six percent of base wage only and there is no employee contribution requirement. The plan requires a one-year vesting period. In the current fiscal year, the Department contributed \$49,549 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.

NOTES TO THE FINANCIAL STATEMENTS

Benefits provided

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

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

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

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

Contributions

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

For the fiscal year end June 30, 2022, the City contributed \$625,782 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 \$578,428.

Net OPEB Liability

The total OPEB liability in the June 30, 2022 statements was determined using the June 30, 2020 actuarial valuation. The annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.75%

Wage increase: 4.0% to 7.0% including inflation

NOTES TO THE FINANCIAL STATEMENTS

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

Healthcare cost trend rates: 8.25% gradually decreasing to 4.0% in year 10.

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS
Changes in the Net OPEB Liability

Fiscal year ending June 30,	2022
Total OPEB Liability	
Service Cost	\$ 77,897
Interest on the total OPEB liability	665,178
Benefit changes	
Difference between expected and actual experience *	(52,550)
Assumption changes	-
Benefits paid and refunds	(504,295)
Net change in Total Pension Liability	186,230
Total OPEB Liability - Beginning	9,715,744
Total OPEB Liability- Ending (a)	\$ 9,901,974
Plan Fiduciary Net Position	
Employer contributions	\$ 625,782
OPEB plan net investment income	(601,504)
Benefit payments and refunds	(504,295)
Pension plan administrative expense	(8,000)
Other	-
Net Change in Plan Fiduciary Net Position	(488,017)
Plan Fiduciary Net Position - Beginning	5,041,887
Plan Fiduciary Net Position - Ending (b)	\$ 4,553,870
Net OPEB Liability - Ending (a)-(b)	\$ 5,348,104

*Due to difference between actual and expected benefit payments.

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

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

	1% decrease 6.00%	Current Rate 7.00%	1% increase 8.00%
Net OPEB liability	\$ 6,482,145	\$ 5,348,104	\$ 4,399,780

Fiduciary position as
a % of total OPEB liability 74.52%

NOTES TO THE FINANCIAL STATEMENTS

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

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

	1% decrease	Current Rate	1 % increase
Net OPEB liability	\$ 4,231,353	\$ 5,348,104	\$ 6,696,725

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	\$ -	\$ 37,387
Assumption changes	58,039	-
Differences in projected earnings	380,478	-
Total	<u>\$ 438,517</u>	<u>\$ 37,387</u>

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

2023	115,416
2024	47,194
2025	46,840
2026	191,682
Total	<u>\$ 401,132</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

NOTES TO THE FINANCIAL STATEMENTS

Retiree Health Insurance Trust Fund. The RHIP does not issue a stand-alone financial report. Administrative costs are paid by the plan through employer contributions. The City approved a resolution April 16, 2007, which allows the City to establish a retiree health funding vehicle, a trust fund, under the MERS system.

Benefits provided

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

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

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

Contributions

The City contribution was the annual required contribution in addition to the pay-as-you-go financing requirements. For the current year, the annual required contribution for the City was \$-0-. The actual employer contribution was \$11,772.

Net OPEB Asset

The total OPEB asset in the June 30, 2022 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

NOTES TO THE FINANCIAL STATEMENTS

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, 2022, these best estimates of returns are summarized in the following table:

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

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

NOTES TO THE FINANCIAL STATEMENTS
Changes in the Net OPEB Asset

Total OPEB Liability	
Service Cost	\$ 15,946
Interest on the total OPEB liability	95,829
Benefit changes	
Difference between expected and actual experience	15,783
Assumption changes	-
Benefits paid and refunds	(148,932)
Other changes	-
Net change in Total Pension Liability	<u>(21,374)</u>
Total OPEB Liability - Beginning	<u>1,435,475</u>
Total OPEB Liability- Ending (a)	<u><u>\$ 1,414,101</u></u>
Plan Fiduciary Net Position	
Employer contributions	\$ 11,772
Plan net investment income	(195,892)
Difference between expected and actual experience	-
Benefit payments and refunds	(148,932)
Pension plan administrative expense	(4,270)
Other	-
Net Change in Plan Fiduciary Net Position	<u>(337,322)</u>
Plan Fiduciary Net Position - Beginning	<u>2,366,194</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 2,028,872</u></u>
Net OPEB Liability (Asset) - Ending (a)-(b)	<u><u>\$ (614,771)</u></u>

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

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

	1% decrease 6.00%	Current Rate 7.00%	1% increase 8.00%
Net OPEB Asset	<u>\$ 486,083</u>	<u>\$ 614,771</u>	<u>\$ 725,563</u>

Fiduciary position as
a % of total OPEB Asset 320.07%

NOTES TO THE FINANCIAL STATEMENTS
Sensitivity of the Net OPEB Asset to changes in the healthcare cost trend rates

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

	1% decrease	Current Rate	1 % increase
Net OPEB Asset	\$ 623,986	\$ 614,771	\$ 604,345

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	\$ 126,743	\$ -
Changes of assumptions	16,060	-
Differences in projected earnings	347,786	233,901
Total	\$ 490,589	\$ 233,901

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

	net deferred outflow (inflow) of resources
2023	\$ 172,878
2024	19,146
2025	(6,652)
2026	71,316
Total	\$ 256,688

NOTES TO THE FINANCIAL STATEMENTS

Traverse City Light and Power Retiree Health Insurance Plan

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

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

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

Active plan members	38
Retirees and beneficiaries receiving benefits	<u>43</u>
Total	<u>81</u>

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

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

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

Inflation: 2.25%

Salary Increases: 2.50%

Investment rate of return: 7.5%

Healthcare cost trend rates: .9% to 7.80% per year

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

NOTES TO THE FINANCIAL STATEMENTS

females.

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

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

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

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

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

Discount rate. The discount rate used to measure the total OPEB liability is 7.5%. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

NOTES TO THE FINANCIAL STATEMENTS
Changes in the Net OPEB Liability

Calculating the Net OPEB Liability (Asset)			
	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances at 6/30/2021	\$5,023,595	\$5,036,267	(\$12,672)
Changes for the Year			
Service cost	27,928	-	27,928
Difference between expected and actual experience	553,716	-	553,716
Changes in assumption	(87,492)	-	(87,492)
Interest on total OPEB liability	362,322	-	362,322
Employer Contributions	-	467,977	(467,977)
Net investment income	-	(424,666)	424,666
Benefit payments, including employee refunds	(385,277)	(385,277)	-
Net changes	<u>471,987</u>	<u>(341,946)</u>	<u>813,143</u>
Balance as of 6/30/2022	<u>\$5,494,792</u>	<u>\$4,694,321</u>	<u>\$800,471</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)	\$1,403,025	\$800,471	\$294,914

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

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

NOTES TO THE FINANCIAL STATEMENTS

	1% Decrease	Current healthcare cost trend rate	1% Increase
Net OBEB liability (asset)	\$257,962	\$800,471	\$1,446,733

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

For the year ended June 30, 2022 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	\$ 456,059	\$(34,028)
Changes in assumptions	-	(218,531)
Excess (deficit) investment returns	756,736	464,407
Total	\$1,212,795	\$716,966

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

2023	\$	36,967
2024		73,165
2025		87,903
2026		242,705
2027		<u>55,090</u>
Total	\$	<u>495,830</u>

NOTES TO THE FINANCIAL STATEMENTS

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

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

In 1983, the Department entered 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, 2022, Traverse City Light and Power recognized expenses totaling \$18,955,720 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 2021 costs adjusted for inflation and calculated until the time of project's estimated retirement date or debt retirement.

NOTES TO THE FINANCIAL STATEMENTS

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>
2023	\$ 9,238,324
2024	9,515,474
2025	9,800,398
2026	10,094,966
2027	7,340,951
2028-2029	<u>10,378,581</u>
Total	<u><u>\$56,368,694</u></u>

<u>Year Ended December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$1,525,590	\$104,379	\$1,629,969
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	21,451	1,634,326
Total	<u><u>\$7,848,060</u></u>	<u><u>\$316,015</u></u>	<u><u>\$8,164,075</u></u>

As of December 31, 2022, MPPA has two projects that have identified asset retirement obligations. Campbell project in the amount of \$2,421,019 with TCLP share at \$116,209 and Belle River in the amount of \$614,657 with TCLP share at \$114,326.

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.

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 \$2,889,573 under this agreement.

In December 2014, the Department entered into a 20-year purchase power agreement with options to terminate on January 1, 2025, and January 1, 2030, upon ninety-day notice. The Agreement is with Heritage Sustainable Energy, LLC to purchase up to .6 MW of electric energy from the M-72 wind turbine. For the year ended June 30, 2022, the Department recognized expenses totaling \$2,208 under this agreement. The M-72 Wind Turbine was decommissioned.

NOTES TO THE FINANCIAL STATEMENTS

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. The contract will terminate December 31, 2038. For the year ended June 30, 2022, the Department recognized expenses totaling \$269,388 under this agreement.

G. Designations of net position
Primary government

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

	<u>Automobile Parking System</u>	<u>Wastewater</u>	<u>Water</u>	<u>Garage Internal Service</u>
Emergencies	\$ -	\$ -	\$ 49,785	\$ -
Capital Expenditures	175,000	154,563	1,192,000	1,664,800
Future Maintenance	2,500,000	-	-	-
Total	<u>\$ 2,675,000</u>	<u>\$ 154,563</u>	<u>\$ 1,241,785</u>	<u>\$ 1,664,800</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>8,459,000</u>
Total	<u>\$ 8,559,056</u>

H. Contingent liability
Primary government - Boot Lake Landfill

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

NOTES TO THE FINANCIAL STATEMENTS

General contingencies

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

I. Tax Abatements

The City entered into property tax 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, 2022 the City abated property tax revenues of \$2,777.

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, 2022 the amount of taxes abated was \$837,075.

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, 2022 the estimated tax abatement was \$219,773.

NOTES TO THE FINANCIAL STATEMENTS

K. Net Position Restatement – Traverse City Light and Power Component Unit

Beginning net position was decreased by \$456,073 to reflect a change in the accrual of power service cost of revenue.

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

On July 28, 2022, TCLP executed a Third Amendment and Restated Power Purchase Agreement with Heritage Sustainable Energy, LLC to add the purchase of capacity and energy generated from the solar array named M-72 Solar III. The energy and capacity will be purchased at LMP Real Time hourly rate at the Cons. MPPA Node. The term is through December 31, 2042.

On April 4, 2022, the City Commission approved a Notice of Intent Resolution Capital Improvement Bonds and Notes for Electric Utility Smart Grid Network and Fiber System improvements, which indicates the City's intention to borrow money in the amount not-to-exceed \$18,200,000 and authorize issuance and sale of one or more general obligation invested tax bonds. In addition, the City and Light & Power entered into an intergovernmental agreement for TCLP to pledge its revenues to cover any financial costs or liabilities pertaining to the bond issuance.

* * * * *

REQUIRED SUPPLEMENTARY INFORMATION

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

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

Fiscal year ending June 30,	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability									
Service Cost	\$ 703,850	\$ 742,000	\$ 749,125	\$ 759,397	\$ 721,781	\$ 676,683	\$ 678,748	\$ 644,925	\$ 492,852
Interest on the Total Pension Liability	3,516,035	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	(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	(3,025,184)	(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	800,005	1,338,488	1,387,879	3,037,878	2,075,096	1,211,691	1,031,433	585,082	1,293,228
Total Pension Liability - Beginning	51,389,736	50,051,248	48,663,369	45,625,491	43,550,395	42,338,704	41,307,271	40,722,189	39,428,961
Total Pension Liability- Ending (a)	\$ 52,189,741	\$ 51,389,736	\$ 50,051,248	\$ 48,663,369	\$ 45,625,491	\$ 43,550,395	\$ 42,338,704	\$ 41,307,271	\$ 40,722,189
Plan Fiduciary Net Position									
Employer contributions	\$ 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	80,785	71,472	77,002	78,115	81,144	104,761	58,510	76,863	75,526
Pension plan net investment income	(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	(3,025,184)	(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	(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	(2,751,111)	8,649,422	527,036	291,584	1,589,665	2,500,979	40,625	(44,025)	3,376,532
Plan Fiduciary Net Position - Beginning	39,842,123	31,192,701	30,665,665	30,374,081	28,784,416	26,283,437	26,242,812	26,286,837	22,910,305
Plan Fiduciary Net Position - Ending (b)	\$ 37,091,012	\$ 39,842,123	\$ 31,192,701	\$ 30,665,665	\$ 30,374,081	\$ 28,784,416	\$ 26,283,437	\$ 26,242,812	\$ 26,286,837
Net Pension Liability - Ending (a)-(b)	\$ 15,098,729	\$ 11,547,613	\$ 18,858,547	\$ 17,997,704	\$ 15,251,410	\$ 14,765,979	\$ 16,055,267	\$ 15,064,459	\$ 14,435,352
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	71.07%	77.53%	62.32%	63.02%	66.57%	66.09%	62.08%	63.53%	64.55%
Covered Employee Payroll	\$ 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	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

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

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

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

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

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

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

* 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,	2022	2021	2020	2019	2018	2017
Total OPEB Liability						
Service Cost	\$ 77,897	\$ 76,049	\$ 86,712	\$ 79,044	\$ 93,763	\$ 93,564
Interest on the total OPEB liability	665,178	638,322	625,391	631,831	611,741	597,245
Benefit changes			-	-	-	-
Difference between expected and actual experience *	(52,550)	36,432	(29,774)	(533,914)	35,999	(75,186)
Assumption changes	-	134,950	-	792,407	-	-
Benefits paid and refunds	(504,295)	(501,743)	(482,795)	(444,116)	(488,449)	(356,424)
Net change in Total Pension Liability	<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>9,715,744</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>\$ 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	\$ 625,782	\$ 572,909	\$ 565,895	\$ 519,279	\$ 512,078	\$ 385,866
OPEB plan net investment income	(601,504)	1,002,377	184,192	187,943	77,551	-
Benefit payments and refunds	(504,295)	(501,743)	(482,795)	(444,116)	(488,449)	(356,424)
Pension plan administrative expense	(8,000)	-	-	-	-	-
Other	-	(16,800)	(8,000)	(6,000)	(6,000)	(8,800)
Net Change in Plan Fiduciary Net Position	<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>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>\$ 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>\$ 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 Pension Liability	45.99%	51.89%	42.71%	40.80%	40.30%	40.38%
Covered Employee Payroll	\$ 2,158,710	\$ 2,283,277	\$ 2,383,949	\$ 2,609,645	\$ 2,741,432	\$ 3,027,113
Net Pension Liability as a Percentage of Covered Employee Payroll	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
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
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 years.

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	19 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	18 years	18 years
Method	level dollar	level dollar
Type	closed	closed
Actuarially Determined Contribution using uniform assumptions	\$ 745,117	

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>
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.

	2021	2020	2019	December 31, 2018	2017	2016	2015	2014
Total Pension Liability								
Service Cost	\$ 484,578	\$ 545,797	\$ 479,481	\$ 473,357	\$ 449,861	\$ 451,469	\$ 424,511	\$ 398,725
Interest on the Total Pension Liability	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	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	(3,001,623)	(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	2,597,529	2,314,193	1,048,304	79,904	717,263	513,981	2,392,272	808,341
Total Pension Liability - Beginning	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)	\$ 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	\$ 1,750,159	\$ 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	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	(3,001,623)	(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	(40,275)	(46,960)	(50,697)	(46,438)	(47,056)	(48,298)	(51,145)	(54,129)
Other	-	-	-	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	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	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)	\$ 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)	\$ 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	62.18%	61.03%	59.66%	57.06%	63.17%	60.49%	58.86%	68.07%
Covered Employee Payroll	\$ 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	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
2015	\$ 975,124	\$ 975,124	\$ -	\$ 5,254,135	18.56%
2016	1,041,766	1,041,766	-	5,597,405	18.61%
2017	1,153,788	1,153,788	-	5,927,328	19.47%
2018	1,273,723	1,273,723	-	5,942,362	21.43%
2019	1,374,516	1,374,516	-	6,221,439	22.09%
2020	1,627,463	1,627,463	-	6,368,689	25.55%
2021	1,879,256	1,879,256	-	6,433,749	29.21%

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 adoptior
Mortality	Fully generational, details available in the Appendix to the Actuarial Valuation Repor

TRAVERSE CITY LIGHT AND POWER

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

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

	December 31,							
	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability								
Service cost	\$ 251,797	\$ 261,413	\$ 264,001	\$ 285,497	\$ 310,387	\$ 300,475	\$ 295,317	\$ 313,020
Interest	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	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	(2,311,561)	(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	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	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	36,052,129	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	2,551,769	2,471,828	2,403,450	2,395,423	2,253,396	1,564,302	858,331	773,230
Net investment income	3,145,898	3,099,212	2,532,810	(760,557)	2,200,228	1,686,136	(234,339)	1,000,478
Administrative expenses	(39,507)	(43,213)	(43,690)	(37,098)	(34,750)	(33,363)	(34,767)	(36,578)
Benefit payments, including refunds	(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	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	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	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	\$ 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	77.57%	72.49%	65.85%	60.34%	62.25%	56.00%	51.69%	60.81%
Covered employee payroll	\$ 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	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**

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

	<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	\$ 2,548,975	\$ 2,556,504	\$ 2,382,248	\$ 1,113,276	\$ 1,110,648	\$ 944,388	\$ 891,939	\$ 770,572
	<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>(1,315,444)</u>	<u>(1,245,744)</u>	<u>(1,258,572)</u>	<u>-</u>	<u>-</u>
Covered employee payroll	\$ 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	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)

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,	2022	2021	2020	2019	2018
Total OPEB Liability					
Service Cost	\$ 15,946	\$ 18,227	\$ 3,016	\$ 3,206	\$ 3,260
Interest on the total OPEB liability	95,829	68,449	80,100	80,728	118,583
Benefit changes				-	-
Difference between expected and actual experience	15,783	394,671	-	-	25,684
Assumption changes	-	54,336	13,606	(9,606)	40,303
Benefits paid and refunds	(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>(21,374)</u>	<u>397,812</u>	<u>(85,677)</u>	<u>(19,045)</u>	<u>(513,384)</u>
Total OPEB Liability - Beginning	1,435,475	1,037,663	1,123,340	1,142,385	1,655,769
Total OPEB Liability- Ending (a)	<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	\$ 11,772	\$ 16,997	\$ 2,670	\$ 106	\$ 11,000
Plan net investment income	(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	(148,932)	(137,871)	(110,685)	(132,031)	(149,325)
Pension plan administrative expense	(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>(337,322)</u>	<u>398,487</u>	<u>(68,144)</u>	<u>(58,189)</u>	<u>103,588</u>
Plan Fiduciary Net Position - Beginning	2,366,194	1,967,707	2,035,851	2,094,040	1,990,449
Plan Fiduciary Net Position - Ending (b)	<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>\$ (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	143.47%	164.84%	189.63%	181.23%	183.30%
Covered Employee Payroll	\$ 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	-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%

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%

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	Non-Medicare: initial rate of 7.5% decreasing to a 3.5% long-term rate in year 12. Medicare: initial rate of 6.25% decreasing to a 3.5% long-term rate in year
Amortization of the Unfunded accrued Actuarial Liability:		
Period	27 years	27 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)%

* 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,	2022	2021	2020	2019	2018
Total OPEB Liability					
Service Cost	\$ 27,928	\$ 24,167	\$ 3,615	\$ 3,363	\$ 2,852
Interest on the total OPEB liability	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	(385,277)	(376,806)	(349,982)	(350,628)	(342,038)
Other changes	-	-	-	87,555	(38,996)
Net change in Total Pension Liability	<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>5,023,595</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>\$ 5,494,792</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	\$ 467,997	\$ 515,224	\$ 514,424	\$ -	\$ 229,388
Pension plan net investment income	(424,666)	1,061,721	64,798	78,435	191,582
Difference between expected and actual experience	-	-	-	(161,940)	-
Benefits paid and refunds	(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>(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>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>\$ 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>\$ 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	85.43%	100.25%	76.50%	65.50%	62.11%
Covered Employee Payroll	\$ 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	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%

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%

Notes to Schedule

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

State of Michigan PA 202 information

Actuarially recommended contributions in accordance with
State PA 202 \$ 182,943

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

- Mortality - Public Employee and Police, headcount weighted, MP-2018
- Expected asset return - 6.85%
- Expected salary increase - 3.0%
- Effective discount rate - 6.85%

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.

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%

* 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, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Property taxes	\$ 12,896,800	\$ 12,701,800	\$ 12,790,270	\$ 88,470
Licenses and permits	457,900	457,900	519,562	61,662
Federal sources	2,500	2,500	471	(2,029)
State sources	1,527,700	1,722,700	2,151,534	428,834
Local sources	1,720,000	1,720,000	1,813,125	93,125
Charges for services	515,000	515,000	585,918	70,918
Ordinance fees and fines	40,000	40,000	44,905	4,905
Contributions	18,600	40,600	65,720	25,120
Reimbursements	584,000	584,000	570,839	(13,161)
Investment income	57,800	97,800	86,358	(11,442)
Change in fair value of investments	-	-	(322,681)	(322,681)
Other revenue	580,000	580,000	599,049	19,049
Total revenues	<u>18,400,300</u>	<u>18,462,300</u>	<u>18,905,070</u>	<u>442,770</u>
Expenditures				
General government	5,255,900	5,310,900	4,799,064	511,836
Public safety	7,777,300	7,877,300	7,686,744	190,556
Public works	2,035,500	2,020,000	1,817,598	202,402
Recreation and culture	2,258,500	2,280,500	2,109,447	171,053
Capital Outlay	307,300	232,300	75,815	156,485
Total expenditures	<u>17,634,500</u>	<u>17,721,000</u>	<u>16,488,668</u>	<u>1,232,332</u>
Excess (deficiency) of revenue over expenditures	<u>765,800</u>	<u>741,300</u>	<u>2,416,402</u>	<u>1,675,102</u>
Other financing sources (uses)				
Transfers in	1,231,600	1,231,600	1,355,953	124,353
Transfers out	(2,544,400)	(2,559,400)	(2,527,628)	31,772
Total other financing sources (uses)	<u>(1,312,800)</u>	<u>(1,327,800)</u>	<u>(1,171,675)</u>	<u>156,125</u>
Net change in fund balance	(547,000)	(586,500)	1,244,727	1,831,227
Fund balance, beginning of year	9,095,934	9,095,934	9,095,934	-
Fund balance, end of year	<u><u>\$ 8,548,934</u></u>	<u><u>\$ 8,509,434</u></u>	<u><u>\$ 10,340,661</u></u>	<u><u>\$ 1,831,227</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, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
State sources	\$ 1,655,800	\$ 1,655,800	\$ 1,786,500	\$ 130,700
Reimbursements	-	65,500	67,548	2,048
Interest income	-	-	-	-
Change in fair value of investments	-	-	-	-
Total revenues	<u>1,655,800</u>	<u>1,721,300</u>	<u>1,854,048</u>	<u>132,748</u>
Expenditures				
Public works				
Personnel	474,400	539,900	549,937	(10,037)
Commodities	108,000	108,000	156,198	(48,198)
Contractual services	213,000	213,000	221,701	(8,701)
Other charges	679,300	679,300	732,116	(52,816)
Capital outlay	-	-	-	-
Total expenditures	<u>1,474,700</u>	<u>1,540,200</u>	<u>1,659,952</u>	<u>(119,752)</u>
Excess (deficiency) of revenue over expenditures	<u>181,100</u>	<u>181,100</u>	<u>194,096</u>	<u>12,996</u>
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	181,100	181,100	194,096	12,996
Fund balance, beginning of year	948,819	948,819	948,819	-
Fund balance, end of year	<u>\$ 1,129,919</u>	<u>\$ 1,129,919</u>	<u>\$ 1,142,915</u>	<u>\$ 12,996</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, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
State sources	\$ 545,300	\$ 545,300	\$ 599,151	\$ 53,851
Reimbursements	-	-	-	-
Total revenues	<u>545,300</u>	<u>545,300</u>	<u>599,151</u>	<u>53,851</u>
Expenditures				
Public works				
Personnel	463,900	463,900	467,815	(3,915)
Contractual services	100,000	100,000	91,756	8,244
Commodities	86,000	86,000	98,741	(12,741)
Other charges	520,100	520,100	489,754	30,346
Total expenditures	<u>1,170,000</u>	<u>1,170,000</u>	<u>1,148,066</u>	<u>21,934</u>
(Deficiency) of revenue over expenditures	(624,700)	(624,700)	(548,915)	75,785
Other financing sources (uses)				
Transfer in	624,700	624,700	548,915	(75,785)
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, 2022

I. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

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

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

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

B. Excess of expenditures over appropriations

For the year ended June 30, 2022, actual expenditures in the General Operating Fund City Commission Department exceeded final appropriations by \$1,420, The GIS Department by \$2,509, and the City Attorney Office by \$7,173. These amounts are related to an underestimate of personnel related costs and contractual services during the year end budget review process. Overall, the General Operating Fund's total actual expenditures and transfers out were lower than the total amended budget expenditures and transfers out by \$1,079,459. The Major Street fund expenditures exceeded budgeted amounts by \$119,752 due to underestimated year end expenditures and revenue overall the actual net change in fund balance exceeded the budgeted change in fund balance by \$12,996.

**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, 2022

	General Fund				Budget Stabilization			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues								
Property taxes	\$ 12,896,800	\$ 12,701,800	\$ 12,790,270	\$ 88,470	\$ -	\$ -	\$ -	\$ -
Licenses and permits	457,900	457,900	519,562	61,662	-	-	-	-
Federal sources	2,500	2,500	471	(2,029)	-	-	-	-
State sources	1,527,700	1,722,700	2,151,534	428,834	-	-	-	-
Local sources	1,700,000	1,700,000	1,796,535	96,535	-	-	-	-
Charges for services	217,700	217,700	291,325	73,625	-	-	-	-
Ordinance fees and fines	40,000	40,000	44,905	4,905	-	-	-	-
Contributions	-	-	-	-	-	-	-	-
Reimbursements	580,000	580,000	566,596	(13,404)	-	-	-	-
Interest income	35,000	35,000	23,263	(11,737)	17,800	17,800	17,813	13
Change in fair value of investments	-	-	(269,319)	(269,319)	-	-	(46,088)	(46,088)
Other revenue	580,000	580,000	599,049	19,049	-	-	-	-
Total revenues	18,037,600	18,037,600	18,514,191	476,591	17,800	17,800	(28,275)	(46,075)
Expenditures								
General government	5,250,900	5,255,900	4,745,555	510,345	-	-	-	-
Public safety	7,746,800	7,846,800	7,667,010	179,790	-	-	-	-
Public works	2,035,500	2,005,500	1,816,450	189,050	-	-	-	-
Recreation and culture	1,907,500	1,907,500	1,827,591	79,909	-	-	-	-
Capital outlay	222,300	147,300	63,720	83,580	-	-	-	-
Total expenditures	17,163,000	17,163,000	16,120,326	1,042,674	-	-	-	-
Excess (deficiency) of revenue over expenditures	874,600	874,600	2,393,865	1,519,265	17,800	17,800	(28,275)	(46,075)
Other financing sources (uses)								
Transfers in	1,109,600	1,109,600	1,233,953	124,353	-	-	-	-
Transfers out	(2,526,600)	(2,526,600)	(2,489,815)	36,785	(17,800)	(17,800)	(17,813)	(13)
Total other financing sources (uses)	(1,417,000)	(1,417,000)	(1,255,862)	161,138	(17,800)	(17,800)	(17,813)	(13)
Net change in fund balance	(542,400)	(542,400)	1,138,003	1,680,403	-	-	(46,088)	(46,088)
Fund balance, beginning of year	6,065,754	6,065,754	6,065,754	-	799,387	799,387	799,387	-
Fund balance, end of year	\$ 5,523,354	\$ 5,523,354	\$ 7,203,757	\$ 1,680,403	\$ 799,387	\$ 799,387	\$ 753,299	\$ (46,088)

CITY OF TRAVERSE CITY
Schedule of GASB 54 Consolidation
Budget (GAAP Basis) and Actual
For the Year Ended June 30, 2022

	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	20,000	20,000	16,590	(3,410)	-	-	-	-
Charges for services	5,000	5,000	400	(4,600)	46,800	46,800	53,600	6,800
Ordinance fees and fines	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	-	-	-
Reimbursements	-	-	-	-	-	-	-	-
Interest income	-	-	-	-	-	-	-	-
Change in fair value of investments	-	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-	-
Total revenues	<u>25,000</u>	<u>25,000</u>	<u>16,990</u>	<u>(8,010)</u>	<u>46,800</u>	<u>46,800</u>	<u>53,600</u>	<u>6,800</u>
Expenditures								
General government	-	-	-	-	-	-	-	-
Public safety	19,900	19,900	16,960	2,940	-	-	-	-
Public works	-	-	-	-	-	-	-	-
Recreation and culture	-	-	-	-	128,800	128,800	86,830	41,970
Capital outlay	-	-	-	-	-	-	-	-
Total expenditures	<u>19,900</u>	<u>19,900</u>	<u>16,960</u>	<u>2,940</u>	<u>128,800</u>	<u>128,800</u>	<u>86,830</u>	<u>41,970</u>
Excess (deficiency) of revenue over expenditures	<u>5,100</u>	<u>5,100</u>	<u>30</u>	<u>(5,070)</u>	<u>(82,000)</u>	<u>(82,000)</u>	<u>(33,230)</u>	<u>48,770</u>
Other financing sources (uses)								
Transfers in	-	-	-	-	82,000	82,000	82,000	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>82,000</u>	<u>82,000</u>	<u>82,000</u>	<u>-</u>
Net change in fund balance	<u>5,100</u>	<u>5,100</u>	<u>30</u>	<u>(5,070)</u>	<u>-</u>	<u>-</u>	<u>48,770</u>	<u>48,770</u>
Fund balance, beginning of year	<u>92,542</u>	<u>92,542</u>	<u>92,542</u>	<u>-</u>	<u>9,810</u>	<u>9,810</u>	<u>9,810</u>	<u>-</u>
Fund balance, end of year	<u>\$ 97,642</u>	<u>\$ 97,642</u>	<u>\$ 92,572</u>	<u>\$ (5,070)</u>	<u>\$ 9,810</u>	<u>\$ 9,810</u>	<u>\$ 58,580</u>	<u>\$ 48,770</u>

CITY OF TRAVERSE CITY
Schedule of GASB 54 Consolidation
Budget (GAAP Basis) and Actual
For the Year Ended June 30, 2022

	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	600	600	-	(600)	-	22,000	46,985	24,985
Reimbursements	-	-	-	-	-	-	-	-
Interest income	-	-	-	-	-	-	-	-
Change in fair value of investments	-	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-	-
Total revenues	600	600	-	(600)	-	22,000	46,985	24,985
Expenditures								
General government	-	-	-	-	-	-	-	-
Public safety	10,600	10,600	2,774	7,826	-	-	-	-
Public works	-	-	-	-	-	-	-	-
Recreation and culture	-	-	-	-	-	22,000	11,332	10,668
Capital outlay	-	-	-	-	-	-	-	-
Total expenditures	10,600	10,600	2,774	7,826	-	22,000	11,332	10,668
Excess (deficiency) of revenue over expenditures	(10,000)	(10,000)	(2,774)	7,226	-	-	35,653	35,653
Other financing sources (uses)								
Transfers in	10,000	10,000	10,000	-	-	-	-	-
Transfers out	-	(15,000)	(20,000)	(5,000)	-	-	-	-
Total other financing sources (uses)	10,000	(5,000)	(10,000)	(5,000)	-	-	-	-
Net change in fund balance	-	(15,000)	(12,774)	2,226	-	-	35,653	35,653
Fund balance, beginning of year	23,839	23,839	23,839	-	40,390	40,390	40,390	-
Fund balance, end of year	\$ 23,839	\$ 8,839	\$ 11,065	\$ 2,226	\$ 40,390	\$ 40,390	\$ 76,043	\$ 35,653

CITY OF TRAVERSE CITY
Schedule of GASB 54 Consolidation
Budget (GAAP Basis) and Actual
For the Year Ended June 30, 2022

	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	132,900	132,900	124,004	(8,896)	112,600	112,600	116,589	3,989
Ordinance fees and fines	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	-	-	-
Reimbursements	-	-	-	-	4,000	4,000	4,243	243
Interest income	-	-	544	544	-	-	-	-
Change in fair value of investments	-	-	(7,274)	(7,274)	-	-	-	-
Other revenue	-	-	-	-	-	-	-	-
Total revenues	132,900	132,900	117,274	(15,626)	116,600	116,600	120,832	4,232
Expenditures								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-
Recreation and culture	67,500	67,500	69,262	(1,762)	131,700	131,700	91,226	40,474
Capital outlay	-	-	-	-	55,000	55,000	-	55,000
Total expenditures	67,500	67,500	69,262	(1,762)	186,700	186,700	91,226	95,474
Excess (deficiency) of revenue over expenditures	65,400	65,400	48,012	(17,388)	(70,100)	(70,100)	29,606	99,706
Other financing sources (uses)								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Net change in fund balance	65,400	65,400	48,012	(17,388)	(70,100)	(70,100)	29,606	99,706
Fund balance, beginning of year	210,974	210,974	210,974	-	114,773	114,773	114,773	-
Fund balance, end of year	\$ 276,374	\$ 276,374	\$ 258,986	\$ (17,388)	\$ 44,673	\$ 44,673	\$ 144,379	\$ 99,706

CITY OF TRAVERSE CITY
Schedule of GASB 54 Consolidation
Budget (GAAP Basis) and Actual
For the Year Ended June 30, 2022

	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	-	-	-	-	-	-	-	-
Ordinance fees and fines	-	-	-	-	-	-	-	-
Contributions	3,000	3,000	2,235	(765)	-	-	-	-
Reimbursements	-	-	-	-	-	-	-	-
Interest income	-	-	-	-	5,000	45,000	44,738	(262)
Change in fair value of investments	-	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-	-
Total revenues	3,000	3,000	2,235	(765)	5,000	45,000	44,738	(262)
Expenditures								
General government	-	-	-	-	5,000	55,000	53,509	1,491
Public safety	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-
Recreation and culture	3,000	3,000	-	3,000	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Total expenditures	3,000	3,000	-	3,000	5,000	55,000	53,509	1,491
Excess (deficiency) of revenue over expenditures	-	-	2,235	2,235	-	(10,000)	(8,771)	1,229
Other financing sources (uses)								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Net change in fund balance	-	-	2,235	2,235	-	(10,000)	(8,771)	1,229
Fund balance, beginning of year	4,590	4,590	4,590	-	1,598,781	1,598,781	1,598,781	-
Fund balance, end of year	\$ 4,590	\$ 4,590	\$ 6,825	\$ 2,235	\$ 1,598,781	\$ 1,588,781	\$ 1,590,010	\$ 1,229

CITY OF TRAVERSE CITY
Schedule of GASB 54 Consolidation
Budget (GAAP Basis) and Actual
For the Year Ended June 30, 2022

	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	-	-	-	-	15,000	15,000	16,500	1,500
Reimbursements	-	-	-	-	-	-	-	-
Interest income	-	-	-	-	-	-	-	-
Change in fair value of investments	-	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-	-
Total revenues	-	-	-	-	15,000	15,000	16,500	1,500
Expenditures								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Public works	-	14,500	1,148	13,352	-	-	-	-
Recreation and culture	-	-	-	-	20,000	20,000	23,206	(3,206)
Capital outlay	-	-	-	-	30,000	30,000	12,095	17,905
Total expenditures	-	14,500	1,148	13,352	50,000	50,000	35,301	14,699
Excess (deficiency) of revenue over expenditures	-	(14,500)	(1,148)	13,352	(35,000)	(35,000)	(18,801)	16,199
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	-	(14,500)	(1,148)	13,352	(5,000)	(5,000)	11,199	16,199
Fund balance, beginning of year	14,507	14,507	14,507	-	120,587	120,587	120,587	-
Fund balance, end of year	\$ 14,507	\$ 7	\$ 13,359	\$ 13,352	\$ 115,587	\$ 115,587	\$ 131,786	\$ 16,199

Total General Fund				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 12,896,800	\$ 12,701,800	\$ 12,790,270	\$ 88,470
Licenses and permits	457,900	457,900	519,562	61,662
Federal sources	2,500	2,500	471	(2,029)
State sources	1,527,700	1,722,700	2,151,534	428,834
Local sources	1,720,000	1,720,000	1,813,125	93,125
Charges for services	515,000	515,000	585,918	70,918
Ordinance fees and fines	40,000	40,000	44,905	4,905
Contributions	18,600	40,600	65,720	25,120
Reimbursements	584,000	584,000	570,839	(13,161)
Interest income	57,800	97,800	86,358	(11,442)
Change in fair value of investments	-	-	(322,681)	(322,681)
Other revenue	580,000	580,000	599,049	19,049
Total revenues	18,400,300	18,462,300	18,905,070	442,770
Expenditures				
General government	5,255,900	5,310,900	4,799,064	511,836
Public safety	7,777,300	7,877,300	7,686,744	190,556
Public works	2,035,500	2,020,000	1,817,598	202,402
Recreation and culture	2,258,500	2,280,500	2,109,447	171,053
Capital outlay	307,300	232,300	75,815	156,485
Total expenditures	17,634,500	17,721,000	16,488,668	1,232,332
Excess (deficiency) of revenue over expenditures	765,800	741,300	2,416,402	1,675,102
Other financing sources (uses)				
Transfers in	1,231,600	1,231,600	1,355,953	124,353
Transfers out	(2,544,400)	(2,559,400)	(2,527,628)	31,772
Total other financing sources (uses)	(1,312,800)	(1,327,800)	(1,171,675)	156,125
Net change in fund balance	(547,000)	(586,500)	1,244,727	1,831,227
Fund balance, beginning of year	9,095,934	9,095,934	9,095,934	-
Fund balance, end of year	\$ 8,548,934	\$ 8,509,434	\$ 10,340,661	\$ 1,831,227

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, 2022

	<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	\$ 12,462,300	\$ 12,267,300	\$ 12,331,924	\$ 64,624
Collection fees	296,500	296,500	297,562	1,062
Penalties and interest on taxes	138,000	138,000	160,784	22,784
Total property taxes	<u>12,896,800</u>	<u>12,701,800</u>	<u>12,790,270</u>	<u>88,470</u>
Licenses and permits				
Business	394,400	394,400	435,841	41,441
Nonbusiness	63,500	63,500	83,721	20,221
Total licenses and permits	<u>457,900</u>	<u>457,900</u>	<u>519,562</u>	<u>61,662</u>
Federal sources	<u>2,500</u>	<u>2,500</u>	<u>471</u>	<u>(2,029)</u>
State sources				
State - shared revenues				
Sales and use tax	1,468,700	1,468,700	1,911,918	443,218
Liquor licenses	56,000	56,000	50,208	(5,792)
Other state	3,000	198,000	189,408	(8,592)
Total state sources	<u>1,527,700</u>	<u>1,722,700</u>	<u>2,151,534</u>	<u>428,834</u>
Local sources				
City fee - Component Units	<u>1,700,000</u>	<u>1,700,000</u>	<u>1,796,535</u>	<u>96,535</u>
Charges for services				
General fees and services	60,700	60,700	54,971	(5,729)
Use and admission fees	157,000	157,000	236,354	79,354
Total charges for services	<u>217,700</u>	<u>217,700</u>	<u>291,325</u>	<u>73,625</u>
Ordinance fees and fines	<u>40,000</u>	<u>40,000</u>	<u>44,905</u>	<u>4,905</u>
Reimbursements	<u>580,000</u>	<u>580,000</u>	<u>566,596</u>	<u>(13,404)</u>
Investment related income (loss)				
Interest income	35,000	35,000	23,263	(11,737)
Change in fair value of investments	-	-	(269,319)	(269,319)
Total investment related income (loss)	<u>35,000</u>	<u>35,000</u>	<u>(246,056)</u>	<u>(281,056)</u>
Other revenue				
Rents and royalties	64,000	64,000	55,492	(8,508)
Contributions	491,000	491,000	521,528	30,528
Sale of assets	2,000	2,000	-	(2,000)
Other	23,000	23,000	22,029	(971)
Total other revenue	<u>580,000</u>	<u>580,000</u>	<u>599,049</u>	<u>19,049</u>
Total revenues	<u>\$ 18,037,600</u>	<u>\$ 18,037,600</u>	<u>\$ 18,514,191</u>	<u>\$ 476,591</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, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
General government				
City Commission				
Personnel	\$ 54,000	\$ 54,000	\$ 55,668	\$ (1,668)
Commodities	2,000	2,000	416	1,584
Contractual services	41,100	41,100	45,115	(4,015)
Other charges	3,000	3,000	321	2,679
Total City Commission	<u>100,100</u>	<u>100,100</u>	<u>101,520</u>	<u>(1,420)</u>
City Manager's Office				
Personnel	412,300	412,300	407,575	4,725
Commodities	4,000	4,000	4,214	(214)
Contractual services	50,000	50,000	23,055	26,945
Other charges	5,000	5,000	6,173	(1,173)
Total City Manager's Office	<u>471,300</u>	<u>471,300</u>	<u>441,017</u>	<u>30,283</u>
Human Resources				
Personnel	212,100	212,100	171,669	40,431
Commodities	4,300	4,300	4,632	(332)
Contractual services	57,200	57,200	67,873	(10,673)
Other charges	3,500	3,500	1,591	1,909
Total Human Resources	<u>277,100</u>	<u>277,100</u>	<u>245,765</u>	<u>31,335</u>
Geographic Information Systems				
Personnel	100,700	100,700	104,843	(4,143)
Commodities	8,500	8,500	3,438	5,062
Contractual services	52,900	52,900	56,952	(4,052)
Other charges	1,000	1,000	376	624
Total Geographic Information Systems	<u>163,100</u>	<u>163,100</u>	<u>165,609</u>	<u>(2,509)</u>
City Attorney's Office				
Personnel	226,100	226,100	226,899	(799)
Commodities	1,500	1,500	1,479	21
Contractual services	87,100	152,100	158,934	(6,834)
Other charges	2,000	2,000	1,561	439
Total City Attorney's Office	<u>316,700</u>	<u>381,700</u>	<u>388,873</u>	<u>(7,173)</u>
City Clerk's Office				
Personnel	517,400	497,400	466,354	31,046
Commodities	75,200	75,200	54,521	20,679
Contractual services	95,900	95,900	72,443	23,457
Other charges	40,200	40,200	23,955	16,245
Total City Clerk's Office	<u>728,700</u>	<u>708,700</u>	<u>617,273</u>	<u>91,427</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, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Assessor's Office				
Personnel	\$ 421,900	\$ 421,900	\$ 422,916	\$ (1,016)
Commodities	2,500	2,500	3,297	(797)
Contractual services	65,500	65,500	56,512	8,988
Other charges	9,100	9,100	7,163	1,937
Total Assessor's Office	<u>499,000</u>	<u>499,000</u>	<u>489,888</u>	<u>9,112</u>
Treasurer's Office				
Personnel	379,700	339,700	281,159	58,541
Commodities	19,000	19,000	11,008	7,992
Contractual services	59,000	59,000	67,965	(8,965)
Other charges	5,700	5,700	8,637	(2,937)
Total Treasurer's Office	<u>463,400</u>	<u>423,400</u>	<u>368,769</u>	<u>54,631</u>
Building and grounds				
Other charges	<u>194,200</u>	<u>194,200</u>	<u>167,194</u>	<u>27,006</u>
Planning/Zoning				
Personnel	391,000	391,000	385,476	5,524
Commodities	7,100	7,100	8,181	(1,081)
Contractual services	147,300	147,300	21,363	125,937
Other charges	15,300	15,300	14,653	647
Total Planning/Zoning	<u>560,700</u>	<u>560,700</u>	<u>429,673</u>	<u>131,027</u>
Cemetery				
Personnel	242,000	242,000	230,794	11,206
Commodities	11,000	11,000	15,833	(4,833)
Contractual services	23,000	23,000	29,514	(6,514)
Other charges	113,400	113,400	81,091	32,309
Total Cemetery	<u>389,400</u>	<u>389,400</u>	<u>357,232</u>	<u>32,168</u>
Appropriations	<u>195,500</u>	<u>195,500</u>	<u>81,060</u>	<u>114,440</u>
Contribution to defined benefit pension plan	<u>891,700</u>	<u>891,700</u>	<u>891,682</u>	<u>18</u>
Total general government	<u>5,250,900</u>	<u>5,255,900</u>	<u>4,745,555</u>	<u>510,345</u>
Public Safety				
Police				
Personnel	3,321,500	3,421,500	3,438,898	(17,398)
Commodities	94,000	94,000	70,034	23,966
Contractual services	468,500	468,500	474,030	(5,530)
Other charges	428,800	428,800	392,602	36,198
Total Police	<u>4,312,800</u>	<u>4,412,800</u>	<u>4,375,564</u>	<u>37,236</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, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Fire				
Personnel	\$ 2,557,000	\$ 2,557,000	\$ 2,403,328	\$ 153,672
Commodities	183,000	183,000	217,163	(34,163)
Contractual services	185,000	185,000	191,785	(6,785)
Other charges	509,000	509,000	479,170	29,830
Total Fire	<u>3,434,000</u>	<u>3,434,000</u>	<u>3,291,446</u>	<u>142,554</u>
Total public safety	<u>7,746,800</u>	<u>7,846,800</u>	<u>7,667,010</u>	<u>179,790</u>
Public Works				
Streets, alleys and sidewalks				
Personnel	804,000	774,000	618,096	155,904
Commodities	33,000	33,000	37,465	(4,465)
Contractual services	146,500	146,500	143,491	3,009
Other charges	125,300	125,300	172,767	(47,467)
Total Streets, Alleys and Sidewalks	<u>1,108,800</u>	<u>1,078,800</u>	<u>971,819</u>	<u>106,981</u>
Engineering				
Personnel	819,000	819,000	763,765	55,235
Commodities	28,000	28,000	6,659	21,341
Contractual services	49,100	49,100	45,293	3,807
Other charges	30,600	30,600	28,914	1,686
Total Engineering	<u>926,700</u>	<u>926,700</u>	<u>844,631</u>	<u>82,069</u>
Total public works	<u>2,035,500</u>	<u>2,005,500</u>	<u>1,816,450</u>	<u>189,050</u>
Recreation and Culture				
Parks				
Personnel	1,020,300	1,020,300	913,861	106,439
Commodities	68,700	68,700	97,064	(28,364)
Contractual services	161,000	161,000	154,327	6,673
Other charges	657,500	657,500	662,339	(4,839)
Total Recreation and Culture	<u>1,907,500</u>	<u>1,907,500</u>	<u>1,827,591</u>	<u>79,909</u>
Capital outlay	<u>222,300</u>	<u>147,300</u>	<u>63,720</u>	<u>83,580</u>
Total expenditures	<u>\$ 17,163,000</u>	<u>\$ 17,163,000</u>	<u>\$ 16,120,326</u>	<u>\$ 1,042,674</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, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Transfers in				
Brown Bridge Trust	\$ 212,000	\$ 212,000	\$ 167,789	\$ (44,211)
Other funds	33,500	33,500	53,495	19,995
City fee - Proprietary Funds	864,100	864,100	1,012,669	148,569
Total Transfers In	<u>\$ 1,109,600</u>	<u>\$ 1,109,600</u>	<u>\$ 1,233,953</u>	<u>\$ 124,353</u>
Transfers out				
Major Streets	\$ -	\$ -	\$ 9,353	\$ (9,353)
Local Streets	624,700	624,700	539,562	85,138
Heritage Center	-	-	39,000	(39,000)
Public Arts Commission	30,000	30,000	30,000	-
Coast Guard Committee	10,000	10,000	10,000	-
Sidewalk and Trail Debt Retirement	375,400	375,400	375,400	-
Capital Projects	1,115,600	1,115,600	1,115,600	-
Hickory Hills	370,900	370,900	370,900	-
Total Transfers Out	<u>\$ 2,526,600</u>	<u>\$ 2,526,600</u>	<u>\$ 2,489,815</u>	<u>\$ 36,785</u>

CITY OF TRAVERSE CITY, MICHIGAN
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2022

	<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	\$ 4,331,239	\$ 5,063	\$ 737,552	\$ 218,141	\$ 5,291,995
Investments	94,733	-	5,018	547,477	647,228
Receivables					
Accounts	7,781	-	-	-	7,781
Taxes	-	-	4,957	-	4,957
Special assessments	-	-	105,567	-	105,567
Interest	981	-	-	3,118	4,099
Due from other funds	-	-	-	-	-
Due from other governments	5,400	-	-	-	5,400
Total assets	<u>\$ 4,440,134</u>	<u>\$ 5,063</u>	<u>\$ 853,094</u>	<u>\$ 768,736</u>	<u>\$ 6,067,027</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 5,157	\$ -	\$ -	\$ -	\$ 5,157
Accrued and other liabilities	-	-	375	-	375
Due to other funds	5,400	-	-	-	5,400
Unearned revenue	5,813	-	-	-	5,813
Advance from component unit	-	-	165	-	165
Total liabilities	<u>16,370</u>	<u>-</u>	<u>540</u>	<u>-</u>	<u>16,910</u>
Deferred inflows of resources					
Unavailable revenue	-	-	105,221	-	105,221
Fund balances					
Nonspendable					
Cemetery perpetual care	-	-	-	768,736	768,736
Restricted					
Debt service	-	5,063	-	-	5,063
Joint planning	20,140	-	-	-	20,140
Capital improvements	454,462	-	598	-	455,060
Public safety training	1,702	-	-	-	1,702
Public welfare or civic improvement organizat	3,603,472	-	-	-	3,603,472
Act 345 retirement	343,988	-	-	-	343,988
Committed					
Capital improvements	-	-	746,735	-	746,735
Total fund balances	<u>4,423,764</u>	<u>5,063</u>	<u>747,333</u>	<u>768,736</u>	<u>5,944,896</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,440,134</u>	<u>\$ 5,063</u>	<u>\$ 853,094</u>	<u>\$ 768,736</u>	<u>\$ 6,067,027</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, 2022

	<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	\$ 2,377,196	\$ -	\$ 55,776	\$ -	\$ 2,432,972
Federal sources	-	-	-	-	-
State sources	25,577	-	-	-	25,577
Local sources	-	1,011,830	-	-	1,011,830
Charges for services	202,118	-	-	46,113	248,231
Ordinance fees and fines	6,600	-	-	-	6,600
Contributions	1,258,706	-	-	-	1,258,706
Interest income	11,301	-	10,209	15,682	37,192
Change in fair value of investments	(105,418)	-	(36,368)	(48,832)	(190,618)
Total revenues	<u>3,776,080</u>	<u>1,011,830</u>	<u>29,617</u>	<u>12,963</u>	<u>4,830,490</u>
Expenditures					
Current expenditures					
General government	171,680	-	-	-	171,680
Public safety	2,517,296	-	-	-	2,517,296
Public works	856	-	220,013	-	220,869
Recreation and Culture	-	-	-	-	-
Capital outlay	38,838	-	-	-	38,838
Debt service					
Principal	-	1,345,000	-	-	1,345,000
Interest and fiscal charges	-	336,841	-	-	336,841
Total expenditures	<u>2,728,670</u>	<u>1,681,841</u>	<u>220,013</u>	<u>-</u>	<u>4,630,524</u>
Excess (deficiency) of revenues over expenditures	<u>1,047,410</u>	<u>(670,011)</u>	<u>(190,396)</u>	<u>12,963</u>	<u>199,966</u>
Other financing sources (uses)					
Transfers in	66,815	670,400	-	-	737,215
Transfers (out)	(457,000)	-	-	(15,682)	(472,682)
Total other financing sources (uses)	<u>(390,185)</u>	<u>670,400</u>	<u>-</u>	<u>(15,682)</u>	<u>264,533</u>
Net change in fund balance	657,225	389	(190,396)	(2,719)	464,499
Fund balances, beginning of year	<u>3,766,539</u>	<u>4,674</u>	<u>937,729</u>	<u>771,455</u>	<u>5,480,397</u>
Fund balances, end of year	<u><u>\$ 4,423,764</u></u>	<u><u>\$ 5,063</u></u>	<u><u>\$ 747,333</u></u>	<u><u>\$ 768,736</u></u>	<u><u>\$ 5,944,896</u></u>

CITY OF TRAVERSE CITY, MICHIGAN
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2022

	<u>Act 302 Police Training Fund</u>	<u>State Preparedness Equipment Grant Fund</u>	<u>College Parking Fund</u>	<u>Act 345 Millage Fund</u>	<u>Traverse City and Garfield Township Joint Planning Fund</u>	<u>PEG Capital Fund</u>
ASSETS						
Assets						
Cash & equity in pooled cash and investments	\$ 1,702	\$ -	\$ 2,729	\$ 341,364	\$ 20,140	\$ 110,912
Investments	-	-	-	-	-	-
Receivables						
Accounts	-	-	-	7,781	-	-
Interest	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Due from other governments	-	5,400	-	-	-	-
Total assets	\$ 1,702	\$ 5,400	\$ 2,729	\$ 349,145	\$ 20,140	\$ 110,912
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ 5,157	\$ -	\$ -
Accrued and other liabilities	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-
Due to other funds	-	5,400	-	-	-	-
Total liabilities	-	5,400	-	5,157	-	-
Deferred inflows of resources						
Unavailable revenue	-	-	-	-	-	-
Fund balances						
Restricted						
Joint planning	-	-	-	-	20,140	-
Capital improvements	-	-	-	-	-	110,912
Public safety training	1,702	-	-	-	-	-
Public welfare or civic improvement organizations	-	-	2,729	-	-	-
Act 345 retirement	-	-	-	343,988	-	-
Total fund balances (deficit)	1,702	-	2,729	343,988	20,140	110,912
Total liabilities and fund balances	\$ 1,702	\$ 5,400	\$ 2,729	\$ 349,145	\$ 20,140	\$ 110,912

Continued..

CITY OF TRAVERSE CITY, MICHIGAN
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2022

	Senior Center Building Fund	McCauley Estate Trust Fund	County Road Commission Projects Fund	Brown Bridge Trust Park Improvement Fund	Tree Ordiance Fund	Total
ASSETS						
Assets						
Cash & equity in pooled cash and investments	\$ 349,363	\$ 51,081	\$ 2,872,796	\$ 508,588	\$ 72,564	\$ 4,331,239
Investments	-	94,733	-	-	-	94,733
Receivables						
Accounts	-	-	-	-	-	7,781
Interest	-	981	-	-	-	981
Due from other funds	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	5,400
Total assets	\$ 349,363	\$ 146,795	\$ 2,872,796	\$ 508,588	\$ 72,564	\$ 4,440,134
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,157
Accrued and other liabilities	-	-	-	-	-	-
Unearned revenue	5,813	-	-	-	-	5,813
Due to other funds	-	-	-	-	-	5,400
Total liabilities	5,813	-	-	-	-	16,370
Deferred inflows of resources						
Unavailable revenue	-	-	-	-	-	-
Fund balances						
Restricted						
Joint planning	-	-	-	-	-	20,140
Capital improvements	343,550	-	-	-	-	454,462
Public safety training	-	-	-	-	-	1,702
Public welfare or civic improvement organizations	-	146,795	2,872,796	508,588	72,564	3,603,472
Act 345 retirement	-	-	-	-	-	343,988
Total fund balances	343,550	146,795	2,872,796	508,588	72,564	4,423,764
Total liabilities and fund balances	\$ 349,363	\$ 146,795	\$ 2,872,796	\$ 508,588	\$ 72,564	\$ 4,440,134

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, 2022

	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	\$ -	\$ -	\$ -	\$ 2,377,196	\$ -	\$ -
Federal sources	-	-	-	-	-	-
State sources	3,645	-	-	21,932	-	-
Charges for services	-	-	9,530	-	-	-
Ordinance fees and fines	-	-	-	-	-	-
Contributions	-	-	-	-	-	17,154
Interest income	-	-	-	2,410	-	-
Change in fair value of investments	-	-	-	(29,095)	-	-
Total revenues	<u>3,645</u>	<u>-</u>	<u>9,530</u>	<u>2,372,443</u>	<u>-</u>	<u>17,154</u>
Expenditures						
Current expenditures						
General government	-	-	6,803	-	-	7,077
Public safety	9,709	-	-	2,507,587	-	-
Public works	-	-	-	-	-	-
Recreation and Culture	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Total expenditures	<u>9,709</u>	<u>-</u>	<u>6,803</u>	<u>2,507,587</u>	<u>-</u>	<u>7,077</u>
Excess (deficiency) of revenues over expenditures	<u>(6,064)</u>	<u>-</u>	<u>2,727</u>	<u>(135,144)</u>	<u>-</u>	<u>10,077</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	<u>(6,064)</u>	<u>-</u>	<u>2,727</u>	<u>(135,144)</u>	<u>-</u>	<u>10,077</u>
Fund balances, beginning of year	<u>7,766</u>	<u>-</u>	<u>2</u>	<u>479,132</u>	<u>20,140</u>	<u>100,835</u>
Fund balances, (deficit) end of year	<u><u>\$ 1,702</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,729</u></u>	<u><u>\$ 343,988</u></u>	<u><u>\$ 20,140</u></u>	<u><u>\$ 110,912</u></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, 2022

	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,377,196
Federal sources	-	-	-	-	-	-
State sources	-	-	-	-	-	25,577
Charges for services	-	-	-	192,588	-	202,118
Ordinance fees and fines	-	-	-	-	6,600	6,600
Contributions	30	88,220	1,073,968	79,329	5	1,258,706
Interest income	1,867	2,593	2,954	1,477	-	11,301
Change in fair value of investments	(21,821)	50	(36,368)	(18,184)	-	(105,418)
Total revenues	(19,924)	90,863	1,040,554	255,210	6,605	3,776,080
Expenditures						
Current expenditures						
General government	-	-	-	157,800	-	171,680
Public safety	-	-	-	-	-	2,517,296
Public works	-	-	-	-	856	856
Recreation and culture	-	-	-	-	-	-
Capital outlay	-	-	-	38,838	-	38,838
Total expenditures	-	-	-	196,638	856	2,728,670
Excess (deficiency) of revenues over expenditures	(19,924)	90,863	1,040,554	58,572	5,749	1,047,410
Other financing sources (uses)						
Transfers in	-	-	-	-	66,815	66,815
Transfers (out)	-	(43,000)	(312,000)	(102,000)	-	(457,000)
Total other financing sources (uses)	-	(43,000)	(312,000)	(102,000)	66,815	(390,185)
Net change in fund balance	(19,924)	47,863	728,554	(43,428)	72,564	657,225
Fund balances, beginning of year	363,474	98,932	2,144,242	552,016	-	3,766,539
Fund balances, end of year	\$ 343,550	\$ 146,795	\$ 2,872,796	\$ 508,588	\$ 72,564	\$ 4,423,764

Concluded

CITY OF TRAVERSE CITY, MICHIGAN
Combining Balance Sheet
Nonmajor Debt Service Funds
June 30, 2022

	Sidewalk and Trail Debt Retirement	Parking Deck Bond Redemption Non-Taxable	Old Town Parking Deck Bond Redemption	Total
ASSETS				
Assets				
Cash & equity in pooled cash and investments	\$ 1,387	\$ 3,576	\$ 100	\$ 5,063
Accounts receivable	-	-	-	-
Total assets	\$ 1,387	\$ 3,576	\$ 100	\$ 5,063
LIABILITIES AND FUND BALANCES				
Liabilities				
Due to other funds	\$ -	\$ -	\$ -	\$ -
Fund balances				
Restricted for debt service	1,387	3,576	100	5,063
Total liabilities and fund balances	\$ 1,387	\$ 3,576	\$ 100	\$ 5,063

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, 2022

	<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	\$ 81,133	\$ 930,697	\$ -	\$ 1,011,830
Expenditures				
Debt service				
Principal	545,000	800,000	-	1,345,000
Interest and fiscal charges	206,144	130,697	-	336,841
Total expenditures	<u>751,144</u>	<u>930,697</u>	<u>-</u>	<u>1,681,841</u>
Other financing sources (uses)				
Transfers in	670,400	-	-	670,400
Total other financing sources (uses)	<u>670,400</u>	<u>-</u>	<u>-</u>	<u>670,400</u>
Net change in fund balances	389	-	-	389
Fund balances, beginning of year	998	3,576	100	4,674
Fund balances, end of year	<u>\$ 1,387</u>	<u>\$ 3,576</u>	<u>\$ 100</u>	<u>\$ 5,063</u>

CITY OF TRAVERSE CITY, MICHIGAN
Combining Balance Sheet
Nonmajor Capital Projects Fund
June 30, 2022

	Parking Bond Construction Non-taxable	Special Assessments	Total
ASSETS			
Assets			
Cash & equity in pooled cash and investments	\$ 598	\$ 736,954	\$ 737,552
Investments	-	5,018	5,018
Receivables			
Taxes	-	4,957	4,957
Special assessments	-	105,567	105,567
Total assets	\$ 598	\$ 852,496	\$ 853,094
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities			
Accounts payable	\$ -	\$ 375	\$ 375
Advance from component unit	-	165	165
Total liabilities	-	540	540
Deferred inflows of resources			
Unavailable revenue	-	105,221	105,221
Fund balances			
Restricted			
Capital improvements	598	-	598
Committed			
Capital improvements	-	746,735	746,735
Total fund balances	598	746,735	747,333
Total liabilities, deferred inflows of resources, and fund balances	\$ 598	\$ 852,496	\$ 853,094

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

	Parking Deck Bond Construction Non-Taxable	Special Assessments	Total
Revenues			
Special assessments	\$ -	\$ 55,776	\$ 55,776
Contributions	-	-	-
Interest income	7	10,202	10,209
Change in fair value of investments	-	(36,368)	(36,368)
Total revenues	<u>7</u>	<u>29,610</u>	<u>29,617</u>
Expenditures			
Public works	208,500	11,513	220,013
Capital outlay	-	-	-
Total expenditures	<u>208,500</u>	<u>11,513</u>	<u>220,013</u>
Net change in fund balances	(208,493)	18,097	(190,396)
Other financing sources (uses)			
Transfer out	-	-	-
Net change in fund balances	(208,493)	18,097	(190,396)
Fund balances, beginning of year	<u>209,091</u>	<u>728,638</u>	<u>937,729</u>
Fund balances, end of year	<u>\$ 598</u>	<u>\$ 746,735</u>	<u>\$ 747,333</u>

CITY OF TRAVERSE CITY, MICHIGAN
Combining Statement of Fiduciary Net Position
June 30, 2022

	Other Postemployment Benefit Funds				Custodial Fund	Total
	Act 345	Act 345	Retiree	Tax		
	Pension Trust Fund	Retiree Health Insurance Trust	Health Insurance Trust	Collection Fund		
Assets						
Cash & equity in pooled cash and investments	\$ 2,965,218	\$ 122,767	\$ -	\$ 342,544	\$ 3,430,529	
Investments, at fair value						
Fixed income mutual funds	6,587,425	1,193,032	-	-	7,780,457	
Domestic equities	8,186,834	2,029,391	-	-	10,216,225	
International equities	4,982,817	548,022	-	-	5,530,839	
Real estate	3,870,398	-	-	-	3,870,398	
Other	10,598,185	-	-	-	10,598,185	
MERS total market fund	-		2,180,713	-	2,180,713	
Receivables						
Accounts receivable	-	658,410	-	-	658,410	
Accrued interest	7,777	2,248	-	-	10,025	
Total assets	<u>37,198,654</u>	<u>4,553,870</u>	<u>2,180,713</u>	<u>342,544</u>	<u>44,275,781</u>	
Liabilities						
Due to other governments	-	-	-	342,544	342,544	
Accrued and other liabilities	107,642	-	151,841	-	259,483	
Total liabilities	<u>107,642</u>	<u>-</u>	<u>151,841</u>	<u>342,544</u>	<u>602,027</u>	
Net Position						
Held in trust for pension benefits and other post employment benefits	<u>\$ 37,091,012</u>	<u>\$ 4,553,870</u>	<u>\$ 2,028,872</u>	<u>\$ -</u>	<u>\$ 43,673,754</u>	

CITY OF TRAVERSE CITY, MICHIGAN
Combining Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2022

	Other Postemployment Benefit Funds			Custodial Fund	Total
	Act 345 Pension Trust Fund	Act 345 Retiree Health Insurance Trust	Retiree Health Insurance Trust	Tax Collection Fund	
Additions					
Contributions					
City contributions	\$ 2,507,587	\$ 625,782	\$ 11,772	\$ -	\$ 3,145,141
Employee contributions	80,785	-	-	-	80,785
Property taxes collected	-	-	-	55,936,547	55,936,547
Other	-	-	-	-	-
Total contributions	<u>2,588,372</u>	<u>625,782</u>	<u>11,772</u>	<u>55,936,547</u>	<u>59,162,473</u>
Investment earnings					
Interest and dividends	1,141,906	83,349	13	-	1,225,268
Net increase (decrease) in fair value of investments	(3,332,830)	(683,155)	(195,905)	-	(4,211,890)
Investment expense	(122,775)	(1,698)	-	-	(124,473)
Net investment earnings (loss)	<u>(2,313,699)</u>	<u>(601,504)</u>	<u>(195,892)</u>	<u>-</u>	<u>(3,111,095)</u>
Other	-	-	-	-	-
Total additions	<u>274,673</u>	<u>24,278</u>	<u>(184,120)</u>	<u>55,936,547</u>	<u>56,051,378</u>
Deductions					
Pension benefits paid	3,025,184	504,295	-	-	3,529,479
Health insurance premiums paid	-	-	148,932	-	148,932
Administrative expense (other)	600	8,000	4,270	-	12,870
Property taxes distributed	-	-	-	55,936,547	55,936,547
Total deductions	<u>3,025,784</u>	<u>512,295</u>	<u>153,202</u>	<u>55,936,547</u>	<u>59,627,828</u>
Net increase (decrease) in net position	(2,751,111)	(488,017)	(337,322)	-	(3,576,450)
Net position, beginning of year	<u>39,842,123</u>	<u>5,041,887</u>	<u>2,366,194</u>	<u>-</u>	<u>47,250,204</u>
Net position, end of year	<u>\$ 37,091,012</u>	<u>\$ 4,553,870</u>	<u>\$ 2,028,872</u>	<u>\$ -</u>	<u>\$ 43,673,754</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 29, 2022

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, 2022, 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 29, 2022.

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 29, 2022

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, 2022. 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, 2022.

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.

Urodevelo Haefner LLC

CITY OF TRAVERSE CITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass- through Grantor's Number	Approved Grant Award Amount	Expenditures
Coronavirus Aid, Relief and Economic Security (CARES Act)				
U.S. Department of Treasury				
Passed through Michigan Department of Environment, Great Lakes and Energy				
Epidemiology and Laboratory Capacity for Infectious Diseases	21.019	E20215174-00 & E20224057-001		\$ 645,623
U.S. Environmental Protection Agency				
Passed through Michigan EGLE and Grand Traverse Watershed Center				
Nonpoint Source Program Grant	66.460	2019-0017		232,250
U.S Department of Justice				
Office of Justice Programs (direct funding)				
Bullet Proof Vests	16.607			471
U.S Department of Commerce				
Passed through Grand Traverse Bay Watershed Initiative, Inc.				
Kids Creek Stream Corridor Restoration Project	11.463	NA18NMF4630291	1,708,259	<u>973,350</u>
Total Federal expenditures				<u>\$ 1,851,694</u>

See notes to schedule of expenditures of federal awards.

CITY OF TRAVERSE CITY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2022

1. The Schedule of Expenditures of Federal Awards is prepared in accordance with the modified accrual basis of accounting.

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	\$ 1,206,071
Federal/State operating grants reported on Proprietary Funds Statement of Revenue, Expenses and Changes in Net Position	<u>645,623</u>
Agrees to Schedule of Expenditures of Federal Awards	<u>\$ 1,851,694</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, 2022

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

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

Federal Awards

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
11.463	Habitat Conservation - Kids Creek Restoration

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

SECTION II - FINANCIAL STATEMENT FINDINGS

None noted

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted

SECTION IV - SUMMARY OF PRIOR AUDIT FINDINGS

None noted