CITY OF TRAVERSE CITY, MICHIGAN

FINANCIAL STATEMENTS

For the Fiscal Year Ended
June 30, 2008

Prepared by:
City Treasurer Department

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, 2008

Elected Officials

Mayor	Micheal Estes
Mayor Pro Tem	Deni Scrudato
Commission Member	Ralph Soffredine
Commission Member	Christopher Bzdok
Commission Member	James Carruthers
Commission Member	Jody Bergman
Commission Member	Barbara Budros

Appointed Officials

Manager	Richard I. Lewis
Clerk	Debbra A. Curtiss
Attorney	Karrie Zeits
Treasurer	William E. Twietmeyer

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INDEPENDENT AUDITORS' REPORT

December 9, 2008

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

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 the City of Traverse City, Michigan (the "City") as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Traverse City as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the general and major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued a report dated December 9, 2008, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards,* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3-12 and the pension information on pages 68-70 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Specializing in services to governmental and nonprofit entities

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and schedules and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Vredeveld Haefner LLC

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, 2008.

Financial Highlights

- The assets of the City (primary government) exceeded its liabilities at the close of the most recent fiscal year by $ 90,369,328 (*net assets).* Of this amount, $16,928,974 *(unrestricted net assets)* may be used to meet the government's ongoing obligations to citizens and creditors. The government's total net assets increased by $1,857,153.

- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $23,908,757, an increase of $1,103,558 in comparison with the prior year.

- At the end of the current fiscal year unreserved and undesignated fund balance for the General Fund was $3,819,165 or 26 percent of total General Fund expenditures and transfers out.

- The City's total long-term debt had a net decrease of $1,299,435 due to payments on current debt.

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 liabilities, with the difference between the two reported as *net assets.* Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 and culture. The business-type activities of the City include wastewater, water, marina and auto parking system operations.

The government-wide financial statements include not only the City itself (known as the *primary government),* but also the legally separate component units of the City – the Downtown Development Authority and Traverse City Light and Power. Financial information for these *component units* are reported

separately from the financial information presented for the primary government itself. Copies of the full audit reports of these component units are available upon request.

Fund Financial Statements

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

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

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

The City maintains twenty-nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Major Streets, Local Streets, Capital Projects, and Brown Bridge Trust Funds, each of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

Proprietary funds. The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its wastewater, water, marina and auto parking system operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its municipal garage and employee health benefit activities. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the financial statements.

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

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide statement because the resources of those funds are not available to support the City of Traverse 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 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 assets may serve as a useful indicator of a government's financial position. In the case of the City of Traverse City, assets exceeded liabilities by $90,369,328 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets $59,115,741 or 65.4 percent reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure), less any related debt used to acquire those assets that is 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 balance of *unrestricted net assets* $16,928,974 or 18.7 percent or may be used to meet the government's ongoing obligations to citizens and creditors. The remaining balance of net assets is restricted net assets $ 14,324,613 or 15.9 percent represents resources that are subject to external restrictions on how they may be used.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the governmental and business type activities.

During the current fiscal year the government's net assets increased by $1,857,153.

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

City of Traverse City's Net Assets
Table 1

	2008			2007		
	Governmental Activities	**Business-type Activities**	**Total**	**Governmental Activities**	**Business-type Activities**	**Total**
Current and other assets	$ 30,949,074	$ 3,407,250	$ 34,356,324	$ 28,778,436	$ 3,733,882	$ 32,512,318
Capital assets	34,926,623	51,854,589	86,781,212	36,064,668	52,304,208	88,368,876
Total assets	65,875,697	55,261,839	121,137,536	64,843,104	56,038,090	120,881,194
Long-term liabilities outstanding	11,280,475	17,386,526	28,667,001	11,270,596	17,392,609	28,663,205
Other liabilities	1,107,169	994,038	2,101,207	1,493,828	2,309,447	3,803,275
Total liabilities	12,387,644	18,380,564	30,768,208	12,764,424	19,702,056	32,466,480
Net assets						
Invested in capital assets, net of related debt	24,593,083	34,522,658	59,115,741	25,865,554	33,769,053	59,634,607
Restricted assets	14,238,364	86,249	14,324,613	13,063,009	82,997	13,146,006
Unrestricted	14,656,606	2,272,368	16,928,974	13,150,117	2,483,984	15,634,101
Total net assets	**$ 53,488,053**	**$36,881,275**	**$ 90,369,328**	**$52,078,680**	**$36,336,034**	**$ 88,414,714**

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

	2008			2007		
	Governmental Activities	Business type Activities	Total	Governmental Activities	Business-type Activities	Total
Program revenue						
Charges for services	$ 2,643,749	$ 9,458,777	$12,102,526	$ 2,785,035	$ 8,898,726	$ 11,683,761
Operating grants and contributions	2,081,280	-	2,081,280	2,056,424	-	2,056,424
Capital grants and contributions	366,940	-	366,940	907,994	10,000	917,994
General revenue						
Property taxes	10,391,998	-	10,391,998	9,814,651	-	9,814,651
Grants and contributions not restricted to specific programs	1,355,572	-	1,355,572	1,355,224	-	1,355,224
Franchise Revenue	186,461	-	186,461	181,744	-	181,744
Other	2,449,161	(281,884)	2,167,277	2,149,121	(167,212)	1,981,909
Total revenue	19,475,161	9,176,893	28,652,054	19,250,193	8,741,514	27,991,707
Expenses						
General government	3,148,650	-	3,148,650	3,308,120	-	3,308,120
Public safety	6,938,058	-	6,938,058	6,887,408	-	6,887,408
Public works	4,416,744	-	4,416,744	4,164,211	-	4,164,211
Recreation and culture	3,085,835	-	3,085,835	3,018,986	-	3,018,986
Interest and fiscal charges	573,962	-	573,962	339,396	-	339,396
Wastewater	-	4,973,714	4,973,714	-	4,618,069	4,618,069
Water	-	2,041,035	2,041,035	-	2,070,064	2,070,064
Marina	-	537,250	537,250	-	560,754	560,754
Auto Parking	-	1,079,653	1,079,653	-	1,005,249	1,005,249
Total expenses	18,163,249	8,631,652	26,794,901	17,718,121	8,254,136	25,972,257
Increase in net assets	1,311,912	545,241	1,857,153	1,532,072	487,378	2,019,450
Net assets – beginning of year, as restated	52,176,141	36,336,034	88,512,175	50,546,608	35,848,656	86,395,264
Net assets – end of year	**$53,488,053**	**$36,881,275**	**$90,369,328**	**$52,078,680**	**$36,336,034**	**$ 88,414,714**

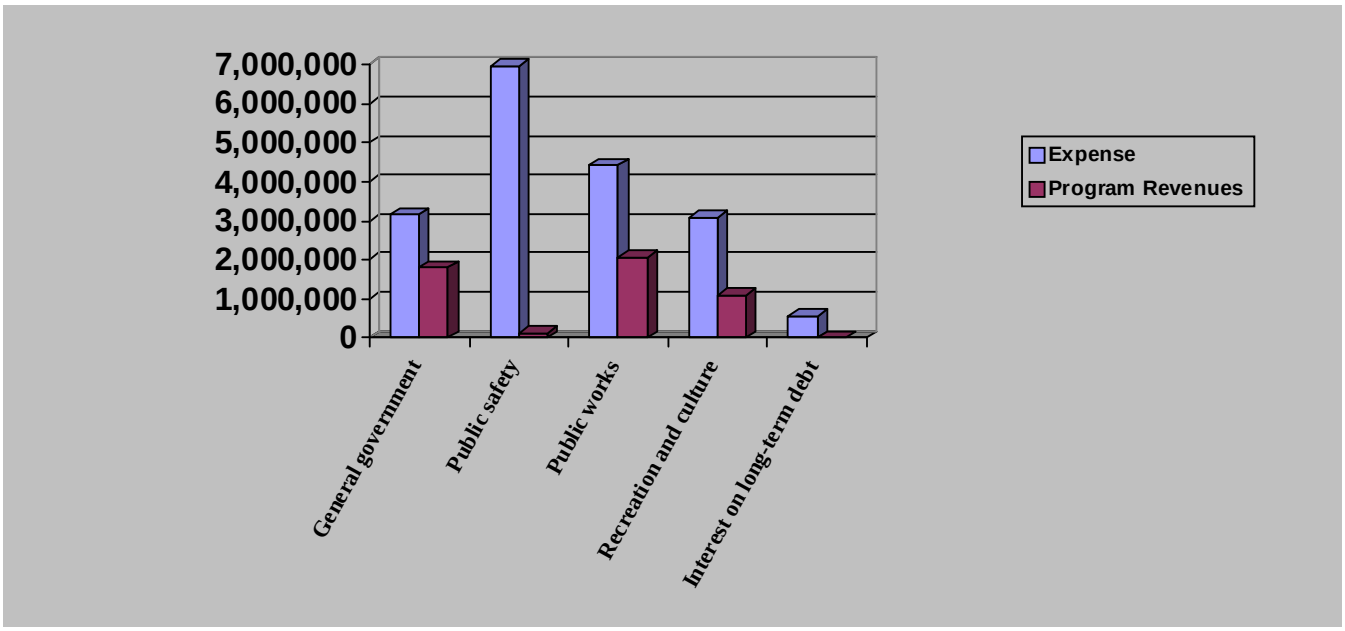
Governmental activities. Governmental activities increased the City's net assets by $ 1,311,912, accounting for about seventy percent of the growth in the net assets of the City. Key highlights are as follows:

- Capital grants decreased $541,054 compared to the previous year, because grants were of one time occurrence. The significant grant in the prior year was the Stormwater Quality Grant.

- Unrestricted investment earning increased $362,404 compared to the previous year, because of an overall increase in yield on investments over prior year.

- In fiscal year 2007 was the last year of operations for the Zoo department. During the current fiscal year the zoo demolition was completed and the City recorded an impairment loss on the zoo capital assets, which are no longer being utilized in the amount of $574,199.

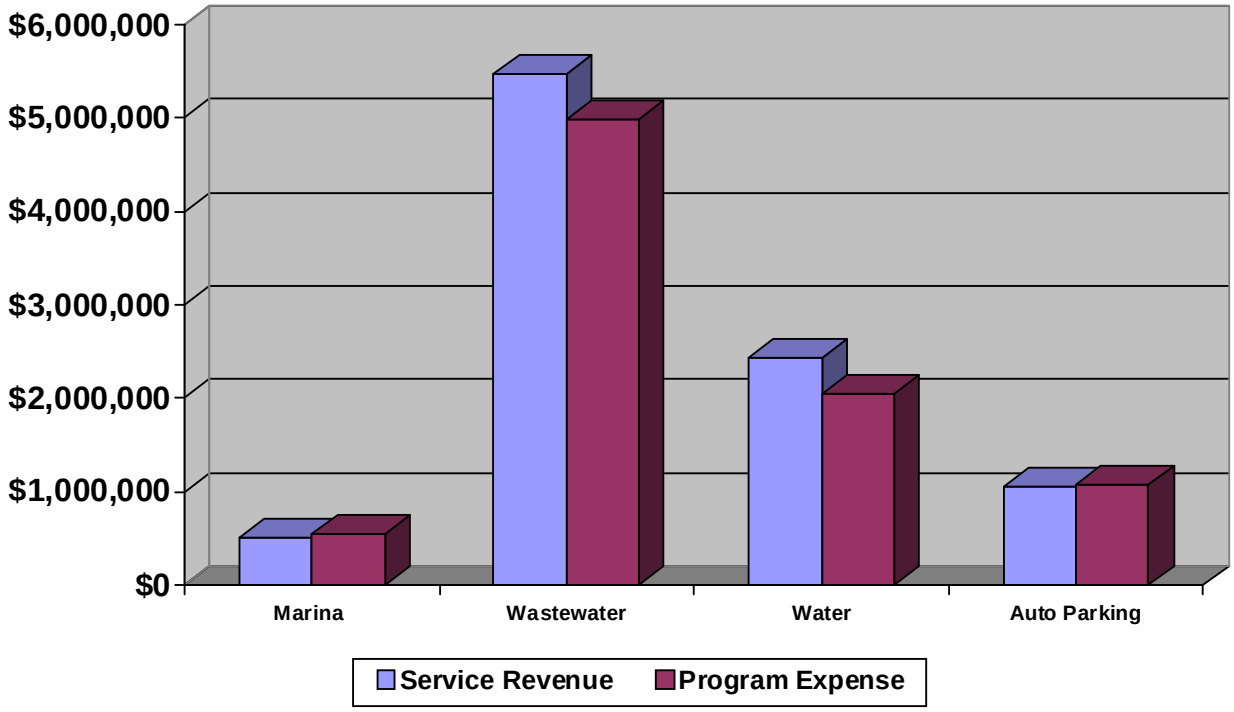
Expenses and Program Revenues – Governmental Activities



Business-type activities increased the City's net assets by $ 545,241 accounting for thirty percent of the growth in the government's net assets for the current year. Key highlights of activities in the funds are as follows:

- Charges for services in the Wastewater and Water Fund increased approximately $400,000 because of higher consumption by customers.

Expenses and Program Revenues - 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, *unreserved 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 $23,908,757, an increase of $1,103,558 in comparison with the prior year. $5,937,134 constitutes unreserved, undesignated fund balance, which is available for spending at the government's discretion.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved, undesignated fund balance of the General Fund was $3,819,165. As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved and undesignated fund balance represents 26 percent of total General Fund expenditures including transfers out.

The fund balance of the City's General Fund increased by $210,962 during the current fiscal year. This is primarily attributed to increase in property tax revenue in the approximate amount of $400,000 which offset the increase in transfers out to subsidize other fund operations.

The Major Street Fund has a total fund balance of $191,330 which decreased by $5,192 during the year. Original budget estimates anticipated a reduction of $70,000 to fund balance due to various maintenance activities.

The Local Street Fund has a fund balance for the current year of $0. All expenses not covered by state

sources are covered by the General Fund via a transfer of funds.

The Capital Projects Fund decreased by $358,462 during the current fiscal year. Original budget estimates anticipated a reduction of $728,000 to fund balance. The reduction was not as significant as anticipated because actual expenditures were under budget and actual revenues were greater than budget.

The Brown Bridge Trust Fund increased by $1,078,458 during the current fiscal year. This is attributed to royalty revenues received during the fiscal year.

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 assets of the Wastewater, Water, Marina and Auto Parking System Funds at the end of the year amounted to $2,284,631, with capital assets net of related debt of $34,522,658. The Wastewater Fund had an increase of $292,352, the Water Fund had an increase in net assets for the year of $306,771, the Marina Fund decreased $21,717, and the Auto Parking System had a decrease in net assets of $9,693.

General Fund Budgetary Highlights

During the year, General Fund revenues were over budgetary estimates by $8,438 because of actual revenues being slightly higher than anticipated revenues. In addition, actual expenditures were under budgetary estimates by $533,224. This is a result of management recommending and the City Commission adopting a conservative budget. As a result, the fund balance increased by $210,962, against the budgeted loss estimate of $292,250.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2008, amounted to $86,781,212 (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:

- Improvements to Railroad Avenue, in the approximate amount of $ 215,000.
- The City's Fire Department was awarded a FEMA grant to purchase breathing apparatus in the amount of $119,568.
- The City incurred demolition costs relating to the Zoo property in the amount of $136,525. Relating to the demolitions costs $774,387 of buildings were removed from the asset records either because they are no longer in existence or they are impaired.
- Improvements were made to the Wastewater Treatment Plant and sewer mains in the approximate amount of $ 250,000 and $ 283,000, respectively.
- Substantial completion of improvements made to parking Lot K and E in the approximate amount of. $ 222,000.

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

	2008			2007		
	Governmental Activities	Business type Activities	Total	Governmental Activities	Business-type Activities	Total
Land	$11,491,126	$ 586,914	$12,078,040	$11,407,514	$ 586,914	$11,994,428
Land improvement	2,902,452	8,431,562	11,334,014	2,737,398	8,431,562	11,168,960
Buildings and systems	8,211,688	26,014,021	34,225,709	9,182,330	26,459,856	35,642,186
Construction in progress	328,527	140,934	469,461	45,048	246,718	291,766
Equipment	5,408,522	6,557,276	11,965,798	5,884,925	6,302,833	12,187,758
Infrastructure and other improvements	6,584,308	10,123,882	16,708,190	6,807,453	10,276,325	17,083,778
TOTAL	**$34,926,623**	**$51,854,589**	**$86,781,212**	**$36,064,668**	**$52,304,208**	**$88,368,876**

Long-term debt. At the end of the current fiscal year, the City had total bonded debt and lease payables of. $27,926,453. Of this amount, $10,594,612 comprises debt backed by the full faith and credit of the government. The remainder of the City's debt represents capital leases and bonds secured solely by specified revenue sources (i.e., revenue bonds).

City of Traverse City's Outstanding Debt
General Obligation and Revenue Bonds
Table IV

	2008			2007		
	Governmental Activities	Business type Activities	Total	Governmental Activities	Business-type Activities	Total
General obligation bonds – Hardy Parking Deck	$ 10,594,612	$ -	$10,594,612	$10,740,233	$ -	$ 10,740,233
Lease payable – Wastewater Treatment Plant	-	16,206,931	16,206,931	-	17,160,745	17,160,745
Revenue bonds – Water Plant	-	1,125,000	1,125,000	-	1,325,000	1,325,000
TOTAL	**$10,594,612**	**$17,331,931**	**$27,926,543**	**$10,740,233**	**$18,485,745**	**$ 29,225,978**

- The City's total debt overall decreased by $1,299,435 after payments made during the current fiscal year.
- 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 $103,986,154, which is significantly in excess of the City's outstanding general obligation debt.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the City's budget for the 2008-09 fiscal year:

- Expenditures have been proposed to maintain the level of services the City currently provides.
- A 2.7% pay increase for all employees except the City Manager, which will receive no pay increase.
- A 9.66% increase in health insurance premiums, split 50/50 between the employer and employee.
- No revenue was budgeted in the General Fund for the property tax administration fee, which was eliminated by the City Commission.

During the current fiscal year, unreserved and undesignated fund balance in the General Fund totaled $4,181,070. The City has appropriated $286,716 of this amount for spending in the 2008-09 fiscal year budgets. Such appropriations are intended to finance part of various capital acquisitions and improvements, to which the General Fund contributes.

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, Ben Bifoss, 400 Boardman Avenue, Traverse City, Michigan 49684.

CITY OF TRAVERSE CITY, MICHIGAN
Statement of Net Assets
June 30, 2008

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	$ 8,629,005	$ 2,113,826	$ 10,742,831
Investments	19,073,379	527,471	19,600,850
Receivables, net	1,526,797	1,125,663	2,652,460
Due from component unit	280,198	-	280,198
Advances to primary government	-	-	-
Internal balances	1,050,844	(1,050,844)	-
Inventories	204,220	154,176	358,396
Prepaid items and other assets	184,631	250,709	435,340
Restricted cash and cash equivalents	-	286,249	286,249
Capital assets not being depreciated	11,819,653	9,159,410	20,979,063
Capital assets being depreciated	23,106,970	42,695,179	65,802,149
Total assets	**65,875,697**	**55,261,839**	**121,137,536**
Liabilities			
Accounts payable and accrued expenses	999,288	294,038	1,293,326
Unearned revenue	49,185	-	49,185
Due to primary government	-	-	-
Advances from component units	58,696	700,000	758,696
Long-term liabilities			
Due within one year	276,757	1,171,234	1,447,991
Due in more than one year	11,003,718	16,215,292	27,219,010
Total liabilities	**12,387,644**	**18,380,564**	**30,768,208**
Net assets			
Invested in capital assets, net of related debt	24,593,083	34,522,658	59,115,741
Restricted for			
Debt service	-	86,249	86,249
Capital projects	1,226,698	-	1,226,698
Budget stabilization	764,958	-	764,958
Rate stabilization	-	-	-
Expendable McCauley Estate trust	99,140	-	99,140
Tax increment finance districts	-	-	-
Nonexpendable brown bridge trust	11,538,454	-	11,538,454
Nonexpendable cemetery perpetual trust	609,114	-	609,114
Unrestricted	14,656,606	2,272,368	16,928,974
Total net assets	**$ 53,488,053**	**$ 36,881,275**	**$ 90,369,328**

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

Component Units	
Downtown Development Authority	**Light and Power**
$ 2,639,748	$ 5,176,155
-	15,274,109
3,176,988	4,300,289
-	-
-	758,696
-	-
-	1,686,126
1,834	11,604
-	665,199
-	4,369,839
-	34,693,266
5,818,570	**66,935,283**
84,314	2,464,167
-	-
-	280,198
-	-
-	-
63,473	265,356
147,787	**3,009,721**
-	39,063,105
-	-
-	-
-	-
-	665,199
-	-
5,450,280	-
-	-
-	-
220,503	24,197,258
$ 5,670,783	**$ 63,925,562**

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

CITY OF TRAVERSE CITY, MICHIGAN
Statement of Activities
For the Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue
Primary government					
Governmental activities					
General government	$ 3,148,650	$ 1,047,681	$ 433,849	$ 314,131	$ (1,352,989)
Public safety	6,938,058	45,765	72,295	2,809	(6,817,189)
Public works	4,416,744	685,076	1,334,856	50,000	(2,346,812)
Recreation and culture	3,085,835	865,227	240,280	-	(1,980,328)
Interest and fiscal charges	573,962	-	-	-	(573,962)
Total governmental activities	18,163,249	2,643,749	2,081,280	366,940	(13,071,280)
Business-type activities					
Wastewater	4,973,714	5,470,010	-	-	496,296
Water	2,041,035	2,426,743	-	-	385,708
Marina	537,250	505,909	-	-	(31,341)
Autoparking	1,079,653	1,056,115	-	-	(23,538)
Total business-type activities	8,631,652	9,458,777	-	-	827,125
Total primary government	**$ 26,794,901**	**$ 12,102,526**	**$ 2,081,280**	**$ 366,940**	**$ 12,244,155**
Component units					
Downtown Development Authorit	$ 1,325,140	$ 531,998	$ 238,437	$ -	$ (554,705)
Light and Power	26,052,518	30,174,054	-	-	4,121,536
Total component units	**$ 27,377,658**	**$ 30,706,052**	**$ 238,437**	**$ -**	**$ 3,566,831**

Continued…

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

CITY OF TRAVERSE CITY, MICHIGAN
Statement of Activities
For the Year Ended June 30, 2008

	Primary Government		
Functions/Programs	**Governmental Activities**	**Business-type Activities**	**Total**
Changes in net assets			
Net (expense) revenue	$ (13,071,280)	$ 827,125	$ (12,244,155)
General revenues			
Unrestricted property taxes	10,391,998	-	10,391,998
Restricted property taxes for tax increment finance districts	-	-	-
Grants and contributions not restricted to specific programs	1,355,572	-	1,355,572
Franchise revenue	186,461	-	186,461
Unrestricted investment earnings	1,996,150	140,440	2,136,590
Gain on sale of capital assets	26,979	-	26,979
Transfers	422,324	(422,324)	-
Contribution to endowment	3,708	-	3,708
Total general revenues and contributions	14,383,192	(281,884)	14,101,308
Change in net assets	1,311,912	545,241	1,857,153
Net assets, beginning of year, as restated	52,176,141	36,336,034	88,512,175
Net assets, end of year	**$ 53,488,053**	**$ 36,881,275**	**$ 90,369,328**

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

Component Units	
Downtown Development Authority	**Light and Power**
$ (554,705)	$ 4,121,536
65,589	-
1,609,627	-
-	-
-	-
6,141	1,045,349
-	-
-	-
-	-
1,681,357	1,045,349
1,126,652	5,166,885
4,544,131	58,758,677
$ 5,670,783	**$ 63,925,562**

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

CITY OF TRAVERSE CITY, MICHIGAN
Balance Sheet
Governmental Funds
June 30, 2008

	General Fund	Major Streets Fund	Local Streets Fund	Capital Project	Brown Bridge Trust Fund
ASSETS					
Assets					
Cash and cash equivalents	$ 1,023,229	$ 16,670	$ -	$ 1,250,361	$ 363,143
Investments	2,306,299	-	-	77,957	11,104,921
Receivables					
Accounts	233,878	10,944	82	90,701	68,393
Taxes	27,590	-	-	-	-
Special assessments	-	-	-	-	-
Accrued interest	-	-	-	-	78,067
Due from other governments	440,069	176,750	41,458	6,800	-
Due from other funds	470,776	-	-	-	-
Due from component unit	280,198	-	-	-	-
Inventory	23,455	-	-	-	-
Prepaid items and other assets	50,134	-	-	-	-
Advances to other funds	-	-	-	-	-
Total asssets	**$ 4,855,628**	**$ 204,364**	**$ 41,540**	**$ 1,425,819**	**$ 11,614,524**
LIABILITIES AND FUND BALANCE					
Liabilities					
Accounts payable	$ 317,464	$ 7,713	$ 676	$ 77,521	$ -
Accrued liabilities	225,568	5,321	6,712	-	-
Due to other funds	-	-	34,152	-	76,070
Deposits payable	103,936	-	-	-	-
Advances from other funds	-	-	-	-	-
Advance from component unit	-	-	-	-	-
Deferred revenue	27,590	-	-	-	-
Total liabilities	**674,558**	**13,034**	**41,540**	**77,521**	**76,070**
Fund balance					
Reserved for					
Advances	-	-	-	-	-
Prepaid items	50,134	-	-	-	-
Perpetual care	-	-	-	-	-
Recreation and culture	-	-	-	-	11,538,454
Inventory	23,455	-	-	-	-
Capital projects	-	-	-	-	-
Unreserved					
Designated for subsequent years' expenditures	286,716	55,100	-	-	-
Designated for special revenue funds subsequent years' expenditures	-	-	-	-	-
Designated for future capital projects	1,600	-	-	1,348,298	-
Undesignated	3,819,165	136,230	-	-	-
Undesignated, reported in nonmajor Special revenue funds	-	-	-	-	-
Total fund balance	**4,181,070**	**191,330**	**-**	**1,348,298**	**11,538,454**
Total liabilities and fund balance	**$ 4,855,628**	**$ 204,364**	**$ 41,540**	**$ 1,425,819**	**$ 11,614,524**

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

Other Governmental Funds	Total
$ 3,397,445	$ 6,050,848
2,559,752	16,048,929
30,517	434,515
4,111	31,701
187,671	187,671
3,633	81,700
118,253	783,330
3,391	474,167
-	280,198
-	23,455
92	50,226
1,126,149	1,126,149
$ 7,431,014	**$ 25,572,889**
$ 25,622	$ 428,996
67,418	305,019
175,364	285,586
-	103,936
276,149	276,149
58,696	58,696
178,160	205,750
781,409	**1,664,132**
1,126,149	1,126,149
92	50,226
609,114	609,114
99,140	11,637,594
-	23,455
1,226,698	1,226,698
-	341,816
11,850	11,850
1,594,823	2,944,721
-	3,955,395
1,981,739	1,981,739
6,649,605	**23,908,757**
$ 7,431,014	**$ 25,572,889**

Continued……

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

CITY OF TRAVERSE CITY, MICHIGAN
Balance Sheet
Governmental Funds
June 30, 2008

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

Fund balances - total governmental funds	$ 23,908,757
Amounts reported for *governmental activities* in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources, and therefore not reported in the funds.	
Add: capital assets	68,052,586
Subtract: accumulated depreciation	(38,660,786)
Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred revenues in the governmental funds, and thus are not included in fund balance.	
Add: deferred property taxes	27,590
Add: other deferred revenues	128,975
Internal service funds are used by management to charge the costs of certain equipment usage and employee benefits to individual proprietary funds. The assets and liabilities of the internal service funds are included in governmental and business-type activities in the statement of net assets.	
Add: net assets of governmental activities accounted for in internal service funds	11,277,424
Certain liabilities, such as bonds payable, are not due and payable in the current period, and therefore are not reported in the funds.	
Add: deferred savings on refunded bonds	511,956
Subtract: amortization of deferred savings	(36,568)
Add: bond issuance costs	141,877
Subtract: amortization of bond issuance costs	(10,134)
Subtract: bonds payable	(11,070,000)
Subtract: compensated absences	(657,737)
Subtract: accrued interest on long-term liabilities	(125,887)
Net assets of governmental activities	**$ 53,488,053**

Concluded

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

CITY OF TRAVERSE CITY, MICHIGAN
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2008

	General	Major Streets	Local Streets	Capital Project	Brown Bridge Trust
Revenues					
Property taxes and special assessments	$ 8,869,302	$ -	$ -	$ -	$ -
Licenses and permits	216,745	-	-	-	-
Federal sources	39,621	-	-	50,000	-
State sources	1,355,572	1,016,245	318,611	18,900	-
Local sources	1,515,198	-	-	-	-
Charges for services	323,938	-	-	-	625,750
Fines and forfeits	64,028	-	-	-	-
Contributions	-	-	-	211,719	-
Reimbursement	498,853	13,587	82	14,699	-
Interest income	469,061	3,699	-	48,200	913,422
Other revenue	413,462	-	-	2,618	-
Total revenues	**13,765,780**	**1,033,531**	**318,693**	**346,136**	**1,539,172**
Expenditures					
Current expenditures					
General government	2,790,973	-	-	3,910	-
Public safety	7,115,999	-	-	-	-
Public works	787,969	1,307,905	1,418,548	-	-
Recreation and culture	1,662,899	-	-	-	-
Community development	-	-	-	-	-
Capital outlay	-	-	-	1,267,238	-
Debt service					
Principal	-	-	-	-	-
Interest expense and financial charges	-	-	-	-	-
Total expenditures	**12,357,840**	**1,307,905**	**1,418,548**	**1,271,148**	**-**
Excess (deficiency) of revenues over expenditures	1,407,940	(274,374)	(1,099,855)	(925,012)	1,539,172
Other financing sources (uses)					
Transfers in	515,634	269,182	1,099,855	566,550	-
Transfers in - city fee	422,324	-	-	-	-
Transfers out	(2,134,936)	-	-	-	(462,714)
Total other financing sources (uses)	**(1,196,978)**	**269,182**	**1,099,855**	**566,550**	**(462,714)**
Net change in fund balances	**210,962**	**(5,192)**	**-**	**(358,462)**	**1,076,458**
Fund balance, beginning of year, as restated	3,970,108	196,522	-	1,706,760	10,461,996
Fund balance, end of year	**$ 4,181,070**	**$ 191,330**	**$ -**	**$ 1,348,298**	**$ 11,538,454**

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

Other Governmental Funds	Total
$ 41,423	$ 8,910,725
-	216,745
123,355	212,976
7,578	2,716,906
781,904	2,297,102
269,730	1,219,418
-	64,028
52,307	264,026
20,082	547,303
326,446	1,760,828
10,163	426,243
1,632,988	**18,636,300**
149,974	2,944,857
24,533	7,140,532
-	3,514,422
412,601	2,075,500
47,561	47,561
244,311	1,511,549
170,000	170,000
550,645	550,645
1,599,625	**17,955,066**
33,363	681,234
202,740	2,653,961
-	422,324
(56,311)	(2,653,961)
146,429	**422,324**
179,792	**1,103,558**
6,469,813	22,805,199
$ 6,649,605	**$ 23,908,757**

Continued……

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

CITY OF TRAVERSE CITY, MICHIGAN
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2008

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	$	1,103,558
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		1,491,685
Subtract: depreciation expense		(1,472,185)
Subtract: capital asset impairment loss		(574,199)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Add: current principal debt payment		170,000
Subtract: amortization of deferred savings		(24,379)
Subtract: amortization of bond issuance costs		(6,756)
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 fiscal year.		
Subtract: prior year deferred property taxes and special assessments		(178,283)
Add: current year deferred property taxes and special assessments		156,565
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Add: decrease in accrued interest payable		7,817
Add: decrease in the accrual of compensated absences		46,193
Internal service funds are used by management to charge the costs of certain activities, such as equipment usage and employee benefits, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.		
Add: interest income from governmental internal service funds		235,323
Add: other revenue from governmental internal service funds		92,443
Add: gain on disposal of capital assets in governmental internal service funds		26,979
Add: net operating income from governmental activities accounted for in internal service funds		237,151
Change in net assets of governmental activities	**$**	**1,311,912**

Concluded

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

CITY OF TRAVERSE CITY, MICHIGAN
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (GAAP Basis) and Actual
General Fund
For the Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	$ 8,870,550	$ 8,870,550	$ 8,869,302	$ (1,248)
Licenses and permits	203,300	203,300	216,745	13,445
Federal sources	37,000	37,000	39,621	2,621
State sources	1,370,600	1,370,600	1,355,572	(15,028)
Local sources	-	1,515,198	1,515,198	-
Charges for services	349,450	349,450	323,938	(25,512)
Fines and forfeits	71,000	71,000	64,028	(6,972)
Reimbursements	510,000	510,000	498,853	(11,147)
Interest income	400,000	400,000	469,061	69,061
Other revenue	373,900	403,900	413,462	9,562
Total revenues	**12,185,800**	**13,730,998**	**13,765,780**	**34,782**
Expenditures				
General government	2,891,450	3,040,780	2,790,973	249,807
Public safety	7,390,350	7,312,350	7,115,999	196,351
Public works	1,085,200	761,870	787,969	(26,099)
Recreation and culture	1,692,850	1,704,850	1,662,899	41,951
Total expenditures	**13,059,850**	**12,819,850**	**12,357,840**	**462,010**
(Deficiency) excess of revenue over expenditures	(874,050)	911,148	1,407,940	496,792
Other financing sources (uses)				
Transfers in	2,479,500	964,302	937,958	(26,344)
Transfers out	(1,566,150)	(2,206,150)	(2,134,936)	71,214
Total other financing sources (uses)	**913,350**	**(1,241,848)**	**(1,196,978)**	**44,870**
Net change in fund balance	**39,300**	**(330,700)**	**210,962**	**541,662**
Fund balance, beginning of year	3,970,108	3,970,108	3,970,108	-
Fund balance, end of year	**$ 4,009,408**	**$ 3,639,408**	**$ 4,181,070**	**$ 541,662**

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

CITY OF TRAVERSE CITY, MICHIGAN
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (GAAP Basis) and Actual
Major Streets Special Revenue Fund
For the Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
State sources	$ 1,011,900	$ 1,041,900	$ 1,016,245	$ (25,655)
Reimbursements	-	-	13,587	13,587
Interest income	3,500	3,500	3,699	199
Total revenues	**1,015,400**	**1,045,400**	**1,033,531**	**(11,869)**
Expenditures				
Public works				
Personnel	523,300	528,300	445,303	82,997
Commodities	133,400	136,400	126,480	9,920
Contractual services	114,250	114,250	46,519	67,731
Other charges	598,250	620,250	689,603	(69,353)
Total expenditures	**1,369,200**	**1,399,200**	**1,307,905**	**91,295**
(Deficiency) excess of revenue over expenditures	(353,800)	(353,800)	(274,374)	79,426
Other financing sources (uses)				
Transfers in	283,800	283,800	269,182	(14,618)
Transfers out	-	-	-	-
Total other financing sources (uses)	283,800	283,800	269,182	(14,618)
Net change in fund balance	**(70,000)**	**(70,000)**	**(5,192)**	**64,808**
Fund balance, beginning of year	196,522	196,522	196,522	-
Fund balance, end of year	**$ 126,522**	**$ 126,522**	**$ 191,330**	**$ 64,808**

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

CITY OF TRAVERSE CITY, MICHIGAN
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (GAAP Basis) and Actual
Local Streets Special Revenue Fund
For the Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
State sources	$ 349,000	$ 349,000	$ 318,611	$ 30,389
Reimbursements	-	-	82	(82)
Total revenues	349,000	349,000	318,693	30,307
Expenditures				
Public works				
Personnel	511,300	601,300	621,058	(19,758)
Contractual services	60,000	60,000	36,664	23,336
Commodities	75,500	75,500	59,541	15,959
Other charges	526,000	761,000	701,285	59,715
Total expenditures	**1,172,800**	**1,497,800**	**1,418,548**	**79,252**
(Deficiency) of revenue over expenditures	(823,800)	(1,148,800)	(1,099,855)	(48,945)
Other financing sources				
Transfer in	823,800	1,148,800	1,099,855	(48,945)
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	**$ -**	**$ -**	**$ -**	**$ -**

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

CITY OF TRAVERSE CITY, MICHIGAN

Statement of Net Assets

Proprietary Funds

June 30, 2008

	Enterprise Funds		
	Wastewater	**Water**	**Marina**
Assets			
Current assets			
Cash and cash equivalents	$ -	$ 201,492	$ 337,471
Investments	53,133	449,187	-
Receivables			
Accounts	685,770	423,857	3,628
Taxes	1,762	587	-
Accrued interest	-	802	-
Due from other governments	-	-	6,823
Due from other funds	-	-	-
Inventory	-	119,971	34,205
Prepaid cost and other assets	246,577	3,127	545
Total current assets	**987,242**	**1,199,023**	**382,672**
Noncurrent assets			
Restricted cash and cash equivalents	-	286,249	-
Capital assets	25,402,978	6,776,814	10,342,616
Total noncurrent assets	**25,402,978**	**7,063,063**	**10,342,616**
Total assets	**26,390,220**	**8,262,086**	**10,725,288**
Liabilities			
Current liabilities			
Accounts payable	8,040	40,523	41,727
Accrued and other liabilities	108,464	34,999	5,710
Due to other funds	126,843	6,330	-
Current portion of long-term debt	971,234	200,000	-
Total current liabilities	**1,214,581**	**281,852**	**47,437**
Noncurrent liabilities			
Advance from component unit	-	-	700,000
Advance from other funds	-	-	850,000
Long-term debt, net of current portion	15,235,697	925,000	-
Compensated absences	17,742	29,960	6,300
Total liabilities	**16,468,020**	**1,236,812**	**1,603,737**
Net Assets			
Investment in capital assets, net of related debt	9,196,047	5,651,814	10,342,616
Restricted for			
Debt service	-	86,249	-
Unrestricted (deficit)	726,153	1,287,211	(1,221,065)
Total net assets	**$ 9,922,200**	**$ 7,025,274**	**$ 9,121,551**

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

Automobile Parking System	Total	Internal Service Funds
$ 1,574,863	$ 2,113,826	$ 2,578,157
25,151	527,471	3,024,450
2,434	1,115,689	3,252
-	2,349	-
-	802	4,628
-	6,823	-
-	-	-
-	154,176	180,765
460	250,709	2,662
1,602,908	**4,171,845**	**5,793,914**
-	286,249	-
9,332,181	51,854,589	5,534,823
9,332,181	**52,140,838**	**5,534,823**
10,935,089	**56,312,683**	**11,328,737**
9,542	99,832	13,603
45,033	194,206	21,847
55,408	188,581	-
-	1,171,234	-
109,983	**1,653,853**	**35,450**
-	700,000	-
-	850,000	-
-	16,160,697	-
593	54,595	28,126
110,576	**19,419,145**	**63,576**
9,332,181	34,522,658	5,534,823
-	86,249	-
1,492,332	2,284,631	5,730,338
$ 10,824,513	**$ 36,893,538**	**$ 11,265,161**

Continued…..

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

CITY OF TRAVERSE CITY, MICHIGAN

Statement of Net Assets

Proprietary Funds

June 30, 2008

Reconciliation of Net Assets on the Statement of Net Assets for Enterprise Funds to Net Assets of Business-Type Activities on the Statement of Net Assets

Net assets - total enterprise funds	$	36,893,538
Amounts reported for business-type activities in the statement of net assets are different because		
Internal service funds are used by management to charge the costs of certain equipment usage and employee benefits to individual proprietary funds. The assets and liabilities of the internal service funds are included in governmental and business-type activities in the statement of net assets.		
Subtract: net assets of business-type activities accounted for in the internal service funds		(12,263)
Net assets of business-type activities	**$**	**36,881,275**

Concluded

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

CITY OF TRAVERSE CITY, MICHIGAN
Statement of Revenues, Expenses
and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2008

	Enterprise funds		
	Wastewater	**Water**	**Marina**
Operating revenues			
Charges for services	$ 5,284,721	$ 2,311,246	$ 492,215
Interdepartmental	-	-	-
Other revenue	185,289	64,219	13,694
Total operating revenues	**5,470,010**	**2,375,465**	**505,909**
Operating expenses			
Personnel services	545,374	996,366	104,652
Commodities	22,188	154,784	7,084
Contractual services	2,987,949	228,701	180,223
Other charges	210,683	344,669	53,771
Benefit payments	-	-	-
Depreciation and amortization	598,539	237,717	133,848
Total operating expenses	**4,364,733**	**1,962,237**	**479,578**
Operating income (loss)	1,105,277	413,228	26,331
Nonoperating revenues (expenses)			
Reimbursements	-	51,278	-
Other revenue	-	-	-
Interest income	31,777	43,095	9,232
Interest expense and financial charges	(601,116)	(77,500)	(57,280)
Gain on sale of capital assets	-	-	-
Total nonoperating revenues (expenses)	**(569,339)**	**16,873**	**(48,048)**
Income before transfers	**535,938**	**430,101**	**(21,717)**
Capital contribution	-	-	-
Transfers out - city fee	(243,586)	(123,330)	-
Change in net assets	**292,352**	**306,771**	**(21,717)**
Net assets, beginning of year	9,629,848	6,718,503	9,143,268
Net assets, end of year	**$ 9,922,200**	**$ 7,025,274**	**$ 9,121,551**

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

Automobile Parking System	Total	Internal Service Funds
$ 1,008,854	$ 9,097,036	$ -
-	-	2,836,610
43,861	307,063	-
1,052,715	**9,404,099**	**2,836,610**
116,088	1,762,480	741,483
10,470	194,526	676,747
378,628	3,775,501	80,220
275,412	884,535	234,476
-	-	70,015
286,138	1,256,242	818,990
1,066,736	**7,873,284**	**2,621,931**
(14,021)	1,530,815	214,679
-	51,278	-
	-	92,443
56,336	140,440	235,323
-	(735,896)	-
-	-	26,979
56,336	**(544,178)**	**354,745**
42,315	**986,637**	**569,424**
3,400	3,400	-
(55,408)	(422,324)	-
(9,693)	**567,713**	**569,424**
10,834,206	36,325,825	10,695,737
$ 10,824,513	**$ 36,893,538**	**$ 11,265,161**

Continued……

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

CITY OF TRAVERSE CITY, MICHIGAN
Statement of Revenues, Expenses
and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2008

Reconciliation of the Statement of Revenues, Expenses and Changes in Net Assets of Enterprise Funds to the Statement of Activities

Change in net assets - total enterprise funds	$ 567,713
Internal service funds are used by management to charge the costs of certain equipment usage and employee benefits to individual funds. The net revenue (expense) attributable to enterprise funds is reported with business-type activities.	
Subtract: net operating loss from business-type activities in internal service funds	(22,472)
Change in net assets of business-type activities	**$ 545,241**

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, 2008

	Enterprise funds		
	Wastewater	**Water**	**Marina**
Cash flows from operating activities			
Cash received from interfund services	$ -	$ -	$ -
Cash received from customers	5,398,449	2,449,570	511,342
Cash payments to suppliers for goods and services	(3,480,725)	(775,896)	(277,993)
Cash payments to employees for services	(544,417)	(997,018)	(102,552)
Net cash provided by operating activities	**1,373,307**	**676,656**	**130,797**
Cash flows from non-capital financing activities			
Due from other funds	-	1,678	-
Advance to other funds	-	-	(50,000)
Due to other funds	123,120	(35,866)	-
City fee	(243,586)	(123,330)	-
Due from other governments	-	-	(6,823)
Other revenue	-	-	-
Reimbursements	-	51,278	-
Net cash (used in) provided by non-capital financing activities	**(120,466)**	**(106,240)**	**(56,823)**
Cash flows from capital and related financing activities			
Principal payments	(953,793)	(200,000)	-
Interest payments	(608,013)	(79,500)	(57,280)
Capital contribution	-	-	-
Purchases of capital assets	(562,575)	(112,776)	-
Proceeds from sale of capital assets	-	-	-
Net cash (used in) capital and related financing activities	**(2,124,381)**	**(392,276)**	**(57,280)**
Cash flows from investing activities			
Interest received	31,777	43,362	9,232
Purchase of investments	(3,518)	(16,758)	-
Net cash provided by investing activities	**28,259**	**26,604**	**9,232**
Net (decrease) increase in cash and cash equivalents	**(843,281)**	**204,744**	**25,926**
Cash and cash equivalents, beginning of year	843,281	282,997	311,545
Cash and cash equivalents, end of year	**$ -**	**$ 487,741**	**$ 337,471**
Statement of net assets classification of cash and cash equivalents			
Cash and cash equivalents	$ -	$ 201,492	$ 337,471
Restricted cash and cash equivalents	-	286,249	-
	$ -	**$ 487,741**	**$ 337,471**

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

Automobile Parking System	Total	Internal Service Funds
$ -	$ -	$ 2,839,858
1,054,440	9,413,801	-
(673,228)	(5,207,842)	(1,256,426)
(122,228)	(1,766,215)	(812,473)
258,984	**2,439,744**	**770,959**
-	1,678	-
-	(50,000)	-
-	87,254	-
(49,398)	(416,314)	-
-	(6,823)	-
-	-	92,443
-	51,278	-
(49,398)	**(332,927)**	**92,443**
-	(1,153,793)	-
-	(744,793)	-
3,400	3,400	-
(128,809)	(804,160)	(288,563)
-	-	79,899
(125,409)	**(2,699,346)**	**(208,664)**
56,336	140,707	244,796
(901)	(21,177)	(24,450)
55,435	**119,530**	**220,346**
139,612	**(472,999)**	**875,084**
1,435,251	2,873,074	1,703,073
$ 1,574,863	**$ 2,400,075**	**$ 2,578,157**
$ 1,574,863	$ 2,113,826	$ 2,578,157
-	286,249	-
$ 1,574,863	**$ 2,400,075**	**$ 2,578,157**

Continued……

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

CITY OF TRAVERSE CITY, MICHIGAN
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2008

	Wastewater	Water	Marina
Reconciliation of operating income to net cash provided by operating activities			
Operating income (loss)	$ 1,105,277	$ 413,228	$ 26,331
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation and amortization	598,539	237,717	133,848
Changes in assets and liabilities			
Accounts receivables	(71,561)	74,105	5,433
Prepaid cost and other assets	(226,310)	129	433
Inventory	-	(7,238)	(12,810)
Accounts payable	(33,595)	(40,633)	(24,538)
Accrued and other liabilities	957	(652)	2,100
Net cash provided by operating activities	**$ 1,373,307**	**$ 676,656**	**$ 130,797**

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

Automobile Parking System	Total	Internal Service Funds
$ (14,021)	$ 1,530,815	$ 214,679
286,138	1,256,242	818,990
1,725	9,702	3,248
46	(225,702)	1,106
-	(20,048)	(52,349)
(8,764)	(107,530)	(213,740)
(6,140)	(3,735)	(975)
$ 258,984	**$ 2,439,744**	**$ 770,959**

Concluded

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

CITY OF TRAVERSE CITY, MICHIGAN
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2008

	ACT 345 Retirement Pension Trust Fund	Agency Funds
Assets		
Cash and cash equivalents	$ 2,491,193	$ 383,884
Investments, at fair value		
U.S. Government Agencies bonds and notes	1,769,493	-
U.S. Government Agencies passthroughs	2,228,022	-
Common stock	5,916,202	-
Foreign bonds	111,987	-
Mutual funds	3,580,634	-
Common /collective funds	5,606,323	-
Corporate asset backed securities	306,860	-
Corporate bonds	1,076,807	-
ADR/GDR Stock	576,106	-
Real Estate Investment Trusts	132,063	-
Receivables		
Accounts	-	29,478
Taxes	-	49,582
Accrued interest	51,845	-
Total assets	**23,847,535**	**$ 462,944**
Liabilities		
Accrued and other liabilities	38,130	$ 325,334
Due to other governmental units	-	137,610
Total liabilities	**38,130**	**$ 462,944**
Net Assets		
Held in trust for pension benefits and other purposes	**$ 23,809,405**	

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

CITY OF TRAVERSE CITY, MICHIGAN
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2008

		ACT 345 Retirement System
Additions		
Contributions		
City contributions		$ 897,502
Member contributions		28,097
Total contributions		925,599
Investment earnings		
Interest income		291,539
Dividend income		160,880
Net depreciation in fair value of investments		(2,265,459)
Net investment earnings		(1,813,040)
Total additions		**(887,441)**
Deductions		
Pension benefits paid		1,380,058
Health insurance premiums paid		426,185
Administrative expense		154,055
Less investment advisor fees		31,780
Total deductions		**1,992,078**
Net increase in plan assets attributable to pension plan	**(2,601,174)**	
Net decrease in plan assets attributable to health insurance	**(278,345)**	**(2,879,519)**
Net assets held in trust, beginning of year		26,688,924
Net assets held in trust, end of year, attributable to pension plan	**23,036,025**	
Net assets held in trust, end of year, attributable to health insurance	**673,380**	**$ 23,809,405**

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

CITY OF TRAVERSE CITY, MICHIGAN

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Notes to the Financial Statements

June 30, 2008

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CITY OF TRAVERSE CITY, MICHIGAN

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, Highways and Streets, 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) Statement #14 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 and the TIF 2 and TIF 97 Special Revenue Funds

Traverse City Light and Power Department (the “Department”)

These discretely presented component units are presented in the statement of net assets and statement of activities. They are legally separate, and while the City is not responsible for the operations of the entities, the City is financially accountable for them. In addition, the City appoints the DDA’s Board of Trustees and the Department’s Board of Directors. The nature and significance of the relationship between these entities and the City is such that exclusion of these entities would render the basic financial statements misleading or incomplete.

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

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

Traverse Area District Library
City of Traverse City and Garfield Township Recreational Authority
Traverse City Housing Commission

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

Joint operation

The City entered into a master sewer agreement effective July 1, 1987 and amended July 1, 2001 to continue until June 30, 2041 with the Townships of East Bay, Acme, Peninsula, and Garfield in Grand Traverse County and the Township of Elmwood in Leelanau and Grand Traverse County. The master sewer agreement defines the allocation of costs and establishes certain rights and responsibilities with respect to the wastewater treatment plant. Grand Traverse County is the owner of the treatment plant and the City of Traverse City is the owner of all multi-user facilities. Ownership of the treatment plant will revert to the City of Traverse City when certain bonds issued by Grand Traverse County are retired.

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

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

The City is responsible for debt service on the 2003 and 1998 capital leases listed in Note IIIF as determined biannually based upon the percentage of the City's flow to the total flow through the treatment plant. For the biannual period ending December 31, 2007, the City's percentage was 41.7 percent. The City is responsible for debt service on the 2002 capital lease listed in Note IIIF based on capacity rights. The City's capacity right is sixty percent of the related facilities for which they have elected to lease out ten percent of these rights to Townships.

B. Government-wide and fund financial statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1)

charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting,* as are the proprietary fund and fiduciary fund financial statements, except for agency funds, which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement* focus and the *modified accrual basis of accounting.* Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers property tax revenues to be available if they are collected within 60 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 end of 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 required to be accounted for in another fund.

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

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

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

The *Brown Bridge Trust Fund* accounts for funds derived from oil, gas and mineral exploration at the Brown Bridge property, and cell phone tower rent which shall be endowed in a permanent trust. The income from the endowment is used to supplement City taxes as a credit against 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 W*ater Fund* accounts for the activities of the water distribution and treatment system.

The M*arina Fund* accounts for the activities of the marina operations.

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

Additionally, the government reports the following fund types:

The *special revenue funds* account for the proceeds of specific revenue sources (other than permanent trust or major capital projects) that are legally restricted to expenditures for specified purposes.

The *debt service funds* accounts for the resources accumulated and payments made for the principal and interest on long term general obligation debt of the governmental funds.

The *capital project funds* account for financial resources accumulated including bond proceeds to be used towards capital projects including the Hardy Parking Deck and new sidewalk construction.

The *permanent fund* accounts for the activities of a permanent trust, which provides income on the corpus of the fund. The income is transferred to the General Fund to subsidize cemetery operations.

The *internal service funds* account for fleet and equipment management and employee fringe benefits provided to other departments or agencies of the government, on a cost reimbursement basis.

The *pension trust fund* accounts for the activities of the Public Safety employees Retirement System, which accumulates resources for pension and postretirement health benefits payments to qualified public safety employees.

The *agency funds* account for assets held for other governments and individuals in an agency capacity, specifically tax collections, and payroll fringes.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

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 between 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.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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 and the discretely presented component unit Light and Power and the City's internal service funds 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 internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, liabilities and net assets or equity

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 than they are reported as advance from/advance to. The advances from are offset by a fund balance reserve account which indicates that they do not constitute expendable available financial resources 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. Restricted assets

The Water Revenue bonds require certain resources to be set aside for their repayment. These resources are classified as restricted assets on the statement of net assets because the use is limited by applicable bond covenants.

4. 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 value of such inventories has been treated as an expenditure at the time of purchase.

5. 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 or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $1,000 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 recorded at estimated fair value at the date of donation. 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:

	Years
Buildings	10-50
Public domain infrastructure	10-50
System infrastructure	10-50
Vehicles	7-25
Equipment	5-10

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 December 1.

The City accrues unused short-term leave at its fiscal year-end.

All vacation and sick 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 resignation or retirements.

7. Long-term obligations

In the government-wide financial statements, and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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 an other financing source while discounts on debt issuances are reported as an other financing use. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Fund balance/net assets

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative board plans that are subject to change. Restricted net assets represent legal restriction on the use of net assets.

II. 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 function level, which is the level at which expenditures may not legally exceed appropriations. The City Commission may transfer any unencumbered appropriation balance or any portion thereof from one department, fund, or agency to another.

B. Excess of expenditures over appropriations

For the year ended June 30, 2008, the General Fund Treasurer's and Streets, Alleys, and Sidewalks Departments, Industrial Development and McCauley Estate Trust Grant Special Revenue Fund exceeded appropriations by $2,690, $(67,077), $20,661, and $91, respectively. These over expenditures were funded either by greater than anticipated revenues in the applicable fund and /or the use of prior year fund balance.

C. Deficit fund balance

For the year ended June 30, 2008 the City's Opera House Special Revenue Fund ended in a deficit unreserved fund balance $(179,426). Significant expenditures were incurred which were funded by a long term advance from the City's Industrial Park Fund. The deficit fund balance will be eliminated by future rent payments. The City submitted a deficit elimination plan to the state in December 2007. The State has approved the deficit elimination plan through fiscal year 2011.

III. 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; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The City Commission has designated five banks 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, investments and restricted assets are reported in the financial statements as follows:

	Governmental Activities	Business-type Activities	Fiduciary Funds	Total Primary Government	Component Units
Cash and cash equivalents	$ 8,629,005	$ 2,113,826	$ 2,875,077	$ 13,617,908	$ 7,815,903
Investments	19,073,379	527,471	21,304,497	40,905,347	15,274,109
Restricted assets	-	286,249	-	286,249	665,199
Total	**$ 27,702,384**	**$ 2,927,546**	**$ 24,179,574**	**$ 54,809,504**	**$ 23,755,211**

Cash and cash equivalents reported above include $4,850 of cash on hand that is not considered deposits or investments for footnote purposes.

The breakdown between deposits and investments is as follows:

City and component unit bank deposits (checking, savings accounts and certificates of deposit)	$30,692,968
City and component unit investments	23,363,412
Act 345 separate deposits	1,598,994
Act 345 retirement	22,904,491
Total	**$ 78,559,865**

Investments

The City chooses to disclose its investments by specifically identifying each. Investing ratings were provided by Fitch. As of year-end, the City had the following investments.

Investment	Maturity	Fair Value	Rating
Federal Home Loan bond	03/10/2016	$ 247,578	AAA
US Treasury note	07/31/2008	171,761	AAA
US Treasury note	09/18/2008	996,070	AAA
US Treasury note	05/31/2009	1,022,500	AAA
US Treasury note	06/15/2009	1,015,230	AAA

Investment	Maturity	Fair Value	Rating
US Treasury note	09/25/2008	$ 995,880	AAA
US Treasury note	05/15/2009	759,788	AAA
US Treasury note	09/04/2008	722,745	AAA
US Treasury note	12/18/2008	990,120	AAA
US Treasury note	12/26/2008	989,520	AAA
US Treasury note	09/15/2008	100,266	AAA
US Treasury note	08/15/2008	701,316	AAA
US Treasury note	09/15/2008	501,330	AAA
US Treasury note	04/15/2009	100,602	AAA
US Treasury note	04/15/2009	25,151	AAA
US Treasury note	06/30/2012	53,133	AAA
US Treasury note	11/30/2012	286,248	AAA
US Treasury note	11/15/2009	51,532	AAA
US Treasury note	11/15/2008	252,070	AAA
US Treasury note	12/15/2008	503,010	AAA
US Treasury note	01/31/2009	1,015,860	AAA
US Treasury note	04/15/2009	1,006,020	AAA,
US Treasury note	05/31/2011	527,655	AAA
US Treasury note	05/31/2012	1,057,420	AAA
US Treasury note	05/312013	1,007,420	AAA
US Treasury note	06/30/2013	1,001,800	AAA
US Treasury note	08/15/2013	1,043,280	AAA
US Treasury note	11/15/2013	1,043,590	AAA
US Treasury note	02/15/2014	257,833	AAA
US Treasury note	05/15/2009	1,013,050	AAA
US Treasury note	05/15/2014	321,609	AAA
US Treasury note	04/30/2011	1,054,140	AAA
US Treasury note	04/15/2009	90,542	AAA
US Treasury note	06/30/2012	122,206	AAA
US Treasury note	08/15/2008	160,301	AAA
US Treasury note	01/31/2012	121,351	AAA
US Treasury note	04/15/2009	70,421	AAA
US Treasury note	08/15/2008	90,169	AAA
US Treasury note	06/30/2009	1,024,450	AAA
MPPA Investments	Various	665,199	Unrated
MBIA Class pool	N/A	173,988	AAA/V1+
Investment pool	N/A	8,386	Unrated
Investment pool	N/A	872	AAA
Total		**$ 23,363,412**	

Investment and deposit risk

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. The City's deposit custodial credit risk policy is described below. As of year end, $32,633,598 of the City's bank balance of $33,141,806 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 $23,363,412 of investments, the City has a custodial credit risk exposure of $22,514,967 because the related securities are uninsured, unregistered and held by the government's brokerage firm which is also the counterparty for these particular securities. The custodial credit risk for balances in investment pools cannot be determined because the investments are not evidenced by specific identifiable securities.

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

ACT 345 Pension Trust Fund Deposits and Investments

Deposits and Investments – Pension Trust Fund

The City maintains a pension trust fund (the "Act 345") where deposits and investments are maintained separately from the City's pooled cash and investments, and are subject to separate investment policies and state statutes. Accordingly, the required disclosures for the pension trust funds' deposits and investments are presented separately.

Deposits – The fund maintains a checking account with a bank balance of $891,177 and money market account in the pension fund trust account with a balance of $1,599,994. $100,000 of these deposits are insured.

Investments – The Michigan Public Employees Retirement Systems' Investment Act, Public Act 314, of 1965, as amended, authorizes pension trusts to invest in stocks, government and corporate securities, mortgages, real estate, and various other investment instruments, subject to certain limitations. The Retirement Board, which is made up of the City Treasurer, an active fire and police member, and two additional members appointed by the City Manager has the responsibility and authority to oversee the investment portfolio. Various professional investment managers are contracted to assist in managing the pension trust funds' assets. All investment decisions are subject to Michigan law and the investment policy established by the Retirement Board.

The pension trust funds' investments are held in a bank-administered trust fund. Following is a summary of the System's investments as of June 30, 2008:

Investments at fair value, as determined by quoted market price	
U.S. Government Agency bonds and notes	$ 1,769,493
U.S. Government Agency passthroughs	2,228,022
Domestic corporate securities	
Corporate asset backed securities	306,860
Corporate bonds	1,076,807
Domestic equities	
Mutual funds	3,580,634
Corporate stocks	5,916,202
ADR/GDR Stock	576,106
Real estate investment trusts	132,063
Common/collective funds (a mutual fund)	5,606,323
International bonds	111,987
Total investments	**$ 21,304,497**

Credit Risk. The pension trust funds' investment policy provides that its investments in fixed income securities should have an investment grade rating by two nationally recognized statistical rating organizations. As of June 30, 2008, the funds investments in bonds, notes and asset backed securities were rated by Moody's as follows:

AAA	$ 4,423,842
A1	157,640
A2	102,143
A3	46,371
AA2	74,483
AA3	121,276
B1	70,274
B2	10,150
B3	12,892
BA1	32,550
BA2	29,837
BA3	50,800
BAA1	81,213
BAA2	201,672
BAA3	51,788
CAA1	26,238
	$ 5,493,169

Custodial Credit Risk. For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The pension trust funds' investment policy requires that investment securities be held in the name of the system, in the name of the nominee of the custodian, or in bearer form. Of the above $12,117,540 of investments, the City has a custodial credit risk exposure of $12,117,540 because the related securities are uninsured, unregistered and held by the System's custodian. Custodial credit risk for investments in mutual funds cannot be determined because the investments are not evidenced by specifically identifiable securities.

Concentration of Credit Risk. The pension trust funds' investment policies require that the securities of any one issuer excluding investments explicitly guaranteed by the U.S. Government and investment in mutual funds, external investment pools, and other pooled investments should not exceed 5% of the total investment market value of each individual pension trust fund. At June 30, 2008, there were no concentrations in securities of any one issuer greater than 5% of investment fair market value.

Interest Rate Risk. As of June 30, 2008, maturities of the pension trust funds' debt securities were as follows:

	Investment Maturities (fair value by years)				
	Fair Value	Less Than 1	1-5	6-10	More Than 10
Corporate asset backed securities	$ 306,860	$ -	$ 101,643	$ 141,283	$ 63,934
Corporate bonds	1,076,807	-	321,650	428,858	326,299
International bonds	111,987	-	15,060	87,996	8,931
U.S. Government Agency bonds and notes	1,769,493	592,799	357,225	198,188	621,281
U.S. Government Agency passthroughs	2,228,022	-	-	75,091	2,152,931
Total debt securities	**$5,493,169**	**$ 592,799**	**$ 795,578**	**$ 931,416**	**$3,173,376**

The pension trust fund's investment policies do not address interest rate risk.
Foreign Currency Risk. The system's exposure to foreign currency risk is as follows:

Investment	Currency	Maturity	Fair Value	Rating
Nexen Inc Nt	Canadian Dollar	03/10/2035	$ 8,931	BAA2
Opti CDA Inc GTD SR Secd	Canadian Dollar	12/15/2014	9,950	B1
Petro Canada Nt	Canadian Dollar	5/15/2018	19,710	BAA2
Royal Carribean	Kroner	6/15/2016	13,125	BA1
Suncor Energy Inc	Canadian Dollar	06/01/2018	15,046	A3
Telecom Italia Capital	Lira	06/04/2018	20,170	BAA2
Telefonica Emisiones	Euro	07/03/2017	9,995	BAA1
Thomson Reuters Corp	Pound	03/29/2017	15,060	BAA1
			$ 111,987	

The system's investment policy permits it to invest up to 5% of total investments in foreign currency denominated investments. The system's current position is .53% of total investments.

B. Receivables

Receivables in the governmental activities consist of 52 percent due from other governments, 12 percent special assessments receivable, 2 percent taxes receivable, 6 percent interest receivable and 28 percent other receivables. Receivables in the business-type activities consist of 22 percent due from other governments, 59 percent due from customers and 19 percent of other receivables. Receivables in the component units consist of 42 percent due from other governments, 40 percent due from customers, 1 percent interest receivable, 3 percent note receivable, and 14 percent other receivables.

Accounts receivable in the Wastewater and Water enterprise Fund are net of allowances in the amounts of $4,195 and $12,739, respectively. Accounts receivable in the Light and Power discrete component unit is net of allowances in the amount of $113,375.

Special assessments receivable in the amount of approximately $187,671 will not be collected within one year.

C. Capital assets

Capital assets activity for the year ended June 30, 2008 was as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated –				
Land	$ 11,407,514	$ 83,612	$ -	$ 11,491,126
Construction in progress	-	328,527	-	328,527
Total capital assets not being depreciated	11,407,514	412,139	-	11,819,653
Capital assets being depreciated				
Land improvements	3,053,057	218,810	6,601	3,265,266
Infrastructure	38,033,665	604,565	-	38,638,230
Buildings	15,497,065	137,461	774,386	14,860,140
Equipment	12,430,331	407,273	186,278	12,651,326
Total capital assets being depreciated	69,014,118	1,368,109	967,265	69,414,962
Less accumulated depreciation for				
Land improvements	315,659	50,291	3,136	362,814
Infrastructure	31,226,212	827,710	-	32,053,922
Buildings	6,314,735	537,369	203,652	6,648,452
Equipment	6,545,406	875,805	178,407	7,242,804
Total accumulated depreciation	44,402,012	2,291,175	385,195	46,307,992
Total capital assets being depreciated, net	24,612,106	(923,066)	(582,070)	23,106,970
Governmental activities capital assets, net	**$ 36,019,620**	**$(510,927)**	**$ (582,070)**	**$ 34,926,623**

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated -				
Land	$ 586,914	$ -	$ -	$ 586,914
Land improvements	8,431,562	-	-	8,431,562
Construction in progress	246,718	789,905	895,689	140,934
Total capital assets not being depreciated	9,265,194	789,905	895,689	9,159,410
Capital assets being depreciated				
Buildings and improvements	34,537,264	248,026	-	34,785,290
Other improvements	12,216,778	246,037	-	12,462,815
Machinery and equipment	10,458,869	415,881	-	10,874,750
Total capital assets being depreciated	57,212,911	909,944	-	58,122,855
Less accumulated depreciation for				
Buildings and improvements	8,077,408	693,861	-	8,771,269
Other improvements	1,940,453	398,480	-	2,338,933
Machinery and equipment	4,156,036	161,438	-	4,317,474
Total accumulated depreciation	14,173,897	1,253,779	-	15,427,676
Total capital assets being depreciated, net	43,039,014	(343,835)	-	42,695,179
Business-type activities capital assets, net	**$ 52,304,208**	**$ 446,070**	**$ 895,689**	**$ 51,854,589**

	Beginning Balance	Increases	Decreases	Ending Balance
Light and Power				
Component unit –				
Capital assets not being depreciated				
Land	$ 821,051	$ -	$ 83,612	$ 737,439
Construction in progress	1,229,136	5,343,694	2,940,430	3,632,400
Total capital assets not being depreciated	2,050,187	5,343,694	3,024,042	4,369,839
Capital assets being Depreciated				
Buildings and improvements	3,985,430	-	-	3,985,430
Equipment and distribution system	44,685,948	2,342,733	60,000	46,968,681
Fiber system	-	1,334,020	-	1,334,020
Total capital assets being depreciated	48,671,378	3,676,753	60,000	52,288,131
Less accumulated depreciation for				
Buildings and improvements	503,925	119,438	-	623,363
Equipment and distribution system	15,611,581	1,359,856	-	16,971,437
Fiber system	-	65	-	65
Total accumulated depreciation	16,115,506	1,479,359	-	17,594,865
Total capital assets being depreciated, net	32,555,872	2,197,394	60,000	34,693,266
Light and Power Component Unit Capital assets, net	**$ 34,606,059**	**$ 7,541,088**	**$ 3,084,042**	**$ 39,063,105**

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

Governmental activities	
General government	$ 64,203
Public safety	141,301
Public works, including depreciation of general infrastructure assets	837,374
Recreation and culture	429,307
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	818,990
Total depreciation expense – governmental activities	**$2,291,175**
Business-type activities	
Wastewater	$ 596,076
Water	237,717
Marina	286,138
Auto parking	133,848
Total depreciation expense – business-type activities	**$1,253,779**
Component unit activities	
Light and power	**$1,479,359**

D. Accounts payable and accrued expenses

Accounts payable and accrued expenses in the governmental activities consist of 44 percent vendor payables, 26 percent accrued salaries, 13 percent accrued interest and 17 percent customer deposits. Business-type activities accounts payable and accrued expenses consist of 34 percent vendor payables, 13 percent accrued salaries, 38 percent accrued interest and 15 percent customer deposits. Component unit accounts payable and accrued expenses consist of 92 percent vendor payables, 3 percent accrued salaries, and 5 percent customer deposits.

E. Interfund receivables, payables and transfers

	Due from other funds		
Due to other funds	General Fund	Non-Major Governmental Funds	Total
Local Streets Fund	$ 34,152	$ -	$ 34,152
Brown Bridge Trust Fund	76,070	-	76,070
Non-Major Governmental Funds	171,973	3,391	175,364
Wastewater Fund	126,843	-	126,843
Water Fund	6,330	-	6,330
Autoparking System Fund	55,408	-	55,408
Total	**$ 470,776**	**$ 3,391**	**$ 474,167**

	Advance to other funds
	Non-Major Governmental Funds
Advance from other funds	
Non-Major Governmental Funds	$ 276,149
Marina Fund	850,000
Total	**$ 1,126,149**

	Due from component unit
	General Fund
Due to primary government	
Light and Power	**$ 280,198**

	Advance to primary government
	Light and Power
Advance from component unit	
Marina	$ 700,000
Non-major Governmental Funds	58,696
Total	**$ 758,696**

Interfund receivables and payables are established to: (1) cover cash deficits, (2) to record a receivable for the year end transfer of interest revenue to the general fund, (3) to finance projects, and (4) to record city fee owed to the general fund.

	Transfer Out						
Transfers in	General Fund	Brown Bridge Trust Fund	Non-Major Governmental Funds	Waste-Water Fund	Water Fund	Auto Parking Fund	Total
General Fund	$ -	$ 462,714	$ 52,920	$ 243,586	$ 123,330	$ 55,408	$ 937,958
Major Streets Fund	269,182	-	-	-	-	-	269,182
Local Streets Fund	1,099,855	-	-	-	-	-	1,099,855
Public Improvement Fund	566,550	-	-	-	-	-	566,550
Non-Major Governmental Funds	199,349	-	3,391	-	-	-	202,740
Total	$ 2,134,936	$ 462,714	$ 56,311	$ 243,586	$ 123,330	$ 55,408	$ 3,076,285

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

F. Long-term debt and accrued compensated absences

The following is a summary of bond, note and contract debt transactions of the City for the year ended June 30, 2008:

	Primary Government			
	Governmental Activities General Obligation Bonds	Business-Type Activities Lease Payable	Business-Type Activities Revenue Bonds	Total Reporting Entity
Long-Term Debt at July 1, 2007	$ 10,740,233	$ 17,160,745	$ 1,325,000	$29,225,978
Reductions	(145,621)	(953,814)	(200,000)	(1,299,435)
Long-Term Debt at June 30, 2008	**$ 10,594,612**	**$ 16,206,931**	**$1,125,000**	**$ 27,926,543**
Due Within One Year	**$ 200,000**	**$ 971,234**	**$ 200,000**	**$ 1,371,234**

The following is a summary of accrued compensated absences of the City for the year ended June 30, 2008:

	Primary Government			
	Governmental Activities	Business-Type Activities	Component Units	Total Reporting Entity
Accrued compensated absences at July 1, 2007	$ 737,001	$ 60,678	$ 429,612	$1,227,291
Additions	-	-	29,719	29,719
Reductions	(51,138)	(6,083)	(125,767)	(182,988)
Accrued compensated absences at June 30, 2008	**$ 685,863**	**$ 54,595**	**$ 333,564**	**$1,074,022**
Due Within One Year	**$ 76,757**	**$ -**	**$ 4,695**	**$ 81,452**

For the governmental activities, compensated absences are generally liquidated by the General Fund.

Long-term debt at June 30, 2008 is comprised of the following individual issues:

	Final Maturity Date	Interest Rates	Outstanding Balance
Primary Government			
General Long-Term Debt			
General obligation Downtown Development			
Series 2002A – Parking Deck	2028	4.65%	$ 115,000
General obligation Downtown Development			
Series 2008A – Parking Deck - Refund	2028	4.00-4.125	9,785,000
Series 2008A deferred refunding			(475,388)
General obligation Downtown Development			
Series 2002B – Parking Deck	2017	4.50-6.50	1,170,000
Enterprise Funds			
1992 Water Revenue Bonds	2011	5.00-8.00	1,125,000
2003 Wastewater Treatment			
Capital Lease Payable	2015	2.30-3.75	1,224,561
1998 Wastewater Disposal			
Capital Lease Payable	2013	4.00-4.50	404,726
2002 Wastewater Treatment			
Capital Lease Payable	2022	2.75-5.00	14,577,644
Total Reporting Entity			**$27,926,543**

The Wastewater Fund capital leases, which include the 2003 Waste Water Treatment, 1998 Wastewater Disposal, and 2002 Wastewater Treatment, are directly related to bonds issued through Grand Traverse County (the "County"). The City records its share of County bonds as capital leases payable in accordance with the Michigan Committee on Governmental Accounting and Auditing Statement 10, as amended.

Capital assets held under capital leases total approximately $23,015,000 net of accumulated depreciation of $20,942,000 at June 30, 2008.

In February 2007, the City issued $9,785,000 in General Obligation Bonds to advance refund $9,315,000 of O/S 2002A series bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the City's financial statements. At June 30, 2008 $195,000, of the Series 2002A bonds are considered defeased, and the amount of defeased debt outstanding is $115,000.

The annual requirements to pay principal and interest on long-term debt obligations are as follows:

Fiscal Year	Governmental Activities General Obligation Bonds		Business-Type Activities Capital Leases Payable		Business-Type Activities Revenue Bond	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	$ 200,000	$ 481,898	$ 971,234	$ 705,187	$ 200,000	$ 67,500
2010	200,000	471,184	1,033,234	671,659	225,000	55,500
2011	210,000	460,189	1,077,815	633,873	225,000	42,000
2012	245,000	449,031	1,134,938	592,851	225,000	28,500
2013	285,000	436,831	1,198,702	548,101	250,000	15,000
2014-18	2,160,000	1,917,030	5,640,908	2,010,796	-	-
2019-23	3,555,000	1,310,655	5,150,100	647,339	-	-
2024-28	4,215,000	514,899	-	-	-	-
	$ 11,070,000	**$ 6,041,717**	**$ 16,206,931**	**$ 5,809,806**	**$ 1,125,000**	**$ 208,500**

H. Commitments

Primary government - Property

During fiscal 2006, the City entered into an agreement with SNAFU LLC, which gives them the exclusive right and option to purchase Lot W for $412,821 during the first year of the agreement. The parties understand that the purchase price shall be paid partially in money and partially by transferring all or part of Lot W. The value of lot Z was $319,936. After the first year of the option the price will increase by the consumer price index for all urban consumers. After the second year if the buyer exercises the right to purchase, new appraisals will have to be performed for both Lot W and Lot 2.

Component Units

Downtown Development Authority

The 2008 Downtown Development Authority Tax Exempt Refunding Bonds and the 2002B Downtown Development Authority Taxable 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 Downtown Development Authority provides these tax increment revenues to the City less the developer required contribution for bond payment. The City has pledge 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 DDA based on the collection of tax increment revenues in the Tax Increment Financing and Development Plan No. 97:

Fiscal Year End	Amount
2009	$ 662,912
2010	652,198
2011	651,203
2012	675,045
2013	702,845
2014-2018	4,001,086
2019-2023	4,865,655
2024-2028	4,729,899
Total	**$16,940,843**

Light and Power

In September 1994, the Light and Power department purchased $840,000 of distribution facilities located within the City of Traverse City from Consumers Power Company ("Consumers"). The purchase was made in connection with the settlement of litigation initiated by the Light and Power department against Consumers. The purchase was completed under the auspices of the Michigan Public Service Commission and approved by the Light and Power department Board. The Light and Power department will take possession of these facilities in three stages, one stage remains to occur in September 2014.

On May 11, 2007, the Department entered into a letter of understanding with Wolverine Power Supply Cooperative, Inc. for construction of a transmission substation. The cost of this project shall not exceed $6,600,000 ($3,300,000 for each party). The letter of understanding is legally binding for 120 days. The letter has been replaced with a definitive agreement. A wire transfer of $3,300,000 was made in January 2008 to Wolverine Power Supply Cooperative is included in work in progress at year end. Project balance unexpended is $2,026,011.

IV. 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, 2008, 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 any of 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 their 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, 2008 amounted to $157,844, 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 2007 taxable valuation of the City totaled $713,881,174, on which ad valorem taxes levied consisted of 13.1765 mills for the City operating purposes.

Included in the taxable valuation is the Downtown Development Authority. The taxable value for the DDA is $36,176,359. The Downtown Development general operating tax rate for fiscal year 2006-07 was 1.8038 mills. Property taxes are also derived from tax increment financing agreements between the DDA and other taxing districts. Under these arrangements, the DDA receives those property taxes levied on the increment of current taxable valuations (determined as of the preceding December 31, the lien date) over base year assessed valuations on certain property located in the City of Traverse City, which are within the DDA district. Property taxes are recognized in the fiscal year in which they are levied.

D. Defined benefit pension plans

The City has two retirement plans, one covering police and fire department personnel and the other covering all other employees of the City, and the Light and Power Component Unit employees.

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

Basis of Accounting

The Police and Fire Retirement System Financial Statements are included as a pension trust fund of the City of Traverse City and are prepared using the accrual basis of accounting. Employer contributions are recognized when due. Benefits and refunds are recognized when due and payable in accordance with the plan. Administrative costs are financed through investment earnings. The Plan does not issue a stand-alone financial report.

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.

Description of the Plan

The City contributes to a single employer defined benefit retirement plan, the Police and Fire Retirement System, administered by the City and covering certain Police and Fire Department personnel established under Michigan Act No. 345 of the Public Acts of 1937, as amended. The Plan provides retirement, disability and death benefits to plan members and their beneficiaries. At June 30, 2007, the most recent actuarial valuation date, membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	53
Terminated plan members entitled to but not yet receiving benefits	3
Active plan members	59
Total	**115**

Contributions

The City's obligation to contribute, benefit provisions and all other requirements of the system are established and amended by Michigan statute (P.A. 345). Employees of the Police and Fire Retirement System are not required to contribute to the system. All full service police and fire department employees are eligible to participate in the Police and Fire Retirement System. For the years ended June 30, 2006, 2007 and 2008, the City contributed 100% of the annual pension costs, which was also the actuarial determined contribution requirement, in the amounts of $877,938, $987,602, and $897,502 respectively. There were no net pension obligations at the end of these years. At June 30, 2007, the funded ratio (actuarial value of assets as a percent of actuarial accrued liability) was 86% in comparison to 90% as of June 30, 2006.

Additional required supplementary information regarding the police and fire pension plan is reported in the supplemental information portion of the financial statements. The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities of benefits.

Municipal Employees Retirement System (MERS)

The City's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The City participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the MERS Retirement Board. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 447 N. Canal Road, Lansing, MI 48917 or by calling (800) 767-6377.

Funding Policy

The City is required to contribute at an actuarially determined rate; the current rate ranges from 13.82% to 21.41% of annual covered payroll depending on the class of employee. Employees are not required to contribute to the Plan. The contribution requirements of the City are established and may be amended by the Retirement Board of MERS.

Annual Pension Cost

For the year ended June 30, 2008 the City's annual pension cost of $1,399,592 for MERS was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2007 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year, compounded annually, attributable to inflation and (c) additional projected salary increases of 0.0% to 8.40% per year, depending on age, attributable to seniority/merit. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment to reflect fair value. The difference in investment income between expected return and market return is recognized over a ten year period at a rate of 10% per year. The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities of benefits. The City's unfunded actuarial accrued liability is being amortized

as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2007, the date of the last actuarial valuation, was 28 years.

Three-year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/08	$1,399,592	100%	$ -

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/07	$ 40,033,232	$ 50,210,221	$10,176,989	80%	$ 8,079,158	126%

Additional required supplementary information regarding MERS pension plan is reported in the supplemental information portion of the financial statements. The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities of benefits.

E. Defined contribution plan

Primary government

The City sponsors the "City of Traverse City Deferred Compensation Plan" created in accordance with the Internal Revenue Code Section 457. The City has two plans and the administrators of these plans are the ICMA Retirement Corporation and the Hartford Corporation. The plans are available to administrative, employees within the general municipal employees union, and teamsters union. In addition, the plans are available to Light and Power component unit administrative and union employees. Participants may contribute from zero to six percent of covered payroll and the employer may contribute from two 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 fiscal year 2008, the City contributed $348,079 and employees contributed $746,036.

Component unit

Downtown Development Authority

The Downtown Development Authority sponsors the Traverse City Downtown Development Authority Deferred Compensation Plan created in accordance with the Internal Revenue Code Section 457. The administrator of the plan is ICMA Retirement Corporation. The plan is available to all employees. Participants may contribute any amount allowed by the plan and the employer will match employee contributions up to 7% percent of covered payroll based on the employee's employment contract. Plan provision and contribution requirements can only be amended by authorization of the Board of Directors. In fiscal year, 2008 and the Downtown Development Authority contributed $14,977 and the employees contributed $19,022 to this plan.

F. Other postemployment health benefits

The City administeres a single-employer defined benefit healthcare plan "the Retiree Health Plan". The plan provides health insurance premiums for retirees based on their labor agreement. Below are the benefit provisions of each labor group.

City non-union employees are eligible for postretirement health benefits at the time of retirement.

- The benefit includes health insurance premiums paid for three years for only the retiree.

Teamsters municipal, clerical, and technical employees are eligible for postretirement health benefits at the time of retirement if they have ten years of services, qualified for a pension under MERS and are collecting a MERS pension.

- The benefit includes premium payments of $225 per month.

Police sergeants, captains, and officers are eligible for postretirement benefits at the time of retirement if they have ten years of service with the City, qualify for a pension under ACT 345, and are collecting an ACT 345 pension.

- The benefit includes premium payments for the retiree and spouse at a base premium rate as of July 1, 1991 compounded five percent annually thereafter.

Firefighters are eligible for postretirement health benefits at the time they retire and have reached age fifty.

- The benefit includes for those who retire after July 1, 1990, $210.90 per month for single coverage, $442.90 per month for double person coverage, and $495.61 per month for family coverage. For those employees who retired previous to July 1, 1994 they shall continue to receive the benefits as described in the applicable collective bargaining agreement in effect on the date of their retirement.

The Traverse City Light and Power administrative employees and utility workers are eligible for postretirement benefits at the time of retirement.

- The benefit includes payment of the retiree's health insurance premium until they reach the age of Medicare eligibility and at that time premiums for complementary coverage.

The Retiree Health Plan does not issue a publicly available financial report. 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.

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 was $334,579 and the pay as you go employer contribution was $564,777. The employee contribution to the plan was $212,193.

The City annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement #45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of thirty years. The first actuarial valuation of the Retiree Health Plan was performed as of May 20, 2008 with the requirements of GASB Statement #45 being implemented that fiscal year. Fiscal year 2008 is the first year for which an actuarially required contribution (ARC) has been determined. The current year's contribution was considered to be equal to actual plan costs (estimated current years ARC) based on evaluation of the aforementioned actuarial valuation. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's OPEB obligation to the plan.

Annual required contribution	$ 334,759
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	334,759
Contributions made	334,759
Increase in net OPEB obligation	-
Net OPEB obligation, beginning of year	-
Net OPEB obligation, end of year	$ -

Three-year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/08	$ 334,579	100%	$ -

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/06	$ 1,079,242	$ 4,622,001	$ 3,542,759	23%	7,921,231	45%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probablility of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presents multiyear trend information about whether the actuarial value of plan asses in increasing or decreasing over time relative to the actuarial accured liability for benefits.

The City is currently funding the plan by paying the current insurance premiums due and the annual required contribution.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculation.

In the May 20, 2008, actuarial valuation, the individual entry-age actuarial cost method, level percent of payroll if the divisions are open to new hires and as a level dollar if the divisions are closed to new hires, and an amortization period of 30 years were utilized. The actuarial assumptions included a 8% rate of investment return, payroll growth rate for open divisions assumed to be at 4.5%, and 10% inflation in 2008 graded to 4.5% in 2016, with implicit subsidy provided.

Additional required supplementary information regarding other postemployment health benefits plan is reported in the supplemental information portion of the financial statements. The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities of benefits.

G. Entitlement commitment

The Traverse City Light and Power Department, along with other Michigan municipal utilities, is a member of the Michigan Public Power Agency ("MPPA"). The agency was formed to acquire interests in certain electric generating plants and related transmission lines. MPPA has acquired a 4.8% undivided interest in the Consumers Power Company Campbell 3 plant, an 18.61% undivided interest in the Detroit Edison Company Belle River project, and a 100% undivided interest in the Kalkaska Combustion Turbine Plant.

In 1983, the Department entered into a 35 year power supply and project support contract with MPPA. Under the agreement, the Department will purchase 26.35% of the energy generated by MPPA's 4.8% interest in the Campbell 3 plant and 4.53% of the energy generated by MPPA's 18.81% interest in the Belle River plant. In 2002, the Department entered into a 25 year power supply and project support contract with MPPA. Under the agreement, the Department will purchase 75.9% of the energy generated by MPPA's 100% interest in the Kalkaska Combustion Turbine.

In 2002, Traverse City Light and Power Department entered into a 25 year agreement with MPPA to purchase 75.9% of the energy generated by MPPA's Kalkaska Combustion Turbine Plant.

For the year ended June 30, 2008, the Traverse City Light and Power Department recognized expenses totaling $17,384,409 to purchase power under the terms of these contracts. The price of the power was calculated on a basis, as specified in the contract, to enable MPPA to recover its production, transmission and debt service costs

Under the terms of the contracts, Traverse City Light and Power Department must make 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 2008 costs adjusted for inflation. These costs are estimated as follows:

Year Ended December 31	Operating Costs
2009	$ 5,904,597
2010	6,081,735
2011	6,264,187
2012	6,452,113
2013	6,645,676
2014-2018	30,946,291
2019-2023	24,247,430
2024-2028	22,543,197
	$109,085,226

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

	Year Ended		
December 31	Principal	Interest	Total
2009	$ 2,313,742	$ 1,971,025	$ 4,284,767
2010	2,249,546	1,854,111	4,103,657
2011	2,360,782	1,750,396	4,111,178
2012	2,470,034	1,640,981	4,111,015
2013	2,592,937	1,519,905	4,112,842
2014-2018	12,999,141	5,542,422	18,541,563
2019-2023	6,789,255	2,898,906	9,688,161
2024-2028	6,831,000	919,481	7,750,481
	$ 38,606,437	**$ 18,097,227**	**$56,703,664**

H. Related party transactions

Primary government

The City provides management services on behalf of the City of Traverse City and Charter Township of Garfield Recreation Authority (the "Authority"), a related party (by virtue of common board members and management). These services include maintaining financial records and reporting. In return for these services, the City received fees from the Authority in the amount of $17,000 during the year ended June 30, 2008.

Component unit

The Downtown Development Authority (DDA) along with a developer has committed to pay the principal and interest on Hardy Parking Deck bonds. The developer who made the commitment along with the Authority is a board member.

The DDA entered into an appraisal agreement for three parcels of land located in Old Town. The land is expected to be used for future public parking. One of the properties being appraised is owned by a member of the Authority's Board of Directors. The board member has abstained himself from all discussion and votes relating to the appraisal agreement.

Subsequent to fiscal year end, the DDA recommended to the City Commission to approve the purchase of land expected to be used for future public parking from Old Town of Traverse City, Inc. An Authority's Board Member is a part owner of Old Town of Traverse City, Inc. and the board member has abstained from all discussion and votes relating to the purchase agreement. The purchase would be through an option agreement that is one year long with a one-time extension of 180 days. The cost of the option is $1.00 and $5,000 if the extension is utilized. The purchase price agreed upon is $336,000.

The DDA was awarded up to $45,000 from Traverse City Light and Power, another component unit of the City, for the purchase of LED lights to be used downtown during the Holiday season.

I. Subsequent events

The ACT 345 pension system's investments have significantly declined in market value subsequent to the fiscal year end because of the United States economic condition.

On September 19, 2008, the City Treasurer on behalf of the City and Traverse City Light and Power entered into a third party custodian agreement with Fifth Third Bank and The Bank of New York. The agreement provides collaterization on all deposits and investments held at Fifth Third Bank by the City and Traverse City Light and Power.

J. Designations of net assets

Primary government

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

	Auto Parking System Fund	Sewer Fund	Water Fund	Marina Fund	Garage Fund
Emergencies	$ 24,951	$ 49,871	$49,943	$ -	-
Capital expenditures	1,077,000	501,400	1,280,000	40,000	573,000
Future maintenance	300,000	-	-	-	-
Total	**$1,401,951**	**$ 551,271**	**$1,329,943**	**$ 40,000**	**$ 573,000**

Component unit

The following are designations of unrestricted net assets established by Light and Power board.

Maintenance contingencies	$ 2,867,337
Green energy	950,000
Emergencies	99,519
Environmental claims	3,694,306
Capital expansion	6,986,000
Total	**$14,597,162**

K. Prior period adjustments

Beginning net asets for the fiscal year end June 30, 2008 were increased in the amount of $97,461 to reflect the Senior Center Building Fund reclassification from an Agency Fund to a Special Revenue Fund.

L. Asset impairment

The City Commission decided to discontinue the operations of the Zoo. The demolition was completed during the current fiscal year. Because of the discontinuation of operations, the assets have been determined to be impaired in accordance with GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and Insurance Recoveries." In accordance with the statement, the capital assets were written down to their fair value based on engineering estimates. The impairment was recorded as a direct expense to Parks and Recreation expense in the Government-wide Statement of Activities. The assets may be used in the future based on the proposed Bayfront Water Plan.

M. Contingent liability

Primary government – Boot Lake

In 2005 the City received a demand letter from the MDEQ demanding that the City undertake response activities under Parts 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 expensive clean up at the site is necessary, and the City cannot find alternatives for sources of funding for clean up, the clean up could cost the City between $1,000,000 and $2,000,000. At this point, the 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.

* * * * *

CITY OF TRAVERSE CITY
Required Supplementary Information
ACT 345 Pension Trust Fund
Schedule of Funding Progress

The below contributions are for pension benefits only and do not include amounts contributed for health care coverage.

Actuarial valuation date	Actuarial value of assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered payroll ((b - a) / c)
6/30/1998	$ 17,885,188	$ 15,171,393	$ (2,713,795)	117.90%	$ 2,259,312	0.00%
6/30/1999	20,405,330	17,147,459	(3,257,871)	119.0%	2,337,289	0.00%
6/30/2000	22,497,159	18,756,152	(3,741,007)	119.9%	2,470,379	0.00%
6/30/2001	23,695,203	19,552,221	(4,142,982)	121.2%	2,467,235	0.00%
6/30/2002	23,592,627	20,540,751	(3,051,876)	114.9%	2,393,258	0.00%
6/30/2003	22,842,110	21,175,431	(1,666,679)	107.8%	2,402,524	0.00%
6/30/2004	22,038,257	22,711,298	673,041	97.0%	2,671,393	25.20%
6/30/2005	21,881,463	24,977,924	3,096,461	87.6%	3,139,509	98.63%
6/30/2006	22,591,340	26,163,253	3,571,913	86.3%	3,509,371	101.78%
6/30/2007	24,182,785	26,789,239	2,606,454	90.3%	3,234,852	80.60%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year ended/valuation June 30	Annual Required Contribution	Percentage Contributed
1999 / 1998	$ 193,624	100
2000 / 1999	227,662	100
2001 / 2000	294,964	100
2002 / 2001	276,417	100
2003 / 2002	342,511	100
2004 / 2003	396,681	100
2005 / 2004	615,269	100
2006 / 2005	877,938	100
2007 / 2006	987,602	100
2008 / 2007	897,502	100

SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the date indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	June 30, 2007
Actuarial cost method	Entry-age actuarial cost method
Amortization method	Level percent
Remaining amortization period	20 years open
Asset valuation method	4 years smoothed market
Actuarial assumptions	
Investment rate of return	7.50%
Projected salary increases	4.5-7.5%
Cost-of-living adjustments	2.5% of original pension for 20 years payable to police captains unit, pre-July 1, 1990 retirees, Police sergeants (effective 8-1-98) and police patrol (effective 1-1-99) and firefighters unit (effective 7-1-00)

CITY OF TRAVERSE CITY
Required Supplementary Information
ACT 345 Pension Trust Fund
Schedule of Funding Progress

The below contributions are for health care benefits only and do not include amounts contributed for pension

Actuarial valuation date	Actuarial value of assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered payroll ((b - a) / c)
6/30/2000	$ 2,091,217	$ 6,269,112	$ 4,177,895	33.4%	$ 2,470,379	169.12%
6/30/2001	2,331,155	6,983,905	4,652,750	33.4%	2,467,235	188.58%
6/30/2002	2,434,672	7,769,958	5,335,286	31.3%	2,393,258	222.93%
6/30/2003	2,590,432	8,072,071	5,481,639	32.1%	2,402,524	228.16%
6/30/2004	2,645,396	8,091,713	5,446,317	32.7%	2,671,393	203.88%
6/30/2005	2,723,028	8,218,900	5,495,872	33.1%	3,139,509	175.06%
6/30/2006	2,977,346	8,643,119	5,665,773	34.4%	3,509,371	161.45%
6/30/2007	3,444,580	8,402,945	4,958,365	41.0%	3,234,852	153.28%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year ended/valuation June 30	Annual Required Contribution	Percentage Contributed
1999 / 1998	$ 177,783	100
2000 / 1999	178,319	100
2001 / 2000	236,104	100
2002 / 2001	253,936	100
2003 / 2002	291,832	100
2004 / 2003	306,560	100
2005 / 2004	303,755	100
2006 / 2005	313,977	100
2007 / 2006	408,471	100
2008 / 2007	373,161	100

SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the date indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	June 30, 2007
Actuarial cost method	Individual entry-age actuarial cost method
Amortization method	Level percent
Remaining amortization period	30 years
Asset valuation method	4 years smoothed market
Actuarial assumptions	
Investment rate of return	7.50%
Projected salary increases	4.5-7.5%

CITY OF TRAVERSE CITY
Required Supplementary Information
MERS Pension Plan
Schedule of Funding Progress

Actuarial valuation date	Actuarial value of assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered payroll ((b - a) / c)
12/31/1998	$ 24,346,546	$ 26,952,075	$ 2,605,529	90.33%	$ 5,092,769	51.16%
12/31/1999	27,461,627	28,449,868	988,241	96.53%	5,239,153	18.86%
12/31/2000	29,610,635	32,485,324	2,874,689	91.2%	5,455,915	52.69%
12/31/2001	30,940,918	34,985,033	4,044,115	88.4%	5,989,759	67.52%
12/31/2002	31,188,955	37,247,805	6,058,850	83.7%	6,388,977	94.83%
12/31/2003	32,827,731	40,174,115	7,346,384	81.7%	6,905,057	106.39%
12/31/2004	34,215,650	44,008,390	9,792,740	77.7%	7,656,396	127.90%
12/31/2005	35,574,162	45,667,466	10,093,304	77.9%	7,442,267	135.62%
12/31/2006	37,648,129	47,608,085	9,959,956	79.1%	7,921,231	125.74%
12/31/2007	40,033,232	50,210,221	10,176,989	79.7%	8,079,158	125.97%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year ended/valuation June 30	Annual Required Contribution	Percentage Contributed
1999 / 1998	$ 844,546	100
2000 / 1999	771,362	100
2001 / 2000	735,001	100
2002 / 2001	660,626	100
2003 / 2002	724,741	100
2004 / 2003	946,826	100
2005 / 2004	1,013,415	100
2006 / 2005	1,226,873	100
2007 / 2006	1,352,653	100
2008 / 2007	1,399,592	100

SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the date indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	December 31, 2007
Actuarial cost method	Entry age normal cost method
Amortization method	Level percent
Remaining amortization period	28 years
Asset valuation method	10 year smoothed market
Actuarial assumptions	
Investment rate of return	8.00%
Projected salary increases	4.5-12.90%

CITY OF TRAVERSE CITY
Required Supplementary Information
MERS Retiree Health Funding Vehicle
Schedule of Funding Progress

Actuarial valuation date	Actuarial value of assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered payroll ((b - a) / c)
12/31/2006	$ 1,079,242	$ 4,622,001	$ 3,542,759	23.4%	$ 7,921,231	44.72%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year ended/valuation June 30	Annual Required Contribution	Percentage Contributed
2008 / 2007	$ 274,606	100%

SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the date indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	December 31, 2006
Actuarial cost method	Individual entry age actuarial cost method
Amortization method	Level percent
Remaining amortization period	30 years
Asset valuation method	10 year smoothed market
Actuarial assumptions	
Investment rate of return	8.00%
Projected salary increases	4.8-12.90%

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Revenues
Budget (GAAP Basis) and Actual
General Fund
For the Year Ended June 30, 2008

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Property taxes			
Real estate and personal property	$ 8,437,000	$ 8,430,586	$ (6,414)
Collection fees	345,550	343,661	(1,889)
Penalties and interest on taxes	88,000	95,055	7,055
Total property taxes	**8,870,550**	**8,869,302**	**(1,248)**
Licenses and permits			
Business	190,550	198,822	8,272
Nonbusiness	12,750	17,923	5,173
Total licenses and permits	**203,300**	**216,745**	**13,445**
Federal sources	**37,000**	**39,621**	**2,621**
State sources			
State - shared revenues			
Sales and use tax	1,344,600	1,328,895	(15,705)
Liquor licenses	26,000	26,677	677
Total state sources	**1,370,600**	**1,355,572**	**(15,028)**
Local sources			
City fee	**1,515,198**	**1,515,198**	**-**
Charges for services			
General fees and services	35,100	54,162	19,062
Sale of assets	2,500	-	(2,500)
Use and admission fees	246,850	219,076	(27,774)
Fine and forfeitures - ordinance and cost	65,000	50,700	(14,300)
Total charges for services	**349,450**	**323,938**	**(25,512)**
Fines and forfeits			
Parking violations	**71,000**	**64,028**	**(6,972)**
Reimbursements	**510,000**	**498,853**	**(11,147)**
Interest income	**400,000**	**469,061**	**69,061**
Other revenue			
Rents and royalties	2,500	2,930	430
Contributions	370,300	362,097	(8,203)
Other	31,100	48,435	17,335
Total other revenue	**403,900**	**413,462**	**9,562**
Total revenues	**$ 13,730,998**	**$ 13,765,780**	**$ 34,782**

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Expenditures
Budget (GAAP Basis) and Actual
General Fund
For the Year Ended June 30, 2008

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
General government			
City Commission			
Personnel	$ 33,950	$ 33,540	$ 410
Commodities	1,000	3,468	(2,468)
Contractual services	111,500	61,739	49,761
Other charges	10,250	11,194	(944)
Total City Commission	156,700	109,941	46,759
City Manager's Office			
Personnel	316,900	313,398	3,502
Commodities	5,000	3,673	1,327
Contractual services	33,750	21,042	12,708
Other charges	14,150	9,222	4,928
Total City Manager's Office	369,800	347,335	22,465
Human Resources			
Personnel	184,750	164,445	20,305
Commodities	2,250	995	1,255
Contractual services	43,700	22,953	20,747
Other charges	4,200	7,558	(3,358)
Total Human Resources	234,900	195,951	38,949
City Attorney's Office			
Personnel	98,810	74,856	23,954
Commodities	4,800	2,132	2,668
Contractual services	13,320	6,692	6,628
Other charges	2,400	118	2,282
Total City Attorney's Office	119,330	83,798	35,532
City Clerk's Office			
Personnel	288,950	272,399	16,551
Commodities	19,800	21,922	(2,122)
Contractual services	54,000	47,294	6,706
Other charges	32,500	27,705	4,795
Total City Clerk's Office	395,250	369,320	25,930
Assessor's Office			
Personnel	297,450	288,281	9,169
Commodities	11,000	9,500	1,500
Contractual services	23,800	16,162	7,638
Other charges	3,150	2,515	635
Total Assessor's Office	335,400	316,458	18,942

Continued……

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Expenditures
Budget (GAAP Basis) and Actual
General Fund
For the Year Ended June 30, 2008

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Treasurer's Office			
Personnel	$ 288,200	$ 291,090	$ (2,890)
Commodities	17,000	18,976	(1,976)
Contractual services	36,700	38,441	(1,741)
Other charges	9,000	5,083	3,917
Total Treasurer's Office	350,900	353,590	(2,690)
Building and grounds			
Other charges	180,000	158,446	21,554
Planning/Zoning			
Personnel	249,000	245,422	3,578
Commodities	5,700	3,734	1,966
Contractual services	19,100	15,594	3,506
Other charges	8,950	7,893	1,057
Total planning/zoning	282,750	272,643	10,107
Cemetery			
Personnel	133,350	116,087	17,263
Commodities	9,800	5,551	4,249
Contractual services	154,700	163,284	(8,584)
Other charges	52,200	47,667	4,533
Total cemetery	350,050	332,589	17,461
Appropriations	232,000	223,802	8,198
Capital outlay	33,700	27,100	6,600
Total general government	**3,040,780**	**2,790,973**	**249,807**
Public Safety			
Police			
Personnel	3,084,300	3,026,229	58,071
Commodities	79,900	63,875	16,025
Contractual services	387,200	387,858	(658)
Other charges	359,350	347,523	11,827
Total Police	3,910,750	3,825,485	85,265

Continued……

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Expenditures
Budget (GAAP Basis) and Actual
General Fund
For the Year Ended June 30, 2008

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Fire			
Personnel	$ 2,837,700	$ 2,727,443	$ 110,257
Commodities	58,050	59,099	(1,049)
Contractual services	118,600	109,743	8,857
Other charges	387,250	394,229	(6,979)
Total Fire	3,401,600	3,290,514	111,086
Total public safety	**7,312,350**	**7,115,999**	**196,351**
Public Works			
Streets, alleys and sidewalks			
Personnel	302,550	229,289	73,261
Commodities	27,500	23,787	3,713
Contractual services	128,000	254,257	(126,257)
Other charges	(720,900)	(703,106)	(17,794)
Total streets, alleys and sidewalks	(262,850)	(195,773)	(67,077)
Public Works - Director			
Personnel	141,600	134,340	7,260
Commodities	1,750	979	771
Contractual services	9,100	7,684	1,416
Other charges	10,500	10,282	218
Total Public Works - Director	162,950	153,285	9,665
Street lighting - utilities	182,000	181,783	217
Engineering			
Personnel	610,000	592,572	17,428
Commodities	14,000	9,431	4,569
Contractual services	41,870	34,960	6,910
Other charges	13,900	11,711	2,189
Total engineering	679,770	648,674	31,096
Total public works	**761,870**	**787,969**	**(26,099)**
Recreation and culture			
Parks			
Personnel	1,000,550	959,739	40,811
Commodities	60,300	47,369	12,931
Contractual services	210,000	213,691	(3,691)
Other charges	434,000	442,100	(8,100)
Total parks	1,704,850	1,662,899	41,951
Total expenditures	**$ 12,819,850**	**$ 12,357,840**	**$ 462,010**

Concluded

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Transfers
Budget (GAAP Basis) and Actual
General Fund
For the Year Ended June 30, 2008

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Transfers in			
Brown Bridge Trust	$ 430,000	$ 462,714	$ 32,714
Other funds	53,000	52,920	(80)
City fee	481,302	422,324	(58,978)
Total transfers in	**$ 964,302**	**$ 937,958**	**$ (26,344)**
Transfers out			
Motor Vehicle Highway	1,432,600	1,369,037	63,563
Public Improvement	566,550	566,550	-
Con Foster Museum	107,000	99,349	7,651
Senior Center	100,000	100,000	-
Total transfers out	**$ 2,206,150**	**$ 2,134,936**	**$ 71,214**

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget (GAAP Basis) and Actual
Capital Projects Fund
For the Year Ended June 30, 2008

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues			
Federal sources	$ -	$ 50,000	$ 50,000
State sources	50,000	18,900	(31,100)
Contributions	20,000	211,719	191,719
Reimbursements	-	14,699	14,699
Interest income	85,000	48,200	(36,800)
Other revenue	3,500	2,618	(882)
Total revenues	**158,500**	**346,136**	**187,636**
Expenditures			
General government			
Personnel	-	3,703	(3,703)
Other expense	-	207	(207)
Capital outlay	1,452,500	1,267,238	185,262
Total expenditures	**1,452,500**	**1,271,148**	**181,352**
(Deficiency) excess of revenues over expenditures	(1,294,000)	(925,012)	368,988
Other financing sources			
Transfers in	566,550	566,550	-
Net change in fund balance	**(727,450)**	**(358,462)**	**368,988**
Fund balance, beginning of year	1,706,760	1,706,760	-
Fund balance, end of year	**$ 979,310**	**$ 1,348,298**	**$ 368,988**

CITY OF TRAVERSE CITY, MICHIGAN
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Cemetery Perpetual Care	Total Nonmajor Governmental Funds
ASSETS					
Assets					
Cash and cash equivalents	$ 1,577,464	$ -	$ 1,752,330	$ 67,651	$ 3,397,445
Investments	928,881	-	1,066,049	564,822	2,559,752
Receivables					
Accounts	30,517	-	-	-	30,517
Taxes	-	-	4,111	-	4,111
Special assessments	-	-	187,671	-	187,671
Accrued interest	3,633	-	-	-	3,633
Due from other governments	118,253	-	-	-	118,253
Due from other funds	3,391	-	-	-	3,391
Prepaid costs and other assets	92	-	-	-	92
Advances to other funds	1,126,149	-	-	-	1,126,149
Total asssets	**$ 3,788,380**	**$ -**	**$ 3,010,161**	**$ 632,473**	**$ 7,431,014**
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	$ 24,653	$ -	$ 969	$ -	$ 25,622
Accrued and other liabilities	67,418	-	-	-	67,418
Due to other funds	152,005	-	-	23,359	175,364
Advances from other funds	276,149	-	-	-	276,149
Advance from component unit	-	-	58,696	-	58,696
Deferred revenue	49,185	-	128,975	-	178,160
Total liabilities	**569,410**	**-**	**188,640**	**23,359**	**781,409**
Fund balances					
Reserved for					
Advances	1,126,149	-	-	-	1,126,149
Prepaid items	92	-	-	-	92
Endowments	-	-	-	609,114	609,114
Capital projects	-	-	1,226,698	-	1,226,698
Recreation and culture	99,140	-	-	-	99,140
Unreserved					
Designated for subsequent years' expenditures	11,850	-	-	-	11,850
Designated for future capital projects	-	-	1,594,823	-	1,594,823
Undesignated	1,981,739	-	-	-	1,981,739
Total fund balances	**3,218,970**	**-**	**2,821,521**	**609,114**	**6,649,605**
Total liabilities and fund balances	**$ 3,788,380**	**$ -**	**$ 3,010,161**	**$ 632,473**	**$ 7,431,014**

CITY OF TRAVERSE CITY, MICHIGAN
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2008

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Cemetery Perpetual Care	Total Nonmajor Governmental Funds
Revenues					
Property taxes and special assessments	$ -	$ -	$ 41,423	$ -	$ 41,423
Federal sources	123,355	-	-	-	123,355
State sources	7,578	-	-	-	7,578
Local sources	85,140	696,764	-	-	781,904
Charges for services	256,651	-	-	13,079	269,730
Contributions	52,307	-	-	-	52,307
Reimbursements	20,082	-	-	-	20,082
Interest income	161,620	-	117,683	47,143	326,446
Other revenue	10,163	-	-	-	10,163
Total revenues	**716,896**	**696,764**	**159,106**	**60,222**	**1,632,988**
Expenditures					
Current expenditures					
General government	149,974	-	-	-	149,974
Public safety	24,533	-	-	-	24,533
Culture and recreation	412,601	-	-	-	412,601
Community development	47,561	-	-	-	47,561
Capital outlay	191,191	-	53,120	-	244,311
Debt service					
Principal	-	170,000	-	-	170,000
Interest and fiscal charges	15,000	535,645	-	-	550,645
Total expenditures	**840,860**	**705,645**	**53,120**	**-**	**1,599,625**
(Deficiency) excess of revenues over expenditu	(123,964)	(8,881)	105,986	60,222	33,363
Other financing sources (uses)					
Transfers in	202,740	-	-	-	202,740
Transfers out	(32,952)	-	-	(23,359)	(56,311)
Total other financing sources (uses)	**169,788**	**-**	**-**	**(23,359)**	**146,429**
Net change in fund balance	**45,824**	**(8,881)**	**105,986**	**36,863**	**179,792**
Fund balances, beginning of year, as restated	3,173,146	8,881	2,715,535	572,251	6,469,813
Fund balances, end of year	**$ 3,218,970**	**$ -**	**$ 2,821,521**	**$ 609,114**	**$ 6,649,605**

CITY OF TRAVERSE CITY, MICHIGAN
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2008

	Budget Stabilization Fund	Haz-Mat Fund	Police Training Fund	FETN Academy Fund	State Preparedness Equipment Grant Fund
ASSETS					
Assets					
Cash and cash equivalents	$ 31,098	$ 18,489	$ -	$ 632	$ 5
Investments	759,788	-	-	-	-
Receivables					
Accounts	-	574	-	-	-
Accrued interest	3,633	-	-	-	-
Due from other governments	-	-	-	-	-
Due from other funds	-	-	-	-	-
Prepaid costs and other assets	-	-	-	-	-
Advances to other funds	-	-	-	-	-
Total assets	**$ 794,519**	**$ 19,063**	**$ -**	**$ 632**	**$ 5**
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	$ -	$ 68	$ -	$ -	$ -
Accrued and other liabilities	-	-	-	-	-
Due to other funds	29,561	-	-	-	-
Advances from other funds	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Total liabilities	**29,561**	**68**	**-**	**-**	**-**
Fund balance					
Reserved for					
Advances	-	-	-	-	-
Prepaid items	-	-	-	-	-
Recreation and culture	-	-	-	-	-
Unreserved					
Designated for subsequent years' expenditures	-	-	-	-	-
Undesignated (deficit)	764,958	18,995	-	632	5
Total fund balances	**764,958**	**18,995**	**-**	**632**	**5**
Total liabilities and fund balances	**$ 794,519**	**$ 19,063**	**$ -**	**$ 632**	**$ 5**

FEMA Grant Fund	College Parking Fund	Youth Alcohol Enforcement Grant Fund	Traverse City and Garfield Township Joint Planning Fund	Heritage Center Museum Fund
$ -	$ 5,669	$ -	$ 5,804	$ 4,561
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
113,590	-	4,554	-	-
-	-	-	-	3,391
-	-	-	-	-
-	-	-	-	-
$ 113,590	**$ 5,669**	**$ 4,554**	**$ 5,804**	**$ 7,952**
$ -	$ 2,833	$ 1,924	$ -	$ 7,952
-	3	-	-	-
113,590	2,833	2,630	-	-
-	-	-	-	-
-	-	-	-	-
113,590	**5,669**	**4,554**	**-**	**7,952**
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	5,804	-
-	**-**	**-**	**5,804**	**-**
$ 113,590	**$ 5,669**	**$ 4,554**	**$ 5,804**	**$ 7,952**

Continued…….

CITY OF TRAVERSE CITY, MICHIGAN
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2008

	Cherry Capital Cable Fund	Senior Citizens Fund	Senior Center Building Fund	Homeland Security Training Grant Fund	Opera House Fund
ASSETS					
Assets					
Cash and cash equivalents	$ 153,391	$ 194,601	$ 107,115	$ 82	$ 81,429
Investments	-	-	-	-	-
Receivables					
Accounts	-	5,480	-	-	24,463
Accrued interest	-	-	-	-	-
Due from other governments	-	-	-	109	-
Due from other funds	-	-	-	-	-
Prepaid costs and other assets	-	92	-	-	-
Advances to other funds	-	-	-	-	-
Total assets	**$ 153,391**	**$ 200,173**	**$ 107,115**	**$ 191**	**$ 105,892**
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	$ -	$ 4,132	$ -	$ -	$ 7,569
Accrued and other liabilities	-	65,815	-	-	1,600
Due to other funds	-	-	-	-	-
Advances from other funds	-	-	-	-	276,149
Deferred revenue	-	49,185	-	-	-
Total liabilities	**-**	**119,132**	**-**	**-**	**285,318**
Fund balance					
Reserved for					
Advances	-	-	-	-	-
Prepaid items	-	92	-	-	-
Recreation and culture	-	-	-	-	-
Unreserved					
Designated for subsequent years' expenditures	-	-	-	-	11,850
Undesignated (deficit)	153,391	80,949	107,115	191	(191,276)
Total fund balances	**153,391**	**81,041**	**107,115**	**191**	**(179,426)**
Total liabilities and fund balances	**$ 153,391**	**$ 200,173**	**$ 107,115**	**$ 191**	**$ 105,892**

Banner Program Fund	Industrial Development Fund	McCauley Estate Trust Fund	Total
$ 6,710	$ 955,516	$ 12,362	$ 1,577,464
-	78,924	90,169	928,881
-	-	-	30,517
-	-	-	3,633
-	-	-	118,253
-	-	-	3,391
-	-	-	92
-	1,126,149	-	1,126,149
$ 6,710	**$ 2,160,589**	**$ 102,531**	**$ 3,788,380**
$ -	$ 175	$ -	$ 24,653
-	-	-	67,418
-	-	3,391	152,005
-	-	-	276,149
-	-	-	49,185
-	**175**	**3,391**	**569,410**
-	1,126,149	-	1,126,149
-	-	-	92
-	-	99,140	99,140
-	-	-	11,850
6,710	1,034,265	-	1,981,739
6,710	**2,160,414**	**99,140**	**3,218,970**
$ 6,710	**$ 2,160,589**	**$ 102,531**	**$ 3,788,380**

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, 2008

	Budget Stabilization Fund	Haz-Mat Fund	Police Training Fund	FETN Academy Fund	State Preparedness Equipment Grant Fund
Revenues					
Federal sources	$ -	$ -	$ -	$ -	$ 2,809
State sources	-	-	7,578	-	-
Local sources	-	15,000	-	3,140	-
Charges for services	-	2,107	-	-	-
Contributions	-	-	-	-	-
Reimbursements	-	-	-	-	-
Interest income	53,059	-	-	-	-
Other revenue	-	-	-	-	-
Total revenues	**53,059**	**17,107**	**7,578**	**3,140**	**2,809**
Expenditures					
Current expenditures					
General government	-	-	-	-	-
Public safety	-	6,820	7,578	3,179	-
Culture and recreation	-	-	-	-	-
Community development	-	-	-	-	-
Capital outlay	-	-	-	-	2,809
Debt service					
Interest and fiscal charges	-	-	-	-	-
Total expenditures	**-**	**6,820**	**7,578**	**3,179**	**2,809**
Excess (deficiency) of revenues over expenditures	53,059	10,287	-	(39)	-
Other financing sources (uses)					
Transfers in	-	-	-	-	-
Transfers out	(29,561)	-	-	-	-
Total other financing sources (uses)	**(29,561)**	**-**	**-**	**-**	**-**
Net change in fund balance	**23,498**	**10,287**	**-**	**(39)**	**-**
Fund balances (deficit), beginning of year, as restated	741,460	8,708	-	671	5
Fund balances (deficit), end of year	**$ 764,958**	**$ 18,995**	**$ -**	**$ 632**	**$ 5**

FEMA Grant Fund	College Parking Fund	Youth Alcohol Enforcement Grant Fund	Traverse City and Garfield Township Joint Planning Fund	Heritage Center Museum Fund
$ 113,590	$ -	$ 6,956	$ -	$ -
-	-	-	-	-
-	-	-	-	-
-	27,267	-	-	-
5,978	-	-	6,000	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
119,568	**27,267**	**6,956**	**6,000**	**-**
-	27,268	-	196	-
-	-	6,956	-	-
-	-	-	-	102,740
-	-	-	-	-
119,568	-	-	-	-
-	-	-	-	-
119,568	**27,268**	**6,956**	**196**	**102,740**
-	(1)	-	5,804	(102,740)
-	-	-	-	102,740
-	-	-	-	-
-	**-**	**-**	**-**	**102,740**
-	**(1)**	**-**	**5,804**	**-**
-	1	-	-	-
$ -	**$ -**	**$ -**	**$ 5,804**	**$ -**

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, 2008

	Cherry Capital Cable Fund	Senior Citizens Fund	Senior Center Building Fund	Homeland Security Training Grant Fund	Opera House Fund
Revenues					
Federal sources	$ -	$ -	$ -	$ -	$ -
State sources	-	-	-	-	-
Local sources	-	67,000	-	-	-
Charges for services	123,450	24,616	-	-	79,211
Contributions	-	34,397	5,932	-	-
Reimbursements	-	-	-	-	16,862
Interest income	7,052	4,664	3,722	-	2,015
Other revenue	-	10,163	-	-	-
Total revenues	**130,502**	**140,840**	**9,654**	**-**	**98,088**
Expenditures					
Current expenditures					
General government	122,510	-	-	-	-
Public safety	-	-	-	-	-
Culture and recreation	-	256,409	-	-	53,452
Community development	-	-	-	-	-
Capital outlay	68,814	-	-	-	-
Debt service					
Interest and fiscal charges	-	-	-	-	15,000
Total expenditures	**191,324**	**256,409**	**-**	**-**	**68,452**
Excess (deficiency) of revenues over expenditures	(60,822)	(115,569)	9,654	-	29,636
Other financing sources (uses)					
Transfers in	-	100,000	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	**-**	**100,000**	**-**	**-**	**-**
Net change in fund balance	**(60,822)**	**(15,569)**	**9,654**	**-**	**29,636**
Fund balances (deficit), beginning of year, as restated	214,213	96,610	97,461	191	(209,062)
Fund balances (deficit), end of year	**$ 153,391**	**$ 81,041**	**$ 107,115**	**$ 191**	**$ (179,426)**

Banner Program Fund	Industrial Development Fund	McCauley Estate Trust Fund	Total
$ -	$ -	$ -	$ 123,355
-	-	-	7,578
-	-	-	85,140
-	-	-	256,651
-	-	-	52,307
3,220	-	-	20,082
-	85,861	5,247	161,620
-	-	-	10,163
3,220	**85,861**	**5,247**	**716,896**
-	-	-	149,974
-	-	-	24,533
-	-	-	412,601
-	47,561	-	47,561
-	-	-	191,191
-	-	-	15,000
-	**47,561**	**-**	**840,860**
3,220	38,300	5,247	(123,964)
-	-	-	202,740
-	-	(3,391)	(32,952)
-	**-**	**(3,391)**	**169,788**
3,220	**38,300**	**1,856**	**45,824**
3,490	2,122,114	97,284	3,173,146
$ 6,710	**$ 2,160,414**	**$ 99,140**	**$ 3,218,970**

Concluded

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget (GAAP Basis) and Actual
Budget Stabilization Special Revenue Fund
For the Year Ended June 30, 2008

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenue			
Interest income	$ 31,000	$ 53,059	$ 22,059
Other financing uses			
Transfer out	(31,000)	(29,561)	1,439
Net change in fund balance	**-**	**23,498**	**23,498**
Fund balance, beginning of year	741,460	741,460	-
Fund balance, end of year	**$ 741,460**	**$ 764,958**	**$ 23,498**

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget (GAAP Basis) and Actual
Haz-Mat Special Revenue Fund
For the Year Ended June 30, 2008

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues			
Local sources	$ 15,000	$ 15,000	$ -
Charges for service	1,000	2,107	1,107
Total revenues	**16,000**	**17,107**	**1,107**
Expenditures			
Public safety			
Personnel	7,150	526	6,624
Contractual services	3,600	2,122	1,478
Supplies	2,500	1,433	1,067
Other charges	1,850	2,739	(889)
Total expenditures	**15,100**	**6,820**	**8,280**
Net change in fund balance	**900**	**10,287**	**9,387**
Fund balance, beginning of year	8,708	8,708	-
Fund balance, end of year	**$ 9,608**	**$ 18,995**	**$ 9,387**

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (GAAP Basis) and Actual
Police Training Special Revenue Fund
For the Year Ended June 30, 2008

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues			
State sources	$ 8,000	$ 7,578	$ (422)
Expenditures			
Public safety			
Contractual services	8,000	7,578	422
Net change in fund balance	-	-	-
Fund balance, beginning of year	-	-	-
Fund balance, end of year	**$ -**	**$ -**	**$ -**

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (GAAP Basis) and Actual
FETN Academy Special Revenue Fund
For the Year Ended June 30, 2008

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues			
Local sources	$ 3,400	$ 3,140	$ (260)
Expenditures			
Public safety			
Supplies	-	39	(39)
Contractual services	3,400	3,140	260
Total expenditures	**3,400**	**3,179**	**221**
Net change in fund balance	**-**	**(39)**	**(39)**
Fund balance, beginning of year	671	671	-
Fund balance, end of year	**$ 671**	**$ 632**	**$ (39)**

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (GAAP Basis) and Actual
State Preparedness Equipment Grant Special Revenue Fund
For the Year Ended June 30, 2008

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues			
Federal sources	$ 3,000	$ 2,809	$ (191)
Expenditures			
Capital outlay	3,000	2,809	191
Net change in fund balance	-	-	-
Fund balance, beginning of year	5	5	-
Fund balance, end of year	**$ 5**	**$ 5**	**$ -**

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (GAAP Basis) and Actual
FEMA Grant Special Revenue Fund
For the Year Ended June 30, 2008

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues			
Federal revenue	$ 114,000	$ 113,590	$ 410
Contributions	6,000	5,978	22
Total revenues	**120,000**	**119,568**	**432**
Expenditures			
Capital outlay	120,000	119,568	432
Net change in fund balance	**-**	**-**	**(22)**
Fund balance, beginning of year	-	-	-
Fund balance, end of year	**$ -**	**$ -**	**$ (22)**

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (GAAP Basis) and Actual
SAFE Communities Grant Special Revenue Fund
For the Year Ended June 30, 2008

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues			
Federal revenue	$ 24,900	$ -	$ 24,900
Expenditures			
Personnel	14,900	-	14,900
Contractual services	10,000	-	10,000
Total expenditures	**24,900**	**-**	**24,900**
Net change in fund balance	-	-	-
Fund balance, beginning of year	-	-	-
Fund balance, end of year	**$ -**	**$ -**	**$ -**

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (GAAP Basis) and Actual
College Parking Special Revenue Fund
For the Year Ended June 30, 2008

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues			
Charges for services	$ 32,000	$ 27,267	$ (4,733)
Expenditures			
General government			
Personnel	6,800	2,902	3,898
Contractual services	22,000	22,688	(688)
Commodities	400	-	400
Other expense	2,800	1,678	1,122
Total expenditures	**32,000**	**27,268**	**4,732**
Net change in fund balance	**-**	**(1)**	**(1)**
Fund balance, beginning of year	1	1	-
Fund balance, end of year	**$ 1**	**$ -**	**$ (1)**

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (GAAP Basis) and Actual
Youth Alcohol Enforcement Grant Special Revenue Fund
For the Year Ended June 30, 2008

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues			
Federal sources	$ 25,000	$ 6,956	$ (18,044)
Expenditures			
Public safety			
Personnel	13,500	5,032	8,468
Contractual services	11,500	1,924	9,576
Total expenditures	**25,000**	**6,956**	**18,044**
Net change in fund balance	-	-	-
Fund balance, beginning of year	-	-	-
Fund balance, end of year	**$ -**	**$ -**	**$ -**

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (GAAP Basis) and Actual
Traverse City and Garfield Township Joint Planning Special Revenue Fund
For the Year Ended June 30, 2008

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues			
Contributions	$ 6,000	$ 6,000	$ -
Expenditures			
Public safety			
Contractual services	5,500	93	5,407
Supplies	500	103	397
Total expenditures	**6,000**	**196**	**5,804**
Net change in fund balance	**-**	**5,804**	**5,804**
Fund balance, beginning of year	-	-	-
Fund balance, end of year	**$ -**	**$ 5,804**	**$ 5,804**

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (GAAP Basis) and Actual
Heritage Center Museum Special Revenue Fund
For the Year Ended June 30, 2008

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Expenditures			
Culture and recreation			
Contractual services	$ 65,300	$ 67,171	$ (1,871)
Other expense	45,000	35,569	9,431
Total expenditures	**110,300**	**102,740**	**7,560**
Other financing sources			
Transfer in	110,300	102,740	(7,560)
Net change in fund balance	-	-	-
Fund balance, beginning of year	-	-	-
Fund balance, end of year	**$ -**	**$ -**	**$ -**

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (GAAP Basis) and Actual
Cherry Capital Cable Special Revenue Fund
For the Year Ended June 30, 2008

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues			
Charges for services	$ 123,450	$ 123,450	$ -
Contributions	42,800	-	(42,800)
Interest income	1,000	7,052	6,052
Total revenues	**167,250**	**130,502**	**(36,748)**
Expenditures			
General government			
Contractual services	10,550	11,456	(906)
Commodities	700	-	700
Insurance	2,200	1,054	1,146
Other expense	128,800	110,000	18,800
Capital outlay	70,000	68,814	1,186
Total expenditures	**212,250**	**191,324**	**20,926**
Net change in fund balance	**(45,000)**	**(60,822)**	**(15,822)**
Fund balance, beginning of year	214,213	214,213	-
Fund balance, end of year	**$ 169,213**	**$ 153,391**	**$ (15,822)**

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (GAAP Basis) and Actual
Senior Citizens Special Revenue Fund
For the Year Ended June 30, 2008

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues			
Local sources	$ 57,000	$ 67,000	$ 10,000
Charges for services	28,000	24,616	(3,384)
Contributions	42,400	34,397	(8,003)
Interest income	1,500	4,664	3,164
Other revenue	20,000	10,163	(9,837)
Total revenues	**148,900**	**140,840**	**(8,060)**
Expenditures			
Culture and recreation			
Personnel	162,200	162,673	(473)
Contractual services	43,650	56,872	(13,222)
Commodities	17,000	16,457	543
Other expense	91,900	20,407	71,493
Capital outlay	2,000	-	2,000
Total expenditures	**316,750**	**256,409**	**60,341**
(Deficiency) excess of revenues over expenditures	(167,850)	(115,569)	52,281
Other financing sources			
Transfer in	100,000	100,000	-
Net change in fund balance	**(67,850)**	**(15,569)**	**52,281**
Fund balance, beginning of year	96,610	96,610	-
Fund balance, end of year	**$ 28,760**	**$ 81,041**	**$ 52,281**

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (GAAP Basis) and Actual
Senior Citizens Building Special Revenue Fund
For the Year Ended June 30, 2008

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues			
Contributions	$ -	$ 5,932	$ 5,932
Interest income	3,500	3,722	222
Total revenues	**3,500**	**9,654**	**6,154**
Net change in fund balance	**3,500**	**9,654**	**6,154**
Fund balance, beginning of year, restated	97,461	97,461	-
Fund balance, end of year	**$ 100,961**	**$ 107,115**	**$ 6,154**

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (GAAP Basis) and Actual
Homeland Security Training Grant Special Revenue Fund
For the Year Ended June 30, 2008

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues			
Federal sources	$ 15,000	$ -	$ (15,000)
Expenditures			
Public safety			
Personnel	14,100	-	14,100
Contractual services	900	-	900
Total expenditures	**15,000**	**-**	**15,000**
Net change in fund balance	**-**	**-**	**-**
Fund balance, beginning of year	191	191	-
Fund balance, end of year	**$ 191**	**$ 191**	**$ -**

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (GAAP Basis) and Actual
Opera House Special Revenue Fund
For the Year Ended June 30, 2008

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues			
Charges for services	$ 120,400	$ 79,211	$ (41,189)
Reimbursements	-	16,862	16,862
Interest income	2,300	2,015	(285)
Total revenues	**122,700**	**98,088**	**(24,612)**
Expenditures			
Culture and recreation			
Contractual services	10,000	12,822	(2,822)
Other expense	44,700	40,630	4,070
Debt service			
Interest and fiscal charges	13,850	15,000	(1,150)
Total expenditures	**68,550**	**68,452**	**98**
Net change in fund balance	**54,150**	**29,636**	**(24,514)**
Fund balance, beginning of year	(209,062)	(209,062)	-
Fund balance (deficit), end of year	**$ (154,912)**	**$ (179,426)**	**$ (24,514)**

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (GAAP Basis) and Actual
Banner Program Special Revenue Fund
For the Year Ended June 30, 2008

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues			
Reimbursements	$ -	$ 3,220	$ 3,220
Fund balance, beginning of year	-	3,490	-
Fund balance, end of year	**$ -**	**$ 6,710**	**$ 3,220**

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (GAAP Basis) and Actual
Industrial Development Special Revenue Fund
For the Year Ended June 30, 2008

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues			
Interest income	$ 83,000	$ 85,861	$ 2,861
Expenditures			
Community development			
Contractual services	25,000	46,400	(21,400)
Other expense	1,900	1,161	739
Total expenditures	**26,900**	**47,561**	**(20,661)**
Net change in fund balance	**56,100**	**38,300**	**(17,800)**
Fund balance, beginning of year	2,122,114	2,122,114	-
Fund balance, end of year	**$ 2,178,214**	**$ 2,160,414**	**$ (17,800)**

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (GAAP Basis) and Actual
McCauley Estate Trust Special Revenue Fund
For the Year Ended June 30, 2008

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues			
Interest income	$ 3,300	$ 5,247	$ 1,947
Other financing uses			
Transfer out	(3,300)	(3,391)	(91)
Net change in fund balance	**-**	**1,856**	**1,856**
Fund balance, beginning of year	97,284	97,284	-
Fund balance, end of year	**$ 97,284**	**$ 99,140**	**$ 1,856**

CITY OF TRAVERSE CITY, MICHIGAN
Combining Balance Sheet
Nonmajor Debt Service Funds
June 30, 2008

	Parking Deck Bond Redemption Taxable	Parking Deck Bond Redemption Non-Taxable	Total
ASSETS			
Assets			
Cash and cash equivalents (agrees to fund balance)	$ -	$ -	$ -

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, 2008

	Parking Deck Bond Redemption Taxable	Parking Deck Bond Redemption Non-Taxable	Total
Revenues			
Local sources	$ 209,950	$ 486,814	$ 696,764
Expenditures			
Debt service			
Principal	130,000	40,000	170,000
Interest and fiscal charges	79,950	455,695	535,645
Total expenditures	**209,950**	**495,695**	**705,645**
Net change in fund balances	**-**	**(8,881)**	**(8,881)**
Fund balances, beginning of year	-	8,881	8,881
Fund balances, end of year	**$ -**	**$ -**	**$ -**

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget (GAAP Basis) and Actual
Parking Deck Bond Redemption Taxable Debt Service Fund
For the Year Ended June 30, 2008

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues			
Local sources	$ 210,000	$ 209,950	$ (50)
Expenditures			
Debt service			
Principal	130,000	130,000	-
Interest and fiscal charges	80,000	79,950	50
Total expenditures	**210,000**	**209,950**	**50**
Net change in fund balance	**-**	**-**	**-**
Fund balance, beginning of year	-	-	-
Fund balance, end of year	**$ -**	**$ -**	**$ -**

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget (GAAP Basis) and Actual
Parking Deck Bond Redemption Non-Taxable Debt Service Fund
For the Year Ended June 30, 2008

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues			
Local sources	$ 495,900	$ 486,814	$ (9,086)
Expenditures			
Debt service			
Principal	40,000	40,000	-
Interest and fiscal charges	455,900	455,695	205
Total expenditures	**495,900**	**495,695**	**205**
Net change in fund balance	-	(8,881)	(8,881)
Fund balance, beginning of year	8,881	8,881	-
Fund balance, end of year	$ 8,881	$ -	$ (8,881)

CITY OF TRAVERSE CITY, MICHIGAN
Combining Balance Sheet
Nonmajor Capital Projects Funds
June 30, 2008

	Recaptured Grant Revolving Loan	Parking Deck Bond Construction Taxable	Parking Bond Construction Non-taxable
ASSETS			
Assets			
Cash and cash equivalents	$ 164,456	$ 2	$ 976
Investments	-	105,478	955,786
Receivables			
Taxes	-	-	-
Special assessments	-	-	-
Total assets	**$ 164,456**	**$ 105,480**	**$ 956,762**
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	$ -	$ -	$ -
Advance from component unit	-	-	-
Deferred revenue	-	-	-
Total liabilities	**-**	**-**	**-**
Fund balances			
Reserved for capital projects	164,456	105,480	956,762
Designated for capital projects	-	-	-
Total fund balances	164,456	105,480	956,762
Total liabilities and fund balances	**$ 164,456**	**$ 105,480**	**$ 956,762**

Special Assessments	Total
$ 1,586,896	$ 1,752,330
4,785	1,066,049
4,111	4,111
187,671	187,671
$ 1,783,463	**$ 3,010,161**

$ 969	$ 969
58,696	58,696
128,975	128,975
188,640	**188,640**
-	1,226,698
1,594,823	1,594,823
1,594,823	2,821,521
$ 1,783,463	**$ 3,010,161**

CITY OF TRAVERSE CITY, MICHIGAN
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Projects Funds
For the Year Ended June 30, 2008

	Recaptured Grant Revolving Loan	Parking Deck Bond Construction Taxable	Parking Deck Bond Construction Non-Taxable
Revenues			
Special assessments	$ -	$ -	$ -
Interest income	5,529	2,754	41,704
Total revenues	**5,529**	**2,754**	**41,704**
Expenditures			
Capital outlay	-	-	4,426
Net change in fund balances	**5,529**	**2,754**	**37,278**
Fund balances, beginning of year	158,927	102,726	919,484
Fund balances, end of year	**$ 164,456**	**$ 105,480**	**$ 956,762**

Special Assessments	Total
$ 41,423	$ 41,423
67,696	117,683
109,119	**159,106**
48,694	53,120
60,425	**105,986**
1,534,398	2,715,535
$ 1,594,823	**$ 2,821,521**

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget (GAAP Basis) and Actual
Recaptured Grant Revolving Loan Capital Projects Fund
For the Year Ended June 30, 2008

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenue			
Interest income	$ 6,500	$ 5,529	$ (971)
Net change in fund balance	**6,500**	**5,529**	**(971)**
Fund balance, beginning of year	158,927	158,927	-
Fund balance, end of year	**$ 165,427**	**$ 164,456**	**$ (971)**

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget (GAAP Basis) and Actual
Parking Deck Bond Construction Taxable Capital Projects Fund
For the Year Ended June 30, 2008

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenue			
Interest income	$ 5,000	$ 2,754	$ (2,246)
Expenditures			
Capital outlay	107,000	-	107,000
Net change in fund balance	**(102,000)**	**2,754**	**104,754**
Fund balance, beginning of year	102,726	102,726	-
Fund balance, end of year	**$ 726**	**$ 105,480**	**$ 104,754**

CITY OF TRAVERSE CITY, MICHIGAN
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (GAAP Basis) and Actual
Parking Deck Bond Construction Non-Taxable Capital Projects Fund
For the Year Ended June 30, 2008

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues			
Interest income	$ 38,000	$ 41,704	$ 3,704
Expenditures			
Capital outlay	950,000	4,426	945,574
Net change in fund balance	**(912,000)**	**37,278**	**949,278**
Fund balance, beginning of year	919,484	919,484	-
Fund balance, end of year	**$ 7,484**	**$ 956,762**	**$ 949,278**

CITY OF TRAVERSE CITY, MICHIGAN
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget (GAAP Basis) and Actual
Special Assessments Capital Projects Fund
For the Year Ended June 30, 2008

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues			
Special assessments	$ 88,000	$ 41,423	$ (46,577)
Interest income	75,000	67,696	(7,304)
Total revenues	**163,000**	**109,119**	**(53,881)**
Expenditures			
Capital outlay	130,000	48,694	81,306
Net change in fund balances	**33,000**	**60,425**	**27,425**
Fund balance, beginning of year	1,534,398	1,534,398	-
Fund balance, end of year	**$ 1,567,398**	**$ 1,594,823**	**$ 27,425**

CITY OF TRAVERSE CITY, MICHIGAN
Combining Statement of Net Assets
Internal Service Funds
June 30, 2008

	Retiree Health Insurance	Police & Fire Retiree Health Insurance	Municipal Garage	Total
Assets				
Current assets				
Cash and cash equivalents	$ 304,287	$ 664,972	$ 1,608,898	$ 2,578,157
Investments	1,024,450	2,000,000	-	3,024,450
Receivables				
Accounts	-	-	3,252	3,252
Accrued interest	-	4,628	-	4,628
Inventory	-	-	180,765	180,765
Prepaid costs and other assets	-	-	2,662	2,662
Total current assets	1,328,737	2,669,600	1,795,577	5,793,914
Noncurrent assets				
Capital assets	-	-	5,534,823	5,534,823
Total assets	**1,328,737**	**2,669,600**	**7,330,400**	**11,328,737**
Liabilities				
Current liabilities				
Accounts payable	-	-	13,603	13,603
Accrued and other liabilities	-	-	21,847	21,847
Total current liabilities	-	-	35,450	35,450
Noncurrent liabilities				
Compensated absences	-	-	28,126	28,126
Total liabilities	**-**	**-**	**63,576**	**63,576**
Net assets				
Invested in capital assets	-	-	5,534,823	5,534,823
Unreserved	1,328,737	2,669,600	1,732,001	5,730,338
Total net assets	**$ 1,328,737**	**$ 2,669,600**	**$ 7,266,824**	**$ 11,265,161**

CITY OF TRAVERSE CITY, MICHIGAN
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Funds
For the Year Ended June 30, 2008

	Retiree Health Insurance	Police & Fire Retiree Health Insurance	Municipal Garage	Total
Operating revenue				
Interdepartmental	$ 111,330	$ 373,161	$ 2,352,119	$ 2,836,610
Operating expenses				
Personnel services	-	-	741,483	741,483
Commodities	-	-	676,747	676,747
Contractual services	-	-	80,220	80,220
Other charges	-	-	234,476	234,476
Benefit payments	70,015	-	-	70,015
Depreciation	-	-	818,990	818,990
Total operating expenses	**70,015**	**-**	**2,551,916**	**2,621,931**
Operating income (loss)	41,315	373,161	(199,797)	214,679
Non-operating revenues				
Other revenue	-	-	92,443	92,443
Interest income	80,935	104,834	49,554	235,323
Gain on sale of capital assets	-	-	26,979	26,979
Total non-operating revenues	**80,935**	**104,834**	**168,976**	**354,745**
Change in net assets	**122,250**	**477,995**	**(30,821)**	**569,424**
Net assets, beginning of year	1,206,487	2,191,605	7,297,645	10,695,737
Net assets, end of year	**$ 1,328,737**	**$ 2,669,600**	**$ 7,266,824**	**$ 11,265,161**

CITY OF TRAVERSE CITY, MICHIGAN
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2008

	Retiree Health Insurance	Police & Fire Retiree Health Insurance	Municipal Garage	Total
Cash flows from operating activities				
Cash received from interfund services	$ 111,330	$ 373,161	$ 2,355,367	$ 2,839,858
Cash payments to suppliers for goods and services	-	-	(1,256,426)	(1,256,426)
Cash payments to employees for services	(70,015)	-	(742,458)	(812,473)
Net cash provided by operating activities	**41,315**	**373,161**	**356,483**	**770,959**
Cash flows from non-capital financing activities				
Other revenue	-	-	92,443	92,443
Cash flows from capital and related financing activities				
Purchases of capital assets	-	-	(288,563)	(288,563)
Proceeds from sale of capital assets	-	-	79,899	79,899
Net cash (used in) capital and related financing activities	**-**	**-**	**(208,664)**	**(208,664)**
Cash flows from investing activities				
Interest received	80,935	114,307	49,554	244,796
Purchase of investments	(24,450)	-	-	(24,450)
Net cash provided by investing activities	**56,485**	**114,307**	**49,554**	**220,346**
Net increase in cash and cash equivalents	**97,800**	**487,468**	**289,816**	**875,084**
Cash and cash equivalents, beginning of year	206,487	177,504	1,319,082	1,703,073
Cash and cash equivalents, end of year	**$ 304,287**	**$ 664,972**	**$ 1,608,898**	**$ 2,578,157**
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	$ 41,315	$ 373,161	$ (199,797)	$ 214,679
Adjustments to reconcile operating income (loss) to net cash from operating activities				
Depreciation	-	-	818,990	818,990
Changes in assets and liabilities				
Accounts receivables	-	-	3,248	3,248
Prepaid costs and other assets	-	-	1,106	1,106
Inventories	-	-	(52,349)	(52,349)
Accounts payable	-	-	(213,740)	(213,740)
Accrued and other liabilities	-	-	(975)	(975)
Net cash provided by operating activities	**$ 41,315**	**$ 373,161**	**$ 356,483**	**$ 770,959**

CITY OF TRAVERSE CITY, MICHIGAN
Combining Balance Sheet
Agency Funds
June 30, 2008

	Tax Collection	Imprest Payroll	Total
Assets			
Cash and cash equivalents	$ 88,028	$ 295,856	$ 383,884
Account receivable	-	29,478	29,478
Taxes receivables	49,582	-	49,582
Total assets	**$ 137,610**	**$ 325,334**	**$ 462,944**
Liabilities			
Accrued and other liabilities	$ -	$ 325,334	$ 325,334
Due to other governmental units	137,610	-	137,610
Total liabilities	**$ 137,610**	**$ 325,334**	**$ 462,944**

CITY OF TRAVERSE CITY, MICHIGAN
Combining Statement of Changes in Assets and Liabilities
All Agency Funds
For the Year Ended June 30, 2008

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
TAX COLLECTION				
Assets				
Cash and cash equivalents	$ 24,827	$ 23,878,775	$ 23,815,574	$ 88,028
Taxes receivable	84,020	33,276,947	33,311,385	49,582
Total assets	**$ 108,847**	**$ 57,155,722**	**$ 57,126,959**	**$ 137,610**
Liabilities				
Due to other governmental units	$ 108,847	$ 57,155,722	$ 57,126,959	$ 137,610
IMPREST PAYROLL				
Assets				
Cash and cash equivalents	$ 112,882	$ 11,517,996	$ 11,335,022	$ 295,856
Accounts receivable	31,320	501,238	503,080	29,478
Total assets	**$ 144,202**	**$ 12,019,234**	**$ 11,838,102**	**$ 325,334**
Liabilities				
Accrued and other liabilities	$ 144,202	$ 11,616,573	$ 11,435,441	$ 325,334
TOTAL - ALL AGENCY FUNDS				
Assets				
Cash and cash equivalents	$ 137,709	$ 35,396,771	$ 35,150,596	$ 383,884
Accounts receivable	31,320	501,238	503,080	29,478
Taxes receivable	84,020	33,276,947	33,311,385	49,582
Total assets	**$ 253,049**	**$ 69,174,956**	**$ 68,965,061**	**$ 462,944**
Liabilities				
Accrued and other liabilities	$ 144,202	$ 11,616,573	$ 11,435,441	$ 325,334
Due to other governmental units	108,847	57,155,722	57,126,959	137,610
Total liabilities	**$ 253,049**	**$ 68,772,295**	**$ 68,562,400**	**$ 462,944**

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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 9, 2008

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

We have audited 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 (the "City") as of and for the year ended June 30, 2008, and have issued our report thereon dated December 9, 2008. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Specializing in services to governmental and nonprofit entities

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of 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.*

This report is intended solely for the information and use of management, the City Commission, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Vredeveld Haefner LLC

CITY OF TRAVERSE CITY, MICHIGAN
General Governmental Revenues by Source
General Fund
Last ten fiscal years

Fiscal years ending June 30,	Taxes	Licenses and permits	Federal sources	State Share Revenue	Other State sources	Charges for services	Fines and forfeitures	Reimbursements	Other revenues	Transfer in	Total revenues
1999	$ 5,749,266	$ 351,469	$ -	$ 1,691,658	$ 19,472	$ 364,874	$ 66,972	$ 253,292	$ 1,613,225	$ 512,139	$ 10,622,367
2000	6,031,092	187,962	-	1,826,991	20,206	378,360	72,244	244,973	1,634,569	498,140	10,894,537
2001	6,235,342	143,359	-	1,780,751	19,667	450,204	104,741	234,915	1,810,342	583,702	11,363,023
2002	6,545,558	170,298	-	1,650,255	19,732	387,573	81,269	234,686	1,613,030	401,831	11,104,232
2003	6,853,268	182,636	31,706	1,557,945	20,523	395,835	75,881	188,986	1,592,377	247,185	11,146,342
2004	6,964,990	197,834	37,243	1,400,207	22,224	451,519	78,822	294,302	1,894,848	267,596	11,609,585
2005	7,552,857	207,619	67,730	1,384,945	25,239	434,465	86,207	519,368	2,059,315	328,431	12,666,176
2006	7,970,675	208,837	38,584	1,369,536	24,869	471,701	75,311	575,182	2,452,553	392,092	13,579,340
2007	8,401,296	209,985	37,441	1,328,752	26,472	318,908	61,726	666,199	2,344,919	898,610	14,294,308
2008	8,869,302	216,745	39,621	1,328,895	26,677	323,938	64,028	498,853	2,397,721	937,958	14,703,738

CITY OF TRAVERSE CITY, MICHIGAN

General Governmental Expenditures by Function
General Fund
Last ten fiscal years

Fiscal years ending June 30,	General government	Public safety	Highways and street	Parks and recreation	Other	Transfer out	Total expenditures
1999	$ 1,307,921	$ 4,519,806	$ 27,640	$ 1,037,238	$ 1,468,123	$ 1,931,131	$ 10,291,859
2000	1,364,723	4,488,687	280,907	1,147,677	1,342,893	2,111,370	10,736,257
2001	1,434,684	4,725,452	348,424	1,200,482	1,488,486	1,733,387	10,930,915
2002	1,478,199	4,691,610	437,952	1,246,748	1,582,933	1,528,480	10,965,922
2003	1,535,166	4,937,169	361,728	1,344,120	1,701,434	1,396,721	11,276,338
2004	1,615,893	5,630,071	373,689	1,404,893	1,783,939	1,160,682	11,969,167
2005	1,772,334	6,253,646	363,012	1,424,539	1,918,853	972,237	12,704,621
2006	1,813,736	6,641,897	213,461	1,507,000	1,908,819	1,367,699	13,452,612
2007	1,986,207	7,047,105	(21,438)	1,567,482	1,788,606	1,645,080	14,013,042
2008	1,934,839	7,115,999	139,295	1,662,899	1,504,808	2,134,936	14,492,776

CITY OF TRAVERSE CITY, MICHIGAN

Debt Service Requirements to Maturity

Fiscal years ending June 30,	Parking deck non-taxable refunding bond		Parking deck non-taxable		Parking deck taxable		Sewage disposal		Water plant		Primary government Total principal and interest
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2009	$ 30,000	$ 404,131	$ 30,000	$ 5,347	$ 140,000	$ 72,420	$ 971,234	$ 705,187	$ 200,000	$ 67,500	$ 2,625,819
2010	30,000	402,931	30,000	3,953	140,000	64,300	1,033,234	671,659	225,000	55,500	2,656,577
2011	35,000	401,731	55,000	2,558	120,000	55,900	1,077,815	633,873	225,000	42,000	2,648,877
2012	125,000	400,331	-	-	120,000	48,700	1,134,938	592,851	225,000	28,500	2,675,320
2013	160,000	395,331	-	-	125,000	41,500	1,198,702	548,101	250,000	15,000	2,733,634
2014	205,000	388,931	-	-	125,000	33,750	1,148,121	499,750	-	-	2,400,552
2015	250,000	380,731	-	-	125,000	25,875	1,216,751	452,092	-	-	2,450,449
2016	295,000	370,731	-	-	135,000	17,875	1,044,326	400,456	-	-	2,263,388
2017	345,000	354,506	-	-	140,000	9,100	1,087,243	353,984	-	-	2,289,833
2018	540,000	335,531	-	-	-	-	1,144,467	304,514	-	-	2,324,512
2019	590,000	313,931	-	-	-	-	1,201,690	251,296	-	-	2,356,917
2020	645,000	290,331	-	-	-	-	1,258,913	194,216	-	-	2,388,460
2021	705,000	264,531	-	-	-	-	1,316,137	133,159	-	-	2,418,827
2022	770,000	236,331	-	-	-	-	1,373,360	68,668	-	-	2,448,359
2023	845,000	205,531	-	-	-	-	-	-	-	-	1,050,531
2024	860,000	171,731	-	-	-	-	-	-	-	-	1,031,731
2025	850,000	137,331	-	-	-	-	-	-	-	-	987,331
2026	845,000	103,331	-	-	-	-	-	-	-	-	948,331
2027	835,000	68,475	-	-	-	-	-	-	-	-	903,475
2028	825,000	34,031	-	-	-	-	-	-	-	-	859,031
Total	$ 9,785,000	$ 5,660,444	$ 115,000	$ 11,857	$ 1,170,000	$ 369,420	$ 16,206,931	$ 5,809,806	$ 1,125,000	$ 208,500	$ 40,461,958

CITY OF TRAVERSE CITY, MICHIGAN

Revenue Bond Coverage

	Gross revenue	Expenses	Net revenue available for debt services	Debt service requirements principal	Interest	Total	Coverage
1964 and 1992 Water Bonds (Serviced by Water Department)							
Fiscal years ending June 30,							
1995	$ 1,641,861	$ 1,631,327	$ 10,534	$ 105,000	$ 177,050	$ 282,050	3.73%
1996	1,678,746	1,475,181	203,565	105,000	175,650	280,650	0.73
1997	1,661,507	1,505,289	156,218	110,000	167,183	277,183	0.56
1998	1,938,966	1,512,270	426,696	125,000	79,691	204,691	2.08
1999	1,958,236	1,635,196	323,040	125,000	62,678	187,678	1.72
2000	1,949,146	1,622,419	326,727	125,000	144,851	269,851	1.21
2001	1,951,446	1,649,062	302,384	125,000	138,413	263,413	1.15
2002	2,210,939	1,741,640	469,299	125,000	131,788	256,788	1.83
2003	2,208,221	1,909,535	298,686	150,000	117,975	267,975	1.11
2004	2,078,220	1,946,220	132,000	150,000	109,350	259,350	0.51
2005	2,568,619	1,995,093	573,526	175,000	100,500	275,500	2.08
2006	2,201,009	2,044,727	156,282	175,000	90,000	265,000	0.59
2007	2,314,611	2,186,384	128,227	175,000	90,000	265,000	0.48
2008	2,469,838	2,163,067	306,771	175,000	90,000	265,000	1.16

CITY OF TRAVERSE CITY, MICHIGAN

Property Tax Millage Rates - All Overlapping Governments

Last ten fiscal years

Fiscal years ending June 30,	City	County	School	ISD	College	State Education Tax	Library	BATA	Recreational Authority	TOTAL
1998 - Homestead	13.7575	6.5827	3.6000	2.7697	2.4612	6.0000	1.2410	0.1800	-	36.5921
1998 - Non-Homestead	13.7575	6.5827	20.9866	2.7697	2.4612	6.0000	1.2410	0.1800	-	53.9787
1999 - Homestead	13.7575	6.5991	3.1000	2.7344	2.4245	6.0000	1.3430	0.1774	-	36.1359
1999 - Non-Homestead	13.7575	6.5991	21.1000	2.7344	2.4245	6.0000	1.3430	0.1774	-	54.1359
2000 - Homestead	13.7575	6.4867	3.1000	3.0459	3.1832	6.0000	1.1760	0.1740	-	36.9233
2000 - Non-Homestead	13.7575	6.4867	21.1000	3.0459	3.1832	6.0000	1.1760	0.1740	-	54.9233
2001 - Homestead	13.6199	6.3932	3.1000	3.0302	3.1487	6.0000	1.2500	0.1713	-	36.7133
2001 - Non-Homestead	13.6199	6.3932	21.1000	3.0302	3.1487	6.0000	1.2500	0.1713	-	54.7133
2002 - Homestead	13.5447	6.3022	3.1000	3.0149	3.1152	6.0000	1.2691	0.1683	-	36.5144
2002 - Non-Homestead	13.5447	6.3022	21.1000	3.0149	3.1152	6.0000	1.2691	0.1683	-	54.5144
2003 - Homestead	13.3943	6.1772	3.1000	2.9929	3.0693	6.0000	1.2290	0.3500	-	36.3127
2003 - Non-Homestead	13.3943	6.1772	21.1000	2.9929	3.0693	6.0000	1.2290	0.3500	-	54.3127
2004 - Homestead	13.2295	6.0770	3.1000	2.9732	2.8324	6.0000	1.1957	0.3428	0.3700	36.1206
2004 - Non-Homestead	13.2295	6.0770	21.1000	2.9732	2.8324	6.0000	1.1957	0.3428	0.3700	54.1206
2005 - Homestead	13.2295	6.2495	3.1000	2.9589	2.9427	6.0000	1.1590	0.3380	0.3700	36.3476
2005 - Non-Homestead	13.2295	6.2495	21.1000	2.9589	2.9427	6.0000	1.1590	0.3380	0.3700	54.3476
2006 - Homestead	13.1765	6.1681	3.1000	2.9421	2.9138	6.0000	1.1029	0.3317	0.3594	36.0945
2006 - Non-Homestead	13.1765	6.1681	21.1000	2.9421	2.9138	6.0000	1.1029	0.3317	0.3594	54.0945
2007 - Homestead	13.1765	6.1291	3.1000	2.9334	2.8700	6.0000	1.1378	0.3283	0.3594	36.0345
2007 - Non-Homestead	13.1765	6.1291	21.1000	2.9334	2.8700	6.0000	1.1378	0.3283	0.3594	54.0345

Notes:

The City's rate does not reflect a two mill levy the Downtown Development District established in 1979.

Millage rates above reflect operating and debt.

CITY OF TRAVERSE CITY, MICHIGAN

Property Tax Collection History

Last ten fiscal years

Levied July 1st	Tax Levy (1)	Collection to March 1, Year Following Levy	Percent Collected	Collections Plus Funding to June 30, 2008	% Collected Plus Funding June 30, 2008
1999	$ 6,071,833	$ 5,882,146	96.9%	$ 6,071,833	100.00%
2000	6,388,413	6,038,108	94.5	6,388,413	100.00
2001	6,479,826	6,178,793	95.3	6,479,827	100.00
2002	6,816,556	6,482,462	95.1	6,816,556	100.00
2003	7,434,195	7,077,146	95.2	7,434,195	100.00
2004	7,244,443	6,953,163	96.0	7,244,443	100.00
2005	7,605,969	7,331,339	97.0	7,605,969	100.00
2006	8,314,144	7,973,180	95.9	8,314,144	100.00
2007	8,755,735	8,408,651	96.0	8,755,735	100.00
2008	9,793,129	In process of collection			

(1) Real and personal taxes combined

CITY OF TRAVERSE CITY, MICHIGAN

Taxable Value by Use and Class

Last five years

City

Use	June 30, 2004	June 30, 2005	June 30, 2006	June 30, 2007	June 30, 2008
Commercial	$ 215,373,317	$ 226,228,370	$ 239,594,691	$ 263,673,053	$ 282,294,617
Industrial	51,502,712	50,429,585	52,865,566	54,289,034	54,172,374
Residential	289,002,743	306,630,103	329,313,077	390,465,688	405,772,669
Utility	7,395,870	7,722,630	5,751,900	5,453,399	4,871,300
Total	$ 563,274,642	$ 591,010,688	$ 627,525,234	$ 713,881,174	$ 747,110,960
Class					
Real Property	$ 492,926,042	$ 519,195,938	$ 555,026,754	$ 645,222,855	$ 678,904,820
Personal Property	70,348,600	71,814,750	72,498,480	68,658,319	68,206,140
Total	$ 563,274,642	$ 591,010,688	$ 627,525,234	$ 713,881,174	$ 747,110,960

DDA

Use	June 30, 2004	June 30, 2005	June 30, 2006	June 30, 2007	June 30, 2008
Commercial	$ 66,453,167	$ 70,565,266	$ 75,170,443	$ 86,238,118	$ 90,749,129
Industrial	33,091	33,852	34,310	34,310	39,100
Residential	5,283,482	5,992,485	8,937,820	12,155,603	12,778,774
Utility	242,240	248,320	207,680	200,260	168,800
Total	$ 72,011,980	$ 76,839,923	$ 84,350,253	$ 98,628,291	$ 103,735,803
Class					
Real Property	$ 60,898,770	$ 65,138,903	$ 72,078,693	$ 86,364,911	$ 91,351,623
Personal Property	11,113,210	11,701,020	12,271,560	12,263,380	12,384,180
Total	$ 72,011,980	$ 76,839,923	$ 84,350,253	$ 98,628,291	$ 103,735,803

CITY OF TRAVERSE CITY, MICHIGAN
Ten Largest Taxpayers
June 30, 2008

Taxpayer	Principal Product or Service	Taxable Value	Percent of Total (1)
TC Hotel LLC	Holiday Inn	$ 5,433,476	16.90%
East Bay Plaza LLC	Commercial property	4,091,340	12.72%
Tom's Food Market	Grocery store	4,060,665	12.63%
Radio Centre of TC, Inc	Office	3,773,182	11.73%
USA Bayshore Properties	Bayshore resort	3,331,325	10.36%
Bayview Professional Centre LLC	Office	2,508,870	7.81%
310 West Front St LLC	Mixed use condominium	2,406,512	7.48%
Regency TC Hotel Venture LP	Hotel	2,317,631	7.21%
Federal Screw Works Inc	Manufacturing	2,147,300	6.68%
Charter Communications	Utility	2,083,280	6.48%

(1) Based on $713,881,174 which is the City's Taxable Value for its fiscal year ended June 30, 2008.

CITY OF TRAVERSE CITY, MICHIGAN
Legal Debt Margin
June 30, 2008

Debt limit (1)		$	103,986,154
Debt outstanding	70,365,970		
Less: Exempt debt (2)	59,295,970		11,070,000
Legal debt margin		$	92,916,154

(1) 10% of $1,039,861,537 which is the City's SEV for the fiscal year ending June 30, 2008.
(2) Consists of revenue bonds.

CITY OF TRAVERSE CITY
Debt Statement
June 30, 2008

City Direct Debt	Gross	Self Supporting	Net
Share of Grand Traverse County Issued Bonds:			
Dated April 1, 2003 (LT)	$ 1,365,980	$ 1,365,980	$ -
Dated October 1, 1998 (LT)	473,218	473,218	-
Dated 2002(LT)	15,321,547	15,321,547	-
Subtotal	17,160,745	17,160,745	-
Share of Michigan Public Power Agency			
Dated July 1, 1997	1,594,453	1,594,453	-
Dated January 15, 2006	2,387,700	2,387,700	-
Dated May 1, 2002	2,918,300	2,918,300	-
Dated December 2, 2002	10,213,792	10,213,792	-
Dated January 10, 2002	23,695,980	23,695,980	
Subtotal	40,810,225	40,810,225	-
Water Revenue Bonds			
Dated November 1, 1992	1,325,000	1,325,000	-
Downtown Development Bonds			
Dated February 22, 2007 (LT) (1)	9,785,000	9,785,000	-
Dated April 1, 2002 (Taxable)	1,170,000	1,170,000	-
Dated April 1, 2002 (Nontaxable)	115,000	115,000	-
Subtotal	11,070,000	11,070,000	-
Total	$ 70,365,970	$ 70,365,970	$ -

Overlapping Debt	Gross	City Share as Percent of Gross	Net
Traverse City Public Schools	$ 76,885,673	17.98%	$ 13,824,044
Grand Traverse County	111,420,000	15.40%	17,160,745
Leelanau County	6,450,000	0.81%	52,245
Northwestern Michigan College	31,980,000	16.94%	5,417,412
Traverse City-Garfield Recreational Authority	6,394,532	45.38%	2,901,839
Traverse Area District Library	5,392,257	17.28%	931,782
Total	$ 238,522,462.00		$ 40,288,066.64