Traverse City Light and Power

(A Component Unit of the
City of Traverse City, Michigan)

Financial Statements

For the Fiscal Year Ended
June 30, 2015

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Chairman and Members of the
Traverse City Light and Power Board
Traverse City, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and each major fund of Traverse City Light and Power (the Department), a component unit of the City of Traverse City, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Changes in Accounting Principles

As discussed in Note 15 to the financial statements, the Department implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, during the year. As a result, the financial statements now recognize the Department's unfunded defined pension benefit obligation as a liability for the first time, and more comprehensively and comparably measures the annual costs of pension benefits. Our opinions are not modified with respect to this matter.

Also as discussed in Note 15 to the financial statements, the Department implemented GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*, during the year. As a result, the Department recognized a beginning deferred outflow of resources for its pension contributions made subsequent to the measurement date of the beginning net pension liability. Our opinions are not modified with respect to this matter.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of Traverse City Light and Power, as of June 30, 2015, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements. The other supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements.

The other supplementary information has not been subjected to the auditing procedures applied in the audit in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

December 30, 2015

MANAGEMENT’S DISCUSSION AND ANALYSIS

TRAVERSE CITY LIGHT AND POWER

Management's Discussion and Analysis

As management of the ***Traverse City Light and Power*** (the "Department"), we offer readers of the Department's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Department's financial statements. The Department's financial statements comprise three components:

1. Financial statements
2. Notes to the financial statements
3. Supplementary information

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 Department, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The activity of the Department is accounted for in two proprietary funds (Enterprise Funds). The Light and Power Fund and the Fiber Fund, both of which are considered major for reporting purposes.

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing electrical and dark fiber services to customers. Operating expenses for enterprise 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 non-operating revenues and expenses.

The *Statement of Net Position* presents information on all of the Department's assets and liabilities, with the difference between the two reported as *net position.* Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Department is improving or deteriorating.

The *Statement of Revenues, Expenses and Changes in Net Position* presents information showing how the Department's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in past or future fiscal periods (for instance, depreciation expense associated with capital assets).

The Department is principally supported by charges for providing electrical and dark fiber services to customers in Traverse City and Townships within the franchise area. The financial statements include only the Department itself. The Department has no legally separate component units for which the Department is financially accountable.

The Department adopts an annual appropriated budget for its funds as required by City Charter. Budgetary comparison schedules have been provided herein to demonstrate compliance with that charter provision.

The Department does not maintain any governmental or fiduciary funds.

Notes to the financial statements. The notes provide additional information that is essential to gain a full understanding of the data provided in the Department's financial statements.

Supplementary information. In addition to the financial statements and accompanying notes, this report also presents certain *supplementary information*, which includes this management discussion and analysis and schedules following the notes to the financial statements.

The Department's Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Department, assets exceeded liabilities by approximately $70,240,000 at the close of the most recent fiscal year, June 30, 2015.

The largest portion of net position for the Department is its investment in capital assets (primarily land, construction in progress, buildings, distribution system and equipment). The Department uses these capital assets to provide services to customers. The remaining Department net position is unrestricted and available for Department activity. On the table below, the Statement of Net Position as of June 30, 2014 was restated due to the implementation of GASB Statements No. 68 and 71. The Statement of Changes in Net Position for the year ended June 30, 2014 was not adjusted.

Traverse City Light and Power's Net Position

	June 30	
Business-type Activities	**2015**	**2014**
Current and other assets	$30,693,508	$29,089,922
Capital assets	52,251,537	49,086,351
Total assets	82,945,045	78,176,343
Deferred outflows	640,900	-363,560
Long-term liabilities outstanding	10,612,247	9,962,907
Other liabilities	2,733,557	3,104,564
Total liabilities	13,345,804	13,067,471
Net position		
Invested in capital assets	52,251,537	49,086,351
Unrestricted	17,988,604	16,386,081
Total net position	**$70,240,141**	**$65,472,432**

Traverse City Light and Power's Changes in Net Position

	June 30	
Business-type Activities	**2015**	**2014**
Operating revenue	$37,399,341	$35,521,246
Operating expenses	(33,043,681)	(32,629,767)
Nonoperating revenue (expense)	412,049	1,170,951
Increase (decrease) in net position	4,767,069	4,062,430
Net position – beginning of year, as restated	65,472,432	70,845,490
Net position – end of year	**$70,240,141**	**$74,907,920**

Business-type activities

The overall financial position of the Department remained strong in 2014-2015. There are no outstanding debt obligations except for the commitments through the power supply contracts with Michigan Public Power Agency ("MPPA") to reimburse MPPA for debt service costs relating to the Campbell, Belle River and Kalkaska Combustion Turbine generation plants.

Revenue

Overall revenues exceeded budget. Specifically, operating revenues were higher because commercial sales resulted in a higher per kWh sales than budgeted. The other rate classes were not impacted, residential sales had lower kWh sales and industrial class had a new metal melting rate approved that resulted in less revenues. Reimbursements are lower than budgeted because a special assessment did not occur that was tentatively planned for street lighting.

Expenses

In fiscal year 2014-15, operating expenses was less than budget by approximately $2.8M. This was primarily attributed to the purchase power cost having a lower price per kWh than what was forecasted.

Capital asset and debt administration

Traverse City Light and Power Capital Assets
(net of depreciation)

	June 30	
	2015	**2014**
Land and land improvements	$1,395,691	$1,395,691
Construction in progress	5,043,136	1,785,733
Buildings and improvements	4,487,246	4,487,246
Equipment and distribution system	67,372,811	66,047,946
Accumulated depreciation	(26,047,347)	(24,630,265)
Total	**$52,251,537**	**$49,086,351**

During the year, the Department sold the M-72 wind turbine to Heritage Stoney Corners, LLC.

Additional information about capital assets is provided in Note 4 to the financial statements.

Debt of the Department consists of amounts outstanding for accrued compensated absences. Additional information can be found in Note 5 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

There is no proposed rate increase for fiscal year 2015-16. The Department's Lansing Board of Water and Light purchase power contract terminates as of December 31, 2015 and it has been replaced with firm energy contracts in a staggered amount over the next five years. The Department has seen an increase in capacity costs as result of planned coal plants closing due to the age of the plants and the inability to meet EPA emission standards. Power supply costs will impact the Department's future overall rate increases.

Requests for Information

This financial report is designed to provide a general overview of the Department's finances. Questions concerning any of the information provided in this report or requests for additional financial information, should be addressed to Karla Myers-Beman, Controller, Traverse City Light and Power, 1131 Hastings Street, Traverse City, MI 49686.

FINANCIAL STATEMENTS

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

STATEMENT OF NET POSITION
JUNE 30, 2015

ASSETS	Light and Power Fund	Fiber Fund	Total
Current assets			
Cash and cash equivalents	$ 9,098,003	$ -	$ 9,098,003
Investments	13,220,402	-	13,220,402
Receivables			
Customer, less allowances of $312,927 for uncollectible accounts (Light and Power Fund)	3,044,311	280,298	3,324,609
Accrued interest	50,681	-	50,681
Taxes	18,663	-	18,663
Other	1,074,010	-	1,074,010
Inventories	1,730,496	5,956	1,736,452
Due from other funds	19,441	-	19,441
Prepaid expenses	17,808	-	17,808
Total current assets	**28,273,815**	**286,254**	**28,560,069**
Non-current assets			
Other postemployment benefit asset	1,149,539	-	1,149,539
Long-term advances - due from primary government	3,000	-	3,000
Asset held for sale	980,900	-	980,900
Land and land improvements	1,395,691	-	1,395,691
Construction in progress	5,043,136	-	5,043,136
Capital assets being depreciated, net	44,131,784	1,680,926	45,812,710
Total non-current assets	**52,704,050**	**1,680,926**	**54,384,976**
Total assets	**80,977,865**	**1,967,180**	**82,945,045**
Deferred outflows of resources - Pensions	639,314	1,586	640,900

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

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

STATEMENT OF NET POSITION
JUNE 30, 2015

LIABILITIES AND NET POSITION	Light and Power Fund	Fiber Fund	Total
Current liabilities			
Accounts payable	$ 1,952,316	$ 30,279	$ 1,982,595
Accrued expenses and other liabilities	218,647	451	219,098
Customer deposits	98,386	-	98,386
Unearned revenue	20,570	14,270	34,840
Compensated absences	3,150	-	3,150
Due to other funds	-	19,441	19,441
Due to primary government	363,259	12,788	376,047
Total current liabilities	**2,656,328**	**77,229**	**2,733,557**
Long-term liabilities			
Compensated absences	152,520	1,008	153,528
Net pension liability	10,431,954	26,765	10,458,719
Total long-term liabilities	**10,584,474**	**27,773**	**10,612,247**
Total liabilities	**13,240,802**	**105,002**	**13,345,804**
Net position			
Invested in capital assets	50,570,611	1,680,926	52,251,537
Unrestricted	17,805,766	182,838	17,988,604
Total net position	**$ 68,376,377**	**$ 1,863,764**	**$ 70,240,141**

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

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE YEAR ENDED JUNE 30, 2015

	Light and Power Fund	Fiber Fund	Total
Operating revenues			
Charges for services	$ 34,396,799	$ 255,752	$ 34,652,551
MISO income	2,481,500	-	2,481,500
Other	265,290	-	265,290
Total operating revenues	**37,143,589**	**255,752**	**37,399,341**
Operating expenses			
Generation	22,855,173	-	22,855,173
Distribution	3,530,929	-	3,530,929
Transmission	406,584	-	406,584
Customer accounting	568,692	-	568,692
Public service	513,302	-	513,302
General administration	834,938	-	834,938
Fiber	-	101,209	101,209
WIFI	-	23,225	23,225
Other	57,875	1,161	59,036
City fee	1,863,259	12,788	1,876,047
Depreciation	2,157,940	116,606	2,274,546
Total operating expenses	**32,788,692**	**254,989**	**33,043,681**
Operating income	**4,354,897**	**763**	**4,355,660**
Nonoperating revenues (expenses)			
Rental income	91,226	-	91,226
Reimbursements	143,048	296,122	439,170
Interest income	251,067	4	251,071
Change in fair value of investments	59,202	-	59,202
Loss on sale of assets	(428,620)	-	(428,620)
Total nonoperating revenues (expenses)	**115,923**	**296,126**	**412,049**
Change in net position	4,470,820	296,889	4,767,709
Net position, beginning of year, as restated	63,905,557	1,566,875	65,472,432
Net position, end of year	**$ 68,376,377**	**$ 1,863,764**	**$ 70,240,141**

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

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015

	Light and Power Fund	Fiber Fund	Total
Cash flows from operating activities			
Cash received from customers	$ 37,459,974	$ 254,684	$ 37,714,658
Cash payments to employees	(5,290,294)	(83,113)	(5,373,407)
Cash payments to suppliers for goods and services	(23,672,269)	(17,090)	(23,689,359)
Cash payments of City fee	(1,715,851)	(11,464)	(1,727,315)
Net cash provided by operating activities	**6,781,560**	**143,017**	**6,924,577**
Cash flows from noncapital financing activities			
Cash payments from primary government	302,836	-	302,836
Cash payments to/from other funds	(19,441)	19,441	-
Customer deposits paid	(1,463)	-	(1,463)
Rental income received	91,226	-	91,226
Reimbursements received	143,048	21,122	164,170
Net cash provided by noncapital financing activities	**516,206**	**40,563**	**556,769**
Cash flows from capital and related financing activities			
Proceeds from sale of capital assets	1,126	-	1,126
Assets held for sale	(980,900)	-	(980,900)
Purchase of capital assets	(5,407,445)	(462,031)	(5,869,476)
Net cash (used in) capital and related financing activities	**(6,387,219)**	**(462,031)**	**(6,849,250)**
Cash flows from investing activities			
Sale of investments	2,632,005	-	2,632,005
Interest and dividends	315,875	4	315,879
Net cash provided by investing activities	**2,947,880**	**4**	**2,947,884**
Net increase (decrease) in cash and cash equivalents	3,858,427	(278,447)	3,579,980
Cash and cash equivalents, beginning of year	5,239,576	278,447	5,518,023
Cash and cash equivalents, end of year	**$ 9,098,003**	**$ -**	**$ 9,098,003**

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

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015

	Light and Power Fund	Fiber Fund	Total
Cash flows from operating activities			
Operating income	$ 4,354,897	$ 763	$ 4,355,660
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	2,157,940	116,606	2,274,546
Changes in operating assets and liabilities which provided (used) cash			
Receivables	291,471	(1,068)	290,403
Inventories	260,213	(5,956)	254,257
Prepaid expenses	(12,208)	-	(12,208)
Deferred outflow	(276,689)	(654)	(277,343)
Accounts payable	(35,079)	30,129	(4,950)
Due to other governments	147,408	1,324	148,732
Accrued expenses and other liabilities	(530,372)	451	(529,921)
Compensated absences	(12,959)	(218)	(13,177)
Net pension liability	658,032	1,640	659,672
Other postemployment benefit asset	(221,094)	-	(221,094)
Net cash provided by operating activities	**$ 6,781,560**	**$ 143,017**	**$ 6,924,577**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Under provisions of the City of Traverse City (the "City") Charter, the Light and Power Board (the "Board") was created having jurisdiction and control of ***Traverse City Light and Power*** (the "Department"). The Board consists of seven members (two of which are City Commissioners) and one ex-officio member (the City Manager). The Department's annual budget is approved by the City Commission. The Department is required to pay 5% of its gross revenue annually to the City's General Fund as a city fee. For fiscal 2015, the city fee was $1,876,047.

Reporting Entity

The Department is a discretely presented component unit of the City because the City appoints the Department's Board of Directors, it has the ability to significantly influence the Department's operations and it is financially accountable for the Department as defined under GASB Statement No. 14, *The Financial Reporting Entity,* as amended by GASB Statements 39 and 61. Accordingly, the Department is an integral part of that reporting entity.

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Department. There are no component units to be included. The criteria for including a component unit includes significant operational or financial relationships with the Department.

Basis of Accounting

The Department uses the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Department considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments

Investments are stated at fair value. The change in fair value of the investments from the beginning of the year to the end of the year is reported in the "Nonoperating revenues" section of the "Statements of Revenues, Expenses and Changes in Net Position".

State statutes authorize the Department to invest in:

a. Bonds, securities, other obligations and repurchase agreements of the United States or an agency or instrumentality of the United States.
b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a qualified financial institution.

c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
d. Bankers acceptances of United States banks.
e. Obligations of the State of Michigan and its political subdivisions that at the time of purchase are rated as investment grade by at least one standard rating service.
f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
g. External investment pools as authorized by Public Act 20, as amended.
h. Long-term or perpetual trust funds consisting of money and royalties or money derived from oil and gas exploration on property or mineral rights owned by the Department has the same authority to invest the assets as is authorized by Public Act 314, as amended.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Inventories

Inventories consist of materials to be used in the electric system and are valued at cost (first-in, first-out) not in excess of market. Maintenance and office supplies (immaterial at year end) are charged to expenses upon purchase.

Prepaid Expenses

The Department incurred expenses prior to year-end for services that will be performed in the next fiscal year. In these situations, the Department records an asset to reflect the investment in future services.

Capital assets

Capital assets are defined by the government as assets with an initial individual cost of more than $2,500 and an estimated useful life in excess of two years.

Capital assets are stated at cost. Depreciation is computed using the straight-line method over the estimated lives of the related assets as follows:

	Years
Transmission and distribution plant	30-50
General plant	10-50

Compensated Absences

Compensated absences consist of accumulated unpaid vacation, short-term leave and sick pay. Accumulated unpaid vacation and short-term leave are accrued when earned. Sick pay is frozen for employees but upon death or retirement 50% of accumulated sick leave shall be paid to a maximum of 120 days. Two choices for sick pay cash out are available to employees with more than 30 days of sick leave and 10 years of service. Employees can use sick leave as allowing under the Short-Term Leave Plan or cash out all amounts of sick leave in excess of 30 days up to 120 days at the rate of 50% of employee's current pay rate. Days in excess of 120 will be added to the 30 day bank. This choice must be made as a one-time selection at any time after the employee reaches 10 years of service.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Department has items that qualify for reporting in this category related to the net position liability which is discussed in Note 7.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows or resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Department does not have any items that qualify for reporting in this category.

Pensions

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

Operating Revenue versus Nonoperating Revenue

Proprietary funds distinguish operating revenues and expenses from non-operating 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 Department are charges to customers for sales and services and "MISO" revenue. Operating expenses for the Department 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.

Funds

The Department reports the following major proprietary funds:

The Light and Power Enterprise Fund is used to account for the operations of the Department's electric utility that provides electric service to customers on a user charge basis.

The Fiber Enterprise Fund is used to account for the operations of the Department's fiber optic utility that provides services to customers on a user charge basis and WIFI system located in the downtown area. The Fiber Fund was created in 2008 with an initial capital contribution from the Light and Power Enterprise Fund.

Restricted resources

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.

2. CASH DEPOSITS AND INVESTMENTS

The Department's cash and cash equivalents, and investments at June 30, 2015 are composed of the following:

	Cash and cash equivalents	Investments	Totals
Deposits	$9,098,003	$1,960,640	$11,058,643
Investments	-	11,259,762	11,259,762
Total	**$9,098,003**	**$13,220,402**	**$22,318,405**

Deposits consist of various interest bearing cash accounts and certificates of deposit, held by the City of Traverse City Treasurer. The insured and uninsured bank balances for the Department's deposits are not available as these deposits are held in pools with other City funds.

The Department is authorized by Michigan Public Act 20 of 1943 to invest surplus monies in U.S. bonds and notes, certain commercial paper, mutual funds and investment pools that are composed of authorized investment vehicles.

The Department chooses to disclose its investments by specifically identifying each. As of June 30, 2015, the Department's Michigan CLASS investment and the U.S. Treasury notes are rated by Standard & Poor's. The Department had the following investments:

Investment	Maturity	Fair Value	Rating
US Treasury Note	12/05/2016	$499,635	AA+
US Treasury Note	12/31/2016	937,197	AA+
US Treasury Note	06/30/2018	520,040	AA+
US Treasury Note	02/11/2020	999,910	AA+
US Treasury Note	02/15/2020	436,844	AA+
US Treasury Note	03/18/2020	997,430	AA+
US Treasury Note	06/24/2020	1,000,120	AA+
US Treasury Note	03/20/2023	494,790	AA+
US Treasury Note	03/31/2023	974,500	AA+
US Treasury Note	03/25/2025	960,230	AA+
US Treasury Note	08/27/2027	995,720	AA+
US Treasury Note	01/25/2028	970,500	AA+
US Treasury Note	02/14/2028	481,780	AA+
MPPA Investments Pool	Various	988,038	Unrated
Michigan CLASS	NA	3,028	AAAm
		$11,259,762	

Investment and deposit risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in Note 1. The Department'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 Department'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 Department's deposits may not be returned. State law does not require and the Department does not have a policy for deposit custodial credit risk. The insured and uninsured bank balances for the Department deposits are not available as these deposits are held in pools with other City funds.

Custodial Credit Risk – Investments. For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Department will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the Department does not have a policy for investment custodial credit risk. Of the above $11,259,762 of investments at June 30, 2015, the Department has a custodial credit risk exposure of $10,268,696 because the related securities are uninsured, unregistered and held by the government's brokerage firm which is also the counterparty for these particular securities. Of the above investment pools the Department's custodial credit risk exposure cannot be determined because the Department does not own specifically identifiable securities.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified above. The Department's investment policy does not have specific limits in excess of state law on concentration of credit risk. None of the investments held by the Department, excluding government obligations explicitly guaranteed by the U.S. government and mutual fund investments, exceed 5% of the Department's investments.

3. ASSET HELD FOR SALE

On or about May 2, 2012, GRP entered into an agreement for professional services with Department for professional engineering design and construction management services associated with the South Substation Project. The project included the equipment for the substation which included two 69kv breakers, two 69kv:13.8kv transformers, five distribution circuit reclosers, associated bus work and switches and a relay control house including SCADA equipment. During the design phase, the procurement specifications for the power transformers were incorrect and discovered upon energization of the transformers in January 2015. Subsequent to this discovery the transformers were declared surplus by the Board and placed out to bid with Wyandotte Municipal Services being the highest bidder in the amount of $601,969. A procurement agreement was entered into in May 2015 with the removal of the transformers occurring late September 2015. The difference between the original transformer cost and the bid amount along with installation costs will be recovered through GRP Engineering insurance carrier and acknowledged through the Settlement Agreement and Release entered into between the Department and GRP Engineering at the beginning of September 2015. For the fiscal year end June 30, 2015 the transformers have been reclassified to Assets Held for Sale with the sale and recovery of loss of the transformers plan to be recognized in the subsequent fiscal year.

4. CAPITAL ASSETS

At June 30, 2015, capital assets consist of the following:

	Beginning Balance	Additions &Transfers	Deletions & Transfers	Ending Balance
Capital assets not being depreciated				
Land and land improvements	$ 1,395,691	$ -	$ -	$1,395,691
Construction in progress	1,785,733	5,176,026	1,918,623	5,043,136
Total capital assets not being depreciated	3,181,424	5,176,026	1,918,623	6,438,827
Capital assets being depreciated				
Buildings and improvements	4,487,246	-	-	4,487,246
Equipment and distribution system	64,278,691	2,097,251	1,308,058	65,067,884
Fiber system	1,769,255	33,952	-	1,803,207
WiFi system	-	501,720	-	501,720
Total capital assets being depreciated	70,535,192	2,632,923	1,308,058	71,860,057
Less accumulated depreciation for				
Buildings and improvements	1,368,926	134,617	-	1,503,543
Equipment and distribution system	22,753,944	2,023,323	857,464	23,919,803
Fiber system	507,395	91,520	-	598,915
WiFi system	-	25,086	-	25,086
Total accumulated depreciation	24,630,265	2,274,546	857,464	26,047,347
Total capital assets being depreciated, net	45,904,927	358,377	450,594	45,812,710
Total capital assets, net	**$49,086,351**	**$5,534,403**	**$2,369,217**	**$52,251,537**

5. LONG-TERM LIABILITIES

Long-term debt at June 30, 2015, consists of the following:

	Balance 07/01/14	Additions	Reductions	Balance 06/30/15	Due Within One Year
Accrued compensated absences	$169,855	$ 234,349	$247,526	$156,678	$3,150

6. POWER SUPPLY PURCHASE

In September 2010, the Department entered into two 5-year agreements with the Lansing Board of Water & Light ("LBWL") to commence January 1, 2011. The purchase power agreement allows for the purchase of a minimum of 10 megawatts of electric energy up to a maximum of 45 megawatts to replace its deficient energy needs from the expired agreement with Michigan Public Power Agency ("MPPA") power pool. The estimated cost for the 5-year term is $40,000,000. In addition, the energy service agency agreement provides for LBWL to act as the Department's agent with Midcontinent Independent System Operator ("MISO"). LBWL will enter into third party contracts to purchase energy and sell surplus energy into the MISO daily and hourly markets. The estimated cost for the 5-year term is $375,000. For the year ended June 30, 2015, the Department recognized expenses totaling $5,315,446.

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

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

For the year ended June 30, 2015, Traverse City Light and Power recognized expenses totaling $14,352,256 to purchase power under the terms of all contracts with MPPA. The price of the power was calculated on a basis, as specified in the contracts, to enable MPPA to recover its production, transmission and debt service costs.

Under the terms of the contracts, the Department must make minimum annual payments to cover their share of annual debt service requirements and fixed operation costs of the Campbell 3, Belle River, and Combustion Turbine projects (based on the percentage of power purchased). Future operating costs are estimated based on 2014 costs adjusted for inflation. The total estimated future operating costs, which do not include the annual debt payments, are as follows:

Year Ended December 31	Operating Costs
2016	$7,467,896
2017	4,945,127
2018	5,093,481
2019	2,814,665
2020	2,899,105
2021-2025	15,853,494
2026-2027	7,027,216
	$46,100,984

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

Year Ended December 31	Principal	Interest	Total
2016	$2,871,939	$1,166,712	$4,038,651
2017	3,160,421	1,020,444	4,180,865
2018	3,300,335	880,189	4,180,524
2019	2,197,513	739,091	2,936,604
2020	2,276,835	656,765	2,933,600
2021-2025	9,321,865	2,019,013	11,340,878
2026-2027	3,392,730	256,542	3,649,272
	$26,521,638	**$6,738,756**	**$33,260,394**

The MPPA and its member utilities were over-charged on their power sales contract agreements by Detroit Edison. Because of this, MPPA and the member utilities have established a trust fund ("The Municipal Competitive Trust"). Specific policies have been established by each member regarding the use of these funds. The Department's share of this trust fund was $988,038 as of June 30, 2015.

In December 2009, the Department entered into a 20-year purchase power agreement with Heritage Stoney Corners Wind Farm I, LLC to purchase up to 10 megawatts of electric energy and all associated renewable energy credits. For the year ended June 30, 2015, the Department recognized expenses totaling $2,819,687.

In December 2014, the Department entered into a 20-year purchase power agreement with options to terminate on the 10th and 15th anniversary dates. The Agreement is with Heritage Sustainable Energy, LLC to purchase up to .6 MW of electric energy. For the year ended June 30, 2015, the Department recognized expenses totaling $8,890.

7. RETIREMENT PLAN

General Information about the Pension Plan

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

Benefits Provided

01 - Non Union – Open Division	
	2014 Valuation
Benefit Multiplier:	2.25% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 years
Early Retirement (Unreduced):	55/25
Early Retirement (Reduced):	50/25 55/15
Final Average Compensation:	5 years
COLA for Current/Future Retirees:	2.50% (Non-Compound)
Member Contributions:	0%
Act 88:	No

10 - Union closed to new hires, linked to Division 12	
	2014 Valuation
Benefit Multiplier:	2.25% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	6 years
Early Retirement (Unreduced):	50/25
Early Retirement (Reduced):	55/15
Final Average Compensation:	5 years
COLA for Current/Future Retirees:	2.50% (Non-Compound)
Member Contributions:	0%
Act 88:	No

12 - Union hired after 7/1/2012, linked to Division 10	
	2014 Valuation
Benefit Multiplier:	1.5% Multiplier (no max)
Normal Retirement Age:	60
Vesting:	6 years
Early Retirement (Unreduced):	55/25
Early Retirement (Reduced):	55/15 50/25
Final Average Compensation:	5 years
COLA for Future Retirees:	2.50% (Non-Compound)
Member Contributions:	0%
Act 88:	No

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

Employees covered by benefits terms. At the December 31, 2014 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	53
Inactive employees entitled to but not yet receiving benefits	5
Active employees	38
	96

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

Employer contributions range from 7.27 to 21.26% based on annual payroll for open divisions. One division that is closed to new employees has an annual employer contribution amount of $52,526.

Net Pension Liability. The employer's Net Pension Liability was measured as of December 31, 2014, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of that date.

Actuarial assumptions. The total pension liability in the December 31, 2014 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 3%-4%

Salary Increases: 4.5% in the long-term (1%, 2% and 3% for calendar years 2014, 2015 and 2016, respectively)

Investment rate of return: 8.25%, net investment expense, including inflation

Although no specific price inflation assumptions are needed for the valuation, the 4.5% long-term wage inflation assumption would be consistent with a price inflation of 3%-4%.

Mortality rates used were based on the 1994 Group Annuity Mortality Table of a 50% Male and 50% Female blend. For disabled retirees, the regular mortality table is used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study in 2008. (MERS Retirement Board is currently conducting an actuarial experience study covering the period from January 1, 2009, through December 31, 2013.)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	57.5%	5.02%
Global Fixed Income	20.0%	2.18%
Real Assets	12.5%	4.23%
Diversifying Strategies	10.0%	6.56%

Discount rate. The discount rate used to measure the total pension liability is 8.25% for 2014. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

Calculating the Net Pension Liability			
Changes in Net Pension Liability		**Increase (Decrease)**	
Balances at 12/31/13	**Total Pension Liability (a)**	**Plan Fiduciary Net Position (b)**	**Net Pension Liability (a) – (b)**
Changes for the Year	$25,914,564	$16,115,516	$9,799,048
Service Cost	313,020	-	313,020
Interest on Total Pension Liability	2,083,781	-	2,083,781
Employer Contributions	-	773,230	(773,230)
Net investment Income	-	1,000,478	(1,000,478)
Benefit payments, including employee refunds	(1,626,244)	(1,626,244)	-
Administrative expense	-	(36,578)	36,578
Net Changes	**770,557**	**110,886**	**659,671**
Balances as of 12/31/14	**$26,685,121**	**$16,226,402**	**$10,458,719**

Sensitivity of the Net Position Liability to changes in the discount rate. The following presents the Net Pension Liability of the employer, calculated using the discount rate of 8.25%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower (7.25%) or 1% higher (9.25%) than the current rate.

	1% Decrease 7.25%	**Current Discount Rate (8.25%)**	**1% Increase 9.25%**
Net Pension Liability at 12/31/14	$ 10,458,719	$ 10,458,719	$10,458,719
Change in Net Pension Liability (NPL)	2,955,785	-	(2,504,941)
Calculated NPL for your Notes	$13,414,504	$10,458,719	$7,953,778

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

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

For the year ended June 30, 2015 the employer recognized pension expense of $1,199,016. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
Excess (Deficit) Investment Returns	$	233,885	$	-
Contributions subsequent to the measurement date*	$	407,015	$	-
Total	$	640,900	$	-

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the year ending 2015.

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

Year ended June 30,		
2016	$	58,471
2017		58,471
2018		58,471
2019		58,472
	$	233,885

8. DEFERRED COMPENSATION

The Department participated in the City's Deferred Compensation Plan created in accordance with the Internal Revenue Code Section 457. The City has ICMA Retirement Corporation and Mass Mutual as administrators for the Plan. Participants may contribute zero to six percent of covered payroll based on the employee's employment or labor union contract. Plan provision and contribution requirements can only be amended by authorization of the Traverse City Light and Power Board. In the current fiscal year, the Department contributed $155,230 and employees contributed $210,026.

9. POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described above, the Department provides post-retirement health insurance benefits in accordance with its personnel policies and union agreements. The benefit includes payment of the retirees' premiums until they reach the age of Medicare eligibility. The Department paid $221,094 for 34 participants in fiscal year 2014-2015.

The Department participates in the City's MERS retiree health funding vehicle that covers substantially all employees. Annual contributions to the Plan are based on actuarial studies performed bi-annually. The Department's required contribution to the Plan for the fiscal year ended June 30, 2015, was $264,231. The postemployment benefit asset for the current year is $1,149,539. The required disclosures related to the Plan are provided in the City's financial statements.

10. COMMITMENTS

Property

During fiscal year 2003-04, the Department entered into an agreement with Maritime Heritage Alliance to lease a Department owned coal dock. The lease requires annual rental payments of $1. Under the lease agreement, the lessee must maintain the property, carry adequate insurance and pay all assessments and property taxes on the property. The fair value of the lease is not considered by management to be significant in any one year and, therefore, is not recorded as contributed revenue and lease expense. This lease expires July 2023.

Contracts

During the fiscal year, the Board authorized to fund the high level lighting, low level decorative lighting and the primary service of the City's West Front Street Project in the amount of $527,000. There were no capital costs incurred as of fiscal year end.

At the April 14, 2015 board meeting, the Board authorized to execute a construction agreement in the amount of $682,784 with CC Power LLC for the West Side Transmission Line Upgrade project in the amount of $612,959 and the Hickory Hills Underground Line Project in the amount of $69,825. Commencement of these projects occurred after fiscal year end.

At the April 28, 2015 board meeting, the Board authorized procurement agreement for two transformers for the South Substation in the amount of $1,241,409. There were no capital costs incurred as of fiscal year end.

At the June 9, 2015 board meeting, the Board authorized to execute two construction agreements in the amount of $255,745 with Severance Electric for the Union Street conduit installation and $499,479 with Kent Power for electrical cable and equipment installation for the Pine and State Street – Overhead to Underground Conversion project. Additionally a purchase order was issued in the amount of $407,928 for underground cable to Power Line Supply. Commencement of this project occurred after fiscal year end.

At the June 9, 2015 board meeting, the Board authorized to execute construction agreement with Grand Traverse Construction for the Hastings Street Storage Facility in the amount of $411,607. Commencement of this project occurred after fiscal year end.

11. CONTINGENCIES

In the normal course of business, the Department becomes a party in various legal actions and claims, some of which are uninsured. The outcome of these actions and claims is not expected to have a material effect on the financial position of the Department.

12. RISK OF LOSS

The Department is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. The Department is covered for these losses through the City via the Michigan Municipal Liability and Property Pool, Michigan Municipal Workers Compensation Self Insurance Fund and commercial health insurance. The Department has had no settled claims resulting from these risks that exceeded their coverage in any of the past three years.

13. DESIGNATIONS OF NET POSITION

The following are designations of net position established by the Board and City Charter:

	June 30, 2015
Emergencies	$ 100,056
Minimum Cash Reserve	9,675,000
Total	$ 9,775,056

14. SUBSEQUENT EVENT

On November 2, 2015 the City Commission certified the coal dock property as unnecessary for Traverse City Light & Power use, accepted the conveyance of the property to the City, assignment of all existing leases, and authorized a conveyance of the properties to Rotary Camps and Services for a purchase price of $1 million.

15. RESTATED NET POSITION

Beginning net position of the Department was decreased by $9,799,048 to record the net position liability in accordance with the implementation of Governmental Accounting Standards Board No. 68.

Beginning net position of the Department was increased by $363,560 to record deferred outflows in accordance with the implementation of Governmental Accounting Standards Board No. 71.

16. GASB PRONOUNCEMENTS

In February 2015, the Governmental Accounting Standards Board issued GASB Statement No. 72, *Fair Value Measurement and Application*. The requirements of this statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and acceptable valuation techniques. This statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. GASB Statement No. 72 is required to be adopted for years beginning after June 15, 2015. The Department is currently evaluating the impact this standard will have on the financial statements when adopted, during the Department's 2015-2016 fiscal year.

In June 2015, the GASB issued two new standards addressing accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans other than Pension Plans, addressed reporting by OPEB plans, whereas GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, addressed accounting and reporting by employer governments that provide OPEB benefits to their employees. Along with the currently required statement of fiduciary net position and statement of changes in fiduciary net position, OPEB plans will now be required to include in the financial statement more extensive note disclosures and required supplemental information related to the measurement of the OPEB liabilities for which assets have been accumulated. In addition, the Department will, after, adoption of GASB Statement No. 75, recognize on the face of the financial statements its net OPEB liability. The Department is currently evaluating the impact of these standards will have on the financial statements when adopted. GASB Statement No. 74 is effective for fiscal years beginning after June 15, 2016, whereas GASB Statement No. 75 is effective one year later.

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SUPPLEMENTARY INFORMATION

TRAVERSE CITY LIGHT AND POWER

REQUIRED SUPPLEMENTARY INFORMATION
MERS DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED DECEMBER 31, 2014

Total pension liability		
Service cost	$	313,020
Interest		2,083,781
Benefit payments, including refunds		(1,626,244)
Net change in total pension liability		770,557
Total pension liability, beginning of year		25,914,564
Total pension liability, end of year		**26,685,121**
Plan fiduciary net position		
Contribution - employer		773,230
Net investment income		1,000,478
Administrative expenses		(36,578)
Benefit payments, including refunds		(1,626,244)
Net change in plan fiduciary net position		110,886
Plan fiduciary net position, beginning of year		16,115,516
Plan fiduciary net position, end of year		**16,226,402**
Department's net pension liability	**$**	**10,458,719**
Plan fiduciary net position as a percent of total pension liability		60.81%
Covered employee payroll	$	2,862,491
Department's net pension liability as a percent of covered employee payroll		365.37%

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TRAVERSE CITY LIGHT AND POWER

REQUIRED SUPPLEMENTARY INFORMATION
DEFINED BENEFIT PENSION PLAN
MERS SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2015

Actual determined contribution	
Contribution in relation to the actuarially	$ 770,572
determined contribution	(770,572)
Contribution deficiency (excess)	-
Covered employee payroll	2,880,960
Contribution as a percentage of covered employee payroll	26.75%

Notes to schedule

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, open
Remaining amortization period	25 years
Asset valuation method	10 year smoothed
Inflation	3.50%
Salary increases	4.50%
Investment rate of return	8.25%
Retirrment age	Varies depending on plan adoption
Mortality	50% female/50% male 1994 group annual mortality table

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

SCHEDULE OF CAPITAL ASSETS AND DEPRECIATION (UNAUDITED)
LIGHT AND POWER FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Capital Assets - Cost			
	Balance at June 30, 2014	**Additions/ Transfers**	**Deletions/ Transfers**	**Balance at June 30, 2015**
Land and land improvements				
Land	$ 1,065,565	$ -	$ -	$ 1,065,565
Land - coal dock	248,023	-	-	248,023
Land improvements	82,103	-	-	82,103
Total land and land improvements	**1,395,691**	**-**	**-**	**1,395,691**
Buildings and improvements				
Distribution plant	4,340,829	-	-	4,340,829
Office structures	97,149	-	-	97,149
Other buildings	49,268	-	-	49,268
Total buildings and improvements	**4,487,246**	**-**	**-**	**4,487,246**
Equipment and distribution system				
Union St. Dam	24,010	-	-	24,010
Keystone plant	390	-	-	390
Wind generation unit	785,616	20,850	785,616	20,850
Transmission and distribution	62,507,718	1,854,999	368,801	63,993,916
General	960,957	221,402	153,641	1,028,718
Total equipment and distribution system	**64,278,691**	**2,097,251**	**1,308,058**	**65,067,884**
Construction in progress	**1,712,092**	**4,713,995**	**1,382,951**	**5,043,136**
Total	**$ 71,873,720**	**$ 6,811,246**	**$ 2,691,009**	**$ 75,993,957**

Accumulated Depreciation				Capital Assets - Net
Balance at June 30, 2014	**Current Depreciation**	**Deletions**	**Balance at June 30, 2015**	**Balance at June 30, 2015**
$ -	$ -	$ -	$ -	$ 1,065,565
-	-	-	-	248,023
-	-	-	-	82,103
-	**-**	**-**	**-**	**1,395,691**
1,347,495	131,621	-	1,479,116	2,861,713
10,054	1,226	-	11,280	85,869
11,377	1,770	-	13,147	36,121
1,368,926	**134,617**	**-**	**1,503,543**	**2,983,703**
22,030	715	-	22,745	1,265
373	12	-	385	5
427,196	10,445	436,702	939	19,911
21,844,413	1,901,049	298,750	23,446,712	40,547,204
459,932	111,102	122,012	449,022	579,696
22,753,944	**2,023,323**	**857,464**	**23,919,803**	**41,148,081**
-	-	-	**-**	**5,043,136**
$ 24,122,870	**$ 2,157,940**	**$ 857,464**	**$ 25,423,346**	**$ 50,570,611**

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

SCHEDULE OF CAPITAL ASSETS AND DEPRECIATION (UNAUDITED)
FIBER FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Capital Assets - Cost			
	Balance at June 30, 2014	**Additions/ Transfers**	**Deletions/ Transfers**	**Balance at June 30, 2015**
Equipment and distribution system				
Overhead	$ 1,049,106	$ 33,952	$ -	$ 1,083,058
Underground	258,363	-	-	258,363
Termination boxes	365,883	-	-	365,883
Wireless equipment	51,725	-	-	51,725
WIFI system	-	501,720	-	501,720
Other property	44,178	-	-	44,178
Total equipment and distribution system	**1,769,255**	**535,672**	**-**	**2,304,927**
Construction in progress	**73,641**	**462,031**	**535,672**	**-**
Total	**$ 1,842,896**	**$ 997,703**	**$ 535,672**	**$ 2,304,927**

Accumulated Depreciation				Capital Assets - Net
Balance at June 30, 2014	**Current Depreciation**	**Deletions**	**Balance at June 30, 2015**	**Balance at June 30, 2015**
$ 295,827	$ 53,304	$ -	$ 349,131	$ 733,927
68,252	12,918	-	81,170	177,193
103,373	18,294	-	121,667	244,216
15,516	2,586	-	18,102	33,623
-	25,086	-	25,086	476,634
24,427	4,418	-	28,845	15,333
507,395	**116,606**	**-**	**624,001**	**1,680,926**
-	-	-	**-**	**-**
$ 507,395	**$ 116,606**	**$ -**	**$ 624,001**	**$ 1,680,926**

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL (UNAUDITED)
LIGHT AND POWER FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Amended Budget	Actual	Positive (Negative) Variance
Operating revenues - sales			
Residential	$ 6,600,000	$ 6,612,011	$ 12,011
Commercial	15,810,000	16,392,293	582,293
Industrial	10,770,000	10,788,926	18,926
Public authority	309,000	317,521	8,521
Street lighting	201,600	199,517	(2,083)
Yard lights	79,900	86,531	6,631
Total operating revenues - sales	**33,770,500**	**34,396,799**	**626,299**
Other operating revenues			
Forfeited discounts	58,000	73,522	15,522
Merchandise and jobbing	65,000	115,918	50,918
Sale of scrap	35,000	30,804	(4,196)
Recovery of bad debts	200	30	(170)
MISO income	2,461,000	2,481,500	20,500
Miscellaneous	36,500	45,016	8,516
Total other operating revenues	**2,655,700**	**2,746,790**	**91,090**
Nonoperating revenues (expenses)			
Rental income	45,000	49,046	4,046
Pole rental income	36,000	42,180	6,180
Reimbursements	353,600	143,048	(210,552)
Interest income	200,000	251,067	51,067
Change in fair market value of investments	-	59,202	59,202
(Loss) on sale of assets	(360,000)	(428,620)	(68,620)
Total nonoperating revenues (expenses)	**274,600**	**115,923**	**(158,677)**
Total revenues	**36,700,800**	**37,259,512**	**558,712**

Continued

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL (UNAUDITED)
LIGHT AND POWER FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Amended Budget	Actual	Positive (Negative) Variance
Generation expense			
Salaries and wages	$ 100,600	$ 104,905	$ (4,305)
Payroll taxes and fringes	54,800	96,876	(42,076)
Wind generator - M-72 Traverse	-	60	(60)
Kalkaska combustion turbine	-	(2,776)	2,776
Purchased power	24,746,600	22,509,670	2,236,930
Coal dock	2,500	9,367	(6,867)
Trap and transfer	250	95	155
Union street fish ladder	250	-	250
Professional and contractual	95,000	113,124	(18,124)
Professional development	2,000	-	2,000
Operation supplies	3,700	2,706	994
Communications	500	1,084	(584)
Safety	5,000	2,201	2,799
Transportation	-	9,618	(9,618)
Equipment rental	7,000	8,243	(1,243)
Total generation expense	**25,018,200**	**22,855,173**	**2,163,027**

Continued

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL (UNAUDITED)
LIGHT AND POWER FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Amended Budget	Actual	Positive (Negative) Variance
Distribution expense			
Salaries and wages	$ 1,397,000	$ 1,223,372	$ 173,628
Payroll taxes and fringes	989,900	1,077,958	(88,058)
Substation	113,900	219,685	(105,785)
Overhead lines	160,000	160,495	(495)
Underground lines	50,000	33,519	16,481
Storm work	50,000	-	50,000
Electric meters	12,000	7,509	4,491
Street lighting	220,000	250,383	(30,383)
Traffic signals	70,000	4,120	65,880
Plant and structures	90,000	68,965	21,035
Professional services	95,800	122,274	(26,474)
Professional development	50,400	35,788	14,612
Operation supplies	271,000	153,020	117,980
Utilities	68,000	81,589	(13,589)
Safety	47,000	34,205	12,795
Transportation	37,400	29,496	7,904
Equipment rental	131,800	11,036	120,764
Inventory adjustment	-	12,687	(12,687)
Miscellaneous	6,500	4,828	1,672
Total distribution expense	**3,860,700**	**3,530,929**	**329,771**
Transmission expense			
Salaries and wages	216,200	288,744	(72,544)
Substation	23,600	13,725	9,875
Overhead lines	5,000	10,364	(5,364)
Load and dispatching	-	11	(11)
MISO	28,000	24,481	3,519
Miscellaneous	67,000	69,259	(2,259)
Total transmission expense	**339,800**	**406,584**	**(66,784)**

Continued

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL (UNAUDITED)
LIGHT AND POWER FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Amended Budget	Actual	Positive (Negative) Variance
Customer accounting expense			
Salaries and wages	$ 166,700	$ 152,304	$ 14,396
Meter reading	103,500	123,206	(19,706)
Payroll taxes and fringes	135,900	166,873	(30,973)
Office supplies	4,500	2,110	2,390
Postage	34,000	27,799	6,201
Stationary and printing	5,500	482	5,018
Professional and contractual	29,000	17,764	11,236
Uncollectible accounts	30,000	37,912	(7,912)
Collection expense	2,000	2,595	(595)
Data processing	20,500	16,509	3,991
Professional development	7,000	320	6,680
Transportation	5,500	3,055	2,445
Equipment rental	-	11,455	(11,455)
Miscellaneous	8,950	6,308	2,642
Total customer accounting expense	**553,050**	**568,692**	**(15,642)**
Public service expense			
Salaries and wages	59,900	39,575	20,325
Payroll taxes and fringes	24,400	28,427	(4,027)
Public service information	718,500	445,300	273,200
Total public service expense	**802,800**	**513,302**	**289,498**

Continued

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL (UNAUDITED)
LIGHT AND POWER FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Amended Budget	Actual	Postive (Negative) Variance
General administration expense			
Salaries	$ 356,000	$ 362,235	$ (6,235)
Payroll taxes and fringes	163,000	195,384	(32,384)
Professional development	20,000	21,303	(1,303)
Professional and contractual	80,000	101,647	(21,647)
Office supplies	69,000	21,557	47,443
Fees and per diems	80,000	60,976	19,024
Special services	9,200	11,813	(2,613)
Legal fees	60,000	49,631	10,369
Utilities	4,500	5,030	(530)
Printing and publishing	6,000	3,436	2,564
Transportation	2,500	1,267	1,233
Miscellaneous	6,500	659	5,841
Total general administration expense	**856,700**	**834,938**	**21,762**
Other expenses			
Insurance - general	68,000	57,875	10,125
City fee	1,889,500	1,863,259	26,241
Depreciation	2,132,000	2,157,940	(25,940)
Total other expenses	**4,089,500**	**4,079,074**	**10,426**
Total expenses	**35,520,750**	**32,788,692**	**(2,732,058)**
Change in net position	**$ 1,180,050**	**$ 4,470,820**	**$ 3,290,770**

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL (UNAUDITED)
FIBER FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Amended Budget	Actual	Positive (Negative) Variance
Operating revenues - sales			
Other sales	$ 243,200	$ 255,752	$ 12,552
Non-operating revenues			
Reimbursements	5,000	296,122	291,122
Interest income	-	4	4
Total non-operating revenues	**5,000**	**296,126**	**291,126**
Total revenues	**248,200**	**551,878**	**303,678**
Fiber expenses			
Salaries and wages	30,960	49,165	(18,205)
Payroll taxes and fringes	20,930	35,167	(14,237)
Operation supplies	1,000	331	669
Overhead	3,000	4,085	(1,085)
Underground	1,000	-	1,000
Termination boxes	2,000	-	2,000
Customer installations	500	-	500
Professional development	2,000	-	2,000
Miscellaneous	11,400	12,461	(1,061)
Total fiber expenses	**72,790**	**101,209**	**(28,419)**
WIFI Expenses			
Operation and maintenance	-	23,225	(23,225)
Other expenses			
Insurance and bonds	1,100	1,161	(61)
City fee	12,160	12,788	(628)
Depreciation	90,000	116,606	(26,606)
Total other expenses	**103,260**	**130,555**	**(27,295)**
Total expenses	**176,050**	**254,989**	**(55,714)**
Change in net position	**$ 72,150**	**$ 296,889**	**$ 224,739**