Michigan Department of Treasury
496 (02/06)

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

| Local Unit of Government Type | Local Unit Name | County |
|---|---|---|
| ☐County ☒City ☐Twp ☐Village ☐Other | City of Bay City | Bay |

| Fiscal Year End | Opinion Date | Date Audit Report Submitted to State |
|---|---|---|
| June 30, 2007 | December 27, 2007 | December 28, 2007 |

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

| | YES | NO | **Check each applicable box below.** (See instructions for further detail.) |
|---|---|---|---|
| 1. | ☒ | ☐ | All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary. |
| 2. | ☐ | ☒ | There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures. |
| 3. | ☒ | ☐ | The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury. |
| 4. | ☒ | ☐ | The local unit has adopted a budget for all required funds. |
| 5. | ☒ | ☐ | A public hearing on the budget was held in accordance with State statute. |
| 6. | ☒ | ☐ | The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division. |
| 7. | ☒ | ☐ | The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit. |
| 8. | ☒ | ☐ | The local unit only holds deposits/investments that comply with statutory requirements. |
| 9. | ☒ | ☐ | The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan,* as revised (see Appendix H of Bulletin). |
| 10. | ☒ | ☐ | There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover. |
| 11. | ☒ | ☐ | The local unit is free of repeated comments from previous years. |
| 12. | ☒ | ☐ | The audit opinion is UNQUALIFIED. |
| 13. | ☒ | ☐ | The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP). |
| 14. | ☒ | ☐ | The board or council approves all invoices prior to payment as required by charter or statute. |
| 15. | ☒ | ☐ | To our knowledge, bank reconciliations that were reviewed were performed timely. |

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

| **We have enclosed the following:** | Enclosed | Not Required (enter a brief justification) |
|---|---|---|
| Financial Statements | ☒ | |
| The letter of Comments and Recommendations | ☐ | None |
| Other (Describe) | ☐ | None |

| Certified Public Accountant (Firm Name) | Telephone Number | | |
|---|---|---|---|
| Rehmann Robson | 989-799-9580 | | |
| **Street Address** | **City** | **State** | **Zip** |
| PO Box 2025 | Saginaw | MI | 48605 |
| **Authorizing CPA Signature** | **Printed Name** | **License Number** | |
| | Gerald J. Desloover, CPA | 1101007126 | |

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

Bay City™

For the
Fiscal Year Ended
June 30, 2007

## Bay City, Michigan

"Governmental imagination leading our community into the future"

# CITY OF BAY CITY, MICHIGAN

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

June 30, 2007

## LIST OF PRINCIPAL OFFICIALS

**MAYOR**

Michael J. Buda

**CITY COMMISSIONERS**

| | | | |
|---|---|---|---|
| 1st Ward: | Christopher J. Shannon | 5th Ward: | M.J. Gorney |
| 2nd Ward: | Michael E. Wooley | 6th Ward: | John F. Davidson |
| 3rd Ward: | Wendy A. Legner | 7th Ward: | Marie T. Kurzer |
| 4th Ward: | James F. Flannery | 8th Ward: | Kathleen L. Newsham |

9th Ward: Charles M. Brunner

**ADMINISTRATION**

**CITY MANAGER**

Robert V. Belleman

**DEPUTY CITY MANAGER OF ADMINISTRATIVE SERVICES/CITY CLERK**

Dana L. Muscott

**DEPUTY CITY MANAGER OF COMMUNITY DEVELOPMENT**

Steven G. Black

**WATER TREATMENT SUPERINTENDENT**

John DeKam

**WASTEWATER TREATMENT SUPERINTENDENT**

William Kaiser

**ACTING ELECTRIC DIRECTOR**

Phil Newton

**POLICE CHIEF**

Michael Cecchini

**FIRE CHIEF**

Doug Doefer

**Prepared By:**
**Cathy Szostak,**
**Chief Accountant**

CITY OF BAY CITY, MICHIGAN
COMPREHENSIVE ANNUAL FINANCIAL REPORT
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FOR FISCAL YEAR ENDED JUNE 30, 2007


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December 20, 2007

To the Honorable Mayor, City Commission,
And Citizens of Bay City, Michigan

The comprehensive annual financial report of the City of Bay City, Michigan for the fiscal year ended June 30, 2007, is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation including disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

## REPORTING ENTITY

The financial reporting entity includes all the funds of the primary government of the City of Bay City, Michigan as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the primary government. The Downtown Management Board, Midland Street Management Board, Columbus Avenue Management Board, Brownfield Redevelopment Authority, P.O.W.E.R. Fund, Economic Development Corporation, Wenonah Park Properties, Incorporated, all Tax Increment Finance Authorities (TIFA's) and Downtown Development Authorities (DDA's) are reported as discretely presented component units.

## ECONOMIC CONDITIONS AND OUTLOOK

Bay City is located at the mouth of the Saginaw Bay in the east central portion of Michigan's Lower Peninsula. The City's rich historical and ethnic heritage began with the lumber boom in the mid-1800s. Two of the City's sawmills were among the three largest sawmills in the world at the time. With the decline of the lumber industry, shipbuilding became the major economic force in the early 1900's. Shipbuilding gave way to the automobile industry as the 20th century progressed. General Motors continues to be the City's principal property taxpayer and the third largest employer. Bay Regional Medical Center, a healthcare provider, is now the largest employer in the City.

Fiscal Services Department
301 Washington Avenue • Bay City, Michigan 48708-5866
Phone: 989.894.8148 • Fax: 989.894.8219
www.baycitymi.org

The City's waterfront location provides citizens with a variety of leisure activities. Boating, fishing and a summer of great events headline the selections. The "River Roar", "Fourth of July Fireworks Festival", and "River of Time", are just a few of the activities that draw several hundred thousand people to the community every year.

As history has shown, economic diversification is necessary to provide constant, quality growth and attract new businesses and individuals to the community. A number of new businesses have recently opened or are in the design and construction phase. Because of the emerging markets, the community has also seen an expansion of its housing market to include a number of new condominium projects. As a result, the future economic outlook for Bay City looks promising with many major developments on the horizon.

## MAJOR INITIATIVES

The City of Bay City continues to reap benefits from economic development activities. Despite the Michigan recession, Bay City has had some notable progress. The following is a sample of economic development successes and good news that has occurred throughout the City in the last year.

During the last year, the City has successfully sold and optioned a number of City-owned parcels. Including the sale price of the property optioned, the City has realized an immediate benefit of $350,000 in sale proceeds. In addition, each transaction results in new investment, new utility customers and reduced property maintenance costs to the City.

The private sector has made some significant investments in the City. To date, there has been over $5.5 million in abated (PA 198 industrial tax abatements) industrial investment and over $4.5 million in abated (PA 146 "OPRA" tax) commercial and residential investment.

The $14 million Boathouse condominium project has received their certificate of occupancy and new residents have begun moving in. To date, 15 condominium units have been sold out of a total of 30 units. The pace of these transactions is ahead of the development team's projections and the project is viewed as having a very successful launch.

The privately developed DNR/DEQ office building continues to progress. The State has assigned their option to the developer ProVision (dba Green Leadership LLC). At the State's suggestion, Provision has indicated they will seek an additional 3 acres (balance of the City property along Johnson Street) which is viewed as a very positive sign.

City staff has been working closely with the General Service Administration (GSA) on a search for a new Social Security Administration building site. The GSA has advised the City that they have narrowed their search for a new office site down to three locations - all in the City. The GSA anticipates the final building will be approximately 8,400 square feet and privately owned, and as such, it will be placed on the tax rolls.

The City continues to have a positive cooperative relationship with Bay Future. Bay Future and City staff continue to combine efforts in the retain GM task force, the development of a virtual speculative building in the Marquette Industrial Park and in the attraction of additional investment to City manufacturers.

Much progress has been made preparing the Marquette Industrial Park for future development. In the last year, the Industrial Park has received sidewalks, street trees, and additional lighting. Future improvements include the resurfacing of Marquette Drive ($375,000) and signage upgrades (approximately $110,000) to help market this community asset. These improvements will prepare this park to be a competitive and an attractive alternative to expanding businesses looking to grow in Bay City.

The City also continued its steady progress towards the redevelopment of the downtown riverfront, a multi-year project. The major development project along the east bank of the Saginaw River in downtown Bay City was given the name *Uptown at River's Edge*. Over the last year, a number of initiatives have been completed or nearly completed on the Uptown site including:

- Geotechnical investigation
- Property Parcelization plan
- Property Appraisal
- Marina feasibility study (partially funded by $25,000 grant)
- Analysis of options to relocate Consumers Energy facilities

The purpose of these initiatives is to prepare the property for redevelopment and to address the private sector's uncertainties about the site. Looking forward, talks with a consortium of private sector developers interested in the redevelopment of a large portion of the *Uptown at River's Edge* site have progressed considerably. There is wide agreement on the terms of the development agreement. The Articles of Incorporation and Bylaws establishing a nonprofit organization were completed this summer. Future efforts on the Uptown site with the private sector group and, potentially, with the proposed Maritime Heritage Center initiative will focus on infrastructure financing, infrastructure improvements and cooperative efforts to market and promote this site.

The Midland Street entertainment district has recently received some important improvements, all paid for by the Midland Street TIFA. The $156,000 Henry & John parking lot expansion project has successfully been completed. A new wider rail road crossing has been constructed on Midland Street with the City's portion totaling just over $62,000.

Marina Park Drive was successfully extended into the former Surath property and under the Liberty Bridge. This approximately $197,000 project was paid for by the Marina View TIFA which subsequently, has been sunset. This road extension provides access to the bridge for maintenance purposes and also opens up this property for future development. The City has granted a purchase option on the southern portion of the property.

The Liberty Harbor Marina parking lot was also resurfaced with proceeds from the Marina View TIFA at a cost of $39,000. The Liberty Harbor Marina is widely viewed upon by boaters as one of the finest facilities in the region. This year there continues to be a waiting list for seasonal boaters looking to moor at this popular marina.

James Clements Airport is an important amenity to the business community. James Clements is undergoing a structural change in how it is financed. Last year the $484,000 (95% grant funded) fuel farm and apron project was completed giving the airport a new revenue stream. Another new revenue stream will be developed this year with the construction of new "T" hangers at the airport (97.5% grant funded). In the upcoming year, the City intends to complete the installation of an approximate $250,000 runway light project that is 95% grant funded. These new amenities will increase the attractiveness of the airport to pilots and continue efforts to eventually eliminate the need for a small general fund subsidy.

The City of Bay City is committed to improving its infrastructure and each year has dedicated a portion of its limited financial resources to accomplishing this goal. Approximately three years ago, the City completed the renovations to its Wastewater Treatment Plant at a cost of nearly $43 million. During the last fiscal year, the City completed the first phase of the renovations to its Water Treatment Plant, which was the North Lagoon Reclamation project at a cost of approximately $7 million. The majority of the capital improvements for both these projects were funded through State Revolving Loan proceeds.

Finally, a grant in the amount of $707,000 was secured from the State to assist in the restoration of a historical depot located in the downtown area. This project is well underway and is expected to be completed by the end of next fiscal year.

As usual, the City will be faced with many infrastructure projects in coming years, including street repair and replacement, maintenance of bridges; and storm-sewer and waterline additions/replacement, in order to provide and improve services to citizens and customers. These projects, along with several environmental concerns facing the City, including contamination of the Middlegrounds Landfill, must be addressed with sound planning and good financial management to allow the City to continue providing quality services and to become more progressive and responsive to the needs of the citizens.

## FINANCIAL INFORMATION

*Internal Control:* Management of the City is responsible for establishing and maintaining internal control designed to ensure that the assets of the City are protected from loss, theft or misuse and to provide that adequate accounting data can be compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management. We believe the City's internal control adequately safeguards, and provides reasonable assurance of proper recording of financial

transactions. Because of inherent limitations in any internal accounting control, errors or irregularities nevertheless may occur and not be detected. One such control was the implementation of a cash receipting system to ensure that all cash was properly accounted for and able to be tracked.

*Single Audit:* As a recipient of federal financial assistance, the City also is responsible for ensuring that adequate internal control is in place to allow for compliance with applicable laws and regulations related to those programs. Internal control is subject to periodic evaluation by management of the City.

As a part of the City's single audit, tests are conducted to determine the adequacy of internal control, including that portion related to federal financial assistance programs, as well as to determine that the City has complied with applicable laws and regulations.

*Budgeting Controls:* In addition to internal accounting controls, the City maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Commission. Activities of all governmental and proprietary funds are included in the annual appropriated budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is exercised at the activity level for the General Fund and the fund total level for all other funds. As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management.

*General Government Functions:* The City provides a full range of services to its citizens. These services include law enforcement, fire protection and protective inspection; sanitation; maintenance of highways, streets and infrastructure; parks and recreational facilities; planning and zoning; other general administrative services; and other services mandated by state law.

*Cash Management:* Cash temporarily idle during the year was invested through the use of a competitive bid procedure in time deposits, including municipal investment pools, ranging from overnight to medium short-term investments. Longer-term investment periods were utilized by the City to take advantage of higher interest rates. The City's Investment Policy is to minimize credit and market risk while maintaining a competitive yield in its portfolio. The reduction of risk is realized by diversifying the types of securities held. The competitive yield is realized by pooling the investments and varying maturities.

*Risk Management:* The City carries a variety of insurance coverage. This includes coverage for property (includes buildings, contents and fleet), general liability, public official's liability and employee's liability. The limits of general liability are $250,000 per occurrence assumed by the City, and up to $15,000,000 on the excess through external insurers. The City assumes the risk on amounts in excess of $15,000,000. The City recently hired Aon Risk Services to provide brokerage and risk assessment services and assist the City with its risk management.

*Pension and Other Post-Employment Benefits:* The City of Bay City currently has three separate pension plans. The defined benefit pension plan provides retirement and disability benefits to all employees, excluding police and fire employees, hired prior to September 1, 1997 unless they have opted to participate in the defined contribution plan. The City participates in an agent multiple-employer plan administered by the Municipal Employees Retirement System of Michigan. Each year, an independent actuary engaged by the pension plan calculates the amount of the annual contribution that the City must make to the pension plan to ensure that the plan will be able to fully meet its obligations to retired employees on a timely basis. As a matter of policy, the City of Bay City fully funds each years annual required contribution to the pension plan as determined by the actuary. In addition, beginning in the 2007 fiscal year, the City has made a commitment to contribute an additional amount above its required contribution to further reduce its unfunded liability in fewer years than required by its actuarial report.

All City employees with the exception of police officers and fire fighters hired after September 1, 1997 are required to participate in the city's defined contribution plan. This is a single employer defined contribution plan created by the City and administered by the ICMA Retirement Corporation on behalf of MERS. The contribution requirements of the City are established and may be amended by the City Commission.

The City has established a single-employer defined benefit plan for all eligible police officers and firefighters. The System operates under the authority of the City Charter and the assets are administered by the City. The City Commission has the authority to amend and establish benefit provisions.

The City of Bay City also provides post-retirement health benefits for certain retirees and their dependents. As of the end of the current fiscal year, there were 416 retirees eligible to receive these benefits, which are financed on a pay as you go basis. However, the City has established a retiree healthcare trust fund to which it makes an annual contribution to assist with future healthcare costs. As this time, Generally Accepted Accounting Principals (GAAP) do not require governments to report a liability in the financial statements in connection with an employer's obligation to provide these benefits.

Additional information on the City's pension arrangements and post-employment benefits can be found in Note 10 of the financial statements.

**Other Information:**

*Independent Audit:* State statutes require an annual audit by independent certified public accountants. The City Commission selected the accounting firm of Rehmann Robson for this purpose. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the federal Single Audit Act Amendments of 1996 and related OMB Circular A-133. The auditors' report on the financial statements and combining and individual fund statements and schedules is included in the financial section of this report.

Honorable Mayor, City Commission,
And Citizens of Bay City, Michigan
December 20, 2007

*Awards:* The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Bay City for its comprehensive annual financial report for the fiscal year ended June 30, 2006. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

*Acknowledgments:* The completion of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the entire Fiscal Services Division. We would like to express our appreciation to all members of the departments who assisted and contributed to its preparation, especially Angela Willsie, Staff Accountant, for her assistance throughout the audit and with the preparation of this report.

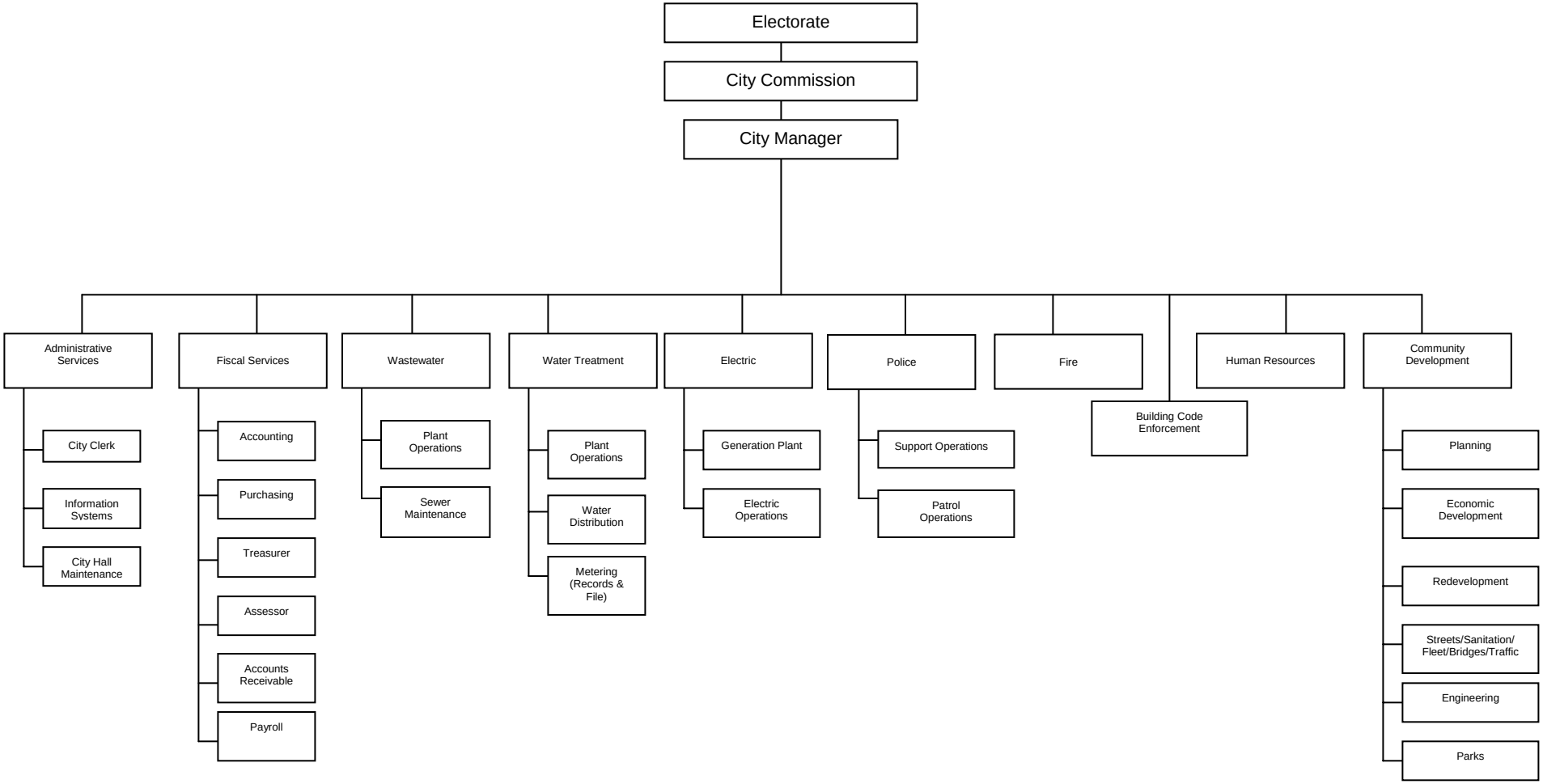
Finally, we would like to thank the Mayor, members of the City Commission, and the various City departments for their leadership and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

Robert V. Belleman
City Manager

Cathleen Szostak
Chief Accountant

# City of Bay City
# Organizational Chart



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

## City of Bay City Michigan

For its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

# ***FINANCIAL SECTION***

This section is composed of the following:

Independent Auditors' Report

Management's Discussion and Analysis

Basic Financial Statements

Notes to Basic Financial Statements

Supplementary Financial Information

REHMANN ROBSON
Certified Public Accountants
A member of THE REHMANN GROUP
An Independent Member of Baker Tilly International

# INDEPENDENT AUDITORS' REPORT

December 27, 2007

To the Honorable Mayor
and City Commission
City of Bay 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 Bay City, Michigan***, as of and for the year ended June 30, 2007, 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 of Bay City Michigan's*** management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Wenonah Park Properties, Inc. Component Unit, which represents 69.85% of the assets and 77.52% of the revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Wenonah Park Properties, Inc. is based on the report of the other auditors.

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, based on our audit and the report of other auditors, 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 Bay City, Michigan***, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparisons of the General Fund and major special revenue funds for the year then ended in conformity with accounting principles general accepted in the United States of America.


5800 Gratiot • Suite 201 • P.O. Box 2025 • Saginaw, MI 48605 • 989.799.9580 • Fax 989.799.0227 • www.rehmann.com

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2007, on our consideration of the ***City of Bay City, Michigan's*** internal control over financial reporting and 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 and the historical pension supplementary information for the Police and Fire Retirement System listed in the table of contents, are not required parts of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the ***City of Bay City, Michigan's*** basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* and is not a required part of the basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical tables are presented for purposes of additional analysis and also are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules and schedule of expenditure of federal awards have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the report of other auditors, are fairly stated, in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables, as listed in the table of contents, have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Rehmann Robson

Our discussion and analysis of the City of Bay City's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2007. Please read it in conjunction with the City's financial statements.

## Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2007:

- The assets of the City of Bay City exceeded its liabilities at the close of the most recent fiscal year by $196,956,459 (net assets). Of this amount, $43,628,148 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.

- Total net assets related to the City's governmental activities decreased by $188,197 from the previous year and the business-type activities net assets increased by $561,656. The net assets of the component units also experienced a decrease of $1,507,936.

- At the close of the current fiscal year, the City of Bay City's governmental funds reported combined ending fund balances of $9,462,093, an increase of $234,620 in comparison with the prior year. All but $64,544 of this total amount is available for spending at the government's discretion (unreserved fund balance).

- At the end of the fiscal year, unreserved fund balance for the General Fund was $5,086,051 or about 23.5% of the total General Fund expenditures.

- The City of Bay City's total debt decreased by $2,641,951, or 3%, during the fiscal year.

- The City continues its commitment to improving its road infrastructure and this year spent $2,216,814 on new road construction and resurfacing and an additional $414,684 on new sidewalks. These projects were primarily funded by grant dollars.

- State-shared revenue, the City's second largest revenue source in the general fund, decreased for the sixth consecutive year. The State of Michigan reduced the City's allocation by $43,744 from the amount received in the previous fiscal year. The City anticipated a reduction and responded with careful review and control of expenditures such as reducing capital expenditures and leaving vacant positions unfilled in the public safety and parks and recreations departments. As a result, there was a decrease of $267,185 in the fund balance of the general fund. However, this reduction was $444,054 less than the amount projected in the final amended budget.

Using this Annual Report

This annual report consists of a series of financial statements. The *Statement of Net Assets* and the *Statement of Activities* provide information about the activities of the City of Bay City as a whole and present a longer-term view of the City's finances. This longer-term view uses the accrual basis of accounting to measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The *Statement of Net Assets* and the *Statement of Activities* distinguish functions of the City that are primarily supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, community and economic development, and recreation and culture. The business-type activities of the City include electric, water, and sewer services, as well as municipal airport, cemetery, and marina facilities.

The government-wide financial statements include not only the City itself (known as the primary government), but also the component units which are legally separate authorities for which the City is financially accountable. Financial information for the component units is reported separately from the financial information presented for the primary government itself.

Complete financial statements for the Downtown Management Board may be obtained at their administrative offices located at Commerce One, 901 Saginaw Street, Bay City, Michigan 48708, and complete financial statements for Wenonah Park Properties, Inc. may be obtained at City Hall located at 301 Washington Avenue, Bay City, Michigan 48708. Separate financial statements for the remaining component units are not prepared.

The Fund financial statements present a short-term view. They tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the City's operations in more detail than the government-wide financial statements by providing information about the City's most significant funds. The fund financial statements can be divided into three categories including governmental funds, proprietary funds, and fiduciary funds. The fiduciary fund statements provide information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

The City as a Whole

For the fiscal year ended June 30, 2007, assets exceeded liabilities by $196,956,459. By far the largest portion of the City's net assets (77 percent) reflects its investment in capital assets (i.e. land, buildings, vehicles, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these

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 following table shows, in a condensed format, the net assets as of June 30, 2007 (in thousands of dollars):

| | Government Activities | | Business-type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2006 | 2007 | 2006 | 2007 | 2006 | 2007 |
| Current and other assets | $ 19,252 | $ 20,785 | $ 36,922 | $ 35,987 | $ 56,174 | $ 56,772 |
| Capital assets | 79,751 | 78,544 | 155,659 | 153,831 | 235,410 | 232,375 |
| **Total assets** | 99,003 | 99,329 | 192,581 | 189,818 | 291,584 | 289,147 |
| Current and other liabilities | 3,211 | 3,794 | 3,401 | 2,650 | 6,612 | 6,444 |
| Long-term liabilities | 20,925 | 20,857 | 67,464 | 64,890 | 88,389 | 85,747 |
| **Total liabilities** | 24,136 | 24,651 | 70,865 | 67,540 | 95,001 | 92,191 |
| Net Assets: | | | | | | |
| Invested in capital assets – Net of related debt | $ 61,608 | $ 60,760 | $ 89,473 | $ 90,735 | $ 151,081 | $ 151,495 |
| Restricted | 1,670 | 1,833 | - | - | 1,670 | 1,833 |
| Unrestricted | 11,589 | 12,085 | 32,243 | 31,543 | 43,832 | 43,628 |
| **Total net assets** | **$ 74,867** | **$ 74,678** | **$ 121,716** | **$ 122,278** | **$ 196,583** | **$ 196,956** |

The City's governmental activities net assets decreased by $188,197 while the net assets of its business-type activities increased by $561,656. The change in net assets for the governmental activities was primarily due to the use of fund balance in the General Fund - expenditures and transfers out exceeded revenues by $267,185. The increase in net assets of the business type activities is attributable to the grant funds received to purchase capital assets in the James Clements Airport Fund and the higher than anticipated interest earnings. As a result, the combined net assets increased by $373,459 from $196,583,000 in 2006 to $196,956,459 in 2007.

As we look at the governmental activities separately from the business-type activities, we can see that the current level of unrestricted net assets – the part of net assets that may be used to meet the government's ongoing obligations to citizens and creditors – is $12,085,327, or about 35% of the governmental activities expenditures. An additional portion of the City's net assets of its governmental activities, approximately 2.5%, represents resources that are subject to external restrictions on how they may be used.

The following table shows the changes of the net assets during the current year (in thousands of dollars):

| | Governmental Activities | | Business-type Activities | | Totals | |
|---|---|---|---|---|---|---|
| | 2006 | 2007 | 2006 | 2007 | 2006 | 2007 |
| **Revenue** | | | | | | |
| Program revenue | | | | | | |
| Charges for services | $ 8,127 | $ 7,600 | $ 42,702 | $ 45,221 | $ 50,829 | $ 52,821 |
| Operating grants and contributions | 5,797 | 5,646 | 246 | 102 | 6,043 | 5,748 |
| Capital grants and contributions | 47 | 1,659 | 455 | 482 | 502 | 2,141 |
| General revenue | | | | | | |
| Property taxes | 13,592 | 13,640 | - | - | 13,592 | 13,640 |
| Grants and contributions not restricted to specific programs | 5,172 | 5,128 | - | - | 5,172 | 5,128 |
| Unrestricted investment earnings | 397 | 702 | 922 | 1,459 | 1,319 | 2,161 |
| Miscellaneous | 111 | 74 | 47 | 64 | 158 | 138 |
| Total Revenue | 33,243 | 34,449 | 44,372 | 47,328 | 77,615 | 76,649 |
| **Program Expenses** | | | | | | |
| General Government | 5,289 | 5,543 | - | - | 5,289 | 5,543 |
| Public safety | 14,170 | 14,640 | - | - | 14,170 | 14,640 |
| Public works | 9,871 | 9,237 | 464 | 519 | 10,335 | 9,756 |
| Community and economic development | 2,116 | 2,602 | - | - | 2,116 | 2,602 |
| Recreation and culture | 1,249 | 1,164 | - | - | 1,249 | 1,164 |
| Interest on long-term debt | 1,298 | 1,302 | - | - | 1,298 | 1,302 |
| Electric | - | - | 26,079 | 26,537 | 26,079 | 26,537 |
| Water | - | - | 7,231 | 7,694 | 7,231 | 7,694 |
| Sewer | - | - | 12,487 | 12,165 | 12,487 | 12,165 |
| Total program expenses | 33,993 | 34,488 | 46,261 | 46,915 | 80,254 | 81,403 |
| Increase (decrease) in net assets before transfers and special items | (750) | (39) | (1,889) | 413 | (2,639) | 374 |
| Transfers | 3,525 | (149) | (3,525) | 149 | - | - |
| Change in net assets | 2,775 | (188) | (5,414) | 562 | (2,639) | 374 |
| Net assets beginning of year | 72,092 | 74,866 | 127,130 | 121,716 | 199,222 | 196,582 |
| **Net assets end of year** | **$ 74,867** | **$ 74,678** | **$ 121,716** | **$ 122,278** | **$ 196,583** | **$ 196,956** |

## Governmental Activities

The City's total governmental net assets decreased by $188,197. Key elements of this decrease are as follows:

- Budgeted use of fund balance in the General Fund in the amount of $267,185.
- Building Inspection revenues were down by approximately $134,000.
- Program expenses exceeded program revenues by approximately $39,000.

However, these decreases were partially offset by a decrease in expenses due to a reduction in the workforce and closer management of resources to better control costs.

Business-Type Activities

The City's business-type activities consist of the Electric, Water, Sewer, Airport, Cemetery, and Marina Funds. These services are provided to all City residents. Electrical services also extend to numerous customers outside of the City limits. In addition to City residents, the City provides water to residents of the City of Essexville, Hampton Township, and Bay County. The City provides sewage treatment through a City-owned sewage treatment plant. These services are also extended to Hampton Township and portions of Bangor, Monitor, and Portsmouth Townships. The business-type activities saw an overall increase in net assets of $561,656 due primarily to the following:

- The Electric Fund experienced the largest increase in net assets of $360,125. While operating expenses increased 2.5%, operating revenues increased by approximately 10%.
- The net assets of the James Clements Airport Fund increased by $201,986 due to the receipt of state and federal grants for its runway lighting project.
- All funds experienced an increase in interest earnings.
- Although the Oakridge Cemetery Fund reported an increase in net assets of $6,699 and James Clements Airport Fund reported an increase in its net assets of $201,986, both funds continued to require subsidies from the general fund in the amounts of $83,821 and $53,263, respectively.

The City's Funds

An analysis of the City's major funds begins on page 15, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the City as a whole. The City Commission creates funds to help manage monies for specific purposes as well as to show accountability for certain activities, such as a special property tax millage. The City's major governmental funds for 2007 include the General Fund, Major Streets Fund and the Rehabilitation Fund.

**The General Fund** is the chief operating fund of the City. The most significant source of revenue is property taxes, which generated $10,160,324 in 2007. The most significant service accounted for in this fund is public safety, which incurred expenses of $13,509,032 in 2007. Public safety expenditures equate to approximately 62% of the total expenditures and are more that the amount of property taxes generated. At the fiscal year ended June 30, 2007, the unreserved fund balance of the General Fund was $5,086,051. As a measure of the General Fund's liquidly, it may be useful to compare the unreserved fund balance to total fund expenditures. Unreserved fund balance represents 23.5% of the total General Fund expenditures.

**The Major Streets Fund** accounts for major streets maintenance funds received from the State of Michigan, as well as, property tax and other revenues used to maintain and reconstruct major streets within the City. During the fiscal year ended June 30, 2007, $1,941,961 was spent on capital outlay for reconstruction and resurfacing streets and

an additional $2,562,150 was spent on preservation and maintenance of existing streets within this fund.

**The Rehabilitation Fund** is used to account for revenues and expenditures related to providing financing to low and moderate income individuals to assist in home improvement. In the fiscal year ended June 30, 2007, $539,479 was spent to assist residents of the City with home improvements.

Some notable items in the other governmental activities are:

- The Local Street Fund expended $1,141,731 to maintain and preserve local streets within the City and ended the year with an unreserved fund balance of $176,344. This amounts to 15% of annual expenditures within this fund.

- The Building Inspection Fund ended the fiscal year with a fund balance of $94,267. This is the second year in a row that a General Fund subsidy was not required to support the operations of this fund.

- The Solid Waste Fund ended the fiscal year with an unreserved fund balance of $512,858. This is the fifth year since the City went to a fee-based system versus a millage that no General Fund subsidy was required. The Solid Waste Fund paid back all previous subsidies from the General Fund as a result of a resolution passed by the City Commission requiring the reimbursement to occur once the fund became self sufficient.

- The Community Development Block Grant Fund expended $1,013,269 on economic development activities and an additional $367,715 on capital outlay.

- The Public Improvement Fund ended the year with an unreserved fund balance of $1,036,375. The City Commission approved transfers from the General Fund totaling $1,047,352 in previous fiscal years in order to accumulate funding for the replacement of the roof on City Hall. Currently, $930,448 remains reserved for this project, which is expected to be completed in the near future.

- The Riverfront Redevelopment Fund expended $434,869 to complete site improvements on the "Uptown at Rivers Edge" redevelopment project. Development of this site in expected within the next few years.

General Fund Budgetary Highlights

Over the course of the year, the City amended the budget to take into account events that occurred during the year. The most significant amendments occurred due to the following:

- The Human Resources Department increased their budget by $63,411 to pay attorney fees and another $31,560 to pay a consultant to assist with employment relations.
- The Police Department increased its budget by $60,000 to pay overtime within its Street Patrol Division and an additional $21,240 to purchase ammunition.
- Unspent funds from the previous year in the amount of $75,615 were carried forward to purchase: (1) a mail machine in the Treasurer's office for $39,000, (2) equipment for the Police Department in the amount of $35,466, and (3) various miscellaneous items in the Engineering and Parks departments in the amount of $1,149.

The other differences between the original and final amended budget for expenditures were relatively minor.

During the year, actual revenues were less than budgeted revenues by $506,904, however, actual expenditures were also less than budgetary estimates by $1,005,833. As a result, the General Fund experienced a decrease of $267,185 in fund balance instead of the budgeted reduction projected in the final amended budget to be $711,239.

Capital Assets and Debt Administration

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2007 amounted to $232,374,448 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, roads, sidewalks, and bridges.

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

- The Sewer Fund spent $1,156,394 on various capital projects including $452,060 to replace the sanitary sewer system associated with the Henry Street reconstruction project.

- The construction phase of the North Henry project was completed with $1,024,149 spent during the year and an additional $901,029 was spent on the Wenona Street project.

- The Water Fund spent $1,920,195 to complete the North Lagoon Reclamation Project.

- The Electric Fund completed various capital projects totaling $1,584,674 including $530,341 on the Bay Medical Substation.

- James Clements Airport completed its runway project totaling $249,000.

- The Marquette Avenue Streetscape project was completed in the amount of $234,867.

The investment in capital assets of the component units totals $32,250,645 as of June 30, 2007. Some of the capital activities completed during the year include the Marina Drive extension in the amount of $192,098; the parking lot at Henry and John streets in the amount of $144,040; repaving the Liberty Harbor parking lot at a cost of $39,368; an additional $52,392 to complete the Water Street Waterfall micro park; replacing the sidewalks in the Marquette district in the amount of $204,636 and various streetscaping projects totaling $71,234.

Additional information on the City's capital assets can be found in Note 5 of this report.

**Long-term Debt**. In the fiscal year ended June 30, 2007, the City had total outstanding debt of $85,746,966, which included a current portion of $8,000,427. Of this amount, $78,631,966 is backed by the full faith and credit of the City. The remainder of the City's debt represents bonds secured by specific sources (revenue bonds). The long-term debt can be summarized as follows:

| | 2006 | 2007 |
|---|---|---|
| General obligation bonds | $ 33,669,130 | $ 32,152,577 |
| Revenue bonds | 8,315,000 | 7,115,000 |
| Other notes/leases payable | 42,344,235 | 41,594,757 |
| Compensated absences | 4,060,552 | 4,884,632 |
| Total | $ 88,388,917 | $ 85,746,966 |

The City's total debt decreased by $2,641,951 during the fiscal year. State statute limits 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 $75,024,000 which is significantly in excess of the City's outstanding general obligation debt applicable to this limit.

Additional information on the City's long-term debt can be found in Note 8 of this report.

Economic Factors and Next Year's Budgets and Rates

Because of the State of Michigan's economic conditions, state-shared revenues, the second largest source of revenue in the General Fund, continues to be an important factor in the preparation of the City's budget. Additional reductions have been forecast for the next fiscal year. The City also faces a continued rise in healthcare costs. While this year the City's healthcare costs remained approximately the same as the previous year, additional increases are expected in the future.

Another issue of concern to the City is the unfunded liability in its defined benefit retirement plan of approximately $25 million. In the fiscal year ended June 30, 2007, the City contributed an additional $1.5 million over and above the required contribution of $2 million. The City budgeted an additional contribution in the upcoming fiscal year and intends to continue this trend in future budgets as well. In addition, the City's property taxes are at the limit allowed by Charter of 19 mills, which has been reduced by the Headlee Amendment to 16.9615 mills for general operating in the 2007/2008 budget.

The City's Electric, Water and Sewer Utilities instituted a rate increase in the year ended June 30, 2007. Additional rate increases are anticipated in the next fiscal year as well. These rate increases were necessary as a result of operating cost increases for all of the utilities and to finance debt service on the recently issued debt for both the Water and Wastewater Plant improvements and improvements to the sanitary sewer system. All three utilities will be evaluated on a yearly basis to determine the appropriate charges for services reflective of the cost of doing business.

The City's budget for the last several years has limited the amount of capital expenditures in all areas. Many necessary improvements have been delayed and will have to be addressed in the near future. The City remains committed to maintaining and improving its level of service to its citizens and intends to continue to invest in its capital assets. This is one of the many challenges that will need to be addressed in future budgets.

## Contacting the City's Management

The financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the Finance Department, 301 Washington Avenue, Bay City, Michigan 48708.

# ***BASIC FINANCIAL STATEMENTS***

The diverse nature of a governmental operation and the necessity of complying with legal provisions require accounting systems unlike those commonly used by commercial enterprises. Rather than establishing a single unified set of accounts for recording and summarizing all financial transactions, the accounts of a governmental unit are organized on the basis of funds.

# ***Government-Wide Financial Statements***

The Government-Wide Financial Statements were prepared to allow
the user of the financial report to obtain an overview
and broad perspective of the City of Bay City's
operation and financial position.

## City of Bay City, Michigan
### Statement of Net Assets
### June 30, 2007

| | Primary Government | | | |
|---|---|---|---|---|
| | Governmental Activities | Business-type Activities | Total | Component Units |
| **Assets** | | | | |
| Cash and investments | $ 13,303,229 | $ 21,565,165 | $ 34,868,394 | $ 5,166,451 |
| Receivables | 9,321,706 | 6,878,952 | 16,200,658 | 4,402,718 |
| Internal balances | (2,900,145) | 2,900,145 | - | - |
| Prepaid items and other assets | 481,309 | 275,044 | 756,353 | 1,048,237 |
| Inventories | 176,524 | 2,463,184 | 2,639,708 | 37,999 |
| Restricted investments | - | 726,295 | 726,295 | 3,081,731 |
| Net pension asset | 402,533 | 1,178,838 | 1,581,371 | - |
| Nondepreciable capital assets | 18,125,336 | 973,818 | 19,099,154 | 2,499,959 |
| Depreciable capital assets, net | 60,418,725 | 152,856,569 | 213,275,294 | 29,750,686 |
| **Total assets** | 99,329,217 | 189,818,010 | 289,147,227 | 45,987,781 |
| **Liabilities** | | | | |
| Accounts payable and other accrued expenses | 3,478,372 | 2,200,505 | 5,678,877 | 648,282 |
| Interest payable | 110,190 | 396,093 | 506,283 | 1,083,252 |
| Unearned revenues | 205,608 | 53,034 | 258,642 | 1,410 |
| Noncurrent liabilities: | | | | |
| Due within one year | 2,765,053 | 5,202,299 | 7,967,352 | 199,049 |
| Due in more than one year | 18,091,743 | 59,687,871 | 77,779,614 | 25,166,277 |
| **Total liabilities** | 24,650,966 | 67,539,802 | 92,190,768 | 27,098,270 |
| **Net Assets** | | | | |
| Invested in capital assets, net of related debt | 60,760,119 | 90,735,387 | 151,495,506 | 7,795,818 |
| Restricted for: | | | | |
| Debt service | 386,813 | - | 386,813 | - |
| Capital projects | 1,445,992 | - | 1,445,992 | 3,081,731 |
| Unrestricted | 12,085,327 | 31,542,821 | 43,628,148 | 8,011,962 |
| **Total net assets** | $ 74,678,251 | $ 122,278,208 | $ 196,956,459 | $ 18,889,511 |

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

## City of Bay City, Michigan
### Statement of Activities
### For the Year Ended June 30, 2007

| Functions / Programs | Expenses | Indirect | 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 | $ 5,543,264 | $ (3,479,213) | $ 1,255,577 | $ 490,244 | $ - | $ (318,230) |
| Public safety | 14,625,205 | 14,920 | 810,762 | 149,067 | - | (13,680,296) |
| Public works | 9,160,001 | 76,746 | 1,973,029 | 3,080,727 | 1,659,368 | (2,523,623) |
| Recreation and cultural | 1,163,610 | - | 10,020 | 20,040 | - | (1,133,550) |
| Economic development | 2,427,198 | 174,910 | 71,191 | 1,905,580 | - | (625,337) |
| Interest on debt | 1,301,603 | - | - | - | - | (1,301,603) |
| Total governmental activities | 34,220,881 | (3,212,637) | 4,120,579 | 5,645,658 | 1,659,368 | (19,582,639) |
| Business-type activities: | | | | | | |
| Electric | 25,257,166 | 1,279,854 | 26,060,386 | 399 | - | (476,235) |
| Water | 6,752,489 | 941,268 | 7,245,634 | - | - | (448,123) |
| Sewer | 11,235,153 | 929,753 | 11,726,339 | 22,612 | 218,939 | (197,016) |
| Oak Ridge Cemetery | 125,280 | - | 42,421 | - | - | (82,859) |
| James Clements Airport | 210,601 | - | 21,887 | 78,721 | 262,758 | 152,765 |
| Liberty Harbor Marina | 160,091 | 22,849 | 124,317 | - | - | (58,623) |
| Total business-type activities | 43,740,780 | 3,173,724 | 45,220,984 | 101,732 | 481,697 | (1,110,091) |
| Total primary government | $ 77,961,661 | $ (38,913) | $ 49,341,563 | $ 5,747,390 | $ 2,141,065 | $ (20,692,730) |
| **Component units** | | | | | | |
| Downtown Development Authority | $ 136,672 | $ 15,047 | $ 205,770 | $ - | $ - | $ 54,051 |
| Midland Street TIFA | 102,226 | 1,502 | - | - | - | (103,728) |
| Kresge's DDA | 256 | - | - | - | - | (256) |
| Marquette District TIFA | 192,318 | 11,489 | - | - | - | (203,807) |
| Water Street DDA | 257,255 | 5,910 | - | - | 779 | (262,386) |
| Marina Development TIFA | 7,125 | 3,725 | - | - | - | (10,850) |
| Allen Healthcare DDA | 4,808 | - | - | - | - | (4,808) |
| Research Center Development TIFA | 24,483 | - | - | - | - | (24,483) |
| Knepp's DDA | 1,728 | 1,240 | - | - | - | (2,968) |
| Brownfield Redevelopment | - | - | - | - | - | - |
| Columbus Avenue Management Board | 6,372 | - | 7,600 | 996 | - | 2,224 |
| Midland Street Management Board | 15,461 | - | 19,000 | - | - | 3,539 |
| POWER EDC | 27,288 | - | - | - | - | (27,288) |
| Downtown Management Board | 252,648 | - | 57,984 | 80,996 | - | (113,668) |
| Wenonah Park Properties | 8,113,027 | - | 5,794,488 | - | - | (2,318,539) |
| Total component units | $ 9,141,667 | $ 38,913 | $ 6,084,842 | $ 81,992 | $ 779 | $ (3,012,967) |

continued…

## City of Bay City, Michigan
### Statement of Activities (Concluded)
### For the Year Ended June 30, 2007

| Functions/Programs | Primary Government: Governmental Activities | Primary Government: Business-type Activities | Primary Government: Total | Component Units |
|---|---|---|---|---|
| **Changes in net assets** | | | | |
| Net (expense) revenue | $ (19,582,639) | $ (1,110,091) | $ (20,692,730) | $ (3,012,967) |
| General revenues: | | | | |
| Property taxes | 13,640,017 | - | 13,640,017 | 1,013,769 |
| Grants and contributions not restricted to specific programs | 5,127,490 | - | 5,127,490 | - |
| Unrestricted investment earnings | 702,127 | 1,459,038 | 2,161,165 | 459,388 |
| Miscellaneous revenue | 73,702 | 63,815 | 137,517 | 31,874 |
| Transfers - internal activities | (148,894) | 148,894 | - | - |
| Total general revenues and transfers | 19,394,442 | 1,671,747 | 21,066,189 | 1,505,031 |
| Change in net assets | (188,197) | 561,656 | 373,459 | (1,507,936) |
| Net assets, beginning of year | 74,866,448 | 121,716,552 | 196,583,000 | 20,397,447 |
| **Net assets, end of year** | $ 74,678,251 | $ 122,278,208 | $ 196,956,459 | $ 18,889,511 |

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

# ***Fund Financial Statements***

These financial statements provide a more detailed view of the
Government-Wide Financial Statements presented in
in the preceding subsection.

**City of Bay City, Michigan**
**Balance Sheet**
**Governmental Funds**
**June 30, 2007**

| | General | Major Streets | Rehabilitation Fund | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and investments | $ 5,116,203 | $ - | $ - | $ 3,277,826 | $ 8,394,029 |
| Receivables (net of allowance for uncollectibles): | | | | | |
| Accounts | 169,685 | 12,553 | 4,500 | 442,403 | 629,141 |
| Delinquent taxes | 99,505 | - | - | 15,579 | 115,084 |
| Special assessments | 63,587 | - | - | 33,965 | 97,552 |
| Accrued interest | 48,062 | - | - | 25,897 | 73,959 |
| Notes | - | - | 7,176,032 | - | 7,176,032 |
| Due from other funds | 393,171 | 259,826 | 2,050 | 218,869 | 873,916 |
| Due from other governments | 271,603 | 629,053 | 67,322 | 289,643 | 1,257,621 |
| Inventories | - | 64,544 | - | - | 64,544 |
| Other assets | 802 | - | - | - | 802 |
| **Total Assets** | $ 6,162,618 | $ 965,976 | $ 7,249,904 | $ 4,304,182 | $ 18,682,680 |
| **Liabilities and fund balances** | | | | | |
| **Liabilities** | | | | | |
| Accounts payable | $ 540,237 | $ 45,699 | $ 47,091 | $ 209,916 | $ 842,943 |
| Accrued liabilities | 331,197 | 21,355 | - | 42,045 | 394,597 |
| Due to other funds | 50,143 | 331,849 | 22,281 | 198,782 | 603,055 |
| Due to other governmental units | 1,099 | - | - | - | 1,099 |
| Deposits | 2,202 | - | - | 21,592 | 23,794 |
| Deferred revenue | 151,689 | - | 7,180,532 | 22,878 | 7,355,099 |
| **Total liabilities** | 1,076,567 | 398,903 | 7,249,904 | 495,213 | 9,220,587 |
| **Fund balances** | | | | | |
| Reserved for: | | | | | |
| Inventories | - | 64,544 | - | - | 64,544 |
| Unreserved, reported in: | | | | | |
| General Fund | 5,086,051 | - | - | - | 5,086,051 |
| Special Revenue Funds | - | 502,529 | - | 1,976,164 | 2,478,693 |
| Debt Service Funds | - | - | - | 386,813 | 386,813 |
| Capital Project Funds | - | - | - | 1,445,992 | 1,445,992 |
| **Total fund balances** | 5,086,051 | 567,073 | - | 3,808,969 | 9,462,093 |
| **Total liabilities and fund balances** | $ 6,162,618 | $ 965,976 | $ 7,249,904 | $ 4,304,182 | $ 18,682,680 |

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

**City of Bay City, Michigan**
**Reconciliation of the Governmental Funds Balance Sheet**
**to the Statement of Net Assets**
**June 30, 2007**

| | |
|---|---|
| Fund balances - total governmental funds | $ 9,462,093 |
| 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 are therefore not reported in the funds. | |
| Add: capital assets | 152,468,876 |
| Subtract: accumulated depreciation | (79,425,035) |
| Net pension assets of governmental activities are not financial resources, and are therefore not reported in the funds. | |
| Add: net pension asset | 402,533 |
| 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 receivables | 7,355,099 |
| Subtract: allowance for doubtful accounts | (55,749) |
| Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net assets. | |
| Add: net assets of governmental activities accounted for in internal service funds | 4,959,117 |
| Certain liabilities, such as bonds payable, are not due and payable in the current period, and therefore are not reported in the funds. | |
| Add: unamortized issuance costs | 35,588 |
| Subtract: interest payable | (106,608) |
| Subtract: bonds payable | (17,462,577) |
| Subtract: capital leases | (22,717) |
| Subtract: compensated absences | (2,932,369) |
| Net assets of governmental activities | $ 74,678,251 |

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

**City of Bay City, Michigan**
**Statement of Revenues, Expenditures and Changes in Fund Balances**
**Governmental Funds**
**For the Year Ended June 30, 2007**

| | General Fund | Major Streets | Rehabilitation Fund | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|
| **Revenues** | | | | | |
| Taxes | $ 10,160,324 | $ 720,055 | $ - | $ 1,935,105 | $ 12,815,484 |
| Licenses and permits | 17,887 | - | - | 514,465 | 532,352 |
| Intergovernmental | 6,637,822 | 3,960,331 | 272,894 | 2,701,818 | 13,572,865 |
| Charges for services | 3,932,944 | - | - | 1,923,317 | 5,856,261 |
| Fines and forfeitures | 106,239 | - | - | 25,772 | 132,011 |
| Interest revenue | 395,378 | 17,983 | 7,902 | 191,713 | 612,976 |
| Miscellaneous revenues | 332,705 | 13,492 | 216,897 | 311,498 | 874,592 |
| **Total revenues** | 21,583,299 | 4,711,861 | 497,693 | 7,603,688 | 34,396,541 |
| **Expenditures** | | | | | |
| Current: | | | | | |
| General government | 5,609,384 | - | - | - | 5,609,384 |
| Public safety | 13,509,032 | - | - | 849,398 | 14,358,430 |
| Public works | 1,240,507 | 2,562,150 | - | 1,134,731 | 4,937,388 |
| Physical environment | - | - | - | 1,839,735 | 1,839,735 |
| Parks and recreation | 1,004,941 | - | - | - | 1,004,941 |
| Economic development | - | - | 539,479 | 1,244,082 | 1,783,561 |
| Capital outlay | 217,881 | 1,941,961 | - | 681,071 | 2,840,913 |
| Debt service: | | | | | |
| Principal retirement | 42,500 | - | - | 1,595,000 | 1,637,500 |
| Interest and fiscal charges | - | - | - | 1,175 | 1,175 |
| **Total expenditures** | 21,624,245 | 4,504,111 | 539,479 | 7,345,192 | 34,013,027 |
| **Excess of revenues over (under) expenditures** | (40,946) | 207,750 | (41,786) | 258,496 | 383,514 |
| **Other financing sources (uses)** | | | | | |
| Transfer in | - | 75,521 | 266,585 | 498,954 | 841,060 |
| Transfer out | (226,239) | - | (224,799) | (538,916) | (989,954) |
| **Total other financing sources (uses)** | (226,239) | 75,521 | 41,786 | (39,962) | (148,894) |
| **Changes in fund balances** | (267,185) | 283,271 | - | 218,534 | 234,620 |
| **Fund balances - beginning of year** | 5,353,236 | 283,802 | - | 3,590,435 | 9,227,473 |
| **Fund balances - end of year** | $ 5,086,051 | $ 567,073 | $ - | $ 3,808,969 | $ 9,462,093 |

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

**City of Bay City, Michigan**
**Reconciliation of the Statement of Revenues, Expenditures**
**and Changes in Fund Balances**
**of Governmental Funds to the Statement of Activities**
**For the Year Ended June 30, 2007**

| | |
|---|---|
| Net change in fund balances - total governmental funds | $ 234,620 |
| Amounts reported for governmental activities in the statement of activities are different because: | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. | |
| Add: capital outlay | 3,294,103 |
| Subtract: net value of assets disposed | (1,069,673) |
| Subtract: depreciation expense | (3,652,476) |
| 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: current year change in long-term receivables | (8,429) |
| 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: principal payments on bonds | 1,595,000 |
| Add: principal payments on capital leases | 22,647 |
| Add: decrease in interest accrued on bonds | 351 |
| Subtract: deferred bond issuance costs | (5,931) |
| Subtract: interest expense on zero coupon bond | (1,283,447) |
| Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. | |
| Subtract: increase in the accrual of compensated absences | (310,259) |
| Add: increase in the net pension asset | 402,533 |
| Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities. | |
| Add: net operating loss from governmental activities accounted for in internal service funds | 490,221 |
| Add: nonoperating revenue recorded in internal service funds | 102,543 |
| Change in net assets of governmental activities | $ (188,197) |

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

# City of Bay City, Michigan
## General Fund
## Statement of Revenues, Expenditures and Changes in Fund Balance
## Budget and Actual
## For the Year Ended June 30, 2007

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|---|---|---|---|---|
| **Revenues** | | | | |
| Taxes | $ 10,270,739 | $ 10,270,739 | $ 10,160,324 | $ (110,415) |
| Licenses and permits | 17,675 | 17,675 | 17,887 | 212 |
| Intergovernmental | 7,241,051 | 7,241,051 | 6,637,822 | (603,229) |
| Charges for services | 3,929,088 | 3,929,088 | 3,932,944 | 3,856 |
| Fines and forfeitures | 111,500 | 111,500 | 106,239 | (5,261) |
| Interest revenue | 297,000 | 297,000 | 395,378 | 98,378 |
| Miscellaneous revenues | 201,348 | 223,150 | 332,705 | 109,555 |
| **Total revenues** | 22,068,401 | 22,090,203 | 21,583,299 | (506,904) |
| **Expenditures** | | | | |
| Current: | | | | |
| General government | | | | |
| Mayor | 17,968 | 17,968 | 14,115 | 3,853 |
| City commission | 102,822 | 102,822 | 93,092 | 9,730 |
| City manager | 286,620 | 286,620 | 285,138 | 1,482 |
| Promotional | 16,500 | 16,500 | 16,224 | 276 |
| Community development | 166,852 | 166,852 | 193,604 | (26,752) |
| Elections | 84,466 | 84,466 | 61,204 | 23,262 |
| Auditing | 50,500 | 50,500 | 49,433 | 1,067 |
| Assessor | 443,318 | 443,318 | 446,661 | (3,343) |
| Attorney | 176,000 | 176,000 | 162,546 | 13,454 |
| City clerk | 307,248 | 307,248 | 306,439 | 809 |
| Payroll/payables | 178,269 | 178,269 | 182,333 | (4,064) |
| Finance department | 327,184 | 327,184 | 217,772 | 109,412 |
| Accounting | 399,391 | 399,391 | 398,198 | 1,193 |
| Accounts receivable | 991,034 | 991,034 | 981,736 | 9,298 |
| Meter reading | 408,803 | 408,803 | 420,151 | (11,348) |
| Human resources | 298,821 | 393,792 | 351,809 | 41,983 |
| Purchasing | 325,278 | 325,278 | 325,199 | 79 |
| Treasurer | 293,358 | 293,358 | 287,578 | 5,780 |
| Public relations | 46,385 | 46,385 | 45,141 | 1,244 |
| Planning and zoning | 1,035,042 | 1,035,042 | 517,161 | 517,881 |
| Economic development | 248,372 | 248,372 | 246,868 | 1,504 |
| Contingencies | 77,802 | 83,052 | 6,982 | 76,070 |
| Total general government | 6,264,065 | 6,364,286 | 5,609,384 | 769,017 |

**City of Bay City, Michigan**
**General Fund**
**Statement of Revenues, Expenditures and Changes in Fund Balance**
**Budget and Actual**
**For the Year Ended June 30, 2007**

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|---|---|---|---|---|
| **Expenditures (continued)** | | | | |
| Public safety | | | | |
| C.O.P.S. program | $ 106,000 | $ 106,000 | $ 102,165 | $ 3,835 |
| Safe Streets Task Force | - | - | 18,190 | (18,190) |
| Police support | 1,103,000 | 1,091,604 | 1,110,506 | (18,902) |
| Drive Michigan safely | - | - | 16,918 | (16,918) |
| Special event overtime | 50,000 | 47,000 | 41,890 | 5,110 |
| Police in-service training | 40,500 | 32,500 | 33,774 | (1,274) |
| School guards | 13,209 | 12,209 | 11,693 | 516 |
| Street patrol | 4,535,167 | 4,598,167 | 4,542,377 | 55,790 |
| Police chief | 123,076 | 105,676 | 83,667 | 22,009 |
| Deputy police chiefs | 253,670 | 239,966 | 223,237 | 16,729 |
| Police command officers | 1,165,288 | 1,226,288 | 1,140,174 | 86,114 |
| Fire department | 6,215,877 | 6,215,877 | 6,184,441 | 31,436 |
| Total public safety | 13,605,787 | 13,675,287 | 13,509,032 | 166,255 |
| Public works | | | | |
| City hall and grounds | 296,778 | 296,778 | 277,744 | 19,034 |
| Engineering | 535,647 | 535,647 | 514,899 | 20,748 |
| Street lighting | 421,702 | 421,702 | 447,164 | (25,462) |
| Environmental | 2,700 | 2,700 | 700 | 2,000 |
| Total public works | 1,256,827 | 1,256,827 | 1,240,507 | 16,320 |
| Parks and recreation | 1,094,606 | 1,102,038 | 1,004,941 | 97,097 |
| Capital outlay | 73,300 | 175,025 | 217,881 | (42,856) |
| Debt Service: | | | | |
| Principal | 42,500 | 42,500 | 42,500 | - |
| **Total expenditures** | 22,294,585 | 22,573,463 | 21,624,245 | 1,005,833 |
| **Excess of revenues over (under) expenditures** | (226,184) | (483,260) | (40,946) | (1,512,737) |
| **Other financing sources (uses)** | | | | |
| Transfer out | (227,979) | (227,979) | (226,239) | 1,740 |
| **Changes in fund balances** | (454,163) | (711,239) | (267,185) | 444,054 |
| **Fund balances - beginning of year** | 5,353,236 | 5,353,236 | 5,353,236 | - |
| **Fund balances - end of year** | $ 4,899,073 | $ 4,641,997 | $ 5,086,051 | $ 444,054 |

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

## City of Bay City, Michigan
### Major Streets Fund
### Statement of Revenues, Expenditures and Changes in Fund Balance
### Budget and Actual
### For the Year Ended June 30, 2007

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|---|---|---|---|---|
| **Revenues** | | | | |
| Taxes: | | | | |
| Property taxes | $ 721,159 | $ 721,159 | $ 720,055 | $ (1,104) |
| Intergovernmental: | | | | |
| Federal | - | - | 1,659,368 | 1,659,368 |
| State | 2,323,491 | 2,323,491 | 2,300,963 | (22,528) |
| Miscellaneous: | | | | |
| Interest earnings | 6,000 | 6,000 | 17,983 | 11,983 |
| Reimbursements | 1,000 | 1,000 | 5,098 | 4,098 |
| Other | 24,000 | 24,000 | 8,394 | (15,606) |
| **Total revenues** | 3,075,650 | 3,075,650 | 4,711,861 | 1,636,211 |
| **Expenditures** | | | | |
| Public works | | | | |
| Highways, streets, and bridges | 3,743,100 | 3,891,621 | 2,562,150 | 1,329,471 |
| Capital outlay | 1,020,100 | 1,020,100 | 1,941,961 | (921,861) |
| **Total expenditures** | 4,763,200 | 4,911,721 | 4,504,111 | 407,610 |
| **Excess of revenues over (under) expenditures** | (1,687,550) | (1,836,071) | 207,750 | 2,043,821 |
| **Other financing sources (uses)** | | | | |
| Proceeds from the issuance of debt | 6,640,000 | 6,640,000 | - | (6,640,000) |
| Transfer in | 40,000 | 75,521 | 75,521 | - |
| **Total other financing sources (uses** | 6,680,000 | 6,715,521 | 75,521 | (6,640,000) |
| **Changes in fund balances** | (1,647,550) | (1,760,550) | 283,271 | 2,043,821 |
| **Fund balances - beginning of year** | 283,802 | 283,802 | 283,802 | - |
| **Fund balances - end of year** | $ (1,363,748) | $ (1,476,748) | $ 567,073 | $ 2,043,821 |

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

## City of Bay City, Michigan
### Rehabilitation Fund
### Statement of Revenues, Expenditures and Changes in Fund Balance
### Budget and Actual
### For the Year Ended June 30, 2007

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|---|---|---|---|---|
| **Revenues** | | | | |
| Intergovernmental: | | | | |
| Federal | $ 258,107 | $ 258,107 | $ 272,894 | $ 14,787 |
| Miscellaneous: | | | | |
| Program income | 193,800 | 193,800 | 216,897 | 23,097 |
| Interest earnings | 6,200 | 6,200 | 7,902 | 1,702 |
| **Total revenues** | 458,107 | 458,107 | 497,693 | 39,586 |
| **Expenditures** | | | | |
| Economic development | 591,166 | 591,166 | 539,479 | 51,687 |
| **Excess of revenues over (under) expenditures** | (133,059) | (133,059) | (41,786) | 91,273 |
| **Other financing sources (uses)** | | | | |
| Transfer in | 320,089 | 320,089 | 266,585 | (53,504) |
| Transfer out | (200,000) | (200,000) | (224,799) | (24,799) |
| **Total other financing sources (uses)** | 120,089 | 120,089 | 41,786 | (78,303) |
| **Changes in fund balances** | (12,970) | (12,970) | - | 12,970 |
| **Fund balances - beginning of year** | - | - | - | - |
| **Fund balances (deficit) - end of year** | $ (12,970) | $ (12,970) | $ - | $ 12,970 |

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

**City of Bay City, Michigan**
**Statement of Net Assets**
**Proprietary Funds**
**June 30, 2007**

| | Electric | Water | Sewer | Other Enterprise Funds | Total | Internal Service Funds |
|---|---|---|---|---|---|---|
| **Current assets** | | | | | | |
| Cash and cash equivalents | $ 10,193,339 | $ 5,628,645 | $ 5,460,417 | $ 282,764 | $ 21,565,165 | $ 4,909,200 |
| Receivables (net of allowance for uncollectibles) | | | | | | |
| Accounts | 4,152,944 | 693,333 | 1,741,236 | 8,153 | 6,595,666 | 5,998 |
| Special assessments | 54,416 | 10,317 | 35,964 | - | 100,697 | - |
| Accrued interest | 88,701 | 48,978 | 37,663 | 2,381 | 177,723 | 22,068 |
| Due from other funds | 62,603 | 7,692 | 4,726 | - | 75,021 | 462,621 |
| Due from other governments | 4,866 | - | - | - | 4,866 | - |
| Inventories | 1,709,696 | 515,129 | 225,031 | 13,328 | 2,463,184 | 111,980 |
| Prepaid expenses | - | - | - | - | - | 114,126 |
| Deposits | - | 8,350 | 340 | - | 8,690 | 330,793 |
| **Total current assets** | 16,266,565 | 6,912,444 | 7,505,377 | 306,626 | 30,991,012 | 5,956,786 |
| **Long-term assets** | | | | | | |
| **Restricted assets** | | | | | | |
| Debt service funds - investments | 726,295 | - | - | - | 726,295 | - |
| **Other assets** | | | | | | |
| Net pension asset | 519,837 | 326,203 | 332,798 | - | 1,178,838 | - |
| Unamortized debt expense | - | - | 266,354 | - | 266,354 | - |
| **Total other assets** | 519,837 | 326,203 | 599,152 | - | 1,445,192 | - |
| **Capital assets** | | | | | | |
| Land and improvements | 182,602 | 4,004,791 | 12,393,801 | 4,906,941 | 21,488,135 | - |
| Air rights | - | - | - | 95,421 | 95,421 | - |
| Buildings | 1,952,258 | 1,566,030 | 26,251 | 645,344 | 4,189,883 | - |
| Machinery and equipment | 3,300,151 | 1,169,303 | 1,803,264 | 93,180 | 6,365,898 | 12,811,486 |
| Utility plant in service | 60,009,700 | 53,968,783 | 146,696,793 | - | 260,675,276 | - |
| Construction in progress | - | - | 29,500 | 27,473 | 56,973 | - |
| | 65,444,711 | 60,708,907 | 160,949,609 | 5,768,359 | 292,871,586 | 12,811,486 |
| Less: accumulated depreciation | 35,168,415 | 35,331,530 | 66,632,821 | 1,908,433 | 139,041,199 | 7,311,266 |
| **Net capital assets** | 30,276,296 | 25,377,377 | 94,316,788 | 3,859,926 | 153,830,387 | 5,500,220 |
| **Total long-term assets** | 31,522,428 | 25,703,580 | 94,915,940 | 3,859,926 | 156,001,874 | 5,500,220 |
| **Total assets** | 47,788,993 | 32,616,024 | 102,421,317 | 4,166,552 | 186,992,886 | 11,457,006 |

| | Electric | Water | Sewer | Other Enterprise Funds | Total | Internal Service Funds |
|---|---|---|---|---|---|---|
| **Liabilities** | | | | | | |
| **Current liabilities** | | | | | | |
| Accounts payable | $ 1,087,194 | $ 407,299 | $ 156,566 | $ 33,275 | $ 1,684,334 | $ 487,381 |
| Accrued liabilities | 141,144 | 71,862 | 70,492 | 316 | 283,814 | 27,528 |
| Due to other funds | 41,095 | 163,960 | 250,737 | 4,873 | 460,665 | 347,838 |
| Due to other governmental units | 72,033 | 10,543 | - | - | 82,576 | 879 |
| Interest payable | - | 30,573 | 365,520 | - | 396,093 | 3,582 |
| Claims payable | - | - | - | - | - | 1,700,151 |
| Deposits | 113,682 | 36,099 | - | - | 149,781 | - |
| Deferred revenue | - | 53,034 | - | - | 53,034 | 205,608 |
| Accrued compensated absences - current | 237,566 | 218,938 | 140,795 | - | 597,299 | 84,441 |
| Notes payable - current | - | - | - | - | - | 42,685 |
| Bonds payable - current | 1,270,000 | 250,000 | 3,085,000 | - | 4,605,000 | - |
| **Total current liabilities** | 2,962,714 | 1,242,308 | 4,069,110 | 38,464 | 8,312,596 | 2,900,093 |
| **Long-term liabilities** | | | | | | |
| Accrued compensated absences | 527,629 | 398,849 | 271,393 | - | 1,197,871 | 72,652 |
| Notes payable | - | - | - | - | - | 239,355 |
| Bonds payable | 5,845,000 | 5,505,000 | 47,140,000 | - | 58,490,000 | - |
| **Total long-term liabilities** | 6,372,629 | 5,903,849 | 47,411,393 | - | 59,687,871 | 312,007 |
| **Total liabilities** | 9,335,343 | 7,146,157 | 51,480,503 | 38,464 | 68,000,467 | 3,212,100 |
| **Net assets** | | | | | | |
| Invested in capital assets, net of related debt | 23,161,296 | 19,622,377 | 44,091,788 | 3,859,926 | 90,735,387 | 5,218,180 |
| Unrestricted | 15,292,354 | 5,847,490 | 6,849,026 | 268,162 | 28,257,032 | 3,026,726 |
| **Total net assets** | $ 38,453,650 | $ 25,469,867 | $ 50,940,814 | $ 4,128,088 | $ 118,992,419 | $ 8,244,906 |

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

**City of Bay City, Michigan**
**Reconciliation of the Enterprise Funds Statement of Net Assets**
**to the Business-type Activities in the Statement of Net Assets**
**June 30, 2007**

| | |
|---|---|
| Net assets - total enterprise funds | $ 118,992,419 |
| Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. The assets and liabilities of certain internal service funds are included in business-type activities in the statement of net assets. | |
| Add: net assets of business-type activities accounted for in internal service funds | 3,285,789 |
| Net assets of business-type activities | $ 122,278,208 |

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

**City of Bay City, Michigan**
**Proprietary Funds**
**Statement of Revenues, Expenses and Changes in Net Assets**
**For the Year Ended June 30, 2007**

| | Electric | Water | Sewer | Other Enterprise Funds | Total | Internal Service Funds |
|---|---|---|---|---|---|---|
| **Operating revenues** | | | | | | |
| Charges for services: | | | | | | |
| Sales | $ 25,530,943 | $ 7,229,486 | $ 11,713,997 | $ 123,539 | $ 44,597,965 | $ 17,481,092 |
| Rents | - | - | - | 128,270 | 128,270 | - |
| Miscellaneous | 572,797 | 22,449 | 26,310 | 15,729 | 637,285 | 699,795 |
| **Total operating revenues** | 26,103,740 | 7,251,935 | 11,740,307 | 267,538 | 45,363,520 | 18,180,887 |
| **Operating expenses** | | | | | | |
| Cost of sales and service | 20,395,987 | 5,231,569 | 5,964,340 | 373,479 | 31,965,375 | 2,901,866 |
| Administration | 3,667,036 | 1,103,245 | 950,362 | - | 5,720,643 | 185,829 |
| Claims and benefits | - | - | - | - | - | 13,279,413 |
| Depreciation | 2,164,783 | 1,349,969 | 3,931,703 | 152,148 | 7,598,603 | 936,962 |
| **Total operating expenses** | 26,227,806 | 7,684,783 | 10,846,405 | 525,627 | 45,284,621 | 17,304,070 |
| **Operating income (loss)** | (124,066) | (432,848) | 893,902 | (258,089) | 78,899 | 876,817 |
| **Nonoperating revenues (expenses)** | | | | | | |
| Intergovernmental: | | | | | | |
| Federal grants | - | - | 218,939 | 20,000 | 238,939 | - |
| State grants | 399 | - | 22,612 | 242,758 | 265,769 | - |
| Interest earnings | 881,282 | 299,748 | 264,354 | 13,654 | 1,459,038 | 89,151 |
| Interest expense | (409,300) | (111,761) | (1,474,914) | - | (1,995,975) | (11,402) |
| Net loss on diposal of capital assets | - | - | - | - | - | 24,794 |
| Amortization of bond discount/deferred costs | - | - | (20,504) | - | (20,504) | - |
| **Total nonoperating revenues (expenses)** | 472,381 | 187,987 | (989,513) | 276,412 | (52,733) | 102,543 |
| **Income (loss) before transfers** | 348,315 | (244,861) | (95,611) | 18,323 | 26,166 | 979,360 |
| **Transfers** | | | | | | |
| Transfer in | 111,810 | - | - | 137,084 | 248,894 | - |
| Transfer out | (100,000) | - | - | - | (100,000) | - |
| **Total transfers** | 11,810 | - | - | 137,084 | 148,894 | - |
| **Changes in net assets** | 360,125 | (244,861) | (95,611) | 155,407 | 175,060 | 979,360 |
| **Net assets - beginning of year** | 38,093,525 | 25,714,728 | 51,036,425 | 3,972,681 | 118,817,359 | 7,265,546 |
| **Net assets - end of year** | $ 38,453,650 | $ 25,469,867 | $ 50,940,814 | $ 4,128,088 | $ 118,992,419 | $ 8,244,906 |

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

**City of Bay City, Michigan**
**Reconciliation of the Enterprise Funds Statement of Revenues, Expenses and Changes in Net Assets to the Business-type Activities in the Statement of Activities**
**For the Year Ended June 30, 2007**

| | | |
|---|---|---|
| Net change in net assets - total enterprise funds | $ | 175,060 |
| Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. The net revenue (expense) of certain internal service funds is reported with business-type activities. | | |
| Add: net operating gain from business-type activities accounted for in internal service funds | | 386,596 |
| Change in net assets of business-type activities | $ | 561,656 |

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

**City of Bay City, Michigan**
**Proprietary Funds**
**Combining Statement of Cash Flows**
**For the Year Ended June 30, 2007**

| | Electric | Water | Sewer | Other Enterprise Funds | Total | Internal Service Funds |
|---|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | | |
| Cash received from customers and users | $ 25,236,674 | $ 8,514,784 | $ 11,682,848 | $ 266,442 | $ 45,700,748 | $ - |
| Cash received from internal users | - | 133,491 | - | 3,792 | 137,283 | 18,345,929 |
| Cash payments to suppliers for goods and services | (19,574,287) | (2,390,382) | (3,153,073) | (384,701) | (25,502,443) | (13,909,081) |
| Cash payments to employees for services | (4,710,088) | (3,740,068) | (3,698,586) | (12,721) | (12,161,463) | (1,378,592) |
| Cash payments for internal services provided | (1,192,175) | - | (179,534) | - | (1,371,709) | - |
| Other operating revenues | 572,797 | 22,449 | 26,310 | 15,729 | 637,285 | - |
| **Net cash provided (used) by operating activities** | 332,921 | 2,540,274 | 4,677,965 | (111,459) | 7,439,701 | 3,058,256 |
| **Cash flows from noncapital financing activities** | | | | | | |
| Intergovernmental - federal grant | - | - | 218,939 | 20,000 | 238,939 | - |
| Intergovernmental - state grant | 399 | - | 22,612 | 242,758 | 265,769 | - |
| Net pension asset | (519,837) | (326,203) | (332,798) | - | (1,178,838) | - |
| Transfers in | 111,810 | - | - | 137,084 | 248,894 | - |
| Transfers (out) | (100,000) | - | - | - | (100,000) | - |
| **Net cash flows provided (used ) by noncapital financing activities** | (507,628) | (326,203) | (91,247) | 399,842 | (525,236) | - |
| **Cash flows from capital and related financing activities** | | | | | | |
| Purchase of capital assets | (1,584,674) | (2,727,076) | (1,156,394) | (301,782) | (5,769,926) | (1,168,476) |
| Proceeds from the sale of capital assets | - | - | - | - | - | 34,894 |
| Proceeds from issuing long-term debt | - | 1,349,273 | - | - | 1,349,273 | - |
| Principal paid on debt | (1,200,000) | (245,000) | (2,995,000) | - | (4,440,000) | (41,104) |
| Interest paid on debt | (409,300) | (111,761) | (1,474,914) | - | (1,995,975) | (11,402) |
| **Net cash (used) by capital and related financing activities** | (3,193,974) | (1,734,564) | (5,626,308) | (301,782) | (10,856,628) | (1,186,088) |
| **Cash flows from investing activities** | | | | | | |
| Proceeds from sale of investments | 117,424 | - | - | - | 117,424 | - |
| Interest earnings | 881,282 | 299,748 | 264,354 | 13,654 | 1,459,038 | 89,151 |
| **Net cash provided (used) by investment activities** | 998,706 | 299,748 | 264,354 | 13,654 | 1,576,462 | 89,151 |
| **Net increase (decrease) in cash and cash equivalents** | (2,369,975) | 779,255 | (775,236) | 255 | (2,365,701) | 1,961,319 |
| Cash and cash equivalents, beginning of period | 12,563,314 | 4,849,390 | 6,235,653 | 282,509 | 23,930,866 | 2,947,881 |
| **Cash and cash equivalents, end of period** | $ 10,193,339 | $ 5,628,645 | $ 5,460,417 | $ 282,764 | $ 21,565,165 | $ 4,909,200 |
| **Reconciliation of operating income to net cash provided by operating activities** | | | | | | |
| Operating income (loss) | $ (124,066) | $ (432,848) | $ 893,902 | $ (258,089) | $ 78,899 | $ 876,817 |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | | | | | | |
| Depreciation | 2,164,783 | 1,349,969 | 3,931,703 | 152,148 | 7,598,603 | 936,962 |
| (Increase) decrease in assets: | | | | | | |
| Accounts receivable | (345,926) | (63,129) | (33,498) | 9,710 | (432,843) | 18,271 |
| Special assesments receivable | 4,992 | (1,790) | (15,117) | - | (11,915) | - |
| Accrued interest receivable | 47,067 | 3,429 | 17,466 | 639 | 68,601 | (9,081) |
| Due from other funds | (62,603) | 17,653 | 32,322 | 624 | (12,004) | (177,732) |
| Due from other governments | (402) | 1,293,754 | - | 4,284 | 1,297,636 | - |
| Inventories | 9,353 | (993) | (61,227) | (13,328) | (66,195) | 19,225 |
| Prepaid expenses | - | 375,000 | - | - | 375,000 | 706,770 |
| Deposits | - | 120 | (340) | - | (220) | (74,075) |
| Increase (decrease) in liabilities: | | | | | | |
| Accounts payable | (472,794) | (396,583) | 20,108 | (11,243) | (860,512) | 135,727 |
| Accrued liabilities | 47,900 | (6,743) | 135 | 4 | 41,296 | (22,351) |
| Claims payable | - | - | - | - | - | 306,387 |
| Due to other funds | (1,129,572) | 115,838 | (211,856) | 3,792 | (1,221,798) | 333,584 |
| Due to other governmental units | 10,366 | 10,543 | - | - | 20,909 | 709 |
| Interest payable | - | 17,817 | (20,606) | - | (2,789) | (522) |
| Deposits | (6,679) | 3,429 | - | - | (3,250) | - |
| Accrued compensated absences | 190,502 | 201,774 | 124,973 | - | 517,249 | (3,428) |
| Deferred revenue | - | 53,034 | - | - | 53,034 | 10,993 |
| **Total adjustments** | 456,987 | 2,973,122 | 3,784,063 | 146,630 | 7,360,802 | 2,181,439 |
| **Net cash provided (used) by operating activities** | $ 332,921 | $ 2,540,274 | $ 4,677,965 | $ (111,459) | $ 7,439,701 | $ 3,058,256 |

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

# City of Bay City, Michigan
## Fiduciary Funds
## Statement of Net Assets
## June 30, 2007

| | Pension and Other Employee Benefit Trust Funds | Agency Funds |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | $ 2,801,606 | $ 148,306 |
| Investments | | |
| Mutual funds | 19,959,227 | - |
| Government securities | 10,025,428 | - |
| Corporate bonds | 2,925,872 | - |
| Common stock | 22,918,116 | - |
| Accounts receivable | 187,192 | - |
| Interest receivable | 195,856 | - |
| **Total assets** | 59,013,297 | $ 148,306 |
| **Liabilities** | | |
| Accounts payable | 100,011 | $ 48,177 |
| Due to other governments | - | 78,928 |
| Deposits payable | - | 21,201 |
| **Total liabilities** | 100,011 | $ 148,306 |
| **Net assets** | | |
| Held in trust for employees' pension benefits | 55,490,980 | |
| Held in trust for employees' postemployment health care benefits | 3,422,306 | |
| **Total net assets** | $ 58,913,286 | |

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

# City of Bay City, Michigan
## Statement of Changes in Plan Net Assets
## Pension and Other Employee Benefit Trust Funds
## For the Year Ended June 30, 2007

| | |
|---|---|
| **Additions** | |
| **Contributions** | |
| Employer | $ 2,703,095 |
| Plan members | 520,599 |
| **Total contributions** | 3,223,694 |
| **Investment income** | |
| Interest and dividends | 1,268,826 |
| Net appreciation in fair value of investments | 6,473,898 |
| Investment expense | (349,470) |
| **Net investment income** | 7,393,254 |
| **Other additions** | 32,524 |
| **Total additions** | 10,649,472 |
| **Deductions** | |
| Benefits and refunds paid to participants | 4,273,618 |
| Administrative expenses | 135,706 |
| **Total deductions** | 4,409,324 |
| **Net increase in plan net assets** | 6,240,148 |
| **Net assets held in trust for pension benefits** | |
| Beginning of year | 52,673,138 |
| **End of year** | $ 58,913,286 |

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

**City of Bay City, Michigan**
**All Component Units**
**Combining Statement of Net Assets**
**June 30, 2007**

| | Downtown Development Authority | Midland St. TIFA | Kresge's DDA | Marquette District TIFA | Water Street DDA | Marina Develop. TIFA | Allen Health-care DDA |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Cash and cash equivalents | $ 136,218 | $ 151,569 | $ 45,144 | $ 1,287,788 | $ 867,988 | $ 81,742 | $ 1,532 |
| Investments | - | - | - | - | - | - | - |
| Receivables: | | | | | | | |
| Accounts | 11,114 | - | - | - | - | - | - |
| Delinquent taxes | 4,924 | - | - | - | - | - | - |
| Accrued interest | 1,185 | 1,319 | 393 | 11,206 | 7,553 | 711 | 13 |
| Notes | - | - | - | - | - | - | - |
| Due from other governments | - | - | - | - | - | - | - |
| Inventories | - | - | - | - | - | - | - |
| Prepaid items | - | - | - | - | - | - | - |
| Restricted investments | - | - | - | - | - | - | - |
| Nondepreciable capital assets | - | 25,697 | - | 40,749 | 56,306 | 197,265 | - |
| Depreciable capital assets, net | 137,143 | 339,228 | 7,108 | 1,229,951 | 2,256,351 | 326,553 | - |
| Deferred financing costs | - | - | - | - | - | - | - |
| **Total assets** | 290,584 | 517,813 | 52,645 | 2,569,694 | 3,188,198 | 606,271 | 1,545 |
| **Liabilities** | | | | | | | |
| Accounts payable | 48,060 | 26,162 | - | 55,776 | 74,419 | 64,266 | - |
| Accrued liabilities | - | - | - | 1,518 | - | - | - |
| Interest payable | - | - | - | - | 15,255 | - | - |
| Deposits | 25 | - | - | - | - | - | - |
| Deferred revenue | - | - | - | - | - | - | - |
| Long-term debt: | | | | | | | |
| Bonds payable | - | - | - | - | 2,470,000 | - | - |
| Notes payable | - | - | - | - | - | - | 45,326 |
| **Total liabilities** | 48,085 | 26,162 | - | 57,294 | 2,559,674 | 64,266 | 45,326 |
| **Net assets** | | | | | | | |
| Invested in capital assets, net of related debt | 137,143 | 364,925 | 7,108 | 1,270,700 | (157,343) | 523,818 | - |
| Restricted for deposits held with bond trustee | - | - | - | - | - | - | - |
| Unrestricted (deficit) | 105,356 | 126,726 | 45,537 | 1,241,700 | 785,867 | 18,187 | (43,781) |
| **Total net assets** | $ 242,499 | $ 491,651 | $ 52,645 | $ 2,512,400 | $ 628,524 | $ 542,005 | $ (43,781) |

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

| Research Center Develop. TIFA | Knepp's DDA | Brownfield Redevelopment Authority | Columbus Avenue Mgmt. Board | Midland St. Mgmt. Board | P.O.W.E.R. | EDC | Downtown Mgmt. Board | Wenonah Park Properties | Totals |
|---|---|---|---|---|---|---|---|---|---|
| $ 42,845 | $ 42,124 | $ 14,725 | $ 9,491 | $ 22,629 | $ 1,137,858 | $ 106 | $ 55,691 | $ 269,001 | $ 4,166,451 |
| - | - | - | - | - | 1,000,000 | - | - | - | 1,000,000 |
| - | - | - | - | 40 | 138,042 | - | 1,003 | 144,188 | 294,387 |
| - | - | - | - | - | - | - | - | - | 4,924 |
| 373 | 367 | 128 | - | - | - | - | - | - | 23,248 |
| - | - | - | - | - | 4,000,000 | - | - | - | 4,000,000 |
| - | - | - | - | - | - | - | 80,159 | - | 80,159 |
| - | - | - | - | - | - | - | - | 37,999 | 37,999 |
| - | - | - | - | - | - | - | 2,624 | 180,440 | 183,064 |
| - | - | - | - | - | - | - | - | 3,081,731 | 3,081,731 |
| - | - | - | - | - | - | - | - | 2,179,942 | 2,499,959 |
| - | 88,235 | - | - | - | - | - | 1,657 | 25,364,460 | 29,750,686 |
| - | - | - | - | - | - | - | - | 865,173 | 865,173 |
| 43,218 | 130,726 | 14,853 | 9,491 | 22,669 | 6,275,900 | 106 | 141,134 | 32,122,934 | 45,987,781 |
| 24,483 | - | - | 1,054 | 2,591 | 18,738 | - | 2,871 | 164,154 | 482,574 |
| - | - | - | - | - | - | - | 2,528 | 115,430 | 119,476 |
| - | - | - | - | - | - | - | - | 1,067,997 | 1,083,252 |
| - | - | - | - | - | - | - | - | 46,207 | 46,232 |
| - | - | - | - | - | - | - | 1,410 | - | 1,410 |
| - | - | - | - | - | - | - | - | 15,455,000 | 17,925,000 |
| - | - | - | - | - | - | - | - | 7,395,000 | 7,440,326 |
| 24,483 | - | - | 1,054 | 2,591 | 18,738 | - | 6,809 | 24,243,788 | 27,098,270 |
| - | 88,235 | - | - | - | - | - | 1,657 | 5,559,575 | 7,795,818 |
| - | - | - | - | - | - | - | - | 3,081,731 | 3,081,731 |
| 18,735 | 42,491 | 14,853 | 8,437 | 20,078 | 6,257,162 | 106 | 132,668 | (762,160) | 8,011,962 |
| $ 18,735 | $ 130,726 | $ 14,853 | $ 8,437 | $ 20,078 | $ 6,257,162 | $ 106 | $ 134,325 | $ 7,879,146 | $ 18,889,511 |

**City of Bay City, Michigan**
**All Component Units**
**Combining Statement of Activities**
**For the Year Ended June 30, 2007**

| Functions / Programs | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Program Revenues: Capital Grants and Contributions | Net (Expense) Revenue |
|---|---|---|---|---|---|
| **Component units** | | | | | |
| Downtown Development Authority | $ 151,719 | $ 205,770 | $ - | $ - | $ 54,051 |
| Midland Street TIFA | 103,728 | - | - | - | (103,728) |
| Kresge's DDA | 256 | - | - | - | (256) |
| Marquette District TIFA | 203,807 | - | - | - | (203,807) |
| Water Street DDA | 263,165 | - | - | 779 | (262,386) |
| Marina Development TIFA | 10,850 | - | - | - | (10,850) |
| Allen Healthcare DDA | 4,808 | - | - | - | (4,808) |
| Research Center Development TIFA | 24,483 | - | - | - | (24,483) |
| Knepp's DDA | 2,968 | - | - | - | (2,968) |
| Brownfield Redevelopment | - | - | - | - | - |
| Columbus Avenue Management Board | 6,372 | 7,600 | 996 | - | 2,224 |
| Midland Street Management Board | 15,461 | 19,000 | - | - | 3,539 |
| POWER | 27,288 | - | - | - | (27,288) |
| EDC | - | - | - | - | - |
| Downtown Management Board | 252,648 | 57,984 | 80,996 | - | (113,668) |
| Wenonah Park Properties | 8,113,027 | 5,794,488 | - | - | (2,318,539) |
| Total component units | $ 9,180,580 | $ 6,084,842 | $ 81,992 | $ 779 | $ (3,012,967) |

continued…

**City of Bay City, Michigan**
**All Component Units**
**Combining Statement of Activities (Concluded)**
**For the Year Ended June 30, 2007**

| Functions/Programs | Downtown Development Authority | Midland St. TIFA | Kresge's DDA | Marquette District TIFA | Water Street DDA | Marina Develop. TIFA | Allen Health-care DDA |
|---|---|---|---|---|---|---|---|
| **Changes in net assets** | | | | | | | |
| Net (expense) revenue | $ 54,051 | $ (103,728) | $ (256) | $ (203,807) | $ (262,386) | $ (10,850) | $ (4,808) |
| General revenues: | | | | | | | |
| Property taxes | - | 103,963 | 1,670 | 429,307 | 304,608 | - | 19,588 |
| Unrestricted investment earnings | 4,291 | 15,557 | 2,545 | 83,804 | 54,984 | 10,273 | 502 |
| Miscellaneous revenue | 30,000 | - | - | - | - | - | - |
| Total general revenues | 34,291 | 119,520 | 4,215 | 513,111 | 359,592 | 10,273 | 20,090 |
| Change in net assets | 88,342 | 15,792 | 3,959 | 309,304 | 97,206 | (577) | 15,282 |
| Net assets, beginning of year, as restated | 154,157 | 475,859 | 48,686 | 2,203,096 | 531,318 | 542,582 | (59,063) |
| **Net assets, end of year** | $ 242,499 | $ 491,651 | $ 52,645 | $ 2,512,400 | $ 628,524 | $ 542,005 | $ (43,781) |

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

| Research Center Develop. TIFA | Knepp's DDA | Brownfield Redevelopment Authority | Columbus Avenue Mgmt. Board | Midland St. Mgmt. Board | P.O.W.E.R. | EDC | Downtown Mgmt. Board | Wenonah Park Properties | Totals |
|---|---|---|---|---|---|---|---|---|---|
| $ (24,483) | $ (2,968) | $ - | $ 2,224 | $ 3,539 | $ (27,288) | $ - | $ (113,668) | $ (2,318,539) | $ (3,012,967) |
| 16,797 | 15,299 | 9,082 | - | - | - | - | 113,455 | - | 1,013,769 |
| 1,937 | 2,705 | 481 | - | - | 128,051 | 6 | 2,770 | 151,482 | 459,388 |
| - | - | - | - | - | 250 | - | - | 1,624 | 31,874 |
| 18,734 | 18,004 | 9,563 | - | - | 128,301 | 6 | 116,225 | 153,106 | 1,505,031 |
| (5,749) | 15,036 | 9,563 | 2,224 | 3,539 | 101,013 | 6 | 2,557 | (2,165,433) | (1,507,936) |
| 24,484 | 115,690 | 5,290 | 6,213 | 16,539 | 6,156,149 | 100 | 131,768 | 10,044,579 | 20,397,447 |
| $ 18,735 | $ 130,726 | $ 14,853 | $ 8,437 | $ 20,078 | $ 6,257,162 | $ 106 | $ 134,325 | $ 7,879,146 | $ 18,889,511 |

## Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Bay City, Michigan (the "City") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant accounting policies used by the City of Bay City:

### A. Reporting Entity

The City of Bay City is a municipal corporation governed by an elected mayor and nine-member commission and administered by an appointed City Manager. As required by generally accepted accounting principles, these financial statements present the City and its component units-entities for which the City is considered to be financially accountable.

The discrete component unit columns in the government-wide financial statements represent a total of the City's discrete component units. They are reported in a separate column to emphasize that they are legally separate from the City.

The governing bodies of the Downtown Management Board (DMB), Midland Street Management Board, Columbus Avenue Management Board, P.O.W.E.R. Fund, Economic Development Corporation of the City of Bay City, Brownfield Redevelopment Authority, Wenonah Park Properties, all the Tax Increment Financing Authorities (TIFA's), and Downtown Development Authorities (DDA's), are all appointed by the City Commission or City Manager. These component units provide economic development and financing services to specific geographic areas within the City. These entities are fiscally dependent on the City because the City Commission is responsible for approving any debt issuances and the annual operating budgets of all component units except for Wenonah Park Properties and the Downtown Management Board. All discrete component units use governmental fund type accounting. However, full accrual accounting is used for financial statement presentation.

Complete financial statements for the DMB may be obtained at their administrative offices located at Commerce 1, 901 Saginaw Street, Bay City, MI 48708, and complete financial statements for Wenonah Park Properties may be obtained at City Hall located at 301 Washington Ave., Bay City, MI 48708. Separate financial statements for the Midland Street Management Board, Columbus Avenue Management Board, P.O.W.E.R. Fund, Economic Development Corporation of the City of Bay City, Brownfield Redevelopment Authority, TIFA's and DDA's are not prepared.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The City Manager is responsible for appointing members to the governing Board of the Bay City Housing Commission, but the City's accountability for the organization does not extend beyond making the appointments. Accordingly, this related organization is not included in these financial statements.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its discrete component units. For the most part, the effect of interfund activity has been eliminated from these statements. Governmental activities, normally 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 included among program revenues are reported instead as general revenue.

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. Revenue is 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 revenue 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.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenues of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

**The City reports the following major governmental funds:**

**The General Fund** is the City'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 Major Streets Fund** is used to account for major streets maintenance funds received from the State of Michigan, as well as, property tax and other revenues used to maintain and reconstruct major streets within the City.

**The Rehabilitation Fund** is used to account for revenues and expenditures related to providing financing to low and moderate income individuals to assist with home improvements within specific neighborhoods of the City.

**The City reports the following major proprietary funds:**

**The Electric Fund** is used to account for all activities relative to providing electric utility services to customers within Bay City and the surrounding townships.

**The Water Fund** is used to account for all activities relative to the maintenance and operation of the Water Distribution System and Water Treatment Plant.

**The Sewer Fund** is used to account for all activities relative to the maintenance and operation of the City's sanitary and combination sewers, the Wastewater Treatment Plant, and stormwater system.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

**Additionally, the City reports the following fund types:**

**Internal Service Funds** account for fleet; equipment purchases and maintenance; employee benefits; information systems; as well as self-insurance and risk management services provided to other departments of the City on a cost reimbursement basis.

**The Pension Trust Funds** account for the activities of the Police and Fire Employees' Retirement System, which accumulates resources for pension benefit payments to qualified police and fire members. In addition, the City has two separate Health Care Investment Funds. The first fund accounts for non–public safety retirees and the second fund accounts for police & fire retirees. The purpose of these funds is to accumulate and invest funds to provide for the funding of health care benefits to retired employees of the City and their beneficiaries.

**The Agency Funds** account for assets held for other governments in an agency capacity, including tax collections and other project funds.

Private sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The City has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities and enterprise funds.

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 City's enterprise functions and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The City allocates indirect expenses primarily comprised of central governmental services to operating functions and programs benefiting from those services. Central services include City management, centralized budgetary formulation and oversight, accounting, financial reporting, payroll, procurement contracting and oversight, investing and cash management, personnel services, and other central administrative services. Allocations are charged to programs based on use of central services determined by various allocating methodologies. These charges are separately reported in the statement of activities. As a matter of policy, certain functions that use significant central services are not charged for the use of these services. These functions or programs include police, fire, and certain divisions within public services and parks.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

**Proprietary Funds** distinguish operating revenue and expenses from non-operating items. Operating revenue 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 revenue of the City's proprietary funds relates to charges to customers for sales and services. The Water and Sewer Funds also recognize the portion of tap fees intended to recover current costs (e.g., labor and materials to connect new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as non-operating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non operating revenue and expenses.

D. Assets, Liabilities, and Net Assets or Fund Equity

**Bank Deposits and Investments** – The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The Pension Trust Fund is authorized by the State's Pension Investment Act, as amended, to invest in common stocks, real estate, and various other investment instruments, subject to certain limitations.

Investments are reported at fair value. Investment fair values are predominantly determined using quoted market prices.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/from other funds". Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

During the course of operations numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the governmental funds balance sheet.

**Property Taxes** – Property taxes are levied each July 1 and December 1 on the assessed valuation of property, as equalized by the State, as of the preceding December 31, the lien date. The levies are considered past due on September 15 and February 15, respectively, at which time applicable penalties and interest are assessed. The City bills and collects its own property taxes and also taxes for the various local governmental units. Collection and remittance for other units are accounted for in the Current Tax Collections Agency Fund. City property tax revenues are recognized when levied to the extent that they result in current receivables.

**Inventories and Prepaid Items** - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

**Restricted Assets** - The revenue bonds of the Enterprise Funds require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets.

**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 column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than $5,000 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. Infrastructure is reported retrospectively from 1980, except for right-of-ways, bridges and traffic signals, which are required to be reported despite the date of purchase.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Donated capital assets are recorded at estimated fair market 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.

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

| ASSETS | YEARS |
|---|---|
| Buildings | 50 |
| Land Improvements | 50 |
| Machinery and Equipment | 5 - 20 |
| Vehicles | 3 - 10 |

The estimated useful lives of infrastructure assets are as follows:

| | YEARS |
|---|---|
| Site Improvements, Streets, Sidewalk, Curbs | 20 |
| Bridges | 50 |

**Compensated Absences (Vacation and Sick Leave)** - It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation pay and sick leave are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

City employees earn vacation leave at rates ranging between 12 and 28 days per year depending on their union membership and length of service. All outstanding vacation is payable upon resignation, retirement, or death. Sick pay is accumulated by employees at rates ranging between 6.67 hours to one day per month of employment. Depending on the union contract, some employees earn one additional day if the employee does not use any sick leave days within a three-month period. Outstanding sick pay is payable only upon qualified retirement. The amount paid is one-half of the accumulated sick days ranging from 0 to a maximum of 160 days dependent upon the union contract under which the employee is covered. Employees with over 25 years of service (with the maximum 160 days of sick leave) receive 20 additional days of sick leave pay for each year of service in excess of 25 years but cannot exceed 80 additional days. The maximum number of days an employee may be compensated for cannot exceed 160 days.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

**Long-Term Obligations** - In the government-wide financial statements and the proprietary fund types in the 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 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 other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Fund Equity** - 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 management plans that are subject to change.

Note 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

**Budgetary Information** – Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental fund types, except capital project funds which are adopted on a project level.

Individual amendments for the year were not material in relation to the original appropriations. Supplemental appropriations were made during the year. Unexpended appropriations lapse at year-end.

Budget appropriations are prepared by the City Manager and authorized by the City Commission on a departmental basis in accordance with sections of the City Charter. Intradepartment budget transfers within the General Fund and budget transfers within all other funds can be approved by the City Manager. All budget amendments and transfers in excess of $4,500 within a General Fund Department and at the total fund level for all other funds must be approved by the City Commission. Therefore, legal budgetary control is exercised at the activity level for the General Fund and the total fund level for all other funds. The policy limits the aggregate amount of transfers to $4,500 per fiscal year within a General Fund Department and at the total fund level for all other funds without Commission approval.

Encumbrances – Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City of Bay City because it is not, at present, considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

Note 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY-CONTINUED

Excess of Expenditures Over Appropriations in Budgeted Funds – During the year, the City incurred expenditures that were in excess of the amounts budgeted, as follows:

| | Amended Budget | Actual | Variance |
|---|---|---|---|
| General Fund: | | | |
| General government: | | | |
| Community Development | $ 166,852 | $ 193,604 | $ (26,752) |
| Assessor | 443,318 | 446,661 | (3,343) |
| Payroll/Payables | 178,269 | 182,333 | (4,064) |
| Meter Reading | 408,803 | 420,151 | (11,348) |
| Public safety: | | | |
| Safe Streets Task Force | - | 18,190 | (18,190) |
| Police Support | 1,091,604 | 1,110,506 | (18.902) |
| Drive Michigan Safely | - | 16,918 | (16,918) |
| Police in-service training | 32,500 | 33,774 | (1,274) |
| Public works: | | | |
| Street Lighting | 421,702 | 447,164 | (25,462) |
| Capital outlay | 175,025 | 217,881 | (42,856) |
| Special Revenue Funds: | | | |
| Community Policing Fund | 107,412 | 111,693 | (4,281) |
| Community Development Block Grant | 1,189,633 | 1,380,984 | (191,351) |

**Fund Deficits** - The City has accumulated a fund deficit in the following component unit:

**Allen Healthcare DDA** component unit in the amount of $43,781. The development plan of this component unit states that the amount of tax increment revenues collected on an annual basis will be applied against its debt until it has been paid off. It is estimated that this will occur in fiscal year ending June 30, 2010.

## Note 3 - DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes local governmental units to make deposits and invest in the accounts of federally insured banks and credit unions that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances 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 that are legal for direct investment by local units of government in Michigan.

The breakdown between deposits and investments for the City is as follows:

Statement of Net Assets:

| | Govern-mental Activities | Business-Type Activities | Fiduciary Funds | Total Primary Government | Component Units | Total |
|---|---|---|---|---|---|---|
| Cash and cash equivalents | $13,303,229 | $21,565,165 | $ 2,949,912 | $37,818,306 | $ 5,166,451 | $ 42,984,757 |
| Investments | - | - | 55,828,643 | 55,828,643 | - | 55,828,643 |
| Restricted Assets | - | 726,295 | - | 726,295 | 3,081,731 | 3,808,026 |
| Total | $13,303,229 | $22,291,460 | $58,778,555 | $94,373,244 | $ 8,248,182 | $102,621,426 |

Deposit and Investments:

| | |
|---|---|
| Bank Deposits (checking, savings, and certificates of deposit) | $ 19,029,833 |
| Investments (securities, commercial paper, and money market accounts) | 83,591,593 |
| Total | $102,621,426 |

*Custodial Credit Risk – Deposits*. For deposits, custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to the government. The City does not require collateralization of deposits. At June 30, 2007, the carrying value of deposits owned by the City was $10,781,651 and component units was $8,248,182. Approximately $600,000 of the City's bank balance and $200,000 of the component unit bank balance was covered by federal depository insurance. The remaining balance of $20,859,293 was exposed to custodial credit risk because it was unsecured and uncollateralized.

*Custodial Credit Risk – Investments*. Following is a summary of the City's investments as of June 30, 2007:

| | |
|---|---|
| Mutual Funds | $ 19,959,227 |
| Government securities | 8,095,212 |
| Agency obligations | 29,693,166 |
| Corporate bonds | 2,925,872 |
| Common stock | 22,918,116 |
| Total | $ 83,591,593 |

## Note 3 - DEPOSITS AND INVESTMENTS – CONTINUED

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 City's investment policy requires that investment securities be held in third-party safekeeping by a designated institution and that the safekeeping agent follow the procedure of delivery vs. payment. As of June 30, 2007, none of the City's investments, excluding the money market accounts which are not subject to custodial credit risk, were exposed to risk since the securities are held in the City's name by the counter party.

*Interest Rate Risk*. As of June 30, 2007, maturities of the City's debt securities were as follows:

| | | Investment Maturities (In Years) | | | | Credit Rating |
|---|---|---|---|---|---|---|
| | Fair Value | Less Than 1 | 1-5 | 6-10 | More Than 10 | Moody's Investor Services |
| Government obligations | $ 8,095,212 | $ 348,136 | $ 3,380,998 | $ 172,830 | $4,193,248 | AAA |
| Agency obligations | 25,687,956 | 1,996,250 | 22,852,850 | - | 838,856 | AAA |
| Corporate bonds | 215,530 | - | 48,374 | 137,699 | 29,457 | A1 |
| Corporate bonds | 165,719 | - | 59,147 | 69,086 | 37,486 | A2 |
| Corporate bonds | 217,513 | - | 115,777 | 101,736 | - | AA2 |
| Corporate bonds | 262,701 | - | 142,668 | 120,033 | - | AA3 |
| Corporate bonds | 850,297 | - | 333,767 | 370,160 | 146,370 | AAA |
| Corporate bonds | 191,136 | - | 59,248 | 131,888 | - | B1 |
| Corporate bonds | 110,137 | - | 20,400 | 89,737 | - | B2 |
| Corporate bonds | 126,831 | - | 51,500 | 75,331 | - | B3 |
| Corporate bonds | 127,806 | - | 15,656 | 48,641 | 63,509 | BA1 |
| Corporate bonds | 149,650 | - | 24,000 | 125,650 | - | BA2 |
| Corporate bonds | 97,950 | - | - | 97,950 | - | BA3 |
| Corporate bonds | 72,228 | - | - | - | 72,228 | BAA1 |
| Corporate bonds | 150,973 | - | - | 117,511 | 33,462 | BAA2 |
| Corporate bonds | 160,963 | - | 24,677 | 136,286 | - | BAA3 |
| Corporate bonds | 26,438 | - | - | 26,438 | - | CAA1 |
| FNMA | 214,267 | 30,000 | - | 71,579 | 112,688 | AAA |
| FNMA passthroughs | 3,790,943 | - | - | - | 3,790,943 | AAA |
| | $40,714,250 | $2,374,386 | $27,129,062 | $1,892,555 | $9,318,247 | |

To the extent possible, the City attempts to match its investments with anticipated cash flow requirements. Short-term funds matched to a specific cash flow requirement shall be invested in securities maturing not more than two (2) years from the date of purchase. Long-term funds (capital, debt services, etc.) matched to a specific cash flow requirement may be invested in securities maturing not more than five (5) years from the date of purchase.

Note 3 - DEPOSITS AND INVESTMENTS – CONTINUED

The City's investment policy and the Police & Fire Retirement System's investment policy do not have specific limits on maturities of debt securities as a means of managing its exposure to fair value losses arising from increasing interest rate.

*Credit Risk*. State law limits investments to specific governmental 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 in the list of authorized investments in the summary of significant accounting policies. The City's investment policy does not have specific limits in excess of state law on investment credit risk. Credit risk ratings, where applicable, have been identified above for the City's investments.

The Police & Fire Retirement System's investment policy on credit risk for allowable debt securities follows. The credit rating for each investment type is identified in the above table for debt securities held at June 30, 2007. Regarding Core Plus Fixed Income, the System's investment policy allows its investments managers to invest up to 12.5% of the portfolio in non-investment grade securities (BB to CC rated), with at least 80% of the non-investment grade portfolio consisting of BB or B rated securities. The policy also allows investment managers to invest up to 10% of the portfolio in non-U.S. dollar denominated fixed income securities. The minimum credit rating for international fixed income securities is single B at the time of purchase.

*Concentration of Credit Risk*. At June 30, 2007, the investment portfolio was concentrated as follows:

| Investment Type | Issuer | % of Portfolio | Amount |
|---|---|---|---|
| U.S. agencies | Federal National Mortgage Association | 8.4% | $ 4,384,978 |

The City diversifies its investment portfolio by security type and institution to eliminate potential losses. Individual securities having potential risks shall be limited in size so that default will not exceed the annual income generated from the remainder of the portfolio.

The Police & Fire Retirement System's investments policy limits maturity value that may be invested in American Depository Receipts to 15% of each equity portfolio. In addition, the System's investment policy limits maturity value that may be invested in U.S. Equities to 5% of the outstanding securities of one issuer.

## Note 4 – ACCOUNTS RECEIVABLE AND ALLOWANCES FOR UNCOLLECTIBLES

Receivables in the primary government and component units are as follows:

| | Governmental Activities | Business-type Activities | Component Units | Total |
|---|---|---|---|---|
| Receivables: | | | | |
| Accounts | $ 689,994 | $ 6,842,294 | $ 711,087 | $ 8,243,375 |
| Taxes | 266,464 | 181,467 | 6,670 | 454,601 |
| Interest | 96,027 | 177,723 | 23,248 | 296,998 |
| Intergovernmental | 1,257,621 | 4,866 | 80,159 | 1,342,646 |
| Notes | 7,176,032 | - | 4,000,000 | 11,176,032 |
| Gross Receivables | 9,486,138 | 7,206,350 | 4,821,164 | 21,513,652 |
| Less: Allowance for Uncollectibles | (164,432) | (327,398) | (418,446) | (910,276) |
| Net total receivables | $ 9,321,706 | $ 6,878,952 | $ 4,402,718 | $ 20,603,376 |

The only receivables not expected to be collected within one year are approximately $7 million and $4 million of the notes receivable reported in the Rehabilitation fund and P.O.W.E.R. Fund component unit, respectively.

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

| | Unavailable | Unearned |
|---|---|---|
| Notes and accounts receivable from homeowners expected to be collected over several years | $ 7,180,532 | $ - |
| Special assessments (non-current portion) | 59,481 | - |
| Delinquent personal property taxes receivable | 115,086 | - |
| Grant and categorical aid payment received prior to meeting all eligibility requirements | - | 205,608 |
| Total | $ 7,355,099 | $ 205,608 |

## Note 5 - CAPITAL ASSETS

Capital asset activity of the City's governmental activities for the year ended June 30, 2007 was as follows:

| Governmental Activities | Balance July 1, 2006 | Additions | Disposals and Adjustments | Balance June 30, 2007 |
|---|---|---|---|---|
| Capital assets not being depreciated: | | | | |
| Land | $ 18,597,840 | $ - | $ (1,058,769) | $ 17,539,071 |
| Construction in progress | 199,850 | 139,897 | (129,482) | 210,265 |
| Other intangible assets | 376,000 | - | - | 376,000 |
| Subtotal | 19,173,690 | 139,897 | (1,188,251) | 18,125,336 |
| Capital assets being depreciated: | | | | |
| Roads and sidewalks | 121,998,102 | 2,766,949 | - | 124,765,051 |
| Buildings and improvements | 6,377,010 | 274,370 | - | 6,651,380 |
| Vehicles | 11,805,676 | 1,164,711 | (662,020) | 12,308,367 |
| Office furnishings | 39,293 | - | - | 39,293 |
| Other tools and equipment | 3,263,427 | 252,014 | (124,508) | 3,390,933 |
| Subtotal | 143,483,508 | 4,458,044 | (786,528) | 147,155,024 |
| Accumulated depreciation: | | | | |
| Roads and sidewalks | (70,925,567) | (3,128,288) | - | (74,053,855) |
| Buildings and improvements | (3,409,651) | (194,129) | - | (3,603,780) |
| Vehicles | (6,452,055) | (929,968) | 636,643 | (6,745,380) |
| Office furnishings | (11,841) | (1,965) | - | (13,806) |
| Other tools and equipment | (2,107,390) | (335,088) | 123,000 | (2,319,478) |
| Subtotal | (82,906,504) | (4,589,438) | 759,643 | (86,736,299) |
| Net capital assets being depreciated | 60,577,004 | (131,394) | (26,885) | 60,418,725 |
| Governmental activities capital assets, net | $ 79,750,694 | $ 8,503 | $ (1,215,136) | $ 78,544,061 |

## Note 5 - CAPITAL ASSETS - CONTINUED

Capital asset activity of the City's business-type activities for the year ended June 30, 2007 was as follows:

| Business-type Activities | Balance July 1, 2006 | Additions | Disposals and Adjustments | Balance June 30, 2007 |
|---|---|---|---|---|
| Capital assets not being depreciated: | | | | |
| Land | $ 821,424 | $ - | $ - | $ 821,424 |
| Construction in progress | - | 56,973 | - | 56,973 |
| Other | 95,421 | - | - | 95,421 |
| Subtotal | 916,845 | 56,973 | - | 973,818 |
| Capital assets being depreciated: | | | | |
| Utility plant and systems | 257,981,921 | 3,608,286 | (384,589) | 261,205,618 |
| Land Improvements | 18,982,758 | 1,747,954 | (64,000) | 20,666,712 |
| Buildings and improvements | 3,639,597 | 19,944 | - | 3,659,541 |
| Machinery and equipment | 6,029,126 | 336,771 | - | 6,365,897 |
| Subtotal | 286,633,402 | 5,712,955 | (448,589) | 291,897,768 |
| Accumulated depreciation: | | | | |
| Utility plant and systems | (124,156,660) | (6,806,898) | 384,589 | (130,578,969) |
| Land improvements | (2,307,761) | (443,489) | 64,000 | (2,687,250) |
| Buildings and improvements | (2,060,493) | (76,272) | - | (2,136,765) |
| Machinery and equipment | (3,366,271) | (271,944) | - | (3,638,215) |
| Subtotal | (131,891,185) | (7,598,603) | 448,589 | (139,041,199) |
| Net capital assets being depreciated | 154,742,217 | (1,885,648) | - | 152,856,569 |
| Business-type Activities capital assets, net | $ 155,659,062 | $(1,828,675) | $ - | $ 153,830,387 |

## Note 5 - CAPITAL ASSETS - CONTINUED

Capital asset activity of the City's component units for the year ended June 30, 2007 was as follows:

| Component Units | Balance July 1, 2006 | Additions | Disposal and Adjustments | Balance June 30, 2007 |
|---|---|---|---|---|
| Capital assets not being depreciated: | | | | |
| Land | $ 2,170,136 | $ 24,000 | $ - | $ 2,194,136 |
| Construction in progress | 121,675 | 264,824 | (80,676) | 305,823 |
| Subtotal | 2,291,811 | 288,824 | (80,676) | 2,499,959 |
| Capital assets being depreciated: | | | | |
| Buildings | 21,557,063 | - | - | 21,557,063 |
| Infrastructure | 7,045,108 | 554,589 | - | 7,599,697 |
| Furniture and equipment | 4,559,926 | 42,587 | - | 4,602,513 |
| Vehicles | 31,326 | - | - | 31,326 |
| Subtotal | 33,193,423 | 597,176 | - | 33,790,599 |
| Accumulated depreciation: | | | | |
| Buildings | (703,689) | (432,501) | - | (1,136,190) |
| Infrastructure | (1,317,088) | (248,628) | - | (1,565,716) |
| Furniture and equipment | (809,489) | (512,333) | - | (1,321,822) |
| Vehicles | (9,920) | (6,265) | - | (16,185) |
| Subtotal | (2,840,186) | (1,199,727) | - | (4,039,913) |
| Net capital assets being depreciated | 30,353,237 | (620,551) | - | 29,750,686 |
| Component Units capital assets, net | $ 32,645,048 | $ (313,727) | $ (80,676) | $ 32,250,645 |

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

| | |
|---|---|
| Governmental activities: | |
| General government | $ 38,089 |
| Public safety | 290,601 |
| Public works | 3,005,716 |
| Recreation and culture | 214,741 |
| Community & Economic Development | 103,328 |
| Internal Service Fund depreciation is charged to the various function based on their usage of the asset | 936,962 |
| Total governmental activities | $ 4,589,437 |
| Business-type activities: | |
| Electric | 2,164,783 |
| Water | 1,349,969 |
| Sewer | 3,931,703 |
| Other enterprise funds | 152,148 |
| Total business-type activities | $ 7,598,603 |

## Note 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Outstanding balances between funds are reported in the fund financial statements as "due to/from other funds". These amounts result from short-term lending from one fund to another. Any residual balances outstanding between the governmental activities and business-type activities are reported in the governmental-wide financial statements as "internal balances".

The composition of interfund balances is as follows:

| | General Fund | Rehab-.ilitation Fund | Major Street Fund | Nonmajor Govern-mental Funds | Sewer Fund | Water Fund | Nonmajor Enterprise Funds | Internal Service Funds | Total |
|---|---|---|---|---|---|---|---|---|---|
| General Fund | $ - | $ - | $ 5,063 | $ 2,403 | $ - | $ - | $ 399 | $ 42,278 | $ 50,143 |
| Rehabilitation Fund | 20,231 | - | - | 2,050 | - | - | - | - | 22,281 |
| Major Street Fund | 113,336 | - | - | 214,416 | - | - | - | 4,097 | 331,849 |
| Nonmajor Governmental Funds | 130,167 | 2,050 | - | - | - | - | 62,204 | 4,361 | 198,782 |
| Electric Fund | - | - | - | - | 4,726 | 7,692 | - | 28,677 | 41,095 |
| Sewer Fund | - | - | 233,121 | - | - | - | - | 17,616 | 250,737 |
| Water Fund | 124,564 | - | 21,642 | - | - | - | - | 17,754 | 163,960 |
| Nonmajor Enterprise Funds | 4,873 | - | - | - | - | - | - | - | 4,873 |
| Internal Service Funds | - | - | - | - | - | - | - | 347,838 | 347,838 |
| Total | $393,171 | $ 2,050 | $259,826 | $218,869 | $ 4,726 | $ 7,692 | $ 62,603 | $462,621 | $ 1,411,558 |

Interfund Transfers:
Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; or to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The composition of interfund transfers is as follows:

| | General Fund | Rehab-ilitation Fund | Nonmajor Govern-mental Funds | Electric Fund | Total |
|---|---|---|---|---|---|
| Transfers to: | | | | | |
| Rehabilitation Fund | $ - | $ - | $ 266,585 | $ - | $ 266,585 |
| Major Streets Fund | - | - | 35,521 | 40,000 | 75,521 |
| Nonmajor Governmental Funds | 89,155 | 224,799 | 125,000 | 60,000 | 498,954 |
| Electric Fund | - | - | 111,810 | - | 111,810 |
| Nonmajor Enterprise Funds | 137,084 | - | - | - | 137,084 |
| Total | $ 226,239 | $ 224,799 | $ 538,916 | $ 100,000 | $ 1,089,954 |

## Note 7 – CAPITAL LEASES

The City of Bay City has entered into two separate lease agreements as lessee of a copier with Xerox, and a mail-stuffing machine with Pitney Bowes. The original amount of the copier was $29,235 and the original amount of the mail-stuffing machine was $38,100. The remaining balances are $18,272 for the copier and $4,445 for the mail-stuffing machine. Annual lease payments required under the capital leases are as follows:

| Fiscal Year End | General Fund |
|---|---|
| 2008 | $ 11,754 |
| 2009 | 7,309 |
| 2010 | 3,654 |
| Total minimum payments due | 22,717 |
| Less interest | - |
| Present value of net minimum leases | $ 22,717 |

## Note 8 – LONG-TERM DEBT

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. City contractual agreements and installment purchase agreements are also general obligations of the government. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Long-term debt obligation activity can be summarized as follows:

Governmental Activities:

| | Balance 7/01/06 | Additions (Reductions) | Balance 6/30/07 | Due-Within One-Year |
|---|---|---|---|---|
| 6.4% to 7.15% Street Improvement Capital Appreciation G.O. bonds dated 7/2/91, aggregate principal due at maturity beginning 6/1/99 through 6/1/21. | $ 17,774,130 | $ 1,283,447<br>(1,595,000) | $ 17,462,577 | $ 1,615,000 |
| Capital Lease due in installments through 2010. | 25,581 | (7,309) | 18,272 | 7,309 |
| Capital Lease due in installments through 2007. | 7,718 | (7,718) | - | - |
| Capital Lease due in installments through 2008. | 12,065 | (7,620) | 4,445 | 4,445 |
| Purchase Agreement due in installments, including interest, through 2013. Originated in Motor Equipment Revolving Internal Service Fund. | 323,144 | (41,104) | 282,040 | 42,685 |
| Employee compensated absences. | 2,782,631 | 1,176,736<br>(886,513) | 3,072,854 | 1,095,614 |
| Total Governmental Activities | $ 20,925,269 | $ (85,081) | $ 20,840,188 | $ 2,765,053 |

## Note 8 – LONG-TERM DEBT - CONTINUED

### Business-Type Activities:

#### Sewer Fund

| | Balance 7/01/06 | Additions (Reductions) | Balance 6/30/07 | Due-Within One-Year |
|---|---|---|---|---|
| 4.9% to 5.6% G.O. Sewage Disposal System Improvement Bonds, Series 1999, principal due in annual installments of $45,000 to $120,000 through 4/1/20, interest due semi-annually April 1 and October 1. | $ 1,195,000 | $ (60,000) | $ 1,135,000 | $ 65,000 |
| 2.0% to 3.75% G.O. Sewage System Improvement Refunding Bonds, principal due in annual installments through 9/1/12, interest payable semi-annually March 1 and September 1. | 3,225,000 | (405,000) | 2,820,000 | 425,000 |
| 2.5% State Revolving Fund Loan issued March 29, 2001, principal due in annual installments beginning 4/01/04 through 4/01/23, interest due semi-annually April 1 and October 1. | 37,325,000 | (1,790,000) | 35,535,000 | 1,835,000 |
| 2.5% to 3.5% G.O. Sanitary Sewage System Bonds, Series 2004, principal due in annual installments of $525,000 to $690,000 through 10/1/14, interest due semi-annually April 1 and October 1. | 5,475,000 | (540,000) | 4,935,000 | 550,000 |
| 3.5% to 4.25% G.O. Sanitary Sewage System Bonds, Series 2005, principal due in annual installments of $200,000 to $430,000 through 10/1/25, interest due semi-annually April1 and October 1. | 6,000,000 | (200,000) | 5,800,000 | 210,000 |

#### Electric Fund

| | | | | |
|---|---|---|---|---|
| 5.0% to 5.5% Electric Utility System Revenue Refunding Bonds, 1997 Series, principal due in annual installments of $925,000 to $1,585,000 through 1/1/12, interest due semi-annually January 1 and July 1. Payment net of amortization of $67,221. | 8,315,000 | (1,200,000) | 7,115,000 | 1,270,000 |

## Note 8 – LONG-TERM DEBT - CONTINUED

Business-Type Activities:

Water Fund

| | Balance 7/01/06 | Additions (Reductions) | Balance 6/30/07 | Due-Within One-Year |
|---|---|---|---|---|
| 2.125% Michigan State Revolving Fund loan issued June 23, 2005, principal due in annual installments of $245,000 to $365,000 beginning 4/1/07 through 4/1/26, interest due semi-annually April 1 and October 1. | $ 4,650,727 | $ 1,349,273<br>(245,000) | $ 5,755,000 | $ 250,000 |
| **Other** | | | | |
| Employee Compensated Absences | 1,277,921 | 1,006,537<br>(489,288) | 1,795,170 | 597,299 |
| Total | $67,463,648 | $ (2,573,478) | $ 64,890,170 | $ 5,202,299 |

The aggregate debt service requirements to pay principal and interest on the various bonds and loans outstanding with interest of $14,359,054 in the business-type activities, interest of $24,043,759 including capital appreciation of $11,749,868 in the governmental activities bonded debt, and interest of $36,130 in governmental activities other debt are as follows:

| | Governmental Activities | | | | Business Type Activities | |
|---|---|---|---|---|---|---|
| Fiscal Year | Bonded Debt | | Other Debt | | | |
| End | Principal | Interest | Principal | Interest | Principal | Interest |
| 2008 | $ 500,279 | $ 1,114,721 | $ 54,439 | $ 10,343 | $ 4,605,000 | 1,883,505 |
| 2009 | 468,509 | 1,166,491 | 51,637 | 8,701 | 4,760,000 | 1,727,357 |
| 2010 | 443,618 | 1,216,382 | 49,686 | 6,996 | 4,945,000 | 1,561,460 |
| 2011 | 418,706 | 1,261,294 | 47,803 | 5,225 | 5,125,000 | 1,383,824 |
| 2012 | 392,320 | 1,312,680 | 49,641 | 3,387 | 5,335,000 | 1,194,035 |
| 2013 – 2017 | 2,165,968 | 9,442,765 | 51,551 | 1,478 | 16,690,000 | 4,235,327 |
| 2018 – 2022 | 1,323,309 | 8,529,426 | - | - | 15,950,000 | 2,090,101 |
| 2023 – 2027 | - | - | - | - | 5,685,000 | 283,445 |
| Total | $ 5,712,709 | $ 24,043,759 | $ 304,757 | $ 36,130 | $ 63,095,000 | $14,359,054 |

## Note 8 - LONG-TERM DEBT – CONTINUED

### Component Units:

| | Balance 7/01/06 | Additions (Reductions) | Balance 6/30/07 | Due Within One-Year |
|---|---|---|---|---|
| 8.0% Allen HealthCare DDA note payable to developer, due in annual installments equal to the annual captured increment until the original note of $150,331 plus interest is paid in full. | $ 60,105 | $ (14,779) | $ 45,326 | $ 16,549 |
| 2.5% to 4.05% Downtown Development and Refunding Bonds, Series 2004, principal due in annual installments of $20,000 to $375,000 through 5/1/18, interest due semi-annually May 1 and November 1. | 2,605,000 | (135,000) | 2,470,000 | 140,000 |
| 4.0% Wenonah Park Properties note payable to P.O.W.E.R. EDC Component Unit, interest payable monthly, principal balance due February 20, 2016. | 4,000,000 | - | 4,000,000 | - |
| 7.5% to 7.875% Wenonah Park Properties Revenue Bonds 2002 Series, principal due annually 2009 through 2033, interest due semi-annually. | 15,455,000 | - | 15,455,000 | - |
| Variable Rate Wenonah Park Properties HUD Section 108 Note payable, principal due annually, interest due quarterly. | 2,500,000 | - | 2,500,000 | - |
| 4.0% Wenonah Park Properties note payable to Great Lakes Center Foundation. Maturity date February 2016. | 640,000 | - | 640,000 | - |
| 0.0% Michigan Urban Land Assembly Promissory Note, principal payments beginning September 1, 2006 through September 1, 2011. | 255,000 | - | 255,000 | 42,500 |
| Total Long-Term Debt-Component Units | $ 25,515,105 | $ (149,779) | $ 25,365,326 | $ 199,049 |

## Note 8 - LONG-TERM DEBT – CONTINUED

The aggregate debt service requirement for the component units to pay principal and interest on the various outstanding loans with interest included of $28,902,874 are as follows:

| | Component Units | |
|---|---|---|
| Fiscal Year End | Principal | Interest |
| 2008 | $ 199,049 | $ 1,684,931 |
| 2009 | 210,978 | 1,679,549 |
| 2010 | 257,799 | 1,673,348 |
| 2011 | 450,000 | 1,659,790 |
| 2012 | 447,500 | 1,640,937 |
| 2013-2017 | 7,710,000 | 7,624,729 |
| 2018-2022 | 3,335,000 | 5,429,669 |
| 2023-2027 | 3,505,000 | 4,260,171 |
| 2028-2032 | 5,255,000 | 2,752,875 |
| 2033 | 3,995,000 | 496,875 |
| Total | $ 25,365,326 | $ 28,902,874 |

## Note 9 - RISK MANAGEMENT

The City is exposed to various risks of loss related to claims, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is self-funded for Liability and Property Insurance, Health and Dental Insurance, and Workers' Compensation.

### Liability and Property Insurance

The self-insurance program for liability and property is accounted for in the Liability/Property Self-Insurance Fund (an internal service fund). Presently, the City insures the first $1,000 on property and 10% of the remaining claim up to $100,000 of loss and the first $250,000 for all other claims. The City maintains stop-loss coverage on the excess (up to $15,000,000) with an external risk management pool. There were no reductions of insurance coverage from the prior year. For the past several years, the City has engaged special legal counsel to assist in the review of liability and property insurance. This review is to ensure adequate coverage and comprehensive pricing. All funds of the City participate in this program and make payments based on estimates of the amounts needed to pay prior year and current year claims and to establish a reserve for losses relating to catastrophes.

Losses, damages, and administrative expenses are all paid from this fund. The claim liability for known claims and incurred but not reported claims is estimated by management and the insurance administrators. Settled claims have not exceeded insurance coverage in any of the past three years.

Note 9 - RISK MANAGEMENT – CONTINUED

The changes in the claims liability for the years ended June 30, 2006 and 2007 are as follows:

| Fiscal Year | Beginning of Period Liability | Current Year Claims and Changes in Estimates | Claim Payments | End of Period Liability |
|---|---|---|---|---|
| 2006 | $ 501,612 | $ 1,201,124 | $ (1,087,613) | $ 615,123 |
| 2007 | 615,123 | 1,096,565 | (856,655) | 855,033 |

Health and Dental Insurance

The self-insurance program for health and dental insurance is accounted for as part of the Benefits Program (an internal service fund). An independent administrator (Blue Cross) is hired to process the daily claims. The City is responsible for individual claims up to $125,000 and Blue Cross is responsible for paying claims above this amount up to $5,000,000. There were no reductions of insurance coverage from the prior year. The City is also responsible for paying administrative charges. The revenues for this Fund's operation are reimbursements from various funds and employee payroll withholdings. The liability at the end of the year is based on claims already incurred and reported as provided by Blue Cross and on estimates of incurred but not reported claims as estimated by management. Settled claims have not exceeded insurance coverage in any of the past three years.

The changes in the claims liability for the years ended June 30, 2006 and 2007 are as follows:

| Fiscal Year | Beginning of Period Liability | Current Year Claims and Changes in Estimates | Claim Payments | End of Period Liability |
|---|---|---|---|---|
| 2006 | $ 470,296 | $ 7,137,234 | $ (7,104,024) | $ 503,506 |
| 2007 | 503,506 | 7,132,972 | (7,107,749) | 528,729 |

Workers' Compensation

The self-insurance program for workers' compensation is accounted for within the Benefits Program (an internal service fund). An independent administrator is hired to process the daily claims and to perform auditing and management duties. Presently, the City is responsible for individual claims up to $350,000 for each occurrence. The City maintains stop-loss coverage on the excess (up to $1,000,000) through a reinsurance policy. All funds of the City participate in this program and make payments based on estimates of the amounts needed to pay prior year and current year claims and to establish a reserve for losses relating to catastrophes. The liability at the end of the year is based on claims already incurred and reported as provided by the administrator and on estimates of incurred but not reported claims as estimated by management. Settled claims have not exceeded insurance coverage in any of the past three years.

## Note 9 - RISK MANAGEMENT – CONTINUED

### Workers' Compensation-continued

The changes in the claims liability for the years ended June 30, 2006 and 2007 are as follows:

| Fiscal Year | Beginning of Period Liability | Current Year Claims and Changes in Estimates | Claim Payments | End of Period Liability |
|---|---|---|---|---|
| 2006 | $ 551,258 | $ 86,463 | $ (294,308) | $ 343,413 |
| 2007 | 343,413 | 458,750 | (384,094) | 418,069 |

## Note 10 - DEFINED BENEFIT PENSION PLAN AND POST RETIREMENT BENEFITS

### Employees' Pension Plans

### Defined Benefit Pension Plan

Plan Description - The City's defined benefit pension plan provides retirement and disability benefits, 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, 1134 Municipal Way, Lansing, Michigan 48917 or by calling (800) 767-6377.

Funding Policy - The City is required to contribute at an actuarially determined rate; the current rate contributed on annual covered payroll ranges from 0.0% to 72.51% depending on employee group. Employees are required to contribute 0.0% to 3.0%. The contribution requirements of the City are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members, if any, are established and may be amended by the City, depending on the MERS contribution program adopted by the City.

Annual Pension Cost - For the year ended June 30, 2007, the City's annual pension cost of $3,644,351 for MERS included the City's required contribution of $2,062,980 and an additional contribution of $1,581,371. The required contribution was determined as part of the December 31, 2004 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 increase of 4.50% to 12.90% 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

Note 10 - DEFINED BENEFIT PENSION PLAN AND POST RETIREMENT BENEFITS - CONTINUED

reflect fair value. 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, 2006, the date of the latest actuarial valuation, was 20 years.

| Fiscal Year Ending | Annual Pension Cost (APC) | Annual Required Contribution (ARC) | Percentage of ARC Contributed | Net Pension Obligation (Asset) |
|---|---|---|---|---|
| 6/30/05 | $ 1,883,724 | $ 1,883,724 | 100.0% | - |
| 6/30/06 | 1,741,361 | 1,741,361 | 100.0% | - |
| 6/30/07 | 3,644,351 | 2,062,980 | 176.6% | (1,581,371) |

| 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 ) |
|---|---|---|---|---|---|---|
| 12/31/04 | $ 37,318,395 | $ 61,535,480 | $ 24,217,085 | 61% | $ 6,322,611 | 383% |
| 12/31/05 | 37,180,546 | 62,785,985 | 25,605,439 | 59% | 6,206,879 | 413% |
| 12/31/06 | 38,615,076 | 63,733,652 | 25,118,576 | 61% | 5,508,803 | 456% |

Police Officers and Firefighters

Description - The City has provided a single-employer defined benefit pension plan for all eligible police officers and firefighters, which assets are included in the Bay City Police and Fire Retirement System, administered by the City. The System operates under the authority of the City Charter. The City Commission has the authority to amend and establish benefit provisions.

The City issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the City of Bay City, 301 Washington Ave., Bay City, MI 48708.

All certified police officers and firefighters are eligible to participate in the System. All participants who retire at age 55 with 10 years of service or with 25 years of service regardless of age are entitled to a regular retirement benefit, payable monthly, of total service times 2.5% (for eligible employees retiring with less than 25 years of credited service) or 2.8% (for eligible employees retiring with 25 years or more of credited service) of the final average salary. The final average salary is determined as the highest 3 consecutive years of the last 10 years of average monthly pay. The plan also provides death and disability benefits.

## Note 10 - DEFINED BENEFIT PENSION PLAN AND POST RETIREMENT BENEFITS - CONTINUED

Basis of Accounting – The financial statements of the Bay City Police and Fire Retirement System are prepared on the accrual basis of accounting. Plan member contributions are recognized in the period they are due. The City's contributions to the System are recognized when due and they have made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the System.

Valuation of Investments - Marketable securities are stated at aggregate fair value. Securities which are traded on a national securities exchange are valued at the last reported sales price on the last business day of the System's year. Investments traded in the over-the-counter market and listed securities for which no sale was reported on that date are valued at the last reported bid price. The difference between aggregate fair value and the cost of investments along with realized gains and losses on the sale of investments are reflected in the Statement of Changes in Plan Net Assets as part of investment income.

Funding Policy - All plan members are required to contribute 8% of their annual salary to the System. The City is required to contribute the remaining amounts necessary to fund the System, based upon actuarial valuations as required by State statute. The current combined rate is 26.08% of covered payroll. Contributions are established and may be amended by the City Commission.

For the year ended June 30, 2007, the City's annual pension cost of $2,123,900 for the Police and Fire Retirement System included the City's required contribution of $1,635,150 and an additional contribution of $488,750. The annual required contribution for the current year was determined as part of the annual actuarial valuation of the plan as of June 30, 2005 using the individual attained age normal cost actuarial cost method. The actuarial assumptions included (a) a 7.5% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 6% to 49% per year. Both (a) and (b) included an inflation component of 5%. The assumptions included cost-of-living adjustments ranging from 4.0% to 5.0% after 5, 10, and 15 years payable to certain eligible members. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the fair value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The amortization period at June 30, 2006, the date of the latest actuarial valuation, was 30 years for all groups. The City Commission has the authority to amend and establish benefit provisions, as well as contribution rates.

Concentrations

As of June 30, 2007, there were no investments with a fair value that represents 5% or more of the System's net assets. However, amounts invested in a separate mutual fund represent 23% of the System's total assets at June 30, 2007.

## Note 10 - DEFINED BENEFIT PENSION PLAN AND POST RETIREMENT BENEFITS – CONTINUED

### Trend Information

Trend information gives an indication of the System's progress in accumulating sufficient assets to pay benefits when due. Selected three-year trend information is presented as follows:

| Fiscal Year | Annual Pension Cost (APC) | Annual Required Contribution (ARC) | Percentage of ARC Contributed | Net Pension Obligation (Asset) |
|---|---|---|---|---|
| 6/30/05 | $ 820,504 | $ 801,487 | 100% | - |
| 6/30/06 | 1,516,565 | 1,516,565 | 100% | - |
| 6/30/07 | 2,123,900 | 1,635,150 | 130% | (488,750) |

### Defined Contribution Pension Plan

The City of Bay City Employees Defined Contribution Pension Plan is a single employer defined contribution pension plan created by the City and administered by the ICMA Retirement Corporation. The City is responsible for establishing and amending all provisions of the Plan. All City employees with the exception of police officers and firefighters hired after September 1, 1997 are required to participate. A defined contribution pension plan provides pension benefits in return for services rendered, an individual account for each participant and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under the defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account. All returns earned on investments of these contributions are allocated to such participant's account.

The contribution requirements of the City are established and may be amended by the City Commission. Currently, there are two plans available to the employees. Plan A offers the employee the option of contributing 0.0% and requires a 5.0% contribution by the City. There is immediate vesting with Plan A. Plan B allows the employee to contribute 3.0% while the City contributes 8.5%. With Plan B, the employee is 50.0% vested after two years and 100.0% vested after four years. For the fiscal year ended June 30, 2007, the City's required and actual contributions amounted to $555,586. Employees made contributions amounting to $211,083.

### Postretirement Healthcare

As authorized by the City Commission, the City has elected to provide post-retirement healthcare benefits to certain retirees and their beneficiaries. Substantially all of the City's employees become eligible for post-retirement health care benefits if they reach normal retirement age and are eligible for retirement benefits from the City. Currently, 416 retirees are eligible to receive benefits. The City pays the full cost of coverage for these benefits. The cost of retiree health care benefits is recognized as an expense as claims are paid. Retirees are currently not required to contribute. The amount of those costs for the year ended June 30, 2007, was $3,552,152.

## Note 11 – COMMITMENTS AND CONTINGENT LIABILITIES

### Environmental

Various properties owned by the City are subject to environmental clean-up. The sites include property at the northwest corner of Water Street and Lafayette Avenue, underground fuel storage tanks at the City Service Building (DPW garage), the former Surath scrap yard, which was acquired by condemnation of the construction of Liberty Bridge, the former Bay Aggregates/Industrial Brownhoist property (commonly referred to as Uptown at RiversEdge), Water Street Substation (formerly Consumers Energy), Middlegrounds Landfill, Dwan property, which was acquired on 1997 through Community Foundation and Natural Resources Trust Fund proceeds, and the former ProTow property on Morton Street, which was acquired in March 2002.

On August 20, 2007, the City approved a five year option with a non profit corporation, RiversEdge Development Corporation, for approximately forty acres of former Bay Aggregates/Industrial Brownhoist property. The City has representation on the RiversEdge Corporation. Additionally, the City approved a two year option with Tall Ship Celebration: Bay City, a Michigan non profit corporation, for the construction of a Maritime Heritage Center. Both option agreements require the end-users to address the environmental issues in accordance with applicable law. The City may elect to assist through grants, tax financing capture, or other funding sources. Also, the City recently invested $22,000 for Due Care activities on the Dwan property (fencing and signage).

The City has incurred approximately $600,000 in the clean up and remediation of the former Surath scrap yard. It is anticipated that a portion of these costs will be recovered from the sale proceeds.

The City has spent approximately $1,500,000 to date to improve the Middlegrounds Landfill. It is anticipated that significant additional costs will be incurred in the clean-up. Such costs will not be known until the conclusion of the consultant's studies and evaluation. The City believes that it has identified a number of specific parties which will share the majority of the ultimate costs and the City will not be liable for any clean-up costs above those amounts already expended. Additionally, the City has received funding from the Michigan Department of Environmental Quality Municipal Landfill Cost Sharing Grant in the amount of $875,000, which is dedicated to reimburse General Motors Corporation, a principal responsible party, who is coordinating remedial clean-up.

## Note 11 – COMMITMENTS AND CONTINGENT LIABILITIES – CONTINUED

### Commitments

The Electric 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 Campbell 3 plant and 18.61% undivided interest in the Detroit Edison Company Belle River project. The Electric Department has entered into power supply and project support contracts with MPPA. Under the agreement, the Electric Department will purchase 13.18% of the energy generated by the Campbell 3 plant and 3.71% of the energy generated by the Belle River plant.

Under the terms of the contract, the Electric Department must make annual payments to cover their share of annual debt service requirements and fixed operation costs of the Campbell 3 and Belle River projects. The estimated annual debt payments with interest included of $3,361,363 are as follows:

| Fiscal Year Ending | Campbell Project | Belle River Project |
|---|---|---|
| 2008 | $ 429,081 | $ 1,129,399 |
| 2009 | 428,967 | 1,129,196 |
| 2010 | - | 1,129,286 |
| 2011 | - | 1,129,150 |
| 2012 | - | 1,129,255 |
| 2013-2019 | - | 8,279,937 |
| | $ 858,048 | $ 13,926,223 |

### Construction Commitment

The City entered into a construction commitment for various projects associated with our sewer system retention basins in the amount of $358,000. As of June 30, 2007, $29,500 was expended and $328,500 remains on the construction commitment with the contractor.

### Subsequent Event

On November 19, 2007, the City Commission amended the Code of Ordinances to repeal the section which established and governed the POWER Fund. The POWER Fund was created as a revolving loan fund to help promote and assist economic development and increase demand for electrical services in the City. Of the remaining funds, approximately $2.1 million will be used for electrical infrastructure improvements and related professional services on the Uptown site.

### Other

The City is engaged in other routine litigation incidental to the conduct of its municipal and utilities affairs. In the opinion of legal counsel, no legal proceedings are pending against the City, not covered by insurance, which would inhibit the City's ability to perform its operations or materially affect its financial condition.

# ***REQUIRED SUPPLEMENTARY INFORMATION***

# City of Bay City, Michigan

## Required Supplementary Information
(Unaudited)

### Police and Fire Pension Trust Fund

Schedule of Funding Progress

| Actuarial Valuation Date (June 30) | (a) Actuarial Value of Assets | (b) Actuarial Accrued Liability (AAL) Attained Age | (b-a) Unfunded Actuarial Accrued Liability (Asset) | (a/b) Funded Ratio | (c) Covered Payroll | ((b-a)/c) UAAL as a % of Covered Payroll |
|---|---|---|---|---|---|---|
| 1995 | $ 34,465,751 | $ 36,936,108 | $ 2,470,357 | 93.3% | $ 4,738,025 | 52.1% |
| 1996 | 38,291,651 | 38,489,257 | 197,606 | 99.5% | 4,955,119 | 4.0% |
| 1997 | 40,890,619 | 41,791,038 | 900,419 | 97.8% | 5,354,387 | 16.8% |
| 1998 | 44,936,961 | 44,376,073 | (560,888) | 101.3% | 5,859,722 | - |
| 1999 | 48,210,388 | 44,601,010 | (3,609,378) | 108.1% | 6,150,107 | - |
| 2000 | 49,920,655 | 39,255,977 | (10,664,678) | 127.2% | 5,922,589 | - |
| 2001 | 48,468,116 | 38,017,452 | (10,450,664) | 127.5% | 6,105,158 | - |
| 2002 | 46,080,307 | 36,417,979 | (9,662,328) | 126.5% | 5,694,688 | - |
| 2003 | 42,243,440 | 42,568,692 | 325,252 | 99.2% | 6,035,235 | 5.4% |
| 2004 | 40,854,232 | 46,818,606 | 5,964,374 | 87.3% | 6,140,062 | 97.1% |
| 2005 | 40,949,739 | 53,676,056 | 12,726,317 | 76.3% | 6,150,943 | 206.9% |

Schedule of Employer Contributions

| Fiscal Year Ended (June 30) | Annual Required Contribution | Actual Annual Contribution | Percent Contributed |
|---|---|---|---|
| 1995 | $ 712,092 | $ 712,092 | 100.00% |
| 1996 | 702,972 | 702,972 | 100.00% |
| 1997 | 732,818 | 732,818 | 100.00% |
| 1998 | 656,938 | 656,938 | 100.00% |
| 1999 | 667,122 | 667,122 | 100.00% |
| 2000 | 645,056 | 645,056 | 100.00% |
| 2001 | 342,029 | 342,029 | 100.00% |
| 2002 | 430,013 | 430,013 | 100.00% |
| 2003 | 491,155 | 491,155 | 100.00% |
| 2004 | 469,453 | 469,453 | 100.00% |
| 2005 | 820,504 | 820,504 | 100.00% |
| 2006 | 1,516,565 | 1,516,565 | 100.00% |
| 2007 | 1,635,150 | 2,123,900 | 129.89% |

# ***Combining and Individual Fund Statements and Schedules***

# ***Nonmajor Governmental Funds***

## ***SPECIAL REVENUE FUNDS***

Special Revenue Funds are used to account for revenues derived from specific taxes or other "earmarked" revenue sources. The City of Bay City utilizes the following special revenue funds:

**Local Streets Fund**
This fund is used to account for local streets maintenance funds received from the State of Michigan.

**Fire Awareness Fund**
This fund is used to account for monies set aside to educate and train the public on the hazards of fire and fire prevention activities.

**Community Policing Fund**
This fund is used to account for monies set aside to educate and train the public on crime prevention and to support the Community Policing initiative.

**Parking Enforcement Fund**
This fund is used to account for activities relative to downtown parking enforcement.

**Solid Waste Management Fund**
This fund is used to account for all activities relative to sanitation, recycling, and the landfill.

**Community Development Block Grant Fund**
This fund is used to account for revenues received from the U.S. Department of Housing and Urban Development (H.U.D.) relative to the CDBG program.

**Public Improvement Fund**
This fund is used to account for monies set aside for public improvement projects.

**Building Inspection Fund**
This fund is used to account for all activities relative to building inspections and code enforcement services.

**Neighborhood Opportunity Fund**
This fund is used to account for revenues and expenditures related to acquiring and/or demolishing blighted land and/or structures within specific neighborhoods of the City

## ***DEBT SERVICE FUND***

The Debt Service Fund was created to account for the payments of principal and interest on long-term, general obligation debt other than that payable from special assessments and debt issued for and serviced by a governmental enterprise. In the City of Bay City, this fund provides for the debt service on the 1993 Wastewater and Sewage Refunding Bonds and the 1991 Street Improvement Bonds. All other long-term debt is serviced directly from the fund responsible for the debt, since a debt service fund is not required and financial resources are not being accumulated for principal and interest payments maturing in future years.

## ***CAPITAL PROJECTS FUNDS***

Capital Projects Funds are created to account for the financial resources to be used for the acquisition or construction of major capital facilities by a governmental unit, except those financed by special assessment and proprietary funds. The City of Bay City utilizes the following Capital Projects Funds:

**Riverfront Redevelopment Fund**

This fund is used to account for revenues from EPA grants, other federal, state, and local sources, and City funds for the redevelopment of the City's Downtown Riverfront.

**Economic Opportunities Fund**

This fund was setup to provide for the complete development of the single-family residential subdivision on the City's south side, between Lincoln and Trumbull Avenues, as well as other projects as they arise.

**City of Bay City, Michigan**
**Nonmajor Governmental Funds**
**Combining Balance Sheet**
**June 30, 2007**

| | Special Revenue Funds | | | | | | |
|---|---|---|---|---|---|---|---|
| | Local Streets | Fire Awareness | Community Policing | Parking Enforcement | Solid Waste Management | Community Development Block Grant | Public Improvement |
| **Assets** | | | | | | | |
| Cash and cash equivalents | $ - | $ 1,847 | $ 2,562 | $ 12,489 | $ 253,606 | $ - | $ 1,034,473 |
| Receivables (net of allowance for uncollectibles) | | | | | | | |
| Accounts | 1,954 | - | - | - | 308,939 | - | - |
| Delinquent taxes | - | - | - | - | - | - | - |
| Special assessments | - | - | - | - | 13,453 | - | - |
| Accrued interest | - | - | - | - | - | - | 9,002 |
| Due from other funds | 214,416 | - | - | - | - | 2,050 | 100 |
| Due from other governments | 108,003 | - | - | - | - | 181,640 | - |
| **Total Assets** | $ 324,373 | $ 1,847 | $ 2,562 | $ 12,489 | $ 575,998 | $ 183,690 | $ 1,043,575 |
| **Liabilities and fund balances** | | | | | | | |
| **Liabilities** | | | | | | | |
| Accounts payable | $ 12,760 | $ - | $ 936 | $ 12,489 | $ 50,573 | $ 104,998 | $ 7,200 |
| Accrued liabilities | 15,092 | 1,847 | 1,626 | - | 11,648 | 3,719 | - |
| Due to other funds | 120,177 | - | - | - | 919 | 74,813 | - |
| Deposits payable | - | - | - | - | - | 160 | - |
| Deferred revenues | - | - | - | - | - | - | - |
| **Total liabilities** | 148,029 | 1,847 | 2,562 | 12,489 | 63,140 | 183,690 | 7,200 |
| **Fund balances** | | | | | | | |
| Unreserved: | | | | | | | |
| Undesignated | 176,344 | - | - | - | 512,858 | - | 1,036,375 |
| **Total fund balances** | 176,344 | - | - | - | 512,858 | - | 1,036,375 |
| **Total liabilities and fund balances** | $ 324,373 | $ 1,847 | $ 2,562 | $ 12,489 | $ 575,998 | $ 183,690 | $ 1,043,575 |

| | | | Debt Service Fund | Capital Projects Funds | | | |
|---|---|---|---|---|---|---|---|
| Building Inspection | Neighborhood Opportunity | Total | Bond Sinking Fund | Riverfront Redevelopment | Economic Opportunites | Total | Total |
| $ 31,375 | $ 154,972 | $ 1,491,324 | $ 383,476 | $ 483,204 | $ 919,822 | $ 1,403,026 | $ 3,277,826 |
| 94,905 | - | 405,798 | - | 36,605 | - | 36,605 | 442,403 |
| - | - | - | 15,579 | - | - | - | 15,579 |
| 20,512 | - | 33,965 | - | - | - | - | 33,965 |
| - | 1,349 | 10,351 | 3,337 | 4,205 | 8,004 | 12,209 | 25,897 |
| - | - | 216,566 | - | - | 2,303 | 2,303 | 218,869 |
| - | - | 289,643 | - | - | - | - | 289,643 |
| $ 146,792 | $ 156,321 | $ 2,447,647 | $ 402,392 | $ 524,014 | $ 930,129 | $ 1,454,143 | $ 4,304,182 |
| $ 12,809 | $ - | $ 201,765 | $ - | $ 5,070 | $ 3,081 | $ 8,151 | $ 209,916 |
| 8,112 | 1 | 42,045 | - | - | - | - | 42,045 |
| 2,873 | - | 198,782 | - | - | - | - | 198,782 |
| 21,432 | - | 21,592 | - | - | - | - | 21,592 |
| 7,299 | - | 7,299 | 15,579 | - | - | - | 22,878 |
| 52,525 | 1 | 471,483 | 15,579 | 5,070 | 3,081 | 8,151 | 495,213 |
| 94,267 | 156,320 | 1,976,164 | 386,813 | 518,944 | 927,048 | 1,445,992 | 3,808,969 |
| 94,267 | 156,320 | 1,976,164 | 386,813 | 518,944 | 927,048 | 1,445,992 | 3,808,969 |
| $ 146,792 | $ 156,321 | $ 2,447,647 | $ 402,392 | $ 524,014 | $ 930,129 | $ 1,454,143 | $ 4,304,182 |

**City of Bay City, Michigan**
**Nonmajor Governmental Funds**
**Combining Statement of Revenues, Expenditures,**
**and Changes in Fund Balances**
**For the Year Ended June 30, 2007**

| | Special Revenue Funds | | | | | |
|---|---|---|---|---|---|---|
| | Local Streets | Fire Awareness | Community Policing | Parking Enforcement | Solid Waste Management | Community Development Block Grant |
| **Revenues** | | | | | | |
| Taxes: | | | | | | |
| Property Taxes | $ 214,416 | $ - | $ - | $ - | $ - | $ - |
| Licenses and permits | - | - | - | - | - | - |
| Intergovernmental: | | | | | | |
| Federal | - | - | - | - | - | 1,655,580 |
| State | 779,764 | - | - | - | - | - |
| Local | - | - | - | 16,474 | - | - |
| Charges for services: | | | | | | |
| Sales | - | - | - | - | 1,923,317 | - |
| Fines and forfeitures | - | - | - | 25,772 | - | - |
| Miscellaneous: | | | | | | |
| Interest earnings | 231 | - | - | - | 156 | - |
| Reimbursements | - | - | - | - | - | - |
| Sale of property | - | - | - | - | - | - |
| Other | 76 | - | - | - | 34,139 | - |
| **Total revenues** | 994,487 | - | - | 42,246 | 1,957,612 | 1,655,580 |
| **Expenditures** | | | | | | |
| Current: | | | | | | |
| Public safety | - | 100,159 | 111,693 | 42,246 | - | - |
| Public works: | | | | | | |
| Highways, streets and bridges | 1,134,731 | - | - | - | - | - |
| Physical environment | - | - | - | - | 1,839,735 | - |
| Economic development | - | - | - | - | - | 1,013,269 |
| Capital outlay | 7,000 | - | - | - | - | 367,715 |
| Debt service: | | | | | | |
| Principal | - | - | - | - | - | - |
| Interest | - | - | - | - | - | - |
| **Total expenditures** | 1,141,731 | 100,159 | 111,693 | 42,246 | 1,839,735 | 1,380,984 |
| **Excess of revenues over (under) expenditures** | (147,244) | (100,159) | (111,693) | - | 117,877 | 274,596 |
| **Other financing sources (uses)** | | | | | | |
| Transfer in | 60,000 | 100,159 | 111,693 | - | - | 224,799 |
| Transfer out | - | - | - | - | - | (499,395) |
| **Total other financing sources (uses)** | 60,000 | 100,159 | 111,693 | - | - | (274,596) |
| **Changes in fund balances** | (87,244) | - | - | - | 117,877 | - |
| **Fund balances - beginning of year** | 263,588 | - | - | - | 394,981 | - |
| **Fund balances - end of year** | $ 176,344 | $ - | $ - | $ - | $ 512,858 | $ - |

| | | | | Debt Service Fund | Capital Projects Funds | | | |
|---|---|---|---|---|---|---|---|---|
| Public Improvement | Building Inspection | Neighborhood Opportunity | Total | Bond Sinking Fund | Riverfront Redevelopment | Economic Opportunities | Total | Total |
| $ - | $ - | $ - | $ 214,416 | $ 1,720,689 | $ - | $ - | $ - | $ 1,935,105 |
| - | 514,465 | - | 514,465 | - | - | - | - | 514,465 |
| - | - | - | 1,655,580 | - | - | - | - | 1,655,580 |
| - | - | - | 779,764 | - | 250,000 | - | 250,000 | 1,029,764 |
| - | - | - | 16,474 | - | - | - | - | 16,474 |
| - | - | - | 1,923,317 | - | - | - | - | 1,923,317 |
| - | - | - | 25,772 | - | - | - | - | 25,772 |
| 57,249 | - | 8,512 | 66,148 | 55,663 | 23,745 | 46,157 | 69,902 | 191,713 |
| - | 10,259 | - | 10,259 | - | - | - | - | 10,259 |
| - | - | 71,522 | 71,522 | - | - | - | - | 71,522 |
| 1,740 | 46,698 | - | 82,653 | - | 31,829 | 115,235 | 147,064 | 229,717 |
| 58,989 | 571,422 | 80,034 | 5,360,370 | 1,776,352 | 305,574 | 161,392 | 466,966 | 7,603,688 |
| - | 595,300 | - | 849,398 | - | - | - | - | 849,398 |
| - | - | - | 1,134,731 | - | - | - | - | 1,134,731 |
| - | - | - | 1,839,735 | - | - | - | - | 1,839,735 |
| - | - | 5,462 | 1,018,731 | - | 182,434 | 42,917 | 225,351 | 1,244,082 |
| 45,552 | - | - | 420,267 | - | 252,435 | 8,369 | 260,804 | 681,071 |
| - | - | - | - | 1,595,000 | - | - | - | 1,595,000 |
| - | - | - | - | 1,175 | - | - | - | 1,175 |
| 45,552 | 595,300 | 5,462 | 5,262,862 | 1,596,175 | 434,869 | 51,286 | 486,155 | 7,345,192 |
| 13,437 | (23,878) | 74,572 | 97,508 | 180,177 | (129,295) | 110,106 | (19,189) | 258,496 |
| - | - | - | 496,651 | - | - | 2,303 | 2,303 | 498,954 |
| - | - | (39,521) | (538,916) | - | - | - | - | (538,916) |
| - | - | (39,521) | (42,265) | - | - | 2,303 | 2,303 | (39,962) |
| 13,437 | (23,878) | 35,051 | 55,243 | 180,177 | (129,295) | 112,409 | (16,886) | 218,534 |
| 1,022,938 | 118,145 | 121,269 | 1,920,921 | 206,636 | 648,239 | 814,639 | 1,462,878 | 3,590,435 |
| $ 1,036,375 | $ 94,267 | $ 156,320 | $ 1,976,164 | $ 386,813 | $ 518,944 | $ 927,048 | $ 1,445,992 | $ 3,808,969 |

# City of Bay City, Michigan
## Local Streets Fund
## Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
## For the Year Ended June 30, 2007

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|---|---|---|---|---|
| **Revenues** | | | | |
| Taxes: | | | | |
| General property taxes | $ 217,479 | $ 217,479 | $ 214,416 | $ (3,063) |
| Intergovernmental: | | | | |
| State | 823,462 | 823,462 | 779,764 | (43,698) |
| Miscellaneous: | | | | |
| Interest earnings | 3,000 | 3,000 | 231 | (2,769) |
| Other | 700 | 700 | 76 | (624) |
| **Total revenues** | 1,044,641 | 1,044,641 | 994,487 | (50,154) |
| **Expenditures** | | | | |
| Public works | | | | |
| Highways, streets, and bridges | 1,245,013 | 1,245,013 | 1,134,731 | 110,282 |
| Capital outlay | 7,000 | 7,000 | 7,000 | - |
| **Total expenditures** | 1,252,013 | 1,252,013 | 1,141,731 | 110,282 |
| **Excess of revenues over (under) expenditures** | (207,372) | (207,372) | (147,244) | 60,128 |
| **Other financing sources (uses)** | | | | |
| Transfer in | 60,000 | 60,000 | 60,000 | - |
| **Changes in fund balances** | (147,372) | (147,372) | (87,244) | 60,128 |
| **Fund balances - beginning of year** | 263,588 | 263,588 | 263,588 | - |
| **Fund balances - end of year** | $ 116,216 | $ 116,216 | $ 176,344 | $ 60,128 |

## City of Bay City, Michigan
## Fire Awareness Fund
## Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
## For the Year Ended June 30, 2007

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|---|---|---|---|---|
| **Expenditures** | | | | |
| Public safety | $ 103,610 | $ 103,610 | $ 100,159 | $ 3,451 |
| **Other financing sources (uses)** | | | | |
| Transfer in | 103,610 | 103,610 | 100,159 | (3,451) |
| **Changes in fund balances** | - | - | - | - |
| **Fund balances - beginning of year** | - | - | - | - |
| **Fund balances - end of year** | $ - | $ - | $ - | $ - |

## City of Bay City, Michigan
## Community Policing Fund
## Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
## For the Year Ended June 30, 2007

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|---|---|---|---|---|
| **Expenditures** | | | | |
| Public safety | $ 107,412 | $ 107,412 | $ 111,693 | $ (4,281) |
| **Other financing sources (uses)** | | | | |
| Transfer in | 107,412 | 107,412 | 111,693 | 4,281 |
| **Changes in fund balances** | - | - | - | - |
| **Fund balances - beginning of year** | - | - | - | - |
| **Fund balances - end of year** | $ - | $ - | $ - | $ - |

## City of Bay City, Michigan
## Parking Enforcement Fund
## Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
## For the Year Ended June 30, 2007

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|---|---|---|---|---|
| **Revenues** | | | | |
| Intergovernmental: | | | | |
| Local | $ 25,763 | $ 25,763 | $ 16,474 | $ 9,289 |
| Fines and forfeitures | 23,000 | 23,000 | 25,772 | (2,772) |
| **Total revenues** | 48,763 | 48,763 | 42,246 | 6,517 |
| **Expenditures** | | | | |
| Public safety | 48,763 | 48,763 | 42,246 | 6,517 |
| **Total expenditures** | 48,763 | 48,763 | 42,246 | 6,517 |
| **Changes in fund balances** | - | - | - | - |
| **Fund balances - beginning of year** | - | - | - | - |
| **Fund balances - end of year** | $ - | $ - | $ - | $ - |

## City of Bay City, Michigan
### Solid Waste Management Fund
### Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
### For the Year Ended June 30, 2007

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|---|---|---|---|---|
| **Revenues** | | | | |
| Charges for services: | | | | |
| Sales | $ 1,891,579 | $ 1,891,579 | $ 1,923,317 | $ 31,738 |
| Miscellaneous: | | | | |
| Interest earnings | 100 | 100 | 156 | 56 |
| Other | 14,600 | 14,600 | 34,139 | 19,539 |
| **Total revenues** | 1,906,279 | 1,906,279 | 1,957,612 | 51,333 |
| **Expenditures** | | | | |
| Physical environment | 2,008,760 | 2,008,760 | 1,839,735 | 169,025 |
| **Changes in fund balances** | (102,481) | (102,481) | 117,877 | 220,358 |
| **Fund balances - beginning of year** | 394,981 | 394,981 | 394,981 | - |
| **Fund balances - end of year** | $ 292,500 | $ 292,500 | $ 512,858 | $ 220,358 |

## City of Bay City, Michigan
### Community Development Block Grant Fund
### Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
### For the Year Ended June 30, 2007

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|---|---|---|---|---|
| **Revenues** | | | | |
| Intergovernmental: | | | | |
| Federal | $ 1,756,130 | $ 1,756,130 | $ 1,655,580 | $ (100,550) |
| **Expenditures** | | | | |
| Economic development | 844,633 | 844,633 | 1,013,269 | (168,636) |
| Capital outlay | 345,000 | 345,000 | 367,715 | (22,715) |
| **Total expenditures** | 1,189,633 | 1,189,633 | 1,380,984 | (191,351) |
| **Excess of revenues over (under) expenditures** | 566,497 | 566,497 | 274,596 | (291,901) |
| **Other financing sources (uses)** | | | | |
| Transfer in | 200,000 | 200,000 | 224,799 | 24,799 |
| Transfer out | (635,997) | (635,997) | (499,395) | 136,602 |
| **Total other financing sources (uses)** | (435,997) | (435,997) | (274,596) | 161,401 |
| **Changes in fund balances** | 130,500 | 130,500 | - | (130,500) |
| **Fund balances - beginning of year** | - | - | - | - |
| **Fund balances - end of year** | $ 130,500 | $ 130,500 | $ - | $ (130,500) |

# City of Bay City, Michigan
## Public Improvement Fund
## Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
## For the Year Ended June 30, 2007

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|---|---|---|---|---|
| **Revenues** | | | | |
| Interest earnings | $ 5,000 | $ 5,000 | $ 57,249 | $ 52,249 |
| Other | - | - | 1,740 | 1,740 |
| **Total revenues** | 5,000 | 5,000 | 58,989 | 53,989 |
| **Expenditures** | | | | |
| Capital outlay | 950,000 | 950,000 | 45,552 | 904,448 |
| **Changes in fund balances** | (945,000) | (945,000) | 13,437 | 958,437 |
| **Fund balances - beginning of year** | 1,022,938 | 1,022,938 | 1,022,938 | - |
| **Fund balances - end of year** | $ 77,938 | $ 77,938 | $ 1,036,375 | $ 958,437 |

## City of Bay City, Michigan
### Building Inspection Fund
### Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
### For the Year Ended June 30, 2007

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|---|---|---|---|---|
| **Revenues** | | | | |
| Licenses and permits | $ 552,905 | $ 552,905 | $ 514,465 | $ (38,440) |
| Miscellaneous: | | | | |
| Reimbursements | 30,500 | 30,500 | 10,259 | (20,241) |
| Other | 16,860 | 16,860 | 46,698 | 29,838 |
| **Total revenues** | 600,265 | 600,265 | 571,422 | (28,843) |
| **Expenditures** | | | | |
| Public safety | 646,301 | 646,301 | 595,300 | 51,001 |
| **Changes in fund balances** | (46,036) | (46,036) | (23,878) | 22,158 |
| **Fund balances - beginning of year** | 118,145 | 118,145 | 118,145 | - |
| **Fund balances - end of year** | $ 72,109 | $ 72,109 | $ 94,267 | $ 22,158 |

## City of Bay City, Michigan
## Neighborhood Opportunity Fund
## Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
## For the Year Ended June 30, 2007

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|---|---|---|---|---|
| **Revenues** | | | | |
| Miscellaneous: | | | | |
| Interest | $ 4,000 | $ 4,000 | $ 8,512 | $ 4,512 |
| Sale of property | - | 35,521 | 71,522 | 36,001 |
| **Total revenues** | 4,000 | 39,521 | 80,034 | 40,513 |
| **Expenditures** | | | | |
| Economic development | 89,330 | 89,330 | 5,462 | 83,868 |
| **Excess of revenues over (under) expenditures** | (85,330) | (49,809) | 74,572 | 124,381 |
| **Other financing sources (uses)** | | | | |
| Transfer out | (4,000) | (39,521) | (39,521) | - |
| **Changes in fund balances** | (89,330) | (89,330) | 35,051 | 124,381 |
| **Fund balances - beginning of year** | 121,269 | 121,269 | 121,269 | - |
| **Fund balances - end of year** | $ 31,939 | $ 31,939 | $ 156,320 | $ 124,381 |

# City of Bay City, Michigan
## Bond Sinking Fund
## Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
## For the Year Ended June 30, 2007

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|---|---|---|---|---|
| **Revenues** | | | | |
| Taxes: | | | | |
| General property taxes | $ 1,697,444 | $ 1,697,444 | $ 1,720,689 | $ 23,245 |
| Miscellaneous: | | | | |
| Interest earnings | 14,000 | 14,000 | 55,663 | 41,663 |
| **Total revenues** | 1,711,444 | 1,711,444 | 1,776,352 | 64,908 |
| **Expenditures** | | | | |
| Debt service: | | | | |
| Principal | 1,595,000 | 1,595,000 | 1,595,000 | - |
| Interest and fiscal charges | 2,850 | 2,850 | 1,175 | 1,675 |
| **Total expenditures** | 1,597,850 | 1,597,850 | 1,596,175 | 1,675 |
| **Changes in fund balances** | 113,594 | 113,594 | 180,177 | 66,583 |
| **Fund balances - beginning of year,** | 206,636 | 206,636 | 206,636 | - |
| **Fund balances - end of year** | $ 320,230 | $ 320,230 | $ 386,813 | $ 66,583 |

# ***Nonmajor Enterprise Funds***

Enterprise Funds are established to account for the financing of self-supporting municipal activities which render services on a user charge basis to the general public. The significant characteristic of an enterprise fund is that the accounting system allows for the determination of whether the activity is operated at a profit or loss. All accounts of enterprise funds are self-contained, providing a means for creditors, legislators, and the general public to evaluate the performance of the municipal enterprise on a comparable basis with investor-owned enterprises in the same industry. The City of Bay City has the following Nonmajor Enterprise Funds

**Oak Ridge Cemetery Fund**

This fund is used to account for the operation and maintenance of a sixty acre cemetery within the City.

**James Clements Airport Fund**

This fund is used to account for the operation and maintenance of the City's municipal airport facilities.

**Liberty Harbor Marina**

This fund is used to account for the operation and maintenance of the City's municipal marina facilities.

**City of Bay City, Michigan**
**Nonmajor Enterprise Funds**
**Combining Statement of Net Assets**
**June 30, 2007**

| | Oak Ridge Cemetery | James Clements Airport | Liberty Harbor Marina | Total |
|---|---|---|---|---|
| **Assets** | | | | |
| **Current assets** | | | | |
| Cash and cash equivalents | $ 105,467 | $ 23,197 | $ 154,100 | $ 282,764 |
| Receivables (net of allowance for uncollectibles) | | | | |
| Accounts | 3,649 | 4,449 | 55 | 8,153 |
| Accrued interest | 1,041 | - | 1,340 | 2,381 |
| Inventory | - | 13,328 | - | 13,328 |
| **Total current assets** | 110,157 | 40,974 | 155,495 | 306,626 |
| **Capital assets** | | | | |
| Land and improvements | 300,888 | 1,867,479 | 2,738,574 | 4,906,941 |
| Air rights | - | 95,421 | - | 95,421 |
| Construction in progress | 2,473 | 25,000 | - | 27,473 |
| Buildings | 54,012 | 397,507 | 193,825 | 645,344 |
| Machinery and equipment | 1,130 | 9,383 | 82,667 | 93,180 |
| | 358,503 | 2,394,790 | 3,015,066 | 5,768,359 |
| Less: accumulated depreciation | 152,883 | 822,555 | 932,995 | 1,908,433 |
| **Net capital assets** | 205,620 | 1,572,235 | 2,082,071 | 3,859,926 |
| **Total assets** | 315,777 | 1,613,209 | 2,237,566 | 4,166,552 |
| **Liabilities** | | | | |
| **Current liabilities** | | | | |
| Accounts payable | 11,531 | 7,855 | 13,889 | 33,275 |
| Accrued liabilities | - | - | 316 | 316 |
| Due to other funds | - | 4,873 | - | 4,873 |
| **Total current liabilities** | 11,531 | 12,728 | 14,205 | 38,464 |
| **Net assets** | | | | |
| Invested in capital assets | 205,620 | 1,572,235 | 2,082,071 | 3,859,926 |
| Unrestricted | 98,626 | 28,246 | 141,290 | 268,162 |
| **Total net assets** | $ 304,246 | $ 1,600,481 | $ 2,223,361 | $ 4,128,088 |

## City of Bay City, Michigan
### Nonmajor Enterprise Funds
### Combining Statement of Revenues, Expenses, and Changes in Net Assets
### For the Year Ended June 30, 2007

| | Oak Ridge Cemetery | James Clements Airport | Liberty Harbor Marina | Total |
|---|---|---|---|---|
| **Operating revenues** | | | | |
| Charges for services: | | | | |
| Sales | $ 42,421 | $ 78,721 | $ 2,397 | $ 123,539 |
| Rents | - | 6,350 | 121,920 | 128,270 |
| Miscellaneous | - | 15,537 | 192 | 15,729 |
| **Total operating revenues** | 42,421 | 100,608 | 124,509 | 267,538 |
| **Operating expenses** | | | | |
| Cost of sales and service | 116,708 | 132,060 | 124,711 | 373,479 |
| Depreciation | 9,352 | 82,608 | 60,188 | 152,148 |
| **Total operating expenses** | 126,060 | 214,668 | 184,899 | 525,627 |
| **Operating income (loss)** | (83,639) | (114,060) | (60,390) | (258,089) |
| **Nonoperating revenues (expenses)** | | | | |
| Intergovernmental: | | | | |
| Federal grants | - | 20,000 | - | 20,000 |
| State grants | - | 242,758 | - | 242,758 |
| Interest earnings | 6,517 | 25 | 7,112 | 13,654 |
| **Total nonoperating revenues (expenses)** | 6,517 | 262,783 | 7,112 | 276,412 |
| **Income (loss) before transfers** | (77,122) | 148,723 | (53,278) | 18,323 |
| **Transfers** | | | | |
| Transfer in | 83,821 | 53,263 | - | 137,084 |
| **Changes in net assets** | 6,699 | 201,986 | (53,278) | 155,407 |
| **Net assets - beginning of year** | 297,547 | 1,398,495 | 2,276,639 | 3,972,681 |
| **Net assets - end of year** | $ 304,246 | $ 1,600,481 | $ 2,223,361 | $ 4,128,088 |

**City of Bay City, Michigan**
**Nonmajor Enterprise Funds**
**Combining Statement of Cash Flows**
**For the Year Ended June 30, 2007**

| | Oak Ridge Cemetery | James Clements Airport | Liberty Harbor Marina | Total |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| Cash received from customers and users | $ 42,563 | $ 99,167 | $ 124,712 | $ 266,442 |
| Interfund reimbursements | (239) | 4,501 | (470) | 3,792 |
| Cash payments to suppliers for goods and services | (113,498) | (140,725) | (130,478) | (384,701) |
| Cash payments to employees for services | - | - | (12,721) | (12,721) |
| Other operating revenue | - | 15,537 | 192 | 15,729 |
| **Net cash provided (used) by operating activities** | (71,174) | (21,520) | (18,765) | (111,459) |
| **Cash flows from noncapital financing activities** | | | | |
| Intergovernmental - federal grant | - | 20,000 | - | 20,000 |
| Intergovernmental - state grant | - | 242,758 | - | 242,758 |
| Transfers in | 83,821 | 53,263 | - | 137,084 |
| **Net cash flows from noncapital financing activities** | 83,821 | 316,021 | - | 399,842 |
| **Cash flows from capital and related financing activities** | | | | |
| Purchase of capital assets | (27,782) | (274,000) | - | (301,782) |
| **Cash flows from investing activities** | | | | |
| Interest received | 6,517 | 25 | 7,112 | 13,654 |
| **Net increase in cash and cash equivalents** | (8,618) | 20,526 | (11,653) | 255 |
| Cash and cash equivalents, beginning of period | 114,085 | 2,671 | 165,753 | 282,509 |
| **Cash and cash equivalents, end of period** | $ 105,467 | $ 23,197 | $ 154,100 | $ 282,764 |
| **Reconciliation of operating income to net cash provided by operating activities** | | | | |
| Operating income (loss) | $ (83,639) | $ (114,060) | $ (60,390) | $ (258,089) |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | | | | |
| Depreciation | 9,352 | 82,608 | 60,188 | 152,148 |
| (Increase) decrease in assets: | | | | |
| Accounts receivable | (47) | 9,812 | (55) | 9,710 |
| Accrued interest receivable | 189 | - | 450 | 639 |
| Due from other funds | 624 | - | - | 624 |
| Due from other governments | - | 4,284 | - | 4,284 |
| Inventory | - | (13,328) | - | (13,328) |
| Prepaid expenses | - | - | - | - |
| Increase (decrease) in liabilities: | | | | |
| Accounts payable | 2,586 | 4,663 | (18,492) | (11,243) |
| Accrued liabilities | - | - | 4 | 4 |
| Due to other funds | (239) | 4,501 | (470) | 3,792 |
| **Total adjustments** | 12,465 | 92,540 | 41,625 | 146,630 |
| **Net cash provided (used) by operating activities** | $ (71,174) | $ (21,520) | $ (18,765) | $ (111,459) |

# ***INTERNAL SERVICE FUNDS***

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other governments, on a cost reimbursement basis. The City of Bay City has the following Internal Service Funds:

**Motor Equipment Revolving Fund**

The fund is used to account for all activities relative to the maintenance and replacement of all City vehicles and large equipment.

**Information Systems Fund**

This fund accounts for all activities necessary to provide technology services to all City departments.

**Liability/Property Self-Insurance Fund**

The function of this fund is to provide liability and property insurance to all City departments.

**Site Remediation Fund**

This fund accounts for the expenditures relative to the cleanup and remediation of the Middlegrounds Landfill.

**Benefits Program Fund**

This fund accounts for the healthcare, life insurance, workers compensation, unemployment, and retirement benefits provided to all City employees and retirees

**City of Bay City, Michigan**
**Internal Service Funds**
**Combining Statement of Net Assets**
**June 30, 2007**

| | Motor Equipment Revolving | Information Systems | Liability/ Property Self-Insurance | Site Remediation | Benefits Program | Total |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| **Current assets** | | | | | | |
| Cash and cash equivalents | $ 960,140 | $ 94,280 | $ 1,193,392 | $ 203,834 | $ 2,457,554 | $ 4,909,200 |
| Receivables (net of allowance for uncollectibles) | | | | | | |
| Accounts | 627 | 999 | 3,974 | - | 398 | 5,998 |
| Accrued interest | 8,355 | - | - | 1,774 | 11,939 | 22,068 |
| Due from other funds | - | 39,618 | - | - | 423,003 | 462,621 |
| Inventories | 93,047 | 18,933 | - | - | - | 111,980 |
| Prepaid expenses | - | - | - | - | 114,126 | 114,126 |
| Deposits | - | - | 61,427 | - | 269,366 | 330,793 |
| **Total current assets** | 1,062,169 | 153,830 | 1,258,793 | 205,608 | 3,276,386 | 5,956,786 |
| **Capital assets** | | | | | | |
| Machinery and equipment | 12,121,393 | 690,093 | - | - | - | 12,811,486 |
| Less: accumulated depreciation | 6,793,420 | 517,846 | - | - | - | 7,311,266 |
| **Net capital assets** | 5,327,973 | 172,247 | - | - | - | 5,500,220 |
| **Total assets** | 6,390,142 | 326,077 | 1,258,793 | 205,608 | 3,276,386 | 11,457,006 |
| **Liabilities** | | | | | | |
| **Current liabilities** | | | | | | |
| Accounts payable | 49,401 | 22,292 | 74,105 | - | 341,583 | 487,381 |
| Accrued liabilities | 15,019 | 10,575 | - | - | 1,934 | 27,528 |
| Interest payable | 3,582 | - | - | - | - | 3,582 |
| Claims payable | - | - | 780,928 | - | 919,223 | 1,700,151 |
| Due to other funds | 2,066 | 1,608 | - | - | 344,164 | 347,838 |
| Due to other governments | - | - | - | - | 879 | 879 |
| Deferred revenue | - | - | - | 205,608 | - | 205,608 |
| Accrued compensated absences - current | 35,441 | 49,000 | - | - | - | 84,441 |
| Notes payable - current | 42,685 | - | - | - | - | 42,685 |
| **Total current liabilities** | 148,194 | 83,475 | 855,033 | 205,608 | 1,607,783 | 2,900,093 |
| **Long-term liabilities** | | | | | | |
| Accrued compensated absences | 21,229 | 51,423 | - | - | - | 72,652 |
| Notes payable | 239,355 | - | - | - | - | 239,355 |
| **Total long-term liabilities** | 260,584 | 51,423 | - | - | - | 312,007 |
| **Total liabilities** | 408,778 | 134,898 | 855,033 | 205,608 | 1,607,783 | 3,212,100 |
| **Net assets** | | | | | | |
| Invested in capital assets, net of related debt | 5,045,933 | 172,247 | - | - | - | 5,218,180 |
| Unrestricted | 935,431 | 18,932 | 403,760 | - | 1,668,603 | 3,026,726 |
| | $ 5,981,364 | $ 191,179 | $ 403,760 | $ - | $ 1,668,603 | $ 8,244,906 |

**City of Bay City, Michigan**
**Internal Service Funds**
**Combining Statement of Revenues, Expenses**
**and Changes in Net Assets**
**For the Year Ended June 30, 2007**

| | Motor Equipment Revolving | Information Systems | Liability/ Property Self-Insurance | Site Remediation | Benefits Program | Total |
|---|---|---|---|---|---|---|
| **Operating revenues** | | | | | | |
| Charges for services | $ 3,120,008 | $ 774,246 | $ 1,523,141 | $ - | $ 12,063,697 | $ 17,481,092 |
| Miscellaneous: | | | | | | |
| Employee contributions | - | - | - | - | 608,323 | 608,323 |
| Other | 6,028 | 21,801 | 7,014 | - | 56,629 | 91,472 |
| **Total operating revenues** | 3,126,036 | 796,047 | 1,530,155 | - | 12,728,649 | 18,180,887 |
| **Operating expenses** | | | | | | |
| Cost of sales and service | 2,085,701 | 816,165 | - | - | - | 2,901,866 |
| Administration | - | - | 29,830 | - | 155,999 | 185,829 |
| Claims and benefits | - | - | 1,096,565 | - | 12,182,848 | 13,279,413 |
| Depreciation | 880,743 | 56,219 | - | - | - | 936,962 |
| **Total operating expenses** | 2,966,444 | 872,384 | 1,126,395 | - | 12,338,847 | 17,304,070 |
| **Operating income (loss)** | 159,592 | (76,337) | 403,760 | - | 389,802 | 876,817 |
| **Nonoperating revenues (expenses)** | | | | | | |
| Interest earnings | 50,282 | - | - | - | 38,869 | 89,151 |
| Interest expense | (11,402) | - | - | - | - | (11,402) |
| Net gain / loss on disposal of capital assets | 24,794 | - | - | - | - | 24,794 |
| **Total nonoperating revenues (expenses)** | 63,674 | - | - | - | 38,869 | 102,543 |
| **Changes in net assets** | 223,266 | (76,337) | 403,760 | - | 428,671 | 979,360 |
| **Net assets - beginning of year** | 5,758,098 | 267,516 | - | - | 1,239,932 | 7,265,546 |
| **Net assets - end of year** | $ 5,981,364 | $ 191,179 | $ 403,760 | $ - | $ 1,668,603 | $ 8,244,906 |

**City of Bay City, Michigan**
**Internal Service Funds**
**Combining Statement of Cash Flows**
**For the Year Ended June 30, 2007**

| | Motor Equipment Revolving | Information Systems | Liability/ Property Self-Insurance | Site Remediation | Benefits Program | Total |
|---|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | | |
| Cash received from interfund services provided | $ 3,121,597 | $ 754,919 | $ 1,644,996 | $ 307 | $ 12,824,110 | $ 18,345,929 |
| Cash payments to suppliers for goods and services | (1,228,877) | (271,436) | (947,912) | 10,993 | (11,471,849) | (13,909,081) |
| Cash payments to employees for services | (883,194) | (495,398) | - | - | - | (1,378,592) |
| **Net cash provided (used) by operating activities** | 1,009,526 | (11,915) | 697,084 | 11,300 | 1,352,261 | 3,058,256 |
| **Cash flows from capital and related financing activities** | | | | | | |
| Purchase of capital assets | (1,052,117) | (116,359) | - | - | - | (1,168,476) |
| Proceeds from sale of capital assets | 34,894 | - | - | - | - | 34,894 |
| Principal paid on debt | (41,104) | - | - | - | - | (41,104) |
| Interest paid on debt | (11,402) | - | - | - | - | (11,402) |
| **Net cash (used) by capital and related financing activities** | (1,069,729) | (116,359) | - | - | - | (1,186,088) |
| **Cash flows from investing activities** | | | | | | |
| Interest received | 50,282 | - | - | - | 38,869 | 89,151 |
| **Net increase (decrease) in cash and cash equivalents** | (9,921) | (128,274) | 697,084 | 11,300 | 1,391,130 | 1,961,319 |
| Cash and cash equivalents, beginning of period | 970,061 | 222,554 | 496,308 | 192,534 | 1,066,424 | 2,947,881 |
| **Cash and cash equivalents, end of period** | $ 960,140 | $ 94,280 | $ 1,193,392 | $ 203,834 | $ 2,457,554 | $ 4,909,200 |
| **Reconciliation of operating income to net cash provided by operating activities** | | | | | | |
| Operating income (loss) | $ 159,592 | $ (76,337) | $ 403,760 | $ - | $ 389,802 | $ 876,817 |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | | | | | | |
| Depreciation | 880,743 | 56,219 | - | - | - | 936,962 |
| (Increase) decrease in assets: | | | | | | |
| Accounts receivable | 2,224 | 282 | 15,505 | - | 260 | 18,271 |
| Accrued interest | 2,125 | - | - | 307 | (11,513) | (9,081) |
| Due from other funds | - | (39,618) | 99,336 | - | (237,450) | (177,732) |
| Inventory | 16,023 | 3,202 | - | - | - | 19,225 |
| Prepaid expenses | - | - | - | - | 706,770 | 706,770 |
| Deposits | - | - | (61,427) | - | (12,648) | (74,075) |
| Increase (decrease) in liabilities: | | | | | | |
| Accounts payable | 10,126 | 21,009 | 41,368 | - | 63,224 | 135,727 |
| Accrued liabilities | (23,655) | 206 | - | - | 1,098 | (22,351) |
| Interest payable | (522) | - | - | - | - | (522) |
| Claims payable | - | - | 198,542 | - | 107,845 | 306,387 |
| Due to other funds | (8,788) | (1,792) | - | - | 344,164 | 333,584 |
| Due to other governments | - | - | - | - | 709 | 709 |
| Deferred revenue | - | - | - | 10,993 | - | 10,993 |
| Accrued compensated absences | (28,342) | 24,914 | - | - | - | (3,428) |
| **Total adjustments** | 849,934 | 64,422 | 293,324 | 11,300 | 962,459 | 2,181,439 |
| **Net cash provided (used) by operating activities** | $ 1,009,526 | $ (11,915) | $ 697,084 | $ 11,300 | $ 1,352,261 | $ 3,058,256 |

# ***FIDUCIARY FUNDS***

Fiduciary Funds are set up to account for the assets held by the government in a trustee capacity for other individuals, governmental entities, and non-public organizations. Use of these funds facilitates the discharge of responsibilities placed upon the City by virtue of law or other authority. In the City of Bay City, the trust funds are used to account for the Police and Fire Retirement System, the expendable trust funds relative to general healthcare and healthcare for Police and Fire personnel and retirees, the Current Tax Collections Agency Fund, and the general Trust and Agency Fund.

# City of Bay City, Michigan
## Fiduciary Funds
## Combining Statement of Plan Net Assets
## June 30, 2007

| | Pension Trust | Trust Funds | | |
|---|---|---|---|---|
| | Police & Fire Retirement | General Employees Health Care Investment | Police & Fire Health Care Investment | Total |
| **Assets** | | | | |
| Cash and cash equivalents | $ 694,971 | $ 1,495,691 | $ 610,944 | $ 2,801,606 |
| Investments | | | | |
| Mutual funds | 18,661,887 | 784,905 | 512,435 | 19,959,227 |
| Government securities | 10,025,428 | - | - | 10,025,428 |
| Corporate bonds | 2,925,872 | - | - | 2,925,872 |
| Common stock | 22,918,116 | - | - | 22,918,116 |
| Accounts receivable | 187,192 | - | - | 187,192 |
| Interest receivable | 177,525 | 13,015 | 5,316 | 195,856 |
| **Total assets** | 55,590,991 | 2,293,611 | 1,128,695 | 59,013,297 |
| **Liabilities** | | | | |
| Accounts payable | 100,011 | - | - | 100,011 |
| **Net assets** | | | | |
| Held in trust for employees' pension benefits | 55,490,980 | - | - | 55,490,980 |
| Held in trust for employees' postemployment health care benefits | - | 2,293,611 | 1,128,695 | 3,422,306 |
| **Total net assets** | $ 55,490,980 | $ 2,293,611 | $ 1,128,695 | $ 58,913,286 |

## City of Bay City, Michigan
### Fiduciary Funds
### Combining Statement of Changes in Plan Net Assets
### For the Year Ended June 30, 2007

| | Pension Trust | Trust Funds | | |
|---|---|---|---|---|
| | Police & Fire Retirement | General Employees Health Care Investment | Police & Fire Health Care Investment | Total |
| **Additions** | | | | |
| **Contributions** | | | | |
| Employer | $ 2,123,900 | $ 425,298 | $ 153,897 | $ 2,703,095 |
| Plan members | 520,599 | - | - | 520,599 |
| **Total contributions** | 2,644,499 | 425,298 | 153,897 | 3,223,694 |
| **Investment income** | | | | |
| Interest and dividends | 1,161,952 | 73,239 | 33,635 | 1,268,826 |
| Net appreciation in fair value of investments | 6,264,264 | 127,809 | 81,825 | 6,473,898 |
| Investment expense | (349,470) | - | - | (349,470) |
| **Net investment income** | 7,076,746 | 201,048 | 115,460 | 7,393,254 |
| **Other additions** | 32,524 | - | - | 32,524 |
| **Total additions** | 9,753,769 | 626,346 | 269,357 | 10,649,472 |
| **Deductions** | | | | |
| Benefits and refunds paid to participants | 4,273,618 | - | - | 4,273,618 |
| Administrative expenses | 135,706 | - | - | 135,706 |
| **Total deductions** | 4,409,324 | - | - | 4,409,324 |
| **Net increase in plan net assets** | 5,344,445 | 626,346 | 269,357 | 6,240,148 |
| **Net assets held in trust for pension benefits** | | | | |
| Beginning of year | 50,146,535 | 1,667,265 | 859,338 | 52,673,138 |
| **End of year** | $ 55,490,980 | $ 2,293,611 | $ 1,128,695 | $ 58,913,286 |

# City of Bay City, Michigan
## Agency Funds
## Combining Statement of Fiduciary Assets and Liabilities
## June 30, 2007

| | Trust and Agency | Current Tax Collection | Total |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | $ 148,306 | $ - | $ 148,306 |
| **LIABILITIES** | | | |
| Accounts payable | $ 48,177 | $ - | $ 48,177 |
| Due to other governmental units | 78,928 | - | 78,928 |
| Deposits | 21,201 | - | 21,201 |
| TOTAL LIABILITIES | $ 148,306 | $ - | $ 148,306 |

## City of Bay City, Michigan
### Agency Funds
### Combining Statement of Changes in Assets and Liabilities
### For the Year Ended June 30, 2007

| | BALANCE JULY 1, 2006 | ADDITIONS | DEDUCTIONS | BALANCE JUNE 30, 2007 |
|---|---|---|---|---|
| **TRUST & AGENCY FUND** | | | | |
| ASSETS | | | | |
| Cash and cash equivalents | $ 75,280 | $ 5,149,275 | $ 5,076,249 | $ 148,306 |
| LIABILITIES | | | | |
| Accounts payable | $ 459 | $ 59,801 | $ 12,083 | $ 48,177 |
| Due to other funds | - | 146,471 | 146,471 | - |
| Due to other governmental units | - | 5,573,293 | 5,494,365 | 78,928 |
| Deposits | 74,821 | 70,038 | 123,658 | 21,201 |
| TOTAL LIABILITIES | $ 75,280 | $ 5,849,603 | $ 5,776,577 | $ 148,306 |
| **CURRENT TAX COLLECTION FUND** | | | | |
| ASSETS | | | | |
| Cash and cash equivalents | $ - | $ 33,065,280 | $ 33,065,280 | $ - |
| Accounts receivable | - | 10 | 10 | - |
| TOTAL ASSETS | $ - | $ 33,065,290 | $ 33,065,290 | $ - |
| LIABILITIES | | | | |
| Accounts payable | $ - | $ 20,348,025 | $ 20,348,025 | $ - |
| Due to other funds | - | 12,065,368 | 12,065,368 | - |
| Due to other governmental units | - | 21,161,660 | 21,161,660 | - |
| TOTAL LIABILITIES | $ - | $ 53,575,053 | $ 53,575,053 | $ - |
| **TOTAL - ALL AGENCY FUNDS** | | | | |
| ASSETS | | | | |
| Cash and cash equivalents | $ 75,280 | $ 38,214,555 | $ 38,141,529 | $ 148,306 |
| Accounts receivable | - | 10 | 10 | - |
| TOTAL ASSETS | $ 75,280 | $ 38,214,565 | $ 38,141,539 | $ 148,306 |
| LIABILITIES | | | | |
| LIABILITIES | | | | |
| Accounts payable | $ 459 | $ 20,407,826 | $ 20,360,108 | $ 48,177 |
| Due to other funds | - | 12,065,368 | 12,065,368 | - |
| Due to other governmental units | - | 26,734,953 | 26,656,025 | 78,928 |
| Deposits | 74,821 | 70,038 | 123,658 | 21,201 |
| TOTAL LIABILITIES | $ 75,280 | $ 59,278,185 | $ 59,205,159 | $ 148,306 |

# ***COMPONENT UNITS***

The Component Units provide economic development and financing services to specific geographic areas within the City limits. These entities are legally separate from the City. However, they are fiscally dependent on the City because the City Commission is responsible for approving their annual operating budgets and any debt issuance. All discrete component units are accounted for as governmental fund types. The Component Units within the City of Bay City are: Downtown Development Authority, Midland Street TIFA, Kresge's DDA, Marquette District TIFA, Water Street DDA, Marina Development TIFA, Allen Healthcare DDA, Research Center Development TIFA, Knepp's DDA, Columbus Avenue Management Board, Brownfield Redevelopment Authority, Midland Street Management Board, P.O.W.E.R. Fund, Economic Development Corporation, Downtown Management Board, and Wenonah Park Properties

**City of Bay City, Michigan**
**Downtown Development Authority, Midland Street TIFA,**
**Marquette District TIFA, and Water Street DDA**
**Statement of Net Assets and Governmental Fund Balance Sheet**
**June 30, 2007**

| | Downtown Development Authority | Adjustments | Statement of Net Assets | Midland Street TIFA | Adjustments | Statement of Net Assets |
|---|---|---|---|---|---|---|
| ASSETS | | | | | | |
| Cash and cash equivalents | $ 136,218 | $ - | $ 136,218 | $ 151,569 | $ - | $ 151,569 |
| Receivables: | | | | | | |
| Accounts | 11,114 | - | 11,114 | - | - | - |
| Delinquent taxes | 4,924 | - | 4,924 | - | - | - |
| Accrued interest | 1,185 | - | 1,185 | 1,319 | - | 1,319 |
| Notes | - | - | - | - | - | - |
| Lease | - | - | - | - | - | - |
| Due from other governments | - | - | - | - | - | - |
| Capital assets, net | - | 137,143 | 137,143 | - | 364,925 | 364,925 |
| TOTAL ASSETS | $ 153,441 | 137,143 | 290,584 | $ 152,888 | 364,925 | 517,813 |
| LIABILITIES | | | | | | |
| Accounts payable | $ 48,060 | - | 48,060 | $ 26,162 | - | 26,162 |
| Accrued liabilities | 25 | - | 25 | - | - | - |
| Deferred revenue | 38,272 | (38,272) | - | - | - | - |
| Long-term debt: | | | | | | |
| Bonds payable | - | - | - | - | - | - |
| Notes payable | - | - | - | - | - | - |
| TOTAL LIABILITIES | 86,357 | (38,272) | 48,085 | 26,162 | - | 26,162 |
| FUND BALANCES/NET ASSETS | | | | | | |
| Unreserved | 67,084 | (67,084) | - | 126,726 | (126,726) | - |
| TOTAL LIABILITIES AND FUND BALANCES | $ 153,441 | | | $ 152,888 | | |
| NET ASSETS | | | | | | |
| Invested in capital assets, net of related debt | | 137,143 | 137,143 | | 364,925 | 364,925 |
| Unrestricted | | 105,356 | 105,356 | | 126,726 | 126,726 |
| TOTAL NET ASSETS | | $ 242,499 | $ 242,499 | | $ 491,651 | $ 491,651 |

| Kresge's DDA | Adjustments | Statement of Net Assets | Marquette District TIFA | Adjustments | Statement of Net Assets |
|---|---|---|---|---|---|
| $ 45,144 | $ - | $ 45,144 | $ 1,287,788 | $ - | $ 1,287,788 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 393 | - | 393 | 11,206 | - | 11,206 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | 7,108 | 7,108 | - | 1,270,700 | 1,270,700 |
| $ 45,537 | 7,108 | 52,645 | $ 1,298,994 | 1,270,700 | 2,569,694 |
| $ - | - | - | $ 55,776 | - | 55,776 |
| - | - | - | 1,518 | - | 1,518 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | 57,294 | - | 57,294 |
| 45,537 | (45,537) | - | 1,241,700 | (1,241,700) | - |
| $ 45,537 | | | $ 1,298,994 | | |
| | 7,108 | 7,108 | | 1,270,700 | 1,270,700 |
| | 45,537 | 45,537 | | 1,241,700 | 1,241,700 |
| | $ 52,645 | $ 52,645 | | $ 2,512,400 | $ 2,512,400 |

**City of Bay City, Michigan**
**Marina Development TIFA, Allen Healthcare DDA, and Knepp's DDA**
**Statement of Net Assets and Governmental Fund Balance Sheet**
**June 30, 2007**

| | Water Street DDA | Adjustments | Statement of Net Assets | Marina Develop. TIFA | Adjustments | Statement of Net Assets |
|---|---|---|---|---|---|---|
| ASSETS | | | | | | |
| Cash and cash equivalents | $ 867,988 | $ - | $ 867,988 | $ 81,742 | $ - | $ 81,742 |
| Receivables: | | | | | | |
| Accounts | - | - | - | - | - | - |
| Delinquent taxes | - | - | - | - | - | - |
| Accrued interest | 7,553 | - | 7,553 | 711 | - | 711 |
| Notes | - | - | - | - | - | - |
| Lease | - | - | - | - | - | - |
| Due from other governments | - | - | - | - | - | - |
| Capital assets, net | - | 2,312,657 | 2,312,657 | - | 523,818 | 523,818 |
| TOTAL ASSETS | $ 875,541 | 2,312,657 | 3,188,198 | $ 82,453 | 523,818 | 606,271 |
| LIABILITIES | | | | | | |
| Accounts payable | $ 74,419 | - | 74,419 | $ 64,266 | - | 64,266 |
| Accrued liabilities | - | 15,255 | 15,255 | - | - | - |
| Deferred revenue | - | - | - | - | - | - |
| Long-term debt: | | | | | | |
| Bonds payable | - | 2,470,000 | 2,470,000 | - | - | - |
| Notes payable | - | - | - | - | - | - |
| TOTAL LIABILITIES | 74,419 | 2,485,255 | 2,559,674 | 64,266 | - | 64,266 |
| FUND BALANCES/NET ASSETS | | | | | | |
| Unreserved | 801,122 | (801,122) | - | 18,187 | (18,187) | - |
| TOTAL LIABILITIES AND FUND BALANCES | $ 875,541 | | | $ 82,453 | | |
| NET ASSETS | | | | | | |
| Invested in capital assets | | (157,343) | (157,343) | | 523,818 | 523,818 |
| Unrestricted | | 785,867 | 785,867 | | 18,187 | 18,187 |
| TOTAL NET ASSETS (DEFICIT) | | $ 628,524 | $ 628,524 | | $ 542,005 | $ 542,005 |

| Allen Healthcare DDA | Adjustments | Statement of Net Assets | Knepp's DDA | Adjustments | Statement of Net Assets |
|---|---|---|---|---|---|
| $ 1,532 | $ - | $ 1,532 | $ 42,124 | $ - | $ 42,124 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 13 | - | 13 | 367 | - | 367 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | 88,235 | 88,235 |
| $ 1,545 | - | 1,545 | $ 42,491 | 88,235 | 130,726 |
| | | | | | |
| $ - | - | - | $ - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | 45,326 | 45,326 | - | - | - |
| - | 45,326 | 45,326 | - | - | - |
| 1,545 | (1,545) | - | 42,491 | (42,491) | - |
| $ 1,545 | | | $ 42,491 | | |
| | | | | | |
| | - | - | | 88,235 | 88,235 |
| | (43,781) | (43,781) | | 42,491 | 42,491 |
| | $ (43,781) | $ (43,781) | | $ 130,726 | $ 130,726 |

**City of Bay City, Michigan**
**Downtown Development Authority, Midland Street TIFA,**
**Marquette District TIFA, and Water Street DDA**
**Statement of Activities and Governmental Fund Statement of Revenues, Expenditures,**
**and Changes in Fund Balances**
**For the Year Ended June 30, 2007**

| | Downtown Development Authority | Adjustments | Statement of Activities | Midland St. TIFA | Adjustments | Statement of Activities |
|---|---|---|---|---|---|---|
| REVENUES | | | | | | |
| Intergovernmental: | | | | | | |
| State | $ - | $ - | $ - | $ - | $ - | $ - |
| Taxes: | | | | | | |
| Tax increment | - | - | - | 103,963 | - | 103,963 |
| Special assessments | 74,567 | 37,666 | 112,233 | - | - | - |
| Charges for services: | | | | | | |
| Rents | 93,537 | - | 93,537 | - | - | - |
| Miscellaneous: | | | | | | |
| Interest earnings | 4,291 | - | 4,291 | 15,557 | - | 15,557 |
| Other | 30,000 | - | 30,000 | - | - | - |
| TOTAL REVENUES | 202,395 | 37,666 | 240,061 | 119,520 | - | 119,520 |
| EXPENDITURES/EXPENSES | | | | | | |
| Current: | | | | | | |
| Economic development | 127,338 | - | 127,338 | 1,502 | - | 1,502 |
| Depreciation | - | 18,321 | 18,321 | - | 14,275 | 14,275 |
| Capital outlay | 22,471 | (16,411) | 6,060 | 265,607 | (177,656) | 87,951 |
| Debt service: | | | | | | |
| Principal | - | - | - | - | - | - |
| Interest | - | - | - | - | - | - |
| TOTAL EXPENDITURES/EXPENSES | 149,809 | 1,910 | 151,719 | 267,109 | (163,381) | 103,728 |
| NET CHANGE IN FUND BALANCES / NET ASSETS | 52,586 | 35,756 | 88,342 | (147,589) | 163,381 | 15,792 |
| FUND BALANCE / NET ASSETS, BEGINNING OF PERIOD | 14,498 | 139,659 | 154,157 | 274,315 | 201,544 | 475,859 |
| FUND BALANCE / NET ASSETS, END OF PERIOD | $ 67,084 | $ 175,415 | $ 242,499 | $ 126,726 | $ 364,925 | $ 491,651 |

| Kresge's DDA | Adjustments | Statement of Activities | Marquette District TIFA | Adjustments | Statement of Activities |
|---|---|---|---|---|---|
| $ - | $ - | $ - | $ - | $ - | $ - |
| 1,670 | - | 1,670 | 429,307 | - | 429,307 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 2,545 | - | 2,545 | 83,804 | - | 83,804 |
| - | - | - | - | - | - |
| 4,215 | - | 4,215 | 513,111 | - | 513,111 |
| - | - | - | 150,330 | (10,613) | 139,717 |
| - | 256 | 256 | - | 63,122 | 63,122 |
| 7,364 | (7,364) | - | 170,652 | (169,684) | 968 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 7,364 | (7,108) | 256 | 320,982 | (117,175) | 203,807 |
| (3,149) | 7,108 | 3,959 | 192,129 | 117,175 | 309,304 |
| 48,686 | - | 48,686 | 1,049,571 | 1,153,525 | 2,203,096 |
| $ 45,537 | $ 7,108 | $ 52,645 | $ 1,241,700 | $ 1,270,700 | $ 2,512,400 |

**City of Bay City, Michigan**
**Marina Development TIFA, Allen Healthcare DDA, and Knepp's DDA**
**Statement of Activities and Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances**
**For the Year Ended June 30, 2007**

| | Water Street DDA | Adjustments | Statement of Activities | Marina Develop. TIFA | Adjustments | Statement of Activities |
|---|---|---|---|---|---|---|
| REVENUES: | | | | | | |
| Intergovernmental: | | | | | | |
| State | $ 779 | $ - | $ 779 | $ - | $ - | $ - |
| Taxes: | | | | | | |
| Tax increment | 304,608 | - | 304,608 | - | - | - |
| Miscellaneous: | | | | | | |
| Interest earnings | 54,984 | - | 54,984 | 10,273 | - | 10,273 |
| TOTAL REVENUES | 360,371 | - | 360,371 | 10,273 | - | 10,273 |
| EXPENDITURES/EXPENSES: | | | | | | |
| Current: | | | | | | |
| Economic development | 57,072 | - | 57,072 | 23,994 | (20,168) | 3,826 |
| Depreciation | - | 110,356 | 110,356 | - | 7,024 | 7,024 |
| Capital outlay | 122,005 | (121,171) | 834 | 212,976 | (212,976) | - |
| Debt service: | | | | | | |
| Principal | 135,000 | (135,000) | - | - | - | - |
| Interest | 95,578 | (675) | 94,903 | - | - | - |
| TOTAL EXPENDITURES/EXPENSES | 409,655 | (146,490) | 263,165 | 236,970 | (226,120) | 10,850 |
| NET CHANGE IN FUND BALANCES / NET ASSETS | (49,284) | 146,490 | 97,206 | (226,697) | 226,120 | (577) |
| FUND BALANCE / NET ASSETS, BEGINNING OF PERIOD | 850,406 | (319,088) | 531,318 | 244,884 | 297,698 | 542,582 |
| FUND BALANCE / NET ASSETS, END OF PERIOD | $ 801,122 | $ (172,598) | $ 628,524 | $ 18,187 | $ 523,818 | $ 542,005 |

| Allen Health-care DDA | Adjustments | Statement of Activities | Knepp's DDA | Adjustments | Statement of Activities |
|---|---|---|---|---|---|
| $ - | $ - | $ - | $ - | $ - | $ - |
| 19,588 | - | 19,588 | 15,299 | - | 15,299 |
| 502 | - | 502 | 2,705 | - | 2,705 |
| 20,090 | - | 20,090 | 18,004 | - | 18,004 |
| - | - | - | 1,240 | - | 1,240 |
| - | - | - | - | 1,728 | 1,728 |
| - | - | - | 9,346 | (9,346) | - |
| 14,779 | (14,779) | - | - | - | - |
| 4,808 | - | 4,808 | - | - | - |
| 19,587 | (14,779) | 4,808 | 10,586 | (7,618) | 2,968 |
| 503 | 14,779 | 15,282 | 7,418 | 7,618 | 15,036 |
| 1,042 | (60,105) | (59,063) | 35,073 | 80,617 | 115,690 |
| $ 1,545 | $ (45,326) | $ (43,781) | $ 42,491 | $ 88,235 | $ 130,726 |

# ***STATISTICAL SECTION***

**Financial Trends** - These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time.

**Revenue Capacity** - These schedules contain information to help the reader assess the factors affecting the city's ability to generate its property taxes

**Debt Capacity** - These schedules present information to help the reader assess the affordability of the city's current levels of outstanding debt and the city's ability to issue additional debt in the future.

**Demographic and Economic Information** - These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place and to help make comparisons over time and with other governments.

**Operating Information** - These schedules contain information about the city's operations and resources to help the reader understand how the city's financial information relates to the services the city provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The city implemented Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

**City of Bay City, Michigan**
**Net Assets by Component**
**Last Five Fiscal Years**
**(accrual basis of accounting)**

| | Fiscal Year | | | | |
|---|---|---|---|---|---|
| | **2003** | **2004** | **2005** | **2006** | **2007** |
| Governmental activities | | | | | |
| Invested in capital assets, net of related debt | $ 64,467,354 | $ 58,960,994 | $ 60,326,443 | $ 61,608,056 | $ 60,760,119 |
| Restricted | 1,377,911 | 2,270,720 | 1,400,317 | 1,669,514 | 1,832,805 |
| Unrestricted | 9,943,254 | 13,634,247 | 10,364,764 | 11,588,878 | 12,085,327 |
| Total governmental activities net assets | $ 75,788,519 | $ 74,865,961 | $ 72,091,524 | $ 74,866,448 | $ 74,678,251 |
| Business-type activities | | | | | |
| Invested in capital assets, net of related debt | $ 102,647,067 | $ 98,389,242 | $ 96,461,842 | $ 89,473,335 | $ 90,735,387 |
| Restricted | 1,160,696 | - | - | - | - |
| Unrestricted | 26,340,649 | 30,266,336 | 30,668,638 | 32,243,217 | 31,542,821 |
| Total business-type activities net assets | $ 130,148,412 | $ 128,655,578 | $ 127,130,480 | $ 121,716,552 | $ 122,278,208 |
| Primary government | | | | | |
| Invested in capital assets, net of related debt | $ 167,114,421 | $ 157,350,236 | $ 156,788,285 | $ 151,081,391 | $ 151,495,506 |
| Restricted | 2,538,607 | 2,270,720 | 1,400,317 | 1,669,514 | 1,832,805 |
| Unrestricted | 36,283,903 | 43,900,583 | 41,033,402 | 43,832,095 | 43,628,148 |
| Total primary government net assets | $ 205,936,931 | $ 203,521,539 | $ 199,222,004 | $ 196,583,000 | $ 196,956,459 |

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

**City of Bay City, Michigan**
**Changes in Net Assets**
**Last Five Fiscal Years**
**(accrual basis of accounting)**
**(amounts expressed in thousands)**

| | Fiscal Year | | | | |
|---|---|---|---|---|---|
| | 2003 | 2004 | 2005 | 2006 | 2007 |
| **Expenses** | | | | | |
| Governmental activities: | | | | | |
| Public safety | $ 13,145 | $ 13,014 | $ 13,429 | $ 14,170 | $ 14,640 |
| Community and economic development | 1,859 | - | 2,037 | 2,116 | 2,602 |
| Public works | 5,638 | 11,019 | 10,909 | 9,871 | 9,236 |
| General government | 3,333 | 3,028 | 2,286 | 1,614 | 2,064 |
| Recreation and culture | 1,046 | 941 | 1,129 | 1,249 | 1,164 |
| Interest on long-term debt | 1,562 | 1,358 | 1,544 | 1,298 | 1,302 |
| Total governmental activities expenses | 26,583 | 29,360 | 31,334 | 30,318 | 31,008 |
| Business-type activities: | | | | | |
| Electric | 22,574 | 22,116 | 24,134 | 26,079 | 26,537 |
| Water | 7,330 | 6,939 | 6,870 | 7,231 | 7,694 |
| Sewer | 8,318 | 10,340 | 11,468 | 12,487 | 12,165 |
| Public works | 421 | 435 | 421 | 463 | 519 |
| Total business-type activities expenses | 38,643 | 39,830 | 42,893 | 46,260 | 46,915 |
| Total primary government expenses | $ 65,226 | $ 69,190 | $ 74,227 | $ 76,578 | $ 77,923 |
| **Program Revenues** | | | | | |
| Governmental activities: | | | | | |
| Charges for services | | | | | |
| Public safety | $ 665 | $ 640 | $ 768 | $ 960 | $ 811 |
| General government | 88 | 1,036 | 1,299 | 1,419 | 1,256 |
| Public works | 1,961 | 2,006 | 1,923 | 1,939 | 1,973 |
| Recreation and culture | 4 | 6 | 13 | 8 | 10 |
| Other | - | - | (16) | 125 | 71 |
| Operating grants and contributions | 2,849 | 5,899 | 6,296 | 5,797 | 5,646 |
| Capital grants and contributions | 35 | 21 | 618 | 47 | 1,659 |
| Total governmental activities program revenues | 5,602 | 9,608 | 10,901 | 10,295 | 11,426 |
| Business-type activities: | | | | | |
| Charges for services | | | | | |
| Electric | 21,480 | 21,972 | 22,991 | 23,770 | 26,060 |
| Water | 6,758 | 7,060 | 7,342 | 7,204 | 7,246 |
| Sewer | 7,576 | 8,358 | 9,931 | 11,512 | 11,726 |
| Public works | 399 | 230 | 219 | 215 | 188 |
| Operating grants and contributions | - | 26 | 164 | 246 | 102 |
| Capital grants and contributions | - | - | - | 455 | 482 |
| Total business-type activities program revenues | 36,213 | 37,646 | 40,647 | 43,402 | 45,804 |
| Total primary government program revenues | $ 41,815 | $ 47,254 | $ 51,548 | $ 53,697 | $ 57,230 |
| **Net (expense)/revenue** | | | | | |
| Governmental activitites | $ (20,981) | $ (19,773) | $ (20,433) | $ (20,023) | $ (19,582) |
| Business-type activities | (2,430) | (2,184) | (2,246) | (2,858) | (1,111) |
| Total primary government net expense | $ (23,411) | $ (21,936) | $ (22,679) | $ (22,881) | $ (20,693) |
| **General Revenues and Other Changes in Net Assets** | | | | | |
| Governmental activities: | | | | | |
| Property taxes | $ 13,263 | $ 13,142 | $ 12,934 | $ 13,592 | $ 13,640 |
| Unrestricted grants and contributions | 5,572 | 5,458 | 5,395 | 5,172 | 5,127 |
| Investment earnings | 260 | 274 | 381 | 398 | 702 |
| Miscellaneous | 4,519 | 67 | 71 | 111 | 74 |
| Transfers | (81) | (119) | (311) | 3,525 | (149) |
| Total governmental activities | 23,533 | 18,822 | 18,470 | 22,798 | 19,394 |
| Business-type activities: | | | | | |
| Investment earnings | 658 | 438 | 841 | 922 | 1,459 |
| Miscellaneous | 117 | 40 | 213 | 47 | 64 |
| Transfers | 81 | 119 | 311 | (3,525) | 149 |
| Total business-type activities | 856 | 597 | 1,365 | (2,556) | 1,672 |
| Total primary government | $ 24,389 | $ 19,419 | $ 19,835 | $ 20,242 | $ 21,066 |
| **Change in Net Assets** | | | | | |
| Governmental activities | $ 2,552 | $ (951) | $ (1,963) | $ 2,775 | $ (188) |
| Business-type activities | (1,574) | (1,587) | (881) | (5,414) | 561 |
| Total primary government | $ 978 | $ (2,538) | $ (2,844) | $ (2,639) | $ 373 |

*Note*: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

**City of Bay City, Michigan**
**Fund Balances of Governmental Funds**
**Last Five Fiscal Years**
**(modified accrual basis of accounting)**
**(amounts expressed in thousands)**

| | Fiscal Year | | | | |
|---|---|---|---|---|---|
| | **2003** | **2004** | **2005** | **2006** | **2007** |
| General fund | | | | | |
| Reserved | $ 46 | $ 4 | $ 3 | $ - | $ - |
| Unreserved | 4,951 | 5,460 | 5,380 | 5,353 | 5,086 |
| Total general fund | $ 4,997 | $ 5,464 | $ 5,383 | $ 5,353 | $ 5,086 |
| All other governmental funds | | | | | |
| Reserved | $ 316 | $ 42 | $ 42 | $ 36 | $ 65 |
| Unreserved, reported in: | | | | | |
| Special revenue funds | 1,793 | 1,951 | 1,663 | 2,168 | 2,479 |
| Capital projects funds | 2,632 | 2,156 | 1,347 | 1,463 | 1,446 |
| Debt service fund | 338 | 115 | 53 | 207 | 387 |
| Total all other governmental funds | $ 5,079 | $ 4,264 | $ 3,105 | $ 3,874 | $ 4,377 |

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

**City of Bay City, Michigan**
**Changes in Fund Balances of Governmental Funds**
**Last Five Fiscal Years**
**(modified accrual basis of accounting)**
**(amounts expressed in thousands)**

| | Fiscal Year | | | | |
|---|---|---|---|---|---|
| | **2003** | **2004** | **2005** | **2006** | **2007** |
| **Revenues** | | | | | |
| Property taxes and other taxes | $ 13,263 | $ 12,469 | $ 12,528 | $ 12,557 | $ 12,816 |
| Licenses and permits | 452 | 402 | 513 | 663 | 532 |
| Federal grants | 2,869 | 2,092 | 3,630 | 2,804 | 3,737 |
| State shared revenues and grants | 8,761 | 10,246 | 9,441 | 9,595 | 9,820 |
| Local contributions | - | 88 | 66 | 54 | 16 |
| Interest, rents and royalities | 280 | 243 | 332 | 367 | 613 |
| Charges for services | 5,295 | 5,389 | 5,466 | 5,969 | 5,856 |
| Fines and forfeits | 161 | 171 | 153 | 136 | 132 |
| Reimbursements, refunds and other revenue | 1,206 | 779 | 543 | 961 | 875 |
| Cable franchise fees | 342 | - | - | - | - |
| Total revenues | 32,629 | 31,879 | 32,672 | 33,106 | 34,397 |
| **Expenditures** | | | | | |
| General government | 6,988 | 4,959 | 5,470 | 5,381 | 5,609 |
| Public safety | 12,505 | 12,530 | 13,205 | 13,826 | 14,358 |
| Public works | 6,275 | 6,894 | 7,158 | 7,203 | 6,777 |
| Community and economic development | 2,177 | 2,030 | 2,405 | 1,853 | 1,784 |
| Recreation and culture | 1,031 | 954 | 1,030 | 1,076 | 1,005 |
| Capital outlay | 2,921 | 2,354 | 2,550 | 1,393 | 2,841 |
| Debt service: | | | | | |
| Principal | 633 | 2,110 | 1,690 | 1,570 | 1,638 |
| Interest and other fees | 1,562 | 158 | 115 | 4 | 1 |
| Total expenditures | 34,092 | 31,989 | 33,623 | 32,306 | 34,013 |
| Excess of revenues over (under) expenditures | (1,463) | (110) | (951) | 800 | 384 |
| **Other financing sources (uses)** | | | | | |
| Transfers in | 2,201 | 2,397 | 1,717 | 2,537 | 841 |
| Lease proceeds | - | 31 | - | 29 | - |
| Transfers (out) | (2,282) | (2,516) | (1,741) | (2,627) | (990) |
| Total other financing sources (uses) | (81) | (119) | (24) | (61) | (149) |
| Net change in fund balances | $ (1,544) | $ (229) | $ (975) | $ 739 | $ 235 |
| Debt service as a percentage of noncapital expenditures | 7.04% | 7.65% | 5.81% | 5.09% | 5.26% |

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

**City of Bay City, Michigan**
**Revenue By Source**
**Last Ten Fiscal Years**
**(accrual basis of accounting)**

| Fiscal Year | Property Tax | Electric Operating |
|---|---|---|
| 1998 | $ 11,686,103 | $ 20,773,400 |
| 1999 | 12,317,637 | 21,284,574 |
| 2000 | 12,857,516 | 22,342,872 |
| 2001 | 11,869,699 | 20,450,764 |
| 2002 | 12,912,724 | 23,069,774 |
| 2003 | 13,262,771 | 21,567,902 |
| 2004 | 13,142,381 | 21,987,493 |
| 2005 | 12,933,879 | 23,069,375 |
| 2006 | 13,591,533 | 23,776,213 |
| 2007 | 13,640,017 | 26,103,470 |

**City of Bay City, Michigan**
**Assessed Value and Estimated Actual Value of Taxable Property**
**Last Ten Fiscal Years**
**(in thousands of dollars)**

| Fiscal Year Ended June 30 | Real Property Residential | Real Property Commercial | Real Property Industrial | Personal Property | Total Assessed Value | Total Direct Tax Rate | Estimated Actual Assessed Value | Assessed Value as a Percentage of Actual Value |
|---|---|---|---|---|---|---|---|---|
| 1998 | $ 315,580 | $ 85,400 | $ 19,669 | $ 68,926 | $ 489,575 | 23.8600 | $ 979,150 | 50.00% |
| 1999 | 343,915 | 91,069 | 20,429 | 67,103 | 522,516 | 23.8700 | 1,045,032 | 50.00% |
| 2000 | 372,094 | 101,876 | 20,928 | 70,971 | 565,869 | 21.7500 | 1,131,738 | 50.00% |
| 2001 | 400,531 | 100,655 | 21,293 | 73,826 | 596,305 | 21.4000 | 1,192,610 | 50.00% |
| 2002 | 421,482 | 102,110 | 25,743 | 74,071 | 623,406 | 21.4000 | 1,246,812 | 50.00% |
| 2003 | 455,057 | 108,418 | 24,135 | 75,358 | 662,968 | 21.2027 | 1,325,936 | 50.00% |
| 2004 | 479,991 | 112,152 | 25,425 | 76,682 | 694,250 | 20.5505 | 1,388,500 | 50.00% |
| 2005 | 513,892 | 116,272 | 24,698 | 85,178 | 740,040 | 20.0505 | 1,480,080 | 50.00% |
| 2006 | 518,800 | 119,382 | 25,162 | 87,028 | 750,372 | 19.4532 | 1,500,744 | 50.00% |
| 2007 | 518,972 | 119,418 | 25,266 | 86,584 | 750,240 | 19.5503 | 1,500,480 | 50.00% |

Source: Bay City Assessor's Office

Note: Property in the city is reassessed annually. The city assesses property at approzimately 50 percent of actual value for all types of real and personal property. Estimated actual value is calculated by dividing assessed value by those percentages. Tax rates are per $1,000 of taxable value.

**City of Bay City, Michigan**
**Property Tax Rates**
**Direct and Overlapping Governments**
**Last Ten Fiscal Years**

| | Bay City | | | | Overlapping Rates | | | |
|---|---|---|---|---|---|---|---|---|
| Fiscal Year (1) (2) | Operating Millage | Special Millage (3) | Debt Millage | Total City Millage | School District | Community College | County | Total Direct & Overlapping Rates |
| 1998 | 18.1000 | 2.8600 | 3.0000 | 23.9600 | 30.4656 | 2.0427 | 9.6597 | 66.1280 |
| 1999 | 18.0000 | 2.8600 | 3.0000 | 23.8600 | 30.4656 | 2.0427 | 9.9499 | 66.3182 |
| 2000 | 17.4500 | 2.7700 | 3.6500 | 23.8700 | 30.4596 | 2.0427 | 9.9476 | 66.3199 |
| 2001 | 17.9500 | 0.0000 | 3.8000 | 21.7500 | 30.3594 | 2.0427 | 10.9478 | 65.0999 |
| 2002 | 17.8800 | 0.0000 | 3.5200 | 21.4000 | 30.1594 | 2.0427 | 10.9480 | 64.5501 |
| 2003 | 17.0130 | 1.2870 | 3.1000 | 21.4000 | 30.1594 | 2.5427 | 10.9486 | 65.0507 |
| 2004 | 17.8027 | 0.0000 | 3.4000 | 21.2027 | 29.0568 | 2.5427 | 10.9486 | 63.7508 |
| 2005 | 17.6905 | 0.0000 | 2.8600 | 20.5505 | 30.0458 | 2.5427 | 11.0326 | 64.1716 |
| 2006 | 17.3721 | 0.0000 | 2.6784 | 20.0505 | 30.0065 | 2.5427 | 11.0338 | 63.6335 |
| 2007 | 16.9615 | (0.0971) | 2.5888 | 19.4532 | 30.9480 | 2.0427 | 9.7100 | 62.1539 |

Source: Bay City Assessor's Office

(1) Rates reduced to comply with the Headlee Amendment.
(2) This is the year in which the tax is levied. 1998 refers to the 1999 tax collection, 1999 refers to the 2000 tax collection, and so on.
(3) Through 1999, the City levied a millage for Sanitation, which was also affected by the Headlee Amendment and reduced to comply with it. In 2002 (FY 2003), the special levy was for the settlement of the Heather Ridge lawsuit. In 2006 (FY 2007), a credit was issued due to an over-levy of County millage in Winter 2005.

**City of Bay City, Michigan**
**Principal Property Taxpayers and Electric Customers**
**June 30, 2007 and Nine Years Previous**

| | 2007 | | | 1998 | | |
|---|---|---|---|---|---|---|
| **Taxpayer** | **Taxable Assessed Value** | **Rank** | **Percentage of Total Taxable Assessed Value** | **Taxable Assessed Value** | **Rank** | **Percentage of Total Taxable Assessed Value** |
| General Motors/CPC | $ 76,213,850 | 1 | 10.83% | $ - | | - |
| S C Johnson | 13,694,576 | 2 | 1.95% | - | | - |
| Consumers Energy | 4,833,680 | 3 | 0.69% | 7,067,262 | 3 | 1.29% |
| Kerkau Manufacturing | 4,028,416 | 4 | 0.57% | 1,942,500 | 7 | 0.35% |
| Wenonah Park Properties | 3,963,850 | 5 | 0.56% | - | | - |
| Carbone/Ultra Carbon Corp. | 3,707,950 | 6 | 0.53% | 2,657,690 | 4 | 0.49% |
| Marina Place LLC | 3,317,575 | 7 | 0.47% | - | | - |
| Chemical Bank | 2,807,388 | 8 | 0.40% | - | | - |
| Northern Concrete Pipe | 2,692,100 | 9 | 0.38% | - | | - |
| Charter Communications | 2,508,050 | 10 | 0.36% | - | | - |
| Chevrolet-Pontiac-Canada | - | | - | 110,487,950 | 1 | 20.17% |
| Thompson Bay Company, Inc. | - | | - | 10,310,700 | 2 | 1.88% |
| F.P. Horak | - | | - | 2,318,150 | 5 | 0.42% |
| First of America Bank | - | | - | 2,139,941 | 6 | 0.39% |
| City of BC and Housing Comm | - | | - | 1,937,959 | 8 | 0.35% |
| Brennan Marine | - | | - | 1,883,220 | 9 | 0.34% |
| Art Van Furniture | - | | - | 1,865,062 | 10 | 0.34% |
| Totals | $ 117,767,435 | | 16.74% | $ 142,610,434 | | 26.02% |

| | 2007 | | | 2000 (1) | | |
|---|---|---|---|---|---|---|
| **Electric Customer** | **Revenues** | **Rank** | **Percentage of Total Revenue** | **Revenues** | **Rank** | **Percentage of Total Revenue** |
| City of Bay City | $ 1,180,532 | 1 | 4.7% | $ 950,691 | 1 | 4.1% |
| Bay Medical Center | 800,284 | 2 | 3.2% | 734,889 | 2 | 3.1% |
| Carbone USA | 605,258 | 3 | 2.4% | 403,597 | 4 | 1.7% |
| S.C. Johnson & Sons | 399,498 | 4 | 1.6% | - | | - |
| Bay County | 357,867 | 5 | 1.4% | 292,640 | 5 | 1.2% |
| Bay Cast | 296,713 | 6 | 1.2% | 283,994 | 6 | 1.2% |
| Bay City Board of Education | 283,945 | 7 | 1.1% | 432,840 | 3 | 1.8% |
| Bay City Housing Commission | 232,057 | 8 | 0.9% | 144,734 | 9 | 0.6% |
| Doubletree Hotel | 228,176 | 9 | 0.9% | - | | - |
| Kerkau Manufacturing | 223,754 | 10 | 0.9% | 160,551 | 8 | 0.7% |
| Thompson Bay Company | - | | - | 215,958 | 7 | 0.9% |
| F P Horak Company | - | | - | 139,256 | 10 | 0.6% |
| Totals | $ 4,608,084 | | 18.30% | $ 2,073,570 | | 16.03% |

(1) 2000 is the most historical year for which information is available.

**City of Bay City, Michigan**
**Property Tax Levies and Collections**
**Last Ten Fiscal Years**
**(amounts expressed in thousands)**

| Fiscal Year Ended June 30, | Total Tax Levy for Fiscal Year | Collected within the Fiscal Year of the Levy | | Collections in Subsequent Years | Total Collections to Date | |
|---|---|---|---|---|---|---|
| | | Amount | Percentage of Levy | | Amount | Percentage of Levy |
| 1998 | $ 11,357 | $ 10,560 | 92.98% | $ 787 | $ 11,347 | 99.91% |
| 1999 | 11,986 | 11,187 | 93.33% | 771 | 11,958 | 99.77% |
| 2000 | 12,347 | 11,511 | 93.23% | 799 | 12,310 | 99.70% |
| 2001 | 11,515 | 10,715 | 93.06% | 710 | 11,425 | 99.22% |
| 2002 | 11,789 | 11,014 | 93.43% | 688 | 11,702 | 99.26% |
| 2003 | 12,448 | 11,652 | 93.61% | 680 | 12,332 | 99.07% |
| 2004 | 12,580 | 11,800 | 93.80% | 672 | 12,472 | 99.14% |
| 2005 | 12,619 | 11,812 | 93.60% | 703 | 12,515 | 99.18% |
| 2006 | 12,650 | 11,941 | 94.39% | 707 | 12,648 | 99.98% |
| 2007 | 12,762 | 11,970 | 93.79% | 765 | 12,735 | 99.79% |

**City of Bay City, Michigan**
**Ratios of Outstanding Debt by Type**
**Last Ten Fiscal Years**

| | Governmental Activities | | | Business-type Activities | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Fiscal Year | General Obligation Bonds | Installment Purchase Contracts | Capital Leases | Revenue Bonds | General Obligation Bonds | Term Loan | Total Primary Government | Percentage of Personal Income (1) | Per Capita (1) |
| 1998 | $ 26,444,680 | $ 505,020 | $ - | $ 14,799,646 | $ - | $ 9,845,000 | $ 51,594,346 | 19.72% | $ 1,412 |
| 1999 | 25,734,601 | 335,000 | - | 14,158,665 | - | 8,000,000 | 48,228,266 | 17.74% | 1,359 |
| 2000 | 25,012,309 | 1,065,824 | - | 13,482,684 | 1,500,000 | 6,120,000 | 47,180,817 | 16.51% | 1,367 |
| 2001 | 24,226,531 | 866,756 | - | 12,761,703 | 1,455,000 | 8,456,809 | 47,766,799 | 16.70% | 1,297 |
| 2002 | 23,346,115 | 667,688 | 45,903 | 11,995,722 | 1,405,000 | 27,284,690 | 64,745,118 | 22.79% | 1,759 |
| 2003 | 22,713,211 | 437,819 | 69,312 | 11,184,741 | 1,355,000 | 38,438,296 | 74,198,379 | 25.35% | 2,015 |
| 2004 | 22,031,664 | 400,842 | 73,412 | 10,318,760 | 1,305,000 | 40,198,689 | 74,328,367 | 24.62% | 2,019 |
| 2005 | 21,644,380 | 362,726 | 35,122 | 9,392,779 | 7,250,000 | 39,070,000 | 77,755,007 | 25.29% | 2,112 |
| 2006 | 17,774,130 | 323,144 | 45,364 | 8,315,000 | 15,895,000 | 41,975,727 | 84,328,365 | 26.61% | 2,290 |
| 2007 | 17,462,577 | 282,040 | 22,717 | 7,115,000 | 14,690,000 | 41,290,000 | 80,862,334 | 25.52% | 2,196 |

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

(1) See Statistical Table Number 15 for personal income and population data.

**City of Bay City, Michigan**
**Ratios of General Bonded Debt Outstanding**
**Last Ten Fiscal Years**
**(amounts expressed in thousands)**

| Fiscal Year | General Obligation Bonds | Less: Amounts Available in Debt Service Fund | Less: Self Supporting and Revenue Bonds | Total | Percentage of Estimated Actual Taxable Value of Property | Per Capita (1) |
|---|---|---|---|---|---|---|
| 1998 | $ 52,070 | $ 476 | $ 27,275 | $ 24,319 | 4.97% | 633.49 |
| 1999 | 47,773 | 114 | 23,389 | 24,270 | 4.64% | 683.95 |
| 2000 | 46,710 | 136 | 22,073 | 24,501 | 4.33% | 710.01 |
| 2001 | 43,707 | 240 | 23,359 | 20,108 | 3.38% | 546.17 |
| 2002 | 39,926 | 298 | 16,955 | 22,673 | 3.64% | 615.83 |
| 2003 | 35,253 | 338 | 12,540 | 22,375 | 3.17% | 607.74 |
| 2004 | 33,655 | 115 | 11,624 | 21,917 | 2.98% | 595.29 |
| 2005 | 38,287 | 53 | 16,643 | 21,591 | 2.78% | 586.45 |
| 2006 | 41,984 | 207 | 24,210 | 17,567 | 2.24% | 477.15 |
| 2007 | 32,153 | 387 | 14,690 | 17,076 | 2.28% | 463.80 |

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.
Taxable value provided by the Bay City Assessor's Office.

(1) See Statistical Table Number 15 for population data.

**City of Bay City, Michigan**
**Direct and Overlapping Governmental Activities Debt**
**As of June 30, 2007**

| Governmental Unit | Debt Outstanding | Estimated Percentage Applicable | Estimated Share of Overlapping Debt |
|---|---|---|---|
| Overlapping Debt: | | | |
| Bay County | $ 26,704,897 | 21.62% | $ 5,773,599 |
| Bay City School District | 73,005,000 | 36.19% | 26,420,510 |
| Bangor Township Schools | 13,195,000 | 0.38% | 50,141 |
| Bay-Arenac Intermediate School District | 315,000 | 18.54% | 58,401 |
| TOTAL OVERLAPPING DEBT | | | 32,302,650 |
| Direct Debt: | | | |
| City of Bay City | 17,462,577 | 100.00% | 17,462,577 |
| TOTAL DIRECT AND OVERLAPPING DEBT | | | 49,765,227 |

Sources: Debt outstanding and estimated share of overlapping debt provided by Municipal Advisory Council of Michigan.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the resider and businesses of Bay City. This process recognizes that, when considering the government's ability to issue and repay long term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, thi does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

**City of Bay City, Michigan**
**Legal Debt Margin Information**
**Last Ten Fiscal Years**
**(amounts expressed in thousands)**

| | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|---|---|---|---|---|---|---|---|---|---|
| Debt limit | $ 48,930 | $ 52,252 | $ 56,554 | $ 59,532 | $ 62,557 | $ 70,582 | $ 73,468 | $ 77,667 | $ 78,322 | $ 75,024 |
| Total net debt applicable to limit | 6,894 | 6,681 | 6,083 | 5,365 | 4,646 | 23,731 | 23,221 | 28,841 | 33,462 | 31,766 |
| Legal debt margin | $ 42,036 | $ 45,571 | $ 50,471 | $ 54,167 | $ 57,911 | $ 46,851 | $ 50,247 | $ 48,826 | $ 44,860 | $ 43,258 |
| Total net debt applicable to the limit as a percentage of debt limit | 14.09% | 12.79% | 10.76% | 9.01% | 7.43% | 33.62% | 31.61% | 37.13% | 42.72% | 42.34% |

**Legal Debt Margin Calculation for Fiscal Year 2007**

| | | |
|---|---|---|
| Assessed valutation, December 31, 2006 | | $ 750,240 |
| Debt limit (10% of assessed valuation) | | $ 75,024 |
| Debt applicable to limit: (1) | $ 32,153 | |
| Less: | | |
| Assets in Debt Service funds available for pymnt of principal | 387 | |
| Total amount of debt applicable to debt limit | | 31,766 |
| Legal debt margin | | $ 43,258 |

**City of Bay City, Michigan**
**Pledged-Revenue Coverage**
**Last Ten Fiscal Years**

**Water System Revenue Bonds**

| Fiscal Year | Operating Revenue (1) | Operating Expenses (2) | Net Available Revenue | Debt Service (4) (5) Principal | Debt Service (4) (5) Interest | Total | Coverage |
|---|---|---|---|---|---|---|---|
| 1998 | $ 6,625,026 | $ 4,234,759 | $ 2,390,267 | $ 1,410,000 | $ 371,325 | $ 1,781,325 | 1.34 |
| 1999 | 7,289,701 | 4,499,601 | 2,790,100 | 1,465,000 | 313,176 | 1,778,176 | 1.57 |
| 2000 | 7,257,582 | 5,018,802 | 2,238,780 | 1,525,000 | 248,479 | 1,773,479 | 1.26 |
| 2001 | 6,758,021 | 4,954,464 | 1,803,557 | 1,590,000 | 177,730 | 1,767,730 | 1.02 |
| 2002 | 7,374,747 | 5,426,593 | 1,948,154 | 1,665,000 | 103,251 | 1,768,251 | 1.10 |
| 2003 | 6,879,833 | 6,145,570 | 734,263 | 1,740,000 | 21,880 | 1,761,880 | 0.42 |
| 2004 | 7,157,161 | 5,638,468 | 1,518,693 | - | - | - | - |
| 2005 | 7,530,484 | 5,698,760 | 1,831,724 | - | - | - | - |
| 2006 | 7,371,955 | 6,127,635 | 1,244,320 | - | - | - | - |
| 2007 | 7,551,683 | 6,661,017 | 890,666 | - | - | - | - |

**Electric System Revenue Bonds**

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 1998 | $ 21,861,463 | $ 15,473,524 | $ 6,387,939 | $ 605,000 | $ 844,273 | $ 1,449,273 | 4.41 |
| 1999 | 22,147,560 | 15,686,610 | 6,460,950 | 800,000 | 809,148 | 1,609,148 | 4.02 |
| 2000 | 23,418,490 | 16,734,311 | 6,684,179 | 835,000 | 768,273 | 1,603,273 | 4.17 |
| 2001 | 21,834,972 | 18,430,772 | 3,404,200 | 880,000 | 725,398 | 1,605,398 | 2.12 |
| 2002 | 23,866,773 | 18,890,250 | 4,976,523 | 925,000 | 680,273 | 1,605,273 | 3.10 |
| 2003 | 22,072,493 | 19,726,368 | 2,346,125 | 970,000 | 632,898 | 1,602,898 | 1.46 |
| 2004 | 22,302,847 | 19,262,347 | 3,040,500 | 1,025,000 | 580,460 | 1,605,460 | 1.89 |
| 2005 | 23,615,498 | 21,352,687 | 2,262,811 | 1,085,000 | 525,148 | 1,610,148 | 1.41 |
| 2006 | 24,363,634 | 23,453,586 | 910,048 | 1,145,000 | 469,111 | 1,614,111 | 0.56 |
| 2007 | 26,985,022 | 24,582,860 | 2,402,162 | 1,200,000 | 409,300 | 1,609,300 | 1.49 |

Note: Details regarding Bay City's outstanding debt can be found in the notes to the financial statements.

(1) Includes interest earnings.
(2) Net of depreciation expense.

**City of Bay City, Michigan**
**Demographic and Economic Statistics**
**Last Ten Fiscal Years**

| Fiscal Year | Population (1) | Personal Income (2) (amounts expressed in thousands) | Per Capita Personal Income | School Enrollment (3) | Unemployment Rate (4) |
|---|---|---|---|---|---|
| 1998 | 36,548 | $2,530,115 | $20,285 | 10,287 | 3.70% |
| 1999 | 35,485 | 2,616,290 | 24,363 | 10,232 | 5.20% |
| 2000 | 34,508 | 2,718,432 | 24,458 | 10,199 | 3.40% |
| 2001 | 36,817 | 2,857,805 | 24,500 | 9,904 | 4.90% |
| 2002 | 36,817 | 2,859,582 | 26,064 | 9,843 | 7.10% |
| 2003 | 36,817 | 2,841,552 | 26,771 | 9,839 | 8.00% |
| 2004 | 36,817 | 2,927,325 | 26,067 | 9,790 | 8.20% |
| 2005 | 36,817 | 3,018,537 | 26,726 | 9,507 | 6.80% |
| 2006 | 36,817 | 3,075,000 | 27,651 | 9,355 | 6.50% |
| 2007 | 36,817 | 3,169,000 | 29,234 | 9,203 | 7.00% |

Data Sources:
(1) Population Division, U.S. Census Bureau
(2) Bureau of Economic Analysis, U.S. Department of Commerce
(3) Local school districts
(4) U.S. Departmen of Labor Bureau of Labor Statistics Data - Unemployment rate information is a yearly average not seasonally adjusted.

**City of Bay City, Michigan**
**Principal Employers**
**2007 and 1998**

| | 2007 | | | 1998 | | |
|---|---|---|---|---|---|---|
| **Employer** | **Employees** | **Rank** | **Percentage of Total County Employment** | **Employees** | **Rank** | **Percentage of Total County Employment** |
| Bay Regional Medical Center (3) | 1,870 | 1 | 3.71% | 2,447 | 1 | 4.66% |
| Bay City Public Schools (1) | 1,106 | 2 | 2.19% | 1,278 | 4 | 2.43% |
| General Motors Powertrain | 675 | 3 | 1.34% | 1,409 | 3 | 2.68% |
| Bay County | 584 | 4 | 1.16% | 578 | 7 | 1.10% |
| SC Johnson | 450 | 5 | 0.89% | - | | - |
| City of Bay City | 371 | 6 | 0.74% | 429 | 10 | 0.82% |
| F.P. Horak | 199 | 7 | 0.39% | - | | - |
| Labadie Auto Group | 165 | 8 | 0.33% | - | | - |
| Northern Concrete | 126 | 9 | 0.25% | - | | - |
| Doubletree Hotel and Conference Center | 120 | 10 | 0.24% | - | | - |
| Dow Corning Corporation | - | | - | 1,622 | 2 | 3.09% |
| Delta College | - | | - | 571 | 8 | 1.09% |
| Meijer Inc. | - | | - | 711 | 6 | 1.35% |
| Consumers Energy | - | | - | 532 | 9 | 1.01% |
| Monitor Sugar Company (2) | - | | - | 800 | 5 | 1.52% |
| Totals | 5,666 | | 11.24% | 10,377 | | 19.76% |

Information presented for Bay County as this information is not available for the City of Bay City.

Source:
Bay City Times and U.S. Department of Labor Bureau of Labor Statistics

(1) Excludes substitute teachers.
(2) Figure represents peak manufacturing/industry seasons.
(3) Previously Bay Health Systems

**City of Bay City, Michigan**
**Full-time Equivalent City of Bay City Employees by Function**
**Last Ten Fiscal Years**

| | Full-time Equivalent Employees as of June 30, 2007 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **1998** | **1999** | **2000** | **2001** | **2002** | **2003** | **2004** | **2005** | **2006** | **2007** |
| **Function** | | | | | | | | | | |
| General government | 61 | 58 | 63 | 64 | 68 | 69 | 67 | 65 | 62 | 60 |
| Public safety | | | | | | | | | | |
| Police | 103 | 103 | 103 | 100 | 100 | 96 | 88 | 71 | 66 | 66 |
| Fire | 60 | 60 | 60 | 60 | 60 | 61 | 61 | 58 | 58 | 57 |
| Public works | 73 | 73 | 69 | 71 | 67 | 68 | 67 | 65 | 64 | 61 |
| Recreation and culture | 11 | 11 | 14 | 12 | 17 | 17 | 17 | 17 | 17 | 15 |
| Community and economic development | 5 | 7 | 7 | 6 | 6 | 8 | 7 | 12 | 11 | 10 |
| Electric | 43 | 51 | 45 | 46 | 48 | 48 | 48 | 47 | 47 | 45 |
| Water | 45 | 44 | 45 | 44 | 44 | 43 | 44 | 44 | 43 | 42.5 |
| Sewer | 42 | 42 | 42 | 43 | 42 | 42 | 42 | 40 | 46 | 42.5 |
| Total | 443 | 449 | 448 | 446 | 452 | 452 | 441 | 419 | 414 | 399 |

Source: City of Bay City Finance Department

**City of Bay City, Michigan**
**Operating Indicators by Function**
**Last Ten Fiscal Years**

| | Fiscal Year | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
| **Function** | | | | | | | | | | |
| **General Government** | | | | | | | | | | |
| Elections | | | | | | | | | | |
| Number of registered voters | 27,273 | 28,107 | 29,020 | 26,031 | 25,733 | 23,779 | 23,988 | 24,772 | 24,311 | 24,509 |
| **Public safety** | | | | | | | | | | |
| Police Department | | | | | | | | | | |
| Number of citations issued | 8,890 | 7,887 | 8,174 | 10,480 | 11,925 | 9,910 | 7,989 | 6,183 | 5,796 | 8,343 |
| Number of complaints filed | 9,352 | 16,345 | 6,606 | 7,281 | 7,638 | 7,869 | 7,166 | 6,845 | 5,946 | 6,113 |
| Number of calls for service | 50,061 | - | 29,288 | 29,600 | 35,102 | 37,194 | 34,395 | 32,445 | 29,470 | 28,957 |
| Number of DUI offenses | 204 | 181 | 228 | 334 | 276 | 376 | 288 | 278 | 185 | 337 |
| Fire Department | | | | | | | | | | |
| Number of emergency runs | - | - | - | - | 3,861 | 3,995 | 3,989 | 4,663 | 3,677 | 1,341 |
| Number of fire prevention programs | | | | | | 7 | 7 | 7 | 7 | 7 |
| **Public works** | | | | | | | | | | |
| Streets | | | | | | | | | | |
| Tons of salt used | - | - | - | - | 2,190 | 2,884 | 2,607 | 2,784 | 3,060 | 2,280 |
| **Recreation and culture** | | | | | | | | | | |
| Park acreage maintained | - | - | - | - | - | - | - | - | - | 238 |
| Special events | - | - | - | - | - | - | - | - | - | 58 |
| Shelter rentals | - | - | - | - | - | - | - | - | - | 63 |
| Street trees planted | 922 | 731 | 558 | 792 | 370 | 364 | 392 | 391 | 482 | 716 |
| Street trees trimmed | - | - | - | - | - | - | - | - | - | 2,998 |
| Street trees removal | - | - | - | - | - | - | - | - | - | 251 |
| **Community and Economic Development** | | | | | | | | | | |
| Housing rehabiltion units | 29 | 20 | 9 | 9 | 6 | 14 | 10 | 13 | 5 | 6 |
| Emergency rehabilitation units | 29 | 29 | 15 | 23 | 20 | 29 | 27 | 47 | 33 | 23 |
| **Electric Department** | | | | | | | | | | |
| Generating capacity | 33,290 | 33,290 | 33,290 | 33,295 | 33,295 | 33,290 | 33,295 | 33,295 | 33,295 | 33,295 |
| **Sewer System** | | | | | | | | | | |
| Sanitary and storm sewer (miles) | 276 | 276 | 276.19 | 276.19 | 276.19 | 277.08 | 277 | 277 | 277 | 310 |
| Daily average treatment (million gallons) | 8 | 8 | 8 | 8 | 8 | 8 | 8.6 | 9 | 9 | 9 |
| Maximum daily capacity (million gallons) | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 18 |
| **Water system** | | | | | | | | | | |
| Miles of water mains | 230 | 230 | 230 | 230 | 230 | 232 | 232 | 232 | 231.86 | 232 |
| Daily average consumption (million gallons) | 9.90 | 9.90 | 10.33 | 9.76 | 9.76 | 10.52 | 9.76 | 9.31 | 9.7 | 8.90 |
| Maximum daily treatment (million gallons) | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 |
| **Airport** | | | | | | | | | | |
| Private hanger land leases | - | - | - | - | - | - | - | - | 20 | 22 |
| Public hanger lease | - | - | - | - | - | - | - | - | 1 | 1 |
| Take offs & landings | - | - | - | - | - | - | - | - | 11,490 | n/a |
| Cell tower leases | - | - | - | - | - | - | - | - | 1 | 1 |
| Aviation fuel sold (gallons) | - | - | - | - | - | - | - | - | - | 29,000 |
| **Cemetery** | | | | | | | | | | |
| Interments | - | - | - | - | - | - | - | - | 58 | 35 |
| Grave sales | - | - | - | - | - | - | - | - | 25 | 30 |
| Foundations set | - | - | - | - | - | - | - | - | 21 | 21 |
| **Marina** | | | | | | | | | | |
| Seasonal Dock Leases | - | - | - | - | - | - | - | - | 50 | 50 |
| Transient Dock Rentals | - | - | - | - | - | - | - | - | 1,540 | 1,585 |

**City of Bay City, Michigan**
**Capital Asset Statistics by Function**
**Last Ten Fiscal Years**

| | Fiscal Year | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
| **Function** | | | | | | | | | | |
| Public safety | | | | | | | | | | |
| Police | | | | | | | | | | |
| Stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Vehicles | 37 | 38 | 39 | 42 | 39 | 42 | 40 | 34 | 31 | 25 |
| Fire | | | | | | | | | | |
| Stations | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Vehicles | - | - | 15 | 14 | 14 | 14 | 14 | 14 | 13 | 13 |
| Public works | | | | | | | | | | |
| Bascule span bridges | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Streets (miles) | 199 | 199 | 199 | 199 | 199 | 199 | 199 | 199 | 199 | 199 |
| Recreation and culture | | | | | | | | | | |
| Park areas | 17 | 18 | 18 | 18 | 18 | 18 | 18 | 25 | 24 | 24 |

Sources: Various city departments.
Note: No capital asset indicators are available for the general government and economic development functions.
Not all historical information is available, this table will continue to be populated as more information becomes available.

# ***SINGLE AUDIT***

The Single Audit is the Auditors' report on internal controls over compliance with applicable laws and regulations. The City of Bay City is required to undergo an annual single audit conforming with the provisions of the Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget Circular A-133, Audits of State and Local Governments.

**City of Bay City, Michigan**
**Schedule of Expenditures of Federal Awards**
**For the Fiscal Year Ended June 30, 2007**

| Federal/Pass-Through Grantor Program Title | Federal CFDA Number | Federal or (Pass-Through) Grant Number | Amended Grant Amount | Federal Expenditures |
|---|---|---|---|---|
| **U.S. Department of Housing and Urban Development** | | | | |
| Community Development Block Grant Entitlements | 14.218 | B-98-MC-26-0003 | $ 1,838,000 | $ 2,970 |
| | 14.218 | B-99-MC-26-0003 | 1,849,000 | 67,475 |
| | 14.218 | B-00-MC-26-0003 | 1,855,000 | - |
| | 14.218 | B-01-MC-26-0003 | 1,926,000 | 1,970 |
| | 14.218 | B-02-MC-26-0003 | 1,878,000 | 143,015 |
| | 14.218 | B-03-MC-26-0003 | 1,758,000 | 201,615 |
| | 14.218 | B-04-MC-26-0003 | 1,742,000 | 16,546 |
| | 14.218 | B-05-MC-26-0003 | 1,649,000 | 253,379 |
| | 14.218 | B-06-MC-26-0003 | 1,479,185 | 968,610 |
| | 14.218 | n/a | n/a | 224,799 |
| | | | | 1,880,379 |
| HOME Program | 14.239 | M98-MC260219 | 368,000 | 1,797 |
| | 14.239 | M99-MC260219 | 398,000 | 6,021 |
| | 14.239 | M00-MC260219 | 397,000 | 1,625 |
| | 14.239 | M01-MC260219 | 442,000 | 64,619 |
| | 14.239 | M02-MC260219 | 442,000 | 37,001 |
| | 14.239 | M03-MC260219 | 286,780 | 18,741 |
| | 14.239 | M04-MC260219 | 286,796 | 51,205 |
| | 14.239 | M05-MC260219 | 274,229 | 79,368 |
| | 14.239 | M06-MC260219 | 258,107 | 12,517 |
| | | | | 272,894 |
| **Total U.S. Department of Housing and Urban Development** | | | | 2,153,273 |
| **U.S. Department of Justice** | | | | |
| Local Law Enforcement Block Grant - JAG 2003 | 16.592 | 2003-LX-BX-1003 | 24,825 | 18,816 |
| Local Law Enforcement Block Grant - JAG 2004 | 16.592 | 2004-LX-BX-1047 | 12,474 | 12,474 |
| Local Law Enforcement Block Grant - JAG 2006 | 16.592 | 2006-LX-BX | 7,057 | 7,057 |
| Local Law Enforcement Block Grant - Vests | 16.592 | Unknown | 4,149 | 2,546 |
| **Total U.S. Department of Justice** | | | | 40,893 |
| **U.S. Department of Transportation** | | | | |
| Passed through Michigan Department of Transportation | | | | |
| Historical restoration grant - train depot | 20.205 | STP0509(013) RR4588 | 706,872 | 217,350 |
| Passed through Michigan Department of State Police | | | | |
| State and Community Highway Safety | 20.600 | PT-06-36 | 16,918 | 1,820 |
| State and Community Highway Safety | 20.600 | PT-07 | 12,991 | 10,165 |
| **Total U.S. Department of Transportation** | | | | 229,335 |
| **U.S. Environmental Protection Agency** | | | | |
| Passed through Michigan Department of Environmental Quality | | | | |
| Drinking Water Revolving Funds | 66.468 | 5194-01 | 10,382,035 | 530,129 |
| **Total Federal Financial Assistance - Primary Government** | | | | **$ 2,953,630** |

**Reconciliation to Federal Revenue Recognized in Financial Statements**

| | | |
|---|---|---|
| Federal awards per schedule | $ | 2,953,630 |
| Add: Federal awards administered by the Michigan Department of Transportation | | |
| Wenonah Street, Henry Street, Liberty Bridge | | 1,659,368 |
| North Henry Phase I | | 218,939 |
| James Clements Airport Hangar Construction | | 20,000 |
| Add: Federal awards administered by the Michigan Department of State Police | | |
| Homeland security equipment passed through to Bay City fire department | | 63,336 |
| Decontamination kit passed through to Bay City fire department | | 3,058 |
| Less: Federal portion of drawdowns from State Revolving Loan Fund for sewer improvements | | (530,129) |
| Less: Program income of the Community Development Block Grants and HOME Program | | (224,799) |
| **Total Federal Revenue Recognized in Financial Statements** | **$** | **4,163,403** |

**Notes to Schedule of Expenditures of Federal Awards**

**Note 1: Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Bay City and is presented on the modified accrual basis of accounting. The information presented in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations."

**Note 2: Subrecipients**

Of the federal expenditures presented in the schedule, the City of Bay City provided federal awards to subrecipients as follows:

| Federal/Pass-Through Grantor Program Title | Federal CFDA Number | Amount Provided to Subrecipients |
|---|---|---|
| Community Development Block Grant Entitlements | 14.218 | $ 88,895 |
| HOME Program | 14.239 | 268,740 |
| Historical restoration grant - train depot | 20.205 | 217,350 |

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

December 27, 2007

To the Honorable Mayor
and City Commission
City of Bay 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 Bay City, Michigan***, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents, and have issued our report thereon dated December 27, 2007. Our report was modified to include a reference to other auditors. 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. Other auditors audited the financial statements of **Wenonah Park Properties, Inc.,** as described in our report on the ***City of Bay City, Michigan's*** financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the ***City of Bay City, Michigan'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 of Bay City, Michigan's*** internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the ***City of Bay City, Michigan'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 of Bay City, Michigan's*** ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted


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accounting principles such that there is more than a remote likelihood that a misstatement of the ***City of Bay City, Michigan's*** financial statements that is more than inconsequential will not be prevented or detected by the ***City of Bay City, Michigan'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 of Bay City, Michigan's*** internal control.

Our consideration of 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 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 identified above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the ***City of Bay City, Michigan'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 maters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Audit Committee, management, Mayor and City Commissioners, 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.

Rehmann Robson

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Certified Public Accountants
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# INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

December 27, 2007

To the Honorable Mayor
and City Commission
City of Bay City, Michigan

**Compliance**

We have audited the compliance of the ***City of Bay City, Michigan*** with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The ***City of Bay City, Michigan's*** major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the ***City of Bay City, Michigan's*** management. Our responsibility is to express an opinion of ***City of Bay City, Michigan's*** compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the ***City of Bay City, Michigan's*** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the ***City of Bay City, Michigan's*** compliance with those requirements.


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In our opinion, the ***City of Bay City, Michigan*** complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2007.

**Internal Control Over Compliance**

The management of ***City of Bay City, Michigan*** is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered ***City of Bay City, Michigan's*** internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the Entity's internal control.

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

This report is intended solely for the information and use of the Audit Committee, management, the governing body, others within the entity, 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.

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Rehmann Robson

# CITY OF BAY CITY, MICHIGAN

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

## FOR THE YEAR ENDED JUNE 30, 2007

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### SECTION I - SUMMARY OF AUDITOR'S RESULTS

**Financial Statements**

| | | | |
|---|---|---|---|
| Type of auditor's report issued: | *Unqualified on financial statements* | | |
| Internal controls over financial reporting: | | | |
| Material weakness(es) identified? | _____ yes | X no | |
| Reportable condition(s) identified not considered to be material weaknesses? | _____ yes | X | none reported |
| Noncompliance material to financial statements noted? | _____ yes | X no | |

**Federal Awards**

| | | | |
|---|---|---|---|
| Internal Control over major programs: | | | |
| Material weakness(es) identified? | _____ yes | X no | |
| Reportable condition(s) identified not considered to be material weaknesses? | _____ yes | X | none reported |
| Type of auditor's report issued on compliance for major programs: | *Unqualified* | | |
| Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)? | _____ yes | X no | |

Identification of Major Programs:

| **CFDA Number** | **Name of Federal Program or Cluster** |
|---|---|
| 14.218 | Community Development Block Grant Entitlements |

| | | |
|---|---|---|
| Dollar threshold used to distinguish between Type A and Type B programs: | $300,000 | |
| Auditee qualified as low-risk auditee? | X yes | _____ no |

# CITY OF BAY CITY, MICHIGAN

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

## FOR THE YEAR ENDED JUNE 30, 2007

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**SECTION II – FINANCIAL STATEMENT FINDINGS**

None

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

None