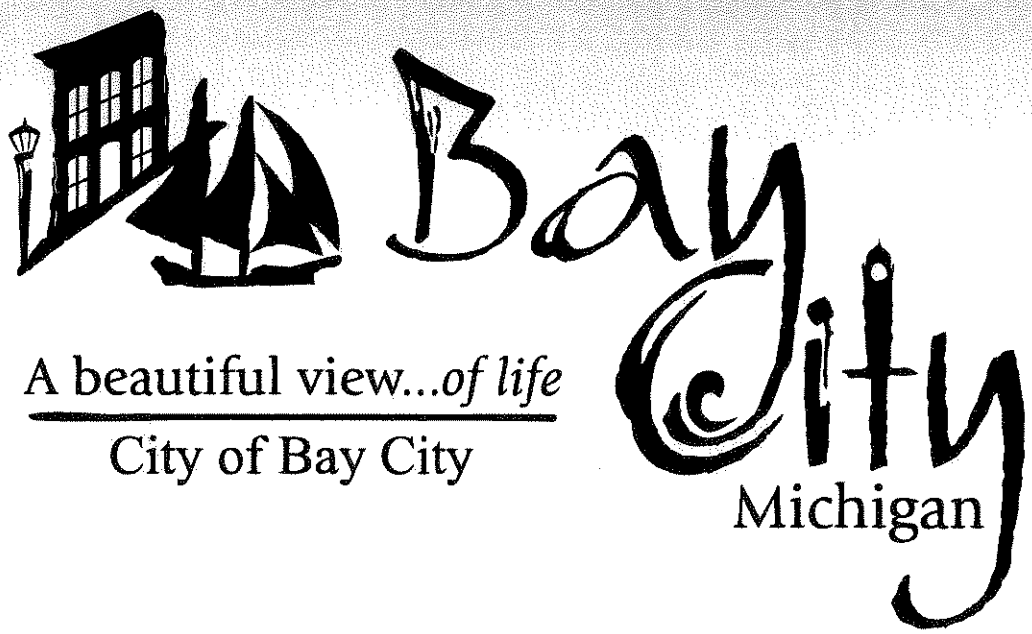
COMPREHENSIVE ANNUAL

FINANCIAL REPORT



For the
Fiscal Year Ended
June 30, 2008

Bay City, Michigan

"Governmental imagination leading our community into the future."

CITY OF BAY CITY, MICHIGAN

COMPREHENSIVE ANNUAL FINANCIAL REPORT

June 30, 2008

LIST OF PRINCIPAL OFFICIALS

MAYOR

Charles M. Brunner

CITY COMMISSIONERS

1st Ward:	Christopher J. Shannon	5th Ward:	M.J. Gorney
2nd Ward:	Kevin Novellino	6th Ward:	John F. Davidson
3rd Ward:	Wendy A. Legner	7th Ward:	Marie T. Kurzer
4th Ward:	Lori Bollman	8th Ward:	Kathleen L. Newsham

9th Ward: Kellie Snyder

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

HUMAN RESOURCE DIRECTOR

Christopher Lewis

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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A beautiful view...*of life*
City of Bay City

Bay City
Michigan

December 29, 2008

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, 2008, 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, 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 sixth largest employer. Bay Regional Medical Center, a healthcare provider, is now the largest employer in the City.

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

Despite the deteriorating economic climate and recession in the State of Michigan, the City of Bay City and the Mid-Michigan area has made positive steps to better position the City for the future. The following is a sample of economic development success stories, infrastructure improvements and good news that has occurred in the last year.

The private sector has made significant investments in the City. During this budget period, there have been over $10.5 million in abated (PA 198 industrial tax abatements) industrial investment and over $1.9 million in abated (PA 146 "OPRA" tax) commercial and residential investment.

The City Commission also reviewed and acted on new incentives to position the community for future growth. On November 5, 2007 the City Commission awarded GM Powertrain a PA 328 abatement which provides 100% abatement on new personal property. This action in turn has lead GM to identify the Bay City Powertrain facility as one of the key suppliers for the new Volt electric vehicle. This vehicle is a high priority transformational project for GM. At this writing, most pundits believe that - absent chapter 7 liquidation - the heavily advertised Volt will be built. This could potentially result in a substantial investment by GM in their Bay City plant.

Another notable incentive and project initiated during this period is City Commission approval of a Commercial Rehabilitation Act (CRA) tax abatement for the redevelopment of the former Mill End building site. Local developers have proposed a multi story mixed use development for this prominent site. Staff worked on the legislation which was signed into law on April 29, 2008 that would facilitate the redevelopment of this high profile corner by essentially providing a limited tax freeze on the new structure. The City Commission approved the creation of the Commercial Redevelopment District on September 8, 2008.

Other notable business announcements include the Governor's visit on June 4, 2008 announcing the TransitIT Solutions business in downtown Bay City. Staff worked collaboratively with the Michigan Economic Development Corporation (MEDC) to secure this $2,200,000 investment in our community.

Carbone of America on Harrison Street continues to grow. Carbone is currently in a $10 million multi phase expansion of their facility. With the expansion 126 jobs will be retained and approximately 65 new jobs will be created in the community. A Brownfield plan approved on March 17, 2008 for this project will help with the financing of a seven block portion of Harrison Street serving the plant. Further, when completed the City may also receive nearly $500,000 via a Michigan Business Tax Brownfield Credit to help pay for this project or other local street projects.

Significant private sector construction projects completed include the State Office Building on North Johnson Street for the MDEQ and DLEG. This "green" building resulted in an investment of $3.1 million and also resulted in a Brownfield plan being approved on July 7, 2008 that will help finance the reconstruction of North Johnson Street from Ketchum to Water Street.

During the last year the City has sold or optioned four parcels including 113 Center Avenue to an adjoining property owner, 2526 Mason to Bay Area Housing, clarified a long standing survey/title issue at Ramsey Park with a neighbor and optioned the former "Odd Fellows Hall" at 1900 Broadway to a developer. All four projects will result in new utilities and tax base to the City when completed.

The philanthropic community has also been generous. An iconic former train station, the Pere Marquette Depot, was successfully restored with the Ribbon Cutting Ceremony on June 16, 2008. This multiyear renovation resulted in an approximate $6.1 million investment downtown. The City successfully administered a $707,000 MDOT enhancement grant as part of this project.

A number of significant infrastructure projects were under construction, completed or initiated during this budget year including the following:

Post Office Block Sidewalk & Lighting	$145,000	Completed July '08
N Henry Street Reconstruction	5,047,000	Completed Nov '08
Independence Bridge Joint Repairs	95,000	Completed Jun '08
Marquette & Truman Intersection & Joint Repairs	498,500	Completed Oct '08
Woodside Avenue Resurfacing	1,200,000	Completed Sep '08
James Clements "T" Hangar Project	442,000	Completed Oct '08
Chip & Seal of 6 local Streets	12,500	Completed Fall '08

The City has successfully sought and received a number of grants during this period. Successful grant awards include:

Harrison Street	MDOT Category A	$238,488	Awarded Mar '08
Harrison Street	Brownfield MBT Credit	500,000	B-plan approved Mar '08
Harrison Street	BCATS	600,000	Programmed Oct '08
JC Airport Seaplane	MDOT Aero	32,5000	Awarded Jun '08
Uptown	EPA Environmental Cleanup	200,000	Awarded April '08
Uptown	EPA Planning	Direct	Completed July '08
Bridge Rehab 2011	MDOT Critical Bridge	994,000	Awarded Nov '08
Marquette "S" Curve	MDOT Safety Grant	400,000	Awarded Nov '08
Wenonah Park Phase 1	MDNR Trust Fund	500,000	Accepted Nov '07

The City continues to partner with Bay Future Inc. Bay Future and City staff collaborate on initiatives such as the retain GM task force, new Consumers Energy clean coal plant, marketing the Marquette Industrial park and responding to specific developer inquiries.

The City continues its progress toward the redevelopment of the high profile downtown riverfront site commonly known as Uptown. In August of '07 Dow Corning funded a $20,000 economic impact study of the proposed Maritime Heritage Center to be located on the northern 8 acres of this site. Following that report, the EPA directly contracted a company called Vita Nuova to complete a planning document for the proposed Maritime Heritage Center destination. The public/private partnership with controlling interest in the balance of the property, RiversEdge, is actively reviewing development proposals despite the challenging economic environment.

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.

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 an external consultant 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. During the 2008 fiscal year, the City contributed $2,236,595 as an additional amount above its required contribution.

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 417 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. During the fiscal year ended June 30, 2008, the City contributed $580,711 into the healthcare trust fund. 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.

Honorable Mayor, City Commission,
And Citizens of Bay City, Michigan
December 29, 2008

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.

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, 2007. 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.

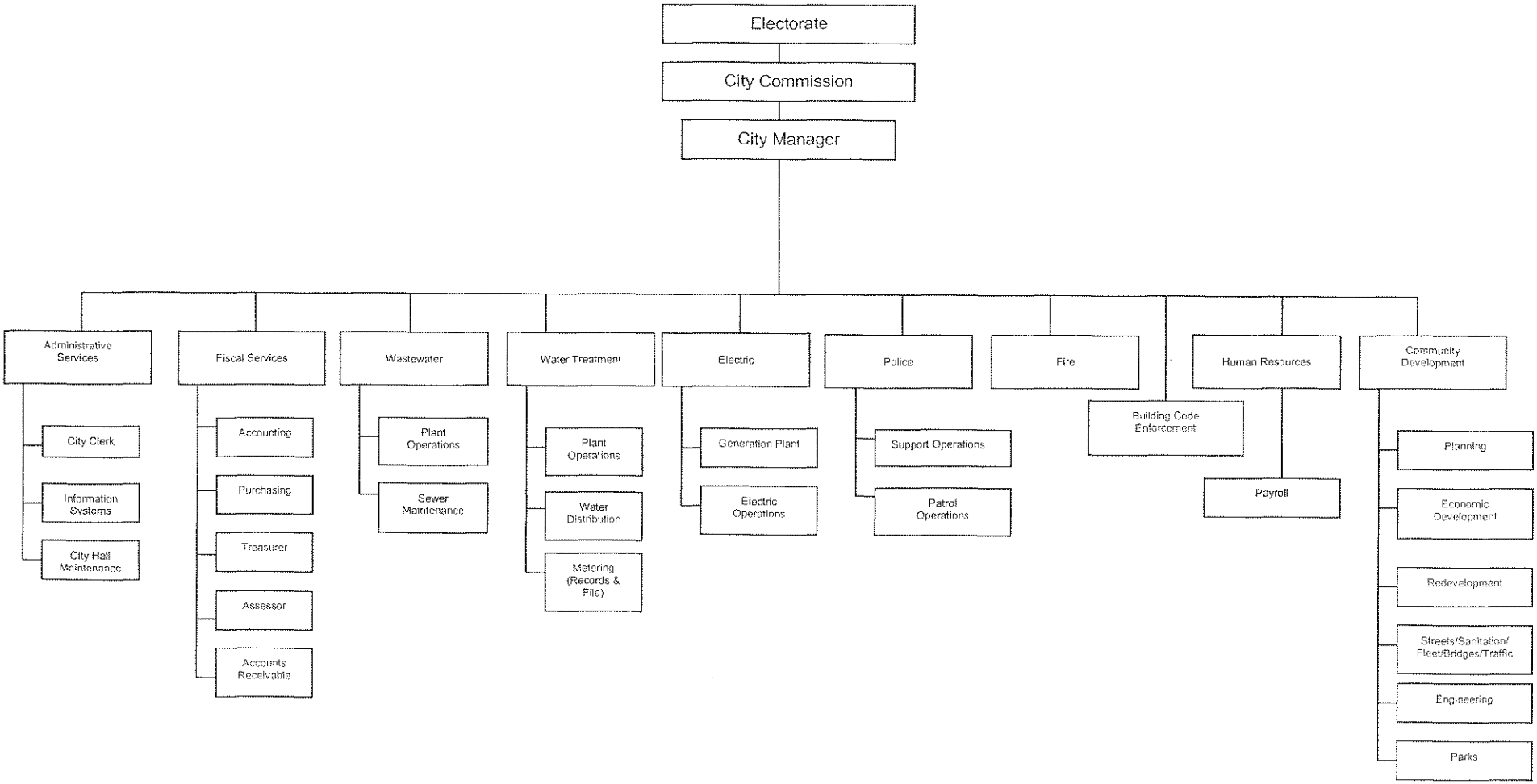
Finally, we would like to thank the Mayor, members of the City Commission, and the various City departments for their leadership and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

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, 2007

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

INDEPENDENT AUDITORS' REPORT

December 29, 2008

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, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the ***City of Bay City Michigan's*** management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the ***City of Bay City, Michigan***, as of June 30, 2008, 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.

As discussed in Note 11, beginning net assets for the Governmental Activities and Component Units have been restated.

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 29, 2008, 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 and healthcare supplementary information 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 in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables, as listed in the table of contents, have not been subjected to the auditing procedures applied 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, 2008. 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, 2008:

- The assets of the City of Bay City exceeded its liabilities at the close of the most recent fiscal year by $195,956,770 (net assets). Of this amount, $45,670,177 (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 increased by $917,289 from the previous year and the business-type activities net assets increased by $795,522. The net assets of the component units experienced a decrease of $1,811,216.

- At the close of the fiscal year, the City of Bay City's governmental funds reported combined ending fund balances of $9,965,547, an increase of $503,454 in comparison with the prior year. All but $378,826 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 $4,878,007 or about 21.8% of the total General Fund expenditures.

- The City of Bay City's total debt increased by $9,824,580, or 11.5%, during the fiscal year.

- The City continues its commitment to improving its road infrastructure and this year spent $1,620,603 on new road construction and resurfacing and an additional $574,452 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 seventh consecutive year. The State of Michigan reduced the City's allocation by $215,780 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 finance, public safety and parks and recreations departments. As a result, there was an increase of $133,956 in the fund balance of the general fund.

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. 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, 2008, assets exceeded liabilities by $195,956,770. By far the largest portion of the City's net assets (69 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, 2008 (in thousands of dollars):

	Governmental Activities		Business-type Activities		Total	
	2007	2008	2007	2008	2007	2008
Current and other assets	$ 20,785	$ 22,717	$ 35,987	$ 50,974	$ 56,772	$ 73,691
Capital assets	78,544	76,420	153,831	150,004	232,375	226,424
Total assets	99,329	99,137	189,818	200,978	289,147	300,115
Current and other liabilities	3,794	3,360	2,650	5,226	6,444	8,586
Long-term liabilities	20,857	22,894	64,890	72,678	85,747	95,572
Total liabilities	24,651	26,254	67,540	77,904	92,191	104,158
Net Assets:						
Invested in capital assets – Net of related debt	60,760	68,777	90,735	79,329	151,495	148,106
Restricted	1,833	2,180	-	-	1,833	2,180
Unrestricted	12,085	1,926	31,543	43,745	43,628	45,671
Total net assets	**$ 74,678**	**$ 72,883**	**$ 122,278**	**$ 123,074**	**$ 196,956**	**$ 195,957**

The City's governmental activities net assets increased by $917,289 while the net assets of its business-type activities increased by $795,522. The change in net assets for the governmental activities was primarily due to a restatement of net assets of the previous year due to a reclassification of debt from a component unit to the governmental activities, thus causing the beginning net assets to be decreased by $2,712,500. The increase in net assets of the business type activities is attributable to an increase in operating revenues in the Sewer Fund while operating expenses remained flat, as well as in increase in net pension asset in all funds. As a result, the combined net assets increased by $1,712,811 from $194,243,959, as restated in 2007, to $195,956,770 in 2008.

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 $1,925,635, or about 6% of the governmental activities expenditures. An additional portion of the City's net assets of its governmental activities, $2,180,059 or approximately 3%, 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	
	2007	2008	2007	2008	2007	2008
Revenue						
Program revenue						
Charges for services	$ 7,600	$ 7,426	$ 45,221	$ 49,476	$ 52,821	$ 56,902
Operating grants and contributions	5,646	6,252	102	115	5,748	6,367
Capital grants and contributions	1,659	1,259	482	427	2,141	1,686
General revenue						
Property taxes	13,640	14,044	-	-	13,640	14,044
Grants and contributions not restricted to specific programs	5,128	4,910	-	-	5,128	4,910
Unrestricted investment earnings	702	1,022	1,459	1,398	2,161	2,420
Miscellaneous	74	80	64	25	138	105
Total Revenue	34,449	34,993	47,328	51,441	81,777	86,434
Program Expenses						
General Government	5,543	6,821	-	-	5,543	6,821
Public safety	14,640	13,094	-	-	14,640	13,094
Public works	9,237	9,632	519	541	9,756	10,173
Community and economic development	2,602	2,148	-	-	2,602	2,148
Recreation and culture	1,164	1,016	-	-	1,164	1,016
Interest on long-term debt	1,302	1,399	-	-	1,302	1,399
Electric	-	-	26,537	30,012	26,537	30,012
Water	-	-	7,694	8,072	7,694	8,072
Sewer	-	-	12,165	11,986	12,165	11,986
Total program expenses	34,488	34,110	46,915	50,611	81,403	84,721
Increase (decrease) in net assets before transfers and special items	(39)	883	413	830	374	1,713
Transfers	(149)	34	149	(34)	-	-
Change in net assets	(188)	917	562	796	374	1,713
Net assets beginning of year	74,866	71,966	121,716	122,278	196,582	194,244
Net assets end of year	**$ 74,678**	**$ 72,883**	**$ 122,278**	**$ 123,074**	**$ 196,956**	**$ 195,957**

Governmental Activities

The City's total governmental net assets increased by $917,289. Key elements of this increase are as follows:

- Expenses increased less than anticipated in the Healthcare and Liability/Property Self Insurance Internal Service Funds. The portion allocated to the governmental activities assisted in the increase in net assets.
- Reduction in the workforce.
- 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 $795,522 due primarily to the following:

- The Sewer Fund experienced the largest increase in net assets of the three utilities in the amount of $321,694. While operating expenses remained flat, operating revenues increased by approximately 5%.
- The net assets of the James Clements Airport Fund increased by $379,948 due to the receipt of state and federal grants for the construction of additional airplane hangars.
- Expenses increased less than anticipated in the Healthcare and Liability/Property Self Insurance Internal Service Funds. The portion allocated to the business-type activities assisted in the increase in net assets..
- Although the Oakridge Cemetery Fund reported an increase in net assets of $4,487 and James Clements Airport Fund reported an increase in its net assets of $379,948, both funds continued to require subsidies from the general fund in the amounts of $58,062 and $43,365, respectively, to assist with operating expenses.

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 2008 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 $10,513,617 in 2008. The most significant service accounted for in this fund is public safety, which incurred expenses of $12,039,378 in 2008. Public safety expenditures equate to approximately 54% of the total expenditures and are more that the amount of property taxes generated. At the fiscal year ended June 30, 2008, the unreserved fund balance of the General Fund was $4,878,007. 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 21.8% 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, 2008, $1,641,060 was spent on capital outlay for reconstruction and resurfacing streets and an additional $2,664,159 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, 2008, $587,259 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 $1,065,296 to maintain and preserve local streets within the City and ended the year with an unreserved fund balance of $121,414. This amounts to 11% of annual expenditures within this fund.

- The Building Inspection Fund ended the fiscal year with no fund balance. A General Fund subsidy in the amount of $50,992 was required to support the operations of this fund.

- The Solid Waste Fund ended the fiscal year with an unreserved fund balance of $682,733. This is the sixth 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 $1,059,524 on economic development activities and an additional $380,502 on capital outlay.

- The Public Improvement Fund ended the year with an unreserved fund balance of $956,153. 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 doors and roof on City Hall. Currently, $799,683 remains designated for this project, which is expected to be completed in the near future.

- The Riverfront Redevelopment Fund expended $52,024 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 $61,261 to pay attorney/consultant fees to assist with employment relations, grievance arbitration, and contract negotiations.
- The Engineering Department increased its budget by $176,000 to replace sidewalks along Washington and Third Streets, adjacent to the U.S. Post Office.
- A transfer to the Local Street Fund was added to the budget, in the amount of $1,180,000 for the reconstruction of Harrison Street.

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 $245,789, however, actual expenditures were also less than budgetary estimates by $753,258, and transfers out were less than estimates by $1,131,041. As a result, the General Fund experienced an increase of $133,956 in fund balance instead of the budgeted reduction projected in the final amended budget to be $1,588,283.

Capital Assets and Debt Administration

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2008 amounted to $226,424,579 (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 $1,025,314 on various capital projects including $407,886 to replace the sanitary sewer system associated with the Henry Street reconstruction project.

- The construction phase of the North Henry project was completed with $919,933 spent during the year and an additional $700,670 was spent on the Wenona Street project.

- The Water Fund spent $1,121,752 to complete the water system improvements associated with the Henry Street reconstruction project.

- The Electric Fund completed various capital projects totaling $1,110,704.

- James Clements Airport completed its construction of airplane hangars project totaling $436,988.

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

The investment in capital assets of the component units totals $5,025,908 as of June 30, 2008. Within the Marquette TIFA Component Unit, the Marquette Drive reconstruction project was completed in the amount of $325,776.

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, 2008, the City had total outstanding debt of $95,571,546, which included a current portion of $9,320,695. 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:

	2007	2008
General obligation bonds	$ 32,152,577	$ 39,051,780
Revenue bonds	7,115,000	9,545,000
Other notes/leases payable	41,594,757	41,635,614
Compensated absences	4,884,632	5,339,152
Total	$ 85,746,966	$ 95,571,546

The City's total debt decreased by $9,824,580 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 $74,971,000 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 rose about 5% over 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 $24 million. In the fiscal year ended June 30, 2008, the City contributed an additional $2.2 million over and above the required contribution of $2.2 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 2008/2009 budget.

The City's Electric, Water and Sewer Utilities instituted a rate increase in the year ended June 30, 2008. 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, as well as funding to implement an automatic meter reading system for the Water and Electric utilities. 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, 2008

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Assets				
Cash and investments	$ 15,264,481	$ 33,839,096	$ 49,103,577	$ 2,405,050
Receivables	8,868,443	7,378,530	16,246,973	4,249,869
Internal balances	(2,915,470)	2,915,470	-	-
Prepaid items and other assets	628,909	255,740	884,649	6,355
Inventories	176,999	2,716,086	2,893,085	-
Restricted investments	-	879,215	879,215	-
Net pension asset	693,143	2,989,709	3,682,852	19,482
Nondepreciable capital assets	19,537,137	3,312,885	22,850,022	264,245
Depreciable capital assets, net	56,883,253	146,691,304	203,574,557	4,761,663
Total assets	99,136,895	200,978,035	300,114,930	11,706,664
Liabilities				
Accounts payable and other accrued expenses	3,129,866	4,597,399	7,727,265	133,554
Interest payable	106,378	429,457	535,835	14,555
Unamortized bond premium	-	139,008	139,008	-
Unearned revenue	124,019	60,487	184,506	1,630
Noncurrent liabilities:				
Due within one year	2,954,382	6,366,313	9,320,695	169,589
Due in more than one year	19,939,210	66,311,641	86,250,851	2,188,187
Total liabilities	26,253,855	77,904,305	104,158,160	2,507,515
Net Assets				
Invested in capital assets, net of related debt	68,777,346	79,329,188	148,106,534	2,695,908
Restricted for:				
Debt service	583,671	-	583,671	-
Capital projects	1,596,388	-	1,596,388	-
Unrestricted	1,925,635	43,744,542	45,670,177	6,503,241
Total net assets	$ 72,883,040	$ 123,073,730	$ 195,956,770	$ 9,199,149

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, 2008

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	$ 6,821,370	$ (3,653,558)	$ 924,877	$ 681,245	$ -	$ (1,561,690)
Public safety	13,082,446	11,857	715,941	95,970	-	(12,282,392)
Public works	9,560,717	71,586	2,010,515	3,149,561	1,259,001	(3,213,226)
Recreation and cultural	1,015,653	-	25,612	7,420	-	(982,621)
Economic development	2,002,292	146,196	96,734	2,317,455	-	265,701
Interest on debt	1,398,556	-	-	-	-	(1,398,556)
Total governmental activities	33,881,034	(3,423,919)	3,773,679	6,251,651	1,259,001	(19,172,784)
Business-type activities:						
Electric	28,677,947	1,333,295	29,066,741	-	-	(944,501)
Water	7,043,851	1,027,641	7,799,888	-	-	(271,604)
Sewer	10,964,950	1,023,564	12,345,960	32,511	-	389,957
Oak Ridge Cemetery	126,356	-	67,317	-	-	(59,039)
James Clements Airport	238,807	-	71,253	82,373	426,836	341,655
Liberty Harbor Marina	160,784	15,184	125,254	-	-	(50,714)
Total business-type activities	47,212,695	3,399,684	49,476,413	114,884	426,836	(594,246)
Total primary government	$ 81,093,729	$ (24,235)	$ 53,250,092	$ 6,366,535	$ 1,685,837	$ (19,767,030)
Component units						
Downtown Development Authority	$ 160,481	$ 9,356	$ 155,547	$ -	$ -	$ (14,290)
Midland Street TIFA	29,731	1,503	-	-	-	(31,234)
Kresge's DDA	1,031	-	-	-	-	(1,031)
Marquette District TIFA	455,681	7,505	-	-	-	(463,186)
Water Street DDA	257,711	5,015	-	-	-	(262,726)
Marina Development TIFA	9,373	-	-	-	-	(9,373)
Allen Healthcare DDA	3,626	-	-	-	-	(3,626)
Research Center Development TIFA	-	-	-	-	-	-
Knepp's DDA	1,821	856	-	-	-	(2,677)
Brownfield Redevelopment	5,703	-	-	-	-	(5,703)
Columbus Avenue Management Board	6,935	-	8,100	625	-	1,790
Midland Street Management Board	26,901	-	17,600	-	-	(9,301)
POWER EDC	2,155,153	-	-	-	-	(2,155,153)
Downtown Management Board	255,102	-	49,186	89,022	-	(116,894)
Total component units	$ 3,369,249	$ 24,235	$ 230,433	$ 89,647	$ -	$ (3,073,404)

continued…

City of Bay City, Michigan
Statement of Activities (Concluded)
For the Year Ended June 30, 2008

Functions/Programs	Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Component Units
Changes in net assets				
Net (expense) revenue	$ (19,172,784)	$ (594,246)	$ (19,767,030)	$ (3,073,404)
General revenues:				
Property taxes	14,043,854	-	14,043,854	962,905
Grants and contributions not restricted to specific programs	4,910,483	-	4,910,483	-
Unrestricted investment earnings	1,022,062	1,398,326	2,420,388	253,163
Miscellaneous revenue	80,101	25,015	105,116	46,120
Transfers - internal activities	33,573	(33,573)	-	-
Total general revenues and transfers	20,090,073	1,389,768	21,479,841	1,262,188
Change in net assets	917,289	795,522	1,712,811	(1,811,216)
Net assets, beginning of year, as restated	71,965,751	122,278,208	194,243,959	11,010,365
Net assets, end of year	$ 72,883,040	$ 123,073,730	$ 195,956,770	$ 9,199,149

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, 2008

	General Fund	Major Streets Fund	Rehabilitation Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and investments	$ 4,101,604	$ 368,845	$ 68,950	$ 3,775,558	$ 8,314,957
Receivables (net of allowance for uncollectibles):					
Accounts	183,239	14,515	5,700	438,657	642,111
Delinquent taxes	51,390	-	-	7,914	59,304
Special assessments	97,102	-	-	30,864	127,966
Accrued interest	25,761	3,477	-	21,389	50,627
Notes	-	-	7,298,973	-	7,298,973
Due from other funds	1,433,118	4,060	-	50,992	1,488,170
Due from other governments	61,351	326,831	-	315,021	703,203
Inventories	-	36,826	-	-	36,826
Other assets	6,083	-	-	-	6,083
Total assets	$ 5,959,648	$ 754,554	$ 7,373,623	$ 4,640,395	$ 18,728,220
Liabilities and fund balances					
Liabilities					
Accounts payable	$ 162,094	$ 88,023	$ 10,062	$ 216,789	$ 476,968
Accrued liabilities	397,016	28,070	-	46,428	471,514
Due to other funds	53,747	2	-	225,373	279,122
Due to other governmental units	1,100	193	-	-	1,293
Deposits	1,290	-	-	36,617	37,907
Deferred revenue	124,394	-	7,363,561	7,914	7,495,869
Total liabilities	739,641	116,288	7,373,623	533,121	8,762,673
Fund balances					
Reserved for:					
Inventories	-	36,826	-	-	36,826
Harrison Street project	342,000	-	-	-	342,000
Unreserved, reported in:					
General Fund	4,878,007	-	-	-	4,878,007
Special Revenue Funds	-	601,440	-	1,927,215	2,528,655
Debt Service Funds	-	-	-	583,671	583,671
Capital Project Funds	-	-	-	1,596,388	1,596,388
Total fund balances	5,220,007	638,266	-	4,107,274	9,965,547
Total liabilities and fund balances	$ 5,959,648	$ 754,554	$ 7,373,623	$ 4,640,395	$ 18,728,220

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, 2008

Fund balances - total governmental funds	$	9,965,547
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		154,554,081
Subtract: accumulated depreciation		(82,886,749)
Net pension assets of governmental activities are not financial resources, and are therefore not reported in the funds.		
Add: net pension asset		540,335
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		7,436,981
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		5,923,099
Certain liabilities, such as bonds payable, are not due and payable in the current period, and therefore are not reported in the funds.		
Subtract: interest payable		(103,338)
Subtract: bonds payable		(17,126,779)
Subtract: capital leases		(21,260)
Subtract: MEDC loan payable		(170,000)
Subtract: HUD Section 108 loan payable		(2,000,000)
Subtract: compensated absences		(3,173,128)
Net assets of governmental activities	$	72,883,040

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, 2008

	General Fund	Major Streets Fund	Rehabilitation Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	$ 10,513,617	$ 738,806	$ -	$ 1,974,259	$ 13,226,682
Licenses and permits	23,205	-	-	473,319	496,524
Intergovernmental	6,745,325	3,637,795	191,723	2,602,052	13,176,895
Charges for services	4,066,342	-	-	1,972,060	6,038,402
Fines and forfeitures	129,100	-	-	20,696	149,796
Interest revenue	442,334	29,712	7,287	233,119	712,452
Miscellaneous revenues	777,432	1,072	135,820	230,935	1,145,259
Total revenues	22,697,355	4,407,385	334,830	7,506,440	34,946,010
Expenditures					
Current:					
General government	5,387,246	-	-	-	5,387,246
Public safety	12,039,378	-	-	920,321	12,959,699
Public works	1,229,489	2,664,159	-	1,065,296	4,958,944
Physical environment	-	-	-	1,841,236	1,841,236
Parks and recreation	818,178	-	-	-	818,178
Economic development	-	-	587,259	1,152,766	1,740,025
Retiree healthcare	1,761,678	-	-	-	1,761,678
Additional retirement	272,360	-	-	-	272,360
Capital outlay	272,974	1,641,060	-	586,538	2,500,572
Debt service:					
Principal retirement	557,686	-	-	1,615,000	2,172,686
Interest and fiscal charges	2,736	70,973	-	3,525	77,234
Total expenditures	22,341,725	4,376,192	587,259	7,184,682	34,489,858
Excess of revenues over (under) expenditures	355,630	31,193	(252,429)	321,758	456,152
Other financing sources (uses)					
Proceeds from the issuance of capital leases	13,729	-	-	-	13,729
Transfer in	35,000	40,000	365,552	467,099	907,651
Transfer out	(270,403)	-	(113,123)	(490,552)	(874,078)
Total other financing sources (uses)	(221,674)	40,000	252,429	(23,453)	47,302
Changes in fund balances	133,956	71,193	-	298,305	503,454
Fund balances - beginning of year	5,086,051	567,073	-	3,808,969	9,462,093
Fund balances - end of year	$ 5,220,007	$ 638,266	$ -	$ 4,107,274	$ 9,965,547

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, 2008

Net change in fund balances - total governmental funds	$ 503,454
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	2,625,145
Subtract: net value of assets disposed	(353,542)
Subtract: depreciation expense	(3,648,109)
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.	
Add: current year change in long-term receivables	81,879
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	1,615,000
Add: principal payments on capital leases	15,186
Subtract: proceeds from the issuance of capital leases	(13,729)
Add: principal payments on MEDC loan	42,500
Add: principal payments on HUD Section 108 loan	500,000
Add: decrease in interest accrued on bonds	3,270
Subtract: deferred bond issuance costs	(35,588)
Subtract: interest expense on zero coupon bond	(1,279,202)
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	(240,759)
Add: increase in the net pension asset	137,802
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 income from governmental activities accounted for in internal service funds	695,639
Add: nonoperating revenue recorded in internal service funds	268,343
Change in net assets of governmental activities	$ 917,289

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, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Taxes	$ 10,400,441	$ 10,400,441	$ 10,513,617	$ 113,176
Licenses and permits	19,735	19,735	23,205	3,470
Intergovernmental	7,811,739	7,822,255	6,745,325	(1,076,930)
Charges for services	4,065,119	4,065,119	4,066,342	1,223
Fines and forfeitures	114,000	114,000	129,100	15,100
Interest revenue	300,000	300,000	442,334	142,334
Miscellaneous revenues	204,674	221,594	777,432	555,838
Total revenues	22,915,708	22,943,144	22,697,355	(245,789)
Expenditures				
Current:				
General government				
Mayor	17,131	17,131	14,281	2,850
City commission	94,839	94,839	90,560	4,279
City manager	261,878	261,878	263,953	(2,075)
Promotional	16,500	16,500	16,239	261
Community development	164,794	164,794	161,461	3,333
Elections	86,968	86,968	69,427	17,541
Auditing	52,500	52,500	48,358	4,142
Assessor	375,456	377,456	378,732	(1,276)
Attorney	166,000	166,000	154,865	11,135
City clerk	287,279	287,279	289,228	(1,949)
Payroll/payables	177,887	177,887	183,353	(5,466)
Finance department	280,499	280,499	181,437	99,062
Accounting	362,502	362,502	366,918	(4,416)
Accounts receivable	855,204	855,204	869,486	(14,282)
Meter reading	386,140	386,140	382,526	3,614
Human resources	297,137	359,198	315,154	44,044
Purchasing	294,516	294,516	286,995	7,521
Treasurer	285,331	285,331	281,975	3,356
Public relations	46,385	46,385	46,098	287
Planning and zoning	1,022,621	1,022,621	768,734	253,887
Economic development	243,784	243,784	217,466	26,318
Contingencies	68,203	92,543	-	92,543
Total general government	5,843,554	5,931,955	5,387,246	544,709
Public safety				
C.O.P.S. program	106,000	69,559	63,922	5,637
Safe Streets Task Force	-	-	63,767	(63,767)
Police support	965,505	971,946	943,370	28,576
Drive Michigan safely	16,000	16,000	11,682	4,318
Special event overtime	35,000	35,000	22,751	12,249
Police in-service training	42,500	43,864	39,766	4,098
School guards	13,854	13,854	9,667	4,187
Street patrol	3,849,754	3,894,754	3,849,788	44,966
Police chief	127,839	127,839	125,161	2,678

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, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget
Expenditures (continued)				
Public safety (continued)				
Mid-Michigan computer crime task force	$ -	$ -	$ 1,408	$ (1,408)
Youth alcohol enforcement	-	-	1,577	(1,577)
Deputy police chiefs	115,323	139,663	140,734	(1,071)
Police command officers	1,006,388	991,388	979,511	11,877
Fire department	5,860,331	5,862,800	5,786,274	76,526
Total public safety	12,138,494	12,166,667	12,039,378	127,289
Public works				
City hall and grounds	291,775	294,760	280,649	14,111
Engineering	515,399	515,399	484,917	30,482
Street lighting	449,066	449,066	463,223	(14,157)
Environmental	700	700	700	-
Total public works	1,256,940	1,259,925	1,229,489	30,436
Parks and recreation	848,312	865,106	818,178	46,928
Retiree healthcare	1,761,678	1,761,678	1,761,678	-
Additional retirement	272,360	272,360	272,360	-
Capital outlay	567,500	774,866	272,974	501,892
Debt Service:				
Principal retirement	54,320	54,320	557,686	(503,366)
Interest and fiscal charges	8,106	8,106	2,736	5,370
Total public works	62,426	62,426	560,422	(497,996)
Total expenditures	22,751,264	23,094,983	22,341,725	753,258
Excess of revenues over (under) expenditures	164,444	(151,839)	355,630	507,469
Other financing sources (uses)				
Proceeds from the issuance of capital leases	-	-	13,729	13,729
Transfer in	(35,000)	(35,000)	35,000	70,000
Transfer out	(221,444)	(1,401,444)	(270,403)	1,131,041
Total other financing sources (uses)	(256,444)	(1,436,444)	(221,674)	1,214,770
Changes in fund balances	(92,000)	(1,588,283)	133,956	1,722,239
Fund balances - beginning of year	5,086,051	5,086,051	5,086,051	-
Fund balances - end of year	$ 4,994,051	$ 3,497,768	$ 5,220,007	$ 1,722,239

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, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Taxes:				
Property taxes	$ 737,055	$ 737,055	$ 738,806	$ 1,751
Intergovernmental:				
Federal	-	-	1,259,001	1,259,001
State	2,216,456	2,216,456	2,378,794	162,338
Miscellaneous:				
Interest earnings	6,000	6,000	29,712	23,712
Reimbursements	1,000	1,000	844	(156)
Other	16,125	16,125	228	(15,897)
Total revenues	2,976,636	2,976,636	4,407,385	1,430,749
Expenditures				
Public works				
Highways, streets, and bridges	2,828,565	2,828,565	2,664,159	164,406
Debt Service:				
Interest and fiscal charges	142,500	142,500	70,973	71,527
Capital outlay	194,130	194,130	1,641,060	(1,446,930)
Total expenditures	3,165,195	3,165,195	4,376,192	(1,210,997)
Excess of revenues over (under) expenditures	(188,559)	(188,559)	31,193	219,752
Other financing sources (uses)				
Transfer in	166,000	166,000	40,000	(126,000)
Changes in fund balances	(22,559)	(22,559)	71,193	93,752
Fund balances - beginning of year	567,073	567,073	567,073	-
Fund balances - end of year	$ 544,514	$ 544,514	$ 638,266	$ 93,752

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, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Intergovernmental:				
Federal	$ 432,691	$ 432,691	$ 191,723	$ (240,968)
Miscellaneous:				
Program income	193,700	193,700	105,835	(87,865)
Interest earnings	6,300	6,300	7,287	987
Other revenue	-	-	29,985	29,985
Total revenues	632,691	632,691	334,830	(297,861)
Expenditures				
Economic development	1,327,672	1,327,672	587,259	740,413
Excess of revenues over (under) expenditures	(694,981)	(694,981)	(252,429)	442,552
Other financing sources (uses)				
Transfer in	625,880	625,880	365,552	(260,328)
Transfer out	(200,000)	(200,000)	(113,123)	86,877
Total other financing sources (uses)	425,880	425,880	252,429	(173,451)
Changes in fund balances	(269,101)	(269,101)	-	269,101
Fund balances - beginning of year	-	-	-	-
Fund balances (deficit) - end of year	$ (269,101)	$ (269,101)	$ -	$ 269,101

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

City of Bay City, Michigan
Statement of Net Assets
Proprietary Funds
June 30, 2008

	Electric	Water	Sewer	Other Enterprise Funds	Total	Internal Service Funds
Current assets						
Cash and cash equivalents	$ 13,810,196	$ 12,202,718	$ 7,535,084	$ 291,098	$ 33,839,096	$ 6,949,524
Receivables (net of allowance for uncollectibles)						
Accounts	4,487,937	644,916	1,900,835	21,373	7,055,061	2,972
Special assessments	67,952	14,456	51,865	-	134,273	-
Accrued interest	79,318	69,959	33,036	1,788	184,101	39,036
Due from other funds	-	8,338	-	-	8,338	253
Due from other governments	5,095	-	-	-	5,095	-
Inventories	2,072,453	455,980	158,420	29,233	2,716,086	140,173
Prepaid expenses	-	-	-	1,199	1,199	356,219
Deposits	-	8,350	340	-	8,690	266,607
Total current assets	20,522,951	13,404,717	9,679,580	344,691	43,951,939	7,754,784
Long-term assets						
Restricted assets						
Debt service funds - investments	879,215	-	-	-	879,215	-
Other assets						
Net pension asset	1,380,389	775,559	833,761	-	2,989,709	152,808
Unamortized debt expense	-	-	245,851	-	245,851	-
Total other assets	1,380,389	775,559	1,079,612	-	3,235,560	152,808
Capital assets						
Land and improvements	182,602	4,015,801	12,597,346	4,906,941	21,702,690	-
Air rights	-	-	-	95,421	95,421	-
Buildings	1,431,706	1,566,030	26,251	658,501	3,682,488	-
Machinery and equipment	3,335,716	1,200,110	1,852,079	93,180	6,481,085	12,682,022
Utility plant in service	61,252,647	53,899,719	146,696,793	-	261,849,159	-
Construction in progress	-	1,131,598	802,454	461,988	2,396,040	-
	66,202,671	61,813,258	161,974,923	6,216,031	296,206,883	12,682,022
Less: accumulated depreciation	37,003,767	36,545,292	70,586,064	2,067,571	146,202,694	7,928,964
Net capital assets	29,198,904	25,267,966	91,388,859	4,148,460	150,004,189	4,753,058
Total long-term assets	31,458,508	26,043,525	92,468,471	4,148,460	154,118,964	4,905,866
Total assets	51,981,459	39,448,242	102,148,051	4,493,151	198,070,903	12,660,650

	Electric	Water	Sewer	Other Enterprise Funds	Total	Internal Service Funds
Liabilities						
Current liabilities						
Accounts payable	$ 2,148,434	$ 1,181,690	$ 605,174	$ 25,804	$ 3,961,102	$ 460,798
Accrued liabilities	120,021	77,566	83,126	369	281,082	27,028
Due to other funds	1,087,779	128,359	1,499	-	1,217,637	2
Due to other governmental units	81,818	4,429	30,860	-	117,107	6,202
Interest payable	-	69,894	359,563	-	429,457	3,040
Claims payable	-	-	-	-	-	1,648,156
Deposits	187,102	51,006	-	-	238,108	-
Unearned revenue	-	60,487	-	-	60,487	65,131
Accrued compensated absences - current	278,149	230,951	187,213	-	696,313	57,098
Notes payable - current	-	-	-	-	-	44,327
Bonds payable - current	1,750,000	668,667	3,251,333	-	5,670,000	-
Total current liabilities	5,653,303	2,473,049	4,518,768	26,173	12,671,293	2,311,782
Long-term liabilities						
Accrued compensated absences	645,645	403,055	257,940	-	1,306,640	105,973
Unamortized bond premium	-	85,021	53,987	-	139,008	-
Notes payable	-	-	-	-	-	195,027
Bonds payable	7,795,000	11,155,153	46,054,848	-	65,005,001	-
Total long-term liabilities	8,440,645	11,643,229	46,366,775	-	66,450,649	301,000
Total liabilities	14,093,948	14,116,278	50,885,543	26,173	79,121,942	2,612,782
Net assets						
Invested in capital assets, net of related debt	19,653,904	13,444,146	42,082,678	4,148,460	79,329,188	4,513,704
Unrestricted	18,233,607	11,887,818	9,179,830	318,518	39,619,773	5,534,164
Total net assets	$ 37,887,511	$ 25,331,964	$ 51,262,508	$ 4,466,978	$ 118,948,961	$ 10,047,868

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, 2008

Net assets - total enterprise funds	$ 118,948,961
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	4,124,769
Net assets of business-type activities	$ 123,073,730

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, 2008

	Electric	Water	Sewer	Other Enterprise Funds	Total	Internal Service Funds
Operating revenues						
Charges for services:						
Sales	$ 26,527,715	$ 7,768,826	$ 12,322,100	$ 152,010	$ 46,770,651	$ 18,738,059
Rents	-	-	-	127,234	127,234	-
Miscellaneous	2,545,014	34,524	39,187	67,191	2,685,916	938,384
Total operating revenues	29,072,729	7,803,350	12,361,287	346,435	49,583,801	19,676,443
Operating expenses						
Cost of sales and service	24,224,812	5,506,856	5,837,862	391,094	35,960,624	3,029,260
Administration	3,591,546	1,293,003	1,055,626	-	5,940,175	179,907
Claims and benefits	-	-	-	-	-	14,033,612
Depreciation	2,188,096	1,307,842	3,953,243	159,137	7,608,318	899,045
Total operating expenses	30,004,454	8,107,701	10,846,731	550,231	49,509,117	18,141,824
Operating income (loss)	(931,725)	(304,351)	1,514,556	(203,796)	74,684	1,534,619
Nonoperating revenues (expenses)						
Intergovernmental:						
Federal grants	-	-	-	350,640	350,640	-
State grants	-	-	32,511	76,196	108,707	-
Interest earnings	819,337	343,812	220,754	14,423	1,398,326	309,661
Interest expense	(350,251)	(161,614)	(1,409,873)	-	(1,921,738)	(9,801)
Net loss on diposal of capital assets	-	-	-	-	-	(31,517)
Amortization of bond discount/deferred costs	-	-	(20,504)	-	(20,504)	-
Total nonoperating revenues (expenses)	469,086	182,198	(1,177,112)	441,259	(84,569)	268,343
Income (loss) before transfers	(462,639)	(122,153)	337,444	237,463	(9,885)	1,802,962
Transfers						
Transfer in	-	-	-	101,427	101,427	-
Transfer out	(103,500)	(15,750)	(15,750)	-	(135,000)	-
Total transfers	(103,500)	(15,750)	(15,750)	101,427	(33,573)	-
Changes in net assets	(566,139)	(137,903)	321,694	338,890	(43,458)	1,802,962
Net assets - beginning of year	38,453,650	25,469,867	50,940,814	4,128,088	118,992,419	8,244,906
Net assets - end of year	$ 37,887,511	$ 25,331,964	$ 51,262,508	$ 4,466,978	$ 118,948,961	$ 10,047,868

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, 2008

Net change in net assets - total enterprise funds	$ (43,458)
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	838,980
Change in net assets of business-type activities	$ 795,522

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, 2008

	Electric	Water	Sewer	Other Enterprise Funds	Total	Internal Service Funds
Cash flows from operating activities						
Cash received from customers and users	$ 26,188,340	$ 7,799,576	$ 12,151,227	$ 266,617	$ 46,405,760	$ -
Cash received from internal users	1,109,287	-	-	-	1,109,287	19,777,033
Cash payments to suppliers for goods and services	(22,892,122)	(2,339,110)	(3,436,778)	(402,943)	(29,070,953)	(16,386,244)
Cash payments to employees for services	(4,865,624)	(4,006,528)	(3,371,953)	(12,672)	(12,256,777)	(1,424,240)
Cash payments for internal services provided	-	(36,247)	(244,512)	(4,873)	(285,632)	-
Other receipts	2,545,014	34,524	39,187	67,191	2,685,916	-
Net cash provided (used) by operating activities	2,084,895	1,452,215	5,137,171	(86,680)	8,587,601	1,966,549
Cash flows from noncapital financing activities						
Intergovernmental - federal grant	-	-	-	350,640	350,640	-
Intergovernmental - state grant	-	-	32,511	76,196	108,707	-
Transfers in	-	-	-	101,427	101,427	-
Transfers (out)	(103,500)	(15,750)	(15,750)	-	(135,000)	-
Net cash provided (used) by noncapital financing activities	(103,500)	(15,750)	16,761	528,263	425,774	-
Cash flows from capital and related financing activities						
Purchase of capital assets	(1,110,704)	(1,198,431)	(1,025,314)	(447,672)	(3,782,121)	(188,900)
Proceeds from the sale of capital assets	-	-	-	-	-	5,500
Proceeds from issuing long-term debt	3,700,000	6,403,841	2,220,168	-	12,324,009	-
Principal paid on debt	(1,270,000)	(250,000)	(3,085,000)	-	(4,605,000)	(42,685)
Interest paid on debt	(350,251)	(161,614)	(1,409,873)	-	(1,921,738)	(9,801)
Net cash provided (used) by capital and related financing activities	969,045	4,793,796	(3,300,019)	(447,672)	2,015,150	(235,886)
Cash flows from investing activities						
Proceeds from sale of investments	(152,920)	-	-	-	(152,920)	-
Interest received	819,337	343,812	220,754	14,423	1,398,326	309,661
Net cash provided (used) by investment activities	666,417	343,812	220,754	14,423	1,245,406	309,661
Net increase (decrease) in cash and cash equivalents	3,616,857	6,574,073	2,074,667	8,334	12,273,931	2,040,324
Cash and cash equivalents, beginning of period	10,193,339	5,628,645	5,460,417	282,764	21,565,165	4,909,200
Cash and cash equivalents, end of period	$ 13,810,196	$ 12,202,718	$ 7,535,084	$ 291,098	$ 33,839,096	$ 6,949,524
Reconciliation of operating income (loss) to net cash provided (used) by operating activities						
Operating income (loss)	$ (931,725)	$ (304,351)	$ 1,514,556	$ (203,796)	$ 74,684	$ 1,534,619
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation	2,188,096	1,307,842	3,953,243	159,137	7,608,318	899,045
(Increase) decrease in assets:						
Accounts receivable	(334,993)	48,417	(159,599)	(13,220)	(459,395)	3,026
Special assesments receivable	(13,536)	(4,139)	(15,901)	-	(33,576)	-
Accrued interest receivable	9,383	(20,981)	4,627	593	(6,378)	(16,968)
Due from other funds	62,603	(646)	4,726	-	66,683	462,368
Due from other governments	(229)	-	-	-	(229)	-
Inventories	(362,757)	59,149	66,610	(15,904)	(252,902)	(28,193)
Prepaid expenses	-	-	-	(1,199)	(1,199)	(180,666)
Deposits	-	-	-	-	-	2,759
Net pension asset	(860,552)	(449,356)	(500,963)	-	(1,810,871)	(152,808)
Increase (decrease) in liabilities:						
Accounts payable	1,061,240	774,391	448,608	(7,471)	2,276,768	(26,584)
Accrued liabilities	(21,123)	5,704	12,634	53	(2,732)	(500)
Claims payable	-	-	-	-	-	(51,995)
Due to other funds	1,046,684	(35,601)	(249,238)	(4,873)	756,972	(347,836)
Due to other governmental units	9,785	(6,114)	30,860	-	34,531	5,323
Interest payable	-	39,321	(5,957)	-	33,364	(542)
Deposits	73,420	14,907	-	-	88,327	-
Unearned revenue	-	7,453	-	-	7,453	(140,477)
Accrued compensated absences	158,599	16,219	32,965	-	207,783	5,978
Total adjustments	3,016,620	1,756,566	3,622,615	117,116	8,512,917	431,930
Net cash provided (used) by operating activities	$ 2,084,895	$ 1,452,215	$ 5,137,171	$ (86,680)	$ 8,587,601	$ 1,966,549

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

City of Bay City, Michigan
Fiduciary Funds
Statement of Net Assets
June 30, 2008

	Pension and Other Employee Benefit Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	$ 3,648,981	$ 154,146
Investments		
Mutual funds	17,280,592	-
Government securities	8,391,207	-
Corporate bonds	4,421,697	-
Common stock	20,197,549	-
Accounts receivable	200,791	-
Interest receivable	154,834	-
Total assets	54,295,651	$ 154,146
Liabilities		
Accounts payable	64,968	$ 357
Due to other governments	-	138,326
Deposits payable	-	15,463
Total liabilities	64,968	$ 154,146
Net assets		
Held in trust for employees' pension benefits	50,263,830	
Held in trust for employees' postemployment health care benefits	3,966,853	
Total net assets	$ 54,230,683	

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, 2008

Additions	
Contributions	
Employer	$ 2,232,458
Plan members	502,192
Total contributions	2,734,650
Investment income	
Interest and dividends	1,251,715
Net depreciation in fair value of investments	(4,318,514)
Investment expense	(308,290)
Net investment loss	(3,375,089)
Other additions	32,285
Total additions (net of investment loss)	(608,154)
Deductions	
Benefits and refunds paid to participants	3,920,408
Administrative expenses	154,041
Total deductions	4,074,449
Net decrease in plan net assets	(4,682,603)
Net assets held in trust for pension benefits	
Beginning of year	58,913,286
End of year	$ 54,230,683

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, 2008

	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	$ 128,243	$ 177,993	$ 38,902	$ 917,613	$ 884,409	$ 3,058	$ 2,263
Receivables:							
Accounts	11,078	-	-	-	-	249	-
Delinquent taxes	983	-	-	-	-	-	-
Accrued interest	734	1,037	223	5,256	5,063	-	13
Notes	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-	-
Net pension asset	-	-	-	19,482	-	-	-
Nondepreciable capital assets	-	50,424	-	49,324	113,934	-	-
Depreciable capital assets, net	137,332	352,430	17,172	1,492,279	2,145,252	530,350	-
Total assets	278,370	581,884	56,297	2,483,954	3,148,658	533,657	2,276
Liabilities							
Accounts payable	1,240	4,546	-	1,646	66,908	-	-
Accrued liabilities	-	-	-	1,783	-	-	-
Interest payable	-	-	-	-	14,555	-	-
Deposits	25	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-	-
Long-term debt:							
Bonds payable	-	-	-	-	2,330,000	-	-
Notes payable	-	-	-	-	-	-	27,776
Total liabilities	1,265	4,546	-	3,429	2,411,463	-	27,776
Net assets							
Invested in capital assets, net of related debt	137,332	402,854	17,172	1,541,603	(70,814)	530,350	-
Unrestricted (deficit)	139,773	174,484	39,125	938,922	808,009	3,307	(25,500)
Total net assets (deficit)	$ 277,105	$ 577,338	$ 56,297	$ 2,480,525	$ 737,195	$ 533,657	$ (25,500)

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	Totals
$ 19,973	$ 57,334	$ 25,351	$ 10,885	$ 16,719	$ 15,267	$ 111	$ 106,929	$ 2,405,050
-	-	-	-	40	198,042	-	695	210,104
-	-	-	-	-	-	-	-	983
114	328	144	68	96	-	1	-	13,077
-	-	-	-	-	4,000,000	-	-	4,000,000
-	-	-	-	-	-	-	25,705	25,705
-	-	-	-	-	-	-	6,355	6,355
-	-	-	-	-	-	-	-	19,482
-	50,563	-	-	-	-	-	-	264,245
-	86,415	-	-	-	-	-	433	4,761,663
20,087	194,640	25,495	10,953	16,855	4,213,309	112	140,117	11,706,664
-	45,000	305	359	5,163	320	-	3,244	128,731
-	-	-	-	-	-	-	3,015	4,798
-	-	-	-	-	-	-	-	14,555
-	-	-	-	-	-	-	-	25
-	-	-	-	-	-	-	1,630	1,630
-	-	-	-	-	-	-	-	2,330,000
-	-	-	-	-	-	-	-	27,776
-	45,000	305	359	5,163	320	-	7,889	2,507,515
-	136,978	-	-	-	-	-	433	2,695,908
20,087	12,662	25,190	10,594	11,692	4,212,989	112	131,795	6,503,241
$ 20,087	$ 149,640	$ 25,190	$ 10,594	$ 11,692	$ 4,212,989	$ 112	$ 132,228	$ 9,199,149

City of Bay City, Michigan
All Component Units
Combining Statement of Activities
For the Year Ended June 30, 2008

Functions / Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue
Component units					
Downtown Development Authority	$ 169,837	$ 155,547	$ -	$ -	$ (14,290)
Midland Street TIFA	31,234	-	-	-	(31,234)
Kresge's DDA	1,031	-	-	-	(1,031)
Marquette District TIFA	463,186	-	-	-	(463,186)
Water Street DDA	262,726	-	-	-	(262,726)
Marina Development TIFA	9,373	-	-	-	(9,373)
Allen Healthcare DDA	3,626	-	-	-	(3,626)
Research Center Development TIFA	-	-	-	-	-
Knepp's DDA	2,677	-	-	-	(2,677)
Brownfield Redevelopment	5,703	-	-	-	(5,703)
Columbus Avenue Management Board	6,935	8,100	625	-	1,790
Midland Street Management Board	26,901	17,600	-	-	(9,301)
POWER	2,155,153	-	-	-	(2,155,153)
EDC	-	-	-	-	-
Downtown Management Board	255,102	49,186	89,022	-	(116,894)
Total component units	$ 3,393,484	$ 230,433	$ 89,647	$ -	$ (3,073,404)

continued…

City of Bay City, Michigan
All Component Units
Combining Statement of Activities (Concluded)
For the Year Ended June 30, 2008

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	$ (14,290)	$ (31,234)	$ (1,031)	$ (463,186)	$ (262,726)	$ (9,373)	$ (3,626)
General revenues:							
Property taxes	-	105,375	2,258	370,541	319,691	-	21,176
Unrestricted investment earnings	5,896	11,546	2,425	60,770	51,706	1,025	731
Miscellaneous revenue	43,000	-	-	-	-	-	-
Total general revenues	48,896	116,921	4,683	431,311	371,397	1,025	21,907
Change in net assets	34,606	85,687	3,652	(31,875)	108,671	(8,348)	18,281
Net assets (deficit), beginning of year	242,499	491,651	52,645	2,512,400	628,524	542,005	(43,781)
Net assets (deficit), end of year	$ 277,105	$ 577,338	$ 56,297	$ 2,480,525	$ 737,195	$ 533,657	$ (25,500)

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	Totals
$ -	$ (2,677)	$ (5,703)	$ 1,790	$ (9,301)	$ (2,155,153)	$ -	$ (116,894)	$ (3,073,404)
-	18,819	11,915	-	-	-	-	113,130	962,905
1,352	2,772	1,125	367	795	110,980	6	1,667	253,163
-	-	3,000	-	120	-	-	-	46,120
1,352	21,591	16,040	367	915	110,980	6	114,797	1,262,188
1,352	18,914	10,337	2,157	(8,386)	(2,044,173)	6	(2,097)	(1,811,216)
18,735	130,726	14,853	8,437	20,078	6,257,162	106	134,325	11,010,365
$ 20,087	$ 149,640	$ 25,190	$ 10,594	$ 11,692	$ 4,212,989	$ 112	$ 132,228	$ 9,199,149

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, 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 the Downtown Management Board. All discrete component units use governmental fund type accounting. However, full accrual accounting is used for financial statement presentation.

Wenonah Park Properties had been included as a component unit of the City since its inception in 2001. It has been determined that Wenonah Park Properties no longer fits the criteria of a component unit and, therefore, is no longer included in the financial statements of the City of Bay City.

Complete financial statements for the DMB may be obtained at their administrative offices located at Commerce 1, 901 Saginaw Street, 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 and Other Employees Benefits Trust Fund 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 nonoperating 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 nonoperating 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 nonoperating 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 200 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 180 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:			
City Manager	$ 261,878	$ 263,953	$ (2,075)
Assessor	377,456	378,732	(1,276)
City Clerk	287,279	289,228	(1,949)
Payroll/Payables	177,887	183,353	(5,466)
Accounting	362,502	366,918	(4,416)
Accounts Receivable	855,204	869,486	(14,282)
Public safety:			
Safe Streets Task Force	-	63,767	(63,767)
Mid-MI Computer Crime Task Force	-	1,408	(1,408)
Youth Alcohol Enforcement	-	1,577	(1,577)
Deputy Police Chiefs	139,663	140,734	(1,071)
Public works:			
Street Lighting	449,066	463,223	(14,157)
Debt service:			
Principal Retirement	54,320	557,686	(503,366)
Special Revenue Funds:			
Major Street Fund – Capital	194,130	1,641,060	(1,446,930)
Bond Sinking Fund	1,617,850	1,618,525	(675)

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

Allen Healthcare DDA component unit in the amount of $25,500. 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	$15,264,481	$33,839,096	$ 3,803,127	$52,906,704	$ 2,405,050	$ 55,311,754
Investments	-	-	50,291,045	50,291,045	-	50,291,045
Restricted assets	-	879,215	-	879,215	-	879,215
Total	$15,264,481	$34,718,311	$54,094,172	$104,076,964	$ 2 405,050	$106,482,014

Deposit and Investments:

Bank Deposits (checking, savings, and certificates of deposit)	$ 17,164,336
Investments (securities, commercial paper, and money market accounts)	89,317,678
Total	$106,482,014

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, 2008, the carrying value of deposits owned by the City was $14,759,286 and component units was $2,405,050. Approximately $200,000 of the City's bank balance and $100,000 of the component unit bank balance was covered by federal depository insurance. The remaining balance of $16,864,336 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk – Investments. Following is a summary of the City's investments as of June 30, 2008:

Mutual Funds	$ 16,153,534
Government securities	13,881,962
Agency obligations	34,662,936
Corporate bonds	4,421,697
Common stock	20,197,549
Total	$ 89,317,678

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, 2008, 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, 2008, 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	Investor Services
Government Obligations	$ 7,041,580	$5,490,755	$ -	$ 1,150,582	$ 400,243	AAA
Agency obligations	35,739,781	2,440,000	32,222,935	-	1,076,846	n/a
Municipal obligations	14,000	14,000	-	-	-	n/a
Corporate bonds	53,603	-	53,603	-	-	A1
Corporate bonds	243,677	-	-	243,677	-	A1
Corporate bonds	168,930	-	-	-	168,930	A1
Corporate bonds	40,800	-	40,800	-	-	A2
Corporate bonds	105,361	-	-	105,361	-	A2
Corporate bonds	87,108	-	-	-	87,108	A2
Corporate bonds	34,434	-	34,434	-	-	A3
Corporate bonds	48,776	-	-	48,776	-	A3
Corporate bonds	19,465	-	-	-	19,465	A3
Corporate bonds	29,224	-	29,224	-	-	AA2
Corporate bonds	75,728	-	-	-	75,728	AA2
Corporate bonds	45,559	-	45,559	-	-	AA3
Corporate bonds	42,863	-	-	42,863	-	AA3
Corporate bonds	17,915	-	-	-	17,915	AA3
Corporate bonds	803,735	-	803,735	-	-	AAA
Corporate bonds	391,361	-	-	391,361	-	AAA
Corporate bonds	386,225	-	-	-	386,225	AAA
Corporate bonds	74,200	-	74,200	-	-	B1
Corporate bonds	99,149	-	-	99,149	-	B1
Corporate bonds	86,100	-	86,100	-	-	B2
Corporate bonds	90,100	-	-	90,100	-	B2
Corporate bonds	36,050	-	-	-	36,050	B2
Corporate bonds	98,283	-	98,283	-	-	B3

Note 3 - DEPOSITS AND INVESTMENTS – CONTINUED

		Investment Maturities (In Years)				Credit Rating
	Fair Value	Less Than 1	1-5	6-10	More Than 10	Investor Services
Corporate bonds	40,942	-	-	40,942	-	B3
Corporate bonds	44,400	-	44,400	-	-	BA1
Corporate bonds	53,687	-	-	53,687	-	BA1
Corporate bonds	41,834	-	-	-	41,834	BA1
Corporate bonds	22,125	-	22,125	-	-	BA2
Corporate bonds	68,487	-	-	68,487	-	BA2
Corporate bonds	36,050	-	36,050	-		BA3
Corporate bonds	143,175	-	-	143,175	-	BA3
Corporate bonds	34,781	-	34,781	-	-	BAA1
Corporate bonds	65,126	-	-	65,126	-	BAA1
Corporate bonds	91,258	-	-	-	91,258	BAA1
Corporate bonds	21,085	-	21,085	-	-	BAA2
Corporate bonds	308,404	-	-	308,404	-	BAA2
Corporate bonds	114,684	-	-	-	114,684	BAA2
Corporate bonds	120,665	-	-	120,665	-	BAA3
Corporate bonds	34,323	-	-	-	34,323	BAA3
Corporate bonds	78,325	-	-	78,325	-	CAA1
Corporate bonds	23,700	-	-	-	23,700	CAA1
FNMA	726,238	-	531,253	76,266	118,719	AAA
FNMA	732,281	732,281	-	-	-	n/a
FNMA passthroughs	4,291,018	-	-	-	4,291,018	n/a
Total	$52,966,595	$8,677,036	$34,178,567	$3,126,946	$6,984,046	

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.

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.

Note 3 - DEPOSITS AND INVESTMENTS – CONTINUED

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, 2008. 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. 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	$ 703,961	$ 7,311,300	$ 626,804	$ 8,642,065
Taxes	187,270	134,273	1,545	323,088
Interest	89,663	184,101	13,077	286,841
Intergovernmental	703,203	5,095	25,705	734,003
Notes	7,298,973	-	4,000,000	11,298,973
Gross receivables	8,983,070	7,634,769	4,667,131	21,284,970
Less: Allowance for Uncollectibles	(114,627)	(256,239)	(417,262)	(788,128)
Net total receivables	$ 8,868,443	$ 7,378,530	$ 4,249,869	$ 20,496,842

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	$ 7,304,671	$ -
Special assessments (non-current portion)	73,006	-
Delinquent personal property taxes receivable	59,304	-
Grant and categorical aid payment received prior to meeting all eligibility requirements	-	58,888
Total	$ 7,436,981	$ 58,888

Note 5 - CAPITAL ASSETS

Capital asset activity of the City's governmental activities for the year ended June 30, 2008 was as follows:

Governmental Activities	Balance July 1, 2007	Additions	Disposals and Adjustments	Balance June 30, 2008
Capital assets not being depreciated:				
Land	$ 17,539,071	$ -	$ (346,130)	$ 17,192,941
Construction in progress	210,265	1,757,931	-	1,968,196
Other intangible assets	376,000	-	-	376,000
Subtotal	18,125,336	1,757,931	(346,130)	19,537,137
Capital assets being depreciated:				
Roads and sidewalks	124,765,051	651,320	-	125,416,371
Buildings and improvements	6,651,380	133,586	-	6,784,966
Vehicles	12,308,367	155,965	(326,579)	12,137,753
Office furnishings	39,293	-	-	39,293
Other tools and equipment	3,390,933	115,241	(185,591)	3,320,583
Subtotal	147,155,024	1,056,112	(512,170)	147,698,966
Accumulated depreciation:				
Roads and sidewalks	(74,053,855)	(3,167,814)	-	(77,221,669)
Buildings and improvements	(3,603,780)	(197,516)	-	(3,801,296)
Vehicles	(6,745,380)	(873,811)	285,377	(7,333,814)
Office furnishings	(13,806)	(1,964)	-	(15,770)
Other tools and equipment	(2,319,478)	(306,049)	182,363	(2,443,164)
Subtotal	(86,736,299)	(4,547,154)	467,740	(90,815,713)
Net capital assets being depreciated	60,418,725	(3,491,042)	(44,430)	56,883,253
Governmental activities capital assets, net	$ 78,544,061	$ (1,733,111)	$ (390,560)	$ 76,420,390

Note 5 - CAPITAL ASSETS - CONTINUED

Capital asset activity of the City's business-type activities for the year ended June 30, 2008 was as follows:

Business-type Activities	Balance July 1, 2007	Additions	Disposals and Adjustments	Balance June 30, 2008
Capital assets not being depreciated:				
Land	$ 821,424	$ -	$ -	$ 821,424
Construction in progress	56,973	2,341,540	(2,473)	2,396,040
Other	95,421	-	-	95,421
Subtotal	973,818	2,341,540	(2,473)	3,312,885
Capital assets being depreciated:				
Utility plant and systems	261,205,618	1,358,164	(714,625)	261,849,157
Land Improvements	20,666,712	268,754	(54,200)	20,881,266
Buildings and improvements	3,659,541	22,947	-	3,682,488
Machinery and equipment	6,365,897	115,188	-	6,481,085
Subtotal	291,897,768	1,765,053	(768,825)	292,893,996
Accumulated depreciation:				
Utility plant and systems	(130,578,969)	(6,831,947)	392,625	(137,018,291)
Land improvements	(2,687,250)	(467,001)	54,200	(3,100,051)
Buildings and improvements	(2,136,765)	(76,483)	-	(2,213,248)
Machinery and equipment	(3,638,215)	(232,887)	-	(3,871,102)
Subtotal	(139,041,199)	(7,608,318)	446,825	(146,202,692)
Net capital assets being depreciated	152,856,569	(5,843,265)	(322,000)	146,691,304
Business-type Activities capital assets, net	$ 153,830,387	$(3,501,725)	$ (324,473)	$ 150,004,189

Note 5 - CAPITAL ASSETS - CONTINUED

Capital asset activity of the City's component units for the year ended June 30, 2008 was as follows:

Component Units	Balance July 1, 2007	Additions	Disposal and Adjustments	Balance June 30, 2008
Capital assets not being depreciated:				
Land	$ 54,136	$ -	$ -	$ 54,136
Construction in progress	265,880	153,803	(209,574)	210,109
Subtotal	320,016	153,803	(209,574)	264,245
Capital assets being depreciated:				
Infrastructure	5,838,368	598,206	-	6,436,574
Furniture and equipment	34,202	17,717	-	51,919
Subtotal	5,872,570	615,923	-	6,488,493
Accumulated depreciation:				
Infrastructure	(1,474,712)	(234,430)	-	(1,709,142)
Furniture and equipment	(11,541)	(6,147)	-	(17,688)
Subtotal	(1,486,253)	(240,577)	-	(1,726,830)
Net capital assets being depreciated	4,386,317	375,346	-	4,761,663
Component Units capital assets, net	$ 4,706,333	$ 529,149	$ (209,574)	$ 5,025,908

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

Governmental activities:	
General government	$ 35,668
Public safety	236,570
Public works	3,032,792
Recreation and cultural	215,514
Economic Development	127,565
Internal Service Fund depreciation is charged to the various function based on their usage of the asset	899,045
Total governmental activities	$ 4,547,154
Business-type activities:	
Electric	2,188,096
Water	1,307,842
Sewer	3,953,243
Other enterprise funds	159,137
Total business-type activities	$ 7,608,318

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 government-wide financial statements as "internal balances".

The composition of interfund balances is as follows:

	General Fund	Major Streets Fund	Nonmajor Govern-mental Funds	Water Fund	Internal Service Funds	Total
General Fund	$ -	$ 2,575	$ 50,992	$ -	$ 180	$ 53,747
Major Streets Fund	-	-	-	-	2	2
Nonmajor Governmental Funds	225,356	-	-	-	17	225,373
Electric Fund	1,079,417	-	-	8,338	24	1,087,779
Sewer Fund	-	1,485	-	-	14	1,499
Water Fund	128,345	-	-	-	14	128,359
Internal Service Funds	-	-	-	-	2	2
Total	$ 1,433,118	$ 4,060	$ 50,992	$ 8,338	$ 253	$ 1,496,761

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	Sewer Fund	Water Fund	Total
Transfers to:							
General Fund	$ -	$ -	$ -	$ 3,500	$ 15,750	$ 15,750	$ 35,000
Rehabilitation Fund	-	-	365,552	-	-	-	365,552
Major Streets Fund	-	-	-	40,000	-	-	40,000
Nonmajor Governmental Funds	168,976	113,123	125,000	60,000	-	-	467,099
Nonmajor Enterprise Funds	101,427	-	-	-	-	-	101,427
Total	$ 270,403	$ 113,123	$ 490,552	$ 103,500	$ 15,750	$ 15,750	$ 1,009,078

Note 7 – CAPITAL LEASES

The City of Bay City has entered into two separate lease agreements as lessee of two copiers, one with Xerox and one with Bank of America. The original amounts of the copiers were $29,235 and $13,729 respectively. The remaining balances are $10,963 for the copier with Xerox and $10,297 for the copier with Bank of America. Annual lease payments required under the capital leases are as follows:

Fiscal Year End	General Fund
2009	$ 11,885
2010	8,230
2011	1,145
Total minimum payments due	21,260
Less interest	-
Present value of net minimum leases	$ 21,260

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:

Note 8 – LONG-TERM DEBT - CONTINUED

Governmental Activities:

	Balance 7/01/07	Additions (Reductions)	Balance 6/30/08	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. Original amount $10,599,932.	$ 17,462,577	$ 1,279,202 (1,615,000)	$ 17,126,779	$ 1,635,000
Capital Lease due in installments through 2011. Original amount $13,729.	-	13,729 (3,432)	10,297	4,576
Capital Lease due in installments through 2010. Original amount $29,235.	18,272	(7,309)	10,963	7,309
Capital Lease due in installments through 2008. Original amount $12,065.	4,445	(4,445)	-	-
Variable Rate HUD Section 108 Note payable, principal due annually beginning 8/1/13, interest due semi-annually February 1 and August 1. Original amount $2,500,000.	2,500,000	(500,000)	2,000,000	-
0.0% Michigan Urban Land Assembly Promissory Note, principal payments beginning 9/1/06 through 9/1/11. Original amount $255,000.	212,500	(42,500)	170,000	42,500
Purchase Agreement due in installments, including interest, through 2013. Originated in Motor Equipment Revolving Internal Service Fund. Original amount $437,819.	282,040	(42,686)	239,354	44,327
Employee compensated absences.	3,072,854	1,063,561 (800,216)	3,336,199	1,220,670
Total Governmental Activities	$ 23,552,688	$ (659,096)	$ 22,893,592	$ 2,954,382

The General Fund and certain Special Revenue Funds have typically been used to liquidate the liability for compensated absences in the governmental funds.

Note 8 – LONG-TERM DEBT – CONTINUED

Business-Type Activities:
Sewer Fund

	Balance 7/01/07	Additions (Reductions)	Balance 6/30/08	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. Original amount $1,500,000.	$ 1,135,000	$ (65,000)	$ 1,070,000	$ 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. Original amount $4,040,000.	2,820,000	(425,000)	2,395,000	430,000
2.5% State Revolving Fund Loan issued March 29, 2001, principal due in annual installments beginning 4/1/04 through 4/1/23, interest due semi-annually April 1 and October 1. Original amount $42,435,000.	35,535,000	(1,835,000)	33,700,000	1,880,000
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. Original amount $6,000,000.	4,935,000	(550,000)	4,385,000	570,000
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. Original amount $6,000,000.	5,800,000	(210,000)	5,590,000	215,000
3.5% to 5.5% G.O. Capital Improvement Bonds, Series 2008, principal due in annual installments of $75,449 to $160,826 through 4/1/28, interest due semi-annually April1 and October1. Original amount $5,455,000.	-	2,166,181	2,166,181	91,333

Note 8 – LONG-TERM DEBT – CONTINUED

Business-Type Activities: Electric Fund

	Balance 7/01/07	Additions (Reductions)	Balance 6/30/08	Due-Within One-Year
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. Refunded in 2008. Original amount $16,585,000.	$ 7,115,000	$ (7,115,000)	$ -	$ -
3.5% to 4.5% Electric Utility System Revenue Refunding and Improvement Bonds, 2008 Series, principal due in annual installments of $365,000 to $1,940,000 through 1/1/18, interest due semi-annually January 1 and July 1. Net of deferred costs of $225,000. Original amount $9,770,000.	-	9,545,000	9,545,000	1,750,000

Business-Type Activities: Water Fund

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. Original amount $6,000,000.	5,755,000	(250,000)	5,505,000	255,000
3.5% to 4.0% G.O. Capital Improvement Bonds, Series 2008A, principal due in annual installments of $265,000 to $350,000 through 4/1/18, interest due semi-annually April 1 and October 1. Original amount $3,030,000.	-	3,030,000	3,030,000	275,000
3.5% to 5.5% G.O. Capital Improvement Bonds, Series 2008B, principal due in annual installments of $114,551 to $244,175 through 4/1/28, interest due semi-annually April1 and October 1. Original amount $2,166,181.	-	3,288,820	3,288,820	138,667

Note 8 – LONG-TERM DEBT – CONTINUED

Other

	Balance 7/01/07	Additions (Reductions)	Balance 6/30/08	Due-Within One-Year
		$ 839,325		
Employee Compensated Absences	$ 1,795,170	(631,542)	$ 2,002,953	$ 696,313
Total	$64,890,170	$ 8,012,784	$ 72,902,954	$ 6,366,313

The aggregate debt service requirements to pay principal and interest on the various bonds and loans outstanding with interest of $16,801,027 and deferred costs of $225,000 in the business-type activities, interest of $22,929,038 including capital appreciation of $11,914,349 in the governmental activities bonded debt, and interest of $917,702 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
2009	$ 468,509	$ 1,166,491	$ 98,712	$ 68,480	$ 5,670,000	$ 2,078,302
2010	443,618	1,216,382	96,763	100,972	5,775,000	1,964,251
2011	418,706	1,261,294	91,447	99,201	5,965,000	1,775,310
2012	392,320	1,312,680	92,141	97,363	6,180,000	1,586,109
2013	486,892	1,783,108	51,551	1,478	4,715,000	1,418,363
2014 – 2018	2,040,636	9,724,497	815,000	394,398	20,770,001	5,162,276
2019 – 2023	961,749	6,464,586	1,185,000	155,810	17,685,000	2,377,684
2024 – 2028	-	-	-	-	4,140,000	438,733
Total	$ 5,212,430	$ 22,929,038	$2,430,614	$ 917,702	$ 70,900,001	$ 16,801,028

The variable rate HUD Section 108 note payable and the Michigan Urban Land Assembly Promissory note were previously included within the long-term debt of Wenonah Park Properties Component Unit. Since it has been determined that Wenonah Park Properties should no longer be included as a component unit of the City of Bay City, this debt has now been included within the governmental activities. The debt was originally issued in the City's name.

Defeasance of Debt

On May 23, 2008, the City of Bay City issued $9,770,000 of Electric Utility System Revenue Refunding and Improvement Bonds with interest rates ranging between 3.5% and 4.5%. The City issued the bonds to advance refund $5,845,000 of the outstanding series 1997 Electric Utility System Revenue Bonds with interest rates ranging between 5.0% and 5.5%. The City used the net proceeds along with other resources to purchase U.S. government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the 1997 series bonds. As a result, that portion of the 1997 series bonds is considered defeased, and the City has removed the liability from its accounts. The outstanding principal of the defeased bonds is $5,845,000 at June 30, 2008.

Note 8 – LONG-TERM DEBT – CONTINUED

Defeasance of Debt – continued

The advance refunding reduced total debt service payments over the next 5 years by nearly $80,000. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of $71,864.

Component Units:

	Balance 7/01/07	Additions (Reductions)	Balance 6/30/08	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 plus interest is paid in full. Original amount $150,331.	$ 45,326	$ (17,550)	$ 27,776	$ 19,589
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. Original amount $2,755,000.	2,470,000	(140,000)	2,330,000	150,000
Total Long-Term Debt-Component Units	$ 2,515,326	$ (157,550)	$ 2,357,776	$ 169,589

The aggregate debt service requirement for the component units to pay principal and interest on the various outstanding loans with interest included of $579,603 are as follows:

	Component Units	
Fiscal Year End	Principal	Interest
2009	$ 169,589	$ 89,551
2010	158,187	83,107
2011	155,000	77,390
2012	170,000	71,965
2013	200,000	65,802
2014-2018	1,505,000	191,788
Total	$ 2,357,776	$ 579,603

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.

The changes in the claims liability for the years ended June 30, 2007 and 2008 are as follows:

Fiscal Year	Beginning of Period Liability	Current Year Claims and Changes in Estimates	Claim Payments	End of Period Liability
2007	$ 615,123	$ 1,096,565	$ (856,655)	$ 855,033
2008	855,033	663,085	(981,797)	536,321

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 $40,000 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.

Note 9 - RISK MANAGEMENT – CONTINUED

Health and Dental Insurance - continued

The changes in the claims liability for the years ended June 30, 2007 and 2008 are as follows:

Fiscal Year	Beginning of Period Liability	Current Year Claims and Changes in Estimates	Claim Payments	End of Period Liability
2007	$ 503,506	$ 7,132,972	$ (7,107,749)	$ 528,729
2008	528,729	7,443,679	(7,520,545)	451,863

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.

The changes in the claims liability for the years ended June 30, 2007 and 2008 are as follows:

Fiscal Year	Beginning of Period Liability	Current Year Claims and Changes in Estimates	Claim Payments	End of Period Liability
2007	$ 343,413	$ 458,750	$ (384,094)	$ 418,069
2008	418,069	497,149	(255,246)	659,972

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 91.24% 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, 2008, the City's annual pension cost was $2,343,934. The contributions made of $4,464,899 for MERS included the City's required contribution of $2,228,304 and an additional contribution of $2,236,595. The required contribution was determined as part of the December 31, 2005 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 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, 2007, the date of the latest actuarial valuation, was 18 years.

Fiscal Year Ending	Annual Pension Cost (APC)	Annual Required Contribution (ARC)	Percentage of ARC Contributed	Net Pension Obligation (Asset)
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)
6/30/08	2,343,934`	2,228,304	200.4%	(3,702,335)

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

Annual Pension Cost and Net Pension Asset - The City's annual pension cost and net pension asset to MERS for the current year were as follows:

Annual required contribution	$ 2,228,304
Interest on net pension asset	(126,510)
Adjustment to annual required contribution	242,140
Annual pension cost	2,343,934
Contributions made	(4,464,899)
Increase (decrease) on net pension obligation	(2,120,965)
Net pension obligation (asset) beginning of year	(1,581,371)
Net pension obligation (asset) end of year	$ (3,702,336)

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)
12/31/05	$ 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%
12/31/07	41,431,126	65,669,156	24,238,030	63%	5,248,328	462%

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 26.16% of covered payroll. Contributions are established and may be amended by the City Commission.

For the year ended June 30, 2008, the City's annual pension cost of $1,651,747 for the Police and Fire Retirement System was equal to the City's required and actual contributions. The annual required contribution for the current year was determined as part of the annual actuarial valuation of the plan as of June 30, 2006 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, 2007, 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.

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

Concentrations

As of June 30, 2008, 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 22% of the System's total assets at June 30, 2008.

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)
6/30/06	$ 1,516,565	$ 1,516,565	100%	$ -
6/30/07	2,123,900	1,635,150	130%	(488,750)
6/30/08	1,651,747	1,651,747	100%	-

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, 2008, the City's required and actual contributions amounted to $580,718. Employees made contributions amounting to $195,476.

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

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. However, depending on the union contract, some employees hired after July 1, 2007 are not eligible for City provided healthcare benefits upon retirement. Instead the City has established a Retirement Health Savings (RHS) Plan in which the City contributes 6% of their salary on an annual basis. The benefits a participant will receive within the RHS plan depend solely on the amount contributed to each participant's account and the returns earned on the investments of those contributions. There are currently no employees covered by RHS plan.

Currently, 417 retirees are eligible to receive healthcare 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. Most retirees are currently not required to contribute. However, depending upon the union contract under which they retire, recent retires shall pay a portion of the premium contributions on a monthly basis based on the subscription rates provided by Blue Cross/Blue Shield. The retiree's portion ranges from 0% to 50% depending upon the bargaining unit from which the individual retired. The City's costs for retiree healthcare for the year ended June 30, 2008, was $4,116,853.

The present value of all benefits expected to be paid to current plan members as of December 31, 2006, the most recent actuarial report, is $149,943,061. The actuarial accrued liability, which is the portion of the $149,943,061 attributable to service accrued by plan members as of December 31, 2006, is $126,498,186. As of December 31, 2006, there is $2,999,854 in valuation assets available to offset the liabilities of the plan. The funded status of the plan, which is the ratio of plan assets to actuarial accrued liability, as of December 31, 2006 is 2.4%. During the fiscal year ended June 30, 2008, the City contributed an additional $580,711 to its healthcare trust funds bringing the total assets to $3,966,853.

The funding status of the City's other post employment benefits (retiree healthcare) as of the most recent actuarial date is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/06	$ 2,999,854	$ 126,498,186	$ 123,498,332	2.4%	n/a	n/a

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

The City will be required to make the annual required contribution as determined by the actuarial report beginning in fiscal year ended June 30, 2009.

Membership of each plan consisted of the following at December 31, 2006, the date of the latest actuarial valuation:

Retiree and beneficiaries receiving benefits	421
Active plan members	372
Total	793

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrences of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress, presented as required supplementary information following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

Valuation date	12/31/06
Actuarial cost method	Entry age
Amortization method	Level percentage of pay, open
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	6%
Healthcare cost trend rate	11.5% Initial 4.5% Ultimate

Note 11 - PRIOR PERIOD ADJUSTMENTS

Governmental Activities

In the previous year, the variable rate HUD Section 108 note payable in the amount of $2,500,000 and the 0.0% Michigan Urban Land Assembly Promissory note payable in the amount of $212,500 were included in the liabilities of Wenonah Park Properties component unit. Since it has been determined that Wenonah Park Properties should no longer be included as a component unit of the City of Bay City, this debt has now been included within the governmental activities, as the debt was originally issued in the City's name. As a result, the beginning net assets were decreased by $2,712,500.

Component Units

In the Fiscal Year Ended June 30, 2007, the City of Bay City included Wenonah Park Properties as a component unit. It has now been determined that Wenonah Park Properties no longer meets the criteria to be included as a component unit of the City. As a result, it was removed and the beginning net assets were decreased by $7,879,146.

Note 12 - 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 on the northerly eight (8) acres of Uptown at RiversEdge property. 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 Dwan property is secured and the public is prohibited from entering the area.

Note 12 - COMMITMENTS AND CONTINGENT LIABILITIES - CONTINUED

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 entertained several interested parties in the redevelopment of this property.

The City has spent approximately $1,500,000 and acquired $875,000 in grants through the Michigan Department of Environmental Quality to remediate 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. There is an unasserted claim against the City relating to the Middlegrounds Landfill ("Middlegrounds"). The City, General Motors Corporation, and Honeywell International, Inc. may have liability under the Comprehensive Environmental Response, Compensation and Liability Act, as amended, 42 U.S.C.§ 9601, et seq. ("CERCLA"), and several other federal and state statutes, in connection with the alleged generation, transportation, storage, treatment, disposal, or release of "Hazardous Substances" at Middlegrounds.

General Motors and Honeywell have informed the City that they have expended $3 million in cleanup costs for the remediation of Middlegrounds over and above the amounts paid by General Motors, Honeywell, and the City under an interim cost sharing agreement. General Motors and Honeywell anticipate that an additional $2,500,000 may be expended over the next 30 years to obtain state-approved closure of the site. Under CERCLA, and comparable state statutes, such expenditures may give rise to a claim for contribution by General Motors and Honeywell against the City. If a contribution claim is asserted, the City may be responsible for its proportionate share of such expenditures.

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.

Note 12 - COMMITMENTS AND CONTINGENT LIABILITIES - CONTINUED

Commitments - continued

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 $3,328,398 are as follows:

Fiscal Year Ending	Campbell Project	Belle River Project
2009	$ 428,967	$ 1,129,196
2010	-	1,129,286
2011	-	1,129,150
2012	-	1,129,255
2013	-	1,129,291
2014-2019	-	7,150,646
	$ 428,967	$ 12,796,824

Construction Commitment

The City entered into a construction commitment for various projects associated with our sewer system retention basins in the amount of $532,000. As of June 30, 2008, $55,098 was expended and $476,902 remains on the construction commitment with the contractor.

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
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%
2006	43,663,072	55,877,091	12,214,019	78.1%	6,307,684	193.6%
2007	46,365,165	59,001,185	12,636,020	78.6%	6,145,101	205.6%

Schedule of Employer Contributions

Fiscal Year Ended (June 30)	Annual Required Contribution	Actual Annual Contribution	Percent Contributed	
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%	***Note***
2008	1,651,747	1,651,747	100.00%	

Note For the year ended June 30, 2007, actual employer contributions include $139,462 for purchase of service credit paid by the City of Bay City for recent retirees who accepted an early retirement incentive and $349,288, which was a deposit from the Risk Management Authority for settlement of a claim filed by an employee that will be applied toward future retirement benefits.

Postretirement Healthcare

Schedule of Funding Progress

Actuarial Valuation Date (December)	(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
2006	$ 2,999,854	$ 126,498,186	$ 123,498,332	2.4%	n/a	n/a

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, 2008

	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	$ 77,260	$ 2,933	$ 3,902	$ 9,767	$ 368,546	$ -	$ 963,208
Receivables (net of allowance for uncollectibles)							
Accounts	2,201	-	-	-	332,968	-	-
Delinquent taxes	-	-	-	-	-	-	-
Special assessments	-	-	-	-	24,869	-	-
Accrued interest	-	19	24	61	2,317	-	5,514
Due from other funds	-	-	-	-	-	-	-
Due from other governments	106,055	-	-	-	-	208,966	-
Total Assets	$ 185,516	$ 2,952	$ 3,926	$ 9,828	$ 728,700	$ 208,966	$ 968,722
Liabilities and fund balances							
Liabilities							
Accounts payable	$ 56,218	$ -	$ -	$ 9,828	$ 28,086	$ 66,039	$ 12,569
Accrued liabilities	7,884	2,380	2,465	-	17,880	5,275	-
Due to other funds	-	572	1,461	-	1	137,492	-
Deposits payable	-	-	-	-	-	160	-
Deferred revenues	-	-	-	-	-	-	-
Total liabilities	64,102	2,952	3,926	9,828	45,967	208,966	12,569
Fund balances							
Unreserved:							
Undesignated	121,414	-	-	-	682,733	-	956,153
Total fund balances	121,414	-	-	-	682,733	-	956,153
Total liabilities and fund balances	$ 185,516	$ 2,952	$ 3,926	$ 9,828	$ 728,700	$ 208,966	$ 968,722

			Debt Service Fund	Capital Projects Funds			
Building Inspection	Neighborhood Opportunity	Total	Bond Sinking Fund	Riverfront Redevelopment	Economic Opportunites	Total	Total
$ -	$ 165,965	$ 1,591,581	$ 581,517	$ 532,743	$ 1,069,717	$ 1,602,460	$ 3,775,558
99,738	-	434,907	-	3,750	-	3,750	438,657
-	-	-	7,914	-	-	-	7,914
5,995	-	30,864	-	-	-	-	30,864
-	951	8,886	3,329	3,050	6,124	9,174	21,389
50,992	-	50,992	-	-	-	-	50,992
-	-	315,021	-	-	-	-	315,021
$ 156,725	$ 166,916	$ 2,432,251	$ 592,760	$ 539,543	$ 1,075,841	$ 1,615,384	$ 4,640,395
$ 23,878	$ -	$ 196,618	$ 1,175	$ 5,994	$ 13,002	$ 18,996	$ 216,789
10,543	1	46,428	-	-	-	-	46,428
85,847	-	225,373	-	-	-	-	225,373
36,457	-	36,617	-	-	-	-	36,617
-	-	-	7,914	-	-	-	7,914
156,725	1	505,036	9,089	5,994	13,002	18,996	533,121
-	166,915	1,927,215	583,671	533,549	1,062,839	1,596,388	4,107,274
-	166,915	1,927,215	583,671	533,549	1,062,839	1,596,388	4,107,274
$ 156,725	$ 166,916	$ 2,432,251	$ 592,760	$ 539,543	$ 1,075,841	$ 1,615,384	$ 4,640,395

City of Bay City, Michigan
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
For the Year Ended June 30, 2008

	Special Revenue Funds					
	Local Streets	**Fire Awareness**	**Community Policing**	**Parking Enforcement**	**Solid Waste Management**	**Community Development Block Grant**
Revenues						
Taxes:						
Property Taxes	$ 231,400	$ -	$ -	$ -	$ -	$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental:						
Federal	-	-	-	-	-	1,815,273
State	770,767	-	-	-	-	2,182
Local	-	-	-	13,830	-	-
Charges for services:						
Sales	-	-	-	-	1,972,060	-
Fines and forfeitures	-	-	-	20,696	-	-
Miscellaneous:						
Interest earnings	-	230	281	406	14,896	-
Reimbursements	-	-	-	-	-	-
Sale of property	-	-	-	-	-	-
Other	225	-	-	-	24,155	-
Total revenues	1,002,392	230	281	34,932	2,011,111	1,817,455
Expenditures						
Current:						
Public safety	-	106,729	136,766	34,932	-	-
Public works:						
Highways, streets and bridges	1,065,296	-	-	-	-	-
Physical environment	-	-	-	-	1,841,236	-
Economic development	-	-	-	-	-	1,059,524
Capital outlay	52,026	-	-	-	-	380,502
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	1,117,322	106,729	136,766	34,932	1,841,236	1,440,026
Excess of revenues over (under) expenditures	(114,930)	(106,499)	(136,485)	-	169,875	377,429
Other financing sources (uses)						
Transfer in	60,000	106,499	136,485	-	-	113,123
Transfer out	-	-	-	-	-	(490,552)
Total other financing sources (uses)	60,000	106,499	136,485	-	-	(377,429)
Changes in fund balances	(54,930)	-	-	-	169,875	-
Fund balances - beginning of year	176,344	-	-	-	512,858	-
Fund balances - end of year	$ 121,414	$ -	$ -	$ -	$ 682,733	$ -

				Debt Service Fund	Capital Projects Funds			
Public Improvement	Building Inspection	Neighborhood Opportunity	Total	Bond Sinking Fund	Riverfront Redevelopment	Economic Opportunities	Total	Total
$ -	$ -	$ -	$ 231,400	$ 1,742,859	$ -	$ -	$ -	$ 1,974,259
-	473,319	-	473,319	-	-	-	-	473,319
-	-	-	1,815,273	-	-	-	-	1,815,273
-	-	-	772,949	-	-	-	-	772,949
-	-	-	13,830	-	-	-	-	13,830
-	-	-	1,972,060	-	-	-	-	1,972,060
-	-	-	20,696	-	-	-	-	20,696
54,764	51	8,999	79,627	72,524	27,892	53,076	80,968	233,119
-	10,002	-	10,002	-	-	-	-	10,002
-	-	1,627	1,627	-	15,000	125,770	140,770	142,397
-	27,669	-	52,049	-	23,737	2,750	26,487	78,536
54,764	511,041	10,626	5,442,832	1,815,383	66,629	181,596	248,225	7,506,440
-	641,894	-	920,321	-	-	-	-	920,321
-	-	-	1,065,296	-	-	-	-	1,065,296
-	-	-	1,841,236	-	-	-	-	1,841,236
-	-	31	1,059,555	-	47,406	45,805	93,211	1,152,766
134,986	14,406	-	581,920	-	4,618	-	4,618	586,538
-	-	-	-	1,615,000	-	-	-	1,615,000
-	-	-	-	3,525	-	-	-	3,525
134,986	656,300	31	5,468,328	1,618,525	52,024	45,805	97,829	7,184,682
(80,222)	(145,259)	10,595	(25,496)	196,858	14,605	135,791	150,396	321,758
-	50,992	-	467,099	-	-	-	-	467,099
-	-	-	(490,552)	-	-	-	-	(490,552)
-	50,992	-	(23,453)	-	-	-	-	(23,453)
(80,222)	(94,267)	10,595	(48,949)	196,858	14,605	135,791	150,396	298,305
1,036,375	94,267	156,320	1,976,164	386,813	518,944	927,048	1,445,992	3,808,969
$ 956,153	$ -	$ 166,915	$ 1,927,215	$ 583,671	$ 533,549	$ 1,062,839	$ 1,596,388	$ 4,107,274

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, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Taxes:				
General property taxes	$ 230,244	$ 230,244	$ 231,400	$ 1,156
Intergovernmental:				
State	794,507	794,507	770,767	(23,740)
Miscellaneous:				
Interest earnings	500	500	-	(500)
Other	600	2,700	225	(2,475)
Total revenues	1,025,851	1,027,951	1,002,392	(25,559)
Expenditures				
Public works				
Highways, streets, and bridges	1,150,177	1,150,177	1,065,296	84,881
Capital outlay	7,000	1,189,100	52,026	1,137,074
Total expenditures	1,157,177	2,339,277	1,117,322	1,221,955
Excess of revenues over (under) expenditures	(131,326)	(1,311,326)	(114,930)	1,196,396
Other financing sources (uses)				
Transfer in	60,000	1,240,000	60,000	(1,180,000)
Changes in fund balances	(71,326)	(71,326)	(54,930)	16,396
Fund balances - beginning of year	176,344	176,344	176,344	-
Fund balances - end of year	$ 105,018	$ 105,018	$ 121,414	$ 16,396

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, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Interest earnings	$ -	$ -	$ 230	$ 230
Expenditures				
Public safety	107,071	107,071	106,729	342
Excess of revenues over (under) expenditures	(107,071)	(107,071)	(106,499)	572
Other financing sources (uses)				
Transfer in	107,071	107,071	106,499	(572)
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, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Interest earnings	$ -	$ -	$ 281	$ 281
Expenditures				
Public safety	137,946	137,946	136,766	1,180
Excess of revenues over (under) expenditures	(137,946)	(137,946)	(136,485)	1,461
Other financing sources (uses)				
Transfer in	137,946	137,946	136,485	(1,461)
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, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Intergovernmental:				
Local	$ 21,690	$ 21,690	$ 13,830	$ (7,860)
Interest revenue	-	-	406	406
Fines and forfeitures	25,000	25,000	20,696	(4,304)
Total revenues	46,690	46,690	34,932	(11,758)
Expenditures				
Public safety	46,690	46,690	34,932	11,758
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, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Charges for services:				
Sales	$ 1,936,054	$ 1,936,054	$ 1,972,060	$ 36,006
Miscellaneous:				
Interest earnings	100	100	14,896	14,796
Other	16,600	16,600	24,155	7,555
Total revenues	1,952,754	1,952,754	2,011,111	58,357
Expenditures				
Physical environment	1,956,890	1,956,890	1,841,236	115,654
Changes in fund balances	(4,136)	(4,136)	169,875	174,011
Fund balances - beginning of year	512,858	512,858	512,858	-
Fund balances - end of year	$ 508,722	$ 508,722	$ 682,733	$ 174,011

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, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Intergovernmental:				
Federal	$ 2,696,702	$ 2,696,702	$ 1,815,273	$ (881,429)
State	-	-	2,182	2,182
Total revenues	2,696,702	2,696,702	1,817,455	(879,247)
Expenditures				
Economic development	1,186,790	1,183,290	1,059,524	123,766
Capital outlay	833,032	836,532	380,502	456,030
Total expenditures	2,019,822	2,019,822	1,440,026	579,796
Excess of revenues over (under) expenditures	676,880	676,880	377,429	(299,451)
Other financing sources (uses)				
Transfer in	200,000	200,000	113,123	(86,877)
Transfer out	(876,880)	(876,880)	(490,552)	386,328
Total other financing sources (uses)	(676,880)	(676,880)	(377,429)	299,451
Changes in fund balances	-	-	-	-
Fund balances - beginning of year	-	-	-	-
Fund balances - end of year	$ -	$ -	$ -	$ -

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, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Interest earnings	$ 20,000	$ 20,000	$ 54,764	$ 34,764
Expenditures				
Capital outlay	825,000	825,000	134,986	690,014
Changes in fund balances	(805,000)	(805,000)	(80,222)	724,778
Fund balances - beginning of year	1,036,375	1,036,375	1,036,375	-
Fund balances - end of year	$ 231,375	$ 231,375	$ 956,153	$ 724,778

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, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Licenses and permits	$ 573,505	$ 573,505	$ 473,319	$ (100,186)
Miscellaneous:				
Reimbursements	30,500	30,500	10,002	(20,498)
	-	-	51	51
Other	24,860	24,860	27,669	2,809
Total revenues	628,865	628,865	511,041	(117,824)
Expenditures				
Public safety	620,706	680,463	641,894	38,569
Capital outlay	-	16,000	14,406	1,594
Total expenditures	620,706	696,463	656,300	40,163
Revenues over (under) expenditures	8,159	(67,598)	(145,259)	(157,987)
Other financing sources (uses)				
Transfer in	-	-	50,992	50,992
Changes in fund balances	8,159	(67,598)	(94,267)	(26,669)
Fund balances - beginning of year	94,267	94,267	94,267	-
Fund balances - end of year	$ 102,426	$ 26,669	$ -	$ (26,669)

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, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Miscellaneous:				
Interest	$ 4,500	$ 4,500	$ 8,999	$ 4,499
Sale of property	-	-	1,627	1,627
Total revenues	4,500	4,500	10,626	6,126
Expenditures				
Economic development	106,199	106,199	31	106,168
Changes in fund balances	(101,699)	(101,699)	10,595	112,294
Fund balances - beginning of year	156,320	156,320	156,320	-
Fund balances - end of year	$ 54,621	$ 54,621	$ 166,915	$ 112,294

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, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Taxes:				
General property taxes	$ 1,743,050	$ 1,743,050	$ 1,742,859	$ (191)
Miscellaneous:				
Interest earnings	25,000	25,000	72,524	47,524
Total revenues	1,768,050	1,768,050	1,815,383	47,333
Expenditures				
Debt service:				
Principal	1,615,000	1,615,000	1,615,000	-
Interest and fiscal charges	2,850	2,850	3,525	(675)
Total expenditures	1,617,850	1,617,850	1,618,525	(675)
Changes in fund balances	150,200	150,200	196,858	46,658
Fund balances - beginning of year	386,813	386,813	386,813	-
Fund balances - end of year	$ 537,013	$ 537,013	$ 583,671	$ 46,658

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, 2008

	Oak Ridge Cemetery	James Clements Airport	Liberty Harbor Marina	Total
Assets				
Current assets				
Cash and cash equivalents	$ 105,654	$ 22,337	$ 163,107	$ 291,098
Receivables (net of allowance for uncollectibles)				
Accounts	5,437	15,886	50	21,373
Accrued interest	715	140	933	1,788
Prepaid expenses	-	1,199	-	1,199
Inventories	-	29,233	-	29,233
Total current assets	111,806	68,795	164,090	344,691
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	-	461,988	-	461,988
Buildings	67,169	397,507	193,825	658,501
Machinery and equipment	1,130	9,383	82,667	93,180
	369,187	2,831,778	3,015,066	6,216,031
Less: accumulated depreciation	162,999	911,389	993,183	2,067,571
Net capital assets	206,188	1,920,389	2,021,883	4,148,460
Total assets	317,994	1,989,184	2,185,973	4,493,151
Liabilities				
Current liabilities				
Accounts payable	9,261	8,755	7,788	25,804
Accrued liabilities	-	-	369	369
Total current liabilities	9,261	8,755	8,157	26,173
Net assets				
Invested in capital assets	206,188	1,920,389	2,021,883	4,148,460
Unrestricted	102,545	60,040	155,933	318,518
Total net assets	$ 308,733	$ 1,980,429	$ 2,177,816	$ 4,466,978

City of Bay City, Michigan
Nonmajor Enterprise Funds
Combining Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended June 30, 2008

	Oak Ridge Cemetery	James Clements Airport	Liberty Harbor Marina	Total
Operating revenues				
Charges for services:				
Sales	$ 67,317	$ 82,373	$ 2,320	$ 152,010
Rents	-	4,300	122,934	127,234
Miscellaneous	-	66,953	238	67,191
Total operating revenues	67,317	153,626	125,492	346,435
Operating expenses				
Cost of sales and service	117,449	155,960	117,685	391,094
Depreciation	10,116	88,833	60,188	159,137
Total operating expenses	127,565	244,793	177,873	550,231
Operating income (loss)	(60,248)	(91,167)	(52,381)	(203,796)
Nonoperating revenues (expenses)				
Intergovernmental:				
Federal grants	-	350,640	-	350,640
State grants	-	76,196	-	76,196
Interest earnings	6,673	914	6,836	14,423
Total nonoperating revenues (expenses)	6,673	427,750	6,836	441,259
Income (loss) before transfers	(53,575)	336,583	(45,545)	237,463
Transfers				
Transfer in	58,062	43,365	-	101,427
Changes in net assets	4,487	379,948	(45,545)	338,890
Net assets - beginning of year	304,246	1,600,481	2,223,361	4,128,088
Net assets - end of year	$ 308,733	$ 1,980,429	$ 2,177,816	$ 4,466,978

City of Bay City, Michigan
Nonmajor Enterprise Funds
Combining Statement of Cash Flows
For the Year Ended June 30, 2008

	Oak Ridge Cemetery	James Clements Airport	Liberty Harbor Marina	Total
Cash flows from operating activities				
Cash received from customers and users	$ 65,855	$ 75,096	$ 125,666	$ 266,617
Cash payments to suppliers for goods and services	(119,719)	(172,163)	(111,061)	(402,943)
Cash payments to employees for services	-	-	(12,672)	(12,672)
Cash payments for internal services provided	-	(4,873)	-	(4,873)
Other receipts	-	66,953	238	67,191
Net cash provided (used) by operating activities	(53,864)	(34,987)	2,171	(86,680)
Cash flows from noncapital financing activities				
Intergovernmental - federal grant	-	350,640	-	350,640
Intergovernmental - state grant	-	76,196	-	76,196
Transfers in	58,062	43,365	-	101,427
Net cash provided by noncapital financing activities	58,062	470,201	-	528,263
Cash flows from capital and related financing activities				
Purchase of capital assets	(10,684)	(436,988)	-	(447,672)
Cash flows from investing activities				
Interest received	6,673	914	6,836	14,423
Net increase (decrease) in cash and cash equivalents	187	(860)	9,007	8,334
Cash and cash equivalents, beginning of period	105,467	23,197	154,100	282,764
Cash and cash equivalents, end of period	$ 105,654	$ 22,337	$ 163,107	$ 291,098
Reconciliation of operating income to net cash provided by operating activities				
Operating income (loss)	$ (60,248)	$ (91,167)	$ (52,381)	$ (203,796)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	10,116	88,833	60,188	159,137
(Increase) decrease in assets:				
Accounts receivable	(1,788)	(11,437)	5	(13,220)
Accrued interest receivable	326	(140)	407	593
Due from other funds	-	-	-	-
Due from other governments	-	-	-	-
Inventories	-	(15,904)	-	(15,904)
Prepaid expenses	-	(1,199)	-	(1,199)
Increase (decrease) in liabilities:				
Accounts payable	(2,270)	900	(6,101)	(7,471)
Accrued liabilities	-	-	53	53
Due to other funds	-	(4,873)	-	(4,873)
Total adjustments	6,384	56,180	54,552	117,116
Net cash provided (used) by operating activities	$ (53,864)	$ (34,987)	$ 2,171	$ (86,680)

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, 2008

	Motor Equipment Revolving	Information Systems	Liability/ Property Self-Insurance	Site Remediation	Benefits Program	Total
Assets						
Current assets						
Cash and cash equivalents	$ 1,643,388	$ 138,371	$ 1,826,981	$ 65,111	$ 3,275,673	$ 6,949,524
Receivables (net of allowance for uncollectibles)						
Accounts	2,171	-	797	-	4	2,972
Accrued interest	9,434	806	10,459	373	17,964	39,036
Due from other funds	-	-	-	-	253	253
Inventories	127,858	12,315	-	-	-	140,173
Prepaid expenses	-	4,872	-	-	351,347	356,219
Deposits	-	-	-	-	266,607	266,607
Total current assets	1,782,851	156,364	1,838,237	65,484	3,911,848	7,754,784
Other assets						
Net pension asset	73,035	79,773	-	-	-	152,808
Capital assets						
Machinery and equipment	12,065,780	616,242	-	-	-	12,682,022
Less: accumulated depreciation	7,465,324	463,640	-	-	-	7,928,964
Net capital assets	4,600,456	152,602	-	-	-	4,753,058
Total assets	6,456,342	388,739	1,838,237	65,484	3,911,848	12,660,650
Liabilities						
Current liabilities						
Accounts payable	47,528	4,240	1,697	353	406,980	460,798
Accrued liabilities	15,693	10,645	-	-	690	27,028
Interest payable	3,040	-	-	-	-	3,040
Claims payable	-	-	536,321	-	1,111,835	1,648,156
Due to other funds	2	-	-	-	-	2
Due to other governments	-	-	-	-	6,202	6,202
Unearned revenue	-	-	-	65,131	-	65,131
Accrued compensated absences - current	32,339	24,759	-	-	-	57,098
Notes payable - current	44,327	-	-	-	-	44,327
Total current liabilities	142,929	39,644	538,018	65,484	1,525,707	2,311,782
Long-term liabilities						
Accrued compensated absences	46,897	59,076	-	-	-	105,973
Notes payable	195,027	-	-	-	-	195,027
Total long-term liabilities	241,924	59,076	-	-	-	301,000
Total liabilities	384,853	98,720	538,018	65,484	1,525,707	2,612,782
Net assets						
Invested in capital assets, net of related debt	4,361,102	152,602	-	-	-	4,513,704
Unrestricted	1,710,387	137,417	1,300,219	-	2,386,141	5,534,164
	$ 6,071,489	$ 290,019	$ 1,300,219	$ -	$ 2,386,141	$ 10,047,868

City of Bay City, Michigan
Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2008

	Motor Equipment Revolving	Information Systems	Liability/ Property Self-Insurance	Site Remediation	Benefits Program	Total
Operating revenues						
Charges for services	$ 3,137,834	$ 784,285	$ 1,446,550	$ 140,477	$ 13,228,913	$ 18,738,059
Miscellaneous:						
Employee contributions	-	-	-	-	840,706	840,706
Other	1,305	6,293	58,675	-	31,405	97,678
Total operating revenues	3,139,139	790,578	1,505,225	140,477	14,101,024	19,676,443
Operating expenses						
Cost of sales and service	2,234,321	645,159	-	149,780	-	3,029,260
Administration	-	-	16,136	-	163,771	179,907
Claims and benefits	-	-	663,085	-	13,370,527	14,033,612
Depreciation	846,466	52,579	-	-	-	899,045
Total operating expenses	3,080,787	697,738	679,221	149,780	13,534,298	18,141,824
Operating income (loss)	58,352	92,840	826,004	(9,303)	566,726	1,534,619
Nonoperating revenues (expenses)						
Interest earnings	73,091	6,000	70,455	9,303	150,812	309,661
Interest expense	(9,801)	-	-	-	-	(9,801)
Loss on disposal of capital assets	(31,517)	-	-	-	-	(31,517)
Total nonoperating revenues (expenses)	31,773	6,000	70,455	9,303	150,812	268,343
Changes in net assets	90,125	98,840	896,459	-	717,538	1,802,962
Net assets - beginning of year	5,981,364	191,179	403,760	-	1,668,603	8,244,906
Net assets - end of year	$ 6,071,489	$ 290,019	$ 1,300,219	$ -	$ 2,386,141	$ 10,047,868

City of Bay City, Michigan
Internal Service Funds
Combining Statement of Cash Flows
For the Year Ended June 30, 2008

	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	$ 3,134,452	$ 828,781	$ 1,497,943	$ 141,878	$ 14,173,979	$ 19,777,033
Cash payments to suppliers for goods and services	(1,490,500)	(164,359)	(934,809)	(289,904)	(13,506,672)	(16,386,244)
Cash payments to employees for services	(830,844)	(593,396)	-	-	-	(1,424,240)
Net cash provided (used) by operating activities	813,108	71,026	563,134	(148,026)	667,307	1,966,549
Cash flows from capital and related financing activities						
Purchase of capital assets	(155,965)	(32,935)	-	-	-	(188,900)
Proceeds from sale of capital assets	5,500	-	-	-	-	5,500
Principal paid on debt	(42,685)	-	-	-	-	(42,685)
Interest paid on debt	(9,801)	-	-	-	-	(9,801)
Net cash (used) by capital and related financing activities	(202,951)	(32,935)	-	-	-	(235,886)
Cash flows from investing activities						
Interest received	73,091	6,000	70,455	9,303	150,812	309,661
Net increase (decrease) in cash and cash equivalents	683,248	44,091	633,589	(138,723)	818,119	2,040,324
Cash and cash equivalents, beginning of period	960,140	94,280	1,193,392	203,834	2,457,554	4,909,200
Cash and cash equivalents, end of period	$ 1,643,388	$ 138,371	$ 1,826,981	$ 65,111	$ 3,275,673	$ 6,949,524
Reconciliation of operating income to net cash provided by operating activities						
Operating income (loss)	$ 58,352	$ 92,840	$ 826,004	$ (9,303)	$ 566,726	$ 1,534,619
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation	846,466	52,579	-	-	-	899,045
(Increase) decrease in assets:						
Accounts receivable	(1,544)	999	3,177	-	394	3,026
Accrued interest	(1,079)	(806)	(10,459)	1,401	(6,025)	(16,968)
Due from other funds	-	39,618	-	-	422,750	462,368
Inventories	(34,811)	6,618	-	-	-	(28,193)
Prepaid expenses	-	(4,872)	61,427	-	(237,221)	(180,666)
Deposits	-	-	-	-	2,759	2,759
Net pension asset	(73,035)	(79,773)	-	-	-	(152,808)
Increase (decrease) in liabilities:						
Accounts payable	(1,875)	(18,051)	(72,408)	353	65,397	(26,584)
Accrued liabilities	674	70	-	-	(1,244)	(500)
Interest payable	(542)	-	-	-	-	(542)
Claims payable	-	-	(244,607)	-	192,612	(51,995)
Due to other funds	(2,064)	(1,608)	-	-	(344,164)	(347,836)
Due to other governments	-	-	-	-	5,323	5,323
Unearned revenue	-	-	-	(140,477)	-	(140,477)
Accrued compensated absences	22,566	(16,588)	-	-	-	5,978
Total adjustments	754,756	(21,814)	(262,870)	(138,723)	100,581	431,930
Net cash provided (used) by operating activities	$ 813,108	$ 71,026	$ 563,134	$ (148,026)	$ 667,307	$ 1,966,549

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, 2008

	Pension Trust	Healthcare Trust Fund			
	Police & Fire Retirement	General Employees Health Care Investment	Police & Fire Health Care Investment	Total Health Care Investment Fund	Total
Assets					
Cash and cash equivalents	$ 825,352	$ 2,020,712	$ 802,917	$ 2,823,629	$ 3,648,981
Investments					
Mutual funds	16,153,534	681,882	445,176	1,127,058	17,280,592
Government securities	8,391,207	-	-	-	8,391,207
Corporate bonds	4,421,697	-	-	-	4,421,697
Common stock	20,197,549	-	-	-	20,197,549
Accounts receivable	200,791	-	-	-	200,791
Interest receivable	138,668	11,569	4,597	16,166	154,834
Total assets	50,328,798	2,714,163	1,252,690	3,966,853	54,295,651
Liabilities					
Accounts payable	64,968	-	-	-	64,968
Net assets					
Held in trust for employees' pension benefits	50,263,830	-	-	-	50,263,830
Held in trust for employees' postemployment health care benefits	-	2,714,163	1,252,690	3,966,853	3,966,853
Total net assets	$ 50,263,830	$ 2,714,163	$ 1,252,690	$ 3,966,853	$ 54,230,683

City of Bay City, Michigan
Fiduciary Funds
Combining Statement of Changes in Plan Net Assets
For the Year Ended June 30, 2008

	Pension Trust	Healthcare Trust Fund			
	Police & Fire Retirement	General Employees Health Care Investment	Police & Fire Health Care Investment	Total Health Care Investment Fund	Total
Additions					
Contributions					
Employer	$ 1,651,747	$ 427,926	$ 152,785	$ 580,711	$ 2,232,458
Plan members	502,192	-	-	-	502,192
Total contributions	2,153,939	427,926	152,785	580,711	2,734,650
Investment income					
Interest and dividends	1,102,796	103,447	45,472	148,919	1,251,715
Net depreciation in fair value of investments	(4,133,431)	(110,821)	(74,262)	(185,083)	(4,318,514)
Investment expense	(308,290)	-	-	-	(308,290)
Net investment loss	(3,338,925)	(7,374)	(28,790)	(36,164)	(3,375,089)
Other additions	32,285	-	-	-	32,285
Total additions (net of investment loss)	(1,152,701)	420,552	123,995	544,547	(608,154)
Deductions					
Benefits and refunds paid to participants	3,920,408	-	-	-	3,920,408
Administrative expenses	154,041	-	-	-	154,041
Total deductions	4,074,449	-	-	-	4,074,449
Net increase (decrease) in plan net assets	(5,227,150)	420,552	123,995	544,547	(4,682,603)
Net assets held in trust for pension benefits					
Beginning of year	55,490,980	2,293,611	1,128,695	3,422,306	58,913,286
End of year	$ 50,263,830	$ 2,714,163	$ 1,252,690	$ 3,966,853	$ 54,230,683

City of Bay City, Michigan
Agency Funds
Combining Statement of Fiduciary Assets and Liabilities
June 30, 2008

	Trust and Agency	Current Tax Collection	Total
Assets			
Cash and cash equivalents	$ 154,146	$ -	$ 154,146
Liabilities			
Accounts payable	$ 357	$ -	$ 357
Due to other governmental units	138,326	-	138,326
Deposits	15,463	-	15,463
Total liabilities	$ 154,146	$ -	$ 154,146

City of Bay City, Michigan
Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the Year Ended June 30, 2008

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
Trust & Agency Fund				
Assets				
Cash and cash equivalents	$ 148,306	$ 5,119,825	$ 5,113,985	$ 154,146
Liabilities				
Accounts payable	$ 48,177	$ 149,392	$ 197,212	$ 357
Due to other governmental units	78,928	329,637	270,239	138,326
Deposits	21,201	63,953	69,691	15,463
Total liabilities	$ 148,306	$ 542,982	$ 537,142	$ 154,146
Current Tax Collection Fund				
Assets				
Cash and cash equivalents	$ -	$ 34,216,091	$ 34,216,091	$ -
Accounts receivable	-	26,370	26,370	-
Total assets	$ -	$ 34,242,461	$ 34,242,461	$ -
Liabilities				
Accounts payable	$ -	$ 21,316,662	$ 21,316,662	$ -
Due to other funds	-	12,141,546	12,141,546	-
Due to other governmental units	-	22,776,956	22,776,956	-
Total liabilities	$ -	$ 56,235,164	$ 56,235,164	$ -
Total - All Agency Funds				
Assets				
Cash and cash equivalents	$ 148,306	$ 39,335,916	$ 39,330,076	$ 154,146
Accounts receivable	-	26,370	26,370	-
Total assets	$ 148,306	$ 39,362,286	$ 39,356,446	$ 154,146
Liabilities				
Accounts payable	$ 48,177	$ 21,466,054	$ 21,513,874	$ 357
Due to other governmental units	78,928	23,106,593	23,047,195	138,326
Deposits	21,201	63,953	69,691	15,463
Total liabilities	$ 148,306	$ 44,636,600	$ 44,630,760	$ 154,146

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, and Downtown Management Board.

City of Bay City, Michigan
Downtown Development Authority, Midland Street TIFA, Kresge's DDA, and Marquette District TIFA
Statement of Net Assets and Governmental Fund Balance Sheet
June 30, 2008

	Downtown Development Authority	Adjustments	Statement of Net Assets	Midland Street TIFA	Adjustments	Statement of Net Assets
Assets						
Cash and cash equivalents	$ 128,243	$ -	$ 128,243	$ 177,993	$ -	$ 177,993
Receivables:						
Accounts	11,078	-	11,078	-	-	-
Delinquent taxes	983	-	983	-	-	-
Accrued interest	734	-	734	1,037	-	1,037
Notes	-	-	-	-	-	-
Lease	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-
Net pension asset	-	-	-	-	-	-
Capital assets, net	-	137,332	137,332	-	402,854	402,854
Total assets	$ 141,038	137,332	278,370	$ 179,030	402,854	581,884
Liabilities						
Accounts payable	$ 1,240	-	1,240	$ 4,546	-	4,546
Accrued liabilities	25	-	25	-	-	-
Deferred / unearned revenue	27,413	(27,413)	-	-	-	-
Long-term debt:						
Bonds payable	-	-	-	-	-	-
Notes payable	-	-	-	-	-	-
Total liabilities	28,678	(27,413)	1,265	4,546	-	4,546
Fund balances / net assets						
Unreserved	112,360	(112,360)	-	174,484	(174,484)	-
Total liabilities and fund balances	$ 141,038			$ 179,030		
Net assets						
Invested in capital assets, net of related debt		137,332	137,332		402,854	402,854
Unrestricted		139,773	139,773		174,484	174,484
Total net assets		$ 277,105	$ 277,105		$ 577,338	$ 577,338

Kresge's DDA	Adjustments	Statement of Net Assets	Marquette District TIFA	Adjustments	Statement of Net Assets
$ 38,902	$ -	$ 38,902	$ 917,613	$ -	$ 917,613
-	-	-	-	-	-
-	-	-	-	-	-
223	-	223	5,256	-	5,256
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	19,482	19,482
-	17,172	17,172	-	1,541,603	1,541,603
$ 39,125	17,172	56,297	$ 922,869	1,561,085	2,483,954
$ -	-	-	$ 1,646	-	1,646
-	-	-	1,783	-	1,783
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	3,429	-	3,429
39,125	(39,125)	-	919,440	(919,440)	-
$ 39,125			$ 922,869		
	17,172	17,172		1,541,603	1,541,603
	39,125	39,125		938,922	938,922
	$ 56,297	$ 56,297		$ 2,480,525	$ 2,480,525

City of Bay City, Michigan
Water Street DDA, Marina Development TIFA, Allen Healthcare DDA, and Knepp's DDA
Statement of Net Assets and Governmental Fund Balance Sheet
June 30, 2008

	Water Street DDA	Adjustments	Statement of Net Assets	Marina Develop. TIFA	Adjustments	Statement of Net Assets
Assets						
Cash and cash equivalents	$ 884,409	$ -	$ 884,409	$ 3,058	$ -	$ 3,058
Receivables:						
Accounts	-	-	-	249	-	249
Delinquent taxes	-	-	-	-	-	-
Accrued interest	5,063	-	5,063	-	-	-
Notes	-	-	-	-	-	-
Lease	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-
Net pension asset	-	-	-	-	-	-
Capital assets, net	-	2,259,186	2,259,186	-	530,350	530,350
Total assets	$ 889,472	2,259,186	3,148,658	$ 3,307	530,350	533,657
Liabilities						
Accounts payable	$ 66,908	-	66,908	$ -	-	-
Accrued liabilities	-	14,555	14,555	-	-	-
Deferred / unearned revenue	-	-	-	-	-	-
Long-term debt:						
Bonds payable	-	2,330,000	2,330,000	-	-	-
Notes payable	-	-	-	-	-	-
Total liabilities	66,908	2,344,555	2,411,463	-	-	-
Fund balances / net assets						
Unreserved	822,564	(822,564)	-	3,307	(3,307)	-
Total liabilities and fund balances	$ 889,472			$ 3,307		
Net assets						
Invested in capital assets, net of related debt		(70,814)	(70,814)		530,350	530,350
Unrestricted		808,009	808,009		3,307	3,307
Total net assets		$ 737,195	$ 737,195		$ 533,657	$ 533,657

Allen Healthcare DDA	Adjustments	Statement of Net Assets	Knepp's DDA	Adjustments	Statement of Net Assets
$ 2,263	$ -	$ 2,263	$ 57,334	$ -	$ 57,334
-	-	-	-	-	-
-	-	-	-	-	-
13	-	13	328	-	328
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	136,978	136,978
$ 2,276	-	2,276	$ 57,662	136,978	194,640
$ -	-	-	$ 45,000	-	45,000
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	27,776	27,776	-	-	-
-	27,776	27,776	45,000	-	45,000
2,276	(2,276)	-	12,662	(12,662)	-
$ 2,276			$ 57,662		
	-	-		136,978	136,978
	(25,500)	(25,500)		12,662	12,662
	$ (25,500)	$ (25,500)		$ 149,640	$ 149,640

City of Bay City, Michigan
Downtown Development Authority, Midland Street TIFA,
Kresge's DDA, and Marquette District TIFA
Statement of Activities and Governmental Fund Statement of Revenues, Expenditures,
and Changes in Fund Balances
For the Year Ended June 30, 2008

	Downtown Development Authority	Adjustments	Statement of Activities	Midland St. TIFA	Adjustments	Statement of Activities
Revenues						
Intergovernmental:						
State	$ -	$ -	$ -	$ -	$ -	$ -
Taxes:						
Tax increment	-	-	-	105,375	-	105,375
Special assessments	76,631	(10,859)	65,772	-	-	-
Charges for services:						
Rents	89,775	-	89,775	-	-	-
Miscellaneous:						
Interest earnings	5,896	-	5,896	11,546	-	11,546
Other	43,000	-	43,000	-	-	-
Total revenues	215,302	(10,859)	204,443	116,921	-	116,921
Expenditures/Expenses						
Current:						
Economic development	141,172	(21,127)	120,045	1,503	-	1,503
Depreciation	-	20,938	20,938	-	18,915	18,915
Capital outlay	28,854	-	28,854	67,660	(56,844)	10,816
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures/expenses	170,026	(189)	169,837	69,163	(37,929)	31,234
Net change in fund balances/ net assets	45,276	(10,670)	34,606	47,758	37,929	85,687
Fund balances/net assets - beginning of period	67,084	175,415	242,499	126,726	364,925	491,651
Fund balances/net assets - end of period	$ 112,360	$ 164,745	$ 277,105	$ 174,484	$ 402,854	$ 577,338

Kresge's DDA	Adjustments	Statement of Activities	Marquette District TIFA	Adjustments	Statement of Activities
$ -	$ -	$ -	$ -	$ -	$ -
2,258	-	2,258	370,541	-	370,541
-	-	-	-	-	-
-	-	-	-	-	-
2,425	-	2,425	60,770	-	60,770
-	-	-	-	-	-
4,683	-	4,683	431,311	-	431,311
-	-	-	414,990	(28,057)	386,933
-	863	863	-	76,253	76,253
11,095	(10,927)	168	338,581	(338,581)	-
-	-	-	-	-	-
-	-	-	-	-	-
11,095	(10,064)	1,031	753,571	(290,385)	463,186
(6,412)	10,064	3,652	(322,260)	290,385	(31,875)
45,537	7,108	52,645	1,241,700	1,270,700	2,512,400
$ 39,125	$ 17,172	$ 56,297	$ 919,440	$ 1,561,085	$ 2,480,525

City of Bay City, Michigan
Water Street DDA, 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, 2008

	Water Street DDA	Adjustments	Statement of Activities	Marina Develop. TIFA	Adjustments	Statement of Activities
Revenues						
Intergovernmental:						
State	$ -	$ -	$ -	$ -	$ -	$ -
Taxes:						
Tax increment	319,691	-	319,691	-	-	-
Miscellaneous:						
Interest earnings	51,706	-	51,706	1,025	-	1,025
Total revenues	371,397	-	371,397	1,025	-	1,025
Expenditures/Expenses						
Current:						
Economic development	56,320	-	56,320	-	-	-
Depreciation	-	111,099	111,099	-	9,373	9,373
Capital outlay	62,107	(57,628)	4,479	15,905	(15,905)	-
Debt service:						
Principal	140,000	(140,000)	-	-	-	-
Interest	91,528	(700)	90,828	-	-	-
Total expenditures/expenses	349,955	(87,229)	262,726	15,905	(6,532)	9,373
Net change in fund balances/ net assets	21,442	87,229	108,671	(14,880)	6,532	(8,348)
Fund balances/net assets - beginning of period	801,122	(172,598)	628,524	18,187	523,818	542,005
Fund balances/net assets - end of period	$ 822,564	$ (85,369)	$ 737,195	$ 3,307	$ 530,350	$ 533,657

Allen Health-care DDA	Adjustments	Statement of Activities	Knepp's DDA	Adjustments	Statement of Activities
$ -	$ -	$ -	$ -	$ -	$ -
21,176	-	21,176	18,819	-	18,819
731	-	731	2,772	-	2,772
21,907	-	21,907	21,591	-	21,591
-	-	-	856	-	856
-	-	-	-	1,821	1,821
-	-	-	50,564	(50,564)	-
17,550	(17,550)	-	-	-	-
3,626	-	3,626	-	-	-
21,176	(17,550)	3,626	51,420	(48,743)	2,677
731	17,550	18,281	(29,829)	48,743	18,914
1,545	(45,326)	(43,781)	42,491	88,235	130,726
$ 2,276	$ (27,776)	$ (25,500)	$ 12,662	$ 136,978	$ 149,640

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 Six Fiscal Years
(accrual basis of accounting)

	Fiscal Year					
	2003	**2004**	**2005**	**2006**	**2007**	**2008**
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	$ 68,777,346
Restricted	1,377,911	2,270,720	1,400,317	1,669,514	1,832,805	2,180,059
Unrestricted	9,943,254	13,634,247	10,364,764	11,588,878	12,085,327	1,925,635
Total governmental activities net assets	$ 75,788,519	$ 74,865,961	$ 72,091,524	$ 74,866,448	$ 74,678,251	$ 72,883,040
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	$ 79,329,188
Restricted	1,160,696	-	-	-	-	-
Unrestricted	26,340,649	30,266,336	30,668,638	32,243,217	31,542,821	43,744,542
Total business-type activities net assets	$ 130,148,412	$ 128,655,578	$ 127,130,480	$ 121,716,552	$ 122,278,208	$ 123,073,730
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	$ 148,106,534
Restricted	2,538,607	2,270,720	1,400,317	1,669,514	1,832,805	2,180,059
Unrestricted	36,283,903	43,900,583	41,033,402	43,832,095	43,628,148	45,670,177
Total primary government net assets	$ 205,936,931	$ 203,521,539	$ 199,222,004	$ 196,583,000	$ 196,956,459	$ 195,956,770

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 Six Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Expenses						
Governmental activities:						
Public safety	$ 13,145	$ 13,014	$ 13,429	$ 14,170	$ 14,640	$ 13,094
Community and economic development	1,859	-	2,037	2,116	2,602	2,148
Public works	5,638	11,019	10,909	9,871	9,236	9,633
General government	3,333	3,028	2,286	1,614	2,064	3,168
Recreation and culture	1,046	941	1,129	1,249	1,164	1,016
Interest on long-term debt	1,562	1,358	1,544	1,298	1,302	1,399
Total governmental activities expenses	26,583	29,360	31,334	30,318	31,008	30,458
Business-type activities:						
Electric	22,574	22,116	24,134	26,079	26,537	30,012
Water	7,330	6,939	6,870	7,231	7,694	8,072
Sewer	8,318	10,340	11,468	12,487	12,165	11,987
Public works	421	435	421	463	519	541
Total business-type activities expenses	38,643	39,830	42,893	46,260	46,915	50,612
Total primary government expenses	$ 65,226	$ 69,190	$ 74,227	$ 76,578	$ 77,923	$ 81,070
Program Revenues						
Governmental activities:						
Charges for services						
Public safety	$ 665	$ 640	$ 768	$ 960	$ 811	$ 716
General government	88	1,036	1,299	1,419	1,256	925
Public works	1,961	2,006	1,923	1,939	1,973	2,010
Recreation and culture	4	6	13	8	10	25
Other	-	-	(16)	125	71	97
Operating grants and contributions	2,849	5,899	6,296	5,797	5,646	6,252
Capital grants and contributions	35	21	618	47	1,659	1,259
Total governmental activities program revenues	5,602	9,608	10,901	10,295	11,426	11,284
Business-type activities:						
Charges for services						
Electric	21,480	21,972	22,991	23,770	26,060	29,067
Water	6,758	7,060	7,342	7,204	7,246	7,800
Sewer	7,576	8,358	9,931	11,512	11,726	12,346
Public works	399	230	219	215	188	264
Operating grants and contributions	-	26	164	246	102	115
Capital grants and contributions	-	-	-	455	482	427
Total business-type activities program revenues	36,213	37,646	40,647	43,402	45,804	50,019
Total primary government program revenues	$ 41,815	$ 47,254	$ 51,548	$ 53,697	$ 57,230	$ 61,303
Net (expense)/revenue						
Governmental activitites	$ (20,981)	$ (19,773)	$ (20,433)	$ (20,023)	$ (19,582)	$(19,174)
Business-type activities	(2,430)	(2,184)	(2,246)	(2,858)	(1,111)	(593)
Total primary government net expense	$ (23,411)	$ (21,936)	$ (22,679)	$ (22,881)	$ (20,693)	$(19,767)
General Revenues and Other Changes in Net Assets						
Governmental activities:						
Property taxes	$ 13,263	$ 13,142	$ 12,934	$ 13,592	$ 13,640	$ 14,044
Unrestricted grants and contributions	5,572	5,458	5,395	5,172	5,127	4,911
Investment earnings	260	274	381	398	702	1,022
Miscellaneous	4,519	67	71	111	74	80
Transfers	(81)	(119)	(311)	3,525	(149)	34
Total governmental activities	23,533	18,822	18,470	22,798	19,394	20,091
Business-type activities:						
Investment earnings	658	438	841	922	1,459	1,398
Miscellaneous	117	40	213	47	64	25
Transfers	81	119	311	(3,525)	149	(34)
Total business-type activities	856	597	1,365	(2,556)	1,672	1,389
Total primary government	$ 24,389	$ 19,419	$ 19,835	$ 20,242	$ 21,066	$ 21,480
Change in Net Assets						
Governmental activities	$ 2,552	$ (951)	$ (1,963)	$ 2,775	$ (188)	$ 917
Business-type activities	(1,574)	(1,587)	(881)	(5,414)	561	796
Total primary government	$ 978	$ (2,538)	$ (2,844)	$ (2,639)	$ 373	$ 1,713

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 Six Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year					
	2003	**2004**	**2005**	**2006**	**2007**	**2008**
General fund						
Reserved	$ 46	$ 4	$ 3	$ -	$ -	$ 342
Unreserved	4,951	5,460	5,380	5,353	5,086	4,878
Total general fund	$ 4,997	$ 5,464	$ 5,383	$ 5,353	$ 5,086	$ 5,220
All other governmental funds						
Reserved	$ 316	$ 42	$ 42	$ 36	$ 65	$ 37
Unreserved, reported in:						
Special revenue funds	1,793	1,951	1,663	2,168	2,479	2,529
Capital projects funds	2,632	2,156	1,347	1,463	1,446	1,596
Debt service fund	338	115	53	207	387	584
Total all other governmental funds	$ 5,079	$ 4,264	$ 3,105	$ 3,874	$ 4,377	$ 4,746

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 Six Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year					
	2003	**2004**	**2005**	**2006**	**2007**	**2008**
Revenues						
Property taxes and other taxes	$ 13,263	$ 12,469	$ 12,528	$ 12,557	$ 12,816	$ 13,227
Licenses and permits	452	402	513	663	532	497
Federal grants	2,869	2,092	3,630	2,804	3,737	3,352
State shared revenues and grants	8,761	10,246	9,441	9,595	9,820	8,062
Local contributions	-	88	66	54	16	1,763
Interest, rents and royalities	280	243	332	367	613	712
Charges for services	5,295	5,389	5,466	5,969	5,856	6,038
Fines and forfeits	161	171	153	136	132	150
Reimbursements, refunds and other revenue	1,206	779	543	961	875	1,145
Cable franchise fees	342	-	-	-	-	-
Total revenues	32,629	31,879	32,672	33,106	34,397	34,946
Expenditures						
General government	6,988	4,959	5,470	5,381	5,609	5,387
Public safety	12,505	12,530	13,205	13,826	14,358	12,960
Public works	6,275	6,894	7,158	7,203	6,777	6,800
Community and economic development	2,177	2,030	2,405	1,853	1,784	1,740
Recreation and culture	1,031	954	1,030	1,076	1,005	818
Post-retirement benefits	-	-	-	-	-	2,034
Capital outlay	2,921	2,354	2,550	1,393	2,841	2,501
Debt service:						
Principal	633	2,110	1,690	1,570	1,638	2,173
Interest and other fees	1,562	158	115	4	1	77
Total expenditures	34,092	31,989	33,623	32,306	34,013	34,490
Excess of revenues over (under) expenditures	(1,463)	(110)	(951)	800	384	456
Other financing sources (uses)						
Lease proceeds	-	31	-	29	-	14
Transfers in	2,201	2,397	1,717	2,537	841	907
Transfers (out)	(2,282)	(2,516)	(1,741)	(2,627)	(990)	(874)
Total other financing sources (uses)	(81)	(88)	(24)	(61)	(149)	47
Net change in fund balances	$ (1,544)	$ (198)	$ (975)	$ 739	$ 235	$ 503
Debt service as a percentage of noncapital expenditures	7.04%	7.65%	5.81%	5.09%	5.26%	7.03%

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 Taxes	Electric Operating
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
2008	14,043,854	29,072,729

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
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%
2008	518,669	119,280	25,815	85,948	749,712	19.5503	1,499,424	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
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
2008	16.9615	0.0000	2.5888	19.5503	31.2733	2.0427	10.8096	63.6759

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. 1999 refers to the 2000 tax collection, 2000 refers to the 2001 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, 2008 and Ten Years Previous

	2008			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	$ 66,758,800	1	9.56%	$ -		-
S C Johnson	10,761,622	2	1.54%	-		-
Consumers Energy	5,003,455	3	0.72%	7,067,262	3	1.29%
Wenonah Park Properties	3,898,781	4	0.56%	-		-
Carbone/Ultra Carbon Corp.	3,855,150	5	0.55%	2,657,690	4	0.49%
Arthur P Dore	2,993,938	6	0.43%	-		-
Kerkau Manufacturing	2,760,550	7	0.39%	1,942,500	7	0.35%
Chemical Bank	2,706,470	8	0.39%	-		-
Northern Concrete Pipe	2,672,525	9	0.38%	-		-
Charter Communications	2,371,350	10	0.33%	-		-
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	$ 103,782,641		14.85%	$ 142,610,434		26.02%

	2008			2000 (1)		
Electric Customer	**Revenues**	**Rank**	**Percentage of Total Revenue**	**Revenues**	**Rank**	**Percentage of Total Revenue**
City of Bay City	$ 1,186,251	1	4.0%	$ 950,691	1	4.1%
Bay Medical Center	1,032,384	2	3.5%	734,889	2	3.1%
Carbone USA	665,993	3	2.2%	403,597	4	1.7%
S.C. Johnson & Sons	377,953	4	1.3%	-		-
Bay City Board of Education	314,813	5	1.1%	432,840	5	1.8%
Bay Cast	302,126	6	1.0%	283,994	6	1.2%
Bay County	291,220	7	1.0%	292,640	3	1.2%
Bay City Housing Commission	239,525	8	0.8%	144,734	9	0.6%
Kerkau Manufacturing	235,162	9	0.8%	160,551	8	0.7%
Doubletree Hotel	224,974	10	0.8%	-		-
Thompson Bay Company	-		-	215,958	7	0.9%
F P Horak Company	-		-	139,256	10	0.6%
Totals	$ 4,870,401		16.50%	$ 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
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%
2008	13,027	12,099	92.88%	917	13,016	99.92%

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	Term Loans	Capital Leases	Revenue Bonds	General Obligation Bonds	Term Loans	Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
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
2008	17,126,779	239,354	2,170,000	21,260	9,545,000	21,925,001	39,205,000	90,232,394	27.76%	2,451

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)
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
2008	39,052	584	21,925	16,543	2.21%	449.32

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, 2008

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Overlapping Debt:			
Bay County	$ 24,468,856	21.33%	$ 5,219,207
Bay City School District	70,490,000	35.76%	25,207,224
Bangor Township Schools	12,750,000	0.33%	42,075
Bay-Arenac Intermediate School District	3,535,000	18.28%	646,198
TOTAL OVERLAPPING DEBT			31,114,704
Direct Debt:			
City of Bay City	17,126,779	100.00%	17,126,779
TOTAL DIRECT AND OVERLAPPING DEBT			48,241,483

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 residents 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, this 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)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Debt limit	$ 52,252	$ 56,554	$ 59,532	$ 62,557	$ 70,582	$ 73,468	$ 77,667	$ 78,322	$ 75,024	$ 74,971
Total net debt applicable to limit	6,681	6,083	5,365	4,646	23,731	23,221	28,841	33,462	31,766	38,468
Legal debt margin	$ 45,571	$ 50,471	$ 54,167	$ 57,911	$ 46,851	$ 50,247	$ 48,826	$ 44,860	$ 43,258	$ 36,503
Total net debt applicable to the limit as a percentage of debt limit	12.79%	10.76%	9.01%	7.43%	33.62%	31.61%	37.13%	42.72%	42.34%	51.31%

Legal Debt Margin Calculation for Fiscal Year 2008

Assessed valutation, December 31, 2007		$ 749,712
Debt limit (10% of assessed valuation)		$ 74,971
Debt applicable to limit: (1)	$ 39,052	
Less:		
Assets in Debt Service funds available for pymnt of principal	584	
Total amount of debt applicable to debt limit		38,468
Legal debt margin		$ 36,503

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 Principal	Debt Service Interest	Total	Coverage
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	-	-	-	-
2008	8,147,163	6,799,859	1,347,304	-	-	-	-

Electric System Revenue Bonds

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
2008	29,892,066	27,816,358	2,075,708	1,270,000	350,251	1,620,251	1.28

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)
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%
2008	36,817	3,250,000	30,232	8,928	7.80%

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
2008 and 1998

	2008			1998		
Employer	**Employees**	**Rank**	**Percentage of Total County Employment**	**Employees**	**Rank**	**Percentage of Total County Employment**
Bay Regional Medical Center (3)	1,958	1	3.82%	2,447	1	4.66%
Dow Corning Corporation	1,200	2	2.34%	1,622	2	3.09%
Monitor Sugar Company (2)	1,148	3	2.24%	800	5	1.52%
Bay City Public Schools (1)	1,054	4	2.05%	1,278	4	2.43%
Delta College	930	5	1.81%	571	8	1.09%
General Motors Powertrain	614	6	1.20%	1,409	3	2.68%
Meijer Inc.	586	7	1.14%	711	6	1.35%
Bay County	533	8	1.04%	578	7	1.10%
Consumers Energy	516	9	1.01%	532	9	1.01%
SC Johnson	444	10	0.87%	-		-
City of Bay City	-		0.00%	429	10	0.82%
Totals	8,983		17.52%	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

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Function										
General government	58	63	64	68	69	67	65	62	60	59
Public safety										
Police	103	103	100	100	96	88	71	66	66	61
Fire	60	60	60	60	61	61	58	58	57	57
Public works	73	69	71	67	68	67	65	64	61	52
Recreation and culture	11	14	12	17	17	17	17	17	15	12
Community and economic development	7	7	6	6	8	7	12	11	10	10
Electric	51	45	46	48	48	48	47	47	45	43
Water	44	45	44	44	43	44	44	43	42.5	41
Sewer	42	42	43	42	42	42	40	46	42.5	39
Total	449	448	446	452	452	441	419	414	399	374

Source: City of Bay City Finance Department

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

Function	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Government										
Elections										
Number of registered voters	28,107	29,020	26,031	25,733	23,779	23,988	24,772	24,311	24,509	24,864
Public safety										
Police Department										
Number of citations issued	7,887	8,174	10,480	11,925	9,910	7,989	6,183	5,796	8,343	5,836
Number of complaints filed	16,345	6,606	7,281	7,638	7,869	7,166	6,845	5,946	6,113	5,963
Number of calls for service	-	29,288	29,600	35,102	37,194	34,395	32,445	29,470	28,957	30,275
Number of DUI offenses	181	228	334	276	376	288	278	185	337	351
Fire Department										
Number of emergency runs	-	-	-	3,861	3,995	3,989	4,663	3,677	3,341	4,329
Number of fire prevention programs					7	7	7	7	7	14
Public works										
Streets										
Tons of salt used	-	-	-	2,190	2,884	2,607	2,784	3,060	2,280	3,529
Recreation and culture										
Park acreage maintained	-	-	-	-	-	-	-	-	238	238
Special events	-	-	-	-	-	-	-	-	58	43
Shelter rentals	-	-	-	-	-	-	-	-	63	57
Street trees planted	731	558	792	370	364	392	391	482	716	361
Street trees trimmed	-	-	-	-	-	-	-	-	2,998	1,576
Street trees removal	-	-	-	-	-	-	-	-	251	137
Community and Economic Development										
Housing units rehabilitated	20	9	9	6	14	10	13	5	6	8
Emergency housing units rehabilitated	29	15	23	20	29	27	47	33	23	42
Electric Department										
Generating capacity	33,290	33,290	33,295	33,295	33,290	33,295	33,295	33,295	33,295	33,295
Sewer System										
Sanitary and storm sewer (miles)	276	276.19	276.19	276.19	277.08	277	277	277	310	310
Daily average treatment (million gallons)	8	8	8	8	8	8.6	9	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	232	232	232	231.86	232	232
Daily average consumption (million gallons)	9.90	10.33	9.76	9.76	10.52	9.76	9.31	9.7	8.90	8.58
Maximum daily treatment (million gallons)	40	40	40	40	40	40	40	40	40	40
Airport										
Private hanger land leases	-	-	-	-	-	-	-	20	22	22
Public hanger lease	-	-	-	-	-	-	-	1	1	1
Cell tower leases	-	-	-	-	-	-	-	1	1	1
Aviation fuel sold (gallons)	-	-	-	-	-	-	-	-	29,000	20,163
Cemetery										
Interments	-	-	-	-	-	-	-	58	35	35
Grave sales	-	-	-	-	-	-	-	25	30	40
Foundations set	-	-	-	-	-	-	-	21	21	19
Marina										
Seasonal Dock Leases	-	-	-	-	-	-	-	50	50	50
Transient Dock Rentals	-	-	-	-	-	-	-	1,540	1,585	1,116

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

Function	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Public safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Vehicles	38	39	42	39	42	40	34	31	25	25
Fire										
Stations	4	4	4	4	4	4	4	4	4	4
Vehicles	-	15	14	14	14	14	14	13	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	18	18	18	18	18	18	25	24	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 Year Ended June 30, 2008

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-00-MC-26-0003	$ 1,855,000	$ 2,749
	14.218	B-01-MC-26-0003	1,926,000	49,050
	14.218	B-02-MC-26-0003	1,878,000	36,538
	14.218	B-03-MC-26-0003	1,758,000	132,912
	14.218	B-04-MC-26-0003	1,742,000	100,092
	14.218	B-05-MC-26-0003	1,649,000	371,569
	14.218	B-06-MC-26-0003	1,479,185	228,157
	14.218	B-07-MC-26-0003	1,479,833	894,206
	14.218	n/a	n/a	113,123
				1,928,396
HOME Program	14.239	M99-MC260219	398,000	5,075
	14.239	M04-MC260219	286,796	14,628
	14.239	M05-MC260219	274,229	95,542
	14.239	M06-MC260219	258,107	76,478
		n/a	n/a	29,985
				221,708
Total U.S. Department of Housing and Urban Development				2,150,104
U.S. Department of Justice				
Local Law Enforcement Block Grant - JAG 2007	16.592			13,349
U.S. Department of Transportation				
Passed through Michigan Department of Transportation				
Historical restoration grant - train depot	20.205	STP0509(013) RR4588	706,872	489,522
Passed through Michigan Department of State Police				
State and Community Highway Safety	20.600			11,712
Total U.S. Department of Transportation				501,234
Total Federal Financial Assistance - Primary Government				**$ 2,664,687**

Reconciliation to Federal Revenue Recognized in Financial Statements

Federal awards per schedule	$	2,664,687
Add: Federal awards administered by the Michigan Department of Transportation		
Wenonah Street, Henry Street, Liberty Bridge		1,259,001
James Clements Airport Hangar Construction		350,640
Less: Program income of the Community Development Block Grants and HOME Program		(143,108)
Total Federal Revenue Recognized in Financial Statements	**$**	**4,131,220**

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	$ 348,855
HOME Program	14.239	221,708
Historical restoration grant - train depot	20.205	489,522

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

December 29, 2008

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, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents, and have issued our report thereon dated December 29, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the ***City 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 matters 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

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

December 29, 2008

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, 2008. The ***City of Bay City, Michigan's*** major federal programs 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 each of its major federal programs 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 complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

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, 2008

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	*Unqualified*		
Internal controls over financial reporting:			
Material weakness(es) identified?	_____ yes	___X___ no	
Significant deficiencies 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	
Significant deficiencies 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(s)	**Name of Federal Program or Cluster**
14.218	CDBG Entitlements
20.205	Historical Restoration Grant

CITY OF BAY CITY, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2008

Dollar threshold used to distinguish
between Type A and Type B programs: $300,000

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

SECTION II – FINANCIAL STATEMENT FINDINGS

None.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

PRIOR YEAR FINDINGS

None.