

COMPREHENSIVE ANNUAL FINANCIAL REPORT



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

Bay
City
Michigan

For the
Fiscal Year Ended
June 30, 2009

Bay City, Michigan

"Governmental imagination leading our community into the future."

CITY OF BAY CITY, MICHIGAN
COMPREHENSIVE ANNUAL FINANCIAL REPORT
June 30, 2009

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 Dufresne	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

**WATER TREATMENT
SUPERINTENDENT**

John DeKam

**HUMAN RESOURCES
DIRECTOR**

Wendy R. White

**POLICE
CHIEF**

Michael Cecchini

**DEPUTY CITY MANAGER
OF COMMUNITY
DEVELOPMENT**

Steven G. Black

**WASTEWATER TREATMENT
SUPERINTENDENT**

William Kaiser

**ELECTRIC
DIRECTOR**

Phil Newton

**FIRE
CHIEF**

Greg Michalek

Prepared By:
Cathy Szostak,
Chief Accountant

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December 24, 2009

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, 2009, 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.

State law requires that every general-purpose local government publish, within six months of the close of each fiscal year, a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2009.

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. Rehmann Robson has issued an unqualified ("clean") opinion on the City of Bay City's financial statements for the year ended June 30, 2009. The auditors' report on the financial statements and combining and individual fund statements and schedules is included in the financial section of this report.

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. (City Loans and Collections Fund), Economic Development Corporation, and all Tax Increment Finance Authorities (TIFA's) and Downtown Development Authorities (DDA's) are reported as discretely presented component units.

PROFILE

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, however, 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", "Pig Gig" and "River of Time", are just a few of the activities that draw several hundred thousand people to the community every year.

The City of Bay City operates under a Commission/Manager form of government in which policy making and legislative authority are vested in a governing council (Commission) consisting of a mayor and nine City Commissioners. All are elected on a non-partisan basis. The City is split into nine wards with one Commissioner elected from each ward. Commission members serve four years terms, with four or five members elected every two years (based upon odd or even numbered wards). The mayor is elected at large for a four year term. The Commission appoints the manager, who in turn appoints the heads of the various departments. The City Commission is also responsible for appointing the City Clerk, the City Assessor and the City Treasurer. Once appointed, these City officials are supervised by the City Manager. The City Commission appoints the City attorney also.

The Commission is required to adopt a final budget prior to the beginning of the fiscal year (July 1). The annual budget serves as the foundation for the City of Bay City's financial planning and control. A separate capital improvement budget is prepared for the upcoming fiscal year and the succeeding five years. This budget is updated annually to reflect the current needs and financial position of the City.

FINANCIAL INFORMATION

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 or authorized by the City Commission.

Budgetary 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.

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.

LOCAL ECONOMY

The City, along with the nation, is in unprecedented economic times. The City, however, has been fortunate compared to many of its peers by maintaining a highly diversified local economy. As shown in Statistical Table 8 “Principal Property Taxpayers”, the ten largest taxpayers in the City of Bay City collectively account for less than twelve percent of the total taxable property within the city. In spite of our diversified economy, the importance of the manufacturing industry is vital to our community as it spurs more economic activity and jobs than any other economic sector.

The optimism of businesses about the future of our City has been obvious to anyone observing private sector investment and construction activity across the City. In fiscal year 2009, manufacturing firms invested over \$5.5 million into new machinery and facilities generating new tax revenues for the City.

In August 2009, General Motors announced a \$37 million investment to refit 34,000 square feet of space at the Bay City facility. This new investment will enable General Motors-Powertrain to make camshafts and connecting rods for the engine that will power the Chevrolet Cruze compact car and the extended-range, electric plug-in Chevy Volt. The new production line is planned to be operational in late 2010. In 2007, the City Commission approved a 100% new personal property exemption for a period of 50 years to help retain the General Motors-Powertrain facility in Bay City and to help the company build a business case for future investment.

A successful redevelopment project in 2009 was the LGK Brownfield project. LGK, a Colorado based developer, acquired a one acre site in downtown Bay City for the construction of a 7,900 square foot government office. This property had been utilized as a car dealership, an automotive repair facility, and most recently as a parking lot. LGK invested \$1.85 million for the new facility, which includes eligible reimbursement expenses for the development of the environmental work plan, site preparation and remediation, and onsite infrastructure improvements.

As part of Carbone of America’s \$10 million multi-phase expansion, the company completed the construction of three new buildings to support capacity expansion. In addition, Kerkau Manufacturing expanded its business by investing \$1.4 million in improvements at its facilities with plans to diversify and expand into the alternative energy field.

Another successful redevelopment included the construction of Michigan’s first “Leadership in Energy and Environmental Design” – LEED Platinum Certified building in Bay City by Green Leadership. The 25,000 square foot office building houses 100 employees of the Department of Environmental Quality’s Saginaw Bay District Office and Department of Labor & Economic Growth. Green Leadership invested \$3 million in the structure and the Department of Natural Resources invested an additional \$250,000 in a 150’ high, 50-kilowatt wind turbine to generate 12.5% of the energy needed for the building.

Honorable Mayor, City Commission,
 And Citizens of Bay City, Michigan
 December 24, 2009

During fiscal year 2009, the City pursued and successfully received five national and local grants including:

Grantor	Project	Amount
Rotary Club of Bay City	Wayfinding Signage Initiative	\$ 100,000
National Scenic Byways	Center Avenue/M-25 Historic Heritage Route	125,200
EPA Assessment	Test Potential Brownfield Sites for Hazardous Waste	200,000
EPA Assessment	Test Petroleum Based Contaminants	200,000
MDNR National Resources Trust Fund	Birney Park Renovations	<u>325,000</u>
	Total	\$950,200.00

To further assist our local businesses upgrade the skills of their existing employees, and keep the businesses competitive, the City pursued and successfully secured \$84,800 from Michigan Works! Incumbent Worker Training Grants. These funds were distributed directly to 10 local companies.

LONG-TERM FINANCIAL PLANNING

Unreserved, undesignated fund balance in the general fund is currently at 25.9% of total general fund revenues which falls within the policy guidelines set by the Commission for budgetary and planning purposes. The Commission has established a fund balance policy within the general fund to maintain at least 15% of total general fund revenues. By maintaining an appropriate level of fund balance, the City is able to reduce or eliminate the need to borrow to finance future capital projects or expenditures.

MAJOR INITIATIVES

Infrastructure projects that have been completed or are in progress and the approximate final costs are as follows:

Project	Completion Date	Cost
North Henry (North Union to Wilder)	November 2008	\$ 5,200,000
Harrison Street	August 2009	1,200,000
Crump Street	September 2009	220,000
Marquette Walnut Ohio Connector	November 2009	700,000
Midland Street Reconstruction Project	November 2009	94,000
Center Avenue (\$46,000 local share/ \$120,000 sewer leads)	November 2009	4,900,000
CDBG-R Local Streets	In progress	380,000
Social Security Office Streetscape Project	In progress	158,304

Wenonah Park Phase One renovation is substantially complete. The project resulted in a new riverwalk promenade with brick pavers, lighting, ornamental guardrail, benches, trash receptacles, power/water pedestals for boats and special events, an overlook area and two new lower terraces that provide access to the river for fishing and for mooring smaller boats. The contractor will be finishing work in the spring of 2010 completing items such as hydro-seeding, tree planting, etc. The total cost of this project is approximately \$1,250,000 with \$650,000 received in state and local foundation grant funds.

Honorable Mayor, City Commission,
And Citizens of Bay City, Michigan
December 24, 2009

In the spring of 2010 joint repair and signal upgrade work is scheduled for Truman Parkway, Wilder Road, and Woodside Avenue. The project cost of \$1,200,000 will be funded with federal stimulus dollars.

The City was awarded \$400,000 in 2009 for an EPA site assessment grant to be used throughout Bay City. Specifically, the City was awarded \$200,000 to test potential brownfield sites for hazardous waste and \$200,000 to test for petroleum based contaminants. These funds will be used to characterize property, complete baseline environmental assessments (BEAs), and to prepare brownfield plans for Uptown at RiversEdge and other properties within the City. It is anticipated that these funds will be utilized to help induce the redevelopment of the Middlegrounds Island, the former Surath property, and enable the City to attract potential industrial development prospects to any one of our vacant industrial facilities.

On December 1, 2009 the City received notification of a MDNR Natural Resource Trust Fund grant of \$325,000 for the renovation of Birney Park. The total project cost is \$581,000 with the local match provided by the Bay Area Housing Corporation of \$156,000. Staff is seeking additional grants to cover the \$100,000 shortage. If necessary the project could be bid in phases.

It is expected that improvements to Birney Park will significantly enhance park spaces for a variety of recreational activities, ranging from casual day-use, to programmed activities and special events, such as the Birney Park Car Show. The grant will fund the reconstruction of important site features including: utility improvements, wider pedestrian walks, a new central plaza area, landscaping, seating wall, lighting, playground, enhanced entryways and signage. Additionally, sidewalk bump-outs at the perimeter of the park will enhance pedestrian safety by calming traffic.

As part of many property redevelopment initiatives, the City Commission approved an amended Brownfield Plan for the former Industrial Brownhoist site commonly known as Uptown at RiversEdge site. The Plan contemplates that mixed-use commercial and residential units will be constructed on the 48 acre riverfront site with an estimated \$65 million in new private investment. The eligible activities are estimated at approximately \$22.5 million for environmental cleanup, demolition activities and new infrastructure. The Plan states that eligible activities will be paid using tax increments generated from new developments on this site and will also enable the developers to be awarded brownfield tax credits through the State of Michigan.

In response to developer feedback and the deterioration of the structures on the Uptown site, City staff prepared a bid packet for the demolition of the large remaining structures.

Honorable Mayor, City Commission,
And Citizens of Bay City, Michigan
December 24, 2009

The value of the recycled steel in the structures was greater than the cost to dismantle and remove the debris. This resulted in a "buy job" where the contractor paid \$11,528 to the City for the work. The demolition project was successfully completed, including proper removal of asbestos ceiling tiles and electrical equipment containing mercury. This project has helped to create an exciting view of the Saginaw River from this property and the east side of the city.

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.

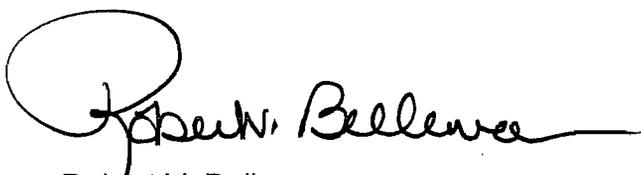
Awards: The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Bay City for its comprehensive annual financial report for the fiscal year ended June 30, 2008. In order to be awarded a 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



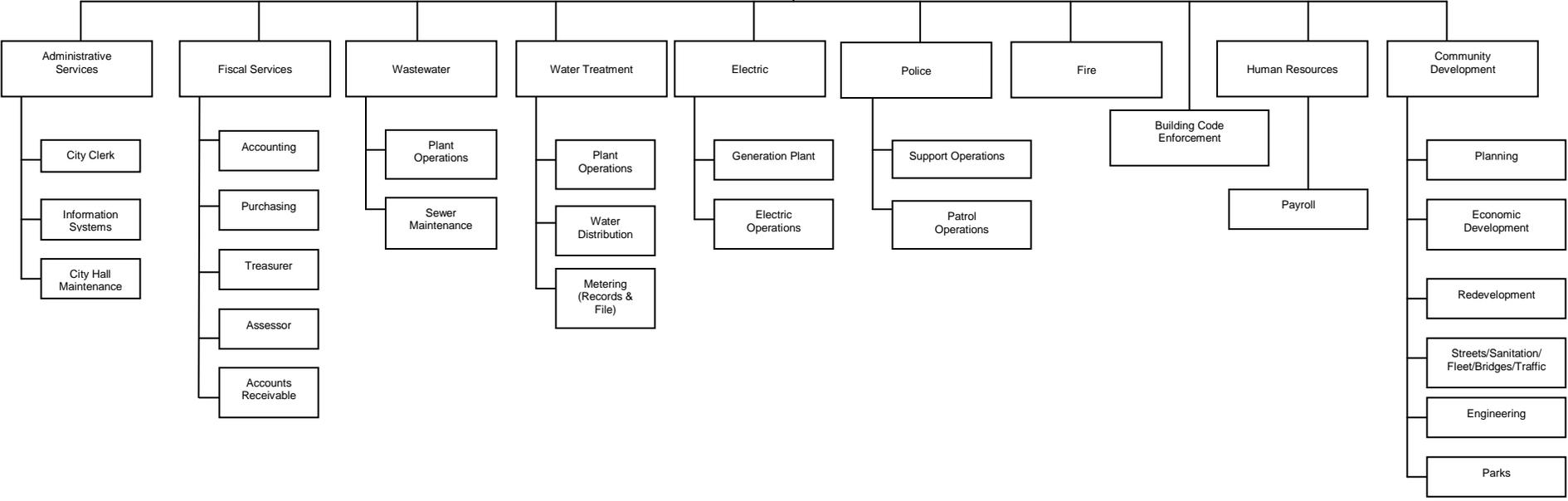
Cathleen Szostak
Chief Accountant

City of Bay City Organizational Chart

Electorate

City Commission

City Manager



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, 2008

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.



A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

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 24, 2009

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, 2009, 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, 2009, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 24, 2009, 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.

A handwritten signature in black ink that reads "Lehmann Johnson". The signature is written in a cursive, flowing style.

CITY OF BAY CITY, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2009. 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, 2009:

- The assets of the City of Bay City exceeded its liabilities at the close of the most recent fiscal year by \$196,772,101 (net assets). Of this amount, \$41,151,880 (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 \$2,024,757 from the previous year due primarily to an increase in capital assets from street construction projects funded by grants. The business-type activities net assets decreased by \$1,209,426 because the Water and Sewer Funds experienced a reduction in sales accompanied by an increase in the cost of sales and services. The net assets of the component units experienced a decrease of \$4,100,313 primarily due to an allowance being recorded for a loan within the P.O.W.E.R. (City Loans and Collections Fund) in which it is undetermined if collection will be possible.
- At the close of the fiscal year, the City of Bay City's governmental funds reported combined ending fund balances of \$10,582,777, an increase of \$617,230 in comparison with the prior year. All but \$308,821 of this total amount is available for spending at the government's discretion (unreserved fund balance).
- At the end of the fiscal year, unreserved fund balance for the General Fund was \$5,676,973 or about 27.2% of the total General Fund expenditures.
- The City of Bay City's total debt decreased by \$3,090,554, or 3.2%, during the fiscal year despite the fact that a net OPEB obligation of \$3,961,763 was recorded.
- The City continues its commitment to improving its road infrastructure and this year spent \$2,258,257 on new road construction and resurfacing and an additional \$360,280 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, increased \$192,938 for the first time in eight years. Since the State of Michigan has reduced the City's allocation for the last seven years, 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

CITY OF BAY CITY, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS

safety and parks and recreations departments. As a result of the increased revenue and reduced expenditures, there was an increase of \$724,718 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, 2009, assets exceeded liabilities by \$196,772,101. By far, the largest portion of the City's net assets (77.9 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

CITY OF BAY CITY, MICHIGAN
 MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2009 (in thousands of dollars):

	Governmental Activities		Business-type Activities		Total	
	2008	2009	2008	2009	2008	2009
Current and other assets	\$ 22,717	\$ 26,930	\$ 50,974	\$ 45,812	\$ 73,691	\$ 72,742
Capital assets	76,420	77,764	150,004	147,730	226,424	225,494
Total assets	99,137	104,694	200,978	193,542	300,115	298,236
Current and other liabilities	3,360	5,030	5,226	3,953	8,586	8,983
Long-term liabilities	22,894	24,756	72,678	67,725	95,572	92,481
Total liabilities	26,254	29,786	77,904	71,678	104,158	101,464
Net Assets:						
Invested in capital assets –						
Net of related debt	68,777	70,688	79,329	82,703	148,106	153,391
Restricted	2,180	2,229	-	-	2,180	2,229
Unrestricted	1,926	1,991	43,745	39,161	45,671	41,152
Total net assets	\$ 72,883	\$ 74,908	\$ 123,074	\$ 121,864	\$ 195,957	\$ 196,772

The City's governmental activities net assets increased by \$2,024,757 while the net assets of its business-type activities decreased by \$1,209,426. The change in net assets for the governmental activities was primarily due to an increase in capital assets from street construction projects funded by grants. The decrease in net assets of the business type activities is attributable to a reduction in sales and an increase in the cost of sales and services in both the Water and Sewer Funds. This is attributable to the economic downturn of the economy and energy conservation. The net effect of the governmental and business-type activities resulted in the combined net assets increasing by \$815,331 from \$195,956,770 in 2008, to \$196,772,101 in 2009.

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 \$1,990,740, or about 5.8% of the governmental activities expenditures. An additional portion of the City's net assets of its governmental activities, \$2,228,927 or approximately 3.0%, represents resources that are subject to external restrictions on how they may be used.

CITY OF BAY CITY, MICHIGAN
 MANAGEMENT'S DISCUSSION AND ANALYSIS

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>
Revenue						
Program revenue						
Charges for services	\$ 7,426	\$ 7,034	\$ 49,476	\$ 49,765	\$ 56,902	\$ 56,799
Operating grants and contributions	6,252	7,760	115	51	6,367	7,811
Capital grants and contributions	1,259	1,461	427	98	1,686	1,559
General revenue						
Property taxes	14,044	14,249	-	-	14,044	14,249
Grants and contributions not restricted to specific programs	4,910	5,104	-	-	4,910	5,104
Unrestricted investment earnings	1,022	709	1,398	1,048	2,420	1,757
Miscellaneous	80	107	25	72	105	179
Total Revenue	<u>34,993</u>	<u>36,424</u>	<u>51,441</u>	<u>51,034</u>	<u>86,434</u>	<u>87,458</u>
Program Expenses						
General Government	6,821	6,410	-	-	6,821	6,410
Public safety	13,094	12,808	-	-	13,094	12,808
Public works	9,632	10,919	541	524	10,173	11,443
Community and economic development	2,148	1,903	-	-	2,148	1,903
Recreation and culture	1,016	1,074	-	-	1,016	1,074
Interest on long-term debt	1,399	1,267	-	-	1,399	1,267
Electric	-	-	30,012	30,419	30,012	30,419
Water	-	-	8,072	8,746	8,072	8,746
Sewer	-	-	11,986	12,573	11,986	12,573
Total program expenses	<u>34,110</u>	<u>34,381</u>	<u>50,611</u>	<u>52,262</u>	<u>84,721</u>	<u>86,643</u>
Increase (decrease) in net assets before transfers and special items	883	2,043	830	(1,228)	1,713	815
Transfers	<u>34</u>	<u>(18)</u>	<u>(34)</u>	<u>18</u>	<u>-</u>	<u>-</u>
Change in net assets	917	2,025	796	(1,210)	1,713	815
Net assets beginning of year	<u>71,966</u>	<u>72,883</u>	<u>122,278</u>	<u>123,074</u>	<u>194,244</u>	<u>195,957</u>
Net assets end of year	<u>\$ 72,883</u>	<u>\$ 74,908</u>	<u>\$ 123,074</u>	<u>\$ 121,864</u>	<u>\$ 195,957</u>	<u>\$ 196,772</u>

Governmental Activities

The City's total governmental net assets increased by \$2,024,757. 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.
- Increase in State-shared revenues.
- Capital assets increased as a result of several grants received to complete street reconstruction projects.
- Reduction in the workforce.
- Closer management of resources to better control costs.

CITY OF BAY CITY, MICHIGAN MANAGEMENT'S DISCUSSION AND ANALYSIS

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 and businesses. 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 decrease in net assets of \$1,209,426 due primarily to the following:

- The Water and Sewer Funds experienced the largest decrease in net assets of \$1,098,594 and \$890,979, respectively. As a result of the current economic climate, both funds experienced a reduction in sales accompanied by an increase in the cost of sales and services. While operating revenues decreased 3% in the Water Fund and 4.6% in the Sewer Fund, operating expenses increased by approximately 6% in both funds.
- With the implementation of Governmental Accounting Standards Board Statement 45 (GASB 45), the unfunded portion of the City's required contribution to retiree healthcare was placed on the balance sheet as a liability. This resulted in an additional liability of \$1,202,065 the City's Electric, Water and Sewer utilities.
- Although the Oakridge Cemetery Fund reported an increase in net assets of \$2,208 and James Clements Airport Fund reported a decrease in its net assets of \$8,043, both funds continued to require subsidies from the general fund in the amounts of \$82,169 and \$35,995, 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 2009 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 \$10,547,454 in 2009. The most significant service accounted for in this fund is public safety, which incurred expenditures of \$11,530,602, in addition to \$1,203,708 of the retiree healthcare costs, in 2009. Public safety expenditures equate to approximately 61% of the total expenditures and are more than the amount of property taxes generated. At the fiscal year ended June 30, 2009, the unreserved fund balance of the General Fund was \$5,676,973. As a measure of the General Fund's liquidity, it may be useful to compare the unreserved

CITY OF BAY CITY, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS

fund balance to total fund expenditures. Unreserved fund balance represents 27.1% 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, 2009, \$4,667,903 was spent on capital outlay for reconstruction and resurfacing streets and an additional \$2,705,411 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, 2009, \$660,219 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 \$1,068,508 to maintain and preserve local streets within the City and ended the year with an unreserved fund balance of \$186,552. This amounts to 16.3% 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 \$68,303 was required to support the operations of this fund.
- The Solid Waste Fund ended the fiscal year with an unreserved fund balance of \$858,754. This is the seventh 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 \$943,466 on economic development activities and an additional \$375,350 on capital outlay.
- The Public Improvement Fund ended the year with an unreserved fund balance of \$985,124. 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, \$797,132 remains designated for this project, which is expected to be completed in the near future.
- The Bond Sinking Fund has accumulated a fund balance of \$743,226 to pay future debt service payments. This is representative of approximately 48.0% of the required bond payment in fiscal year 2010. The payments continue through fiscal year 2021.

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 Parks Department increased their budget by \$30,579 to account for a grant received from the Community Foundation to assist with maintenance of various park facilities throughout the City.
- A transfer to the Major Street Fund was added to the budget in the amount of \$342,000 for the reconstruction of Harrison Street.
- A transfer to the Building Inspection Fund was added to the budget, in the amount of \$63,456 to increase the General Fund support as a result of a shortfall in revenues within the Building Inspection Fund.

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 \$521,394 as a result of an EPA Brownfield grant and a State grant for renovations of Wenona Park not being received since the projects were delayed into the following fiscal year. Actual expenditures were also less than budgetary estimates by \$1,335,973, and transfers out were less than estimates by \$335,520. This was as a result of several positions remaining vacant throughout the fiscal year and capital projects that were delayed to the following fiscal year. As a result, the General Fund experienced an increase of \$724,718 in fund balance instead of the budgeted reduction projected in the final amended budget to be \$425,381.

Capital Assets and Debt Administration

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2009 amounted to \$225,494,618 (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 \$1,679,144 on various capital projects including \$926,573 to complete structural repairs on retention basins and an additional \$110,700 to replace/repair sewer lines associated with the Henry Street reconstruction project.

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- Phase II of the North Henry Street reconstruction project was completed with \$1,726,964 spent during the year and an additional \$401,715 was spent on the Harrison Street project.
- The Water Fund spent \$721,325 to complete the water system improvements associated with the Henry Street reconstruction project and an additional \$296,607 on the Harrison Street reconstruction project.
- The Electric Fund completed various capital projects totaling \$1,988,673.
- James Clements Airport completed its construction of the airplane hangars project spending an additional \$48,555 and began the construction of a seaplane base with construction costs at June 30, 2009 totaling \$50,869.
- The rehabilitation of both of the City's bascule span bridges was completed to include painting and structural repairs at a total cost of \$2,573,773.

The investment in capital assets of the component units totals \$5,458,379 as of June 30, 2009. During fiscal year ended June 30, 2009, \$149,682 was spent on design and redevelopment of Wenona Park within the Water Street TIFA and an additional \$21,913 towards the construction of the Marquette Connector street project within the Midland Street TIFA.

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, 2009, the City had total outstanding debt of \$92,480,992, which included a current portion of \$9,202,800. Of this amount, \$76,069,240 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:

	<u>2008</u>	<u>2009</u>
General obligation bonds	\$ 39,051,780	\$ 36,871,740
Revenue bonds	9,545,000	7,817,500
Other notes/leases payable	41,635,614	39,401,902
Retiree healthcare	=	3,961,763
Compensated absences	<u>5,339,152</u>	<u>4,428,087</u>
Total	<u>\$ 95,571,546</u>	<u>\$ 92,480,992</u>

The City's total debt decreased by \$3,090,554 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 \$71,477,000 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.

CITY OF BAY CITY, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS

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 a concern 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 6% over the previous year, additional increases are expected in the future. 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 2009/2010 budget.

Another issue of concern to the City is the unfunded liabilities of its defined benefit retirement plan of approximately \$23 million and its retiree healthcare plan of approximately \$123 million. In the fiscal year ended June 30, 2009, the City contributed an additional \$2.2 million over and above the required contribution of \$2.2 million to its defined benefit plan and another \$4.7 million towards its \$8.7 million required contribution for retiree healthcare, leaving an obligation of approximately \$3.9 million. The City budgeted an additional contribution to its defined benefit retirement plan in the upcoming fiscal year and intends to continue this trend in future budgets as well. The City will address the unfunded liability within its retiree healthcare plan by increasing its contribution by one-half percent of payroll each year until it is financially able to contribute the entire required contribution.

The City's Water and Sewer Utilities instituted a rate increase in the year ended June 30, 2009. 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, 2009

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments	\$ 19,318,538	\$ 26,818,231	\$ 46,136,769	\$ 2,059,950
Receivables	8,995,295	7,358,441	16,353,736	76,018
Internal balances	(3,380,848)	3,380,848	-	-
Due from component units	14	-	14	-
Prepaid items and other assets	683,754	304,175	987,929	1,567
Inventories	171,027	2,577,276	2,748,303	-
Restricted investments	-	884,411	884,411	-
Net pension asset	1,142,473	4,488,551	5,631,024	27,855
Nondepreciable capital assets	18,195,027	1,876,189	20,071,216	366,320
Depreciable capital assets, net	59,568,926	145,854,476	205,423,402	5,092,059
Total assets	104,694,206	193,542,598	298,236,804	7,623,769
Liabilities				
Accounts payable and other accrued expenses	4,822,776	3,116,713	7,939,489	322,583
Due to primary government	-	-	-	14
Interest payable	103,511	435,356	538,867	13,742
Unamortized bond premium	-	132,057	132,057	-
Unearned revenue	104,248	269,050	373,298	455
Noncurrent liabilities:				
Due within one year	2,861,808	6,340,992	9,202,800	158,139
Due in more than one year	19,134,368	60,182,061	79,316,429	2,030,000
Net OPEB obligation	2,759,698	1,202,065	3,961,763	-
Total liabilities	29,786,409	71,678,294	101,464,703	2,524,933
Net Assets				
Invested in capital assets, net of related debt	70,688,130	82,703,164	153,391,294	3,278,379
Restricted for:				
Debt service	743,226	-	743,226	-
Capital projects	1,485,701	-	1,485,701	-
Unrestricted	1,990,740	39,161,140	41,151,880	1,820,457
Total net assets	\$ 74,907,797	\$ 121,864,304	\$ 196,772,101	\$ 5,098,836

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, 2009

Functions / Programs	Expenses	Indirect	Program Revenues			Net (Expense) Revenue
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government						
Governmental activities:						
General government	\$ 6,410,352	\$ (3,680,013)	\$ 676,648	\$ 294,362	\$ -	\$ (1,759,329)
Public safety	12,795,197	12,798	727,109	123,044	-	(11,957,842)
Public works	10,855,098	63,470	2,065,502	5,623,956	1,460,658	(1,768,452)
Recreation and cultural	1,073,971	-	22,610	31,326	-	(1,020,035)
Economic development	1,759,563	142,842	(138,094)	1,687,644	-	(352,855)
Interest on debt	1,266,865	-	-	-	-	(1,266,865)
Total governmental activities	<u>34,161,046</u>	<u>(3,460,903)</u>	<u>3,353,775</u>	<u>7,760,332</u>	<u>1,460,658</u>	<u>(18,125,378)</u>
Business-type activities:						
Electric	29,111,393	1,307,595	30,270,087	-	-	(148,901)
Water	7,677,581	1,068,754	7,540,133	-	-	(1,206,202)
Sewer	11,527,801	1,045,055	11,761,444	-	-	(811,412)
Oak Ridge Cemetery	131,116	-	47,257	-	-	(83,859)
James Clements Airport	216,781	-	24,961	50,588	97,767	(43,465)
Liberty Harbor Marina	158,679	16,892	121,975	-	-	(53,596)
Total business-type activities	<u>48,823,351</u>	<u>3,438,296</u>	<u>49,765,857</u>	<u>50,588</u>	<u>97,767</u>	<u>(2,347,435)</u>
Total primary government	<u>\$ 82,984,397</u>	<u>\$ (22,607)</u>	<u>\$ 53,119,632</u>	<u>\$ 7,810,920</u>	<u>\$ 1,558,425</u>	<u>\$ (20,472,813)</u>
Component units						
Downtown Development Authority	\$ 192,039	\$ 8,710	\$ 144,053	\$ -	\$ -	\$ (56,696)
Midland Street TIFA	30,462	2,447	-	-	-	(32,909)
Kresge's DDA	2,170	-	-	-	-	(2,170)
Marquette District TIFA	491,931	7,374	-	-	-	(499,305)
Water Street DDA	265,031	3,142	-	-	-	(268,173)
Marina Development TIFA	9,373	-	-	-	-	(9,373)
Allen Healthcare DDA	2,222	-	-	-	-	(2,222)
Knepp's DDA	2,503	934	-	-	-	(3,437)
Brownfield Redevelopment	41,791	-	-	-	-	(41,791)
Columbus Avenue Management Board	6,415	-	7,975	290	-	1,850
Midland Street Management Board	21,171	-	19,560	-	-	(1,611)
P.O.W.E.R.	4,202,386	-	-	-	-	(4,202,386)
EDC	115	-	-	-	-	(115)
Downtown Management Board	270,748	-	58,707	97,523	-	(114,518)
Total component units	<u>\$ 5,538,357</u>	<u>\$ 22,607</u>	<u>\$ 230,295</u>	<u>\$ 97,813</u>	<u>\$ -</u>	<u>\$ (5,232,856)</u>

continued...

City of Bay City, Michigan
Statement of Activities (Concluded)
For the Year Ended June 30, 2009

<u>Functions/Programs</u>	<u>Primary Government</u>			<u>Component Units</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	
Changes in net assets				
Net (expense) revenue	\$ (18,125,378)	\$ (2,347,435)	\$ (20,472,813)	\$ (5,232,856)
General revenues:				
Property taxes	14,248,736	-	14,248,736	953,100
Grants and contributions not restricted to specific programs	5,104,118	-	5,104,118	-
Unrestricted investment earnings	708,556	1,047,640	1,756,196	135,665
Miscellaneous revenue	106,889	72,205	179,094	43,778
Transfers - internal activities	(18,164)	18,164	-	-
Total general revenues and transfers	<u>20,150,135</u>	<u>1,138,009</u>	<u>21,288,144</u>	<u>1,132,543</u>
Change in net assets	2,024,757	(1,209,426)	815,331	(4,100,313)
Net assets, beginning of year	<u>72,883,040</u>	<u>123,073,730</u>	<u>195,956,770</u>	<u>9,199,149</u>
Net assets, end of year	<u><u>\$ 74,907,797</u></u>	<u><u>\$ 121,864,304</u></u>	<u><u>\$ 196,772,101</u></u>	<u><u>\$ 5,098,836</u></u>

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 the preceding subsection.

City of Bay City, Michigan
Balance Sheet
Governmental Funds
June 30, 2009

	General Fund	Major Streets Fund	Rehabilitation Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and investments	\$ 4,695,083	\$ -	\$ -	\$ 4,103,655	\$ 8,798,738
Receivables (net of allowance for uncollectibles):					
Accounts	166,218	12,563	6,900	493,650	679,331
Delinquent taxes	48,042	-	-	7,343	55,385
Special assessments	102,007	-	-	27,309	129,316
Accrued interest	24,018	-	-	18,646	42,664
Notes	-	-	7,260,179	-	7,260,179
Due from other funds	1,757,319	2,629	-	68,303	1,828,251
Due from component units	-	-	-	14	14
Due from other governments	75,749	312,539	13,918	377,085	779,291
Inventories	-	41,069	-	-	41,069
Other assets	253	302,932	-	-	303,185
Total assets	\$ 6,868,689	\$ 671,732	\$ 7,280,997	\$ 5,096,005	\$ 19,917,423
Liabilities and fund balances					
Liabilities					
Accounts payable	\$ 234,824	\$ 167,747	\$ 13,919	\$ 402,456	\$ 818,946
Accrued liabilities	434,120	17,766	-	60,774	512,660
Due to other funds	126,870	268,461	-	183,408	578,739
Due to other governmental units	593	-	-	-	593
Deposits	1,634	-	-	21,731	23,365
Deferred revenue	125,923	-	7,267,078	7,342	7,400,343
Total liabilities	923,964	453,974	7,280,997	675,711	9,334,646
Fund balances					
Reserved for:					
Inventories	-	41,069	-	-	41,069
Drug Enforcement	267,752	-	-	-	267,752
Unreserved:					
Undesignated	5,676,973	-	-	-	5,676,973
Undesignated, reported in nonmajor :					
Special Revenue Funds	-	176,689	-	2,191,367	2,368,056
Debt Service Funds	-	-	-	743,226	743,226
Capital Project Funds	-	-	-	1,485,701	1,485,701
Total fund balances	5,944,725	217,758	-	4,420,294	10,582,777
Total liabilities and fund balances	\$ 6,868,689	\$ 671,732	\$ 7,280,997	\$ 5,096,005	\$ 19,917,423

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, 2009

Fund balances - total governmental funds \$ 10,582,777

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	159,718,882
Subtract: accumulated depreciation	(86,348,453)

Net pension assets of governmental activities are not financial resources, and are therefore not reported in the funds.

Add: net pension asset	883,880
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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	7,344,594
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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	7,075,550
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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	(101,034)
Subtract: bonds payable	(16,731,739)
Subtract: capital leases	(9,375)
Subtract: Michigan Urban Land Assembly loan payable	(127,500)
Subtract: HUD Section 108 loan payable	(2,000,000)
Subtract: net OPEB liability	(2,587,722)
Subtract: compensated absences	(2,792,063)

Net assets of governmental activities	\$ 74,907,797
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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, 2009

	<u>General Fund</u>	<u>Major Streets Fund</u>	<u>Rehabilitation Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Taxes	\$ 10,547,454	\$ 574,305	\$ -	\$ 2,148,321	\$ 13,270,080
Licenses and permits	25,263	-	-	472,948	498,211
Intergovernmental	6,615,999	6,336,993	284,355	2,462,377	15,699,724
Charges for services	4,207,261	-	-	2,008,100	6,215,361
Fines and forfeitures	145,466	-	-	19,157	164,623
Interest revenue	247,883	19,351	6,921	152,771	426,926
Miscellaneous revenues	123,222	882	110,723	113,762	348,589
Total revenues	<u>21,912,548</u>	<u>6,931,531</u>	<u>401,999</u>	<u>7,377,436</u>	<u>36,623,514</u>
Expenditures					
Current:					
General government	5,007,299	-	-	-	5,007,299
Public safety	11,530,602	-	-	888,230	12,418,832
Public works	1,310,648	2,705,411	-	1,068,508	5,084,567
Environmental	19,210	-	-	1,875,397	1,894,607
Parks and recreation	829,948	-	-	-	829,948
Economic development	-	-	660,219	1,111,997	1,772,216
Retiree healthcare	1,850,290	-	-	-	1,850,290
Additional retirement	226,748	-	-	-	226,748
Capital outlay	57,938	4,667,903	-	467,312	5,193,153
Debt service:					
Principal retirement	54,385	-	-	1,635,000	1,689,385
Interest and fiscal charges	-	18,725	-	2,350	21,075
Total expenditures	<u>20,887,068</u>	<u>7,392,039</u>	<u>660,219</u>	<u>7,048,794</u>	<u>35,988,120</u>
Revenues over (under) expenditures	<u>1,025,480</u>	<u>(460,508)</u>	<u>(258,220)</u>	<u>328,642</u>	<u>635,394</u>
Other financing sources (uses)					
Transfers in	-	40,000	316,975	413,315	770,290
Transfers out	(300,762)	-	(58,755)	(428,937)	(788,454)
Total other financing sources (uses)	<u>(300,762)</u>	<u>40,000</u>	<u>258,220</u>	<u>(15,622)</u>	<u>(18,164)</u>
Net change in fund balance	724,718	(420,508)	-	313,020	617,230
Fund balance, beginning of year	<u>5,220,007</u>	<u>638,266</u>	<u>-</u>	<u>4,107,274</u>	<u>9,965,547</u>
Fund balance, end of year	<u>\$ 5,944,725</u>	<u>\$ 217,758</u>	<u>\$ -</u>	<u>\$ 4,420,294</u>	<u>\$ 10,582,777</u>

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, 2009

Net change in fund balances - total governmental funds \$ 617,230

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	5,428,942
Subtract: net value of assets disposed	(6,033)
Subtract: depreciation expense	(3,719,810)

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

Subtract: current year change in long-term receivables	(36,638)
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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	1,635,000
Add: principal payments on capital leases	11,885
Add: principal payments on Michigan Urban Land Assembly loan	42,500
Add: decrease in interest accrued on bonds	2,307
Subtract: interest expense on zero coupon bond	(1,239,959)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Add: decrease in the accrual of compensated absences	381,065
Subtract: increase in the accrual for the net OPEB liability	(2,587,722)
Add: increase in the net pension asset	343,545

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	849,901
Add: nonoperating revenue recorded in internal service funds	302,544

Change in net assets of governmental activities	\$ 2,024,757
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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, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues				
Taxes	\$ 10,494,125	\$ 10,494,125	\$ 10,547,454	\$ 53,329
Licenses and permits	20,610	20,610	25,263	4,653
Intergovernmental	7,216,378	7,216,378	6,615,999	(600,379)
Charges for services	4,202,700	4,202,700	4,207,261	4,561
Fines and forfeitures	122,000	126,000	145,466	19,466
Interest revenue	225,000	225,000	247,883	22,883
Miscellaneous revenues	116,050	149,129	123,222	(25,907)
Total revenues	<u>22,396,863</u>	<u>22,433,942</u>	<u>21,912,548</u>	<u>(521,394)</u>
Expenditures				
Current:				
General government				
Legislative and executive	389,811	389,811	370,978	18,833
Administration	960,819	960,819	815,880	144,939
Finance	3,150,270	3,150,270	3,008,877	141,393
Legal counsel	166,000	166,000	154,519	11,481
Planning and zoning	265,259	265,259	262,118	3,141
Community/economic development	395,636	395,636	394,927	709
Total general government	<u>5,327,795</u>	<u>5,327,795</u>	<u>5,007,299</u>	<u>320,496</u>
Public safety				
Police	6,347,291	6,347,291	6,241,931	105,360
Fire	5,383,241	5,385,741	5,288,671	97,070
Total public safety	<u>11,730,532</u>	<u>11,733,032</u>	<u>11,530,602</u>	<u>202,430</u>
Public works				
	<u>1,332,461</u>	<u>1,332,461</u>	<u>1,310,648</u>	<u>21,813</u>
Environmental				
	<u>250,825</u>	<u>250,825</u>	<u>19,210</u>	<u>231,615</u>

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, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Expenditures (continued)				
Parks and recreation	\$ 848,450	\$ 879,029	\$ 829,948	\$ 49,081
Retiree healthcare	1,850,290	1,850,290	1,850,290	-
Additional retirement	226,748	226,748	226,748	-
Capital outlay	562,300	573,625	57,938	515,687
Debt Service:				
Principal retirement	49,236	49,236	54,385	(5,149)
Total expenditures	<u>22,178,637</u>	<u>22,223,041</u>	<u>20,887,068</u>	<u>1,335,973</u>
Revenues over expenditures	218,226	210,901	1,025,480	814,579
Other financing uses				
Transfer out	(230,826)	(636,282)	(300,762)	335,520
Net change in fund balance	(12,600)	(425,381)	724,718	1,150,099
Fund balance, beginning of year	<u>5,220,007</u>	<u>5,220,007</u>	<u>5,220,007</u>	<u>-</u>
Fund balance, end of year	<u>\$ 5,207,407</u>	<u>\$ 4,794,626</u>	<u>\$ 5,944,725</u>	<u>\$ 1,150,099</u>

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, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues				
Taxes:				
Property taxes	\$ 530,713	\$ 530,713	\$ 574,305	\$ 43,592
Intergovernmental:				
Federal	903,000	903,000	1,748,931	845,931
State	4,425,187	4,425,187	4,588,062	162,875
Miscellaneous:				
Interest earnings	8,000	8,000	19,351	11,351
Reimbursements	1,000	1,000	557	(443)
Other	13,125	13,125	325	(12,800)
Total revenues	<u>5,881,025</u>	<u>5,881,025</u>	<u>6,931,531</u>	<u>1,050,506</u>
Expenditures				
Public works				
Highways, streets, and bridges	2,857,905	2,857,905	2,705,411	152,494
Debt Service:				
Interest and fiscal charges	142,500	142,500	18,725	123,775
Capital outlay	3,972,000	4,075,415	4,667,903	(592,488)
Total expenditures	<u>6,972,405</u>	<u>7,075,820</u>	<u>7,392,039</u>	<u>(316,219)</u>
Revenues under expenditures	(1,091,380)	(1,194,795)	(460,508)	734,287
Other financing sources				
Transfer in	40,000	752,000	40,000	(712,000)
Net change in fund balance	(1,051,380)	(442,795)	(420,508)	22,287
Fund balance, beginning of year	<u>638,266</u>	<u>638,266</u>	<u>638,266</u>	<u>-</u>
Fund balance (deficit), end of year	<u>\$ (413,114)</u>	<u>\$ 195,471</u>	<u>\$ 217,758</u>	<u>\$ 22,287</u>

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, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues				
Intergovernmental:				
Federal	\$ 645,477	\$ 645,477	\$ 284,355	\$ (361,122)
Miscellaneous:				
Program income	195,000	195,000	51,835	(143,165)
Interest earnings	5,000	5,000	6,921	1,921
Other revenue	-	-	58,888	58,888
	<u>845,477</u>	<u>845,477</u>	<u>401,999</u>	<u>(443,478)</u>
Total revenues				
Expenditures				
Economic development	<u>1,481,703</u>	<u>1,481,703</u>	<u>660,219</u>	<u>821,484</u>
Revenues under expenditures	<u>(636,226)</u>	<u>(636,226)</u>	<u>(258,220)</u>	<u>378,006</u>
Other financing sources (uses)				
Transfer in	836,226	836,226	316,975	(519,251)
Transfer out	<u>(200,000)</u>	<u>(200,000)</u>	<u>(58,755)</u>	<u>141,245</u>
	<u>636,226</u>	<u>636,226</u>	<u>258,220</u>	<u>(378,006)</u>
Total other financing sources (uses)				
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

City of Bay City, Michigan
Statement of Net Assets
Proprietary Funds
June 30, 2009

	Enterprise Funds					Internal Service Funds
	Electric	Water	Sewer	Nonmajor Enterprise Funds	Total	
Assets						
Current assets						
Cash and cash equivalents	\$ 12,272,454	\$ 8,845,003	\$ 5,419,110	\$ 281,664	\$ 26,818,231	\$ 10,519,800
Receivables (net of allowance for uncollectibles)						
Accounts	4,252,759	794,828	1,848,807	16,813	6,913,207	1,233
Special assessments	59,827	13,271	261,082	-	334,180	-
Accrued interest	55,970	40,348	13,318	1,418	111,054	47,896
Due from other funds	-	8,446	3,080	23,864	35,390	241,697
Inventories	1,914,712	513,330	123,366	25,868	2,577,276	129,958
Prepaid expenses	-	78,393	-	81	78,474	48,957
Deposits	-	275	80	-	355	331,612
Total current assets	18,555,722	10,293,894	7,668,843	349,708	36,868,167	11,321,153
Noncurrent						
Restricted assets						
Debt service funds - investments	884,411	-	-	-	884,411	-
Other assets						
Net pension asset	2,070,745	1,135,313	1,282,493	-	4,488,551	258,593
Unamortized debt expense	-	-	225,346	-	225,346	-
Total other assets	2,070,745	1,135,313	1,507,839	-	4,713,897	258,593
Capital assets						
Land and improvements	182,602	6,148,106	13,559,226	4,906,941	24,796,875	-
Air rights	-	-	-	95,421	95,421	-
Buildings	1,413,634	1,594,684	26,251	1,169,043	4,203,612	14,011
Machinery and equipment	3,322,918	1,274,052	2,015,774	93,180	6,705,924	12,912,843
Utility plant in service	63,455,941	53,473,483	147,474,312	-	264,403,736	-
Construction in progress	16,682	313,289	578,504	50,869	959,344	-
	68,391,777	62,803,614	163,654,067	6,315,454	301,164,912	12,926,854
Less: accumulated depreciation	39,435,392	37,222,386	74,544,524	2,231,945	153,434,247	8,533,330
Net capital assets	28,956,385	25,581,228	89,109,543	4,083,509	147,730,665	4,393,524
Total noncurrent assets	31,911,541	26,716,541	90,617,382	4,083,509	153,328,973	4,652,117
Total assets	50,467,263	37,010,435	98,286,225	4,433,217	190,197,140	15,973,270

	Enterprise Funds					Internal Service Funds
	Electric	Water	Sewer	Nonmajor Enterprise Funds	Total	
Liabilities						
Current liabilities						
Accounts payable	\$ 1,785,665	\$ 179,553	\$ 433,249	\$ 21,473	\$ 2,419,940	\$ 1,575,469
Accrued liabilities	140,009	92,340	87,899	414	320,662	33,041
Due to other funds	1,302,685	174,116	39,924	-	1,516,725	9,874
Due to other governmental units	83,885	2,054	-	-	85,939	16,332
Interest payable	-	89,600	345,756	-	435,356	2,477
Claims payable	-	-	-	-	-	1,842,370
Deposits	232,586	57,250	336	-	290,172	-
Unearned revenue	-	60,301	208,749	-	269,050	48,499
Accrued compensated absences - current	228,635	189,230	148,127	-	565,992	73,004
Notes payable - current	-	-	-	-	-	46,032
Bonds payable - current	1,790,000	639,551	3,345,449	-	5,775,000	-
Total current liabilities	5,563,465	1,483,995	4,609,489	21,887	11,678,836	3,647,098
Long-term liabilities						
Accrued compensated absences	464,166	276,587	188,807	-	929,560	67,468
Unamortized bond premium	-	80,770	51,287	-	132,057	-
Notes payable	-	-	-	-	-	148,995
Bonds payable	6,027,500	10,515,602	42,709,399	-	59,252,501	-
Net OPEB obligation	426,246	420,111	355,708	-	1,202,065	171,976
Total long-term liabilities	6,917,912	11,293,070	43,305,201	-	61,516,183	388,439
Total liabilities	12,481,377	12,777,065	47,914,690	21,887	73,195,019	4,035,537
Net assets						
Invested in capital assets, net of related debt	21,138,885	14,426,075	43,054,695	4,083,509	82,703,164	4,198,497
Restricted for:						
Debt service	884,411	-	-	-	884,411	-
Unrestricted	15,962,590	9,807,295	7,316,840	327,821	33,414,546	7,739,236
Total net assets	\$ 37,985,886	\$ 24,233,370	\$ 50,371,535	\$ 4,411,330	\$ 117,002,121	\$ 11,937,733

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, 2009

Net assets - total enterprise funds \$ 117,002,121

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 4,862,183

Net assets of business-type activities \$ 121,864,304

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, 2009

	Enterprise Funds				Total	Internal Service Funds
	Electric	Water	Sewer	Nonmajor Enterprise Funds		
Operating revenues						
Charges for services:						
Sales	\$ 30,028,078	\$ 7,509,276	\$ 11,726,209	\$ 100,939	\$ 49,364,502	\$ 18,994,813
Rents	-	-	-	124,460	124,460	-
Miscellaneous	280,984	33,570	58,784	19,400	392,738	1,008,832
Total operating revenues	<u>30,309,062</u>	<u>7,542,846</u>	<u>11,784,993</u>	<u>244,799</u>	<u>49,881,700</u>	<u>20,003,645</u>
Operating expenses						
Cost of sales and service	23,989,052	6,125,288	6,375,264	361,274	36,850,878	3,030,718
Administration	4,138,217	1,230,415	1,056,117	-	6,424,749	193,388
Claims and benefits	-	-	-	-	-	14,299,893
Depreciation	2,205,427	1,267,973	3,958,460	164,375	7,596,235	892,325
Total operating expenses	<u>30,332,696</u>	<u>8,623,676</u>	<u>11,389,841</u>	<u>525,649</u>	<u>50,871,862</u>	<u>18,416,324</u>
Operating income (loss)	<u>(23,634)</u>	<u>(1,080,830)</u>	<u>395,152</u>	<u>(280,850)</u>	<u>(990,162)</u>	<u>1,587,321</u>
Nonoperating revenues (expenses)						
Intergovernmental:						
Federal grants	-	-	-	87,285	87,285	-
State grants	-	-	-	10,482	10,482	-
Interest earnings	581,047	326,626	130,696	9,271	1,047,640	281,630
Interest expense	(336,538)	(348,641)	(1,399,022)	-	(2,084,201)	(8,138)
Net gain on sale of capital assets	-	-	-	-	-	29,052
Amortization of bond premium/ discount/deferred costs	(22,500)	4,251	(17,805)	-	(36,054)	-
Total nonoperating revenues (expenses)	<u>222,009</u>	<u>(17,764)</u>	<u>(1,286,131)</u>	<u>107,038</u>	<u>(974,848)</u>	<u>302,544</u>
Income (loss) before transfers	<u>198,375</u>	<u>(1,098,594)</u>	<u>(890,979)</u>	<u>(173,812)</u>	<u>(1,965,010)</u>	<u>1,889,865</u>
Transfers						
Transfers in	-	-	-	118,164	118,164	-
Transfers out	(100,000)	-	-	-	(100,000)	-
Total transfers	<u>(100,000)</u>	<u>-</u>	<u>-</u>	<u>118,164</u>	<u>18,164</u>	<u>-</u>
Change in net assets	98,375	(1,098,594)	(890,979)	(55,648)	(1,946,846)	1,889,865
Net assets, beginning of year	<u>37,887,511</u>	<u>25,331,964</u>	<u>51,262,514</u>	<u>4,466,978</u>	<u>118,948,967</u>	<u>10,047,868</u>
Net assets, end of year	<u>\$ 37,985,886</u>	<u>\$ 24,233,370</u>	<u>\$ 50,371,535</u>	<u>\$ 4,411,330</u>	<u>\$ 117,002,121</u>	<u>\$ 11,937,733</u>

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, 2009

Net change in net assets - total enterprise funds	\$	(1,946,846)
<p>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.</p> <p>Add: net operating gain from business-type activities accounted for in internal service funds</p>		
		737,420
Change in net assets of business-type activities	\$	(1,209,426)

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, 2009

	Enterprise Funds				Total	Internal Service Funds
	Electric	Water	Sewer	Nonmajor Enterprise Funds		
Cash flows from operating activities						
Cash received from customers and users	\$ 30,299,824	\$ 7,390,160	\$ 11,588,738	\$ 230,329	\$ 49,509,051	\$ -
Cash received from internal users	214,906	-	-	-	214,906	19,764,954
Cash payments to suppliers for goods and services	(23,304,796)	(4,101,879)	(3,606,865)	(369,865)	(31,383,405)	(14,331,099)
Cash payments to employees for services	(5,455,065)	(4,453,112)	(3,993,173)	(15,076)	(13,916,426)	(1,589,005)
Cash received for internal services provided	-	45,463	35,345	-	80,808	-
Other receipts	280,984	33,570	58,784	19,400	392,738	-
Net cash provided (used) by operating activities	<u>2,035,853</u>	<u>(1,085,798)</u>	<u>4,082,829</u>	<u>(135,212)</u>	<u>4,897,672</u>	<u>3,844,850</u>
Cash flows from noncapital financing activities						
Intergovernmental - federal grant	-	-	-	87,285	87,285	-
Intergovernmental - state grant	-	-	-	10,482	10,482	-
Transfers in	-	-	-	118,164	118,164	-
Transfers out	(100,000)	-	-	-	(100,000)	-
Net cash provided (used) by noncapital financing activities	<u>(100,000)</u>	<u>-</u>	<u>-</u>	<u>215,931</u>	<u>115,931</u>	<u>-</u>
Cash flows from capital and related financing activities						
Purchase of capital assets	(1,962,908)	(1,581,235)	(1,679,144)	(99,424)	(5,322,711)	(532,991)
Proceeds from the sale of capital assets	-	-	-	-	-	29,252
Principal paid on debt	(1,750,000)	(668,667)	(3,251,333)	-	(5,670,000)	(44,327)
Interest paid on debt	(336,538)	(348,641)	(1,399,022)	-	(2,084,201)	(8,138)
Net cash provided (used) by capital and related financing activities	<u>(4,049,446)</u>	<u>(2,598,543)</u>	<u>(6,329,499)</u>	<u>(99,424)</u>	<u>(13,076,912)</u>	<u>(556,204)</u>
Cash flows from investing activities						
Purchase of investments	(5,196)	-	-	-	(5,196)	-
Interest received	581,047	326,626	130,696	9,271	1,047,640	281,630
Net cash provided (used) by investment activities	<u>575,851</u>	<u>326,626</u>	<u>130,696</u>	<u>9,271</u>	<u>1,042,444</u>	<u>281,630</u>
Net increase (decrease) in cash and cash equivalents	<u>(1,537,742)</u>	<u>(3,357,715)</u>	<u>(2,115,974)</u>	<u>(9,434)</u>	<u>(7,020,865)</u>	<u>3,570,276</u>
Cash and cash equivalents, beginning of year	<u>13,810,196</u>	<u>12,202,718</u>	<u>7,535,084</u>	<u>291,098</u>	<u>33,839,096</u>	<u>6,949,524</u>
Cash and cash equivalents, end of year	<u>\$ 12,272,454</u>	<u>\$ 8,845,003</u>	<u>\$ 5,419,110</u>	<u>\$ 281,664</u>	<u>\$ 26,818,231</u>	<u>\$ 10,519,800</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities						
Operating income (loss)	<u>\$ (23,634)</u>	<u>\$ (1,080,830)</u>	<u>\$ 395,152</u>	<u>\$ (280,850)</u>	<u>\$ (990,162)</u>	<u>\$ 1,587,321</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation	2,205,427	1,267,973	3,958,460	164,375	7,596,235	892,325
(Increase) decrease in assets:						
Accounts receivable	235,178	(149,912)	52,028	4,560	141,854	1,739
Special assessments receivable	8,125	1,185	(209,217)	-	(199,907)	-
Accrued interest receivable	23,348	29,611	19,718	370	73,047	(8,860)
Due from other funds	-	(108)	(3,080)	(23,864)	(27,052)	(241,444)
Due from other governments	5,095	-	-	-	5,095	-
Inventories	157,741	(57,350)	35,054	3,365	138,810	10,215
Prepaid expenses	-	(78,393)	-	1,118	(77,275)	307,262
Deposits	-	8,075	260	-	8,335	(65,005)
Net pension asset	(690,356)	(359,754)	(448,732)	-	(1,498,842)	(105,785)
Increase (decrease) in liabilities:						
Accounts payable	(362,769)	(1,002,137)	(171,919)	(4,331)	(1,541,156)	1,114,669
Accrued liabilities	19,988	14,774	4,773	45	39,580	6,013
Due to other funds	214,906	45,757	38,425	-	299,088	9,874
Due to other governmental units	2,067	(2,375)	(30,860)	-	(31,168)	10,130
Interest payable	-	19,706	(13,807)	-	5,899	(563)
Claims payable	-	-	-	-	-	194,214
Deposits	45,484	6,244	336	-	52,064	-
Unearned revenue	-	(186)	208,749	-	208,563	(16,632)
Accrued compensated absences	(230,993)	(168,189)	(108,219)	-	(507,401)	(22,599)
Net OPEB obligation	426,246	420,111	355,708	-	1,202,065	171,976
Total adjustments	<u>2,059,487</u>	<u>(4,968)</u>	<u>3,687,677</u>	<u>145,638</u>	<u>5,887,834</u>	<u>2,257,529</u>
Net cash provided (used) by operating activities	<u>\$ 2,035,853</u>	<u>\$ (1,085,798)</u>	<u>\$ 4,082,829</u>	<u>\$ (135,212)</u>	<u>\$ 4,897,672</u>	<u>\$ 3,844,850</u>

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

City of Bay City, Michigan
Fiduciary Funds
Statement of Net Assets
June 30, 2009

	Pension and Other Employee Benefit Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 3,295,764	\$ 156,050
Investments		
Money market accounts	1,292,960	
Mutual funds	11,654,625	-
Government securities	6,817,033	-
Corporate bonds	4,222,792	-
Common stock	14,380,006	-
Accounts receivable	124,181	-
Interest receivable	142,397	-
Total assets	41,929,758	\$ 156,050
 Liabilities		
Accounts payable	43,667	\$ 286
Due to other governments	-	138,833
Deposits payable	-	16,931
Total liabilities	43,667	\$ 156,050
 Net assets		
Held in trust for employees' pension benefits	37,742,383	
Held in trust for employees' postemployment health care benefits	4,143,708	
Total net assets	\$ 41,886,091	

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, 2009

Additions

Contributions

Employer	\$ 1,988,720
Plan members	494,757

Total contributions	<u>2,483,477</u>
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Investment income (loss):

Interest and dividends	1,175,299
Net depreciation in fair value of investments	(11,271,532)
Investment expense	<u>(238,790)</u>

Net investment loss	<u>(10,335,023)</u>
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Other additions	<u>811</u>
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Net investment loss in excess of contributions	<u>(7,850,735)</u>
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Deductions

Benefits and refunds paid to participants	4,344,007
Administrative expenses	<u>149,850</u>

Total deductions	<u>4,493,857</u>
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Net decrease in plan net assets	(12,344,592)
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**Net assets held in trust for pension and
other employee benefits**

Beginning of year	<u>54,230,683</u>
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End of year	<u><u>\$ 41,886,091</u></u>
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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, 2009

	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	\$ 143,303	\$ 252,441	\$ 35,507	\$ 471,780	\$ 903,241	\$ 3,058	\$ 2,677
Receivables:							
Accounts	2,720	-	-	-	-	249	-
Delinquent taxes	1,141	-	-	-	-	-	-
Accrued interest	654	1,165	162	2,152	4,119	-	12
Notes	-	-	-	-	-	-	-
Allowance for uncollectible amounts	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-	-
Net pension asset	-	-	-	27,855	-	-	-
Nondepreciable capital assets	-	72,568	-	30,136	263,616	-	-
Depreciable capital assets, net	137,579	345,964	22,206	1,821,776	2,091,474	520,977	-
Total assets	285,397	672,138	57,875	2,353,699	3,262,450	524,284	2,689
Liabilities							
Accounts payable	20,479	15,919	160	5,058	236,056	-	-
Accrued liabilities	-	-	-	1,995	-	-	-
Due to primary government	-	-	-	-	-	-	-
Interest payable	-	-	-	-	13,742	-	-
Unearned revenue	-	-	-	-	-	-	-
Long-term debt:							
Bonds payable	-	-	-	-	2,180,000	-	-
Notes payable	-	-	-	-	-	-	8,139
Total liabilities	20,479	15,919	160	7,053	2,429,798	-	8,139
Net assets							
Invested in capital assets, net of related debt	137,579	418,532	22,206	1,851,912	175,090	520,977	-
Unrestricted (deficit)	127,339	237,687	35,509	494,734	657,562	3,307	(5,450)
Total net assets (deficit)	\$ 264,918	\$ 656,219	\$ 57,715	\$ 2,346,646	\$ 832,652	\$ 524,284	\$ (5,450)

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
\$ 20,651	\$ 13,598	\$ 28,104	\$ 12,729	\$ 10,875	\$ 73,416	\$ 14	\$ 88,556	\$ 2,059,950
-	-	-	-	40	606,561	-	983	610,553
-	-	-	-	-	-	-	17,803	18,944
94	62	128	58	50	-	-	-	8,656
-	-	-	-	-	4,000,000	-	-	4,000,000
-	-	-	-	-	(4,606,560)	-	-	(4,606,560)
-	-	-	-	-	-	-	44,425	44,425
-	-	-	-	-	-	-	1,567	1,567
-	-	-	-	-	-	-	-	27,855
-	-	-	-	-	-	-	-	366,320
-	152,083	-	-	-	-	-	-	5,092,059
<u>20,745</u>	<u>165,743</u>	<u>28,232</u>	<u>12,787</u>	<u>10,965</u>	<u>73,417</u>	<u>14</u>	<u>153,334</u>	<u>7,623,769</u>
-	-	21,219	4	571	2,462	-	16,324	318,252
-	-	-	-	-	-	-	2,336	4,331
-	-	-	-	-	-	14	-	14
-	-	-	-	-	-	-	-	13,742
-	-	-	-	-	-	-	455	455
-	-	-	-	-	-	-	-	2,180,000
-	-	-	-	-	-	-	-	8,139
<u>-</u>	<u>-</u>	<u>21,219</u>	<u>4</u>	<u>571</u>	<u>2,462</u>	<u>14</u>	<u>19,115</u>	<u>2,524,933</u>
-	152,083	-	-	-	-	-	-	3,278,379
<u>20,745</u>	<u>13,660</u>	<u>7,013</u>	<u>12,783</u>	<u>10,394</u>	<u>70,955</u>	<u>-</u>	<u>134,219</u>	<u>1,820,457</u>
<u>\$ 20,745</u>	<u>\$ 165,743</u>	<u>\$ 7,013</u>	<u>\$ 12,783</u>	<u>\$ 10,394</u>	<u>\$ 70,955</u>	<u>\$ -</u>	<u>\$ 134,219</u>	<u>\$ 5,098,836</u>

City of Bay City, Michigan
All Component Units
Combining Statement of Activities
For the Year Ended June 30, 2009

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Capital Grants and Contributions</u>
Component units					
Downtown Development Authority	\$ 200,749	\$ 144,053	\$ -	\$ -	\$ (56,696)
Midland Street TIFA	32,909	-	-	-	(32,909)
Kresge's DDA	2,170	-	-	-	(2,170)
Marquette District TIFA	499,305	-	-	-	(499,305)
Water Street DDA	268,173	-	-	-	(268,173)
Marina Development TIFA	9,373	-	-	-	(9,373)
Allen Healthcare DDA	2,222	-	-	-	(2,222)
Knapp's DDA	3,437	-	-	-	(3,437)
Brownfield Redevelopment	41,791	-	-	-	(41,791)
Columbus Avenue Management Board	6,415	7,975	290	-	1,850
Midland Street Management Board	21,171	19,560	-	-	(1,611)
P.O.W.E.R.	4,202,386	-	-	-	(4,202,386)
EDC	115	-	-	-	(115)
Downtown Management Board	270,748	58,707	97,523	-	(114,518)
Total component units	<u>\$ 5,560,964</u>	<u>\$ 230,295</u>	<u>\$ 97,813</u>	<u>\$ -</u>	<u>\$ (5,232,856)</u>

continued...

City of Bay City, Michigan
All Component Units
Combining Statement of Activities (Concluded)
For the Year Ended June 30, 2009

<u>Functions/Programs</u>	<u>Downtown Development Authority</u>	<u>Midland St. TIFA</u>	<u>Kresge's DDA</u>	<u>Marquette District TIFA</u>	<u>Water Street DDA</u>	<u>Marina Develop. TIFA</u>	<u>Allen Health- care DDA</u>
Changes in net assets							
Net (expense) revenue	\$ (56,696)	\$ (32,909)	\$ (2,170)	\$ (499,305)	\$ (268,173)	\$ (9,373)	\$ (2,222)
General revenues:							
Property taxes	-	103,225	2,358	338,955	331,671	-	21,859
Unrestricted investment earnings	4,262	8,565	1,230	25,460	31,959	-	413
Miscellaneous revenue	40,247	-	-	1,011	-	-	-
Total general revenues	<u>44,509</u>	<u>111,790</u>	<u>3,588</u>	<u>365,426</u>	<u>363,630</u>	<u>-</u>	<u>22,272</u>
Change in net assets	(12,187)	78,881	1,418	(133,879)	95,457	(9,373)	20,050
Net assets (deficit), beginning of year	<u>277,105</u>	<u>577,338</u>	<u>56,297</u>	<u>2,480,525</u>	<u>737,195</u>	<u>533,657</u>	<u>(25,500)</u>
Net assets (deficit), end of year	<u>\$ 264,918</u>	<u>\$ 656,219</u>	<u>\$ 57,715</u>	<u>\$ 2,346,646</u>	<u>\$ 832,652</u>	<u>\$ 524,284</u>	<u>\$ (5,450)</u>

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
\$ -	\$ (3,437)	\$ (41,791)	\$ 1,850	\$ (1,611)	\$ (4,202,386)	\$ (115)	\$ (114,518)	\$ (5,232,856)
-	19,065	20,175	-	-	-	-	115,792	953,100
658	475	939	339	293	60,352	3	717	135,665
-	-	2,500	-	20	-	-	-	43,778
<u>658</u>	<u>19,540</u>	<u>23,614</u>	<u>339</u>	<u>313</u>	<u>60,352</u>	<u>3</u>	<u>116,509</u>	<u>1,132,543</u>
658	16,103	(18,177)	2,189	(1,298)	(4,142,034)	(112)	1,991	(4,100,313)
<u>20,087</u>	<u>149,640</u>	<u>25,190</u>	<u>10,594</u>	<u>11,692</u>	<u>4,212,989</u>	<u>112</u>	<u>132,228</u>	<u>9,199,149</u>
<u>\$ 20,745</u>	<u>\$ 165,743</u>	<u>\$ 7,013</u>	<u>\$ 12,783</u>	<u>\$ 10,394</u>	<u>\$ 70,955</u>	<u>\$ -</u>	<u>\$ 134,219</u>	<u>\$ 5,098,836</u>

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. (City Loans and Collection Fund), Economic Development Corporation of the City of Bay City, Brownfield Redevelopment Authority, and 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.

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., 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 as well as taxes for the various local governmental units. Collections and remittances 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:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	50
Land Improvements	50
Machinery and Equipment	5 - 20
Vehicles	3 - 10

The estimated useful lives of infrastructure assets are as follows:

	<u>YEARS</u>
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:

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
Debt Service:			
Principal Retirement:	\$ 49,236	\$ 54,385	\$ (5,149)
Special Revenue Funds:			
Major Streets Fund	7,075,820	7,392,039	(316,219)

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

Allen Healthcare DDA component unit in the amount of \$5,450. 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:

	<u>Govern- mental Activities</u>	<u>Business- Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>	<u>Component Units</u>	<u>Total</u>
Cash and cash equivalents	\$ 19,318,538	\$ 26,818,231	\$ 3,451,814	\$49,588,583	\$ 2,059,950	\$51,648,533
Investments	-	-	38,367,416	38,367,416	-	38,367,416
Restricted assets	-	884,411	-	884,411	-	884,411
Total	<u>\$ 19,318,538</u>	<u>\$ 27,702,642</u>	<u>\$41,819,230</u>	<u>\$ 88,840,410</u>	<u>\$ 2,059,950</u>	<u>\$ 90,900,360</u>
Deposit and Investments:						
Bank Deposits (checking, savings, and certificates of deposit)						\$ 36,919,722
Investments (securities, commercial paper, and money market accounts)						53,980,638
Total						<u>\$ 90,900,360</u>

Note 3 - DEPOSITS AND INVESTMENTS-CONTINUED

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, 2009, the carrying value of deposits owned by the City was \$34,859,772 and component units was \$2,059,950. Approximately \$20,064,000 of the City’s bank balance and \$250,000 of the component unit bank balance was covered by federal depository insurance. The remaining balance of \$16,605,722 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, 2009:

Money market accounts	\$ 4,356,182
Mutual funds	10,821,711
Government securities	1,361,873
Agency obligations	18,455,160
Corporate bonds	4,222,792
Common stock	<u>14,762,920</u>
Total	<u>\$ 53,980,638</u>

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, 2009, 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, 2009, maturities and ratings of the City’s debt securities were as follows:

	Investment Maturities (In Years)						Credit Rating Moody's Investor Services
	Fair Value	N/A	Less Than 1	1-5	6-10	More Than 10	
Government Obligations	\$ 1,347,873	\$ -	\$ 264,631	\$ 228,101	\$ 411,885	\$ 443,256	AAA
Agency obligations	18,455,160	-	2,000,000	12,013,485	67,604	4,374,071	n/a
Municipal obligations	14,000	-	14,000	-	-	-	n/a
Money Markets	4,356,182	4,356,182	-	-	-	-	n/a
Corporate bonds	32,855	-	-	32,855	-	-	A1
Corporate bonds	198,206	-	-	-	198,206	-	A1
Corporate bonds	131,817	-	-	-	-	131,817	A1
Corporate bonds	45,579	-	-	45,579	-	-	A2

City of Bay City, Michigan
Notes to the Financial Statements
June 30, 2009

Note 3 - DEPOSITS AND INVESTMENTS – CONTINUED

	Investment Maturities (In Years)						Credit Rating
	Fair Value	N/A	Less Than 1	1-5	6-10	More Than 10	Moody's Investor Services
Corporate bonds	\$ 138,346	\$ -	\$ -	\$ -	\$ 138,346	\$ -	A2
Corporate bonds	14,973	-	-	-	-	14,973	A2
Corporate bonds	77,380	-	-	77,380	-	-	A3
Corporate bonds	94,508	-	-	-	94,508	-	A3
Corporate bonds	36,997	-	-	-	-	36,997	A3
Corporate bonds	55,233	-	-	-	55,233	-	AA1
Corporate bonds	32,677	-	-	-	-	32,677	AA1
Corporate bonds	24,332	-	-	-	24,332	-	AA2
Corporate bonds	255,771	-	-	-	-	255,771	AA2
Corporate bonds	29,802	-	-	-	29,802	-	AA3
Corporate bonds	554,290	-	-	554,290	-	-	AAA
Corporate bonds	273,399	-	-	-	273,399	-	AAA
Corporate bonds	116,650	-	-	116,650	-	-	B1
Corporate bonds	14,775	-	-	-	14,775	-	B1
Corporate bonds	35,225	-	-	35,225	-	-	B2
Corporate bonds	141,950	-	-	-	141,950	-	B2
Corporate bonds	18,500	-	-	-	18,500	-	B3
Corporate bonds	97,638	-	-	97,638	-	-	BA1
Corporate bonds	44,652	-	-	-	44,652	-	BA1
Corporate bonds	17,000	-	-	-	-	17,000	BA1
Corporate bonds	59,088	-	-	59,088	-	-	BA2
Corporate bonds	49,412	-	-	-	49,412	-	BA2
Corporate bonds	24,000	-	-	24,000	-	-	BA3
Corporate bonds	109,376	-	-	-	109,376	-	BA3
Corporate bonds	33,338	-	-	-	-	33,338	BA3
Corporate bonds	103,834	-	-	103,834	-	-	BAA1
Corporate bonds	111,517	-	-	-	111,517	-	BAA1
Corporate bonds	175,946	-	-	-	-	175,946	BAA1
Corporate bonds	269,625	-	-	269,625	-	-	BAA2
Corporate bonds	374,132	-	-	-	374,132	-	BAA2
Corporate bonds	72,081	-	-	-	-	72,081	BAA2
Corporate bonds	15,675	-	-	15,675	-	-	BAA3
Corporate bonds	168,865	-	-	-	168,865	-	BAA3
Corporate bonds	55,948	-	-	-	-	55,948	BAA3
Corporate bonds	12,974	-	12,974	-	-	-	CAA1
Corporate bonds	44,882	-	-	-	44,882	-	CAA1
Corporate bonds	20,375	-	20,375	-	-	-	CAA2
Corporate bonds	17,050	-	-	17,050	-	-	CAA2
Corporate bonds	12,950	-	-	-	12,950	-	CAA2
Corporate bonds	8,775	-	-	-	8,775	-	CAA3

Note 3 - DEPOSITS AND INVESTMENTS – CONTINUED

	Investment Maturities (In Years)						Credit Rating
	Fair Value	N/A	Less Than 1	1-5	6-10	More Than 10	Moody's Investor Services
Corporate bonds	\$ 394	\$ -	\$ -	\$ -	\$ 394	\$ -	n/a
Mutual Funds	46,474	46,474	-	-	-	-	n/a
Common/Collective Funds	9,112,267	9,112,267	-	-	-	-	n/a
American Core Realty Fund	1,003,675	1,003,675	-	-	-	-	n/a
Guggenheim Real Estate PLUS Trust	659,295	659,295	-	-	-	-	n/a
Total	\$ 39,217,718	\$ 15,177,893	\$ 2,311,980	\$ 13,690,475	\$ 2,393,495	\$ 5,643,875	

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.

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, 2009. 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.

Note 3 - DEPOSITS AND INVESTMENTS – CONTINUED

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 <u>Activities</u>	Business- type <u>Activities</u>	Component <u>Units</u>	<u>Total</u>
Receivables:				
Accounts	\$ 742,589	\$ 7,962,178	\$ 610,553	\$ 9,315,320
Taxes	223,102	334,180	19,568	576,850
Interest	90,560	111,054	8,656	210,270
Intergovernmental	779,291	-	44,425	823,716
Notes	<u>7,260,179</u>	<u>-</u>	<u>4,000,000</u>	<u>11,260,179</u>
Gross receivables	9,095,721	8,407,412	4,683,202	22,186,335
Less: Allowance for Uncollectibles	<u>(100,426)</u>	<u>(1,048,971)</u>	<u>(4,607,184)</u>	<u>(5,756,581)</u>
Net total receivables	<u>\$ 8,995,295</u>	<u>\$ 7,358,441</u>	<u>\$ 76,018</u>	<u>\$ 16,429,754</u>

The receivables not expected to be collected within one year are approximately \$7 million of the notes receivable reported in the Rehabilitation Fund.

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:

	<u>Unavailable</u>
Notes and accounts receivable from homeowners expected to be collected over several years	\$ 7,267,078
Special assessments (non-current portion)	77,881
Delinquent personal property taxes receivable	<u>55,384</u>
Total	<u>\$ 7,400,343</u>

City of Bay City, Michigan
Notes to the Financial Statements
June 30, 2009

Note 5 - CAPITAL ASSETS

Capital asset activity of the City's governmental activities for the year ended June 30, 2009 was as follows:

<u>Governmental Activities</u>	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Balance June 30, 2009</u>
Capital assets not being depreciated:				
Land	\$ 17,192,941	\$ -	\$ (6,033)	\$ 17,186,908
Construction in progress	1,968,196	498,453	(1,834,530)	632,119
Other intangible assets	<u>376,000</u>	<u>-</u>	<u>-</u>	<u>376,000</u>
Subtotal	19,537,137	498,453	(1,840,563)	18,195,027
Capital assets being depreciated:				
Roads and sidewalks	125,416,371	6,718,014	-	132,134,385
Buildings and improvements	6,784,966	53,664	-	6,838,630
Vehicles	12,137,753	488,094	(197,091)	12,428,756
Office furnishings	39,293	-	-	39,293
Other tools and equipment	<u>3,320,583</u>	<u>38,236</u>	<u>(349,174)</u>	<u>3,009,645</u>
Subtotal	147,698,966	7,298,008	(546,265)	154,450,709
Accumulated depreciation:				
Roads and sidewalks	(77,221,669)	(3,283,769)	-	(80,505,438)
Buildings and improvements	(3,801,296)	(200,184)	-	(4,001,480)
Vehicles	(7,333,814)	(843,791)	196,891	(7,980,714)
Office furnishings	(15,770)	(1,965)	-	(17,735)
Other tools and equipment	<u>(2,443,164)</u>	<u>(282,426)</u>	<u>349,174</u>	<u>(2,376,416)</u>
Subtotal	(90,815,713)	(4,612,135)	546,065	(94,881,783)
Net capital assets being depreciated	<u>56,883,253</u>	<u>2,685,873</u>	<u>(200)</u>	<u>59,568,926</u>
Governmental activities capital assets, net	<u>\$ 76,420,390</u>	<u>\$ 3,184,326</u>	<u>\$(1,840,763)</u>	<u>\$ 77,763,953</u>

City of Bay City, Michigan
Notes to the Financial Statements
June 30, 2009

Note 5 - CAPITAL ASSETS - CONTINUED

Capital asset activity of the City's business-type activities for the year ended June 30, 2009 was as follows:

<u>Business-type Activities</u>	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Balance June 30, 2009</u>
Capital assets not being depreciated:				
Land	\$ 821,424	\$ -	\$ -	\$ 821,424
Construction in progress	2,396,040	879,344	(2,316,040)	959,344
Other	<u>95,421</u>	<u>-</u>	<u>-</u>	<u>95,421</u>
Subtotal	3,312,885	879,344	(2,316,040)	1,876,189
Capital assets being depreciated:				
Utility plant and systems	261,849,157	2,770,931	(216,352)	264,403,736
Land Improvements	20,881,266	3,094,185	-	23,975,451
Buildings and improvements	3,682,488	578,058	(56,934)	4,203,612
Machinery and equipment	<u>6,481,085</u>	<u>342,000</u>	<u>(117,161)</u>	<u>6,705,924</u>
Subtotal	292,893,996	6,785,174	(390,447)	299,288,723
Accumulated depreciation:				
Utility plant and systems	(137,018,291)	(6,748,820)	190,585	(143,576,526)
Land improvements	(3,100,051)	(501,389)	-	(3,601,440)
Buildings and improvements	(2,213,248)	(82,321)	56,934	(2,238,635)
Machinery and equipment	<u>(3,871,102)</u>	<u>(263,705)</u>	<u>117,161</u>	<u>(4,017,646)</u>
Subtotal	(146,202,692)	(7,596,235)	364,680	(153,434,247)
Net capital assets being depreciated	<u>146,691,304</u>	<u>(811,061)</u>	<u>(25,767)</u>	<u>145,854,476</u>
Business-type Activities				
capital assets, net	<u>\$ 150,004,189</u>	<u>\$ 68,283</u>	<u>\$ (2,341,807)</u>	<u>\$ 147,730,665</u>

Note 5 - CAPITAL ASSETS - CONTINUED

Capital asset activity of the City's component units for the year ended June 30, 2009 was as follows:

<u>Component Units</u>	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Disposal and Adjustments</u>	<u>Balance June 30, 2009</u>
Capital assets not being depreciated:				
Land	\$ 54,136	\$ -	\$ -	\$ 54,136
Construction in progress	<u>210,109</u>	<u>171,826</u>	<u>(69,751)</u>	<u>312,184</u>
Subtotal	264,245	171,826	(69,751)	366,320
Capital assets being depreciated:				
Infrastructure	6,436,574	567,694	-	7,004,268
Furniture and equipment	<u>51,919</u>	<u>27,054</u>	<u>-</u>	<u>78,973</u>
Subtotal	6,488,493	594,748	-	7,083,241
<u>Accumulated depreciation:</u>				
Infrastructure	(1,709,142)	(256,724)	-	(1,965,866)
Furniture and equipment	<u>(17,688)</u>	<u>(7,628)</u>	<u>-</u>	<u>(25,316)</u>
Subtotal	(1,726,830)	(264,352)	-	(1,991,182)
Net capital assets being depreciated	<u>4,761,663</u>	<u>330,396</u>	<u>-</u>	<u>5,092,059</u>
Component Units				
capital assets, net	<u>\$ 5,025,908</u>	<u>\$ 502,222</u>	<u>\$ (69,751)</u>	<u>\$ 5,458,379</u>

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

<u>Governmental activities:</u>	
General government	\$ 31,449
Public safety	193,395
Public works	3,136,546
Recreation and cultural	215,906
Economic development	142,514
Internal Service Fund depreciation is charged to the various functions based on their usage of the asset	<u>892,325</u>
Total governmental activities	<u>\$ 4,612,135</u>
<u>Business-type activities:</u>	
Electric	2,205,427
Water	1,267,973
Sewer	3,958,460
Other enterprise funds	<u>164,375</u>
Total business-type activities	<u>\$ 7,596,235</u>

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 Governmental Funds	Water Fund	Sewer Fund	Nonmajor Enterprise Funds	Internal Service Funds	Total
General Fund	\$ -	\$ 2,467	\$ 68,303	\$ -	\$ -	\$ 23,864	\$ 32,236	\$ 126,870
Major Streets Fund	261,084	-	-	-	-	-	7,377	268,461
Nonmajor Governmental Funds	158,642	-	-	-	-	-	24,766	183,408
Electric Fund	1,195,683	162	-	8,446	3,080	-	95,314	1,302,685
Sewer Fund	-	-	-	-	-	-	39,924	39,924
Water Fund	141,910	-	-	-	-	-	32,206	174,116
Internal Service Funds	-	-	-	-	-	-	9,874	9,874
Total	<u>\$ 1,757,319</u>	<u>\$ 2,629</u>	<u>\$ 68,303</u>	<u>\$ 8,446</u>	<u>\$ 3,080</u>	<u>\$ 23,864</u>	<u>\$ 241,697</u>	<u>\$ 2,105,338</u>

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	Rehabilitation Fund	Nonmajor Governmental Funds	Electric Fund	Total
<u>Transfers to:</u>					
Rehabilitation Fund	\$ -	\$ -	\$ 316,975	\$ -	\$ 316,975
Major Streets Fund	-	-	-	40,000	40,000
Nonmajor Governmental Funds	183,952	58,755	110,608	60,000	413,315
Nonmajor Enterprise Funds	<u>116,810</u>	<u>-</u>	<u>1,354</u>	<u>-</u>	<u>118,164</u>
Total	<u>\$ 300,762</u>	<u>\$ 58,755</u>	<u>\$ 428,937</u>	<u>\$ 100,000</u>	<u>\$ 888,454</u>

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 \$3,654 for the copier with Xerox and \$5,721 for the copier with Bank of America. Annual lease payments required under the capital leases are as follows:

Fiscal Year <u>End</u>	General <u>Fund</u>
2010	\$ 8,230
2011	<u>1,145</u>
Total minimum payments due	<u>\$ 9,375</u>

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:

City of Bay City, Michigan
Notes to the Financial Statements
June 30, 2009

Note 8 – LONG-TERM DEBT - CONTINUED

Governmental Activities:	Balance <u>7/01/08</u>	Additions <u>(Reductions)</u>	Balance <u>6/30/09</u>	Due-Within <u>One-Year</u>
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.	\$ 17,126,779	\$ 1,239,960 (1,635,000)	\$ 16,731,739	\$ 1,660,000
Capital Lease due in installments through 2011. Original amount \$13,729.	10,297	(4,576)	5,721	4,576
Capital Lease due in installments through 2010. Original amount \$29,235.	10,963	(7,309)	3,654	3,654
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.	2,000,000	-	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.	170,000	(42,500)	127,500	42,500
Purchase Agreement due in installments, including interest, through 2013. Originated in Motor Equipment Revolving Internal Service Fund. Original amount \$437,819.	239,354	(44,327)	195,027	46,032
Retiree Healthcare.	-	2,759,698	2,759,698	-
Employee Compensated Absences.	<u>3,336,199</u>	<u>817,006</u> <u>(1,220,670)</u>	<u>2,932,535</u>	<u>1,105,046</u>
Total Governmental Activities	<u>\$ 22,893,592</u>	<u>\$ 1,862,282</u>	<u>\$ 24,755,874</u>	<u>\$ 2,861,808</u>

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

City of Bay City, Michigan
Notes to the Financial Statements
June 30, 2009

Note 8 – LONG-TERM DEBT – CONTINUED

Business-Type Activities:
Sewer Fund

	<u>Balance</u> <u>7/01/08</u>	<u>Additions</u> <u>(Reductions)</u>	<u>Balance</u> <u>6/30/09</u>	<u>Due-Within</u> <u>One-Year</u>
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.	\$ 1,070,000	\$ (65,000)	\$ 1,005,000	\$ 70,000
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.	2,395,000	(430,000)	1,965,000	465,000
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.	33,700,000	(1,880,000)	31,820,000	1,925,000
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.	4,385,000	(570,000)	3,815,000	585,000
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 April 1 and October 1. Original amount \$6,000,000.	5,590,000	(215,000)	5,375,000	225,000
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 April 1 and October 1. Original amount \$5,455,000.	2,166,181	(91,333)	2,074,848	75,449

City of Bay City, Michigan
Notes to the Financial Statements
June 30, 2009

Note 8 – LONG-TERM DEBT – CONTINUED

Business-Type Activities:

Electric Fund

	Balance <u>7/01/08</u>	Additions <u>(Reductions)</u>	Balance <u>6/30/09</u>	Due-Within <u>One-Year</u>
3.5% to 4.0% 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 \$202,500. Original amount \$9,770,000.	\$ 9,770,000	\$(1,750,000)	\$ 8,020,000	\$ 1,790,000
Less deferred costs	(225,000)	22,500	(202,500)	-

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.	5,505,000	(255,000)	5,250,000	260,000
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	(275,000)	2,755,000	265,000
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 April 1 and October 1. Original amount \$2,166,181.	3,288,820	(138,667)	3,150,153	114,551

Other

Retiree Healthcare.	-	1,202,065	1,202,065	-
Employee Compensated Absences.	<u>2,002,953</u>	<u>188,912</u> <u>(696,313)</u>	<u>1,495,552</u>	<u>565,992</u>
Total	<u>\$ 72,677,954</u>	<u>\$ (4,952,836)</u>	<u>\$ 67,725,118</u>	<u>\$ 6,340,992</u>

Note 8 – LONG-TERM DEBT – CONTINUED

The aggregate debt service requirements to pay principal and interest on the various bonds and loans outstanding with interest of \$14,722,725 and deferred costs of \$202,500 in the business-type activities, interest of \$21,762,547 including capital appreciation of \$11,987,818 in the governmental activities bonded debt, and interest of \$849,222 in governmental activities other debt are as follows:

Fiscal Year	Governmental Activities				Business Type Activities	
	Bonded Debt		Other Debt		Principal	Interest
	Principal	Interest	Principal	Interest		
2010	\$ 443,618	\$ 1,216,382	\$ 96,762	\$ 100,972	\$ 5,775,000	\$ 1,964,251
2011	418,706	1,261,294	91,449	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	51,550	1,478	4,715,000	1,418,363
2014	457,863	1,832,137	85,000	92,276	4,325,002	1,283,379
2015 – 2019	1,922,639	10,000,485	940,000	355,826	19,854,999	4,551,563
2020 – 2024	621,883	4,356,461	975,000	102,106	15,350,000	1,872,712
2025 – 2029	-	-	-	-	3,065,000	271,039
Total	<u>\$ 4,743,921</u>	<u>\$ 21,762,547</u>	<u>\$ 2,331,902</u>	<u>\$ 849,222</u>	<u>\$ 65,230,001</u>	<u>\$ 14,722,726</u>

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 new 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 bond. 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 \$4,500,000 at June 30, 2009.

Note 8 - LONG-TERM DEBT – CONTINUED

<u>Component Units:</u>	<u>Balance</u> <u>7/01/08</u>	<u>Additions</u> <u>(Reductions)</u>	<u>Balance</u> <u>6/30/09</u>	<u>Due-Within</u> <u>One-Year</u>
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.	\$ 27,776	\$ (19,637)	\$ 8,139	\$ 8,139
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.	<u>2,330,000</u>	<u>(150,000)</u>	<u>2,180,000</u>	<u>150,000</u>
Total Long-Term Debt-Component Units	<u>\$ 2,357,776</u>	<u>\$ (169,637)</u>	<u>\$ 2,188,139</u>	<u>\$ 158,139</u>

The aggregate debt service requirement for the component units to pay principal and interest on the various outstanding loans with interest included of \$490,048 are as follows:

<u>Fiscal Year End</u>	<u>Component Units</u>	
	<u>Principal</u>	<u>Interest</u>
2010	\$ 158,139	\$ 83,103
2011	155,000	77,390
2012	170,000	71,965
2013	200,000	65,802
2014	230,000	58,302
2015-2018	<u>1,275,000</u>	<u>133,486</u>
Total	<u>\$ 2,188,139</u>	<u>\$ 490,048</u>

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, 2008 and 2009 are as follows:

Fiscal Year	Beginning of Period <u>Liability</u>	Current Year Claims and Changes in <u>Estimates</u>	Claim Payments	End of Period <u>Liability</u>
2008	\$ 855,033	\$ 663,085	\$ (981,797)	\$ 536,321
2009	536,321	874,206	(637,797)	772,730

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, 2008 and 2009 are as follows:

Fiscal Year	Beginning of Period Liability	Current Year Claims and Changes in Estimates	Claim Payments	End of Period Liability
2008	\$ 528,729	\$ 7,443,679	\$ (7,520,545)	\$ 451,863
2009	451,863	7,562,826	(7,645,669)	369,020

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, 2008 and 2009 are as follows:

Fiscal Year	Beginning of Period Liability	Current Year Claims and Changes in Estimates	Claim Payments	End of Period Liability
2008	\$ 418,069	\$ 497,149	\$ (255,246)	\$ 659,972
2009	659,972	283,936	(243,288)	700,620

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 dollar contribution based upon 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, 2009, the City's annual pension cost of \$4,417,775 for MERS included the City's required contribution of \$2,226,792 and an additional contribution of \$2,190,983. The required contribution was determined as part of the December 31, 2006 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 0.00% to 8.40% per year, depending on age, attributable to seniority/merit. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment to reflect fair value. The 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, 2008, the date of the latest actuarial valuation, was 16 years.

Fiscal Year	Annual Pension Cost (APC)	Annual Required Contribution (ARC)	Percentage of ARC Contributed	Net Pension Obligation (Asset)
6/30/07	\$ 3,644,351	\$ 2,062,980	176.6%	\$(1,581,371)
6/30/08	4,464,899	2,228,304	200.4%	(3,702,335)
6/30/09	4,417,775	2,226,792	198.4%	(5,658,879)

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	\$ 2,226,792
Interest on net pension asset	(296,187)
Adjustment to annual required contribution	<u>530,626</u>
Annual pension cost	2,461,231
Contributions made	<u>(4,417,775)</u>
Increase (decrease) on net pension obligation	(1,956,544)
Net pension obligation (asset) beginning of year	<u>(3,702,335)</u>
Net pension obligation (asset) end of year	<u>\$ (5,658,879)</u>

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial 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
12/31/08	43,099,367	66,147,661	23,048,294	65%	4,889,820	471%

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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 26.79% of covered payroll. Contributions are established and may be amended by the City Commission.

For the year ended June 30, 2009, the City's annual pension cost of \$1,618,068 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, 2008 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, 2008, the date of the latest actuarial valuation, was 30 years for all groups. The City Commission has the authority to amend and establish benefit provisions, as well as contribution rates.

Concentrations

As of June 30, 2009, 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 21% of the System's total assets at June 30, 2009.

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

Trend Information

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

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percentage of ARC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
6/30/07	\$ 2,123,900	\$ 1,635,150	130%	\$ (488,750)
6/30/08	1,651,747	1,651,747	100%	-
6/30/09	1,618,068	1,618,068	100%	-

Funded Status and Funding Progress – As of June 30, 2008, the most recent actuarial valuation date, the plan was 80.1 percent funded. The actuarial accrued liability for benefits was \$60,101,971, and the actuarial value of assets was \$48,162,620, resulting in an unfunded actuarial accrued liability (UAAL) of \$11,939,351. The covered payroll (annual payroll of active employees covered by the plan) was \$6,123,644, and the ratio of the UAAL to the covered payroll was 195.0%.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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

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

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, 2009, the City's required and actual contributions amounted to \$600,779. Employees made contributions amounting to \$213,746.

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.

Currently, 421 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 retirees will 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, 2009, was \$4,745,247.

The City's other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarially accrued liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the City's net OPEB obligation:

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

Annual required contribution	\$ 8,707,010
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Net OPEB cost (expense)	<u>8,707,010</u>
Contributions made	<u>(4,745,247)</u>
Increase in net OPEB obligation	3,961,763
Net OPEB obligation, beginning of year	-
Net OPEB obligation, end of year	<u>\$ 3,961,763</u>

The City's annual OPEB cost, percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2009 is as follows:

Fiscal Year <u>Ending</u>	Annual OPEB <u>Cost</u>	Percentage of Annual OPEB Cost <u>Contributed</u>	Net OPEB <u>Obligation</u>
6/30/09	\$ 8,707,010	54.5%	\$ 3,961,763

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, 2009, the City contributed an additional \$370,652 to its healthcare trust funds bringing the total assets to \$4,143,708.

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

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

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

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	<u>372</u>
Total	<u>793</u>

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 – COMMITMENTS AND CONTINGENT LIABILITIES

Environmental

The Middle Grounds Landfill is a former municipal landfill that ceased operation in 1984. Approximately 40 acres in size, only a portion of the site located on the Middle Grounds Island was used for municipal waste. The site was also used by the U.S. Army Corps of Engineers for dredge spoils. The landfill has been capped with a 5' clay cap and engineered controls have been put in place. GM, Honeywell, and the City are principal responsible parties for this site. After consulting with the Department of Environmental Quality (DEQ), a Remedial Action Plan (RAP) has been completed and is currently being reviewed by the DEQ. Going forward, the site will require regular monitoring including ground water, landfill gas, and engineered controls. In September 2008, a 30-year cost projection for these services prepared by Conestoga-Rovers & Associates (CRA) estimated these costs to total \$2,375,000 to be shared by the principal responsible parties.

In 2009, General Motors filed for bankruptcy. As a result, the City may be responsible for GM's proportionate share of the of the remediation costs under the original cost sharing agreement. The additional exposure is estimated to be approximately \$800,000. In response, the City of Bay City filed a proof of claim pursuant to the Comprehensive Environmental Response, Compensation, and Liability Act, and the Michigan Natural Resources and Environmental Protection Act to recover GM's equitable share of the costs incurred and to be incurred by the City of Bay City in remediating the Middle Grounds Landfill site.

Commitments

The Electric Department, along with other Michigan municipal utilities, is a member of the Michigan Public Power Agency (MPPA). The agency was formed to acquire interests in certain electric generating plants and related transmission lines. MPPA has acquired a 4.8% undivided interest in the Consumers Power Campbell 3 plant and 18.61% undivided interest in the Detroit Edison Company Belle River project. The Electric Department has entered into power supply and project support contracts with MPPA. Under the agreement, the Electric Department will purchase 13.18% of the energy generated by the Campbell 3 plant and 3.71% of the energy generated by the Belle River plant.

Under the terms of the contract, the Electric Department must make annual payments to cover their share of annual debt service requirements and fixed operation costs of the Campbell and Belle River projects. During the fiscal year ended June 30, 2009, the final payment was made on the Campbell project. The estimated annual debt payments with interest included of \$2,815,000 on the Belle River Project are as follows:

Note 11 – COMMITMENTS AND CONTINGENT LIABILITIES - CONTINUED

Fiscal Year	Belle River
<u>Ending</u>	<u>Project</u>
2010	\$ 1,129,286
2011	1,129,150
2012	1,129,255
2013	1,129,291
2014	1,129,149
2015-2019	<u>6,021,496</u>
	<u>\$ 11,667,627</u>

Construction Commitments

The City entered into two separate construction commitments for various projects associated with our sewer system retention basins in the amounts of \$437,000 for electrical improvements and \$532,000 for structural improvements. As of June 30, 2009, \$173,897 was expended on the electrical improvements and \$486,139 was expended on the structural improvements. The remaining balances on the construction commitments with the contractors are \$263,103 and \$45,861, respectively.

In addition, the City entered into a construction commitment for reconstruction of Crump Street in the amount of \$223,452. At June 30, 2009, \$36,787 was expended and \$186,665 remained on the construction commitment with the contractor.

Subsequent Events

Subsequent to June 30, 2009, the City of Bay City moved its post-65 retirees into a fully insured health plan with NEBCO effective October 1, 2009. It is anticipated to save the City approximately \$700,000 annually within the healthcare portion of the Benefits Program fund.

In addition, on October 5, 2009, the City issued a notice of intent to issue and sell general obligation capital improvement bonds in an amount not to exceed \$7,500,000. The purpose of the bonds is to pay the cost of acquiring and constructing street improvements, water supply system improvements, and sanitary sewer system improvements.

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%
2008	48,162,620	60,101,971	11,939,351	80.1%	6,123,644	195.0%

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% <i>Note</i>
2008	1,651,747	1,651,747	100.00%
2009	1,618,068	1,618,068	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

Schedule of Employer Contributions

Fiscal Year Ended (June 30)	Annual Required Contribution	Actual Annual Contribution	Percent Contributed
2009	\$ 8,707,010	\$ 4,745,247	54.50%

City of Bay City, Michigan

**Required Supplementary Information
(Unaudited)**

Municipal Employee Retirement System Defined Benefit Pension Plan

Schedule of Funding Progress

Actuarial Valuation Date (December 31)	(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	\$ 38,615,076	\$ 63,733,652	\$ 25,118,576	60.6%	\$ 5,508,803	456.0%
2007	41,431,126	65,669,156	24,238,030	63.1%	5,248,328	461.8%
2008	43,099,367	66,147,661	23,048,294	65.2%	4,889,820	471.4%

**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 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, 2009

	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	\$ 156,219	\$ 2,791	\$ 4,339	\$ 1,011	\$ 521,418	\$ -	\$ 980,652
Receivables (net of allowance for uncollectibles)							
Accounts	2,201	-	-	8,594	360,199	6,370	-
Delinquent taxes	-	-	-	-	-	-	-
Special assessments	-	-	-	-	24,658	-	-
Accrued interest	712	13	16	5	2,378	-	4,472
Due from other funds	-	-	-	-	-	-	-
Due from component units	-	-	-	-	-	-	-
Due from other governments	100,661	-	-	-	-	276,424	-
Total Assets	\$ 259,793	\$ 2,804	\$ 4,355	\$ 9,610	\$ 908,653	\$ 282,794	\$ 985,124
Liabilities and fund balances							
Liabilities							
Accounts payable	\$ 27,220	\$ 520	\$ 1,289	\$ 9,610	\$ 31,511	\$ 260,272	\$ -
Accrued liabilities	22,650	2,284	3,066	-	16,993	6,045	-
Due to other funds	23,371	-	-	-	1,395	16,317	-
Deposits payable	-	-	-	-	-	160	-
Deferred revenues	-	-	-	-	-	-	-
Total liabilities	73,241	2,804	4,355	9,610	49,899	282,794	-
Fund balances							
Unreserved:							
Undesignated	186,552	-	-	-	858,754	-	985,124
Total fund balances	186,552	-	-	-	858,754	-	985,124
Total liabilities and fund balances	\$ 259,793	\$ 2,804	\$ 4,355	\$ 9,610	\$ 908,653	\$ 282,794	\$ 985,124

			Debt Service Fund		Capital Projects Funds				
Building Inspection	Neighborhood Opportunity	Total	Bond Sinking Fund	Riverfront Redevelopment	Economic Opportunitites	Total	Total		
\$ -	\$ 167,251	\$ 1,833,681	\$ 739,851	\$ 528,580	\$ 1,001,543	\$ 1,530,123	\$ 4,103,655		
112,536	-	489,900	-	3,750	-	3,750	493,650		
-	-	-	7,343	-	-	-	7,343		
2,651	-	27,309	-	-	-	-	27,309		
-	723	8,319	3,374	2,411	4,542	6,953	18,646		
68,303	-	68,303	-	-	-	-	68,303		
-	-	-	-	-	14	14	14		
-	-	377,085	-	-	-	-	377,085		
<u>\$ 183,490</u>	<u>\$ 167,974</u>	<u>\$ 2,804,597</u>	<u>\$ 750,568</u>	<u>\$ 534,741</u>	<u>\$ 1,006,099</u>	<u>\$ 1,540,840</u>	<u>\$ 5,096,005</u>		
\$ 9,858	\$ 7,037	\$ 347,317	\$ -	\$ 2,713	\$ 52,426	\$ 55,139	\$ 402,456		
9,736	-	60,774	-	-	-	-	60,774		
142,325	-	183,408	-	-	-	-	183,408		
21,571	-	21,731	-	-	-	-	21,731		
-	-	-	7,342	-	-	-	7,342		
<u>183,490</u>	<u>7,037</u>	<u>613,230</u>	<u>7,342</u>	<u>2,713</u>	<u>52,426</u>	<u>55,139</u>	<u>675,711</u>		
-	160,937	2,191,367	743,226	532,028	953,673	1,485,701	4,420,294		
-	160,937	2,191,367	743,226	532,028	953,673	1,485,701	4,420,294		
<u>\$ 183,490</u>	<u>\$ 167,974</u>	<u>\$ 2,804,597</u>	<u>\$ 750,568</u>	<u>\$ 534,741</u>	<u>\$ 1,006,099</u>	<u>\$ 1,540,840</u>	<u>\$ 5,096,005</u>		

City of Bay City, Michigan
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
For the Year Ended June 30, 2009

	Special Revenue Funds					
	Local Streets	Fire Awareness	Community Policing	Parking Enforcement	Solid Waste Management	Community Development Block Grant
Revenues						
Taxes:						
Property Taxes	\$ 401,498	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental:						
Federal	-	-	-	-	-	1,687,644
State	747,621	-	-	-	-	-
Local	-	-	-	27,112	-	-
Charges for services:						
Sales	-	-	-	-	2,008,100	-
Fines and forfeitures	-	-	-	19,157	-	-
Miscellaneous:						
Interest earnings	1,858	114	203	119	13,660	-
Reimbursements	-	-	-	-	-	-
Sale of property	-	-	-	-	-	-
Other	100	500	-	-	29,658	-
Total revenues	1,151,077	614	203	46,388	2,051,418	1,687,644
Expenditures						
Current:						
Public safety	-	104,412	122,662	46,388	-	-
Public works:						
Highways, streets and bridges	1,068,508	-	-	-	-	-
Environmental	-	-	-	-	1,875,397	-
Economic development	-	-	-	-	-	943,466
Capital outlay	77,431	-	-	-	-	375,350
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	1,145,939	104,412	122,662	46,388	1,875,397	1,318,816
Excess of revenues over (under) expenditures	5,138	(103,798)	(122,459)	-	176,021	368,828
Other financing sources (uses)						
Transfers in	60,000	103,798	122,459	-	-	58,755
Transfers out	-	-	-	-	-	(427,583)
Total other financing sources (uses)	60,000	103,798	122,459	-	-	(368,828)
Net change in fund balances	65,138	-	-	-	176,021	-
Fund balances, beginning of year	121,414	-	-	-	682,733	-
Fund balances, end of year	\$ 186,552	\$ -	\$ -	\$ -	\$ 858,754	\$ -

				Debt Service Fund	Capital Projects Funds			
Public Improvement	Building Inspection	Neighborhood Opportunity	Total	Bond Sinking Fund	Riverfront Redevelopment	Economic Opportunities	Total	Total
\$ -	\$ -	\$ -	\$ 401,498	\$ 1,746,823	\$ -	\$ -	\$ -	\$ 2,148,321
-	472,948	-	472,948	-	-	-	-	472,948
-	-	-	1,687,644	-	-	-	-	1,687,644
-	-	-	747,621	-	-	-	-	747,621
-	-	-	27,112	-	-	-	-	27,112
-	-	-	2,008,100	-	-	-	-	2,008,100
-	-	-	19,157	-	-	-	-	19,157
31,522	-	5,091	52,567	50,082	17,078	33,044	50,122	152,771
-	20,211	-	20,211	-	-	-	-	20,211
-	-	2	2	-	-	1,158	1,158	1,160
1,000	53,306	-	84,564	-	4,974	2,853	7,827	92,391
32,522	546,465	5,093	5,521,424	1,796,905	22,052	37,055	59,107	7,377,436
-	614,768	-	888,230	-	-	-	-	888,230
-	-	-	1,068,508	-	-	-	-	1,068,508
-	-	-	1,875,397	-	-	-	-	1,875,397
-	-	11,071	954,537	-	16,651	140,809	157,460	1,111,997
3,551	-	-	456,332	-	6,922	4,058	10,980	467,312
-	-	-	-	1,635,000	-	-	-	1,635,000
-	-	-	-	2,350	-	-	-	2,350
3,551	614,768	11,071	5,243,004	1,637,350	23,573	144,867	168,440	7,048,794
28,971	(68,303)	(5,978)	278,420	159,555	(1,521)	(107,812)	(109,333)	328,642
-	68,303	-	413,315	-	-	-	-	413,315
-	-	-	(427,583)	-	-	(1,354)	(1,354)	(428,937)
-	68,303	-	(14,268)	-	-	(1,354)	(1,354)	(15,622)
28,971	-	(5,978)	264,152	159,555	(1,521)	(109,166)	(110,687)	313,020
956,153	-	166,915	1,927,215	583,671	533,549	1,062,839	1,596,388	4,107,274
\$ 985,124	\$ -	\$ 160,937	\$ 2,191,367	\$ 743,226	\$ 532,028	\$ 953,673	\$ 1,485,701	\$ 4,420,294

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, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues				
Taxes:				
General property taxes	\$ 450,685	\$ 450,685	\$ 401,498	\$ (49,187)
Intergovernmental:				
State	769,923	769,923	747,621	(22,302)
Miscellaneous:				
Interest earnings	-	-	1,858	1,858
Other	100	1,189	100	(1,089)
Total revenues	<u>1,220,708</u>	<u>1,221,797</u>	<u>1,151,077</u>	<u>(70,720)</u>
Expenditures				
Public works				
Highways, streets, and bridges	1,183,708	1,183,708	1,068,508	115,200
Capital outlay	97,000	98,089	77,431	20,658
Total expenditures	<u>1,280,708</u>	<u>1,281,797</u>	<u>1,145,939</u>	<u>135,858</u>
Excess of revenues over (under) expenditures	(60,000)	(60,000)	5,138	65,138
Other financing sources				
Transfers in	60,000	60,000	60,000	-
Net change in fund balance	-	-	65,138	65,138
Fund balance, beginning of year	<u>121,414</u>	<u>121,414</u>	<u>121,414</u>	<u>-</u>
Fund balance, end of year	<u>\$ 121,414</u>	<u>\$ 121,414</u>	<u>\$ 186,552</u>	<u>\$ 65,138</u>

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, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues				
Interest earnings	\$ -	\$ -	\$ 114	\$ 114
Other	-	500	500	-
Total revenues	-	500	614	114
Expenditures				
Public safety	111,049	111,549	104,412	7,137
Revenues under expenditures	(111,049)	(111,049)	(103,798)	7,251
Other financing sources				
Transfers in	111,049	111,049	103,798	(7,251)
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Bay City, Michigan
Community Policing Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues				
Interest earnings	\$ -	\$ -	\$ 203	\$ 203
Expenditures				
Public safety	137,439	137,439	122,662	14,777
Revenues under expenditures	(137,439)	(137,439)	(122,459)	14,980
Other financing sources				
Transfers in	137,439	137,439	122,459	(14,980)
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Bay City, Michigan
Parking Enforcement Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues				
Intergovernmental:				
Local	\$ 22,815	\$ 22,815	\$ 27,112	\$ 4,297
Interest revenue	-	-	119	119
Fines and forfeitures	25,000	25,000	19,157	(5,843)
 Total revenues	<u>47,815</u>	<u>47,815</u>	<u>46,388</u>	<u>(1,427)</u>
Expenditures				
Public safety	47,815	47,815	46,388	1,427
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues				
Charges for services:				
Sales	\$ 2,034,577	\$ 2,034,577	\$ 2,008,100	\$ (26,477)
Miscellaneous:				
Interest earnings	6,700	6,700	13,660	6,960
Other	16,600	16,600	29,658	13,058
Total revenues	<u>2,057,877</u>	<u>2,057,877</u>	<u>2,051,418</u>	<u>(6,459)</u>
Expenditures				
Environmental	<u>2,046,225</u>	<u>2,046,225</u>	<u>1,875,397</u>	<u>170,828</u>
Net change in fund balance	11,652	11,652	176,021	164,369
Fund balance, beginning of year	<u>682,733</u>	<u>682,733</u>	<u>682,733</u>	<u>-</u>
Fund balances, end of year	<u>\$ 694,385</u>	<u>\$ 694,385</u>	<u>\$ 858,754</u>	<u>\$ 164,369</u>

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, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues				
Intergovernmental:				
Federal	\$ 2,522,184	\$ 2,522,184	\$ 1,687,644	\$ (834,540)
Expenditures				
Economic development	1,029,821	1,029,821	943,466	86,355
Capital outlay	745,529	745,529	375,350	370,179
Total expenditures	<u>1,775,350</u>	<u>1,775,350</u>	<u>1,318,816</u>	<u>456,534</u>
Revenues over expenditures	<u>746,834</u>	<u>746,834</u>	<u>368,828</u>	<u>(378,006)</u>
Other financing sources (uses)				
Transfers in	200,000	200,000	58,755	(141,245)
Transfers out	(946,834)	(946,834)	(427,583)	519,251
Total other financing sources (uses)	<u>(746,834)</u>	<u>(746,834)</u>	<u>(368,828)</u>	<u>378,006</u>
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Bay City, Michigan
Public Improvement Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues				
Interest earnings	\$ 20,000	\$ 20,000	\$ 31,522	\$ 11,522
Other	-	-	1,000	1,000
Total revenues	20,000	20,000	32,522	12,522
Expenditures				
Capital outlay	816,992	816,992	3,551	813,441
Net change in fund balance	(796,992)	(796,992)	28,971	825,963
Fund balance, beginning of year	956,153	956,153	956,153	-
Fund balance, end of year	<u>\$ 159,161</u>	<u>\$ 159,161</u>	<u>\$ 985,124</u>	<u>\$ 825,963</u>

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, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues				
Licenses and permits	\$ 517,954	\$ 517,954	\$ 472,948	\$ (45,006)
Miscellaneous:				
Reimbursements	30,500	30,500	20,211	(10,289)
Other	21,400	21,400	53,306	31,906
Total revenues	<u>569,854</u>	<u>569,854</u>	<u>546,465</u>	<u>(23,389)</u>
Expenditures				
Public safety	637,405	633,310	614,768	18,542
Revenues under expenditures	(67,551)	(63,456)	(68,303)	(41,931)
Other financing sources				
Transfers in	-	63,456	68,303	4,847
Net change in fund balance	(67,551)	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	<u>\$ (67,551)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues				
Miscellaneous:				
Interest	\$ 4,500	\$ 4,500	\$ 5,091	\$ 591
Sale of property	-	-	2	2
Total revenues	<u>4,500</u>	<u>4,500</u>	<u>5,093</u>	<u>593</u>
Expenditures				
Economic development	<u>166,464</u>	<u>166,464</u>	<u>11,071</u>	<u>155,393</u>
Net change in fund balance	(161,964)	(161,964)	(5,978)	155,986
Fund balance, beginning of year	<u>166,915</u>	<u>166,915</u>	<u>166,915</u>	<u>-</u>
Fund balance, end of year	<u>\$ 4,951</u>	<u>\$ 4,951</u>	<u>\$ 160,937</u>	<u>\$ 155,986</u>

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, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues				
Taxes:				
General property taxes	\$ 1,747,764	\$ 1,747,764	\$ 1,746,823	\$ (941)
Miscellaneous:				
Interest earnings	50,000	50,000	50,082	82
Total revenues	<u>1,797,764</u>	<u>1,797,764</u>	<u>1,796,905</u>	<u>(859)</u>
Expenditures				
Debt service:				
Principal	1,635,000	1,635,000	1,635,000	-
Interest and fiscal charges	2,350	2,350	2,350	-
Total expenditures	<u>1,637,350</u>	<u>1,637,350</u>	<u>1,637,350</u>	<u>-</u>
Net change in fund balance	160,414	160,414	159,555	(859)
Fund balance, beginning of year	<u>583,671</u>	<u>583,671</u>	<u>583,671</u>	<u>-</u>
Fund balance, end of year	<u>\$ 744,085</u>	<u>\$ 744,085</u>	<u>\$ 743,226</u>	<u>\$ (859)</u>

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, 2009

	Oak Ridge Cemetery	James Clements Airport	Liberty Harbor Marina	Total
Assets				
Current assets				
Cash and cash equivalents	\$ 95,341	\$ 11,914	\$ 174,409	\$ 281,664
Receivables (net of allowance for uncollectibles)				
Accounts	4,569	12,244	-	16,813
Accrued interest	569	54	795	1,418
Due from other funds	23,864	-	-	23,864
Prepaid expenses	-	81	-	81
Inventories	-	25,868	-	25,868
Total current assets	124,343	50,161	175,204	349,708
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	-	50,869	-	50,869
Buildings	67,169	908,049	193,825	1,169,043
Machinery and equipment	1,130	9,383	82,667	93,180
	369,187	2,931,201	3,015,066	6,315,454
Less: accumulated depreciation	173,247	1,005,327	1,053,371	2,231,945
Net capital assets	195,940	1,925,874	1,961,695	4,083,509
Total assets	320,283	1,976,035	2,136,899	4,433,217
Liabilities				
Current liabilities				
Accounts payable	9,342	3,649	8,482	21,473
Accrued liabilities	-	-	414	414
Total current liabilities	9,342	3,649	8,896	21,887
Net assets				
Invested in capital assets	195,940	1,925,874	1,961,695	4,083,509
Unrestricted	115,001	46,512	166,308	327,821
Total net assets	\$ 310,941	\$ 1,972,386	\$ 2,128,003	\$ 4,411,330

City of Bay City, Michigan
Nonmajor Enterprise Funds
Combining Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended June 30, 2009

	<u>Oak Ridge Cemetery</u>	<u>James Clements Airport</u>	<u>Liberty Harbor Marina</u>	<u>Total</u>
Operating revenues				
Charges for services:				
Sales	\$ 47,257	\$ 50,588	\$ 3,094	\$ 100,939
Rents	-	5,579	118,881	124,460
Miscellaneous	-	19,382	18	19,400
Total operating revenues	<u>47,257</u>	<u>75,549</u>	<u>121,993</u>	<u>244,799</u>
Operating expenses				
Cost of sales and service	121,045	123,943	116,286	361,274
Depreciation	10,248	93,939	60,188	164,375
Total operating expenses	<u>131,293</u>	<u>217,882</u>	<u>176,474</u>	<u>525,649</u>
Operating loss	<u>(84,036)</u>	<u>(142,333)</u>	<u>(54,481)</u>	<u>(280,850)</u>
Nonoperating revenues				
Intergovernmental:				
Federal grants	-	87,285	-	87,285
State grants	-	10,482	-	10,482
Interest earnings	4,075	528	4,668	9,271
Total nonoperating revenues	<u>4,075</u>	<u>98,295</u>	<u>4,668</u>	<u>107,038</u>
Loss before transfers	(79,961)	(44,038)	(49,813)	(173,812)
Transfers in	<u>82,169</u>	<u>35,995</u>	<u>-</u>	<u>118,164</u>
Change in net assets	2,208	(8,043)	(49,813)	(55,648)
Net assets, beginning of year	<u>308,733</u>	<u>1,980,429</u>	<u>2,177,816</u>	<u>4,466,978</u>
Net assets, end of year	<u>\$ 310,941</u>	<u>\$ 1,972,386</u>	<u>\$ 2,128,003</u>	<u>\$ 4,411,330</u>

City of Bay City, Michigan
Nonmajor Enterprise Funds
Combining Statement of Cash Flows
For the Year Ended June 30, 2009

	Oak Ridge Cemetery	James Clements Airport	Liberty Harbor Marina	Total
Cash flows from operating activities				
Cash received from customers and users	\$ 48,271	\$ 59,895	\$ 122,163	\$ 230,329
Cash payments to suppliers for goods and services	(144,828)	(124,566)	(100,471)	(369,865)
Cash payments to employees for services	-	-	(15,076)	(15,076)
Other receipts	-	19,382	18	19,400
Net cash provided (used) by operating activities	<u>(96,557)</u>	<u>(45,289)</u>	<u>6,634</u>	<u>(135,212)</u>
Cash flows from noncapital financing activities				
Intergovernmental - federal grant	-	87,285	-	87,285
Intergovernmental - state grant	-	10,482	-	10,482
Transfers in	82,169	35,995	-	118,164
Net cash provided by noncapital financing activities	<u>82,169</u>	<u>133,762</u>	<u>-</u>	<u>215,931</u>
Cash flows from capital and related financing activities				
Purchase of capital assets	-	(99,424)	-	(99,424)
Cash flows from investing activities				
Interest received	4,075	528	4,668	9,271
Net increase (decrease) in cash and cash equivalents	(10,313)	(10,423)	11,302	(9,434)
Cash and cash equivalents, beginning of year	105,654	22,337	163,107	291,098
Cash and cash equivalents, end of year	<u>\$ 95,341</u>	<u>\$ 11,914</u>	<u>\$ 174,409</u>	<u>\$ 281,664</u>
Reconciliation of operating income to net cash provided by operating activities				
Operating loss	\$ (84,036)	\$ (142,333)	\$ (54,481)	\$ (280,850)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:				
Depreciation	10,248	93,939	60,188	164,375
(Increase) decrease in assets:				
Accounts receivable	868	3,642	50	4,560
Accrued interest receivable	146	86	138	370
Due from other funds	(23,864)	-	-	(23,864)
Inventories	-	3,365	-	3,365
Prepaid expenses	-	1,118	-	1,118
Increase (decrease) in liabilities:				
Accounts payable	81	(5,106)	694	(4,331)
Accrued liabilities	-	-	45	45
Total adjustments	<u>(12,521)</u>	<u>97,044</u>	<u>61,115</u>	<u>145,638</u>
Net cash provided (used) by operating activities	<u>\$ (96,557)</u>	<u>\$ (45,289)</u>	<u>\$ 6,634</u>	<u>\$ (135,212)</u>

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, 2009

	Motor Equipment Revolving	Information Systems	Liability/ Property Self- Insurance	Site Remediation	Benefits Program	Total
Assets						
Current assets						
Cash and cash equivalents	\$ 2,167,071	\$ 309,004	\$ 2,195,333	\$ 48,651	\$ 5,799,741	\$ 10,519,800
Receivables (net of allowance for uncollectibles)						
Accounts	-	-	450	-	783	1,233
Accrued interest	9,883	1,409	10,012	223	26,369	47,896
Due from other funds	-	-	-	-	241,697	241,697
Inventories	117,776	12,182	-	-	-	129,958
Prepaid expenses	-	-	-	-	48,957	48,957
Deposits	-	-	74,193	-	257,419	331,612
Total current assets	2,294,730	322,595	2,279,988	48,874	6,374,966	11,321,153
Other assets						
Net pension asset	141,811	116,782	-	-	-	258,593
Capital assets						
Buildings and improvements	14,011	-	-	-	-	14,011
Machinery and equipment	12,369,183	543,660	-	-	-	12,912,843
Less: accumulated depreciation	8,116,507	416,823	-	-	-	8,533,330
Net capital assets	4,266,687	126,837	-	-	-	4,393,524
Total assets	6,703,228	566,214	2,279,988	48,874	6,374,966	15,973,270
Liabilities						
Current liabilities						
Accounts payable	61,552	1,932	9,937	375	1,501,673	1,575,469
Accrued liabilities	18,064	12,024	-	-	2,953	33,041
Interest payable	2,477	-	-	-	-	2,477
Claims payable	-	-	772,730	-	1,069,640	1,842,370
Due to other funds	6,438	3,436	-	-	-	9,874
Due to other governments	-	-	-	-	16,332	16,332
Unearned revenue	-	-	-	48,499	-	48,499
Accrued compensated absences - current	27,956	45,048	-	-	-	73,004
Notes payable - current	46,032	-	-	-	-	46,032
Total current liabilities	162,519	62,440	782,667	48,874	2,590,598	3,647,098
Long-term liabilities						
Accrued compensated absences	37,956	29,512	-	-	-	67,468
Notes payable	148,995	-	-	-	-	148,995
Net OPEB obligation	130,057	41,919	-	-	-	171,976
Total long-term liabilities	317,008	71,431	-	-	-	388,439
Total liabilities	479,527	133,871	782,667	48,874	2,590,598	4,035,537
Net assets						
Invested in capital assets, net of related debt	4,071,660	126,837	-	-	-	4,198,497
Unrestricted	2,152,041	305,506	1,497,321	-	3,784,368	7,739,236
Total net assets	\$ 6,223,701	\$ 432,343	\$ 1,497,321	\$ -	\$ 3,784,368	\$ 11,937,733

City of Bay City, Michigan
Internal Service Funds
Combining Statement of Revenues, Expenses
and Changes in Net Assets
For the Year Ended June 30, 2009

	Motor Equipment Revolving	Information Systems	Liability/ Property Self- Insurance	Site Remediation	Benefits Program	Total
Operating revenues						
Charges for services	\$ 3,207,535	\$ 881,262	\$ 1,008,211	\$ 16,632	\$ 13,881,173	\$ 18,994,813
Miscellaneous:						
Employee contributions	-	-	-	-	968,733	968,733
Other	7,644	9,045	11,098	-	12,312	40,099
Total operating revenues	<u>3,215,179</u>	<u>890,307</u>	<u>1,019,309</u>	<u>16,632</u>	<u>14,862,218</u>	<u>20,003,645</u>
Operating expenses						
Cost of sales and service	2,312,935	699,305	-	18,478	-	3,030,718
Administration	-	-	9,481	-	183,907	193,388
Claims and benefits	-	-	874,206	-	13,425,687	14,299,893
Depreciation	835,674	56,651	-	-	-	892,325
Total operating expenses	<u>3,148,609</u>	<u>755,956</u>	<u>883,687</u>	<u>18,478</u>	<u>13,609,594</u>	<u>18,416,324</u>
Operating income (loss)	<u>66,570</u>	<u>134,351</u>	<u>135,622</u>	<u>(1,846)</u>	<u>1,252,624</u>	<u>1,587,321</u>
Nonoperating revenues (expenses)						
Interest earnings	64,728	7,973	61,480	1,846	145,603	281,630
Interest expense	(8,138)	-	-	-	-	(8,138)
Gain on disposal of capital assets	29,052	-	-	-	-	29,052
Total nonoperating revenues (expenses)	<u>85,642</u>	<u>7,973</u>	<u>61,480</u>	<u>1,846</u>	<u>145,603</u>	<u>302,544</u>
Changes in net assets	152,212	142,324	197,102	-	1,398,227	1,889,865
Net assets, beginning of year	<u>6,071,489</u>	<u>290,019</u>	<u>1,300,219</u>	<u>-</u>	<u>2,386,141</u>	<u>10,047,868</u>
Net assets, end of year	<u>\$ 6,223,701</u>	<u>\$ 432,343</u>	<u>\$ 1,497,321</u>	<u>\$ -</u>	<u>\$ 3,784,368</u>	<u>\$ 11,937,733</u>

City of Bay City, Michigan
Internal Service Funds
Combining Statement of Cash Flows
For the Year Ended June 30, 2009

	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	\$ 3,223,339	\$ 893,140	\$ 1,020,103	\$ 16,782	\$ 14,611,590	\$ 19,764,954
Cash payments to suppliers for goods and services	(1,237,638)	(112,017)	(713,231)	(35,088)	(12,233,125)	(14,331,099)
Cash payments to employees for services	(1,001,428)	(587,577)	-	-	-	(1,589,005)
Net cash provided (used) by operating activities	<u>984,273</u>	<u>193,546</u>	<u>306,872</u>	<u>(18,306)</u>	<u>2,378,465</u>	<u>3,844,850</u>
Cash flows from capital and related financing activities						
Purchase of capital assets	(502,105)	(30,886)	-	-	-	(532,991)
Proceeds from sale of capital assets	29,252	-	-	-	-	29,252
Principal paid on debt	(44,327)	-	-	-	-	(44,327)
Interest paid on debt	(8,138)	-	-	-	-	(8,138)
Net cash used by capital and related financing activities	<u>(525,318)</u>	<u>(30,886)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(556,204)</u>
Cash flows from investing activities						
Interest received	64,728	7,973	61,480	1,846	145,603	281,630
Net increase (decrease) in cash and cash equivalents	523,683	170,633	368,352	(16,460)	2,524,068	3,570,276
Cash and cash equivalents, beginning of year	1,643,388	138,371	1,826,981	65,111	3,275,673	6,949,524
Cash and cash equivalents, end of year	<u>\$ 2,167,071</u>	<u>\$ 309,004</u>	<u>\$ 2,195,333</u>	<u>\$ 48,651</u>	<u>\$ 5,799,741</u>	<u>\$ 10,519,800</u>
Reconciliation of operating loss to net cash provided (used) by operating activities						
Operating income (loss)	\$ 66,570	\$ 134,351	\$ 135,622	\$ (1,846)	\$ 1,252,624	\$ 1,587,321
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:						
Depreciation	835,674	56,651	-	-	-	892,325
(Increase) decrease in assets:						
Accounts receivable	2,171	-	347	-	(779)	1,739
Accrued interest	(449)	(603)	447	150	(8,405)	(8,860)
Due from other funds	-	-	-	-	(241,444)	(241,444)
Inventories	10,082	133	-	-	-	10,215
Prepaid expenses	-	4,872	-	-	302,390	307,262
Deposits	-	-	(74,193)	-	9,188	(65,005)
Net pension asset	(68,776)	(37,009)	-	-	-	(105,785)
Increase (decrease) in liabilities:						
Accounts payable	14,022	(2,308)	8,240	22	1,094,693	1,114,669
Accrued liabilities	2,371	1,379	-	-	2,263	6,013
Interest payable	(563)	-	-	-	-	(563)
Claims payable	-	-	236,409	-	(42,195)	194,214
Due to other funds	6,438	3,436	-	-	-	9,874
Due to other governments	-	-	-	-	10,130	10,130
Unearned revenue	-	-	-	(16,632)	-	(16,632)
Net OPEB obligation	130,057	41,919	-	-	-	171,976
Accrued compensated absences	(13,324)	(9,275)	-	-	-	(22,599)
Total adjustments	<u>917,703</u>	<u>59,195</u>	<u>171,250</u>	<u>(16,460)</u>	<u>1,125,841</u>	<u>2,257,529</u>
Net cash provided (used) by operating activities	<u>\$ 984,273</u>	<u>\$ 193,546</u>	<u>\$ 306,872</u>	<u>\$ (18,306)</u>	<u>\$ 2,378,465</u>	<u>\$ 3,844,850</u>

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, 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, 2009

	Pension Trust	Healthcare Trust Fund			Total
	Police & Fire Retirement	General Employees Health Care Investment	Police & Fire Health Care Investment	Total Health Care Investment Fund	
Assets					
Cash and cash equivalents	\$ -	\$ 2,465,541	\$ 830,223	\$ 3,295,764	\$ 3,295,764
Investments					
Money market accounts	1,292,960	-	-	-	1,292,960
Mutual funds	10,821,711	503,922	328,992	832,914	11,654,625
Government securities	6,817,033	-	-	-	6,817,033
Corporate bonds	4,222,792	-	-	-	4,222,792
Common stock	14,380,006	-	-	-	14,380,006
Accounts receivable	124,181	-	-	-	124,181
Interest receivable	127,367	11,244	3,786	15,030	142,397
Total assets	37,786,050	2,980,707	1,163,001	4,143,708	41,929,758
Liabilities					
Accounts payable	43,667	-	-	-	43,667
Net assets					
Held in trust for employees' pension benefits	37,742,383	-	-	-	37,742,383
Held in trust for employees' postemployment health care benefits	-	2,980,707	1,163,001	4,143,708	4,143,708
Total net assets	\$ 37,742,383	\$ 2,980,707	\$ 1,163,001	\$ 4,143,708	\$ 41,886,091

City of Bay City, Michigan
Fiduciary Funds
Combining Statement of Changes in Plan Net Assets
For the Year Ended June 30, 2009

	Pension Trust	Healthcare Trust Fund			Total
	Police & Fire Retirement	General Employees Health Care Investment	Police & Fire Health Care Investment	Total Health Care Investment Fund	
Additions					
Contributions					
Employer	\$ 1,618,068	\$ 370,652	\$ -	\$ 370,652	\$ 1,988,720
Plan members	494,757	-	-	-	494,757
Total contributions	<u>2,112,825</u>	<u>370,652</u>	<u>-</u>	<u>370,652</u>	<u>2,483,477</u>
Investment income					
Interest and dividends	1,059,033	82,436	33,830	116,266	1,175,299
Net depreciation in fair value of investments	(10,961,469)	(186,544)	(123,519)	(310,063)	(11,271,532)
Investment expense	(238,790)	-	-	-	(238,790)
Net investment loss	<u>(10,141,226)</u>	<u>(104,108)</u>	<u>(89,689)</u>	<u>(193,797)</u>	<u>(10,335,023)</u>
Other additions	<u>811</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>811</u>
Net investment loss in excess of contributions	<u>(8,027,590)</u>	<u>266,544</u>	<u>(89,689)</u>	<u>176,855</u>	<u>(7,850,735)</u>
Deductions					
Benefits and refunds paid to participants	4,344,007	-	-	-	4,344,007
Administrative expenses	149,850	-	-	-	149,850
Total deductions	<u>4,493,857</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,493,857</u>
Net increase (decrease) in plan net assets	<u>(12,521,447)</u>	<u>266,544</u>	<u>(89,689)</u>	<u>176,855</u>	<u>(12,344,592)</u>
Net assets held in trust for pension and other employee benefits					
Beginning of year	<u>50,263,830</u>	<u>2,714,163</u>	<u>1,252,690</u>	<u>3,966,853</u>	<u>54,230,683</u>
End of year	<u>\$ 37,742,383</u>	<u>\$ 2,980,707</u>	<u>\$ 1,163,001</u>	<u>\$ 4,143,708</u>	<u>\$ 41,886,091</u>

City of Bay City, Michigan
Agency Funds
Combining Statement of Fiduciary Assets and Liabilities
June 30, 2009

	<u>Trust and Agency</u>	<u>Current Tax Collection</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 156,050	\$ -	\$ 156,050
Liabilities			
Accounts payable	\$ 286	\$ -	\$ 286
Due to other governmental units	138,833	-	138,833
Deposits	16,931	-	16,931
Total liabilities	<u>\$ 156,050</u>	<u>\$ -</u>	<u>\$ 156,050</u>

City of Bay City, Michigan
Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the Year Ended June 30, 2009

	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2009</u>
<u>Trust & Agency Fund</u>				
Assets				
Cash and cash equivalents	\$ 154,146	\$ 5,300,393	\$ 5,298,489	\$ 156,050
Liabilities				
Accounts payable	\$ 357	\$ 288,356	\$ 288,427	\$ 286
Due to other funds	-	769,441	\$ 769,441	-
Due to other governmental units	138,326	4,646,206	4,645,699	138,833
Deposits	15,463	54,471	53,003	16,931
Total liabilities	\$ 154,146	\$ 5,758,474	\$ 5,756,570	\$ 156,050
<u>Current Tax Collection Fund</u>				
Assets				
Cash and cash equivalents	\$ -	\$ 32,116,695	\$ 32,116,695	\$ -
Liabilities				
Accounts payable	\$ -	\$ 370,203	\$ 370,203	\$ -
Due to other funds	-	453,431	453,431	-
Due to other governmental units	-	31,858,680	31,858,680	-
Total liabilities	\$ -	\$ 32,682,314	\$ 32,682,314	\$ -
<u>Total - All Agency Funds</u>				
Assets				
Cash and cash equivalents	\$ 154,146	\$ 37,417,088	\$ 37,415,184	\$ 156,050
Liabilities				
Accounts payable	\$ 357	\$ 658,559	\$ 658,630	\$ 286
Due to other funds	-	1,222,872	1,222,872	-
Due to other governmental units	138,326	36,504,886	36,504,379	138,833
Deposits	15,463	54,471	53,003	16,931
Total liabilities	\$ 154,146	\$ 38,440,788	\$ 38,438,884	\$ 156,050

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. (City Loans and Collection 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, 2009

	<u>Downtown Development Authority</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>	<u>Midland Street TIFA</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
Assets						
Cash and cash equivalents	\$ 143,303	\$ -	\$ 143,303	\$ 252,441	\$ -	\$ 252,441
Receivables:						
Accounts	2,720	-	2,720	-	-	-
Delinquent taxes	1,141	-	1,141	-	-	-
Accrued interest	654	-	654	1,165	-	1,165
Notes	-	-	-	-	-	-
Lease	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-
Net pension asset	-	-	-	-	-	-
Capital assets, net	-	137,579	137,579	-	418,532	418,532
Total assets	<u>\$ 147,818</u>	<u>137,579</u>	<u>285,397</u>	<u>\$ 253,606</u>	<u>418,532</u>	<u>672,138</u>
Liabilities						
Accounts payable	\$ 20,479	-	20,479	\$ 15,919	-	15,919
Accrued liabilities	-	-	-	-	-	-
Deferred / unearned revenue	12,964	(12,964)	-	-	-	-
Long-term debt:						
Bonds payable	-	-	-	-	-	-
Notes payable	-	-	-	-	-	-
Total liabilities	<u>33,443</u>	<u>(12,964)</u>	<u>20,479</u>	<u>15,919</u>	<u>-</u>	<u>15,919</u>
Fund balances / net assets						
Unreserved	<u>114,375</u>	<u>(114,375)</u>	<u>-</u>	<u>237,687</u>	<u>(237,687)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 147,818</u>			<u>\$ 253,606</u>		
Net assets						
Invested in capital assets, net of related debt		137,579	137,579		418,532	418,532
Unrestricted		<u>127,339</u>	<u>127,339</u>		<u>237,687</u>	<u>237,687</u>
Total net assets		<u>\$ 264,918</u>	<u>\$ 264,918</u>		<u>\$ 656,219</u>	<u>\$ 656,219</u>

<u>Kresge's DDA</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>	<u>Marquette District TIFA</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
\$ 35,507	\$ -	\$ 35,507	\$ 471,780	\$ -	\$ 471,780
-	-	-	-	-	-
-	-	-	-	-	-
162	-	162	2,152	-	2,152
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	27,855	27,855
-	22,206	22,206	-	1,851,912	1,851,912
<u>\$ 35,669</u>	<u>22,206</u>	<u>57,875</u>	<u>\$ 473,932</u>	<u>1,879,767</u>	<u>2,353,699</u>
\$ 160	-	160	\$ 5,058	-	5,058
-	-	-	1,995	-	1,995
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>160</u>	<u>-</u>	<u>160</u>	<u>7,053</u>	<u>-</u>	<u>7,053</u>
<u>35,509</u>	<u>(35,509)</u>	<u>-</u>	<u>466,879</u>	<u>(466,879)</u>	<u>-</u>
<u>\$ 35,669</u>			<u>\$ 473,932</u>		
	22,206	22,206		1,851,912	1,851,912
	<u>35,509</u>	<u>35,509</u>		<u>494,734</u>	<u>494,734</u>
	<u>\$ 57,715</u>	<u>\$ 57,715</u>		<u>\$ 2,346,646</u>	<u>\$ 2,346,646</u>

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, 2009

	Water Street DDA	Adjustments	Statement of Net Assets	Marina Develop. TIFA	Adjustments	Statement of Net Assets
Assets						
Cash and cash equivalents	\$ 903,241	\$ -	\$ 903,241	\$ 3,058	\$ -	\$ 3,058
Receivables:						
Accounts	-	-	-	249	-	249
Delinquent taxes	-	-	-	-	-	-
Accrued interest	4,119	-	4,119	-	-	-
Notes	-	-	-	-	-	-
Lease	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-
Net pension asset	-	-	-	-	-	-
Capital assets, net	-	2,355,090	2,355,090	-	520,977	520,977
Total assets	\$ 907,360	2,355,090	3,262,450	\$ 3,307	520,977	524,284
Liabilities						
Accounts payable	\$ 236,056	-	236,056	\$ -	-	-
Accrued liabilities	-	13,742	13,742	-	-	-
Deferred / unearned revenue	-	-	-	-	-	-
Long-term debt:						
Bonds payable	-	2,180,000	2,180,000	-	-	-
Notes payable	-	-	-	-	-	-
Total liabilities	236,056	2,193,742	2,429,798	-	-	-
Fund balances / net assets						
Unreserved	671,304	(671,304)	-	3,307	(3,307)	-
Total liabilities and fund balances	\$ 907,360			\$ 3,307		
Net assets						
Invested in capital assets, net of related debt		175,090	175,090		520,977	520,977
Unrestricted (deficit)		657,562	657,562		3,307	3,307
Total net assets (deficit)		\$ 832,652	\$ 832,652		\$ 524,284	\$ 524,284

<u>Allen Healthcare DDA</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>	<u>Knepp's DDA</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
\$ 2,677	\$ -	\$ 2,677	\$ 13,598	\$ -	\$ 13,598
-	-	-	-	-	-
-	-	-	-	-	-
12	-	12	62	-	62
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	152,083	152,083
<u>\$ 2,689</u>	<u>-</u>	<u>2,689</u>	<u>\$ 13,660</u>	<u>152,083</u>	<u>165,743</u>
\$ -	-	-	\$ -	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	8,139	8,139	-	-	-
-	8,139	8,139	-	-	-
2,689	(2,689)	-	13,660	(13,660)	-
<u>\$ 2,689</u>			<u>\$ 13,660</u>		
	-	-		152,083	152,083
	(5,450)	(5,450)		13,660	13,660
<u>\$ (5,450)</u>	<u>\$ (5,450)</u>		<u>\$ 165,743</u>	<u>\$ 165,743</u>	

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, 2009

	<u>Downtown Development Authority</u>	<u>Adjustments</u>	<u>Statement of Activities</u>	<u>Midland St. TIFA</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues						
Taxes:						
Tax increment	\$ -	\$ -	\$ -	\$ 103,225	\$ -	\$ 103,225
Special assessments	74,478	(14,449)	60,029	-	-	-
Charges for services:						
Rents	84,024	-	84,024	-	-	-
Miscellaneous:						
Interest earnings	4,262	-	4,262	8,565	-	8,565
Other	40,247	-	40,247	-	-	-
Total revenues	<u>203,011</u>	<u>(14,449)</u>	<u>188,562</u>	<u>111,790</u>	<u>-</u>	<u>111,790</u>
Expenditures/Expenses						
Current:						
Economic development	177,752	(23,244)	154,508	2,447	-	2,447
Depreciation	-	22,997	22,997	-	19,824	19,824
Capital outlay	23,244	-	23,244	46,140	(35,502)	10,638
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures/expenses	<u>200,996</u>	<u>(247)</u>	<u>200,749</u>	<u>48,587</u>	<u>(15,678)</u>	<u>32,909</u>
Change in net assets	2,015	(14,202)	(12,187)	63,203	15,678	78,881
Fund balances / net assets, beginning of year	<u>112,360</u>	<u>164,745</u>	<u>277,105</u>	<u>174,484</u>	<u>402,854</u>	<u>577,338</u>
Fund balances / net assets, end of year	<u>\$ 114,375</u>	<u>\$ 150,543</u>	<u>\$ 264,918</u>	<u>\$ 237,687</u>	<u>\$ 418,532</u>	<u>\$ 656,219</u>

Kresge's DDA	Adjustments	Statement of Activities	Marquette District TIFA	Adjustments	Statement of Activities
\$ 2,358	\$ -	\$ 2,358	\$ 338,955	\$ -	\$ 338,955
-	-	-	-	-	-
-	-	-	-	-	-
1,230	-	1,230	25,460	-	25,460
-	-	-	1,011	-	1,011
<u>3,588</u>	<u>-</u>	<u>3,588</u>	<u>365,426</u>	<u>-</u>	<u>365,426</u>
757	-	757	433,622	(29,590)	404,032
-	1,413	1,413	-	95,273	95,273
6,447	(6,447)	-	384,365	(384,365)	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>7,204</u>	<u>(5,034)</u>	<u>2,170</u>	<u>817,987</u>	<u>(318,682)</u>	<u>499,305</u>
(3,616)	5,034	1,418	(452,561)	318,682	(133,879)
<u>39,125</u>	<u>17,172</u>	<u>56,297</u>	<u>919,440</u>	<u>1,561,085</u>	<u>2,480,525</u>
<u>\$ 35,509</u>	<u>\$ 22,206</u>	<u>\$ 57,715</u>	<u>\$ 466,879</u>	<u>\$ 1,879,767</u>	<u>\$ 2,346,646</u>

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, 2009

	<u>Water Street DDA</u>	<u>Adjustments</u>	<u>Statement of Activities</u>	<u>Marina Develop. TIFA</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues						
Intergovernmental:						
State	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes:						
Tax increment	331,671	-	331,671	-	-	-
Miscellaneous:						
Interest earnings	31,959	-	31,959	-	-	-
Total revenues	<u>363,630</u>	<u>-</u>	<u>363,630</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures/Expenses						
Current:						
Economic development	69,122	-	69,122	-	-	-
Depreciation	-	112,536	112,536	-	9,373	9,373
Capital outlay	208,440	(208,440)	-	-	-	-
Debt service:						
Principal	150,000	(150,000)	-	-	-	-
Interest	87,328	(813)	86,515	-	-	-
Total expenditures/expenses	<u>514,890</u>	<u>(246,717)</u>	<u>268,173</u>	<u>-</u>	<u>9,373</u>	<u>9,373</u>
Change in net assets	(151,260)	246,717	95,457	-	(9,373)	(9,373)
Fund balances / net assets (deficit), beginning of year	<u>822,564</u>	<u>(85,369)</u>	<u>737,195</u>	<u>3,307</u>	<u>530,350</u>	<u>533,657</u>
Fund balances / net assets (deficit), end of year	<u>\$ 671,304</u>	<u>\$ 161,348</u>	<u>\$ 832,652</u>	<u>\$ 3,307</u>	<u>\$ 520,977</u>	<u>\$ 524,284</u>

Allen Health- care DDA	Adjustments	Statement of Activities	Knepp's DDA	Adjustments	Statement of Activities
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
21,859	-	21,859	19,065	-	19,065
413	-	413	475	-	475
22,272	-	22,272	19,540	-	19,540
-	-	-	934	-	934
-	-	-	-	2,503	2,503
-	-	-	17,608	(17,608)	-
19,637	(19,637)	-	-	-	-
2,222	-	2,222	-	-	-
21,859	(19,637)	2,222	18,542	(15,105)	3,437
413	19,637	20,050	998	15,105	16,103
2,276	(27,776)	(25,500)	12,662	136,978	149,640
<u>\$ 2,689</u>	<u>\$ (8,139)</u>	<u>\$ (5,450)</u>	<u>\$ 13,660</u>	<u>\$ 152,083</u>	<u>\$ 165,743</u>

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 Seven Fiscal Years
(accrual basis of accounting)**

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
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	\$ 70,688,130
Restricted	1,377,911	2,270,720	1,400,317	1,669,514	1,832,805	2,180,059	2,228,927
Unrestricted	9,943,254	13,634,247	10,364,764	11,588,878	12,085,327	1,925,635	1,990,740
Total governmental activities net assets	\$ 75,788,519	\$ 74,865,961	\$ 72,091,524	\$ 74,866,448	\$ 74,678,251	\$ 72,883,040	\$ 74,907,797
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	\$ 82,703,164
Restricted	1,160,696	-	-	-	-	-	-
Unrestricted	26,340,649	30,266,336	30,668,638	32,243,217	31,542,821	43,744,542	39,161,140
Total business-type activities net assets	\$ 130,148,412	\$ 128,655,578	\$ 127,130,480	\$ 121,716,552	\$ 122,278,208	\$ 123,073,730	\$ 121,864,304
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	\$ 153,391,294
Restricted	2,538,607	2,270,720	1,400,317	1,669,514	1,832,805	2,180,059	2,228,927
Unrestricted	36,283,903	43,900,583	41,033,402	43,832,095	43,628,148	45,670,177	41,151,880
Total primary government net assets	\$ 205,936,931	\$ 203,521,539	\$ 199,222,004	\$ 196,583,000	\$ 196,956,459	\$ 195,956,770	\$ 196,772,101

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

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
Expenses							
Governmental activities:							
Public safety	\$ 13,145	\$ 13,014	\$ 13,429	\$ 14,170	\$ 14,640	\$ 13,094	\$ 12,808
Community and economic development	1,859	-	2,037	2,116	2,602	2,148	1,903
Public works	5,638	11,019	10,909	9,871	9,236	9,633	10,919
General government	3,333	3,028	2,286	1,614	2,064	3,168	2,730
Recreation and culture	1,046	941	1,129	1,249	1,164	1,016	1,074
Interest on long-term debt	1,562	1,358	1,544	1,298	1,302	1,399	1,267
Total governmental activities expenses	26,583	29,360	31,334	30,318	31,008	30,458	30,701
Business-type activities:							
Electric	22,574	22,116	24,134	26,079	26,537	30,012	30,419
Water	7,330	6,939	6,870	7,231	7,694	8,072	8,746
Sewer	8,318	10,340	11,468	12,487	12,165	11,987	12,573
Public works	421	435	421	463	519	541	524
Total business-type activities expenses	38,643	39,830	42,893	46,260	46,915	50,612	52,262
Total primary government expenses	\$ 65,226	\$ 69,190	\$ 74,227	\$ 76,578	\$ 77,923	\$ 81,070	\$ 82,963
Program Revenues							
Governmental activities:							
Charges for services							
Public safety	\$ 665	\$ 640	\$ 768	\$ 960	\$ 811	\$ 716	\$ 727
General government	88	1,036	1,299	1,419	1,256	925	677
Public works	1,961	2,006	1,923	1,939	1,973	2,010	2,065
Recreation and culture	4	6	13	8	10	25	23
Other	-	-	(16)	125	71	97	(138)
Operating grants and contributions	2,849	5,899	6,296	5,797	5,646	6,252	7,760
Capital grants and contributions	35	21	618	47	1,659	1,259	1,461
Total governmental activities program revenues	5,602	9,608	10,901	10,295	11,426	11,284	12,575
Business-type activities:							
Charges for services							
Electric	21,480	21,972	22,991	23,770	26,060	29,067	30,270
Water	6,758	7,060	7,342	7,204	7,246	7,800	7,540
Sewer	7,576	8,358	9,931	11,512	11,726	12,346	11,761
Public works	399	230	219	215	188	264	194
Operating grants and contributions	-	26	164	246	102	115	51
Capital grants and contributions	-	-	-	455	482	427	98
Total business-type activities program revenues	36,213	37,646	40,647	43,402	45,804	50,019	49,914
Total primary government program revenues	\$ 41,815	\$ 47,254	\$ 51,548	\$ 53,697	\$ 57,230	\$ 61,303	\$ 62,489
Net (expense)/revenue							
Governmental activities	\$ (20,981)	\$ (19,773)	\$ (20,433)	\$ (20,023)	\$ (19,582)	\$ (19,174)	\$ (18,126)
Business-type activities	(2,430)	(2,184)	(2,246)	(2,858)	(1,111)	(593)	(2,348)
Total primary government net expense	\$ (23,411)	\$ (21,936)	\$ (22,679)	\$ (22,881)	\$ (20,693)	\$ (19,767)	\$ (20,474)
General Revenues and Other Changes in Net Assets							
Governmental activities:							
Property taxes	\$ 13,263	\$ 13,142	\$ 12,934	\$ 13,592	\$ 13,640	\$ 14,044	\$ 14,249
Unrestricted grants and contributions	5,572	5,458	5,395	5,172	5,127	4,911	5,104
Investment earnings	260	274	381	398	702	1,022	709
Miscellaneous	4,519	67	71	111	74	80	107
Transfers	(81)	(119)	(311)	3,525	(149)	34	(18)
Total governmental activities	23,533	18,822	18,470	22,798	19,394	20,091	20,151
Business-type activities:							
Investment earnings	658	438	841	922	1,459	1,398	1,048
Miscellaneous	117	40	213	47	64	25	72
Transfers	81	119	311	(3,525)	149	(34)	18
Total business-type activities	856	597	1,365	(2,556)	1,672	1,389	1,138
Total primary government	\$ 24,389	\$ 19,419	\$ 19,835	\$ 20,242	\$ 21,066	\$ 21,480	\$ 21,289
Change in Net Assets							
Governmental activities	\$ 2,552	\$ (951)	\$ (1,963)	\$ 2,775	\$ (188)	\$ 917	\$ 2,025
Business-type activities	(1,574)	(1,587)	(881)	(5,414)	561	796	(1,210)
Total primary government	\$ 978	\$ (2,538)	\$ (2,844)	\$ (2,639)	\$ 373	\$ 1,713	\$ 815

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

	Fiscal Year						
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General fund							
Reserved	\$ 46	\$ 4	\$ 3	\$ -	\$ -	\$ 342	\$ 268
Unreserved	4,951	5,460	5,380	5,353	5,086	4,878	5,677
Total general fund	<u>\$ 4,997</u>	<u>\$ 5,464</u>	<u>\$ 5,383</u>	<u>\$ 5,353</u>	<u>\$ 5,086</u>	<u>\$ 5,220</u>	<u>\$ 5,945</u>
All other governmental funds							
Reserved	\$ 316	\$ 42	\$ 42	\$ 36	\$ 65	\$ 37	\$ 41
Unreserved, reported in:							
Special revenue funds	1,793	1,951	1,663	2,168	2,479	2,529	2,368
Capital projects funds	2,632	2,156	1,347	1,463	1,446	1,596	1,486
Debt service fund	338	115	53	207	387	584	743
Total all other governmental funds	<u>\$ 5,079</u>	<u>\$ 4,264</u>	<u>\$ 3,105</u>	<u>\$ 3,874</u>	<u>\$ 4,377</u>	<u>\$ 4,746</u>	<u>\$ 4,638</u>

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

	Fiscal Year						
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Revenues							
Property taxes and other taxes	\$ 13,263	\$ 12,469	\$ 12,528	\$ 12,557	\$ 12,816	\$ 13,227	\$ 13,271
Licenses and permits	452	402	513	663	532	497	498
Federal grants	2,869	2,092	3,630	2,804	3,737	3,352	3,473
State shared revenues and grants	8,761	10,246	9,441	9,595	9,820	8,062	10,725
Local contributions	-	88	66	54	16	1,763	1,502
Interest, rents and royalties	280	243	332	367	613	712	427
Charges for services	5,295	5,389	5,466	5,969	5,856	6,038	6,215
Fines and forfeits	161	171	153	136	132	150	165
Reimbursements, refunds and other revenue	1,206	779	543	961	875	1,145	348
Cable franchise fees	342	-	-	-	-	-	-
Total revenues	32,629	31,879	32,672	33,106	34,397	34,946	36,624
Expenditures							
General government	6,988	4,959	5,470	5,381	5,609	5,387	5,007
Public safety	12,505	12,530	13,205	13,826	14,358	12,960	12,419
Public works	6,275	6,894	7,158	7,203	6,777	6,800	6,979
Community and economic development	2,177	2,030	2,405	1,853	1,784	1,740	1,773
Recreation and culture	1,031	954	1,030	1,076	1,005	818	830
Post-retirement benefits	-	-	-	-	-	2,034	2,077
Capital outlay	2,921	2,354	2,550	1,393	2,841	2,501	5,193
Debt service:							
Principal	633	2,110	1,690	1,570	1,638	2,173	1,690
Interest and other fees	1,562	158	115	4	1	77	21
Total expenditures	34,092	31,989	33,623	32,306	34,013	34,490	35,989
Excess of revenues over (under) expenditures	(1,463)	(110)	(951)	800	384	456	635
Other financing sources (uses)							
Lease proceeds	-	31	-	29	-	14	-
Transfers in	2,201	2,397	1,717	2,537	841	907	770
Transfers (out)	(2,282)	(2,516)	(1,741)	(2,627)	(990)	(874)	(788)
Total other financing sources (uses)	(81)	(88)	(24)	(61)	(149)	47	(18)
Net change in fund balances	\$ (1,544)	\$ (198)	\$ (975)	\$ 739	\$ 235	\$ 503	\$ 617
Debt service as a percentage of noncapital expenditures	7.04%	7.65%	5.81%	5.09%	5.26%	7.03%	5.60%

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)**

<u>Fiscal Year</u>	<u>Property Taxes</u>	<u>Electric Operating</u>
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
2009	14,249,217	30,309,062

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			Personal Property	Total Assessed Value	Total Direct Tax Rate	Estimated Actual Assessed Value	Assessed Value as a Percentage of Actual Value
	Residential	Commercial	Industrial					
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%
2009	486,359	116,320	26,200	85,895	714,774	19.5503	1,429,548	50.00%

Source: Bay City Assessor's Office

Note: Property in the City is reassessed annually. The city assesses property at approximately 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**

<u>Fiscal Year (1) (2)</u>	<u>Bay City</u>				<u>Overlapping Rates</u>			<u>Total Direct & Overlapping Rates</u>
	<u>Operating Millage</u>	<u>Special Millage (3)</u>	<u>Debt Millage</u>	<u>Total City Millage</u>	<u>School District</u>	<u>Community College</u>	<u>County</u>	
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
2009	16.9615	0.0000	2.5888	19.5503	31.2733	2.0427	10.8138	63.6801

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. 2000 refers to the 2001 tax collection, 2001 refers to the 2002 tax collection, and so on.

(3) Through 1999 (FY 2000), 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, 2009 and Ten Years Previous

Taxpayer	2009			1999		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
General Motors Corporation	\$ 47,883,576	1	7.39%	\$ 110,183,959	1	21.09%
Consumers Energy Company	5,123,904	2	0.79%	7,181,210	3	1.37%
Wenonah Park Properties	3,954,250	3	0.61%	-	-	-
Arthur P Dore	2,937,039	4	0.45%	-	-	-
Bay City Housing Commission	2,547,550	5	0.39%	1,989,477	9	0.38%
Carbone of America	2,390,200	6	0.37%	2,625,150	5	0.50%
Charter Communications	2,388,400	7	0.37%	-	-	-
Northern Concrete Pipe	2,382,183	8	0.37%	-	-	-
Kerkau Manufacturing	2,256,010	9	0.35%	2,104,400	7	0.40%
F.P. Horak Company	2,183,900	10	0.34%	3,123,050	4	0.60%
Thompson Bay Company, Inc.	-	-	-	10,779,400	2	2.06%
National City Bank of MI/IL	-	-	-	2,333,145	6	0.45%
Brennan Marine	-	-	-	2,014,720	8	0.39%
Art Van Furniture	-	-	-	1,885,494	10	0.36%
Totals	\$ 74,047,012		11.43%	\$ 144,220,005		27.60%

Electric Customer	2009			2000 (1)		
	Revenues	Rank	Percentage of Total Revenue	Revenues	Rank	Percentage of Total Revenue
Bay Medical Center	\$ 1,315,346	1	4.4%	\$ 734,889	2	3.1%
City of Bay City	1,181,269	2	3.9%	950,691	1	4.1%
Carbone USA	835,927	3	2.8%	403,597	4	1.7%
Bay County	642,466	4	2.1%	292,640	5	1.2%
S.C. Johnson & Sons	444,731	5	1.5%	-	-	-
Bay Cast	336,032	6	1.1%	283,994	6	1.2%
Doubletree Hotel	272,515	7	0.9%	-	-	-
Kerkau Manufacturing	274,996	8	0.9%	160,551	8	0.7%
Bay City Housing Commission	232,057	9	0.8%	144,734	9	0.6%
Menards	96,872	10	0.3%	-	-	-
Bay City Board of Education	-	-	-	432,840	3	1.8%
Thompson Bay Company	-	-	-	215,958	7	0.9%
F P Horak Company	-	-	-	139,256	10	0.6%
Totals	\$ 5,632,211		18.70%	\$ 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
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%
2009	13,072	12,176	93.15%	845	13,021	99.61%

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

Fiscal Year	Governmental Activities				Business-type Activities			Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Installment Purchase Contracts	Term Loans	Capital Leases	Revenue Bonds	General Obligation Bonds	Term Loans			
2000	\$ 25,012,309	\$ 1,065,824	\$ -	\$ -	\$ 13,482,684	\$ 1,500,000	\$ 6,120,000	\$ 47,180,817	16.51%	\$ 1,281
2001	24,226,531	866,756	-	-	12,761,703	1,455,000	8,456,809	47,766,799	16.70%	1,301
2002	23,346,115	667,688	-	45,903	11,995,722	1,405,000	27,284,690	64,745,118	22.79%	1,784
2003	22,713,211	437,819	-	69,312	11,184,741	1,355,000	38,438,296	74,198,379	25.35%	2,063
2004	22,031,664	400,842	-	73,412	10,318,760	1,305,000	40,198,689	74,328,367	24.62%	2,091
2005	21,644,380	362,726	-	35,122	9,392,779	7,250,000	39,070,000	77,755,007	25.29%	2,212
2006	17,774,130	323,144	-	45,364	8,315,000	15,895,000	41,975,727	84,328,365	26.61%	2,427
2007	17,462,577	282,040	-	22,717	7,115,000	14,690,000	41,290,000	80,862,334	25.52%	2,355
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%	2,652
2009	16,731,739	195,027	2,127,500	9,375	8,020,000	20,140,001	37,070,000	84,293,642	25.53%	2,488

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)
2000	\$ 46,710	\$ 136	\$ 22,073	\$ 24,501	4.33%	665.48
2001	43,707	240	23,359	20,108	3.38%	547.51
2002	39,926	298	16,955	22,673	3.64%	624.60
2003	35,253	338	12,540	22,375	3.17%	622.09
2004	33,655	115	11,624	21,917	2.98%	616.66
2005	38,287	53	16,643	21,591	2.78%	614.11
2006	41,984	207	24,210	17,567	2.24%	505.62
2007	32,153	387	14,690	17,076	2.28%	497.24
2008	39,052	584	21,925	16,543	2.21%	486.18
2009	36,872	743	20,140	15,989	2.24%	472.01

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, 2009

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
<u>Overlapping Debt:</u>			
Bay County	\$ 21,929,938	21.17%	\$ 4,642,568
Bay City School District	68,485,000	35.55%	24,346,418
Bangor Township Schools	12,275,000	0.33%	40,508
Bay-Arenac Intermediate School District	3,340,000	18.05%	<u>602,870</u>
TOTAL OVERLAPPING DEBT			29,632,363
<u>Direct Debt:</u>			
City of Bay City	16,731,739	100.00%	<u>16,731,739</u>
TOTAL DIRECT AND OVERLAPPING DEBT			<u>\$ 46,364,102</u>

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 boundaries 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)**

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Debt limit	\$ 56,554	\$ 59,532	\$ 62,557	\$ 70,582	\$ 73,468	\$ 77,667	\$ 78,322	\$ 75,024	\$ 74,971	\$ 71,477
Total net debt applicable to limit	6,083	5,365	4,646	23,731	23,221	28,841	33,462	31,766	38,468	36,129
Legal debt margin	\$ 50,471	\$ 54,167	\$ 57,911	\$ 46,851	\$ 50,247	\$ 48,826	\$ 44,860	\$ 43,258	\$ 36,503	\$ 35,349
Total net debt applicable to the limit as a percentage of debt limit	10.76%	9.01%	7.43%	33.62%	31.61%	37.13%	42.72%	42.34%	51.31%	50.55%

(1) See Statistical Table Number 10 for General Obligation Bonds data.

Legal Debt Margin Calculation for Fiscal Year 2009

Assessed valuation, December 31, 2008	<u>\$ 714,774</u>
Debt limit (10% of assessed valuation)	\$ 71,477
Debt applicable to limit: (1)	\$ 36,872
Less:	
Assets in Debt Service funds available for pymnt of principal	<u>743</u>
Total amount of debt applicable to debt limit	<u>36,129</u>
Legal debt margin	<u>\$ 35,349</u>

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

Water System Revenue Bonds

<u>Fiscal Year</u>	<u>Operating Revenue (1)</u>	<u>Operating Expenses (2)</u>	<u>Net Available Revenue</u>	<u>Debt Service</u>		<u>Total</u>	<u>Coverage</u>
				<u>Principal</u>	<u>Interest</u>		
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	-	-	-	-
2009	7,869,472	7,355,703	513,769	-	-	-	-

Electric System Revenue Bonds

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
2009	30,890,109	28,101,504	2,788,605	1,750,000	336,538	2,086,538	1.34

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)
2000	36,817	\$2,718,432	\$24,458	10,199	3.40%
2001	36,726	2,857,805	24,500	9,904	4.90%
2002	36,300	2,859,582	26,064	9,843	7.10%
2003	35,968	2,841,552	26,771	9,839	8.00%
2004	35,541	2,927,325	26,067	9,790	8.20%
2005	35,159	3,018,537	26,726	9,507	6.80%
2006	34,744	3,075,000	27,651	9,355	6.50%
2007	34,341	3,169,000	29,234	9,203	7.00%
2008	34,026	3,250,000	30,232	8,928	7.80%
2009	33,874	3,301,412	30,712	8,878	13.60%

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. Department of Labor Bureau of Labor Statistics Data - Unemployment rate information is a yearly average not seasonally adjusted.

**City of Bay City, Michigan
Principal Employers
2009 and 1999**

<u>Employer</u>	<u>2009</u>			<u>1999</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
Bay Regional Medical Center (2) (3)	1,773	1	3.46%	2,447	1	4.56%
Bay City Public Schools (1) (3)	1,075	2	2.10%	1,278	3	2.38%
Bay County (3)	500	3	0.97%	578	4	1.08%
SC Johnson	430	4	0.84%			
General Motors Powertrain	415	5	0.81%	1,409	2	2.62%
City of Bay City	371	6	0.72%	429	5	0.80%
F.P. Horak Co.	188	7	0.37%	184	9	0.34%
Labadie Auto Group	148	8	0.29%			
Doubletree Hotel & Conference Center	143	9	0.28%			
Independent Bank & Mortgage Co.	142	10	0.28%			
Heartland Home Health Care				300	6	0.56%
Mortgage America				220	7	0.41%
RCW Inc.				188	8	0.35%
Bay City Times				174	10	0.32%
Totals	<u>5,185</u>		<u>10.11%</u>	<u>7,207</u>		<u>13.42%</u>

Source:

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

(1) Excludes substitute teachers.

(2) Previously Bay Health Systems.

(3) Multiple locations within Bay County.

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

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Function										
General government	63	64	68	69	67	65	62	60	59	57
Public safety										
Police	103	100	100	96	88	71	66	66	61	59
Fire	60	60	60	61	61	58	58	57	57	54
Public works	69	71	67	68	67	65	64	61	52	48
Recreation and culture	14	12	17	17	17	17	17	15	12	11
Community and economic development	7	6	6	8	7	12	11	10	10	10
Electric	45	46	48	48	48	47	47	45	43	43
Water	45	44	44	43	44	44	43	42.5	41	40
Sewer	42	43	42	42	42	40	46	42.5	39	38
Total	448	446	452	452	441	419	414	399	374	360

Source: City of Bay City Finance Department

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

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Function										
General Government										
Elections										
Number of registered voters	29,020	26,031	25,733	23,779	23,988	24,772	24,311	24,509	24,864	24,947
Public safety										
Police Department										
Number of citations issued	8,174	10,480	11,925	9,910	7,989	6,183	5,796	8,343	5,836	3,190
Number of complaints filed	6,606	7,281	7,638	7,869	7,166	6,845	5,946	6,113	5,963	5,730
Number of calls for service	29,288	29,600	35,102	37,194	34,395	32,445	29,470	28,957	30,275	29,851
Number of DUI offenses	228	334	276	376	288	278	185	337	351	210
Fire Department										
Number of emergency runs	-	-	3,861	3,995	3,989	4,663	3,677	3,341	4,329	4,438
Number of fire prevention programs				7	7	7	7	7	14	187
Public works										
Streets										
Tons of salt used	-	-	2,190	2,884	2,607	2,784	3,060	2,280	3,529	2,958
Recreation and culture										
Park acreage maintained	-	-	-	-	-	-	-	238	238	233
Special events	-	-	-	-	-	-	-	58	43	33
Shelter rentals	-	-	-	-	-	-	-	63	57	60
Street trees planted	558	792	370	364	392	391	482	716	361	366
Street trees trimmed	-	-	-	-	-	-	-	2,998	1,576	1,977
Street trees removal	-	-	-	-	-	-	-	251	137	209
Community and Economic Development										
Housing units rehabilitated	9	9	6	14	10	13	5	6	8	3
Emergency housing units rehabilitated	15	23	20	29	27	47	33	23	42	50
Electric Department										
Generating capacity	33,290	33,295	33,295	33,290	33,295	33,295	33,295	33,295	33,295	33,295
Sewer System										
Sanitary and storm sewer (miles)	276.19	276.19	276.19	277.08	277	277	277	310	310	310
Daily average treatment (million gallons)	8	8	8	8	8.6	9	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	232	232	232	231.86	232	232	196.87
Daily average consumption (million gallons)	10.33	9.76	9.76	10.52	9.76	9.31	9.7	8.90	8.58	8.03
Maximum daily treatment (million gallons)	40	40	40	40	40	40	40	40	40	40
Airport										
Private hanger land leases	-	-	-	-	-	-	20	22	22	23
Public hanger lease	-	-	-	-	-	-	1	1	1	1
Cell tower leases	-	-	-	-	-	-	1	1	1	1
Aviation fuel sold (gallons)	-	-	-	-	-	-	-	29,000	20,163	N/A
Cemetery										
Interments	-	-	-	-	-	-	58	35	35	51
Grave sales	-	-	-	-	-	-	25	30	40	16
Foundations set	-	-	-	-	-	-	21	21	19	29
Marina										
Seasonal Dock Leases	-	-	-	-	-	-	50	50	50	49
Transient Dock Rentals	-	-	-	-	-	-	1,540	1,585	1,116	542

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

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Function										
Public safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Vehicles	39	42	39	42	40	34	31	25	25	25
Fire										
Stations	4	4	4	4	4	4	4	4	4	4
Vehicles	15	14	14	14	14	14	13	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	25	24	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, 2009

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 - 2000	14.218	B-00-MC-26-0003	\$ 1,855,000	\$ 1,231
Grant Entitlements - 2001	14.218	B-01-MC-26-0003	1,926,000	8,000
Grant Entitlements - 2003	14.218	B-03-MC-26-0003	1,758,000	33,575
Grant Entitlements - 2005	14.218	B-05-MC-26-0003	1,649,000	46,173
Grant Entitlements - 2006	14.218	B-06-MC-26-0003	1,479,185	207,396
Grant Entitlements - 2007	14.218	B-07-MC-26-0003	1,479,833	277,173
Grant Entitlements - 2008	14.218	B-08-MC-26-0003	1,426,021	1,114,096
	14.218	n/a	n/a	58,755
				1,746,399
HOME Program - 2001	14.239	M01-MC260219	398,000	35,381
HOME Program - 2006	14.239	M06-MC260219	258,107	169,112
HOME Program - 2007	14.239	M07-MC260219	256,131	62,563
HOME Program - 2008	14.239	M08-MC260219	248,152	17,299
	14.239	n/a	n/a	58,888
				343,243
Total U.S. Department of Housing and Urban Development				2,089,642
U.S. Department of Justice				
Local Law Enforcement Block Grant - Vests 2007	16.592		3,725	3,725
Local Law Enforcement Block Grant - Vests 2008	16.592		5,923	875
Total U.S. Department of Justice				4,600
U.S. Department of Transportation				
Passed through Michigan Department of Transportation				
National Byways Grant	20.205		125,200	10,007
Passed through Michigan Department of State Police				
State and Community Highway Safety	20.600			25,442
Total U.S. Department of Transportation				35,449
Total Expenditures of Federal Awards				\$ 2,129,691

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	\$ 321,322
HOME Program	14.239	343,243

**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 24, 2009

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, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents, and have issued our report thereon dated December 24, 2009. 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 entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted

accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements 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 a material misstatement of the financial statements will not be prevented or detected by the entity'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.

A handwritten signature in cursive script that reads "Lehmann Johnson".

**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 24, 2009

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, 2009. 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.

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, 2009.

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.



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:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.218	CDBG Entitlements
14.239	HOME Investment Partnerships Program

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.