

**COMPREHENSIVE
ANNUAL
FINANCIAL REPORT**



**For the
Fiscal Year Ended
June 30, 2015

Bay City, Michigan**

“Governmental imagination leading our community into the future.”

CITY OF BAY CITY, MICHIGAN

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Bay

City
Michigan

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City of Bay City

CITY OF BAY CITY, MICHIGAN
COMPREHENSIVE ANNUAL FINANCIAL REPORT
June 30, 2015

LIST OF PRINCIPAL OFFICIALS
(as of date of issuance)

MAYOR

Kathleen L. Newsham

CITY COMMISSIONERS

1st Ward: Lynn Stamiris	5th Ward: James Irving
2nd Ward: David Terrasi	6th Ward: John Davidson
3rd Ward: Andrew Niedzinski	7th Ward: Kerice Basmadjian
4th Ward: Brentt Brunner	8th Ward: Ed Clements
9th Ward: Larry Elliott	

ADMINISTRATION

CITY

MANAGER

Richard M. Finn

FISCAL SERVICES

DIRECTOR

George Martini

INTERIM HUMAN RESOURCES

DIRECTOR

April Key

WASTEWATER TREATMENT

SUPERINTENDENT

Shoron Cooper

PUBLIC SAFETY

DIRECTOR

Michael Cecchini

PUBLIC WORKS

DIRECTOR

William Bohlen

ELECTRIC

DIRECTOR

Phil Newton

**DIRECTOR OF
INFORMATION TECHNOLOGIES**

Tony Reyes

FIRE

CHIEF

Karey Prieur

Prepared By:
City of Bay City
Fiscal Services Division



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December 22, 2015

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, 2015, 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, 2015.

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 unmodified ("clean") opinion on the City of Bay City's financial statements for the year ended June 30, 2015. 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, 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," "YWCA Riverside Art Festival" 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 year 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 monthly 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. In addition, water, sewer, and electric utilities are provided on a user fee basis.

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 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. 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 Bay City economy continues to improve since the Great Recession of 2008. During the past year, the unemployment rate and the number of unemployed persons were down 1.4% from the previous year, but stayed 1.8% higher the state's rate. During the past five years, the area's unemployment rate has dropped significantly from an average of 11.5 percent in FY 2010-11 to 7.29 percent in FY 2014-15.

Riverfront Development, LLC, continued the construction of the \$150 million mixed use development construction project in the heart of Bay City during the year. To date, the Developer has invested approximately \$50 million on the 45 acre site. Several buildings are being constructed in Phase 1 of the project. The first building consisting of 105,000 sq. ft. was completed in July 2014 and now houses approximately 400 employees from Dow Corning Corporation. The second building was completed in August, 2014 with 1/3 of the structure occupied by Chemical Bank with 25 employees. The other 2/3 of the building houses a coffee shop with approximately 3 employees, the Uptown Grill with approximately 15 employees, and a future Aveda Lifestyle salon set to open in late 2015. The upper two floors of this building consists of 24 condominiums. Currently, all but one condo is occupied.

A hotel conference center with the Marriot flag began construction in the spring of 2014 and is expected to open in the spring of 2016. The Real Seafood Restaurant is located along the Saginaw River adjacent to the day dock marina and had its grand opening in May, 2015. Additionally a four-story, mixed use building is under construction. This will include commercial space on the first floor and office space on the upper three floors. A 30 unit townhouse project is also under construction and the first phase was completed and is completely occupied. There are also future plans for a condominium project on the south side of the day dock marina.

The day dock marina and Riverwalk in front of Uptown Bay City were completed in October, 2014. This Riverwalk connects to the southern Riverwalk at Breakers Cove and runs the entire length of the Uptown Bay City site (approximately ½ mile), the connection to the northern Riverwalk at Wenonah Park was completed in November, 2015.

McLaren Bay Region purchased the southern 9 acres of the 43 acre parcel. The Developer, Landmark Health Care, LLC, is constructing a 70,000 square foot 3-story medical office building on the southwest corner of Columbus Avenue and Saginaw Street. McLaren Bay Region broke ground in the Spring of 2015 and is expected to be completed in the Spring of 2016.

The local economy in the City of Bay City had significant successes throughout 2014 and into 2015. Overall, the area generated approximately \$29 million in new investment.

<u>Business</u>	<u>Investment</u>	<u>Project</u>
Baldauf Enterprises	\$ 3,352,301	New parking addition, new machinery and equipment
Baldauf Enterprises	1,134,843	Building repairs, new addition and new machinery and equipment
Bay City Inn	3,380,000	The overall project consists of the renovation of a functionally obsolete hotel built in 1967 into a modern 100 room hotel. The project includes site work, selective demolition of exterior elements, interior demolition, asbestos abatement and substantial renovations of all interior spaces, as set forth in the Brownfield Plan for 501 Saginaw
Bay Riverfront LLC	15,000,000	90% completion of Phase 1 to Uptown Bay City, a major mixed use development near downtown Bay City
Cambron Engineering	133,124	Acquisition of new machinery and equipment

<u>Business</u>	<u>Investment</u>	<u>Project</u>
Landaal Packaging	\$ 4,900,000	Addition to two buildings, a western building consisting of 49,600 square feet and an eastern building consisting of 34,025 square feet. The former eastern building was demolished to allow for the expansion/addition to the remaining building. The proposed addition consists of 63,630 square feet
Michigan Brand	<u>818,301</u>	Purchase of equipment for meat packing facility
Total Investments	<u>\$ 28,718,569</u>	

The City of Bay City has continued to support the redevelopment of vacant and underutilized Brownfield properties throughout the city. In 2014 Landaal Packaging received a Brownfield plan approval for a \$4.9 million dollar expansion of their building. The overall project consists of three parcels for the expansion of Landaal Packaging's operations. The property was developed with two buildings, a western building consisting of 49,600 square feet and an eastern building consisting of 34,025 square feet. The former eastern building was demolished to allow for the expansion/addition to the remaining building. The proposed addition consists of 63,630 square feet creating a total of 113,230 square feet for warehousing operations and office space. The project was completed in January, 2015.

Long-term Financial Planning

The City Commission adopted a policy that states that the City shall maintain a sum total of Unassigned Fund Balance plus Committed Fund Balance for Future Operations in its General Fund ranging from a minimum of fifteen (15) percent to a maximum of twenty (20) percent of the City's previous year's amended total budgeted expenditures. Based on this policy, the City should have unassigned fund balance of between \$2,824,646 and \$3,766,194. The total Unassigned General Fund balance at June 30, 2015 was \$2,995,171 or 15.9% of the previous years amended expenditure budget.

The 2015/2016 fiscal year budget, for the second consecutive year, was balanced with no required use of General Fund fund balance. It is expected that the City will be able to maintain the City Commission required level of Unassigned Fund Balance in the General Fund.

Major Initiatives

At the end of 2012, the City made the decision to combine Police and Fire functions into a Public Safety Department. This department began combined operation at the beginning of the 2013/2014 fiscal year. This new model utilizes staff in the Public Safety Department that is trained in both Fire Services and Police functions to perform both duties and are available to respond to either Fire or Law Enforcement emergencies. This new model results in a greater number of trained staff able to respond to Fire emergencies more quickly than the previous model of separate departments. Implementation of this model has saved the City approximately \$2.6 million since implementation and continues to save the City over \$1.5 million per year.

In 2008, the City made the decision to implement "smart" meters for both the electric and water utilities. The implementation of "smart" meters enables the City to read the meters utilizing a wireless network that is installed throughout the City without the need for meter readers and the cost associated with the readers. They also eliminate the possibility of human errors when reading the meters.

In addition to the significant cost savings associated with decreasing the number of meter readers necessary for capturing utility meter usage, this system also provides much greater information to the utilities. The meters can be helpful in detecting major leaks or water pipe breaks inside the customers' home and are also useful in notifying the utility of power outages and how widespread that outage is without having to wait for customers to call and report those outages.

The installation of all electric meters has been completed. The installation of the water meters has taken more time than the electric meters as most of the water meters require access to the interior of the home or business. There are approximately 850 water meters that still have to be installed for this project to be completed.

For a number of years the City has been considering options for the replacement of the City's automated financial system. This system, originally implemented in 1984, and although updated numerous times throughout the years, does not have many of the features and functionality of current financial systems. In addition, the system runs on an outdated computer platform which is expensive to maintain and service.

A Request for Proposal was issued in early 2014 requesting proposals from vendors interested in providing a financial system solution. After significant review and demonstrations from several vendors, the City ultimately selected New World Systems for a new financial system. This system, which will encompass General Ledger, Accounts Payable, Purchasing, Cash Receipting and Accounts Receivable, Payroll and Human Resources, Business Licensing, and other reporting tools to enhance the ability to utilize the financial information. Subsequent to the decision to purchase the above described modules, the City made the decision to also purchase the Utility Biller/Customer Information System also from New World Systems.

To date, the City has implemented the General Ledger, Accounts Payable, and Purchasing modules. The budgeting and Payroll and Human Resources modules are currently being implemented with the remaining modules to be implemented in 2016. This new system will provide greater usability to all users of the financial system - both internal and external users, and has been a major leap forward in the methodologies that the City follows in conducting their business.

In early 2013 the City signed an agreement to cooperate with other local municipalities in the construction of a new Membrane Water Filtration plant which will be owned and operated by the Bay County Road Commission. This new plant began operation on September 1, 2015 and is now providing high quality water for all water customers in Bay County. The City will continue to operate the distribution system which services all City customers as well as customers of a number of the local units of government in Bay County.

The City, working cooperatively with the Downtown Development Authority, agreed to a plan which will result in many of the downtown City Streets being repaved during 2015/2016. This plan will be funded with a combination of City road fund dollars together with funds from a bond which was issued by the Downtown Development Authority. The paving of the downtown streets, together with other improvements including planned enhancements to Wenonah Park, will add to the charm and attractiveness of downtown Bay City.

During 2015, the City began implementation of a strategic plan for improving customer service. This plan recognizes that service is the primary reason why the City organization exists and that our customers are the focus of our attention and commitment. The goal is that all employees will strive to deliver quality customer service through continuous improvement. It is expected that this plan will be achieved through training, monitoring customer satisfaction, and gauging and adjusting processes as necessary.

During the 2015/2016 fiscal year, the City will complete an update to the City's Master Plan. This update addresses land use and infrastructure issues and may project strategies twenty (20) years or more into the future. The information provided in the master plan is descriptive with maps, charts, and actionable strategies to serve as policy guide-lines for local decisions about the physical, social, economic and environmental development of the City.

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, 2014. 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, Chief Accountant and the Accounting staff, for their 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.

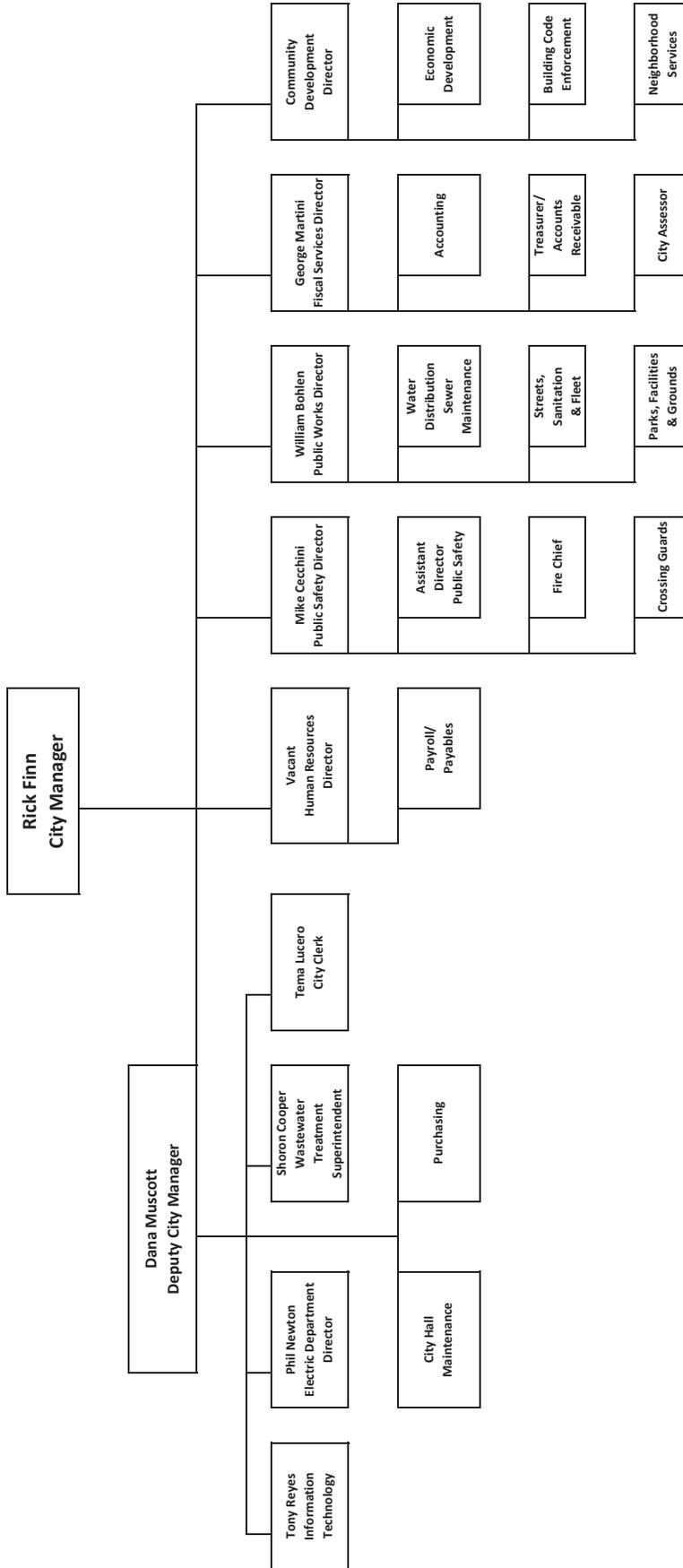
Respectfully submitted,



Richard M. Finn
City Manager



George Martini
Fiscal Services Director





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CITY OF BAY CITY, MICHIGAN

GFOA Certificate of Achievement



Government Finance Officers Association

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, 2014

A handwritten signature in black ink, reading "Jeffrey R. Enser".

Executive Director/CEO



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FINANCIAL SECTION



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INDEPENDENT AUDITORS' REPORT

December 22, 2015

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

Report on the Financial Statements

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* (the "City"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Independent Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Police and Fire Retirement Pension Trust fund, which represents 58 percent of the assets, 62 percent of the fund balance/net position, and 15 percent of revenues/additions to the aggregate remaining funds. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it related to the amounts included for the Police and Fire Retirement Pension Trust fund, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to previously 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, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and each major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Implementation of GASB Statement No. 68

As described in Note 14, the City implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in the current year. Accordingly, beginning net position of the governmental activities, the business-type activities, and the electric, water, sewer, motor equipment revolving, and information systems funds was restated. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Rehmann Loborn LLC



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MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF BAY CITY, MICHIGAN

Management's Discussion and Analysis

This discussion and analysis of the City of Bay City, Michigan's (the "City") financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2015. 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, 2015:

- The City implemented GASB Statement No. 68 in the current year. In addition to expanded disclosure requirements, the City is required to report its net pension liability on the statement of net position. This change has resulted in a restatement of beginning net position in governmental activities, business-type activities, and the electric, water, sewer, motor equipment revolving, and information system funds of \$17,752,934, \$25,693,474, \$11,706,821, \$6,194,752, \$7,791,901, \$998,141, and \$664,089, respectively.
- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$163,324,724 (net position). This balance is comprised of \$163,866,370 in capital assets (net of related debt), \$12,910,927 restricted for specific purposes, and a deficit unrestricted net position of \$13,452,573.
- Total net position related to the City's governmental activities decreased by \$1,674,644 from the previous year. The business-type activities net position increased by \$4,615,932. Please see the "Governmental Activities" and "Business-type Activities" of this Management and Discussion and Analysis for further detail.
- At the close of the fiscal year, the City's governmental funds reported combined ending fund balances of \$6,714,907, an increase of \$27,294 in comparison with the prior year.
- At the end of the fiscal year, unassigned fund balance for the General Fund was \$2,955,171, or approximately 17% of total General Fund expenditures.
- The City's total other liabilities balance increased by \$33,761,937, or 128%. This increase was mainly due to the implementation of GASB 68, which created a net pension liability for the City.
- State shared revenue increased by \$86,980, or about 3% from last year. Although this revenue source increased for the General Fund, it is still significantly less than was received from the State of Michigan in 2009; the highest point in recent years.
- The City continued its commitment to improving its infrastructure during the fiscal year. The Saginaw Street reconstruction project, which cost \$1,050,832 was completed during 2014/2015. The City also spent an additional \$382,513 on resurfacing and repairs to the City streets. The Uptown development project continued with infrastructure improvements totaling \$472,126. These projects were primarily funded by state resources, grant and bond dollars.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net position and the statement of activities provide information about the activities of the 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 position 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, recreation and cultural, and economic development. The business-type activities of the City include electric, water, sewer, Oak Ridge Cemetery, James Clements Airport, and Liberty Harbor Marina.

CITY OF BAY CITY, MICHIGAN

Management's Discussion and Analysis

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, 2015, assets exceeded liabilities by \$163,324,724. By far, the largest portion of the City's net position reflects its investment in capital assets (i.e. land, buildings, vehicles, equipment and infrastructure); less any related debt used to acquire those assets that is still outstanding. The City uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following table shows, in a condensed format, the net position as of June 30, 2015 and 2014:

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 21,981,017	\$ 25,091,180	\$ 54,342,961	\$ 64,388,269	\$ 76,323,978	\$ 89,479,449
Capital assets, net	75,363,944	77,214,920	139,223,894	139,333,713	214,587,838	216,548,633
Total assets	97,344,961	102,306,100	193,566,855	203,721,982	290,911,816	306,028,082
Deferred outflows of resources	1,602,670	-	2,267,250	-	3,869,920	-
Other liabilities	32,525,036	16,383,035	27,668,116	10,048,180	60,193,152	26,431,215
Long-term liabilities	19,286,383	20,494,178	50,842,574	55,272,845	70,128,957	75,767,023
Total liabilities	51,811,419	36,877,213	78,510,690	65,321,025	130,322,109	102,198,238
Deferred inflows of resources	1,134,903	-	-	-	1,134,903	-
Net position:						
Net investment in capital assets	69,057,762	70,245,428	94,808,608	85,045,532	163,866,370	155,290,960
Restricted	10,827,652	11,226,225	2,083,275	9,869,290	12,910,927	21,095,515
Unrestricted (deficit)	(33,884,105)	(16,042,766)	20,431,532	43,486,135	(13,452,573)	27,443,369
Total net position	\$ 46,001,309	\$ 65,428,887	\$117,323,415	\$138,400,957	\$163,324,724	\$203,829,844

Total City's combined net position increased \$2,941,288 over the course of the fiscal year's operations to a total of \$163,324,724. Explanations for those changes are described below under the Governmental Activities and Business-Type Activities section of this Management and Discussion Analysis.

CITY OF BAY CITY, MICHIGAN

Management's Discussion and Analysis

Within the governmental activities net position, \$69,057,762 is invested in capital assets, net of related debt, and is not available to meet the government's ongoing obligations to citizens and creditors. Within the business-type activities, an additional \$94,808,608 is invested in capital assets, net of related debt. These amounts represent an increase in the City's overall investment in capital assets of \$8,575,410. This increase reflects the City's commitment to the improvements and upgrades to the City infrastructure.

The following table shows the changes of the net position during fiscal years 2015 and 2014:

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Program revenue:						
Charges for services	\$ 4,018,386	\$ 4,026,647	\$ 58,759,050	\$ 59,334,288	\$ 62,777,436	\$ 63,360,935
Operating grants	6,193,927	4,540,091	291,010	30,095	6,484,937	4,570,186
Capital grants	486,074	1,403,193	-	-	486,074	1,403,193
General revenue:						
Property taxes	12,287,683	12,389,299	-	-	12,287,683	12,389,299
Grants and contributions not restricted to specific programs	4,256,507	4,157,485	-	-	4,256,507	4,157,485
Unrestricted investment earnings	61,606	171,452	127,986	255,665	189,592	427,117
Gain on sale of capital assets	-	5,367	-	-	-	5,367
Miscellaneous	143,273	589,209	364,329	222,769	507,602	811,978
Total revenue	27,447,456	27,282,743	59,542,375	59,842,817	86,989,831	87,125,560
Expenses:						
General government	1,128,606	2,213,847	-	-	1,128,606	2,213,847
Public safety	12,829,386	11,533,189	-	-	12,829,386	11,533,189
Public works	10,628,474	10,231,906	-	-	10,628,474	10,231,906
Recreation and cultural	1,262,406	1,094,313	604,733	593,733	1,867,139	1,688,046
Economic development	2,082,400	1,962,097	-	-	2,082,400	1,962,097
Interest on long-term debt	1,081,478	1,037,694	-	-	1,081,478	1,037,694
Electric	-	-	32,046,854	34,455,974	32,046,854	34,455,974
Water	-	-	11,160,092	8,928,829	11,160,092	8,928,829
Sewer	-	-	11,224,114	11,351,856	11,224,114	11,351,856
Total expenses	29,012,750	28,073,046	55,035,793	55,330,392	84,048,543	83,403,438
Increase (decrease) in net position before transfers	(1,565,294)	(790,303)	4,506,582	4,512,425	2,941,288	3,722,122
Transfers	(109,350)	(39,163)	109,350	39,163	-	-

CITY OF BAY CITY, MICHIGAN

Management's Discussion and Analysis

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Change in net position	\$ (1,674,644)	\$ (829,466)	\$ 4,615,932	\$ 4,551,588	\$ 2,941,288	\$ 3,722,122
Net position:						
Beginning of year	65,428,887	66,258,353	138,400,957	133,849,369	203,829,844	200,107,722
Restatement for implementation of GASB 68	(17,752,934)	-	(25,693,474)	-	(43,446,408)	-
	<u>47,675,953</u>	<u>66,258,353</u>	<u>112,707,483</u>	<u>133,849,369</u>	<u>160,383,436</u>	<u>200,107,722</u>
End of year	<u>\$ 46,001,309</u>	<u>\$ 65,428,887</u>	<u>\$ 117,323,415</u>	<u>\$ 138,400,957</u>	<u>\$ 163,324,724</u>	<u>\$ 203,829,844</u>

Governmental Activities

As noted above, the City's governmental activities net position decreased by \$1,674,644 from the 2013/2014 fiscal year. The revenue and expense trends of the governmental activities are discussed below.

Governmental Activity revenue remained relatively stable with only an increase of \$164,713 from fiscal year 2013/2014. This increase is detailed by major revenue categories as follows:

- Property taxes comprised the largest portion of governmental activity revenue at 44.8% of total revenues or \$12,287,683. This is a \$101,616 or 0.8% decrease from fiscal year 2013/2014. The decrease was attributable to the reduction in taxable value.
- Restricted operating grants comprised \$6,193,927 or 22.6% of governmental activity revenue, this is an increase of \$1,653,836 or a 36.4% increase from fiscal year 2013/2014. A majority of the increase was related to revenue for the major and local street system, which included federal and state funding for the Saginaw Street reconstruction project and State funding from the Priority Roads Investment Program (PRIP). These two projects attributed to the increase of operating grants of \$1,440,211.
- Restricted capital grants comprised \$486,074 or 1.8% of governmental activity revenue. This is a \$917,119 or 65.4% decrease from fiscal year 2013/2014. This decrease was attributable to the Phase I portion of the Uptown Project, the largest portion, being completed in fiscal year 2014.
- Unrestricted grants and contributions account comprised \$4,256,507 or 15.5% of governmental activity revenue, an increase of \$99,022 or 2.4% from fiscal year 2013/2014. The majority of the increase is from State Revenue Sharing in the amount of \$86,980.
- Charges for services comprise \$4,018,386 or 14.6% of governmental activity revenue. Charges for services remained relatively flat in comparison to fiscal year 2013/2014.
- Total expenses for governmental activities increased by \$939,704 from fiscal year 2013/2014. The increase is largely due to the increase in operating grants and the corresponding grant expenditures. The increase is due to infrastructure and capital project expenditures in the major and local street funds combined with an increase in other postemployment benefits (OPEB). This increase was partially offset by the reduction in the restricted capital grant expenditures of infrastructure and capital expenditures for the Uptown project. In addition, there was a reduction of wages and corresponding fringes due to staff vacancies in various departments in the City.

CITY OF BAY CITY, MICHIGAN

Management's Discussion and Analysis

Business-type Activities

The City's business-type activities consist of services provided by the electric, water, sewer, cemetery, airport, and marina funds. These services are available to all City residents. In addition to City residents, electric services also extend to numerous customers outside of the City limits. The City also provides water to residents of the City of Essexville, Hampton Township, and Bay County. The business-type activities saw an overall increase in net position of \$4,615,932, primarily due to the following:

- The electric operations experienced an increase of revenues from sales to customers. The electric operations also saw an increase in operating expenses. As a result, the fund's change in net position was an increase of \$3,576,959.
- The sewer operations experienced a slight increase of revenues from sales while also reducing operating expenses. As a result, the fund's change in net position was an increase of \$2,091,598. The additional revenues are intended to be used for future capital improvement projects.

The above listed items, which caused an increase in net position, were offset by the following:

- The water operations experienced a decrease in revenues from sales while the operating expenses increased. As a result, the fund's change in net position was a decrease in net position of \$736,110.

The City's Funds

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 the current year 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 \$8,277,109 in 2015. This is a decrease of \$110,770 from the previous fiscal year. General Fund expenditures decreased by \$148,810 and transfers out decreased by \$103,821 for a total decrease of \$252,631 from the 2013/2014 fiscal year. The individual activities increased significantly due to the cost of retiree healthcare and retirement being allocated among the various programs and not accounted for separately.

The most significant service accounted for within this fund is public safety, which incurred expenditures of \$11,688,398 in 2015. This expenditure increased approximately \$1.6 million from the prior year. This increase is due to retiree healthcare and retirement costs being recognized within the category which previously were accounted for separately in previous years. Public safety expenditures equate to approximately 66% of the total expenditures of the General Fund and are approximately 41% more than the amount of property taxes generated.

At the fiscal year ended June 30, 2015, the unassigned fund balance of the General Fund was \$2,995,171. As a measure of the General Fund's liquidity, it may be useful to compare the unassigned fund balance to total fund expenditures. Unassigned fund balance represents approximately 17% 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, 2015, the City received \$3,331,484 in grants and state maintenance funds and \$214,391 in property taxes and expended \$1,435,674 on capital outlay, primarily for the rehabilitation of Saginaw Street and on preservation and maintenance of existing streets and City owned bridges 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, 2015, \$538,923 was spent to assist residents of the City with home improvements.

CITY OF BAY CITY, MICHIGAN

Management's Discussion and Analysis

Some notable items in the non-major governmental funds are:

- The Local Street Fund received funding from the State of Michigan from the Priority Roads Investment Program and was used to repair and resurface local streets within the City. The Local Street Fund ended the fiscal year with restricted fund balance of \$704,979, an increase of \$271,673 from fiscal year 2013/2014.
- The Solid Waste Fund ended the fiscal year with restricted fund balance of \$212,647, a decrease of \$236,198 from fiscal year 2013/2014.
- The Building Inspection Fund ended the fiscal year with restricted fund balance of \$343,484, an increase of \$96,767 from fiscal year 2013/2014.
- The Drug Law Enforcement Fund ended the fiscal year with restricted fund balance of \$197,381. During the 2014/2015 fiscal year the fund purchased new police vehicles with drug forfeiture monies with the approximate cost of \$190,000.
- The Community Development Block Grant Fund expended \$295,694 on economic development activities, \$613,765 on other eligible activities, and \$252,160 on debt principal and interest payments.
- The Public Improvement Fund received a transfer from General Fund in the amount of \$296,789 to cover the fund deficit. This transfer was from General Fund committed fund balance which had been committed for the renovation to the City Hall facility.
- The Riverfront Redevelopment Fund expended \$115,061 on economic development activities and an additional \$371,013 on capital outlay to assist with the mixed use development project along the Saginaw River known as Uptown Bay City.

General Fund Budgetary Highlights

The City of Bay City, Michigan adopted a balanced budget for fiscal year 2014/2015. Included in this balanced budget was a contingency line for unanticipated expenditures that may occur during the year. During the fiscal year, the budget was amended to allocate these funds to various departments to cover unanticipated costs. The most significant amendments occurred due to the following:

- The Public Safety Department within the General Fund budget was amended to reflect a reduction in the transfer from Drug Law Enforcement Fund together with a reduction in the MERF Rentals by \$190,000. These reductions were due to the Drug Law Enforcement Fund directly purchasing vehicles with drug forfeiture monies.
- The General Fund budget was amended in the Neighborhood Maintenance Department to increase revenues and expenditures that related to the remaining funds for the Blight Grant from the State of Michigan in the amount of \$83,865.
- The General Fund budget was amended for the use of fund balance in the amount \$296,923 and an additional amount from the contingency account in the amount of \$62,250 to transfer to the Public Improvement Fund in the amount of \$359,173 to cover the Public Improvement Fund deficit.

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 \$350,317 as a result of property taxes, intergovernmental, charges for services, interest revenue and miscellaneous revenue all being less than anticipated. Actual expenditures and transfers out were less than budgetary estimates by \$583,890. This was primarily the result of the public safety department postponing capital purchases, employee vacancies in various departments throughout the year and reorganization of departments. For the period ending June 30, 2015, General Fund expenditures and transfers out exceeded General Fund revenues and transfers in by \$63,350. This reduction was considerably better than the amended budgeted projection of a reduction of \$296,923.

Capital Assets and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2015 amounted to \$214,587,838 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, roads, sidewalks, and bridges.

CITY OF BAY CITY, MICHIGAN

Management's Discussion and Analysis

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

- The Riverfront Redevelopment Capital Project Fund substantially completed Phase I of the Uptown Bay City site, a major mixed development project.
- The City received Federal and State funding for the Saginaw Street reconstruction project which was substantially completed by year end.
- The City received Priority Roads Investment Program funds from the State of Michigan for the resurfacing of various roads that were patched due to water main breaks and erosion.
- The Police Department purchased six police vehicles with drug forfeiture monies.
- The Electric Fund completed the Saginaw Street Substation project, the Automatic Metering Infrastructure (AMI) project, and lighting project at Uptown.
- The Sewer Fund completed the Solid Waste Handling System project, continues rehabilitation on the sewer infrastructure, and purchased a sewer inspection camera system.
- The Water Fund substantially completed the Automatic Metering Infrastructure (AMI) project and continues repair and rehabilitation of the water infrastructure within the City.

The investment in capital assets of the component units totals \$13,037,963 as of June 30, 2015. During the year, the Brownfield Redevelopment Authority component unit expended \$2,593,536 on capital outlay with the mixed use development project along the Saginaw River known as Uptown Bay City.

Additional information on the City's capital assets can be found in the capital assets footnote to the financial statements.

Long-term Debt. At June 30, 2015, the City had total outstanding debt of \$70,128,957, which included a current portion of \$8,885,893. Of this amount, \$48,587,870 is backed by the full faith and credit of the City. The remainder of the City's debt represents bonds secured by specific sources, such as revenue bonds. The long-term debt can be summarized as follows:

	2015	2014
General obligation bonds	\$ 24,388,166	\$ 27,517,825
Revenue bonds	14,970,000	15,505,000
Other notes/leases payable	26,949,704	29,610,256
Compensated absences	3,821,087	3,133,942
Total	\$ 70,128,957	\$ 75,767,023

The City's total debt decreased by \$5,638,066 during the fiscal year. State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the City is \$56,794,700 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 the long-term debt footnote to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The economic conditions that have caused major issues for the City of Bay City's budget since 2008, seem to be easing.

The City experienced its first increase in taxable value for the first time in several years. The 2015 taxable value increased by \$13,981,917 or 2.64% compared to 2014. The City also saw a 2% increase in State Shared Revenue sharing. These factors, combined with other factors, resulted in the City being able to adopt the General Fund budget for 2015/2016 which did not require the use of any fund balance. This is the second, consecutive balanced budget that the City has adopted.

CITY OF BAY CITY, MICHIGAN

Management's Discussion and Analysis

One of the factors which has allowed for balanced budgets for the last two years has been decreases in Medical Insurance costs. These declines have been as a result of plan design changes which resulted in lower costs for the employer as well as lower employee costs as well while maintaining the excellent level of coverage that City employees have received. During the 2014/2015 fiscal year, the General Fund expended \$226,043 less on medical insurance than was expended during the 2013/2014 fiscal year; a reduction of 14.2%. This trend has continued into the 2015/2016 fiscal year with further decreases in medical insurance costs.

The decreases in medical insurance costs have also had a positive effect on the actuarial accrued liability that the City has for retiree health care. The City's actuarial accrued liability for retiree medical insurance (OPEB) decreased \$5,875,427 or 6.2% during the 2014/2015 fiscal year as a result of the decreases in medical insurance costs. Combined with an increase in the actuarial value of the assets, the funding level for this accrued liability improved from 10.8% to 14.5%. Despite these improvements in cost and funding level, this liability is the largest accrued liability for the City. The City has been and continues to contribute additional dollars to decrease this accrued liability to the extent that budgetary constraints allow.

Because of the continuing decline in taxable value with the City of Bay City, the City experienced an additional decline in property taxes during the 2014/2015 fiscal year of \$166,131. The decline in City taxable value which began in 2009 and continued until 2014, has resulted in a cumulative decline of \$7,003,082 of property taxes revenues for the General Fund for this period. This reduction has had a negative impact on the services that the City has been able to provide to City residents. In addition, this reduction has hampered the City's ability to allocate funds for needed capital improvements.

The City adopted rate increases for the 2015/2016 for the Electric, Water, and Sewer utilities. The action taken by the City Commission also approved rate increases for the Electric utility for the 2016/2017 and 2017/2018 fiscal years. The rates for the Water and Sewer utilities will be evaluated annually to determine if additional rate increases will be required to maintain adequate funding for these utilities.

The City participates in a MERS (Municipal Employees Retirement System) Defined Benefit Plan for general employees not covered by the City of Bay City Police and Fire Retirement System. This plan which was closed to new employees in 1998 and 1999. There are still approximately 50 active employees in this plan.

The City has contributed approximately \$1,000,000/year over and above the actuarially required contribution to improve the funding level of this plan. As of 12/31/2014, the latest actuarial date, the plan was 68% funded with an unfunded actuarial liability of \$22,808,408 on that date. During 2015, MERS changed numerous actuarial assumptions to speed up the increases in actuarial funding levels. These changes will result in increasing funding requirements for the MERS Defined Benefit pension plan.

The 2014/2015 and the 2015/2016 budgets included increasing allocations for infrastructure and capital asset purchases and construction. The City has made a commitment within the strategic plan for the City to continue these allocations as budgetary constraints allow.

Contacting the City's Management

This 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.



Bay

City
Michigan

A beautiful view...of life

City of Bay City

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF BAY CITY, MICHIGAN

Statement of Net Position
June 30, 2015

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments	\$ 15,643,440	\$ 31,132,997	\$ 46,776,437	\$ 7,678,090
Cash and cash equivalents, restricted	-	2,083,275	2,083,275	-
Receivables, net	11,125,613	10,894,587	22,020,200	165,545
Internal balances	(5,862,097)	5,862,097	-	-
Prepaid items and other assets	693,538	865,455	1,558,993	4,383
Inventories	380,523	3,504,550	3,885,073	-
Capital assets not being depreciated	20,964,051	1,186,316	22,150,367	7,807,866
Capital assets being depreciated, net	54,399,893	138,037,578	192,437,471	5,230,097
Total assets	97,344,961	193,566,855	290,911,816	20,885,981
Deferred outflows of resources				
Deferred pension amounts	1,602,670	2,267,250	3,869,920	-
Liabilities				
Accounts payable and accrued liabilities	3,210,921	2,257,880	5,468,801	78,892
Interest payable	58,200	557,529	615,729	215,008
Unearned revenue	1,326,726	-	1,326,726	-
Long-term debt:				
Due within one year	4,061,190	4,824,703	8,885,893	347,418
Due in more than one year	15,225,193	46,017,871	61,243,064	17,823,200
Net OPEB obligation	13,377,100	6,330,981	19,708,081	-
Net pension liability	14,552,089	18,521,726	33,073,815	-
Total liabilities	51,811,419	78,510,690	130,322,109	18,464,518
Deferred inflows of resources				
Deferred pension amounts	1,134,903	-	1,134,903	-
Net position				
Net investment in capital assets	69,057,762	94,808,608	163,866,370	3,273,295
Restricted for:				
Debt service	57,800	2,083,275	2,141,075	-
Capital projects	305,489	-	305,489	-
Waysign grant	8,596	-	8,596	-
Community Foundation	7,000	-	7,000	-
Youth Leadership Program	6,500	-	6,500	-
Major streets	1,636,703	-	1,636,703	-
Special assessments	110,738	-	110,738	-
Rehabilitation	7,145,209	-	7,145,209	-
Local streets	704,979	-	704,979	-
Solid waste management	212,647	-	212,647	-
Building inspection	343,484	-	343,484	-
Neighborhood opportunity	90,126	-	90,126	-
Drug law	197,381	-	197,381	-
Wenonah park	1,000	-	1,000	-
Unrestricted (deficit)	(33,884,105)	20,431,532	(13,452,573)	(851,832)
Total net position	\$ 46,001,309	\$ 117,323,415	\$ 163,324,724	\$ 2,421,463

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, 2015

Functions / Programs	Expenses	Indirect	Program Revenue			Net (Expense) Revenue
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government						
Governmental activities:						
General government	\$ 3,655,059	\$ (2,526,453)	\$ 750,710	\$ 482,224	\$ -	\$ 104,328
Public safety	12,712,005	117,381	1,193,384	17,253	-	(11,618,749)
Public works	10,178,112	450,362	2,008,905	4,610,219	-	(4,009,350)
Recreation and cultural	1,262,406	-	56,249	91,104	-	(1,115,053)
Economic development	2,013,644	68,756	9,138	993,127	486,074	(594,061)
Interest on long-term debt	1,081,478	-	-	-	-	(1,081,478)
Total governmental activities	30,902,704	(1,889,954)	4,018,386	6,193,927	486,074	(18,314,363)
Business-type activities:						
Electric	31,312,078	734,776	35,174,719	-	-	3,127,865
Water	10,584,492	575,600	10,179,017	-	-	(981,075)
Sewer	10,719,783	504,331	13,105,844	-	-	1,881,730
Cemetery	125,053	8,458	58,182	-	-	(75,329)
Airport	246,686	15,071	127,628	291,010	-	156,881
Marina	191,366	18,099	113,660	-	-	(95,805)
Total business-type activities	53,179,458	1,856,335	58,759,050	291,010	-	4,014,267
Total primary government	\$ 84,082,162	\$ (33,619)	\$ 62,777,436	\$ 6,484,937	\$ 486,074	\$ (14,300,096)
Component units						
Downtown Development Authority	\$ 125,883	\$ 5,163	\$ 78,246	\$ -	\$ -	\$ (52,800)
Midland Street TIFA	119,659	974	-	-	-	(120,633)
Kresge's DDA	1,949	199	-	-	-	(2,148)
Marquette District TIFA	167,278	6,690	-	-	-	(173,968)
Water Street DDA	242,854	1,937	-	-	-	(244,791)
Marina Development TIFA	18,745	-	-	-	-	(18,745)
Allen Healthcare DDA	-	-	-	-	-	-
Knepp's DDA	3,599	-	-	-	-	(3,599)
Brownfield Redevelopment Authority	875,260	15,747	-	-	-	(891,007)
Columbus Avenue Management Board	10,235	2,046	13,320	250	-	1,289
Midland Street Management Board	10,260	863	19,550	-	-	8,427
Downtown Management Board	270,416	-	82,663	84,000	-	(103,753)
Total component units	\$ 1,846,138	\$ 33,619	\$ 193,779	\$ 84,250	\$ -	\$ (1,601,728)

Continued...

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, 2015

Functions/Programs	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Changes in net position				
Net (expense) revenue	\$ (18,314,363)	\$ 4,014,267	\$ (14,300,096)	\$ (1,601,728)
General revenue:				
Property taxes	12,287,683	-	12,287,683	1,497,993
Grants and contributions not restricted to specific programs	4,256,507	-	4,256,507	-
Unrestricted investment earnings	61,606	127,986	189,592	28,994
Miscellaneous revenue	143,273	364,329	507,602	21,686
Transfers - internal activities	(109,350)	109,350	-	-
Total general revenue and transfers	16,639,719	601,665	17,241,384	1,548,673
Change in net position	(1,674,644)	4,615,932	2,941,288	(53,055)
Net position, beginning of year, as restated	47,675,953	112,707,483	160,383,436	2,474,518
Net position, end of year	<u>\$ 46,001,309</u>	<u>\$ 117,323,415</u>	<u>\$ 163,324,724</u>	<u>\$ 2,421,463</u>

Concluded

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



Bay

A beautiful view...of life

City of Bay City

City
Michigan

FUND FINANCIAL STATEMENTS

CITY OF BAY CITY, MICHIGAN

Balance Sheet

Governmental Funds
June 30, 2015

	General Fund	Major Streets Fund	Rehabilitation Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and investments	\$ 1,408,554	\$ 2,709,578	\$ -	\$ 1,820,538	\$ 5,938,670
Receivables, net:					
Accounts	251,664	13,959	6,200	2,090,217	2,362,040
Delinquent taxes	40,997	-	-	8,774	49,771
Special assessments	81,807	-	-	32,170	113,977
Notes	-	-	7,139,009	-	7,139,009
Due from other funds	1,534,869	-	-	-	1,534,869
Due from other governmental units	832,369	390,518	487	231,919	1,455,293
Inventories	-	200,722	-	-	200,722
Prepaid items	185	-	-	-	185
Total assets	\$ 4,150,445	\$ 3,314,777	\$ 7,145,696	\$ 4,183,618	\$ 18,794,536
Liabilities					
Accounts payable	\$ 382,672	\$ 358,176	\$ 487	\$ 543,273	\$ 1,284,608
Accrued liabilities	350,935	12,794	-	31,137	394,866
Due to other funds	98,848	7,104	-	1,557,376	1,663,328
Due to other governmental units	85,013	-	-	-	85,013
Deposits	2,147	-	-	24,221	26,368
Unearned revenue	-	1,300,000	-	26,726	1,326,726
Total liabilities	919,615	1,678,074	487	2,182,733	4,780,909
Deferred inflows of resources					
Unavailable revenue:					
Property taxes	33,999	-	-	8,774	42,773
Special assessments	80,959	-	-	29,779	110,738
Notes and accounts receivable	-	-	7,145,209	-	7,145,209
Total deferred inflows of resources	114,958	-	7,145,209	38,553	7,298,720
Fund balances					
Nonspendable	185	200,722	-	-	200,907
Restricted	22,096	1,435,981	-	1,962,332	3,420,409
Assigned	98,420	-	-	-	98,420
Unassigned	2,995,171	-	-	-	2,995,171
Total fund balances	3,115,872	1,636,703	-	1,962,332	6,714,907
Total liabilities, deferred inflows of resources, and fund balances	\$ 4,150,445	\$ 3,314,777	\$ 7,145,696	\$ 4,183,618	\$ 18,794,536

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

CITY OF BAY CITY, MICHIGAN

Reconciliation

Fund Balances of Governmental Funds
to Net Position of Governmental Activities
June 30, 2015

Fund balances - total governmental funds	\$ 6,714,907
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets	178,315,942
Accumulated depreciation	(107,892,741)
Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current expenditures. Those assets (i.e., receivables) are offset by deferred inflows of resources in the governmental funds and, therefore, are not included in fund balance.	
Deferred long-term taxes and tax settlement receivables	42,773
Deferred long-term special assessments receivable	110,738
Deferred long-term notes and accounts receivable	7,145,209
Certain pension-related amounts, such as the net pension liability and deferred amounts are not due and payable in the current period or do not represent current financial resources and, therefore, are not reported in the funds	
Net pension liability	(13,349,379)
Deferred inflows related to the net pension liability	(1,134,903)
Deferred outflows related to the net pension liability	1,455,445
Internal service funds are used by management to charge the costs of certain costs, 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 position.	
	6,527,900
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Interest payable	(58,200)
Bonds payable	(12,876,529)
Loans payable	(2,750,000)
Landfill remediation liability	(1,079,704)
Net OPEB liability	(12,750,266)
Compensated absences	(2,419,883)
Net position of governmental activities	<u>\$ 46,001,309</u>

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, 2015

	General Fund	Major Streets Fund	Rehabilitation Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 8,277,109	\$ 214,391	\$ -	\$ 2,898,792	\$ 11,390,292
Licenses and permits	30,527	-	-	683,657	714,184
Intergovernmental:					
Federal	7,491	806,980	182,224	1,205,304	2,201,999
Other	6,031,710	2,524,504	-	1,586,848	10,143,062
Charges for services	3,278,091	-	-	1,988,449	5,266,540
Fines and forfeitures	81,930	-	-	29,521	111,451
Interest revenue	6,132	12,586	4,349	4,618	27,685
Miscellaneous revenues	160,017	3,088	164,043	228,719	555,867
Total revenues	17,873,007	3,561,549	350,616	8,625,908	30,411,080
Expenditures					
Current:					
General government	3,484,652	-	-	-	3,484,652
Public safety	11,688,398	-	-	738,971	12,427,369
Public works	1,318,639	2,269,404	-	3,561,638	7,149,681
Parks and recreation	941,062	-	-	-	941,062
Economic development	244,598	-	538,923	487,634	1,271,155
Capital outlay	70,232	1,435,674	-	681,541	2,187,447
Debt service:					
Principal retirement	-	-	-	2,555,000	2,555,000
Interest and fiscal charges	-	-	-	142,972	142,972
Total expenditures	17,747,581	3,705,078	538,923	8,167,756	30,159,338
Revenues over (under) expenditures	125,426	(143,529)	(188,307)	458,152	251,742
Other financing sources (uses)					
Transfers in	310,724	-	356,699	659,398	1,326,821
Transfers out	(499,500)	(20,600)	(168,392)	(862,777)	(1,551,269)
Total other financing sources (uses)	(188,776)	(20,600)	188,307	(203,379)	(224,448)
Net change in fund balances	(63,350)	(164,129)	-	254,773	27,294
Fund balances, beginning of year	3,179,222	1,800,832	-	1,707,559	6,687,613
Fund balances, end of year	\$ 3,115,872	\$ 1,636,703	\$ -	\$ 1,962,332	\$ 6,714,907

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

CITY OF BAY CITY, MICHIGAN

Reconciliation

Net Changes in Fund Balances of Governmental Funds
to Change in Net Position of Governmental Activities
For the Year Ended June 30, 2015

Net change in fund balances - total governmental funds	\$ 27,294
Amounts reported for <i>governmental activities</i> 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.	
Capital assets purchased/constructed	1,353,283
Loss on disposal of capital assets	(11,148)
Depreciation expense	(3,639,412)
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.	
Net change in deferred property taxes receivable	5,715
Net change in deferred special assessments receivable	56,836
Net change in deferred loans receivable	(242,286)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Principal payments on bonds	2,390,000
Principal payments on loans	165,000
Change in interest accrued on bonds	3,379
Interest expenditure on zero coupon bond	(941,885)
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.	
Change in the accrual for landfill remediation liability	25,552
Change in the accrual of compensated absences	(397,736)
Change in the accrual for the net OPEB obligation	(1,197,627)
Change in the net pension liability and deferred amounts	1,294,379
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.	
Net operating income from governmental activities accounted for in internal service funds	(624,739)
Nonoperating revenue (expense), net recorded in internal service funds	(56,347)
Net transfers recorded in internal service funds	115,098
Change in net position of governmental activities	<u>\$ (1,674,644)</u>

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

CITY OF BAY CITY, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund
For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Positive (Negative) Variance with Final Budget
Revenues				
Taxes	\$ 8,380,581	\$ 8,380,581	\$ 8,277,109	\$ (103,472)
Licenses and permits	26,075	26,075	30,527	4,452
Intergovernmental:				
Federal	19,747	19,747	7,491	(12,256)
Other	5,977,518	6,061,383	6,031,710	(29,673)
Charges for services	3,307,469	3,309,969	3,278,091	(31,878)
Fines and forfeitures	93,600	93,600	81,930	(11,670)
Interest revenue	55,000	55,000	6,132	(48,868)
Miscellaneous revenue	261,760	276,969	160,017	(116,952)
Total revenues	18,121,750	18,223,324	17,873,007	(350,317)
Expenditures				
Current:				
General government				
Legislative and executive	424,161	443,944	440,458	3,486
Administration	973,184	799,340	756,121	43,219
Finance	1,842,986	1,865,078	1,799,760	65,318
Legal counsel	154,550	154,550	146,010	8,540
Planning and zoning	379,049	398,797	342,303	56,494
Total general government	<u>3,773,930</u>	<u>3,661,709</u>	<u>3,484,652</u>	<u>177,057</u>
Public safety				
Police	6,069,468	6,043,937	6,040,959	2,978
Fire	5,704,239	5,494,726	5,331,565	163,161
Community policing	225,575	273,976	315,874	(41,898)
Total public safety	<u>11,999,282</u>	<u>11,812,639</u>	<u>11,688,398</u>	<u>124,241</u>
Public works	<u>1,342,155</u>	<u>1,452,027</u>	<u>1,318,639</u>	<u>133,388</u>
Parks and recreation	<u>950,475</u>	<u>946,259</u>	<u>941,062</u>	<u>5,197</u>
Community/economic development	<u>252,355</u>	<u>248,015</u>	<u>244,598</u>	<u>3,417</u>
Capital outlay	<u>117,600</u>	<u>148,438</u>	<u>70,232</u>	<u>78,206</u>
Total expenditures	18,435,797	18,269,087	17,747,581	521,506
Revenues over (under) expenditures	<u>(314,047)</u>	<u>(45,763)</u>	<u>125,426</u>	<u>171,189</u>
Other financing sources (uses)				
Transfers in	500,724	310,724	310,724	-
Transfers out	(186,677)	(561,884)	(499,500)	62,384
Total other financing sources (uses)	<u>314,047</u>	<u>(251,160)</u>	<u>(188,776)</u>	<u>62,384</u>
Net change in fund balance	-	(296,923)	(63,350)	233,573
Fund balance, beginning of year	<u>3,179,222</u>	<u>3,179,222</u>	<u>3,179,222</u>	<u>-</u>
Fund balance, end of year	\$ 3,179,222	\$ 2,882,299	\$ 3,115,872	\$ 233,573

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

CITY OF BAY CITY, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Major Streets Fund

For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Positive (Negative) Variance with Final Budget
Revenues				
Property taxes	\$ 590,542	\$ 230,509	\$ 214,391	\$ (16,118)
Intergovernmental:				
Federal	1,581,600	1,581,600	806,980	(774,620)
Other	2,137,285	3,743,165	2,524,504	(1,218,661)
Interest revenue	6,000	7,500	12,586	5,086
Miscellaneous revenue	500	500	3,088	2,588
Total revenues	<u>4,315,927</u>	<u>5,563,274</u>	<u>3,561,549</u>	<u>(2,001,725)</u>
Expenditures				
Current:				
Public works:				
Highways, streets, and bridges	2,704,620	2,779,620	2,269,404	510,216
Capital outlay	2,127,000	3,740,837	1,435,674	2,305,163
Total expenditures	<u>4,831,620</u>	<u>6,520,457</u>	<u>3,705,078</u>	<u>2,815,379</u>
Revenues over (under) expenditures	(515,693)	(957,183)	(143,529)	813,654
Other financing sources				
Transfer out	(20,600)	(20,600)	(20,600)	-
Net change in fund balance	(536,293)	(977,783)	(164,129)	813,654
Fund balance, beginning of year	1,800,832	1,800,832	1,800,832	-
Fund balance, end of year	<u>\$ 1,264,539</u>	<u>\$ 823,049</u>	<u>\$ 1,636,703</u>	<u>\$ 813,654</u>

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

CITY OF BAY CITY, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual - Rehabilitation Fund
 For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Positive (Negative) Variance with Final Budget
Revenues				
Intergovernmental:				
Federal	\$ 338,271	\$ 338,271	\$ 182,224	\$ (156,047)
Interest revenue	900	4,400	4,349	(51)
Miscellaneous:				
Program income	29,100	150,807	164,043	13,236
Total revenues	<u>368,271</u>	<u>493,478</u>	<u>350,616</u>	<u>(142,862)</u>
Expenditures				
Current:				
Economic development	573,271	709,412	538,923	170,489
Revenues under expenditures	(205,000)	(215,934)	(188,307)	27,627
Other financing sources (uses)				
Transfers in	235,000	371,141	356,699	(14,442)
Transfers out	(30,000)	(155,207)	(168,392)	(13,185)
Total other financing sources (uses)	<u>205,000</u>	<u>215,934</u>	<u>188,307</u>	<u>(27,627)</u>
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	-	-	-	-
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 Position

Proprietary Funds

June 30, 2015

	Business-type Activities - Enterprise Funds					Governmental Activities
	Electric	Water	Sewer	Nonmajor Enterprise Funds	Total	Internal Service Funds
Assets						
Current assets:						
Cash and investments	\$ 12,055,372	\$ 7,484,423	\$ 11,400,415	\$ 192,787	\$ 31,132,997	\$ 9,704,770
Receivables, net:						
Accounts	6,574,475	1,601,235	2,195,043	49,246	10,419,999	5,523
Special assessments	85,602	31,135	323,434	-	440,171	-
Due from other funds	-	12,058	2,901	-	14,959	258,233
Due from other governmental units	29,974	-	-	4,443	34,417	-
Inventories	2,392,608	915,308	152,712	43,922	3,504,550	179,801
Prepaid items	-	-	-	-	-	15,454
Deposits	865,305	150	-	-	865,455	677,899
Total current assets	22,003,336	10,044,309	14,074,505	290,398	46,412,548	10,841,680
Noncurrent assets:						
Restricted assets:						
Debt service funds - cash and cash equivalents	2,083,275	-	-	-	2,083,275	-
Capital assets:						
Land and improvements	182,602	7,888,376	18,792,019	5,514,045	32,377,042	-
Air rights	-	-	-	95,421	95,421	-
Buildings	1,427,057	2,027,600	30,849	1,399,153	4,884,659	65,329
Machinery and equipment	3,979,650	1,407,572	2,544,841	161,724	8,093,787	14,704,798
Utility plant in service	81,789,952	56,950,889	152,006,760	-	290,747,601	-
Construction in progress	-	-	2,994	266,477	269,471	-
Total capital assets	87,379,261	68,274,437	173,377,463	7,436,820	336,467,981	14,770,127
Accumulated depreciation	(51,869,008)	(43,571,696)	(98,507,753)	(3,295,630)	(197,244,087)	(9,829,384)
Net capital assets	35,510,253	24,702,741	74,869,710	4,141,190	139,223,894	4,940,743
Total noncurrent assets	37,593,528	24,702,741	74,869,710	4,141,190	141,307,169	4,940,743
Total assets	59,596,864	34,747,050	88,944,215	4,431,588	187,719,717	15,782,423
Deferred outflows of resources						
Deferred pension amounts	1,030,569	571,229	665,452	-	2,267,250	147,225
Liabilities						
Current liabilities:						
Accounts payable	931,314	235,657	382,389	28,613	1,577,973	389,888
Accrued liabilities	98,393	51,083	50,803	325	200,604	21,792
Due to other funds	71,100	30,066	30,165	70	131,401	13,332
Due to other governmental units	120,558	-	-	-	120,558	4,389
Interest payable	292,043	58,541	206,945	-	557,529	-
Claims payable	-	-	-	-	-	1,003,997
Deposits	324,343	33,321	-	1,081	358,745	-
Current portion accrued compensated absences	321,181	161,138	194,219	950	677,488	83,999
Current portion bonds payable	580,000	765,933	2,801,282	-	4,147,215	-
Total current liabilities	2,738,932	1,335,739	3,665,803	31,039	7,771,513	1,517,397

Continued...

CITY OF BAY CITY, MICHIGAN

Statement of Net Position

Proprietary Funds

June 30, 2015

	Business-type Activities - Enterprise Funds					Governmental Activities
	Electric	Water	Sewer	Nonmajor Enterprise Funds	Total	Internal Service Funds
Long-term liabilities:						
Accrued compensated absences, net of current portion	\$ 299,819	\$ 141,754	\$ 121,876	\$ -	\$ 563,449	\$ 76,268
Bonds payable, net of current portion	14,390,000	6,311,888	24,752,534	-	45,454,422	-
Net OPEB obligation	2,362,928	2,115,296	1,852,757	-	6,330,981	626,834
Net pension liability	8,418,967	4,666,513	5,436,246	-	18,521,726	1,202,710
Total long-term liabilities	<u>25,471,714</u>	<u>13,235,451</u>	<u>32,163,413</u>	<u>-</u>	<u>70,870,578</u>	<u>1,905,812</u>
Total liabilities	<u>28,210,646</u>	<u>14,571,190</u>	<u>35,829,216</u>	<u>31,039</u>	<u>78,642,091</u>	<u>3,423,209</u>
Net position						
Net investment in capital assets	25,726,604	17,624,920	47,315,894	4,141,190	94,808,608	4,940,743
Restricted for:						
Debt service	2,083,275	-	-	-	2,083,275	-
Unrestricted	4,606,908	3,122,169	6,464,557	259,359	14,452,993	7,565,696
Total net position	<u>\$ 32,416,787</u>	<u>\$ 20,747,089</u>	<u>\$ 53,780,451</u>	<u>\$ 4,400,549</u>	<u>111,344,876</u>	<u>\$ 12,506,439</u>
Adjustment to reflect the consolidation of internal service funds related to enterprise funds					<u>5,978,539</u>	
Net position of business-type activities					<u>\$ 117,323,415</u>	

Concluded

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

CITY OF BAY CITY, MICHIGAN

Statement of Revenues, Expenses and Changes in Fund Net Position

Proprietary Funds

For the Year Ended June 30, 2015

	Business-type Activities - Enterprise Funds					Governmental Activities
	Electric	Water	Sewer	Nonmajor Enterprise Funds	Total	Internal Service Funds
Operating revenues						
Charges for services:						
Sales	\$ 35,174,719	\$ 10,179,017	\$ 13,105,844	\$ 133,685	\$ 58,593,265	\$ 13,583,388
Rents	-	-	-	165,785	165,785	-
Miscellaneous	171,946	108,569	75,039	1,825	357,379	459,387
Total operating revenues	35,346,665	10,287,586	13,180,883	301,295	59,116,429	14,042,775
Operating expenses						
Cost of sales and services	25,446,654	7,238,352	5,801,213	442,746	38,928,965	3,319,677
Administration	3,528,470	2,225,849	494,918	-	6,249,237	896,338
Claims and benefits	-	-	-	-	-	10,091,011
Depreciation	2,342,413	1,306,333	3,917,735	162,989	7,729,470	742,295
Total operating expenses	31,317,537	10,770,534	10,213,866	605,735	52,907,672	15,049,321
Operating income (loss)	4,029,128	(482,948)	2,967,017	(304,440)	6,208,757	(1,006,546)
Nonoperating revenues (expenses)						
Intergovernmental:						
Federal	-	-	-	276,966	276,966	-
Other	-	-	-	14,044	14,044	-
Interest earnings	73,790	28,114	25,244	838	127,986	33,953
Interest expense	(591,492)	(251,460)	(882,858)	-	(1,725,810)	-
Net loss on disposal of capital assets	-	-	-	-	-	(90,300)
Amortization of bond premium/discount	-	4,251	(17,805)	-	(13,554)	-
Total nonoperating revenues (expenses)	(517,702)	(219,095)	(875,419)	291,848	(1,320,368)	(56,347)
Income (loss) before transfers	3,511,426	(702,043)	2,091,598	(12,592)	4,888,389	(1,062,893)
Transfers						
Transfers in	99,600	-	-	77,884	177,484	214,168
Transfers out	(34,067)	(34,067)	-	-	(68,134)	(99,070)
Total transfers	65,533	(34,067)	-	77,884	109,350	115,098
Change in net position	3,576,959	(736,110)	2,091,598	65,292	4,997,739	(947,795)
Net position, beginning of year, as restated	28,839,828	21,483,199	51,688,853	4,335,257		13,454,234
Net position, end of year	\$ 32,416,787	\$ 20,747,089	\$ 53,780,451	\$ 4,400,549		\$ 12,506,439
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					(381,807)	
Change in net position of business-type activities					\$ 4,615,932	

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

CITY OF BAY CITY, MICHIGAN

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2015

	Business-type Activities - Enterprise Funds					Governmental Activities
	Electric	Water	Sewer	Nonmajor Enterprise Funds	Total	Internal Service Funds
Cash flows from operating activities						
Cash received from customers and users	\$ 35,104,470	\$ 10,284,130	\$ 13,061,138	\$ 286,781	\$ 58,736,519	\$ -
Cash received from internal users	-	-	-	-	-	13,667,267
Cash payments to suppliers for goods and services	(25,398,021)	(6,209,248)	(3,783,110)	(435,439)	(35,825,818)	(11,854,406)
Cash payments to employees for services	(4,857,565)	(3,760,033)	(3,264,628)	(14,250)	(11,896,476)	(2,096,751)
Cash payments for internal services provided	(2,327)	(9,362)	(1,338)	-	(13,027)	-
Other receipts	171,946	108,569	75,039	1,825	357,379	458,859
Net cash provided by (used in) operating activities	5,018,503	414,056	6,087,101	(161,083)	11,358,577	174,969
Cash flows from noncapital financing activities						
Intergovernmental - federal grants	-	-	-	276,966	276,966	-
Intergovernmental - state grants	-	-	-	14,044	14,044	-
Transfers in	99,600	-	-	77,884	177,484	214,168
Transfers out	(34,067)	(34,067)	-	-	(68,134)	(99,070)
Net cash provided by (used in) noncapital financing activities	65,533	(34,067)	-	368,894	400,360	115,098
Cash flows from capital and related financing activities						
Purchase of capital assets	(2,354,431)	(1,956,741)	(3,003,424)	(305,055)	(7,619,651)	(1,278,897)
Principal paid on debt	(535,000)	(740,653)	(3,424,445)	-	(4,700,098)	-
Interest paid on debt	(601,628)	(257,225)	(907,475)	-	(1,766,328)	-
Net cash provided by (used in) capital and related financing activities	(3,491,059)	(2,954,619)	(7,335,344)	(305,055)	(14,086,077)	(1,278,897)
Cash flows from investing activities						
Interest received	95,344	44,912	35,701	1,472	177,429	50,384
Net increase (decrease) in cash and cash equivalents	1,688,321	(2,529,718)	(1,212,542)	(95,772)	(2,149,711)	(938,446)
Cash and cash equivalents, beginning of year	12,450,326	10,014,141	12,612,957	288,559	35,365,983	10,643,216
Cash and cash equivalents, end of year	\$ 14,138,647	\$ 7,484,423	\$ 11,400,415	\$ 192,787	\$ 33,216,272	\$ 9,704,770
Classified on the statement of net position as						
Cash and investments	\$ 12,055,372	\$ 7,484,423	\$ 11,400,415	\$ 192,787	\$ 31,132,997	\$ 9,704,770
Cash and cash equivalents, restricted	2,083,275	-	-	-	2,083,275	-
Cash and cash equivalents, end of year	\$ 14,138,647	\$ 7,484,423	\$ 11,400,415	\$ 192,787	\$ 33,216,272	\$ 9,704,770

Continued...

CITY OF BAY CITY, MICHIGAN

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2015

	Business-type Activities - Enterprise Funds					Governmental Activities
	Electric	Water	Sewer	Nonmajor Enterprise Funds	Total	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities						
Operating income (loss)	\$ 4,029,128	\$ (482,948)	\$ 2,967,017	\$ (304,440)	\$ 6,208,757	\$ (1,006,546)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities						
Depreciation	2,342,413	1,306,333	3,917,735	162,989	7,729,470	742,295
Change in operating assets and liabilities that provided (used) cash:						
Accounts receivable	(134,017)	114,888	(38,374)	(9,754)	(67,257)	53,443
Special assessments receivable	(7,402)	(9,775)	(15,309)	-	(32,486)	-
Due from other funds	-	2,852	(1,552)	47	1,347	31,947
Due from other governments	71,170	-	8,977	(2,935)	77,212	-
Inventories	(340,063)	(69,327)	25,862	(10,267)	(393,795)	(35,555)
Prepaid items	-	-	-	-	-	772,763
Deposits	(14,106)	-	80	-	(14,026)	(151,593)
Accounts payable	(305,806)	(70,557)	(380,118)	2,287	(754,194)	107,708
Accrued liabilities	(84,176)	(49,374)	(20,974)	(192)	(154,716)	(23,987)
Due to other funds	(2,327)	(12,214)	214	(20)	(14,347)	(2,039)
Due to other governmental units	32,348	-	-	-	32,348	(31,882)
Claims payable	-	-	-	-	-	(133,153)
Deposits	21,251	406	-	1,081	22,738	-
Accrued compensated absences	119,431	59,626	77,095	121	256,273	33,136
Net OPEB obligation	(13,296)	9,954	(4,106)	-	(7,448)	(82,133)
Change in net pension liability and deferred amounts	(696,045)	(385,808)	(449,446)	-	(1,531,299)	(99,435)
Net cash provided by (used in) operating activities	\$ 5,018,503	\$ 414,056	\$ 6,087,101	\$ (161,083)	\$ 11,358,577	\$ 174,969

Concluded

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

CITY OF BAY CITY, MICHIGAN

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2015

	Pension and Other Post- employment Benefits Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 2,144,744	\$ 12,951
Investments:		
Fixed income	9,456,146	-
Equities	39,204,279	-
Other investments	18,021,647	-
Accounts receivable	438,526	-
Due from others	-	442,138
Interest receivable	72,570	-
Prepaid items	166,617	-
Total assets	<u>69,504,529</u>	<u>\$ 455,089</u>
Liabilities		
Accounts payable	529,027	\$ -
Due to others	-	212,194
Due to other governmental units	-	240,869
Deposits payable	-	2,026
Total liabilities	<u>529,027</u>	<u>\$ 455,089</u>
Net position		
Restricted for employees' pension benefits	54,653,219	
Restricted for postemployment health care benefits	14,322,283	
Total net position	<u>\$ 68,975,502</u>	

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

CITY OF BAY CITY, MICHIGAN

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

For the Year Ended June 30, 2015

Additions

Contributions:	
Employer	\$ 7,720,558
Plan members	682,928
Total contributions	<u>8,403,486</u>
Investment income:	
Interest and dividends	1,377,783
Net appreciation in fair value of investments	2,366,523
Investment expense	(288,401)
Net investment income	<u>3,455,905</u>
Other additions	<u>77,830</u>
Total additions	<u>11,937,221</u>
Deductions	
Retiree healthcare premium payments	5,002,120
Pension benefits and refunds paid to participants	5,392,500
Administrative expenses	176,967
Total deductions	<u>10,571,587</u>
Change in plan net position	1,365,634
Net position, beginning of year	<u>67,609,868</u>
Net position, end of year	<u><u>\$ 68,975,502</u></u>

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

CITY OF BAY CITY, MICHIGAN

Combining Statement of Net Position
Discretely Presented Component Units
June 30, 2015

	Downtown Development Authority	Midland Street TIFA	Kresge's DDA	Marquette District TIFA	Water Street DDA
Assets					
Cash and cash equivalents	\$ 124,512	\$ 400,604	\$ 42,512	\$ 1,106,602	\$ 165,716
Receivables:					
Accounts	27,278	-	-	-	-
Delinquent taxes	676	-	-	-	-
Due from other governmental units	-	-	-	-	-
Prepaid items	-	-	-	-	-
Capital assets not being depreciated	-	24,000	-	30,136	-
Capital assets being depreciated, net	120,368	1,269,673	19,724	1,191,982	1,900,132
Total assets	272,834	1,694,277	62,236	2,328,720	2,065,848
Liabilities					
Accounts payable	1,913	1,287	-	3,321	4,119
Accrued liabilities	-	-	-	610	-
Interest payable	-	9,444	-	-	6,662
Long-term debt:					
Due within one year	-	44,405	-	2,119	300,000
Due in more than one year	-	907,531	-	-	710,000
Total liabilities	1,913	962,667	-	6,050	1,020,781
Net position					
Net investment in capital assets	120,368	341,737	19,724	1,219,999	890,132
Unrestricted (deficit)	150,553	389,873	42,512	1,102,671	154,935
Total net position (deficit)	\$ 270,921	\$ 731,610	\$ 62,236	\$ 2,322,670	\$ 1,045,067

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

Marina Development TIFA	Allen Healthcare DDA	Knepp's DDA	Brownfield Redevelopment Authority	Columbus Avenue Management Board	Midland Street Management Board	Downtown Management Board	Total
\$ -	\$ 4,230	\$ 3,442	\$ 5,784,515	\$ 8,810	\$ 35,599	\$ 1,548	7,678,090
-	-	-	-	-	40	9,410	36,728
-	-	-	-	-	-	98,319	98,995
-	-	-	-	-	-	29,822	29,822
-	-	-	-	-	-	4,383	4,383
-	-	-	7,753,730	-	-	-	7,807,866
392,992	-	132,633	202,593	-	-	-	5,230,097
392,992	4,230	136,075	13,740,838	8,810	35,639	143,482	20,885,981
-	-	-	57,139	952	447	6,912	76,090
-	-	-	-	-	-	2,192	2,802
-	-	-	198,902	-	-	-	215,008
-	-	-	894	-	-	-	347,418
-	-	-	16,205,669	-	-	-	17,823,200
-	-	-	16,462,604	952	447	9,104	18,464,518
392,992	-	132,633	155,710	-	-	-	3,273,295
-	4,230	3,442	(2,877,476)	7,858	35,192	134,378	(851,832)
\$ 392,992	\$ 4,230	\$ 136,075	\$ (2,721,766)	\$ 7,858	\$ 35,192	\$ 134,378	\$ 2,421,463



A beautiful view...of life

City of Bay City

Michigan

CITY OF BAY CITY, MICHIGAN

Combining Statement of Activities
 Discretely Presented Component Units
 For the Year Ended June 30, 2015

Functions / Programs	Expenses	Indirect	Program Revenues		Net (Expense) Revenue
			Charges for Services	Operating Grants and Contributions	
Component units					
Downtown Development Authority	\$ 125,883	\$ 5,163	\$ 78,246	\$ -	\$ (52,800)
Midland Street TIFA	119,659	974	-	-	(120,633)
Kresge's DDA	1,949	199	-	-	(2,148)
Marquette District TIFA	167,278	6,690	-	-	(173,968)
Water Street DDA	242,854	1,937	-	-	(244,791)
Marina Development TIFA	18,745	-	-	-	(18,745)
Allen Healthcare DDA	-	-	-	-	-
Knepp's DDA	3,599	-	-	-	(3,599)
Brownfield Redevelopment Authority	875,260	15,747	-	-	(891,007)
Columbus Avenue Management Board	10,235	2,046	13,320	250	1,289
Midland Street Management Board	10,260	863	19,550	-	8,427
Downtown Management Board	270,416	-	82,663	84,000	(103,753)
Total component units	\$ 1,846,138	\$ 33,619	\$ 193,779	\$ 84,250	\$ (1,601,728)

Continued...

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

CITY OF BAY CITY, MICHIGAN

Combining Statement of Activities
 Discretely Presented Component Units
 For the Year Ended June 30, 2015

Functions/Programs	Downtown Development Authority	Midland St. TIFA	Kresge's DDA	Marquette District TIFA	Water Street DDA
Changes in net position					
Net (expense) revenue	\$ (52,800)	\$ (120,633)	\$ (2,148)	\$ (173,968)	\$ (244,791)
General revenue:					
Property taxes	63,420	91,475	3,095	421,040	299,682
Unrestricted investment earnings	536	1,520	162	4,223	625
Miscellaneous revenue	1,250	-	-	-	-
Total general revenue	65,206	92,995	3,257	425,263	300,307
Change in net position	12,406	(27,638)	1,109	251,295	55,516
Net position, beginning of year	258,515	759,248	61,127	2,071,375	989,551
Net position, end of year	<u>\$ 270,921</u>	<u>\$ 731,610</u>	<u>\$ 62,236</u>	<u>\$ 2,322,670</u>	<u>\$ 1,045,067</u>

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

Marina Develop. TIFA	Allen Health-care DDA	Knepp's DDA	Brownfield Redevelopment Authority	Columbus Avenue Mgmt. Board	Midland St. Mgmt. Board	Downtown Mgmt. Board	Totals
\$ (18,745)	\$ -	\$ (3,599)	\$ (891,007)	\$ 1,289	\$ 8,427	\$ (103,753)	\$ (1,601,728)
-	-	-	520,962	-	-	98,319	1,497,993
-	-	14	21,728	34	135	17	28,994
-	-	-	20,436	-	-	-	21,686
-	-	14	563,126	34	135	98,336	1,548,673
(18,745)	-	(3,585)	(327,881)	1,323	8,562	(5,417)	(53,055)
411,737	4,230	139,660	(2,393,885)	6,535	26,630	139,795	2,474,518
<u>\$ 392,992</u>	<u>\$ 4,230</u>	<u>\$ 136,075</u>	<u>\$ (2,721,766)</u>	<u>\$ 7,858</u>	<u>\$ 35,192</u>	<u>\$ 134,378</u>	<u>\$ 2,421,463</u>



A beautiful view...of life

City of Bay City

Michigan

NOTES TO FINANCIAL STATEMENTS

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

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:

Reporting Entity

The 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 component units column in the government-wide financial statements represent a total of the City's discretely presented 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, 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 DMB. All discretely presented component units use governmental fund type accounting. However, full accrual accounting is used for the statement of net position as well as the statement of activities 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, Brownfield Redevelopment Authority, TIFA's and DDA's are not prepared.

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.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the primary government and its discretely presented component units. 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.

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

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.

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.

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 accounted for and reported 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 federal revenues, other revenues and expenditures related to providing financing to low and moderate income individuals to assist with home improvements within specific neighborhoods of the City.

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

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.

Additionally, the City reports the following fund types:

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Capital project funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

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 postemployment benefits trust funds* account for the activities of the police and fire employees' retirement system, which accumulates resources for pension benefit payments to qualified police and fire members. In addition, the City has a separate postemployment benefits trust fund. The purpose of this fund 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.

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.

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

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.

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.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Equity

Deposits and Investments

The City'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.

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

Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advance to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds are offset by nonspendable fund balance in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

All trade, property tax, and special assessment receivables are shown net of allowance for uncollectibles, as applicable.

Amounts due from other governments include amounts due from grantors for specific programs and capital projects. Program grants and capital grants for capital assets are recorded as receivables and revenues at the time reimbursable project costs are incurred. Revenues received in advance of project costs being incurred are reported as "unearned".

Notes receivable consists of Home Program funds advanced to area residents for home improvements, which must be repaid by the homeowner upon sale or foreclosure. The City has an enforceable lien on such property.

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 Collection 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 the government-wide and fund financial statements.

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.

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.

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

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

	Years
Buildings and improvements	50
Land improvements	50
Machinery and equipment	5-20
Vehicles	3-10
Infrastructure assets:	
Site improvements, streets, sidewalks, curbs	20
Bridges	50

Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports deferred outflow of resources for change in expected and actual investment returns, assumptions, and benefits provided in its pension plan.

Compensated Absences (Vacation and Sick Leave)

City employees earn vacation leave at rates ranging between six and 30 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 and 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 maximum amount payable upon retirement varies from zero hours to a maximum of 2,400 hours, depending on union membership and original hire date.

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 position. Bond premiums and discounts 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.

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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.

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds also report unavailable revenues, which arise only under a modified accrual basis of accounting that are reported as deferred inflows of resources. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Fund Equity

In the fund financial statements, governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually require to be maintained intact. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of the resources by grantors, contributors, or laws or regulations of other governments. *Committed fund balance* is reported for amounts that can be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority, City Commission. A formal resolution of the City Commission is required to establish, modify or rescind a fund balance commitment. The City reports *assigned fund balance* for amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. *Unassigned fund balance* is the residual classification for the General Fund.

The City approved the General Fund fund balance policy on June 17, 2013, giving authority to assign amounts for specific purposes to (a) City Commission or (b) City Manager or other City official to which the City Commission has delegated the authority.

When the City incurs an expenditure for purposes for which various fund balance classifications can be used, it is the City's policy to use restricted fund balance first, then committed, assigned, and finally unassigned fund balance.

The City Commission has adopted a minimum fund balance policy in which the combined unassigned and committed fund balance of the general fund will be equal to 15% to 20% of the previous year's amended total budgeted expenditures and transfers out, less all grant related expenditures. If the combined unassigned and committed fund balance of the general fund falls below the minimum range, the City will replenish shortfall by reducing expenditures, increasing revenues or a combination of expenditure reductions and revenue enhancements as detailed in the policy. If the fund balance of the general fund exceeds 20%, the City shall consider using such surpluses for one-time non-recurring expenditures that will not require additional future expenses for maintenance, additional staffing or any other recurring expenditures, in accordance with the policy.

Pensions

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

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

2. BUDGETARY INFORMATION

Annual budgets are adopted at the general and special revenue funds.

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 an activity (i.e. City Clerk, City Manager, Treasurer, Human Resources) basis in accordance with sections of the City Charter. The legal level of budgetary control is exercised at the activity level for all funds.

During the year, the City incurred expenditures that were in excess of the amounts budgeted, as follows:

	Amended Budget	Actual	Variance
General Fund-			
Community policing	\$ 273,976	\$ 315,874	\$ 41,898
Rehabilitation Fund-			
Transfers out	155,207	168,392	13,185
Nonmajor governmental funds -			
Parking Enforcement Fund-			
Public safety	42,887	45,723	2,836

3. DEFICIT FUND EQUITY

Governmental activities reported a deficit in unrestricted net position in the amount of \$33,884,105 at June 30, 2015. Total net position amounted to a positive \$46,001,422.

The Information Systems Internal Service Fund had an unrestricted fund deficit at year-end of \$549,188. The total net position amounted to a deficit of \$245,196.

The Brownfield Redevelopment Authority component unit reported a deficit in unrestricted net position in the amount of \$2,877,476 at June 30, 2015. Total net position amounted to a deficit of \$2,721,766.

4. 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.

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

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.

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

	Primary Government	Component Units	Total
Statement of Net Position			
Cash and investments	\$ 46,776,437	\$ 7,678,090	\$ 54,454,527
Cash and cash equivalents, restricted	2,083,275	-	2,083,275
Statement of Net Position - Fiduciary Funds			
Pension and other postemployment benefits trust funds:			
Cash and cash equivalents	2,144,744	-	2,144,744
Investments	66,682,072	-	66,682,072
Agency funds:			
Cash and cash equivalents	12,951	-	12,951
Total	\$ 117,699,479	\$ 7,678,090	\$ 125,377,569
Deposits and investments			
Bank deposits:			
Checking and savings accounts			\$ 8,788,644
Pooled certificates of deposit:			
Due within one year			8,074,085
Due within one to five years			5,061,495
Investments			103,447,800
Cash on hand			5,545
Total			\$ 125,377,569

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, 2015, the City had \$13,407,032 covered by federal depository insurance, including balances invested in the certificate of deposit account registry service (CDARS).

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

Custodial Credit Risk. Investments. Following is a summary of the City's investments as of June 30, 2015:

	Primary Government	Trust Funds		Total
		Police & Fire Pension	Health Care	
Money market accounts	\$ 36,296,958	\$ -	\$ -	\$ 36,296,958
Fixed income	-	9,456,146	-	9,456,146
Equities	-	26,303,645	12,900,634	39,204,279
Government securities	468,770	-	-	468,770
Other investments:				-
Other equity	-	10,577,429	-	10,577,429
Other assets	-	3,401,919	-	3,401,919
Real estate investment funds	-	4,042,299	-	4,042,299
Total	\$ 36,765,728	\$ 53,781,438	\$ 12,900,634	\$ 103,447,800

For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. 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, 2015, 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 counterparty.

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

Interest Rate Risk. As of June 30, 2015, maturities and ratings of the City's investments were as follows:

	Investment Maturities (In Years) (Continued)			
	Fair Value	N/A	Less Than 1	1-5
Money market funds	\$ 36,296,958	\$ 36,296,958	\$ -	\$ -
Fixed income	9,456,146	432,832	1,604,365	3,944,936
Equities	39,204,279	39,204,279	-	-
Government securities	468,770	-	-	468,770
Other investments	18,021,647	18,021,647	-	-
Total investments	\$ 103,447,800	\$ 93,955,716	\$ 1,604,365	\$ 4,413,706

	Investment Maturities (In Years) (Concluded)		
	6-10	More Than 10	Moody's Investors Services Rating
Money market funds	\$ -	\$ -	N/A
Fixed income	3,253,223	220,790	Aaa-Aa3; NR
Equities	-	-	N/A
Government securities	-	-	AA3
Other investments	-	-	N/A
Total investments	\$ 3,253,223	\$ 220,790	

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 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 years from the date of purchase.

The City's investment policy and the Police and 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 rates.

Credit Risk. State law limits investments 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.

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

The Police and 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, 2015. Regarding fixed income, the System's investment policy allows its investment managers to invest up to 12.5% of the portfolio in non-investment grade securities (BB to CC rated) with at least 80% of the non-investment grade portfolio consisting of BB or B rated securities. The policy also allows investment managers to invest up to 10% of the portfolio in non-U.S. dollar denominated fixed income securities. The minimum credit rating for international fixed income securities is single B at the time of purchase.

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

The Police and Fire Retirement System's investment 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 corporate stock to 5% of the outstanding securities of one issuer.

5. RECEIVABLES, NET

	Governmental Activities	Business-type Activities	Component Units	Total
Receivables:				
Account	\$ 2,455,313	\$ 11,979,321	\$ 36,728	\$ 14,471,362
Taxes	80,781	-	98,995	179,776
Special assessments	113,977	440,171	-	554,148
Intergovernmental	1,455,293	34,417	29,822	1,519,532
Notes	11,552,050	-	-	11,552,050
Gross receivables	15,657,414	12,453,909	165,545	28,276,868
Less: allowance for uncollectibles	(4,531,801)	(1,559,322)	-	(6,091,123)
Total receivables, net	\$ 11,125,613	\$ 10,894,587	\$ 165,545	\$ 22,185,745

The receivables not expected to be collected within one year are approximately \$7.1 million of the notes receivable reported in the Rehabilitation Fund, \$4 million of notes receivable in the City Loans and Collections Special Revenue Fund and \$45,000 and \$218,000 of special assessments receivable in the General Fund and Sewer Fund, respectively.

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

6. CAPITAL ASSETS

Capital asset activity of the City's governmental activities for the year ended June 30, 2015, is as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 17,141,056	\$ -	\$ -	\$ -	\$ 17,141,056
Construction in progress	2,720,478	1,001,574	-	(275,057)	3,446,995
Other intangible assets	376,000	-	-	-	376,000
	<u>20,237,534</u>	<u>1,001,574</u>	<u>-</u>	<u>(275,057)</u>	<u>20,964,051</u>
Capital assets being depreciated:					
Infrastructure	140,857,294	100,181	-	275,057	141,232,532
Buildings and improvements	13,094,647	23,800	248,900	-	12,869,547
Vehicles	13,727,552	1,247,881	442,993	-	14,532,440
Office furnishings	39,293	-	-	-	39,293
Other tools and equipment	3,246,011	258,744	56,549	-	3,448,206
	<u>170,964,797</u>	<u>1,630,606</u>	<u>748,442</u>	<u>275,057</u>	<u>172,122,018</u>
Accumulated depreciation:					
Infrastructure	96,939,015	3,192,369	-	-	100,131,384
Buildings and improvements	5,130,079	294,120	237,750	-	5,186,449
Vehicles	9,395,773	693,572	352,695	-	9,736,650
Office furnishings	27,560	1,965	-	-	29,525
Other tools and equipment	2,494,985	199,681	56,549	-	2,638,117
	<u>113,987,412</u>	<u>4,381,707</u>	<u>646,994</u>	<u>-</u>	<u>117,722,125</u>
Net capital assets being depreciated	<u>56,977,385</u>	<u>(2,751,101)</u>	<u>101,448</u>	<u>275,057</u>	<u>54,399,893</u>
Governmental activities capital assets, net	<u>\$ 77,214,919</u>	<u>\$ (1,749,527)</u>	<u>\$ 101,448</u>	<u>\$ -</u>	<u>\$ 75,363,944</u>

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

Capital asset activity of the City's business-type activities for the year ended June 30, 2015, is as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 821,424	\$ -	\$ -	\$ -	\$ 821,424
Construction in progress	7,940,763	269,471	-	(7,940,763)	269,471
Other	95,421	-	-	-	95,421
	<u>8,857,608</u>	<u>269,471</u>	<u>-</u>	<u>(7,940,763)</u>	<u>1,186,316</u>
Capital assets, being depreciated:					
Utility plant and systems	277,818,481	5,751,968	763,611	7,940,763	290,747,601
Land improvements	30,440,662	1,155,606	40,650	-	31,555,618
Buildings and improvements	4,863,843	20,816	-	-	4,884,659
Machinery and equipment	7,671,997	421,790	-	-	8,093,787
	<u>320,794,983</u>	<u>7,350,180</u>	<u>804,261</u>	<u>7,940,763</u>	<u>335,281,665</u>
Accumulated depreciation:					
Utility plant and systems	176,100,648	6,703,532	763,611	-	182,040,569
Land improvements	6,217,679	643,491	40,650	-	6,820,520
Buildings and improvements	2,750,330	120,702	-	-	2,871,032
Machinery and equipment	5,250,221	261,745	-	-	5,511,966
	<u>190,318,878</u>	<u>7,729,470</u>	<u>804,261</u>	<u>-</u>	<u>197,244,087</u>
Net capital assets, being depreciated	<u>130,476,105</u>	<u>(379,290)</u>	<u>-</u>	<u>7,940,763</u>	<u>138,037,578</u>
Business-type activities capital assets, net	<u>\$ 139,333,713</u>	<u>\$ (109,819)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 139,223,894</u>

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

Capital asset activity of the City's component units for the year ended June 30, 2015, is as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Component units:					
Capital assets, not being depreciated:					
Land	\$ 54,136	\$ -	\$ -	\$ -	\$ 54,136
Construction in progress	5,160,195	2,593,535	-	-	7,753,730
	<u>5,214,331</u>	<u>2,593,535</u>	<u>-</u>	<u>-</u>	<u>7,807,866</u>
Capital assets, being depreciated					
Infrastructure	9,454,224	-	-	-	9,454,224
Land improvements	25,037	-	-	-	25,037
Furniture and equipment	78,973	-	-	-	78,973
	<u>9,558,234</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,558,234</u>
Accumulated depreciation:					
Infrastructure	3,861,860	402,395	-	-	4,264,255
Land improvements	2,626	1,588	-	-	4,214
Furniture and equipment	56,122	3,546	-	-	59,668
	<u>3,920,608</u>	<u>407,529</u>	<u>-</u>	<u>-</u>	<u>4,328,137</u>
Net capital assets being depreciated	<u>5,637,626</u>	<u>(407,529)</u>	<u>-</u>	<u>-</u>	<u>5,230,097</u>
Component units capital assets, net	<u>\$ 10,851,957</u>	<u>\$ 2,186,006</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,037,963</u>

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

Governmental activities	
General government	\$ 136,734
Public safety	133,317
Public works	2,943,549
Recreation and cultural	220,352
Economic development	205,460
Internal service fund depreciation is charged to the various functions based on their usage of the asset	<u>742,295</u>
Total governmental activities	<u>\$ 4,381,707</u>

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

Business-type activities

Electric	\$ 2,342,413
Water	1,306,333
Sewer	3,917,735
Other business-type activities	<u>162,989</u>
Total business-type activities	<u>\$ 7,729,470</u>

7. INTERFUND RECEIVABLES AND 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:

	Due from Other Funds	Due to Other Funds
General Fund	\$ 1,534,869	\$ 98,848
Major Streets Fund	-	7,104
Nonmajor governmental funds	-	1,557,376
Electric Fund	-	71,100
Water Fund	12,058	30,066
Sewer Fund	2,901	30,165
Nonmajor enterprise funds	-	70
Internal service funds	<u>258,233</u>	<u>13,332</u>
	<u>\$ 1,808,061</u>	<u>\$ 1,808,061</u>

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.

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

The composition of interfund transfers is as follows:

Transfers To	Transfers From (Continued)			
	General Fund	Major Streets Fund	Rehabilitation Fund	Nonmajor Governmental Funds
General Fund	\$ -	\$ -	\$ -	\$ 211,654
Rehabilitation Fund	-	-	-	356,699
Nonmajor governmental funds	405,582	-	168,392	85,424
Electric Fund	-	20,600	-	79,000
Nonmajor enterprise funds	77,884	-	-	-
Internal service funds	16,034	-	-	130,000
	<u>\$ 499,500</u>	<u>\$ 20,600</u>	<u>\$ 168,392</u>	<u>\$ 862,777</u>

Transfers To	Transfers From (Concluded)			
	Electric Fund	Water Fund	Internal Service Funds	Total
General Fund	\$ -	\$ -	\$ 99,070	\$ 310,724
Rehabilitation Fund	-	-	-	356,699
Nonmajor governmental funds	-	-	-	659,398
Electric Fund	-	-	-	99,600
Nonmajor enterprise funds	-	-	-	77,884
Internal service funds	34,067	34,067	-	214,168
	<u>\$ 34,067</u>	<u>\$ 34,067</u>	<u>\$ 99,070</u>	<u>\$ 1,718,473</u>

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

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. 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:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental activities					
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.	\$ 12,814,644	\$ 941,885	\$ (2,325,000)	\$ 11,431,529	\$ 2,350,000
Variable rate HUD Section 108 note payable, principal due annually beginning 8/1/13 through 8/1/22, interest due semi-annually February 1 and August 1. Original amount \$2,000,000.	1,915,000	-	(165,000)	1,750,000	175,000
2.0% to 3.65% Limited Tax G.O Bonds, Series 2012A dated 1/10/12, aggregate principal due at maturity beginning 10/1/12 through 10/1/31. Original amount \$1,630,000.	1,510,000	-	(65,000)	1,445,000	70,000
1.5% Brownfield Redevelopment MDEQ Loan, principal payments beginning 10/10/17 through 10/10/27. Original amount \$1,000,000.	1,000,000	-	-	1,000,000	-
Total bonds and notes payable	17,239,644	941,885	(2,555,000)	15,626,529	2,595,000

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Landfill remediation liability	\$ 1,105,256	\$ 25,757	\$ (51,309)	\$ 1,079,704	\$ 56,296
Employee compensated absences	2,149,278	1,622,899	(1,192,027)	2,580,150	1,409,894
Total governmental activities long-term debt	\$ 20,494,178	\$ 2,590,541	\$ (3,798,336)	\$ 19,286,383	\$ 4,061,190

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

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Business-type activities					
Sewer Fund:					
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.	\$ 21,695,000	\$ -	\$ (2,180,000)	\$ 19,515,000	\$ 2,235,000
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.	4,155,000	-	(275,000)	3,880,000	285,000
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 \$2,166,181.	1,671,791	-	(89,345)	1,582,446	93,318

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
2.0% to 4.5% G.O. Capital Improvement Bonds, Series 2010A, principal due in annual installments of \$89,900 to \$179,800 through 10/1/30, interest due semi-annually April 1 and October 1. Original amount \$2,498,600.	\$ 2,222,700	\$ -	\$ (96,100)	\$ 2,126,600	\$ 99,200
3.261% G.O. Improvement Refunding Bonds, Series 2011, principal due in annual installments of \$95,000 to \$112,000 through 4/1/20, interest annually on April 1. Original amount \$884,000.	611,000	-	(94,000)	517,000	97,000
2.5% to 3.5% G.O. Sanitary Sewage System Bonds, Series 2004, repaid during fiscal year 2015.	690,000	-	(690,000)	-	-
Premium on bond issuance	37,791	-	(2,699)	35,092	2,699
Discounts on bond issuances	(122,826)	-	20,504	(102,322)	(10,935)
Electric Fund:					
3.9% Electric Utility System Revenue Bonds, Series 2013, principal due in annual installments of \$140,000 to \$1,115,000 through 7/1/33, interest due semi-annually January 1 and July 1. Original amount \$13,830,000.	13,830,000	-	(140,000)	13,690,000	170,000

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
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. Original amount \$9,770,000.	\$ 1,675,000	\$ -	\$ (395,000)	\$ 1,280,000	\$ 410,000
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.	3,895,000	-	(290,000)	3,605,000	295,000
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.	1,330,000	-	(315,000)	1,015,000	325,000
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 \$3,288,819.	2,538,210	-	(135,653)	2,402,557	141,682

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Premium on bond issuance	\$ 59,515	\$ -	\$ (4,251)	\$ 55,264	\$ 4,251
Total bonds and loans payable	54,288,181	-	(4,686,544)	49,601,637	4,147,215
Employee compensated absences	984,664	825,952	(569,679)	1,240,937	677,488
Total	\$ 55,272,845	\$ 825,952	\$ (5,256,223)	\$ 50,842,574	\$ 4,824,703

Debt service requirements for the various bonds and loans outstanding with interest of \$12,893,233 including capital appreciation of \$9,320,347, which is included in the outstanding bonds and notes payable balance above, in the governmental activities bonded debt, and interest of \$446,843 in governmental activities other debt are as follows:

Year Ended June 30,	Governmental Activities			
	Bonded Debt		Other Debt	
	Principal	Interest	Principal	Interest
2016	\$ 478,266	\$ 1,983,177	\$ 175,000	\$ 79,956
2017	70,000	2,034,137	190,000	71,911
2018	70,000	2,103,482	297,826	63,095
2019	75,000	2,145,205	294,294	67,217
2020	75,000	2,193,116	310,558	55,622
2021-2025	2,102,916	2,346,087	1,197,431	100,453
2026-2030	575,000	86,022	284,891	8,589
2031-2032	110,000	2,007	-	-
	<u>3,556,182</u>	<u>12,893,233</u>	<u>2,750,000</u>	<u>446,843</u>
Capital appreciation	9,320,347	(9,320,347)	-	-
	<u>\$ 12,876,529</u>	<u>\$ 3,572,886</u>	<u>\$ 2,750,000</u>	<u>\$ 446,843</u>

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

Debt service requirements to maturity for all installment debt of the City's business-type activities are as follows:

Year Ended June 30,	Business-type Activities	
	Principal	Interest
2016	\$ 4,151,200	\$ 1,638,840
2017	4,272,300	1,516,091
2018	4,398,400	1,387,146
2019	3,703,500	1,253,781
2020	4,268,600	1,148,290
2021-2025	17,253,600	3,823,837
2026-2030	7,166,203	1,630,672
2031-2034	4,399,800	423,295
	<u>\$ 49,613,603</u>	<u>\$ 12,821,952</u>

The City closed on a Drinking Water Revolving Fund loan totaling \$4,315,000 in June 2015. However, no proceeds were received as of June 30, 2015; therefore, no debt owed as of year end.

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Component units					
2.0% to 4.25% Brownfield Redevelopment Authority Tax Increment Bonds, Series 2014, principal due in annual installments of \$25,000 to \$700,000 starting 7/1/17 through 7/1/42, interest due semi-annually April 1 and October 1. Original amount \$7,085,000.	\$ 7,085,000	\$ -	\$ -	\$ 7,085,000	\$ -
3.0% to 5.5% Brownfield Redevelopment Authority 2013 Tax Increment Bonds, principal due in annual installments of \$15,000 to \$870,000 starting 10/1/18 through 10/1/43, interest due semi-annually April 1 and October 1. Original amount \$9,200,000.	9,200,000	-	-	9,200,000	-

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
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.	\$ 1,275,000	\$ -	\$ (265,000)	\$ 1,010,000	\$ 300,000
2.0% to 4.5% Midland Street TIFA G.O. Capital Improvement Bonds, Series 2010A, principal due in annual installments of \$40,242 to \$80,484 through 10/1/30, interest due semiannually April 1 and October 1. Original amount \$1,118,456.	994,954	-	(43,018)	951,936	44,405
2.0% to 4.5% Brownfield G.O. Capital Improvement Bonds, Series 2010A, principal due in annual installments of \$14,858 to \$29,716 through 10/1/30, interest due semi-annually April 1 and October 1. Original amount \$412,944.	367,346	-	(15,882)	351,464	16,395
Discounts on bond issuances	(445,556)	-	15,578	(429,978)	(15,578)
Total bonds payable	18,476,744	-	(308,322)	18,168,422	345,222
Employee compensated absences	1,896	300	-	2,196	2,196
Total long-term debt, component units	\$ 18,478,640	\$ 300	\$ (308,322)	\$ 18,170,618	\$ 347,418

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

The aggregate debt service requirement for the component units to pay principal and interest on the various outstanding loans are as follows:

Year Ended June 30,	Component Units	
	Principal	Interest
2016	\$ 360,800	\$ 869,275
2017	597,700	855,873
2018	479,600	836,851
2019	111,500	818,702
2020	123,400	814,820
2021-2025	1,056,401	3,981,989
2026-2030	2,388,799	3,450,119
2031-2035	3,980,200	2,950,211
2036-2040	5,705,000	1,841,563
2041-2044	3,795,000	362,188
	<u>\$ 18,598,400</u>	<u>\$ 16,781,591</u>

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.

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

The changes in the claims liability for the years ended June 30, 2014 and 2015, are as follows:

Fiscal Year	Beginning of Period Liability	Current Year Claims and Changes in Estimates	Claim Payments	End of Period Liability
2014	\$ 282,150	\$ 678,102	\$ (521,956)	\$ 438,296
2015	438,296	171,781	(174,285)	435,792

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.

The changes in the claims liability for the years ended June 30, 2014 and 2015, are as follows:

Fiscal Year	Beginning of Period Liability	Current Year Claims and Changes in Estimates	Claim Payments	End of Period Liability
2014	\$ 317,258	\$ 8,270,067	\$ (8,283,351)	\$ 303,974
2015	303,974	4,068,047	(4,059,719)	312,302

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.

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

The changes in the claims liability for the years ended June 30, 2014 and 2015 are as follows:

Fiscal Year	Beginning of Period Liability	Current Year Claims and Changes in Estimates	Claim Payments	End of Period Liability
2014	\$ 456,229	\$ 190,114	\$ (251,463)	\$ 394,880
2015	394,880	42,011	(180,988)	255,903

10. BENEFIT PLANS

Agent Multiple-Employer Plan (MERS) - Defined Benefit Pension Plan

General Information About the Plan

Plan Description. The City participates in the Municipal Employees' Retirement System (MERS) of Michigan, a defined benefit pension plan providing certain retirement, disability and death benefits to plan members and beneficiaries. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. Public Act 427 of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at www.mersofmich.com.

Benefits Provided. Pension benefits vary by division/bargaining unit and are calculated as final average compensation (based on a 3 or 5 year period) and multipliers ranging from 2.25% to 2.5%. Participants are considered to be fully vested in the plan after 10 years. Normal retirement age is 60 with early retirement at age 55 with 25 years of service or any age with 25 years or service. Member contributions range from 0% to 5.5%. Six of the seven divisions are closed to new entrants.

Employees Covered by Benefit Terms. As of the most recent valuation date, plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	295
Inactive employees entitled to but not yet receiving benefits	15
Active employees	50
Total membership	360

Contributions. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees. During the fiscal year, employer contributions were 3.4% of annual payroll for the open division. Closed divisions had an annual employer contribution ranging from \$0 to \$84,577.

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

Net Pension Liability. The City's net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date (rolled forward to June 30, 2015).

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

Inflation	3% to 4%
Salary increases	4.5% in the long-term (1%, 2% and 3% for calendar years 2014, 2015 and 2016, respectively)
Investment rate of return	8.25%, net of investment expense and including inflation

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

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

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study conducted in 2008. (The MERS Retirement Board is currently conducting an actuarial experience study covering the period from January 1, 2009, through December 31, 2013.)

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Global equity	57.50%	5.02%	2.89%
Global fixed income	20.00%	2.18%	0.44%
Real assets	12.50%	4.23%	0.53%
Diversifying strategies	10.00%	6.56%	0.64%
	<u>100.00%</u>		
Inflation			3.50%
Administrative expenses netted above			<u>0.25%</u>
Investment rate of return			<u><u>8.25%</u></u>

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

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

Changes in Net Pension Liability

The components of the change in the net pension liability are summarized as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at December 31, 2013	\$ 70,011,810	\$ 45,003,607	\$ 25,008,203
Changes for the year:			
Service cost	353,816	-	353,816
Interest	5,554,640	-	5,554,640
Differences between expected and actual experience	-	-	-
Changes in assumptions	-	-	-
Employer contributions	-	3,944,723	(3,944,723)
Employee contributions	-	218,513	(218,513)
Net investment income	-	2,802,123	(2,802,123)
Benefit payments, including refunds of employee contributions	(5,719,505)	(5,719,505)	-
Administrative expense	-	(102,890)	102,890
Other changes	1	-	1
Net changes	<u>188,952</u>	<u>1,142,964</u>	<u>(954,012)</u>
Balances at December 31, 2014	<u>\$ 70,200,762</u>	<u>\$ 46,146,571</u>	<u>\$ 24,054,191</u>

The General Fund and certain special revenue funds have typically been used to liquidate the MERS net pension liability in the governmental funds.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the City, calculated using the discount rate of 8.25%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1% lower (7.25%) or 1% higher (9.25%) than the current rate:

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
Net pension liability	\$ 30,494,091	\$ 24,054,191	\$ 18,499,757

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Plan financial statements.

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

For the year ended June 30, 2015, the City recognized pension expense of \$2,316,923. The City reported deferred outflows of resources and deferred inflows of resources related to the MERS pension plan from the following sources:

	Deferred Outflows of Resources
Difference between expected and actual experience	\$ -
Changes in assumptions	-
Net difference between projected and actual earnings on pension plan investments	<u>673,788</u>
	673,788
Contributions subsequent to the measurement date	<u>2,270,693</u>
	<u>\$ 2,944,481</u>

The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending June 30, 2016. Other amounts reported as pension-related deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources
2016	\$ 168,447
2017	168,447
2018	168,447
2019	<u>168,447</u>
Total	<u>\$ 673,788</u>

Payable to the Pension Plan. At June 30, 2015, the City reported no outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

Police and Fire Retirement System

Plan 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, (the "System"). The System operates under the authority of the City Charter. The System is administered by a 5-member appointed Board of Trustees that is comprised of one police representative, one fire representative, two citizen representatives and the City Manager of the City of Bay City, Michigan.

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.

Summary of Significant Accounting Policies. 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.

Method Used to Value Investments. Investments are reported at 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 fiscal 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 sales of investments are reflected in the statement of changes in plan net position as net appreciation or depreciation in the fair value of investments.

Investment Policy. The System's policy regarding the allocation of invested assets is established and may be amended by a majority of the Board's voting members. The Board has determined that the strategic asset allocation policy is consistent with the achievement of the System's financial needs and overall investment objectives. Asset classes are selected based on their expected long-term returns, individual reward / risk characteristics, correlation with other assets, classes, manager roles and fulfillment of the System's long-term financial needs.

Benefits Provided. 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. The City Commission has the authority to amend and establish benefit provisions.

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

Employees Covered by Benefit Terms. At June 30, 2015, plan membership consisted of the following:

Retiree and beneficiaries	
currently receiving benefits	168
Terminated vested members	11
Active plan members	<u>76</u>
Total membership	<u><u>255</u></u>

Contributions. All plan members are required to contribute 8% or 10%, subject to collective bargaining, 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 City's contribution rate for the year ended June 30, 2015 was 52.37% of covered payroll for firefighters, 31.91% for police patrol, and 47.53% for police command.

Reserves. In accordance with the Plan policy, the City establishes reserves for various purposes. The reserves are adjusted annually based on recommendations from the City's actuaries. The policy for creating and adjusting reserves was established and can be amended by the Plan Board of Trustees. A summary of the Plan reserves at June 30, 2015 is as follows:

Reserve / Group	Balance
Employee contributions:	
Police	\$ 5,558,662
Fire	3,417,953
Employer contributions:	
Police	3,800,275
Fire	(2,165,719)
Retiree benefit payments	43,768,815
Excess interest	<u>273,233</u>
Total reserves	<u><u>54,653,219</u></u>

Net Pension Liability. The City's net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015.

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

Actuarial Assumptions. The total pension liability was determined by an annual actuarial valuation as of June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry-age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	25 years
Asset valuation method	5 years smoothed market
Inflation	4.0%
Salary increases	4.0-44.0%, based on seniority
Investment rate of return	7.5%, net of investment expenses, including inflation

Mortality rates were based on the RP 2000 Combined Healthy Mortality table.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study conducted in June 2011. The next assumption review is scheduled for 2016.

The long-term expected rate of return on the System's investments was determined using a building-block method, in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return at June 30, 2015 for each major asset class included in the System's target asset allocation as disclosed above are summarized as follows:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
U.S. fixed income	20.00%	1.25%	0.25%
Global fixed income	5.00%	1.00%	0.05%
Large cap equity	28.00%	7.35%	2.06%
Small/mid cap equity	24.00%	9.35%	2.24%
International equity	10.00%	5.45%	0.55%
Alternatives	13.00%	7.95%	1.03%
	<u>100.00%</u>		<u>6.18%</u>
Inflation			4.00%
Risk adjustments			<u>-2.68%</u>
Investment rate of return			<u>7.50%</u>

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

Discount Rate. The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability. The components of the changes in the net pension liability are summarized as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2014	\$ 64,946,510	\$ 54,781,008	\$ 10,165,502
Changes for the year:			
Service cost	1,035,976	-	1,035,976
Interest	4,711,503	-	4,711,503
Differences between expected and actual experience	(1,732,221)	-	(1,732,221)
Changes in assumptions	-	-	-
Employer contributions	-	1,925,400	(1,925,400)
Employee contributions	-	562,736	(562,736)
Net investment income	-	2,840,467	(2,840,467)
Benefit payments, including refunds of employee contributions	(5,288,925)	(5,288,925)	-
Administrative expense	-	(167,467)	167,467
Other changes	-	-	-
Net changes	(1,273,667)	(127,789)	(1,145,878)
Balances at June 30, 2015	\$ 63,672,843	\$ 54,653,219	\$ 9,019,624

The General Fund and certain special revenue funds have typically been used to liquidate the System's net pension liability in the governmental funds.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the City, calculated using the discount rate of 7.5%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1% lower (6.5%) or 1% higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Net pension liability	\$ 15,763,817	\$ 9,019,624	\$ 3,289,104

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2015, the City recognized pension expense of \$988,985. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 1,134,903
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	925,439	-
	<u>925,439</u>	<u>1,134,903</u>
Contributions subsequent to the measurement date	-	-
	<u>\$ 925,439</u>	<u>\$ 1,134,903</u>

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

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2016	\$ 231,360	\$ (597,318)
2017	231,360	(537,585)
2018	231,360	-
2019	231,359	-
	<u>925,439</u>	<u>(1,134,903)</u>
Total	<u>\$ 925,439</u>	<u>\$ (1,134,903)</u>

Payable to the Pension Plan. At June 30, 2015, the City reported a payable of \$106,359 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

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 MERS. 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 between 0.0% and 2.5% and requires between 2.5% and 5.0% contribution by the City. There is immediate vesting with Plan A. Plan B allows the employee to contribute between 3.0% and 5.5% while the City contributes between 6.0% and 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, 2015, the City's required and actual contributions amounted to \$536,115. Employees made contributions amounting to \$348,170.

Postemployment Healthcare

As authorized by the City Commission, the City has elected to provide postemployment healthcare benefits to certain retirees and their beneficiaries. Substantially all of the City's employees become eligible for postemployment 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.

This is a single employer defined benefit plan administered by the City. The RHS Plan does not issue a separate stand-alone financial statement. Administrative costs are paid by the Plan through employer contributions.

The cost of retiree health care benefits is recognized as an expense as claims are paid. The City pays the full cost of coverage for these benefits. 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 \$18 to \$60 per bi-weekly pay, depending upon the bargaining unit from which the individual retired and the healthcare plan selected. The City's contributions for retiree healthcare for the year ended June 30, 2015, were \$5,795,158.

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

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:

Annual required contribution	\$ 7,269,235
Interest on net OPEB obligation	1,116,002
Adjustment to annual required contribution	<u>(1,482,033)</u>
Annual OPEB cost (expense)	6,903,204
Contributions made	<u>(5,795,158)</u>
Increase in net OPEB obligation	1,108,046
Net OPEB obligation, beginning of year	<u>18,600,035</u>
Net OPEB obligation, end of year	<u><u>\$ 19,708,081</u></u>

The General Fund and certain special revenue funds have typically been used to liquidate the net OPEB obligation in the governmental funds.

The City's annual OPEB cost, percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the years 2013, 2014 and 2015 is as follows:

Three-Year Trend Information			
Years Ended June 30,	Annual OPEB Cost (AOC)	Percentage Contributed	Net OPEB Obligation
2013	\$ 9,714,249	58.9%	\$ 16,865,688
2014	7,323,218	76.3%	18,600,035
2015	6,903,204	83.9%	19,708,081

The actuarial accrued liability as of June 30, 2015, the date of the most recent actuarial valuation, is \$88,210,109. As of June 30, 2015, there is \$12,828,860 in 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 June 30, 2015, is 14.5%. During the fiscal year ended June 30, 2015, the City contributed an additional \$793,038 in excess of current premium contributions made on a pay-as-you-go basis.

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

Membership of the plan consisted of the following at June 30, 2015, the date of the latest actuarial valuation:

Retiree and beneficiaries currently receiving benefits	374
Active plan members	<u>214</u>
Total membership	<u>588</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	6/30/15
Actuarial cost method	Entry age normal level % of salary
Amortization method	Level dollar based on a 25-year closed period
Remaining amortization period	24 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	6%
Inflation rate	3.0% per year
Additional projected salary increases	4.5% general inflation, plus 0.30% to 13.00% per year, depending on age, attributable to seniority/merit
Healthcare cost trend rate	8.5% initial, 4.5% ultimate

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

Following are the financial statements for the Health Care Trust Fund for the year ended June 30, 2015.

Statement of Plan Net Position

Assets	
Cash and cash equivalents	\$ 952,547
Investments - equities	12,900,634
Accounts receivable	302,485
Prepaid items	<u>166,617</u>
Total assets	<u><u>\$ 14,322,283</u></u>
Net position restricted for	
employees' postemployment health care benefits	<u><u>\$ 14,322,283</u></u>

Statement of Changes in Plan Net Position

Additions	
Contributions:	
Employer	\$ 5,795,158
Plan members	120,192
Total contributions	<u>5,915,350</u>
Investment income:	
Interest and dividends	681,296
Net appreciation in fair value of investments	<u>11,972</u>
Net investment income	<u>693,268</u>
Total additions	<u>6,608,618</u>
Deductions	
Retiree healthcare premium payments	5,002,120
Benefits and refunds paid to participants	103,575
Administrative expenses	<u>9,500</u>
Total deductions	<u>5,115,195</u>
Net change in plan net position	1,493,423
Net position	
Beginning of year	<u>12,828,860</u>
End of year	<u><u>\$ 14,322,283</u></u>

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

11. CONTINGENT LIABILITIES

Environmental

Various properties owned or formerly owned by the City are subject to environmental clean-up. The sites include property at the former Middlegrounds Landfill, former Surath scrap yard and the former Industrial Brownhoist site commonly known as Uptown Bay City. Various actions are in process for each property.

The Middleground Landfill is a former municipal landfill that ceased operations in 1984. Approximately 40 acres in size, only a portion of the site was used for municipal waste. The U.S. Army Corps of Engineers utilized the north end of the landfill to deposit dredge spoils. The landfill has a 5' clay cap and engineered controls have been put in place. GM, Honeywell and the City are principal responsible parties for this site. A Remedial Action Plan ("RAP") is complete and was approved by the Michigan Department of Environmental Quality (MDEQ) in November, 2012. Important components to closing out the RAP at the landfill was the installation of required signage to inform the general public to avoid entering the property, to advise authorized personnel who need to access the property, and to provide safe access routes to emergency and authorized personnel. In addition, to adding new signage around the perimeter of the landfill, the City also extended surface drives on the site to provide controlled access to the west side of the landfill that will enable emergency personnel to respond to any emergencies in that area. The new signage and extended surface drives were completed in September, 2012. The objective is to help to insure the public health, to minimize the potential for exposure or injuries that may occur in the future, and that all of the engineering controls that are in place on the site are not inadvertently compromised in any way.

Going forward, the site will require regular monitoring, including ground water, landfill gas and engineered controls as part of the ongoing due care obligation. These holding costs were estimated in 2015 to be \$1.8 million over the next 31 years. GM was a responsible party at 61.25%, along with the City (30%) and Honeywell (8.75%). The City worked with the Michigan Attorney General and United States Environmental Protection Agency ("EPA") regarding the proposed GM Bankruptcy "Environmental Response Trust" participating in these holding costs. With the bankruptcy, the 61.25% shifted to the City and Honeywell. The City Commission approved on February 7, 2011 a resolution that authorized the City to establish a fund for placement of funds obtained from any settlement with, or payment from the estate of, General Motors, Inc. and its successor entities. To date, the City received stocks and warrants and with their liquidation received \$152,998 from the GM bankruptcy settlement. As a result of the settlement, the City's total exposure is 60.25% and Honeywell is 39.75%.

The former Surath scrap yard is considered an orphaned site by the Department of Environmental Quality. The DEQ has provided grant dollars to the City in the past to deal with environmental concerns. The site is currently fenced and there is a topsoil cap on the site. There are no current or pending environmental actions on the former Surath scrap yard site. The DEQ has provided technical assistance to the City to help market this site for redevelopment. The former Surath scrap yard has been substantially cleaned up with the City incurring approximately \$600,000 in costs.

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

The City acquired 43 acres of Riverfront property in Bay City, known as Uptown Bay City. The EPA and the MDEQ have determined that the City is not a liable party for the existing contamination at the site. Further, the EPA has awarded the City four grants totaling \$1,600,000 to primarily aid the City in addressing the environmental legacy of industry on this site. Three large buildings were demolished in 2009 and the remaining structures were demolished in 2012. An EPA grant funded contract to excavate an area of environmental concern (a former coal gasification facility) was completed. The property is fenced and has a 5" gravel cap. Uptown was purchased October 2, 2012 by Bay Riverfront Development, LLC and is intended to become a multi-purpose development site.

Commitments

The City's 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 City's electric department has entered into power supply and project support contracts with MPPA. Under the agreement, the City's 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 City's 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. In 2012, MPPA issued AFEC project bonds, of which the City is responsible for 19.59%. The estimated annual debt payments with interest included of \$6,189,601 on the Belle River Project and AFEC projects are as follows:

Fiscal Year Ending	Belle River Project	AFEC Project
2016	\$ 1,129,277	\$ 408,407
2017	1,129,368	408,956
2018	1,129,184	408,329
2019	1,504,247	408,917
2020	-	408,261
2021-2025	-	2,042,346
2026-2030	-	2,042,698
2031-2035	-	2,042,062
2036-2040	-	2,041,523
2041-2043	-	1,224,718
Total	\$ 4,892,076	\$ 11,436,217

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

In addition, the City had other major construction commitments totaling \$5,866,434 at June 30, 2015 as follows:

Project	Remaining Commitment
Euclid Ave. Water Main	\$ 3,978,856
Automatic Meter Install (AMI)	966,972
Priority Road Improvement Program	711,883
Bay City Wastewater Treatment Plant	
Detritor Structure Rehab	<u>208,723</u>
	<u>\$ 5,866,434</u>

On January 25, 2013, the City entered into a Water Plant Cost Sharing Agreement with Bay County (the "County"), which upon execution of this agreement and the Water Supply Agreement discussed below, commits the City to the following:

- 1) Decommissioning the City's current water treatment plant contingent upon the construction and operation of a new Bay Area Water Treatment Plant.
- 2) Sharing certain costs with the County, which will continue beyond the date that the City's current water treatment plant is decommissioned.
- 3) Contributing certain real and personal property to the County to facilitate the construction of the new Bay Area Water Treatment Plant.

On January 30, 2013, the City entered into a Water Supply Agreement with the County, the Charter Township of Hampton, the City of Essexville, the Charter Township of Bangor, the Township of Beaver, the Township of Frankenlust, the Township of Fraser, the Township of Kawkawlin, the Township of Monitor, the City of Pinconning, the Charter Township of Portsmouth, and the Charter Township of Williams, which obligates the County to enter into an Agreement with the Saginaw-Midland Municipal Water Supply Corporation on behalf of the above parties to furnish raw, untreated water at a capacity up to 22 million gallons per day. The City will operate, maintain, and repair the Existing Transmission System providing treated water from the new Bay Area Water Treatment Plant to the above parties.

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.

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

12. FUND BALANCES - GOVERNMENTAL FUNDS

GAAP establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of resources reported in governmental funds. Detail information of fund balances of governmental funds is as follows:

	General Fund	Major Streets Fund	Rehabilitation Fund	Nonmajor Governmental Funds	Total
Nonspendable					
Inventories	\$ -	\$ 200,722	\$ -	\$ -	\$ 200,722
Prepaid items	185	-	-	-	185
Total nonspendable	185	200,722	-	-	200,907
Restricted					
Waysign grant Community Foundation	8,596	-	-	-	8,596
Youth Leadership Program	7,000	-	-	-	7,000
Major streets	6,500	-	-	-	6,500
Local streets	-	1,435,981	-	-	1,435,981
Solid waste management	-	-	-	704,979	704,979
Building inspection	-	-	-	212,647	212,647
Neighborhood opportunity	-	-	-	343,484	343,484
Drug law	-	-	-	90,126	90,126
Wenonah park	-	-	-	197,381	197,381
Debt service	-	-	-	1,000	1,000
Capital projects	-	-	-	107,226	107,226
	-	-	-	305,489	305,489
Total restricted	22,096	1,435,981	-	1,962,332	3,420,409
Assigned					
City master plan	23,420	-	-	-	23,420
Fire department	75,000	-	-	-	75,000
Total assigned	98,420	-	-	-	98,420
Unassigned	2,995,171	-	-	-	2,995,171
Total fund balance	\$ 3,115,872	\$ 1,636,703	\$ -	\$ 1,962,332	\$ 6,714,907

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

13. NET INVESTMENT IN CAPITAL ASSETS

The City's net investment in capital assets at June 30, 2015 is as follows:

	Governmental Activities	Business-type Activities	Component Units
Capital assets:			
Capital assets not being depreciated	\$ 20,964,051	\$ 1,186,316	\$ 7,807,866
Capital assets being depreciated, net	54,399,893	138,037,578	5,230,097
Related debt:			
Bonds and notes payable	(15,626,529)	(49,601,637)	(18,168,422)
Capital appreciation	9,320,347	-	-
Unspent bond proceeds	-	5,186,351	4,795,171
Non-capital debt	-	-	3,608,583
Net investment in capital assets	\$ 69,057,762	\$ 94,808,608	\$ 3,273,295

14. RESTATEMENT

The City adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in the current year. As a result of this change, beginning net position of governmental activities, business-type activities, and the electric, water, sewer, motor equipment revolving, and information systems funds was decreased by \$17,752,934, \$25,693,474, \$11,706,821, \$6,194,752, \$7,791,901, \$998,141, and \$664,089, respectively.

15. SUBSEQUENT EVENTS

Subsequent to June 30, 2015, the City entered into various construction contracts approximating \$1,250,000.

The City issued \$6,045,000 of 2015 Capital Improvement and Refunding bonds on October 6, 2015 for construction projects and to refund outstanding 2004 and 2005 bonds.

On September 1, 2015 the City transferred its water treatment operations to the Bay County Area Water Plant.





Bay

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City of Bay City

City
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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BAY CITY, MICHIGAN

Required Supplementary Information

MERS Agent Multiple-Employer Defined Benefit Pension Plan

Schedule of Changes in City's Net Pension Liability and Related Ratios

	Year Ended June 30, 2015
Total pension liability	
Service cost	\$ 353,816
Interest	5,554,640
Changes in benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	-
Benefit payments, including refunds of employee contributions	(5,719,505)
Other	1
Net change in total pension liability	<u>188,952</u>
Total pension liability, beginning of year	<u>70,011,810</u>
Total pension liability, end of year	<u>70,200,762</u>
Plan fiduciary net position	
Employer contributions	3,944,723
Employee contributions	218,513
Net investment income	2,802,123
Benefit payments, including refunds of employee contributions	(5,719,505)
Administrative expense	(102,890)
Other	-
Net change in plan fiduciary net position	<u>1,142,964</u>
Plan fiduciary net position, beginning of year	<u>45,003,607</u>
Plan fiduciary net position, end of year	<u>46,146,571</u>
City's net pension liability	<u>\$ 24,054,191</u>
Plan fiduciary net position as a percentage of total pension liability	65.7%
Covered-employee payroll	<u>2,860,664</u>
City's net pension liability as a percentage of covered-employee payroll	840.9%

Notes:

The amounts presented for each fiscal year were determined as of December 31 of the preceding year.

GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented

CITY OF BAY CITY, MICHIGAN

Required Supplementary Information
MERS Agent Multiple-Employer Defined Benefit Pension Plan

Schedule of the Net Pension Liability

Fiscal Year Ended June 30,	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as Percentage of Total Pension Liability	Covered-Employee Payroll	Net Pension Liability as Percentage of Covered Payroll
2015	\$ 70,200,762	\$ 46,146,571	\$ 24,054,191	65.7%	\$ 2,860,664	840.9%

The amounts presented for each fiscal year were determined as of December 31 of the preceding year.

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

CITY OF BAY CITY, MICHIGAN

Required Supplementary Information

MERS Agent Multiple-Employer Defined Benefit Pension Plan

Schedule of Contributions

Fiscal Year Ended June 30,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as Percentage of Covered-Employee Payroll
2015	\$ 3,209,721	\$ 4,305,622	\$ (1,095,901)	\$ 2,855,351	151%

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Notes to Schedule of Contributions

Valuation Date Actuarially determined contribution rates are calculated as of December 31, which is 18 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry-age normal
Amortization method	Level percent of payroll, closed
Remaining amortization period	24 years
Asset valuation method	Open; 10-year smooth market
Inflation	3.0% to 4.0%
Salary increases	4.5% in the long-term (1%, 2% and 3% for calendar years 2014, 2015 and 2016, respectively)
Investment rate of return	8.00%
Retirement age	Age-based table of rates that are specific to the type of eligibility condition. Last updated for the December 31, 2010 valuation. The next study is scheduled for 2015.
Mortality	50% Male - 50% Female blend of the 1994 Group Annuity Mortality Table. For disabled retirees, the regular mortality table is used with a 10-year set forward rate.

CITY OF BAY CITY, MICHIGAN

Required Supplementary Information

City of Bay City Police and Fire Retirement System

Schedule of Changes in Net Pension Liability and Related Ratios

	Fiscal Year Ending June 30,	
	2015	2014
Total pension liability		
Service cost	\$ 1,035,976	\$ 1,170,628
Interest	4,711,503	4,728,988
Changes of benefit terms	-	(301,242)
Differences between expected and actual experience	(1,732,221)	(734,651)
Changes in assumptions	-	-
Benefit payments, including refunds of member contributions	(5,288,925)	(4,770,135)
Net change in total pension liability	<u>(1,273,667)</u>	<u>93,588</u>
Total pension liability, beginning of year	<u>64,946,510</u>	<u>64,852,922</u>
Total pension liability, end of year	<u>63,672,843</u>	<u>64,946,510</u>
Plan fiduciary net position		
Employer contributions	1,925,400	1,808,810
Employee contributions	562,736	834,201
Pension plan net investment income	2,840,467	8,500,184
Benefit payments, including refunds of member contributions	(5,288,925)	(4,770,135)
Pension plan administrative expenses	(167,467)	(141,341)
Other	-	11,063
Net change in fiduciary net position	<u>(127,789)</u>	<u>6,242,782</u>
Fiduciary net position, beginning of year	<u>54,781,008</u>	<u>48,538,226</u>
Fiduciary net position, end of year	<u>54,653,219</u>	<u>54,781,008</u>
Net pension liability	<u>\$ 9,019,624</u>	<u>\$ 10,165,502</u>
Fiduciary net position as a percentage of total pension liability	85.83%	84.35%
Covered employee payroll	<u>\$ 4,308,434</u>	<u>\$ 4,523,121</u>
Net pension liability as a percentage of covered employee payroll	209.35%	224.75%

Note: GASB 67 was implemented in fiscal year 2014. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

CITY OF BAY CITY, MICHIGAN

Required Supplementary Information
 City of Bay City Police and Fire Retirement System

Schedule of the Net Pension Liability

Fiscal Year Ended June 30,	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as Percentage of Total Pension Liability	Covered-Employee Payroll	Net Pension Liability as Percentage of Covered Payroll
2014	\$ 64,946,510	\$ 54,781,008	\$ 10,165,502	84.3%	\$ 4,523,121	224.7%
2015	63,672,843	54,653,219	9,019,624	85.8%	4,308,434	209.3%

Note: GASB 67 was implemented in fiscal year 2014. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

CITY OF BAY CITY, MICHIGAN

Required Supplementary Information

City of Bay City Police and Fire Retirement System

Schedule of Contributions

Fiscal Year Ended June 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as Percentage of Covered Payroll
2006	\$ 1,516,565	\$ 1,516,565	\$ -	\$ 6,307,684	24.04%
2007	1,605,480	2,123,900	(518,420)	6,145,101	34.56%
2008	1,651,747	1,651,747	-	6,123,644	26.97%
2009	1,618,068	1,618,068	-	5,914,162	27.36%
2010	1,483,085	1,483,085	-	5,669,560	26.16%
2011	1,622,079	1,622,079	-	5,464,690	29.68%
2012	1,725,255	1,725,255	-	5,228,425	33.00%
2013	1,979,219	1,979,219	-	4,828,091	40.99%
2014	1,808,810	1,808,810	-	4,523,121	39.99%
2015	1,925,400	1,925,400	-	4,308,434	44.69%

Notes to Schedule of Contributions

Valuation date June 30, 2015

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	25 years
Asset valuation method	5 years smoothed market
Inflation	4.00%
Salary increases	4.00%-44.00%, including inflation
Investment rate of return	7.50%, net of investment expenses, including inflation
Mortality	RP 2000 Combined Healthy Mortality Table

CITY OF BAY CITY, MICHIGAN

Required Supplementary Information

City of Bay City Police and Fire Retirement System

Schedule of Investment Returns

Fiscal Year Ending June 30,	Annual Return *
2014	14.79%
2015	5.93%

* Annual money-weighted rate of return, net of investment expenses

Note: GASB 67 was implemented in fiscal year 2014. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

CITY OF BAY CITY, MICHIGAN

Required Supplementary Information

Postemployment Healthcare

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
2011	\$ 6,169,730	\$ 107,810,721	\$ 101,640,991	5.7%	\$ 17,270,080	588.5%
2014	10,115,419	94,085,536	83,970,117	10.8%	17,986,660	466.8%
2015	12,828,860	88,210,109	75,381,249	14.5%	15,860,760	475.3%

Schedule of Employer Contributions

Fiscal Year Ended (June 30)	Annual Required Contribution	Actual Annual Contribution	Percent Contributed
2013	\$ 9,903,231	\$ 5,717,608	57.73%
2014	7,883,956	5,588,871	70.89%
2015	7,269,235	5,795,158	79.72%



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City of Bay City

**COMBINING AND INDIVIDUAL FUND FINANCIAL
STATEMENTS AND SCHEDULES**

CITY OF BAY CITY, MICHIGAN

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, Michigan 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.

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.

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.

Neighborhood Stabilization Fund - This fund is used to account for revenues received from the Michigan State Housing Development Authority (MSHDA) relative to the Neighborhood Stabilization Program.

Drug Law Enforcement Fund - This fund is used to account for revenues received from Federal and State drug forfeitures restricted for law enforcement purposes.

City Loans and Collections Fund - This fund is used to account for the collection of outstanding loans owed to the City.

Wenonah Park Fund - This fund is used to account for contributions/donations made by businesses and citizens for the purpose of park cleanup and improvements.

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, Michigan, 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.

CITY OF BAY CITY, MICHIGAN

Nonmajor Governmental Funds

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, Michigan 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 is used to account for various economic development projects throughout the City and to provide assistance to other funds relative to economic development.

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

CITY OF BAY CITY, MICHIGAN

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2015

	Special Revenue Funds				
	Local Streets	Parking Enforcement	Solid Waste Management	Community Development Block Grant	Building Inspection
Assets					
Cash and cash equivalents	\$ 932,702	\$ 8,790	\$ -	\$ 40,082	\$ 116,926
Receivables:					
Accounts	2,201	-	415,278	-	272,142
Delinquent taxes	-	-	-	-	-
Special assessments	-	-	25,942	-	6,228
Notes and accrued interest	-	-	-	-	-
Allowance for uncollectible amounts	-	-	-	-	-
Due from other governmental units	213,738	-	-	-	-
Total assets	\$ 1,148,641	\$ 8,790	\$ 441,220	\$ 40,082	\$ 395,296
Liabilities					
Accounts payable	\$ 434,485	\$ 8,790	\$ 41,079	\$ 18,030	\$ 7,423
Accrued liabilities	5,848	-	15,370	1,615	8,304
Due to other funds	3,329	-	148,573	942	5,636
Deposits	-	-	-	-	24,221
Unearned revenue	-	-	-	19,495	-
Total liabilities	443,662	8,790	205,022	40,082	45,584
Deferred inflows of resources					
Unavailable revenue - property taxes	-	-	-	-	-
Unavailable revenue - special assessments	-	-	23,551	-	6,228
Total deferred inflows of resources	-	-	23,551	-	6,228
Fund balances					
Restricted	704,979	-	212,647	-	343,484
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,148,641	\$ 8,790	\$ 441,220	\$ 40,082	\$ 395,296

Special Revenue Funds						Debt Service Fund
Neighborhood Opportunity	Neighborhood Stabilization	Drug Law Enforcement	City Loans and Collections	Wenonah Park	Total	Bond Sinking Fund
\$ 90,126	\$ 701	\$ 212,970	\$ -	\$ 1,000	\$ 1,403,297	\$ 108,519
-	-	-	-	-	689,621	-
-	-	-	-	-	-	8,774
-	-	-	-	-	32,170	-
-	-	-	4,413,041	-	4,413,041	-
-	-	-	(4,413,041)	-	(4,413,041)	-
-	-	-	-	-	213,738	-
<u>\$ 90,126</u>	<u>\$ 701</u>	<u>\$ 212,970</u>	<u>\$ -</u>	<u>\$ 1,000</u>	<u>\$ 2,338,826</u>	<u>\$ 117,293</u>
\$ -	\$ -	\$ 15,589	\$ -	\$ -	\$ 525,396	\$ 1,293
-	-	-	-	-	31,137	-
-	-	-	-	-	158,480	-
-	-	-	-	-	24,221	-
-	701	-	-	-	20,196	-
<u>-</u>	<u>701</u>	<u>15,589</u>	<u>-</u>	<u>-</u>	<u>759,430</u>	<u>1,293</u>
-	-	-	-	-	-	8,774
-	-	-	-	-	29,779	-
-	-	-	-	-	29,779	8,774
<u>90,126</u>	<u>-</u>	<u>197,381</u>	<u>-</u>	<u>1,000</u>	<u>1,549,617</u>	<u>107,226</u>
<u>\$ 90,126</u>	<u>\$ 701</u>	<u>\$ 212,970</u>	<u>\$ -</u>	<u>\$ 1,000</u>	<u>\$ 2,338,826</u>	<u>\$ 117,293</u>

Continued...



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CITY OF BAY CITY, MICHIGAN

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2015

	Capital Projects Funds				Total
	Riverfront Redevelopment	Economic Opportunities	Public Improvement	Total	
Assets					
Cash and cash equivalents	\$ 204,506	\$ 104,216	\$ -	\$ 308,722	\$ 1,820,538
Receivables					
Accounts	1,700	-	1,398,896	1,400,596	2,090,217
Delinquent taxes	-	-	-	-	8,774
Special assessments	-	-	-	-	32,170
Notes and accrued interest	-	-	-	-	4,413,041
Allowance for uncollectible amounts	-	-	-	-	(4,413,041)
Due from other governmental units	18,181	-	-	18,181	231,919
Total assets	\$ 224,387	\$ 104,216	\$ 1,398,896	\$ 1,727,499	\$ 4,183,618
Liabilities					
Accounts payable	\$ 15,149	\$ 1,435	\$ -	\$ 16,584	\$ 543,273
Accrued liabilities	-	-	-	-	31,137
Due to other funds	-	-	1,398,896	1,398,896	1,557,376
Deposits	-	-	-	-	24,221
Unearned revenue	6,530	-	-	6,530	26,726
Total liabilities	21,679	1,435	1,398,896	1,422,010	2,182,733
Deferred inflows of resources					
Unavailable revenue - property taxes	-	-	-	-	8,774
Unavailable revenue - special assessments	-	-	-	-	29,779
Total deferred inflows of resources	-	-	-	-	38,553
Fund balances					
Restricted	202,708	102,781	-	305,489	1,962,332
Total liabilities, deferred inflows of resources, and fund balances	\$ 224,387	\$ 104,216	\$ 1,398,896	\$ 1,727,499	\$ 4,183,618

Concluded

CITY OF BAY CITY, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended June 30, 2015

	Special Revenue Funds				
	Local Streets	Parking Enforcement	Solid Waste Management	Community Development Block Grant	Building Inspection
Revenues					
Property taxes	\$ 531,492	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	683,657
Intergovernmental:					
Federal revenue	-	-	-	993,127	-
Other:					
State	1,278,735	-	-	-	-
Local	-	16,202	-	-	-
Charges for services:					
Sales	-	-	1,984,649	-	-
Fines and forfeitures	-	29,521	-	-	-
Interest earnings	1,528	-	-	-	449
Miscellaneous revenues:					
Reimbursements	-	-	-	-	13,453
Other	150	-	24,316	100	84,400
Total revenues	1,811,905	45,723	2,008,965	993,227	781,959
Expenditures					
Current:					
Public safety	-	45,723	-	-	682,032
Public works:					
Highways, streets and bridges	1,446,475	-	-	-	-
Environmental	-	-	2,115,163	-	-
Economic development	-	-	-	295,694	-
Capital outlay	100,181	-	-	-	3,160
Debt service:					
Principal	-	-	-	165,000	-
Interest and fiscal charges	-	-	-	87,160	-
Total expenditures	1,546,656	45,723	2,115,163	547,854	685,192
Revenues over (under) expenditures	265,249	-	(106,198)	445,373	96,767
Other financing sources (uses)					
Transfers in	85,424	-	-	168,392	-
Transfers out	(79,000)	-	(130,000)	(613,765)	-
Total other financing sources (uses)	6,424	-	(130,000)	(445,373)	-
Net change in fund balances	271,673	-	(236,198)	-	96,767
Fund balances, beginning of year	433,306	-	448,845	-	246,717
Fund balances, end of year	\$ 704,979	\$ -	\$ 212,647	\$ -	\$ 343,484

Special Revenue Funds						Debt Service Fund
Neighborhood Opportunity	Neighborhood Stabilization	Drug Law Enforcement	City Loans and Collections	Wenonah Park	Total	Bond Sinking Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 531,492	\$ 2,367,300
-	-	-	-	-	683,657	-
-	-	-	-	-	993,127	-
-	-	18,014	-	-	1,296,749	-
-	-	-	-	-	16,202	-
-	-	-	-	-	1,984,649	-
-	-	-	-	-	29,521	-
345	-	793	-	-	3,115	418
-	-	-	-	1,000	14,453	-
35,130	-	-	-	-	144,096	-
<u>35,475</u>	<u>-</u>	<u>18,807</u>	<u>-</u>	<u>1,000</u>	<u>5,697,061</u>	<u>2,367,718</u>
-	-	11,216	-	-	738,971	-
-	-	-	-	-	1,446,475	-
-	-	-	-	-	2,115,163	-
68	-	-	-	-	295,762	-
-	-	185,261	-	-	288,602	-
-	-	-	-	-	165,000	2,390,000
-	-	-	-	-	87,160	55,812
<u>68</u>	<u>-</u>	<u>196,477</u>	<u>-</u>	<u>-</u>	<u>5,137,133</u>	<u>2,445,812</u>
<u>35,407</u>	<u>-</u>	<u>(177,670)</u>	<u>-</u>	<u>1,000</u>	<u>559,928</u>	<u>(78,094)</u>
-	-	-	-	-	253,816	108,793
-	-	-	(40,012)	-	(862,777)	-
-	-	-	(40,012)	-	(608,961)	108,793
35,407	-	(177,670)	(40,012)	1,000	(49,033)	30,699
54,719	-	375,051	40,012	-	1,598,650	76,527
<u>\$ 90,126</u>	<u>\$ -</u>	<u>\$ 197,381</u>	<u>\$ -</u>	<u>\$ 1,000</u>	<u>\$ 1,549,617</u>	<u>\$ 107,226</u>

Continued...

CITY OF BAY CITY, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended June 30, 2015

	Capital Projects Funds				Total
	Riverfront Redevelopment	Economic Opportunities	Public Improvement	Total	
Revenues					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 2,898,792
Licenses and permits	-	-	-	-	683,657
Intergovernmental:					
Federal revenue	212,177	-	-	212,177	1,205,304
Other:					
State	273,897	-	-	273,897	1,570,646
Local	-	-	-	-	16,202
Charges for services:					
Sales	-	3,800	-	3,800	1,988,449
Fines and forfeitures	-	-	-	-	29,521
Interest earnings	691	394	-	1,085	4,618
Miscellaneous revenues:					
Reimbursements	-	5,338	-	5,338	19,791
Other	3,734	2,775	58,323	64,832	208,928
Total revenues	490,499	12,307	58,323	561,129	8,625,908
Expenditures					
Current:					
Public safety	-	-	-	-	738,971
Public works:					
Highways, streets and bridges	-	-	-	-	1,446,475
Environmental	-	-	-	-	2,115,163
Economic development	115,061	18,622	58,189	191,872	487,634
Capital outlay	371,013	21,926	-	392,939	681,541
Debt service:					
Principal	-	-	-	-	2,555,000
Interest and fiscal charges	-	-	-	-	142,972
Total expenditures	486,074	40,548	58,189	584,811	8,167,756
Revenues over (under) expenditures	4,425	(28,241)	134	(23,682)	458,152
Other financing sources (uses)					
Transfers in	-	-	296,789	296,789	659,398
Transfers out	-	-	-	-	(862,777)
Total other financing sources (uses)	-	-	296,789	296,789	(203,379)
Net change in fund balances	4,425	(28,241)	296,923	273,107	254,773
Fund balances, beginning of year	198,283	131,022	(296,923)	32,382	1,707,559
Fund balances, end of year	\$ 202,708	\$ 102,781	\$ -	\$ 305,489	\$ 1,962,332

Concluded

CITY OF BAY CITY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual
 Local Streets Fund
 For the Year Ended June 30, 2015

	Original and Final Budget	Actual	Positive (Negative) Variance with Final Budget
Revenues			
Property taxes	\$ 536,491	\$ 531,492	\$ (4,999)
Intergovernmental:			
Other:			
State	1,276,668	1,278,735	2,067
Interest earnings	750	1,528	778
Miscellaneous revenues:			
Other	100	150	50
Total revenues	<u>1,814,009</u>	<u>1,811,905</u>	<u>(2,104)</u>
Expenditures			
Public works:			
Highways, streets, and bridges	1,817,668	1,446,475	371,193
Capital outlay	160,000	100,181	59,819
Total expenditures	<u>1,977,668</u>	<u>1,546,656</u>	<u>431,012</u>
Revenues over (under) expenditures	<u>(163,659)</u>	<u>265,249</u>	<u>428,908</u>
Other financing sources (uses)			
Transfers in	135,960	85,424	(50,536)
Transfers out	(79,000)	(79,000)	-
Total other financing sources (uses)	<u>56,960</u>	<u>6,424</u>	<u>(50,536)</u>
Net change in fund balance	(106,699)	271,673	378,372
Fund balance, beginning of year	433,306	433,306	-
Fund balance, end of year	<u>\$ 326,607</u>	<u>\$ 704,979</u>	<u>\$ 378,372</u>

CITY OF BAY CITY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual
 Parking Enforcement Fund
 For the Year Ended June 30, 2015

	Original and Final Budget	Actual	Positive (Negative) Variance with Final Budget
Revenues			
Intergovernmental:			
Other:			
Local	\$ 24,387	\$ 16,202	\$ (8,185)
Fines and forfeitures	18,500	29,521	11,021
Total revenues	<u>42,887</u>	<u>45,723</u>	<u>2,836</u>
Expenditures			
Public safety	42,887	45,723	(2,836)
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>

CITY OF BAY CITY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual
 Solid Waste Management Fund
 For the Year Ended June 30, 2015

	Original and Final Budget	Actual	Positive (Negative) Variance with Final Budget
Revenues			
Charges for services:			
Sales	\$ 2,088,908	\$ 1,984,649	\$ (104,259)
Interest earnings	1,200	-	(1,200)
Miscellaneous revenues:			
Other	18,230	24,316	6,086
Total revenues	2,108,338	2,008,965	(99,373)
Expenditures			
Environmental	2,235,811	2,115,163	120,648
Revenues over (under) expenditures	(127,473)	(106,198)	21,275
Other financing uses			
Transfers out	(130,000)	(130,000)	-
Net change in fund balance	(257,473)	(236,198)	21,275
Fund balance, beginning of year	448,845	448,845	-
Fund balance, end of year	\$ 191,372	\$ 212,647	\$ 21,275

CITY OF BAY CITY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual
 Community Development Block Grant Fund
 For the Year Ended June 30, 2015

	Original and Final Budget	Actual	Positive (Negative) Variance with Final Budget
Revenues			
Intergovernmental:			
Federal	\$ 1,384,167	\$ 993,127	\$ (391,040)
Miscellaneous revenues:			
Other	-	100	100
Total revenues	<u>1,384,167</u>	<u>993,227</u>	<u>(390,940)</u>
Expenditures			
Economic development	458,471	295,694	162,777
Capital outlay	150,000	-	150,000
Debt service:			
Principal	165,000	165,000	-
Interest	87,160	87,160	-
Total expenditures	<u>860,631</u>	<u>547,854</u>	<u>312,777</u>
Revenues over (under) expenditures	<u>523,536</u>	<u>445,373</u>	<u>(78,163)</u>
Other financing sources (uses)			
Transfers in	155,207	168,392	13,185
Transfers out	(678,743)	(613,765)	64,978
Total other financing sources (uses)	<u>(523,536)</u>	<u>(445,373)</u>	<u>78,163</u>
Net change in fund balance	-	-	-
Fund balance, beginning of year	-	-	-
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF BAY CITY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

Building Inspection Fund

For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Positive (Negative) Variance with Final Budget
Revenues				
Licenses and permits	\$ 707,050	\$ 707,050	\$ 683,657	\$ (23,393)
Interest earnings	400	400	449	49
Miscellaneous revenues:				
Reimbursements	5,000	5,000	13,453	8,453
Other	50,100	50,100	84,400	34,300
Total revenues	<u>762,550</u>	<u>762,550</u>	<u>781,959</u>	<u>19,409</u>
Expenditures				
Public safety	748,100	768,903	682,032	86,871
Capital outlay	14,450	8,647	3,160	5,487
Total expenditures	<u>762,550</u>	<u>777,550</u>	<u>685,192</u>	<u>92,358</u>
Net change in fund balance	-	(15,000)	96,767	(72,949)
Fund balance, beginning of year	<u>246,717</u>	<u>246,717</u>	<u>246,717</u>	-
Fund balance, end of year	<u>\$ 246,717</u>	<u>\$ 231,717</u>	<u>\$ 343,484</u>	<u>\$ (72,949)</u>

CITY OF BAY CITY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual
 Neighborhood Opportunity Fund
 For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Positive (Negative) Variance with Final Budget
Revenues				
Interest earnings	\$ 250	\$ 250	\$ 345	\$ 95
Miscellaneous revenues:				
Other	-	-	35,130	35,130
Total revenues	250	250	35,475	35,225
Expenditures				
Economic development	20,000	20,150	68	20,082
Net change in fund balance	(19,750)	(19,900)	35,407	15,143
Fund balance, beginning of year	54,719	54,719	54,719	-
Fund balance, end of year	<u>\$ 34,969</u>	<u>\$ 34,819</u>	<u>\$ 90,126</u>	<u>\$ 15,143</u>

CITY OF BAY CITY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual
 Drug Law Enforcement Fund
 For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Positive (Negative) Variance with Final Budget
Revenues				
Intergovernmental:				
Federal	\$ 5,000	\$ 5,000	\$ -	\$ (5,000)
Other:				
State	40,000	40,000	18,014	(21,986)
Interest earnings	-	-	793	793
Total revenues	<u>45,000</u>	<u>45,000</u>	<u>18,807</u>	<u>(26,193)</u>
Expenditures				
Public safety	25,100	25,100	11,216	13,884
Capital outlay	25,000	255,933	185,261	70,672
Total expenditures	<u>50,100</u>	<u>281,033</u>	<u>196,477</u>	<u>84,556</u>
Revenues over (under) expenditures	(5,100)	(236,033)	(177,670)	58,363
Other financing uses				
Transfers out	(190,000)	-	-	-
Net change in fund balance	(195,100)	(236,033)	(177,670)	58,363
Fund balance, beginning of year	375,051	375,051	375,051	-
Fund balance, end of year	<u>\$ 179,951</u>	<u>\$ 139,018</u>	<u>\$ 197,381</u>	<u>\$ 58,363</u>

CITY OF BAY CITY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual
 City Loans and Collections Fund
 For the Year Ended June 30, 2015

	Original and Final Budget	Actual	Positive (Negative) Variance with Final Budget
Other financing uses			
Transfers out	\$ (40,012)	\$ (40,012)	\$ -
Fund balance, beginning of year	40,012	40,012	-
Fund balance, end of year	\$ -	\$ -	\$ -

CITY OF BAY CITY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

Wenonah Park Fund

For the Year Ended June 30, 2015

	Original and Final Budget	Actual	Positive (Negative) Variance with Final Budget
Revenues			
Miscellaneous revenues:			
Reimbursements	\$ -	\$ 1,000	\$ 1,000
Fund balance, beginning of year	-	-	-
Fund balance, end of year	<u>\$ -</u>	<u>\$ 1,000</u>	<u>\$ 1,000</u>



Bay

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City of Bay City

CITY OF BAY CITY, MICHIGAN

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

CITY OF BAY CITY, MICHIGAN

Combining Statement of Net Position

Nonmajor Enterprise Funds

June 30, 2015

	Oak Ridge Cemetery	James Clements Airport	Liberty Harbor Marina	Total
Assets				
Current assets				
Cash and cash equivalents	\$ 121,508	\$ 94	\$ 71,185	\$ 192,787
Receivables, net:				
Accounts	5,869	41,743	1,634	49,246
Due from other governments	-	4,443	-	4,443
Inventories	-	43,922	-	43,922
Total current assets	<u>127,377</u>	<u>90,202</u>	<u>72,819</u>	<u>290,398</u>
Capital assets				
Land and improvements	300,888	2,474,583	2,738,574	5,514,045
Air rights	-	95,421	-	95,421
Buildings	67,169	1,138,159	193,825	1,399,153
Machinery and equipment	1,130	41,446	119,148	161,724
Construction in progress	-	266,477	-	266,477
Total capital assets	<u>369,187</u>	<u>4,016,086</u>	<u>3,051,547</u>	<u>7,436,820</u>
Accumulated depreciation	<u>(185,115)</u>	<u>(1,693,381)</u>	<u>(1,417,134)</u>	<u>(3,295,630)</u>
Net capital assets	<u>184,072</u>	<u>2,322,705</u>	<u>1,634,413</u>	<u>4,141,190</u>
Total assets	<u>311,449</u>	<u>2,412,907</u>	<u>1,707,232</u>	<u>4,431,588</u>
Liabilities				
Current liabilities:				
Accounts payable	12,453	3,631	12,529	28,613
Accrued liabilities	-	-	325	325
Due to other funds	-	-	70	70
Deposits	-	1,081	-	1,081
Accrued compensated absences - current	-	-	950	950
Total liabilities	<u>12,453</u>	<u>4,712</u>	<u>13,874</u>	<u>31,039</u>
Net position				
Investment in capital assets	184,072	2,322,705	1,634,413	4,141,190
Unrestricted	114,924	85,490	58,945	259,359
Total net position	<u>\$ 298,996</u>	<u>\$ 2,408,195</u>	<u>\$ 1,693,358</u>	<u>\$ 4,400,549</u>

CITY OF BAY CITY, MICHIGAN

Combining Statement of Revenues, Expenses and Changes in Fund Net Position

Nonmajor Enterprise Funds

For the Year Ended June 30, 2015

	Oak Ridge Cemetery	James Clements Airport	Liberty Harbor Marina	Total
Operating revenues				
Charges for services:				
Sales	\$ 58,182	\$ 73,270	\$ 2,233	\$ 133,685
Rents	-	54,358	111,427	165,785
Miscellaneous	-	1,825	-	1,825
Total operating revenues	<u>58,182</u>	<u>129,453</u>	<u>113,660</u>	<u>301,295</u>
Operating expenses				
Cost of sales and service	131,887	161,339	149,520	442,746
Depreciation	1,902	100,484	60,603	162,989
Total operating expenses	<u>133,789</u>	<u>261,823</u>	<u>210,123</u>	<u>605,735</u>
Operating loss	<u>(75,607)</u>	<u>(132,370)</u>	<u>(96,463)</u>	<u>(304,440)</u>
Nonoperating revenues				
Intergovernmental:				
Federal	-	276,966	-	276,966
Other	-	14,044	-	14,044
Interest earnings	570	-	268	838
Total nonoperating revenues	<u>570</u>	<u>291,010</u>	<u>268</u>	<u>291,848</u>
Income (loss) before transfers	(75,037)	158,640	(96,195)	(12,592)
Transfers in	77,884	-	-	77,884
Change in net position	<u>2,847</u>	<u>158,640</u>	<u>(96,195)</u>	<u>65,292</u>
Net position, beginning of year	296,149	2,249,555	1,789,553	4,335,257
Net position, end of year	<u>\$ 298,996</u>	<u>\$ 2,408,195</u>	<u>\$ 1,693,358</u>	<u>\$ 4,400,549</u>

CITY OF BAY CITY, MICHIGAN

Combining Statement of Cash Flows

Nonmajor Enterprise Funds

For the Year Ended June 30, 2015

	Oak Ridge Cemetery	James Clements Airport	Liberty Harbor Marina	Total
Cash flows from operating activities				
Cash received from customers and users	\$ 57,100	\$ 117,121	\$ 112,560	\$ 286,781
Cash payments to suppliers for goods and services	(131,747)	(170,410)	(133,282)	(435,439)
Cash payments to employees for services	-	-	(14,250)	(14,250)
Other receipts	-	1,825	-	1,825
Net cash used in operating activities	(74,647)	(51,464)	(34,972)	(161,083)
Cash flows from noncapital financing activities				
Intergovernmental - federal grants	-	276,966	-	276,966
Intergovernmental - state grants	-	14,044	-	14,044
Transfers in	77,884	-	-	77,884
Net cash provided by noncapital financing activities	77,884	291,010	-	368,894
Cash flows from capital and related financing activities				
Purchase of capital assets	-	(305,055)	-	(305,055)
Cash flows from investing activities				
Interest received	952	113	407	1,472
Net increase (decrease) in cash and cash equivalents	4,189	(65,396)	(34,565)	(95,772)
Cash and cash equivalents, beginning of year	117,319	65,490	105,750	288,559
Cash and cash equivalents, end of year	\$ 121,508	\$ 94	\$ 71,185	\$ 192,787

Continued...

CITY OF BAY CITY, MICHIGAN

Combining Statement of Cash Flows

Nonmajor Enterprise Funds

For the Year Ended June 30, 2015

	Oak Ridge Cemetery	James Clements Airport	Liberty Harbor Marina	Total
Reconciliation of operating loss to net cash used in operating activities				
Operating loss	\$ (75,607)	\$ (132,370)	\$ (96,463)	\$ (304,440)
Adjustments to reconcile operating loss to net cash used by operating activities:				
Depreciation	1,902	100,484	60,603	162,989
Change in operating assets and liabilities that provided (used) cash:				
Accounts receivable	(1,082)	(7,572)	(1,100)	(9,754)
Due from other funds	47	-	-	47
Due from other governments	-	(2,935)	-	(2,935)
Inventories	-	(10,267)	-	(10,267)
Accounts payable	93	115	2,079	2,287
Accrued liabilities	-	-	(192)	(192)
Due to other funds	-	-	(20)	(20)
Deposits	-	1,081	-	1,081
Compensated absences	-	-	121	121
Net cash used in operating activities	\$ (74,647)	\$ (51,464)	\$ (34,972)	\$ (161,083)

Concluded



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CITY OF BAY CITY, MICHIGAN

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, Michigan has the following internal service funds:

Motor Equipment Revolving Fund - This 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 expenses 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

Combining Statement of Net Position

Internal Service Funds

June 30, 2015

	Motor Equipment Revolving	Information Systems	Liability/ Property Self- Insurance	Site Remediation
Assets				
Current assets:				
Cash and cash equivalents	\$ 3,781,824	\$ 136,110	\$ 1,025,665	\$ 69,447
Receivables, net:				
Accounts	4,963	-	-	179
Due from other funds	-	-	-	-
Inventories	112,082	67,719	-	-
Prepaid items	-	-	-	-
Deposits	-	-	437,797	-
Total current assets	3,898,869	203,829	1,463,462	69,626
Noncurrent assets:				
Capital assets				
Buildings and improvements	65,329	-	-	-
Machinery and equipment	13,816,954	887,844	-	-
Accumulated depreciation	(9,245,532)	(583,852)	-	-
Total noncurrent assets	4,636,751	303,992	-	-
Total assets	8,535,620	507,821	1,463,462	69,626
Deferred outflows of resources				
Deferred pension amounts	88,335	58,890	-	-
Liabilities				
Current liabilities:				
Accounts payable	128,016	51,285	3,537	2,710
Accrued liabilities	11,398	9,618	-	-
Claims payable	-	-	435,792	-
Due to other funds	7,165	6,167	-	-
Due to other governmental units	-	-	-	-
Accrued compensated absences - current	42,520	41,479	-	-
Total current liabilities	189,099	108,549	439,329	2,710
Noncurrent liabilities:				
Accrued compensated absences	34,999	41,269	-	-
Net OPEB obligation	445,829	181,005	-	-
Net pension liability	721,626	481,084	-	-
Total noncurrent liabilities	1,202,454	703,358	-	-
Total liabilities	1,391,553	811,907	439,329	2,710
Net position				
Investment in capital assets	4,636,751	303,992	-	-
Unrestricted (deficit)	2,595,651	(549,188)	1,024,133	66,916
Total net position	\$ 7,232,402	\$ (245,196)	\$ 1,024,133	\$ 66,916



Benefits Program	Total
\$ 4,691,724	\$ 9,704,770
381	5,523
258,233	258,233
-	179,801
15,454	15,454
240,102	677,899
<u>5,205,894</u>	<u>10,841,680</u>
-	65,329
-	14,704,798
-	(9,829,384)
-	<u>4,940,743</u>
<u>5,205,894</u>	<u>15,782,423</u>
-	<u>147,225</u>
204,340	389,888
776	21,792
568,205	1,003,997
-	13,332
4,389	4,389
-	83,999
<u>777,710</u>	<u>1,517,397</u>
-	76,268
-	626,834
-	1,202,710
-	<u>1,905,812</u>
<u>777,710</u>	<u>3,423,209</u>
-	4,940,743
<u>4,428,184</u>	<u>7,565,696</u>
<u>\$ 4,428,184</u>	<u>\$ 12,506,439</u>

CITY OF BAY CITY, MICHIGAN

Combining Statement of Revenues, Expenses and Changes in Fund Net Position

Internal Service Funds

For the Year Ended June 30, 2015

	Motor Equipment Revolving	Information Systems	Liability/ Property Self- Insurance	Site Remediation
Operating revenues				
Charges for services	\$ 2,656,535	\$ 1,022,076	\$ 868,196	\$ -
Employee contributions	-	-	-	-
Other	2,184	3,036	409,374	2,183
Total operating revenues	2,658,719	1,025,112	1,277,570	2,183
Operating expenses				
Cost of sales and service	2,160,395	1,104,464	-	54,818
Administration	-	-	13,321	-
Claims and benefits	-	-	1,049,614	-
Depreciation	660,214	82,081	-	-
Total operating expenses	2,820,609	1,186,545	1,062,935	54,818
Operating income (loss)	(161,890)	(161,433)	214,635	(52,635)
Nonoperating revenues (expenses)				
Interest earnings	14,264	494	3,676	268
Loss on disposal of capital assets	(90,300)	-	-	-
Total nonoperating revenues (expenses)	(76,036)	494	3,676	268
Income (loss) before transfers	(237,926)	(160,939)	218,311	(52,367)
Other financing sources (uses)				
Transfers in	-	84,168	-	130,000
Transfers out	-	-	-	-
Total other financing sources (uses)	-	84,168	-	130,000
Change in net position	(237,926)	(76,771)	218,311	77,633
Net position (deficit), beginning of year, as restated	7,470,328	(168,425)	805,822	(10,717)
Net position (deficit), end of year	\$ 7,232,402	\$ (245,196)	\$ 1,024,133	\$ 66,916



Benefits Program	Total
\$ 9,036,581	\$ 13,583,388
326	326
<u>42,284</u>	<u>459,061</u>
<u>9,079,191</u>	<u>14,042,775</u>
-	3,319,677
883,017	896,338
9,041,397	10,091,011
<u>-</u>	<u>742,295</u>
<u>9,924,414</u>	<u>15,049,321</u>
<u>(845,223)</u>	<u>(1,006,546)</u>
15,251	33,953
<u>-</u>	<u>(90,300)</u>
<u>15,251</u>	<u>(56,347)</u>
<u>(829,972)</u>	<u>(1,062,893)</u>
-	214,168
<u>(99,070)</u>	<u>(99,070)</u>
<u>(99,070)</u>	<u>115,098</u>
(929,042)	(947,795)
<u>5,357,226</u>	<u>13,454,234</u>
<u>\$ 4,428,184</u>	<u>\$ 12,506,439</u>

CITY OF BAY CITY, MICHIGAN

Combining Statement of Cash Flows

Internal Service Funds

For the Year Ended June 30, 2015

	Motor Equipment Revolving	Information Systems	Liability/ Property Self- Insurance	Site Remediation
Cash flows from operating activities				
Cash received from interfund services provided	\$ 2,652,141	\$ 1,021,488	\$ 925,247	\$ -
Cash payments to suppliers for goods and services	(1,621,406)	(461,356)	(1,197,111)	(83,355)
Cash payments to employees for services	(651,215)	(708,354)	-	-
Other receipts	2,184	3,036	409,374	1,981
Net cash provided by (used in) operating activities	<u>381,704</u>	<u>(145,186)</u>	<u>137,510</u>	<u>(81,374)</u>
Cash flows from noncapital financing activities				
Transfers in	-	84,168	-	130,000
Transfers out	-	-	-	-
Net cash provided by (used in) noncapital financing activities	<u>-</u>	<u>84,168</u>	<u>-</u>	<u>130,000</u>
Cash flows from capital and related financing activities				
Purchase of capital assets	(1,062,620)	(216,277)	-	-
Cash flows from investing activities				
Interest received	20,936	1,162	5,282	343
Net increase (decrease) in cash and cash equivalents	(659,980)	(276,133)	142,792	48,969
Cash and cash equivalents, beginning of year	4,441,804	412,243	882,873	20,478
Cash and cash equivalents, end of year	<u>\$ 3,781,824</u>	<u>\$ 136,110</u>	<u>\$ 1,025,665</u>	<u>\$ 69,447</u>
Reconciliation of operating loss to net cash provided by (used in) operating activities				
Operating income (loss)	\$ (161,890)	\$ (161,433)	\$ 214,635	\$ (52,635)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	660,214	82,081	-	-
Change in operating assets and liabilities that provided (used) cash:				
Accounts receivable	(3,592)	-	57,051	(179)
Due from other funds	-	-	-	-
Inventories	(4,832)	(30,723)	-	-
Prepaid items	-	22,900	-	-
Deposits	-	-	(119,511)	-
Accounts payable	(9,357)	7,037	(12,161)	(28,238)
Accrued liabilities	(7,771)	(7,617)	-	(35)
Due to other funds	(802)	(588)	-	(23)
Due to other governmental units	-	-	-	-
Claims payable	-	-	(2,504)	-
Accrued compensated absences	14,137	20,322	-	(264)
Net OPEB obligation	(44,742)	(37,391)	-	-
Change in net pension liability and deferred amounts	(59,661)	(39,774)	-	-
Net cash provided by (used in) operating activities	<u>\$ 381,704</u>	<u>\$ (145,186)</u>	<u>\$ 137,510</u>	<u>\$ (81,374)</u>

Benefits Program	Total
\$ 9,068,391	\$ 13,667,267
(8,491,178)	(11,854,406)
(737,182)	(2,096,751)
42,284	458,859
<u>(117,685)</u>	<u>174,969</u>
-	214,168
<u>(99,070)</u>	<u>(99,070)</u>
<u>(99,070)</u>	<u>115,098</u>
-	<u>(1,278,897)</u>
<u>22,661</u>	<u>50,384</u>
(194,094)	(938,446)
<u>4,885,818</u>	<u>10,643,216</u>
<u>\$ 4,691,724</u>	<u>\$ 9,704,770</u>
\$ (845,223)	\$ (1,006,546)
-	742,295
163	53,443
31,947	31,947
-	(35,555)
749,863	772,763
(32,082)	(151,593)
150,427	107,708
(8,564)	(23,987)
(626)	(2,039)
(31,882)	(31,882)
(130,649)	(133,153)
(1,059)	33,136
-	(82,133)
-	<u>(99,435)</u>
<u>\$ (117,685)</u>	<u>\$ 174,969</u>



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CITY OF BAY CITY, MICHIGAN

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, Michigan, the trust funds are used to account for the Police and Fire Retirement System and retiree healthcare. Agency funds include Trust and Agency, Current Tax Collection, and Imprest Payroll.

CITY OF BAY CITY, MICHIGAN

Combining Statement of Fiduciary Net Position

Pension and Health Care Trust Funds

June 30, 2015

	Police & Fire Pension Trust	Health Care Trust Fund	Total
Assets			
Cash and cash equivalents	\$ 1,192,197	\$ 952,547	\$ 2,144,744
Investments:			
Fixed income	9,456,146	-	9,456,146
Equities	26,303,645	12,900,634	39,204,279
Other investments	18,021,647	-	18,021,647
Accounts receivable	136,041	302,485	438,526
Interest receivable	72,570	-	72,570
Prepaid items	-	166,617	166,617
Total assets	55,182,246	14,322,283	69,504,529
Liabilities			
Accounts payable	529,027	-	529,027
Net position			
Restricted for employees' pension benefits	54,653,219	-	54,653,219
Restricted for postemployment health care benefits	-	14,322,283	14,322,283
Total net position	\$ 54,653,219	\$ 14,322,283	\$ 68,975,502

CITY OF BAY CITY, MICHIGAN

Combining Statement of Changes in Fiduciary Net Position

Pension and Health Care Trust Funds
For the Year Ended June 30, 2015

	Police & Fire Pension Trust	Health Care Trust Fund	Total
Additions			
Contributions:			
Employer	\$ 1,925,400	\$ 5,795,158	\$ 7,720,558
Plan members	562,736	120,192	682,928
Total contributions	<u>2,488,136</u>	<u>5,915,350</u>	<u>8,403,486</u>
Investment income:			
Interest and dividends	696,487	681,296	1,377,783
Net appreciation in fair value of investments	2,354,551	11,972	2,366,523
Investment expense	(288,401)	-	(288,401)
Net investment income	<u>2,762,637</u>	<u>693,268</u>	<u>3,455,905</u>
Other additions	<u>77,830</u>	<u>-</u>	<u>77,830</u>
Total additions	<u>5,328,603</u>	<u>6,608,618</u>	<u>11,937,221</u>
Deductions			
Retiree healthcare premium payments	-	5,002,120	5,002,120
Benefits and refunds paid to participants	5,288,925	103,575	5,392,500
Administrative expenses	<u>167,467</u>	<u>9,500</u>	<u>176,967</u>
Total deductions	<u>5,456,392</u>	<u>5,115,195</u>	<u>10,571,587</u>
Change in plan net position	<u>(127,789)</u>	<u>1,493,423</u>	<u>1,365,634</u>
Net position, beginning of year	<u>54,781,008</u>	<u>12,828,860</u>	<u>67,609,868</u>
Net position, end of year	<u>\$ 54,653,219</u>	<u>\$ 14,322,283</u>	<u>\$ 68,975,502</u>

CITY OF BAY CITY, MICHIGAN

Combining Statement of Fiduciary Assets and Liabilities

Agency Funds
June 30, 2015

	Trust and Agency	Current Tax Collection	Imprest Payroll	Total
Assets				
Cash and cash equivalents	\$ 2,205	\$ 4,596	\$ 6,150	\$ 12,951
Due from others	-	-	442,138	442,138
Total assets	\$ 2,205	\$ 4,596	\$ 448,288	\$ 455,089
Liabilities				
Due to others	\$ 179	\$ 4,596	\$ 207,419	\$ 212,194
Due to other governmental units	-	-	240,869	240,869
Deposits payable	2,026	-	-	2,026
Total liabilities	\$ 2,205	\$ 4,596	\$ 448,288	\$ 455,089

CITY OF BAY CITY, MICHIGAN

Combining Statement of Changes in Fiduciary Assets and Liabilities

Agency Funds

For the Year Ended June 30, 2015

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Trust & Agency Fund				
Assets				
Cash and cash equivalents	\$ 130,558	\$ 255,840	\$ 384,193	\$ 2,205
Liabilities				
Due to others	\$ 504	\$ 295,187	\$ 295,512	\$ 179
Due to other governmental units	112,751	366,450	479,201	-
Deposits	17,303	17,418	32,695	2,026
Total liabilities	\$ 130,558	\$ 679,055	\$ 807,408	\$ 2,205
Current Tax Collection Fund				
Assets				
Cash and cash equivalents	\$ 6,204	\$ 28,140,436	\$ 28,142,044	\$ 4,596
Liabilities				
Due to others	\$ 92	\$ 302,465	\$ 297,961	\$ 4,596
Due to other governmental units	6,112	55,965,309	55,971,421	-
Total liabilities	\$ 6,204	\$ 56,267,774	\$ 56,269,382	\$ 4,596
Imprest Payroll Fund				
Assets				
Cash and cash equivalents	\$ 115	\$ 8,050,628	\$ 8,044,593	\$ 6,150
Due from others	412,578	544,311	514,751	442,138
Total assets	\$ 412,693	\$ 8,594,939	\$ 8,559,344	\$ 448,288
Liabilities				
Due to others	\$ 186,706	\$ 6,314,991	\$ 6,294,278	\$ 207,419
Due to other governmental units	225,987	4,175,464	4,160,582	240,869
Total liabilities	\$ 412,693	\$ 10,490,455	\$ 10,454,860	\$ 448,288
Total - All Agency Funds				
Assets				
Cash and cash equivalents	\$ 136,877	\$ 36,446,904	\$ 36,570,830	\$ 12,951
Due from others	412,578	544,311	514,751	442,138
Total assets	\$ 549,455	\$ 36,991,215	\$ 37,085,581	\$ 455,089
Liabilities				
Due to others	\$ 187,302	\$ 6,912,643	\$ 6,887,751	\$ 212,194
Due to other governmental units	344,850	60,507,223	60,611,204	240,869
Deposits	17,303	17,418	32,695	2,026
Total liabilities	\$ 549,455	\$ 67,437,284	\$ 67,531,650	\$ 455,089



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City of Bay City

CITY OF BAY CITY, MICHIGAN

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. The component units that have reconciling items between government-wide and fund financial statements within the City of Bay City, Michigan are: Downtown Development Authority, Midland Street TIFA, Kresge's DDA, Marquette District TIFA, Water Street DDA, Marina Development TIFA, Allen Healthcare DDA, Knepp's DDA, and Brownfield Redevelopment Authority.

CITY OF BAY CITY, MICHIGAN

Statement of Net Position and Governmental Fund Balance Sheet

Downtown Development Authority, Midland Street TIFA,
Kresge's DDA and Marquette District TIFA
June 30, 2015

	Downtown Development Authority	Adjustments	Statement of Net Position	Midland Street TIFA	Adjustments	Statement of Net Position
Assets						
Cash and cash equivalents	\$ 124,512	\$ -	\$ 124,512	\$ 400,604	\$ -	\$ 400,604
Receivables:						
Accounts	27,278	-	27,278	-	-	-
Delinquent taxes	676	-	676	-	-	-
Capital assets, net	-	120,368	120,368	-	1,293,673	1,293,673
Total assets	<u>\$ 152,466</u>	<u>120,368</u>	<u>272,834</u>	<u>\$ 400,604</u>	<u>1,293,673</u>	<u>1,694,277</u>
Liabilities						
Accounts payable	\$ 1,913	-	1,913	\$ 1,287	-	1,287
Accrued liabilities	-	-	-	-	9,444	9,444
Long-term debt:						
Due within one year	-	-	-	-	44,405	44,405
Due in more than one year	-	-	-	-	907,531	907,531
Total liabilities	<u>1,913</u>	<u>-</u>	<u>1,913</u>	<u>1,287</u>	<u>961,380</u>	<u>962,667</u>
Deferred inflows of resources						
Unavailable revenue - property taxes	676	(676)	-	-	-	-
Fund balances						
Committed	-	-	-	-	-	-
Unassigned	149,877	(149,877)	-	399,317	(399,317)	-
Total fund balances	<u>149,877</u>	<u>(149,877)</u>	<u>-</u>	<u>399,317</u>	<u>(399,317)</u>	<u>-</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 152,466</u>			<u>\$ 400,604</u>		
Net position						
Net investment in capital assets		120,368	120,368		341,737	341,737
Unrestricted		150,553	150,553		389,873	389,873
Total net position		<u>\$ 270,921</u>	<u>\$ 270,921</u>		<u>\$ 731,610</u>	<u>\$ 731,610</u>

Kresge's DDA	Adjustments	Statement of Net Position	Marquette District TIFA	Adjustments	Statement of Net Position
\$ 42,512	\$ -	\$ 42,512	\$ 1,106,602	\$ -	\$ 1,106,602
-	-	-	-	-	-
-	-	-	-	-	-
-	19,724	19,724	-	1,222,118	1,222,118
<u>\$ 42,512</u>	<u>19,724</u>	<u>62,236</u>	<u>\$ 1,106,602</u>	<u>1,222,118</u>	<u>2,328,720</u>
\$ -	-	-	\$ 3,321	-	3,321
-	-	-	610	-	610
-	-	-	-	2,119	2,119
-	-	-	-	-	-
-	-	-	3,931	2,119	6,050
-	-	-	-	-	-
-	-	-	-	-	-
42,512	(42,512)	-	1,102,671	(1,102,671)	-
42,512	(42,512)	-	1,102,671	(1,102,671)	-
<u>\$ 42,512</u>			<u>\$ 1,106,602</u>		
	19,724	19,724		1,219,999	1,219,999
	42,512	42,512		1,102,671	1,102,671
	<u>\$ 62,236</u>	<u>\$ 62,236</u>		<u>\$ 2,322,670</u>	<u>\$ 2,322,670</u>

CITY OF BAY CITY, MICHIGAN

Statement of Net Position and Governmental Fund Balance Sheet

Water Street DDA, Marina Development TIFA, Allen Healthcare DDA, and Knepp's DDA
June 30, 2015

	Water Street DDA	Adjustments	Statement of Net Position	Marina Develop. TIFA	Adjustments	Statement of Net Position
Assets						
Cash and cash equivalents	\$ 165,716	\$ -	\$ 165,716	\$ -	\$ -	\$ -
Capital assets, net	-	1,900,132	1,900,132	-	392,992	392,992
Total assets	\$ 165,716	1,900,132	2,065,848	\$ -	392,992	392,992
Liabilities						
Accounts payable	\$ 4,119	-	4,119	\$ -	-	-
Accrued liabilities	-	6,662	6,662	-	-	-
Long-term debt:						
Due within one year	-	300,000	300,000	-	-	-
Due in more than one year	-	710,000	710,000	-	-	-
Total liabilities	4,119	1,016,662	1,020,781	-	-	-
Fund balances						
Committed	-	-	-	-	-	-
Unassigned	161,597	(161,597)	-	-	-	-
Total fund balances	161,597	(161,597)	-	-	-	-
Total liabilities and fund balances	\$ 165,716			\$ -		
Net position						
Net investment in capital assets		890,132	890,132		392,992	392,992
Unrestricted		154,935	154,935		-	-
Total net position		\$ 1,045,067	\$ 1,045,067		\$ 392,992	\$ 392,992

Allen Healthcare DDA	Adjustments	Statement of Net Position	Knepp's DDA	Adjustments	Statement of Net Position
\$ 4,230	\$ -	\$ 4,230	\$ 3,442	\$ -	\$ 3,442
-	-	-	-	132,633	132,633
<u>\$ 4,230</u>	<u>-</u>	<u>4,230</u>	<u>\$ 3,442</u>	<u>132,633</u>	<u>136,075</u>
\$ -	-	-	\$ -	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
4,230	(4,230)	-	3,442	(3,442)	-
<u>4,230</u>	<u>(4,230)</u>	<u>-</u>	<u>3,442</u>	<u>(3,442)</u>	<u>-</u>
<u>\$ 4,230</u>			<u>\$ 3,442</u>		
	-	-		132,633	132,633
	4,230	4,230		3,442	3,442
<u>\$ 4,230</u>	<u>\$ 4,230</u>		<u>\$ 136,075</u>	<u>\$ 136,075</u>	



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CITY OF BAY CITY, MICHIGAN

Statement of Net Position and Governmental Fund Balance Sheet

Brownfield Redevelopment Authority
June 30, 2015

	Brownfield Redevelopment Authority	Adjustments	Statement of Net Position
Assets			
Cash and cash equivalents	\$ 5,784,515	\$ -	\$ 5,784,515
Capital assets, net	-	7,956,323	7,956,323
Total assets	<u>\$ 5,784,515</u>	<u>7,956,323</u>	<u>13,740,838</u>
Liabilities			
Accounts payable	\$ 57,139	-	57,139
Accrued liabilities	-	198,902	198,902
Long-term debt:			
Due within one year	-	894	894
Due in more than one year	-	16,205,669	16,205,669
Total liabilities	<u>57,139</u>	<u>16,405,465</u>	<u>16,462,604</u>
Fund balances			
Committed	5,069,280	(5,069,280)	-
Unassigned	658,096	(658,096)	-
Total fund balances	<u>5,727,376</u>	<u>(5,727,376)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 5,784,515</u>		
Net position			
Net investment in capital assets		155,710	155,710
Unrestricted (deficit)		(2,877,476)	(2,877,476)
Total net position (deficit)		<u>\$ (2,721,766)</u>	<u>\$ (2,721,766)</u>

CITY OF BAY CITY, MICHIGAN

Statement of Activities and Governmental Fund Statement of

Revenues, Expenditures and Changes in Fund Balances
 Downtown Development Authority, Midland Street TIFA,
 Kresge's DDA and Marquette District TIFA
 For the Year Ended June 30, 2015

	Downtown Development Authority	Adjustments	Statement of Activities	Midland St. TIFA	Adjustments	Statement of Activities
Revenues						
Taxes:						
Tax increment	\$ -	\$ -	\$ -	\$ 91,475	\$ -	\$ 91,475
Special assessments	63,441	(21)	63,420	-	-	-
Charges for services:						
Rents	78,246	-	78,246	-	-	-
Miscellaneous:						
Interest earnings	536	-	536	1,520	-	1,520
Other	1,250	-	1,250	-	-	-
Total revenues	143,473	(21)	143,452	92,995	-	92,995
Expenditures/Expenses						
Current:						
Economic development	124,906	-	124,906	2,400	-	2,400
Depreciation	-	6,140	6,140	-	80,190	80,190
Debt service:						
Principal	-	-	-	43,018	(43,018)	-
Interest	-	-	-	38,313	(270)	38,043
Total expenditures/expenses	124,906	6,140	131,046	83,731	36,902	120,633
Change in fund balance / net position	18,567	(6,161)	12,406	9,264	(36,902)	(27,638)
Fund balance / net position, beginning of year	131,310	127,205	258,515	390,053	369,195	759,248
Fund balance / net position, end of year	\$ 149,877	\$ 121,044	\$ 270,921	\$ 399,317	\$ 332,293	\$ 731,610

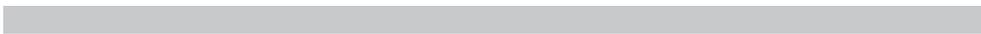
Kresge's DDA	Adjustments	Statement of Activities	Marquette District TIFA	Adjustments	Statement of Activities
\$ 3,095	\$ -	\$ 3,095	\$ 421,040	\$ -	\$ 421,040
-	-	-	-	-	-
-	-	-	-	-	-
162	-	162	4,223	-	4,223
-	-	-	-	-	-
<u>3,257</u>	<u>-</u>	<u>3,257</u>	<u>425,263</u>	<u>-</u>	<u>425,263</u>
199	-	199	66,598	223	66,821
-	1,949	1,949	-	107,147	107,147
-	-	-	-	-	-
-	-	-	-	-	-
<u>199</u>	<u>1,949</u>	<u>2,148</u>	<u>66,598</u>	<u>107,370</u>	<u>173,968</u>
3,058	(1,949)	1,109	358,665	(107,370)	251,295
<u>39,454</u>	<u>21,673</u>	<u>61,127</u>	<u>744,006</u>	<u>1,327,369</u>	<u>2,071,375</u>
<u>\$ 42,512</u>	<u>\$ 19,724</u>	<u>\$ 62,236</u>	<u>\$ 1,102,671</u>	<u>\$ 1,219,999</u>	<u>\$ 2,322,670</u>

CITY OF BAY CITY, MICHIGAN

Statement of Activities and Governmental Fund Statement of

Revenues, Expenditures and Changes in Fund Balances
 Water Street DDA, Marina Development TIFA, Allen Healthcare DDA, and Knepp's DDA
 For the Year Ended June 30, 2015

	Water Street DDA	Adjustments	Statement of Activities	Marina Develop. TIFA	Adjustments	Statement of Activities
Revenues						
Taxes:						
Tax increment	\$ 299,682	\$ -	\$ 299,682	\$ -	\$ -	\$ -
Miscellaneous:						
Interest earnings	625	-	625	-	-	-
Total revenues	300,307	-	300,307	-	-	-
Expenditures/Expenses						
Current:						
Economic development	17,729	-	17,729	-	-	-
Depreciation	-	178,808	178,808	-	18,745	18,745
Debt service:						
Principal	265,000	(265,000)	-	-	-	-
Interest	49,909	(1,655)	48,254	-	-	-
Total expenditures/expenses	332,638	(87,847)	244,791	-	18,745	18,745
Change in fund balance / net position	(32,331)	87,847	55,516	-	(18,745)	(18,745)
Fund balance / net position, beginning of year	193,928	795,623	989,551	-	411,737	411,737
Fund balance / net position, end of year	\$ 161,597	\$ 883,470	\$ 1,045,067	\$ -	\$ 392,992	\$ 392,992



Allen Health-care DDA	Adjustments	Statement of Activities	Knepp's DDA	Adjustments	Statement of Activities
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	14	-	14
-	-	-	14	-	14
-	-	-	-	-	-
-	-	-	-	3,599	3,599
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	3,599	3,599
-	-	-	14	(3,599)	(3,585)
4,230	-	4,230	3,428	136,232	139,660
<u>\$ 4,230</u>	<u>\$ -</u>	<u>\$ 4,230</u>	<u>\$ 3,442</u>	<u>\$ 132,633</u>	<u>\$ 136,075</u>

CITY OF BAY CITY, MICHIGAN

Statement of Activities and Governmental Fund Statement of

Revenues, Expenditures and Changes in Fund Balance

Brownfield Redevelopment Authority

For the Year Ended June 30, 2015

	Brownfield Redevelopment Authority	Adjustments	Statement of Activities
Revenues			
Taxes:			
Tax increment	\$ 520,962	\$ -	\$ 520,962
Miscellaneous:			
Interest earnings	21,728	-	21,728
Other	20,436	-	20,436
Total revenues	<u>563,126</u>	<u>-</u>	<u>563,126</u>
Expenditures/Expenses			
Current:			
Economic development	69,276	15,655	84,931
Depreciation	-	10,951	10,951
Capital outlay	2,593,536	(2,593,536)	-
Debt service:			
Principal	15,882	(15,882)	-
Interest	723,150	71,975	795,125
Total expenditures/expenses	<u>3,401,844</u>	<u>(2,510,837)</u>	<u>891,007</u>
Change in fund balance / net position	(2,838,718)	2,510,837	(327,881)
Fund balance / net position (deficit), beginning of year	<u>8,566,094</u>	<u>(10,959,979)</u>	<u>(2,393,885)</u>
Fund balance / net position (deficit), end of year	<u>\$ 5,727,376</u>	<u>\$ (8,449,142)</u>	<u>\$ (2,721,766)</u>

CITY OF BAY CITY, MICHIGAN

Combining Balance Sheet

Brownfield Redevelopment Component Unit
June 30, 2015

	General Fund	Uptown Capital Project Fund	Uptown Debt Service Fund	Total Brownfield Redevelopment
Assets				
Cash and investments	\$ 666,474	\$ 5,118,041	\$ -	\$ 5,784,515
Liabilities				
Accounts payable	\$ 8,378	\$ 48,761	\$ -	\$ 57,139
Fund balances				
Committed	-	5,069,280	-	5,069,280
Unassigned	658,096	-	-	658,096
Total fund balances	658,096	5,069,280	-	5,727,376
Total liabilities and fund balances	\$ 666,474	\$ 5,118,041	\$ -	\$ 5,784,515

CITY OF BAY CITY, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Brownfield Redevelopment Component Unit
For the Year Ended June 30, 2015

	General Fund	Uptown Capital Project Fund	Uptown Debt Service Fund	Eliminations	Total Brownfield Redevelopment
Revenues					
Taxes:					
Tax increment	\$ 214,560	\$ 306,402	\$ -	\$ -	\$ 520,962
Miscellaneous:					
Interest earnings	2,535	19,193	-	-	21,728
Other	13,436	7,000	-	-	20,436
Total revenues	230,531	332,595	-	-	563,126
Expenditures					
Current:					
Economic development	60,840	8,436	-	-	69,276
Capital outlay	-	2,593,536	-	-	2,593,536
Debt service:					
Principal	15,882	-	-	-	15,882
Interest	14,146	-	709,004	-	723,150
Total expenditures	90,868	2,601,972	709,004	-	3,401,844
Revenues over (under) expenditures	139,663	(2,269,377)	(709,004)	-	(2,838,718)
Other financing sources (uses)					
Transfers out	-	(83,228)	-	83,228	-
Transfers in	-	-	83,228	(83,228)	-
Total other financing sources (uses)	-	(83,228)	83,228	-	-
Net change in fund balance	139,663	(2,352,605)	(625,776)	-	(2,838,718)
Fund balance, beginning of year	518,433	7,421,885	625,776	-	8,566,094
Fund balance, end of year	\$ 658,096	\$ 5,069,280	\$ -	\$ -	\$ 5,727,376

STATISTICAL SECTION



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CITY OF BAY CITY, MICHIGAN

Statistical Section Table of Contents

This part of the City of Bay City, Michigan's (the "City") comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

		<u>Page</u>
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.	143
Revenue Capacity	These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property	153
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.	158
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.	165
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.	169

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CITY OF BAY CITY, MICHIGAN

Net Position by Component

Last Ten Fiscal Years

(accrual basis of accounting)

	June 30,		
	2006	2007	2008
Governmental activities			
Net investment in capital assets	\$ 61,608,056	\$ 60,760,119	\$ 68,777,346
Restricted	1,669,514	1,832,805	2,180,059
Unrestricted (deficit)	11,588,878	12,085,327	1,925,635
Total governmental activities net position	<u>\$ 74,866,448</u>	<u>\$ 74,678,251</u>	<u>\$ 72,883,040</u>
Business-type activities			
Net investment in capital assets	\$ 89,473,335	\$ 90,735,387	\$ 79,329,188
Restricted	-	-	-
Unrestricted	32,243,217	31,542,821	43,744,542
Total business-type activities net position	<u>\$ 121,716,552</u>	<u>\$ 122,278,208</u>	<u>\$ 123,073,730</u>
Primary government			
Net investment in capital assets	\$ 151,081,391	\$ 151,495,506	\$ 148,106,534
Restricted	1,669,514	1,832,805	2,180,059
Unrestricted (deficit)	43,832,095	43,628,148	45,670,177
Total primary government net position	<u>\$ 196,583,000</u>	<u>\$ 196,956,459</u>	<u>\$ 195,956,770</u>

Table 1
Unaudited

June 30,						
2009	2010	2011	2012	2013	2014	2015
\$ 70,688,130	\$ 58,517,259	\$ 59,245,396	\$ 69,853,228	\$ 70,001,070	\$ 70,245,428	\$ 69,057,762
2,228,927	2,053,986	1,758,988	1,746,583	34,813	11,226,225	10,827,652
1,990,740	12,282,722	10,271,923	(1,970,352)	(3,777,530)	(16,042,766)	(33,884,105)
<u>\$ 74,907,797</u>	<u>\$ 72,853,967</u>	<u>\$ 71,276,307</u>	<u>\$ 69,629,459</u>	<u>\$ 66,258,353</u>	<u>\$ 65,428,887</u>	<u>\$ 46,001,309</u>
\$ 82,703,164	\$ 85,223,708	\$ 84,043,144	\$ 87,016,755	\$ 91,958,470	\$ 85,045,532	\$ 94,808,608
-	-	11,901,344	10,898,600	8,569,445	9,869,290	2,083,275
39,161,140	36,689,700	33,221,986	34,339,690	33,321,454	43,486,135	20,431,532
<u>\$ 121,864,304</u>	<u>\$ 121,913,408</u>	<u>\$ 129,166,474</u>	<u>\$ 132,255,045</u>	<u>\$ 133,849,369</u>	<u>\$ 138,400,957</u>	<u>\$ 117,323,415</u>
\$ 153,391,294	\$ 143,740,967	\$ 143,288,540	\$ 156,869,983	\$ 161,959,540	\$ 155,290,960	\$ 163,866,370
2,228,927	2,053,986	13,660,332	12,645,183	8,604,258	21,095,515	12,910,927
41,151,880	48,972,422	43,493,909	32,369,338	29,543,924	27,443,369	(13,452,573)
<u>\$ 196,772,101</u>	<u>\$ 194,767,375</u>	<u>\$ 200,442,781</u>	<u>\$ 201,884,504</u>	<u>\$ 200,107,722</u>	<u>\$ 203,829,844</u>	<u>\$ 163,324,724</u>

CITY OF BAY CITY, MICHIGAN

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

(amounts expressed in thousands)

	Year Ended June 30,		
	2006	2007	2008
Expenses			
Governmental activities:			
Public safety	\$ 14,170	\$ 14,640	\$ 13,094
Economic development	2,116	2,602	2,148
Public works	9,871	9,236	9,633
General government	1,614	2,064	3,168
Recreation and cultural	1,249	1,164	1,016
Interest on long-term debt	1,298	1,302	1,399
Total governmental activities expenses	<u>30,318</u>	<u>31,008</u>	<u>30,458</u>
Business-type activities:			
Electric	26,079	26,537	30,012
Water	7,231	7,694	8,072
Sewer	12,487	12,165	11,987
Public works	463	519	541
Total business-type activities expenses	<u>46,260</u>	<u>46,915</u>	<u>50,612</u>
Total primary government expenses	<u>76,578</u>	<u>77,923</u>	<u>81,070</u>
Program Revenue			
Governmental activities:			
Charges for services			
Public safety	960	811	716
General government	1,419	1,256	925
Public works	1,939	1,973	2,010
Recreation and culture	8	10	25
Other	125	71	97
Operating grants and contributions	5,797	5,646	6,252
Capital grants and contributions	47	1,659	1,259
Total governmental activities program revenue	<u>10,295</u>	<u>11,426</u>	<u>11,284</u>
Business-type activities:			
Charges for services			
Electric	23,770	26,060	29,067
Water	7,204	7,246	7,800
Sewer	11,512	11,726	12,346
Public works	215	188	264
Operating grants and contributions	246	102	115
Capital grants and contributions	455	482	427
Total business-type activities program revenue	<u>43,402</u>	<u>45,804</u>	<u>50,019</u>
Total primary government program revenue	<u>53,697</u>	<u>57,230</u>	<u>61,303</u>

Table 2
Unaudited

Year Ended June 30,						
2009	2010	2011	2012	2013	2014	2015
\$ 12,808	\$ 12,811	\$ 12,115	\$ 12,606	\$ 13,499	\$ 11,533	\$ 12,829
1,903	1,819	2,408	2,833	3,581	1,962	2,082
10,919	11,437	13,836	12,083	9,863	10,232	10,628
2,730	3,087	1,098	982	1,516	2,214	1,129
1,074	1,178	783	924	1,092	1,094	1,262
1,267	1,223	1,195	1,283	1,160	1,038	1,081
30,701	31,555	31,435	30,711	30,711	28,073	29,013
30,419	30,184	30,285	32,375	33,545	34,456	32,047
8,746	8,705	8,193	9,077	9,215	8,929	11,160
12,573	12,511	11,909	11,748	11,612	11,352	11,224
524	528	558	590	605	594	605
52,262	51,928	50,945	53,790	54,976	55,330	55,036
82,963	83,483	82,380	84,501	85,687	83,403	84,049
727	837	922	845	914	886	1,193
677	845	940	837	815	547	751
2,065	2,052	2,049	2,528	2,112	2,267	2,009
23	61	59	67	119	52	56
(138)	(263)	(141)	50	485	274	9
7,760	6,346	5,589	7,967	4,757	4,540	6,194
1,461	706	1,484	171	1,303	1,403	486
12,575	10,584	10,902	12,465	10,506	9,970	10,698
30,270	29,870	32,263	32,240	32,933	34,367	35,175
7,540	8,193	8,928	9,501	9,394	11,195	10,179
11,761	12,826	14,715	13,667	13,421	13,451	13,106
194	223	231	220	220	321	299
51	225	128	359	397	30	291
98	-	-	-	-	-	-
49,914	51,337	56,265	55,987	56,365	59,364	59,050
62,489	61,921	67,167	68,452	66,871	69,334	69,748

Continued...

CITY OF BAY CITY, MICHIGAN

Changes in Net Position

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

	Year Ended June 30,		
	2006	2007	2008
Net (expense)/revenue			
Governmental activities	\$ (20,023)	\$ (19,582)	\$ (19,174)
Business-type activities	(2,858)	(1,111)	(593)
Total primary government net expense	(22,881)	(20,693)	(19,767)
General Revenue and Other Changes in Net Position			
Governmental activities:			
Property taxes	13,592	13,640	14,044
Unrestricted grants and contributions	5,172	5,127	4,911
Investment earnings	398	702	1,022
Gain on sale of capital assets	-	-	-
Miscellaneous	111	74	80
Transfers	3,525	(149)	34
Total governmental activities	22,798	19,394	20,091
Business-type activities:			
Investment earnings	922	1,459	1,398
Gain on sale of capital assets	-	-	-
Miscellaneous	47	64	25
Transfers	(3,525)	149	(34)
Total business-type activities	(2,556)	1,672	1,389
Total primary government	20,242	21,066	21,480
Change in Net Position			
Governmental activities	2,775	(188)	917
Business-type activities	(5,414)	561	796
Total primary government	\$ (2,639)	\$ 373	\$ 1,713

Table 2
Unaudited

Year Ended June 30,						
2009	2010	2011	2012	2013	2014	2015
\$ (18,126)	\$ (20,971)	\$ (20,533)	\$ (18,246)	\$ (20,205)	\$ (18,103)	\$ (18,314)
(2,348)	(591)	5,320	2,197	1,389	4,034	4,014
(20,474)	(21,562)	(15,213)	(16,049)	(18,816)	(14,069)	(14,300)
14,249	14,012	12,728	12,357	12,379	12,389	12,288
5,104	4,383	4,614	3,904	4,113	4,157	4,257
709	462	114	182	103	171	62
-	-	-	-	-	5	-
107	92	655	766	241	589	143
(18)	(32)	(125)	(610)	(41)	(39)	(109)
20,151	18,917	17,986	16,599	16,795	17,274	16,640
1,048	580	152	213	91	256	128
-	-	-	-	-	-	-
72	28	59	69	208	223	364
18	32	125	610	41	39	109
1,138	640	336	892	340	518	602
21,289	19,557	18,322	17,491	17,135	17,792	17,241
2,025	(2,054)	(2,547)	(1,647)	(3,411)	(830)	(1,675)
(1,210)	49	5,656	3,089	1,729	4,552	4,616
\$ 815	\$ (2,005)	\$ 3,109	\$ 1,442	\$ (1,681)	\$ 3,722	\$ 2,941

Concluded

CITY OF BAY CITY, MICHIGAN

Fund Balances of Governmental Funds

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

	2006	2007	2008
General fund			
Reserved	\$ -	\$ -	\$ 342
Unreserved	5,353	5,086	4,878
Nonspendable	-	-	-
Restricted	-	-	-
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
Total general fund	\$ 5,353	\$ 5,086	\$ 5,220
All other governmental funds			
Reserved	\$ 36	\$ 65	\$ 37
Unreserved, reported in:			
Special revenue funds	2,168	2,479	2,529
Capital projects funds	1,463	1,446	1,596
Debt service fund	207	387	584
Nonspendable	-	-	-
Restricted	-	-	-
Unassigned	-	-	-
Total all other governmental funds	\$ 3,874	\$ 4,377	\$ 4,746

Note: The City implemented GASB 54 in 2011.

Table 3
Unaudited

June 30,						
2009	2010	2011	2012	2013	2014	2015
\$ 268	\$ 300	\$ -	\$ -	\$ -	\$ -	\$ -
5,677	5,440	-	-	-	-	-
-	-	-	2	-	-	-
-	-	307	38	9	41	22
-	-	-	4,441	3,979	3,160	-
-	-	-	-	-	-	98
-	-	5,874	1,783	382	(23)	2,995
<u>\$ 5,945</u>	<u>\$ 5,740</u>	<u>\$ 6,181</u>	<u>\$ 6,264</u>	<u>\$ 4,369</u>	<u>\$ 3,179</u>	<u>\$ 3,116</u>
\$ 41	\$ 157	\$ -	\$ -	\$ -	\$ -	\$ -
2,368	2,903	-	-	-	-	-
1,486	1,218	-	-	-	-	-
743	836	-	-	-	-	-
-	-	108	129	76	39	201
-	-	3,031	3,881	2,830	3,766	3,398
-	-	-	-	(41)	(297)	-
<u>\$ 4,638</u>	<u>\$ 5,114</u>	<u>\$ 3,139</u>	<u>\$ 4,010</u>	<u>\$ 2,865</u>	<u>\$ 3,508</u>	<u>\$ 3,599</u>

CITY OF BAY CITY, MICHIGAN

Changes in Fund Balances of Governmental Funds

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

	2006	2007	2008
Revenues			
Taxes	\$ 12,557	\$ 12,816	\$ 13,227
Licenses and permits	663	532	497
Federal grants	2,804	3,737	3,352
State shared revenues and grants	9,595	9,820	8,062
Local contributions	54	16	1,763
Interest revenue	367	613	712
Charges for services	5,969	5,856	6,038
Fines and forfeitures	136	132	150
Miscellaneous revenues	961	875	1,145
Total revenues	33,106	34,397	34,946
Expenditures			
General government	5,381	5,609	5,387
Public safety	13,826	14,358	12,960
Public works	7,203	6,777	6,800
Economic development	1,853	1,784	1,740
Parks and recreation	1,076	1,005	818
Postretirement benefits	-	-	2,034
Capital outlay	1,393	2,841	2,501
Debt service:			
Principal	1,570	1,638	2,173
Interest and fiscal charges	4	1	77
Total expenditures	32,306	34,013	34,490
Revenues over (under) expenditures	800	384	456
Other financing sources (uses)			
Lease proceeds	29	-	14
Issuance of long-term debt	-	-	-
Proceeds from sale of assets	-	-	-
Transfers in	2,537	841	907
Transfers out	(2,627)	(990)	(874)
Total other financing sources (uses)	(61)	(149)	47
Net change in fund balances	\$ 739	\$ 235	\$ 503
Debt service as a percentage of noncapital expenditures	5.09%	5.26%	7.03%

Table 4
Unaudited

Year Ended June 30,						
2009	2010	2011	2012	2013	2014	2015
\$ 13,271	\$ 13,020	\$ 11,757	\$ 11,459	\$ 11,495	\$ 11,535	\$ 11,390
498	515	454	415	577	515	714
3,473	3,618	2,603	3,411	4,339	3,796	2,202
10,725	7,606	9,063	8,555	5,904	6,332	8,445
1,502	1,489	1,457	1,598	1,437	1,349	1,698
427	246	67	87	55	88	28
6,215	6,466	6,366	6,684	4,539	4,789	5,267
165	149	167	103	90	82	111
348	520	1,015	1,579	604	1,279	556
<u>36,624</u>	<u>33,629</u>	<u>32,949</u>	<u>33,891</u>	<u>29,041</u>	<u>29,765</u>	<u>30,411</u>
5,007	5,183	4,659	4,570	2,716	2,653	3,485
12,419	12,071	11,700	11,928	12,354	10,746	12,427
6,979	6,735	6,693	6,688	6,199	6,599	7,150
1,773	2,221	2,093	2,633	2,568	1,702	1,271
830	838	813	836	781	795	941
2,077	1,894	2,108	2,490	2,356	2,700	-
5,193	2,662	4,170	4,052	4,104	2,417	2,187
1,690	1,711	1,725	1,748	2,326	2,441	2,555
21	7	2	65	58	104	143
<u>35,989</u>	<u>33,322</u>	<u>33,963</u>	<u>35,010</u>	<u>33,462</u>	<u>30,157</u>	<u>30,159</u>
<u>635</u>	<u>307</u>	<u>(1,014)</u>	<u>(1,119)</u>	<u>(4,421)</u>	<u>(392)</u>	<u>252</u>
-	4	-	-	-	-	-
-	-	-	1,630	1,000	-	-
-	-	-	85	453	13	-
770	1,571	818	1,555	998	1,165	1,327
<u>(788)</u>	<u>(1,611)</u>	<u>(1,338)</u>	<u>(2,165)</u>	<u>(1,110)</u>	<u>(1,332)</u>	<u>(1,551)</u>
<u>(18)</u>	<u>(36)</u>	<u>(520)</u>	<u>1,105</u>	<u>1,341</u>	<u>(154)</u>	<u>(224)</u>
\$ 617	\$ 271	\$ (1,534)	\$ (15)	\$ (3,080)	\$ (546)	\$ 27
5.56%	5.60%	5.80%	5.77%	7.88%	9.43%	9.37%

Revenue By Source

Last Ten Fiscal Years

(accrual basis of accounting)

Year Ended June 30,	Property Taxes	Electric Operating
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
2010	14,012,116	29,876,398
2011	12,728,586	32,268,204
2012	12,357,132	32,246,928
2013	12,378,917	33,104,126
2014	12,389,299	34,476,491
2015	12,287,683	35,346,665

CITY OF BAY CITY, MICHIGAN

Table 6
Unaudited

Assessed Value and Estimated Actual Value of Taxable Property

Last Ten Fiscal Years
(in thousands of dollars)

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					
2006	\$ 513,892	\$ 116,272	\$ 23,283	\$ 84,874	\$ 738,321	20.0505	\$1,476,642	50.00%
2007	518,800	119,382	23,243	86,733	748,158	19.4532	1,496,316	50.00%
2008	518,972	119,418	25,266	86,584	750,240	19.5503	1,500,480	50.00%
2009	518,669	119,280	25,815	85,948	749,712	19.5503	1,499,424	50.00%
2010	486,359	116,320	26,201	85,895	714,775	19.5503	1,429,550	50.00%
2011	432,491	99,278	21,205	65,117	618,091	19.5503	1,236,182	50.00%
2012	440,003	96,855	25,924	57,217	619,999	20.0935	1,239,998	50.00%
2013	405,281	93,352	23,958	62,467	585,058	21.3365	1,170,116	50.00%
2014	367,702	100,629	23,227	63,091	554,649	21.3365	1,109,298	50.00%
2015	392,971	93,913	25,540	55,523	567,947	21.3365	1,135,894	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

Table 7
Unaudited

Property Tax Rates

Direct and Overlapping Governments
Last Ten Fiscal Years

Year Ended June 30, (1) (2)	Bay City				Overlapping Rates			Total Direct & Overlapping Rates
	Operating Millage	Special Millage (3)	Debt Millage	Total City Millage	School District	Community College	County	
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
2010	16.9615	0.0000	2.5888	19.5503	31.2733	2.0427	10.8138	63.6801
2011	16.9615	0.0000	2.5888	19.5503	31.9133	2.0427	10.8138	64.3201
2012	16.9615	0.0000	3.1320	20.0935	31.9133	2.0427	10.8138	64.8633
2013	16.9615	0.0000	4.3750	21.3365	31.9133	2.0427	10.8138	66.1063
2014	16.9615	0.0000	4.3750	21.3365	32.7157	2.0427	11.4638	67.5587
2015	16.9615	0.0000	4.3750	21.3365	31.9133	2.0427	11.4638	66.7563

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. 2007 refers to the 2008 tax collection, 2008 refers to the 2009 tax collection, and so on.

(3) In FY 2007, a credit was issued due to an over-levy of County millage in Winter 2005.

CITY OF BAY CITY, MICHIGAN

Table 8
Unaudited

Principal Property Taxpayers and Electric Customers
June 30, 2015 and Nine Years Ago

Taxpayer	2015			2006		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
SSP Development, LLC	\$ 10,239,150	1	1.80%	\$ -	-	-
Consumers Energy Company	8,778,750	2	1.55%	4,672,806	3	0.68%
SC Johnson	5,684,550	3	1.00%	15,578,085	2	2.27%
General Motors Corporation	4,526,200	4	0.80%	80,181,550	1	11.71%
Wenonah Park Properties	3,925,850	5	0.69%	4,360,495	4	0.64%
Kerkau Manufacturing	3,375,000	6	0.59%	2,673,763	7	0.39%
Charter Communications	3,133,750	7	0.55%	2,675,150	6	0.39%
Mersen USA (formerly Carbone)	2,117,250	8	0.37%	2,436,234	10	0.36%
Port Fisher	1,352,450	9	0.24%	-	-	-
Dow Corning Corporation	1,333,600	10	0.23%	-	-	-
Marina Place LLC	-	-	-	3,139,945	5	0.46%
Northern Concrete	-	-	-	2,600,050	8	0.38%
Arthur P Dore	-	-	-	2,530,810	9	0.37%
Totals	\$ 44,466,550		7.83%	\$120,848,888		17.65%

Electric Customer	2015			2006		
	Usage kWh	Rank	Percentage of Total Usage	Usage kWh	Rank	Percentage of Total Usage
McLaren Bay Region	17,249,596	1	5.51%	16,120,947	2	5.00%
City of Bay City	11,630,380	2	3.72%	19,786,584	1	6.20%
Mersen USA (Carbone)	10,779,600	3	3.45%	10,642,880	3	3.30%
S.C. Johnson & Sons	7,130,250	4	2.28%	8,219,520	4	2.60%
Bay County	5,171,104	5	1.65%	5,512,563	5	1.70%
Bay Cast Inc	4,309,097	6	1.38%	5,499,597	6	1.70%
Doubletree Hotel	3,593,788	7	1.15%	4,097,631	8	1.30%
Kerkau Manufacturing	3,350,240	8	1.07%	-	-	-
Valley Publishing	3,252,960	9	1.04%	3,429,342	10	1.10%
Menards	3,241,456	10	1.04%	-	-	-
Amtek Gear	-	-	-	5,030,400	7	1.60%
Bay City Board of Education	-	-	-	3,919,592	9	1.20%
Totals	69,708,471		22.28%	82,259,056		25.70%

Source: Bay City Assessor's Office and Electric Department.



Bay

City
Michigan

A beautiful view...of life

City of Bay City

CITY OF BAY CITY, MICHIGAN

Table 9
Unaudited

Property Tax Levies and Collections
Last Ten Fiscal Years
(amounts expressed in thousands)

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
2006	\$ 12,696	\$ 11,941	94.05%	\$ 745	\$ 12,686	99.92%
2007	12,762	11,970	93.79%	744	12,714	99.62%
2008	13,027	12,099	92.88%	890	12,989	99.71%
2009	13,072	12,176	93.15%	864	13,040	99.76%
2010	12,832	11,835	92.23%	943	12,778	99.58%
2011	11,584	10,584	91.37%	918	11,502	99.29%
2012	11,259	10,310	91.57%	908	11,218	99.64%
2013	11,296	10,336	91.50%	946	11,282	99.88%
2014	11,468	10,525	91.78%	914	11,439	99.75%
2015	11,424	10,495	91.87%	875	11,370	99.53%

Tax levy value as of June 30th of each fiscal year end as surrendered to Bay County

CITY OF BAY CITY, MICHIGAN

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

June 30,	Governmental Activities				Business-type Activities		
	General Obligation Bonds	Installment Purchase Contracts	Term Loans	Capital Leases	Revenue Bonds	General Obligation Bonds	Term Loans
2006	\$ 17,774,130	\$ 323,144	\$ -	\$ 45,364	\$ 8,315,000	\$ 15,895,000	\$ 41,975,727
2007	17,462,577	282,040	-	22,717	7,115,000	14,690,000	41,290,000
2008	17,126,779	239,354	2,170,000	21,260	9,545,000	21,925,001	39,205,000
2009	16,731,739	195,027	2,127,500	9,375	8,020,000	20,140,001	37,070,000
2010	16,284,012	148,995	2,085,000	4,825	6,230,000	18,340,001	34,885,000
2011	15,794,946	101,192	2,042,500	2,720	4,360,000	18,983,600	32,645,000
2012	16,870,889	51,551	2,000,000	1,760	2,420,000	17,047,701	30,350,000
2013	15,659,562	-	3,000,000	800	2,055,000	14,852,702	28,000,000
2014	14,324,644	-	2,915,000	-	15,505,000	13,218,701	25,590,000
2015	12,876,529	-	2,750,000	-	14,970,000	11,523,603	23,120,000

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.

(2) This information is not yet available.

Table 10
Unaudited

Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
\$ 84,328,365	26.91%	\$ 2,458
80,862,334	24.99%	2,380
90,232,394	26.83%	2,661
84,293,642	25.18%	2,495
77,977,833	22.73%	2,232
73,929,958	20.46%	2,119
68,741,901	18.49%	1,981
63,568,064	16.86%	1,841
71,553,345	18.50%	2,079
65,240,132	(2)	1,910

Ratios of General Bonded Debt Outstanding

Last Ten Fiscal Years
(amounts expressed in thousands)

June 30,	General Obligation Bonds (1)	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property (2)	Per Capita (3)
2006	\$ 33,669	\$ 207	\$ 33,462	4.53%	\$ 975
2007	32,153	387	31,766	4.25%	935
2008	39,052	584	38,468	5.13%	1,135
2009	36,872	743	36,129	4.82%	1,070
2010	34,624	836	33,788	4.73%	967
2011	34,779	704	34,075	5.51%	976
2012	33,919	456	33,463	5.40%	964
2013	30,513	-	30,513	5.22%	884
2014	27,543	77	27,466	4.95%	798
2015	24,400	84	24,316	4.28%	712

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) This is the general bonded debt of both governmental and business-type activities, net of original issuance discounts and premiums.
- (2) See Statistical Table Number 6 for taxable value of property data.
- (3) See Statistical Table Number 15 for population data.

CITY OF BAY CITY, MICHIGAN

Table 12
Unaudited

Direct and Overlapping Governmental Activities Debt
As of June 30, 2015

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Overlapping Debt:			
Bay County	\$ 10,810,146	18.48%	\$ 1,997,715
Bay City School District	58,415,000	30.71%	17,939,247
Bangor Township Schools	10,678,333	0.72%	76,884
Bay-Arenac Intermediate School District	2,735,000	15.62%	<u>427,207</u>
Total Overlapping Debt			<u>20,441,053</u>
Direct Debt:			
City of Bay City	15,626,529	100.00%	<u>15,626,529</u>
Total Direct and Overlapping Debt			<u><u>\$ 36,067,582</u></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)

	2006	2007	2008	2009
Debt limit	\$ 73,832	\$ 74,816	\$ 75,024	\$ 74,971
Total net debt applicable to limit	33,462	31,766	38,468	36,129
Legal debt margin	\$ 40,370	\$ 43,050	\$ 36,556	\$ 38,842
Total net debt applicable to the limit as a percentage of debt limit	45.32%	42.46%	51.27%	48.19%

Table 13
Unaudited

2010	2011	2012	2013	2014	2015
\$ 71,478	\$ 62,586	\$ 62,000	\$ 58,506	\$ 54,755	\$ 56,795
33,788	34,075	33,463	30,513	27,466	24,316
<u>\$ 37,690</u>	<u>\$ 28,511</u>	<u>\$ 28,537</u>	<u>\$ 27,993</u>	<u>\$ 27,289</u>	<u>\$ 32,479</u>
47.27%	54.45%	53.97%	52.15%	50.16%	42.81%

Legal Debt Margin Calculation for Fiscal Year 2015

Assessed valuation, December 31, 2014	<u>\$ 567,947</u>
Debt limit (10% of assessed valuation)	\$ 56,795
Debt applicable to limit:	\$ 24,400
Less:	
Assets in Debt Service funds available for payment of principal	<u>84</u>
Total amount of debt applicable to debt limit	<u>24,316</u>
Legal debt margin	<u>\$ 32,479</u>

Pledged Revenue Coverage
Last Ten Fiscal Years

Year Ended June 30,	Operating Revenue (1)	Operating Expenses (2)	Net Available Revenue	Debt Service		Total	Coverage
				Principal	Interest		
Electric System Revenue Bonds							
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
2010	30,222,987	27,678,220	2,544,767	1,790,000	265,638	2,055,638	1.24
2011	32,324,760	28,068,721	4,256,039	1,870,000	192,638	2,062,638	2.06
2012	32,332,486	30,051,832	2,280,654	1,940,000	125,962	2,065,962	1.10
2013	33,125,115	31,372,020	1,753,095	365,000	85,625	450,625	3.89
2014	34,597,240	30,936,143	3,661,097	380,000	586,012	966,012	3.79
2015	35,420,455	28,975,124	6,445,331	535,000	591,492	1,126,492	5.72

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.

Demographic and Economic Statistics
Last Ten Fiscal Years

Year Ended June 30,	Population (1)	Personal Income (2) (amounts expressed in thousands)	Per Capita Personal Income	School Enrollment (3)	Unemployment Rate (4)
2006	34,311	\$ 3,133,643	\$ 28,825	5,553	7.40%
2007	33,977	3,236,161	29,928	5,462	7.30%
2008	33,905	3,438,771	31,047	5,221	8.30%
2009	33,780	3,342,027	30,970	4,922	13.40%
2010	34,932	3,430,917	31,852	4,906	12.80%
2011	34,897	3,613,534	33,737	4,654	11.00%
2012	34,701	3,716,785	34,757	4,805	9.70%
2013	34,521	3,770,457	35,293	4,803	10.40%
2014	34,424	3,866,902	36,419	4,695	8.40%
2015	34,149	(5)	(5)	4,483	5.90%

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.
- (5) This information is not yet available.



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City of Bay City

CITY OF BAY CITY, MICHIGAN

Table 16
Unaudited

Principal Employers
2015 and Nine Years Ago

Employer	2015			2006		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
McLaren Bay Region (2)	2,719	1	5.41%	1,639	1	8.90%
Bay City Public Schools (1) (2)	922	2	1.83%	1,168	2	6.35%
General Motors Powertrain	861	3	1.71%	871	3	4.73%
Bay County (2)	525	4	1.04%	554	4	3.01%
Dow Corning	400	5	0.80%	-	-	-
SC Johnson (2)	398	6	0.79%	450	5	2.44%
City of Bay City	291	7	0.58%	414	6	2.25%
Bay Arenac Behavioral Health	285	8	0.57%	220	7	1.20%
Mersen USA	145	9	0.29%	-	-	-
Doubletree Hotel & Conference Center	133	10	0.26%	-	-	-
F.P. Horak Co.	-	-	-	189	8	1.03%
Labadie Auto Group	-	-	-	189	9	1.03%
Chemical Bank	-	-	-	150	10	0.81%
Totals	6,679		13.28%	5,844		31.75%

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

- (1) Excludes substitute teachers.
- (2) Multiple locations within Bay County

CITY OF BAY CITY, MICHIGAN

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

	2006	2007	2008	2009
Function				
General government (1)	62	60	59	57
Public safety				
Police (2)	66	66	61	59
Fire (2)	58	57	57	54
Public safety (2)	N/A	N/A	N/A	N/A
Building inspections	N/A	N/A	N/A	N/A
Public works	64	61	52	48
Recreation and culture	17	15	12	11
Community and economic development	11	10	10	10
Electric	47	45	43	43
Water	43	42.5	41	40
Sewer	46	42.5	39	38
Total	414	399	374	360

Source: City of Bay City Finance Department

(1) Accounts Receivable and Meter Reader positions were incorporated into the three utility funds during fiscal year 2014.

(2) Police and Fire merged into Public Safety during fiscal year 2014.

Table 17
Unaudited

2010	2011	2012	2013	2014	2015
60	48	50	51	36	37
58	62	62	60	N/A	N/A
53	41	47	44	N/A	N/A
N/A	N/A	N/A	N/A	89	89
N/A	4	4	4	4	4
48	34	33	30	28	27
10	5	6	6	6	5
9	12	13	13	10	10
45	42	44	41	49	49
40	37	40	35	35	35
38	33	31	28	34	35
361	318	330	312	291	291

CITY OF BAY CITY, MICHIGAN

Operating Indicators by Function Last Ten Fiscal Years

Function	2006	2007	2008
General Government			
Elections			
Number of registered voters	24,311	24,509	24,864
Public safety			
Police Department			
Number of citations issued	5,796	8,343	5,836
Number of complaints filed	5,946	6,113	5,963
Number of calls for service	29,470	28,957	30,275
Number of DUI offenses	185	337	351
Fire Department			
Number of emergency runs	3,677	3,341	4,329
Number of fire prevention programs	7	7	14
Public works			
Streets			
Tons of salt used	3,060	2,280	3,529
Recreation and culture			
Park acreage maintained	-	238	238
Special events	-	58	43
Shelter rentals	-	63	57
Street trees planted	482	716	361
Street trees trimmed	-	2,998	1,576
Street trees removal	-	251	137
Community and Economic Development			
Housing units rehabilitated	6	9	8
Emergency housing units rehabilitated	23	48	50
Electric Department			
Generating capacity	33,295	33,295	33,295
Sewer System			
Sanitary and storm sewer (miles)	277	310	310
Daily average treatment (million gallons)	9	9	9
Maximum daily capacity (million gallons)	18	18	18
Water system			
Miles of water mains	231.86	232	232
Daily average consumption (million gallons)	9.70	8.90	8.58
Maximum daily treatment (million gallons)	12.35	12.96	12.10
Airport			
Private hanger land leases	20	22	22
Public hanger lease	1	1	1
Cell tower leases	1	1	1
Aviation fuel sold (gallons)	-	29,000	20,163
Cemetery			
Interments	58	35	35
Grave sales	25	30	40
Foundations set	21	21	19
Right of 2nd Interment	-	-	6
Marina			
Seasonal Dock Leases	50	50	50
Transient Dock Rentals	1,540	1,585	1,116

Sources: Various city departments.

Table 18
Unaudited

2009	2010	2011	2012	2013	2014	2015
24,947	23,452	23,338	22,897	23,674	23,692	23,438
3,190	3,568	2,792	3,382	3,723	2,579	2,861
5,730	4,528	5,907	4,247	4,934	4,398	5,469
29,851	30,242	25,189	33,899	33,039	27,738	25,185
210	199	156	219	143	96	123
4,438	4,533	4,785	4,681	4,677	4,882	4,857
187	187	111	128	115	195	183
2,958	1,485	2,948	1,557	1,914	2,300	780
233	223	223	238	238	238	238
33	43	40	25	43	44	49
60	67	50	49	59	67	70
366	-	-	-	-	-	-
1,977	-	-	-	-	-	-
209	167	101	253	134	115	340
6	-	-	-	-	-	-
47	30	39	31	40	46	47
33,295	33,295	33,295	33,295	33,295	33,295	33,295
310	320	320	320	320	320	320
9	8	7	7	7	7	8
18	18	18	18	18	18	18
196.87	196.87	196.87	194.50	194.50	177.00	195.77
8.03	7.46	7.47	7.41	7.87	7.86	7.90
13.85	10.12	14.45	14.00	14.00	14.00	12.00
23	23	23	22	22	22	23
1	1	2	3	3	5	7
1	1	1	1	1	-	-
N/A	12,599	14,665	13,756	13,000	16,616	13,687
51	57	48	50	37	48	52
16	35	42	39	19	27	17
29	25	18	25	20	24	28
5	5	5	1	2	4	7
49	50	50	50	50	44	45
542	419	337	364	340	306	271

CITY OF BAY CITY, MICHIGAN

Capital Assets Statistics by Function Last Ten Fiscal Years

Function	2006	2007	2008
Public safety			
Police (1)			
Stations	1	1	1
Vehicles	31	25	25
Fire (1)			
Stations	4	4	4
Vehicles	13	13	13
Public safety (1)			
Stations	N/A	N/A	N/A
Vehicles	N/A	N/A	N/A
Public works			
Bascule span bridges	2	2	2
Streets (miles) (2)	181	181	181
Recreation and culture			
Park areas	24	24	24

(1) Police and Fire merged into Public Safety in fiscal year 2014.

(2) Provided by the State of Michigan as certified Act 51 miles.

Sources: Various city departments.

Note: No capital asset indicators are available for the general government and economic development functions.

Table 19
Unaudited

2009	2010	2011	2012	2013	2014	2015
1 25	1 25	1 25	1 22	1 22	N/A N/A	N/A N/A
4 13	3 12	3 14	3 14	3 12	N/A N/A	N/A N/A
N/A N/A	N/A N/A	N/A N/A	N/A N/A	N/A N/A	5 36	5 36
2 181						
24	24	24	25	25	25	25



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SINGLE AUDIT ACT COMPLIANCE



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**INDEPENDENT AUDITORS' REPORT ON THE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY OMB CIRCULAR A-133**

December 22, 2015

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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 22, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Rehmann Robson LLC



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CITY OF BAY CITY, MICHIGAN

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Total Subawards	Federal Expenditures
U.S. Department of Housing and Urban Development					
Community Development Block Grant (CDBG)					
Grant Entitlements - 2010	14.218	Direct	B-10-MC-26-0003	\$ -	\$ 976
Grant Entitlements - 2012	14.218	Direct	B-12-MC-26-0003	-	15,411
Grant Entitlements - 2013	14.218	Direct	B-13-MC-26-0003	32,338	427,654
Grant Entitlements - 2014	14.218	Direct	B-14-MC-26-0003	118,567	549,086
Grant Entitlements - 2014	14.218	Direct	N/A	-	168,491
Total Community Development Block Grant				<u>150,905</u>	<u>1,161,618</u>
Home Program					
HOME Program - 2013	14.239	Direct	M-13-MC260219	158,434	158,434
HOME Program - 2014	14.239	Direct	M-14-MC260219	23,790	23,790
Total Home Program				<u>182,224</u>	<u>182,224</u>
Total U.S. Department of Housing and Urban Development				<u>333,129</u>	<u>1,343,842</u>
U.S. Department of Justice					
Bulletproof Vest Partnership Program	16.607	Direct	2014BUBX14071782	-	610
Edward Byrne Memorial Justice Assistance Grant Program	16.738	Direct	2014-DJ-BX-1033	-	6,881
Total U.S. Department of Justice				<u>-</u>	<u>7,491</u>
U.S. Department of Transportation					
Federal Aviation Administration	20.106	MDOT	B-26-0010-1511	-	35,684
Federal Aviation Administration	20.106	MDOT	B-26-0010-1611	-	27,614
Federal Aviation Administration	20.106	MDOT	B-26-0010-1713	-	213,668
Federal Transportation Enhancement Grant	20.205	MDOT	STP 1309	-	37,440
Total U.S. Department of Transportation				<u>-</u>	<u>314,406</u>
U.S. Environmental Protection Agency					
Capitalization Grants for Drinking Water					
State Revolving Funds	66.468	MDEQ	7393-01	-	67,485
Brownfield Revolving Loan Fund Capitalization Grant	66.818	Direct	00E01075	-	212,177
Total U.S. Environmental Protection Agency				<u>-</u>	<u>279,662</u>
Total Expenditures of Federal Awards				<u>\$ 333,129</u>	<u>\$ 1,945,401</u>

The accompanying notes are an integral part of this schedule.

CITY OF BAY CITY, MICHIGAN

Notes to Schedule of Expenditures of Federal Awards

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the City of Bay City, Michigan under programs of the federal government for the year ended June 30, 2015. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of the City.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

3. OTHER FEDERAL REVENUE

The City is an indirect beneficiary of federal funds that are expended directly by the Michigan Department of Transportation (MDOT). These expenditures (which totaled \$769,540 for the year ended June 30, 2015) are included in the single audit for the State of Michigan.

4. PASS-THROUGH AGENCIES

The City receives certain federal grants as subawards from non-federal entities. Pass-through entities, where applicable, have been identified in the Schedule with an abbreviation, defined as follows:

Pass-through Agency Abbreviation	Pass-through Agency Name
MDEQ	Michigan Department of Environmental Quality
MDOT	Michigan Department of Transportation

CITY OF BAY CITY, MICHIGAN

Notes to Schedule of Expenditures of Federal Awards

5. RECONCILIATION OF FEDERAL REVENUE TO THE FEDERAL EXPENDITURES REPORTED ON THE SCHEDULE

Federal revenue:	
Statement of revenues, expenditures and changes in fund balances	\$ 2,201,999
Statement of revenues, expenses and changes in fund net position	276,966
Federal portion of Drinking Water Revolving not reimbursed at year-end	67,485
CDBG program income	168,491
Less:	
MDOT administered grant	<u>(769,540)</u>
Total federal expenditures	<u><u>1,945,401</u></u>





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

December 22, 2015

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

We have audited, in accordance with the 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, 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* (the "City"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 22, 2015. Our report includes a reference to other auditors who audited the financial statements of the Police and Fire Retirement Pension Trust, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2015-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

City of Bay City, Michigan's Response to Findings

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rehmann Lobson LLC

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

December 22, 2015

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

Report on Compliance for Each Major Federal Program

We have audited the *City of Bay City, Michigan's* (the "City's") compliance with the types of compliance requirements described in the *2 CFR 200 Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended June 30, 2015. The City's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Independent Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. 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'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 on compliance for the major federal program. However, our audit does not provide a legal determination of the City's compliance.

Unmodified Opinion on Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2015.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2015-002. Our opinion on the major federal program is not modified with respect to these matters.

The City's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2015-002 to be a significant deficiency.

The City's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Rehmann Lobson LLC



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Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2015

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? X yes no

Significant deficiency(ies) identified? yes X no

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified? X yes none reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)? X yes no

Identification of major programs:

CFDA Number

Name of Federal Program or Cluster

14.218

CDBG - Entitlement Grant

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

yes X no

CITY OF BAY CITY, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2015

SECTION II - FINANCIAL STATEMENT FINDINGS

2015-001 - Audit Adjustments

Finding Type. Material Weakness in Internal Control over Financial Reporting. (Repeat)

Criteria. Management is responsible for maintaining its accounting records in accordance with generally accepted accounting principles (GAAP).

Condition. During our audit, we identified and proposed material adjustments (which were approved and posted by management) to adjust the City's capital assets, revenue, and accounts receivable. In addition, management identified and posted many smaller adjustments to a wide variety of funds and accounts throughout the audit process that collectively had a material effect on the City's financial reporting process.

Cause. The need for a large volume of additional adjustments by the City subsequent to the start of the audit appears to be a result of the timing of the reconciliation process. Since the City was still in the process of reconciling account balances after the start of the audit fieldwork, it is not readily determinable which audit-identified entries may have been recognized internally by management had the year-end close been completed prior to the start of the audit.

Effect. As a result of this condition, the City's financial information was initially misstated by amounts that were deemed to be quantitatively material to nearly every opinion unit, and numerous account balances were not adjusted timely throughout the year. Correcting entries were subsequently posted by management to the City's records and the appropriate balances are presented in the audited financial statements.

Recommendation. Management has already taken appropriate corrective action by posting correcting journal entries. However, we encourage the City to have all known adjustments posted to the general ledger prior to the commencement of the audit. When a dollar amount for a known adjustment is not yet available, we recommend the adjustment be made based on a reasonable estimate, with an adjustment to actual provided at a later date.

View of Responsible Officials. The need for auditors to make journal entries to correct balances in the City's general ledger accounts will be addressed in a variety of methods.

First, after the beginning of 2016, the assignments for City accounting staff will be changed. This change will also result in staff being assigned specific funds instead of processes. This will help to clarify the responsibility for certain functions.

Second, the planning process for the audit will occur immediately after the end of the fiscal year (June 30th) at which time assignments and deadlines will be established that will allow adequate time for reconciliations of accounts prior to the beginning of the audit.

Last, during early 2016 the City will implement the GASB reporting module in the New World Financial system to allow for the preparation of the Comprehensive Annual Financial Report by City staff instead of the document being prepared by the auditors. This will allow for easier identification by City staff of areas that need adjustment prior to the auditors beginning their testing processes.

These changes will provide better assurances that the City will be able to perform all needed accruals and adjustments to the City's ledger for the close-out of the 2015-2016 fiscal year prior to the auditors beginning audit procedures.

CITY OF BAY CITY, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2015

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2015-002 - Inadequate Documentation of Rehabilitation Projects

Finding Type. Immaterial Noncompliance/Significant Deficiency in Internal Control over Compliance (Special Tests and Provisions)

Programs. Community Development Block Grant; U.S. Department of Housing and Urban Development; CFDA Number 14.218.

Criteria. When CDBG funds are used for rehabilitation, the grantee must ensure that the work is properly completed (24 CFR section 570.506).

Condition. Each of the five rehabilitation projects tested for the above criteria lacked documentation that a pre-rehabilitation inspection was conducted to identify the deficiencies to be corrected. In addition, there was no rehabilitation contract incorporating the deficiencies to be corrected for two of these projects.

Cause. This condition appears to have been caused by a lack of internal controls over the documentation required for rehabilitation projects of this federal award.

Effect. As a result of this condition, the City did not comply fully with the special test and provision requirements under this federal award.

Questioned Costs. No costs are required to be questioned as a result of this finding, inasmuch as no unallowable expenditures were noted.

Recommendation. In future years, we encourage the City to include a completed pre-inspection form, documenting the deficiencies to be corrected and a signed rehabilitation contract that incorporates these deficiencies in its files for each rehabilitation project.

View of Responsible Officials. Although the City did not prepare a pre-rehabilitation inspection form, the City feels that the process that has been followed in the past provided adequate assurances that the emergency work performed on individual properties corrected the identified deficiency and was completed satisfactorily. Specifically, the emergency work that City staff authorized was directly related to the pre-inspection that was performed by City staff. This included cost estimates for the required repairs. Subsequently, the City inspected the authorized work to verify that what was contracted, was actually performed.

To fully comply with the requirements of the U.S. Department of Housing and Urban Development, the City has already changed the process to include the completion of the pre-rehabilitation inspection form.

While it is the practice of the City to include these contracts in the files, two projects did not include rehabilitation contracts prior to testing. In the future, the City will utilize a check-list to determine that all required documentation is included in each file.

CITY OF BAY CITY, MICHIGAN

Summary Schedule of Prior Audit Findings

For the Year Ended June 30, 2015

2014-FS-01 - Audit Adjustments

The audit process identified the need for adjustments which were quantitatively material to certain opinion units. Material audit adjustments were detected in the current year. Accordingly, this item is repeated for the current year at 2015-001.

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