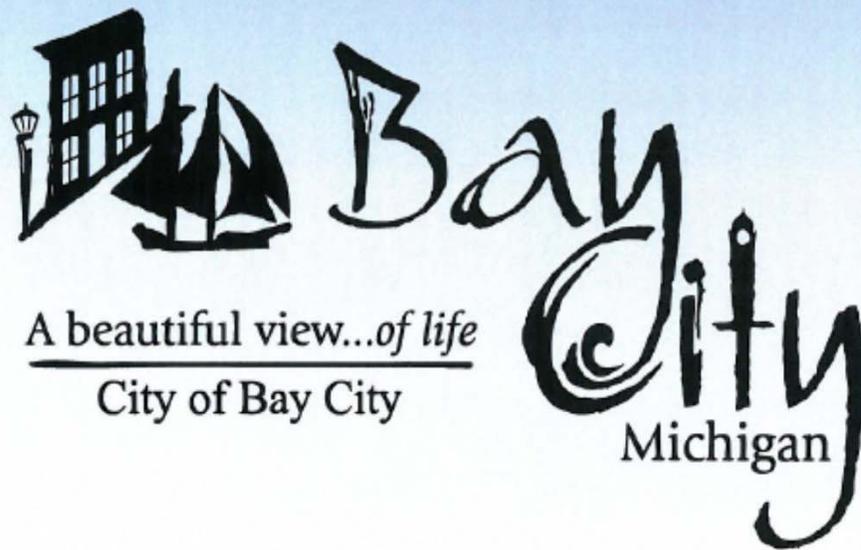


COMPREHENSIVE
ANNUAL
FINANCIAL REPORT



For the
Fiscal Year Ended
June 30, 2013

Bay City, Michigan

"Governmental imagination leading our community into the future."

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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, 2013

LIST OF PRINCIPAL OFFICIALS

MAYOR

Christopher J. Shannon

CITY COMMISSIONERS

1st Ward: Lynn Stamiris	5th Ward: James Irving
2nd Ward: Elizabeth Peters	6th Ward: Christopher Girard
3rd Ward: Andrew Niedzinski	7th Ward: Kerice Basmadjian
4th Ward: Lori Dufresne	8th Ward: Chad Sibley
9th Ward: Larry Elliott	

ADMINISTRATION

ACTING CITY MANAGER/

CITY CLERK

Dana L. Muscott

FISCAL SERVICES

DIRECTOR

George Martini

INTERIM WATER TREATMENT

SUPERINTENDENT

Tom Levengood

WASTEWATER TREATMENT

SUPERINTENDENT

William Kaiser

HUMAN RESOURCES

DIRECTOR

Greg Talicska

ELECTRIC

DIRECTOR

Phil Newton

POLICE

CHIEF

Michael Cecchini

FIRE

CHIEF

Karey Prieur

**DIRECTOR OF
INFORMATION TECHNOLOGIES**

Tony Reyes

PUBLIC SERVICE

DIRECTOR

David Harran

Prepared By:

City of Bay City
Accounting Department



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City of Bay City



December 20, 2013

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, 2013, 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, 2013.

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, 2013. 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," "Pig Gig" and "River of Time," are just a few of the activities that draw several hundred thousand people to the community every year.

The City of Bay City operates under a Commission/Manager form of government in which policy making and legislative authority are vested in a governing council (Commission) consisting of a Mayor and nine City Commissioners. All are elected on a non-partisan basis. The City is split into nine wards with one Commissioner elected from each ward. Commission members serve four 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 City, along with the nation, is in unprecedented economic times. The City, however, has been fortunate compared to many of its peers by maintaining a highly diversified local economy. As shown in Statistical Table 8 "Principal Property Taxpayers", the ten largest taxpayers in the City of Bay City collectively account for just over six percent of the total taxable property within the city. In spite of our diversified economy, the importance of the manufacturing industry is vital to our community as it spurs more economic activity and jobs than any other economic sector.

Bay City has a diverse local economy comprised of mature and emerging industries including semiconductors, business and financial services, manufacturing, educational services, healthcare, social services, and retail as primary sectors. Michigan's and Bay City's economy are showing signs of rebounding. Bay City's unemployment rate has remained steady within the last year and is lower than the state's average. The housing market is improving as sales and home values have been on the rise.

The optimism of businesses about the future of our City has been obvious to anyone observing private sector investment and construction activity across the City. In fiscal year 2013, Bay City businesses made notable investments expanding operations, acquiring new machinery and equipment, and rehabilitating obsolete structures. The Economic Development staff has been working on a number of economic projects and several more are slated to break ground in the next fiscal year. The following information is a list of private investments made between July 1, 2012 and June 30, 2013, which total over forty-five million dollars of economic investment in the community.

PA 198 Applications - Industrial Facilities

<u>Company</u>	<u>Investment</u>	<u>Project</u>
Cambron Engineering	\$ 678,579	New equipment to produce die sets and expedite turnaround times
Die Stampco	\$ 72,954	New machinery to boost machine shop efficiency.
Kerkau Manufacturing	\$ 2,033,321	New machinery, equipment, and personal property improvements to facilitate the future growth of their business.
Mersen USA Bn Corp.	\$ 10,318,457	Building additions and acquisition of new equipment to increase capacity and house a new silicon carbide reactor.
Modern Machine	\$ 289,387	New machinery to expedite turnaround times.

Obsolete Property Rehabilitation Act Tax Exemption

Stertz Tower	\$ 280,715	Major rehabilitation to restore the obsolete structure to an economically efficient condition for use as a law office.
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Other Significant Business Investments

General Motors Powertrain	\$ 31,700,000	New machinery to produce components for a new V6 engine and the small Ecotec gasoline engine.
Total Investments	<u>\$ 45,373,413</u>	

The City of Bay City has continued to support the redevelopment of vacant and underutilized Brownfield properties throughout the City. The following table summarizes the brownfield properties, activity, and costs of brownfield assessment and incentives activities supported by the City between July 1, 2012 and June 30, 2013.

Property Common Name/Address:	Assessment Scope of Work	Purpose	Cost
Consumers Energy at Uptown/203 North Water	Phase I Environmental Site Assessment and Phase II Subsurface Investigation	Evaluate for the presence of contamination and support the sale and redevelopment of this property.	\$ 12,517
Uptown at River's Edge/202 Saginaw Street	Supplemental Subsurface Investigation, Cleanup Planning, and Brownfield Incentives Reporting	The property is planned for mixed use commercial redevelopment. The completed assessment activities facilitated the successful purchase and redevelopment.	367,860
Swarts Tower Redevelopment/108-116 Linn Street	Phase I Environmental Site Assessment, Pre-Renovation Asbestos Survey, and Phase II Subsurface Investigation	The assessment activities were completed to support the redevelopment of this property with a mixed use commercial development. The final planning and design is in progress to rehabilitate this historic building.	6,282
Former Lind Brothers Furniture/100 State Street	Phase I Environmental Site Assessment, Pre-Renovation Asbestos Survey, and Phase II Subsurface Investigation	The assessment activities were completed to support the redevelopment of this historic building for professional office purposes.	10,469
Total Expended			\$ 397,128

The City of Bay City continues to work with developers and community stake holders to identify Brownfield properties and developers.

Long-term Financial Planning

Unassigned fund balance in the general fund is currently at 2% of total general fund expenditures which falls within the policy guidelines set by the Commission for budgetary and planning purposes. The Commission has established a fund balance policy within the general fund to maintain at least 15% of total general fund expenditures. By maintaining an appropriate level of fund balance, the City is able to reduce or eliminate the need to borrow to finance future capital projects or expenditures.

Major Initiatives

The City continues with a major mixed use development project, estimated at \$150 million, that is expected to transform and bring substantial investment to the City of Bay City riverfront. The property consists of a key 43 acre riverfront site known as the Uptown Bay City property. In the previous fiscal years, the City utilized EPA grant funds in two key areas of the site to cleanup impacted soil and groundwater contamination resulting from historical industrial use. In 2007, RiversEdge Development Corporation was created to facilitate and streamline the development of the property. The nonprofit public-private corporation is a partnership between the City and regional leaders who made private contributions of both time and capital toward the revitalization of the property. As a result of this partnership, the site was sold to Bay Riverfront Development, LLC in October of 2012. The site is being developed as a mixed use development and is expected to invigorate the Bay City economy and create hundreds of job opportunities, as well as, provide more options for office, retail and living space.

Several million dollars have been pursued by the Economic Development staff and awarded to the City for this project including \$2 million from the Michigan Department of Environmental Quality. Additionally, the City was awarded \$400,000 in new funding from the U.S.; Environmental Protection Agency.

Another mixed-use development occurring downtown is the construction of Mill End Lofts by Gulfshore Investments, LLC. This \$8 million investment is a 3-story, 47,000 square foot, mixed-use development that includes residential on the upper two floors and commercial on the first floor. Construction is expected to be completed by Spring of 2014.

The City continues its restoration efforts of City Hall. A number of building renovations will be covered by existing resources and capital improvement bonds were sold for \$1,550,000 plus issuance costs, in sum \$1,630,000 to replace the HVAC System. In addition, a number of grants will be used to supplement restoration efforts funded through insurance proceeds, such as restoring the ornate painting scheme on the Commission Chambers ceiling and walls, flooring upgrades in select rooms, and new Victorian-inspired energy efficient LED lighting fixtures for the Commission Chambers, meeting room 306, public hallways and the main staircases. The City moved their government operations back into City Hall in early December of 2013.

During the fiscal year, a major area of concentration for the City was the collaboration with Bay County to construct a Membrane Water Filtration Plant. In 2012, Bay County submitted a project plan and application for funding through the State's Drinking Water Revolving Loan Fund (DWRF) to construct a new membrane water filtration plant. The proposed project includes purchase of raw water from the Saginaw-Midland Municipal Water Supply Corporation. The project would serve all communities currently served by the existing Bay Metropolitan Plant (Bay City Water Plant). Site preparation is expected to begin in the Fall of 2013 and construction of the Filtration Plant will commence shortly thereafter.

Another area of concentration was the development and implementation of a Public Safety Department. The City developed an implementation plan for public safety merging the Police and Fire Departments into a Public Safety Department. Under the plan, the City has will cross-train police officers as firefighters for deployment as complimentary fire suppression beginning July 1, 2013. With the implementation of a Public Safety Department, the City will save approximately \$1.8 million annually by 2017 by eliminating 15 fulltime firefighters who will be replaced by the public safety officers performing both functions.

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

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Bay City for its comprehensive annual financial report for the fiscal year ended June 30, 2012. 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

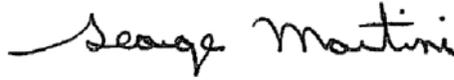
The completion of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the entire Fiscal Services Division. We would like to express our appreciation to all members of the departments who assisted and contributed to its preparation, especially Cathy Szostak, 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,



Dana Muscott
Acting City Manager

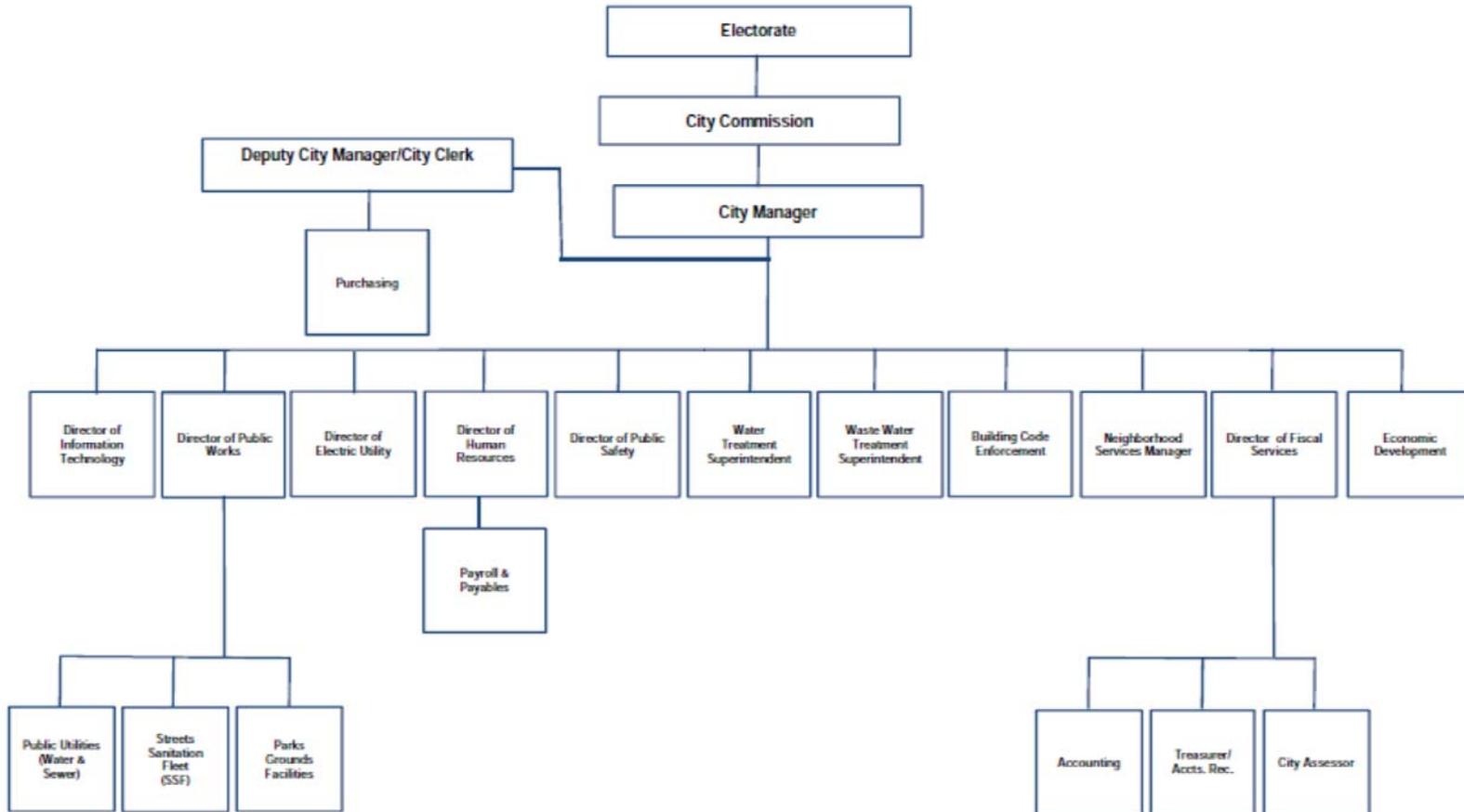


George Martini
Fiscal Services Director

CITY OF BAY CITY, MICHIGAN

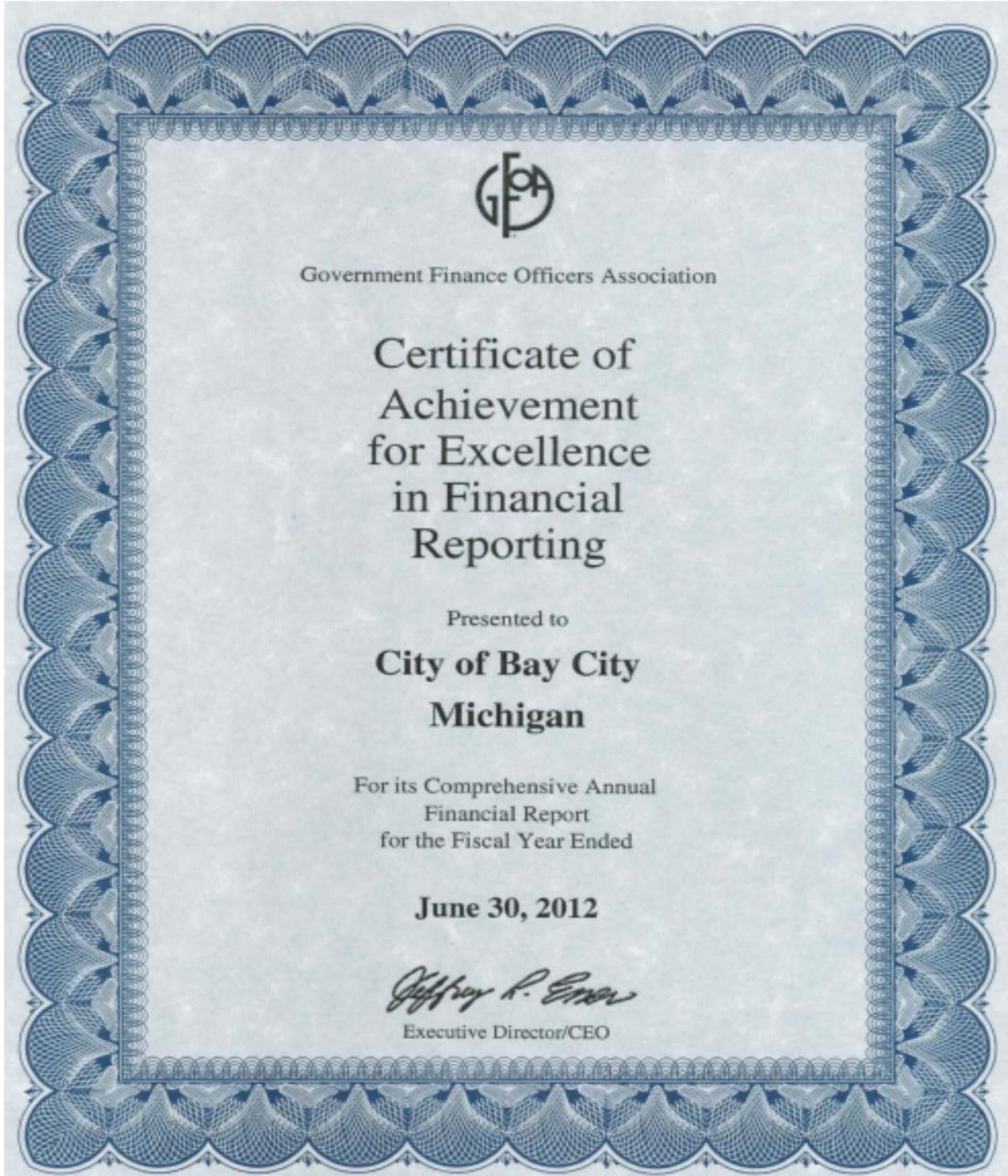
Table of Organization

City of Bay City Organization Chart



CITY OF BAY CITY, MICHIGAN

GFOA Certificate of Achievement



FINANCIAL SECTION



Bay

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City of Bay City

INDEPENDENT AUDITORS' REPORT

December 20, 2013

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, 2013, 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 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, 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, 2013, 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.

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 of funding progress and employer contributions for the pension and other postemployment benefits plans 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 of Bay 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 20, 2013 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.

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



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City of Bay City

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF BAY CITY, MICHIGAN

Management's Discussion and Analysis

Our discussion and analysis of the City of Bay City's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2013. 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, 2013:

- The assets of the City of Bay City exceeded its liabilities at the close of the most recent fiscal year by \$200,107,722 (net position). Of this amount, \$29,543,924 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- Total net position related to the City's governmental activities decreased by \$3,410,733 from the previous year due primarily to an increase in the City's obligation for other postemployment benefits of \$2,517,517 and a use of fund balance in the General Fund of \$1,894,762 and the Bond Sinking Fund of \$478,691. The business-type activities net position increased by \$1,729,324, due primarily to an increase in capital assets, a reduction in debt and the increase in the net position of the Water and Sewer Funds of \$135,794 and \$1,693,386, respectively. The increase occurred due to cost containment and excess revenues directed towards capital projects and a capital replacement reserve intended for future projects.
- At the close of the fiscal year, the City of Bay City's governmental funds reported combined ending fund balances of \$7,234,011, a decrease of \$3,079,706 in comparison with the prior year. Of this amount, \$381,824 is available for spending at the government's discretion (unassigned fund balance).
- At the end of the fiscal year, unassigned fund balance for the general fund was \$381,824, or about 2% of the total general fund expenditures.
- The City of Bay City's total debt decreased by \$1,277,567, or about 1.5%, during the fiscal year due to the fact that the bonded debt decreased by \$5,274,205 but was offset by an increase of \$3,996,638 in the net OPEB obligation.
- The City continues its commitment to improving its infrastructure and this year completed many projects including Van Buren Street reconstruction at a cost of \$92,925 and spent an additional \$296,000 on new sidewalks. In addition, the Johnson Street reconstruction project began with approximately \$1.1 million expended and the Uptown development project also began with infrastructure improvements of \$905,000. These projects were primarily funded by grant dollars.
- State-shared revenue, the City's second largest revenue source in the general fund, increased by \$147,480, or about 3.9% from last year. This is the first increase in ten years that the City has received from the State of Michigan.

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 of Bay City as a whole and present a longer-term view of the City's finances. This longer-term view uses the accrual basis of accounting to measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The Statement of Net 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, community and economic development, and recreation and culture. The business-type activities of the City include electric, water, and sewer services, as well as municipal airport, cemetery, and marina facilities.

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

CITY OF BAY CITY, MICHIGAN

Management's Discussion and Analysis

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, 2013, assets exceeded liabilities by \$200,107,722. By far, the largest portion of the City's net position (75.4 percent) reflects its investment in capital assets (i.e. land, buildings, vehicles, equipment and infrastructure); less any related debt used to acquire those assets that is still outstanding. The City uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following table shows, in a condensed format, the net position as of June 30, 2013:

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 25,526,115	\$ 27,935,980	\$ 52,650,656	\$ 54,013,999	\$ 78,176,771	\$ 81,949,979
Capital assets, net	77,579,225	77,025,816	136,970,428	136,715,662	214,549,653	213,741,478
Total assets	103,105,340	104,961,796	189,621,084	190,729,661	292,726,424	295,691,457
Other liabilities	3,984,671	4,260,808	3,936,484	3,531,404	7,921,155	7,792,212
Long-term liabilities	32,862,316	31,031,902	51,835,231	55,078,212	84,697,547	86,110,114
Total liabilities	36,846,987	35,292,710	55,771,715	58,609,616	92,618,702	93,902,326
Net position:						
Net investment in						
capital assets	70,001,070	69,853,228	91,958,470	86,881,755	161,959,540	156,734,983
Restricted	34,813	1,786,210	8,569,445	10,898,600	8,604,258	12,684,810
Unrestricted	(3,777,530)	(1,970,352)	33,321,454	34,339,690	29,543,924	32,369,338
Total net position	\$ 66,258,353	\$ 69,669,086	\$133,849,369	\$132,120,045	\$200,107,722	\$201,789,131

The City's governmental activities net position decreased by \$3,410,733 while the net position of its business-type activities increased by \$1,729,324. The change in net position for the governmental activities was primarily due to an increase in the City's obligation for other postemployment benefits of \$2,517,517 along with the use of fund balance in the General Fund and the Bond Sinking Fund. The change in net position of the business-type activities is attributable to the increase in the net position of the Water Fund in the amount of \$135,794 and the Sewer Fund in the amount of \$1,693,386. The increase occurred due to cost containment and excess revenues directed to a capital replacement reserve intended for future projects.

Within the governmental activities, \$69,514,178 is invested in capital assets, net of related debt, and is not available to meet the government's ongoing obligations to citizens and creditors. An additional \$91,958,470 is invested in capital assets, net of related debt, within the business-type activities. Overall, the City's investment in capital assets increased by \$4,602,665 more than last year as the City continues its commitment to improve its infrastructure.

CITY OF BAY CITY, MICHIGAN

Management's Discussion and Analysis

The following table shows the changes of the net position during the current year:

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Program revenue:						
Charges for services	\$ 6,162,817	\$ 8,261,109	\$ 55,968,418	\$ 55,627,265	\$ 62,131,235	\$ 63,888,374
Operating grants	4,757,425	7,966,848	396,605	359,193	5,154,030	8,326,041
Capital grants	1,303,047	171,428	-	-	1,303,047	171,428
General revenue:						
Property taxes	12,378,917	12,357,132	-	-	12,378,917	12,357,132
Grants and contributions not restricted to specific programs	4,112,622	3,904,290	-	-	4,112,622	3,904,290
Unrestricted investment earnings	102,732	182,029	91,313	212,507	194,045	394,536
Miscellaneous	241,354	766,114	207,980	69,411	449,334	835,525
Total revenue	29,058,914	33,608,950	56,664,316	56,268,376	85,723,230	89,877,326
Expenses:						
General government	3,513,191	5,140,791	-	-	3,513,191	5,140,791
Public safety	13,376,667	12,596,556	-	-	13,376,667	12,596,556
Public works	9,791,574	11,988,850	604,570	589,836	10,396,144	12,578,686
Economic development	3,495,343	2,712,828	-	-	3,495,343	2,712,828
Recreation and cultural	1,091,776	923,948	-	-	1,091,776	923,948
Interest on long-term debt	1,159,985	1,282,674	-	-	1,159,985	1,282,674
Electric	-	-	33,545,287	32,375,251	33,545,287	32,375,251
Water	-	-	9,214,612	9,076,919	9,214,612	9,076,919
Sewer	-	-	11,611,634	11,747,950	11,611,634	11,747,950
Total expenses	32,428,536	34,645,647	54,976,103	53,789,956	87,404,639	88,435,603
Increase (decrease) in net position before transfers	(3,369,622)	(1,036,697)	1,688,213	2,478,420	(1,681,409)	1,441,723
Transfers	(41,111)	(610,151)	41,111	610,151	-	-
Change in net position	(3,410,733)	(1,646,848)	1,729,324	3,088,571	(1,681,409)	1,441,723
Net position:						
Beginning of year (as restated)	69,669,086	71,315,934	132,120,045	129,031,474	201,789,131	200,347,408
End of year	\$ 66,258,353	\$ 69,669,086	\$133,849,369	\$132,120,045	\$200,107,722	\$201,789,131

Governmental Activities

The City's total governmental net position decreased by \$3,410,733. Key elements of this decrease are as follows:

- The obligation for the other postemployment benefits increased by \$2,517,517.
- The General Fund fund balance decreased by \$1,894,762 and the bond sinking experienced a net change in its fund balance of (\$478,691).
- Closer management of resources to better control costs helped to lessen the decrease of net position.

CITY OF BAY CITY, MICHIGAN

Management's Discussion and Analysis

Business-type Activities

The City's business-type activities consist of the electric, water, sewer, airport, cemetery, and marina funds. These services are provided to all City residents. Electrical services also extend to numerous customers outside of the City limits. In addition to City residents, the City provides water to residents of the City of Essexville, Hampton Township, and Bay County. The City provides sewage treatment through a City-owned sewage treatment plant. These services are also extended to portions of Bangor, Monitor, and Portsmouth Townships. The business-type activities saw an overall increase in net position of \$1,729,324, due primarily to the following:

- The sewer fund experienced increased revenues due to a rate increase in the previous fiscal year while reducing operating expenses. As a result, the fund's change in net position was an increase of \$1,693,386. The additional revenues are intended to be placed in a capital reserve to be used for future capital improvement projects.
- The Water Fund's operating income was down from last year as revenues decreased slightly from last year and expenses increased, however, the net position of the Water Fund increased by \$135,794 for the fiscal year.
- The Benefits Program Fund experienced an increase to its net position of \$558,691 as a result of expenses being less than anticipated.
- The Motor Equipment Revolving Fund also had an increase in net position of \$571,395 as a result of the postponement of some capital purchases.

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

- With the implementation of Governmental Accounting Standards Board Statement 45 (GASB 45) in 2008, the unfunded portion of the City's required contribution to retiree healthcare was placed on the balance sheet as a liability. In fiscal year 2013, this resulted in an additional liability of \$1,479,121 in the City's electric, water and sewer utilities.
- The net position of the Electric Fund decreased by \$577,351 as operating expenses exceeded operating revenues (operating loss) by \$567,474.
- The Site Remediation Fund experienced a decrease in its net position of \$157,035 due to expenses related to the remediation of the middlegrounds landfill.

The City's Funds

An analysis of the City's major funds begins on page 16, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the City as a whole. The City Commission creates funds to help manage monies for specific purposes as well as to show accountability for certain activities, such as a special property tax millage. The City's major governmental funds for 2013 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 \$8,897,771 in 2013. This is a decrease of approximately \$213,000 from the previous fiscal year. The most significant service accounted for in this fund is public safety, which incurred expenses of \$11,701,469 in 2013. This expenditure increased approximately \$423,000 more than last year. Public safety expenditures equate to approximately 61% of the total expenditures of the general fund and are nearly 32% more than the amount of property taxes generated. At the fiscal year ended June 30, 2013, the unassigned fund balance of the general fund was \$381,824. As a measure of the general funds liquidity, it may be useful to compare the unassigned fund balance to total fund expenditures. Unassigned fund balance represents 2% 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, 2013, the City received \$3,021,746 in grants and State maintenance funds and \$638,010 in property taxes and expended \$1,141,790 on capital outlay, primarily for the rehabilitation of Johnson Street and an additional \$2,163,319 on preservation and maintenance of existing streets within this fund.

CITY OF BAY CITY, MICHIGAN

Management's Discussion and Analysis

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, 2013, \$353,381 was spent to assist residents of the City with home improvements.

Some notable items in the other governmental activities are:

- The local street fund expended \$93,865 on reconstruction and resurfacing of various streets and an additional \$957,851 to maintain and preserve local streets within the City and ended the year with \$433,189 in fund balance.
- The building inspection fund ended the fiscal year with a restricted fund balance of \$305,989. A transfer in the amount of \$113,340 from the general fund occurred, which is the same amount as the cost of services provided by the general fund to the building inspection fund. However, additional subsidies to support the operations of this fund were not required due to a reduction in staff, resulting in reduced expenditures.
- The solid waste fund ended the fiscal year with a restricted fund balance of \$503,647. This fund has not required a general fund subsidy since the City went to a fee-based system versus a millage. The solid waste fund paid back all previous subsidies from the general fund once the fund became self sufficient.
- The community development block grant fund expended \$498,758 on economic development activities and an additional \$255,450 on capital outlay.
- The public improvement fund expended \$1,281,370 on renovations within City Hall. The fund received a transfer from General Fund in the amount of \$266,961 to cover a portion of the renovations along with revenues in the form of historic tax credits which the City is eligible to receive through the State to assist with the cost of this project.
- The riverfront redevelopment fund expended \$1,378,557 on economic development and an additional \$904,451 on capital outlay to assist with the mixed use development project along the Saginaw River known as Uptown Bay City.

General Fund Budgetary Highlights

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

- The general fund budget was amended to reflect an anticipated increase in revenues from the weed cutting program in the amount of \$66,500 and concurrently the appropriated use of fund balance was reduced.
- In anticipation of the implementation of the public safety department, the budget was amended for the purchase of twenty-one sets of personal protective gear at a cost of \$65,952, as well as \$31,005 for bulletproof vests and \$7,226 for education and training for a total use of fund balance of \$104,183.
- A budget amendment in the amount of \$45,000 was made for the anticipated attorney fees related to the conversion of the police and fire departments to a public safety department.
- Previously committed funds relative to the wayfinding signage project were released through a budget amendment in the amount of \$37,851.
- The budget was amended for the cost of the BS&A tax software program for the Treasurer's department in the amount of \$43,240. These funds were initially appropriated in fiscal year 2012 for the purchase of the software, but it was not acquired until fiscal year 2013.
- A budget amendment in the amount of \$35,000 was made to the police department donation account as additional donations were expected to be received. This amount also reduced the use of fund balance.

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 \$124,844 as a result of property taxes, interest revenue, and miscellaneous revenue all being less than anticipated due to the continued economic downturn. Actual expenditures were greater than budgetary estimates by \$124,159. This was primarily the result of vacation and sick time payoffs to firefighters who retired or were laid off as a result of the implementation of the public safety department. As a result, the general fund experienced a decrease of \$1,894,762 in the fund balance instead of the budgeted reduction projected in the final amended budget to be \$1,756,367.

CITY OF BAY CITY, MICHIGAN

Management's Discussion and Analysis

Capital Assets and Debt Administration

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2013 amounted to \$214,549,653 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, roads, sidewalks, and bridges.

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

- The sewer fund spent \$1,103,085 on various infrastructure rehabilitation projects and an additional \$407,112 on capital equipment purchases.
- The water fund spent \$816,611 to complete various water system improvements including \$343,510 on its portion of the Johnson Street reconstruction project for the replacement of watermains.
- The electric fund purchased materials and completed various capital projects totaling \$5,454,947. This included improvements to the Henry Street Generating Plant in the amount of \$1,513,485, the Saginaw Street substation in the amount of \$346,538, MERSEN Substation upgrades in the amount of \$678,891 and Water Street Generation upgrades in the amount of \$1,397,366.
- The James Clements Airport fund spent \$231,983 on the rehabilitation of the hangar taxilanes.
- The local street fund expended \$92,925 on the reconstruction of Van Buren Street.
- Within the major street fund, the Johnson Street reconstruction project began with \$1,107,834 expended during the fiscal year.
- The public improvement fund expended \$1,281,370 on renovations at City Hall.
- The riverfront redevelopment capital project fund expended \$904,415 to begin the infrastructure improvements to the Uptown Bay City site, a major mixed use development project.

The investment in capital assets of the component units totals \$5,981,481 as of June 30, 2013. During the year, the Brownfield component unit began the reconstruction of Harrison Street expending \$169,941 and an additional \$5,746 was expended within the Midland Street TIFA to begin the reconstruction of the Vermont/Walnut Streets parking lot.

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

Long-term Debt. In the fiscal year ended June 30, 2013, the City had total outstanding debt of \$84,697,547, which included a current portion of \$8,178,041. Of this amount, \$59,524,398 is backed by the full faith and credit of the City. The remainder of the City's debt represents bonds secured by specific sources (revenue bonds). The long-term debt can be summarized as follows:

	2013	2012
General obligation bonds	\$ 30,616,520	\$ 33,934,796
Revenue bonds	2,055,000	2,285,000
Other notes/leases payable	31,908,678	33,410,614
Retiree healthcare	16,865,688	12,869,050
Compensated absences	3,251,661	3,475,654
Total	<u>\$ 84,697,547</u>	<u>\$ 85,975,114</u>

The City's total debt decreased by \$1,277,567 during the fiscal year. State statute limits the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the City is \$54,755,000 which is significantly in excess of the City's outstanding general obligation debt applicable to this limit.

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

CITY OF BAY CITY, MICHIGAN

Management's Discussion and Analysis

Economic Factors and Next Year's Budgets and Rates

Because of the State of Michigan's economic conditions, state-shared revenues, the second largest source of revenue in the general fund, continues to be a concern in the preparation of the City's budget. No additional reductions have been forecast for the next fiscal year, as the City is optimistic that this revenue source will remain relatively constant. The City also faces a continued rise in healthcare costs. In fiscal year 2013, the City's healthcare costs increased 4.6% over last year and additional increases are expected in the future. In addition, the City's property taxes are at the limit allowed by Charter of 19 mills, which has been reduced by the Headlee Amendment to 16.9615 mills for general operating in the 2013/2014 budget. With the decline in property tax values, property tax revenues decreased an additional \$213,000 within the general fund. The City will also be faced with over a \$1 million loss in personal property tax, beginning in fiscal year 2015, as a result of legislation passed in the State of Michigan to reform the State's Business Personal Property tax.

Another issue of concern to the City is the unfunded liabilities of its defined benefit retirement plans of approximately \$46.5 million and its retiree healthcare plan of approximately \$102 million. In the fiscal year ended June 30, 2013, the City contributed an additional \$1.1 million over and above the required contribution of \$4.3 million to its defined benefit plans and another \$5.7 million towards its \$9.9 million required contribution for retiree healthcare. The City budgeted an additional contribution to its defined benefit retirement plan in the upcoming fiscal year and intends to continue this trend in future budgets as well. The City will address the unfunded liability within its retiree healthcare plan by continuing its contribution to a healthcare trust fund for future retiree healthcare obligations along with funding its current obligation for present retirees until it is financially able to contribute the entire required contribution.

The City's water and electric utilities instituted a rate increase in the upcoming year. Additional rate increases are anticipated in the next fiscal year as well. The rate increases are necessary as a result of operating cost increases for all of the utilities and to finance debt service on the recently issued debt for both the water and wastewater plant improvements, improvements to the sanitary sewer system, upcoming upgrades to the electric substations as well as to fund the implementation of an automatic meter reading system for the water and electric utilities. In addition, decreased consumption in the water and sewer utilities has resulted in fewer units to spread the fixed costs over and has also contributed to the higher rates. All three utilities will be evaluated on a yearly basis to determine the appropriate charges for services reflective of the cost of doing business.

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

Contacting the City's Management

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

BASIC FINANCIAL STATEMENTS

CITY OF BAY CITY, MICHIGAN

Statement of Net Position

June 30, 2013

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments	\$ 16,304,381	\$ 25,739,163	\$ 42,043,544	\$ 2,039,135
Receivables, net	11,956,270	9,628,958	21,585,228	80,730
Internal balances	(5,583,790)	5,583,790	-	-
Prepaid items and other assets	616,763	977,717	1,594,480	3,329
Inventories	269,540	3,566,358	3,835,898	-
Net pension asset	1,962,951	7,154,670	9,117,621	-
Nondepreciable capital assets	23,911,200	4,223,935	28,135,135	229,823
Depreciable capital assets, net	53,668,025	132,746,493	186,414,518	5,751,658
Total assets	103,105,340	189,621,084	292,726,424	8,104,675
Liabilities				
Accounts payable and other accrued expenses	3,835,824	3,571,701	7,407,525	189,909
Interest payable	148,146	364,783	512,929	19,690
Unearned revenue	701	-	701	-
Long-term debt:				
Due within one year	3,280,102	4,897,939	8,178,041	287,000
Due in more than one year	18,434,893	41,218,925	59,653,818	2,637,300
Net OPEB obligation	11,147,321	5,718,367	16,865,688	-
Total liabilities	36,846,987	55,771,715	92,618,702	3,133,899
Net position (deficit)				
Net investment in capital assets	70,001,070	91,958,470	161,959,540	3,439,897
Restricted for:				
Debt service	-	8,569,445	8,569,445	-
Capital projects	34,813	-	34,813	-
Unrestricted	(3,777,530)	33,321,454	29,543,924	1,530,879
Total net position	\$ 66,258,353	\$ 133,849,369	\$ 200,107,722	\$ 4,970,776

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, 2013

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	\$ 3,513,191	\$ (1,996,805)	\$ 815,162	\$ 208,414	\$ -	\$ (492,810)
Public safety	13,376,667	122,118	913,760	450,912	-	(12,134,113)
Public works	9,791,574	71,901	2,112,429	2,987,389	798,742	(3,964,915)
Recreation and cultural	1,091,776	-	119,484	-	-	(972,292)
Economic development	3,495,343	85,412	484,608	1,110,710	504,305	(1,481,132)
Interest on debt	1,159,985	-	-	-	-	(1,159,985)
Total governmental activities	32,428,536	(1,717,374)	4,445,443	4,757,425	1,303,047	(20,205,247)
Business-type activities:						
Electric	32,852,437	692,850	32,932,895	90,122	-	(522,270)
Water	8,703,573	511,039	9,393,709	-	-	179,097
Sewer	11,140,830	470,804	13,421,477	8,981	-	1,818,824
Oak Ridge Cemetery	124,976	-	43,424	-	-	(81,552)
James Clements Airport	282,814	-	44,931	297,502	-	59,619
Liberty Harbor Marina	176,382	20,398	131,982	-	-	(64,798)
Total business-type activities	53,281,012	1,695,091	55,968,418	396,605	-	1,388,920
Total primary government	\$ 85,709,548	\$ (22,283)	\$ 60,413,861	\$ 5,154,030	\$ 1,303,047	\$ (18,816,327)
Component units						
Downtown Development Authority	\$ 138,992	\$ 6,883	\$ 60,021	\$ -	\$ -	\$ (85,854)
Midland Street TIFA	119,733	1,682	-	-	-	(121,415)
Kresge's DDA	1,345	-	-	-	-	(1,345)
Marquette District TIFA	431,231	5,875	-	-	-	(437,106)
Water Street DDA	424,383	2,795	-	-	-	(427,178)
Marina Development TIFA	63,654	-	-	-	-	(63,654)
Research Center Development TIFA	21,481	-	-	-	-	(21,481)
Knepp's DDA	10,787	-	-	-	-	(10,787)
Brownfield Redevelopment	94,900	5,048	-	-	-	(99,948)
Columbus Avenue Management Board	18,268	-	12,920	1,750	-	(3,598)
Midland Street Management Board	14,182	-	19,360	-	-	5,178
Downtown Management Board	266,900	-	93,473	84,000	-	(89,427)
Total component units	\$ 1,605,856	\$ 22,283	\$ 185,774	\$ 85,750	\$ -	\$ (1,356,615)

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, 2013

Functions/Programs	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Changes in net position				
Net (expense) revenue	\$ (20,205,247)	\$ 1,388,920	\$ (18,816,327)	\$ (1,356,615)
General revenue				
Property taxes	12,378,917	-	12,378,917	1,095,361
Grants and contributions not restricted to specific programs	4,112,622	-	4,112,622	-
Unrestricted investment earnings	102,732	91,313	194,045	10,303
Miscellaneous revenue	241,354	207,980	449,334	8,675
Transfers - internal activities	(41,111)	41,111	-	-
Total general revenue and transfers	16,794,514	340,404	17,134,918	1,114,339
Change in net position	(3,410,733)	1,729,324	(1,681,409)	(242,276)
Net position, beginning of year (as restated)	69,669,086	132,120,045	201,789,131	5,213,052
Net position, end of year	\$ 66,258,353	\$ 133,849,369	\$ 200,107,722	\$ 4,970,776

concluded

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

CITY OF BAY CITY, MICHIGAN

Balance Sheet

Governmental Funds

June 30, 2013

	General Fund	Major Streets Fund	Rehabilitation Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and investments	\$ 3,430,072	\$ 799,474	\$ -	\$ 1,215,491	\$ 5,445,037
Receivables (net of allowance for uncollectibles)					
Accounts	258,640	12,221	8,500	1,885,685	2,165,046
Delinquent taxes	43,085	-	-	5,024	48,109
Special assessments	139,148	-	-	31,687	170,835
Accrued interest	12,238	1,987	-	1,982	16,207
Notes	-	-	7,584,077	-	7,584,077
Due from other funds	1,372,562	1,753	-	360,197	1,734,512
Due from other governments	774,809	377,798	36,155	680,202	1,868,964
Inventories	-	76,010	-	-	76,010
Total assets	\$ 6,030,554	\$ 1,269,243	\$ 7,628,732	\$ 4,180,268	\$ 19,108,797
Liabilities					
Accounts payable	\$ 327,849	\$ 71,007	\$ 2	\$ 954,707	\$ 1,353,565
Accrued liabilities	696,869	15,302	39	46,984	759,194
Due to other funds	524,628	13,428	36,115	1,427,984	2,002,155
Due to other governmental units	11,691	1,246	-	1,860	14,797
Deposits	4,891	-	-	46,209	51,100
Unearned revenue	-	-	-	701	701
Total liabilities	1,565,928	100,983	36,156	2,478,445	4,181,512
Deferred inflows of resources					
Unavailable revenue					
Property taxes	30,488	-	-	5,024	35,512
Special assessments	65,186	-	-	-	65,186
Loans receivable	-	-	7,592,576	-	7,592,576
Total deferred inflows of resources	95,674	-	7,592,576	5,024	7,693,274
Fund balances					
Nonspendable	-	76,010	-	-	76,010
Restricted	8,596	1,092,250	-	1,738,145	2,838,991
Committed	3,978,532	-	-	-	3,978,532
Unassigned	381,824	-	-	(41,346)	340,478
Total fund balances	4,368,952	1,168,260	-	1,696,799	7,234,011
Total liabilities, deferred inflows of resources, and fund balance	\$ 6,030,554	\$ 1,269,243	\$ 7,628,732	\$ 4,180,268	\$ 19,108,797

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

CITY OF BAY CITY, MICHIGAN

Reconciliation

Fund Balances for Governmental Funds
to Net Position of Governmental Activities
June 30, 2013

Fund balances - total governmental funds	\$ 7,234,011
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in <i>governmental activities</i> are not financial resources, and are therefore not reported in the funds.	
Capital assets	174,046,511
Accumulated depreciation	(100,802,706)
Net pension assets of governmental activities are not financial resources, and are therefore not reported in the funds.	
Net pension asset	1,517,352
The focus of governmental funds is on short-term financing. Accordingly, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred inflows in the governmental funds, and thus are not included in fund balance.	
Deferred property taxes receivable	35,512
Deferred special assessments receivable	65,186
Deferred loans receivable	7,592,576
Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net position.	
Net position of governmental activities accounted for in internal service funds	8,804,011
Certain liabilities, such as bonds payable, are not due and payable in the current period, and therefore are not reported in the funds.	
Interest payable	(148,146)
Bonds payable	(15,659,562)
Capital leases	(800)
Loans payable	(3,000,000)
Landfill remediation liability	(907,878)
Net OPEB liability	(10,509,846)
Compensated absences	(2,007,868)
Net position of governmental activities	<u>\$ 66,258,353</u>

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

CITY OF BAY CITY, MICHIGAN

Statement of Revenue, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2013

	General Fund	Major Streets Fund	Rehabilitation Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenue					
Taxes	\$ 8,897,771	\$ 633,010	\$ -	\$ 1,964,628	\$ 11,495,409
Licenses and permits	22,424	-	-	554,672	577,096
Intergovernmental	5,850,173	3,021,746	186,443	2,621,861	11,680,223
Charges for services	2,530,918	-	-	2,008,277	4,539,195
Fines and forfeitures	70,952	-	-	19,291	90,243
Interest revenue	32,646	5,448	6,000	10,748	54,842
Miscellaneous revenues	283,608	5,771	62,150	252,478	604,007
Total revenue	17,688,492	3,665,975	254,593	7,431,955	29,041,015
Expenditures					
Current					
General government	2,716,251	-	-	-	2,716,251
Public safety	11,701,469	-	-	652,395	12,353,864
Public works	1,128,547	2,163,319	-	957,851	4,249,717
Environmental	-	-	-	1,949,103	1,949,103
Parks and recreation	780,811	-	-	-	780,811
Economic development	180,217	-	353,381	2,034,713	2,568,311
Retiree healthcare	2,020,955	-	-	-	2,020,955
Retirement	334,891	-	-	-	334,891
Capital outlay	297,406	1,141,790	-	2,665,102	4,104,298
Debt service					
Principal retirement	960	-	-	2,325,000	2,325,960
Interest and fiscal charges	-	-	-	57,653	57,653
Total expenditures	19,161,507	3,305,109	353,381	10,641,817	33,461,814
Revenue over (under) expenditures	(1,473,015)	360,866	(98,788)	(3,209,862)	(4,420,799)
Other financing sources (uses)					
Transfers in	180,088	-	166,938	651,073	998,099
Issuance of long-term debt	-	-	-	1,000,000	1,000,000
Proceeds from sale of asset	-	-	-	452,930	452,930
Transfers out	(601,835)	-	(68,150)	(439,951)	(1,109,936)
Total other financing sources (uses)	(421,747)	-	98,788	1,664,052	1,341,093
Net change in fund balance	(1,894,762)	360,866	-	(1,545,810)	(3,079,706)
Fund balance, beginning of year (as restated)	6,263,714	807,394	-	3,242,609	10,313,717
Fund balance, end of year	\$ 4,368,952	\$ 1,168,260	\$ -	\$ 1,696,799	\$ 7,234,011

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, 2013

Net change in fund balances - total governmental funds \$ (3,079,706)

Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital assets purchased/constructed	4,248,091
Net value of assets disposed	(5,530)
Depreciation expense	(3,669,822)

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	(1,392)
Net change in deferred special assessments receivable	14,867
Net change in deferred loans receivable	63,521

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	2,325,000
Principal payments on capital leases	960
Change in interest accrued on bonds	12,164
Issuance of long-term debt	(1,000,000)
Interest expenditure on zero coupon bond	(1,113,673)

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.

Decrease in the accrual for landfill remediation liability	99,425
Change in the accrual of compensated absences	322,771
Change in the accrual for the net OPEB obligation	(2,346,057)
Change in the net pension asset	194,170

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	464,419
Nonoperating revenue (expense), net recorded in internal service funds	(10,667)
Net transfers recorded in internal service funds	70,726

Change in net position of governmental activities \$ (3,410,733)

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

CITY OF BAY CITY, MICHIGAN

Statement of Revenue, Expenditures and Changes in Fund Balances

Budget and Actual - General Fund
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenue				
Taxes	\$ 9,074,670	\$ 9,074,670	\$ 8,897,771	\$ (176,899)
Licenses and permits	26,475	28,029	22,424	(5,605)
Intergovernmental	6,608,557	5,611,629	5,850,173	238,544
Charges for services	2,468,745	2,556,504	2,530,918	(25,586)
Fines and forfeitures	115,000	119,625	70,952	(48,673)
Interest revenue	50,000	50,000	32,646	(17,354)
Miscellaneous revenue	324,799	372,879	283,608	(89,271)
Total revenue	18,668,246	17,813,336	17,688,492	(124,844)
Expenditures				
Current				
General government				
Legislative and executive	336,678	326,678	322,814	3,864
Administration	600,792	646,493	640,810	5,683
Finance	1,398,480	1,412,021	1,319,546	92,475
Legal counsel	122,000	122,000	136,442	(14,442)
Planning and zoning	256,013	256,013	296,639	(40,626)
Total general government	2,713,963	2,763,205	2,716,251	46,954
Public safety				
Police	5,705,472	5,836,811	5,940,489	(103,678)
Fire	5,317,445	5,294,445	5,407,272	(112,827)
Community policing	343,276	343,276	353,708	(10,432)
Total public safety	11,366,193	11,474,532	11,701,469	(226,937)
Public works	1,185,558	1,223,377	1,128,547	94,830
Environmental	1,000,000	-	-	-
Parks and recreation	852,899	852,899	780,811	72,088
Community/economic development	192,542	187,920	180,217	7,703
Retiree healthcare	2,020,955	2,020,955	2,020,955	-
Retirement	334,891	334,891	334,891	-
Capital outlay	125,768	178,609	297,406	(118,797)
Debt service				
Principal retirement	-	960	960	-
Total expenditures	19,792,769	19,037,348	19,161,507	(124,159)

continued...

CITY OF BAY CITY, MICHIGAN

Statement of Revenue, Expenditures and Changes in Fund Balances
 Budget and Actual - General Fund
 For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenue over (under) expenditures	\$ (1,124,523)	\$ (1,224,012)	\$ (1,473,015)	\$ (249,003)
Other financing sources (uses)				
Transfers in	164,795	180,088	180,088	-
Transfers out	(696,821)	(712,443)	(601,835)	110,608
Total other financing sources (uses)	(532,026)	(532,355)	(421,747)	110,608
Net change in fund balance	(1,656,549)	(1,756,367)	(1,894,762)	(138,395)
Fund balance, beginning of year	6,263,714	6,263,714	6,263,714	-
Fund balance, end of year	\$ 4,607,165	\$ 4,507,347	\$ 4,368,952	\$ (138,395)

concluded

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

CITY OF BAY CITY, MICHIGAN

Statement of Revenue, Expenditures and Changes in Fund Balances
 Budget and Actual - Major Streets Fund
 For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenue				
Property taxes	\$ 662,710	\$ 662,710	\$ 633,010	\$ (29,700)
Intergovernmental				
State	3,248,747	3,248,747	2,223,004	(1,025,743)
Federal	-	-	798,742	798,742
Interest revenue	3,000	3,000	5,448	2,448
Miscellaneous				
Reimbursements	500	500	301	(199)
Other	500	4,000	5,470	1,470
Total revenue	3,915,457	3,918,957	3,665,975	(252,982)
Expenditures				
Public works				
Highways, streets, and bridges	2,397,747	2,441,932	2,163,319	278,613
Capital outlay	1,624,790	1,628,605	1,141,790	486,815
Total expenditures	4,022,537	4,070,537	3,305,109	765,428
Revenue over (under) expenditures	(107,080)	(151,580)	360,866	512,446
Other financing sources				
Transfer in	-	21,650	-	(21,650)
Net change in fund balance	(107,080)	(129,930)	360,866	490,796
Fund balance, beginning of year	807,394	807,394	807,394	-
Fund balance, end of year	\$ 700,314	\$ 677,464	\$ 1,168,260	\$ 490,796

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

CITY OF BAY CITY, MICHIGAN

Statement of Revenue, Expenditures and Changes in Fund Balances
 Budget and Actual - Rehabilitation Fund
 For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenue				
Intergovernmental				
Federal	\$ 167,547	\$ 167,547	\$ 186,443	\$ 18,896
Miscellaneous				
Program income	48,850	60,850	62,150	1,300
Interest revenue	6,150	6,650	6,000	(650)
Total revenue	222,547	235,047	254,593	19,546
Expenditures				
Economic development	488,680	472,412	353,381	119,031
Revenue under expenditures	(266,133)	(237,365)	(98,788)	138,577
Other financing sources (uses)				
Transfers in	321,133	304,865	166,938	(137,927)
Transfers out	(55,000)	(67,500)	(68,150)	(650)
Total other financing sources (uses)	266,133	237,365	98,788	(138,577)
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ -	\$ -

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

CITY OF BAY CITY, MICHIGAN

Statement of Net Position

Proprietary Funds

June 30, 2013

	Business-type Activities - Enterprise Funds					Governmental Activities
	Electric	Water	Sewer	Nonmajor Enterprise Funds	Total	Internal Service Funds
Assets						
Current assets:						
Cash and cash equivalents	\$ -	\$ 6,933,367	\$ 9,931,711	\$ 304,640	\$ 17,169,718	\$ 10,859,344
Receivables (net of allowance for uncollectibles)						
Accounts	6,063,549	765,971	2,196,361	19,981	9,045,862	76,492
Special assessments	70,021	24,632	344,839	-	439,492	-
Accrued interest	8,548	23,675	11,686	802	44,711	26,540
Due from other funds	1,405	16,838	21,846	43	40,132	603,271
Due from other governments	96,368	-	-	2,525	98,893	-
Inventories	2,453,949	922,811	157,637	31,961	3,566,358	193,530
Prepaid expenses	-	-	-	-	-	151,764
Deposits	834,157	150	80	-	834,387	464,999
Total current assets	9,527,997	8,687,444	12,664,160	359,952	31,239,553	12,375,940
Noncurrent assets:						
Restricted assets						
Debt service funds - cash and cash equivalents	3,470,187	2,688,478	2,410,780	-	8,569,445	-
Other assets						
Net pension asset	3,298,073	1,776,062	2,080,535	-	7,154,670	445,599
Unamortized discount	-	-	143,330	-	143,330	-
Total other assets	3,298,073	1,776,062	2,223,865	-	7,298,000	445,599
Capital assets						
Land and improvements	182,602	7,718,726	17,070,766	5,463,925	30,436,019	-
Air rights	-	-	-	95,421	95,421	-
Buildings	1,389,098	2,022,490	26,251	1,399,153	4,836,992	65,329
Machinery and equipment	3,780,270	1,380,138	2,198,014	161,724	7,520,146	13,683,594
Utility plant in service	72,117,051	53,765,275	148,236,419	-	274,118,745	-
Construction in progress	2,708,425	341,522	257,143	-	3,307,090	-
	80,177,446	65,228,151	167,788,593	7,120,223	320,314,413	13,748,923
Accumulated depreciation	(48,101,318)	(41,670,927)	(90,616,910)	(2,954,830)	(183,343,985)	(9,413,503)
Net capital assets	32,076,128	23,557,224	77,171,683	4,165,393	136,970,428	4,335,420
Total noncurrent assets	38,844,388	28,021,764	81,806,328	4,165,393	152,837,873	4,781,019
Total assets	48,372,385	36,709,208	94,470,488	4,525,345	184,077,426	17,156,959

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CITY OF BAY CITY, MICHIGAN

Statement of Net Position

Proprietary Funds

June 30, 2013

	Business-type Activities - Enterprise Funds					Governmental Activities
	Electric	Water	Sewer	Nonmajor Enterprise Funds	Total	Internal Service Funds
Liabilities						
Current liabilities:						
Accounts payable	\$ 2,270,453	\$ 252,576	\$ 346,274	\$ 25,579	\$ 2,894,882	\$ 545,037
Accrued liabilities	138,000	84,989	65,792	470	289,251	40,553
Due to other funds	175,833	103,424	51,237	344	330,838	44,922
Due to other governmental units	56,759	-	-	-	56,759	15,941
Interest payable	39,619	69,895	255,269	-	364,783	-
Claims payable	-	-	-	-	-	1,055,637
Deposits	295,509	35,300	-	-	330,809	-
Accrued compensated absences	223,685	129,113	116,463	4,677	473,938	60,855
Bonds payable	380,000	719,624	3,324,377	-	4,424,001	-
Total current liabilities	3,579,858	1,394,921	4,159,412	31,070	9,165,261	1,762,945
Long-term liabilities:						
Accrued compensated absences	332,970	175,552	120,716	1,730	630,968	78,032
Bonds payable	1,675,000	7,826,976	31,085,981	-	40,587,957	-
Net OPEB obligation	2,126,767	1,937,647	1,653,953	-	5,718,367	637,475
Total long-term liabilities	4,134,737	9,940,175	32,860,650	1,730	46,937,292	715,507
Total liabilities	7,714,595	11,335,096	37,020,062	32,800	56,102,553	2,478,452
Net position						
Net investment in capital assets	30,021,128	15,010,624	42,761,325	4,165,393	91,958,470	4,335,420
Restricted for:						
Debt service	3,470,187	2,688,478	2,410,780	-	8,569,445	-
Unrestricted	7,166,475	7,675,010	12,278,321	327,152	27,446,958	10,343,087
Total net position	\$ 40,657,790	\$ 25,374,112	\$ 57,450,426	\$ 4,492,545	\$127,974,873	\$ 14,678,507
Adjustment to reflect the consolidation of internal service funds related to enterprise funds					5,874,496	
Net position of business-type activities					\$133,849,369	

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

CITY OF BAY CITY, MICHIGAN

Statement of Revenue, Expenses and Changes in Fund Net Position

Proprietary Funds

For the Year Ended June 30, 2013

	Business-type Activities - Enterprise Funds					Governmental Activities
	Electric	Water	Sewer	Nonmajor Enterprise Funds	Total	Internal Service Funds
Operating revenue						
Charges for services						
Sales	\$ 32,446,572	\$ 9,348,422	\$ 13,085,523	\$ 121,100	\$ 55,001,617	\$ 18,707,586
Rents	-	-	-	129,097	129,097	-
Miscellaneous	657,554	54,858	355,635	45,485	1,113,532	1,728,496
Total operating revenue	33,104,126	9,403,280	13,441,158	295,682	56,244,246	20,436,082
Operating expenses						
Cost of sales and service	27,178,646	6,623,705	6,135,366	413,224	40,350,941	2,791,810
Administration	4,193,374	1,138,397	496,307	-	5,828,078	229,844
Claims and benefits	-	-	-	-	-	15,837,828
Depreciation	2,299,580	1,226,508	4,053,104	198,021	7,777,213	655,138
Total operating expenses	33,671,600	8,988,610	10,684,777	611,245	53,956,232	19,514,620
Operating income (loss)	(567,474)	414,670	2,756,381	(315,563)	2,288,014	921,462
Nonoperating revenue (expenses)						
Intergovernmental						
Federal grants	72,098	-	-	213,425	285,523	-
State grants	18,024	-	8,981	9,279	36,284	-
Interest earnings	20,989	47,265	21,585	1,474	91,313	48,113
Interest expense	(85,625)	(295,029)	(1,075,756)	-	(1,456,410)	(823)
Net loss on disposal of capital assets	-	-	-	-	-	(57,957)
Amortization of bond premium/discount	-	4,251	(17,805)	-	(13,554)	-
Total nonoperating revenue (expenses)	25,486	(243,513)	(1,062,995)	224,178	(1,056,844)	(10,667)
Income (loss) before transfers	(541,988)	171,157	1,693,386	(91,385)	1,231,170	910,795
Transfers						
Transfers in	-	-	-	111,837	111,837	70,726
Transfers out	(35,363)	(35,363)	-	-	(70,726)	-
Total transfers	(35,363)	(35,363)	-	111,837	41,111	70,726
Change in net position	(577,351)	135,794	1,693,386	20,452	1,272,281	981,521
Net position, beginning of year (as restated)	41,235,141	25,238,318	55,757,040	4,472,093		13,696,986
Net position, end of year	\$ 40,657,790	\$ 25,374,112	\$ 57,450,426	\$ 4,492,545		\$ 14,678,507
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					457,043	
Change in net position of business-type activities					\$ 1,729,324	

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

CITY OF BAY CITY, MICHIGAN

Combining Statement of Cash Flows
 Proprietary Funds
 For the Year Ended June 30, 2013

	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	\$ 32,173,571	\$ 9,656,992	\$ 12,950,318	\$ 250,189	\$ 55,031,070	\$ -
Cash received from internal users	-	245,793	320,434	-	566,227	19,679,049
Cash payments to suppliers for goods and services	(24,885,755)	(3,788,318)	(3,213,660)	(423,994)	(32,311,727)	(18,019,538)
Cash payments to employees for services	(5,894,660)	(3,886,522)	(3,246,179)	(16,677)	(13,044,038)	(1,240,163)
Cash payments for internal services provided	(1,059,741)	-	-	-	(1,059,741)	-
Other receipts	657,554	54,858	355,635	45,485	1,113,532	-
Net cash provided (used) by operating activities	990,969	2,282,803	7,166,548	(144,997)	10,295,323	419,348
Cash flows from noncapital financing activities						
Intergovernmental - federal grants	72,098	-	-	213,425	285,523	-
Intergovernmental - state grants	18,024	-	8,981	9,279	36,284	-
Transfers in	-	-	-	111,837	111,837	70,726
Transfers out	(35,363)	(35,363)	-	-	(70,726)	-
Net cash provided (used) by noncapital financing activities	54,759	(35,363)	8,981	334,541	362,918	70,726
Cash flows from capital and related financing activities						
Purchase of capital assets	(5,454,947)	(816,611)	(1,510,197)	(250,224)	(8,031,979)	(693,765)
Principal paid on debt	(365,000)	(696,608)	(3,753,391)	-	(4,814,999)	(51,551)
Interest paid on debt	(85,625)	(295,029)	(1,075,756)	-	(1,456,410)	(821)
Net cash used by capital and related financing activities	(5,905,572)	(1,808,248)	(6,339,344)	(250,224)	(14,303,388)	(746,137)
Cash flows from investing activities						
Interest received	20,989	47,265	21,585	1,474	91,313	48,113
Net increase (decrease) in cash and cash equivalents	(4,838,855)	486,457	857,770	(59,206)	(3,553,834)	(207,950)
Cash and cash equivalents, beginning of year	8,309,042	9,135,388	11,484,721	363,846	29,292,997	11,067,294
Cash and cash equivalents, end of year	\$ 3,470,187	\$ 9,621,845	\$ 12,342,491	\$ 304,640	\$ 25,739,163	\$ 10,859,344

continued...

CITY OF BAY CITY, MICHIGAN

Combining Statement of Cash Flows
 Proprietary Funds
 For the Year Ended June 30, 2013

	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 (used) by operating activities						
Operating income (loss)	\$ (567,474)	\$ 414,670	\$ 2,756,381	\$ (315,563)	\$ 2,288,014	\$ 921,462
Adjustments to reconcile operating income to net cash provided (used) by operating activities						
Depreciation	2,299,580	1,226,508	4,053,104	198,021	7,777,213	655,138
(Increase) decrease in assets						
Accounts receivable	(222,836)	304,346	(30,392)	1,754	52,872	(49,080)
Special assessments receivable	20,544	(9,377)	(108,726)	-	(97,559)	-
Accrued interest receivable	25,659	13,601	3,913	735	43,908	17,851
Due from other funds	(1,405)	217,369	269,197	(43)	485,118	(603,271)
Due from other governments	(96,368)	-	-	(2,497)	(98,865)	-
Inventories	39,463	(321,005)	39,287	(10,433)	(252,688)	2,355
Prepaid expenses	-	-	-	-	-	45,121
Deposits	(158,846)	-	-	-	(158,846)	(244,692)
Net pension asset	(344,573)	(180,735)	(224,253)	-	(749,561)	(51,738)
Increase (decrease) in liabilities						
Accounts payable	410,865	105,795	115,129	(20,905)	610,884	(212,664)
Accrued liabilities	(19,645)	(10,313)	(9,661)	(97)	(39,716)	(4,275)
Due to other funds	(1,058,336)	28,424	51,237	344	(978,331)	(122,533)
Due to other governmental units	(11,831)	-	(8,981)	-	(20,812)	(19,498)
Interest payable	39,619	(5,150)	(29,114)	-	5,355	(655)
Claims payable	-	-	-	-	-	(84,565)
Deposits	23,479	(17,620)	481	-	6,340	-
Unearned revenue	-	-	(156,971)	-	(156,971)	-
Accrued compensated absences	44,883	14,064	37,213	3,687	99,847	(1,068)
Net OPEB obligation	568,191	502,226	408,704	-	1,479,121	171,460
Total adjustments	1,558,443	1,868,133	4,410,167	170,566	8,007,309	(502,114)
Net cash provided (used) by operating activities	\$ 990,969	\$ 2,282,803	\$ 7,166,548	\$ (144,997)	\$ 10,295,323	\$ 419,348

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, 2013

	Pension and Other Post- employment Benefits Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 319,844	\$ 148,526
Investments		
Money market accounts	1,083,669	-
Mutual funds	17,425,372	-
Government securities	16,531,128	-
Corporate bonds	4,448,274	-
Common stock	19,054,176	-
Accounts receivable	310,601	525,752
Interest receivable	109,345	-
Total assets	<u>59,282,409</u>	<u>\$ 674,278</u>
Liabilities		
Accounts payable	628,764	\$ 407,503
Due to other governments	-	241,582
Deposits payable	-	25,193
Total liabilities	<u>628,764</u>	<u>\$ 674,278</u>
Net position		
Held in trust for employees' pension benefits	48,538,226	
Held in trust for employees' postemployment health care benefits	10,115,419	
Total net position	<u>\$ 58,653,645</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, 2013

Additions

Contributions:	
Employer	\$ 2,842,723
Current premium contributions	4,854,104
Plan members	<u>497,166</u>
Total contributions	<u>8,193,993</u>
Investment income:	
Interest and dividends	1,841,775
Net appreciation in fair value of investments	5,420,384
Investment expense	<u>(202,076)</u>
Net investment income	<u>7,060,083</u>
Other additions	<u>4,081</u>
Total additions	<u>15,258,157</u>
Deductions	
Retiree healthcare premium payments	4,854,104
Benefits and refunds paid to participants	4,592,651
Administrative expenses	137,749
Bad debt expense	<u>49,085</u>
Total deductions	<u>9,633,589</u>
Net increase in plan net position	5,624,568
Change in net position	
Net position, beginning of year	<u>53,029,077</u>
Net position, end of year	<u><u>\$ 58,653,645</u></u>

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

CITY OF BAY CITY, MICHIGAN

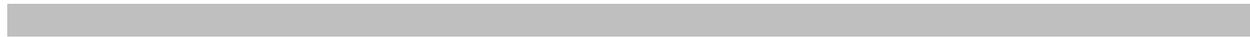
Combining Statement of Net Position

Discretely Presented Component Units

June 30, 2013

	Downtown Development Authority	Midland St. TIFA	Kresge's DDA	Marquette District TIFA	Water Street DDA
Assets					
Cash and cash equivalents	\$ 163,207	\$ 436,863	\$ 36,087	\$ 426,677	\$ 222,733
Receivables:					
Accounts	14,484	-	-	5,821	-
Delinquent taxes	594	-	-	-	-
Accrued interest	402	1,075	89	1,050	548
Due from other governments	-	-	-	-	-
Prepaid items	965	-	-	-	-
Nondepreciable capital assets	-	29,746	-	30,136	-
Depreciable capital assets, net	123,833	1,371,281	23,622	1,406,276	2,257,749
Total assets	303,485	1,838,965	59,798	1,869,960	2,481,030
Liabilities					
Accounts payable	17,141	1,633	-	4,271	2,656
Accrued liabilities	-	-	-	1,076	-
Interest payable	-	9,973	-	-	9,717
Bonds payable:					
Due within one year	-	41,630	-	-	230,000
Due in more than one year	-	994,954	-	-	1,275,000
Total liabilities	17,141	1,048,190	-	5,347	1,517,373
Net position					
Net investment in capital assets	123,833	364,443	23,622	1,436,412	752,749
Unrestricted	162,511	426,332	36,176	428,201	210,908
Total net position	\$ 286,344	\$ 790,775	\$ 59,798	\$ 1,864,613	\$ 963,657

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



Marina Develop. TIFA	Allen Health-care DDA	Research Center Develop. TIFA	Knepp's DDA	Brownfield Redevelopment Authority	Columbus Avenue Mgmt. Board	Midland St. Mgmt. Board
\$ -	\$ 4,230	\$ -	\$ 3,393	\$ 620,236	\$ 12,848	\$ 25,227
-	-	-	-	-	-	40
-	-	-	-	-	-	-
-	-	-	8	1,526	32	62
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	169,941	-	-
429,204	-	-	139,693	-	-	-
429,204	4,230	-	143,094	791,703	12,880	25,329
-	-	-	-	148,027	487	537
-	-	-	-	3,695	-	-
-	-	-	-	-	-	-
-	-	-	-	15,370	-	-
-	-	-	-	367,346	-	-
-	-	-	-	534,438	487	537
429,204	-	-	139,693	169,941	-	-
-	4,230	-	3,401	87,324	12,393	24,792
\$ 429,204	\$ 4,230	\$ -	\$ 143,094	\$ 257,265	\$ 12,393	\$ 24,792

continued...

CITY OF BAY CITY, MICHIGAN

Combining Statement of Net Position
 Discretely Presented Component Units
 June 30, 2013

	Downtown Mgmt. Board	Total
Assets		
Cash and cash equivalents	\$ 87,634	2,039,135
Receivables:		
Accounts	3,667	24,012
Delinquent taxes	11,083	11,677
Accrued interest	-	4,792
Due from other governments	40,249	40,249
Prepaid items	2,364	3,329
Nondepreciable capital assets	-	229,823
Depreciable capital assets, net	-	5,751,658
Total assets	144,997	8,104,675
Liabilities		
Accounts payable	7,704	182,456
Accrued liabilities	2,682	7,453
Interest payable	-	19,690
Bonds payable:		
Due within one year	-	287,000
Due in more than one year	-	2,637,300
Total liabilities	10,386	3,133,899
Net position		
Net investment in capital assets	-	3,439,897
Unrestricted	134,611	1,530,879
Total net position	\$ 134,611	\$ 4,970,776

concluded

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, 2013

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Component units					
Downtown Development Authority	\$ 145,875	\$ 60,021	\$ -	\$ -	\$ (85,854)
Midland Street TIFA	121,415	-	-	-	(121,415)
Kresge's DDA	1,345	-	-	-	(1,345)
Marquette District TIFA	437,106	-	-	-	(437,106)
Water Street DDA	427,178	-	-	-	(427,178)
Marina Development TIFA	63,654	-	-	-	(63,654)
Allen Healthcare DDA	-	-	-	-	-
Research Center Development TIFA	21,481	-	-	-	(21,481)
Knepp's DDA	10,787	-	-	-	(10,787)
Brownfield Redevelopment	99,948	-	-	-	(99,948)
Columbus Avenue Management Board	18,268	12,920	1,750	-	(3,598)
Midland Street Management Board	14,182	19,360	-	-	5,178
Downtown Management Board	266,900	93,473	84,000	-	(89,427)
Total component units	\$ 1,628,139	\$ 185,774	\$ 85,750	\$ -	\$ (1,356,615)

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, 2013

Functions/Programs	Downtown Development Authority	Midland St. TIFA	Kresge's DDA	Marquette District TIFA	Water Street DDA
Changes in net position					
Net (expense) revenue	\$ (85,854)	\$ (121,415)	\$ (1,345)	\$ (437,106)	\$ (427,178)
General revenue					
Property taxes	64,925	101,024	2,916	357,447	291,430
Unrestricted investment earnings	733	2,014	164	2,554	1,660
Miscellaneous revenue	8,675	-	-	-	-
Total general revenue	74,333	103,038	3,080	360,001	293,090
Change in net position	(11,521)	(18,377)	1,735	(77,105)	(134,088)
Net position, beginning of year (as restated)	297,865	809,152	58,063	1,941,718	1,097,745
Net position, end of year	\$ 286,344	\$ 790,775	\$ 59,798	\$ 1,864,613	\$ 963,657

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, 2013

Functions/Programs	Marina Develop. TIFA	Allen Health- care DDA	Research Center Develop. TIFA	Knepp's DDA	Brownfield Redevelopment Authority
Changes in net position					
Net (expense) revenue	\$ (63,654)	\$ -	\$ (21,481)	\$ (10,787)	\$ (99,948)
General revenue					
Property taxes	-	-	-	-	187,033
Unrestricted investment earnings	-	-	63	15	2,894
Miscellaneous revenue	-	-	-	-	-
Total general revenue	-	-	63	15	189,927
Change in net position	(63,654)	-	(21,418)	(10,772)	89,979
Net position, beginning of year (as restated)	492,858	4,230	21,418	153,866	167,286
Net position, end of year	\$ 429,204	\$ 4,230	\$ -	\$ 143,094	\$ 257,265

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, 2013

Functions/Programs	Columbus Avenue Mgmt. Board	Midland St. Mgmt. Board	Downtown Mgmt. Board	Totals
Changes in net position				
Net (expense) revenue	\$ (3,598)	\$ 5,178	\$ (89,427)	\$ (1,356,615)
General revenue				
Property taxes	-	-	90,586	1,095,361
Unrestricted investment earnings	37	79	90	10,303
Miscellaneous revenue	-	-	-	8,675
Total general revenue	<u>37</u>	<u>79</u>	<u>90,676</u>	<u>1,114,339</u>
Change in net position	(3,561)	5,257	1,249	(242,276)
Net position, beginning of year, as restated	<u>15,954</u>	<u>19,535</u>	<u>133,362</u>	<u>5,213,052</u>
Net position, end of year	<u>\$ 12,393</u>	<u>\$ 24,792</u>	<u>\$ 134,611</u>	<u>\$ 4,970,776</u>

concluded

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

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 of Bay City:

Reporting Entity

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

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

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

Complete financial statements for the DMB may be obtained at their administrative offices located at Commerce 1, 901 Saginaw Street, Bay City, MI 48708. Separate financial statements for the Midland Street Management Board, Columbus Avenue Management Board, 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 discrete component units. For the most part, the effect of interfund activity has been eliminated from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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 required to be accounted for in another fund.

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

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

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

The City reports the following major proprietary funds:

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

The Water Fund is used to account for all activities relative to the maintenance and operation of the water distribution system and water treatment plant.

The Sewer Fund is used to account for all activities relative to the maintenance and operation of the City's sanitary and combination sewers, the wastewater treatment plant, and stormwater system.

Additionally, the City reports the following fund types:

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

The Pension and Other 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 two separate health care investment funds. The first fund accounts for non-public safety retirees and the second fund accounts for police & fire retirees. The purpose of these funds is to accumulate and invest funds to provide for the funding of health care benefits to retired employees of the City and their beneficiaries.

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's enterprise functions and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

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, Liabilities, and Net Position or Fund Equity

Bank deposits and investments

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

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

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

Receivables and payables

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

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

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

Property taxes

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

Inventories and prepaid items

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

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.

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

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

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

Compensated absences (vacation and sick leave)

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

City employees earn vacation leave at rates ranging between 12 and 28 days per year depending on their union membership and length of service. All outstanding vacation is payable upon resignation, retirement, or death. Sick pay is accumulated by employees at rates ranging between 6.67 hours to one day per month of employment. Depending on the union contract, some employees earn one additional day if the employee does not use any sick leave days within a three-month period. Outstanding sick pay is payable only upon qualified retirement. The amount paid is one-half of the accumulated sick days ranging from 0 to a maximum of 200 days dependent upon the union contract under which the employee is covered. Employees with over 25 years of service (with the maximum 160 days of sick leave) receive 20 additional days of sick leave pay for each year of service in excess of 25 years but cannot exceed 80 additional days. The maximum number of days an employee may be compensated for cannot exceed 180 days.

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, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

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.

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

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 government'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 fund balance, assigned fund balance, and finally unassigned fund balance.

The Riverfront Development Capital Projects Fund had an unassigned fund deficit at year-end of \$18,915. This fund will use future debt proceeds to eliminate the fund's deficit.

The Bond Sinking Debt Service Fund had an unassigned fund deficit at year-end of \$22,431. This fund will use property tax revenues to eliminate the fund's deficit.

2. BUDGETARY INFORMATION

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

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

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

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

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

	Amended Budget	Actual	Variance
General fund:			
General government:			
Legal counsel	\$ 122,000	\$ 136,442	\$ 14,442
Planning and zoning	256,013	296,639	40,626
Public safety:			
Police	5,836,811	5,940,489	103,678
Fire	5,294,445	5,407,272	112,827
Community policing	343,276	353,708	10,432
Capital outlay	178,609	297,406	118,797
Rehabilitation fund:			
Transfers out	67,500	68,150	650
Local streets fund:			
Public works:			
Highways, streets, and bridges	901,815	957,851	56,036
Drug law enforcement fund:			
Public safety	-	2,613	2,613

3. DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes local governmental units to make deposits and invest in the accounts of federally insured banks and credit unions that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

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

Statement of net position:

	Governmental Activities	Business - type Activities	Total Primary Government	Fiduciary Funds	Component Units	Total
Cash	\$ 16,304,381	\$ 25,739,163	\$ 42,043,544	\$ 468,370	\$ 2,039,135	\$ 44,551,049
Investments	-	-	-	58,542,619	-	58,542,619
Total	\$ 16,304,381	\$ 25,739,163	\$ 42,043,544	\$ 59,010,989	\$ 2,039,135	\$ 103,093,668

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

Deposits and investments:

Bank deposits (checking, savings, and certificates of deposit)	\$ 35,749,550
Cash on hand	5,496
Investments (securities, stocks, and money market accounts)	<u>67,338,622</u>
Total	<u>\$ 103,093,668</u>

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, 2013, the carrying value of deposits owned by the City was \$36,176,329. \$35,719,546 of the City's bank balance was covered by federal depository insurance. The remaining balance of \$456,783 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk - Investments. Following is a summary of the City's investments as of June 30, 2013:

Money market accounts	\$ 15,250,794
Mutual funds	17,425,372
Government securities	11,160,006
Corporate debt	4,448,274
Corporate stock	<u>19,054,176</u>
Total	<u>\$ 67,338,622</u>

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, 2013, 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.

Interest Rate Risk - As of June 30, 2013, maturities and ratings of the City's debt securities were as follows:

	Fair Value	Investment Maturities (In Years)		
		N/A	Less Than 1	1-5
Money market funds	\$ 15,250,794	\$ 15,250,794	\$ -	\$ -
Mutual funds	17,425,372	17,425,372	-	-
Government securities	11,160,006	-	-	7,564,831
Corporate debt	4,448,274	-	-	674,145
Corporate stock Common	<u>19,054,176</u>	<u>19,054,176</u>	-	-
Total investments	<u>\$ 67,338,622</u>	<u>\$ 51,730,342</u>	<u>\$ -</u>	<u>\$ 8,238,976</u>

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

	Investment Maturities (In Years) (Concluded)		Moody's Investors Services Rating
	6-10	More Than 10	
Money market funds	\$ -	\$ -	N/A
Mutual funds	-	-	N/A
Government securities	675,903	2,919,272	AAA-NR
Corporate debt	2,277,716	1,496,413	AAA-B2
Corporate stock			
Common	-	-	N/A
Preferred	-	-	N/A
Total investments	\$ 2,953,619	\$ 4,415,685	

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

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

Credit Risk - State law limits investments to specific governmental securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments in the summary of significant accounting policies. The City's investment policy does not have specific limits in excess of state law on investment credit risk. Credit risk ratings, where applicable, have been identified above for the City's investments.

The Police & Fire Retirement System's investment policy on credit risk for allowable debt securities follows. The credit rating for each investment type is identified in the above table for debt securities held at June 30, 2013. Regarding Core Plus Fixed Income, the System's investment policy allows its investments managers to invest up to 12.5% of the portfolio in non-investment grade securities (BB to CC rated); with at least 80% of the non-investment grade portfolio consisting of BB or B rated securities. The policy also allows investment managers to invest up to 10% of the portfolio in non-U.S. dollar denominated fixed income securities. The minimum credit rating for international fixed income securities is single B at the time of purchase.

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

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

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

4. RECEIVABLES

	Governmental Activities	Business-type Activities	Component Units	Total
Receivables:				
Account	\$ 2,858,463	\$ 10,366,273	\$ 24,012	\$ 13,248,748
Taxes	242,313	439,492	11,677	693,482
Interest	42,747	44,711	4,792	92,250
Intergovernmental	1,868,964	98,893	40,249	2,008,106
Notes	11,584,077	-	-	11,584,077
Gross receivables	<u>16,596,564</u>	<u>10,949,369</u>	<u>80,730</u>	<u>27,626,663</u>
Less: allowance for uncollectibles	<u>(4,640,294)</u>	<u>(1,320,411)</u>	-	<u>(5,960,705)</u>
Total receivables, net	<u>\$ 11,956,270</u>	<u>\$ 9,628,958</u>	<u>\$ 80,730</u>	<u>\$ 21,665,958</u>

The receivables not expected to be collected within one year are approximately \$7.6 million of the notes receivable reported in the rehabilitation fund and \$4 million of notes receivable in the City loans and collections special revenue fund.

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

5. CAPITAL ASSETS

Capital asset activity of the City's governmental activities for the year ended June 30, 2013, was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 17,154,599	\$ -	\$ 5,530	\$ 17,149,069
Construction in progress	2,943,451	3,455,074	12,394	6,386,131
Other intangible assets	376,000	-	-	376,000
	<u>20,474,050</u>	<u>3,455,074</u>	<u>17,924</u>	<u>23,911,200</u>
Capital assets being depreciated:				
Roads and sidewalks	137,665,477	308,830	-	137,974,307
Buildings and improvements	9,122,599	127,230	9,080	9,240,749
Vehicles	13,294,520	651,964	559,402	13,387,082
Office furnishings	39,293	-	-	39,293
Other tools and equipment	3,021,108	398,758	177,063	3,242,803
	<u>163,142,997</u>	<u>1,486,782</u>	<u>745,545</u>	<u>163,884,234</u>
Accumulated depreciation:				
Roads and sidewalks	90,379,672	3,287,458	-	93,667,130
Buildings and improvements	4,623,592	244,088	21,474	4,846,206
Vehicles	9,089,571	603,642	501,445	9,191,768
Office furnishings	23,630	1,965	-	25,595
Other tools and equipment	2,474,766	187,807	177,063	2,485,510
	<u>106,591,231</u>	<u>4,324,960</u>	<u>699,982</u>	<u>110,216,209</u>
Net capital assets being depreciated	<u>56,551,766</u>	<u>(2,838,178)</u>	<u>45,563</u>	<u>53,668,025</u>
Governmental activities capital assets, net	<u>\$ 77,025,816</u>	<u>\$ 616,896</u>	<u>\$ 63,487</u>	<u>\$ 77,579,225</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, 2013, was 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	749,224	2,691,033	133,167	3,307,090
Other	95,421	-	-	95,421
	<u>1,666,069</u>	<u>2,691,033</u>	<u>133,167</u>	<u>4,223,935</u>
Capital assets, being depreciated:				
Utility plant and systems	270,877,131	3,404,110	162,496	274,118,745
Land improvements	27,838,661	1,782,661	6,727	29,614,595
Buildings and improvements	4,820,117	16,875	-	4,836,992
Machinery and equipment	7,386,326	137,300	3,480	7,520,146
	<u>310,922,235</u>	<u>5,340,946</u>	<u>172,703</u>	<u>316,090,478</u>
Accumulated depreciation:				
Utility plant and systems	163,561,646	6,761,798	192,390	170,131,054
Land improvements	5,067,733	636,742	110,000	5,594,475
Buildings and improvements	2,510,395	119,817	-	2,630,212
Machinery and equipment	4,732,868	258,856	3,480	4,988,244
	<u>175,872,642</u>	<u>7,777,213</u>	<u>305,870</u>	<u>183,343,985</u>
Net capital assets, being depreciated	<u>135,049,593</u>	<u>(2,436,267)</u>	<u>(133,167)</u>	<u>132,746,493</u>
Business-type activities capital assets, net	<u>\$ 136,715,662</u>	<u>\$ 254,766</u>	<u>\$ -</u>	<u>\$ 136,970,428</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, 2013, was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Component Units:				
Capital assets, not being depreciated:				
Land	\$ 54,136	\$ -	\$ -	\$ 54,136
Construction in progress	-	175,687	-	175,687
	<u>54,136</u>	<u>175,687</u>	<u>-</u>	<u>229,823</u>
Capital assets, being depreciated				
Infrastructure	9,177,438	-	-	9,177,438
Land improvements	16,642	-	-	16,642
Furniture and equipment	78,973	-	-	78,973
	<u>9,273,053</u>	<u>-</u>	<u>-</u>	<u>9,273,053</u>
Accumulated depreciation:				
Infrastructure	2,852,356	614,863	-	3,467,219
Land improvements	847	749	-	1,596
Furniture and equipment	49,089	3,491	-	52,580
	<u>2,902,292</u>	<u>619,103</u>	<u>-</u>	<u>3,521,395</u>
Net capital assets being depreciated	<u>6,370,761</u>	<u>(619,103)</u>	<u>-</u>	<u>5,751,658</u>
Component Units				
Capital assets, net	<u>\$ 6,424,897</u>	<u>\$ (443,416)</u>	<u>\$ -</u>	<u>\$ 5,981,481</u>

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

Governmental activities:	
General government	\$ 56,905
Public safety	115,634
Public works	3,064,303
Recreation and culture	244,694
Economic development	188,286
Internal service fund depreciation is charged to the various functions based on their usage of the asset	<u>655,138</u>
Total governmental activities	<u>\$ 4,324,960</u>
Business-type activities	
Electric	\$ 2,299,580
Water	1,226,508
Sewer	4,053,104
Other enterprise funds	<u>198,021</u>
Total business-type activities	<u>\$ 7,777,213</u>

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

6. 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	\$ 1,372,562	\$ 524,628
Major streets fund	1,753	13,428
Rehabilitation fund	-	36,115
Nonmajor governmental funds	360,197	1,427,984
Electric fund	1,405	175,833
Water fund	16,838	103,424
Sewer fund	21,846	51,237
Nonmajor enterprise funds	43	344
Internal service funds	603,271	44,922
	<u>\$ 2,377,915</u>	<u>\$ 2,377,915</u>

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

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

The composition of interfund transfers is as follows:

Transfers To	Transfers From					Total
	General Fund	Rehabilitation Fund	Nonmajor Governmental Funds	Electric Fund	Water Fund	
General Fund	\$ -	\$ -	\$ 180,088	-	-	\$ 180,088
Rehabilitation fund	-	-	166,938	-	-	166,938
Nonmajor governmental funds	489,998	68,150	92,925	-	-	651,073
Nonmajor enterprise fund	111,837	-	-	-	-	111,837
Internal service funds	-	-	-	35,363	35,363	70,726
	<u>\$ 601,835</u>	<u>\$ 68,150</u>	<u>\$ 439,951</u>	<u>\$ 35,363</u>	<u>\$ 35,363</u>	<u>\$ 1,180,662</u>

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

7. CAPITAL LEASES

The City of Bay City has entered into a lease agreement as lessee of copiers with Lease Corporation of America. The original amount of the copiers was \$3,840. The remaining balance of \$800 is due in fiscal year 2014.

8. LONG-TERM DEBT

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

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

	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	\$ 15,240,889	1,113,673	\$ (2,270,000)	\$ 14,084,562	\$ 2,136,570
Capital lease due in installments through 2014. Original amount \$3,840	1,760	-	(960)	800	800
Variable rate HUD Section 108 Note payable, principal due annually beginning 8/1/13, interest due semi-annually February 1 and August 1. Original amount \$2,500,000	2,000,000	-	-	2,000,000	85,000

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
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	\$ 1,630,000	-	\$ (55,000)	\$ 1,575,000	\$ 65,000
Purchase agreement due in installments, including interest, through 2013. Originated in Motor Equipment Revolving Internal Service Fund. Original amount \$437,819	51,551	-	(51,551)	-	-
1.5% Brownfield Redevelopment MDEQ Loan, principal payments beginning 10/1/17 through 10/10/27. Original amount of \$1,000,000	-	1,000,000	-	1,000,000	-
Total bonds and notes payable	18,924,200	2,113,673	(2,377,511)	18,660,362	2,287,370
Landfill remediation liability	1,007,303	-	(99,425)	907,878	90,788
Retiree Healthcare	8,629,804	2,517,517	-	11,147,321	-
Employee compensated absences	2,470,595	17,937	(341,777)	2,146,755	901,944
Total governmental activities long-term debt	\$ 31,031,902	\$ 4,649,127	\$ (2,818,713)	\$ 32,862,316	\$ 3,280,102

The general fund and certain special revenue funds have typically been used to liquidate the liability for compensated absences and the OPEB obligation in the governmental funds.

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Business-type activities					
Sewer:					
2.0% to 3.75% G.O. Sewage System Improvement Refunding Bonds, principal due in annual installments through 9/1/12, interest payable semiannually March 1 and September 1. Original amount \$4,040,000.					
	\$ 520,000	\$ -	\$ (520,000)	\$ -	\$ -
2.5% State Revolving Fund Loan issued March 29, 2001, principal due in annual installments beginning 4/1/04 through 4/1/23, interest due semi-annually April 1 and October 1. Original amount \$42,435,000.					
	25,895,000	-	(2,075,000)	23,820,000	2,125,000
2.5% to 3.5% G.O. Sanitary Sewage System Bonds, Series 2004, principal due in annual installments of \$525,000 to \$690,000 through 10/1/14, interest due semi-annually April 1 and October 1. Original amount \$6,000,000.					
	2,000,000	-	(645,000)	1,355,000	665,000
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.					
	4,670,000	-	(250,000)	4,420,000	265,000

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
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.	\$ 1,840,559	\$ -	\$ (83,391)	\$ 1,757,168	\$ 85,377
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.	2,408,700	-	(93,000)	2,315,700	93,000
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	789,000	-	(87,000)	702,000	91,000
Premium on bond issuance	43,189	-	(2,699)	40,490	-
Electric Fund:					
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.	2,420,000	-	(365,000)	2,055,000	380,000

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
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.	\$ 4,455,000	\$ -	\$ (275,000)	\$ 4,180,000	\$ 285,000
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.					
	1,930,000	-	(295,000)	1,635,000	305,000
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.					
	2,794,442	-	(126,608)	2,667,834	129,624
Premium on bond issuance	68,017	-	(4,251)	63,766	-
Total bonds and loans payable	49,833,907	-	(4,821,949)	45,011,958	4,424,001
Other					
Retiree Healthcare	4,239,246	1,479,121	-	5,718,367	-
Employee compensated absences	1,005,059	99,847	-	1,104,906	473,938
Total	\$ 55,078,212	\$ 1,578,968	\$ (4,821,949)	\$ 51,835,231	\$ 4,897,939

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

The aggregate debt service requirements to pay principal and interest on the various bonds and loans outstanding with interest of \$8,911,685 in the business-type activities, interest of \$16,703,944 including capital appreciation of \$11,082,207 in the governmental activities bonded debt, and interest of \$626,279 in governmental activities other debt are as follows:

Year Ended June 30,	Governmental Activities			
	Bonded Debt		Other Debt	
	Principal	Interest	Principal	Interest
2014	\$ 522,862	\$ 1,876,229	\$ 85,800	\$ 92,276
2015	498,310	1,934,482	165,000	87,160
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
2019-2023	2,087,917	6,632,227	1,619,305	210,618
2024-2028	535,000	109,510	467,869	21,263
2029-2032	315,000	30,700	-	-
	<u>\$ 4,577,355</u>	<u>\$ 16,703,944</u>	<u>\$ 3,000,800</u>	<u>\$ 626,279</u>

Year Ended June 30,	Business-type Activities	
	Principal	Interest
2014	\$ 4,424,001	\$ 1,362,127
2015	4,560,100	1,229,686
2016	3,981,201	1,104,930
2017	4,097,300	988,811
2018	4,213,400	866,691
2019-2023	18,257,899	2,692,413
2024-2028	4,859,201	631,595
2029-2031	514,600	35,432
	<u>\$ 44,907,702</u>	<u>\$ 8,911,685</u>

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Component units					
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.	\$ 1,705,000	\$ -	\$ (200,000)	\$ 1,505,000	\$ 230,000
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.	1,078,214	-	(41,630)	1,036,584	41,630
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.	398,086	-	(15,370)	382,716	15,370
Total long-term debt, component units	\$ 3,181,300	\$ -	\$ (257,000)	\$ 2,924,300	\$ 287,000

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 with interest included of \$783,349 are as follows:

Year Ended June 30,	Component Units	
	Principal	Interest
2014	\$ 287,000	\$ 112,210
2015	323,900	102,366
2016	360,800	90,781
2017	397,700	77,379
2018	439,600	62,357
2019-2023	359,100	198,334
2024-2028	440,800	118,205
2029-2031	315,400	21,717
	<u>\$ 2,924,300</u>	<u>\$ 783,349</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.

The changes in the claims liability for the years ended June 30, 2012 and 2013, are as follows:

Fiscal Year	Beginning of Period Liability	Current Year Claims and Changes in Estimates	Claim Payments	End of Period Liability
2012	\$ 493,718	\$ 798,729	\$ (862,745)	\$ 429,702
2013	429,702	747,829	(895,381)	282,150

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

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, 2012 and 2013, are as follows:

Fiscal Year	Beginning of Period Liability	Current Year Claims and Changes in Estimates	Claim Payments	End of Period Liability
2012	\$ 279,462	\$ 8,085,621	\$ (8,085,770)	\$ 279,313
2013	279,313	8,489,959	(8,452,014)	317,258

Workers' Compensation

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

The changes in the claims liability for the years ended June 30, 2012 and 2013 are as follows:

Fiscal Year	Beginning of Period Liability	Current Year Claims and Changes in Estimates	Claim Payments	End of Period Liability
2012	\$ 555,364	\$ 313,848	\$ (438,025)	\$ 431,187
2013	431,187	326,248	(301,206)	456,229

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

10. BENEFIT PLANS

Employees' Pension Plans - Defined Benefit Pension Plan

Plan Description - The City's defined benefit pension plan provides retirement and disability benefits, and death benefits to plan members and beneficiaries. The City participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the MERS Retirement Board. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 1134 Municipal Way, Lansing, Michigan 48917 or by calling (800) 767-6377.

Funding Policy - The City is required to contribute at an actuarially determined dollar contribution based upon employee group. Employees are required to contribute 0.0% to 3.0%. The contribution requirements of the City are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members, if any, are established and may be amended by the City, depending on the MERS contribution program adopted by the City.

Annual Pension Cost - For the year ended June 30, 2013, the City's annual pension cost was \$2,462,672 and the City contributed \$3,419,580 for MERS including the City's required contribution of \$2,324,087 and an additional contribution of \$1,095,493. The required contribution was determined as part of the December 31, 2010 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, and (c) additional projected salary increases of 0.00% to 8.40% per year, depending on age, attributable to seniority/merit. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment to reflect fair value. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2012, the date of the latest actuarial valuation, was 10 years.

Annual Pension Cost and Net Pension Asset

The City's annual pension cost and net pension asset to MERS for the current year were as follows:

Annual required contribution	\$ 2,324,087
Interest on net pension asset	(652,857)
Adjustment to annual required contribution	<u>791,442</u>
Annual pension cost	2,462,672
Contributions made	<u>(3,419,580)</u>
Increase in net pension asset	(956,908)
Net pension asset, beginning of year	<u>(8,160,713)</u>
Net pension asset, end of year	<u><u>\$ (9,117,621)</u></u>

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

Three-Year Trend Information			
Years Ended June 30,	Annual Pension Cost (APC)	Percentage Contributed	Net Pension Asset
2011	\$ 2,600,007	131.8%	\$ 7,281,749
2012	2,396,246	136.7%	8,160,713
2013	2,462,672	138.9%	9,117,621

Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
12/31/12 \$ 46,478,661	\$ 67,716,335	\$ 21,237,674	69%	\$ 3,567,426	595%

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

Police Officers and Firefighters

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

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

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

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

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

Valuation of 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.

Funding Policy - All plan members are required to contribute between 8% and 10% 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. During the year ended June 30, 2013, the actuarially determined employer contribution rate was 47.79% of covered payroll for firefighters, 32.17% for police patrol and 45.88% for police command.

For the year ended June 30, 2013, the City's annual pension cost of \$1,979,219 for the Police and Fire Retirement System was equal to the City's required and actual contributions. The annual required contribution for the current year was determined as part of the annual actuarial valuation of the plan as of June 30, 2012 using the individual entry age actuarial cost method. The actuarial assumptions included (a) a 7.5% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 5% to 49% per year.

Both (a) and (b) included an inflation component of 4%. The assumptions included cost-of-living adjustments ranging from 4.0% to 5.0% after 5, 10, and 15 years payable to certain eligible members. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the fair value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The amortization period at June 30, 2012, the date of the latest actuarial valuation, was 28 years for all groups. The City Commission has the authority to amend and establish benefit provisions, as well as contribution rates.

Concentrations

At June 30, 2013, there were no individual investments with a value that represents 5% or more of the System's net position. However, amounts invested in two mutual funds (Northern Trust and Hexavest Eafe Equity Fund) represent 14% and 6% of the System's total assets, respectively, at June 30, 2013.

Trend Information

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

Three-Year Trend Information		
Years Ended June 30,	Annual Pension Cost (APC)	Percentage Contributed
2011	\$ 1,622,079	100%
2012	1,725,255	100%
2013	1,979,219	100%

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

Funded Status and Funding Progress - As of June 30, 2012, the most recent actuarial valuation date, the plan was 61.2 percent funded. The actuarial accrued liability for benefits was \$65,058,041, and the actuarial value of assets was \$39,819,306, resulting in an unfunded actuarial accrued liability (UAAL) of \$25,238,735. The covered payroll (annual payroll of active employees covered by the plan) was \$5,228,425, and the ratio of the UAAL to the covered payroll was 482.7%.

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

Defined Contribution Pension Plan

The City of Bay City Employees Defined Contribution Pension Plan is a single employer defined contribution pension plan created by the City and administered by 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, 2013, the City's required and actual contributions amounted to \$439,977. Employees made contributions amounting to \$300,569.

Postretirement Healthcare

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

CITY OF BAY CITY, MICHIGAN

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Currently, 357 retirees are eligible to receive healthcare benefits. The City pays the full cost of coverage for these benefits. The cost of retiree health care benefits is recognized as an expense as claims are paid. Most retirees are currently not required to contribute. However, depending upon the union contract under which they retire, recent retirees will pay a portion of the premium contributions on a monthly basis based on the subscription rates provided by Blue Cross/Blue Shield. The retiree's portion ranges from 0% to 50% depending upon the bargaining unit from which the individual retired. The City's contributions for retiree healthcare for the year ended June 30, 2013, were \$5,717,608.

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	\$ 9,903,231
Interest on net OPEB obligation	772,143
Adjustment to annual required contribution	<u>(961,125)</u>
Annual OPEB cost (expense)	9,714,249
Contributions made	<u>(5,717,608)</u>
Increase in net OPEB obligation	3,996,641
Net OPEB obligation, beginning of year	<u>12,869,047</u>
Net OPEB obligation, end of year	<u>\$ 16,865,688</u>

The City's annual OPEB cost, percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the years 2011, 2012 and 2013 is as follows:

Three-Year Trend Information			
Years Ended June 30,	Annual OPEB Cost (AOC)	Percentage Contributed	Net OPEB Obligation
2011	\$ 7,975,034	65.9%	\$ 11,030,611
2012	8,214,854	77.6%	12,869,050
2013	9,714,249	58.9%	16,865,688

The present value of all benefits expected to be paid to current plan members as of June 30, 2011, the most recent actuarial report, is \$124,991,599. The actuarial accrued liability, which is the portion of the \$124,991,599 attributable to service accrued by plan members as of June 30, 2011, is \$107,810,721. As of June 30, 2011, there is \$6,169,730 in valuation assets available to offset the liabilities of the plan. The funded status of the plan, which is the ratio of plan assets to actuarial accrued liability, as of June 30, 2011, is 5.7%. During the fiscal year ended June 30, 2013, the City contributed an additional \$863,504.

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

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

	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
6/30/11	\$ 6,169,730	\$ 107,810,721	\$ 101,640,991	5.7%	\$ 17,270,080	589%

Membership of the plan consisted of the following at June 30, 2011, the date of the latest actuarial valuation:

Retiree and beneficiaries receiving benefits	403
Active plan members	<u>311</u>
Total	<u><u>714</u></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	6/30/11
Actuarial cost method	Entry age
Amortization method	Level percentage of pay, open
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	6%
Inflation rate	4.5% per year compounded annually
Additional projected salary increases	0.30% to 8.40% per year, depending on age, attributable to seniority/merit
Healthcare cost trend rate	11.5% Initial, 4.5% Ultimate

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

Following are the financial statements for the Retirement Health Savings Plan for the year ended June 30, 2013.

Statement of Plan Net Position

Assets	
Cash and cash equivalents	\$ 319,844
Investments - governmental securities	9,749,286
Accounts receivable	45,501
Interest receivable	<u>788</u>
Total assets	<u>\$ 10,115,419</u>
Net position held in trust for employees' postemployment health care benefits	<u>\$ 10,115,419</u>

Statement of Changes in Plan Net Position

Additions	
Contributions:	
Employer	\$ 863,504
Current premium contributions	<u>4,854,104</u>
Total contributions	<u>5,717,608</u>
Investment income:	
Interest and dividends	1,005,840
Net appreciation in fair value of investments	<u>(3,385)</u>
Net investment income	<u>1,002,455</u>
Total additions	6,720,063
Deductions	
Retiree healthcare premium payments	<u>4,854,104</u>
Net increase in plan net position	<u>1,865,959</u>
Net position restricted for employee's postemployment health care benefits Beginning of year	<u>8,249,460</u>
End of year	<u>\$ 10,115,419</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 2008 to be \$2.3 million over the next 30 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 trust 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 form 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 Electric Department, along with other Michigan municipal utilities, is a member of the Michigan Public Power Agency (MPPA). The agency was formed to acquire interests in certain electric generating plants and related transmission lines. MPPA has acquired a 4.8% undivided interest in the Consumers Power Campbell 3 plant and 18.61% undivided interest in the Detroit Edison Company Belle River project. The Electric Department has entered into power supply and project support contracts with MPPA. Under the agreement, the Electric Department will purchase 13.18% of the energy generated by the Campbell 3 plant and 3.71% of the energy generated by the Belle River plant. Under the terms of the contract, the Electric Department must make annual payments to cover their share of annual debt service requirements and fixed operation costs of the Campbell and Belle River projects. During the fiscal year ended June 30, 2009, the final payment was made on the Campbell project. The estimated annual debt payments with interest included of \$2,347,218 on the Belle River Project and AFEC projects are as follows:

Fiscal Year Ending	Belle River Project	AFEC Project
2014	\$ 1,129,149	\$ 408,952
2015	1,129,419	408,202
2016	1,129,277	408,407
2017	1,129,368	408,956
2018	1,129,184	408,329
2019-2023	1,504,247	2,042,365
2024-2028	-	2,042,218
2029-2033	-	2,042,698
2034-2038	-	2,041,474
2039-2043	-	2,041,768
Total	\$ 7,150,644	\$ 12,253,369

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

In addition, the City had other construction commitments totaling \$7,652,746 at June 30, 2013 as follows:

Project	Remaining Commitment at June 30, 2013
Automatic Meter Install	\$ 4,634,597
Sixth St. Sewer Repair	732,792
Sludge Pipe Replacement	686,800
Generation Upgrades	599,675
RTB#1 Gravity Dewater	474,000
Local Streets	283,097
Mill End Alley	128,300
Harrison St.	92,172
City Hall HVAC	21,313
	<u>\$ 7,652,746</u>

On January 25, 2013, the City entered into a Water Plant Cost Sharing Agreement with the Board of County Road Commissioners of the County of Bay (the "Commission"), 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 the construction of a new Bay Area Water Treatment Plant.
- 2) Sharing certain costs with the Commission, 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 Commission 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 Commission, 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 Commission 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

The City has adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB 54 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					
Inventory	\$ -	\$ 76,010	\$ -	\$ -	\$ 76,010
Prepaid	-	-	-	-	-
Total nonspendable	-	76,010	-	-	76,010
Restricted					
Waysign grant	8,596	-	-	-	8,596
Special revenue funding source restrictions	-	1,092,250	-	1,703,332	2,795,582
Debt service	-	-	-	-	-
Capital projects	-	-	-	34,813	34,813
Total restricted	8,596	1,092,250	-	1,738,145	2,838,991
Committed					
Future general fund operations	2,930,788	-	-	-	2,930,788
COPS Hiring Recovery Program	250,000	-	-	-	250,000
City Hall restoration	797,744	-	-	-	797,744
Total committed	3,978,532	-	-	-	3,978,532
Unassigned	381,824	-	-	(41,346)	340,478
Total fund balance	\$ 4,368,952	\$ 1,168,260	\$ -	\$ 1,696,799	7,234,011

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, 2013 is as follows:

	Governmental Activities	Business-type Activities	Component Units
Nondepreciable assets	\$ 23,911,200	\$ 4,223,935	\$ 229,823
Depreciable capital assets, net	53,668,025	132,746,493	5,751,658
Less related debt:			
Bonds and notes payable	(18,660,362)	(45,011,958)	(2,924,300)
Capital appreciation	11,082,207	-	-
Non-capital debt	-	-	382,716
Net investment in capital assets	<u>\$ 70,001,070</u>	<u>\$ 91,958,470</u>	<u>\$ 3,439,897</u>

14. RESTATEMENTS

City of Bay City adopted the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows or Resources, Deferred Inflows of Resources, and Net Position*, and No. 65, *Items Previously Reported as Assets and Liabilities*, in the current year. In addition to the revised classification of certain financial elements in the financial statements, the implementation of GASB Statement No. 65 resulted in a restatement of net position due to the elimination of the presentation of deferred bond issuance costs amortized over the life of the related bonds. As a result of this change in accounting principle, beginning net position of both business-type activities and the electric fund decreased by \$135,000.

The City loans and collections component unit board disbanded prior to the beginning of the current fiscal year, which qualified the fund as a special revenue fund, rather than a component unit. Therefore, beginning net position of component units decreased by \$39,627. Beginning net position of the city loans and collections special revenue fund and governmental activities increased by the corresponding amount.

15. SUBSEQUENT EVENTS

On July 18, 2013, the City issued Electric Utility System Revenue Bonds, Series 2013, in the amount of \$13,830,000 and due in annual installments ranging from \$140,000 to \$1,115,000 through July 1, 2033, at 3.9% interest.

On October 3, 2013, the City issued Brownfield Redevelopment Authority 2013 Tax Increment Bonds, in the amount of \$9,200,000 and due in annual installments ranging from \$15,000 to \$870,000 through October 1, 2043, at interest rates ranging from 3% to 5.5%.



REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BAY CITY, MICHIGAN

Required Supplementary Information

Municipal Employee Retirement System
For the Year Ended June 30, 2013

Schedule of Funding Progress

Actuarial Valuation Date (December 31)	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL) Attained Age	(b-a) Unfunded Actuarial Accrued Liability (Asset)	(a/b) Funded Ratio	(c) Covered Payroll	((b-a)/c) UAAL as a % of Covered Payroll
2007	\$ 41,431,126	\$ 65,669,156	\$ 24,238,030	63.1%	\$ 5,248,328	461.8%
2008	43,099,367	66,147,661	23,048,294	65.2%	4,889,820	471.4%
2009	44,326,080	64,851,338	20,525,258	68.4%	4,721,445	434.7%
2010	45,270,314	65,636,445	20,366,131	69.0%	4,126,308	493.6%
2011	46,136,051	67,083,655	20,947,604	68.8%	3,718,679	563.3%
2012	46,478,661	67,716,335	21,237,674	68.6%	3,567,426	595.3%

Schedule of Employer Contributions

Fiscal Year Ended (June 30)	Annual Required Contribution	Actual Annual Contribution	Percent Contributed
2008	\$ 2,228,304	\$ 4,464,899	200.37%
2009	2,226,792	4,417,775	198.39%
2010	2,225,289	3,320,793	149.23%
2011	2,330,973	3,426,474	147.00%
2012	2,179,717	3,275,210	150.26%
2013	2,324,087	3,419,580	147.14%

CITY OF BAY CITY, MICHIGAN

Required Supplementary Information

City of Bay City Police and Fire Retirement System
For the Year Ended June 30, 2013

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
2007	\$ 46,365,165	\$ 59,001,185	\$ 12,636,020	78.6%	\$ 6,145,101	205.6%
2008	48,162,620	60,101,971	11,939,351	80.1%	6,123,644	195.0%
2009	45,290,860	61,088,699	15,797,839	74.1%	5,914,162	267.1%
2010	43,369,680	61,823,912	18,454,232	70.2%	5,669,560	325.5%
2011	42,095,297	64,843,292	22,747,995	64.9%	5,464,690	416.3%
2012	39,819,306	65,058,041	25,238,735	61.2%	5,228,425	482.7%

Schedule of Employer Contributions

Fiscal Year Ended (June 30)	Annual Required Contribution	Actual Annual Contribution	Percent Contributed
2008	\$ 1,651,747	\$ 1,651,747	100.00%
2009	1,618,068	1,618,068	100.00%
2010	1,483,085	1,483,085	100.00%
2011	1,622,079	1,622,079	100.00%
2012	1,725,255	1,725,255	100.00%
2013	1,979,219	1,979,219	100.00%

CITY OF BAY CITY, MICHIGAN

Required Supplementary Information

Postretirement Healthcare

For the Year Ended June 30, 2013

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
2006	\$ 2,999,854	\$ 126,498,186	\$ 123,498,332	2.4%	\$ 18,022,546	685.2%
2008	3,855,958	109,208,397	105,352,439	3.5%	18,881,086	558.0%
2011	6,169,730	107,810,721	101,640,991	5.7%	17,270,080	588.5%

Schedule of Employer Contributions

Fiscal Year Ended (June 30)	Annual Required Contribution	Actual Annual Contribution	Percent Contributed
2011	\$ 8,092,665	\$ 5,253,500	64.92%
2012	8,363,912	6,376,415	76.24%
2013	9,903,231	5,717,608	57.73%

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

Nonmajor Governmental Funds

Special Revenue Funds

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

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

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.

Homeless Prevention Rehousing 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 Homelessness Prevention & Rapid Re-Housing Program (HPRP).

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.

Debt Service Fund

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

Capital Projects Funds

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

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

Economic Opportunities Fund - This fund 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.

Nonmajor Governmental Funds

CITY OF BAY CITY, MICHIGAN

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2013

	Special Revenue Funds				
	Local Streets	Parking Enforcement	Solid Waste Management	Community Development Block Grant	Building Inspection
Assets					
Cash and cash equivalents	\$ 356,823	\$ 16,255	\$ 170,296	\$ -	\$ 105,548
Receivables					
Accounts	2,201	-	394,475	5,076	265,432
Delinquent taxes	-	-	-	-	-
Special assessments	-	-	24,463	-	7,224
Accrued interest	878	40	419	-	259
Notes	-	-	-	-	-
Allowance for uncollectible amounts	-	-	-	-	-
Due from other funds	92,925	-	311	-	-
Due from other governments	105,761	-	-	153,362	-
Prepaid assets	-	-	-	-	-
Total assets	\$ 558,588	\$ 16,295	\$ 589,964	\$ 158,438	\$ 378,463
Liabilities					
Accounts payable	\$ 101,785	\$ 16,295	\$ 44,942	\$ 44,016	\$ 10,688
Accrued liabilities	12,459	-	22,827	3,333	8,365
Due to other funds	11,155	-	16,688	111,089	7,212
Due to other governments	-	-	1,860	-	-
Deposits payable	-	-	-	-	46,209
Unearned revenue	-	-	-	-	-
Total liabilities	125,399	16,295	86,317	158,438	72,474
Deferred inflows of resources					
Unavailable revenue - property taxes	-	-	-	-	-
Fund balances					
Restricted	433,189	-	503,647	-	305,989
Unassigned (deficit)	-	-	-	-	-
Total fund balances	433,189	-	503,647	-	305,989
Total liabilities, deferred inflows of resources, and fund balances	\$ 558,588	\$ 16,295	\$ 589,964	\$ 158,438	\$ 378,463

Special Revenue Funds						Debt Service Fund
Neighborhood Opportunity	Neighborhood Stabilization	Homeless Prevention Rehousing	Drug Law Enforcement	City Loans and Collections	Total	Bond Sinking Fund
\$ 51,521	\$ 701	\$ -	\$ 368,947	\$ 40,012	\$ 1,110,103	\$ -
-	-	-	4	343,041	1,010,229	-
-	-	-	-	-	-	5,024
-	-	-	-	-	31,687	-
127	-	-	-	-	1,723	-
-	-	-	-	4,000,000	4,000,000	-
-	-	-	-	(4,343,041)	(4,343,041)	-
-	-	-	-	-	93,236	-
-	-	-	-	-	259,123	-
-	-	-	-	-	-	-
<u>\$ 51,648</u>	<u>\$ 701</u>	<u>\$ -</u>	<u>\$ 368,951</u>	<u>\$ 40,012</u>	<u>\$ 2,163,060</u>	<u>\$ 5,024</u>
\$ -	\$ -	\$ -	\$ 104	\$ -	\$ 217,830	\$ -
-	-	-	-	-	46,984	-
-	-	-	-	-	146,144	22,431
-	-	-	-	-	1,860	-
-	-	-	-	-	46,209	-
-	701	-	-	-	701	-
-	701	-	104	-	459,728	22,431
-	-	-	-	-	-	5,024
51,648	-	-	368,847	40,012	1,703,332	-
-	-	-	-	-	-	(22,431)
<u>51,648</u>	<u>-</u>	<u>-</u>	<u>368,847</u>	<u>40,012</u>	<u>1,703,332</u>	<u>(22,431)</u>
<u>\$ 51,648</u>	<u>\$ 701</u>	<u>\$ -</u>	<u>\$ 368,951</u>	<u>\$ 40,012</u>	<u>\$ 2,163,060</u>	<u>\$ 5,024</u>

continued...



Bay

City
Michigan

A beautiful view...of life

City of Bay City

CITY OF BAY CITY, MICHIGAN

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2013

	Capital Projects Funds				Total
	Riverfront Redevelopment	Economic Opportunities	Public Improvement	Total	
Assets					
Cash and cash equivalents	\$ -	\$ 105,388	\$ -	\$ 105,388	\$ 1,215,491
Receivables					
Accounts	-	-	1,218,497	1,218,497	2,228,726
Delinquent taxes	-	-	-	-	5,024
Special assessments	-	-	-	-	31,687
Accrued interest	-	259	-	259	1,982
Notes	-	-	-	-	4,000,000
Allowance for uncollectible amounts	-	-	-	-	(4,343,041)
Due from other funds	-	-	266,961	266,961	360,197
Due from other governments	421,079	-	-	421,079	680,202
Other assets	-	-	-	-	-
Total assets	\$ 421,079	\$ 105,647	\$ 1,485,458	\$ 2,012,184	\$ 4,180,268
Liabilities					
Accounts payable	\$ 324,506	\$ 70,834	\$ 341,537	\$ 736,877	\$ 954,707
Accrued liabilities	-	-	-	-	46,984
Due to other funds	115,488	-	1,143,921	1,259,409	1,427,984
Due to other governments	-	-	-	-	1,860
Deposits payable	-	-	-	-	46,209
Unearned revenue	-	-	-	-	701
Total liabilities	439,994	70,834	1,485,458	1,996,286	2,478,445
Deferred inflows of resources					
Unavailable revenue - property taxes	-	-	-	-	5,024
Fund balances					
Restricted	-	34,813	-	34,813	1,738,145
Unassigned (deficit)	(18,915)	-	-	(18,915)	(41,346)
Total fund balances	(18,915)	34,813	-	15,898	1,696,799
Total liabilities, deferred inflows of resources, and fund balances	\$ 421,079	\$ 105,647	\$ 1,485,458	\$ 2,012,184	\$ 4,180,268

concluded

CITY OF BAY CITY, MICHIGAN

Combining Statement of Revenue, Expenditures and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2013

	Special Revenue Funds				
	Local Streets	Parking Enforcement	Solid Waste Management	Community Development Block Grant	Building Inspection
Revenues					
Property taxes	\$ 177,181	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	554,672
Intergovernmental					
Federal	-	-	-	1,110,710	-
State	764,385	-	-	-	-
Local	-	29,492	-	-	-
Charges for services					
Sales	-	-	2,008,277	-	-
Fines and forfeitures	-	19,291	-	-	-
Interest earnings	391	11	668	-	223
Reimbursements	-	-	-	-	11,432
Other	25	-	22,370	6	70,763
Total revenues	941,982	48,794	2,031,315	1,110,716	637,090
Expenditures					
Current					
Public safety	-	43,514	-	-	606,268
Public works					
Highways, streets and bridges	957,851	-	-	-	-
Environmental	-	-	1,949,103	-	-
Economic development	-	-	-	498,758	-
Capital outlay	93,865	5,280	-	255,450	13,125
Debt service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	1,051,716	48,794	1,949,103	754,208	619,393
Revenues over (under) expenditures	(109,734)	-	82,212	356,508	17,697
Other financing sources (uses)					
Transfers in	92,925	-	-	68,150	113,340
Issuance of long-term debt	-	-	-	-	-
Proceeds from sale of asset	-	-	-	-	-
Transfers out	-	-	-	(424,658)	-
Total other financing sources (uses)	92,925	-	-	(356,508)	113,340
Net change in fund balances	(16,809)	-	82,212	-	131,037
Fund balances, beginning of year (as restated)	449,998	-	421,435	-	174,952
Fund balances, end of year	\$ 433,189	\$ -	\$ 503,647	\$ -	\$ 305,989

Special Revenue Funds						Debt Service Fund
Neighborhood Opportunity	Neighborhood Stabilization	Homeless Prevention Rehousing	Drug Law Enforcement	City Loans and Collections	Total	Bond Sinking Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 177,181	\$ 1,787,447
-	-	-	-	-	554,672	-
-	-	145	76	-	1,110,931	-
-	71,970	-	72,118	-	908,473	-
-	-	-	-	-	29,492	-
-	-	-	-	-	2,008,277	-
-	-	-	-	-	19,291	-
95	-	-	-	385	1,773	6,818
-	-	-	-	-	11,432	-
-	-	-	4	-	93,168	-
95	71,970	145	72,198	385	4,914,690	1,794,265
-	-	-	2,613	-	652,395	-
-	-	-	-	-	957,851	-
-	-	-	-	-	1,949,103	-
28,070	71,970	145	-	-	598,943	-
-	-	-	16,336	-	384,056	-
-	-	-	-	-	-	2,325,000
-	-	-	-	-	-	57,653
28,070	71,970	145	18,949	-	4,542,348	2,382,653
(27,975)	-	-	53,249	385	372,342	(588,388)
-	-	-	-	-	274,415	109,697
-	-	-	-	-	-	-
500	-	-	-	-	500	-
-	-	-	(15,293)	-	(439,951)	-
500	-	-	(15,293)	-	(165,036)	109,697
(27,475)	-	-	37,956	385	207,306	(478,691)
79,123	-	-	330,891	39,627	1,496,026	456,260
\$ 51,648	\$ -	\$ -	\$ 368,847	\$ 40,012	\$ 1,703,332	\$ (22,431)

CITY OF BAY CITY, MICHIGAN

Combining Statement of Revenue, Expenditures and Changes in Fund Balances (concluded)

Nonmajor Governmental Funds
For the Year Ended June 30, 2013

	Capital Projects Funds				Total
	Riverfront Redevelopment	Economic Opportunities	Public Improvement	Total	
Revenues					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 1,964,628
Licenses and permits	-	-	-	-	554,672
Intergovernmental					
Federal	435,909	-	-	435,909	1,546,840
State	68,396	-	-	68,396	976,869
Local	-	-	68,660	68,660	98,152
Charges for services					
Sales	-	-	-	-	2,008,277
Fines and forfeitures	-	-	-	-	19,291
Interest earnings	1,977	180	-	2,157	10,748
Reimbursements	-	27,178	-	27,178	38,610
Other	26,482	4,735	89,483	120,700	213,868
Total revenues	532,764	32,093	158,143	723,000	7,431,955
Expenditures					
Current					
Public safety	-	-	-	-	652,395
Public works					
Highways, streets and bridges	-	-	-	-	957,851
Environmental	-	-	-	-	1,949,103
Economic development	1,378,557	57,203	10	1,435,770	2,034,713
Capital outlay	904,451	95,225	1,281,370	2,281,046	2,665,102
Debt service					
Principal	-	-	-	-	2,325,000
Interest	-	-	-	-	57,653
Total expenditures	2,283,008	152,428	1,281,380	3,716,816	10,641,817
Revenues over (under) expenditures	(1,750,244)	(120,335)	(1,123,237)	(2,993,816)	(3,209,862)
Other financing sources (uses)					
Transfers in	-	-	266,961	266,961	651,073
Issuance of long-term debt	1,000,000	-	-	1,000,000	1,000,000
Gain on sale of asset	452,430	-	-	452,430	452,930
Transfers out	-	-	-	-	(439,951)
Total other financing sources (uses)	1,452,430	-	266,961	1,719,391	1,664,052
Net change in fund balances	(297,814)	(120,335)	(856,276)	(1,274,425)	(1,545,810)
Fund balances, beginning of year (as restated)	278,899	155,148	856,276	1,290,323	3,242,609
Fund balances, end of year	\$ (18,915)	\$ 34,813	\$ -	\$ 15,898	\$ 1,696,799

CITY OF BAY CITY, MICHIGAN

Schedule of Revenue, Expenditures and Changes in Fund Balances
 Budget and Actual
 Local Streets Fund
 For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property taxes	\$ 173,161	\$ 146,811	\$ 177,181	\$ 30,370
Intergovernmental				
State	760,000	760,000	764,385	4,385
Interest earnings	300	300	391	91
Other	100	100	25	(75)
Total revenues	<u>933,561</u>	<u>907,211</u>	<u>941,982</u>	<u>34,771</u>
Expenditures				
Public works				
Highways, streets, and bridges	949,815	901,815	957,851	(56,036)
Capital outlay	208,158	208,158	93,865	114,293
Total expenditures	<u>1,157,973</u>	<u>1,109,973</u>	<u>1,051,716</u>	<u>58,257</u>
Revenues over (under) expenditures	<u>(224,412)</u>	<u>(202,762)</u>	<u>(109,734)</u>	<u>93,028</u>
Other financing sources (uses)				
Transfers in	224,412	224,412	92,925	(131,487)
Transfers out	-	(21,650)	-	21,650
Total other financing sources (uses)	<u>224,412</u>	<u>202,762</u>	<u>92,925</u>	<u>(109,837)</u>
Net change in fund balance	-	-	(16,809)	(16,809)
Fund balance, beginning of year	<u>449,998</u>	<u>449,998</u>	<u>449,998</u>	-
Fund balance, end of year	<u>\$ 449,998</u>	<u>\$ 449,998</u>	<u>\$ 433,189</u>	<u>\$ (16,809)</u>

CITY OF BAY CITY, MICHIGAN

Schedule of Revenue, Expenditures and Changes in Fund Balances
 Budget and Actual
 Parking Enforcement Fund
 For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Intergovernmental				
Local	\$ 23,458	\$ 28,738	\$ 29,492	\$ 754
Fines and forfeitures	24,000	24,000	19,291	(4,709)
Interest earnings	-	-	11	11
Total revenues	<u>47,458</u>	<u>52,738</u>	<u>48,794</u>	<u>(3,944)</u>
Expenditures				
Public safety	47,458	47,458	43,514	3,944
Capital outlay	-	5,280	5,280	-
Total expenditures	<u>47,458</u>	<u>52,738</u>	<u>48,794</u>	<u>3,944</u>
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

CITY OF BAY CITY, MICHIGAN

Schedule of Revenue, Expenditures and Changes in Fund Balances
 Budget and Actual
 Solid Waste Management Fund
 For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Charges for services				
Sales	\$ 2,084,555	\$ 2,084,555	\$ 2,008,277	\$ (76,278)
Interest earnings	1,000	1,000	668	(332)
Other	21,230	21,230	22,370	1,140
Total revenues	2,106,785	2,106,785	2,031,315	(75,470)
Expenditures				
Environmental	2,061,168	2,061,168	1,949,103	112,065
Net change in fund balance	45,617	45,617	82,212	36,595
Fund balance, beginning of year	421,435	421,435	421,435	-
Fund balances, end of year	\$ 467,052	\$ 467,052	\$ 503,647	\$ 36,595

CITY OF BAY CITY, MICHIGAN

Schedule of Revenue, Expenditures and Changes in Fund Balances
 Budget and Actual
 Community Development Block Grant Fund
 For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Intergovernmental				
Federal	\$ 1,453,201	\$ 1,586,883	\$ 1,110,710	\$ (476,173)
Other	-	-	6	6
Total revenues	<u>1,453,201</u>	<u>1,586,883</u>	<u>1,110,716</u>	<u>(476,167)</u>
Expenditures				
Economic development	447,861	610,311	498,758	111,553
Capital outlay	290,000	290,000	255,450	34,550
Total expenditures	<u>737,861</u>	<u>900,311</u>	<u>754,208</u>	<u>146,103</u>
Revenues over expenditures	<u>715,340</u>	<u>686,572</u>	<u>356,508</u>	<u>(330,064)</u>
Other financing sources (uses)				
Transfers in	55,000	67,500	68,150	650
Transfers out	(770,340)	(754,072)	(424,658)	329,414
Total other financing sources (uses)	<u>(715,340)</u>	<u>(686,572)</u>	<u>(356,508)</u>	<u>330,064</u>
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF BAY CITY, MICHIGAN

Schedule of Revenue, Expenditures and Changes in Fund Balances

Budget and Actual
 Building Inspection Fund
 For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Licenses and permits	\$ 412,100	\$ 420,850	\$ 554,672	\$ 133,822
Interest earnings	400	400	223	(177)
Miscellaneous				
Reimbursements	27,000	27,000	11,432	(15,568)
Other	38,200	66,956	70,763	3,807
Total revenues	477,700	515,206	637,090	121,884
Expenditures				
Public safety	691,515	695,744	606,268	89,476
Capital outlay	18,225	18,225	13,125	5,100
Total expenditures	709,740	713,969	619,393	94,576
Revenues over (under) expenditures	(232,040)	(198,763)	17,697	216,460
Other financing sources				
Transfers in	173,340	173,340	113,340	(60,000)
Net change in fund balance	(58,700)	(25,423)	131,037	156,460
Fund balance, beginning of year	174,952	174,952	174,952	-
Fund balance, end of year	\$ 116,252	\$ 149,529	\$ 305,989	\$ 156,460

CITY OF BAY CITY, MICHIGAN

Schedule of Revenue, Expenditures and Changes in Fund Balances
 Budget and Actual
 Neighborhood Opportunity Fund
 For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenue				
Gain on sale of asset	\$ -	\$ 500	\$ 500	\$ -
Interest earnings	900	900	95	(805)
Total revenue	900	1,400	595	(805)
Expenditures				
Economic development	36,000	36,500	28,070	8,430
Net change in fund balance	(35,100)	(35,100)	(27,475)	7,625
Fund balance, beginning of year	79,123	79,123	79,123	-
Fund balance, end of year	\$ 44,023	\$ 44,023	\$ 51,648	\$ 7,625

CITY OF BAY CITY, MICHIGAN

Schedule of Revenue, Expenditures and Changes in Fund Balances
 Budget and Actual
 Neighborhood Stabilization Fund
 For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Intergovernmental				
State	\$ -	\$ 108,067	\$ 71,970	\$ (36,097)
Expenditures				
Economic development	-	108,067	71,970	36,097
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF BAY CITY, MICHIGAN

Schedule of Revenue, Expenditures and Changes in Fund Balances
 Budget and Actual
 Homeless Prevention Rehousing Fund
 For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Intergovernmental				
Federal	\$ -	\$ 145	\$ 145	\$ -
Expenditures				
Economic development	-	145	145	-
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF BAY CITY, MICHIGAN

Schedule of Revenue, Expenditures and Changes in Fund Balances
 Budget and Actual
 Drug Law Enforcement Fund
 For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenue				
Intergovernmental				
Federal	\$ 5,000	\$ 5,000	\$ 76	\$ (4,924)
State	40,000	40,000	72,118	32,118
Other	-	-	4	4
Total revenue	45,000	45,000	72,198	27,198
Expenditures				
Public safety	-	-	2,613	(2,613)
Capital outlay	40,000	24,707	16,336	8,371
Total expenditures	40,000	24,707	18,949	5,758
Revenues over expenditures	5,000	20,293	53,249	32,956
Other financing uses				
Transfers out	-	(15,293)	(15,293)	-
Net change in fund balance	5,000	5,000	37,956	32,956
Fund balance, beginning of year	330,891	330,891	330,891	-
Fund balance, end of year	<u>\$ 335,891</u>	<u>\$ 335,891</u>	<u>\$ 368,847</u>	<u>\$ 32,956</u>

CITY OF BAY CITY, MICHIGAN

Schedule of Revenue, Expenditures and Changes in Fund Balances
 Budget and Actual
 City Loans and Collections Fund
 For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenue				
Interest earnings	\$ 200	\$ 200	\$ 385	\$ 185
Expenditures				
Economic development	10,000	10,000	-	10,000
Net change in fund balance	(9,800)	(9,800)	385	10,185
Fund balance, beginning of year	39,627	39,627	39,627	-
Fund balance, end of year	<u>\$ 29,827</u>	<u>\$ 29,827</u>	<u>\$ 40,012</u>	<u>\$ 10,185</u>

CITY OF BAY CITY, MICHIGAN

Schedule of Revenue, Expenditures and Changes in Fund Balances
 Budget and Actual
 Bond Sinking Fund
 For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property taxes	\$ 1,821,487	\$ 1,821,487	\$ 1,787,447	\$ (34,040)
Interest earnings	6,500	6,500	6,818	318
Total revenues	<u>1,827,987</u>	<u>1,827,987</u>	<u>1,794,265</u>	<u>(33,722)</u>
Expenditures				
Debt service				
Principal	2,325,000	2,325,000	2,325,000	-
Interest and fiscal charges	57,047	58,047	57,653	394
Total expenditures	<u>2,382,047</u>	<u>2,383,047</u>	<u>2,382,653</u>	<u>394</u>
Revenues over expenditures	(554,060)	(555,060)	(588,388)	(33,328)
Other financing sources				
Transfers in	108,697	109,697	109,697	-
Net change in fund balance	<u>(445,363)</u>	<u>(445,363)</u>	<u>(478,691)</u>	<u>(33,328)</u>
Fund balance, beginning of year	456,260	456,260	456,260	-
Fund balance, end of year	<u>\$ 10,897</u>	<u>\$ 10,897</u>	<u>\$ (22,431)</u>	<u>\$ (33,328)</u>



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City of Bay City

Nonmajor Enterprise Funds

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

The City of Bay City has the following Nonmajor Enterprise Funds:

Oak Ridge Cemetery Fund

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

James Clements Airport Fund

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

Liberty Harbor Marina

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

CITY OF BAY CITY, MICHIGAN

Combining Statement of Net Position

Nonmajor Enterprise Funds

June 30, 2013

	Oak Ridge Cemetery	James Clements Airport	Liberty Harbor Marina	Total
Assets				
Current assets				
Cash and cash equivalents	\$ 116,387	\$ 50,696	\$ 137,557	\$ 304,640
Receivables (net of allowance for uncollectibles)				
Accounts	3,392	16,437	152	19,981
Accrued interest	339	125	338	802
Due from other funds	43	-	-	43
Due from other governments	-	2,525	-	2,525
Inventories	-	31,961	-	31,961
Total current assets	120,161	101,744	138,047	359,952
Capital assets				
Land and improvements	300,888	2,424,463	2,738,574	5,463,925
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
Total capital assets	369,187	3,699,489	3,051,547	7,120,223
Accumulated depreciation	(181,312)	(1,478,462)	(1,295,056)	(2,954,830)
Net capital assets	187,875	2,221,027	1,756,491	4,165,393
Total assets	308,036	2,322,771	1,894,538	4,525,345
Liabilities				
Current liabilities				
Accounts payable	12,360	3,871	9,348	25,579
Accrued liabilities	-	-	470	470
Due to other funds	-	100	244	344
Accrued compensated absences - current	-	-	4,677	4,677
Total current liabilities	12,360	3,971	14,739	31,070
Noncurrent liabilities				
Accrued compensated absences	-	-	1,730	1,730
Total liabilities	12,360	3,971	16,469	32,800
Net position				
Investment in capital assets	187,875	2,221,027	1,756,491	4,165,393
Unrestricted	107,801	97,773	121,578	327,152
Total net position	\$ 295,676	\$ 2,318,800	\$ 1,878,069	\$ 4,492,545

CITY OF BAY CITY, MICHIGAN

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

Nonmajor Enterprise Funds

For the Year Ended June 30, 2013

	Oak Ridge Cemetery	James Clements Airport	Liberty Harbor Marina	Total
Operating revenues				
Charges for services				
Sales	\$ 43,424	\$ 74,798	\$ 2,878	\$ 121,100
Rents	-	1,135	127,962	129,097
Miscellaneous	-	44,343	1,142	45,485
Total operating revenues	43,424	120,276	131,982	295,682
Operating expenses				
Cost of sales and service	123,553	153,641	136,030	413,224
Depreciation	1,902	135,054	61,065	198,021
Total operating expenses	125,455	288,695	197,095	611,245
Operating loss	(82,031)	(168,419)	(65,113)	(315,563)
Nonoperating revenues				
Intergovernmental				
Federal grants	-	213,425	-	213,425
State grants	-	9,279	-	9,279
Interest earnings	695	360	419	1,474
Total nonoperating revenues	695	223,064	419	224,178
Income (loss) before transfers	(81,336)	54,645	(64,694)	(91,385)
Transfers in	69,167	42,670	-	111,837
Change in net position	(12,169)	97,315	(64,694)	20,452
Net position, beginning of year	307,845	2,221,485	1,942,763	4,472,093
Net position, end of year	\$ 295,676	\$ 2,318,800	\$ 1,878,069	\$ 4,492,545

CITY OF BAY CITY, MICHIGAN

Combining Statement of Cash Flows

Nonmajor Enterprise Funds

For the Year Ended June 30, 2013

	Oak Ridge Cemetery	James Clements Airport	Liberty Harbor Marina	Total
Cash flows from operating activities				
Cash received from customers and users	\$ 45,879	\$ 73,117	\$ 131,193	\$ 250,189
Cash payments to suppliers for goods and services	(123,596)	(165,206)	(135,192)	(423,994)
Cash payments to employees for services	-	-	(16,677)	(16,677)
Other receipts	-	44,343	1,142	45,485
Net cash provided by (used by) operating activities	(77,717)	(47,746)	(19,534)	(144,997)
Cash flows from noncapital financing activities				
Intergovernmental - federal grant	-	213,425	-	213,425
Intergovernmental - state grant	-	9,279	-	9,279
Transfers in	69,167	42,670	-	111,837
Net cash provided by noncapital financing activities	69,167	265,374	-	334,541
Cash flows from capital and related financing activities				
Purchase of capital assets	-	(231,983)	(18,241)	(250,224)
Cash flows from investing activities				
Interest received	695	360	419	1,474
Net increase (decrease) in cash and cash equivalents	(7,855)	(13,995)	(37,356)	(59,206)
Cash and cash equivalents, beginning of year	124,242	64,691	174,913	363,846
Cash and cash equivalents, end of year	\$ 116,387	\$ 50,696	\$ 137,557	\$ 304,640

CITY OF BAY CITY, MICHIGAN

Combining Statement of Cash Flows

Nonmajor Enterprise Funds

For the Year Ended June 30, 2013

	Oak Ridge Cemetery	James Clements Airport	Liberty Harbor Marina	Total
Reconciliation of operating income to net cash provided by operating activities				
Operating loss	\$ (82,031)	\$ (168,419)	\$ (65,113)	\$ (315,563)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:				
Depreciation	1,902	135,054	61,065	198,021
(Increase) decrease in assets:				
Accounts receivable	2,244	(460)	(30)	1,754
Accrued interest receivable	211	141	383	735
Due from other funds	(43)	-	-	(43)
Due from other governments	-	(2,497)	-	(2,497)
Inventories	-	(10,433)	-	(10,433)
Increase (decrease) in liabilities:				
Accounts payable	-	(1,232)	(19,673)	(20,905)
Accrued liabilities	-	-	(97)	(97)
Due to other funds	-	100	244	344
Compensated absences	-	-	3,687	3,687
Total adjustments	4,314	120,673	45,579	170,566
Net cash provided by (used by) operating activities	\$ (77,717)	\$ (47,746)	\$ (19,534)	\$ (144,997)



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Internal Service Funds

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

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

Information Systems Fund - This fund accounts for all activities necessary to provide technology services to all City departments.

Liability/Property Self-Insurance Fund - The function of this fund is to provide liability and property insurance to all City departments.

Site Remediation Fund - This fund accounts for the expenditures relative to the cleanup and remediation of the Middlegrounds Landfill.

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

CITY OF BAY CITY, MICHIGAN

Combining Statement of Net Position

Internal Service Funds

June 30, 2013

	Motor Equipment Revolving	Information Systems	Liability/ Property Self- Insurance	Site Remediation	Benefits Program	Total
Assets						
Current assets:						
Cash and cash equivalents	\$ 4,289,390	\$ 525,803	\$ 1,325,404	\$ 108,186	\$ 4,610,561	\$ 10,859,344
Receivables (net of allowance for uncollectibles)						
Accounts	1,349	1,327	17,337	-	56,479	76,492
Accrued interest	10,403	1,294	3,262	266	11,315	26,540
Due from other funds	-	70,726	-	-	532,545	603,271
Inventories	153,965	39,565	-	-	-	193,530
Prepaid expenses	-	-	-	-	151,764	151,764
Deposits	-	-	212,211	-	252,788	464,999
Total current assets	4,455,107	638,715	1,558,214	108,452	5,615,452	12,375,940
Noncurrent assets:						
Net pension asset	263,393	182,206	-	-	-	445,599
Capital assets						
Buildings and improvements	65,329	-	-	-	-	65,329
Machinery and equipment	12,979,676	703,918	-	-	-	13,683,594
Accumulated depreciation	(8,875,022)	(538,481)	-	-	-	(9,413,503)
Net capital assets	4,169,983	165,437	-	-	-	4,335,420
Total noncurrent assets	4,433,376	347,643	-	-	-	4,781,019
Total assets	8,888,483	986,358	1,558,214	108,452	5,615,452	17,156,959
Liabilities						
Current liabilities:						
Accounts payable	97,079	28,259	25,616	41,490	352,593	545,037
Accrued liabilities	17,022	15,637	-	110	7,784	40,553
Claims payable	-	-	282,150	-	773,487	1,055,637
Due to other funds	16,393	11,579	16,138	81	731	44,922
Due to other governments	-	-	-	-	15,941	15,941
Accrued compensated absences - current	31,336	28,937	-	135	447	60,855
Total current liabilities	161,830	84,412	323,904	41,816	1,150,983	1,762,945
Noncurrent liabilities:						
Accrued compensated absences	39,293	38,577	-	54	108	78,032
Net OPEB obligation	453,054	184,421	-	-	-	637,475
Total noncurrent liabilities	492,347	222,998	-	54	108	715,507
Total liabilities	654,177	307,410	323,904	41,870	1,151,091	2,478,452
Net position						
Investment in capital assets	4,169,983	165,437	-	-	-	4,335,420
Unrestricted	4,064,323	513,511	1,234,310	66,582	4,464,361	10,343,087
Total net position	\$ 8,234,306	\$ 678,948	\$ 1,234,310	\$ 66,582	\$ 4,464,361	\$ 14,678,507

CITY OF BAY CITY, MICHIGAN

Combining Statement of Revenue, Expenses and
Changes in Fund Net Position
Internal Service Funds
For the Year Ended June 30, 2013

	Motor Equipment Revolving	Information Systems	Liability/ Property Self- Insurance	Site Remediation	Benefits Program	Total
Operating revenues						
Charges for services	\$ 2,862,255	\$ 813,900	\$ 829,250	\$ -	\$ 14,202,181	\$ 18,707,586
Employee contributions	-	-	-	-	318,255	318,255
Other	62,516	4,938	1,271,608	-	71,179	1,410,241
Total operating revenues	2,924,771	818,838	2,100,858	-	14,591,615	20,436,082
Operating expenses						
Cost of sales and service	1,726,236	908,009	-	157,565	-	2,791,810
Administration	-	-	19,282	-	210,562	229,844
Claims and benefits	-	-	1,994,039	-	13,843,789	15,837,828
Depreciation	585,167	69,971	-	-	-	655,138
Total operating expenses	2,311,403	977,980	2,013,321	157,565	14,054,351	19,514,620
Operating income (loss)	613,368	(159,142)	87,537	(157,565)	537,264	921,462
Nonoperating revenues (expenses)						
Interest earnings	16,807	2,582	6,767	530	21,427	48,113
Interest expense	(823)	-	-	-	-	(823)
Loss on disposal of capital assets	(57,957)	-	-	-	-	(57,957)
Total nonoperating revenues (expenses)	(41,973)	2,582	6,767	530	21,427	(10,667)
Income (loss) before transfers	571,395	(156,560)	94,304	(157,035)	558,691	910,795
Other financing sources						
Transfers in	-	70,726	-	-	-	70,726
Change in net position	571,395	(85,834)	94,304	(157,035)	558,691	981,521
Net position, beginning of year	7,662,911	764,782	1,140,006	223,617	3,905,670	13,696,986
Net position, end of year	\$ 8,234,306	\$ 678,948	\$ 1,234,310	\$ 66,582	\$ 4,464,361	\$ 14,678,507

CITY OF BAY CITY, MICHIGAN

Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2013

	Motor Equipment Revolving	Information Systems	Liability/ Property Self- Insurance	Site Remediation	Benefits Program	Total
Cash flows from operating activities						
Cash received from interfund services provided	\$ 2,944,796	\$ 759,484	\$ 1,962,978	\$ 1,436	\$ 14,010,355	\$ 19,679,049
Cash payments to suppliers for goods and services	(1,034,502)	(257,521)	(2,386,064)	(436,804)	(13,904,647)	(18,019,538)
Cash payments to employees for services	(611,198)	(573,086)	-	-	(55,879)	(1,240,163)
Net cash provided (used) by operating activities	1,299,096	(71,123)	(423,086)	(435,368)	49,829	419,348
Cash flows from noncapital financing activities						
Transfers in	-	70,726	-	-	-	70,726
Cash flows from capital and related financing activities						
Purchase of capital assets	(651,966)	(41,799)	-	-	-	(693,765)
Principal paid on debt	(51,551)	-	-	-	-	(51,551)
Interest paid on debt	(821)	-	-	-	-	(821)
Net cash used by capital and related financing activities	(704,338)	(41,799)	-	-	-	(746,137)
Cash flows from investing activities						
Interest received	16,807	2,582	6,767	530	21,427	48,113
Net increase (decrease) in cash and cash equivalents	611,565	(39,614)	(416,319)	(434,838)	71,256	(207,950)
Cash and cash equivalents, beginning of year	3,677,825	565,417	1,741,723	543,024	4,539,305	11,067,294
Cash and cash equivalents, end of year	\$ 4,289,390	\$ 525,803	\$ 1,325,404	\$ 108,186	\$ 4,610,561	\$ 10,859,344
Reconciliation of operating loss to net cash provided (used) by operating activities						
Operating income (loss)	\$ 613,368	\$ (159,142)	\$ 87,537	\$ (157,565)	\$ 537,264	\$ 921,462
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	585,167	69,971	-	-	-	655,138
(Increase) decrease in assets:						
Accounts receivable	(973)	(1,220)	9,592	-	(56,479)	(49,080)
Accrued interest	4,605	1,013	3,845	1,355	7,033	17,851
Due from other funds	-	(70,726)	-	-	(532,545)	(603,271)
Inventories	(2,662)	5,017	-	-	-	2,355
Prepaid expenses	-	-	-	-	45,121	45,121
Deposits	-	-	(212,211)	-	(32,481)	(244,692)
Net pension asset	(33,637)	(18,101)	-	-	-	(51,738)
Increase (decrease) in liabilities:						
Accounts payable	19,215	21,994	(12,980)	(279,387)	38,494	(212,664)
Accrued liabilities	(4,751)	(3,672)	-	110	4,038	(4,275)
Interest payable	(655)	-	-	-	-	(655)
Claims payable	-	-	(147,552)	-	62,987	(84,565)
Due to other funds	16,393	11,579	(151,317)	81	731	(122,533)
Due to other governments	-	-	-	-	(19,498)	(19,498)
Net OPEB obligation	105,344	66,116	-	-	-	171,460
Accrued compensated absences	(2,318)	6,048	-	38	(4,836)	(1,068)
Total adjustments	685,728	88,019	(510,623)	(277,803)	(487,435)	(502,114)
Net cash provided (used) by operating activities	\$ 1,299,096	\$ (71,123)	\$ (423,086)	\$ (435,368)	\$ 49,829	\$ 419,348

Fiduciary Funds

Fiduciary Funds are set up to account for the assets held by the government in a trustee capacity for other individuals, governmental entities, and non-public organizations. Use of these funds facilitates the discharge of responsibilities placed upon the City by virtue of law or other authority.

In the City of Bay City, the trust funds are used to account for the Police and Fire Retirement System, general healthcare and healthcare for Police and Fire personnel and retirees, the Current Tax Collections Agency Fund, and the general Trust and Agency Fund.

CITY OF BAY CITY, MICHIGAN

Statement of Plan Net Position

Fiduciary Funds

June 30, 2013

	Pension Trust	Healthcare Trust Fund			Total
	Police & Fire Retirement	General Employees Health Care Investment	Police & Fire Health Care Investment	Total Health Care Investment Fund	
Assets					
Cash and cash equivalents	\$ -	\$ 207,487	\$ 112,357	\$ 319,844	\$ 319,844
Investments					
Money market accounts	1,083,669	-	-	-	1,083,669
Mutual funds	17,425,372	-	-	-	17,425,372
Government securities	6,781,842	6,669,637	3,079,649	9,749,286	16,531,128
Corporate debt	4,448,274	-	-	-	4,448,274
Common stock	19,054,176	-	-	-	19,054,176
Accounts receivable	265,100	24,458	21,043	45,501	310,601
Interest receivable	108,557	511	277	788	109,345
Total assets	49,166,990	6,902,093	3,213,326	10,115,419	59,282,409
Liabilities					
Accounts payable	628,764	-	-	-	628,764
Net position					
Restricted for employees' pension benefits	48,538,226	-	-	-	48,538,226
Restricted for employees' postemployment health care benefits	-	6,902,093	3,213,326	10,115,419	10,115,419
Total net position	\$ 48,538,226	\$ 6,902,093	\$ 3,213,326	\$ 10,115,419	\$ 58,653,645

CITY OF BAY CITY, MICHIGAN

Combining Statement of Changes in Plan Net Position

Fiduciary Funds

For the Year Ended June 30, 2013

	Pension Trust	Healthcare Trust Fund			Total
	Police & Fire Retirement	General Employees Health Care Investment	Police & Fire Health Care Investment	Total Health Care Investment Fund	
Additions					
Contributions					
Employer	\$ 1,979,219	\$ 560,119	\$ 303,385	\$ 863,504	\$ 2,842,723
Current premium contributions	-	3,148,655	1,705,449	4,854,104	4,854,104
Plan members	497,166	-	-	-	497,166
Total contributions	2,476,385	3,708,774	2,008,834	5,717,608	8,193,993
Investment income					
Interest and dividends	835,935	687,573	318,267	1,005,840	1,841,775
Net appreciation (depreciation) in fair value of investments	5,423,769	(2,362)	(1,023)	(3,385)	5,420,384
Investment expense	(202,076)	-	-	-	(202,076)
Net investment income	6,057,628	685,211	317,244	1,002,455	7,060,083
Other additions	4,081	-	-	-	4,081
Total additions	8,538,094	4,393,985	2,326,078	6,720,063	15,258,157
Deductions					
Retiree healthcare premium payments	-	3,148,655	1,705,449	4,854,104	4,854,104
Benefits and refunds paid to participants	4,592,651	-	-	-	4,592,651
Administrative expenses	137,749	-	-	-	137,749
Bad debt expense	49,085	-	-	-	49,085
Total deductions	4,779,485	3,148,655	1,705,449	4,854,104	9,633,589
Net increase (decrease) in plan net position	3,758,609	1,245,330	620,629	1,865,959	5,624,568
Net position restricted for pension and other employee benefits					
Beginning of year	44,779,617	5,656,763	2,592,697	8,249,460	53,029,077
End of year	\$ 48,538,226	\$ 6,902,093	\$ 3,213,326	\$ 10,115,419	\$ 58,653,645

CITY OF BAY CITY, MICHIGAN

Combining Statement of Fiduciary Assets and Liabilities

Agency Funds
June 30, 2013

	Trust and Agency	Current Tax Collection	Imprest Payroll	Total
Assets				
Cash and cash equivalents	\$ 148,336	\$ -	\$ 190	\$ 148,526
Accounts receivable	25,152	-	500,600	525,752
Total assets	\$ 173,488	\$ -	\$ 500,790	\$ 674,278
Liabilities				
Accounts payable	\$ 139,901	\$ -	\$ 267,602	\$ 407,503
Due to other governmental units	8,394	-	233,188	241,582
Deposits	25,193	-	-	25,193
Total liabilities	\$ 173,488	\$ -	\$ 500,790	\$ 674,278

CITY OF BAY CITY, MICHIGAN

Combining Statement of Changes in Assets and Liabilities

Agency Funds

For the Year Ended June 30, 2013

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
Trust & Agency Fund				
Assets				
Cash and cash equivalents	\$ 169,772	\$ 3,313,418	\$ 3,334,854	\$ 148,336
Accounts receivable	-	25,152	-	25,152
Total assets	\$ 169,772	\$ 3,338,570	\$ 3,334,854	\$ 173,488
Liabilities				
Accounts payable	\$ 146,649	\$ 2,624,414	\$ 2,631,162	\$ 139,901
Due to other governmental units	-	2,203,662	2,195,268	8,394
Deposits	23,123	16,239	14,169	25,193
Total liabilities	\$ 169,772	\$ 4,844,315	\$ 4,840,599	\$ 173,488
Current Tax Collection Fund				
Assets				
Cash and cash equivalents	\$ -	\$ 28,376,040	\$ 28,376,040	\$ -
Liabilities				
Accounts payable	\$ -	\$ 514,460	\$ 514,460	\$ -
Due to other funds	-	10,378,323	10,378,323	-
Due to other governmental units	-	18,007,533	18,007,533	-
Total liabilities	\$ -	\$ 28,900,316	\$ 28,900,316	\$ -
Imprest Payroll Fund				
Assets				
Cash and cash equivalents	\$ -	\$ 6,626,365	\$ 6,626,175	\$ 190
Accounts receivable	-	500,600	-	500,600
Total assets	\$ -	\$ 7,126,965	\$ 6,626,175	\$ 500,790
Liabilities				
Accounts payable	\$ -	\$ 3,169,107	\$ 2,901,505	\$ 267,602
Due to other governmental units	-	3,979,169	3,745,981	233,188
Total liabilities	\$ -	\$ 7,148,276	\$ 6,647,486	\$ 500,790
Total - All Agency Funds				
Assets				
Cash and cash equivalents	\$ 169,772	\$ 38,315,823	\$ 38,337,069	\$ 148,526
Accounts receivable	-	525,752	-	525,752
Total assets	\$ 169,772	\$ 38,841,575	\$ 38,337,069	\$ 674,278
Liabilities				
Accounts payable	\$ 146,649	\$ 6,307,981	\$ 6,047,127	\$ 407,503
Due to other funds	-	10,378,323	10,378,323	-
Due to other governmental units	-	24,190,364	23,948,782	241,582
Deposits	23,123	16,239	14,169	25,193
Total liabilities	\$ 169,772	\$ 40,892,907	\$ 40,388,401	\$ 674,278



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City of Bay City

Component Units

The Component Units provide economic development and financing services to specific geographic areas within the City limits. These entities are legally separate from the City. However, they are fiscally dependent on the City because the City Commission is responsible for approving their annual operating budgets and any debt issuance. All discrete component units are accounted for as governmental fund types. The Component Units within the City of Bay City are: Downtown Development Authority, Midland Street TIFA, Kresge's DDA, Marquette District TIFA, Water Street DDA, Marina Development TIFA, Allen Healthcare DDA, 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, 2013

	Downtown Development Authority	Adjustments	Statement of Net Position	Midland Street TIFA	Adjustments	Statement of Net Position
Assets						
Cash and cash equivalents	\$ 163,207	\$ -	\$ 163,207	\$ 436,863	\$ -	\$ 436,863
Receivables:						
Accounts	14,484	-	14,484	-	-	-
Delinquent taxes	594	-	594	-	-	-
Accrued interest	402	-	402	1,075	-	1,075
Prepaid expenses	965	-	965	-	-	-
Capital assets, net	-	123,833	123,833	-	1,401,027	1,401,027
Total assets	\$ 179,652	123,833	303,485	\$ 437,938	1,401,027	1,838,965
Liabilities						
Accounts payable	\$ 17,141	-	17,141	\$ 1,633	-	1,633
Accrued liabilities	-	-	-	-	9,973	9,973
Bonds payable:						
Due within one year	-	-	-	-	41,630	41,630
Due in more than one year	-	-	-	-	994,954	994,954
Total liabilities	17,141	-	17,141	1,633	1,046,557	1,048,190
Deferred inflows of resources						
Unavailable revenue - property taxes	619	(619)	-	-	-	-
Fund balances / net position						
Unassigned	161,892	(161,892)	-	436,305	(436,305)	-
Total liabilities, deferred inflows of resources, and fund balances	\$ 179,652			\$ 437,938		
Net position						
Net investment in capital assets		123,833	123,833		364,443	364,443
Unrestricted (deficit)		162,511	162,511		426,332	426,332
Total net position		\$ 286,344	\$ 286,344		\$ 790,775	\$ 790,775

Kresge's DDA	Adjustments	Statement of Net Position	Marquette District TIFA	Adjustments	Statement of Net Position
\$ 36,087	\$ -	\$ 36,087	\$ 426,677	\$ -	\$ 426,677
-	-	-	5,821	-	5,821
89	-	89	1,050	-	1,050
-	-	-	-	-	-
-	23,622	23,622	-	1,436,412	1,436,412
<u>\$ 36,176</u>	<u>23,622</u>	<u>59,798</u>	<u>\$ 433,548</u>	<u>1,436,412</u>	<u>1,869,960</u>
\$ -	-	-	\$ 4,271	-	4,271
-	-	-	1,076	-	1,076
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	5,347	-	5,347
-	-	-	-	-	-
36,176	(36,176)	-	428,201	(428,201)	-
<u>\$ 36,176</u>			<u>\$ 433,548</u>		
	23,622	23,622		1,436,412	1,436,412
	36,176	36,176		428,201	428,201
	<u>\$ 59,798</u>	<u>\$ 59,798</u>		<u>\$ 1,864,613</u>	<u>\$ 1,864,613</u>

CITY OF BAY CITY, MICHIGAN

Statement of Net Position and Governmental Fund Balance Sheet

Water Street DDA, Marina Development TIFA, Allen Healthcare DDA,
Knepp's DDA and Brownfield Redevelopment Authority
June 30, 2013

	Water Street DDA	Adjustments	Statement of Net Position	Marina Develop. TIFA	Adjustments	Statement of Net Position
Assets						
Cash and cash equivalents	\$ 222,733	\$ -	\$ 222,733	\$ -	\$ -	\$ -
Receivables:						
Accrued interest	548	-	548	-	-	-
Capital assets, net	-	2,257,749	2,257,749	-	429,204	429,204
Total assets	\$ 223,281	2,257,749	2,481,030	\$ -	429,204	429,204
Liabilities						
Accounts payable	\$ 2,656	-	2,656	\$ -	-	-
Accrued liabilities	-	9,717	9,717	-	-	-
Bonds payable:						
Due within one year	-	230,000	230,000	-	-	-
Due in more than one year	-	1,275,000	1,275,000	-	-	-
Total liabilities	2,656	1,514,717	1,517,373	-	-	-
Deferred inflows of resources						
Unavailable revenue - property taxes	-	-	-	-	-	-
Fund balances / net position						
Unassigned	220,625	(220,625)	-	-	-	-
Total liabilities, deferred inflows of resources, and fund balances	\$ 223,281			\$ -		
Net position						
Net investment in capital assets		752,749	752,749		429,204	429,204
Unrestricted		210,908	210,908		-	-
Total net position		\$ 963,657	\$ 963,657		\$ 429,204	\$ 429,204

Allen Healthcare DDA	Adjustments	Statement of Net Position	Knepp's DDA	Adjustments	Statement of Net Position
\$ 4,230	\$ -	\$ 4,230	\$ 3,393	\$ -	\$ 3,393
-	-	-	8	-	8
-	-	-	-	139,693	139,693
<u>\$ 4,230</u>	<u>-</u>	<u>4,230</u>	<u>\$ 3,401</u>	<u>139,693</u>	<u>143,094</u>
\$ -	-	-	\$ -	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
4,230	(4,230)	-	3,401	(3,401)	-
<u>\$ 4,230</u>			<u>\$ 3,401</u>		
	-	-		139,693	139,693
	4,230	4,230		3,401	3,401
<u>\$ 4,230</u>	<u>\$ 4,230</u>		<u>\$ 143,094</u>	<u>\$ 143,094</u>	

continued...



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City of Bay City

CITY OF BAY CITY, MICHIGAN

Statement of Net Position and Governmental Fund Balance Sheet

Water Street DDA, Marina Development TIFA, Allen Healthcare DDA,
Knepp's DDA and Brownfield Redevelopment Authority
June 30, 2013

	Brownfield Redevelopment Authority	Adjustments	Statement of Net Position
Assets			
Cash and cash equivalents	\$ 620,236	\$ -	\$ 620,236
Receivables:			
Accrued interest	1,526	-	1,526
Capital assets, net	-	169,941	169,941
Total assets	\$ 621,762	169,941	791,703
Liabilities			
Accounts payable	\$ 148,027	-	148,027
Accrued liabilities	13	3,682	3,695
Bonds payable:			
Due within one year	-	15,370	15,370
Due in more than one year	-	367,346	367,346
Total liabilities	148,040	386,398	534,438
Deferred inflows of resources			
Unavailable revenue - property taxes	-	-	-
Fund balances / net position			
Unassigned	473,722	(473,722)	-
Total liabilities, deferred inflows of resources, and fund balances	\$ 621,762		
Net position			
Net investment in capital assets		169,941	169,941
Unrestricted		87,324	87,324
Total net position		\$ 257,265	\$ 257,265

concluded

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, 2013

	Downtown Development Authority	Adjustments	Statement of Activities	Midland St. TIFA	Adjustments	Statement of Activities
Revenues						
Taxes						
Tax increment	\$ -	\$ -	\$ -	\$ 101,024	\$ -	\$ 101,024
Special assessments	64,830	95	64,925	-	-	-
Charges for services						
Rents	60,021	-	60,021	-	-	-
Miscellaneous						
Interest earnings	733	-	733	2,014	-	2,014
Other	8,675	-	8,675	-	-	-
Total revenues	134,259	95	134,354	103,038	-	103,038
Expenditures/Expenses						
Current						
Economic development	140,867	-	140,867	4,014	-	4,014
Depreciation	-	5,008	5,008	-	77,302	77,302
Capital outlay	-	-	-	5,746	(5,746)	-
Debt service						
Principal	-	-	-	41,630	(41,630)	-
Interest	-	-	-	40,308	(209)	40,099
Total expenditures/expenses	140,867	5,008	145,875	91,698	29,717	121,415
Change in fund balance / net position	(6,608)	(4,913)	(11,521)	11,340	(29,717)	(18,377)
Fund balance / Net position, beginning of year	168,500	129,365	297,865	424,965	384,187	809,152
Fund Balance / Net position, end of year	\$ 161,892	\$ 124,452	\$ 286,344	\$ 436,305	\$ 354,470	\$ 790,775

Kresge's DDA	Adjustments	Statement of Activities	Marquette District TIFA	Adjustments	Statement of Activities
\$ 2,916	\$ -	\$ 2,916	\$ 357,447	\$ -	\$ 357,447
-	-	-	-	-	-
-	-	-	-	-	-
164	-	164	2,554	-	2,554
-	-	-	-	-	-
<u>3,080</u>	<u>-</u>	<u>3,080</u>	<u>360,001</u>	<u>-</u>	<u>360,001</u>
-	-	-	278,759	38,561	317,320
-	1,345	1,345	-	119,786	119,786
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>1,345</u>	<u>1,345</u>	<u>278,759</u>	<u>158,347</u>	<u>437,106</u>
3,080	(1,345)	1,735	81,242	(158,347)	(77,105)
<u>33,096</u>	<u>24,967</u>	<u>58,063</u>	<u>346,959</u>	<u>1,594,759</u>	<u>1,941,718</u>
<u>\$ 36,176</u>	<u>\$ 23,622</u>	<u>\$ 59,798</u>	<u>\$ 428,201</u>	<u>\$ 1,436,412</u>	<u>\$ 1,864,613</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,
 Knepp's DDA and Brownfield Redevelopment Authority
 For the Year Ended June 30, 2013

	Water Street DDA	Adjustments	Statement of Activities	Marina Develop. TIFA	Adjustments	Statement of Activities
Revenues						
Intergovernmental						
State	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes:						
Tax increment	291,430	-	291,430	-	-	-
Miscellaneous						
Interest earnings	1,660	-	1,660	-	-	-
Other	-	-	-	-	-	-
Total revenues	293,090	-	293,090	-	-	-
Expenditures/Expenses						
Current						
Economic development	15,155	-	15,155	-	-	-
Depreciation	-	341,221	341,221	-	63,654	63,654
Capital outlay	6,250	-	6,250	-	-	-
Debt service						
Principal	200,000	(200,000)	-	-	-	-
Interest	65,802	(1,250)	64,552	-	-	-
Total expenditures/expenses	287,207	139,971	427,178	-	63,654	63,654
Change in fund balance / net position	5,883	(139,971)	(134,088)	-	(63,654)	(63,654)
Fund balance / Net position, beginning of year	214,742	883,003	1,097,745	-	492,858	492,858
Fund balance / Net position, end of year	\$ 220,625	\$ 743,032	\$ 963,657	\$ -	\$ 429,204	\$ 429,204



Allen Health- care DDA	Adjustments	Statement of Activities	Knepp's DDA	Adjustments	Statement of Activities
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	15	-	15
-	-	-	-	-	-
-	-	-	15	-	15
-	-	-	-	-	-
-	-	-	-	10,787	10,787
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	10,787	10,787
-	-	-	15	(10,787)	(10,772)
4,230	-	4,230	3,386	150,480	153,866
<u>\$ 4,230</u>	<u>\$ -</u>	<u>\$ 4,230</u>	<u>\$ 3,401</u>	<u>\$ 139,693</u>	<u>\$ 143,094</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,
 Knepp's DDA and Brownfield Redevelopment Authority
 For the Year Ended June 30, 2013

	Brownfield Redevelopment Authority	Adjustments	Statement of Activities
Revenues			
Intergovernmental			
State	\$ -	\$ -	\$ -
Taxes:			
Tax increment	187,033	-	187,033
Miscellaneous			
Interest earnings	2,894	-	2,894
Other	-	-	-
Total revenues	<u>189,927</u>	<u>-</u>	<u>189,927</u>
Expenditures/Expenses			
Current			
Economic development	85,143	-	85,143
Depreciation	-	-	-
Capital outlay	169,941	(169,941)	-
Debt service			
Principal	15,370	(15,370)	-
Interest	14,882	(77)	14,805
Total expenditures/expenses	<u>285,336</u>	<u>(185,388)</u>	<u>99,948</u>
Change in fund balance / net position	(95,409)	185,388	89,979
Fund balance / Net position, beginning of year	<u>569,131</u>	<u>(401,845)</u>	<u>167,286</u>
Fund balance / Net position, end of year	<u>\$ 473,722</u>	<u>\$ (216,457)</u>	<u>\$ 257,265</u>

STATISTICAL SECTION

CITY OF BAY CITY, MICHIGAN

Net Position by Component

Last Ten Fiscal Years

(accrual basis of accounting)

	June 30,			
	2004	2005	2006	2007
Governmental activities				
Net investment in capital assets	\$ 58,960,994	\$ 60,326,443	\$ 61,608,056	\$ 60,760,119
Restricted	2,270,720	1,400,317	1,669,514	1,832,805
Unrestricted (deficit)	13,634,247	10,364,764	11,588,878	12,085,327
Total governmental activities net position	\$ 74,865,961	\$ 72,091,524	\$ 74,866,448	\$ 74,678,251
Business-type activities				
Net investment in capital assets	\$ 98,389,242	\$ 96,461,842	\$ 89,473,335	\$ 90,735,387
Restricted	-	-	-	-
Unrestricted	30,266,336	30,668,638	32,243,217	31,542,821
Total business-type activities net position	\$ 128,655,578	\$ 127,130,480	\$ 121,716,552	\$ 122,278,208
Primary government				
Net investment in capital assets	\$ 157,350,236	\$ 156,788,285	\$ 151,081,391	\$ 151,495,506
Restricted	2,270,720	1,400,317	1,669,514	1,832,805
Unrestricted	43,900,583	41,033,402	43,832,095	43,628,148
Total primary government net position	\$ 203,521,539	\$ 199,222,004	\$ 196,583,000	\$ 196,956,459



June 30,					
2008	2009	2010	2011	2012	2013
\$ 68,777,346	\$ 70,688,130	\$ 58,517,259	\$ 59,245,396	\$ 69,853,228	\$ 70,001,070
2,180,059	2,228,927	2,053,986	1,758,988	1,746,583	34,813
1,925,635	1,990,740	12,282,722	10,271,923	(1,970,352)	(3,777,530)
<u>\$ 72,883,040</u>	<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>
\$ 79,329,188	\$ 82,703,164	\$ 85,223,708	\$ 84,043,144	\$ 87,016,755	\$ 91,958,470
-	-	-	11,901,344	10,898,600	8,569,445
43,744,542	39,161,140	36,689,700	33,221,986	34,339,690	33,321,454
<u>\$ 123,073,730</u>	<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>
\$ 148,106,534	\$ 153,391,294	\$ 143,740,967	\$ 143,288,540	\$ 156,869,983	\$ 161,959,540
2,180,059	2,228,927	2,053,986	13,660,332	12,645,183	8,604,258
45,670,177	41,151,880	48,972,422	43,493,909	32,369,338	29,543,924
<u>\$ 195,956,770</u>	<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>

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,			
	2004	2005	2006	2007
Expenses				
Governmental activities:				
Public safety	\$ 13,014	\$ 13,429	\$ 14,170	\$ 14,640
Community and economic development	-	2,037	2,116	2,602
Public works	11,019	10,909	9,871	9,236
General government	3,028	2,286	1,614	2,064
Recreation and culture	941	1,129	1,249	1,164
Interest on long-term debt	1,358	1,544	1,298	1,302
Total governmental activities expenses	<u>29,360</u>	<u>31,334</u>	<u>30,318</u>	<u>31,008</u>
Business-type activities:				
Electric	22,116	24,134	26,079	26,537
Water	6,939	6,870	7,231	7,694
Sewer	10,340	11,468	12,487	12,165
Public works	435	421	463	519
Total business-type activities expenses	<u>39,830</u>	<u>42,893</u>	<u>46,260</u>	<u>46,915</u>
Total primary government expenses	<u>\$ 69,190</u>	<u>\$ 74,227</u>	<u>\$ 76,578</u>	<u>\$ 77,923</u>
Program Revenues				
Governmental activities:				
Charges for services				
Public safety	\$ 640	\$ 768	\$ 960	\$ 811
General government	1,036	1,299	1,419	1,256
Public works	2,006	1,923	1,939	1,973
Recreation and culture	6	13	8	10
Other	-	(16)	125	71
Operating grants and contributions	5,899	6,296	5,797	5,646
Capital grants and contributions	21	618	47	1,659
Total governmental activities program revenues	<u>9,608</u>	<u>10,901</u>	<u>10,295</u>	<u>11,426</u>
Business-type activities:				
Charges for services				
Electric	21,972	22,991	23,770	26,060
Water	7,060	7,342	7,204	7,246
Sewer	8,358	9,931	11,512	11,726
Public works	230	219	215	188
Operating grants and contributions	26	164	246	102
Capital grants and contributions	-	-	455	482
Total business-type activities program revenues	<u>37,646</u>	<u>40,647</u>	<u>43,402</u>	<u>45,804</u>
Total primary government program revenues	<u>\$ 47,254</u>	<u>\$ 51,548</u>	<u>\$ 53,697</u>	<u>\$ 57,230</u>

Year Ended June 30,						
2008	2009	2010	2011	2012	2013	
\$ 13,094	\$ 12,808	\$ 12,811	\$ 12,115	\$ 12,606	\$ 13,499	
2,148	1,903	1,819	2,408	2,833	3,581	
9,633	10,919	11,437	13,836	12,083	9,863	
3,168	2,730	3,087	1,098	982	1,516	
1,016	1,074	1,178	783	924	1,092	
1,399	1,267	1,223	1,195	1,283	1,160	
<u>30,458</u>	<u>30,701</u>	<u>31,555</u>	<u>31,435</u>	<u>30,711</u>	<u>30,711</u>	
30,012	30,419	30,184	30,285	32,375	33,545	
8,072	8,746	8,705	8,193	9,077	9,215	
11,987	12,573	12,511	11,909	11,748	11,612	
541	524	528	558	590	605	
<u>50,612</u>	<u>52,262</u>	<u>51,928</u>	<u>50,945</u>	<u>53,790</u>	<u>54,976</u>	
<u>\$ 81,070</u>	<u>\$ 82,963</u>	<u>\$ 83,483</u>	<u>\$ 82,380</u>	<u>\$ 84,501</u>	<u>\$ 85,687</u>	
\$ 716	\$ 727	\$ 837	\$ 922	\$ 845	\$ 914	
925	677	845	940	837	815	
2,010	2,065	2,052	2,049	2,528	2,112	
25	23	61	59	67	119	
97	(138)	(263)	(141)	50	485	
6,252	7,760	6,346	5,589	7,967	4,757	
1,259	1,461	706	1,484	171	1,303	
<u>11,284</u>	<u>12,575</u>	<u>10,584</u>	<u>10,902</u>	<u>12,465</u>	<u>10,506</u>	
29,067	30,270	29,870	32,263	32,240	32,933	
7,800	7,540	8,193	8,928	9,501	9,394	
12,346	11,761	12,826	14,715	13,667	13,421	
264	194	223	231	220	220	
115	51	225	128	359	397	
427	98	-	-	-	-	
<u>50,019</u>	<u>49,914</u>	<u>51,337</u>	<u>56,265</u>	<u>55,987</u>	<u>56,365</u>	
<u>\$ 61,303</u>	<u>\$ 62,489</u>	<u>\$ 61,921</u>	<u>\$ 67,167</u>	<u>\$ 68,452</u>	<u>\$ 66,871</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,			
	2004	2005	2006	2007
Net (expense)/revenue				
Governmental activities	\$ (19,773)	\$ (20,433)	\$ (20,023)	\$ (19,582)
Business-type activities	(2,184)	(2,246)	(2,858)	(1,111)
Total primary government net expense	<u>\$ (21,936)</u>	<u>\$ (22,679)</u>	<u>\$ (22,881)</u>	<u>\$ (20,693)</u>
General Revenues and Other Changes in Net Position				
Governmental activities:				
Property taxes	\$ 13,142	\$ 12,934	\$ 13,592	\$ 13,640
Unrestricted grants and contributions	5,458	5,395	5,172	5,127
Investment earnings	274	381	398	702
Miscellaneous	67	71	111	74
Transfers	(119)	(311)	3,525	(149)
Total governmental activities	<u>18,822</u>	<u>18,470</u>	<u>22,798</u>	<u>19,394</u>
Business-type activities:				
Investment earnings	438	841	922	1,459
Miscellaneous	40	213	47	64
Transfers	119	311	(3,525)	149
Total business-type activities	<u>597</u>	<u>1,365</u>	<u>(2,556)</u>	<u>1,672</u>
Total primary government	<u>\$ 19,419</u>	<u>\$ 19,835</u>	<u>\$ 20,242</u>	<u>\$ 21,066</u>
Change in Net Position				
Governmental activities	\$ (951)	\$ (1,963)	\$ 2,775	\$ (188)
Business-type activities	(1,587)	(881)	(5,414)	561
Total primary government	<u>\$ (2,538)</u>	<u>\$ (2,844)</u>	<u>\$ (2,639)</u>	<u>\$ 373</u>

Year Ended June 30,					
2008	2009	2010	2011	2012	2013
\$ (19,174)	\$ (18,126)	\$ (20,971)	\$ (20,533)	\$ (18,246)	\$ (20,205)
(593)	(2,348)	(591)	5,320	2,197	1,389
<u>\$ (19,767)</u>	<u>\$ (20,474)</u>	<u>\$ (21,562)</u>	<u>\$ (15,213)</u>	<u>\$ (16,049)</u>	<u>\$ (18,816)</u>

\$ 14,044	\$ 14,249	\$ 14,012	\$ 12,728	\$ 12,357	\$ 12,379
4,911	5,104	4,383	4,614	3,904	4,113
1,022	709	462	114	182	103
80	107	92	655	766	241
34	(18)	(32)	(125)	(610)	(41)
<u>20,091</u>	<u>20,151</u>	<u>18,917</u>	<u>17,986</u>	<u>16,599</u>	<u>16,795</u>
1,398	1,048	580	152	213	91
25	72	28	59	69	208
(34)	18	32	125	610	41
<u>1,389</u>	<u>1,138</u>	<u>640</u>	<u>336</u>	<u>892</u>	<u>340</u>
<u>\$ 21,480</u>	<u>\$ 21,289</u>	<u>\$ 19,557</u>	<u>\$ 18,322</u>	<u>\$ 17,491</u>	<u>\$ 17,135</u>

\$ 917	\$ 2,025	\$ (2,054)	\$ (2,547)	\$ (1,647)	\$ (3,411)
796	(1,210)	49	5,656	3,089	1,729
<u>\$ 1,713</u>	<u>\$ 815</u>	<u>\$ (2,005)</u>	<u>\$ 3,109</u>	<u>\$ 1,442</u>	<u>\$ (1,681)</u>

CITY OF BAY CITY, MICHIGAN

Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

(amounts expressed in thousands)

	June 30,			
	2004	2005	2006	2007
General fund				
Reserved	\$ 4	\$ 3	\$ -	\$ -
Unreserved	5,460	5,380	5,353	5,086
Nonspendable	-	-	-	-
Committed	-	-	-	-
Restricted	-	-	-	-
Unassigned	-	-	-	-
Total general fund	\$ 5,464	\$ 5,383	\$ 5,353	\$ 5,086
All other governmental funds				
Reserved	\$ 42	\$ 42	\$ 36	\$ 65
Unreserved, reported in:				
Special revenue funds	1,951	1,663	2,168	2,479
Capital projects funds	2,156	1,347	1,463	1,446
Debt service fund	115	53	207	387
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total all other governmental funds	\$ 4,264	\$ 3,105	\$ 3,874	\$ 4,377



June 30,					
2008	2009	2010	2011	2012	2013
\$ 342	\$ 268	\$ 300	\$ -	\$ -	\$ -
4,878	5,677	5,440	-	-	-
-	-	-	-	2	-
-	-	-	-	4,441	3,979
-	-	-	307	38	9
-	-	-	5,874	1,783	382
<u>\$ 5,220</u>	<u>\$ 5,945</u>	<u>\$ 5,740</u>	<u>\$ 6,181</u>	<u>\$ 6,264</u>	<u>\$ 4,369</u>
\$ 37	\$ 41	\$ 157	\$ -	\$ -	\$ -
2,529	2,368	2,903	-	-	-
1,596	1,486	1,218	-	-	-
584	743	836	-	-	-
-	-	-	108	129	76
-	-	-	3,031	3,881	2,830
-	-	-	-	-	-
-	-	-	-	-	(41)
<u>\$ 4,746</u>	<u>\$ 4,638</u>	<u>\$ 5,114</u>	<u>\$ 3,139</u>	<u>\$ 4,010</u>	<u>\$ 2,865</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)

	Year Ended June 30,			
	2004	2005	2006	2007
Revenues				
Property taxes and other taxes	\$ 12,469	\$ 12,528	\$ 12,557	\$ 12,816
Licenses and permits	402	513	663	532
Federal grants	2,092	3,630	2,804	3,737
State shared revenues and grants	10,246	9,441	9,595	9,820
Local contributions	88	66	54	16
Interest, rents and royalties	243	332	367	613
Charges for services	5,389	5,466	5,969	5,856
Fines and forfeits	171	153	136	132
Reimbursements, refunds and other revenue	779	543	961	875
Total revenues	31,879	32,672	33,106	34,397
Expenditures				
General government	4,959	5,470	5,381	5,609
Public safety	12,530	13,205	13,826	14,358
Public works	6,894	7,158	7,203	6,777
Community and economic development	2,030	2,405	1,853	1,784
Recreation and culture	954	1,030	1,076	1,005
Postretirement benefits	-	-	-	-
Capital outlay	2,354	2,550	1,393	2,841
Debt service:				
Principal	2,110	1,690	1,570	1,638
Interest and other fees	158	115	4	1
Total expenditures	31,989	33,623	32,306	34,013
Excess of revenues over (under) expenditures	(110)	(951)	800	384
Other financing sources (uses)				
Lease proceeds	31	-	29	-
Issuance of long-term debt	-	-	-	-
Proceeds from sale of assets	-	-	-	-
Transfers in	2,397	1,717	2,537	841
Transfers (out)	(2,516)	(1,741)	(2,627)	(990)
Total other financing sources (uses)	(88)	(24)	(61)	(149)
Net change in fund balances	\$ (198)	\$ (975)	\$ 739	\$ 235
Debt service as a percentage of noncapital expenditures	7.65%	5.81%	5.09%	5.26%

Year Ended June 30,						
2008	2009	2010	2011	2012	2013	
\$ 13,227	\$ 13,271	\$ 13,020	\$ 11,757	\$ 11,459	\$ 11,495	
497	498	515	454	415	577	
3,352	3,473	3,618	2,603	3,411	4,339	
8,062	10,725	7,606	9,063	8,555	5,904	
1,763	1,502	1,489	1,457	1,598	1,437	
712	427	246	67	87	55	
6,038	6,215	6,466	6,366	6,684	4,539	
150	165	149	167	103	90	
1,145	348	520	1,015	1,579	604	
<u>34,946</u>	<u>36,624</u>	<u>33,629</u>	<u>32,949</u>	<u>33,891</u>	<u>29,041</u>	
5,387	5,007	5,183	4,659	4,570	2,716	
12,960	12,419	12,071	11,700	11,928	12,354	
6,800	6,979	6,735	6,693	6,688	6,199	
1,740	1,773	2,221	2,093	2,633	2,568	
818	830	838	813	836	781	
2,034	2,077	1,894	2,108	2,490	2,356	
2,501	5,193	2,662	4,170	4,052	4,104	
2,173	1,690	1,711	1,725	1,748	2,326	
77	21	7	2	65	58	
<u>34,490</u>	<u>35,989</u>	<u>33,322</u>	<u>33,963</u>	<u>35,010</u>	<u>33,462</u>	
<u>456</u>	<u>635</u>	<u>307</u>	<u>(1,014)</u>	<u>(1,119)</u>	<u>(4,421)</u>	
14	-	4	-	-	-	
-	-	-	-	1,630	1,000	
-	-	-	-	85	453	
907	770	1,571	818	1,555	998	
<u>(874)</u>	<u>(788)</u>	<u>(1,611)</u>	<u>(1,338)</u>	<u>(2,165)</u>	<u>(1,110)</u>	
<u>47</u>	<u>(18)</u>	<u>(36)</u>	<u>(520)</u>	<u>1,105</u>	<u>1,341</u>	
<u>\$ 503</u>	<u>\$ 617</u>	<u>\$ 271</u>	<u>\$ (1,534)</u>	<u>\$ (15)</u>	<u>\$ (3,080)</u>	
7.03%	5.56%	5.60%	5.80%	5.77%	7.88%	

CITY OF BAY CITY, MICHIGAN

Revenue By Source

Last Ten Fiscal Years

(accrual basis of accounting)

Year Ended June 30,	Property Taxes	Electric Operating
2004	\$ 13,142,381	\$ 21,987,493
2005	12,933,879	23,069,375
2006	13,591,533	23,776,213
2007	13,640,017	26,103,470
2008	14,043,854	29,072,729
2009	14,249,217	30,309,062
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

CITY OF BAY CITY, MICHIGAN

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					
2004	\$ 455,057	\$ 108,418	\$ 24,135	\$ 75,358	\$ 662,968	21.2027	\$ 1,325,936	50.00%
2005	479,991	112,152	25,425	76,682	694,250	20.5505	1,388,500	50.00%
2006	513,892	116,272	24,698	85,178	740,040	20.0505	1,480,080	50.00%
2007	518,800	119,382	25,162	87,028	750,372	19.4532	1,500,744	50.00%
2008	518,972	119,418	25,266	86,584	749,712	19.5503	1,499,424	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	24,700	65,117	621,586	19.5503	1,243,172	50.00%
2012	440,003	96,855	25,924	57,217	619,999	19.5503	1,239,998	50.00%
2013	405,281	93,352	23,958	62,467	585,058	20.0935	1,170,116	50.00%

Source: Bay City Assessor's Office

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

CITY OF BAY CITY, MICHIGAN

Property Tax Rates

Direct and Overlapping Governments
Last Ten Fiscal Years

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	
2004	17.8027	0.0000	3.4000	21.2027	29.0568	2.5427	10.9486	63.7508
2005	17.6905	0.0000	2.8600	20.5505	30.0458	2.5427	11.0326	64.1716
2006	17.3721	0.0000	2.6784	20.0505	30.0065	2.5427	11.0338	63.6335
2007	16.9615	(0.0971)	2.5888	19.4532	30.9480	2.0427	9.7100	62.1539
2008	16.9615	0.0000	2.5888	19.5503	31.2733	2.0427	10.8096	63.6759
2009	16.9615	0.0000	2.5888	19.5503	31.2733	2.0427	10.8138	63.6801
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	19.5503	31.9133	2.0427	10.8138	64.3201
2013	16.9615	0.0000	4.3750	20.0935	31.9133	2.0427	10.8138	64.8633

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. 2004 refers to the 2005 tax collection, 2005 refers to the 2006 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

Principal Property Taxpayers and Electric Customers

June 30, 2013 and Nine Years Previous

Taxpayer	2013			2004		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
General Motors Corporation	\$ 8,788,600	1	1.61%	\$ 71,063,900	1	10.24%
Consumers Energy Company	5,846,650	2	1.07%	8,144,100	4	1.17%
Charter Communications	4,610,300	3	0.84%	3,018,700	6	0.43%
SC Johnson	3,885,300	4	0.71%	14,368,337	3	2.07%
General Motors Corporation	3,273,318	5	0.60%	17,401,400	2	2.51%
Bay City Housing Commission	1,893,800	6	0.35%	2,184,583	10	0.31%
Nexteer	1,636,900	7	0.30%	5,272,200	5	0.76%
Baldauf Enterprises Inc	1,585,500	8	0.29%	-	-	-
Wenonah Park Properties	1,539,003	9	0.28%	2,779,990	8	0.40%
Mersen USA	1,534,500	10	0.28%	-	-	-
Danaher Corp/Thompson Bay	-	-	-	2,229,000	9	0.32%
Bit Mat Products	-	-	-	2,795,100	7	0.40%
Totals	\$ 34,593,871		6.32%	\$ 129,257,310		18.62%

Electric Customer	2013			2004		
	Usage kWh	Rank	Percentage of Total Usage	Usage kWh	Rank	Percentage of Total Usage
McLaren Bay Region	16,495,387	1	5.1%	14,579,661	2	4.3%
City of Bay City	12,440,496	2	3.9%	20,507,497	1	6.1%
Mersen USA	9,894,000	3	3.1%	-	-	-
S.C. Johnson & Sons	6,636,640	4	2.1%	4,930,980	5	1.5%
Bay County	6,266,808	5	1.9%	4,895,831	6	1.5%
Bay Cast Inc	3,960,134	6	1.2%	4,183,551	7	1.2%
Doubletree Hotel	3,709,113	7	1.2%	-	-	-
Menards	3,343,144	8	1.0%	3,194,584	8	0.9%
Valley Publishing	3,307,520	9	1.0%	-	-	-
Kerkau Manufacturing	3,188,120	10	1.0%	-	-	-
Ultra Carbon	-	-	-	9,102,717	3	2.7%
Bay City Board of Education	-	-	-	5,811,156	4	1.7%
Bay City Housing	-	-	-	3,192,188	9	0.9%
Thomson Bay	-	-	-	2,740,480	10	0.8%
Totals	\$ 69,241,362		21.50%	\$ 73,138,645		21.67%



Bay

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City of Bay City

CITY OF BAY CITY, MICHIGAN

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			Total Collections to Date	
		Amount	Percentage of Levy	Collections in Subsequent Years	Amount	Percentage of Levy
2004	\$ 12,580	\$ 11,800	93.80%	\$ 672	\$ 12,472	99.14%
2005	12,619	11,812	93.60%	703	12,515	99.18%
2006	12,650	11,941	94.39%	707	12,647	99.98%
2007	12,762	11,970	93.79%	765	12,735	99.79%
2008	13,027	12,099	92.88%	917	13,016	99.91%
2009	13,072	12,176	93.15%	845	13,021	99.62%
2010	12,832	11,835	92.23%	927	12,762	99.45%
2011	11,584	10,584	91.37%	906	11,490	99.19%
2012	11,259	10,310	91.57%	908	11,218	99.64%
2013	11,296	10,336	91.50%	946	11,282	99.88%

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
2004	\$ 22,031,664	\$ 400,842	\$ -	\$ 73,412	\$ 10,318,760	\$ 1,305,000	\$ 40,198,689
2005	21,644,380	362,726	-	35,122	9,392,779	7,250,000	39,070,000
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

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.



Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
\$ 74,328,367	24.61%	\$ 2,116
77,755,007	25.60%	2,240
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%	2,118
68,741,901	18.49%	1,981
63,568,064	(2)	1,841

CITY OF BAY CITY, MICHIGAN

Ratios of General Bonded Debt Outstanding

Last Ten Fiscal Years

(amounts expressed in thousands)

June 30,	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Less: Self Supporting and Revenue Bonds	Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita (1)
2004	\$ 33,655	\$ 115	\$ 11,624	\$ 21,916	2.98%	\$ 623.83
2005	38,287	53	16,643	21,591	2.78%	622.08
2006	41,984	207	24,210	17,567	2.24%	512.00
2007	32,153	387	21,805	9,961	1.33%	293.16
2008	39,052	584	31,470	6,998	0.93%	206.39
2009	36,872	743	28,160	7,969	1.11%	235.90
2010	34,624	836	24,570	9,218	1.48%	263.88
2011	34,779	704	23,344	10,731	1.73%	307.45
2012	33,919	456	19,468	13,995	2.39%	403.24
2013	30,513	-	16,908	13,605	2.48%	394.11

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

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

CITY OF BAY CITY, MICHIGAN

Direct and Overlapping Governmental Activities Debt

As of June 30, 2013

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Overlapping Debt:			
Bay County	\$ 13,130,513	19.19%	\$ 2,519,745
Bay City School District	60,200,000	32.18%	19,372,360
Bangor Township Schools	12,430,000	0.35%	43,505
Bay-Arenac Intermediate School District	3,155,000	16.28%	<u>513,634</u>
Total Overlapping Debt			22,449,244
Direct Debt:			
City of Bay City	15,659,562	100.00%	<u>15,659,562</u>
Total Direct and Overlapping Debt			<u>\$ 38,108,806</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.

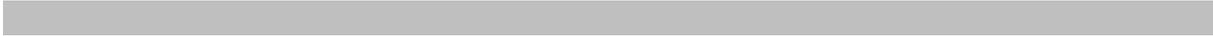
CITY OF BAY CITY, MICHIGAN

Legal Debt Margin Information

Last Ten Fiscal Years

(amounts expressed in thousands)

	2004	2005	2006	2007
Debt limit	\$ 73,468	\$ 77,667	\$ 78,322	\$ 75,024
Total net debt applicable to limit	23,221	28,841	33,462	31,766
Legal debt margin	\$ 50,247	\$ 48,826	\$ 44,860	\$ 43,258
Total net debt applicable to the limit as a percentage of debt limit	31.61%	37.13%	42.72%	42.34%



2008	2009	2010	2011	2012	2013
\$ 74,971	\$ 71,477	\$ 62,159	\$ 62,000	\$ 58,506	\$ 54,755
38,468	36,129	33,788	34,075	33,463	30,513
<u>\$ 36,503</u>	<u>\$ 35,348</u>	<u>\$ 28,371</u>	<u>\$ 27,925</u>	<u>\$ 25,043</u>	<u>\$ 24,242</u>

51.31% 50.55% 54.36% 54.96% 57.20% 55.73%

Legal Debt Margin Calculation for Fiscal Year 2013

Assessed valuation, December 31, 2012	<u>\$ 547,549</u>
Debt limit (10% of assessed valuation)	\$ 54,755
Debt applicable to limit:	\$ 30,513
Less:	
Assets in Debt Service funds available for payment of principa	-
Total amount of debt applicable to debt limit	<u>30,513</u>
Legal debt margin	<u>\$ 24,242</u>

CITY OF BAY CITY, MICHIGAN

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							
2004	\$22,302,847	\$19,262,347	\$ 3,040,500	\$ 1,025,000	\$ 580,460	\$ 1,605,460	1.89
2005	23,615,498	21,352,687	2,262,811	1,085,000	525,148	1,610,148	1.41
2006	24,363,634	23,453,586	910,048	1,145,000	469,111	1,614,111	0.56
2007	26,985,022	24,582,860	2,402,162	1,200,000	409,300	1,609,300	1.49
2008	29,892,066	27,816,358	2,075,708	1,270,000	350,251	1,620,251	1.28
2009	30,890,109	28,101,504	2,788,605	1,750,000	336,538	2,086,538	1.34
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

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

(1) Includes interest earnings.

(2) Net of depreciation expense.

CITY OF BAY CITY, MICHIGAN

Demographic and Economic Statistics

Last Ten Fiscal Years

Year Ended June 30,	Population (1)	Personal Income (2) (amounts expressed in thousands)	Per Capita Personal Income	School Enrollment (3)	Unemployment Rate (4)
2004	35,132	\$ 3,020,243	\$ 27,594	5,878	8.40%
2005	34,708	3,037,255	27,823	5,817	7.50%
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	12.70%
2011	34,902	3,613,534	33,737	4,654	10.80%
2012	34,706	3,716,785	34,757	4,805	9.40%
2013	34,521	(5)	(5)	4,803	10.00%

Data Sources:

- (1) Population Division, U.S. Census Bureau
- (2) Bureau of Economic Analysis, U.S. Department of Commerce
- (3) Local school districts
- (4) U.S. 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, MICHIGAN

Principal Employers 2013 and 2004

Employer	2013			2004		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
McLaren Bay Region	1,839	1	10.60%	2,400	1	13.01%
Bay City Public Schools (1) (2)	900	2	5.19%	1,270	2	6.89%
Bay County (2)	500	3	2.88%	616	4	3.34%
General Motors Powertrain	374	4	2.16%	1,098	3	5.95%
SC Johnson	340	5	1.96%	475	5	2.58%
City of Bay City	274	6	1.58%	433	6	2.35%
F.P. Horak Co.	180	7	1.04%	-		0.00%
Labadie Auto Group	150	8	0.86%	180	10	0.98%
Doubletree Hotel & Conference Center	145	9	0.84%	-		0.00%
Mersen USA	107	10	0.62%	-		0.00%
Heartland Home Health	-		-	430	7	2.33%
Bay Arenace Behavioral Health	-		-	219	8	1.19%
Bay City Times	-		-	200	9	1.08%
Totals	4,809		27.71%	7,321		39.69%

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

	2004	2005	2006	2007
Function				
General government	67	65	62	60
Public safety				
Police	88	71	66	66
Fire	61	58	58	57
Building inspections	N/A	N/A	N/A	N/A
Public works	67	65	64	61
Recreation and culture	17	17	17	15
Community and economic development	7	12	11	10
Electric	48	47	47	45
Water	44	44	43	42.5
Sewer	42	40	46	42.5
Total	441	419	414	399

Source: City of Bay City Finance Department



2008	2009	2010	2011	2012	2013
59	57	60	48	50	51
61	59	58	62	62	60
57	54	53	41	47	44
N/A	N/A	N/A	4	4	4
52	48	48	34	33	30
12	11	10	5	6	6
10	10	9	12	13	13
43	43	45	42	44	41
41	40	40	37	40	35
39	38	38	33	31	28
<u>374</u>	<u>360</u>	<u>361</u>	<u>318</u>	<u>330</u>	<u>312</u>

CITY OF BAY CITY, MICHIGAN

Operating Indicators by Function

Last Ten Fiscal Years

Function	2004	2005	2006	2007
General Government				
Elections				
Number of registered voters	23,988	24,772	24,311	24,509
Public safety				
Police Department				
Number of citations issued	7,989	6,183	5,796	8,343
Number of complaints filed	7,166	6,845	5,946	6,113
Number of calls for service	34,395	32,445	29,470	28,957
Number of DUI offenses	288	278	185	337
Fire Department				
Number of emergency runs	3,989	4,663	3,677	3,341
Number of fire prevention programs	7	7	7	7
Public works				
Streets				
Tons of salt used	2,607	2,784	3,060	2,280
Recreation and culture				
Park acreage maintained	-	-	-	238
Special events	-	-	-	58
Shelter rentals	-	-	-	63
Street trees planted	392	391	482	716
Street trees trimmed	-	-	-	2,998
Street trees removal	-	-	-	251
Community and Economic Development				
Housing units rehabilitated	10	13	5	6
Emergency housing units rehabilitated	27	47	33	23
Electric Department				
Generating capacity	33,295	33,295	33,295	33,295
Sewer System				
Sanitary and storm sewer (miles)	277	277	277	310
Daily average treatment (million gallons)	8.6	9	9	9
Maximum daily capacity (million gallons)	18	18	18	18
Water system				
Miles of water mains	232	232	231.86	232
Daily average consumption (million gallons)	9.76	9.31	9.7	8.90
Maximum daily treatment (million gallons)	13.55	12.38	12.35	12.96
Airport				
Private hanger land leases	-	-	20	22
Public hanger lease	-	-	1	1
Cell tower leases	-	-	1	1
Aviation fuel sold (gallons)	-	-	-	29,000
Cemetery				
Interments	-	-	58	35
Grave sales	-	-	25	30
Foundations set	-	-	21	21
Right of 2nd Interment	-	-	-	-
Marina				
Seasonal Dock Leases	-	-	50	50
Transient Dock Rentals	-	-	1,540	1,585

Sources: Various city departments.

2008	2009	2010	2011	2012	2013
24,864	24,947	23,452	23,338	22,897	23,674
5,836	3,190	3,568	2,792	3,382	3,723
5,963	5,730	4,528	5,907	4,247	4,934
30,275	29,851	30,242	25,189	33,899	33,039
351	210	199	156	219	143
4,329	4,438	4,533	4,785	4,681	4,677
14	187	187	111	128	115
3,529	2,958	1,485	2,948	1,557	1,914
238	233	223	223	238	238
43	33	43	40	25	43
57	60	67	50	49	59
361	366	-	-	-	-
1,576	1,977	-	-	-	-
137	209	167	101	253	134
8	3	5	3	1	-
42	50	42	32	34	40
33,295	33,295	33,295	33,295	33,295	33,295
310	310	320	320	320	320
9	9	8	7	7	7
18	18	18	18	18	18
232	196.87	196.87	196.87	194.50	194.50
8.58	8.03	7.46	7.47	7.41	7.87
12.10	13.85	10.12	14.45	14.00	14.00
22	23	23	23	22	22
1	1	1	2	3	3
1	1	1	1	1	1
20,163	N/A	12,599	14,665	13,756	13,000
35	51	57	48	50	37
40	16	35	42	39	19
19	29	25	18	25	20
6	5	5	5	1	2
50	49	50	50	50	50
1,116	542	419	337	364	340

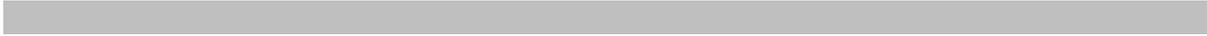
CITY OF BAY CITY, MICHIGAN

Capital Assets Statistics by Function Last Ten Fiscal Years

Function	2004	2005	2006	2007
Public safety				
Police				
Stations	1	1	1	1
Vehicles	40	34	31	25
Fire				
Stations	4	4	4	4
Vehicles	14	14	13	13
Public works				
Bascule span bridges	2	2	2	2
Streets (miles)	199	199	199	199
Recreation and culture				
Park areas	18	25	24	24

Sources: Various city departments.

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



2008	2009	2010	2011	2012	2013
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2 199	2 199	2 199	2 199	2 199	2 199
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24	24	24	24	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 20, 2013

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 Name of City of Bay City as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise City of Bay City's basic financial statements. We issued our report thereon dated December 20, 2013, 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, Audits of States, Local Governments, and Non-Profit Organizations 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

CITY OF BAY CITY, MICHIGAN

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
U.S. Department of Housing and Urban Development				
Community Development Block Grant				
Grant Entitlements - 2008	14.218	Direct	B-08-MC-26-0003	8,609
Grant Entitlements - 2009	14.218	Direct	B-09-MC-26-0003	30,929
Grant Entitlements - 2010	14.218	Direct	B-10-MC-26-0003	96,599
Grant Entitlements - 2011	14.218	Direct	B-11-MC-26-0003	135,730
Grant Entitlements - 2012	14.218	Direct	B-12-MC-26-0003	838,842
Grant Entitlements - 2012	14.218	Direct	N/A	68,150
Total Community Development Block Grant				<u>1,178,859</u>
Home Program				
HOME Program - 2011	14.239	Direct	M11-MC260219	186,443
ARRA Homelessness Prevention and Rapid Rehousing Program ARRA				
	14.257	Direct	S-09-MY-26-0003	<u>145</u>
Total U.S. Department of Housing and Urban Development				<u>1,365,447</u>
U.S. Department of Justice				
Office of Justice Program Awards Cops Hiring Recovery Program	16.710	Direct	2009-RK-WX-0433	<u>185,007</u>
U.S. Department of Transportation				
Federal Aviation Administration	20.106	MDT	B-26-0010-1511	213,425
Federal Transportation Enhancement Grant	20.205	MDT	2012026	72,098
Safe Communities: Traffic Enforcement	20.601	BC	PT-12-05	<u>2,147</u>
Total U.S. Department of Transportation				<u>287,670</u>
U.S. Environmental Protection Agency				
Brownfield Assessment and Cleanup Cooperative Agreement	66.818	Direct	00E01075	80,894
Brownfield Revolving Loan Fund Capitalization Grant	66.818	Direct	00E00363	<u>355,015</u>
				<u>435,909</u>
U.S. Department of Health and Human Services				
Voting Access for Individuals with Disabilities	93.617	MDS	N/A	<u>21,750</u>
U.S. Department of Homeland Security				
Homeland Security Program	97.067	MSP	FY10	34,568
Homeland Security Program	97.067	MSP	FY09	<u>139,740</u>
Total U.S. Department of Transportation				<u>174,308</u>
Total Expenditures of Federal Awards				<u>\$ 2,470,091</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, 2013. 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. PASS-THROUGH AGENCIES

The City receives certain federal grant 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
MDT	Michigan Department of Transportation
BC	Bay County
MSP	Michigan State Police
MDS	Michigan Department of State

4. SUBRECIPIENTS

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

Program Title	CFDA Number	Amount Provided to
Community Development Block Grant Entitlements	14.218	\$ 80,716
HOME Program	14.239	186,383



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 20, 2013

Honorable members of the City Commission
of the City of Bay City
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* (the "City"), as of and for the year ended June 30, 2013, 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 20, 2013.

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 and another deficiency that we consider to be a significant deficiency.

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 2013-FS-01 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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2013-FS-02 to be a significant deficiency.

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*.

We noted a certain other matter that we reported to management of the City in a separate letter dated December 20, 2013.

City of Bay City's Response to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.

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

December 20, 2013

Honorable members of the City Commission
of the City of Bay City
Bay City, Michigan

Report on Compliance for Each Major Federal Program

We have audited the compliance of the *City of Bay City* (the "City") with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2013. The City's major federal programs are 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 each of the City's major federal programs 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 each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each 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 each of its major federal programs for the year ended June 30, 2013.

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 each 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.

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.

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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

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CITY OF BAY CITY, MICHIGAN

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2013

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? X yes 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? yes X 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)? yes X no

Identification of major programs:

CFDA Number

14.218
66.818

Name of Federal Program or Cluster

CDBG - Entitlement Grant
Brownfields Assessment and Cleanup
Cooperative Agreements

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, 2013

SECTION II - FINANCIAL STATEMENT FINDINGS

2013-FS-01 - 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). The auditee's trial balance should be reasonably adjusted prior to the commencement of audit fieldwork to allow for timely and accurate financial reporting.

Condition. The initial trial balance obtained for audit purposes required a variety of adjustments to appropriately reflect year-end balances in accordance with GAAP. A substantial number of journal entries were provided by management subsequent to the start of the audit to adjust a wide range of balance sheet accounts in all opinion units. Certain of these correcting entries were identified by the auditors prior to being recognized by management. In our opinion, these adjustments as a whole had a quantitatively material effect on the financial statements as a whole.

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 accounting records, as initially provided to the auditors, required various adjustments in order to comply with the requirements for external financial statements prepared in accordance with GAAP. By having such a large quantity of material adjustments provided after the start of the audit, the completion of fieldwork was delayed and significant inefficiencies resulted for both the City and the auditors.

Recommendation. In future years, 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. It is the intent of the Fiscal Services Office to handle the audit and financial statement preparation process quite differently for the fiscal year ending June 30, 2014. It is the intent of the Fiscal Services Office to actually complete the preparation of the Comprehensive Annual Financial Report prior to the beginning of or just shortly after the commencement of audit field work. This new process will require that almost all of the preparation (and reconciliation) be completed before the audit begins and will almost certainly result in far less (preferably no) adjustments being made after the audit process begins.

CITY OF BAY CITY, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2013

SECTION II - FINANCIAL STATEMENT FINDINGS

2013-FS-02 - Preparation of Schedule of Expenditures of Federal Awards

Finding Type. Significant Deficiency in Internal Control over Financial Reporting.

Criteria. OMB Circular A-133, §____.300, requires that the City "identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity." In addition, the City is required to "prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with §____.310."

Condition. Management was able to provide us with an initial Schedule of Expenditures of Federal Awards in a timely manner. However, we noted several errors in the Schedule, which collectively were significant, but not material, to the Schedule as a whole. These errors primarily related to inadvertent exclusions of current year Federal expenditures.

Cause. This condition appears to be the result of a lack of internal controls over the process of preparing the Schedule.

Effect. As a result of this condition, the City's Schedule of Expenditures of Federal Awards was initially misstated by an amount that was significant, but not material to the Schedule. The total value of these variances was \$423,165.

Recommendation. We recommend that the City prepare the Schedule of Expenditures of Federal Awards as a reflection of current year Federal expenditures.

View of Responsible Officials. The item referenced above was the failure to include Program Income for the CDBG (Community Development Block Grants) program and the failure to include a Federal Grant which originally was thought to be a Federal Loan. Only after significant discussion with the auditors and the funding source was it determined that the program was a grant.

The City will add the calculation and inclusion of Program Income for the CDBG program to the checklist of audit requirements for the 2014 audit and will resolve any questions as to the form of any Federal Funding prior to the start of any audit fieldwork.

CITY OF BAY CITY, MICHIGAN

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2013

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

CITY OF BAY CITY, MICHIGAN

Summary Schedule of Prior Audit Findings

For the Year Ended June 30, 2013

2012-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 2013-FS-01.

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