

COMPREHENSIVE
ANNUAL
FINANCIAL REPORT



For the
Fiscal Year Ended
June 30, 2014

Bay City, Michigan

"Governmental imagination leading our community into the future."

Table of Contents

	<u>Page</u>
INTRODUCTORY SECTION	
List of Principal Officials	i
Letter of Transmittal	ii-vii
Table of Organization	viii
Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting	ix
FINANCIAL SECTION	
Independent Auditors' Report	1-3
Management's Discussion and Analysis	5-11
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	14
Statement of Activities	15-16
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	18
Reconciliation of Fund Balances of Governmental Funds to Net Position of Governmental Activities	19
Statement of Revenues, Expenditures, and Changes in Fund Balances	20
Reconciliation of Net Changes in Fund Balances of Governmental Funds to Change in Net Position of Governmental Activities	21
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual:	
General Fund	22-23
Major Streets Fund	24
Rehabilitation Fund	25
Proprietary Funds:	
Statement of Net Position	26-27
Statement of Revenues, Expenses, and Changes in Fund Net Position	28
Statement of Cash Flows	29-30
Fiduciary Funds:	
Statement of Fiduciary Net Position	31
Statement of Changes in Fiduciary Net Position	32
Discretely Presented Component Units:	
Combining Statement of Net Position	33-35
Combining Statement of Activities	36-39
Notes to Financial Statements	41-79
Required Supplemental Information:	
Municipal Employee Retirement System Schedule of Funding Progress and Employer Contributions	81
City of Bay City Police and Fire Retirement System:	
Schedule of Change in Net Pension Liability and Related Ratios	82
Schedule of the Net Pension Liability	83
Schedule of Contributions	84
Schedule of Investment Returns	85
Postemployment Healthcare Schedule of Funding Progress and Employer Contributions	86

Table of Contents

	<u>Page</u>
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES	
Nonmajor Governmental Funds:	
Combining Balance Sheet	89-91
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	92-94
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual:	
Local Streets Fund	95
Parking Enforcement Fund	96
Solid Waste Management Fund	97
Community Development Block Grant Fund	98
Building Inspection Fund	99
Neighborhood Opportunity Fund	100
Drug Law Enforcement Fund	101
City Loans and Collections Fund	102
Nonmajor Enterprise Funds:	
Combining Statement of Net Position	104
Combining Statement of Revenues, Expenses and Changes in Fund Net Position	105
Combining Statement of Cash Flows	106-107
Internal Service Funds:	
Combining Statement of Net Position	109
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position	110
Combining Statement of Cash Flows	111
Fiduciary Funds:	
Combining Statement of Plan Net Position	113
Combining Statement of Changes in Plan Net Position	114
Combining Statement of Fiduciary Assets and Liabilities - Agency Funds	115
Combining Statement of Changes in Assets and Liabilities - Agency Funds	116
Component Units:	
Downtown Development Authority, Midland Street TIFA, Kresge's DDA and Marquette District TIFA: Statement of Net Position and Governmental Fund Balance Sheet	118-119
Water Street DDA, Marina Development TIFA, Allen Healthcare DDA, Knepp's DDA, and Brownfield Redevelopment Authority: Statement of Net Position and Governmental Fund Balance Sheet	120-122
Downtown Development Authority, Midland Street TIFA, Kresge's DDA, and Marquette District TIFA: Statement of Activities and Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances	123-124
Water Street DDA, Marina Development TIFA, Allen Healthcare DDA, and Knepp's DDA, and Brownfield Redevelopment Authority: Statement of Activities and Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances	125-127
Brownfield Redevelopment Authority:	
Combining Balance Sheet	128
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	129

Table of Contents

	<u>Page</u>
STATISTICAL SECTION:	
Net Position by Component - Last Ten Fiscal Years	131-132
Changes in Net Position - Last Ten Fiscal Years	133-136
Fund Balances Governmental Funds - Last Ten Fiscal Years	137-138
Changes in Fund Balances - Governmental Funds - Last Ten Fiscal Years	139-140
Revenue by Source - Last Ten Fiscal Years	141
Assessed Value and Estimated Actual Value of Taxable Property - Last Ten Fiscal Years	142
Property Tax Rates - Direct and Overlapping Governments - Last Ten Fiscal Years	143
Principal Property Taxpayers and Electric Customers	144
Property Tax Levies and Collections - Last Ten Fiscal Years	145
Ratios of Outstanding Debt by Type - Last Ten Fiscal Years	146-147
Ratios of General Bonded Debt Outstanding - Last Ten Fiscal Years	148
Direct and Overlapping Governmental Activities Debt as of June 30, 2014	149
Legal Debt Margin Information - Last Ten Fiscal Years	150-151
Pledged Revenue Coverage - Last Ten Fiscal Years	152
Demographic and Economic Statistics - Last Ten Fiscal Years	153
Principal Employers 2014 and 2005	154
Full-time Equivalent City of Bay City Employees by Function - Last Ten Fiscal Years	155-156
Operating Indicators by Function - Last Ten Fiscal Years	157-158
Capital Assets Statistics by Function - Last Ten Fiscal Years	159-160
SINGLE AUDIT SECTION:	
Independent Auditors' Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133	162
Schedule of Expenditures of Federal Awards	163
Notes to the Schedule of Expenditures of Federal Awards	164
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 <i>Government Auditing Standards</i>	165-166
Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133	167-168
Schedule of Findings and Questioned Costs	169-171
Summary Schedule of Prior Audit Findings	172



Bay

City
Michigan

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City of Bay City

CITY OF BAY CITY, MICHIGAN
COMPREHENSIVE ANNUAL FINANCIAL REPORT
June 30, 2014

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

**CITY
MANAGER**

Richard M. Finn

**FISCAL SERVICES
DIRECTOR**

George Martini

**INTERIM WATER TREATMENT
SUPERINTENDENT**

Tom Levengood

**ACTING WASTEWATER TREATMENT
SUPERINTENDENT**

Shoron Cooper

**HUMAN RESOURCES
DIRECTOR**

Greg Talicska

**ELECTRIC
DIRECTOR**

Phil Newton

**PUBLIC SAFETY
DIRECTOR**

Michael Cecchini

**FIRE
CHIEF**

Karey Prieur

**DIRECTOR OF
INFORMATION TECHNOLOGIES**

Tony Reyes

**ACTING PUBLIC WORKS
DIRECTOR**

Dana Muscott

Prepared By:
City of Bay City
Fiscal Services Division



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December 30, 2014

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, 2014, 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, 2014.

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, 2014. The auditors' report on the financial statements and combining and individual fund statements and schedules is included in the financial section of this report.

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

Reporting Entity

The financial reporting entity includes all the funds of the primary government of the City of Bay City, Michigan as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable.

Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the primary government. The Downtown Management Board, Midland Street Management Board, Columbus Avenue Management Board, Brownfield Redevelopment Authority, and all Tax Increment Finance Authorities (TIFA's) and Downtown Development Authorities (DDA's) are reported as discretely presented component units.

Profile

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

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

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

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

Financial Information

General Government Functions: The City provides a full range of services to its citizens. These services include law enforcement, fire protection and protective inspection; sanitation; maintenance of highways, streets and infrastructure; parks and recreational facilities; planning and zoning; other general administrative services; and other services mandated by state law or authorized by the City Commission. In addition, water, sewer, and electric utilities are provided on a user fee basis.

Budgetary Controls: In addition to internal accounting controls, the City maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Commission. Activities of all governmental and proprietary funds are included in the annual appropriated budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is exercised on a basis consistent with generally accepted accounting principles for all governmental fund types, except capital project funds which are adopted on a project level. As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management.

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

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

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

Local Economy

The Bay City region posted solid numbers for overall GDP growth at 2.3 percent in 2013 compared to 2012; above the state average of 2 percent. It was one of five regions in the state to reach pre-recession output of 2007.

The professional, scientific, and technical service sector saw a 10 percent increase. Education services, up 3.1 percent in 2013, stand more than 17 percent above pre-recession levels at \$404 million of GDP. Manufacturing lost 4 percent in 2013, mostly in durable goods and is 19.2 percent below the region's peak year of 2003. Manufacturing remains the single largest economic sector, but at 15 percent of GDP, represents a smaller share than other regions of the state.

Over the year, the unemployment rate and the number of unemployed persons were down slightly from the previous year, yet 1 percentage point above the state's rate. During the past five years, the area's unemployment rate has dropped significantly from an average of 13.28 percent in FY 2009-2010 to 9.25 percent in FY 2013-2014.

Riverfront Development, LLC, kicked off its \$150 million mixed use development construction project in the heart of Bay City during the year. To date, the Developer has invested approximately \$35 million on the 45 acre site. Several buildings are slated to be constructed in Phase 1 of the project. The first building consisting of 105,000 sq. ft. was completed in July 2014 and houses approximately 350 employees from Dow Corning Corporation. The second building is nearing completion with 1/3 of the structure occupied by Chemical Bank with 25 employees. The other 2/3 of the building houses a coffee shop with approximately 3 employees, the Uptown Grill with approximately 15 employees, and a future Aveda Lifestyle salon set to open in late 2015. The upper two floors of this building are undergoing construction of 24 condominiums. Currently, one resident has moved in with the other units expected to be completed in early 2015.

A hotel conference center with the Marriot flag began construction in the Spring of 2014 and is expected to open in the Spring of 2015. The Real Seafood Restaurant is locating along the Saginaw River adjacent to the day dock marina and is scheduled to open in the Spring of 2015. Additionally a four-story, mixed use building is under construction. This will include commercial space on the first floor and office space on the upper three floors. A 30 unit townhouse project is also under construction and is slated for completion in Spring, 2015. There are also future plans for a condominium project on the south side of the day dock marina.

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

McLaren Bay Region purchased the southern 9 acres of the 43 acre parcel and received their initial site plan approval. The Developer, Landmark Health Care, LLC, will be constructing a 70,000 square foot 3-story medical office building on the southwest corner of Columbus Avenue and Saginaw Street. McLaren Bay Region is expected to break ground in early 2015.

Another mixed-use development is the construction of the Mill End Lofts in downtown Bay City by Gulf Shore Investments, LLC. This \$7.5 million investment is a 3-story, 48,512 sq. ft., mixed-use development with residential units on the upper two floors and commercial space on the first floor. Construction was completed in the Spring of 2014. All commercial and residential space is leased.

The local economy in the City of Bay City had significant successes throughout 2013 and into 2014. Overall, the area generated over \$49 million in new investment.

<u>Business</u>	<u>Investment</u>	<u>Project</u>
Stertz Tower	\$ 280,715	Rehabilitate a blighted, 2-story, 3,300 sq. ft. building into a law office
MA Real Estate	120,000	Convert office space into 2 rental residential apartments
Modern Machine	158,247	Acquisition of a new CNC machine and other related equipment for a tool and die business

<u>Business</u>	<u>Investment</u>	<u>Project</u>
Michigan Brand	\$ 366,145	Purchase of equipment for meat packing facility
Baldauf Enterprises	1,134,843	Addition to the inspection room, and acquisition of new machinery and equipment for a manufacturer of machined components
Cambron Engineering	373,254	Acquisition of new machinery and equipment
Baldauf Enterprises	1,056,885	Purchase of new machinery and equipment
Bay Riverfront LLC	35,000,000	30% completion of Phase 1 to Uptown Bay City, a major mixed use development near downtown Bay City
Mill End Lofts	7,500,000	Demolished 4,600 sq. ft. blighted structure and constructed a 48,512 sq. ft. building consisting of 24 upscale rental units on the 2nd and 3rd floors, and 11,468 sq. ft. of restaurant/retail space of the first floor
Asclepius, LLC	353,480	Convert and expand a former pizza parlor establishment into a veterinary clinic
Ironwood Estates Development Company	475,000	Establishment of Close to Home, a new assisted living facility
Garfield Mart	56,000	700 sq. ft. addition to a convenience store
Ideal Party Store	441,000	2,000 sq. ft. expansion to existing structure to expand product selection
GLIAC Office	250,000	Structural roof and 2nd Floor repairs including office restoration
Treichel Chiropractor	32,000	Expansion of facility to accommodate growing chiropractic business
Mersen USA, Bn Corp.	1,400,000	12,995 sq. ft. addition for a leading manufacturer of semiconductor parts
Bay City Players	<u>375,000</u>	Interior renovations to community theater
Total Investments	<u>\$ 49,372,569</u>	

Several grants were pursued and received totaling approximately \$300,000. These grants include a Michigan Department of Transportation, Transportation Enhancement Grant (TAP) to construct a 350 foot Riverwalk connection between the existing Riverwalk at Wenonah Park and the Riverwalk at Uptown Bay City. The Bay Area Community Foundation granted the matching funds for this Riverwalk project. In addition, the Bay Area Community Foundation granted funds to help repair the deteriorating roof of the World Friendship Shell at Wenonah Park.

The City of Bay City has continued to support the redevelopment of vacant and underutilized Brownfield properties throughout the city. In 2013, the Mill End Lofts Brownfield Plan was amended. The developer's demolition and debris removal costs doubled due to unforeseen rubble buried underneath the former Mill End building. Additionally, the original plan anticipated construction beginning in 2012. The construction was delayed awaiting gap financing approval by the Michigan Economic Development Corporation.

Long-term Financial Planning

The City Commission adopted a policy that states that the City shall maintain a sum total of Unassigned Fund Balance plus Committed Fund Balance for Future Operations in its General Fund ranging from a minimum of fifteen (15) percent to a maximum of twenty (20) percent of the City's previous year's amended total budgeted expenditures. Based on this policy, the City should have a fund balance of a minimum of \$2,863,560. The total Fund Balance Committed for Future General Fund Operations and Unassigned General Fund fund balance at June 30, 2014 was \$2,841,018 or 14.9% of the previous years amended expenditure budget.

The 2014/2015 fiscal year budget, for the first time in several years, was balanced with no required use of General Fund fund balance. Continued close monitoring of the budget will allow the City to replenish General Fund fund balance to a minimum of the required 15% target level during the 2014/2015 fiscal year.

Major Initiatives

At the beginning of the 2013/2014 fiscal year, the City combined the Fire Department and the Police Department to create the Bay City Public Safety Department. This new model utilizes staff in the Public Safety Department that is trained in both Fire Services and Police functions to perform both duties and are available to respond to either Fire or Law Enforcement emergencies. In the first four years of utilizing this new model, it is expected that this new model will have savings of approximately \$5.3 million while at the same time providing a larger number of trained staff able to respond to Fire emergencies.

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

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

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

A Request for Proposal was issued in early 2014 requesting proposals from vendors interested in providing a financial system solution. After significant review and demonstrations from several vendors, the City ultimately selected New World Systems for a new financial system. This system will encompass General Ledger, Accounts Payable, Purchasing, Cash Receipting and Accounts Receivable, Payroll and Human Resources, Business Licensing, and other reporting tools to enhance the ability to utilize the financial information. This system will be implemented throughout 2015 with modules becoming operational through the year.

In addition to the Financial System, the City is also requesting proposals from vendors for a new Utility Billing/Customer Information System. This system, although updated numerous times throughout the years, was also originally installed in 1984 and is yesterday's technology and lacks many of the features that are currently expected by utility customers including on-line access to utility accounts and usage information, additional options for payment of utility bills including pre-paid metering, and the ability to get more information through an Interactive Voice Response telephone system. When selected and installed, combined with the new "smart" meter technology, will provide many enhanced features for the utilities as well as the many customers that the utilities serve.

In early 2013 the City signed an agreement to cooperate with other local municipalities in the construction of a new Membrane Water Filtration plant which will be owned and operated by the Bay County Road Commission. At the time when this plant becomes operational, the City will shut down and decommission the current water treatment plant. Construction of the new plant began in 2014 and is expected to be completed in mid-2015. The City will continue to be responsible for the water distribution system in the City.

As usual, the City will be faced with many infrastructure projects in coming years, including street repair and replacement, maintenance of bridges; and storm-sewer and waterline additions/replacement 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 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, 2013. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Acknowledgments

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

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

Respectfully submitted,



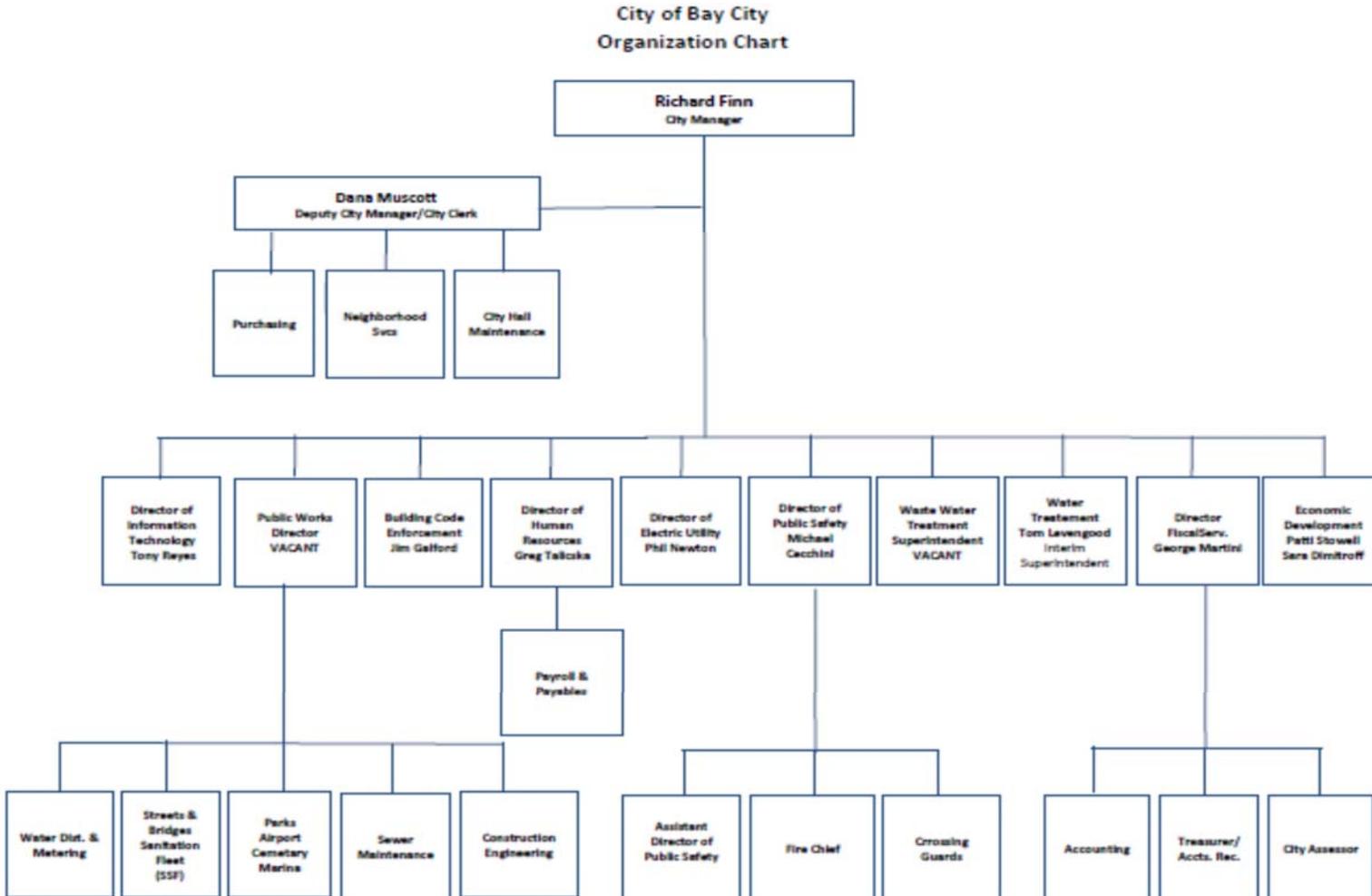
Richard M. Finn
City Manager



George Martini
Fiscal Services Director

CITY OF BAY CITY, MICHIGAN

Table of Organization





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CITY OF BAY CITY, MICHIGAN
GFOA Certificate of Achievement



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Bay City
Michigan**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

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

Executive Director/CEO



Bay

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City of Bay City

FINANCIAL SECTION



Bay

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INDEPENDENT AUDITORS' REPORT

December 30, 2014

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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Independent Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Police and Fire Retirement Pension Trust fund, which represents 81 percent, 81 percent, and 60 percent, respectively, of the assets, net position, and additions of fiduciary funds. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it related to the amounts included for the Police and Fire Retirement Pension Trust fund, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *City of Bay City, Michigan* as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and each major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Implementation of GASB Statement No. 67

The City implemented the provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans*, in the current year. While there was no effect on the amounts reported in the financial statements themselves, there were substantial changes to the disclosures found in Note 9 to the financial statements, including the calculation of the City's net pension liability, which will be required to be recorded by the City in its next fiscal year. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2014 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Rehmann Lobson LLC



Bay

City
Michigan

A beautiful view...of life

City of Bay City

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF BAY CITY, MICHIGAN

Management's Discussion and Analysis

This discussion and analysis of the City of Bay City, Michigan's (the "City") financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2014. 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, 2014:

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$203,829,844 (net position). Of this amount, \$27,443,369 (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 \$829,466 from the previous year due primarily to an increase in the City's obligation for other postemployment benefits (OPEB) of \$1,114,285 and a use of fund balance in the General Fund of \$1,189,730. The business-type activities net position increased by \$4,551,588, 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 \$2,303,839 and \$2,030,328, 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's governmental funds reported combined ending fund balances of \$6,687,613, a decrease of \$546,398 in comparison with the prior year.
- At the end of the fiscal year, unassigned fund deficit for the General Fund was \$22,541, or less than 1% of the total General Fund expenditures.
- The City's total long-term liability balance increased by \$9,669,511, or about 11%, during the fiscal year due to the fact that the bonded debt increased by \$8,057,990 due to an electric bond issuance along with an increase of \$1,734,347 in the net OPEB obligation.
- The City continues its commitment to improving its infrastructure and this year completed the Johnson Street reconstruction project expending \$188,441 and spent an additional \$200,000 on new sidewalks. In addition, the Uptown development project continued with infrastructure improvements totaling \$825,451. These projects were primarily funded by grant and bond dollars.
- State shared revenue, the City's second largest revenue source in the General Fund, increased by \$121,036, or about 3.3% from last year. This is the second 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 as a whole and present a longer-term view of the City's finances. This longer-term view uses the accrual basis of accounting to measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The statement of net position and the statement of activities distinguish functions of the City that are primarily supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, recreation and cultural, and economic development. The business-type activities of the City include electric, water, sewer, Oak Ridge Cemetery, James Clements Airport, and Liberty Harbor Marina.

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, 2014, assets exceeded liabilities by \$203,829,844. By far, the largest portion of the City's net position (76.2 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, 2014:

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 25,091,180	\$ 25,526,115	\$ 64,388,269	\$ 52,650,656	\$ 89,479,449	\$ 78,176,771
Capital assets, net	77,214,920	77,579,225	139,333,713	136,970,428	216,548,633	214,549,653
Total assets	102,306,100	103,105,340	203,721,982	189,621,084	306,028,082	292,726,424
Other liabilities	4,121,429	3,984,671	3,709,751	3,936,484	7,831,180	7,921,155
Long-term liabilities	32,755,784	32,862,316	61,611,274	51,835,231	94,367,058	84,697,547
Total liabilities	36,877,213	36,846,987	65,321,025	55,771,715	102,198,238	92,618,702
Net position:						
Net investment in capital assets	70,245,428	70,001,070	85,045,532	91,958,470	155,290,960	161,959,540
Restricted	11,226,225	34,813	9,869,290	8,569,445	21,095,515	8,604,258
Unrestricted (deficit)	(16,042,766)	(3,777,530)	43,486,135	33,321,454	27,443,369	29,543,924
Total net position	\$ 65,428,887	\$ 66,258,353	\$ 138,400,957	\$ 133,849,369	\$ 203,829,844	\$ 200,107,722

The City's governmental activities net position decreased by \$829,466 while the net position of its business-type activities increased by \$4,551,588. 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 \$1,114,285 along with the use of fund balance in the General 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 \$2,303,839 and the Sewer Fund in the amount of \$2,030,328. The increase occurred due to cost containment and excess revenues directed to a capital replacement reserve intended for future projects.

Within the governmental activities, \$70,245,428 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 \$85,045,532 is invested in capital assets, net of related debt, within the business-type activities. Overall, the City's investment in capital assets decreased by \$6,668,580 less than last year due to issuance of debt. 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	
	2014	2013	2014	2013	2014	2013
Program revenue:						
Charges for services	\$ 4,026,647	\$ 6,162,817	\$ 59,334,288	\$ 55,968,418	\$ 63,360,935	\$ 62,131,235
Operating grants	4,540,091	4,757,425	30,095	396,605	4,570,186	5,154,030
Capital grants	1,403,193	1,303,047	-	-	1,403,193	1,303,047
General revenue:						
Property taxes	12,389,299	12,378,917	-	-	12,389,299	12,378,917
Grants and contributions not restricted to specific programs	4,157,485	4,112,622	-	-	4,157,485	4,112,622
Unrestricted investment earnings	171,452	102,732	255,665	91,313	427,117	194,045
Gain on sale of capital assets	5,367	-	-	-	5,367	-
Miscellaneous	589,209	241,354	222,769	207,980	811,978	449,334
Total revenue	27,282,743	29,058,914	59,842,817	56,664,316	87,125,560	85,723,230
Expenses:						
General government	2,213,847	3,513,191	-	-	2,213,847	3,513,191
Public safety	11,533,189	13,376,667	-	-	11,533,189	13,376,667
Public works	10,231,906	9,791,574	-	-	10,231,906	9,791,574
Recreation and cultural	1,094,313	1,091,776	593,733	604,570	1,688,046	1,696,346
Economic development	1,962,097	3,495,343	-	-	1,962,097	3,495,343
Interest on long-term debt	1,037,694	1,159,985	-	-	1,037,694	1,159,985
Electric	-	-	34,455,974	33,545,287	34,455,974	33,545,287
Water	-	-	8,928,829	9,214,612	8,928,829	9,214,612
Sewer	-	-	11,351,856	11,611,634	11,351,856	11,611,634
Total expenses	28,073,046	32,428,536	55,330,392	54,976,103	83,403,438	87,404,639
Increase (decrease) in net position before transfers	(790,303)	(3,369,622)	4,512,425	1,688,213	3,722,122	(1,681,409)
Transfers	(39,163)	(41,111)	39,163	41,111	-	-
Change in net position	(829,466)	(3,410,733)	4,551,588	1,729,324	3,722,122	(1,681,409)
Net position:						
Beginning of year	66,258,353	69,669,086	133,849,369	132,120,045	200,107,722	201,789,131
End of year	<u>\$ 65,428,887</u>	<u>\$ 66,258,353</u>	<u>\$ 138,400,957</u>	<u>\$ 133,849,369</u>	<u>\$ 203,829,844</u>	<u>\$ 200,107,722</u>

Governmental Activities

The City's total governmental net position decreased by \$829,466. Key elements of this decrease are as follows:

- The obligation for the other postemployment benefits increased by \$1,114,285.
- The General Fund fund balance decreased by \$1,189,730 and the Public Improvement Fund experienced a decrease in its fund balance of \$296,923.
- 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, cemetery, airport, 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 \$4,551,588, due primarily to the following:

- The Sewer Fund experienced a slight increase of revenues from sales while reducing operating expenses. As a result, the fund's change in net position was an increase of \$2,030,328. 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 revenue increased due to a rate increase while reducing operating expenses. As a result, the net position of the Water Fund increased by \$2,303,839 for the fiscal year.
- The Benefits Program Fund experienced an increase to its net position of \$892,865 a result of expenses being less than anticipated.
- The Motor Equipment Revolving Fund also had an increase in net position of \$234,163 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 2014, this resulted in an additional liability of \$620,062 in the City's electric, water and sewer utilities.
- The net position of the Electric Fund decreased by \$111,141 due to the unanticipated costs from a storm in July 2013 and a contribution to the Brownfield Redevelopment Authority for the Uptown project.
- The Site Remediation Fund experienced a decrease in its net position of \$77,299 due to expenses related to the remediation of the middle grounds landfill.
- The Liability/Property Self Insurance Fund experienced a decrease in its net position of \$428,488 due to expenses related to the City Hall fire.

The City's Funds

The fund financial statements provide detailed information about the most significant funds, not the City as a whole. The City Commission creates funds to help manage monies for specific purposes as well as to show accountability for certain activities, such as a special property tax millage. The City's major governmental funds for 2014 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 \$8,387,879 in 2014. This is a decrease of approximately \$510,000 from the previous fiscal year. The most significant service accounted for in this fund is public safety, which incurred expenditures of \$10,108,069 in 2014. This expenditure decreased approximately \$1.6 million from the prior year, due to the implementation of the public safety model and careful monitoring of budgeted expenditures. Public safety expenditures equate to approximately 56% of the total expenditures of the General Fund and are approximately 21% more than the amount of property taxes generated. At the fiscal year ended June 30, 2014, the unassigned fund deficit of the General Fund was \$22,541. As a measure of the General Fund's liquidity, it may be useful to compare the unassigned fund balance to total fund expenditures. Unassigned fund deficit represents less than 1% of the total General Fund expenditures.

The Major Streets Fund accounts for major streets maintenance funds received from the State of Michigan, as well as property tax and other revenues used to maintain and reconstruct major streets within the City. During the fiscal year ended June 30, 2014, the City received \$2,201,913 in grants and state maintenance funds and \$579,576 in property taxes and expended \$188,441 on capital outlay, primarily for the rehabilitation of Johnson Street and an additional \$2,209,270 on preservation and maintenance of existing streets and City owned bridges 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, 2014, \$402,431 was spent to assist residents of the City with home improvements.

Some notable items in the other governmental funds are:

- The Local Street Fund expended \$130,810 on reconstruction and resurfacing of various streets and an additional \$1,069,996 to maintain and preserve local streets within the City and ended the year with \$433,306 in fund balance.
- The Building Inspection Fund ended the fiscal year with a restricted fund balance of \$246,717. There were no General Fund subsidies to support the operations of this fund this year.
- The Solid Waste Fund ended the fiscal year with a restricted fund balance of \$448,845. 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 \$310,379 on economic development activities and an additional \$153,230 on capital outlay and \$138,119 on debt principal and interest payments.
- The Public Improvement Fund expended \$853,151 on renovations within City Hall. The fund received a transfer from General Fund in the amount of \$386,033 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. At the fiscal year ended June 30 2014, the Public Improvement Fund fund balance was (\$296,923), the General Fund has reserved a dollar amount to cover the deficit balance.
- The Riverfront Redevelopment Fund expended \$739,434 on economic development and an additional \$825,451 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 relative to the Public Safety Department for a reduction in the amount of fire layoffs, officer resignations, pay outs for fire employees retiring, increased actuarial costs, software maintenance, fire awareness overtime, command re-organization and additional officers attending the fire academy. The net result of these numerous changes was a reduction in the use of fund balance in the amount of \$8,118.
- The General Fund budget was amended in the amount of \$10,431 for Public Safety Fire Services to purchase automated external defibrillators with donated funds from the Bay Community Foundation.
- A budget amendment of \$8,436 was made to modify fire station #5 to accommodate the McLaren Bay Region Ambulance lease. The improvements were funded with reimbursements from McLaren Bay Region.
- A budget amendment was made to eliminate the General Fund transfer to Building Code Enforcement which concurrently reduced the anticipated use of fund balance by \$110,398.
- A budget amendment was completed to reflect the anticipated increase in CATV revenue and State revenue sharing in the amounts of \$20,000 and \$10,829 respectively, resulting in the anticipated use by fund balance being reduced by the \$30,829.
- A budget amendment was made to reflect a reduction in budgeted wage and fringes of the Fiscal Service Director due to only being filled for a partial year. The use of fund balance was reduced by \$9,048.

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 \$429,750 as a result of property taxes, intergovernmental, charges for services, and miscellaneous revenue all being less than anticipated. Actual expenditures were less than budgetary estimates by \$590,684. This was primarily the result of Neighborhood Maintenance scheduling housing demolitions that were not completed by the end of the fiscal year, along with the public safety departments postponing building maintenance activities. As a result, the General Fund experienced a decrease of \$1,189,730 in the fund balance instead of the budgeted reduction projected in the final amended budget of \$1,350,664 and much less than the \$1,470,172 originally anticipated in the 2013/2014 adopted budget. Due to the General Motors tax settlement and not recognizing the full amount of a demolition grant, the City significantly underspent the budget.

CITY OF BAY CITY, MICHIGAN

Management's Discussion and Analysis

Capital Assets and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2014 amounted to \$216,548,633 (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 \$806,078 on various infrastructure rehabilitation projects and an additional \$1,779,368 on capital equipment purchases.
- The Water Fund spent \$1,734,238 to complete various water system improvements including \$1,479,628 for the purchase of automated meters.
- The Electric Fund purchased materials and completed various capital projects totaling \$5,702,904. This included improvements to the Water Street Generating Plant in the amount of \$723,825, the Saginaw Street substation in the amount of \$441,327 and Uptown lighting in the amount of \$616,809.
- The Local Street Fund expended \$130,810 on the various reconstruction street projects.
- Within the Major Street Fund, the Johnson Street reconstruction project was completed expending \$188,368 during the fiscal year.
- The Public Improvement Fund expended \$853,151 on renovations at City Hall.
- The Riverfront Redevelopment Capital Project Fund expended \$825,451 on infrastructure improvements to the Uptown Bay City site, a major mixed use development project.

The investment in capital assets of the component units totals \$10,851,957 as of June 30, 2014. During the year, the Brownfield component unit expended \$4,858,366 on capital outlay with the mixed use development project along the Saginaw River known as Uptown Bay City and completed the reconstruction of Harrison Street expending \$49,078 and an additional \$52,022 was expended within the Midland Street TIFA to complete the reconstruction of the Vermont/Walnut Streets parking lot.

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

Long-term Debt. At June 30, 2014, the City had total outstanding debt of \$75,767,023, which included a current portion of \$8,510,451. Of this amount, \$54,213,081 is backed by the full faith and credit of the City. The remainder of the City's debt represents bonds secured by specific sources, such as revenue bonds. The long-term debt can be summarized as follows:

	2014	2013
General obligation bonds	\$ 27,517,825	\$ 30,616,520
Revenue bonds	15,505,000	2,055,000
Other notes/leases payable	29,610,256	31,908,678
Compensated absences	3,133,942	3,251,661
Total	<u>\$ 75,767,023</u>	<u>\$ 67,831,859</u>

The City's total debt increased by \$7,935,164 during the fiscal year. State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the City is \$54,754,700 which is significantly in excess of the City's outstanding general obligation debt applicable to this limit.

Additional information on the City's long-term debt can be found in the notes to financial statements.

CITY OF BAY CITY, MICHIGAN

Management's Discussion and Analysis

Economic Factors and Next Year's Budgets and Rates

The State of Michigan's economic conditions are stabilizing. State shared revenues, the second largest source of revenue in the General Fund, increased slightly over the prior year. No additional reductions have been forecast for the next fiscal year, as the City is optimistic that this revenue source will remain relatively constant. In fiscal year 2014, the City's healthcare costs decreased and is expected to stabilize 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 fiscal year 2014. With the decline in property tax values, property tax revenues decreased an additional \$509,900 within the General Fund.

Another issue of concern to the City is the unfunded liabilities of its defined benefit retirement plans of approximately \$47.8 million and its retiree healthcare plan of approximately \$84 million. In the fiscal year ended June 30, 2014, the City contributed an additional \$1.1 million over and above the required contribution of \$2.7 million to its defined benefit plans and another \$5.6 million towards its \$7.9 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 has addressed the unfunded liability within its retiree healthcare plan by making changes in the collective bargaining agreement provisions resulting in a decrease of \$18 million, resulting in \$2 million decrease of the actuarial required contribution. The City continues to pay the cost for health care for current retirees on a pay-as-you-go basis. In addition, the City doubled the amount of contributions it is making over and above the premiums for current retirees. This will result in total contributions of \$6.6 million in fiscal year 2015.

The City instituted a rate increase for the water and electric utilities in fiscal year 2014. All three utilities will be evaluated on a yearly basis to enable the systems to have adequate funds for operations, make required debt payments and enable systems to complete infrastructure and capital improvements.

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

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

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF BAY CITY, MICHIGAN

Statement of Net Position
June 30, 2014

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments	\$ 15,602,420	\$ 26,761,024	\$ 42,363,444	\$ 10,503,952
Cash and cash equivalents, restricted	-	8,604,959	8,604,959	-
Receivables, net	11,946,434	10,921,498	22,867,932	63,837
Internal balances	(6,230,904)	6,230,904	-	-
Prepaid items and other assets	1,314,708	851,429	2,166,137	2,566
Inventories	183,723	3,110,755	3,294,478	-
Net pension asset	2,274,799	7,907,700	10,182,499	-
Capital assets not being depreciated	20,237,534	8,857,608	29,095,142	5,214,331
Capital assets being depreciated, net	56,977,386	130,476,105	187,453,491	5,637,626
Total assets	102,306,100	203,721,982	306,028,082	21,422,312
Liabilities				
Accounts payable and accrued liabilities	4,006,414	3,111,704	7,118,118	451,123
Interest payable	61,582	598,047	659,629	18,031
Unearned revenue	53,433	-	53,433	-
Long-term debt:				
Due within one year	3,379,970	5,130,481	8,510,451	310,219
Due in more than one year	17,114,208	50,142,364	67,256,572	18,168,421
Net OPEB obligation	12,261,606	6,338,429	18,600,035	-
Total liabilities	36,877,213	65,321,025	102,198,238	18,947,794
Net position				
Net investment in capital assets	70,245,428	85,045,532	155,290,960	3,372,730
Restricted for:				
Debt service	14,945	9,869,290	9,884,235	-
Capital projects	329,305	-	329,305	-
Waysign grant	8,596	-	8,596	-
COPS Hiring Recovery Program	32,500	-	32,500	-
Major streets	1,800,832	-	1,800,832	-
Special assessments	53,902	-	53,902	-
Rehabilitation	7,387,495	-	7,387,495	-
Local streets	433,306	-	433,306	-
Solid waste management	448,845	-	448,845	-
Building inspection	246,717	-	246,717	-
Neighborhood opportunity	54,719	-	54,719	-
Drug law	375,051	-	375,051	-
City loans and collections	40,012	-	40,012	-
Unrestricted (deficit)	(16,042,766)	43,486,135	27,443,369	(898,212)
Total net position	\$ 65,428,887	\$ 138,400,957	\$ 203,829,844	\$ 2,474,518

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, 2014

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	\$ 4,294,993	\$ (2,081,146)	\$ 546,759	\$ 162,666	\$ -	\$ (1,504,422)
Public safety	11,415,299	117,890	886,001	36,912	-	(10,610,276)
Public works	10,149,931	81,975	2,267,321	3,020,619	-	(4,943,966)
Recreation and cultural	1,094,313	-	52,069	178,487	-	(863,757)
Economic development	1,878,485	83,612	274,497	1,141,407	1,403,193	857,000
Interest on long-term debt	1,037,694	-	-	-	-	(1,037,694)
Total governmental activities	29,870,715	(1,797,669)	4,026,647	4,540,091	1,403,193	(18,103,115)
Business-type activities:						
Electric	33,757,817	698,157	34,367,025	19,022	-	(69,927)
Water	8,372,847	555,982	11,195,172	-	-	2,266,343
Sewer	10,851,763	500,093	13,451,111	-	-	2,099,255
Cemetery	123,920	-	56,067	-	-	(67,853)
Airport	272,240	-	153,343	11,073	-	(107,824)
Marina	179,916	17,657	111,570	-	-	(86,003)
Total business-type activities	53,558,503	1,771,889	59,334,288	30,095	-	4,033,991
Total primary government	\$ 83,429,218	\$ (25,780)	\$ 63,360,935	\$ 4,570,186	\$ 1,403,193	\$ (14,069,124)
Component units						
Downtown Development Authority	\$ 149,605	\$ 6,484	\$ 63,028	\$ -	\$ -	\$ (93,061)
Midland Street TIFA	123,827	3,380	-	-	-	(127,207)
Kresge's DDA	1,949	-	-	-	-	(1,949)
Marquette District TIFA	163,259	6,278	-	-	-	(169,537)
Water Street DDA	261,035	2,795	-	-	-	(263,830)
Marina Development TIFA	17,467	-	-	-	-	(17,467)
Knepp's DDA	3,461	-	-	-	-	(3,461)
Brownfield Redevelopment Authority	2,863,200	6,843	-	-	-	(2,870,043)
Columbus Avenue Management Board	19,104	-	12,920	250	-	(5,934)
Midland Street Management Board	20,671	-	19,360	3,000	-	1,689
Downtown Management Board	267,634	-	87,412	84,000	-	(96,222)
Total component units	\$ 3,891,212	\$ 25,780	\$ 182,720	\$ 87,250	\$ -	\$ (3,647,022)

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, 2014

Functions/Programs	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Changes in net position				
Net (expense) revenue	\$ (18,103,115)	\$ 4,033,991	\$ (14,069,124)	\$ (3,647,022)
General revenue:				
Property taxes	12,389,299	-	12,389,299	1,112,829
Grants and contributions not restricted to specific programs	4,157,485	-	4,157,485	-
Unrestricted investment earnings	171,452	255,665	427,117	25,905
Gain on sale of capital assets	5,367	-	5,367	-
Miscellaneous revenue	589,209	222,769	811,978	12,030
Transfers - internal activities	(39,163)	39,163	-	-
Total general revenue and transfers	17,273,649	517,597	17,791,246	1,150,764
Change in net position	(829,466)	4,551,588	3,722,122	(2,496,258)
Net position, beginning of year	66,258,353	133,849,369	200,107,722	4,970,776
Net position, end of year	<u>\$ 65,428,887</u>	<u>\$ 138,400,957</u>	<u>\$ 203,829,844</u>	<u>\$ 2,474,518</u>

Concluded

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



Bay

City
Michigan

A beautiful view...of life

City of Bay City

FUND FINANCIAL STATEMENTS

CITY OF BAY CITY, MICHIGAN

Balance Sheet

Governmental Funds
June 30, 2014

	General Fund	Major Streets Fund	Rehabilitation Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and investments	\$ 996,756	\$ 1,542,900	\$ -	\$ 2,419,548	\$ 4,959,204
Receivables, net:					
Accounts	224,670	12,213	7,400	2,029,760	2,274,043
Delinquent taxes	43,448	-	-	8,459	51,907
Special assessments	105,791	-	-	43,996	149,787
Accrued interest	8,868	2,121	-	6,395	17,384
Notes	-	-	7,380,096	-	7,380,096
Due from other funds	2,214,334	-	-	459,194	2,673,528
Due from other governmental units	985,999	331,840	44,029	635,951	1,997,819
Inventories	-	39,477	-	-	39,477
Prepaid items	185	-	-	-	185
Total assets	\$ 4,580,051	\$ 1,928,551	\$ 7,431,525	\$ 5,603,303	\$ 19,543,430
Liabilities					
Accounts payable	\$ 186,236	\$ 99,969	\$ 2,845	\$ 1,491,751	\$ 1,780,801
Accrued liabilities	525,436	19,754	194	51,124	596,508
Due to other funds	505,567	7,996	40,991	2,264,341	2,818,895
Due to other governmental units	94,183	-	-	-	94,183
Deposits	1,157	-	-	32,385	33,542
Unearned revenue	-	-	-	53,433	53,433
Total liabilities	1,312,579	127,719	44,030	3,893,034	5,377,362
Deferred inflows of resources					
Unavailable revenue:					
Property taxes	34,348	-	-	2,710	37,058
Special assessments	53,902	-	-	-	53,902
Notes receivable	-	-	7,387,495	-	7,387,495
Total deferred inflows of resources	88,250	-	7,387,495	2,710	7,478,455
Fund balances					
Nonspendable	185	39,477	-	-	39,662
Restricted	41,096	1,761,355	-	2,004,482	3,806,933
Committed	3,160,482	-	-	-	3,160,482
Unassigned (deficit)	(22,541)	-	-	(296,923)	(319,464)
Total fund balances	3,179,222	1,800,832	-	1,707,559	6,687,613
Total liabilities, deferred inflows of resources, and fund balances	\$ 4,580,051	\$ 1,928,551	\$ 7,431,525	\$ 5,603,303	\$ 19,543,430

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

CITY OF BAY CITY, MICHIGAN

Reconciliation

Fund Balances of Governmental Funds
to Net Position of Governmental Activities
June 30, 2014

Fund balances - total governmental funds	\$ 6,687,613
Amounts reported for <i>governmental activities</i> 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	177,211,561
Accumulated depreciation	(104,491,081)
Net pension assets of governmental activities are not financial resources, and are therefore not reported in the funds.	
Net pension asset	1,767,489
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.	
Unavailable property taxes receivable	37,058
Unavailable special assessments receivable	53,902
Unavailable notes receivable	7,387,495
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	8,756,118
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	(61,582)
Bonds payable	(14,324,644)
Loans payable	(2,915,000)
Landfill remediation liability	(1,105,256)
Net OPEB liability	(11,552,639)
Compensated absences	(2,022,147)
Net position of governmental activities	<u>\$ 65,428,887</u>

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

CITY OF BAY CITY, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds
For the Year Ended June 30, 2014

	General Fund	Major Streets Fund	Rehabilitation Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 8,387,879	\$ 579,576	\$ -	\$ 2,567,506	\$ 11,534,961
Licenses and permits	30,095	-	-	485,265	515,360
Intergovernmental	5,699,944	2,201,913	161,972	3,412,723	11,476,552
Charges for services	2,780,098	-	-	2,008,432	4,788,530
Fines and forfeitures	61,204	-	-	20,581	81,785
Interest revenue	50,299	10,077	4,954	22,908	88,238
Miscellaneous revenues	135,668	238,650	59,522	845,540	1,279,380
Total revenues	17,145,187	3,030,216	226,448	9,362,955	29,764,806
Expenditures					
Current:					
General government	2,652,580	-	-	-	2,652,580
Public safety	10,108,069	-	-	637,570	10,745,639
Public works	1,305,476	2,209,203	-	1,069,996	4,584,675
Environmental	-	-	-	2,014,605	2,014,605
Parks and recreation	795,455	-	-	-	795,455
Economic development	188,784	-	402,431	1,111,172	1,702,387
Retiree healthcare	2,278,401	-	-	-	2,278,401
Retirement	421,537	-	-	-	421,537
Capital outlay	145,289	188,441	-	2,082,946	2,416,676
Debt service:					
Principal retirement	800	-	-	2,440,000	2,440,800
Interest and fiscal charges	-	-	-	104,176	104,176
Total expenditures	17,896,391	2,397,644	402,431	9,460,465	30,156,931
Revenues over (under) expenditures	(751,204)	632,572	(175,983)	(97,510)	(392,125)
Other financing sources (uses)					
Transfers in	164,795	-	240,459	759,503	1,164,757
Proceeds from sale of asset	-	-	-	13,380	13,380
Transfers out	(603,321)	-	(64,476)	(664,613)	(1,332,410)
Total other financing sources (uses)	(438,526)	-	175,983	108,270	(154,273)
Net change in fund balances	(1,189,730)	632,572	-	10,760	(546,398)
Fund balances, beginning of year	4,368,952	1,168,260	-	1,696,799	7,234,011
Fund balances, end of year	\$ 3,179,222	\$ 1,800,832	\$ -	\$ 1,707,559	\$ 6,687,613

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, 2014

Net change in fund balances - total governmental funds	\$ (546,398)
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital assets purchased/constructed (net of \$28,000 trade-in value)	3,173,063
Net value of assets disposed	(8,013)
Depreciation expense	(3,688,375)
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	1,546
Net change in deferred special assessments receivable	(11,284)
Net change in deferred loans receivable	(205,081)
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	2,355,000
Principal payments on capital leases	800
Principal payments on loans	85,000
Change in interest accrued on bonds	86,564
Interest expenditure on zero coupon bond	(1,020,082)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Change in the accrual for landfill remediation liability	(197,378)
Change in the accrual of compensated absences	(14,279)
Change in the accrual for the net OPEB obligation	(1,042,793)
Change in the net pension asset	250,137
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	(219,513)
Nonoperating revenue (expense), net recorded in internal service funds	43,130
Net transfers recorded in internal service funds	128,490
Change in net position of governmental activities	<u>\$ (829,466)</u>

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

CITY OF BAY CITY, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund
For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Positive (Negative) Variance with Final Budget
Revenues				
Taxes	\$ 8,540,395	\$ 8,580,395	\$ 8,387,879	\$ (192,516)
Licenses and permits	26,725	26,725	30,095	3,370
Intergovernmental	5,533,406	5,822,474	5,699,944	(122,530)
Charges for services	2,817,116	2,817,476	2,780,098	(37,378)
Fines and forfeitures	84,500	84,500	61,204	(23,296)
Interest revenue	55,000	55,000	50,299	(4,701)
Miscellaneous revenue	169,500	188,367	135,668	(52,699)
Total revenues	17,226,642	17,574,937	17,145,187	(429,750)
Expenditures				
Current:				
General government				
Legislative and executive	308,432	275,626	270,505	5,121
Administration	604,011	602,056	592,569	9,487
Finance	1,397,095	1,449,141	1,430,446	18,695
Legal counsel	147,300	147,300	127,367	19,933
Planning and zoning	292,404	259,268	231,693	27,575
Total general government	<u>2,749,242</u>	<u>2,733,391</u>	<u>2,652,580</u>	<u>80,811</u>
Public safety				
Police	5,210,849	5,210,848	5,150,086	60,762
Fire	5,081,038	4,955,174	4,767,178	187,996
Community policing	187,873	192,053	190,805	1,248
Total public safety	<u>10,479,760</u>	<u>10,358,075</u>	<u>10,108,069</u>	<u>250,006</u>
Public works	<u>1,076,173</u>	<u>1,469,233</u>	<u>1,305,476</u>	<u>163,757</u>
Parks and recreation	<u>839,058</u>	<u>845,638</u>	<u>795,455</u>	<u>50,183</u>
Community/economic development	<u>192,614</u>	<u>194,242</u>	<u>188,784</u>	<u>5,458</u>
Retiree healthcare	<u>2,278,401</u>	<u>2,278,401</u>	<u>2,278,401</u>	<u>-</u>
Retirement	<u>421,537</u>	<u>421,537</u>	<u>421,537</u>	<u>-</u>
Capital outlay	<u>109,905</u>	<u>185,598</u>	<u>145,289</u>	<u>40,309</u>
Debt service:				
Principal retirement	<u>1,200</u>	<u>960</u>	<u>800</u>	<u>160</u>
Total expenditures	18,147,890	18,487,075	17,896,391	590,684

Continued...

CITY OF BAY CITY, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund
For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Positive (Negative) Variance with Final Budget
Revenues over (under) expenditures	\$ (921,248)	\$ (912,138)	\$ (751,204)	\$ 160,934
Other financing sources (uses)				
Transfers in	164,795	164,795	164,795	-
Transfers out	(713,719)	(603,321)	(603,321)	-
Total other financing sources (uses)	(548,924)	(438,526)	(438,526)	-
Net change in fund balance	(1,470,172)	(1,350,664)	(1,189,730)	160,934
Fund balance, beginning of year	4,368,952	4,368,952	4,368,952	-
Fund balance, end of year	<u>\$ 2,898,780</u>	<u>\$ 3,018,288</u>	<u>\$ 3,179,222</u>	<u>\$ 160,934</u>

Concluded

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

CITY OF BAY CITY, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Major Streets Fund
For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Positive (Negative) Variance with Final Budget
Revenues				
Property taxes	\$ 593,840	\$ 593,840	\$ 579,576	\$ (14,264)
Intergovernmental:				
State	2,088,632	2,088,632	2,201,913	113,281
Federal	598,000	598,000	-	(598,000)
Interest revenue	5,000	5,000	10,077	5,077
Miscellaneous:				
Reimbursements	-	-	235,071	235,071
Other	50,500	50,500	3,579	(46,921)
Total revenues	<u>3,335,972</u>	<u>3,335,972</u>	<u>3,030,216</u>	<u>(305,756)</u>
Expenditures				
Current:				
Public works:				
Highways, streets, and bridges	2,378,861	2,378,861	2,209,203	169,658
Capital outlay	787,150	787,150	188,441	598,709
Total expenditures	<u>3,166,011</u>	<u>3,166,011</u>	<u>2,397,644</u>	<u>768,367</u>
Net change in fund balance	169,961	169,961	632,572	462,611
Fund balance, beginning of year	1,168,260	1,168,260	1,168,260	-
Fund balance, end of year	<u>\$ 1,338,221</u>	<u>\$ 1,338,221</u>	<u>\$ 1,800,832</u>	<u>\$ 462,611</u>

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

CITY OF BAY CITY, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Rehabilitation Fund
For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Positive (Negative) Variance with Final Budget
Revenues				
Intergovernmental:				
Federal	\$ 172,422	\$ 172,422	\$ 161,972	\$ (10,450)
Interest revenue	3,200	3,200	4,954	1,754
Miscellaneous:				
Program income	36,800	36,800	59,522	22,722
Total revenues	212,422	212,422	226,448	14,026
Expenditures				
Current:				
Economic development	441,570	441,570	402,431	39,139
Revenues under expenditures	(229,148)	(229,148)	(175,983)	53,165
Other financing sources (uses)				
Transfers in	269,148	269,148	240,459	(28,689)
Transfers out	(40,000)	(40,000)	(64,476)	(24,476)
Total other financing sources (uses)	229,148	229,148	175,983	(53,165)
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, 2014

	Business-type Activities - Enterprise Funds				Governmental	
	Electric	Water	Sewer	Nonmajor Enterprise Funds	Total	Internal Service Funds
Assets						
Current assets:						
Cash and investments	\$ 5,054,217	\$ 8,805,291	\$ 11,348,626	\$ 288,559	\$ 25,496,693	\$ 10,643,216
Receivables, net:						
Accounts	6,440,458	1,716,123	2,156,669	39,492	10,352,742	58,966
Special assessments	78,200	21,360	308,125	-	407,685	-
Accrued interest	21,554	16,797	10,457	634	49,442	16,432
Due from other funds	-	14,910	1,349	47	16,306	290,180
Due from other governmental units	101,144	-	8,977	1,508	111,629	-
Inventories	2,052,545	845,981	178,574	33,655	3,110,755	144,246
Prepaid items	-	-	-	-	-	788,217
Deposits	851,199	150	80	-	851,429	526,306
Total current assets	14,599,317	11,420,612	14,012,857	363,895	40,396,681	12,467,563
Noncurrent assets:						
Restricted assets:						
Debt service funds - cash and cash equivalents	7,396,109	1,208,850	1,264,331	-	9,869,290	-
Other assets:						
Net pension asset	3,622,378	1,713,661	2,571,661	-	7,907,700	507,310
Capital assets:						
Land and improvements	182,602	7,727,173	17,876,844	5,475,467	31,262,086	-
Air rights	-	-	-	95,421	95,421	-
Buildings	1,415,949	2,022,490	26,251	1,399,153	4,863,843	65,329
Machinery and equipment	3,897,356	1,388,304	2,224,613	161,724	7,671,997	13,925,442
Utility plant in service	75,041,293	53,948,781	148,828,407	-	277,818,481	-
Construction in progress	4,701,689	1,821,150	1,417,924	-	7,940,763	-
Total capital assets	85,238,889	66,907,898	170,374,039	7,131,765	329,652,591	13,990,771
Accumulated depreciation	(49,740,654)	(42,855,565)	(94,590,018)	(3,132,641)	(190,318,878)	(9,496,331)
Net capital assets	35,498,235	24,052,333	75,784,021	3,999,124	139,333,713	4,494,440
Total noncurrent assets	46,516,722	26,974,844	79,620,013	3,999,124	157,110,703	5,001,750
Total assets	61,116,039	38,395,456	93,632,870	4,363,019	197,507,384	17,469,313

Continued...

CITY OF BAY CITY, MICHIGAN

Statement of Net Position

Proprietary Funds

June 30, 2014

	Business-type Activities - Enterprise Funds					Governmental Activities
	Electric	Water	Sewer	Nonmajor Enterprise Funds	Total	Internal Service Funds
Liabilities						
Current liabilities:						
Accounts payable	\$ 1,237,120	\$ 306,214	\$ 762,507	\$ 26,326	\$ 2,332,167	\$ 282,180
Accrued liabilities	182,569	100,457	71,777	517	355,320	45,779
Due to other funds	73,427	42,280	29,951	90	145,748	15,371
Due to other governmental units	88,210	-	-	-	88,210	36,271
Interest payable	302,179	64,306	231,562	-	598,047	-
Claims payable	-	-	-	-	-	1,137,150
Deposits	303,092	32,915	-	-	336,007	-
Current portion accrued compensated absences	211,535	105,180	126,400	820	443,935	54,150
Current portion bonds payable	535,000	744,904	3,406,642	-	4,686,546	-
Total current liabilities	2,933,132	1,396,256	4,628,839	27,753	8,985,980	1,570,901
Long-term liabilities:						
Accrued compensated absences, net of current portion	290,034	138,086	112,600	9	540,729	72,981
Bonds payable, net of current portion	14,970,000	7,077,821	27,553,814	-	49,601,635	-
Net OPEB obligation	2,376,224	2,105,342	1,856,863	-	6,338,429	708,967
Total long-term liabilities	17,636,258	9,321,249	29,523,277	9	56,480,793	781,948
Total liabilities	20,569,390	10,717,505	34,152,116	27,762	65,466,773	2,352,849
Net position						
Net investment in capital assets	19,993,235	16,229,608	44,823,565	3,999,124	85,045,532	4,494,440
Restricted for:						
Debt service	7,396,109	1,208,850	1,264,331	-	9,869,290	-
Unrestricted	13,157,305	10,239,493	13,392,858	336,133	37,125,789	10,622,024
Total net position	\$ 40,546,649	\$ 27,677,951	\$ 59,480,754	\$ 4,335,257	\$ 132,040,611	\$ 15,116,464
Adjustment to reflect the consolidation of internal service funds related to enterprise funds					6,360,346	
Net position of business-type activities					\$ 138,400,957	

Concluded

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

CITY OF BAY CITY, MICHIGAN

Statement of Revenues, Expenses and Changes in Fund Net Position

Proprietary Funds

For the Year Ended June 30, 2014

	Business-type Activities - Enterprise Funds					Governmental Activities
	Electric	Water	Sewer	Nonmajor Enterprise Funds	Total	Internal Service Funds
Operating revenues						
Charges for services:						
Sales	\$ 34,367,025	\$ 11,195,172	\$ 13,451,111	\$ 146,357	\$ 59,159,665	\$ 19,405,179
Rents	-	-	-	174,623	174,623	-
Miscellaneous	109,466	42,802	61,105	2,446	215,819	1,468,777
Total operating revenues	34,476,491	11,237,974	13,512,216	323,426	59,550,107	20,873,956
Operating expenses						
Cost of sales and service	27,574,533	6,795,096	6,039,642	423,676	40,832,947	3,636,710
Administration	3,361,610	681,024	519,274	-	4,561,908	897,121
Claims and benefits	-	-	-	-	-	15,387,815
Depreciation	2,280,799	1,239,128	3,973,108	177,811	7,670,846	685,973
Total operating expenses	33,216,942	8,715,248	10,532,024	601,487	53,065,701	20,607,619
Operating income (loss)	1,259,549	2,522,726	2,980,192	(278,061)	6,484,406	266,337
Nonoperating revenues (expenses)						
Intergovernmental:						
Federal grants	15,218	-	-	10,603	25,821	-
State grants	3,804	-	-	470	4,274	-
Interest earnings	120,749	84,868	47,543	2,505	255,665	83,425
Contribution to Brownfield Redevelopment Authority	(890,433)	-	-	-	(890,433)	-
Interest expense	(586,012)	(273,990)	(979,602)	-	(1,839,604)	-
Net loss on disposal of capital assets	-	-	-	-	-	(40,295)
Amortization of bond premium/discount	-	4,251	(17,805)	-	(13,554)	-
Total nonoperating revenues (expenses)	(1,336,674)	(184,871)	(949,864)	13,578	(2,457,831)	43,130
Income (loss) before transfers	(77,125)	2,337,855	2,030,328	(264,483)	4,026,575	309,467
Transfers						
Transfers in	-	-	-	107,195	107,195	128,490
Transfers out	(34,016)	(34,016)	-	-	(68,032)	-
Total transfers	(34,016)	(34,016)	-	107,195	39,163	128,490
Change in net position	(111,141)	2,303,839	2,030,328	(157,288)	4,065,738	437,957
Net position, beginning of year	40,657,790	25,374,112	57,450,426	4,492,545		14,678,507
Net position, end of year	\$ 40,546,649	\$ 27,677,951	\$ 59,480,754	\$ 4,335,257		\$ 15,116,464
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					485,850	
Change in net position of business-type activities					\$ 4,551,588	

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, 2014

	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	\$ 33,977,161	\$ 10,248,292	\$ 13,527,517	\$ 302,486	\$ 58,055,456	\$ -
Cash received from internal users	-	-	-	-	-	21,175,022
Cash payments to suppliers for goods and services	(26,155,191)	(2,943,966)	(2,936,733)	(413,264)	(32,449,154)	(18,707,070)
Cash payments to employees for services	(5,476,254)	(4,219,906)	(3,507,297)	(17,148)	(13,220,605)	(2,020,815)
Cash payments for internal services provided	(101,001)	(59,216)	(789)	-	(161,006)	-
Other receipts	109,466	42,802	52,128	2,446	206,842	-
Net cash provided (used) by operating activities	2,354,181	3,068,006	7,134,826	(125,480)	12,431,533	447,137
Cash flows from noncapital financing activities						
Intergovernmental - federal grants	15,218	-	-	10,603	25,821	-
Intergovernmental - state grants	3,804	-	-	470	4,274	-
Contribution to Brownfield Redevelopment Authority	(890,433)	-	-	-	(890,433)	-
Transfers in	-	-	-	107,195	107,195	128,490
Transfers out	(34,016)	(34,016)	-	-	(68,032)	-
Net cash provided (used) by noncapital financing activities	(905,427)	(34,016)	-	118,268	(821,175)	128,490
Cash flows from capital and related financing activities						
Purchase of capital assets	(5,702,906)	(1,734,237)	(2,585,446)	(11,542)	(10,034,131)	(885,288)
Proceeds from issuance of debt	13,830,000	-	-	-	13,830,000	-
Principal paid on debt	(380,000)	(719,624)	(3,324,377)	-	(4,424,001)	-
Interest paid on debt	(323,452)	(279,579)	(1,003,309)	-	(1,606,340)	-
Net cash provided (used) by capital and related financing activities	7,423,642	(2,733,440)	(6,913,132)	(11,542)	(2,234,472)	(885,288)
Cash flows from investing activities						
Interest received	107,743	91,746	48,772	2,673	250,934	93,533
Net increase (decrease) in cash and cash equivalents	8,980,139	392,296	270,466	(16,081)	9,626,820	(216,128)
Cash and cash equivalents, beginning of year	3,470,187	9,621,845	12,342,491	304,640	25,739,163	10,859,344
Cash and cash equivalents, end of year	\$ 12,450,326	\$ 10,014,141	\$ 12,612,957	\$ 288,559	\$ 35,365,983	\$ 10,643,216
Classified on the statement of net position as						
Cash and investments	\$ 5,054,217	\$ 8,805,291	\$ 11,348,626	\$ 288,559	\$ 25,496,693	\$ 10,643,216
Cash and cash equivalents, restricted	7,396,109	1,208,850	1,264,331	-	9,869,290	-
	\$ 12,450,326	\$ 10,014,141	\$ 12,612,957	\$ 288,559	\$ 35,365,983	\$ 10,643,216

Continued...

CITY OF BAY CITY, MICHIGAN

Combining Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2014

	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)	\$ 1,259,549	\$ 2,522,726	\$ 2,980,192	\$ (278,061)	\$ 6,484,406	\$ 266,337
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities						
Depreciation	2,280,799	1,239,128	3,973,108	177,811	7,670,846	685,973
Change in operating activities:						
Accounts receivable	(376,909)	(950,152)	39,692	(19,511)	(1,306,880)	17,526
Special assessments receivable	(8,179)	3,272	36,714	-	31,807	-
Due from other funds	1,405	1,928	20,497	(4)	23,826	313,091
Due from other governments	(4,776)	-	(8,977)	1,017	(12,736)	-
Inventories	401,404	76,830	(20,937)	(1,694)	455,603	49,284
Prepaid items	-	-	-	-	-	(636,453)
Deposits	(17,042)	-	-	-	(17,042)	(61,307)
Net pension asset	(324,305)	62,401	(491,126)	-	(753,030)	(61,711)
Accounts payable	(1,033,333)	53,638	416,233	747	(562,715)	(262,857)
Accrued liabilities	44,569	15,468	5,985	47	66,069	5,226
Due to other funds	(102,406)	(61,144)	(21,286)	(254)	(185,090)	(29,551)
Due to other governmental units	31,451	-	-	-	31,451	20,330
Claims payable	-	-	-	-	-	81,513
Deposits	7,583	(2,385)	-	-	5,198	-
Accrued compensated absences	(55,086)	(61,399)	1,821	(5,578)	(120,242)	(11,756)
Net OPEB obligation	249,457	167,695	202,910	-	620,062	71,492
Net cash provided (used) by operating activities	\$ 2,354,181	\$ 3,068,006	\$ 7,134,826	\$ (125,480)	\$ 12,431,533	\$ 447,137

Concluded

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

CITY OF BAY CITY, MICHIGAN

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2014

	Pension and Other Post- employment Benefits Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 1,600,509	\$ 136,877
Investments:		
Fixed income	21,586,575	-
Equities	34,541,488	-
Alternative investments	3,126,905	-
Other investments	6,512,742	-
Accounts receivable	235,123	-
Due from others	-	412,578
Interest receivable	79,732	-
Total assets	<u>67,683,074</u>	<u>\$ 549,455</u>
Liabilities		
Accounts payable	73,206	-
Due to others	-	187,302
Due to other governmental units	-	344,850
Deposits payable	-	17,303
Total liabilities	<u>73,206</u>	<u>\$ 549,455</u>
Net position		
Restricted for employees' pension benefits	54,781,008	
Restricted for postemployment health care benefits	<u>12,828,860</u>	
Total net position	<u>\$ 67,609,868</u>	

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



Bay

City
Michigan

A beautiful view...of life

City of Bay City

CITY OF BAY CITY, MICHIGAN

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

For the Year Ended June 30, 2014

Additions

Contributions:	
Employer	\$ 2,708,143
Current premium contributions - employer	4,689,538
Plan members	834,201
Total contributions	<u>8,231,882</u>
Investment income:	
Interest and dividends	2,586,888
Net appreciation in fair value of investments	8,006,587
Investment expense	(279,183)
Net investment income	<u>10,314,292</u>
Other additions	<u>11,063</u>
Total additions	<u>18,557,237</u>
Deductions	
Retiree healthcare premium payments	4,689,538
Pension benefits and refunds paid to participants	4,770,135
Administrative expenses	141,341
Total deductions	<u>9,601,014</u>
Net change in plan net position	8,956,223
Net position, beginning of year	<u>58,653,645</u>
Net position, end of year	<u>\$ 67,609,868</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, 2014

	Downtown Development Authority	Midland Street TIFA	Kresge's DDA	Marquette District TIFA	Water Street DDA
Assets					
Cash and cash equivalents	\$ 114,361	\$ 390,675	\$ 39,392	\$ 747,720	\$ 200,108
Receivables:					
Accounts	20,250	-	-	-	-
Delinquent taxes	672	-	-	-	-
Accrued interest	192	628	62	1,104	534
Due from other governmental units	-	-	-	-	-
Prepaid items	-	-	-	-	-
Capital assets not being depreciated	-	24,000	-	30,136	-
Capital assets being depreciated, net	126,508	1,349,862	21,673	1,299,129	2,078,941
Total assets	261,983	1,765,165	61,127	2,078,089	2,279,583
Liabilities					
Accounts payable	3,468	1,250	-	3,460	6,714
Accrued liabilities	-	-	-	1,358	-
Interest payable	-	9,713	-	-	8,318
Long-term debt:					
Due within one year	-	43,018	-	1,896	265,000
Due in more than one year	-	951,936	-	-	1,010,000
Total liabilities	3,468	1,005,917	-	6,714	1,290,032
Net position					
Net investment in capital assets	126,508	378,908	21,673	1,329,265	803,941
Unrestricted (deficit)	132,007	380,340	39,454	742,110	185,610
Total net position (deficit)	\$ 258,515	\$ 759,248	\$ 61,127	\$ 2,071,375	\$ 989,551

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

Marina Development TIFA	Allen Healthcare DDA	Knepp's DDA	Brownfield Redevelopment Authority	Columbus Avenue Management Board	Midland Street Management Board
\$ -	\$ 4,230	\$ 3,423	\$ 8,863,400	\$ 7,730	\$ 27,566
-	-	-	-	-	40
-	-	-	-	-	-
-	-	5	4,663	1	31
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	5,160,195	-	-
411,737	-	136,232	213,544	-	-
411,737	4,230	139,660	14,241,802	7,731	27,637
-	-	-	301,969	1,196	1,007
-	-	-	126,928	-	-
-	-	-	-	-	-
-	-	-	305	-	-
-	-	-	16,206,485	-	-
-	-	-	16,635,687	1,196	1,007
411,737	-	136,232	164,466	-	-
-	4,230	3,428	(2,558,351)	6,535	26,630
\$ 411,737	\$ 4,230	\$ 139,660	\$ (2,393,885)	\$ 6,535	\$ 26,630

Continued...

CITY OF BAY CITY, MICHIGAN

Combining Statement of Net Position
 Discretely Presented Component Units
 June 30, 2014

	Downtown Management Board	Total
Assets		
Cash and cash equivalents	\$ 105,347	10,503,952
Receivables:		
Accounts	1,575	21,865
Delinquent taxes	7,412	8,084
Accrued interest	-	7,220
Due from other governmental units	26,668	26,668
Prepaid items	2,566	2,566
Capital assets not being depreciated	-	5,214,331
Capital assets being depreciated, net	-	5,637,626
Total assets	<u>143,568</u>	<u>21,422,312</u>
Liabilities		
Accounts payable	1,646	320,710
Accrued liabilities	2,127	130,413
Interest payable	-	18,031
Long-term debt:		
Due within one year	-	310,219
Due in more than one year	-	18,168,421
Total liabilities	<u>3,773</u>	<u>18,947,794</u>
Net position		
Net investment in capital assets	-	3,372,730
Unrestricted (deficit)	139,795	(898,212)
Total net position (deficit)	<u>\$ 139,795</u>	<u>\$ 2,474,518</u>

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, 2014

Functions / Programs	Expenses	Indirect	Program Revenues			Net (Expense) Revenue
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Component units						
Downtown Development Authority	\$ 149,605	\$ 6,484	\$ 63,028	\$ -	\$ -	\$ (93,061)
Midland Street TIFA	123,827	3,380	-	-	-	(127,207)
Kresge's DDA	1,949	-	-	-	-	(1,949)
Marquette District TIFA	163,259	6,278	-	-	-	(169,537)
Water Street DDA	261,035	2,795	-	-	-	(263,830)
Marina Development TIFA	17,467	-	-	-	-	(17,467)
Knepp's DDA	3,461	-	-	-	-	(3,461)
Brownfield Redevelopment Authority	2,863,200	6,843	-	-	-	(2,870,043)
Columbus Avenue Management Board	19,104	-	12,920	250	-	(5,934)
Midland Street Management Board	20,671	-	19,360	3,000	-	1,689
Downtown Management Board	267,634	-	87,412	84,000	-	(96,222)
Total component units	<u>\$ 3,891,212</u>	<u>\$ 25,780</u>	<u>\$ 182,720</u>	<u>\$ 87,250</u>	<u>\$ -</u>	<u>\$ (3,647,022)</u>

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, 2014

Functions/Programs	Downtown Development Authority	Midland St. TIFA	Kresge's DDA	Marquette District TIFA	Water Street DDA
Changes in net position					
Net (expense) revenue	\$ (93,061)	\$ (127,207)	\$ (1,949)	\$ (169,537)	\$ (263,830)
General revenue:					
Property taxes	64,150	92,405	2,970	371,305	287,123
Unrestricted investment earnings	1,082	3,275	308	4,994	2,601
Miscellaneous revenue	-	-	-	-	-
Total general revenue	<u>65,232</u>	<u>95,680</u>	<u>3,278</u>	<u>376,299</u>	<u>289,724</u>
Change in net position	(27,829)	(31,527)	1,329	206,762	25,894
Net position, beginning of year	<u>286,344</u>	<u>790,775</u>	<u>59,798</u>	<u>1,864,613</u>	<u>963,657</u>
Net position, end of year	<u>\$ 258,515</u>	<u>\$ 759,248</u>	<u>\$ 61,127</u>	<u>\$ 2,071,375</u>	<u>\$ 989,551</u>

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, 2014

Functions/Programs	Marina Develop. TIFA	Allen Health- care DDA	Knepp's DDA	Brownfield Redevelopment Authority
Changes in net position				
Net (expense) revenue	\$ (17,467)	\$ -	\$ (3,461)	\$ (2,870,043)
General revenue:				
Property taxes	-	-	-	193,510
Unrestricted investment earnings	-	-	27	13,388
Miscellaneous revenue	-	-	-	11,995
Total general revenue	-	-	27	218,893
Change in net position	(17,467)	-	(3,434)	(2,651,150)
Net position, beginning of year	429,204	4,230	143,094	257,265
Net position, end of year	<u>\$ 411,737</u>	<u>\$ 4,230</u>	<u>\$ 139,660</u>	<u>\$ (2,393,885)</u>

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, 2014

Functions/Programs	Columbus Avenue Mgmt. Board	Midland St. Mgmt. Board	Downtown Mgmt. Board	Totals
Changes in net position				
Net (expense) revenue	\$ (5,934)	\$ 1,689	\$ (96,222)	\$ (3,647,022)
General revenue:				
Property taxes	-	-	101,366	1,112,829
Unrestricted investment earnings	41	149	40	25,905
Miscellaneous revenue	35	-	-	12,030
Total general revenue	76	149	101,406	1,150,764
Change in net position	(5,858)	1,838	5,184	(2,496,258)
Net position, beginning of year	12,393	24,792	134,611	4,970,776
Net position, end of year	<u>\$ 6,535</u>	<u>\$ 26,630</u>	<u>\$ 139,795</u>	<u>\$ 2,474,518</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:

Reporting Entity

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

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

The governing bodies of the Downtown Management Board (DMB), Midland Street Management Board, Columbus Avenue Management Board, 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 DMB. All discretely presented component units use governmental fund type accounting. However, full accrual accounting is used for the statement of net position as well as the statement of activities presentation.

Complete financial statements for the DMB may be obtained at their administrative offices located at Commerce 1, 901 Saginaw Street, Bay City, MI 48708. Separate financial statements for the Midland Street Management Board, Columbus Avenue Management Board, Brownfield Redevelopment Authority, TIFA’s and DDA’s are not prepared.

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

Government-wide and Fund Financial Statements

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

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

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

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

The City reports the following major proprietary funds:

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

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

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

Additionally, the City reports the following fund types:

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

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

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

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

The *pension and other postemployment benefits trust funds* account for the activities of the police and fire employees' retirement system, which accumulates resources for pension benefit payments to qualified police and fire members. In addition, the City has two separate postemployment benefits trust funds. The first fund accounts for non-public safety retirees and the second fund accounts for police and 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.

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

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

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

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the City's proprietary funds relates to charges to customers for sales and services. The water and sewer funds also recognize the portion of tap fees intended to recover current costs (e.g., labor and materials to connect new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Assets, Liabilities, Deferred Inflows of Resources, and Equity

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

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

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

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

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

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

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

Property Taxes

Property taxes are levied each July 1 and December 1 on the assessed valuation of property, as equalized by the State, as of the preceding December 31, the lien date. The levies are considered past due on September 15 and February 15, respectively, at which time applicable penalties and interest are assessed. The City bills and collects its own property taxes as well as taxes for the various local governmental units. Collections and remittances for other units are accounted for in the Current Tax 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 the government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Infrastructure is reported retrospectively from 1980, except for right-of-ways, bridges and traffic signals, which are required to be reported despite the date of purchase.

Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

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

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

Compensated Absences (Vacation and Sick Leave)

City employees earn vacation leave at rates ranging between six and 30 days per year, depending on their union membership and length of service. All outstanding vacation is payable upon resignation, retirement, or death. Sick pay is accumulated by employees at rates ranging between 6.67 hours and one day per month of employment. Depending on the union contract, some employees earn one additional day, if the employee does not use any sick leave days within a three month period. Outstanding sick pay is payable only upon qualified retirement. The maximum amount payable upon retirement varies from zero hours to a maximum of 2,400 hours, depending on union membership and original hire date.

Long-term Obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, 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. There was a formal resolution by the City Commission to commit an amount, between 15% and 20% of the City's previous year's amended total budgeted expenditures and transfers out less all grant expenditures. 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, assigned, and finally unassigned fund balance.

The General Fund had an unassigned fund deficit at year-end of \$22,541. It is expected that this deficit will be eliminated in fiscal year 2015 through anticipated underspending in this fund.

The Public Improvement Capital Projects Fund had an unassigned fund deficit at year-end of \$296,923. This fund will use committed General Fund fund balance to eliminate it's deficit.

The Site Remediation Internal Service Fund had an unrestricted fund deficit at year-end of \$10,717. This fund will use transfer from the Solid Waste Management Special Revenue fund to eliminate it'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 appropriation are prepared by the City Manager and authorized by the City Commission on a departmental (i.e. City Clerk, City Manager, Treasurer, Human Resources) basis in accordance with sections of the City Charter. Intradepartment budget transfers within the General Fund and within all other funds can be approved by the City Manager. This policy limits the authority of the City Manager to an aggregate amount of the transfers within General Fund Department and all other funds to \$4,500 per fiscal year. All transfers within General Fund Departments and all other funds in excess of \$4,500 per fiscal year must be approved by the City Commission. Therefore, legal budgetary control is exercised at the departmental level for all funds.

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
Rehabilitation Fund:			
Transfers out	\$ 40,000	\$ 64,476	\$ 24,476
Local Streets Fund:			
Public works:			
Highways, streets, and bridges	991,108	1,069,996	78,888
Capital outlay	61,022	130,810	69,788
Community Development Block Grant Fund:			
Capital outlay	150,000	153,230	3,230
Transfers out	544,965	604,155	59,190
Neighborhood Opportunity Fund:			
Economic development	-	745	745

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:

	Primary Government	Component Units	Total
Statement of Net Position			
Cash and investments	\$ 42,363,444	\$ 10,503,952	\$ 52,867,396
Cash and cash equivalents, restricted	8,604,959	-	8,604,959
Statement of Net Position - Fiduciary Funds			
Pension and other postemployment benefits trust funds:			
Cash and cash equivalents	1,600,509	-	1,600,509
Investments	65,767,710	-	65,767,710
Agency funds:			
Cash and cash equivalents	136,877	-	136,877
Total	\$ 118,473,499	\$ 10,503,952	\$ 128,977,451

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

Deposits and investments

Bank deposits:	
Checking and savings accounts	\$ 3,357,737
Pooled certificats of deposit:	
Due within one year	24,298,021
Due within one to five years	5,007,809
Investments	96,308,439
Cash on hand	5,445
	<hr/>
Total	<u>\$ 128,977,451</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, 2014, the total deposits owned by the City were \$31,988,055. Of this balance, \$29,692,309 was covered by federal depository insurance, including balances in certificate of deposit account registry service (CDARS) . The remaining balance of \$2,295,746 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, 2014:

Money market accounts	\$ 27,083,527
Fixed income	21,586,575
Equities	34,541,488
Alternative investments:	
Hedge funds	2,537,224
Other alternative investments	589,681
Government securities	3,457,202
Other investments:	
Equity fund	3,537,046
Real estate trust	903,661
Mutual funds	2,072,035
	<hr/>
Total	<u>\$ 96,308,439</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, 2014, none of the City's investments, excluding the money market accounts which are not subject to custodial credit risk, were exposed to risk since the securities are held in the City's name by the counterparty.

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

Interest Rate Risk - As of June 30, 2014, maturities and ratings of the City's debt securities were as follows:

	Investment Maturities (In Years) (Continued)			
	Fair Value	N/A	Less Than 1	1-5
Money market funds	\$ 27,083,527	\$ 27,083,527	\$ -	\$ -
Fixed income	21,586,575	12,576,120	1,610,366	4,523,602
Equities	34,541,488	34,541,488	-	-
Alternative investments	3,126,905	3,126,905	-	-
Government securities	3,457,202	-	-	3,457,202
Other investments	6,512,742	6,512,742	-	-
Total investments	\$ 96,308,439	\$ 83,840,782	\$ 1,610,366	\$ 7,980,804

	Investment Maturities (In Years) (Concluded)		
	6-10	More Than 10	Moody's Investors Services Rating
Money market funds	\$ -	\$ -	N/A
Fixed income	2,715,751	160,736	Aaa-Aa3; NR
Equities	-	-	N/A
Alternative investments	-	-	N/A
Government securities	-	-	Aaa-Aa3
Other investments	-	-	N/A
Total investments	\$ 2,715,751	\$ 160,736	

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

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

Credit Risk - State law limits investments 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.

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

The Police and Fire Retirement System’s investment policy on credit risk for allowable debt securities follows. The credit rating for each investment type is identified in the above table for debt securities held at June 30, 2014. Regarding fixed income, the System’s investment policy allows its investment managers to invest up to 12.5% of the portfolio in non-investment grade securities (BB to CC rated) with at least 80% of the non-investment grade portfolio consisting of BB or B rated securities. The policy also allows investment managers to invest up to 10% of the portfolio in non-U.S. dollar denominated fixed income securities. The minimum credit rating for international fixed income securities is single B at the time of purchase.

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

The Police and Fire Retirement System’s 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, NET

	Governmental Activities	Business-type Activities	Component Units	Total
Receivables:				
Account	\$ 2,706,050	\$ 10,352,742	\$ 21,865	\$ 13,080,657
Taxes	51,907	-	8,084	59,991
Special assessments	149,787	407,685	-	557,472
Interest	33,816	49,442	7,220	90,478
Intergovernmental	1,997,819	111,629	26,668	2,136,116
Notes	11,380,096	-	-	11,380,096
Gross receivables	16,319,475	10,921,498	63,837	27,304,810
Less: allowance for uncollectibles	(4,373,041)	-	-	(4,373,041)
Total receivables, net	\$ 11,946,434	\$ 10,921,498	\$ 63,837	\$ 22,931,769

The receivables not expected to be collected within one year are approximately \$7.4 million of the notes receivable reported in the Rehabilitation Fund, \$4 million of notes receivable in the City Loans and Collections Special Revenue Fund and \$40,500 of special assessments receivable in the General 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, 2014, is as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 17,149,069	\$ -	\$ 8,013	-	\$ 17,141,056
Construction in progress	6,386,131	2,598,938	-	(6,264,591)	2,720,478
Other intangible assets	376,000	-	-	-	376,000
	<u>23,911,200</u>	<u>2,598,938</u>	<u>8,013</u>	<u>(6,264,591)</u>	<u>20,237,534</u>
Capital assets being depreciated:					
Roads and sidewalks	137,974,307	460,994	-	2,421,993	140,857,294
Buildings and improvements	9,240,749	11,300	-	3,842,598	13,094,647
Vehicles	13,387,082	833,146	492,675	-	13,727,553
Office furnishings	39,293	-	-	-	39,293
Other tools and equipment	3,242,803	181,973	178,765	-	3,246,011
	<u>163,884,234</u>	<u>1,487,413</u>	<u>671,440</u>	<u>6,264,591</u>	<u>170,964,798</u>
Accumulated depreciation:					
Roads and sidewalks	93,667,130	3,271,885	-	-	96,939,015
Buildings and improvements	4,846,206	283,873	-	-	5,130,079
Vehicles	9,191,768	628,385	424,380	-	9,395,773
Office furnishings	25,595	1,965	-	-	27,560
Other tools and equipment	2,485,510	188,240	178,765	-	2,494,985
	<u>110,216,209</u>	<u>4,374,348</u>	<u>603,145</u>	<u>-</u>	<u>113,987,412</u>
Net capital assets being depreciated	<u>53,668,025</u>	<u>(2,886,935)</u>	<u>68,295</u>	<u>6,264,591</u>	<u>56,977,386</u>
Governmental activities capital assets, net	<u>\$ 77,579,225</u>	<u>\$ (287,997)</u>	<u>\$ 76,308</u>	<u>\$ -</u>	<u>\$ 77,214,920</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, 2014, is as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 821,424	\$ -	\$ -	-	\$ 821,424
Construction in progress	3,307,090	6,054,837	-	(1,421,164)	7,940,763
Other	95,421	-	-	-	95,421
	<u>4,223,935</u>	<u>6,054,837</u>	<u>-</u>	<u>(1,421,164)</u>	<u>8,857,608</u>
Capital assets, being depreciated:					
Utility plant and systems	274,118,745	2,958,325	679,753	1,421,164	277,818,481
Land improvements	29,614,595	842,267	16,200	-	30,440,662
Buildings and improvements	4,836,992	26,851	-	-	4,863,843
Machinery and equipment	7,520,146	151,851	-	-	7,671,997
	<u>316,090,478</u>	<u>3,979,294</u>	<u>695,953</u>	<u>1,421,164</u>	<u>320,794,983</u>
Accumulated depreciation:					
Utility plant and systems	170,131,054	6,649,347	679,753	-	176,100,648
Land improvements	5,594,475	639,404	16,200	-	6,217,679
Buildings and improvements	2,630,212	120,118	-	-	2,750,330
Machinery and equipment	4,988,244	261,977	-	-	5,250,221
	<u>183,343,985</u>	<u>7,670,846</u>	<u>695,953</u>	<u>-</u>	<u>190,318,878</u>
Net capital assets, being depreciated	<u>132,746,493</u>	<u>(3,691,552)</u>	<u>-</u>	<u>1,421,164</u>	<u>130,476,105</u>
Business-type activities capital assets, net	<u>\$ 136,970,428</u>	<u>\$ 2,363,285</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 139,333,713</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, 2014, is as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Component units:					
Capital assets, not being depreciated:					
Land	\$ 54,136	\$ -	\$ -	\$ -	\$ 54,136
Construction in progress	175,687	5,160,195	-	(175,687)	5,160,195
	<u>229,823</u>	<u>5,160,195</u>	<u>-</u>	<u>(175,687)</u>	<u>5,214,331</u>
Capital assets, being depreciated					
Infrastructure	9,177,438	49,077	-	169,941	9,396,456
Land improvements	16,642	60,417	-	5,746	82,805
Furniture and equipment	78,973	-	-	-	78,973
	<u>9,273,053</u>	<u>109,494</u>	<u>-</u>	<u>175,687</u>	<u>9,558,234</u>
Accumulated depreciation:					
Infrastructure	3,467,219	393,197	-	-	3,860,416
Land improvements	1,596	2,474	-	-	4,070
Furniture and equipment	52,580	3,542	-	-	56,122
	<u>3,521,395</u>	<u>399,213</u>	<u>-</u>	<u>-</u>	<u>3,920,608</u>
Net capital assets being depreciated	<u>5,751,658</u>	<u>(289,719)</u>	<u>-</u>	<u>175,687</u>	<u>5,637,626</u>
Component units capital assets, net	<u>\$ 5,981,481</u>	<u>\$ 4,870,476</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,851,957</u>

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

Governmental activities	
General government	\$ 97,168
Public safety	113,943
Public works	3,034,646
Recreation and cultural	246,159
Economic development	196,459
Internal service fund depreciation is charged to the various functions based on their usage of the asset	<u>685,973</u>
Total governmental activities	<u>\$ 4,374,348</u>

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

Business-type activities

Electric	\$ 2,280,799
Water	1,239,128
Sewer	3,973,108
Other business-type activities	<u>177,811</u>
Total business-type activities	<u>\$ 7,670,846</u>

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	\$ 2,214,334	\$ 505,567
Major Streets Fund	-	7,996
Rehabilitation Fund	-	40,991
Nonmajor governmental funds	459,194	2,264,341
Electric Fund	-	73,427
Water Fund	14,910	42,280
Sewer Fund	1,349	29,951
Nonmajor enterprise funds	47	90
Internal service funds	<u>290,180</u>	<u>15,371</u>
	<u>\$ 2,980,014</u>	<u>\$ 2,980,014</u>

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

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

The composition of interfund transfers is as follows:

Transfers To	Transfers From (Continued)			
	General Fund	Rehabilitation Fund	Nonmajor Governmental Funds	Electric Fund
General Fund	\$ -	\$ -	\$ 164,795	\$ -
Rehabilitation Fund	-	-	240,459	-
Nonmajor governmental funds	496,126	64,476	198,901	-
Nonmajor enterprise fund	107,195	-	-	-
Internal service funds	-	-	60,458	34,016
	<u>\$ 603,321</u>	<u>\$ 64,476</u>	<u>\$ 664,613</u>	<u>\$ 34,016</u>

Transfers To	Transfers From (Concluded)	
	Water Fund	Total
General Fund	\$ -	\$ 164,795
Rehabilitation Fund	-	240,459
Nonmajor governmental funds	-	759,503
Nonmajor enterprise fund	-	107,195
Internal service funds	34,016	128,490
	<u>\$ 34,016</u>	<u>\$ 1,400,442</u>

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

7. LONG-TERM DEBT

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

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

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental activities					
6.4% to 7.15% street improvement capital appreciation G.O. bonds dated 7/2/91, aggregate principal due at maturity beginning 6/1/99 through 6/1/21. Original amount \$10,599,932	\$ 14,084,562	\$ 1,020,082	\$ (2,290,000)	\$ 12,814,644	\$ 2,169,225
Variable rate HUD Section 108 note payable, principal due annually beginning 8/1/13 through 8/1/22, interest due semi-annually February 1 and August 1. Original amount \$2,000,000	2,000,000	-	(85,000)	1,915,000	165,000
2.0% to 3.65% Limited Tax G.O Bonds, Series 2012A dated 1/10/12, aggregate principal due at maturity beginning 10/1/12 through 10/1/31. Original amount \$1,630,000	1,575,000	-	(65,000)	1,510,000	65,000
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	-

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Capital lease repaid during fiscal year ended June 30, 2014.	\$ 800	\$ -	\$ (800)	\$ -	\$ -
Total bonds and notes payable	18,660,362	1,020,082	(2,440,800)	17,239,644	2,399,225
Landfill remediation liability	907,878	197,378	-	1,105,256	51,309
Employee compensated absences	2,146,755	68,460	(65,937)	2,149,278	929,436
Total governmental activities long-term debt	\$ 21,714,995	\$ 1,285,920	\$ (2,506,737)	\$ 20,494,178	\$ 3,379,970

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.

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Business-type activities					
Sewer Fund:					
2.5% State Revolving Fund Loan issued March 29, 2001, principal due in annual installments beginning 4/1/04 through 4/1/23, interest due semi-annually April 1 and October 1. Original amount \$42,435,000.	\$ 23,820,000	\$ -	\$ (2,125,000)	\$ 21,695,000	\$ 2,180,000
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.	1,355,000	-	(665,000)	690,000	690,000

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
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.	\$ 4,420,000	\$ -	\$ (265,000)	\$ 4,155,000	\$ 275,000
3.5% to 5.5% G.O. Capital Improvement Bonds, Series 2008, principal due in annual installments of \$75,449 to \$160,826 through 4/1/28, interest due semi-annually April 1 and October 1. Original amount \$2,166,181.	1,757,168	-	(85,377)	1,671,791	89,347
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.	2,315,700	-	(93,000)	2,222,700	96,100
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	702,000	-	(91,000)	611,000	94,000
Premium on bond issuance	40,490	-	(2,699)	37,791	2,699
Discounts on bond issuances	(143,330)	-	20,504	(122,826)	(20,504)

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Electric Fund:					
3.9% Electric Utility System Revenue Bonds, Series 2013, principal due in annual installments of \$140,000 to \$1,115,000 through 7/1/33, interest due semi-annually January 1 and July 1. Original amount \$13,830,000.	\$ -	\$ 13,830,000	\$ -	\$ 13,830,000	\$ 140,000
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.	2,055,000	-	(380,000)	1,675,000	395,000
Water Fund:					
2.125% Michigan State Revolving Fund loan issued June 23, 2005, principal due in annual installments of \$245,000 to \$365,000 beginning 4/1/07 through 4/1/26, interest due semi-annually April 1 and October 1. Original amount \$6,000,000.	4,180,000	-	(285,000)	3,895,000	290,000
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.	1,635,000	-	(305,000)	1,330,000	315,000

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 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.	\$ 2,667,834	\$ -	\$ (129,624)	\$ 2,538,210	\$ 135,653
Premium on bond issuance	63,766	-	(4,251)	59,515	4,251
Total bonds and loans payable	44,868,628	13,830,000	(4,410,447)	54,288,181	4,686,546
Employee compensated absences	1,104,906	13,364	(133,606)	984,664	443,935
Total	\$ 45,973,534	\$ 13,843,364	\$ (4,544,053)	\$ 55,272,845	\$ 5,130,481

The aggregate debt service requirements to pay principal and interest on the various bonds and loans outstanding with interest of \$14,321,323 in the business-type activities, interest of \$14,827,715 including capital appreciation of \$10,270,152, which is included in the outstanding bonds and notes payable balance above, in the governmental activities bonded debt, and interest of \$534,003 in governmental activities other debt are as follows:

Year Ended June 30,	Governmental Activities			
	Bonded Debt		Other Debt	
	Principal	Interest	Principal	Interest
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	75,000	2,145,205	294,294	67,217
2020-2024	2,092,916	4,514,350	1,415,819	150,419
2025-2029	455,000	104,944	377,061	14,245
2030-2032	315,000	7,938	-	-
	\$ 4,054,492	\$ 14,827,715	\$ 2,915,000	\$ 534,003

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

Year Ended June 30,	Business-type Activities	
	Principal	Interest
2015	\$ 4,700,100	\$ 1,499,371
2016	4,151,201	1,638,840
2017	4,272,300	1,516,091
2018	4,398,400	1,387,146
2019	3,703,500	1,253,781
2020-2024	19,477,699	4,434,314
2025-2029	8,085,201	1,954,733
2030-2034	5,525,300	637,047
	<u>\$ 54,313,701</u>	<u>\$ 14,321,323</u>

Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
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Component units

2.0% to 4.25% Brownfield

Redevelopment Authority
Tax Increment Bonds,
Series 2014, principal
due in annual installments
of \$25,000 to \$700,000
starting 7/1/17 through
7/1/42, interest due
semi-annually April 1
and October 1. Original
amount \$7,085,000.

\$ -	\$ 7,085,000	\$ -	\$ 7,085,000	\$ -
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3.0% to 5.5% Brownfield

Redevelopment Authority
2013 Tax Increment Bonds,
principal due in annual
installments of \$15,000 to
\$870,000 starting 10/1/18
through 10/1/43, interest
due semi-annually April 1
and October 1. Original
amount \$9,200,000.

-	9,200,000	-	9,200,000	-
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CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
2.5% to 4.05% Downtown Development and Refunding Bonds, Series 2004, principal due in annual installments of \$20,000 to \$375,000 through 5/1/18, interest due semi-annually May 1 and November 1. Original amount \$2,755,000.	\$ 1,505,000	\$ -	\$ (230,000)	\$ 1,275,000	\$ 265,000
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.	1,036,584	-	(41,630)	994,954	43,018
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.	382,716	-	(15,370)	367,346	15,882
Discounts on bond issuances	-	(461,133)	15,577	(445,556)	(15,577)
Total bonds payable	2,924,300	15,823,867	(271,423)	18,476,744	308,323
Employee compensated absences	-	1,896	-	1,896	1,896
Total long-term debt, component units	\$ 2,924,300	\$ 15,825,763	\$ (271,423)	\$ 18,478,640	\$ 310,219

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 \$18,142,981 are as follows:

Year Ended June 30,	Component Units	
	Principal	Interest
2015	\$ 323,900	\$ 880,860
2016	360,800	869,275
2017	397,700	855,873
2018	639,600	836,851
2019	106,500	818,927
2020-2024	794,301	4,020,421
2025-2029	1,574,799	3,782,481
2030-2034	3,484,700	3,178,915
2035-2039	4,910,000	2,175,203
2040-2044	6,330,000	724,175
	<u>\$ 18,922,300</u>	<u>\$ 18,142,981</u>

8. RISK MANAGEMENT

The City is exposed to various risks of loss related to claims, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is self-funded for liability and property insurance, health and dental insurance, and workers' compensation.

Liability and Property Insurance

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

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

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

The changes in the claims liability for the years ended June 30, 2013 and 2014, are as follows:

Fiscal Year	Beginning of Period Liability	Current Year Claims and Changes in Estimates	Claim Payments	End of Period Liability
2013	\$ 429,702	\$ 747,829	\$ (895,381)	\$ 282,150
2014	282,150	678,102	(521,956)	438,296

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, 2013 and 2014, are as follows:

Fiscal Year	Beginning of Period Liability	Current Year Claims and Changes in Estimates	Claim Payments	End of Period Liability
2013	\$ 279,313	\$ 8,489,959	\$ (8,452,014)	\$ 317,258
2014	317,258	8,270,067	(8,283,351)	303,974

Workers' Compensation

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

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

The changes in the claims liability for the years ended June 30, 2013 and 2014 are as follows:

Fiscal Year	Beginning of Period Liability	Current Year Claims and Changes in Estimates	Claim Payments	End of Period Liability
2013	\$ 431,187	\$ 326,248	\$ (301,206)	\$ 456,229
2014	456,229	190,114	(251,463)	394,880

9. 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, 2014, the City's annual pension cost was \$2,752,465 and the City contributed \$3,817,343 for MERS including the City's required contribution of \$2,721,839 and an additional contribution of \$1,095,504. The required contribution was determined as part of the December 31, 2011 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, 2013, the date of the latest actuarial valuation, was 10 years.

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

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	\$ 2,721,839
Interest on net pension asset	(729,410)
Adjustment to annual required contribution	<u>760,036</u>
Annual pension cost	2,752,465
Contributions made	<u>(3,817,343)</u>
Increase in net pension asset	(1,064,878)
Net pension asset, beginning of year	<u>(9,117,621)</u>
Net pension asset, end of year	<u><u>\$ (10,182,499)</u></u>

Three-Year Trend Information			
Years Ended June 30,	Annual Pension Cost (APC)	Percentage Contributed	Net Pension Asset
2012	\$ 2,396,246	136.7%	\$ 8,160,713
2013	2,462,672	138.9%	9,117,621
2014	2,752,465	138.7%	10,182,499

	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
12/31/13	\$ 47,786,632	\$ 69,689,172	\$ 21,902,540	69%	\$ 3,177,271	689%

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

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.

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

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

Method Used to Value Investments. Investments are reported at fair value. Securities which are traded on a national securities exchange are valued at the last reported sales price on the last business day of the System's fiscal year. Investments traded in the over-the-counter market and listed securities for which no sale was reported on that date are valued at the last reported bid price. The difference between aggregate fair value and the cost of investments along with realized gains and losses on sales of investments are reflected in the statement of changes in plan net position as net appreciation or depreciation in the fair value of investments.

Plan membership. At June 30, 2014, plan membership consisted of the following:

Retiree and beneficiaries	
currently receiving benefits	168
Terminated vested members	14
Active plan members	<u>79</u>
Total membership	<u><u>261</u></u>

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

Funding Policy. All plan members are required to contribute 8% or 10%, subject to collective bargaining, of their annual salary to the System. The City is required to contribute the remaining amounts necessary to fund the System, based upon actuarial valuations as required by State statute. During the year ended June 30, 2014, 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.

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

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

The Board established the following allocation range for each asset class in recognition of the need to vary exposure within and among different asset classes, based on investment opportunities and changing capital market conditions:

	Target Allocation	Range
Cash	0%	0-5%
U.S. fixed income	20%	17-23%
High yield	0%	0-15%
Global fixed income	5%	0-10%
Large cap equity	28%	23-33%
Small/mid cap equity	24%	20-28%
International equity	10%	7-13%
Real estate	8%	0-10%
Hedge funds	5%	0-10%

Rate of Return. For the year ended June 30, 2014, the annual money-weighted rate of return on System investments, net of System investment expenses, was 14.79%. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts that are actually invested.

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 Collective and Hexavest EAFE Equity Fund) represent 15.26% and 6.45% of the System's total assets, respectively, at June 30, 2014.

Net Pension Liability of the City. The components of the net pension liability of the City at June 30, 2014, were as follows:

Total pension liability	\$ 64,946,510
Plan fiduciary net position	<u>54,781,010</u>
City's net pension liability	<u><u>\$ 10,165,500</u></u>
Fiduciary net position as a percentage of the total pension liability	84.3%
Covered payroll	\$ 4,523,121
Net pension liability as a percentage of covered payroll	224.75%

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

Actuarial Assumptions. The total pension liability was determined by an annual actuarial valuation as of June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	4%
Salary increases	4-44%, based on seniority
Cost of living assumption adjustments	3.5-5% (per contract) paid on the 5th, 10th and 15th anniversaries of retirement. Cost of living adjustment is only calculated on service prior to July 1, 2014 (January 1, 2014 for Firefighters)
Investment rate of return	7.5% (net of expenses)

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

The long-term expected rate of return on the System's investments was determined using a building-block method, in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return at June 30, 2014 for each major asset class included in the System's target asset allocation as disclosed above are summarized as follows:

	Long-term Expected Real Rate of Return
U.S. fixed income	1.25%
Global fixed income	1.00%
Large cap equity	7.35%
Small/mid cap equity	9.35%
International equity	5.45%
Alternatives	7.95%

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

	One Percent Decrease (6.5%)	Current Discount Rate (7.5%)	One Percent Increase (8.5%)
City's net pension liability	\$ 17,108,932	\$ 10,165,500	\$ 4,284,319

Employer Contributions. During the year ended June 30, 2014, total contributions of \$1,808,810 were made in accordance with actuarially determined requirements, computed through an actuarial valuation performed as of June 30, 2014.

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

Employer contributions to the System for the current fiscal year and two years prior were as follows:

Three-Year Trend Information		
Years Ended June 30,	Annual Pension Cost (APC)	Percentage Contributed
2012	\$ 1,725,255	100%
2013	1,979,219	100%
2014	1,808,810	100%

Defined Contribution Pension Plan

The City of Bay City Employees Defined Contribution Pension Plan is a single employer defined contribution pension plan created by the City and administered by 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, 2014, the City's required and actual contributions amounted to \$500,021. Employees made contributions amounting to \$331,561.

Postemployment Healthcare

As authorized by the City Commission, the City has elected to provide postemployment healthcare benefits to certain retirees and their beneficiaries. Substantially all of the City's employees become eligible for postemployment health care benefits if they reach normal retirement age and are eligible for retirement benefits from the City. However, depending on the union contract, some employees hired after July 1, 2007 are not eligible for City provided healthcare benefits upon retirement. Instead the City has established a Retirement Health Savings (RHS) Plan in which the City contributes 6% of their salary on an annual basis. The benefits a participant will receive within the RHS plan depend solely on the amount contributed to each participant's account and the returns earned on the investments of those contributions.

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

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

Currently, 418 retirees are eligible to receive healthcare benefits. In addition, there are 229 active plan members. 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, 2014, were \$5,588,871.

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

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the City's net OPEB obligation:

Annual required contribution	\$ 7,883,956
Interest on net OPEB obligation	758,956
Adjustment to annual required contribution	<u>(1,319,694)</u>
Annual OPEB cost (expense)	7,323,218
Contributions made	<u>(5,588,871)</u>
Increase in net OPEB obligation	1,734,347
Net OPEB obligation, beginning of year	<u>16,865,688</u>
Net OPEB obligation, end of year	<u>\$ 18,600,035</u>

The City's annual OPEB cost, percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the years 2012, 2013 and 2014 is as follows:

Years Ended June 30,	Three-Year Trend Information		
	Annual OPEB Cost (AOC)	Percentage Contributed	Net OPEB Obligation
2012	\$ 8,214,854	77.6%	\$ 12,869,050
2013	9,714,249	58.9%	16,865,688
2014	7,323,218	76.3%	18,600,035

The actuarial accrued liability as of June 30, 2014, the date of the most recent actuarial valuation, is \$94,085,536. As of June 30, 2014, there is \$10,115,419 in assets available to offset the liabilities of the plan. The funded status of the plan, which is the ratio of plan assets to actuarial accrued liability, as of June 30, 2014, is 10.8%. During the fiscal year ended June 30, 2014, the City contributed an additional \$899,333 in excess of current premium contributions made on a pay-as-you-go basis.

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
6/30/2014	\$ 10,115,419	\$ 94,085,536	\$ 83,970,117	10.8%	\$ 17,986,660	467%

Membership of the plan consisted of the following at June 30, 2014, the date of the latest actuarial valuation:

Retiree and beneficiaries currently receiving benefits	418
Active plan members	<u>229</u>
Total membership	<u><u>647</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	6/30/14
Actuarial cost method	Entry age normal level % of salary
Amortization method	Level dollar based on a 25-year closed period
Remaining amortization period	25 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	6%
Inflation rate	3.0% per year
Additional projected salary increases	4.5% general inflation, plus 0.30% to 13.00% per year, depending on age, attributable to seniority/merit
Healthcare cost trend rate	9.0% 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, 2014.

Statement of Plan Net Position

Assets	
Cash and cash equivalents	\$ 507,085
Investments - fixed income	12,213,516
Accounts receivable	107,744
Interest receivable	<u>515</u>
Total assets	<u>\$ 12,828,860</u>
Net position restricted for employees' postemployment health care benefits	<u>\$ 12,828,860</u>

Statement of Changes in Plan Net Position

Additions	
Contributions:	
Employer	\$ 899,333
Current premium contributions - employer	4,689,538
Total contributions	<u>5,588,871</u>
Investment income:	
Interest and dividends	1,810,307
Net appreciation in fair value of investments	<u>3,801</u>
Net investment income	<u>1,814,108</u>
Total additions	7,402,979
Deductions	
Retiree healthcare premium payments	<u>4,689,538</u>
Net change in plan net position	<u>2,713,441</u>
Net position	
Beginning of year	<u>10,115,419</u>
End of year	<u>\$ 12,828,860</u>

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

10. 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 2014 to be \$1.9 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 fund for placement of funds obtained from any settlement with, or payment from the estate of, General Motors, Inc. and its successor entities. To date, the City received stocks and warrants and with their liquidation received \$152,998 from the GM bankruptcy settlement. As a result of the settlement, the City's total exposure is 60.25% and Honeywell is 39.75%.

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

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

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

Commitments

The City's electric department, along with other Michigan municipal utilities, is a member of the Michigan Public Power Agency (MPPA). The agency was formed to acquire interests in certain electric generating plants and related transmission lines. MPPA has acquired a 4.8% undivided interest in the Consumers Power Campbell 3 plant and 18.61% undivided interest in the Detroit Edison Company Belle River project. The City's electric department has entered into power supply and project support contracts with MPPA. Under the agreement, the City's electric department will purchase 13.18% of the energy generated by the Campbell 3 plant and 3.71% of the energy generated by the Belle River plant. Under the terms of the contract, the City's electric department must make annual payments to cover their share of annual debt service requirements and fixed operation costs of the Campbell and Belle River projects. During the fiscal year ended June 30, 2009, the final payment was made on the Campbell project. 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
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	1,504,247	408,917
2020-2024	-	2,042,204
2025-2029	-	2,042,306
2030-2034	-	2,042,258
2035-2039	-	2,041,768
2040-2043	-	1,633,071
Total	\$ 6,021,495	\$ 11,844,418

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

In addition, the City had other construction commitments totaling \$8,591,284 at June 30, 2014 as follows:

Project	Remaining Commitment at June 30, 2014
Riverwalk - Uptown	\$ 1,957,280
2014 Critical Sewer Relining Project	1,155,350
Wastewater Treatment Plant Solids Handling Improvements	1,519,175
Automatic Meter Install (AMI)	1,412,215
Sewer Relining	1,155,350
Uptown	818,317
Main Street - Uptown	222,789
Local Streets	153,403
Sludge Pipe Replacement	148,997
Mill End Alley	25,518
MDM (AMI)	22,890
	<u>\$ 8,591,284</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 "County 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 County 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 County 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 County 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 County 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.

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

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.

11. FUND BALANCES - GOVERNMENTAL FUNDS

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

	General Fund	Major Streets Fund	Rehabilitation Fund	Nonmajor Governmental Funds	Total
Nonspendable					
Inventories	\$ -	\$ 39,477	\$ -	\$ -	\$ 39,477
Prepaid	185	-	-	-	185
Total nonspendable	185	39,477	-	-	39,662
Restricted					
Waysign grant	8,596	-	-	-	8,596
COPS Hiring Recovery Program	32,500	-	-	-	32,500
Special revenue funding source restrictions	-	1,761,355	-	1,598,650	3,360,005
Debt service	-	-	-	76,527	76,527
Capital projects	-	-	-	329,305	329,305
Total restricted	41,096	1,761,355	-	2,004,482	3,806,933
Committed					
Future general fund operations	2,863,559	-	-	-	2,863,559
City Hall restoration	296,923	-	-	-	296,923
Total committed	3,160,482	-	-	-	3,160,482
Unassigned (deficit)	(22,541)	-	-	(296,923)	(319,464)
Total fund balance	\$ 3,179,222	\$ 1,800,832	\$ -	\$ 1,707,559	6,687,613

CITY OF BAY CITY, MICHIGAN

Notes to Financial Statements

12. NET INVESTMENT IN CAPITAL ASSETS

The City's net investment in capital assets at June 30, 2014 is as follows:

	Governmental Activities	Business-type Activities	Component Units
Capital assets not being depreciated	\$ 20,237,534	\$ 8,857,608	\$ 5,214,331
Capital assets being depreciated, net	56,977,386	130,476,105	5,637,626
Less related debt:			
Bonds and notes payable	(17,239,644)	(54,288,181)	(18,922,300)
Capital appreciation	10,270,152	-	-
Unspent bond proceeds	-	-	7,419,026
Non-capital debt	-	-	4,024,047
Net investment in capital assets	\$ 70,245,428	\$ 85,045,532	\$ 3,372,730

13. SUBSEQUENT EVENT

In September 2014, the City entered into an Additional Software License Agreement to purchase accounting software licenses and services totaling \$262,690.



REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BAY CITY, MICHIGAN

Required Supplementary Information

Municipal Employee Retirement System
For the Year Ended June 30, 2014

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
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%
2013	47,786,632	69,689,172	21,902,540	68.6%	3,177,271	689.4%

Schedule of Employer Contributions

Fiscal Year Ended (June 30)	Annual Required Contribution	Actual Annual Contribution	Percent Contributed
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%
2014	2,721,839	3,817,343	140.25%

CITY OF BAY CITY, MICHIGAN

Required Supplementary Information

City of Bay City Police and Fire Retirement System
For the Year Ended June 30, 2014

Schedule of Changes in Net Pension Liability and Related Ratios

	Fiscal Year Ending June 30, 2014
Total pension liability	
Service cost	\$ 1,170,628
Interest	4,728,988
Changes of benefit terms	(301,242.0)
Differences between expected and actual experience	(734,651)
Changes in assumptions	-
Benefit payments, including refunds of member contributions	(4,770,135)
Net change in total pension liability	<u>93,588</u>
 Total pension liability, beginning of year	 <u>64,852,922</u>
 Total pension liability, end of year	 <u><u>64,946,510</u></u>
 Plan fiduciary net position	
Employer contributions	1,808,810
Employee contributions	834,201
Pension plan net investment income	8,500,184
Benefit payments, including refunds of member contributions	(4,770,135)
Pension plan administrative expenses	(141,341)
Other	11,063
Net change in fiduciary net position	<u>6,242,782</u>
 Fiduciary net position, beginning of year	 <u>48,538,226</u>
 Fiduciary net position, end of year	 <u>54,781,008</u>
 Net pension liability	 <u><u>\$ 10,165,502</u></u>
 Fiduciary net position as a percentage of total pension liability	 84.35%
 Covered employee payroll	 <u><u>\$ 4,523,121</u></u>
 Net pension liability as a percentage of covered employee payroll	 224.75%

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

CITY OF BAY CITY, MICHIGAN

Required Supplementary Information
 City of Bay City Police and Fire Retirement System
 For the Year Ended June 30, 2014

Schedule of the Net Pension Liability

Fiscal Year Ended 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
2014	\$ 54,781,010	\$ 64,946,510	\$ 10,165,500	84.3%	\$ 4,523,121	224.7%

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

CITY OF BAY CITY, MICHIGAN

Required Supplementary Information

City of Bay City Police and Fire Retirement System
For the Year Ended June 30, 2014

Schedule of Contributions

Fiscal Year Ended June 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as Percentage of Covered Payroll
2005	\$ 801,487	\$ 820,504	\$ (19,017)	\$ 6,150,943	13.34%
2006	1,516,565	1,516,565	-	6,307,684	24.04%
2007	1,605,480	2,123,900	(518,420)	6,145,101	34.56%
2008	1,651,747	1,651,747	-	6,123,644	26.97%
2009	1,618,068	1,618,068	-	5,914,162	27.36%
2010	1,483,085	1,483,085	-	5,669,560	26.16%
2011	1,622,079	1,622,079	-	5,464,690	29.68%
2012	1,725,255	1,725,255	-	5,228,425	33.00%
2013	1,979,219	1,979,219	-	4,828,091	40.99%
2014	1,808,810	1,808,810	-	4,523,121	39.99%

Notes to Schedule of Contributions

Valuation date June 30, 2014

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Individual entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	26 years
Asset valuation method	5 years smoothed market
Inflation	4.00%
Salary increases	4.00%-44.00%, including inflation
Investment rate of return	7.50%, net of investment expenses, including inflation
Mortality	RP 2000 Combined Healthy Mortality Table

CITY OF BAY CITY, MICHIGAN

Required Supplementary Information

City of Bay City Police and Fire Retirement System
For the Year Ended June 30, 2014

Schedule of Investment Returns

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

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

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

CITY OF BAY CITY, MICHIGAN

Required Supplementary Information

Postemployment Healthcare
For the Year Ended June 30, 2014

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
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%
2014	10,115,419	94,085,536	83,970,117	10.8%	17,986,660	466.8%

Schedule of Employer Contributions

Fiscal Year Ended (June 30)	Annual Required Contribution	Actual Annual Contribution	Percent Contributed
2012	\$ 8,363,912	\$ 6,376,415	76.24%
2013	9,903,231	5,717,608	57.73%
2014	7,883,956	5,588,871	70.89%



Bay

City
Michigan

A beautiful view...of life

City of Bay City

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



Bay

City
Michigan

A beautiful view...of life

City of Bay City

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.

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.

CITY OF BAY CITY, MICHIGAN

Combining Balance Sheet Nonmajor Governmental Funds June 30, 2014

	Special Revenue Funds				
	Local Streets	Parking Enforcement	Solid Waste Management	Community Development Block Grant	Building Inspection
Assets					
Cash and cash equivalents	\$ 458,377	\$ 14,577	\$ 100,123	\$ -	\$ 71,379
Receivables:					
Accounts	2,201	-	401,486	-	200,930
Delinquent taxes	-	-	-	-	-
Special assessments	-	-	17,558	-	26,438
Accrued interest	343	9	199	-	80
Notes	-	-	-	-	-
Allowance for uncollectible amounts	-	-	-	-	-
Due from other funds	68,091	-	-	5,070	-
Due from other governmental units	108,488	-	-	165,316	-
Total assets	\$ 637,500	\$ 14,586	\$ 519,366	\$ 170,386	\$ 298,827
Liabilities					
Accounts payable	\$ 185,898	\$ 14,586	\$ 32,971	\$ 29,392	\$ 6,401
Accrued liabilities	12,912	-	24,999	4,256	8,957
Due to other funds	5,384	-	12,551	136,738	4,367
Deposits	-	-	-	-	32,385
Unearned revenue	-	-	-	-	-
Total liabilities	204,194	14,586	70,521	170,386	52,110
Deferred inflows of resources					
Unavailable revenue - property taxes	-	-	-	-	-
Fund balances					
Restricted	433,306	-	448,845	-	246,717
Unassigned (deficit)	-	-	-	-	-
Total fund balances	433,306	-	448,845	-	246,717
Total liabilities, deferred inflows of resources, and fund balances	\$ 637,500	\$ 14,586	\$ 519,366	\$ 170,386	\$ 298,827

Special Revenue Funds					Debt Service Fund
Neighborhood Opportunity	Neighborhood Stabilization	Drug Law Enforcement	City Loans and Collections	Total	Bond Sinking Fund
\$ 54,700	\$ 701	\$ 375,272	\$ 40,012	\$ 1,115,141	\$ 68,923
-	-	-	373,041	977,658	-
-	-	-	-	-	8,459
-	-	-	-	43,996	-
87	-	421	-	1,139	1,855
-	-	-	4,000,000	4,000,000	-
-	-	-	(4,373,041)	(4,373,041)	-
-	-	-	-	73,161	-
-	-	-	-	273,804	-
<u>\$ 54,787</u>	<u>\$ 701</u>	<u>\$ 375,693</u>	<u>\$ 40,012</u>	<u>\$ 2,111,858</u>	<u>\$ 79,237</u>
\$ 68	\$ -	\$ 642	\$ -	\$ 269,958	\$ -
-	-	-	-	51,124	-
-	-	-	-	159,040	-
-	-	-	-	32,385	-
-	701	-	-	701	-
<u>68</u>	<u>701</u>	<u>642</u>	<u>-</u>	<u>513,208</u>	<u>-</u>
-	-	-	-	-	2,710
54,719	-	375,051	40,012	1,598,650	76,527
-	-	-	-	-	-
<u>54,719</u>	<u>-</u>	<u>375,051</u>	<u>40,012</u>	<u>1,598,650</u>	<u>76,527</u>
<u>\$ 54,787</u>	<u>\$ 701</u>	<u>\$ 375,693</u>	<u>\$ 40,012</u>	<u>\$ 2,111,858</u>	<u>\$ 79,237</u>

Continued...



Bay

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A beautiful view...of life

City of Bay City

CITY OF BAY CITY, MICHIGAN

Combining Balance Sheet Nonmajor Governmental Funds June 30, 2014

	Capital Projects Funds				Total
	Riverfront Redevelopment	Economic Opportunities	Public Improvement	Total	
Assets					
Cash and cash equivalents	\$ 1,104,660	\$ 130,824	\$ -	\$ 1,235,484	\$ 2,419,548
Receivables					
Accounts	-	-	1,425,143	1,425,143	2,402,801
Delinquent taxes	-	-	-	-	8,459
Special assessments	-	-	-	-	43,996
Accrued interest	3,203	198	-	3,401	6,395
Notes	-	-	-	-	4,000,000
Allowance for uncollectible amounts	-	-	-	-	(4,373,041)
Due from other funds	-	-	386,033	386,033	459,194
Due from other governmental units	362,147	-	-	362,147	635,951
Total assets	<u>\$ 1,470,010</u>	<u>\$ 131,022</u>	<u>\$ 1,811,176</u>	<u>\$ 3,412,208</u>	<u>\$ 5,603,303</u>
Liabilities					
Accounts payable	\$ 1,218,995	\$ -	\$ 2,798	\$ 1,221,793	\$ 1,491,751
Accrued liabilities	-	-	-	-	51,124
Due to other funds	-	-	2,105,301	2,105,301	2,264,341
Deposits	-	-	-	-	32,385
Unearned revenue	52,732	-	-	52,732	53,433
Total liabilities	<u>1,271,727</u>	<u>-</u>	<u>2,108,099</u>	<u>3,379,826</u>	<u>3,893,034</u>
Deferred inflows of resources					
Unavailable revenue - property taxes	-	-	-	-	2,710
Fund balances					
Restricted	198,283	131,022	-	329,305	2,004,482
Unassigned (deficit)	-	-	(296,923)	(296,923)	(296,923)
Total fund balances	<u>198,283</u>	<u>131,022</u>	<u>(296,923)</u>	<u>32,382</u>	<u>1,707,559</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,470,010</u>	<u>\$ 131,022</u>	<u>\$ 1,811,176</u>	<u>\$ 3,412,208</u>	<u>\$ 5,603,303</u>

Concluded

CITY OF BAY CITY, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended June 30, 2014

	Special Revenue Funds				
	Local Streets	Parking Enforcement	Solid Waste Management	Community Development Block Grant	Building Inspection
Revenues					
Property taxes	\$ 181,146	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	485,265
Intergovernmental:					
Federal	-	-	-	1,141,407	-
State	818,706	-	-	-	-
Local	-	22,421	-	-	-
Charges for services:					
Sales	-	-	2,008,432	-	-
Fines and forfeitures	-	20,581	-	-	-
Interest earnings	2,170	61	1,460	-	648
Reimbursements	-	-	-	-	11,195
Other	-	-	10,369	-	16,233
Total revenues	1,002,022	43,063	2,020,261	1,141,407	513,341
Expenditures					
Current:					
Public safety	-	43,063	-	-	572,613
Public works:					
Highways, streets and bridges	1,069,996	-	-	-	-
Environmental	-	-	2,014,605	-	-
Economic development	-	-	-	310,379	-
Capital outlay	130,810	-	-	153,230	-
Debt service:					
Principal	-	-	-	85,000	-
Interest	-	-	-	53,119	-
Total expenditures	1,200,806	43,063	2,014,605	601,728	572,613
Revenues over (under) expenditures	(198,784)	-	5,656	539,679	(59,272)
Other financing sources (uses)					
Transfers in	198,901	-	-	64,476	-
Proceeds from sale of asset	-	-	-	-	-
Transfers out	-	-	(60,458)	(604,155)	-
Total other financing sources (uses)	198,901	-	(60,458)	(539,679)	-
Net change in fund balances	117	-	(54,802)	-	(59,272)
Fund balances, beginning of year	433,189	-	503,647	-	305,989
Fund balances, end of year	\$ 433,306	\$ -	\$ 448,845	\$ -	\$ 246,717

Special Revenue Funds					Debt Service Fund
Neighborhood Opportunity	Neighborhood Stabilization	Drug Law Enforcement	City Loans and Collections	Total	Bond Sinking Fund
\$ -	\$ -	\$ -	\$ -	\$ 181,146	\$ 2,386,360
-	-	-	-	485,265	-
-	-	-	-	1,141,407	-
-	-	26,996	-	845,702	-
-	-	-	-	22,421	-
-	-	-	-	2,008,432	-
-	-	-	-	20,581	-
436	-	1,102	-	5,877	8,562
-	-	-	-	11,195	-
-	-	-	-	26,602	-
<u>436</u>	<u>-</u>	<u>28,098</u>	<u>-</u>	<u>4,748,628</u>	<u>2,394,922</u>
-	-	21,894	-	637,570	-
-	-	-	-	1,069,996	-
-	-	-	-	2,014,605	-
745	-	-	-	311,124	-
-	-	-	-	284,040	-
-	-	-	-	85,000	2,355,000
-	-	-	-	53,119	51,057
<u>745</u>	<u>-</u>	<u>21,894</u>	<u>-</u>	<u>4,455,454</u>	<u>2,406,057</u>
<u>(309)</u>	<u>-</u>	<u>6,204</u>	<u>-</u>	<u>293,174</u>	<u>(11,135)</u>
-	-	-	-	263,377	110,093
3,380	-	-	-	3,380	-
-	-	-	-	(664,613)	-
<u>3,380</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(397,856)</u>	<u>110,093</u>
3,071	-	6,204	-	(104,682)	98,958
<u>51,648</u>	<u>-</u>	<u>368,847</u>	<u>40,012</u>	<u>1,703,332</u>	<u>(22,431)</u>
<u>\$ 54,719</u>	<u>\$ -</u>	<u>\$ 375,051</u>	<u>\$ 40,012</u>	<u>\$ 1,598,650</u>	<u>\$ 76,527</u>

Continued...

CITY OF BAY CITY, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended June 30, 2014

	Capital Projects Funds				Total
	Riverfront Redevelopment	Economic Opportunities	Public Improvement	Total	
Revenues					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 2,567,506
Licenses and permits	-	-	-	-	485,265
Intergovernmental:					
Federal	262,711	-	-	262,711	1,404,118
State	1,140,482	-	-	1,140,482	1,986,184
Local	-	-	-	-	22,421
Charges for services:					
Sales	-	-	-	-	2,008,432
Fines and forfeitures	-	-	-	-	20,581
Interest earnings	7,503	966	-	8,469	22,908
Reimbursements	-	204,939	-	204,939	216,134
Other	371,387	4,770	226,647	602,804	629,406
Total revenues	1,782,083	210,675	226,647	2,219,405	9,362,955
Expenditures					
Current:					
Public safety	-	-	-	-	637,570
Public works:					
Highways, streets and bridges	-	-	-	-	1,069,996
Environmental	-	-	-	-	2,014,605
Economic development	739,434	4,162	56,452	800,048	1,111,172
Capital outlay	825,451	120,304	853,151	1,798,906	2,082,946
Debt service:					
Principal	-	-	-	-	2,440,000
Interest	-	-	-	-	104,176
Total expenditures	1,564,885	124,466	909,603	2,598,954	9,460,465
Revenues over (under) expenditures	217,198	86,209	(682,956)	(379,549)	(97,510)
Other financing sources (uses)					
Transfers in	-	-	386,033	386,033	759,503
Proceeds from sale of asset	-	10,000	-	10,000	13,380
Transfers out	-	-	-	-	(664,613)
Total other financing sources (uses)	-	10,000	386,033	396,033	108,270
Net change in fund balances	217,198	96,209	(296,923)	16,484	10,760
Fund balances, beginning of year	(18,915)	34,813	-	15,898	1,696,799
Fund balances, end of year	\$ 198,283	\$ 131,022	\$ (296,923)	\$ 32,382	\$ 1,707,559

Concluded

CITY OF BAY CITY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

Local Streets Fund

For the Year Ended June 30, 2014

	Original and Final Budget	Actual	Positive (Negative) Variance with Final Budget
Revenues			
Property taxes	\$ 184,300	\$ 181,146	\$ (3,154)
Intergovernmental:			
State	756,358	818,706	62,348
Interest earnings	350	2,170	1,820
Other	100	-	(100)
Total revenues	<u>941,108</u>	<u>1,002,022</u>	<u>60,914</u>
Expenditures			
Public works:			
Highways, streets, and bridges	991,108	1,069,996	(78,888)
Capital outlay	61,022	130,810	(69,788)
Total expenditures	<u>1,052,130</u>	<u>1,200,806</u>	<u>(148,676)</u>
Revenues over (under) expenditures	<u>(111,022)</u>	<u>(198,784)</u>	<u>(87,762)</u>
Other financing sources (uses)			
Transfers in	111,022	198,901	87,879
Transfers out	-	-	-
Total other financing sources (uses)	<u>111,022</u>	<u>198,901</u>	<u>87,879</u>
Net change in fund balance	-	117	117
Fund balance, beginning of year	<u>433,189</u>	<u>433,189</u>	-
Fund balance, end of year	<u>\$ 433,189</u>	<u>\$ 433,306</u>	<u>\$ 117</u>

CITY OF BAY CITY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

Parking Enforcement Fund

For the Year Ended June 30, 2014

	Original and Final Budget	Actual	Positive (Negative) Variance with Final Budget
Revenues			
Intergovernmental:			
Local	\$ 23,676	\$ 22,421	\$ (1,255)
Fines and forfeitures	22,000	20,581	(1,419)
Interest earnings	-	61	61
Total revenues	<u>45,676</u>	<u>43,063</u>	<u>(2,613)</u>
Expenditures			
Public safety	45,676	43,063	2,613
Capital outlay	-	-	-
Total expenditures	<u>45,676</u>	<u>43,063</u>	<u>2,613</u>
Net change in fund balance	-	-	-
Fund balance, beginning of year	-	-	-
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF BAY CITY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

Solid Waste Management Fund

For the Year Ended June 30, 2014

	Original and Final Budget	Actual	Positive (Negative) Variance with Final Budget
Revenues			
Charges for services:			
Sales	\$ 2,082,780	\$ 2,008,432	\$ (74,348)
Interest earnings	1,000	1,460	460
Other	19,230	10,369	(8,861)
Total revenues	<u>2,103,010</u>	<u>2,020,261</u>	<u>(82,749)</u>
Expenditures			
Environmental	<u>2,035,970</u>	<u>2,014,605</u>	<u>21,365</u>
Revenues over expenditures	67,040	5,656	(61,384)
Other financing sources (uses)			
Transfers out	<u>(60,458)</u>	<u>(60,458)</u>	<u>-</u>
Net change in fund balance	6,582	(54,802)	(61,384)
Fund balance, beginning of year	<u>503,647</u>	<u>503,647</u>	<u>-</u>
Fund balance, end of year	<u>\$ 510,229</u>	<u>\$ 448,845</u>	<u>\$ (61,384)</u>

CITY OF BAY CITY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual
 Community Development Block Grant Fund
 For the Year Ended June 30, 2014

	Original and Final Budget	Actual	Positive (Negative) Variance with Final Budget
Revenues			
Intergovernmental:			
Federal	\$ 1,252,781	\$ 1,141,407	\$ (111,374)
Expenditures			
Economic development	420,540	310,379	110,161
Capital outlay	150,000	153,230	(3,230)
Debt service:			
Principal	85,000	85,000	-
Interest	92,276	53,119	39,157
Total expenditures	<u>747,816</u>	<u>601,728</u>	<u>146,088</u>
Revenues over expenditures	<u>504,965</u>	<u>539,679</u>	<u>34,714</u>
Other financing sources (uses)			
Transfers in	40,000	64,476	24,476
Transfers out	(544,965)	(604,155)	(59,190)
Total other financing sources (uses)	<u>(504,965)</u>	<u>(539,679)</u>	<u>(34,714)</u>
Net change in fund balance	-	-	-
Fund balance, beginning of year	-	-	-
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF BAY CITY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

Building Inspection Fund

For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Positive (Negative) Variance with Final Budget
Revenues				
Licenses and permits	\$ 481,560	\$ 481,560	\$ 485,265	\$ 3,705
Interest earnings	400	400	648	248
Miscellaneous:				
Reimbursements	4,800	4,800	11,195	6,395
Other	33,125	33,125	16,233	(16,892)
Total revenues	519,885	519,885	513,341	(6,544)
Expenditures				
Public safety	630,283	627,516	572,613	54,903
Revenues (under) expenditures	(110,398)	(107,631)	(59,272)	48,359
Other financing sources				
Transfers in	110,398	-	-	-
Net change in fund balance	-	(107,631)	(59,272)	48,359
Fund balance, beginning of year	305,989	305,989	305,989	-
Fund balance, end of year	\$ 305,989	\$ 198,358	\$ 246,717	\$ 48,359

CITY OF BAY CITY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

Neighborhood Opportunity Fund

For the Year Ended June 30, 2014

	Original and Final Budget	Actual	Positive (Negative) Variance with Final Budget
Revenues			
Gain on sale of asset	\$ -	\$ 3,380	\$ 3,380
Interest earnings	800	436	(364)
Total revenues	800	3,816	3,016
Expenditures			
Economic development	-	745	(745)
Net change in fund balance	800	3,071	2,271
Fund balance, beginning of year	51,648	51,648	-
Fund balance, end of year	<u>\$ 52,448</u>	<u>\$ 54,719</u>	<u>\$ 2,271</u>

CITY OF BAY CITY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

Drug Law Enforcement Fund

For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Positive (Negative) Variance with Final Budget
Revenues				
Intergovernmental:				
Federal	\$ 5,000	\$ 5,000	\$ -	\$ (5,000)
State	40,000	40,000	26,996	(13,004)
Interest earnings	-	-	1,102	1,102
Other	-	-	-	-
Total revenues	<u>45,000</u>	<u>45,000</u>	<u>28,098</u>	<u>(16,902)</u>
Expenditures				
Public safety	25,000	25,000	21,894	3,106
Capital outlay	20,000	58,244	-	58,244
Total expenditures	<u>45,000</u>	<u>83,244</u>	<u>21,894</u>	<u>61,350</u>
Net change in fund balance	-	(38,244)	6,204	44,448
Fund balance, beginning of year	<u>368,847</u>	<u>368,847</u>	<u>368,847</u>	-
Fund balance, end of year	<u>\$ 368,847</u>	<u>\$ 330,603</u>	<u>\$ 375,051</u>	<u>\$ 44,448</u>

CITY OF BAY CITY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

City Loans and Collections Fund

For the Year Ended June 30, 2014

	Original and Final Budget	Actual	Positive (Negative) Variance with Final Budget
Revenues			
Interest earnings	\$ 400	\$ -	\$ (400)
Net change in fund balance	400	-	(400)
Fund balance, beginning of year	40,012	40,012	-
Fund balance, end of year	<u>\$ 40,412</u>	<u>\$ 40,012</u>	<u>\$ (400)</u>

Nonmajor Enterprise Funds

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

Oak Ridge Cemetery Fund

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

James Clements Airport Fund

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

Liberty Harbor Marina

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



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A beautiful view...of life

City of Bay City

CITY OF BAY CITY, MICHIGAN

Combining Statement of Net Position

Nonmajor Enterprise Funds

June 30, 2014

	Oak Ridge Cemetery	James Clements Airport	Liberty Harbor Marina	Total
Assets				
Current assets				
Cash and cash equivalents	\$ 117,319	\$ 65,490	\$ 105,750	\$ 288,559
Receivables, net:				
Accounts	4,787	34,171	534	39,492
Accrued interest	382	113	139	634
Due from other funds	47	-	-	47
Due from other governments	-	1,508	-	1,508
Inventories	-	33,655	-	33,655
Total current assets	122,535	134,937	106,423	363,895
Capital assets				
Land and improvements	300,888	2,436,005	2,738,574	5,475,467
Air rights	-	95,421	-	95,421
Buildings	67,169	1,138,159	193,825	1,399,153
Machinery and equipment	1,130	41,446	119,148	161,724
Construction in progress	-	-	-	-
Total capital assets	369,187	3,711,031	3,051,547	7,131,765
Accumulated depreciation	(183,213)	(1,592,897)	(1,356,531)	(3,132,641)
Net capital assets	185,974	2,118,134	1,695,016	3,999,124
Total assets	308,509	2,253,071	1,801,439	4,363,019
Liabilities				
Current liabilities:				
Accounts payable	12,360	3,516	10,450	26,326
Accrued liabilities	-	-	517	517
Due to other funds	-	-	90	90
Accrued compensated absences - current	-	-	820	820
Total current liabilities	12,360	3,516	11,877	27,753
Noncurrent liabilities:				
Accrued compensated absences	-	-	9	9
Total liabilities	12,360	3,516	11,886	27,762
Net position				
Net investment in capital assets	185,974	2,118,134	1,695,016	3,999,124
Unrestricted	110,175	131,421	94,537	336,133
Total net position	\$ 296,149	\$ 2,249,555	\$ 1,789,553	\$ 4,335,257

CITY OF BAY CITY, MICHIGAN

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

Nonmajor Enterprise Funds

For the Year Ended June 30, 2014

	Oak Ridge Cemetery	James Clements Airport	Liberty Harbor Marina	Total
Operating revenues				
Charges for services:				
Sales	\$ 56,067	\$ 87,722	\$ 2,568	\$ 146,357
Rents	-	65,621	109,002	174,623
Miscellaneous	109	2,322	15	2,446
Total operating revenues	<u>56,176</u>	<u>155,665</u>	<u>111,585</u>	<u>323,426</u>
Operating expenses				
Cost of sales and service	123,115	161,160	139,401	423,676
Depreciation	1,901	114,435	61,475	177,811
Total operating expenses	<u>125,016</u>	<u>275,595</u>	<u>200,876</u>	<u>601,487</u>
Operating loss	<u>(68,840)</u>	<u>(119,930)</u>	<u>(89,291)</u>	<u>(278,061)</u>
Nonoperating revenues				
Intergovernmental:				
Federal grants	-	10,603	-	10,603
State grants	-	470	-	470
Interest earnings	1,145	585	775	2,505
Total nonoperating revenues	<u>1,145</u>	<u>11,658</u>	<u>775</u>	<u>13,578</u>
Income (loss) before transfers	(67,695)	(108,272)	(88,516)	(264,483)
Transfers in	68,168	39,027	-	107,195
Change in net position	473	(69,245)	(88,516)	(157,288)
Net position, beginning of year	295,676	2,318,800	1,878,069	4,492,545
Net position, end of year	<u>\$ 296,149</u>	<u>\$ 2,249,555</u>	<u>\$ 1,789,553</u>	<u>\$ 4,335,257</u>

CITY OF BAY CITY, MICHIGAN

Combining Statement of Cash Flows

Nonmajor Enterprise Funds

For the Year Ended June 30, 2014

	Oak Ridge Cemetery	James Clements Airport	Liberty Harbor Marina	Total
Cash flows from operating activities				
Cash received from customers and users	\$ 54,672	\$ 136,626	\$ 111,188	\$ 302,486
Cash payments to suppliers for goods and services	(123,119)	(163,309)	(126,836)	(413,264)
Cash payments to employees for services	-	-	(17,148)	(17,148)
Other receipts	109	2,322	15	2,446
Net cash used by operating activities	(68,338)	(24,361)	(32,781)	(125,480)
Cash flows from noncapital financing activities				
Intergovernmental - federal grants	-	10,603	-	10,603
Intergovernmental - state grants	-	470	-	470
Transfers in	68,168	39,027	-	107,195
Net cash provided by noncapital financing activities	68,168	50,100	-	118,268
Cash flows from capital and related financing activities				
Purchase of capital assets	-	(11,542)	-	(11,542)
Cash flows from investing activities				
Interest received	1,102	597	974	2,673
Net increase (decrease) in cash and cash equivalents	932	14,794	(31,807)	(16,081)
Cash and cash equivalents, beginning of year	116,387	50,696	137,557	304,640
Cash and cash equivalents, end of year	\$ 117,319	\$ 65,490	\$ 105,750	\$ 288,559

Continued...

CITY OF BAY CITY, MICHIGAN

Combining Statement of Cash Flows

Nonmajor Enterprise Funds

For the Year Ended June 30, 2014

	Oak Ridge Cemetery	James Clements Airport	Liberty Harbor Marina	Total
Reconciliation of operating income to net cash used by operating activities				
Operating loss	\$ (68,840)	\$ (119,930)	\$ (89,291)	\$ (278,061)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:				
Depreciation	1,901	114,435	61,475	177,811
Change in operating activities:				
Accounts receivable	(1,395)	(17,734)	(382)	(19,511)
Due from other funds	(4)	-	-	(4)
Due from other governments	-	1,017	-	1,017
Inventories	-	(1,694)	-	(1,694)
Accounts payable	-	(355)	1,102	747
Accrued liabilities	-	-	47	47
Due to other funds	-	(100)	(154)	(254)
Compensated absences	-	-	(5,578)	(5,578)
Net cash used by operating activities	<u>\$ (68,338)</u>	<u>\$ (24,361)</u>	<u>\$ (32,781)</u>	<u>\$ (125,480)</u>

Concluded

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, 2014

	Motor Equipment Revolving	Information Systems	Liability/ Property Self- Insurance	Site Remediation	Benefits Program	Total
Assets						
Current assets:						
Cash and cash equivalents	\$ 4,441,804	\$ 412,243	\$ 882,873	\$ 20,478	\$ 4,885,818	\$ 10,643,216
Receivables, net:						
Accounts	1,371	-	57,051	-	544	58,966
Accrued interest	6,673	668	1,606	75	7,410	16,432
Due from other funds	-	-	-	-	290,180	290,180
Inventories	107,250	36,996	-	-	-	144,246
Prepaid items	-	22,900	-	-	765,317	788,217
Deposits	-	-	318,286	-	208,020	526,306
Total current assets	4,557,098	472,807	1,259,816	20,553	6,157,289	12,467,563
Noncurrent assets:						
Net pension asset	305,189	202,121	-	-	-	507,310
Capital assets						
Buildings and improvements	65,329	-	-	-	-	65,329
Machinery and equipment	13,197,326	728,116	-	-	-	13,925,442
Accumulated depreciation	(8,938,011)	(558,320)	-	-	-	(9,496,331)
Net capital assets	4,324,644	169,796	-	-	-	4,494,440
Total noncurrent assets	4,629,833	371,917	-	-	-	5,001,750
Total assets	9,186,931	844,724	1,259,816	20,553	6,157,289	17,469,313
Liabilities						
Current liabilities:						
Accounts payable	137,373	44,248	15,698	30,948	53,913	282,180
Accrued liabilities	19,169	17,235	-	35	9,340	45,779
Claims payable	-	-	438,296	-	698,854	1,137,150
Due to other funds	7,967	6,755	-	23	626	15,371
Due to other governmental units	-	-	-	-	36,271	36,271
Accrued compensated absences - current	29,020	24,423	-	210	497	54,150
Total current liabilities	193,529	92,661	453,994	31,216	799,501	1,570,901
Noncurrent liabilities:						
Accrued compensated absences	34,362	38,003	-	54	562	72,981
Net OPEB obligation	490,571	218,396	-	-	-	708,967
Total noncurrent liabilities	524,933	256,399	-	54	562	781,948
Total liabilities	718,462	349,060	453,994	31,270	800,063	2,352,849
Net position						
Net investment in capital assets	4,324,644	169,796	-	-	-	4,494,440
Unrestricted (deficit)	4,143,825	325,868	805,822	(10,717)	5,357,226	10,622,024
Total net position	\$ 8,468,469	\$ 495,664	\$ 805,822	\$ (10,717)	\$ 5,357,226	\$ 15,116,464

CITY OF BAY CITY, MICHIGAN

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

Internal Service Funds
For the Year Ended June 30, 2014

	Motor Equipment Revolving	Information Systems	Liability/ Property Self- Insurance	Site Remediation	Benefits Program	Total
Operating revenues						
Charges for services	\$ 3,332,596	\$ 782,505	\$ 873,838	\$ -	\$ 14,416,240	\$ 19,405,179
Other	47,108	4,451	1,395,195	3,768	18,255	1,468,777
Total operating revenues	3,379,704	786,956	2,269,033	3,768	14,434,495	20,873,956
Operating expenses						
Cost of sales and service	2,528,698	966,019	-	141,993	-	3,636,710
Administration	-	-	17,863	-	879,258	897,121
Claims and benefits	-	-	2,688,723	-	12,699,092	15,387,815
Depreciation	610,190	75,783	-	-	-	685,973
Total operating expenses	3,138,888	1,041,802	2,706,586	141,993	13,578,350	20,607,619
Operating income (loss)	240,816	(254,846)	(437,553)	(138,225)	856,145	266,337
Nonoperating revenues (expenses)						
Interest earnings	33,642	3,530	9,065	468	36,720	83,425
Loss on disposal of capital assets	(40,295)	-	-	-	-	(40,295)
Total nonoperating revenues (expenses)	(6,653)	3,530	9,065	468	36,720	43,130
Income (loss) before transfers	234,163	(251,316)	(428,488)	(137,757)	892,865	309,467
Other financing sources						
Transfers in	-	68,032	-	60,458	-	128,490
Change in net position	234,163	(183,284)	(428,488)	(77,299)	892,865	437,957
Net position, beginning of year	8,234,306	678,948	1,234,310	66,582	4,464,361	14,678,507
Net position, end of year	\$ 8,468,469	\$ 495,664	\$ 805,822	\$ (10,717)	\$ 5,357,226	\$ 15,116,464

CITY OF BAY CITY, MICHIGAN

Combining Statement of Cash Flows

Internal Service Funds
For the Year Ended June 30, 2014

	Motor Equipment Revolving	Information Systems	Liability/ Property Self- Insurance	Site Remediation	Benefits Program	Total
Cash flows from operating activities						
Cash received from interfund services provided	\$ 3,371,256	\$ 854,185	\$ 2,213,181	\$ 3,710	\$ 14,732,690	\$ 21,175,022
Cash payments to suppliers for goods and services	(1,828,850)	(286,693)	(2,666,433)	(152,535)	(13,772,559)	(18,707,070)
Cash payments to employees for services	(622,218)	(673,098)	-	-	(725,499)	(2,020,815)
Net cash provided (used) by operating activities	920,188	(105,606)	(453,252)	(148,825)	234,632	447,137
Cash flows from noncapital financing activities						
Transfers in	-	68,032	-	60,458	-	128,490
Cash flows from capital and related financing activities						
Purchase of capital assets	(805,146)	(80,142)	-	-	-	(885,288)
Cash flows from investing activities						
Interest received	37,372	4,156	10,721	659	40,625	93,533
Net increase (decrease) in cash and cash equivalents	152,414	(113,560)	(442,531)	(87,708)	275,257	(216,128)
Cash and cash equivalents, beginning of year	4,289,390	525,803	1,325,404	108,186	4,610,561	10,859,344
Cash and cash equivalents, end of year	\$ 4,441,804	\$ 412,243	\$ 882,873	\$ 20,478	\$ 4,885,818	\$ 10,643,216
Reconciliation of operating loss to net cash provided (used) by operating activities						
Operating income (loss)	\$ 240,816	\$ (254,846)	\$ (437,553)	\$ (138,225)	\$ 856,145	\$ 266,337
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	610,190	75,783	-	-	-	685,973
Change in operating activities:						
Accounts receivable	(22)	1,327	(39,714)	-	55,935	17,526
Due from other funds	-	70,726	-	-	242,365	313,091
Inventories	46,715	2,569	-	-	-	49,284
Prepaid items	-	(22,900)	-	-	(613,553)	(636,453)
Deposits	-	-	(106,075)	-	44,768	(61,307)
Net pension asset	(41,796)	(19,915)	-	-	-	(61,711)
Accounts payable	40,294	15,989	(9,918)	(10,542)	(298,680)	(262,857)
Accrued liabilities	2,147	1,598	-	(75)	1,556	5,226
Due to other funds	(8,426)	(4,824)	(16,138)	(58)	(105)	(29,551)
Due to other governmental units	-	-	-	-	20,330	20,330
Claims payable	-	-	156,146	-	(74,633)	81,513
Accrued compensated absences	(7,247)	(5,088)	-	75	504	(11,756)
Net OPEB obligation	37,517	33,975	-	-	-	71,492
Net cash provided (used) by operating activities	\$ 920,188	\$ (105,606)	\$ (453,252)	\$ (148,825)	\$ 234,632	\$ 447,137

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

Combining Statement of Plan Net Position

Fiduciary Funds

June 30, 2014

	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	\$ 1,093,424	\$ 342,471	\$ 164,614	\$ 507,085	\$ 1,600,509
Investments:					
Fixed income	9,373,059	8,330,928	3,882,588	12,213,516	21,586,575
Equities	34,541,488	-	-	-	34,541,488
Alternative investments	3,126,905	-	-	-	3,126,905
Other investments	6,512,742	-	-	-	6,512,742
Accounts receivable	127,379	97,729	10,015	107,744	235,123
Interest receivable	79,217	344	171	515	79,732
Total assets	54,854,214	8,771,472	4,057,388	12,828,860	67,683,074
Liabilities					
Accounts payable	73,206	-	-	-	73,206
Net position					
Restricted for employees' pension benefits	54,781,008	-	-	-	54,781,008
Restricted for employees' postemployment health care benefits	-	8,771,472	4,057,388	12,828,860	12,828,860
Total net position	\$ 54,781,008	\$ 8,771,472	\$ 4,057,388	\$ 12,828,860	\$ 67,609,868

CITY OF BAY CITY, MICHIGAN

Combining Statement of Changes in Plan Net Position

Fiduciary Funds

For the Year Ended June 30, 2014

	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	\$ 1,808,810	\$ 629,736	\$ 269,597	\$ 899,333	\$ 2,708,143
Current premium contributions	-	3,283,735	1,405,803	4,689,538	4,689,538
Plan members	834,201	-	-	-	834,201
Total contributions	2,643,011	3,913,471	1,675,400	5,588,871	8,231,882
Investment income:					
Interest and dividends	776,581	1,237,083	573,224	1,810,307	2,586,888
Net appreciation (depreciation) in fair value of investments	8,002,786	2,560	1,241	3,801	8,006,587
Investment expense	(279,183)	-	-	-	(279,183)
Net investment income	8,500,184	1,239,643	574,465	1,814,108	10,314,292
Other additions	11,063	-	-	-	11,063
Total additions	11,154,258	5,153,114	2,249,865	7,402,979	18,557,237
Deductions					
Retiree healthcare premium payments	-	3,283,735	1,405,803	4,689,538	4,689,538
Benefits and refunds paid to participants	4,770,135	-	-	-	4,770,135
Administrative expenses	141,341	-	-	-	141,341
Total deductions	4,911,476	3,283,735	1,405,803	4,689,538	9,601,014
Net increase in plan net position	6,242,782	1,869,379	844,062	2,713,441	8,956,223
Net position					
Beginning of year	48,538,226	6,902,093	3,213,326	10,115,419	58,653,645
End of year	\$ 54,781,008	\$ 8,771,472	\$ 4,057,388	\$ 12,828,860	\$ 67,609,868

CITY OF BAY CITY, MICHIGAN

Combining Statement of Fiduciary Assets and Liabilities Agency Funds June 30, 2014

	Trust and Agency	Current Tax Collection	Imprest Payroll	Total
Assets				
Cash and cash equivalents	\$ 130,558	\$ 6,204	\$ 115	\$ 136,877
Due from others	-	-	412,578	412,578
Total assets	\$ 130,558	\$ 6,204	\$ 412,693	\$ 549,455
Liabilities				
Due to others	\$ 504	\$ 92	\$ 186,706	\$ 187,302
Due to other governmental units	112,751	6,112	225,987	344,850
Deposits payable	17,303	-	-	17,303
Total liabilities	\$ 130,558	\$ 6,204	\$ 412,693	\$ 549,455

CITY OF BAY CITY, MICHIGAN

Combining Statement of Changes in Assets and Liabilities

Agency Funds

For the Year Ended June 30, 2014

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
Trust & Agency Fund				
Assets				
Cash and cash equivalents	\$ 148,336	\$ 742,968	\$ 760,746	\$ 130,558
Due from others	25,152	-	25,152	-
Total assets	\$ 173,488	\$ 742,968	\$ 785,898	\$ 130,558
Liabilities				
Due to others	\$ 139,901	\$ 1,125,692	\$ 1,265,089	\$ 504
Due to other governmental units	8,394	246,868	142,511	112,751
Deposits	25,193	2,096	9,986	17,303
Total liabilities	\$ 173,488	\$ 1,374,656	\$ 1,417,586	\$ 130,558
Current Tax Collection Fund				
Assets				
Cash and cash equivalents	\$ -	\$ 27,824,868	\$ 27,818,664	\$ 6,204
Due from others	-	27,780,256	27,780,256	-
Total assets	\$ -	\$ 55,605,124	\$ 55,598,920	\$ 6,204
Liabilities				
Due to others	\$ -	\$ 384,052	\$ 383,960	\$ 92
Due to other governmental units	-	27,940,476	27,934,364	6,112
Total liabilities	\$ -	\$ 28,324,528	\$ 28,318,324	\$ 6,204
Imprest Payroll Fund				
Assets				
Cash and cash equivalents	\$ 190	\$ 8,381,909	\$ 8,381,984	\$ 115
Due from others	500,600	795,411	883,433	412,578
Total assets	\$ 500,790	\$ 9,177,320	\$ 9,265,417	\$ 412,693
Liabilities				
Due to others	\$ 267,602	\$ 5,679,452	\$ 5,760,348	\$ 186,706
Due to other governmental units	233,188	4,261,100	4,268,301	225,987
Total liabilities	\$ 500,790	\$ 9,940,552	\$ 10,028,649	\$ 412,693
Total - All Agency Funds				
Assets				
Cash and cash equivalents	\$ 148,526	\$ 36,949,745	\$ 36,961,394	\$ 136,877
Due from others	525,752	28,575,667	28,688,841	412,578
Total assets	\$ 674,278	\$ 65,525,412	\$ 65,650,235	\$ 549,455
Liabilities				
Due to others	\$ 407,503	\$ 7,189,196	\$ 7,409,397	\$ 187,302
Due to other governmental units	241,582	32,448,444	32,345,176	344,850
Deposits	25,193	2,096	9,986	17,303
Total liabilities	\$ 674,278	\$ 39,639,736	\$ 39,764,559	\$ 549,455



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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, 2014

	Downtown Development Authority	Adjustments	Statement of Net Position	Midland Street TIFA	Adjustments	Statement of Net Position
Assets						
Cash and cash equivalents	\$ 114,361	\$ -	\$ 114,361	\$ 390,675	\$ -	\$ 390,675
Receivables:						
Accounts	20,250	-	20,250	-	-	-
Delinquent taxes	672	-	672	-	-	-
Accrued interest	192	-	192	628	-	628
Capital assets, net	-	126,508	126,508	-	1,373,862	1,373,862
Total assets	<u>\$ 135,475</u>	<u>126,508</u>	<u>261,983</u>	<u>\$ 391,303</u>	<u>1,373,862</u>	<u>1,765,165</u>
Liabilities						
Accounts payable	\$ 3,468	-	3,468	\$ 1,250	-	1,250
Accrued liabilities	-	-	-	-	9,713	9,713
Long-term debt:						
Due within one year	-	-	-	-	43,018	43,018
Due in more than one year	-	-	-	-	951,936	951,936
Total liabilities	<u>3,468</u>	<u>-</u>	<u>3,468</u>	<u>1,250</u>	<u>1,004,667</u>	<u>1,005,917</u>
Deferred inflows of resources						
Unavailable revenue - property taxes	697	(697)	-	-	-	-
Fund balances						
Committed	-	-	-	-	-	-
Unassigned	131,310	(131,310)	-	390,053	(390,053)	-
Total fund balances	<u>131,310</u>	<u>(131,310)</u>	<u>-</u>	<u>390,053</u>	<u>(390,053)</u>	<u>-</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 135,475</u>			<u>\$ 391,303</u>		
Net position						
Net investment in capital assets		126,508	126,508		378,908	378,908
Unrestricted (deficit)		132,007	132,007		380,340	380,340
Total net position (deficit)		<u>\$ 258,515</u>	<u>\$ 258,515</u>		<u>\$ 759,248</u>	<u>\$ 759,248</u>

Kresge's DDA	Adjustments	Statement of Net Position	Marquette District TIFA	Adjustments	Statement of Net Position
\$ 39,392	\$ -	\$ 39,392	\$ 747,720	\$ -	\$ 747,720
-	-	-	-	-	-
-	-	-	-	-	-
62	-	62	1,104	-	1,104
-	21,673	21,673	-	1,329,265	1,329,265
<u>\$ 39,454</u>	<u>21,673</u>	<u>61,127</u>	<u>\$ 748,824</u>	<u>1,329,265</u>	<u>2,078,089</u>
\$ -	-	-	\$ 3,460	-	3,460
-	-	-	1,358	-	1,358
-	-	-	-	1,896	1,896
-	-	-	-	-	-
-	-	-	4,818	1,896	6,714
-	-	-	-	-	-
-	-	-	-	-	-
39,454	(39,454)	-	744,006	(744,006)	-
39,454	(39,454)	-	744,006	(744,006)	-
<u>\$ 39,454</u>			<u>\$ 748,824</u>		
	21,673	21,673		1,327,369	1,327,369
	39,454	39,454		744,006	744,006
	<u>\$ 61,127</u>	<u>\$ 61,127</u>		<u>\$ 2,071,375</u>	<u>\$ 2,071,375</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, 2014

	Water Street DDA	Adjustments	Statement of Net Position	Marina Develop. TIFA	Adjustments	Statement of Net Position
Assets						
Cash and cash equivalents	\$ 200,108	\$ -	\$ 200,108	\$ -	\$ -	\$ -
Receivables:						
Accrued interest	534	-	534	-	-	-
Capital assets, net	-	2,078,941	2,078,941	-	411,737	411,737
Total assets	<u>\$ 200,642</u>	<u>2,078,941</u>	<u>2,279,583</u>	<u>\$ -</u>	<u>411,737</u>	<u>411,737</u>
Liabilities						
Accounts payable	\$ 6,714	-	6,714	\$ -	-	-
Accrued liabilities	-	8,318	8,318	-	-	-
Long-term debt:						
Due within one year	-	265,000	265,000	-	-	-
Due in more than one year	-	1,010,000	1,010,000	-	-	-
Total liabilities	<u>6,714</u>	<u>1,283,318</u>	<u>1,290,032</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances						
Committed	-	-	-	-	-	-
Unassigned	193,928	(193,928)	-	-	-	-
Total fund balances	<u>193,928</u>	<u>(193,928)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 200,642</u>			<u>\$ -</u>		
Net position						
Net investment in capital assets		803,941	803,941		411,737	411,737
Unrestricted (deficit)		185,610	185,610		-	-
Total net position (deficit)		<u>\$ 989,551</u>	<u>\$ 989,551</u>		<u>\$ 411,737</u>	<u>\$ 411,737</u>

Allen Healthcare DDA	Adjustments	Statement of Net Position	Knepp's DDA	Adjustments	Statement of Net Position
\$ 4,230	\$ -	\$ 4,230	\$ 3,423	\$ -	\$ 3,423
-	-	-	5	-	5
-	-	-	-	136,232	136,232
<u>\$ 4,230</u>	<u>-</u>	<u>4,230</u>	<u>\$ 3,428</u>	<u>136,232</u>	<u>139,660</u>
\$ -	-	-	\$ -	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
4,230	(4,230)	-	3,428	(3,428)	-
4,230	(4,230)	-	3,428	(3,428)	-
<u>\$ 4,230</u>			<u>\$ 3,428</u>		
	-	-		136,232	136,232
	4,230	4,230		3,428	3,428
<u>\$ 4,230</u>	<u>\$ 4,230</u>			<u>\$ 139,660</u>	<u>\$ 139,660</u>

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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, 2014

	Brownfield Redevelopment Authority	Adjustments	Statement of Net Position
Assets			
Cash and cash equivalents	\$ 8,863,400	\$ -	\$ 8,863,400
Receivables:			
Accrued interest	4,663	-	4,663
Capital assets, net	-	5,373,739	5,373,739
Total assets	\$ 8,868,063	5,373,739	14,241,802
Liabilities			
Accounts payable	\$ 301,969	-	301,969
Accrued liabilities	-	126,928	126,928
Long-term debt:			
Due within one year	-	305	305
Due in more than one year	-	16,206,485	16,206,485
Total liabilities	301,969	16,333,718	16,635,687
Fund balances			
Committed	8,047,661	(8,047,661)	-
Unassigned	518,433	(518,433)	-
Total fund balances	8,566,094	(8,566,094)	-
Total liabilities and fund balances	\$ 8,868,063		
Net position			
Net investment in capital assets		164,466	164,466
Unrestricted (deficit)		(2,558,351)	(2,558,351)
Total net position (deficit)		\$ (2,393,885)	\$ (2,393,885)

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, 2014

	Downtown Development Authority	Adjustments	Statement of Activities	Midland St. TIFA	Adjustments	Statement of Activities
Revenues						
Taxes:						
Tax increment	\$ -	\$ -	\$ -	\$ 92,405	\$ -	\$ 92,405
Special assessments	64,072	78	64,150	-	-	-
Charges for services:						
Rents	63,028	-	63,028	-	-	-
Miscellaneous:						
Interest earnings	1,082	-	1,082	3,275	-	3,275
Other	-	-	-	-	-	-
Total revenues	128,182	78	128,260	95,680	-	95,680
Expenditures/Expenses						
Current:						
Economic development	150,369	-	150,369	8,910	-	8,910
Depreciation	-	5,720	5,720	-	79,186	79,186
Capital outlay	8,395	(8,395)	-	52,021	(52,021)	-
Debt service:						
Principal	-	-	-	41,630	(41,630)	-
Interest	-	-	-	39,371	(260)	39,111
Total expenditures/expenses	158,764	(2,675)	156,089	141,932	(14,725)	127,207
Revenues over (under) expenditures	(30,582)	2,753	(27,829)	(46,252)	14,725	(31,527)
Other financing sources (uses)						
Issuance of debt	-	-	-	-	-	-
Bond discount	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Change in fund balance / net position	(30,582)	2,753	(27,829)	(46,252)	14,725	(31,527)
Fund balance / net position, beginning of year	161,892	124,452	286,344	436,305	354,470	790,775
Fund balance / net position, end of year	\$ 131,310	\$ 127,205	\$ 258,515	\$ 390,053	\$ 369,195	\$ 759,248

Kresge's DDA	Adjustments	Statement of Activities	Marquette District TIFA	Adjustments	Statement of Activities
\$ 2,970	\$ -	\$ 2,970	\$ 371,305	\$ -	\$ 371,305
-	-	-	-	-	-
-	-	-	-	-	-
308	-	308	4,994	-	4,994
-	-	-	-	-	-
<u>3,278</u>	<u>-</u>	<u>3,278</u>	<u>376,299</u>	<u>-</u>	<u>376,299</u>
-	-	-	60,494	1,896	62,390
-	1,949	1,949	-	107,147	107,147
-	-	-	-	-	-
-	-	-	-	-	-
-	1,949	1,949	60,494	109,043	169,537
3,278	(1,949)	1,329	315,805	(109,043)	206,762
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
3,278	(1,949)	1,329	315,805	(109,043)	206,762
36,176	23,622	59,798	428,201	1,436,412	1,864,613
<u>\$ 39,454</u>	<u>\$ 21,673</u>	<u>\$ 61,127</u>	<u>\$ 744,006</u>	<u>\$ 1,327,369</u>	<u>\$ 2,071,375</u>

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, 2014

	Water Street DDA	Adjustments	Statement of Activities	Marina Develop. TIFA	Adjustments	Statement of Activities
Revenues						
Intergovernmental:						
State	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes:						
Tax increment	287,123	-	287,123	-	-	-
Miscellaneous:						
Interest earnings	2,601	-	2,601	-	-	-
Other	-	-	-	-	-	-
Total revenues	289,724	-	289,724	-	-	-
Expenditures/Expenses						
Current:						
Economic development	28,120	-	28,120	-	-	-
Depreciation	-	178,808	178,808	-	17,467	17,467
Capital outlay	-	-	-	-	-	-
Debt service:						
Principal	230,000	(230,000)	-	-	-	-
Interest	58,301	(1,399)	56,902	-	-	-
Total expenditures/expenses	316,421	(52,591)	263,830	-	17,467	17,467
Revenues over (under) expenditures	(26,697)	52,591	25,894	-	(17,467)	(17,467)
Other financing sources (uses)						
Issuance of debt	-	-	-	-	-	-
Discount on issuance of debt	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-
Contribution from primary government	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Change in fund balance / net position	(26,697)	52,591	25,894	-	(17,467)	(17,467)
Fund balance / net position, beginning of year	220,625	743,032	963,657	-	429,204	429,204
Fund balance / net position, (deficit) end of year	\$ 193,928	\$ 795,623	\$ 989,551	\$ -	\$ 411,737	\$ 411,737

Allen Health-care DDA	Adjustments	Statement of Activities	Knepp's DDA	Adjustments	Statement of Activities
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	27	-	27
-	-	-	-	-	-
-	-	-	27	-	27
-	-	-	-	-	-
-	-	-	-	3,461	3,461
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	3,461	3,461
-	-	-	27	(3,461)	(3,434)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	27	(3,461)	(3,434)
4,230	-	4,230	3,401	139,693	143,094
<u>\$ 4,230</u>	<u>\$ -</u>	<u>\$ 4,230</u>	<u>\$ 3,428</u>	<u>\$ 136,232</u>	<u>\$ 139,660</u>

Continued...

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, 2014

	Brownfield Redevelopment Authority	Adjustments	Statement of Activities
Revenues			
Intergovernmental:			
State	\$ -	\$ -	\$ -
Taxes:			
Tax increment	193,510	-	193,510
Miscellaneous:			
Interest earnings	13,388	-	13,388
Other	11,995	-	11,995
Total revenues	<u>218,893</u>	<u>-</u>	<u>218,893</u>
Expenditures/Expenses			
Current:			
Economic development	2,964,880	15,577	2,980,457
Depreciation	-	5,475	5,475
Capital outlay	5,209,273	(5,209,273)	-
Debt service:			
Principal	15,370	(15,370)	-
Interest	258,480	123,246	381,726
Total expenditures/expenses	<u>8,448,003</u>	<u>(5,080,345)</u>	<u>3,367,658</u>
Revenues over (under) expenditures	(8,229,110)	5,080,345	(3,148,765)
Other financing sources (uses)			
Issuance of debt	16,285,000	(16,285,000)	-
Discount on issuance of debt	(461,133)	461,133	-
Bond issuance costs	(392,818)	-	(392,818)
Contribution from primary government	890,433	-	890,433
Total other financing sources (uses)	<u>890,433</u>	<u>-</u>	<u>890,433</u>
Change in fund balance / net position	<u>16,321,482</u>	<u>(15,823,867)</u>	<u>497,615</u>
Fund balance / net position, beginning of year	8,092,372	(10,743,522)	(2,651,150)
Fund balance / net position, (deficit) end of year	<u>473,722</u>	<u>(216,457)</u>	<u>257,265</u>
	<u>\$ 8,566,094</u>	<u>\$ (10,959,979)</u>	<u>\$ (2,393,885)</u>

Concluded

CITY OF BAY CITY, MICHIGAN

Combining Balance Sheet

Brownfield Redevelopment Component Unit
June 30, 2014

	General Fund	Uptown Capital Project Fund	Uptown Debt Service Fund	Total Brownfield Redevelopment
Assets				
Cash and investments	\$ 516,694	\$ 7,720,930	\$ 625,776	\$ 8,863,400
Accrued interest	1,804	2,859	-	4,663
Total assets	<u>\$ 518,498</u>	<u>\$ 7,723,789</u>	<u>\$ 625,776</u>	<u>\$ 8,868,063</u>
Liabilities				
Accounts payable	\$ 65	\$ 301,904	\$ -	\$ 301,969
Fund balances				
Committed	-	7,421,885	625,776	8,047,661
Unassigned	518,433	-	-	518,433
Total fund balances	<u>518,433</u>	<u>7,421,885</u>	<u>625,776</u>	<u>8,566,094</u>
Total liabilities and fund balances	<u>\$ 518,498</u>	<u>\$ 7,723,789</u>	<u>\$ 625,776</u>	<u>\$ 8,868,063</u>

CITY OF BAY CITY, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Brownfield Redevelopment Component Unit
For the Year Ended June 30, 2014

	General Fund	Uptown Capital Project Fund	Uptown Debt Service Fund	Total Brownfield Redevelopment
Revenues				
Taxes:				
Tax increment	\$ 166,871	\$ 26,639	\$ -	\$ 193,510
Miscellaneous:				
Interest earnings	9,708	3,680	-	13,388
Other	11,995	-	-	11,995
Total revenues	188,574	30,319	-	218,893
Expenditures				
Current:				
Economic development	64,879	2,900,001	-	2,964,880
Capital outlay	49,078	5,160,195	-	5,209,273
Debt service:				
Principal	15,370	-	-	15,370
Interest	14,536	-	243,944	258,480
Total expenditures	143,863	8,060,196	243,944	8,448,003
Revenues over (under) expenditures	44,711	(8,029,877)	(243,944)	(8,229,110)
Other financing sources (uses)				
Issuance of debt	-	16,285,000	-	16,285,000
Discount on issuance of debt	-	(461,133)	-	(461,133)
Bond issuance costs	-	(392,818)	-	(392,818)
Contribution from primary government	-	890,433	-	890,433
Transfers out	-	(869,720)	-	(869,720)
Transfers in	-	-	869,720	869,720
Total other financing sources (uses)	-	15,451,762	869,720	16,321,482
Net change in fund balance	44,711	7,421,885	625,776	8,092,372
Fund balance, beginning of year	473,722	-	-	473,722
Fund balance, end of year	\$ 518,433	\$ 7,421,885	\$ 625,776	\$ 8,566,094

STATISTICAL SECTION

CITY OF BAY CITY, MICHIGAN

Net Position by Component

Last Ten Fiscal Years

(accrual basis of accounting)

	June 30,			
	2005	2006	2007	2008
Governmental activities				
Net investment in capital assets	\$ 60,326,443	\$ 61,608,056	\$ 60,760,119	\$ 68,777,346
Restricted	1,400,317	1,669,514	1,832,805	2,180,059
Unrestricted (deficit)	10,364,764	11,588,878	12,085,327	1,925,635
Total governmental activities net position	<u>\$ 72,091,524</u>	<u>\$ 74,866,448</u>	<u>\$ 74,678,251</u>	<u>\$ 72,883,040</u>
Business-type activities				
Net investment in capital assets	\$ 96,461,842	\$ 89,473,335	\$ 90,735,387	\$ 79,329,188
Restricted	-	-	-	-
Unrestricted	30,668,638	32,243,217	31,542,821	43,744,542
Total business-type activities net position	<u>\$ 127,130,480</u>	<u>\$ 121,716,552</u>	<u>\$ 122,278,208</u>	<u>\$ 123,073,730</u>
Primary government				
Net investment in capital assets	\$ 156,788,285	\$ 151,081,391	\$ 151,495,506	\$ 148,106,534
Restricted	1,400,317	1,669,514	1,832,805	2,180,059
Unrestricted	41,033,402	43,832,095	43,628,148	45,670,177
Total primary government net position	<u>\$ 199,222,004</u>	<u>\$ 196,583,000</u>	<u>\$ 196,956,459</u>	<u>\$ 195,956,770</u>

Table 1
Unaudited

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

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,			
	2005	2006	2007	2008
Expenses				
Governmental activities:				
Public safety	\$ 13,429	\$ 14,170	\$ 14,640	\$ 13,094
Community and economic development	2,037	2,116	2,602	2,148
Public works	10,909	9,871	9,236	9,633
General government	2,286	1,614	2,064	3,168
Recreation and culture	1,129	1,249	1,164	1,016
Interest on long-term debt	1,544	1,298	1,302	1,399
Total governmental activities expenses	<u>31,334</u>	<u>30,318</u>	<u>31,008</u>	<u>30,458</u>
Business-type activities:				
Electric	24,134	26,079	26,537	30,012
Water	6,870	7,231	7,694	8,072
Sewer	11,468	12,487	12,165	11,987
Public works	421	463	519	541
Total business-type activities expenses	<u>42,893</u>	<u>46,260</u>	<u>46,915</u>	<u>50,612</u>
Total primary government expenses	<u>74,227</u>	<u>76,578</u>	<u>77,923</u>	<u>81,070</u>
Program Revenues				
Governmental activities:				
Charges for services				
Public safety	768	960	811	716
General government	1,299	1,419	1,256	925
Public works	1,923	1,939	1,973	2,010
Recreation and culture	13	8	10	25
Other	(16)	125	71	97
Operating grants and contributions	6,296	5,797	5,646	6,252
Capital grants and contributions	618	47	1,659	1,259
Total governmental activities program revenues	<u>10,901</u>	<u>10,295</u>	<u>11,426</u>	<u>11,284</u>
Business-type activities:				
Charges for services				
Electric	22,991	23,770	26,060	29,067
Water	7,342	7,204	7,246	7,800
Sewer	9,931	11,512	11,726	12,346
Public works	219	215	188	264
Operating grants and contributions	164	246	102	115
Capital grants and contributions	-	455	482	427
Total business-type activities program revenues	<u>40,647</u>	<u>43,402</u>	<u>45,804</u>	<u>50,019</u>
Total primary government program revenues	<u>51,548</u>	<u>53,697</u>	<u>57,230</u>	<u>61,303</u>

Table 2
Unaudited

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

Continued...

CITY OF BAY CITY, MICHIGAN

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

(amounts expressed in thousands)

	Year Ended June 30,			
	2005	2006	2007	2008
Net (expense)/revenue				
Governmental activities	\$ (20,433)	\$ (20,023)	\$ (19,582)	\$ (19,174)
Business-type activities	(2,246)	(2,858)	(1,111)	(593)
Total primary government net expense	(22,679)	(22,881)	(20,693)	(19,767)
General Revenues and Other Changes in Net Position				
Governmental activities:				
Property taxes	12,934	13,592	13,640	14,044
Unrestricted grants and contributions	5,395	5,172	5,127	4,911
Investment earnings	381	398	702	1,022
Gain on sale of capital assets	-	-	-	-
Miscellaneous	71	111	74	80
Transfers	(311)	3,525	(149)	34
Total governmental activities	18,470	22,798	19,394	20,091
Business-type activities:				
Investment earnings	841	922	1,459	1,398
Gain on sale of capital assets	-	-	-	-
Miscellaneous	213	47	64	25
Transfers	311	(3,525)	149	(34)
Total business-type activities	1,365	(2,556)	1,672	1,389
Total primary government	19,835	20,242	21,066	21,480
Change in Net Position				
Governmental activities	(1,963)	2,775	(188)	917
Business-type activities	(881)	(5,414)	561	796
Total primary government	\$ (2,844)	\$ (2,639)	\$ 373	\$ 1,713

Table 2
Unaudited

Year Ended June 30,					
2009	2010	2011	2012	2013	2014
\$ (18,126)	\$ (20,971)	\$ (20,533)	\$ (18,246)	\$ (20,205)	\$ (18,103)
(2,348)	(591)	5,320	2,197	1,389	4,034
(20,474)	(21,562)	(15,213)	(16,049)	(18,816)	(14,069)
14,249	14,012	12,728	12,357	12,379	12,389
5,104	4,383	4,614	3,904	4,113	4,157
709	462	114	182	103	171
-	-	-	-	-	5
107	92	655	766	241	589
(18)	(32)	(125)	(610)	(41)	(39)
20,151	18,917	17,986	16,599	16,795	17,274
1,048	580	152	213	91	256
-	-	-	-	-	-
72	28	59	69	208	223
18	32	125	610	41	39
1,138	640	336	892	340	518
21,289	19,557	18,322	17,491	17,135	17,791
2,025	(2,054)	(2,547)	(1,647)	(3,411)	(829)
(1,210)	49	5,656	3,089	1,729	4,552
\$ 815	\$ (2,005)	\$ 3,109	\$ 1,442	\$ (1,681)	\$ 3,722

Concluded

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,			
	2005	2006	2007	2008
General fund				
Reserved	\$ 3	\$ -	\$ -	\$ 342
Unreserved	5,380	5,353	5,086	4,878
Nonspendable	-	-	-	-
Committed	-	-	-	-
Restricted	-	-	-	-
Unassigned	-	-	-	-
Total general fund	\$ 5,383	\$ 5,353	\$ 5,086	\$ 5,220
All other governmental funds				
Reserved	\$ 42	\$ 36	\$ 65	\$ 37
Unreserved, reported in:				
Special revenue funds	1,663	2,168	2,479	2,529
Capital projects funds	1,347	1,463	1,446	1,596
Debt service fund	53	207	387	584
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total all other governmental funds	\$ 3,105	\$ 3,874	\$ 4,377	\$ 4,746

Note: The City implemented GASB 54 in 2011.

Table 3
Unaudited

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

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,			
	2005	2006	2007	2008
Revenues				
Property taxes and other taxes	\$ 12,528	\$ 12,557	\$ 12,816	\$ 13,227
Licenses and permits	513	663	532	497
Federal grants	3,630	2,804	3,737	3,352
State shared revenues and grants	9,441	9,595	9,820	8,062
Local contributions	66	54	16	1,763
Interest, rents and royalties	332	367	613	712
Charges for services	5,466	5,969	5,856	6,038
Fines and forfeits	153	136	132	150
Reimbursements, refunds and other revenue	543	961	875	1,145
Total revenues	32,672	33,106	34,397	34,946
Expenditures				
General government	5,470	5,381	5,609	5,387
Public safety	13,205	13,826	14,358	12,960
Public works	7,158	7,203	6,777	6,800
Community and economic development	2,405	1,853	1,784	1,740
Recreation and culture	1,030	1,076	1,005	818
Postretirement benefits	-	-	-	2,034
Capital outlay	2,550	1,393	2,841	2,501
Debt service:				
Principal	1,690	1,570	1,638	2,173
Interest and other fees	115	4	1	77
Total expenditures	33,623	32,306	34,013	34,490
Excess of revenues over (under) expenditures	(951)	800	384	456
Other financing sources (uses)				
Lease proceeds	-	29	-	14
Issuance of long-term debt	-	-	-	-
Proceeds from sale of assets	-	-	-	-
Transfers in	1,717	2,537	841	907
Transfers (out)	(1,741)	(2,627)	(990)	(874)
Total other financing sources (uses)	(24)	(61)	(149)	47
Net change in fund balances	\$ (975)	\$ 739	\$ 235	\$ 503
Debt service as a percentage of noncapital expenditures	5.81%	5.09%	5.26%	7.03%

Table 4
Unaudited

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

Revenue By Source

Last Ten Fiscal Years

(accrual basis of accounting)

Year Ended June 30,	Property Taxes	Electric Operating
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
2014	12,389,299	34,476,491

CITY OF BAY CITY, MICHIGAN

Table 6
Unaudited

Assessed Value and Estimated Actual Value of Taxable Property

Last Ten Fiscal Years
(in thousands of dollars)

Year Ended June 30,	Real Property			Personal Property	Total Assessed Value	Total Direct Tax Rate	Estimated Actual Assessed Value	Assessed Value as a Percentage of Actual Value
	Residential	Commercial	Industrial					
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%
2014	367,707	100,629	23,227	55,984	547,547	21.3365	1,095,094	50.00%

Source: Bay City Assessor's Office

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

CITY OF BAY CITY, MICHIGAN

Table 7
Unaudited

Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years

Year Ended June 30, (1) (2)	Bay City				Overlapping Rates			Total Direct & Overlapping Rates
	Operating Millage	Special Millage (3)	Debt Millage	Total City Millage	School District	Community College	County	
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
2014	16.9615	0.0000	4.3750	21.3365	32.7157	2.0427	11.4638	67.5587

Source: Bay City Assessor's Office

(1) Rates reduced to comply with the Headlee Amendment.

(2) This is the year in which the tax is levied. 2007 refers to the 2008 tax collection, 2008 refers to the 2009 tax collection, and so on.

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

CITY OF BAY CITY, MICHIGAN

Table 8
Unaudited

Principal Property Taxpayers and Electric Customers
June 30, 2014 and Nine Years Previous

Taxpayer	2014			2005		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Consumers Energy Company	\$ 8,528,650	1	1.56%	\$ 8,385,518	3	1.14%
General Motors Corporation	8,065,250	2	1.47%	93,737,500	1	12.76%
SC Johnson	5,762,000	3	1.05%	14,368,337	2	1.96%
Charter Communications	3,155,950	4	0.58%	3,018,700	5	0.41%
Baldauf Enterprises Inc	3,083,350	5	0.56%	-	-	-
SSP Development, LLC	3,042,000	6	0.56%	-	-	-
Chev-Pontiac-Canada Group	2,655,345	7	0.48%	-	-	-
Bay City Housing Commission	1,858,050	8	0.34%	2,184,583	9	0.30%
Mersen USA (formerly Carbone)	1,856,400	9	0.34%	2,282,700	8	0.31%
Wenonah Park Properties	1,563,627	10	0.29%	2,779,990	7	0.38%
Danaher Corp/Thompson Bay	-	-	-	4,790,300	4	0.65%
Bit Mat Products	-	-	-	2,795,100	6	0.38%
Northern Concrete	-	-	-	2,108,800	10	0.29%
Totals	\$ 39,570,622		7.23%	\$136,451,528		18.58%

Electric Customer	2014			2005		
	Usage kWh	Rank	Percentage of Total Usage	Usage kWh	Rank	Percentage of Total Usage
McLaren Bay Region	17,145,286	1	5.40%	14,579,661	2	4.76%
City of Bay City	12,844,943	2	4.05%	20,507,497	1	6.69%
Mersen USA	9,295,600	3	2.93%	-	-	-
S.C. Johnson & Sons	6,792,030	4	2.14%	4,930,980	5	1.61%
Bay County	5,819,258	5	1.83%	4,895,831	6	1.60%
Bay Cast Inc	4,185,827	6	1.32%	4,183,551	7	1.36%
Bay City Schools	4,129,072	7	1.30%	-	-	-
Doubletree Hotel	3,567,975	8	1.12%	3,194,584	8	1.04%
Menards	3,310,472	9	1.04%	-	-	-
Valley Publishing	3,084,800	10	0.97%	-	-	-
Ultra Carbon	-	-	-	9,102,717	3	2.97%
Bay City Board of Education	-	-	-	5,811,156	4	1.90%
Bay City Housing Commission	-	-	-	3,192,188	9	1.04%
Thompson Bay	-	-	-	2,740,480	10	0.89%
Totals	\$ 70,175,263		22.10%	\$ 73,138,645		23.86%



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City of Bay City

CITY OF BAY CITY, MICHIGAN

Table 9
Unaudited

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

Year Ended June 30,	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2005	\$ 12,619	\$ 11,812	93.60%	\$ 749	\$ 12,561	99.54%
2006	12,696	11,941	94.05%	745	12,686	99.92%
2007	12,762	11,970	93.79%	744	12,714	99.62%
2008	13,027	12,099	92.88%	890	12,989	99.71%
2009	13,072	12,176	93.15%	864	13,040	99.76%
2010	12,832	11,835	92.23%	943	12,778	99.58%
2011	11,584	10,584	91.37%	918	11,502	99.29%
2012	11,259	10,310	91.57%	908	11,218	99.64%
2013	11,296	10,336	91.50%	946	11,282	99.88%
2014	11,468	10,525	91.78%	914	11,439	99.75%

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
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
2014	14,324,644	-	2,915,000	-	15,505,000	13,218,701	25,590,000

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

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

(2) This information is not yet available.

Table 10
Unaudited

Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
\$ 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%	2,119
68,741,901	18.49%	1,981
63,568,064	16.86%	1,841
71,553,345	(2)	2,079



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City of Bay City

Ratios of General Bonded Debt Outstanding

Last Ten Fiscal Years
(amounts expressed in thousands)

June 30,	General Obligation Bonds (1)	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property (2)	Per Capita (3)
2005	\$ 28,894	\$ 53	\$ 28,841	4.15%	\$ 831
2006	33,669	207	33,462	4.53%	975
2007	32,153	387	31,766	4.25%	935
2008	39,052	584	38,468	5.13%	1,135
2009	36,872	743	36,129	4.82%	1,070
2010	34,624	836	33,788	4.73%	967
2011	34,779	704	34,075	5.44%	976
2012	33,919	456	33,463	5.40%	964
2013	30,513	-	30,513	5.22%	884
2014	27,543	77	27,466	5.02%	798

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

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



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CITY OF BAY CITY, MICHIGAN

Table 12
Unaudited

Direct and Overlapping Governmental Activities Debt
As of June 30, 2014

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Overlapping Debt:			
Bay County	\$ 32,970,285	18.40%	\$ 6,066,532
Bay City School District	59,520,000	31.04%	18,475,008
Bangor Township Schools	11,576,667	0.34%	39,361
Bay-Arenac Intermediate School District	2,950,000	15.60%	<u>460,200</u>
Total Overlapping Debt			<u>25,041,101</u>
Direct Debt:			
City of Bay City	17,239,644	100.00%	<u>17,239,644</u>
Total Direct and Overlapping Debt			<u><u>\$ 42,280,745</u></u>

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

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

CITY OF BAY CITY, MICHIGAN

Legal Debt Margin Information

Last Ten Fiscal Years

(amounts expressed in thousands)

	2005	2006	2007	2008
Debt limit	\$ 69,425	\$ 73,832	\$ 74,816	\$ 75,024
Total net debt applicable to limit	28,841	33,462	31,766	38,468
Legal debt margin	\$ 40,584	\$ 40,370	\$ 43,050	\$ 36,556
Total net debt applicable to the limit as a percentage of debt limit	41.54%	45.32%	42.46%	51.27%

Table 13
Unaudited

2009	2010	2011	2012	2013	2014
\$ 74,971	\$ 71,478	\$ 62,586	\$ 62,000	\$ 58,506	\$ 54,755
36,129	33,788	34,075	33,463	30,513	27,466
<u>\$ 38,842</u>	<u>\$ 37,690</u>	<u>\$ 28,511</u>	<u>\$ 28,537</u>	<u>\$ 27,993</u>	<u>\$ 27,289</u>
48.19%	47.27%	54.45%	53.97%	52.15%	50.16%

Legal Debt Margin Calculation for Fiscal Year 2014

Assessed valuation, December 31, 2013	<u>\$ 547,547</u>
Debt limit (10% of assessed valuation)	\$ 54,755
Debt applicable to limit:	\$ 27,543
Less:	
Assets in Debt Service funds available for payment of principal	<u>77</u>
Total amount of debt applicable to debt limit	<u>27,466</u>
Legal debt margin	<u>\$ 27,289</u>

CITY OF BAY CITY, MICHIGAN

Table 14
Unaudited

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
2014	34,597,240	30,936,143	3,661,097	380,000	586,012	966,012	3.79

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

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

Demographic and Economic Statistics
 Last Ten Fiscal Years

Year Ended June 30,	Population (1)	Personal Income (2) (amounts expressed in thousands)	Per Capita Personal Income	School Enrollment (3)	Unemployment Rate (4)
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	12.80%
2011	34,897	3,613,534	33,737	4,654	11.00%
2012	34,701	3,716,785	34,757	4,805	9.70%
2013	34,521	3,770,457	35,293	4,803	10.40%
2014	34,424	(5)	(5)	4,695	8.40%

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

Table 16
Unaudited

Principal Employers
2014 and 2005

Employer	2014			2005		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
McLaren Bay Region (2)	1,960	1	11.29%	2,400	1	13.01%
Bay City Public Schools (1) (2)	956	2	5.51%	1,270	2	6.89%
Bay County (2)	526	3	3.03%	616	4	3.34%
General Motors Powertrain	365	4	2.10%	1,098	3	5.95%
SC Johnson (2)	360	5	2.07%	475	5	2.58%
City of Bay City	305	6	1.76%	433	6	2.35%
Doubletree Hotel & Conference Center	150	7	0.86%	-	-	-
Labadie Auto Group	148	8	0.85%	180	10	0.98%
F.P. Horak Co.	140	9	0.81%	-	-	-
Mersen USA	110	10	0.63%	-	-	-
Heartland Home Health Care	-	-	-	430	7	2.33%
Bay Arenac Behavioral Health	-	-	-	219	8	1.19%
Bay City Times	-	-	-	200	9	1.08%
Totals	5,020		28.93%	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

	2005	2006	2007	2008
Function				
General government (1)	65	62	60	59
Public safety				
Police (2)	71	66	66	61
Fire (2)	58	58	57	57
Public safety (2)	N/A	N/A	N/A	N/A
Building inspections	N/A	N/A	N/A	N/A
Public works	65	64	61	52
Recreation and culture	17	17	15	12
Community and economic development	12	11	10	10
Electric	47	47	45	43
Water	44	43	42.5	41
Sewer	40	46	42.5	39
Total	419	414	399	374

Source: City of Bay City Finance Department

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

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

Table 17
Unaudited

2009	2010	2011	2012	2013	2014
57	60	48	50	51	36
59	58	62	62	60	N/A
54	53	41	47	44	N/A
N/A	N/A	N/A	N/A	N/A	89
N/A	N/A	4	4	4	4
48	48	34	33	30	28
11	10	5	6	6	6
10	9	12	13	13	10
43	45	42	44	41	49
40	40	37	40	35	35
38	38	33	31	28	34
360	361	318	330	312	291

CITY OF BAY CITY, MICHIGAN

Operating Indicators by Function Last Ten Fiscal Years

Function	2005	2006	2007	2008
General Government				
Elections				
Number of registered voters	24,772	24,311	24,509	24,864
Public safety				
Police Department				
Number of citations issued	6,183	5,796	8,343	5,836
Number of complaints filed	6,845	5,946	6,113	5,963
Number of calls for service	32,445	29,470	28,957	30,275
Number of DUI offenses	278	185	337	351
Fire Department				
Number of emergency runs	4,663	3,677	3,341	4,329
Number of fire prevention programs	7	7	7	14
Public works				
Streets				
Tons of salt used	2,784	3,060	2,280	3,529
Recreation and culture				
Park acreage maintained	-	-	238	238
Special events	-	-	58	43
Shelter rentals	-	-	63	57
Street trees planted	391	482	716	361
Street trees trimmed	-	-	2,998	1,576
Street trees removal	-	-	251	137
Community and Economic Development				
Housing units rehabilitated	13	5	6	8
Emergency housing units rehabilitated	47	33	23	42
Electric Department				
Generating capacity	33,295	33,295	33,295	33,295
Sewer System				
Sanitary and storm sewer (miles)	277	277	310	310
Daily average treatment (million gallons)	9	9	9	9
Maximum daily capacity (million gallons)	18	18	18	18
Water system				
Miles of water mains	232	231.86	232	232
Daily average consumption (million gallons)	9.31	9.7	8.90	8.58
Maximum daily treatment (million gallons)	12.38	12.35	12.96	12.10
Airport				
Private hanger land leases	-	20	22	22
Public hanger lease	-	1	1	1
Cell tower leases	-	1	1	1
Aviation fuel sold (gallons)	-	-	29,000	20,163
Cemetery				
Interments	-	58	35	35
Grave sales	-	25	30	40
Foundations set	-	21	21	19
Right of 2nd Interment	-	-	-	6
Marina				
Seasonal Dock Leases	-	50	50	50
Transient Dock Rentals	-	1,540	1,585	1,116

Sources: Various city departments.

Table 18
Unaudited

2009	2010	2011	2012	2013	2014
24,947	23,452	23,338	22,897	23,674	23,692
3,190	3,568	2,792	3,382	3,723	2,579
5,730	4,528	5,907	4,247	4,934	4,398
29,851	30,242	25,189	33,899	33,039	27,738
210	199	156	219	143	96
4,438	4,533	4,785	4,681	4,677	4,882
187	187	111	128	115	195
2,958	1,485	2,948	1,557	1,914	2,300
233	223	223	238	238	238
33	43	40	25	43	44
60	67	50	49	59	67
366	-	-	-	-	-
1,977	-	-	-	-	-
209	167	101	253	134	115
3	5	3	1	-	-
50	42	32	34	40	46
33,295	33,295	33,295	33,295	33,295	33,295
310	320	320	320	320	320
9	8	7	7	7	7
18	18	18	18	18	18
196.87	196.87	196.87	194.50	194.50	177.00
8.03	7.46	7.47	7.41	7.87	7.86
13.85	10.12	14.45	14.00	14.00	14.00
23	23	23	22	22	22
1	1	2	3	3	5
1	1	1	1	1	-
N/A	12,599	14,665	13,756	13,000	16,616
51	57	48	50	37	48
16	35	42	39	19	27
29	25	18	25	20	24
5	5	5	1	2	4
49	50	50	50	50	44
542	419	337	364	340	306

CITY OF BAY CITY, MICHIGAN

Capital Assets Statistics by Function Last Ten Fiscal Years

Function	2005	2006	2007	2008
Public safety				
Police (1)				
Stations	1	1	1	1
Vehicles	34	31	25	25
Fire (1)				
Stations	4	4	4	4
Vehicles	14	13	13	13
Public safety (1)				
Stations	N/A	N/A	N/A	N/A
Vehicles	N/A	N/A	N/A	N/A
Public works				
Bascule span bridges	2	2	2	2
Streets (miles) (2)	181	181	181	181
Recreation and culture				
Park areas	25	24	24	24

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

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

Sources: Various city departments.

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

Table 19
Unaudited

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



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SINGLE AUDIT ACT COMPLIANCE



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

December 30, 2014

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **City of Bay City, Michigan** as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 30, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Rehmann Robson LLC



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CITY OF BAY CITY, MICHIGAN

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2014

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 - 2009	14.218	Direct	B-09-MC-26-0003	\$ 2,597
Grant Entitlements - 2010	14.218	Direct	B-10-MC-26-0003	167,296
Grant Entitlements - 2011	14.218	Direct	B-11-MC-26-0003	155,845
Grant Entitlements - 2012	14.218	Direct	B-12-MC-26-0003	239,976
Grant Entitlements - 2013	14.218	Direct	B-13-MC-26-0003	575,693
Grant Entitlements - 2013	14.218	Direct	N/A	64,476
Total Community Development Block Grant				<u>1,205,883</u>
Home Program				
HOME Program - 2012	14.239	Direct	M-12-MC260219	148,012
HOME Program - 2013	14.239	Direct	M-13-MC260219	13,960
Total Home Program				<u>161,972</u>
Total U.S. Department of Housing and Urban Development				<u>1,367,855</u>
U.S. Department of Justice				
Bulletproof Vest Partnership Program	16.607	Direct	2012BUBX12061497	1,747
Bulletproof Vest Partnership Program	16.607	Direct	2013BUBX13065595	3,630
Bulletproof Vest Partnership Program	16.607	Direct	2014BUBX14071782	2,132
Edward Byrne Memorial Justice Assistance Grant Program	16.738	Direct	2012-DJ-BX-0310	9,400
Edward Byrne Memorial Justice Assistance Grant Program	16.738	Direct	2013-DJ-BX-0985	8,340
				<u>25,249</u>
U.S. Department of Transportation				
Federal Aviation Administration	20.106	MDT	B-26-0010-1511	11,092
Federal Transportation Enhancement Grant	20.205	MDT	STP 1309	15,218
				<u>26,310</u>
U.S. Environmental Protection Agency				
Brownfield Assessment and Cleanup Cooperative Agreement	66.818	Direct	00E01075	66,235
Brownfield Revolving Loan Fund Capitalization Grant	66.818	Direct	00E00363	196,476
				<u>262,711</u>
U.S. Election Assistance Commission				
Help America Vote Act	90.401	MDS	N/A	694
U.S. Department of Homeland Security				
Homeland Security Grant Program	97.067	MSP	EMW-2011-SS-00103	742
Homeland Security Grant Program	97.067	MSP	EMW-2012-SS-00055	1,150
				<u>1,892</u>
Total Expenditures of Federal Awards				<u>\$ 1,684,711</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, 2014. 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
MDS	Michigan Department of State
MDT	Michigan Department of Transportation
MSP	Michigan State Police

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
Community Development Block Grant Entitlements	14.218	\$ 29,919
HOME Program	14.239	154,044



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 30, 2014

To the Honorable Mayor
and City Commission
Bay City, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *City of Bay City, Michigan* (the "City"), as of and for the year ended June 30, 2014, 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 30, 2014. Our report includes a reference to other auditors who audited the financial statements of the Police and Fire Retirement Pension Trust, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2014-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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Bay City, Michigan's Response to Findings

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

Purpose of this Report

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

The image shows a handwritten signature in black ink that reads "Lehmann Loban LLC". The signature is written in a cursive, flowing style.

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

December 30, 2014

To the Honorable Mayor
and City Commission
Bay City, Michigan

Report on Compliance for Each Major Federal Program

We have audited the *City of Bay City, Michigan's* (the "City's") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended June 30, 2014. The City's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Independent Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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.

Rehmann Lobson LLC

CITY OF BAY CITY, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2014

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? X yes no

Significant deficiency(ies) identified? yes X no

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified? 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

Name of Federal Program or Cluster

14.218

CDBG - Entitlement Grant

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

\$ 300,000

Auditee qualified as low-risk auditee?

yes X no

CITY OF BAY CITY, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2014

SECTION II - FINANCIAL STATEMENT FINDINGS

2014-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 was originally the intent of the Fiscal Services Office to prepare the Comprehensive Annual Financial Report instead of utilizing the services of the City's audit firm. Due to a number of circumstances including changes in personnel and continuing vacancies within the Fiscal Services departments, the Fiscal Services Office was not able to implement this change. This change will be implemented prior to the preparation of the Comprehensive Annual Financial Report for the fiscal year ending June 30, 2015.

Based on prior experience, having Fiscal Services staff intimately familiar with the preparation of the financial statement will allow the staff to much quicker recognize where year-end adjustments were not performed (or performed improperly) eliminating the need for audit staff to recognize these problems. This change will result in a significant decrease (or elimination) of the number of required audit adjustments that are found by the audit staff.

CITY OF BAY CITY, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2014

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, 2014

2013-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 2014-FS-01.

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