

Bay County,
Michigan



Year Ended
December 31,
2015

Comprehensive
Annual
Financial
Report

Prepared by:
Bay County Finance Department

BAY COUNTY, MICHIGAN

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INTRODUCTORY SECTION

THE BOARD OF COMMISSIONERS

ERNIE KRYGIER
CHAIRMAN

DONALD J. TILLEY
VICE CHAIRMAN

MICHAEL DURANCZYK
SERGEANT AT ARMS

VAUGHN J. BEGICK
KIM COONAN

THOMAS M. HEREK
MICHAEL E. LUTZ

ROBERT REDMOND
FINANCIAL ANALYST

ADMINISTRATION

THOMAS L. HICKNER
COUNTY EXECUTIVE

JAN HISTED
FINANCE OFFICER

KIMBERLY PRIESSNITZ
ASSISTANT FINANCE OFFICER

INDEPENDENT AUDITORS

REHMANN ROBSON



**BAY COUNTY
FINANCE/INFORMATION SYSTEMS**

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County Executive

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Finance Officer
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Assistant Finance Officer
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Frances A. Moore
Purchasing/Housing Rehab
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Julie A. Coppens
Information Systems Manager
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June 29, 2016

Bay County Board of Commissioners and
Citizens of Bay County, Michigan:

The Comprehensive Annual Financial Report (CAFR) of Bay County, Michigan, for the calendar year ended December 31, 2015, is hereby submitted. State Law requires each municipality within the state of Michigan to file an audit report annually with the Michigan Department of Treasury within six months from the end of its fiscal year. This report was prepared by the Bay County Finance Department.

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the County. 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 government based upon a comprehensive framework of internal control that has been established for this purpose. Since the cost of internal control should not exceed anticipated benefits of such controls, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The Bay County Board of Commissioners has engaged with Rehmann Robson CPAs & Consultants, Independent Auditors to meet the requirements of the state statutes. The independent auditors' unmodified opinion for the year ended December 31, 2015, is included at the front of the financial section of this report.

As a recipient of federal and state awards, the County is also responsible for ensuring that adequate internal control is in place to allow for compliance with applicable laws and regulations in the Federal Single Audit Act Amendments of 1996 and 2 CFR 200. The internal control is subject to periodic evaluation by management and the independent auditors of the County. These reports are available in Bay County's separately issued Single Audit Report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE GOVERNMENT

Bay County, Michigan, incorporated in 1857, is located approximately 100 miles north of Detroit in the mid-eastern part of the state on the shores of the Saginaw Bay. It occupies 442 square miles and currently serves a population of 105,659 (2015). Bay County is the 20th largest of 83 counties in the state of Michigan. Bay County is empowered to levy a property tax on real, personal, and industrial property located within its boundaries.

Pursuant to Act 139 of Public Acts of 1973 (as amended by PA 100 of 1980) (Act 139), the voters of Bay County elected the optional Unified Form of County Government in November of 1978. The form of government established in 1978 is also known as the "county executive" form of government. The Board of Commissioners exercises the legislative power of the county and determines all matters of policy. The Board of Commissioners is composed of seven commissioners who are elected from their respective districts. Each commissioner serves a term of two years. The County Executive is the head of the administrative branch of the county government and is elected at large for a four-year term. The judicial branch of government consists of three Circuit Court judges, three District Court judges, and one Probate Court judge. All judges are elected at large for a six-year term. The Circuit and District Court judges are elected on two-year, staggered terms. The offices of prosecuting attorney, sheriff, county clerk, treasurer, register of deeds, and drain commissioner are elected at large and serve for a four-year term.

Bay County provides a wide range of services, including public safety, health and welfare services, community and economic development, and recreational and cultural activities. Certain financing and oversight services on the construction of Bay County public buildings are provided through the Bay County Building Authority, a blended component unit, which functions, in essence, as a department of Bay County, and therefore has been included as an integral part of Bay County's financial statements. Bay County is also financially accountable for services provided by discretely presented component units of Bay County. These services include the construction and maintenance of the county's system of roads and bridges by the Bay County Road Commission; the providing of services and materials to satisfy the educational, personal, and professional interest of the community by the Bay County Library System; and water supply and wastewater disposal services provided by the Bay County Department of Water and Sewer. In addition, the Bay County Drain Commissioner provides for the construction and maintenance of drainage districts throughout Bay County; the Bay Area Narcotics Enforcement Team combats the proliferation of narcotic trafficking in the eastern mid-Michigan area; the Bay County Economic Development Corporation provides the means and methods to strengthen and revitalize the economy of Bay County and the Land Bank, created to acquire, hold, manage and develop tax foreclosed properties. Additional information on all eight of these legally separate entities can be found in the notes to the financial statements (see note I.A.).

LOCAL ECONOMY AND MAJOR INITIATIVES

The 2010 population census identified the population of Bay County to be 107,771. As of June 7, 2016, the population of Bay County has declined to an estimated 105,659 or just under a 2% reduction from the 2010 census. This declining trend may reverse itself in the next decade based upon the level and diversity of business developments.

The average unemployment rate for Bay County for the year ended December 31, 2015, was 5.5%. This compares with Bay County's rate as of December 31, 2014, of 7.1% and with the

December 31, 2015, average nationwide rate of 5.3%, and with the 2015 statewide rate of 5.4%.

Most recently, the county's state equalized values (SEV) of real property have decreased 0.37% for 2013 and increased by 2.58% and .30% for 2014 and 2015 respectively. For 2016, Bay County is projecting an increase of \$72,120,762 or 2.47% in state equalized values of real property which total \$2,995,359,568. The state equalized value of personal property increased by 4.26% and 1.46% in 2013 and 2014 respectively and increased by 5.98% or \$16,603,823 in 2015. For 2016 Bay County is projecting a decrease of 16.51% in the SEV of personal property which totals \$245,515,794. In total, the County's SEV for both real and personal property is projected to increase 0.73% or \$23,574,206 to \$3,240,875,362. In addition, for 2016, Bay County has an equivalent SEV on full and one-half (1/2) rate industrial tax rolls of \$57,758,600.

Bay County leaders in collaboration with the Bay City leaders, have been looking to the future and updating technology that will help residents know more about where they live and work. 2015 found many changes and upgrades to the Bay County Geographic Information System (GIS). The GIS software added aerial photos taken in 2015, the locations of precincts and polling places, fire and police departments, and the location of all government buildings, township sections and flood zones. With the upgrade, three aerial surveys of the county for 2005, 2010 and 2015 are now available and residents can call up their property on their computers and see how the layout and buildings have changed over the years. Future information the leaders would like to see placed on the public mapping system are: utility lines – above and below ground, garbage pickup routes and dates, and material pipes are made of which could help people find answers to questions they are facing now. This system will benefit any business or individual that is wanting to locate in this area.

The Great Lakes Bay Regional Alliance (GLBRA) is working with the Army Corp of Engineers who is currently conducting a feasibility study to evaluate the deepening of the shipping channel in the Saginaw River. The economic impact of the Saginaw River has yet to be fully realized. This study would create regional partners in agriculture, construction, manufacturing and other industries, to create increased shipping and create a more diverse use of our waterway.

Bay County's agriculture sector faces continued economic competition, yet Michigan Sugar, a grower-owned cooperative is currently investing \$125 million into four of its plant locations. Bay City, Sebawaing, and Caro will see \$50 million capital improvements over the next five years, while the Croswell plant will see roughly \$57 million and \$20 million dollars will be invested in new piling equipment throughout the company. These capital improvements are a part of Michigan Sugar's strategic plan and are expected to begin in 2016.

After years without a Federal – Office of Highway Safety award, Bay County was handed down two grants in the sum of \$25,000 from the Office of Highway Safety Planning. These grants are for Seatbelt Enforcement and Operating While Intoxicated Enforcement. Bay County accepted these grants in order to reduce its number of traffic crashes, traffic fatalities and traffic injuries, and to create a general deterrence for these types of accidents.

Water production at the newly constructed Bay Area Water Treatment Plant began August 31, 2015. The facility is the result of an unprecedented joint agreement between the Bay County Road Commission, ten townships and three cities throughout Bay County. The new treatment plant will serve fourteen partner government entities in Bay County, along with six other water districts. The \$59.6 million dollar project was funded by the Bay County Board of Commissioners along with other grant funding that was obtained. It is the state-of-the-art membrane filtration facility that treats raw water provided through a connection to the Saginaw Midland Municipal Water Supply Corporation, with draws water from its Lake Huron intake near

Au Gres. The combination of high quality raw water source and membrane filtration provides high quality drinking water to all its customers.

Bay County Division on Aging in coordination with the Bay City Department of Safety announced a pilot program to help seniors 60 + years of age, who are home-bound homeowners. The referral based program is called "Seniors Safe at Home", and is designed to help senior citizens (who reside in Bay City) with assistance in maintaining or improving the safety of themselves and their property.

In 2015, Bay County made its final principal payment of \$340,000 paying off one of the county's 1995 Court Refunding Bonds. This leaves the county with only three remaining general obligation debt issuances. Of the remaining three bonds outstanding, two will be paid off in 2016, leaving only the Library Refinance bond left to pay through the year 2020.

FINANCIAL POLICIES

Relevant Financial Policies

In accordance with the County's General Financial Policy and Bay County Ordinance No. 28, which mandates the General Fund establish and maintain a reserve for a long-term advance to the Budget Stabilization Fund at a minimum of 5% to a maximum of 15% of the General Fund's current year adopted operating budget. The fund advance at the end of December 31, 2015 was \$5,148,128, which is equal to 15.0% of the adopted *2015 General Fund Operating Budget*. If funds are available, additional advances will be provided in the future. The Budget Stabilization Fund, in accordance with MCL section 141.443, can be used to cover a General Fund fund deficit, to prevent a reduction in the level of public services or in the number of employees where revenues are not sufficient to cover expenditures, or to cover expenditures arising because of a natural disaster to the extent that such expenditures are not covered by federal or state funds.

The 100% Tax Payment Fund Policy, which governs transfers from the 100% Tax Payment Fund to the General Fund, mandates that a reserve in an amount equal to 20% of the total amount of the most recent delinquent tax settlement with the local taxing units be established within the 100% Tax Payment Fund and that the funds in the reserve shall only be used if necessary to meet the last annual delinquent tax settlement obligations to the local taxing units.

Cash balances are invested according to the Statement of Investment Policy adopted by the Board of Commissioners. The Board of Commissioners has authorized the Bay County Treasurer to invest surplus funds of the county in accordance with those investments permitted by Act 20 of the Michigan Public Acts of 1943 as amended, M.C.L. 129.91. During the year, excess cash was invested in interest bearing demand deposit accounts, bank money market investments, commercial paper, bank certificate of deposits, and bank certificate of deposits in the CDAR's program fully insured. Other investments include debt obligations of the State of Michigan and its' political subdivisions; including, counties, cities, school districts and universities. Additional investments include debt instruments issued by United States Federal Government Sponsored Enterprises, including Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association and Federal Farm Credit Bank.

Budgetary Controls

Bay County prepares, adopts and maintains budgetary controls on an annual basis. Governmental fund types of Bay County are under formal budgetary control. Activities of the

General Fund, Special Revenue funds and Debt Service 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 established on a function level within these individual funds. Capital Project funds are budgeted by project. Enterprise funds and Internal Service funds, which are proprietary funds, and the Pension Trust Fund, Health Care Trust Fund and Private Purpose Trust funds, which are fiduciary funds, are also subject to budgetary controls and are budgeted by function as well.

The Board of Commissioners is authorized to make adjustments to the various budgets as deemed necessary. Elected officials and department/division heads are authorized to amend budgets under their control subject to the provisions of the County's General Appropriation Budget Act Resolution.

As demonstrated by the statements and schedules included in the financial section of this report, the County continues to meet its responsibility for sound financial management.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awards a Certificate of Achievement for Excellence in Financial Reporting to counties, for their Comprehensive Annual Financial Report (CAFR). The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

In order to be awarded a Certificate of Achievement, the government must publish an easily readable and efficiently organized CAFR whose contents conform to program standards. This CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

Bay County, Michigan, received a Certificate of Achievement for its 2014 CAFR dated December 31, 2014, after not submitting for the five years previous. We believe that our current CAFR meets the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for a certificate.

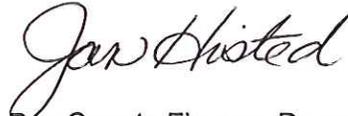
In addition, the Bay County Health Department has met all standards set by the Michigan Local Public Health Accreditation Program and as of December 2015, has been awarded a three year accreditation which is effective through 2018. This accreditation process looks at a mandatory standards-based system for accrediting local public health departments.

Preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance Department and other County departments, including various elected and appointed officials. We would like to express our appreciation to everyone who assisted in and contributed to the preparation of this report. We would also like to thank the Board of Commissioners for their interest and support in planning and conducting the financial operations of the County in a responsible and progressive manner.

Sincerely,



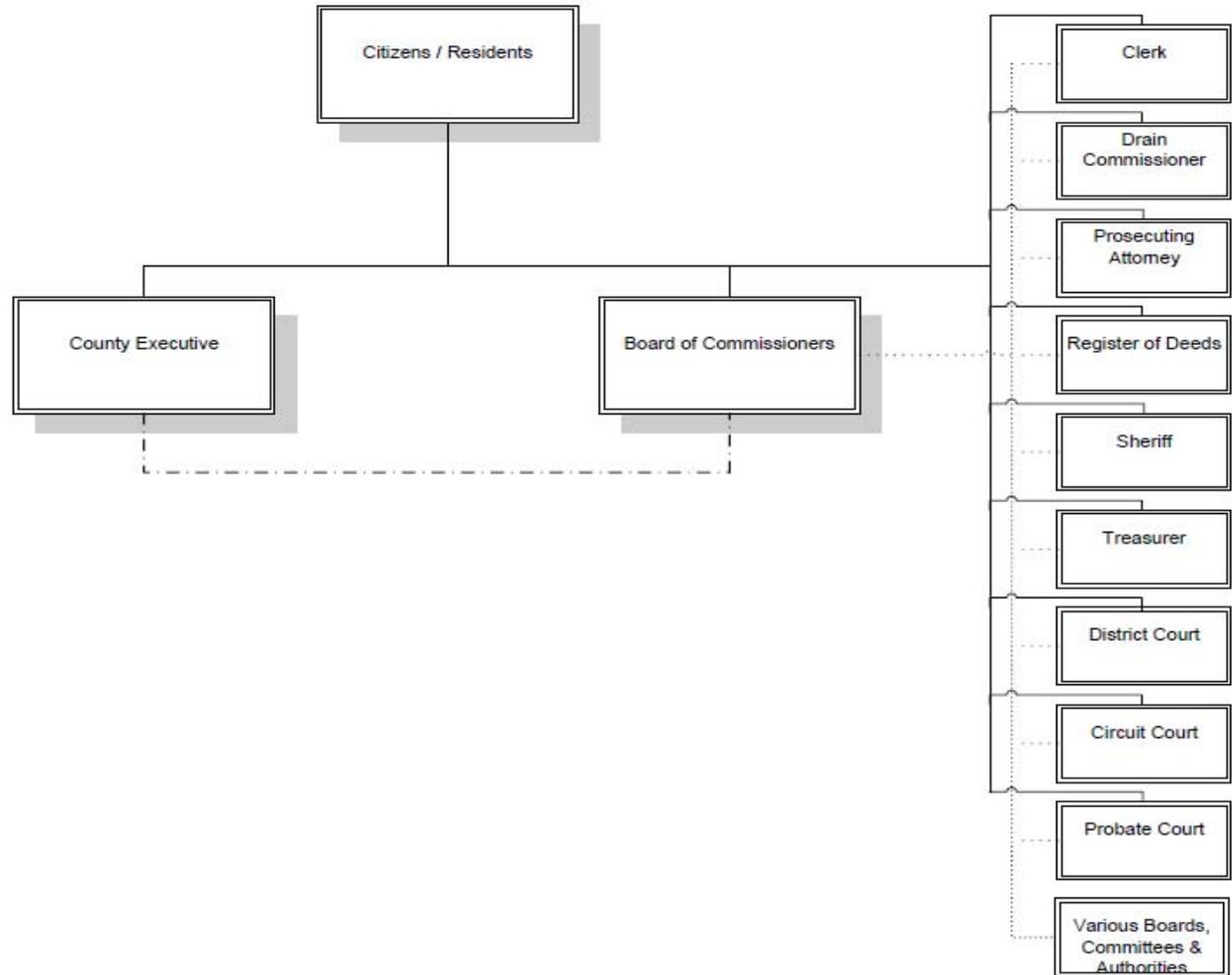
Bay County Executive Office
Thomas L. Hickner
County Executive



Bay County Finance Department
Jan Histed
Finance Officer



Bay County Organizational Chart
2015

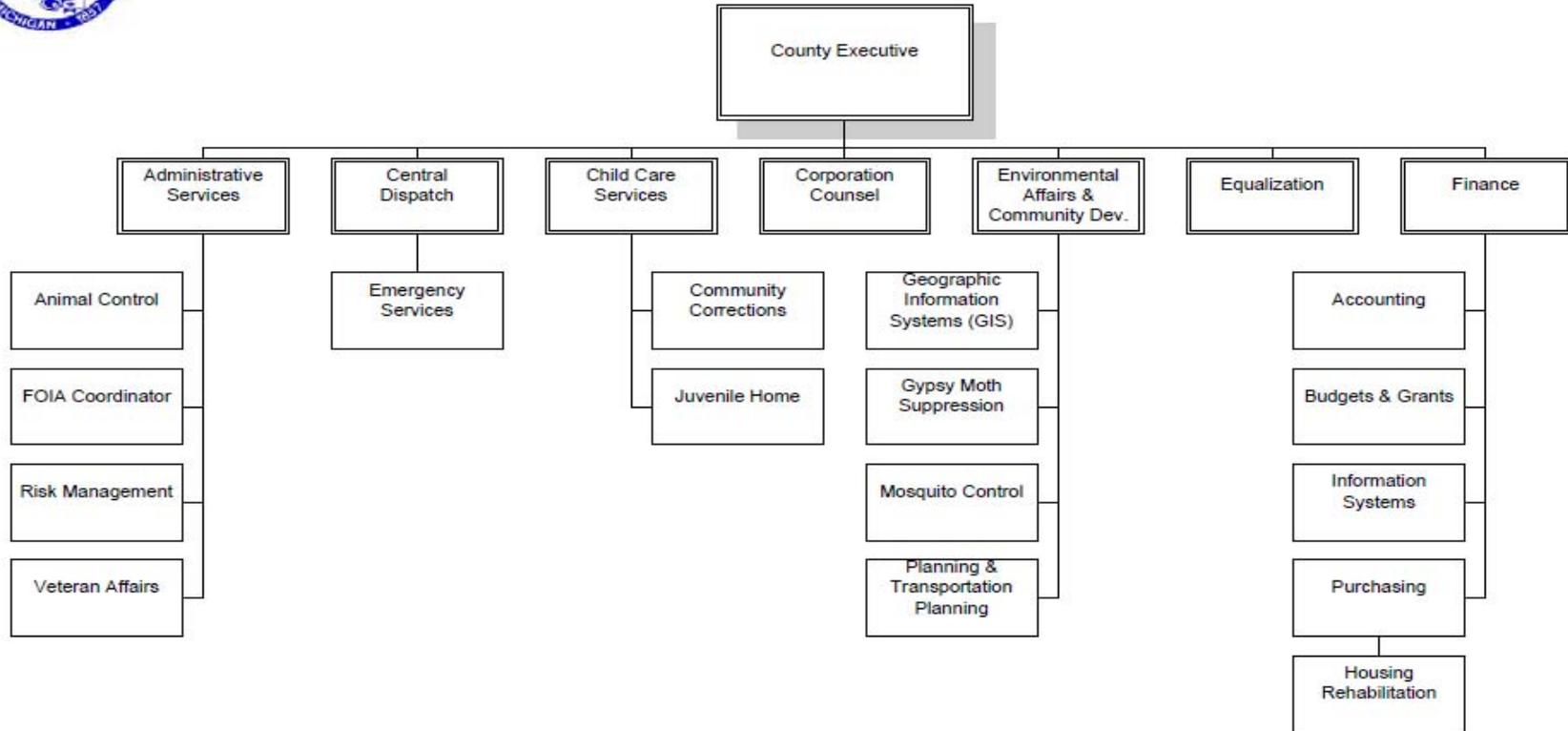


Legend:

- Direct Control _____
- Coordinated Budget/Personnel, etc.
- Legislative Coordination - - - - -



Bay County Organizational Chart
County Executive 2015



Legend:

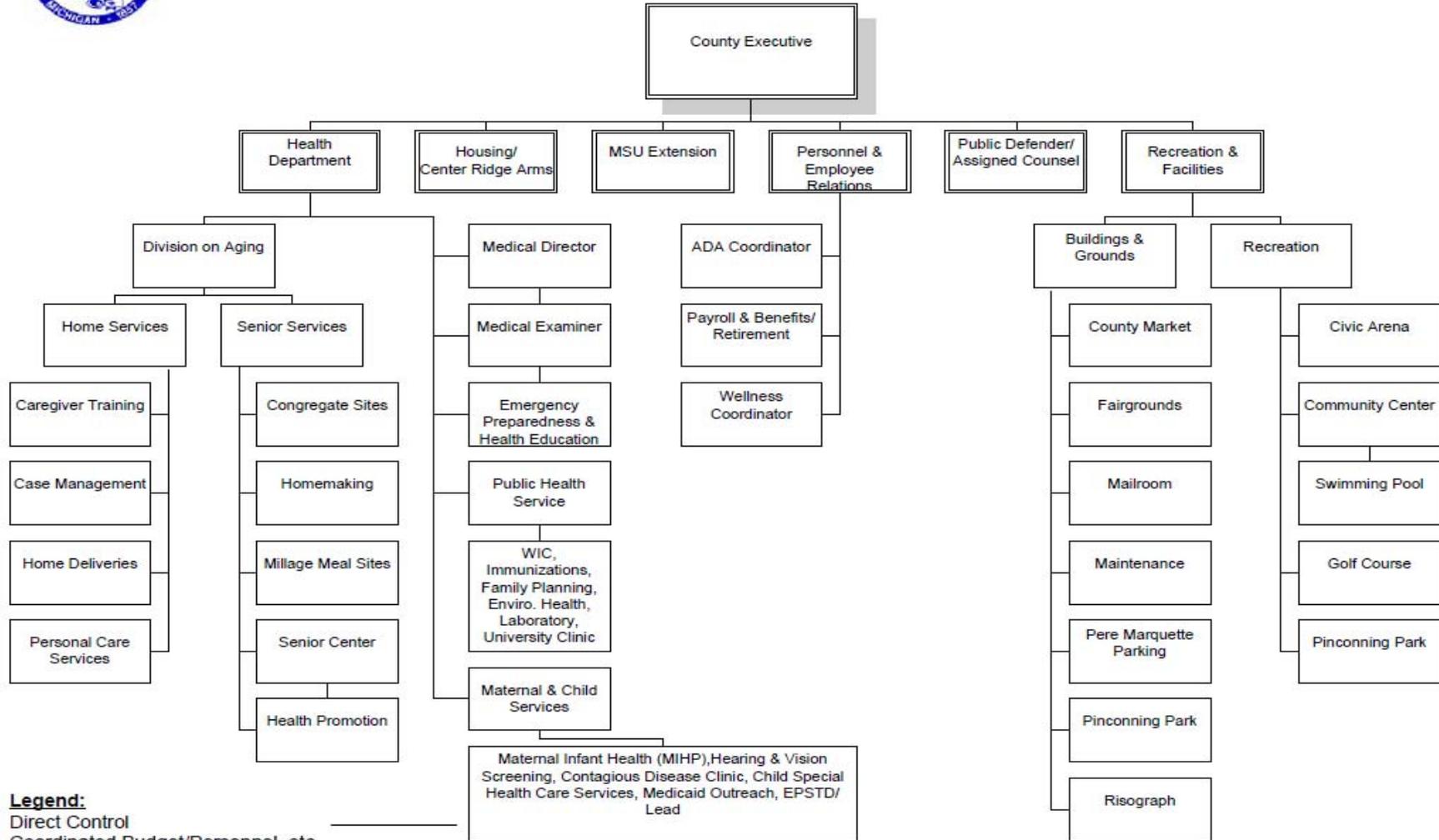
Direct Control _____

Coordinated Budget/Personnel, etc.

Legislative Coordination - - - - -



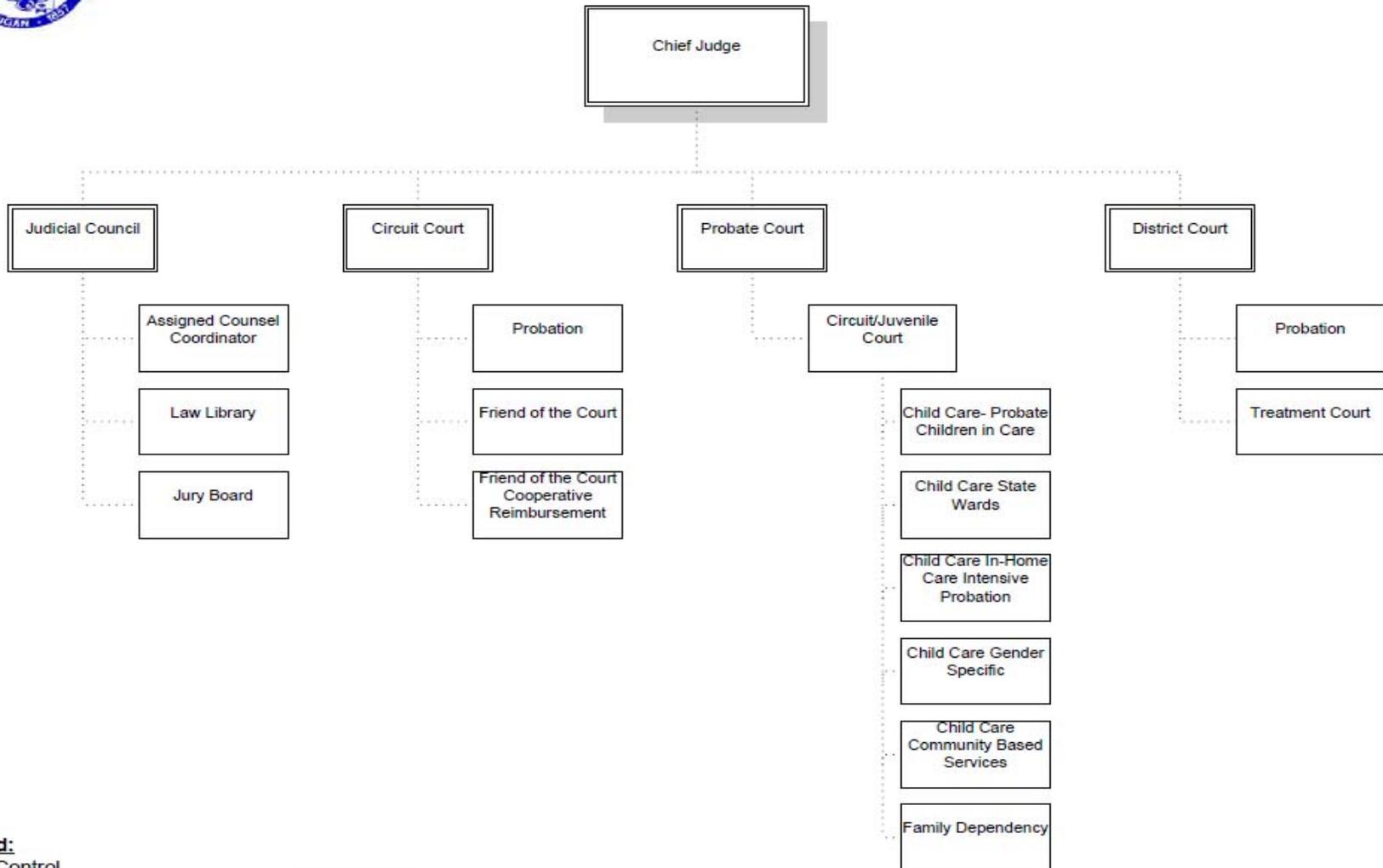
Bay County Organizational Chart
County Executive 2015 (Cont.)



Legend:
 Direct Control _____
 Coordinated Budget/Personnel, etc.
 Legislative Coordination - - - - -



Bay County Organizational Chart
Courts 2015



Legend:

Direct Control _____

Coordinated Budget/Personnel, etc. - - - - -

Legislative Coordination - - - - -

FINANCIAL SECTION

The Financial Section contains:

- Independent Auditors' Report
- Management's Discussion and Analysis
- Basic Financial Statements
- Notes to Basic Financial Statements
- Required Supplementary Information
- Combining and Individual Fund Financial Statements and Schedules

INDEPENDENT AUDITORS' REPORT

June 29, 2016

Board of Commissioners
Bay County, 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 Bay County, Michigan (the "County"), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County'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 Housing enterprise fund, which represents approximately 67% of the assets and deferred outflows, 68% of the net position, and 28% of the revenues of the nonmajor enterprise funds; the financial statements of the Road Commission component unit, which represents approximately 60% of the assets and deferred outflows, 65% of the net position, 43% of the revenues of the aggregate discretely presented component units; and the financial statements of the Department of Water and Sewer component unit, which represents approximately 24% of the assets and deferred outflows, 22% of the net position, and 31% of the revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Housing enterprise fund, Road Commission and Department of Water and Sewer component units, is based on the reports 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 from 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 auditor's 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 reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Bay County, Michigan, as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund and each major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Implementation of GASB Statement No. 68

As described in Note 18, the County implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in the current year. Accordingly, beginning net position of governmental activities, business-type activities, each major enterprise fund, nonmajor enterprise funds and component units were restated. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County'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 combining and individual fund financial statements and schedules are 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 will also issue at a later date under separate cover, our report on our consideration of the County'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 County's internal control over financial reporting and compliance.

Rehmann Lobson LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

BAY COUNTY, MICHIGAN

Management's Discussion and Analysis

As management of Bay County, Michigan, we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended December 31, 2015. We encourage readers to consider the information presented here in conjunction with the accompanying basic financial statements.

Financial Highlights

- The assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$94,316,044 (*net position*). Of this amount, \$7,982,819 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The County implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in the current year, which resulted in restatements of beginning equity in the governmental activities, business-type activities, proprietary type funds, and component units.
- The government's total net position increased by \$2,978,776 during the current year.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$28,740,759, a decrease of \$8,877,024 in comparison with the prior year.
- At the end of the current fiscal year, the general fund had unassigned fund balance of \$6,063,654 or 21.2% of total general fund expenditures. The assigned fund balance for the general fund was \$547,461 or 1.9% of total general fund expenditures. Committed fund balance in the general fund was \$5,148,128 for budget stabilization. Nonspendable fund balance was \$1,621,830, which consists mainly of reserves for prepaid items. Total fund balance for the general fund was \$13,555,186.
- The County's total debt of the primary government increased by \$5,661,770 or 9.4% during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the County's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the residual reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected special assessments and accrued interest expense).

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) 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 County include general government, public safety, community and economic development, health and welfare, public works, judicial, legislative, and recreation and culture. The business-type activities of the County include the Medical Care Facility, 100% Tax Payment, Golf Course, Housing, Delinquent Property Tax Foreclosure and Commissary.

BAY COUNTY, MICHIGAN

Management's Discussion and Analysis

The government-wide financial statements include not only the County itself (known as the primary government), but also the following component units that are considered legally separate entities; Road Commission, Library System, Department of Water and Sewer, Drain Commission, Bay Area Narcotics Enforcement Team, and Land Bank for which the County is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself. Financial statements for the Road Commission, Bay Area Narcotics Enforcement, and Department of Water and Sewer were issued separately from the County and other component units. The Bay County Building Authority, although legally separate, functions for all practical purposes as a department of the County and; therefore, has been included as an integral part of the primary government.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains several individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the general fund, 911 service fund, Division on Aging Fund, and Water Supply Capital Projects Fund, each of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The County adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

Proprietary funds. The County maintains two different types of proprietary funds: enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its Medical Care Facility, 100% tax payment, golf course, housing, delinquent property tax foreclosure, and commissary operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. Bay County uses internal service funds to account for its self insurance services. Because these services predominately benefit governmental rather than business-type functions, they have been included within the governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Medical Care Facility Fund and the 100% tax payment fund, each of which are considered to be major funds. Individual fund data for each of these non-major enterprise funds and internal service funds are provided in the form of combining statements elsewhere in this report.

BAY COUNTY, MICHIGAN

Management's Discussion and Analysis

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain information concerning the County's progress in funding its obligation to provide pension and other postemployment benefits to its employees. This information can be found in the required supplementary information, as listed in the table of contents.

The combining statements referred to earlier in connection with nonmajor governmental funds are listed in the table of contents.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Bay County, as the following table demonstrates, assets and deferred inflows of resources exceeded liabilities and deferred inflows of resources by \$94,316,044 at the close of the most recent fiscal year. Explanations for significant changes are described below under the *Capital Asset and Debt Administration* section of this Management's Discussion and Analysis.

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Assets						
Current and other assets	\$ 55,208,076	\$62,788,027	\$38,456,800	\$27,321,383	\$ 93,664,876	\$90,109,410
Capital assets, net	104,982,060	87,718,429	7,905,615	7,562,788	112,887,675	95,281,217
Total assets	160,190,136	150,506,456	46,362,415	34,884,171	206,552,551	185,390,627
Deferred outflows of resources	972,158	-	947,005	-	1,919,163	-
Liabilities						
Long-term liabilities	66,116,023	60,273,583	29,283	209,954	66,145,306	60,483,537
Other liabilities	24,988,054	25,351,866	14,206,495	13,968,107	39,194,549	39,319,973
Total liabilities	91,104,077	85,625,449	14,235,778	14,178,061	105,339,855	99,803,510
Deferred inflows of resources	6,452,902	6,253,863	2,362,913	2,080,695	8,815,815	8,334,558
Net position						
Net investment in capital assets	45,940,580	44,431,008	7,905,615	7,562,788	53,846,195	51,993,796
Restricted	22,222,236	14,379,201	10,264,794	1,294,359	32,487,030	15,673,560
Unrestricted (deficit)	(4,557,501)	(183,065)	12,540,320	9,768,268	7,982,819	9,585,203
Total net position	\$ 63,605,315	\$58,627,144	\$30,710,729	\$18,625,415	\$ 94,316,044	\$77,252,559

BAY COUNTY, MICHIGAN

Management's Discussion and Analysis

The largest portions of the County's net position, \$53,846,195 (57.1%) reflects its investment in capital assets (e.g., land, construction in progress, land improvements, buildings and improvements, machinery and equipment, office furniture and equipment, and vehicles) less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County'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.

An additional portion of the County's net position, \$32,487,030 (34.4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$7,982,819 (8.5%) may be used to meet the government's ongoing obligations to citizens and creditors.

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues						
Program revenues:						
Charges for services	\$ 10,751,687	\$10,098,091	\$26,076,373	\$23,803,749	\$ 36,828,060	\$33,901,840
Operating grants and contributions	9,957,392	17,153,645	158,830	165,266	10,116,222	17,318,911
Capital grants and contributions	15,864	309,395	36,314	128,959	52,178	438,354
General revenues:						
Property taxes	22,461,189	22,333,712	2,114,773	2,048,823	24,575,962	24,382,535
Unrestricted investment earnings	203,140	1,636,155	397,758	542,313	600,898	2,178,468
Other revenue	2,830,264	2,222,975	637,907	518,017	3,468,171	2,740,992
Total revenues	46,219,536	53,753,973	29,421,955	27,207,127	75,641,491	80,961,100
Expenses						
General government	13,287,239	12,031,279	-	-	13,287,239	12,031,279
Public safety	11,721,498	11,442,652	-	-	11,721,498	11,442,652
Community and economic development	208,438	110,435	-	-	208,438	110,435
Health and welfare	11,205,465	10,702,658	-	-	11,205,465	10,702,658
Public works	1,910,659	1,560,054	-	-	1,910,659	1,560,054
Judicial	7,085,367	6,840,130	-	-	7,085,367	6,840,130
Legislative	356,824	329,437	-	-	356,824	329,437
Recreation and culture	1,858,611	2,181,288	-	-	1,858,611	2,181,288
Interest on long-term debt	244,371	371,265	-	-	244,371	371,265
Medical care facility	-	-	23,114,202	24,269,020	23,114,202	24,269,020
100% tax payment	-	-	146,827	162,957	146,827	162,957
Golf course	-	-	539,938	555,829	539,938	555,829
Housing	-	-	687,562	724,881	687,562	724,881
Delinquent property tax foreclosure	-	-	184,890	180,765	184,890	180,765
Commissary	-	-	110,824	125,463	110,824	125,463
Total expenses	47,878,472	45,569,198	24,784,243	26,018,915	72,662,715	71,588,113

BAY COUNTY, MICHIGAN

Management's Discussion and Analysis

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Change in net position before transfers	\$ (1,658,936)	\$ 8,184,775	\$ 4,637,712	\$ 1,188,212	\$ 2,978,776	\$ 9,372,987
Transfers	<u>1,243,252</u>	<u>1,225,000</u>	<u>(1,243,252)</u>	<u>(1,225,000)</u>	<u>-</u>	<u>-</u>
Change in net position	(415,684)	9,409,775	3,394,460	(36,788)	2,978,776	9,372,987
Net position:						
Beginning of year	58,627,144	49,217,369	18,625,415	18,662,203	77,252,559	67,879,572
Restatement	<u>5,393,855</u>	<u>-</u>	<u>8,690,854</u>	<u>-</u>	<u>14,084,709</u>	<u>-</u>
Net position, end of year	<u>\$ 63,605,315</u>	<u>\$58,627,144</u>	<u>\$30,710,729</u>	<u>\$18,625,415</u>	<u>\$ 94,316,044</u>	<u>\$77,252,559</u>

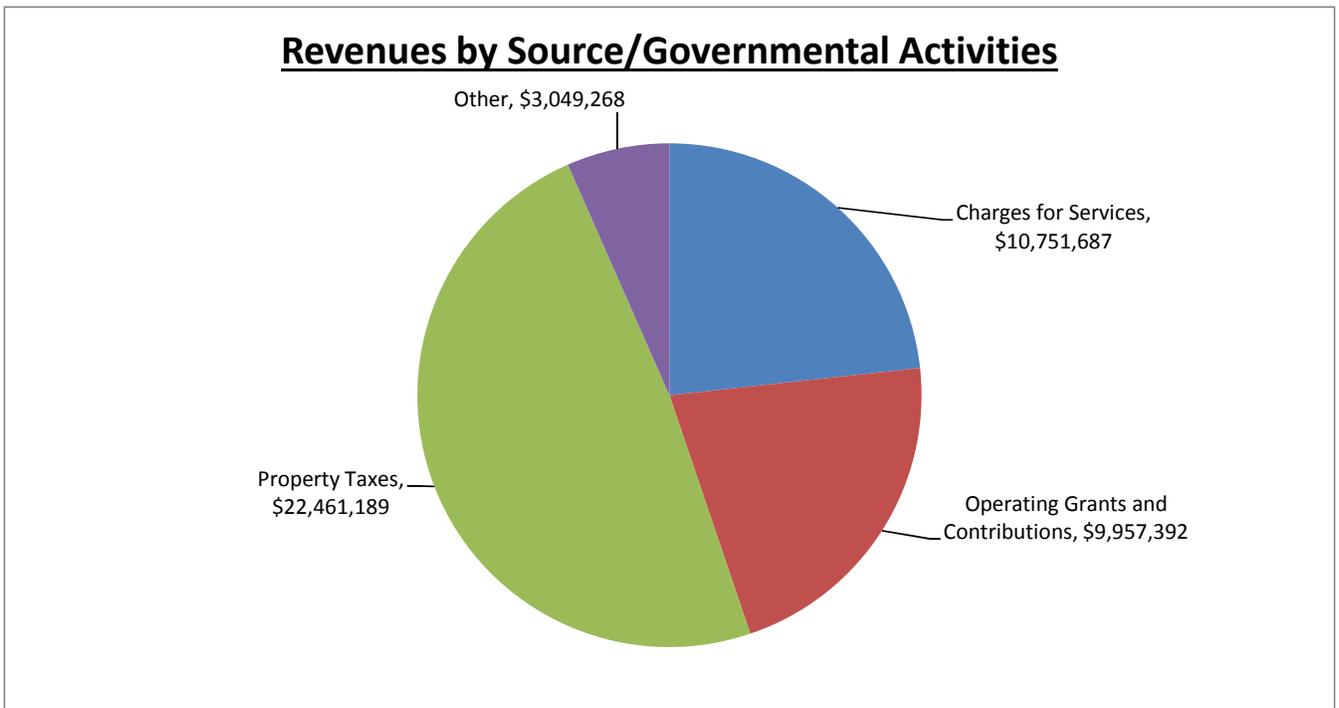
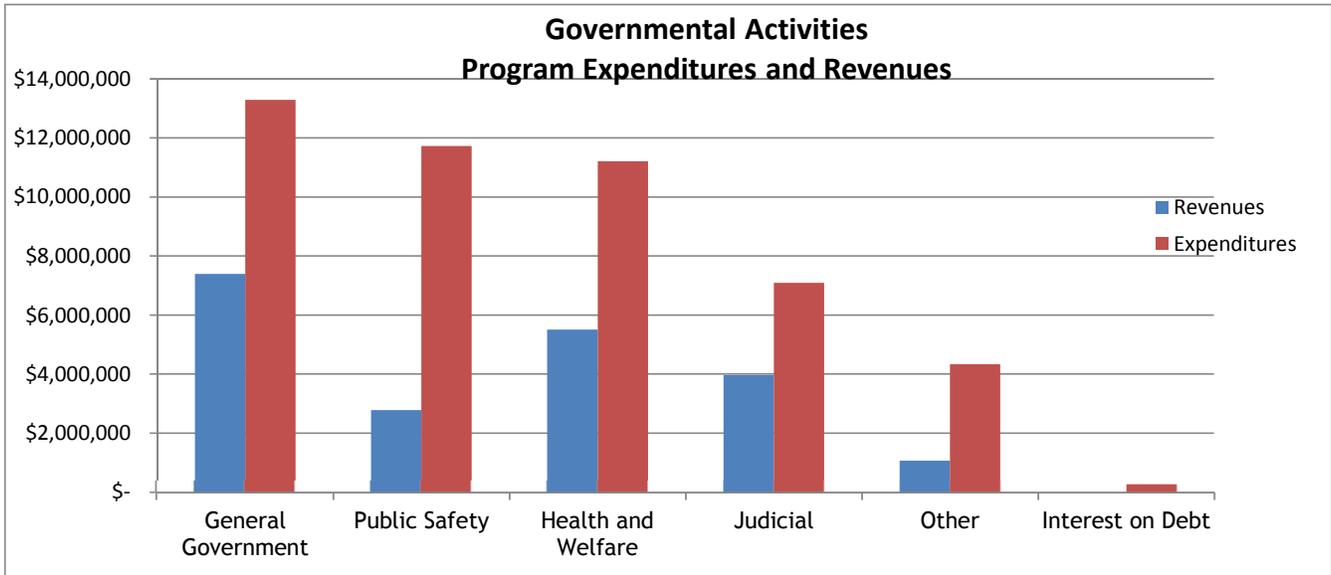
The County's net position increased \$2,978,776 during the current fiscal year, but the prior year 2014 showed an increase of \$9,372,987. The difference in the County's net position over this two year period is mainly attributable to a decrease in operating grants and contributions during 2015. Total operating grants and contributions revenue decreased \$7,196,000 in 2015 and 2014. The decrease is due primarily to reimbursements received in 2014 from the Drinking Water Trust Fund (DWTF) related to the Bay Area Water Treatment Plant. These federal and state construction reimbursement grants consisted of loan forgivable grant dollars of \$5,984,579 and \$1,480,136 respectively for the year ended 2014. But for the year ended 2015, none of the loan dollars were forgivable therefore no grant reimbursement revenue was received.

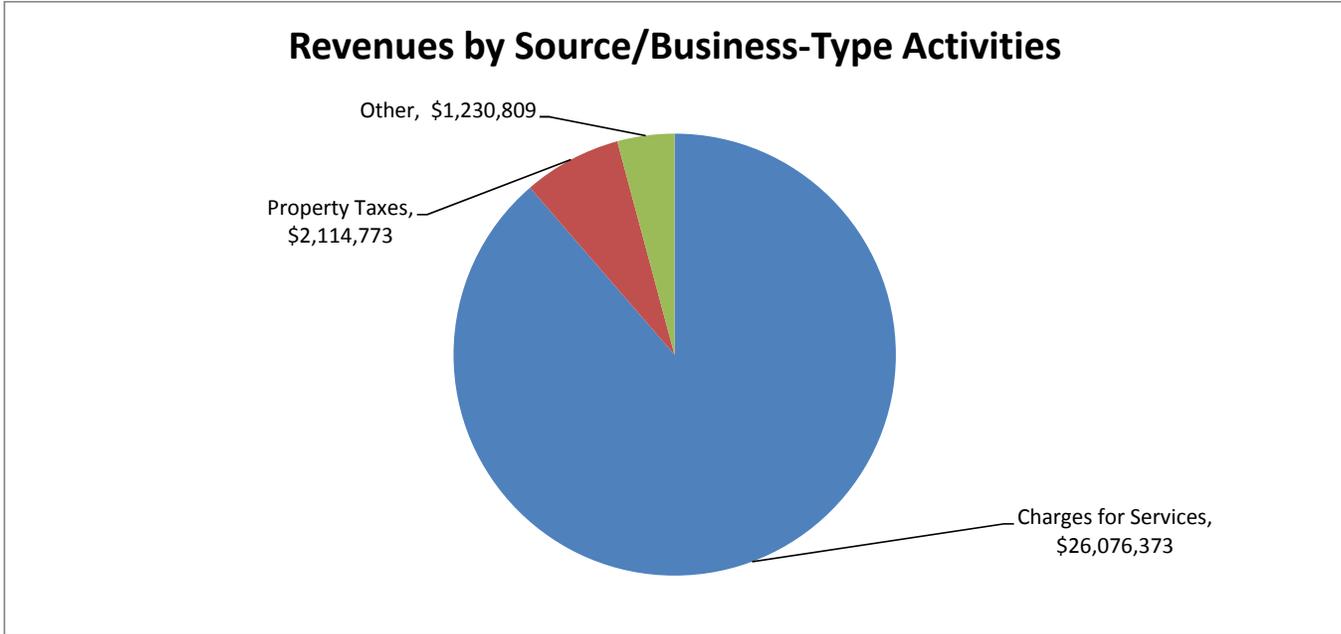
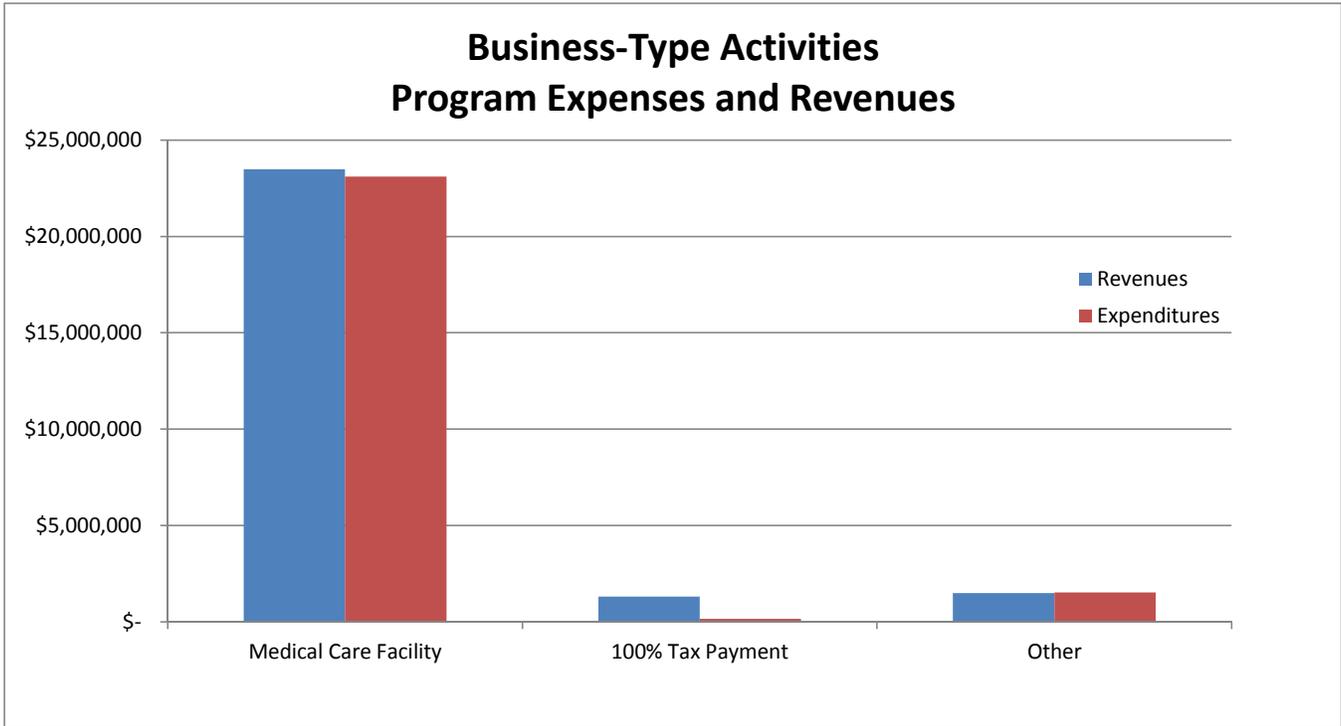
Governmental Activities. The following are key elements to the decrease in the County's net position of \$415,684. The recreation and culture expenditures decreased over \$322,000 in 2015 compared to the year 2014. This is primarily due to the following 2014 land purchases: Stoney Island and Beaver Road property. Another key expenditure decrease during 2015 compared to 2014 is interest on long-term debt, which decreased by nearly \$125,000 for the governmental activities.

Business-Type Activities. Business-type activities increased the County's net position by \$3,394,460 compared to a decrease of \$36,788 in the prior year. The key element of this increase was primarily due to the Bay Medical Care Facility's increase in revenues and decrease in expenses. Bay Medical Care Facility's revenue increased due to a favorable court ruling involving the inclusion of VEBA retirement contribution expenses in the Medicaid reimbursement rate, which resulted in approximately \$1,600,000 of additional revenue for 2015. Overall Bay Medical Care Facility decreased its operating expenses by approximately \$1,200,000 from 2014 to 2015. The major contributors to this decrease in operating expenses were; the decrease in the retirement rate contributions percentage, and decrease in nursing supplies.

BAY COUNTY, MICHIGAN

Management's Discussion and Analysis





BAY COUNTY, MICHIGAN

Management's Discussion and Analysis

Financial Analysis of the County's Funds

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds. The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unassigned fund balance may serve as a useful measurement of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$28,740,759, a decrease of \$8,877,024 compared to the prior year. Of this amount, \$5,148,128 is committed fund balance and \$2,148,880 is assigned fund balance. The underlying distinction between the two is that committed fund balance has been designated by the highest level of decision making authority and formal action is needed to establish, modify, or rescind a commitment. An additional \$6,063,654 is unassigned and available for spending at the government's discretion. The remainder of fund balance is not available for new spending and is either: 1) Nonspendable (\$3,540,292), 2) Restricted (\$11,839,805).

The general fund is the chief operating fund of the County. At the end of the current fiscal year, the unassigned fund balance of the general fund was \$6,063,654 while total fund balance amounted to \$13,555,186. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total expenditures. Unassigned fund balance represents 21.2% of total General Fund expenditures, while total fund balance represents 47.3% of that same amount.

Fund balance of the County's general fund increased by \$355,635 and 911 service fund decreased by \$336,253 during the current fiscal year. The General Fund increase was primarily due to less overall spending under General Fund's government function of \$1.2 million. The fund balance decrease in the 911 service fund was due to the purchase of a new phone system which they collaborated with five other counties. Total fund balance for the general fund and 911 service fund at year end was \$13,555,186 and \$2,596,024, respectively.

The fund balance of the Division on Aging Fund at year end was \$1,578,402, an increase of \$302,698. A special millage levy of .30 mills for five years was approved by voters in the 2012 general election. This millage was primarily passed to cover Division on Aging's remodeling project, which was completed in 2015, and expanded services for seniors.

The Water Supply Capital Projects Fund was established to account for the construction of a membrane filtration water treatment plant. As of year end, the fund balance was \$5,051,731, a decrease of \$9,960,886 over the prior year. This decrease is mainly due to progress on construction of the plant. The Bay Area Water Treatment Plant became fully operational on August 31, 2015.

Proprietary Funds. The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The County has two major proprietary funds.

Medical Care Facility's net position as of year end, increased \$3,372,862 to \$19,053,732. This increase was primarily due to the VEBA settlement discussed above.

The 100% Tax Payment Fund's net position as of as of year end, was \$8,906,873, an increase of \$53,318. This was the result of an increase in charges for services from the Delinquent Tax Foreclosure Fund.

BAY COUNTY, MICHIGAN

Management's Discussion and Analysis

General fund budgetary highlights. The differences between the original budget and final amended budget for expenditures resulted in a 4.9% increase \$1,466,505 in expenditures budget; whereas the difference between the original budget and final amended budget for revenues resulted in a 1.1% increase \$330,067 in revenues budget; finally, the original budget for total other financing sources (uses) was amended resulting in a 26.0% decrease \$277,042 in other financing sources/uses. The original budget shows a decrease of \$451,055 in fund balance which was affected by budgetary adjustments. These adjustments (\$1,413,480) resulted in a budgeted use of fund balances. The grand total budgeted use of fund balance was \$1,864,535 for 2015. Significant budgetary differences are briefly summarized as follows:

- A \$737,525 increase in expenditures for 2014 open purchase orders filled in 2015.
- Transfers out of \$175,000 from the General Fund to the Child Care Fund were required due to special child care placement costs.
- A \$105,000 increase in civic arena expenditures to purchase an ice resurfacer machine.

Significant actual to budget variances are as follows:

- A negative \$517,948 variance in state grant revenues is mainly the result of the reimbursable Circuit Court SSSPP grant expenditures not being incurred to earn the maximum reimbursement allowable on these grants in the amount of \$215,000 and state convention/tourism tax reduction of \$266,000.
- For 2015 General Government expenditures were \$1,288,023 under budget primarily due to \$550,000 of new technology projects and various buildings and grounds projects budgeted but still in progress at the end of the year.

Capital Asset and Debt Administration

Capital Assets - The County's investment in capital assets for its governmental and business-type activities as of December 31, 2015, amounted to \$112,887,675 (net of accumulated depreciation). This investment in capital assets includes land, construction work in progress, land improvements, buildings and improvements, machinery and equipment, office furniture and equipment, and vehicles. The total increase in the County's investment in capital assets for the current fiscal year was 18.5% (a 19.7% increase for governmental activities and an increase of 4.5% for business-type activities).

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

- Construction in progress for the Bay Area Water Treatment Plant continued and at year-end was \$58,688,038.
- Drain improvements made for the year to benefit the County totaled \$237,204.
- Work in process for the court computer software project at year-end totaled \$543,012.
- The Riverside Senior Center construction was completed in 2015, benefiting the Division on Aging in the amount of \$983,429.

BAY COUNTY, MICHIGAN

Management's Discussion and Analysis

	Capital Assets (net of depreciation)					
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 2,205,953	\$ 2,205,953	\$ 257,559	\$ 257,559	\$ 2,463,512	\$ 2,463,512
Construction work in progress	59,459,825	41,676,215	1,016,928	1,104,131	60,476,753	42,780,346
Land improvements	968,246	1,019,864	58,840	157,788	1,027,086	1,177,652
Buildings and improvements	38,546,046	38,887,177	5,933,031	5,562,040	44,479,077	44,449,217
Machinery and equipment	2,042,137	2,024,715	364,828	166,157	2,406,965	2,190,872
Office equipment and furniture	1,267,448	1,356,957	204,774	294,958	1,472,222	1,651,915
Vehicles	492,405	547,548	69,655	20,155	562,060	567,703
Total	\$104,982,060	\$87,718,429	\$ 7,905,615	\$ 7,562,788	\$112,887,675	\$95,281,217

Additional information on the County's capital assets can be found in Note 6 to the financial statements.

Long-Term Debt. At the end of the current fiscal year, the County's primary government had total outstanding debt of \$66,145,306. Of this amount, \$7,557,926 is general obligation bonds, net of premiums and discounts. The remainder of the County debt is comprised of revenue bonds, DWRF loans, and compensated absences.

	Outstanding Debt					
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Primary Government						
General obligation bonds	\$ 7,020,000	\$ 9,050,000	\$ -	\$ -	\$ 7,020,000	\$ 9,050,000
Bond premium	576,349	717,411	-	-	576,349	717,411
Bond discount	(38,423)	(39,846)	-	-	(38,423)	(39,846)
Revenue bonds	30,000,000	30,000,000	-	-	30,000,000	30,000,000
DWRF loans	26,535,285	18,572,472	-	-	26,535,285	18,572,472
Compensated absences	2,022,812	1,973,545	29,283	209,954	2,052,095	2,183,499
Total	\$ 66,116,023	\$60,273,582	\$ 29,283	\$ 209,954	\$ 66,145,306	\$60,483,536

The County's total gross long-term debt of \$66,145,306 is equivalent to \$614 per capita or 2.3% of the County's taxable value of property of \$2,847,034,923.

The County's total debt increased \$5,661,770 or 9.4% during the current fiscal year. This increase is a result of the addition of approximately \$8 million in DWRF loans, which was offset by total principal payments approximating \$2 million.

BAY COUNTY, MICHIGAN

Management's Discussion and Analysis

The County's current bond ratings are as follows:

	Moody's	Standard and Poor's
Limited tax obligations	Aa3	AA
Insured limited tax obligations	Aaa	AAA
Unlimited tax obligations	unrated	unrated
Revenue bonds	unrated	AA
Special assessment bonds	unrated	unrated

Current state statutes (Article 7, Section II, Michigan Constitution of 1963) limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total state equalized valuation. The County's current debt limit and margin (amounts expressed in thousands) is as follows:

Debt limit	\$ 321,730
Debt margin	\$ 247,357
Percent of limit	76.88%

Additional information on the County's long-term debt can be found in Note 9 to the financial statements.

Economic Factors and Next Year's Budget and Rates

The following factors were considered in preparing the County's budget for the 2016 fiscal year:

- The unemployment rate for the County is currently around 5.5 percent, slightly above the state average of 5.4 percent.
- No increase to base wages.
- Continued limiting of capital expenditures.
- Actuary recommended pension contributions decreased to .00 percent of payroll for the General Group, down .03 percent from the prior year's actuarial study. The County contributed 4.0 percent of payroll for this group in 2015, at 4.00 percent above the recommended contribution.
- Operations at the County's wellness center continued for the second straight year in an ongoing effort to control spiraling health care costs and reduce the occurrence of chronic diseases.

Requests for Information

This financial report is designed to provide a general overview of the County's finances for all those with an interest in Bay County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Office, Bay County Building, 515 Center Avenue, Suite 701, Bay City, Michigan 48708-5128.

BASIC FINANCIAL STATEMENTS

BAY COUNTY, MICHIGAN

Statement of Net Position

December 31, 2015

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 7,712,690	\$ 5,412,119	\$ 13,124,809	\$ 15,775,626
Investments	18,205,082	14,394,262	32,599,344	4,113,294
Receivables	22,254,732	9,963,527	32,218,259	17,404,526
Internal balances	(18,527)	18,527	-	-
Prepaid items and other assets	502,567	253,511	756,078	813,831
Inventories	15,771	89,691	105,462	1,059,997
Net pension asset	6,535,761	8,325,163	14,860,924	11,290,899
Net other postemployment benefits asset	-	-	-	217,987
Capital assets not being depreciated	61,665,778	1,274,487	62,940,265	37,466,309
Capital assets being depreciated, net	43,316,282	6,631,128	49,947,410	83,000,858
Total assets	160,190,136	46,362,415	206,552,551	171,143,327
Deferred outflows of resources				
Deferred pension amounts	972,158	947,005	1,919,163	1,629,527
Liabilities				
Accounts payable and accrued liabilities	6,659,477	1,298,699	7,958,176	2,461,022
Unearned revenue	79,604	8,166	87,770	-
Long-term liabilities:				
Due within one year	3,632,776	5,465	3,638,241	1,470,259
Due in more than one year	62,483,247	23,818	62,507,065	9,718,119
Net other postemployment benefits obligation	18,248,973	12,899,630	31,148,603	9,156,690
Total liabilities	91,104,077	14,235,778	105,339,855	22,806,090
Deferred inflows of resources				
Deferred pension amounts	220,642	281,052	501,694	354,347
Taxes levied for a subsequent period	6,232,260	2,081,861	8,314,121	5,538,400
Total deferred inflows of resources	6,452,902	2,362,913	8,815,815	5,892,747
Net position				
Net investment in capital assets	45,940,580	7,905,615	53,846,195	114,865,798
Restricted	22,222,236	10,264,794	32,487,030	14,064,409
Unrestricted	(4,557,501)	12,540,320	7,982,819	15,143,810
Total net position	\$ 63,605,315	\$ 30,710,729	\$ 94,316,044	\$ 144,074,017

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

BAY COUNTY, MICHIGAN

Statement of Activities

For the Year Ended December 31, 2015

Functions / Programs	Expenses	Indirect Expenses Allocation	Program Revenues			Net (Expense) Revenue
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government						
Governmental activities:						
General government	\$ 13,769,717	\$ (482,478)	\$ 3,044,901	\$ 4,326,457	\$ 15,864	\$ (5,900,017)
Public safety	11,649,361	72,137	2,029,515	752,971	-	(8,939,012)
Community and economic development	187,900	20,538	43,765	203,289	-	38,616
Health and welfare	11,205,465	-	2,776,511	2,735,412	-	(5,693,542)
Public works	1,910,659	-	3,286	-	-	(1,907,373)
Judicial	6,786,793	298,574	2,039,856	1,932,171	-	(3,113,340)
Legislative	356,824	-	-	-	-	(356,824)
Recreation and culture	1,941,593	(82,982)	813,853	7,092	-	(1,037,666)
Interest on long-term debt	244,371	-	-	-	-	(244,371)
Total governmental activities	48,052,683	(174,211)	10,751,687	9,957,392	15,864	(27,153,529)
Business-type activities:						
Medical care facility	23,102,619	11,583	23,486,732	-	-	372,530
100% tax payment	125,115	21,712	1,300,334	-	-	1,153,507
Golf course	453,220	86,718	457,208	-	-	(82,730)
Housing	679,659	7,903	275,787	158,830	36,314	(216,631)
Delinquent property tax foreclosure	166,858	18,032	405,638	-	-	220,748
Commissary	106,479	4,345	150,674	-	-	39,850
Total business-type activities	24,633,950	150,293	26,076,373	158,830	36,314	1,487,274
Total primary government	\$ 72,686,633	\$ (23,918)	\$ 36,828,060	\$ 10,116,222	\$ 52,178	\$ (25,666,255)
Component units						
Road Commission	\$ 12,176,536	\$ -	\$ 1,678,291	\$ 11,385,668	\$ 2,105,451	\$ 2,992,874
Library System	6,474,885	-	528,508	94,638	61,618	(5,790,121)
Department of Water and Sewer	9,275,543	-	8,815,854	-	-	(459,689)
Drain Commission	1,154,635	20,291	20,775	487,655	372,453	(294,043)
Bay Area Narcotics Enforcement Team	541,478	3,627	-	982,537	-	437,432
Bay County Landbank	251	-	-	-	-	(251)
Total component units	\$ 29,623,328	\$ 23,918	\$ 11,043,428	\$ 12,950,498	\$ 2,539,522	\$ (3,113,798)

continued...

BAY COUNTY, MICHIGAN

Statement of Activities For the Year Ended December 31, 2015

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Changes in net position				
Net (expense) revenue	\$ (27,153,529)	\$ 1,487,274	\$ (25,666,255)	\$ (3,113,798)
General revenues:				
Property taxes	22,461,189	2,114,773	24,575,962	6,551,638
Unrestricted investment earnings	203,140	397,758	600,898	92,569
Other revenue	2,830,264	637,907	3,468,171	2,300,646
Transfers - internal activities	1,243,252	(1,243,252)	-	-
Total general revenues and transfers	26,737,845	1,907,186	28,645,031	8,944,853
Change in net position	(415,684)	3,394,460	2,978,776	5,831,055
Net position, beginning of year, as restated	64,020,999	27,316,269	91,337,268	138,242,962
Net position, end of year	\$ 63,605,315	\$ 30,710,729	\$ 94,316,044	\$ 144,074,017

concluded

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

BAY COUNTY, MICHIGAN

Balance Sheet Governmental Funds December 31, 2015

	Special Revenue Funds		
	General Fund	911 Service	Division on Aging
Assets			
Cash and cash equivalents	\$ -	\$ 716,650	\$ 476,740
Investments	12,668,538	1,988,193	1,150,032
Accounts receivable, net	2,213,719	61	23,967
Property taxes receivable	1,463,617	1,868,712	2,135,169
Accrued interest receivable	64,757	8,089	4,788
Inventories	15,771	-	-
Due from other funds	6,788	-	-
Due from component units	327,376	-	-
Due from other governmental units	1,169,108	66,992	77,973
Prepaid items and other assets	194,118	42,979	8,809
Interfund advances	150,000	-	-
Total assets	\$ 18,273,792	\$ 4,691,676	\$ 3,877,478
Liabilities			
Accounts payable	\$ 833,240	\$ 127,615	\$ 42,706
Accrued liabilities	271,584	16,769	24,332
Accrued vacation and sick pay	92,686	2,448	2,686
Due to other funds	2,655,698	2,486	2,857
Due to component units	82,562	-	-
Due to other governmental units	41,323	-	1,928
Deposits	2,075	-	-
Interfund advances	-	-	-
Unearned revenue	78,919	-	685
Total liabilities	4,058,087	149,318	75,194
Deferred inflows of resources			
Unavailable revenue - property taxes	660,519	3,263	3,231
Taxes levied for a subsequent period	-	1,943,071	2,220,651
Total deferred inflows of resources	660,519	1,946,334	2,223,882
Fund balances			
Nonspendable	1,621,830	42,979	8,809
Restricted	174,113	1,733,395	1,569,593
Committed	5,148,128	-	-
Assigned	547,461	819,650	-
Unassigned	6,063,654	-	-
Total fund balances	13,555,186	2,596,024	1,578,402
Total liabilities, deferred inflows of resources and fund balances	\$ 18,273,792	\$ 4,691,676	\$ 3,877,478

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

Water Supply Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 330,116	\$ 2,711,500	\$ 4,235,006
-	1,228,398	17,035,161
-	2,012,247	4,249,994
-	1,989,171	7,456,669
-	8,254	85,888
-	-	15,771
-	-	6,788
-	-	327,376
7,965,813	790,922	10,070,808
-	984	246,890
-	-	150,000
<u>\$ 8,295,929</u>	<u>\$ 8,741,476</u>	<u>\$ 43,880,351</u>
\$ 2,092,616	\$ 422,862	\$ 3,519,039
1,151,582	82,545	1,546,812
-	12,018	109,838
-	3,051	2,664,092
-	-	82,562
-	39,810	83,061
-	-	2,075
-	150,000	150,000
-	-	79,604
<u>3,244,198</u>	<u>710,286</u>	<u>8,237,083</u>
-	3,236	670,249
-	2,068,538	6,232,260
<u>-</u>	<u>2,071,774</u>	<u>6,902,509</u>
-	1,866,674	3,540,292
5,051,731	3,310,973	11,839,805
-	-	5,148,128
-	781,769	2,148,880
-	-	6,063,654
<u>5,051,731</u>	<u>5,959,416</u>	<u>28,740,759</u>
<u>\$ 8,295,929</u>	<u>\$ 8,741,476</u>	<u>\$ 43,880,351</u>

BAY COUNTY, MICHIGAN

Reconciliation

Fund Balances for Governmental Funds
To Net Position of Governmental Activities
December 31, 2015

Fund balances - total governmental funds	\$ 28,740,759
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Amounts reported for *governmental activities* in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Capital assets not being depreciated	61,665,778
Capital assets being depreciated, net	43,316,282

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current expenditures. Those assets (i.e., receivables) are offset by deferred inflows of resources in the governmental funds and, therefore, are not included in fund balance.

Deferred inflow for property taxes receivable	670,249
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Certain pension-related amounts, such as the net pension asset and deferred amounts are not due and payable in the current period or do not represent current financial resources and therefore are not reported in the funds.

Net pension asset	6,531,893
Deferred outflows related to the net pension asset	971,568
Deferred inflows related to the net pension asset	(220,511)

Internal service funds are used by management to charge the costs of self insurance to individual governmental funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.

	6,827,278
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Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Bonds and notes payable	(63,555,285)
Unamortized bond premium/discount	(537,926)
Accrued interest on long-term debt	(542,740)
Accrued liability to Historical Preservation	(442)
Net other postemployment benefits obligation	(18,240,221)
Compensated absences	(2,021,367)

Net position of governmental activities	<u>\$ 63,605,315</u>
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The accompanying notes are an integral part of these financial statements.

BAY COUNTY, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Year Ended December 31, 2015

	Special Revenue Funds		
	General Fund	911 Service	Division on Aging
Revenues			
Property taxes	\$ 16,168,404	\$ 1,968,271	\$ 2,249,321
Licenses and permits	233,902	-	-
Federal	1,811,933	-	746,128
State	4,283,705	292,187	5,100
Interest, rents and royalties	1,017,006	11,276	7,210
Charges for services	2,780,625	-	40,782
Fines and forfeits	626,545	-	-
Reimbursements, refunds, and other revenues	3,059,138	6,586	385,234
Total revenues	29,981,258	2,278,320	3,433,775
Expenditures			
Current:			
General government	9,959,773	-	-
Public safety	7,990,041	2,374,276	-
Community and economic development	139,753	-	-
Health and welfare	829,244	-	2,791,088
Public works	1,814	-	-
Judicial	6,103,030	-	-
Legislative	354,398	-	-
Recreation and culture	1,557,008	-	-
Other functions	1,697,252	-	-
Capital outlay	-	-	-
Debt service:			
Principal	-	-	-
Interest and other fees	-	-	-
Total expenditures	28,632,313	2,374,276	2,791,088
Revenues over (under) expenditures	1,348,945	(95,956)	642,687
Other financing sources (uses)			
Insurance recoveries/proceeds	10,667	-	-
Proceeds from issuance of long-term debt	-	-	-
Transfers in	2,595,016	-	6,200
Transfer out	(3,598,993)	(240,297)	(346,189)
Total other financing sources (uses)	(993,310)	(240,297)	(339,989)
Net change in fund balances	355,635	(336,253)	302,698
Fund balances, beginning of year	13,199,551	2,932,277	1,275,704
Fund balances, end of year	\$ 13,555,186	\$ 2,596,024	\$ 1,578,402

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

Water Supply Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 2,095,291	\$ 22,481,287
-	233,729	467,631
-	1,295,296	3,853,357
-	641,850	5,222,842
26,948	24,457	1,086,897
-	119,310	2,940,717
-	12,175	638,720
-	6,252,920	9,703,878
<u>26,948</u>	<u>10,675,028</u>	<u>46,395,329</u>
-	371,266	10,331,039
-	176,005	10,540,322
-	32,861	172,614
-	7,443,212	11,063,544
-	-	1,814
-	155,742	6,258,772
-	-	354,398
-	267,800	1,824,808
-	-	1,697,252
17,950,647	-	17,950,647
-	2,030,000	2,030,000
-	2,279,727	2,279,727
<u>17,950,647</u>	<u>12,756,613</u>	<u>64,504,937</u>
<u>(17,923,699)</u>	<u>(2,081,585)</u>	<u>(18,109,608)</u>
-	-	10,667
7,962,813	-	7,962,813
-	3,542,793	6,144,009
-	(699,426)	(4,884,905)
<u>7,962,813</u>	<u>2,843,367</u>	<u>9,232,584</u>
(9,960,886)	761,782	(8,877,024)
<u>15,012,617</u>	<u>5,197,634</u>	<u>37,617,783</u>
<u>\$ 5,051,731</u>	<u>\$ 5,959,416</u>	<u>\$ 28,740,759</u>

BAY COUNTY, MICHIGAN

Reconciliation

Net Changes in Fund Balances of Governmental Funds
 To Change in Net Position of Governmental Activities
 For the Year Ended December 31, 2015

Net change in fund balances - total governmental funds \$ (8,877,024)

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

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

Capital assets purchased/constructed	19,330,325
Depreciation expense	(2,040,699)
Loss on disposal of capital assets	(25,995)

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 subsequent fiscal years.

Change in deferred property taxes receivable	(20,098)
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Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds 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 long-term liabilities	2,030,000
Proceeds from issuance of long term debt	(7,962,813)
Amortization of bond premium/discount	139,639

Internal service funds are used by management to charge the costs of self insurance to individual governmental funds. The net increase (decrease) in net position of the internal service funds is reported with governmental activities.

Net operating loss from governmental internal service funds	(923,372)
Interest revenue from governmental internal service funds	8,075
Transfers out governmental internal service funds	(15,852)

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

Change in the net pension asset and related deferred amounts	436,074
Change in accrued interest payable on bonds	(21,385)
Change in the accrual to Historical Preservation	2
Change in the accrual for the net other postemployment benefits obligation	(2,424,412)
Change in the accrual for compensated absences	(48,149)

Change in net position of governmental activities \$ (415,684)

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

BAY COUNTY, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual - General Fund

For the Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 15,756,614	\$ 15,756,614	\$ 16,168,404	\$ 411,790
Licenses and permits	248,415	232,405	233,902	1,497
Federal	2,158,683	2,176,287	1,811,933	(364,354)
State	4,770,362	4,801,653	4,283,705	(517,948)
Interest, rents and royalties	1,291,063	1,291,063	1,017,006	(274,057)
Charges for services	2,988,295	2,988,925	2,780,625	(208,300)
Fines and forfeits	545,000	545,000	626,545	81,545
Reimbursements, refunds, and other revenues	2,801,431	3,097,983	3,059,138	(38,845)
Total revenues	30,559,863	30,889,930	29,981,258	(908,672)
Expenditures				
Current:				
General government	10,318,689	11,247,796	9,959,773	(1,288,023)
Public safety	8,275,660	8,344,906	7,990,041	(354,865)
Community and economic development	225,911	225,911	139,753	(86,158)
Health and welfare	815,672	832,672	829,244	(3,428)
Public works	9,228	9,228	1,814	(7,414)
Judicial	6,625,838	6,665,229	6,103,030	(562,199)
Legislative	357,669	377,669	354,398	(23,271)
Recreation and culture	1,570,022	1,793,648	1,557,008	(236,640)
Other functions	1,746,448	1,914,583	1,697,252	(217,331)
Total expenditures	29,945,137	31,411,642	28,632,313	(2,779,329)
Revenues over (under) expenditures	614,726	(521,712)	1,348,945	1,870,657
Other financing sources (uses)				
Insurance recoveries/proceeds	-	4,600	10,667	6,067
Transfers in	2,611,422	2,621,422	2,595,016	(26,406)
Transfers out	(3,677,203)	(3,968,845)	(3,598,993)	(369,852)
Total other financing sources (uses)	(1,065,781)	(1,342,823)	(993,310)	349,513
Net change in fund balances	(451,055)	(1,864,535)	355,635	2,220,170
Fund balances, beginning of year	13,199,551	13,199,551	13,199,551	-
Fund balances, end of year	\$ 12,748,496	\$ 11,335,016	\$ 13,555,186	\$ 2,220,170

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

BAY COUNTY, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balances Budget and Actual - 911 Service Special Revenue Fund For the Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 1,950,382	\$ 1,950,382	\$ 1,968,271	\$ 17,889
State	286,000	286,000	292,187	6,187
Interest, rents and royalties	80,000	80,000	11,276	(68,724)
Reimbursements, refunds, and other revenues	6,916	6,916	6,586	(330)
Total revenues	2,323,298	2,323,298	2,278,320	(44,978)
Expenditures				
Public safety	2,764,563	3,099,695	2,374,276	(725,419)
Revenues (under) expenditures	(441,265)	(776,397)	(95,956)	680,441
Other financing uses				
Transfers out	(261,635)	(261,635)	(240,297)	21,338
Net change in fund balances	(702,900)	(1,038,032)	(336,253)	701,779
Fund balances, beginning of year	2,932,277	2,932,277	2,932,277	-
Fund balances, end of year	\$ 2,229,377	\$ 1,894,245	\$ 2,596,024	\$ 701,779

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

BAY COUNTY, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - Division on Aging Special Revenue Fund For the Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 2,219,407	\$ 2,219,407	\$ 2,249,321	\$ 29,914
Federal	778,660	795,841	746,128	(49,713)
State	100	100	5,100	5,000
Interest, rents and royalties	6,000	6,000	7,210	1,210
Charges for services	35,508	39,448	40,782	1,334
Reimbursements, refunds, and other revenues	327,270	327,270	385,234	57,964
Total revenues	3,366,945	3,388,066	3,433,775	45,709
Expenditures				
Health and welfare	3,486,405	3,708,312	2,791,088	(917,224)
Revenues over (under) expenditures	(119,460)	(320,246)	642,687	962,933
Other financing sources (uses)				
Transfers in	6,200	6,200	6,200	-
Transfers out	(340,743)	(340,743)	(346,189)	5,446
Other financing sources (uses)	(334,543)	(334,543)	(339,989)	(5,446)
Net change in fund balances	(454,003)	(654,789)	302,698	957,487
Fund balances, beginning of year	1,275,704	1,275,704	1,275,704	-
Fund balances, end of year	\$ 821,701	\$ 620,915	\$ 1,578,402	\$ 957,487

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

BAY COUNTY, MICHIGAN

Statement of Net Position

Proprietary Funds

December 31, 2015

	Business-type Activities - Enterprise Funds				Governmental
	Medical Care Facility	100% Tax Payment	Nonmajor Enterprise Funds	Total	Internal Service Funds
Assets					
Current assets:					
Cash and cash equivalents	\$ 3,526,047	\$ 1,198,484	\$ 577,747	\$ 5,302,278	\$ 3,477,684
Investments	11,112,387	2,869,874	521,842	14,504,103	1,169,921
Accounts receivable, net of allowance	1,833,456	166,642	3,734	2,003,832	57,480
Property taxes receivable	1,998,695	4,075,457	-	6,074,152	-
Accrued interest receivable	-	684,716	1,088	685,804	4,299
Inventories	81,371	-	8,320	89,691	-
Due from other funds	-	10,034	15,335	25,369	2,638,779
Due from component units	-	-	25,000	25,000	-
Due from other governmental units	1,148,264	26,475	-	1,174,739	2,218
Prepaid items and other assets	219,051	1,574	32,886	253,511	255,677
Total current assets	19,919,271	9,033,256	1,185,952	30,138,479	7,606,058
Noncurrent assets:					
Net pension asset	8,188,486	34,169	102,508	8,325,163	3,868
Capital assets not being depreciated	1,047,016	-	227,471	1,274,487	-
Capital assets being depreciated, net	4,993,365	-	1,637,763	6,631,128	-
Total noncurrent assets	14,228,867	34,169	1,967,742	16,230,778	3,868
Total assets	34,148,138	9,067,425	3,153,694	46,369,257	7,609,926
Deferred outflows of resources					
Deferred pension amounts	926,189	5,204	15,612	947,005	590
Liabilities					
Current liabilities:					
Accounts payable	278,462	1,821	56,207	336,490	19
Accrued liabilities	334,227	1,188	80,096	415,511	13,073
Deposits payable	14,359	-	-	14,359	-
Due to other funds	-	850	5,992	6,842	2
Due to other governmental units	-	70,952	95	71,047	-
Claims, settlements and judgments	461,292	-	-	461,292	759,816
Unearned revenue	-	-	8,166	8,166	-
Current portion of compensated absences	-	1,067	4,398	5,465	-
Total current liabilities	1,088,340	75,878	154,954	1,319,172	772,910

continued...

BAY COUNTY, MICHIGAN

Statement of Net Position

Proprietary Funds

December 31, 2015

	Business-type Activities - Enterprise Funds				Governmental
	Medical Care Facility	100% Tax Payment	Nonmajor Enterprise Funds	Total	Internal Service Funds
Liabilities (continued)					
Noncurrent liabilities:					
Net other postemployment benefit obligation	\$12,573,956	\$ 78,900	\$ 246,774	\$12,899,630	\$ 8,752
Compensated absences, net of current portion	-	9,824	13,994	23,818	1,445
Total noncurrent liabilities	<u>12,573,956</u>	<u>88,724</u>	<u>260,768</u>	<u>12,923,448</u>	<u>10,197</u>
Total liabilities	<u>13,662,296</u>	<u>164,602</u>	<u>415,722</u>	<u>14,242,620</u>	<u>783,107</u>
Deferred inflows of resources					
Deferred pension amounts	276,438	1,154	3,460	281,052	131
Taxes levied for a subsequent period	<u>2,081,861</u>	<u>-</u>	<u>-</u>	<u>2,081,861</u>	<u>-</u>
Total deferred inflows of resources	<u>2,358,299</u>	<u>1,154</u>	<u>3,460</u>	<u>2,362,913</u>	<u>131</u>
Net position					
Investment in capital assets	6,040,381	-	1,865,234	7,905,615	-
Restricted for:					
Restricted assets	-	1,273,678	-	1,273,678	-
Pension benefits	8,838,237	38,219	114,660	8,991,116	4,327
Insurance claims	-	-	-	-	6,822,951
Unrestricted	<u>4,175,114</u>	<u>7,594,976</u>	<u>770,230</u>	<u>12,540,320</u>	<u>-</u>
Total net position	<u>\$19,053,732</u>	<u>\$ 8,906,873</u>	<u>\$ 2,750,124</u>	<u>\$30,710,729</u>	<u>\$ 6,827,278</u>

concluded

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

BAY COUNTY, MICHIGAN

Statement of Revenues, Expenses and Changes in Fund Net Position

Proprietary Funds

For the Year Ended December 31, 2015

	Business-type Activities - Enterprise Funds				Governmental Activities
	Medical Care Facility	100% Tax Payment	Nonmajor Enterprise Funds	Total	Internal Service Funds
Operating revenues					
Charges for services	\$23,486,732	\$ 1,300,334	\$ 1,289,307	\$26,076,373	\$ 6,370,452
Program grants and subsidies	-	-	158,830	158,830	-
Other	22,896	-	159,621	182,517	-
Total operating revenues	23,509,628	1,300,334	1,607,758	26,417,720	6,370,452
Operating expenses					
Personnel services	16,598,072	113,428	259,910	16,971,410	5,953,537
Supplies	734,964	7,595	59,392	801,951	-
Other services	5,139,406	25,804	938,651	6,103,861	1,340,287
Depreciation	621,509	-	265,261	886,770	-
Total operating expenses	23,093,951	146,827	1,523,214	24,763,992	7,293,824
Operating (loss) income	415,677	1,153,507	84,544	1,653,728	(923,372)
Nonoperating revenues (expenses)					
Property and other taxes	2,114,773	-	-	2,114,773	-
Reimbursements, refunds and rebates	433,182	-	-	433,182	-
Other income	22,208	-	-	22,208	-
Interest income	377,185	17,873	2,700	397,758	8,075
Loss on disposal of capital assets	(20,251)	-	-	(20,251)	-
Total nonoperating revenues (expenses)	2,927,097	17,873	2,700	2,947,670	8,075
Income (loss) before transfers	3,342,774	1,171,380	87,244	4,601,398	(915,297)
Capital contributions	-	-	36,314	36,314	-
Transfers					
Transfers in	30,088	149,938	50,000	230,026	-
Transfers out	-	(1,268,000)	(205,278)	(1,473,278)	(15,852)
Total transfers	30,088	(1,118,062)	(155,278)	(1,243,252)	(15,852)
Change in net position	3,372,862	53,318	(31,720)	3,394,460	(931,149)
Net position, beginning of year, as restated	15,680,870	8,853,555	2,781,844	27,316,269	7,758,427
Net position, end of year	\$19,053,732	\$ 8,906,873	\$ 2,750,124	\$30,710,729	\$ 6,827,278

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

BAY COUNTY, MICHIGAN

Statement of Cash Flows

Proprietary Funds

For the Year Ended December 31, 2015

	Business-type Activities - Enterprise Funds				Governmental
	Medical Care Facility	100% Tax Payment	Nonmajor Enterprise Funds	Total	Internal Service Funds
Cash flows from operating activities					
Cash received from customers	\$ 19,272,982	\$ -	\$ 1,305,041	\$ 20,578,023	\$ -
Cash received from services provided	2,254,424	1,165,909	-	3,420,333	6,333,331
Interfund reimbursements	-	42,025	-	42,025	1,279,475
Interfund obligation payments	-	-	(77,441)	(77,441)	-
Cash payments to suppliers for goods and services	(7,932,601)	(194,381)	(786,059)	(8,913,041)	(1,300,119)
Cash payments to employees and related taxes and insurance	(13,951,601)	(45,454)	(434,607)	(14,431,662)	(5,811,388)
Other receipts	22,896	-	304,331	327,227	-
Net cash provided by (used in) by operating activities	(333,900)	968,099	311,265	945,464	501,299
Cash flows from noncapital financing activities					
Taxes received	2,124,773	-	-	2,124,773	-
Change in resident trust deposits	(5,683)	-	-	(5,683)	-
Reimbursements, refunds, and rebates	455,390	-	-	455,390	-
Transfers in	-	149,938	50,000	199,938	-
Transfers out	-	(1,268,000)	(175,190)	(1,443,190)	(15,852)
Net cash provided by (used in) noncapital financing activities	2,574,480	(1,118,062)	(125,190)	1,331,228	(15,852)
Cash flows from capital and related financing activities					
Capital grants	-	-	36,314	36,314	-
Acquisition and construction of capital assets	(1,160,730)	-	(89,118)	(1,249,848)	-
Net cash provided by (used in) capital and related financing activities	(1,160,730)	-	(52,804)	(1,213,534)	-
Cash flows from investing activities					
Proceeds from sale of investments	836,806	767,697	25,501	1,630,004	204,901
Purchases of investments	-	-	(89,083)	(89,083)	-
Interest received	331,839	68,208	11,846	411,893	31,991
Net cash provided by (used in) investing activities	1,168,645	835,905	(51,736)	1,952,814	236,892
Net increase in cash and cash equivalents	2,248,495	685,942	81,535	3,015,972	722,339
Cash and cash equivalents, beginning of year	1,277,552	512,542	496,212	2,286,306	2,755,345
Cash and cash equivalents, end of year	\$ 3,526,047	\$ 1,198,484	\$ 577,747	\$ 5,302,278	\$ 3,477,684

Continued...

BAY COUNTY, MICHIGAN

Statement of Cash Flows

Proprietary Funds

For the Year Ended December 31, 2015

	Business-type Activities - Enterprise Funds				Governmental
	Medical Care Facility	100% Tax Payment	Nonmajor Proprietary Funds	Total	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	\$ 415,677	\$ 1,153,507	\$ 84,544	\$ 1,653,728	\$ (923,372)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	621,509	-	265,261	886,770	-
Bad debts	46,085	-	-	46,085	-
Changes in operating assets and liabilities that provided (used) cash:					
Accounts receivable, net	(377,603)	(160,982)	1,789	(536,796)	(37,121)
Property tax receivable	-	(86,140)	-	(86,140)	-
Inventories	8,938	-	(1,241)	7,697	-
Due from other funds	-	41,820	(15,335)	26,485	1,282,895
Due from component units	-	-	-	-	-
Due from other governmental units	(1,148,264)	151,157	-	(997,107)	(2,110)
Prepaid items and other assets	230,038	(1,574)	(20,729)	207,735	40,185
Accounts payable	(221,452)	(197,868)	11,519	(407,801)	(17)
Accrued liabilities	35,056	(2,741)	41,004	73,319	(32,896)
Due to other funds	-	205	(62,106)	(61,901)	(3,420)
Due to other governmental units	-	66,549	(55)	66,494	-
Claims, settlements, and judgments	(479,544)	-	-	(479,544)	174,829
Unearned revenue	-	-	(166)	(166)	-
Net other postemployment benefit obligation	790,541	13,993	12,110	816,644	1,480
Change in net pension asset and deferred amounts	(254,881)	(2,402)	(7,209)	(264,492)	(272)
Compensated absences	-	(7,425)	1,879	(5,546)	1,118
Net cash provided by (used in) operating activities	<u>\$ (333,900)</u>	<u>\$ 968,099</u>	<u>\$ 311,265</u>	<u>\$ 945,464</u>	<u>\$ 501,299</u>

Concluded

Non-cash transaction

Land with a value of \$30,088 was transferred from the Golf Course to the Medical Care Facility during the year ended December 31, 2015.

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

BAY COUNTY, MICHIGAN

Statement of Fiduciary Net Position

Fiduciary Funds

December 31, 2015

	Private Purpose Trust Funds	Pension and Other Employee Benefits Trust Funds	Agency Funds
Assets			
Investments, at fair value:			
Equities	\$ -	\$ 248,234,874	\$ -
Fixed income	-	86,129,943	8,144,135
Money market	-	10,170,411	-
Total investments, at fair value	<u>-</u>	<u>344,535,228</u>	<u>8,144,135</u>
Cash and cash equivalents	<u>68,003</u>	<u>-</u>	<u>4,661,010</u>
Receivables:			
Accounts	-	-	972
Contributions receivable	-	365,788	-
Interest and dividends	-	852,127	-
Total receivables	<u>-</u>	<u>1,217,915</u>	<u>972</u>
Other current assets:			
Prepaid items and other assets	-	354,457	6,000
Net pension asset	-	25,143	-
Due from other funds	-	-	26,482
Total other current assets	<u>-</u>	<u>379,600</u>	<u>32,482</u>
Total assets	<u>68,003</u>	<u>346,132,743</u>	<u>\$ 12,838,599</u>
Deferred outflows of resources	<u>-</u>	<u>3,830</u>	
Liabilities			
Accounts payable	14,487	706,134	\$ 320,628
Accrued liabilities	52,638	1,991,867	155,123
Accrued vacation and sick pay	-	1,095	-
Due to other funds	-	-	26,482
Due to component units	-	-	11,687,300
Due to other governmental units	-	-	413,839
Deposits	-	-	223,405
Undistributed taxes	-	-	11,822
Net other postemployment benefit obligation	-	40,894	-
Total liabilities	<u>67,125</u>	<u>2,739,990</u>	<u>\$ 12,838,599</u>
Deferred inflows of resources	<u>-</u>	<u>849</u>	
Net position			
Restricted for:			
Inmates	878	-	
Pension benefits	-	300,948,229	
Postemployment health care benefits	-	42,447,505	
Total net position	<u>\$ 878</u>	<u>\$ 343,395,734</u>	

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

BAY COUNTY, MICHIGAN

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

For the Year Ended December 31, 2015

	Private Purpose Trust Funds	Pension and Other Employee Benefits Trust Funds
Additions		
Investment income:		
Net depreciation in fair value of investments	\$ -	\$ (1,837,114)
Interest and dividends	109	6,316,004
Total investment earnings	<u>109</u>	<u>4,478,890</u>
Investment expense	-	(2,169,918)
Net investment income	<u>109</u>	<u>2,308,972</u>
Contributions:		
Employer	-	5,512,997
Plan members	-	2,011,545
Total contributions	<u>-</u>	<u>7,524,542</u>
Other revenue	<u>-</u>	<u>49,005</u>
Total additions	<u>109</u>	<u>9,882,519</u>
Deductions		
Participant benefits (including refunds of contributions)	-	16,425,644
Administrative expenses	-	328,676
Other services	<u>298</u>	<u>-</u>
Total deductions	<u>298</u>	<u>16,754,320</u>
Change in net position	(189)	(6,871,801)
Net position		
Beginning of year	<u>1,067</u>	<u>350,267,535</u>
End of year	<u>\$ 878</u>	<u>\$ 343,395,734</u>

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

BAY COUNTY, MICHIGAN

Combining Statement of Net Position

Component Units
December 31, 2015

	Road Commission	Library System	Department of Water and Sewer	Drain Commission
Assets				
Cash and cash equivalents	\$ 613,151	\$ 5,389,104	\$ 7,330,947	\$ 1,629,896
Investments	2,505,228	-	-	1,608,066
Receivables	130,669	5,564,747	5,639,392	1,694,237
Inventories	773,003	-	286,994	-
Due from other governmental units	2,783,915	-	660,631	654,428
Due from primary government	-	30,268	-	149,883
Prepaid items and other assets	374,462	162,248	273,459	3,662
Net other postemployment benefit asset	-	-	217,987	-
Net pension asset	7,175,781	1,976,838	2,138,280	-
Capital assets not being depreciated	35,745,187	107,487	196,284	1,417,351
Capital assets being depreciated, net	52,696,889	2,466,955	24,093,133	3,743,881
Total assets	102,798,285	15,697,647	40,837,107	10,901,404
Deferred outflows of resources				
Deferred pension amounts	991,441	250,926	387,160	-
Liabilities				
Accounts payable and accrued liabilities	400,818	120,990	765,101	489,639
Due to other governmental units	260,666	-	-	-
Due to primary government	-	-	-	325,486
Long-term liabilities:				
Due within one year	438,779	16,920	784,780	229,780
Due in more than one year	460,680	152,276	7,822,811	1,282,352
Net other postemployment benefits obligation	8,412,380	744,310	-	-
Total liabilities	9,973,323	1,034,496	9,372,692	2,327,257
Deferred inflows of resources				
Deferred pension amounts	242,249	66,737	45,361	-
Taxes levied for a subsequent period	-	5,538,400	-	-
Total deferred inflows of resources	242,249	5,605,137	45,361	-
Net position				
Net investment in capital assets	88,384,553	2,574,442	20,257,703	3,649,100
Restricted for:				
Debt service	-	-	-	154,130
Pension benefits	7,175,781	2,161,027	-	-
Library services	-	4,573,471	-	-
Unrestricted (deficit)	(1,986,180)	-	11,548,511	4,770,917
Total net position	\$ 93,574,154	\$ 9,308,940	\$ 31,806,214	\$ 8,574,147

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

Bay Area Narcotics Enforcement Team	Bay County Landbank	Total
\$ 776,335	\$ 36,193	\$ 15,775,626
-	-	4,113,294
96,356	-	13,125,401
-	-	1,059,997
-	-	4,098,974
-	-	180,151
-	-	813,831
-	-	217,987
-	-	11,290,899
-	-	37,466,309
-	-	83,000,858
<u>872,691</u>	<u>36,193</u>	<u>171,143,327</u>
-	-	<u>1,629,527</u>
73,322	-	1,849,870
-	-	260,666
-	25,000	350,486
-	-	1,470,259
-	-	9,718,119
-	-	9,156,690
<u>73,322</u>	<u>25,000</u>	<u>22,806,090</u>
-	-	354,347
-	-	5,538,400
-	-	<u>5,892,747</u>
-	-	114,865,798
-	-	154,130
-	-	9,336,808
-	-	4,573,471
<u>799,369</u>	<u>11,193</u>	<u>15,143,810</u>
<u>\$ 799,369</u>	<u>\$ 11,193</u>	<u>\$ 144,074,017</u>

BAY COUNTY, MICHIGAN

Combining Statement of Activities

Component Units

For the Year Ended December 31, 2015

Functions / Programs	Expenses	Indirect Expenses Allocation	Program Revenues			Net (Expense) Revenue
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Component units						
Road Commission						
Governmental activities:						
Highways and streets	\$ 12,176,536	\$ -	\$ 1,678,291	\$ 11,385,668	\$ 2,105,451	\$ 2,992,874
Library System						
Governmental activities:						
Recreation and culture	6,474,885	-	528,508	94,638	61,618	(5,790,121)
Department of Water and Sewer						
Business-type activities:						
Water	4,557,405	-	4,193,471	-	-	(363,934)
Sewer	4,718,138	-	4,622,383	-	-	(95,755)
Total Department of Water and Sewer	9,275,543	-	8,815,854	-	-	(459,689)
Drain Commission						
Governmental activities:						
Public works	1,115,528	20,291	20,775	487,655	372,453	(254,936)
Interest on long-term debt	39,107	-	-	-	-	(39,107)
Total Drain Commission	1,154,635	20,291	20,775	487,655	372,453	(294,043)
Bay Area Narcotics Enforcement Team						
Governmental activities:						
Public safety	541,478	3,627	-	982,537	-	437,432
Bay County Landbank						
Governmental activities:						
General government	251	-	-	-	-	(251)
Total component units	\$ 29,623,328	\$ 23,918	\$ 11,043,428	\$ 12,950,498	\$ 2,539,522	\$ (3,113,798)

Continued...

BAY COUNTY, MICHIGAN

Statement of Activities

Component Units

For the Year Ended December 31, 2015

	Road Commission	Library System	Department of Water and Sewer	Drain Commission
Change in net position				
Net (expense) revenue	\$ 2,992,874	\$ (5,790,121)	\$ (459,689)	\$ (294,043)
General revenues:				
Property taxes	-	5,614,908	-	936,730
Unrestricted investment earnings	(6,543)	32,696	14,773	51,643
Gain on disposal of capital asset	-	-	5,847	-
Other revenue	72,690	-	2,038,827	182,163
Total general revenues	66,147	5,647,604	2,059,447	1,170,536
Change in net position	3,059,021	(142,517)	1,599,758	876,493
Net position, beginning of year, as restated	90,515,133	9,451,457	30,206,456	7,697,654
Net position, end of year	\$ 93,574,154	\$ 9,308,940	\$ 31,806,214	\$ 8,574,147

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

Bay Area Narcotics Enforcement Team	Bay County Landbank	Total
\$ 437,432	\$ (251)	\$ (3,113,798)
-	-	6,551,638
-	-	92,569
-	1,025	6,872
94	-	2,293,774
94	1,025	8,944,853
437,526	774	5,831,055
361,843	10,419	138,242,962
<u>\$ 799,369</u>	<u>\$ 11,193</u>	<u>\$ 144,074,017</u>

Concluded.

NOTES TO FINANCIAL STATEMENTS

BAY COUNTY, MICHIGAN

Notes To Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Bay County, Michigan (the "County") was incorporated in 1857. The County operates under the unified form of government and provides services to its 107,771 residents in many areas, including law enforcement, administration of justice, community enrichment and development, and human services.

The accounting policies of Bay County conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant policies:

Reporting Entity

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the County and its component units. The component units discussed below are included in the County's reporting entity because they are entities for which the County is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

Blended Component Unit

Bay County Building Authority ("the Building Authority") - The seven-member authority is appointed by the Bay County Board of Commissioners and its activity is dependent upon Board actions. The purpose of the Building Authority is to finance through tax-exempt bonds the construction of public facilities for use by the County, with the bonds secured by lease agreements with, and serviced through lease payments from, the County. The Building Authority is reported as if it were part of the primary government because its sole purpose is to finance the construction of the County's public buildings. The Building Authority's activity is recorded in various debt service and capital projects funds.

Discretely Presented Component Units

Bay County Road Commission (the "Road Commission")- The Road Commission is governed by a Board comprised of three elected county-at-large officials who are not members of the Bay County Board of Commissioners. The County does not have appropriation authority or budgetary control over the activities of the Road Commission; however, the nature and significance of the relationship between the primary government and the Road Commission is such that exclusion would cause the reporting entity's financial statements to be misleading. The Road Commission is responsible for the construction and maintenance of the County's system of roads and bridges and is principally funded by state-collected vehicle fuel and registration taxes under Public Act 51. The Road Commission's activities are reported discretely as a governmental fund type. Complete financial statements of the Road Commission can be obtained from its administrative offices at 2600 East Beaver Road, Kawkawlin, Michigan, 48631.

Bay County Library System (the "Library System") - The Library System is governed by a Board comprised of five appointees of the Bay County Board of Commissioners who are not County Board members. The County, which is the Library System's taxing authority, also has appropriation authority, but not budgetary control, over its activities. The Library System provides services and materials in a variety of formats to satisfy the educational, personal, and professional interests of the Bay County community, with funds primarily raised through local property taxes. The Library System's activities are reported discretely as a governmental fund type. Separate financial statements are not prepared for the Library System.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Bay County Department of Water and Sewer (the "Department of Water and Sewer") - The Department of Water and Sewer is governed by a Board consisting of three elected county-at-large officials who are not members of the Bay County Board of Commissioners. The County does not have appropriation authority or budgetary control over the activities of the Department of Water and Sewer; however, the nature and significance of the relationship between the primary government and the Department of Water and Sewer is such that exclusion would cause the reporting entity's financial statements to be misleading. Periodically, the Department of Water and Sewer requests and receives a pledge of the full faith and credit of Bay County as secondary security on bond issues. The Department of Water and Sewer provides a healthful and continuous water supply service and an environmentally sound, convenient, and continuous wastewater disposal service to Bay County communities. The Department of Water and Sewer debt service and capital project activities are reported discretely. Complete financial statements of the Department of Water and Sewer can be obtained from its administrative offices at 3933 Patterson Road, Bay City, Michigan, 48706.

Bay County Drain Commission (the "Drain Commission") - Each of the drainage districts established pursuant to the Drain Code of 1956 are separate legal entities, with the power to contract, to sue and be sued, to hold, manage and dispose of real and personal property, etc. The County Drain Commissioner has sole responsibility to administer the drainage district established pursuant to Chapters 3 and 4 of the Drain Code. The drainage Board or Drain Commissioner, on behalf of the drainage district, may issue debt and levy special assessments authorized by the Drain Code without the prior approval of the County Board of Commissioners. The full faith and credit of the County may be given for the debt of the drainage district. The County employs all full-time employees and the elected officials of the Drain Commissioner. The Drain Commissioner deposits its receipts with the County Treasurer. The nature and significance of the relationship between the primary government and the Drain Commissioner is such that exclusion would cause the reporting entity's financial statements to be misleading. Separate financial statements are not prepared for the Drain Commission.

Bay Area Narcotics Enforcement Team ("BAYANET") - BAYANET is governed by a Board who are not members of the Bay County Board of Commissioners. The County does not have appropriation authority or budgetary control over the activities of BAYANET. BAYANET is an instrument of six counties and the State Police formed to organize a multi-jurisdictional/multi-tiered investigative task force designed to singularly combat the proliferation of narcotic trafficking in the eastern Mid-Michigan area. Complete financial statements of BAYANET can be obtained from its administrative offices at P.O. Box 676, Freeland, Michigan 48623, or by viewing it on the Michigan Department of Treasury Website.

Bay County Landbank (the "Landbank") - The Landbank is governed by a Board who are not members of the Bay County Board of Commissioners, however the Bay County Treasurer and the Bay County Executive sit on the Landbank Board of Directors. The County does not have appropriation authority or budgetary control over the activities of the Landbank, but, utilizes the Landbank to manage its tax-foreclosed and vacant properties. The Landbank is a public body corporate organized pursuant to the Michigan Land Bank Fast Track P.A. 258 and an Intergovernmental Agreement entered into between the Michigan Land Bank Authority and the Treasurer of Bay County, Michigan. The Landbank was created to acquire, hold, manage and develop tax-foreclosed properties, as well as other vacant and abandoned properties. Separate financial statements are not prepared for the Landbank.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government, and its component units. For the most part, the effect of the interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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 properly included among program revenues are reported instead as *general revenues*.

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. Revenues are 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 revenues 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. Agency funds, a type of fiduciary fund, are unlike all other types of funds, reporting only assets and liabilities. Therefore, agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period or within one year for reimbursement-based grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, intergovernmental revenues 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 revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

The County reports the following major governmental funds:

The *general fund* is the principal operating fund of Bay County. It accounts for all the financial resources of the general government, except those accounted for and reported in another fund.

The *911 Service Special Revenue Fund* accounts for revenues received from property taxes and grants to provide countywide central dispatching services for police, fire, and other emergency situations.

The *Division on Aging Special Revenue Fund* accounts for revenues received from property taxes, federal and state grants, and contributions to provide services and programs for County residents 60 years of age and older.

The *Water Supply Capital Projects Fund* accounts for capital outlay expenditures for the construction of the County's Bay Area Water Treatment Plant. Financing for the plant is through the State of Michigan Drinking Water Revolving Fund (DWRF) and Local Government Loan Program (LGLP) bonds.

The government reports the following major proprietary funds:

The *Medical Care Facility Fund* was established to account for the operations of the facility, which is a licensed skilled nursing home that provides long-term, highly skilled care to the residents of Bay County. Revenues are primarily received from patients, third-party payers, and property taxes.

The *100% Tax Payment Fund* is used to account for advances by the County to other local operating units and County funds for delinquent property taxes. Advances are repaid from collections of delinquent taxes, including interest and collection fees.

Additionally, the County reports the following fund types:

The *Special Revenue Funds* 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.

The *Debt Service Funds* are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

The *Enterprise Funds* account for those operations that are financed and operated in a manner similar to private business or where the County has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

The *Internal Service Funds* provide insurance coverage for workers' compensation, sickness and accident, unemployment compensation, and health insurance to other departments or agencies of the government on a cost reimbursement basis.

The *Private Purpose Trust Funds* account for trust arrangements for the Inmate and Probate Court Trust funds, which accumulate resources held in trust for those specific purposes.

The *Pension and Other Employee Benefit Trust Funds* account for the activities of the Employees' Retirement System and Public Employee Healthcare Fund, which accumulate resources for pension and health benefit payments for qualified employees.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

The *Agency Funds* are used to account for assets held for other governments in an agency capacity, including tax collections.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues 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 revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating items*. Operating revenues 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 revenues of the Medical Care Facility, the 100% Tax Payment, and enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The County allocates indirect expenses primarily comprised of central governmental services to operating functions and programs benefiting from those services. Central services include County 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 certain divisions within public services and parks.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

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

Deposits and Investments

For purposes of the statement of cash flows, the County considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value, as determined by the custodian under the direction of the Board of County Commission, with the assistance of a valuation service.

Receivable and Payables

All receivables are recorded at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Activity 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 “advances to / from other funds” (i.e., the noncurrent 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, as reported in the fund financial statements, are offset by nonspendable fund balance in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Inventory and Prepaids

Inventories are valued at cost using either the first-in, first-out or specific identification method. The costs of inventories are recorded as assets when purchased and charged to expenditures when used, which is the consumption method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, curbs and gutters, streets, sidewalks, drainage systems, lighting systems and similar assets that are immovable and of value only to the County), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. 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.

Major outlays for capital assets and improvements are capitalized as projects when constructed. Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

	Years
Building and improvements	5-50
Machinery and equipment	3-20
Vehicles	3-7
Office furniture and equipment	3-20
Depletable assets	5-100
Land improvements (infrastructure)	10-50

BAY COUNTY, MICHIGAN

Notes To Financial Statements

In the Drain Commission component unit, infrastructure includes only those infrastructure assets acquired subsequent to January 1, 2003. In the Road Commission component unit, 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. Roads are removed from the capital assets at the time the group of individually recorded roads have fully been depreciated.

Depreciation is recorded on the capital assets of the Road Commission Component Unit over the estimated useful lives (ranging from 5 to 50 years) of the assets, using the sum-of-years digits method for road equipment as prescribed by the Uniform Accounting Procedures for Michigan County Road Commissions, which does not vary significantly from the straight-line basis, and straight-line method for all other capital assets.

Deferred Outflows of Resources

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

Long-term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures when incurred.

Compensated Absences

Bay County, including its component units, except for the Road Commission and Department of Water and Sewer, has an employee benefit plan that allows employees to accumulate unused sick days up to a maximum of 90 days, except for the Medical Care Facility, which has no limit for accumulating unused sick days. The Road Patrol employees hired before September 15, 1989 and all correctional facility officers may accumulate unused sick days up to a maximum of 120 days. Road patrol employees hired after September 15, 1989 may accumulate a maximum of 90 days. Probate Court employees may accumulate a maximum of 60 unused sick days. Employees may either use these sick days when ill or receive payment for 50 percent of the unused portion at time of retirement, subject to certain limitations. Most employees are also allowed to accumulate unused vacation days, subject to certain limitations. Generally, all employees can accumulate and carry forward a maximum of 30 days; hours accumulated in excess of 30 days must be used by December 31.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Employees of the Road Commission, a component unit, are granted sick leave and vacation in varying amounts, based on administrative policy and contracts with union employees. In accordance with these policies and contracts, individual employees have a vested right upon termination of employment to receive payment of unused sick and vacation. The dollar amount of these vested rights are accrued in the government-wide statements (statement of net position).

The Department of Water and Sewer, a component unit, has an employee benefit plan that allows employees to accumulate unused sick days up to a maximum of 70 days. Union employees may either use these sick days when ill or receive payment for 70% of the unused portion at time of retirement. All other employees receive 85% of the unused portion at time employment is terminated. Employees are also allowed to accumulate unused vacation days. Employees can accumulate a maximum of 30 days to carry over at the end of the year.

Compensated Absence Liability Recognition

Accumulated sick and vacation is accrued when incurred in the proprietary funds. A liability for these amounts is reported in governmental funds only if they matured, for example, as a result of employee resignations and retirements.

The long-term portion of unpaid sick and vacation pay that is applicable to governmental fund types is reported in the Statement of Net Position.

Deferred Inflows of Resources

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

Fund Equity

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 required to be maintained intact. Restricted fund balance is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. Committed fund balance is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Commissioners (the government's highest level of decision-making authority). A formal resolution of the Board of Commissioners is required to establish, modify, or rescind a fund balance commitment. The County 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. The Board of Commissioners has delegated the authority to assign fund balance to the County Administrator/Controller or his/her designee. Unassigned fund balance is the residual classification for the general fund.

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

BAY COUNTY, MICHIGAN

Notes To Financial Statements

The County Board of Commissioners has formally established a budget stabilization arrangement under which it commits general fund fund balance up to 15 percent of the most recent general fund budget, as originally adopted, or 15 percent of the average of the County's five recent general fund budgets, as amended, whichever is less. The committed fund balance can be used to cover a general fund deficit; to prevent a reduction in the level of public services or in the number of employees at any time in a fiscal year when the budgeted revenue is not being collected in an amount sufficient to cover budgeted expenses; to prevent a reduction in the level of public services or in the number of employees when in preparing the budget for the next fiscal year the estimate revenue does not appear sufficient to cover estimated expenses; and to cover expenses arising because of natural disaster. This commitment may be used if one of the several potential qualifying events occurs (as detailed in a Board of Commissioners resolution) and the Board of Commissioners, by 2/3 vote of members present, affirms the qualifying event. As of December 31, 2015, the balance in the stabilization arrangement was \$5,148,128.

Interfund Transactions

During the course of normal operations, the County has numerous transactions between funds, including expenditures and transfers of resources to provide services and to service debt. The accompanying financial statements generally reflect such transactions as transfers. Subsidies are also recorded as transfers.

Internal service funds are used and record charges for services to all County departments and funds as operating revenue. All affected County funds record these payments to the Internal service funds as operating expenditures or expenses.

Pensions

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

2. BUDGETARY INFORMATION

Governmental funds are under formal budgetary control. Capital project funds are budgeted by project. The County follows these procedures in establishing the budgetary data reflected in the financial statements.

1. Ninety days prior to the beginning of the fiscal year, in accordance with the provisions of Public Act 139 of 1963 as amended by Public Act 100 of 1980 and in conformance with Act 2, Public Act 1968 as amended by Act 621 of 1978, the County Executive submits a proposed operating budget to the Ways and Means Committee, which recommends formal adoption by the Bay County Board of Commissioners. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain comments.
3. Prior to January 1, the budget is legally enacted by a budget adopting resolution.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Budgets shown in the financial statements were prepared on the same modified accrual basis that is used to reflect actual results. The Board of Commissioners has legal control over expenditures on a function level for the general fund and all special revenue funds. The Circuit, District, and Probate courts, whose legal level of control over expenditures is on a total basis (lump sum) encompassing all of their operations. Expenditures are limited to appropriations for each function level of budget data presented. The Board of Commissioners is authorized to make adjustments to the various budgets as deemed necessary. Elected officials and department/division heads are authorized to amend budgets under their control, subject to provisions of the General Appropriation Budget Act Resolution. Such adjustments and amendments have been reflected in the budgeted amounts shown in the financial statements. There were no supplemental appropriations that were deemed material. All appropriations lapse at year-end. Encumbrances that have lapsed are reappropriated. Budgetary expenditures represented by the encumbrances are reflected in the budget in the year that the expenditures are shown in the financial statements.

3. EXCESS OF EXPENDITURES OVER BUDGET

The following individual fund incurred expenditures in excess of appropriations, presented at a summary level for the County’s major governmental fund:

Fund	Appropriations	Actual Expenditures	Excess Expenditures over Appropriations
Division on Aging:			
Transfers out	\$ 340,743	\$ 346,189	\$ 5,446
Historical Preservation:			
Recreation and culture	264,785	267,800	3,015

The above items represent violations of the County’s budgeting policies. Revenues were sufficient to cover all expenditures.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

4. DEPOSITS AND INVESTMENTS

A reconciliation of cash and cash equivalents and investments as shown in the basic financial statements for the County's deposits and investments is as follows:

	Primary Government	Component Units	Totals
Statement of Net Position			
Cash and cash equivalents	\$ 13,124,809	\$ 15,775,626	\$ 28,900,435
Investments	32,599,344	4,113,294	36,712,638
Statement of Fiduciary Net Position			
Pension and other employee benefits trust funds:			
Investments	344,535,228	-	344,535,228
Other fiduciary funds:			
Cash and cash equivalents	4,729,013	-	4,729,013
Investments	8,144,135	-	8,144,135
Total	\$ 403,132,529	\$ 19,888,920	\$ 423,021,449
Deposits and investments			
Bank deposits (checking, savings, money markets and certificates of deposit)			\$ 14,121,317
Investments:			
Equities:			
Convertible equity			1,182,624
Domestic equities			208,097,345
Foreign equities			28,558,718
Preferred stock			191,218
Private equities			10,204,968
Total equities			248,234,873
Fixed income:			
Asset backed securities			352,745
Commercial mortgage-backed			524,743
Corporate bonds **			29,373,592
Corporate convertible bonds **			9,102,081
Government agencies**			21,190,233
Government bonds			16,262,929
Government issued commercial mortgage-backed			5,267,485
Government mortgage-backed securities			12,509,004
International bonds **			9,596,010
Municipal bonds**			29,065,015
Other fixed income**			4,393,794
Total fixed income			137,637,631
Money market and other similar investments			22,989,649
Total investments			408,862,153
Cash on hand			37,979
Total			\$ 423,021,449

BAY COUNTY, MICHIGAN

Notes To Financial Statements

** The following County's investments, at fair market value, include call options:

Corporate bonds **	\$ 10,109,259
Corporate convertible bonds **	1,890,369
Government agencies**	18,380,746
International bonds **	1,898,266
Municipal bonds**	3,750,802
Other fixed income**	2,232,133

The County has adopted an official investment policy which is in accordance with investments permitted by Act 20 of the Michigan Public Acts of 1943 as amended, Act 196 PA 1997 (the Act). The Act generally allows the County to deposit funds in banks, savings and loan associations, and credit unions in the State of Michigan. The Act also provides for investment in U.S. government obligations; certificates of deposit of banks, savings and loans, and credit unions; commercial paper; repurchase agreements; bankers' acceptances; and, with some restrictions, mutual funds. Pension Trust funds are also allowed to invest in corporate stocks and bonds. Pension Trust fund investments are subject to a number of restrictions as to type, quality and concentration of investments. All investments are reported at fair value.

Investments by type are shown below:

	Investment Type			
	Equities	Fixed Income	Money Market and Other Similar Investments	Total
Less than 1 year	\$ -	\$ 5,620,931	\$ -	\$ 5,620,931
1 - 5 years	-	44,297,432	-	44,297,432
6 - 10 years	-	35,418,183	-	35,418,183
More than 10 years	-	46,275,949	-	46,275,949
No maturity	248,234,873	6,025,136	22,989,649	277,249,658
Total	\$ 248,234,873	\$ 137,637,631	\$ 22,989,649	\$ 408,862,153

	Investment Type			
	Equities	Fixed Income	Money Market and Other Similar Investments	Total
Aaa	\$ -	\$ 23,104,333	\$ -	\$ 23,104,333
Aa	-	11,583,777	-	11,583,777
A	-	17,442,855	-	17,442,855
Baa	-	13,472,131	-	13,472,131
Ba	-	2,598,834	-	2,598,834
B	-	903,204	-	903,204
Caa	-	88,650	-	88,650
Not rated	248,234,873	68,443,847	22,989,649	339,668,369
Total	\$ 248,234,873	\$ 137,637,631	\$ 22,989,649	\$ 408,862,153

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Investment and deposit risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments. The County's investment policy does not have specific limits on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The maturity dates for each investment are identified above for investments held at year-end.

Credit Risk. State law limits investments to specific government 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 above. The County's investment policy does not have specific limits on investment credit risk. The ratings for each investment are identified above for investments held at year-end.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned. State law does not require and the County does not have a policy for deposit custodial credit risk. As of year-end \$11,373,339 of the County's bank balance of \$14,425,701 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require a policy for investment custodial credit risk. However, the County's investment policy states that no more than 60 percent of the County investment portfolio will be invested with a single financial institution. However, while uninsured and unregistered, the County's funds are not exposed to custodial credit risk since the securities are held in the counterparty's trust department in the County's name.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified above. The County's investment policy states that with the exception of U.S. Treasury securities and authorized pools, no more than 60 percent of the County investment portfolio should be invested in a single security type. No single investment represents more than five percent of the County's investments. All investments held at year-end are reported above.

Foreign Currency Risk. Foreign currency risk is the risk that significant fluctuations in exchange rates may adversely affect the fair value of an investment. The County has no policies relating to foreign currency risk. See below and the separately issued pension plan financial statements for foreign currency risk disclosures.

Investments and Securities Lending

A contract approved by the Bay County Board of Commissioners permits the Bay County Employees' Retirement System (the "System") to lend its securities to broker-dealers and other entities (borrowers) for collateral that will be returned for the same securities in the future. The System's custodial bank manages the securities lending program and receives securities or cash as collateral. The collateral securities cannot be pledged or sold by the System unless the borrower defaults. Collateral securities and cash are initially pledged at 102 percent of the fair value of United States securities lent and 105 percent of the fair value of non-United States securities, and may not fall below 100 percent during the term of the loan.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

There are no restrictions on the amount of the securities that can be loaned. Securities on loan at year-end are classified in the previous schedule of investments according to the category for the collateral received on the securities lent. At year-end the System has no credit risk exposure to borrowers because the amounts the System owes the borrowers exceed the amounts the borrowers owe the System. The contract with the System's custodian requires it to indemnify the System if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the System for income distributions by the securities' issuers while the securities are on loan. The System had the following investments, at fair market value, in the securities lending program at year end:

Domestic equities	\$ 51,307,727
Corporate bonds	6,358,401
Government bonds	2,684,496

Voluntary Employees' Beneficiary Association Trust

The Trust's investments are primarily held in a bank-administered trust fund. Following is a summary of the Trust's investments as of December 31, 2015:

Investments at fair value, as determined by quoted market price:

Equities:

Domestic equities	\$ 25,556,530
International equities	160,067
Total equities	<u>25,716,597</u>

Fixed income:

Asset backed securities	271,207
Commercial mortgage-backed	524,743
Corporate bonds	5,140,127
Government agencies	2,050,982
Government bonds	2,734,998
Government mortgage-backed securities	1,765,698
International bonds	808,858
Municipal bonds	229,901
Other fixed income	<u>2,404,664</u>

Total fixed income	<u>15,931,178</u>
Cash and cash equivalents	<u>876,389</u>

Total investments in Voluntary Employees' Beneficiary Association trust	<u><u>\$ 42,524,164</u></u>
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Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Trust's investment policy emphasizes appropriate risk/return parameters and compliance with Public Act 314, and gives discretionary authority to its investment managers as opposed to establishing specific credit rating benchmarks.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

As of December 31, 2015, maturities and Moody's ratings for the Trust's investments in debt securities were as follows:

	Investment Type			
	Equities	Fixed Income	Money Market	Total
Less than 1 year	\$ -	\$ 246,782	\$ -	\$ 246,782
1 - 5 years	-	5,540,856	-	5,540,856
6 - 10 years	-	5,683,822	-	5,683,822
More than 10 years	-	4,459,718	-	4,459,718
No maturity	25,716,597	-	876,389	26,592,986
Total	\$ 25,716,597	\$ 15,931,178	\$ 876,389	\$ 42,524,164

	Investment Type			
	Equities	Fixed Income	Money Market	Total
Aaa	\$ -	\$ 3,720,768	\$ -	\$ 3,720,768
Aa	-	670,996	-	670,996
A	-	2,179,323	-	2,179,323
Baa	-	267,895	-	267,895
Not rated	25,716,597	9,092,196	876,389	35,685,182
Total	\$ 25,716,597	\$ 15,931,178	\$ 876,389	\$ 42,524,164

Custodial Credit Risk. For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the Trust will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Trust's investment policy requires that securities be held in trust by a third-party institution in the Trust's name or its nominee custodian's name or in bearer form. Although uninsured and unregistered, the Trust's investments are not exposed to custodial credit risk since the securities are held by the counterparty's trust department or agent in the Trust's name. Short-term investments in money market funds and open-end mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book form.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the Trust's investment in a single issuer. The Trust's investment policy requires that no manager will hold more than 5% of its portion of the total fund in any single company and no more than 5% may be held in any single common stock. At December 31, 2015 the Trust's investment portfolio was not concentrated.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Trust's investment policy does not discuss the maximum maturity for any single fixed income security or the weighted average portfolio maturity.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Foreign Currency Risk. Foreign currency risk is the risk that significant fluctuations in exchange rates may adversely affect the fair value of an investment. The Trust has no policies relating to foreign currency risk. The Trust's exposure to foreign currency risk is summarized as follows:

Investment/Country	Currency	Fair Value (in U.S. Dollars)	
		International Equities	International Fixed Income
Belgium	European Euro	\$ -	\$ 86,695
Canada	Canadian Dollar	57,037	160,750
Cayman Islands	Cayman Islands Dollar	-	27,799
France	European Euro	92,751	57,776
Germany	European Euro	-	246,782
Japan	Japanese Yen	-	33,051
Netherlands	European Euro	10,279	114,177
United Kingdom	British Pound	-	81,828
Total		\$ 160,067	\$ 808,858

5. RECEIVABLES

Receivables in the primary government and component units are as follows:

	Governmental Activities	Business-type Activities	Component Units
Accounts:			
Current	\$ 3,242,031	\$ 2,075,832	\$ 1,555,464
Noncurrent	1,866,674	-	4,318,694
Property taxes	7,728,068	6,074,152	5,538,400
Special assessments:			
Current	-	-	389,315
Noncurrent	-	-	1,299,490
Interest	90,187	685,804	24,038
Intergovernmental	10,073,026	1,174,739	4,098,974
Due from component units	327,376	25,000	-
Due from primary government	-	-	180,151
Less: allowance for uncollectible accounts	(1,072,630)	(72,000)	-
Total	\$ 22,254,732	\$ 9,963,527	\$ 17,404,526

Governmental funds report deferred inflow of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Resources intended to provide financing for a subsequent period are also reported as deferred inflows of resources.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

	Unavailable	Subsequent Years' Resources	Total
Property taxes receivable			
Governmental activities:			
General fund	\$ 660,519	\$ -	\$ 660,519
911 service fund	3,263	1,943,071	1,946,334
Division on aging fund	3,231	2,220,651	2,223,882
Nonmajor governmental funds	3,236	2,068,538	2,071,774
Total governmental activities	<u>670,249</u>	<u>6,232,260</u>	<u>6,902,509</u>
Business-type activities -			
Medical care facility	-	2,081,861	2,081,861
Component unit -			
Library system	-	5,538,400	5,538,400
	<u>-</u>	<u>5,538,400</u>	<u>5,538,400</u>
Total	<u>\$ 670,249</u>	<u>\$ 13,852,521</u>	<u>\$ 14,522,770</u>

BAY COUNTY, MICHIGAN

Notes To Financial Statements

6. CAPITAL ASSETS

Primary government

Capital assets activity for the year ended December 31, 2015, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental activities					
Capital assets, not being depreciated:					
Land	\$ 2,205,953	\$ -	\$ -	\$ -	\$ 2,205,953
Construction in progress	41,676,215	18,767,039	-	(983,429)	59,459,825
	<u>43,882,168</u>	<u>18,767,039</u>	<u>-</u>	<u>(983,429)</u>	<u>61,665,778</u>
Capital assets, being depreciated:					
Land improvements	3,625,426	9,231	-	-	3,634,657
Buildings and improvements	64,875,702	47,566	-	983,429	65,906,697
Machinery and equipment	4,012,146	250,337	(21,957)	-	4,240,526
Office furniture and equipment	3,955,914	91,385	-	-	4,047,299
Vehicles	2,114,375	164,767	(138,439)	-	2,140,703
	<u>78,583,563</u>	<u>563,286</u>	<u>(160,396)</u>	<u>983,429</u>	<u>79,969,882</u>
Less accumulated depreciation for:					
Land improvements	(2,605,562)	(60,849)	-	-	(2,666,411)
Buildings and improvements	(25,988,525)	(1,372,126)	-	-	(27,360,651)
Machinery and equipment	(1,987,431)	(232,915)	21,957	-	(2,198,389)
Office furniture and equipment	(2,598,957)	(180,894)	-	-	(2,779,851)
Vehicles	(1,566,827)	(193,915)	112,444	-	(1,648,298)
	<u>(34,747,302)</u>	<u>(2,040,699)</u>	<u>134,401</u>	<u>-</u>	<u>(36,653,600)</u>
Total capital assets being depreciated, net	<u>43,836,261</u>	<u>(1,477,413)</u>	<u>(25,995)</u>	<u>983,429</u>	<u>43,316,282</u>
Governmental activities capital assets, net	<u>\$ 87,718,429</u>	<u>\$ 17,289,626</u>	<u>\$ (25,995)</u>	<u>\$ -</u>	<u>\$ 104,982,060</u>

BAY COUNTY, MICHIGAN

Notes To Financial Statements

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Business-type activities					
Capital assets, not being depreciated:					
Land	\$ 257,559	\$ -	\$ -	\$ -	\$ 257,559
Construction in progress	1,104,131	1,083,638	-	(1,170,841)	1,016,928
	<u>1,361,690</u>	<u>1,083,638</u>	<u>-</u>	<u>(1,170,841)</u>	<u>1,274,487</u>
Capital assets, being depreciated:					
Land improvements	1,108,717	-	-	(337,164)	771,553
Buildings and improvements	17,802,065	51,418	(126,828)	1,336,879	19,063,534
Machinery and equipment	1,033,061	-	-	-	1,033,061
Office furniture and equipment	2,335,596	52,140	(131,471)	169,329	2,425,594
Vehicles	103,898	62,652	(40,024)	1,797	128,323
	<u>22,383,337</u>	<u>166,210</u>	<u>(298,323)</u>	<u>1,170,841</u>	<u>23,422,065</u>
Less accumulated depreciation for:					
Land improvements	(950,929)	(21,709)	-	259,925	(712,713)
Buildings and improvements	(12,240,025)	(742,407)	111,854	(259,925)	(13,130,503)
Machinery and equipment	(866,904)	(22,705)	-	221,376	(668,233)
Office furniture and equipment	(2,040,638)	(85,000)	126,194	(221,376)	(2,220,820)
Vehicles	(83,743)	(14,949)	40,024	-	(58,668)
	<u>(16,182,239)</u>	<u>(886,770)</u>	<u>278,072</u>	<u>-</u>	<u>(16,790,937)</u>
Total capital assets being depreciated, net	<u>6,201,098</u>	<u>(720,560)</u>	<u>(20,251)</u>	<u>1,170,841</u>	<u>6,631,128</u>
Business-type activities capital assets, net	<u>\$ 7,562,788</u>	<u>\$ 363,078</u>	<u>\$ (20,251)</u>	<u>\$ -</u>	<u>\$ 7,905,615</u>

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

Depreciation of governmental activities by function

Judicial	\$ 16,346
General government	1,319,886
Public safety	330,004
Health and welfare	285,235
Recreation and culture	89,228
	<u>\$ 2,040,699</u>

Depreciation of business-type activities by function

Medical Care Facility	\$ 621,509
Golf Course	46,824
Housing	217,979
Delinquent Property Tax Foreclosure	458
	<u>\$ 886,770</u>

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Discretely presented component units

Activity for the Road Commission for the year ended December 31, 2015, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 392,502	\$ -	\$ -	\$ -	\$ 392,502
Land improvements	34,807,200	195,824	-	-	35,003,024
Right of ways	349,661	-	-	-	349,661
	<u>35,549,363</u>	<u>195,824</u>	<u>-</u>	<u>-</u>	<u>35,745,187</u>
Capital assets, being depreciated:					
Buildings and improvements	2,867,507	-	-	-	2,867,507
Road equipment	10,287,088	353,226	(74,093)	-	10,566,221
Shop equipment	149,533	-	-	-	149,533
Office equipment	274,287	24,144	-	-	298,431
Engineering equipment	227,349	-	-	-	227,349
Yard and storage	1,334,201	-	-	-	1,334,201
Infrastructure:					
Roads	75,223,976	5,449,866	(2,595,378)	-	78,078,464
Bridges	18,956,669	408,199	-	-	19,364,868
Traffic signals	700,550	-	-	-	700,550
	<u>110,021,160</u>	<u>6,235,435</u>	<u>(2,669,471)</u>	<u>-</u>	<u>113,587,124</u>
Less accumulated depreciation for:					
Buildings and improvements	(1,977,387)	(164,839)	-	-	(2,142,226)
Road equipment	(9,770,691)	(217,468)	74,093	-	(9,914,066)
Shop equipment	(125,612)	(9,696)	-	-	(135,308)
Office equipment	(115,538)	(62,608)	-	-	(178,146)
Engineering equipment	(165,118)	(15,481)	-	-	(180,599)
Yard and storage	(1,111,042)	(59,910)	-	-	(1,170,952)
Infrastructure:					
Roads	(35,198,021)	(4,052,812)	2,595,378	-	(36,655,455)
Bridges	(9,587,998)	(503,069)	-	-	(10,091,067)
Traffic signals	(386,687)	(35,729)	-	-	(422,416)
	<u>(58,438,094)</u>	<u>(5,121,612)</u>	<u>2,669,471</u>	<u>-</u>	<u>(60,890,235)</u>
Total capital assets being depreciated, net	<u>51,583,066</u>	<u>1,113,823</u>	<u>-</u>	<u>-</u>	<u>52,696,889</u>
Road Commission capital assets, net	<u>\$ 87,132,429</u>	<u>\$ 1,309,647</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 88,442,076</u>

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Activity for the Library System for the year ended December 31, 2015, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 107,487	\$ -	\$ -	\$ -	\$ 107,487
Capital assets, being depreciated:					
Land improvements	103,946	-	-	-	103,946
Buildings and improvements	1,524,065	-	-	-	1,524,065
Machinery and equipment	145,838	-	-	-	145,838
Office furniture and equipment	1,181,760	-	-	-	1,181,760
Books and a/v materials	2,863,411	423,871	(553,471)	-	2,733,811
Vehicles and other	210,186	-	-	-	210,186
	<u>6,029,206</u>	<u>423,871</u>	<u>(553,471)</u>	<u>-</u>	<u>5,899,606</u>
Less accumulated depreciation for:					
Land improvements	(66,874)	(3,272)	-	-	(70,146)
Buildings and improvements	(902,322)	(33,571)	-	-	(935,893)
Machinery and equipment	(113,636)	(8,091)	-	-	(121,727)
Office furniture and equipment	(767,236)	(42,431)	-	-	(809,667)
Books and a/v materials	(1,525,474)	(461,951)	553,471	-	(1,433,954)
Vehicles and other	(41,626)	(19,638)	-	-	(61,264)
	<u>(3,417,168)</u>	<u>(568,954)</u>	<u>553,471</u>	<u>-</u>	<u>(3,432,651)</u>
Total capital assets being depreciated, net	<u>2,612,038</u>	<u>(145,083)</u>	<u>-</u>	<u>-</u>	<u>2,466,955</u>
Library System capital assets, net	<u>\$ 2,719,525</u>	<u>\$ (145,083)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,574,442</u>

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Activity for the Department of Water & Sewer for the year ended December 31, 2015, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 196,284	\$ -	\$ -	\$ -	\$ 196,284
Construction in progress	228,410	-	(228,410)	-	-
	<u>424,694</u>	<u>-</u>	<u>(228,410)</u>	<u>-</u>	<u>196,284</u>
Capital assets, being depreciated:					
Buildings and improvements	14,618,193	-	-	-	14,618,193
Improvements other than buildings	538,301	-	-	-	538,301
Machinery and equipment	10,283,492	397,772	(47,631)	-	10,633,633
Water system	4,381,708	168,376	-	-	4,550,084
Sewer system	27,150,270	510,539	-	-	27,660,809
	<u>56,971,964</u>	<u>1,076,687</u>	<u>(47,631)</u>	<u>-</u>	<u>58,001,020</u>
Less accumulated depreciation for:					
Buildings and improvements	(8,963,151)	(80,223)	-	-	(9,043,374)
Improvements other than buildings	(263,870)	(44,695)	-	-	(308,565)
Machinery and equipment	(8,908,978)	(243,726)	47,477	-	(9,105,227)
Water system	(2,258,650)	(100,587)	-	-	(2,359,237)
Sewer system	(12,242,563)	(848,921)	-	-	(13,091,484)
	<u>(32,637,212)</u>	<u>(1,318,152)</u>	<u>47,477</u>	<u>-</u>	<u>(33,907,887)</u>
Total capital assets being depreciated, net	<u>24,334,752</u>	<u>(241,465)</u>	<u>(154)</u>	<u>-</u>	<u>24,093,133</u>
Department of Water & Sewer capital assets, net	<u>\$ 24,759,446</u>	<u>\$ (241,465)</u>	<u>\$ (228,564)</u>	<u>\$ -</u>	<u>\$ 24,289,417</u>

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Activity for the Drain Commission for the year ended December 31, 2015, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets, not being depreciated -					
Land	\$ 333,173	\$ -	\$ -	\$ -	\$ 333,173
Construction in progress	901,873	419,509	-	(237,204)	1,084,178
	<u>1,235,046</u>	<u>419,509</u>	<u>-</u>	<u>(237,204)</u>	<u>1,417,351</u>
Capital assets, being depreciated:					
Land improvements (infrastructure)	3,931,680	-	-	237,204	4,168,884
Buildings	171,681	-	-	-	171,681
Machinery and equipment	704,492	59,841	(14,900)	-	749,433
Office furniture and equipment	20,450	-	-	-	20,450
Vehicles	226,767	-	-	-	226,767
	<u>5,055,070</u>	<u>59,841</u>	<u>(14,900)</u>	<u>237,204</u>	<u>5,337,215</u>
Less accumulated depreciation for:					
Land improvements (infrastructure)	(833,828)	(107,339)	-	-	(941,167)
Buildings	(171,681)	-	-	-	(171,681)
Machinery and equipment	(298,273)	(34,239)	14,900	-	(317,612)
Office furniture and equipment	(20,450)	-	-	-	(20,450)
Vehicles	(106,410)	(36,014)	-	-	(142,424)
	<u>(1,430,642)</u>	<u>(177,592)</u>	<u>14,900</u>	<u>-</u>	<u>(1,593,334)</u>
Total capital assets being depreciated, net	<u>3,624,428</u>	<u>(117,751)</u>	<u>-</u>	<u>237,204</u>	<u>3,743,881</u>
Drain Commission capital assets, net	<u>\$ 4,859,474</u>	<u>\$ 301,758</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,161,232</u>

Activity for the Bay Area Narcotics Enforcement Team for the year ended December 31, 2015, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets, being depreciated:					
Equipment	\$ 77,238	\$ -	\$ -	\$ -	\$ 77,238
Less accumulated depreciation for:					
Equipment	(75,938)	(1,300)	-	-	(77,238)
Bay Area Narcotics Enforcement Team capital assets, net	<u>\$ 1,300</u>	<u>\$ (1,300)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

BAY COUNTY, MICHIGAN

Notes To Financial Statements

7. PAYABLES

Accounts payable and accrued liabilities in the primary government and component units are as follows:

	Governmental Activities	Business-type Activities	Component Units
Accounts payable	\$ 3,519,058	\$ 336,490	\$ 1,532,917
Wages, fringe benefits and other accrued liabilities	2,212,905	415,511	316,953
Deposits	2,075	14,359	-
Intergovernmental	165,623	71,047	611,152
Claims, settlements, and judgments	759,816	461,292	-
Total	\$ 6,659,477	\$ 1,298,699	\$ 2,461,022

8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

	Due from Other Funds	Due to Other Funds
General fund	\$ 6,788	\$ 2,655,698
911 service fund	-	2,486
Division on aging fund	-	2,857
Nonmajor governmental funds	-	3,051
100% tax payment	10,034	850
Nonmajor enterprise funds	15,335	5,992
Internal service funds	2,638,779	2
Total	\$ 2,670,936	\$ 2,670,936

Interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

	Advance to Other Funds	Advance From Other Funds
General fund	\$ 150,000	\$ -
Child Care fund	-	150,000
Total	\$ 150,000	\$ 150,000

The advance between the general fund and the child care fund was an advance to assist the fund with cash flow for reimbursable expenditures due from the State of Michigan.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Transfers Out	Transfers In		
	General Fund	Division on Aging Fund	Nonmajor Governmental Funds
General fund	\$ -	\$ 6,200	\$ 3,542,793
911 service fund	240,297	-	-
Division on aging fund	346,189	-	-
Nonmajor governmental funds	699,426	-	-
100% tax payment	1,268,000	-	-
Nonmajor enterprise funds	25,252	-	-
Internal service funds	15,852	-	-
Total	\$ 2,595,016	\$ 6,200	\$ 3,542,793

Transfers Out	Transfers In			Total
	Medical Care Facility	100% Tax Payment	Nonmajor Enterprise Funds	
General fund	\$ -	-	\$ 50,000	\$ 3,598,993
911 service fund	-	-	-	240,297
Division on aging fund	-	-	-	346,189
Nonmajor governmental funds	-	-	-	699,426
100% tax payment	-	-	-	1,268,000
Nonmajor enterprise funds	30,088	149,938	-	205,278
Internal service funds	-	-	-	15,852
Total	\$ 30,088	\$ 149,938	\$ 50,000	\$ 6,374,035

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund and state revenue sharing special revenue fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

9. LONG-TERM DEBT

Long-term debt activity for the year ended December 31, 2015, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Primary Government					
Governmental activities:					
Building Authority - General obligation bonds	\$ 9,050,000	\$ -	\$ (2,030,000)	\$ 7,020,000	\$ 1,765,000
Bond premium	717,411	-	(141,062)	576,349	141,062
Bond discount	(39,846)	-	1,423	(38,423)	(1,423)
Revenue bonds	30,000,000	-	-	30,000,000	425,000
DWRP Loans	18,572,472	7,962,813	-	26,535,285	1,050,285
Total	58,300,037	7,962,813	(2,169,639)	64,093,211	3,379,924
Compensated absences	1,973,545	2,077,353	(2,028,086)	2,022,812	252,852
Total governmental activities	60,273,582	10,040,166	(4,197,725)	66,116,023	3,632,776
Business-type activities - Compensated absences	209,954	805,039	(985,710)	29,283	5,465
Total primary government	\$ 60,483,536	\$ 10,845,205	\$ (5,183,435)	\$ 66,145,306	\$ 3,638,241
Component Units					
Road Commission -					
Capital lease	\$ 113,455	\$ -	\$ (55,932)	\$ 57,523	\$ 57,523
Compensated absences	931,331	438,666	(528,061)	841,936	381,256
Total Road Commission	\$ 1,044,786	\$ 438,666	\$ (583,993)	\$ 899,459	\$ 438,779
Library System - Compensated absences	\$ 173,456	\$ 210,469	\$ (214,729)	\$ 169,196	\$ 16,920
Department of Water & Sewer:					
General obligation bonds	\$ 5,940,000	\$ -	\$ (835,000)	\$ 5,105,000	\$ 530,000
Other postemployment benefits and pension payable	-	3,264,885	-	3,264,885	219,118
Compensated absences	199,264	38,442	-	237,706	35,662
Total	\$ 6,139,264	\$ 3,303,327	\$ (835,000)	\$ 8,607,591	\$ 784,780
Drain Commission- Notes payable	\$ 1,148,778	\$ 540,000	\$ (176,646)	\$ 1,512,132	\$ 229,780

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for those funds are included as part of the above totals for governmental activities. At year-end, \$1,445 of internal service funds compensated absences are included with the governmental activities amounts. Also, for the governmental activities, compensated absences and net other postemployment benefit obligations are generally liquidated by the general fund.

Primary Government

The County issues general obligation bonds, installment purchase contracts, and capital leases to provide funds for the acquisition, renovation, and / or construction of major capital facilities and purchase of major equipment. General obligation bonds have been issued for governmental activities. The original amount of general obligation bonds and notes payable issued in prior years was \$14,215,000.

During 2015, the primary government received \$7,962,813 in new DWRP loans. As of December 31, 2015, the cumulative total of the DWRP loans for the construction of the County's new water distribution plant was \$26,535,285.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds are generally issued as 5 to 20-year serial bonds with varying amounts of principal maturing each year. Installment purchase contracts are generally issued as 5 year contracts payable with varying amounts of principal maturing each year. Revenue bonds are secured by the revenue generated by the local municipalities that participate in the Bay Area Water Treatment Plant. The general obligation bonds, revenue bonds, and DWRP loans currently outstanding are as follows:

Purpose	Interest Rates	Amount
General obligation bonds	3.00 - 5.00%	\$ 7,020,000
Revenue bonds	4.00 - 5.25%	30,000,000
DWRP loans	2.00 - 2.50%	26,535,285
Total		<u>\$ 63,555,285</u>

Annual debt service requirements to maturity for general obligation and revenue bonds and installment purchase contracts are as follows:

Year Ended December 31,	Governmental Activities	
	Principal	Interest
2016	\$ 3,240,285	\$ 2,326,746
2017	2,755,000	2,298,076
2018	2,845,000	2,204,877
2019	2,950,000	2,108,414
2020	3,015,000	2,008,287
2021-2025	9,010,000	9,011,086
2026-2030	10,560,000	7,451,440
2031-2035	12,515,000	5,556,258
2036-2040	9,610,000	3,401,999
2041-2043	7,055,000	751,829
	<u>\$ 63,555,285</u>	<u>\$ 37,119,012</u>

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Component Units

Department of Water & Sewer. General obligation bonds are issued by the County to finance construction projects managed and administered by the Department of Water & Sewer. General obligation and revenue bonds have been issued for business-type activities.

These bonds are direct obligations, and pledge the full faith and credit of the County and the associated municipalities and authorities. The bonds are issued as 10 to 30-year serial bonds with varying amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

Purpose	Interest Rates	Amount
General obligation bonds	2.25 - 5.25%	<u>\$ 5,105,000</u>

Annual debt service requirements to maturity for Department of Water and Sewer bonds are as follows:

Year Ended December 31,	Business-type Activities	
	Principal	Interest
2016	\$ 530,000	\$ 207,171
2017	540,000	187,726
2018	430,000	166,788
2019	340,000	150,725
2020	350,000	135,688
2021-2025	1,305,000	515,670
2026-2030	<u>1,610,000</u>	<u>216,075</u>
	<u>\$ 5,105,000</u>	<u>\$ 1,579,843</u>

Drain Commission. General obligation drain improvement bonds and notes are issued by the County to finance certain drainage district construction projects. General obligation bonds and notes have been issued for governmental activities. The original amount of general obligation bonds and notes outstanding at year end was \$1,899,514.

These bonds and notes are direct obligations, and pledge the full faith and credit of the County and the respective drainage districts. The bonds are generally issued as 5 to 20-year serial bonds with varying amounts of principal maturing each year. General obligation bonds and notes currently outstanding are as follows:

Purpose	Interest Rates	Amount
Notes payable	2.50 - 4.59%	<u>\$ 1,512,132</u>

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Annual debt service requirements to maturity for general obligation bonds and notes are as follows:

Year Ended December 31,	Governmental Activities	
	Principal	Interest
2016	\$ 229,780	\$ 41,423
2017	151,604	37,614
2018	155,628	33,041
2019	147,770	28,349
2020	152,030	24,087
2021-2025	675,320	53,047
	<u>\$ 1,512,132</u>	<u>\$ 217,561</u>

Advance refundings

On May 10, 2006, the Bay County Building Authority issued general obligation bonds of \$7,205,000. A portion of the proceeds from this bond issue were used in a current refunding of the 1997 ice/civic arena bonds. The remaining proceeds from this bond issue were used to advance refund the 1995 and 1997 courthouse facility bonds and the remainder of the 1997 ice/civic arena bonds. The courthouse facility refunded bonds mature as scheduled on May 1, 2016 and the ice/civic arena refunded bonds mature as scheduled on November 1, 2016. The balance of the defeased debt outstanding at December 31, 2015, was \$585,000.

10. DEFINED BENEFIT PENSION PLAN

Plan Description - The County maintains an agent multiple employer defined benefit plan, the Bay County Employees' Retirement System (the "Plan"), covering substantially all employees of the primary government. Employees of the County's component units and related organizations, including Road Commission, Library System, Department of Water and Sewer, and Bay Arenac Behavioral Health (BABH), participate in the County's plan. The Plan provides retirement, disability, and death benefits to plan members and their beneficiaries. The Plan issues stand-alone financial statements, which may be obtained from the County Finance Department.

Death and Disability Benefits - The Plan also provides non-duty death and disability benefits to members after 10 years of credited service. The 10 year service provision is waived for duty disability and death benefits.

Retirement eligibility varies depending on employer, division, and date of hire. Requirements for normal retirement range from age 55 to 62 with 8 years of service to 30 years of service, regardless of age. Early retirement options are also available at age 55 with 8 to 10 years of service or 25 years of service, regardless of age. The detailed summary annual report (SAR) is distributed annually to all Bay County retirement system members.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

	Primary Government	Component Units	Total
Retirees and beneficiaries receiving benefits	630	167	797
Terminated plan members entitled to, but not yet receiving benefits	54	9	63
Active plan members	805	135	940
	<u>1,489</u>	<u>311</u>	<u>1,800</u>

Funding Policy/Contributions - The Plan benefit provisions and contribution requirements of plan members and the County are established and may be amended by the Board of Commissioners, who also administers the plan, in accordance with County policies, union contracts, and plan provisions. The County's policy is to fund normal costs which are based on actuarially determined rates, expressed as percentages of annual covered payroll, and which are sufficient to accumulate assets to pay benefits when due. The provisions of the Plan require the County to contribute at an actuarially determined rate. The current rate is .03% of annual covered payroll for General County, 0% for the Sheriff's Department, 4.20% for Medical Care Facility, 15.72% for Department of Water & Sewer, and 19.14% for the Road Commission, which was determined through an actuarial valuation performed at December 31, 2014. The Library division is closed and its annual required contribution was \$89,491. During 2015, the General County made a discretionary 3.97% monthly contribution into the Plan. The Library also exceeded its required contribution by \$43,346. Plan members contribute at a rate of 4% of their annual salary.

Contributions received from employer contributions for the year ended December 31, 2015 are as follows:

	Contributions
Primary government	\$ 1,032,317
Component units	1,133,045
	<u>\$ 2,165,362</u>

The annual required contribution for the current year was determined as part of the December 31, 2014, actuarial valuation using the individual entry age normal cost method. Rationale for the assumptions used were based on an experience study issued July 3, 2013 for the five-year period ended December 31, 2011. Significant actuarial assumptions included (a) a rate of return on the investment of present and future assets of 7.5% per year compounded annually, (b) projected salary increases of 3.5% per year pay inflation plus merit and longevity increases ranging from 0.75 to 6.00% per year, depending on years of service, and (c) the assumption that benefits will not increase after retirement. Mortality rates were based on the RP 2000 Combined Healthy Mortality table.

Single Discount Rate. A single discount rate of 7.50% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.50%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Long-term expected real rate of return. The long-term expected rate of return on the Plan'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 December 31, 2014 for each major asset class included in the Plan's target asset allocation as disclosed above are summarized as follows:

	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	50%	7.5%
International equity	20%	8.5%
U.S. fixed income	23%	2.5%
Real estate	7%	4.5%
	<u>100%</u>	

Sensitivity of the Net Pension Asset to Changes in the Discount Rate. The following presents the Plan's net pension asset of the County, calculated using the discount rate of 7.5%, as well as what the County's net pension asset 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%)
County's net pension asset	\$ (2,355,806)	\$ (27,818,496)	\$ (49,400,573)

Basis of Accounting. Detail information about the Plan's fiduciary net position is available in the separately issued financial statements. The Plan's financial statements are prepared on the accrual basis of accounting using the economic resources measurement focus. Member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Pension Ordinance. Administrative expenses are financed through investment earnings.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

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

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Asset (a) - (b)
Balances at December 31, 2013	\$ 216,146,236	\$ 242,732,110	\$ (26,585,874)
Changes for the year:			
Service cost	3,941,541	-	3,941,541
Interest	15,873,703	-	15,873,703
Differences between expected and actual experience	2,048,465	-	2,048,465
Employer contributions	-	2,574,104	(2,574,104)
Employee contributions	-	1,669,919	(1,669,919)
Net investment income	-	19,045,651	(19,045,651)
Benefit payments, including refunds of employee contributions	(12,935,261)	(12,935,261)	-
Administrative expense	-	(193,343)	193,343
Net changes	<u>8,928,448</u>	<u>10,161,070</u>	<u>(1,232,622)</u>
Balances at December 31, 2014	<u>\$ 225,074,684</u>	<u>\$ 252,893,180</u>	<u>\$ (27,818,496)</u>

The net pension asset is allocated as follows:

Primary government	\$ 14,860,924
Pension Trust Fund	25,143
Component units	11,290,899
Component unit fiduciary funds not included within this report	<u>1,641,530</u>
	<u>\$ 27,818,496</u>

Net Pension asset. The County's net pension asset was measured as of December 31, 2014, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of the same date.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended December 31, 2015, the County recognized pension expense of \$618,842. At December 31, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Difference between expected and actual experience	\$ 1,614,306	\$ -	\$ 1,614,306
Net difference between projected and actual earnings on pension plan investments	-	912,306	(912,306)
	<u>1,614,306</u>	<u>912,306</u>	<u>702,000</u>
Contributions subsequent to measurement date	2,239,230	-	2,239,230
Total	<u>\$ 3,853,536</u>	<u>\$ 912,306</u>	<u>\$ 2,941,230</u>

The deferred inflows of resources and the deferred outflows of resources are allocated as follows:

Primary government	\$ 1,919,163	\$ 501,694	\$ 1,417,469
Pension Trust Fund	3,830	849	2,981
Component units	1,629,527	354,347	1,275,180
Component unit fiduciary funds not included within this report	<u>301,016</u>	<u>55,416</u>	<u>245,600</u>
Total	<u>\$ 3,853,536</u>	<u>\$ 912,306</u>	<u>\$ 2,941,230</u>

The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the total pension liability for the year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended December 31,	Amount
2016	\$ 151,910
2017	151,910
2018	151,910
2019	151,910
2020	<u>94,360</u>
Total	<u>\$ 702,000</u>

BAY COUNTY, MICHIGAN

Notes To Financial Statements

11. POSTRETIREMENT HEALTHCARE AND LIFE INSURANCE BENEFITS

The County also sponsors a retiree healthcare plan through a Voluntary Employees Beneficiary Association (“VEBA”) trust (the “Plan”). The plan is a defined benefit public retiree healthcare plan established effective October 1, 2001 and covers substantially all employees of the primary government. Employees of the County’s component units and related organizations, including Road Commission, Library System, Department of Water and Sewer, and Bay Arenac Behavioral Health (BABH), participate in the County’s plan. The Plan provides retirement, disability, and death benefits to plan members and their beneficiaries. The Plan does not issue stand-alone financial statements and is not included in the financial report of any other entity. The purpose of the plan is to provide medical and healthcare benefits for the welfare of certain retirees of the County and the spouses and dependents of such retirees who are participants in the Bay County Retirement System. Benefits under the plan are provided pursuant to a group contract issued by Blue Cross Blue Shield of Michigan. The County Board of Commissioners has the authority to establish and amend benefit provisions. The Plan does not issue stand-alone financial statements and is not included in the financial report of any other entity. However, BABH is not a part of the reporting entity. The notes to the financial statements do not include any information on BABH but the RSI includes information on the entire plan.

Basis of Accounting - The Plan’s financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

The Plan is a contributory defined benefit plan which covers substantially all employees of Bay County as defined above. At December 31, 2013, the date of the latest actuarial valuation, participants in the plan consisted of:

	Primary Government	Component Units	Total
Retired members and beneficiaries:			
Under age 65	152	45	197
Age 65 and over	226	75	301
Active plan members	519	135	654

Employees become eligible for postretirement benefits if they reach normal retirement age while working for the County. Benefits for employees begin the first month following their date of retirement.

The insurance for General County retirees is paid for by the employer, with required copayments, if any, determined annually. In addition, some bargaining units’ contracts provide for the County paying 50 percent of the retirees’ current (at the time of retirement) spouses’ insurance. Premiums for all other dependents covered on the policy are at the expense of the retiree. Employees hired after January 1, 2012 are not eligible for this postemployment benefit.

Road Commission, Department of Water and Sewer, and Bay Medical Care Facility retirees have 100 percent of their premiums paid for by the County. The County also pays 100 percent of premiums for spouses of retirees of the Road Commission and Bay Medical Care Facility.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

The Library pays 50% of the health insurance premiums for employees who retire between the ages of 60 and 65. Employees who retire at age 65 or later are entitled to 100% employer paid health insurance. Spousal premiums are at the expense of the retiree.

The postretirement benefits are financed on a pay-as-you-go basis. The amount of expenditures for the benefits is recognized during the period incurred. The premiums are paid by the County. Employees make no contribution directly to the County for their share of the expense.

The December 31, 2013, actuarial valuation identified the required employer contribution for the General County of \$4,099,849, based on a percentage of covered payroll and amortization period. Contributions to the Plan for the year-ended December 31, 2015, were \$1,390,211. Of the \$1,390,211, \$1,052,649 was contributed as a pay-as-you-go basis, and \$337,562 was contributed to the VEBA Trust fund.

Annual OPEB Cost and Net OPEB Obligation - The County's annual 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 actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the General County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the General County's net OPEB obligation:

Annual required contribution	\$ 4,099,849
Interest on net OPEB obligation	967,427
Adjustment to annual required contribution	<u>(1,185,311)</u>
Annual OPEB cost (expense)	3,881,965
Contributions made	<u>(1,390,211)</u>
Increase in net OPEB obligation	2,491,754
Net OPEB obligation, beginning of year	<u>16,123,787</u>
Net OPEB obligation, end of year	<u>\$ 18,615,541</u>

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Medical Care Facility - For the year ended December 31, 2015, the Facility, as part of the County's plan, has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of December 31, 2013. The valuation's computed contribution and actual funding are summarized as follows for the year ended December 31, 2015:

Annual required contribution	\$ 2,964,927
Interest on net OPEB obligation	707,005
Adjustment to annual required contribution	<u>(895,185)</u>
Annual OPEB cost (expense)	2,776,747
Contributions made	<u>(1,986,206)</u>
Increase in net OPEB obligation	790,541
Net OPEB obligation, beginning of year	<u>11,783,415</u>
Net OPEB obligation, end of year	<u><u>\$ 12,573,956</u></u>
Primary government net OPEB Obligation Reconciliation	
Governmental activities	\$ 18,248,973
Business-type activities	12,899,630
Fiduciary funds	<u>40,894</u>
Primary government net OPEB obligation, end of year	<u><u>\$ 31,189,497</u></u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 was as follows:

Three-Year Trend Information			
Years Ended December 31,	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation
2013	\$ 8,242,264	40%	\$ 24,233,799
2014	6,835,128	46%	27,907,202
2015	6,658,712	51%	31,189,497

Marketable securities are stated at aggregate fair value. Securities which are traded on a national securities exchange are valued at the last reported sales price on the last business day of the System's year. Investments traded in the over-the-counter market and listed securities for which no sale was reported on that date are valued at the last reported bid price. Securities for which market quotations are not readily available are valued at their fair value as determined by the custodian under the direction of the County Commission, with the assistance of a valuation service.

Funded Status and Funding Progress - County. As of December 31, 2013, the most recent actuarial valuation date, the Plan was 21 percent funded. The actuarial accrued liability for benefits was \$90,244,473, and the actuarial value of assets was \$18,812,231, resulting in an unfunded actuarial accrued liability (UAAL) of \$71,432,242.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence 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 multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Assumptions determined below were determined as part of the latest actuarial valuation dated December 31, 2014.

Actuarial cost method	Individual entry age normal cost
Amortization method	Level percent of payroll, opened periods
Remaining amortization method:	30 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rating return*	7.5 percent - actives 6.0 percent - retirees
Projected salary increases*	3.75 percent to 6.0 percent, dependent on years of service
Cost-of-living adjustments	None

*Includes pay inflation at 3.5 percent

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.

The County also provides life insurance to nonrepresented and certain union retirees, including BCAMPS, USWA Full-time, and USWA Probate Court, as of March 1, 1998. The coverage amount is \$10,000. The Bay Medical Care Facility also provides life insurance to retirees. The coverage amount is either \$2,500, \$3,500, or \$5,000, depending on the terms of the bargaining unit contract in effect at the time the employee retired.

Road Commission

Road Commission participates in the Voluntary Employees Beneficiary Association (“VEBA”) trust through the County of Bay.

The Road Commission’s annual other postemployment benefit (“OPEB”) cost 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 the level of funding necessary to cover the normal cost each year and the amortization of any unfunded actuarial liabilities (or funding excess) amortized over a period of 18 years.

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Notes To Financial Statements

The Road Commission’s annual OPEB cost for the year, the amount actuarially contributed, and changes in the net OPEB obligation are as follows:

Annual required contribution	\$ 2,258,071
Interest on net OPEB obligation	498,204
Adjustment to annual required contribution	<u>(766,874)</u>
Annual OPEB cost (expense)	1,989,401
Contributions made	<u>(1,880,429)</u>
Increase in net OPEB obligation	108,972
Net OPEB obligation, beginning of year	<u>8,303,408</u>
Net OPEB obligation, end of year	<u><u>\$ 8,412,380</u></u>

The Road Commission’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the previous three years was as follows:

Three-Year Trend Information			
Years Ended December 31,	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation
2013	\$ 2,004,263	55%	\$ 7,541,035
2014	1,937,709	61%	8,303,408
2015	1,989,401	95%	8,412,380

Funded Status and Funding Progress. As of December 31, 2013, the most recent actuarial valuation date, the Plan was 3 percent funded. The actuarial accrued liability for benefits was \$26,711,098, and the actuarial value of assets was \$839,502, resulting in an unfunded actuarial accrued liability (UAAL) of \$25,871,596. The covered payroll (annual payroll for active employee covered by the Plan) was \$2,878,870 and the ratio for the UAAL to the covered payroll was 899%. Additional information and the required supplementary information can be found in the Road Commission’s separately issued report.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Library System

Library System participates in the Voluntary Employees Beneficiary Association (“VEBA”) trust through the County of Bay.

The following table shows the components of the Library’s annual OPEB cost for the year, the amount actuarially contributed to the plan, and changes in the Library’s net OPEB asset:

Annual required contribution	\$ 376,853
Interest on net OPEB obligation	31,960
Adjustment to annual required contribution	<u>(72,459)</u>
Annual OPEB cost (expense)	336,354
Contributions made	<u>(124,716)</u>
Increase in net OPEB obligation	211,638
Net OPEB obligation, beginning of year	<u>532,672</u>
Net OPEB obligation, end of year	<u><u>\$ 744,310</u></u>

The Library’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the previous three years was as follows:

Three-Year Trend Information			
Years Ended December 31,	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB (Asset) Obligation
2013	\$ 138,924	45%	\$ 253,437
2014	364,434	23%	532,672
2015	336,354	37%	744,310

Funded Status and Funding Progress. As of December 31, 2013, the most recent actuarial valuation date, the Plan was 32 percent funded. The actuarial accrued liability for benefits was \$4,546,691, and the actuarial value of assets was \$1,473,759, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,072,932.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Department of Water and Sewer

Bay County Department of Water and Sewer participates in the Voluntary Employees Beneficiary Association (“VEBA”) trust through the County of Bay.

The DWS’ annual OPEB cost is calculated based on the annual required contribution (“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 actuarial liabilities (or funding excess) over a period of 30 years. The following table illustrates the components of the DWS’ annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the DWS’ net OPEB obligation (asset):

Annual required contribution	\$ 485,723
Interest on net OPEB asset	(28,158)
Adjustment to annual required contribution	<u>16,763</u>
Annual OPEB cost (expense)	474,328
Contributions made	<u>(455,653)</u>
Increase in net OPEB asset	18,675
Net OPEB (asset), beginning of year	<u>(402,287)</u>
Net OPEB (asset), end of year	<u><u>\$ (383,612)</u></u>

The net OPEB asset is allocated as follows:

Component units	\$ (217,987)
Fiduciary funds (not included in this report)	<u>(165,625)</u>
Total	<u><u>\$ (383,612)</u></u>

The DWS’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation (asset) for the previous three years was as follows:

Three-Year Trend Information			
Years Ended December 31,	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation (Asset)
2013	\$ 424,184	117%	\$ (392,489)
2014	469,297	84%	(402,287)
2015	474,328	84%	(383,612)

Funded Status and Funding Progress. As of December 31, 2013, the most recent actuarial valuation date, the Plan was 40 percent funded. The actuarial accrued liability for benefits was \$10,421,661, and the actuarial value of assets was \$4,169,542, resulting in an unfunded actuarial accrued liability (UAAL) of \$6,252,119. Additional information and the required supplementary information can be found in the DWS’ separately issued report.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

12. FINANCIAL STATEMENTS FOR INDIVIDUAL PENSION AND OTHER POSTEMPLOYMENT BENEFIT FUNDS

	Plan Net Position		
	Pension Trust Fund	VEBA Trust Fund	Total
Assets			
Investments, at fair value:			
Equities	\$ 222,518,277	\$ 25,716,597	\$ 248,234,874
Fixed income	70,198,765	15,931,178	86,129,943
Money market	9,294,022	876,389	10,170,411
Total investments	<u>302,011,064</u>	<u>42,524,164</u>	<u>344,535,228</u>
Receivables:			
Contributions	334,442	31,346	365,788
Interest and dividends	736,040	116,087	852,127
Total receivables	<u>1,070,482</u>	<u>147,433</u>	<u>1,217,915</u>
Other current assets:			
Prepaid items and other assets	354,457	-	354,457
Net pension asset	25,143	-	25,143
Total other current assets	<u>379,600</u>	<u>-</u>	<u>379,600</u>
Total assets	<u>303,461,146</u>	<u>42,671,597</u>	<u>346,132,743</u>
Deferred outflow of resources	<u>3,830</u>	<u>-</u>	<u>3,830</u>
Liabilities			
Accounts payable	670,395	35,739	706,134
Accrued liabilities	1,803,514	188,353	1,991,867
Accrued vacation and sick pay	1,095	-	1,095
Net other postemployment benefit obligation	40,894	-	40,894
Total liabilities	<u>2,515,898</u>	<u>224,092</u>	<u>2,739,990</u>
Deferred inflow of resources	<u>849</u>	<u>-</u>	<u>849</u>
Net position			
Restricted for:			
Employees' retirement system	300,948,229	-	300,948,229
Postemployment health care benefits	-	42,447,505	42,447,505
Total net position	<u>\$ 300,948,229</u>	<u>\$ 42,447,505</u>	<u>\$ 343,395,734</u>

BAY COUNTY, MICHIGAN

Notes To Financial Statements

	Plan Changes in Net Position		
	Pension Trust Fund	VEBA Trust Fund	Total
Additions			
Contributions:			
Employer	\$ 5,175,435	\$ 337,562	\$ 5,512,997
Plan members	2,011,545	-	2,011,545
Total contributions	<u>7,186,980</u>	<u>337,562</u>	<u>7,524,542</u>
Investment income:			
Net (depreciation) in fair value of investments	(1,296,077)	(541,037)	(1,837,114)
Interest and dividends	5,601,460	714,544	6,316,004
Less investment expense	(2,019,963)	(149,955)	(2,169,918)
Total investment income	<u>2,285,420</u>	<u>23,552</u>	<u>2,308,972</u>
Other revenue	<u>40,968</u>	<u>8,037</u>	<u>49,005</u>
Total additions	<u>9,513,368</u>	<u>369,151</u>	<u>9,882,519</u>
Deductions			
Benefit payments	16,425,644	-	16,425,644
Administrative expenses	280,388	48,288	328,676
Total deductions	<u>16,706,032</u>	<u>48,288</u>	<u>16,754,320</u>
Change in net position	<u>(7,192,664)</u>	<u>320,863</u>	<u>(6,871,801)</u>
Net position, beginning of year	<u>308,140,893</u>	<u>42,126,642</u>	<u>350,267,535</u>
Net position, end of year	<u>\$ 300,948,229</u>	<u>\$ 42,447,505</u>	<u>\$ 343,395,734</u>

13. SELF-INSURANCE

The County is self-funded for risks associated with workers' compensation, sickness and accident insurance (short-term disability), unemployment compensation and healthcare. The self-insurance program for workers' compensation (except for the Bay County Medical Care Facility), short-term disability and unemployment is accounted for in the Self-Insurance Fund, an Internal Service fund. Contributions are paid to the Self-Insurance fund as a percentage of payroll, with the rates being determined by an independent actuary. The Bay County Medical Care Facility participates in its own, stand-alone self-insured program for workers' compensation and healthcare benefits. The activity of this program is accounted for in the Medical Care Facility Enterprise Fund, with claims being paid as they are incurred. The County's self-insurance program for healthcare became effective January 1, 2001, and is accounted for in the Healthcare Self-Insurance Fund, an internal service fund. The contributions which are paid to the Healthcare Self-Insurance Fund are determined by an independent consultant.

For the area of unemployment compensation, the County is categorized as a reimbursing employer in the State of Michigan. Employee sickness and accident benefit limits are established by way of contract negotiations with the County's eleven bargaining units and by the Board of Commissioners for the County's nonrepresented employees.

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Specifically in the area of workers' compensation, the County purchases excess insurance to reduce its exposure to significant claim losses. Excess insurance allows recovery of a portion of the losses from the excess insurer, although it does not discharge the primary liability of the Self-Insurance fund as direct insurer of the risks. During 2008, Bay County purchased excess insurance from Citizens Insurance Company of America. The self-insured retention is \$450,000 per occurrence. The maximum limit of indemnity per occurrence is statutory. The employers' liability maximum limit of indemnity is \$1,000,000 per occurrence.

The County estimates the liability for claims that have been incurred through December 31, 2015, including both claims that have been reported as well as those that have not yet been reported and estimates of both future payments of losses and related claim adjustment expenses. Estimated liabilities for unpaid claims are based on historical claim payments, including related legal and administrative expenses. Neither the County nor the Bay Medical Care Facility has experienced settlements in excess of insurance coverage during the past three years.

General Liability

In 2015, the County was self-insured for general liability insurance coverage with Michigan Municipal Risk Management Authority ("MMRMA"). Bay County's contributions to this fund are determined each year by MMRMA based on its review of an application filed by the County, which identifies County assets such as property, vehicles, buildings, and equipment. Bay County's retention levels and policy coverage through MMRMA are as follows:

Coverage	Self Insured Retention (excess of deductible)
Liability	\$150,000
Vehicle Physical Damage \$1,000 deductible per vehicle	\$15,000 per vehicle \$30,000 per occurrence
Property and Crime \$1,000 deductible per occurrence	10% of the remaining up to \$100,000 of loss

Limits of Coverage

(including member's self-insured retention per occurrence)

The County's limits of liability coverage range from \$2,000 to \$10,000,000 per occurrence depending on type of occurrence. The County's limits of property and crime coverage range from \$10,000 to \$99,895,006 per occurrence depending on type of occurrence. In addition to the County's coverage from MMRMA, the combined members' have an aggregate \$5,000,000 terrorism liability coverage, \$300,000,000 of aggregate property coverage, a \$100,000,000 earthquake aggregate loss limit, a \$100,000,000 flood aggregate loss limit, and a \$50,000,000 terrorism per occurrence loss limit for all members.

In the area of life insurance, the County is experienced rated and pays premiums to UNUM with whom the County has entered into a contractual agreement.

There have been no significant changes in insurance coverage in the past two years. There have been no claim settlements that have exceeded excess insurance limits.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Changes in the estimated claims liabilities for workers' compensation claims (excluding the Medical Care Facility) for the years ended December 31, 2015 and 2014, are as follows:

	2015	2014
Claims liability, beginning of year	\$ 195,372	\$ 122,253
Claims incurred, including changes in estimates	649,181	175,746
Claims payments and adjustments	<u>(448,104)</u>	<u>(102,627)</u>
Claims liability, end of year	<u>\$ 396,449</u>	<u>\$ 195,372</u>

Changes in the estimated claims liabilities for workers' compensation claims of the Medical Care Facility for the years ended December 31, 2014 and 2013, are as follows:

	2015	2014
Claims liability, beginning of year	\$ 13,005	\$ 161,113
Claims incurred, including changes in estimates	115,360	(85,729)
Claims payments and adjustments	<u>(52,068)</u>	<u>(62,379)</u>
Claims liability, end of year	<u>\$ 76,297</u>	<u>\$ 13,005</u>

Changes in the estimated claims liabilities for healthcare claims (excluding the Medical Care Facility) for the year ended December 31, 2015 and 2014, are as follows:

	2015	2014
Claims liability, beginning of year	\$ 389,615	\$ 396,313
Claims incurred, including changes in estimates	5,222,505	4,659,459
Claims payments and adjustments	<u>(5,248,753)</u>	<u>(4,666,157)</u>
Claims liability, end of year	<u>\$ 363,367</u>	<u>\$ 389,615</u>

BAY COUNTY, MICHIGAN

Notes To Financial Statements

The Medical Care Facility is self-insured for healthcare claims. The Medical Care Facility is covered by a stop-loss policy that covers individual claims over \$15,000. Changes in the estimated claims liabilities for healthcare claims of the Medical Care Facility for the year ended December 31, 2015 and 2014, are as follows:

	2015	2014
Claims liability, beginning of year	\$ 166,059	\$ 219,501
Claims incurred, including changes in estimates	2,238,383	2,126,775
Claims payments and adjustments	<u>(2,253,712)</u>	<u>(2,180,217)</u>
Claims liability, end of year	<u>\$ 150,730</u>	<u>\$ 166,059</u>

General Liability - Road Commission Component Unit

The Road Commission joined together with other Road Commissions to form the Michigan County Road Commission Self-Insurance Pool, a public entity risk pool currently operating as a common risk management and insurance program for liability insurance. The Road Commission pays an annual premium to the pool for its general insurance coverage. The agreement for formation of the Michigan County Road Commission Self-Insurance Pool provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for large claims. The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The Road Commission continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

General Liability - Department of Water and Sewer Component Unit

The Department of Water and Sewer is self-insured for workers' compensation claims. This program is administered by an independent company which furnishes safety inspection, claims review, and claims processing services. The employers' liability maximum limit of indemnity per occurrence is \$1,000,000 and the self-insured retention per occurrence is \$400,000. Net cost for the year ended December 31, 2015, was \$11,360.

The Department of Water and Sewer is further insured for general, automobile, and errors or omissions claims as a member of the Michigan County Road Commission Self-Insurance Pool and is insured for liabilities up to a limit of \$10,500,000 per occurrence, subject to a \$1,000 deductible. The Department of Water and Sewer would be responsible for losses in excess of the limit. Payments made for the year ended December 31, 2015, were \$54,422.

The Department of Water and Sewer is further insured as a member of the Michigan County Road Commission Self-Insurance Pool for building, contents, off-road equipment and licensed vehicles claims and is insured for the lessor of the scheduled value of property or the cost of repairs or replacement, subject to a \$500 deductible. Payments made for the year ended December 31, 2015, were \$105,688.

The Department of Water and Sewer became self-insured for healthcare claims effective February 1, 2006. Blue Cross Blue Shield of Michigan administers the claims and provides \$75,000 specific stop loss coverage in a combined contract with DWS and Bay County Road Commission. Payments made for the year ended December 31, 2015, were \$990,021.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

14. PROPERTY TAXES

The County property tax is levied each July 1st and December 1st through 2015 on the taxable valuation of property located in the County as of the preceding December 31. On July or December 1, the property tax attachment is an enforceable lien on property and is payable by the last day of the next September or February, respectively.

Although the County's 2015 ad valorem tax is levied and collectible by December 1, 2015, it is the County's policy for all governmental fund types (with the exception below) to recognize revenues from the current tax levy in the year when the proceeds of the levy are budgeted and made available for financing County operations.

Beginning with the 2004 tax levy the State has mandated the creation of a Revenue Sharing Reserve fund into which one-third of the County's 2004 to 2006 ad valorem operating tax was being recognized. The purpose of the fund is to accumulate reserves of the County's own local funds from which an amount similar to revenue sharing payments, formerly made by the State, will be made back to the General Fund. As part of this process, the County's tax levy shifted over three years from winter to summer. The property tax shift was completed in 2006 and 100% of the general operating taxes were levied July 1 in 2009.

The taxable value of real and personal property for the December 1, 2014, levy totaled \$2,853,948,154. The taxable value of real and personal property for the July 1, 2015, levy totaled \$2,847,034,923. The tax levy for fiscal year 2015 operations was based on the following rates:

General operating	5.7257 mills
Mosquito control	.4500 mills
911 central dispatch	.7000 mills
County library	1.9953 mills
Senior citizens	.8000 mills
Soldiers' Relief	.1000 mills
Historical society	.0952 mills
Gypsy moth control	.1000 mills

The County annually reimburses the local taxing authorities in Bay County the face value of the real property taxes, which are returned to the County Treasurer on March 1 as delinquent.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

15. FUND BALANCES - GOVERNMENTAL FUNDS

Generally accepted accounting principles (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	911 Service Fund	Division on Aging Fund	Water Supply Capital Projects Fund	Nonmajor Funds	Total
Nonspendable:						
Inventory	\$ 15,771	\$ -	\$ -	\$ -	\$ -	\$ 15,771
Interfund advance	150,000	-	-	-	-	150,000
Prepays	194,118	42,979	8,809	-	984	246,890
Long-term receivables	1,261,941	-	-	-	1,865,690	3,127,631
Total nonspendable	1,621,830	42,979	8,809	-	1,866,674	3,540,292
Restricted for:						
General county services	174,113	-	-	-	-	174,113
911 services	-	1,733,395	-	-	-	1,733,395
Division on aging	-	-	1,569,593	-	-	1,569,593
Water supply capital projects	-	-	-	5,051,731	-	5,051,731
Friend of the court	-	-	-	-	213,007	213,007
Gypsy moth control	-	-	-	-	659,551	659,551
Mosquito control	-	-	-	-	226,404	226,404
Register of deeds	-	-	-	-	81,454	81,454
Concealed pistol licensing	-	-	-	-	20,429	20,429
Local C.F.O training	-	-	-	-	22,624	22,624
Drug law enforcement	-	-	-	-	22,871	22,871
Community corrections	-	-	-	-	8,049	8,049
Home rehabilitation	-	-	-	-	220,493	220,493
Child care/social services	-	-	-	-	1,125	1,125
Soldiers' relief	-	-	-	-	254,280	254,280
Veterans' trust	-	-	-	-	934	934
Building authority debt	-	-	-	-	116,548	116,548
Water supply debt service	-	-	-	-	1,463,204	1,463,204
Total restricted	174,113	1,733,395	1,569,593	5,051,731	3,310,973	11,839,805
Committed for:						
Budget Stabilization	5,148,128	-	-	-	-	5,148,128
Assigned for:						
General county services	547,461	-	-	-	-	547,461
911 services	-	819,650	-	-	-	819,650
Health department	-	-	-	-	370,387	370,387
Mosquito control	-	-	-	-	68,946	68,946
Register of deeds automation	-	-	-	-	21,699	21,699
Local C.F.O. training	-	-	-	-	16,963	16,963
Law library	-	-	-	-	450	450
Community corrections	-	-	-	-	81,546	81,546
Social welfare	-	-	-	-	34,249	34,249
Child care services	-	-	-	-	172,396	172,396
Child care social services	-	-	-	-	15,133	15,133
Total assigned	547,461	819,650	-	-	781,769	2,148,880
Unassigned	6,063,654	-	-	-	-	6,063,654
Total fund balances, governmental funds	\$ 13,555,186	\$ 2,596,024	\$ 1,578,402	\$ 5,051,731	\$ 5,959,416	\$ 28,740,759

BAY COUNTY, MICHIGAN

Notes To Financial Statements

16. NET POSITION

Restricted Net Position

The composition of the County's restricted net position as of December 31, 2015, was as follows:

	Governmental Activities	Business-type Activities	Component Units
Restricted for:			
Public safety	\$ 1,807,368	\$ -	\$ -
Health and welfare	1,825,932	-	-
Judicial	213,007	-	-
Debt service	1,037,012	-	154,130
Home rehabilitation	2,087,167	-	-
Pest control	885,955	-	-
Register of deeds	81,454	-	-
Donor restrictions	174,113	-	-
Insurance claims	6,822,951	-	-
Delinquent taxes	-	1,273,678	-
Pension benefits	7,287,277	8,991,116	9,336,808
Library	-	-	4,573,471
	<u>\$ 22,222,236</u>	<u>\$ 10,264,794</u>	<u>\$ 14,064,409</u>

Net Investment in Capital Assets

The composition of net investment in capital assets as of December 31, 2015, was as follows:

	Governmental Activities	Business-type Activities	Component Units
Capital assets:			
Assets not being depreciated	\$ 61,665,778	\$ 1,274,487	\$ 37,466,309
Assets being depreciated, net	43,316,282	6,631,128	83,000,858
	<u>104,982,060</u>	<u>7,905,615</u>	<u>120,467,167</u>
Related debt:			
Due within one year	3,632,776	5,465	1,470,259
Due more than one year	62,483,247	23,818	9,718,119
Less:			
Conduit debt	-	-	(1,073,286)
Compensated absences	(2,022,812)	(29,283)	(1,248,838)
Retiree benefit obligation	-	-	(3,264,885)
Unspent long-term debt proceeds	(5,051,731)	-	-
	<u>59,041,480</u>	<u>-</u>	<u>5,601,369</u>
Net investment in capital assets	<u>\$ 45,940,580</u>	<u>\$ 7,905,615</u>	<u>\$ 114,865,798</u>

17. COMMITMENTS, CONTINGENCIES, AND PENDING LITIGATION

The County is a defendant in various lawsuits. It is the opinion of County management and its counsel that the outcome of these lawsuits now pending will not materially affect the operations or the financial position of the County.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Under the terms of certain Federal and State grants, periodic audits are required and certain costs may be questioned as not representing appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies.

On September 1, 2015, the County entered into a construction contract for the Kerr-Jammer-Szymanski Drain project in the amount of \$585,840. Of this amount, \$207,986 has been completed, leaving \$377,854 as a remaining commitment as of December 31, 2015.

On February 17, 2015, an agreement for the Water Plant Cost Sharing Agreement was signed between Bay County, City of Bay City, and Bay County Road Commission for the County to assume debt related to the Bay County Water Supply System, which is expected in fiscal 2016. The principal balance as of December 31, 2015 was \$3,605,000.

18. RESTATEMENT

The County adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in the current year. As a result of this change, the following net positions were increased by:

Governmental activities (including internal service funds of \$2,993)	\$ 5,393,855
Business-type activities:	
Medical Care Facility	8,583,356
100% Tax Payment	27,983
Nonmajor enterprise funds	79,515
	<u>8,690,854</u>
Component units:	
Road Commission	7,521,815
Department of Water and Sewer	2,241,394
Library	2,072,166



REQUIRED SUPPLEMENTARY INFORMATION

BAY COUNTY, MICHIGAN

Required Supplementary Information

Employees' Retirement System
For the Year Ended December 31, 2015

Schedule of Changes in Net Pension Liability and Related Ratios

	Year Ending December 31, 2014
Total pension liability	
Service cost	\$ 3,941,541
Interest	15,873,703
Differences between expected and actual experience	2,048,465
Benefit payments, including refunds of member contributions	<u>(12,935,261)</u>
Net change in total pension liability	8,928,448
Total pension liability, beginning of year	<u>216,146,236</u>
Total pension liability, end of year	<u>225,074,684</u>
Plan fiduciary net position	
Employer contributions	2,574,104
Employee contributions	1,669,919
Net investment income	19,045,651
Benefit payments, including refunds of member contributions	(12,935,261)
Administrative expenses	<u>(193,343)</u>
Net change in fiduciary net position	10,161,070
Fiduciary net position, beginning of year	<u>242,732,110</u>
Fiduciary net position, end of year	<u>252,893,180</u>
Net pension asset	<u>\$ 27,818,496</u>
Fiduciary net position as a percentage of total pension asset	112.36%
Covered employee payroll	<u>\$ 47,378,819</u>
Net pension asset as a percentage of covered employee payroll	58.72%

Note: Information is presented as of the measurement date and is being built prospectively. Ultimately, 10 years of data will be presented.

BAY COUNTY, MICHIGAN

Required Supplementary Information
 Employees' Retirement System
 For the Year Ended December 31, 2015

Schedule of the Net Pension Liability

Fiscal Year Ended December 31,	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Asset	Plan Fiduciary Net Position as Percentage of Total Pension Liability	Covered-Employee Payroll	Net Pension Asset as Percentage of Covered Payroll
2014	\$ 225,074,684	\$ 252,893,180	\$ 27,818,496	89.0%	\$ 47,378,819	58.7%

Note: Information is presented as of the measurement date and is being built prospectively. Ultimately, 10 years of data will be presented.

BAY COUNTY, MICHIGAN

Required Supplementary Information

Employees' Retirement System

For the Year Ended December 31, 2015

Schedule of Contributions

Fiscal Year Ended December 31,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as Percentage of Covered Payroll
2006	\$ 581,067	\$ 581,067	\$ -	\$ 42,024,045	1.38%
2007	706,090	706,090	-	44,687,752	1.58%
2008	718,886	718,886	-	46,482,897	1.55%
2009	1,749,408	1,749,408	-	47,244,573	3.70%
2010	2,254,792	2,750,846	(496,054)	47,090,560	5.84%
2011	2,402,962	3,003,703	(600,741)	48,583,176	6.18%
2012	3,070,500	3,500,370	(429,870)	48,571,798	7.21%
2013	4,073,454	4,099,868	(26,414)	44,535,708	9.21%
2014	2,574,104	2,574,104	-	47,378,819	5.43%
2015	2,165,250	2,165,250	-	47,305,446	4.58%

Notes to Schedule of Contributions

Valuation date Actuarially determined contribution rates are calculated as of December 31, which is 12 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry-age normal
Amortization method	Level dollar amount for Library Level percentage of payroll for all other groups
Remaining amortization period	28 years closed for groups that are underfunded 10 years open for groups that are overfunded
Asset valuation method	5 years smoothed market
Wage inflation	3.5% plus merit & longevity increases ranging from .75% to 6.00%
Cost-of-living adjustments	None
Price inflation	3.00%
Investment rate of return	7.50%
Mortality	RP 2000 Combined Healthy Mortality Table

BAY COUNTY, MICHIGAN

Required Supplementary Information VEBA Trust Fund

Schedule of Funding Progress Other Postemployment Benefits Plan General County and Sheriff Department

Actuarial Valuation Date December 31,	Actuarial Value of Assets (in Thousands)	Actuarial Accrued Liability (AAL) Entry Age (in Thousands)	Unfunded AAL (in Thousands)	Funded Ratio	Covered Payroll (in Thousands)	UAAL as a Percentage of Covered Payroll
2009	\$ 7,800	\$ 52,849	\$ (45,049)	15%	N/A	N/A
2011	8,594	57,926	(49,332)	15%	N/A	N/A
2013	11,476	49,972	(38,496)	23%	N/A	N/A

Schedule of Employer Contributions Other Postemployment Benefits Plan General County and Sheriff Department

Year Ended December 31,	Annual Required Contributions	Percentage Contributed
2013	\$ 5,401,227	21%
2014	4,099,849	34%
2015	4,099,849	34%

Schedule of Funding Progress Other Postemployment Benefits Plan Bay County Medical Care Facility

Actuarial Valuation Date December 31,	Actuarial Value of Assets (in Thousands)	Actuarial Accrued Liability (AAL) Entry Age (in Thousands)	Unfunded AAL (in Thousands)	Funded Ratio	Covered Payroll (in Thousands)	UAAL as a Percentage of Covered Payroll
2009	\$ 3,847	\$ 39,490	\$ (35,643)	10%	N/A	N/A
2011	4,633	44,358	(39,725)	10%	N/A	N/A
2013	7,336	40,272	(32,936)	18%	N/A	N/A

Schedule of Employer Contributions Other Postemployment Benefits Plan Bay County Medical Care Facility

Year Ended December 31,	Annual Required Contributions	Percentage Contributed
2013	\$ 3,798,701	52%
2014	3,001,446	58%
2015	2,964,927	67%

BAY COUNTY, MICHIGAN

Required Supplementary Information VEBA Trust Fund

Schedule of Funding Progress Other Postemployment Benefits Plan Library Component Unit

Actuarial Valuation Date December 31,	Actuarial Value of Assets (in Thousands)	Actuarial Accrued Liability (AAL) Entry Age (in Thousands)	Unfunded AAL (in Thousands)	Funded Ratio	Covered Payroll (in Thousands)	UAAL as a Percentage of Covered Payroll
2009	\$ 937	\$ 2,150	\$ (1,213)	44%	N/A	N/A
2011	1,121	2,458	(1,337)	46%	N/A	N/A
2013	1,474	4,547	(3,073)	32%	N/A	N/A

Schedule of Employer Contributions Other Postemployment Benefits Plan Library Component Unit

Year Ended December 31,	Annual Required Contributions	Percentage Contributed
2013	\$ 166,949	37%
2014	384,214	22%
2015	376,853	33%

The information presented in the supplemental schedule was determined as part of the actuarial valuation at the dates indicated. Additional information as of the latest actuarial valuation (December 31, 2014) follows:

Actuarial cost method	Individual entry age normal cost
Amortization method	Level percent of payroll, opened periods
Remaining amortization method:	30 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rating return*	7.5 percent - actives 6.0 percent - retirees
Projected salary increases*	3.75 percent to 6.0 percent, dependent on years of service
Cost-of-living adjustments	None

*Includes pay inflation at 3.5 percent

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

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue funds account for the proceeds of specific revenue resources that are restricted to expenditures for specific programs or projects

The *Friend of the Court Fund* is used to account for judgment fees and for the operation of this office of the Circuit Court.

The *Health Department / District Health Fund* is used to account for revenue received from the General Fund, State grants, and fees to provide health protection, maintenance, and improvement for the residents of Bay County.

The *Gypsy Moth Control Fund* is used to account for revenues received from property taxes and Federal and State grants for controlling gypsy moths.

The *Mosquito Control Fund* accounts for revenues received from property taxes and State grants for mosquito control.

The *Register of Deeds Automation Fund* is used to account for the collection of \$5.00 of the total fee collected for each recording, which is used to fund the upgrading of technology in the Register of Deeds' Office.

The *Concealed Pistol Licensing Fund* is used to account for the deposit of fees collected from concealed pistol licensing, which is earmarked for concealed pistol licensing expenses.

The *Local C.F.O. Training Fund* is used to account for the County's share of the inmate booking fees to be utilized for local correctional officers training programs.

The *Drug Law Enforcement Fund* is used to account for revenue received from drug enforcement forfeitures that is earmarked for drug law enforcement.

The *Law Library Fund* is used to account for revenue received from penal fines and the General Fund that is earmarked for maintaining a law library.

The *Community Corrections Fund* is used to account for revenue received from State grants that is earmarked for programs designed to divert criminal offenders from the Bay County Law Enforcement Center (Jail) and the State prison system.

The *Home Rehabilitation Fund* is used to account for Michigan Community Development Block Grant (CDBG) funds and Michigan State Housing Development Authority (MSHDA) funds provided to the County for the rehabilitation of owner-occupied, single-family residential units in the out-county area.

The *Social Welfare Fund* is used to account for revenues primarily received from the State by the County Social Services Department to administer various public assistance programs.

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS (concluded)

The *Child Care Fund* is used to account for revenues received from the County's General Fund, Federal and State grants, private agencies, and individuals to provide care, guidance, and control of children coming under the jurisdiction of the Probate Court.

The *Child Care / Social Services Fund* is used to account for revenues received from the County's General Fund and the State to provide foster care to children under the jurisdiction of the Probate Court Juvenile Unit who do not qualify for the State Foster Care Program.

The *Soldiers' Relief Fund* is used to account for emergency assistance to eligible veterans.

The *Veterans' Trust Fund* is used to account for revenue received from the State to provide emergency assistance to Michigan veterans.

The *Historical Preservation Fund* is used to account for revenues received from property taxes to foster any activity or project which tends to advance the historical interests of the County.

DEBT SERVICE FUNDS

Debt Service funds accounts for the payment of principal and interest on long-term general obligation debt other than that payable from special assessments and debt issued for an services primarily by an enterprise fund.

The *Building Authority Debt Service Fund* was established to accumulate resources to meet the annual debt service requirements of bonds issued for the construction of and improvements to the Bay County Law Enforcement Center.

The *Water Supply Debt Service Fund* was established to accumulate resources to meet the annual debt service requirements of bonds issued for the construction of the County's Bay Area Water Treatment Plant.

BAY COUNTY, MICHIGAN

Combining Balance Sheet Nonmajor Governmental Funds December 31, 2015

	Special Revenue Funds				
	Friend of the Court	Health Department / District Health	Gypsy Moth Control	Mosquito Control	Register of Deeds Automation
Assets					
Cash and cash equivalents	\$ 112,491	\$ 327,504	\$ 175,052	\$ 126,712	\$ 40,249
Investments	101,882	-	494,620	230,859	86,668
Accounts receivable, net of allowance	-	5,832	-	-	-
Property taxes receivable, net of allowance	-	-	266,844	1,201,317	-
Accrued interest receivable	-	-	2,394	1,395	184
Due from other governmental units	-	159,180	-	4,500	-
Prepays and other assets	-	-	-	-	-
Total assets	\$ 214,373	\$ 492,516	\$ 938,910	\$ 1,564,783	\$ 127,101
Liabilities					
Accounts payable	\$ 81	\$ 23,518	\$ 137	\$ 10,287	\$ 23,948
Accrued liabilities	1,268	54,264	962	4,814	-
Accrued vacation and sick pay	-	4,548	-	1,602	-
Due to other funds	17	551	336	1,517	-
Due to other governmental units	-	39,248	-	-	-
Interfund advances	-	-	-	-	-
Total liabilities	1,366	122,129	1,435	18,220	23,948
Deferred inflows of resources					
Unavailable revenue - property taxes	-	-	356	2,096	-
Taxes levied for a subsequent period	-	-	277,568	1,249,117	-
Total deferred inflows of resources	-	-	277,924	1,251,213	-
Fund balances					
Nonspendable	-	-	-	-	-
Restricted	213,007	-	659,551	226,404	81,454
Assigned	-	370,387	-	68,946	21,699
Total fund balances	213,007	370,387	659,551	295,350	103,153
Total liabilities, deferred inflows of resources and fund balances	\$ 214,373	\$ 492,516	\$ 938,910	\$ 1,564,783	\$ 127,101



Special Revenue Funds

Concealed Pistol Licensing	Local C.F.O. Training	Drug Law Enforcement	Law Library	Community Corrections	Home Rehabilitation	Social Welfare
\$ 20,429	\$ 35,452	\$ 22,871	\$ 3,594	\$ 64,041	\$ 84,005	\$ 9,513
-	-	-	-	-	-	24,736
-	4,135	-	-	-	2,002,280	-
-	-	-	-	-	-	-
-	-	-	-	37,095	-	-
-	-	-	-	-	984	-
<u>\$ 20,429</u>	<u>\$ 39,587</u>	<u>\$ 22,871</u>	<u>\$ 3,594</u>	<u>\$ 101,136</u>	<u>\$ 2,087,269</u>	<u>\$ 34,249</u>
\$ -	\$ -	\$ -	\$ 3,144	\$ 10,311	\$ 102	\$ -
-	-	-	-	1,219	-	-
-	-	-	-	-	-	-
-	-	-	-	11	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	3,144	11,541	102	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	1,866,674	-
20,429	22,624	22,871	-	8,049	220,493	-
-	16,963	-	450	81,546	-	34,249
<u>20,429</u>	<u>39,587</u>	<u>22,871</u>	<u>450</u>	<u>89,595</u>	<u>2,087,167</u>	<u>34,249</u>
<u>\$ 20,429</u>	<u>\$ 39,587</u>	<u>\$ 22,871</u>	<u>\$ 3,594</u>	<u>\$ 101,136</u>	<u>\$ 2,087,269</u>	<u>\$ 34,249</u>

continued...

BAY COUNTY, MICHIGAN

Combining Balance Sheet Nonmajor Governmental Funds December 31, 2015

	Child Care	Child Care / Social Services	Soldiers' Relief	Veterans' Trust
Assets				
Cash and cash equivalents	\$ 91,364	\$ 16,258	\$ 78,667	\$ 984
Investments	-	-	204,622	-
Accounts receivable, net of allowance	-	-	-	-
Property taxes receivable, net of allowance	-	-	266,856	-
Accrued interest receivable	-	-	1,146	-
Due from other governmental units	590,147	-	-	-
Prepays and other assets	-	-	-	-
Total assets	\$ 681,511	\$ 16,258	\$ 551,291	\$ 984
Liabilities				
Accounts payable	\$ 332,534	\$ -	\$ 18,750	\$ 50
Accrued liabilities	19,856	-	-	-
Accrued vacation and sick pay	5,868	-	-	-
Due to other funds	295	-	324	-
Due to other governmental units	562	-	-	-
Interfund advances	150,000	-	-	-
Total liabilities	509,115	-	19,074	50
Deferred inflows of resources				
Unavailable revenue - property taxes	-	-	343	-
Taxes levied for a subsequent period	-	-	277,594	-
Total deferred inflows of resources	-	-	277,937	-
Fund balances				
Nonspendable	-	-	-	-
Restricted	-	1,125	254,280	934
Assigned	172,396	15,133	-	-
Total fund balances	172,396	16,258	254,280	934
Total liabilities, deferred inflows of resources and fund balances	\$ 681,511	\$ 16,258	\$ 551,291	\$ 984



Historical Preservation	Debt Service Funds		Total Nonmajor Governmental Funds
	Building Authority	Water Supply	
\$ 10,708	\$ 28,402	\$ 1,463,204	\$ 2,711,500
-	85,011	-	1,228,398
-	-	-	2,012,247
254,154	-	-	1,989,171
-	3,135	-	8,254
-	-	-	790,922
-	-	-	984
<u>\$ 264,862</u>	<u>\$ 116,548</u>	<u>\$ 1,463,204</u>	<u>\$ 8,741,476</u>
\$ -	\$ -	\$ -	\$ 422,862
162	-	-	82,545
-	-	-	12,018
-	-	-	3,051
-	-	-	39,810
-	-	-	150,000
<u>162</u>	<u>-</u>	<u>-</u>	<u>710,286</u>
441	-	-	3,236
<u>264,259</u>	<u>-</u>	<u>-</u>	<u>2,068,538</u>
<u>264,700</u>	<u>-</u>	<u>-</u>	<u>2,071,774</u>
-	-	-	1,866,674
-	116,548	1,463,204	3,310,973
-	-	-	781,769
<u>-</u>	<u>116,548</u>	<u>1,463,204</u>	<u>5,959,416</u>
<u>\$ 264,862</u>	<u>\$ 116,548</u>	<u>\$ 1,463,204</u>	<u>\$ 8,741,476</u>

concluded.

BAY COUNTY, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds For the Year Ended December 31, 2015

	Special Revenue Funds				
	Friend of the Court	Health Department / District Health	Gypsy Moth Control	Mosquito Control	Register of Deeds Automation
Revenues					
Property taxes	\$ -	\$ -	\$ 280,996	\$ 1,265,224	\$ -
Licenses and permits	-	213,300	-	-	-
Federal	71,259	1,160,579	-	-	-
State	30,748	374,466	-	4,500	-
Interest, rents and royalties	-	9,900	5,081	1,983	(126)
Charges for services	50,115	52,110	-	60	-
Fines and forfeits	-	-	-	-	-
Reimbursements, refunds, and other revenues	-	779,428	-	1,537	-
Total revenues	152,122	2,589,783	286,077	1,273,304	(126)
Expenditures					
Current:					
General government	-	-	224,937	-	146,329
Public safety	-	-	-	-	-
Community and economic development	-	-	-	-	-
Health and welfare	-	3,240,781	-	1,127,952	-
Judicial	120,525	-	-	-	-
Recreation and culture	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest and other fees	-	-	-	-	-
Total expenditures	120,525	3,240,781	224,937	1,127,952	146,329
Revenues over (under) expenditures	31,597	(650,998)	61,140	145,352	(146,455)
Other financing sources (uses)					
Transfers in	-	948,134	-	-	91,550
Transfers out	-	(294,693)	(33,265)	(130,517)	(7,823)
Total other financing sources (uses)	-	653,441	(33,265)	(130,517)	83,727
Net change in fund balances	31,597	2,443	27,875	14,835	(62,728)
Fund balances, beginning of year	181,410	367,944	631,676	280,515	165,881
Fund balances, end of year	\$ 213,007	\$ 370,387	\$ 659,551	\$ 295,350	\$ 103,153



Special Revenue Funds						
Concealed Pistol Licensing	Local C.F.O. Training	Drug Law Enforcement	Law Library	Community Corrections	Home Rehabilitation	Social Welfare
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
20,429	-	-	-	-	-	-
-	-	-	-	-	43,304	-
-	-	-	-	142,150	-	-
-	16,975	-	-	50	342	-
-	-	5,675	6,500	-	-	-
-	-	-	-	1,520	100	632
<u>20,429</u>	<u>16,975</u>	<u>5,675</u>	<u>6,500</u>	<u>143,720</u>	<u>43,746</u>	<u>632</u>
-	-	-	-	-	-	-
-	15,428	5,228	-	155,349	-	-
-	-	-	-	-	32,861	-
-	-	-	-	-	-	1,765
-	-	-	35,217	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	15,428	5,228	35,217	155,349	32,861	1,765
<u>20,429</u>	<u>1,547</u>	<u>447</u>	<u>(28,717)</u>	<u>(11,629)</u>	<u>10,885</u>	<u>(1,133)</u>
-	-	-	29,022	16,855	-	-
-	-	-	-	-	-	-
-	-	-	29,022	16,855	-	-
20,429	1,547	447	305	5,226	10,885	(1,133)
-	38,040	22,424	145	84,369	2,076,282	35,382
<u>\$ 20,429</u>	<u>\$ 39,587</u>	<u>\$ 22,871</u>	<u>\$ 450</u>	<u>\$ 89,595</u>	<u>\$ 2,087,167</u>	<u>\$ 34,249</u>

continued...

BAY COUNTY, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds For the Year Ended December 31, 2015

	Special Revenue Funds				
	Child Care	Child Care / Social Services	Soldiers' Relief	Veterans' Trust	Historical Preservation
Revenues					
Taxes	\$ -	\$ -	\$ 281,296	\$ -	\$ 267,775
Licenses and permits	-	-	-	-	-
Federal	20,154	-	-	-	-
State	89,986	-	-	-	-
Interest, rents and royalties	-	-	2,623	-	25
Charges for services	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Reimbursements, refunds, and other revenues	1,582,820	-	-	35,464	-
Total revenues	1,692,960	-	283,919	35,464	267,800
Expenditures					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Community and economic development	-	-	-	-	-
Health and welfare	2,818,932	-	217,044	36,738	-
Judicial	-	-	-	-	-
Recreation and culture	-	-	-	-	267,800
Debt service:					
Principal	-	-	-	-	-
Interest and other fees	-	-	-	-	-
Total expenditures	2,818,932	-	217,044	36,738	267,800
Revenues over (under) expenditures	(1,125,972)	-	66,875	(1,274)	-
Other financing sources (uses)					
Transfers in	1,485,907	-	-	-	-
Transfers out	(219,373)	-	(13,755)	-	-
Total other financing sources (uses)	1,266,534	-	(13,755)	-	-
Net change in fund balances	140,562	-	53,120	(1,274)	-
Fund balances, beginning of year	31,834	16,258	201,160	2,208	-
Fund balances, end of year	\$ 172,396	\$ 16,258	\$ 254,280	\$ 934	\$ -



Debt Service Funds		
Building Authority	Water Supply	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 2,095,291
-	-	233,729
-	-	1,295,296
-	-	641,850
4,003	626	24,457
-	-	119,310
-	-	12,175
<u>1,421,300</u>	<u>2,430,119</u>	<u>6,252,920</u>
<u>1,425,303</u>	<u>2,430,745</u>	<u>10,675,028</u>
-	-	371,266
-	-	176,005
-	-	32,861
-	-	7,443,212
-	-	155,742
-	-	267,800
2,030,000	-	2,030,000
<u>362,625</u>	<u>1,917,102</u>	<u>2,279,727</u>
<u>2,392,625</u>	<u>1,917,102</u>	<u>12,756,613</u>
<u>(967,322)</u>	<u>513,643</u>	<u>(2,081,585)</u>
971,325	-	3,542,793
-	-	(699,426)
<u>971,325</u>	<u>-</u>	<u>2,843,367</u>
4,003	513,643	761,782
<u>112,545</u>	<u>949,561</u>	<u>5,197,634</u>
<u>\$ 116,548</u>	<u>\$ 1,463,204</u>	<u>\$ 5,959,416</u>

concluded.

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Friend of the Court

For the Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Federal	\$ 87,096	\$ 126,336	\$ 71,259	\$ (55,077)
State	-	-	30,748	30,748
Charges for services	43,580	43,580	50,115	6,535
Total revenues	130,676	169,916	152,122	(17,794)
Expenditures				
Judicial	119,345	133,345	120,525	(12,820)
Net change in fund balance	11,331	36,571	31,597	(4,974)
Fund balance, beginning of year	181,410	181,410	181,410	-
Fund balance, end of year	\$ 192,741	\$ 217,981	\$ 213,007	\$ (4,974)

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - Health Department/District Health For the Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Licenses and permits	\$ 200,000	\$ 200,000	\$ 213,300	\$ 13,300
Federal	1,124,732	1,250,873	1,160,579	(90,294)
State	340,417	415,417	374,466	(40,951)
Interest, rents and royalties	9,000	9,000	9,900	900
Charges for services	102,160	103,160	52,110	(51,050)
Reimbursements, refunds, and other revenues	766,971	770,971	779,428	8,457
Total revenues	2,543,280	2,749,421	2,589,783	(159,638)
Expenditures				
Health and welfare	3,610,971	3,857,557	3,240,781	(616,776)
Revenues under expenditures	(1,067,691)	(1,108,136)	(650,998)	457,138
Other financing sources (uses)				
Transfers in	1,199,536	1,199,536	948,134	(251,402)
Transfers out	(294,693)	(294,693)	(294,693)	-
Total other financing sources (uses)	904,843	904,843	653,441	(251,402)
Net change in fund balance	(162,848)	(203,293)	2,443	205,736
Fund balance, beginning of year	367,944	367,944	367,944	-
Fund balance, end of year	\$ 205,096	\$ 164,651	\$ 370,387	\$ 205,736

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Gypsy Moth Control

For the Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property and other taxes	\$ 277,426	\$ 277,426	\$ 280,996	\$ 3,570
Interest, rents and royalties	9,058	9,058	5,081	(3,977)
Total revenues	286,484	286,484	286,077	(407)
Expenditures				
General government	315,445	315,445	224,937	(90,508)
Revenues over (under) expenditures	(28,961)	(28,961)	61,140	90,101
Other financing uses				
Transfers out	(33,265)	(33,265)	(33,265)	-
Net change in fund balance	(62,226)	(62,226)	27,875	90,101
Fund balance, beginning of year	631,676	631,676	631,676	-
Fund balance, end of year	\$ 569,450	\$ 569,450	\$ 659,551	\$ 90,101

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Mosquito Control Fund

For the Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property and other taxes	\$ 1,248,417	\$ 1,248,417	\$ 1,265,224	\$ 16,807
State	-	-	4,500	4,500
Interest, rents and royalties	12,000	12,000	1,983	(10,017)
Charges for services	-	-	60	60
Reimbursements, refunds, and other revenues	-	-	1,537	1,537
Total revenues	1,260,417	1,260,417	1,273,304	12,887
Expenditures				
Health and welfare	1,190,742	1,190,742	1,127,952	(62,790)
Revenues over expenditures	69,675	69,675	145,352	75,677
Other financing uses				
Transfers out	(130,517)	(130,517)	(130,517)	-
Net change in fund balance	(60,842)	(60,842)	14,835	75,677
Fund balance, beginning of year	280,515	280,515	280,515	-
Fund balance, end of year	\$ 219,673	\$ 219,673	\$ 295,350	\$ 75,677

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - Register of Deeds Automation For the Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Interest, rents and royalties	\$ 9,000	\$ 9,000	\$ (126)	\$ (9,126)
Expenditures				
General government	159,050	207,050	146,329	(60,721)
Revenues under expenditures	(150,050)	(198,050)	(146,455)	51,595
Other financing sources (uses)				
Transfers in	110,000	110,000	91,550	(18,450)
Transfers out	(7,823)	(7,823)	(7,823)	-
Total other financing sources (uses)	102,177	102,177	83,727	(18,450)
Net change in fund balance	(47,873)	(95,873)	(62,728)	33,145
Fund balance, beginning of year	165,881	165,881	165,881	-
Fund balance, end of year	<u>\$ 118,008</u>	<u>\$ 70,008</u>	<u>\$ 103,153</u>	<u>\$ 33,145</u>

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual - Concealed Pistol Licensing
 For the Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Licenses and permits	\$ -	\$ 16,010	\$ 20,429	\$ 4,419
Expenditures				
General government	-	16,010	-	(16,010)
Net change in fund balance	-	-	20,429	20,429
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,429</u>	<u>\$ 20,429</u>

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual - Local C.F.O. Training
 For the Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Charges for services	\$ 18,000	\$ 18,000	\$ 16,975	\$ (1,025)
Expenditures				
Public safety	34,963	34,963	15,428	(19,535)
Net change in fund balance	(16,963)	(16,963)	1,547	18,510
Fund balance, beginning of year	38,040	38,040	38,040	-
Fund balance, end of year	<u>\$ 21,077</u>	<u>\$ 21,077</u>	<u>\$ 39,587</u>	<u>\$ 18,510</u>

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual - Drug Law Enforcement
 For the Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Fines and forfeitures	\$ 3,500	\$ 6,201	\$ 5,675	\$ (526)
Expenditures				
Public safety	226	5,340	5,228	(112)
Net change in fund balance	3,274	861	447	(414)
Fund balance, beginning of year	22,424	22,424	22,424	-
Fund balance, end of year	<u>\$ 25,698</u>	<u>\$ 23,285</u>	<u>\$ 22,871</u>	<u>\$ (414)</u>

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - Law Library For the Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Fines and forfeitures	\$ 6,500	\$ 6,500	\$ 6,500	\$ -
Expenditures				
Judicial	28,380	35,522	35,217	(305)
Revenues under expenditures	(21,880)	(29,022)	(28,717)	305
Other financing sources				
Transfers in	21,880	29,022	29,022	-
Net change in fund balance	-	-	305	305
Fund balance, beginning of year	145	145	145	-
Fund balance, end of year	\$ 145	\$ 145	\$ 450	\$ 305

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - Community Corrections For the Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
State	\$ 136,351	\$ 136,351	\$ 142,150	\$ 5,799
Charges for services	-	-	50	50
Reimbursements, refunds, and other revenues	2,934	2,934	1,520	(1,414)
Total revenues	139,285	139,285	143,720	4,435
Expenditures				
Public safety	156,140	156,140	155,349	(791)
Revenues under expenditures	(16,855)	(16,855)	(11,629)	5,226
Other financing sources				
Transfers in	16,855	16,855	16,855	-
Net change in fund balance	-	-	5,226	5,226
Fund balance, beginning of year	84,369	84,369	84,369	-
Fund balance, end of year	\$ 84,369	\$ 84,369	\$ 89,595	\$ 5,226

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Home Rehabilitation

For the Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Federal	\$ 150,000	\$ 150,000	\$ 43,304	\$ (106,696)
Interest, rents and royalties	1,000	1,000	342	(658)
Reimbursements, refunds, and other revenues	-	-	100	100
Total revenues	151,000	151,000	43,746	(107,254)
Expenditures				
Community and economic development	179,643	179,643	32,861	(146,782)
Net change in fund balance	(28,643)	(28,643)	10,885	39,528
Fund balance, beginning of year	2,076,282	2,076,282	2,076,282	-
Fund balance, end of year	\$ 2,047,639	\$ 2,047,639	\$ 2,087,167	\$ 39,528

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - Social Welfare For the Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Reimbursements, refunds, and other revenues	\$ -	\$ -	\$ 632	\$ 632
Expenditures				
Health and welfare	35,900	35,900	1,765	(34,135)
Net change in fund balance	(35,900)	(35,900)	(1,133)	34,767
Fund balance, beginning of year	35,900	35,900	35,382	(518)
Fund balance, end of year	\$ -	\$ -	\$ 34,249	\$ 34,249

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - Child Care For the Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Federal	\$ 20,000	\$ 20,000	\$ 20,154	\$ 154
State	135,000	135,000	89,986	(45,014)
Reimbursements, refunds, and other revenues	1,330,238	1,555,238	1,582,820	27,582
Total revenues	1,485,238	1,710,238	1,692,960	(17,278)
Expenditures				
Health and welfare	2,617,272	3,076,772	2,818,932	(257,840)
Revenues under expenditures	(1,132,034)	(1,366,534)	(1,125,972)	240,562
Other financing sources (uses)				
Transfers in	1,351,407	1,585,907	1,485,907	(100,000)
Transfers out	(219,373)	(219,373)	(219,373)	-
Total other financing sources (uses)	1,132,034	1,366,534	1,266,534	(100,000)
Net change in fund balance	-	-	140,562	140,562
Fund balance, beginning of year	31,834	31,834	31,834	-
Fund balance, end of year	\$ 31,834	\$ 31,834	\$ 172,396	\$ 140,562

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual - Child Care/Social Services
 For the Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Reimbursements, refunds, and other revenues	\$ 900	\$ 900	\$ -	\$ (900)
Expenditures				
Health and welfare	5,000	5,000	-	(5,000)
Net change in fund balance	(4,100)	(4,100)	-	4,100
Fund balance, beginning of year	16,258	16,258	16,258	-
Fund balance, end of year	<u>\$ 12,158</u>	<u>\$ 12,158</u>	<u>\$ 16,258</u>	<u>\$ 4,100</u>

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - Soldiers' Relief For the Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property and other taxes	\$ 277,426	\$ 277,426	\$ 281,296	\$ 3,870
Interest, rents and royalties	-	-	2,623	2,623
Total revenues	277,426	277,426	283,919	6,493
Expenditures				
Health and welfare	220,335	230,735	217,044	(13,691)
Revenues over expenditures	57,091	46,691	66,875	20,184
Other financing uses				
Transfers out	(13,755)	(13,755)	(13,755)	-
Net change in fund balance	43,336	32,936	53,120	20,184
Fund balance, beginning of year	201,160	201,160	201,160	-
Fund balance, end of year	\$ 244,496	\$ 234,096	\$ 254,280	\$ 20,184

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual -Veterans' Trust For the Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Reimbursements, refunds and other revenues	\$ 60,000	\$ 60,000	\$ 35,464	\$ (24,536)
Expenditures				
Health and welfare	60,000	60,000	36,738	(23,262)
Net change in fund balance	-	-	(1,274)	(1,274)
Fund balance, beginning of year	2,208	2,208	2,208	-
Fund balance, end of year	\$ 2,208	\$ 2,208	\$ 934	\$ (1,274)

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual - Historical Preservation
 For the Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property and other taxes	\$ 264,760	\$ 264,760	\$ 267,775	\$ 3,015
Interest, rents and royalties	25	25	25	-
Total revenues	<u>264,785</u>	<u>264,785</u>	<u>267,800</u>	<u>3,015</u>
Expenditures				
Recreation and culture	<u>264,785</u>	<u>264,785</u>	<u>267,800</u>	<u>3,015</u>
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - Building Authority Debt Service Fund For the Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Interest, rents and royalties	\$ 12,000	\$ 12,000	\$ 4,003	\$ (7,997)
Reimbursements, refunds, and other revenues	1,421,300	1,421,300	1,421,300	-
Total revenues	1,433,300	1,433,300	1,425,303	(7,997)
Expenditures				
Debt service:				
Principal	2,030,000	2,030,000	2,030,000	-
Interest and other fees	362,625	362,625	362,625	-
Total expenditures	2,392,625	2,392,625	2,392,625	-
Revenues under expenditures	(959,325)	(959,325)	(967,322)	(7,997)
Other financing sources				
Transfers in	971,325	971,325	971,325	-
Net change in fund balance	12,000	12,000	4,003	(7,997)
Fund balance, beginning of year	112,545	112,545	112,545	-
Fund balance, end of year	\$ 124,545	\$ 124,545	\$ 116,548	\$ (7,997)

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - Water Supply Debt Service Fund For the Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Interest, rents and royalties	\$ -	\$ -	\$ 626	\$ 626
Reimbursements, refunds, and other revenues	1,541,369	2,430,169	2,430,119	(50)
Total revenues	1,541,369	2,430,169	2,430,745	576
Expenditures				
Debt service:				
Interest and other fees	1,591,369	2,480,169	1,917,102	(563,067)
Revenues over (under) expenditures	(50,000)	(50,000)	513,643	563,643
Other financing sources				
Transfers in	50,000	50,000	-	(50,000)
Net change in fund balance	-	-	513,643	513,643
Fund balance, beginning of year	949,561	949,561	949,561	-
Fund balance, end of year	\$ 949,561	\$ 949,561	\$ 1,463,204	\$ 513,643

NONMAJOR ENTERPRISE FUNDS

Enterprise funds account for the operations and services provided for County residents which are financed primarily through user charges.

The *Golf Course Fund* was established to account for the operations of the County golf course. Revenues are primarily generated from user fees.

The *Housing Fund* accounts for the operations of the Hampton Township Housing Project, which provides low-income housing to eligible County residents.

The *Delinquent Property Tax Foreclosure Fund* was established to account for various fees and costs related to the new delinquent tax reversion process.

The *Commissary Fund* was established to record the operations of commissary sales to inmates at the Bay County Law Enforcement Center. Costs are recovered through charges for items sold.

BAY COUNTY, MICHIGAN

Combining Statement of Net Position

Nonmajor Enterprise Funds
December 31, 2015

	Golf Course	Housing	Delinquent Property Tax Foreclosure	Commissary	Total
Assets					
Current assets:					
Cash and cash equivalents	\$ 66,663	\$ 363,776	\$ 124,336	\$ 22,972	\$ 577,747
Investments	55,415	109,841	301,748	54,838	521,842
Accounts receivable, net of allowance	2,909	825	-	-	3,734
Accrued interest receivable	236	-	672	180	1,088
Inventories	8,320	-	-	-	8,320
Due from other funds	-	-	15,335	-	15,335
Due from component units	-	-	25,000	-	25,000
Prepaid items and other assets	-	21,252	11,634	-	32,886
Total current assets	133,543	495,694	478,725	77,990	1,185,952
Noncurrent assets:					
Net pension asset	29,656	72,852	-	-	102,508
Capital assets not being depreciated	136,933	90,538	-	-	227,471
Capital assets being depreciated, net	178,563	1,459,200	-	-	1,637,763
Total noncurrent assets	345,152	1,622,590	-	-	1,967,742
Total assets	478,695	2,118,284	478,725	77,990	3,153,694
Deferred outflows of resources					
Deferred pension amounts	4,517	11,095	-	-	15,612
Liabilities					
Current liabilities:					
Accounts payable	3,144	26,321	26,742	-	56,207
Accrued liabilities	1,769	78,327	-	-	80,096
Due to other funds	24	-	5,968	-	5,992
Due to other governmental units	2	-	-	93	95
Unearned revenue	7,450	716	-	-	8,166
Current portion of compensated absences	-	4,398	-	-	4,398
Total current liabilities	12,389	109,762	32,710	93	154,954
Noncurrent liabilities:					
Compensated absences, net of current portion	12,335	1,659	-	-	13,994
Net other postemployment benefit obligation	99,175	147,599	-	-	246,774
Total noncurrent liabilities	111,510	149,258	-	-	260,768
Total liabilities	123,899	259,020	32,710	93	415,722
Deferred inflows of resources					
Deferred pension amounts	1,001	2,459	-	-	3,460
Net position					
Investment in capital assets	315,496	1,549,738	-	-	1,865,234
Restricted for pension benefits	33,172	81,488	-	-	114,660
Unrestricted	9,644	236,674	446,015	77,897	770,230
Total net position	\$ 358,312	\$ 1,867,900	\$ 446,015	\$ 77,897	\$ 2,750,124

BAY COUNTY, MICHIGAN

Combining Statement of Revenue, Expenses and Changes in Fund Net Position Nonmajor Enterprise Funds For the Year Ended December 31, 2015

	Golf Course	Housing	Delinquent Property Tax Foreclosure	Commissary	Total
Operating revenues					
Charges for services	\$ 457,208	\$ 275,787	\$ 405,638	\$ 150,674	\$ 1,289,307
Program grants-subsidies	-	158,830	-	-	158,830
Other	1,919	14,120	143,575	7	159,621
Total operating revenues	459,127	448,737	549,213	150,681	1,607,758
Operating expenses					
Personal services	259,910	-	-	-	259,910
Supplies	58,885	-	507	-	59,392
Other services	174,319	469,583	183,925	110,824	938,651
Depreciation	46,824	217,979	458	-	265,261
Total operating expenses	539,938	687,562	184,890	110,824	1,523,214
Operating income (loss)	(80,811)	(238,825)	364,323	39,857	84,544
Nonoperating revenue					
Interest income	142	677	1,539	342	2,700
Income (loss) before contributions and transfers	(80,669)	(238,148)	365,862	40,199	87,244
Other financing sources (uses)					
Transfers in	50,000	-	-	-	50,000
Transfers out	(30,088)	-	(150,190)	(25,000)	(205,278)
Total other financing sources (uses)	19,912	-	(150,190)	(25,000)	(155,278)
Capital contributions	-	36,314	-	-	36,314
Change in net position	(60,757)	(201,834)	215,672	15,199	(31,720)
Net position, beginning of year, as restated	419,069	2,069,734	230,343	62,698	2,781,844
Net position, end of year	\$ 358,312	\$ 1,867,900	\$ 446,015	\$ 77,897	\$ 2,750,124

BAY COUNTY, MICHIGAN

Combining Statement of Cash Flows Nonmajor Enterprise Funds For the Year Ended December 31, 2015

	Golf Course	Housing	Delinquent Property Tax Foreclosure	Commissary	Total
Cash flows from operating activities					
Cash received from customers	\$ 456,035	\$ 291,970	\$ 405,638	\$ 151,398	\$ 1,305,041
Interfund obligation payments	(55)	-	(77,386)	-	(77,441)
Cash payments to suppliers for goods and services	(233,298)	(266,926)	(175,011)	(110,824)	(786,059)
Cash payments to employees and related related taxes and insurance	(251,457)	(183,145)	-	(5)	(434,607)
Other operating receipts	1,919	158,830	143,575	7	304,331
Net cash provided by (used in) operating activities	(26,856)	729	296,816	40,576	311,265
Cash flows from noncapital financing activities					
Transfers in	50,000	-	-	-	50,000
Transfers out	-	-	(150,190)	(25,000)	(175,190)
Net cash provided by (used in) noncapital financing activities	50,000	-	(150,190)	(25,000)	(125,190)
Cash flows from capital related financing activities					
Capital grants	-	36,314	-	-	36,314
Acquisition and construction of capital assets	-	(89,118)	-	-	(89,118)
Net cash provided by (used in) capital related financing activities	-	(52,804)	-	-	(52,804)
Cash flows from investing activities					
Proceeds from sale of investments	25,501	-	-	-	25,501
Purchase of investments	-	(405)	(87,472)	(1,206)	(89,083)
Interest received	2,004	677	7,681	1,484	11,846
Net cash provided by (used in) investing activities	27,505	272	(79,791)	278	(51,736)
Net change in cash and cash equivalents	50,649	(51,803)	66,835	15,854	81,535
Cash and cash equivalents, beginning of year	16,014	415,579	57,501	7,118	496,212
Cash and cash equivalents, end of year	\$ 66,663	\$ 363,776	\$ 124,336	\$ 22,972	\$ 577,747

Continued...

BAY COUNTY, MICHIGAN

Combining Statement of Cash Flows
 Nonmajor Enterprise Funds
 For the Year Ended December 31, 2015

	Golf Course	Housing	Delinquent Property Tax Foreclosure	Commissary	Total
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating (loss) income	\$ (80,811)	\$ (238,825)	\$ 364,323	\$ 39,857	\$ 84,544
Adjustments to reconcile operating (loss) income to net cash provided by (used in) operating activities:					
Depreciation	46,824	217,979	458	-	265,261
Changes in operating assets and liabilities that provided (used) cash:					
Accounts receivable	(1,414)	2,479	-	724	1,789
Inventories	(1,241)	-	-	-	(1,241)
Prepaid items and other assets	-	(20,546)	(183)	-	(20,729)
Due from other funds	-	-	(15,335)	-	(15,335)
Accounts payable	1,147	768	9,604	-	11,519
Accrued liabilities	(3,400)	44,404	-	-	41,004
Accrued vacation and sick pay	1,879	-	-	-	1,879
Due to other funds	(55)	-	(62,051)	-	(62,106)
Due to other governmental units	(50)	-	-	(5)	(55)
Unearned revenue	241	(407)	-	-	(166)
Net other postemployment benefit obligation	12,110	-	-	-	12,110
Change in net pension liability and deferred amounts	(2,086)	(5,123)	-	-	(7,209)
Net cash provided by (used in) operating activities	\$ (26,856)	\$ 729	\$ 296,816	\$ 40,576	\$ 311,265

Concluded

INTERNAL SERVICES FUNDS

Internal Service funds account for the financing of goods or services provided to other funds, departments or agencies of the primary government and its component units or to other governmental units on a cost reimbursement basis.

The *Self Insurance Fund* was established by the County to provide its own insurance coverage to its departments or funds for workers' compensation, sickness and accident, and unemployment compensation. It is funded by charges to the various funds covered under the program, with all claims being paid from the fund.

The *Healthcare Self Insurance* was established by the County to provide its own insurance coverage to its departments or funds for employee health care.

BAY COUNTY, MICHIGAN

Combining Statement of Net Position

Internal Service Funds

December 31, 2015

	Self Insurance	Healthcare Self Insurance	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 991,859	\$ 2,485,825	\$ 3,477,684
Investments	1,169,921	-	1,169,921
Accounts receivable, net of allowance	12	57,468	57,480
Accrued interest receivable	4,299	-	4,299
Due from other funds	5,895	2,632,884	2,638,779
Due from other governmental units	2,218	-	2,218
Prepaid items and other assets	7,577	248,100	255,677
Total current assets	2,181,781	5,424,277	7,606,058
Noncurrent assets:			
Net pension asset	3,868	-	3,868
Total assets	2,185,649	5,424,277	7,609,926
Deferred outflows of resources			
Deferred pension amounts	590	-	590
Liabilities			
Current liabilities:			
Accounts payable	19	-	19
Accrued liabilities	13,073	-	13,073
Due to other funds	2	-	2
Claims, settlements, and judgments	396,449	363,367	759,816
Total current liabilities	409,543	363,367	772,910
Noncurrent liabilities:			
Compensated absences	1,445	-	1,445
Net other postemployment benefit obligation	8,752	-	8,752
Total noncurrent liabilities	10,197	-	10,197
Total liabilities	419,740	363,367	783,107
Deferred inflows of resources			
Deferred pension amounts	131	-	131
Net position			
Restricted for:			
Pension benefits	4,327	-	4,327
Insurance claims	1,762,041	5,060,910	6,822,951
Total net position	\$ 1,766,368	\$ 5,060,910	\$ 6,827,278

BAY COUNTY, MICHIGAN

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

Internal Service Funds

For the Year Ended December 31, 2015

	Self Insurance	Healthcare Self Insurance	Total
Operating revenues			
Charges for services	\$ 294,776	\$ 6,075,676	\$ 6,370,452
Operating expenses			
Personal services	654,013	5,299,524	5,953,537
Other services	97,702	1,242,585	1,340,287
Total operating expenses	751,715	6,542,109	7,293,824
Operating (loss)	(456,939)	(466,433)	(923,372)
Nonoperating revenues			
Interest income	8,075	-	8,075
Loss before transfers	(448,864)	(466,433)	(915,297)
Transfers out	-	(15,852)	(15,852)
Change in net position	(448,864)	(482,285)	(931,149)
Net position, beginning of year, as restated	2,215,232	5,543,195	7,758,427
Net position, end of year	\$ 1,766,368	\$ 5,060,910	\$ 6,827,278

BAY COUNTY, MICHIGAN

Combining Statement of Cash Flows

Internal Service Funds

For the Year Ended December 31, 2015

	Self Insurance	Healthcare Self Insurance	Total
Cash flows from operating activities			
Cash received from interfund services provided	\$ 294,806	\$ 6,038,525	\$ 6,333,331
Interfund reimbursements	10,163	1,269,312	1,279,475
Cash payments to suppliers for goods and services	(91,814)	(1,208,305)	(1,300,119)
Cash payments to employees and related taxes and insurance	(485,616)	(5,325,772)	(5,811,388)
Net cash provided by (used in) operating activities	<u>(272,461)</u>	<u>773,760</u>	<u>501,299</u>
Cash flows from noncapital financing activities			
Transfers out	-	(15,852)	(15,852)
Cash flows from investing activities			
Proceeds from sale of investments	204,901	-	204,901
Interest received	31,991	-	31,991
Net cash provided by investing activities	<u>236,892</u>	<u>-</u>	<u>236,892</u>
Net increase (decrease) in cash and cash equivalents	(35,569)	757,908	722,339
Cash and cash equivalents, beginning of year	1,027,428	1,727,917	2,755,345
Cash and cash equivalents, end of year	<u>\$ 991,859</u>	<u>\$ 2,485,825</u>	<u>\$ 3,477,684</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities			
Operating income (loss)	\$ (456,939)	\$ (466,433)	\$ (923,372)
Adjustments to reconcile operating (loss) income to net cash provided by (used in) operating activities:			
Changes in operating assets and liabilities that provided (used) cash:			
Accounts receivable	30	(37,151)	(37,121)
Due from other funds	13,583	1,269,312	1,282,895
Due from other governmental units	(2,110)	-	(2,110)
Prepaid items and other assets	5,905	34,280	40,185
Accounts payable	(17)	-	(17)
Accrued liabilities	(32,896)	-	(32,896)
Due to other funds	(3,420)	-	(3,420)
Compensated absences	1,118	-	1,118
Net other postemployment benefit obligation	1,480	-	1,480
Claims, settlements, and judgments	201,077	(26,248)	174,829
Change in net pension asset and deferred amounts	(272)	-	(272)
Net cash provided by (used in) operating activities	<u>\$ (272,461)</u>	<u>\$ 773,760</u>	<u>\$ 501,299</u>

FIDUCIARY FUNDS

Fiduciary funds account for assets held by the County in a trustee or agent capacity. Disbursements from these funds are contingent upon the trust agreement or applicable legislative enactment for each particular fund. The Bay County Fiduciary funds encompass three broad categories: Private-Purpose Trust, Pension and Other Benefits Trust, and Agency funds. Private-Purpose Trust funds result from the County's agreement to accept resources and spend them in ways specified by the donor. Pension and Other Benefits Trust funds account for contributions from the County. They also invest fund resources, and calculate and pay pensions and other benefits to retirees and beneficiaries. Agency funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments, and other funds.

The *Inmate Private Purpose Trust Fund* is used to account for deposits from County jail inmates.

The *Probate Court Private Purpose Trust Fund* is used to account for trust arrangements for the probate court.

The *Employees' Retirement System Fund* is used to account for the financial transactions of the Bay County Employees' Retirement System. The system is administered by the Retirement Board of Trustees, while the County acts as custodian for the System.

The *VEBA Trust Fund* is used to accumulate financial resources in order to provide medical benefits for retirees', their spouses and dependents.

The *General Agency Fund* is used to account for resources held by the County, which were received from various sources, and their subsequent disbursement to other parties.

The *Current Tax Collection Fund* is used to account for the collection of current property taxes and special assessments held by the County in a trustee capacity and the subsequent distribution to the appropriate local governmental unit or County fund.

The *Library Penal Fine Fund* is used to account for penal fines received by the District and Circuit courts and distributed to public libraries, as directed by the State Library Board and the County's Law Library Fund per State Act 286 of 1961.

The *Flexible Spending Plan Fund* is used to account for a portion of employee wages voluntarily set aside on a pre tax basis to cover unreimbursed medical expenses and/or dependent day care expenses. The County holds these funds in a trustee capacity and reimburses the participating employees for eligible expenses.

BAY COUNTY, MICHIGAN

Combining Statement of Fiduciary Net Position
 Private Purpose Trust Funds
 December 31, 2015

	Inmate	Probate Court	Total
Assets			
Cash and cash equivalents	\$ 15,840	\$ 52,163	\$ 68,003
Liabilities			
Accounts payable	14,487	-	14,487
Accrued liabilities	475	52,163	52,638
Total liabilities	14,962	52,163	67,125
Net position			
Restricted for:			
Inmates	\$ 878	\$ -	\$ 878

BAY COUNTY, MICHIGAN

Combining Statement of Changes in Fiduciary Net Position
 Private Purpose Trust Funds
 For the Year Ended December 31, 2015

	Inmate	Probate Court	Total
Additions			
Investment income:			
Interest and dividends	\$ 109	\$ -	\$ 109
Deductions			
Other services	298	-	298
Change in net position	(189)	-	(189)
Net position			
Beginning of year	1,067	-	1,067
End of year	\$ 878	\$ -	\$ 878

BAY COUNTY, MICHIGAN

Combining Statement of Plan Net Position

Pension and Other Employee Benefits - Employees' Retirement System and VEBA Trust Fund

December 31, 2015

	Employees' Retirement System	VEBA Trust Fund	Total
Assets			
Investments at fair value:			
Equities	\$ 222,518,277	\$ 25,716,597	\$ 248,234,874
Fixed income	70,198,765	15,931,178	86,129,943
Cash and cash equivalents	9,294,022	876,389	10,170,411
Total investments	<u>302,011,064</u>	<u>42,524,164</u>	<u>344,535,228</u>
Receivables:			
Contributions receivable	334,442	31,346	365,788
Interest and dividends	736,040	116,087	852,127
Total receivables	<u>1,070,482</u>	<u>147,433</u>	<u>1,217,915</u>
Other current assets:			
Prepaid items and other assets	354,457	-	354,457
Net pension asset	25,143	-	25,143
Total other current assets	<u>379,600</u>	<u>-</u>	<u>379,600</u>
Total assets	<u>303,461,146</u>	<u>42,671,597</u>	<u>346,132,743</u>
Deferred outflows of resources	<u>3,830</u>	<u>-</u>	<u>3,830</u>
Liabilities			
Accounts payable	670,395	35,739	706,134
Accrued liabilities	1,803,514	188,353	1,991,867
Accrued vacation and sick pay	1,095	-	1,095
Net other postemployment benefit obligation	40,894	-	40,894
Total liabilities	<u>2,515,898</u>	<u>224,092</u>	<u>2,739,990</u>
Deferred inflows of resources	<u>849</u>	<u>-</u>	<u>849</u>
Net position			
Restricted for:			
Pension benefits	300,948,229	-	300,948,229
Postemployment health care benefits	-	42,447,505	42,447,505
Total net position	<u>\$ 300,948,229</u>	<u>\$ 42,447,505</u>	<u>\$ 343,395,734</u>

BAY COUNTY, MICHIGAN

Combining Statement of Changes in Plan Net Position

Pension and Other Employee Benefits - Employees' Retirement System and VEBA Trust Fund

For the Year Ended December 31, 2015

	Employees' Retirement System	VEBA Trust Fund	Total
Additions			
Investment income:			
Net depreciation in fair value of investments	\$ (1,296,077)	\$ (541,037)	\$ (1,837,114)
Interest and dividends	5,601,460	714,544	6,316,004
Total investment earnings	4,305,383	173,507	4,478,890
Less investment expense	(2,019,963)	(149,955)	(2,169,918)
Net investment income	2,285,420	23,552	2,308,972
Contributions:			
Employer	5,175,435	337,562	5,512,997
Plan members	2,011,545	-	2,011,545
Total contributions	7,186,980	337,562	7,524,542
Other revenue	40,968	8,037	49,005
Total additions	9,513,368	369,151	9,882,519
Deductions			
Participant benefits (including refunds of contributions)	16,425,644	-	16,425,644
Administrative expenses	280,388	48,288	328,676
Total deductions	16,706,032	48,288	16,754,320
Change in net position	(7,192,664)	320,863	(6,871,801)
Net position, beginning of year	308,140,893	42,126,642	350,267,535
Net position, end of year	\$ 300,948,229	\$ 42,447,505	\$ 343,395,734

BAY COUNTY, MICHIGAN

Combing Statement of Assets and Liabilities

Agency Funds
December 31, 2015

	General Agency	Current Tax Collections	Library Penal Fine	Flexible Spending Plan	Total
Assets					
Cash and cash equivalents	\$ 4,631,575	\$ -	\$ -	\$ 29,435	\$ 4,661,010
Investments	7,652,064	492,071	-	-	8,144,135
Prepays items and other assets	-	-	-	6,000	6,000
Accounts receivable	972	-	-	-	972
Due from other agency funds	-	-	26,482	-	26,482
Total assets	\$ 12,284,611	\$ 492,071	\$ 26,482	\$ 35,435	\$ 12,838,599
Liabilities					
Accounts payable	\$ 118,054	\$ 202,574	\$ -	\$ -	\$ 320,628
Accrued liabilities	119,688	-	-	35,435	155,123
Due to component units	11,371,321	289,497	26,482	-	11,687,300
Due to other agency funds	26,482	-	-	-	26,482
Due to other governmental units	413,839	-	-	-	413,839
Deposits	223,405	-	-	-	223,405
Undistributed taxes	11,822	-	-	-	11,822
Total liabilities	\$ 12,284,611	\$ 492,071	\$ 26,482	\$ 35,435	\$ 12,838,599

BAY COUNTY, MICHIGAN

Combining Statement of Changes in Assets and Liabilities

Agency Funds

For the Year Ended December 31, 2015

	Balance January 1, 2015	Additions	Deductions	Balance December 31, 2015
General Agency Fund				
Assets				
Cash and cash equivalents	\$ 2,233,019	\$ 41,059,171	\$ (38,660,615)	\$ 4,631,575
Investments	8,981,506	24,345,875	(25,675,317)	7,652,064
Accounts receivable	873	4,669	(4,570)	972
Total assets	\$ 11,215,398	\$ 65,409,715	\$ (64,340,502)	\$ 12,284,611
Liabilities				
Accounts payable	\$ 109,432	\$ 17,509,484	\$ (17,500,862)	\$ 118,054
Accrued liabilities	135,535	136,167	(152,014)	119,688
Due to component units	10,428,072	15,588,591	(14,645,342)	11,371,321
Due to other agency funds	44,352	26,482	(44,352)	26,482
Due to other governmental units	296,249	17,957,207	(17,839,617)	413,839
Deposits	201,758	54,127	(32,480)	223,405
Undistributed taxes	-	12,092	(270)	11,822
Total liabilities	\$ 11,215,398	\$ 51,284,150	\$ (50,214,937)	\$ 12,284,611
Current Tax Collection Fund				
Assets				
Cash and cash equivalents	\$ -	\$ 67,005,876	\$ (67,005,876)	\$ -
Investments	474,512	966,583	(949,024)	492,071
Total assets	\$ 474,512	\$ 67,972,459	\$ (67,954,900)	\$ 492,071
Liabilities				
Accounts payable	\$ 257,595	\$ 17,559,369	\$ (17,614,390)	\$ 202,574
Due to component units	216,917	5,784,642	(5,712,062)	289,497
Undistributed taxes	-	30,774,928	(30,774,928)	-
Total liabilities	\$ 474,512	\$ 54,118,939	\$ (54,101,380)	\$ 492,071
Library Penal Fine				
Assets				
Cash and cash equivalents	\$ -	\$ 451,108	\$ (451,108)	\$ -
Due from other agency funds	44,352	70,834	(88,704)	26,482
Total assets	\$ 44,352	\$ 521,942	\$ (539,812)	\$ 26,482
Liabilities				
Accounts payable	\$ -	\$ 495,460	\$ (495,460)	\$ -
Due to component units	44,352	(17,870)	-	26,482
Total liabilities	\$ 44,352	\$ 477,590	\$ (495,460)	\$ 26,482

continued...

BAY COUNTY, MICHIGAN

Combining Statement of Changes in Assets and Liabilities

Agency Funds

For the Year Ended December 31, 2015

	Balance January 1, 2015	Additions	Deductions	Balance December 31, 2015
Flexible Spending Plan Fund				
Assets				
Cash and cash equivalents	\$ 24,438	\$ 164,729	\$ (159,732)	\$ 29,435
Prepaid items and other assets	-	6,000	-	6,000
Total assets	\$ 24,438	\$ 170,729	\$ (159,732)	\$ 35,435
Liabilities				
Accrued liabilities	\$ 24,438	\$ 111,941	\$ (100,944)	\$ 35,435
Total - All Agency Funds				
Assets				
Cash and cash equivalents	\$ 2,257,457	\$ 108,680,884	\$ (106,277,331)	\$ 4,661,010
Investments	9,456,018	25,312,458	(26,624,341)	8,144,135
Accounts receivable	873	4,669	(4,570)	972
Prepaid items and other assets	-	6,000	-	6,000
Due from other agency funds	44,352	70,834	(88,704)	26,482
Total assets	\$ 11,758,700	\$ 134,074,845	\$ (132,994,946)	\$ 12,838,599
Liabilities				
Accounts payable	\$ 367,027	\$ 35,564,313	\$ (35,610,712)	\$ 320,628
Accrued liabilities	159,973	248,108	(252,958)	155,123
Due to component units	10,689,341	21,355,363	(20,357,404)	11,687,300
Due to other agency funds	44,352	26,482	(44,352)	26,482
Due to other governmental units	296,249	17,957,207	(17,839,617)	413,839
Deposits	201,758	54,127	(32,480)	223,405
Undistributed taxes	-	30,787,020	(30,775,198)	11,822
Total liabilities	\$ 11,758,700	\$ 105,992,620	\$ (104,912,721)	\$ 12,838,599

concluded

COMPONENT UNITS

LIBRARY SYSTEM

The *Library System* was established to account for the operations of the Bay County Library System, a component unit of Bay County, which provides services and materials in a variety of formats to satisfy the educational, personal and professional interests of the community with funds primarily raised through local property taxes.

DRAIN COMMISSION

The *Drain Commission* was established to account for the operations of the Bay County Drain Commission, a component unit of Bay County, and is used to track the collections and expenditures related to construction and maintenance of drainage districts throughout the County.

BAY COUNTY, MICHIGAN

Statement of Net Position and Balance Sheet
 Library System Component Unit
 December 31, 2015

	Library System	Adjustments	Statement of Net Position
Assets			
Current assets:			
Cash and cash equivalents	\$ 5,389,104	\$ -	\$ 5,389,104
Accounts receivable, net of allowance	7,741	-	7,741
Property taxes receivable	5,538,400	-	5,538,400
Accrued interest receivable	18,606	-	18,606
Due from primary government	30,268	-	30,268
Prepaid items and other assets	162,248	-	162,248
Total current assets	11,146,367	-	11,146,367
Noncurrent assets:			
Net pension asset	-	1,976,838	1,976,838
Capital assets not being depreciated	-	107,487	107,487
Capital assets being depreciated, net	-	2,466,955	2,466,955
Total noncurrent assets	-	4,551,280	4,551,280
Total assets	\$ 11,146,367	4,551,280	15,697,647
Deferred outflows of resources	-	250,926	250,926
Liabilities			
Current liabilities:			
Accounts payable	\$ 64,747	-	64,747
Accrued liabilities	56,243	-	56,243
Current portion of compensated absences	-	16,920	16,920
Total current liabilities	120,990	16,920	137,910
Noncurrent liabilities:			
Compensated absences, net of current portion	-	152,276	152,276
Net other postemployment benefit obligation	-	744,310	744,310
Total noncurrent liabilities	-	896,586	896,586
Total liabilities	120,990	913,506	1,034,496
Deferred inflows of resources			
Deferred pension amounts	-	66,737	66,737
Taxes levied for a subsequent period	5,538,400	-	5,538,400
Total deferred inflows of resources	5,538,400	66,737	5,605,137
Fund balances			
Nonspendable	162,248	(162,248)	-
Restricted	4,790,844	(4,790,844)	-
Assigned:			
Capital outlay	123,991	(123,991)	-
Retirement	119,226	(119,226)	-
Subsequent year's budget	290,668	(290,668)	-
Total fund balances	5,486,977	(5,486,977)	-
Total liabilities and fund balances	\$ 11,146,367		
Net position			
Investment in capital assets		2,574,442	2,574,442
Restricted for:			
Library services		4,573,471	4,573,471
Pension benefits		2,161,027	2,161,027
Total net position		\$ 9,308,940	\$ 9,308,940

BAY COUNTY, MICHIGAN

Statement of Activities and Statement of Revenues, Expenditures and Changes in Fund Balances
 Library System Component Unit
 For the Year Ended December 31, 2015

	Library System	Adjustments	Statement of Activities
Revenues			
Property and other taxes	\$ 5,614,908	\$ -	\$ 5,614,908
Federal grants	28,280	-	28,280
State grants	66,358	-	66,358
Interest income	32,696	-	32,696
Charges for services	528,508	-	528,508
Donations	61,618	-	61,618
Total revenues	<u>6,332,368</u>	<u>-</u>	<u>6,332,368</u>
Expenditures / expenses			
Current:			
Recreation and culture	4,789,985	(305,354)	4,484,631
Depreciation	-	568,954	568,954
Contributions to other units	1,421,300	-	1,421,300
Total expenditures / expenses	<u>6,211,285</u>	<u>263,600</u>	<u>6,474,885</u>
Net change in fund balance / net position	121,083	(263,600)	(142,517)
Fund balance / net position, beginning of year, as restated	<u>5,365,894</u>	<u>4,085,563</u>	<u>9,451,457</u>
Fund balance / net position, end of year	<u>\$ 5,486,977</u>	<u>\$ 3,821,963</u>	<u>\$ 9,308,940</u>

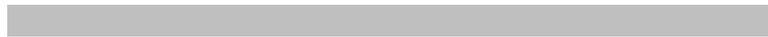
BAY COUNTY, MICHIGAN

Combining Statement of Net Position and Balance Sheet

Drain Commission Component Unit

December 31, 2015

	Drain Debt Service Funds	Drain Operations and Maintenance	Drain Capital Projects Fund
Assets			
Cash and cash equivalents	\$ 91,833	\$ 235,148	\$ 1,302,915
Investments	105,991	93,372	1,408,703
Special assessments	1,484,175	13,215	191,415
Accrued interest receivable	291	1,233	3,908
Due from other funds	-	33,185	31,419
Due from primary government	41,106	60,782	47,995
Due from other governmental units	33,469	326,890	294,069
Prepaid items and other assets	30	3,632	-
Capital assets not being depreciated	-	-	-
Capital assets being depreciated, net	-	-	-
Total assets	<u>\$ 1,756,895</u>	<u>\$ 767,457</u>	<u>\$ 3,280,424</u>
Liabilities			
Accounts payable	\$ -	\$ 6,912	\$ 222,017
Accrued liabilities	-	2,700	233,847
Due to other governmental units	-	-	-
Due to other funds	-	411	357,662
Due to primary government	-	9,964	22,053
Long-term liabilities:			
Due within one year	-	-	-
Due in more than one year	-	-	-
Total liabilities	<u>-</u>	<u>19,987</u>	<u>835,579</u>
Deferred inflows of resources			
Unavailable revenue - long-term receivables	1,578,572	400,886	260,166
Fund balances			
Nonspendable	30	3,632	-
Restricted - debt service	178,293	-	-
Assigned	-	342,952	2,184,679
Total fund balances	<u>178,323</u>	<u>346,584</u>	<u>2,184,679</u>
Total liabilities and fund balances	<u>\$ 1,756,895</u>	<u>\$ 767,457</u>	<u>\$ 3,280,424</u>
Net position			
Net investment in capital assets			
Restricted for:			
Debt service			
Unrestricted			
Total net position			



Revolving Drain	Total Governmental Funds	Adjustments	Statement of Net Position
\$ -	\$ 1,629,896	\$ -	\$ 1,629,896
-	1,608,066	-	1,608,066
-	1,688,805	-	1,688,805
-	5,432	-	5,432
293,469	358,073	(358,073)	-
-	149,883	-	149,883
-	654,428	-	654,428
-	3,662	-	3,662
-	-	1,417,351	1,417,351
-	-	3,743,881	3,743,881
<u>\$ 293,469</u>	<u>\$ 6,098,245</u>	<u>4,803,159</u>	<u>10,901,404</u>
\$ -	\$ 228,929	-	228,929
-	236,547	24,163	260,710
-	-	-	-
-	358,073	(358,073)	-
293,469	325,486	-	325,486
-	-	229,780	229,780
-	-	1,282,352	1,282,352
<u>293,469</u>	<u>1,149,035</u>	<u>1,178,222</u>	<u>2,327,257</u>
-	2,239,624	(2,239,624)	-
-	3,662	(3,662)	-
-	178,293	(178,293)	-
-	2,527,631	(2,527,631)	-
-	2,709,586	(2,709,586)	-
<u>\$ 293,469</u>	<u>\$ 6,098,245</u>		
		3,649,100	3,649,100
		154,130	154,130
		<u>4,770,917</u>	<u>4,770,917</u>
		<u>\$ 8,574,147</u>	<u>\$ 8,574,147</u>

BAY COUNTY, MICHIGAN

Combining Statement of Activities and Statement of Revenues, Expenditures and Changes in Fund Balances - Drain Commission Component Unit For the Year Ended December 31, 2015

	Drain Debt Service Funds	Drains Operations and Maintenance	Drain Capital Projects Fund
Revenues			
Property and other taxes	\$ 175,474	\$ 12,628	\$ 146,637
Federal grants	-	-	487,655
Licenses and permits	-	300	20,475
Interest, rents and royalties	582	23,155	27,906
Reimbursements, refunds and other revenue	38,024	47,358	96,781
Contributions from local units	29,232	317,500	25,721
Total revenues	243,312	400,941	805,175
Expenditures / expenses			
Public works:			
Contractual services	-	290,550	1,147,025
Depreciation	-	-	-
Debt service:			
Principal	176,647	-	-
Interest and fiscal charges	35,676	-	-
Total expenditures / expenses	212,323	290,550	1,147,025
Revenues over (under) expenditures / expenses	30,989	110,391	(341,850)
Other financing sources (uses)			
Issuance of long-term debt	-	-	540,000
Transfers in	-	-	23,559
Transfers out	-	(23,559)	-
Total other financing sources (uses)	-	(23,559)	563,559
Net change in fund balances	30,989	86,832	221,709
Fund balances / net position, beginning of year	147,334	259,752	1,962,970
Fund balances / net position, end of year	\$ 178,323	\$ 346,584	\$ 2,184,679

Revolving Drain	Total Governmental Funds	Adjustments	Statement of Net Position
\$ -	\$ 334,739	601,991	\$ 936,730
-	487,655	-	487,655
-	20,775	-	20,775
-	51,643	-	51,643
-	182,163	-	182,163
-	372,453	-	372,453
-	1,449,428	601,991	2,051,419
-	1,437,575	(479,349)	958,226
-	-	177,593	177,593
-	176,647	(176,647)	-
-	35,676	3,431	39,107
-	1,649,898	(474,972)	1,174,926
-	(200,470)	1,076,963	876,493
-	540,000	(540,000)	-
-	23,559	(23,559)	-
-	(23,559)	23,559	-
-	540,000	(540,000)	-
-	339,530	536,963	876,493
-	2,370,056	5,327,598	7,697,654
\$ -	\$ 2,709,586	\$ 5,864,561	\$ 8,574,147

STATISTICAL SECTION

BAY COUNTY, MICHIGAN

Statistical Section Table of Contents

This part of the County's Comprehensive Annual Financial Report presents detailed information to assist the user in understanding what the financial statements, note disclosures and required supplementary information say about the overall economic condition of Bay County.

		<u>Page</u>
Financial Trends Tables 1-4	These schedules contain trend information to help the reader understand and evaluate how the County's financial condition, performance and well-being have changed over time.	165-174
Revenue Capacity Tables 5-8	These schedules contain information to help the reader assess the County's ability to generate its most significant local revenue source, the property tax.	175-180
Debt Capacity Tables 9-14	These schedules present information to help the reader assess the affordability of the County's current levels of outstanding debt and its ability to issue additional debt in the future.	181-188
Demographic and Economic Information Tables 15-16	These schedules present various demographic and economic indicators to help the reader understand the environment within which the County operates and how they affect the County's financial activities.	189-191
Operating Information Tables 17-19	These schedules contain information about the County's operations and resources to help the reader understand how the information in the County's financial report relates to the services the County provides and the activities it performs.	192-197

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Report for the relevant year.

BAY COUNTY, MICHIGAN

Net Position by Component

Last Ten Fiscal Years

(accrual basis of accounting)

(amounts expressed in thousands)

	2006	2007	2008	2009
Governmental activities				
Net investment in capital assets	\$ 27,330	\$ 28,501	\$ 30,164	\$ 31,885
Restricted	12,594	10,806	6,989	2,681
Unrestricted (deficit)	9,259	11,991	14,693	17,338
Total governmental activities net position	49,183	51,298	51,846	51,904
Business-type activities				
Net investment in capital assets	10,248	9,682	8,896	8,840
Restricted	-	-	-	-
Unrestricted	10,787	11,731	11,827	10,683
Total business-type activities net position	21,035	21,413	20,723	19,523
Primary government				
Net investment in capital assets	37,578	38,183	39,060	40,725
Restricted	12,594	10,806	6,989	2,681
Unrestricted	20,046	23,722	26,520	28,021
Total primary government activities net position	\$ 70,218	\$ 72,711	\$ 72,569	\$ 71,427

Note 1: Variance may exist from the statement of net position to this statistical table due to rounding.

Note 2: The County implemented GASB 68 in 2015. Prior years were not restated.

Table 1
Unaudited

2010	2011	2012	2013	2014	2015
\$ 32,980	\$ 34,828	\$ 35,041	\$ 35,433	\$ 44,431	\$ 45,941
2,387	2,755	2,701	13,510	14,379	18,376
14,997	14,818	12,924	274	(183)	(4,558)
<u>50,364</u>	<u>52,401</u>	<u>50,666</u>	<u>49,217</u>	<u>58,627</u>	<u>59,759</u>
8,558	7,798	7,353	6,953	7,563	7,906
-	1,408	1,408	1,300	1,294	10,265
11,497	11,326	10,268	10,713	9,768	12,539
<u>20,055</u>	<u>20,532</u>	<u>19,029</u>	<u>18,966</u>	<u>18,625</u>	<u>30,710</u>
41,538	42,626	42,394	42,386	51,994	53,847
2,387	4,163	4,109	14,810	15,673	28,641
26,494	26,144	23,192	10,987	9,585	7,981
<u>\$ 70,419</u>	<u>\$ 72,933</u>	<u>\$ 69,695</u>	<u>\$ 68,183</u>	<u>\$ 77,252</u>	<u>\$ 90,469</u>

BAY COUNTY, MICHIGAN

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

(amounts expressed in thousands)

	2006	2007	2008	2009
Expenses				
Governmental activities:				
General government	\$ 11,104	\$ 9,675	\$ 10,084	\$ 10,411
Public safety	10,152	10,064	10,582	11,654
Community and economic development	99	161	126	185
Health and welfare	10,256	10,229	10,852	10,529
Public works	5	7	8	10
Judicial	5,986	6,200	6,537	6,546
Legislative	461	476	462	539
Recreation and culture	1,860	1,886	1,990	1,675
Other functions	1,293	1,296	1,155	1,233
Interest on long-term debt	1,239	1,141	1,069	939
Total governmental activities expenses	42,455	41,135	42,865	43,721
Business-type activities:				
Medical Care Facility	18,627	18,572	20,944	22,089
100% Tax Payment	123	119	125	124
Golf Course	637	586	629	657
Delinquent Property Tax Foreclosure	69	73	112	149
Commissary	118	109	98	101
Housing	577	619	653	622
Total business-type activities expenses	20,151	20,078	22,561	23,742
Total primary government expenses	62,606	61,213	65,426	67,463
Program Revenues				
Governmental activities:				
Charges for services				
General government	3,071	3,000	2,906	2,699
Public safety	1,569	1,649	1,675	1,882
Community and economic development	6	21	(2)	77
Health and welfare	2,193	2,266	2,195	2,373
Public works	23	6	4	4
Judicial	2,392	2,460	2,266	2,064
Legislative	-	3	-	-
Recreation and culture	1,739	1,254	1,125	853
Other	54	83	52	-
Operating grants and contributions	8,129	7,891	7,650	7,836
Capital grants and contributions	195	-	294	133
Total governmental activities program revenues	19,371	18,633	18,165	17,921

Table 2
Unaudited

	2010	2011	2012	2013	2014	2015
\$	12,298	\$ 16,086	\$ 15,617	\$ 13,754	\$ 12,031	\$ 13,287
	11,729	12,716	11,784	11,722	11,443	11,721
	161	189	273	296	110	-
	10,940	9,144	11,207	10,921	10,703	208
	7	7	4	178	1,560	11,205
	6,999	6,510	6,909	6,831	6,840	1,911
	523	437	435	342	329	7,085
	1,792	1,432	1,374	1,617	2,181	357
	-	-	-	-	-	1,859
	813	734	657	875	371	244
	<u>45,262</u>	<u>47,255</u>	<u>48,260</u>	<u>46,536</u>	<u>45,568</u>	<u>47,877</u>
	21,621	21,930	24,312	23,743	24,269	23,114
	129	123	140	322	163	147
	671	694	692	616	556	540
	166	191	186	195	181	185
	114	106	122	136	125	111
	671	761	804	759	725	688
	<u>23,372</u>	<u>23,805</u>	<u>26,256</u>	<u>25,771</u>	<u>26,019</u>	<u>24,785</u>
	<u>68,634</u>	<u>71,060</u>	<u>74,516</u>	<u>72,307</u>	<u>71,587</u>	<u>72,662</u>
	2,620	2,799	3,041	2,853	2,684	3,045
	1,885	2,145	1,873	1,972	2,049	2,030
	126	155	180	57	162	44
	2,564	2,614	2,471	2,347	2,532	2,777
	6	11	7	10	2	3
	2,036	1,929	1,989	1,906	1,853	2,040
	-	-	21	-	-	-
	825	762	757	710	816	814
	-	-	-	-	-	-
	9,342	13,828	12,515	10,173	17,154	9,957
	58	1,800	80	94	309	16
	<u>19,462</u>	<u>26,043</u>	<u>22,934</u>	<u>20,122</u>	<u>27,561</u>	<u>20,726</u>

Continued...

BAY COUNTY, MICHIGAN

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

(amounts expressed in thousands)

	2006	2007	2008	2009
Business-type activities:				
Charges for services				
Medical Care Facility	\$ 16,942	\$ 17,219	\$ 18,401	\$ 19,007
100 % Tax Payment	862	822	856	1,327
Golf Course	548	598	598	595
Delinquent Property Tax Foreclosure	202	207	249	160
Commissary	158	152	124	126
Housing	238	251	255	257
Operating grants and contributions	170	195	238	221
Capital grants and contributions	44	35	19	20
Total business-type activities program revenues	19,164	19,479	20,740	21,713
Total primary government program revenues	38,535	38,112	38,905	39,634
Net (expense)/revenue				
Governmental activities	(23,084)	(22,502)	(24,700)	(25,800)
Business-type activities	(987)	(599)	(1,821)	(2,029)
Total primary government net expense	(24,071)	(23,101)	(26,521)	(27,829)
General Revenues and Other Changes in Net Position				
Governmental activities:				
Property taxes	\$ 26,710	\$ 22,059	\$ 22,901	\$ 23,142
Unrestricted investment earnings	1,013	1,239	943	922
Other revenue	1,525	347	427	715
Transfers - internal activities	724	972	977	1,080
Total governmental activities	29,972	24,617	25,248	25,859
Business-type activities:				
Property taxes	1,323	1,419	1,482	1,516
Unrestricted investment earnings	352	418	439	287
Other revenue	431	102	186	105
Transfers - internal activities	(724)	(972)	(977)	(1,080)
Total business-type activities	1,382	967	1,130	828
Total primary government	31,354	25,584	26,378	26,687
Change in Net Position				
Governmental activities	6,888	2,115	549	59
Business-type activities	395	368	(691)	(1,201)
Total primary government	\$ 7,283	\$ 2,483	\$ (142)	\$ (1,142)

Note: Variance may exist from the statement of net position to this statistical table due to rounding.

Table 2
Unaudited

	2010	2011	2012	2013	2014	2015
\$	20,074	\$ 20,358	\$ 21,600	\$ 20,949	\$ 21,576	\$ 23,487
	1,201	1,268	1,117	1,074	1,088	1,300
	625	547	611	556	497	457
	205	328	244	290	199	406
	141	136	170	178	167	151
	285	260	258	268	277	276
	228	311	285	157	165	159
	247	54	-	-	129	36
	23,006	23,262	24,285	23,472	24,098	26,272
	42,468	49,305	47,219	43,594	51,659	46,998
	(25,800)	(21,212)	(25,326)	(26,414)	(18,007)	(27,151)
	(366)	(543)	(1,971)	(2,299)	(1,921)	1,487
	(26,166)	(21,755)	(27,297)	(28,713)	(19,928)	(25,664)
\$	22,412	\$ 21,445	\$ 21,204	\$ 22,476	\$ 22,334	\$ 22,461
	656	523	505	620	1,636	203
	329	467	238	658	2,223	2,830
	864	811	1,350	1,210	1,225	1,243
	24,261	23,246	23,297	24,964	27,418	26,737
	1,527	1,501	1,438	2,090	2,049	2,115
	166	245	301	370	542	398
	70	85	81	187	518	638
	(864)	(811)	(1,350)	(1,210)	(1,225)	(1,243)
	899	1,020	470	1,437	1,884	1,908
	25,160	24,266	23,767	26,401	29,302	28,645
	(1,539)	2,035	(2,029)	(1,450)	9,411	(414)
	533	477	(1,501)	(862)	(37)	3,395
\$	(1,006)	\$ 2,512	\$ (3,530)	\$ (2,312)	\$ 9,374	\$ 2,981

Concluded

BAY COUNTY, MICHIGAN

Fund Balances of Governmental Funds

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

	2006	2007	2008	2009
General fund				
Reserved	\$ 3,161	\$ 2,564	\$ 3,172	\$ 5,665
Unreserved	2,296	3,806	4,123	3,982
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total general fund	5,457	6,370	7,295	9,647
All other governmental funds				
Reserved	12,267	10,637	6,774	2,500
Unreserved - Special revenue funds	3,845	4,774	7,080	7,938
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Total all other governmental funds	\$ 16,112	\$ 15,411	\$ 13,854	\$ 10,438

Note 1: The County implemented GASB 54 in 2011. Prior years were not restated.

Note 2: Variance may exist from the statement of net position to this statistical table due to rounding.

Table 3
Unaudited

2010	2011	2012	2013	2014	2015
\$ 5,323	\$ -	\$ -	\$ -	\$ -	\$ -
4,993	-	-	-	-	-
-	469	209	626	1,222	1,622
-	203	199	170	168	174
-	5,228	5,054	4,943	4,943	5,148
-	5,407	7,134	6,681	1,183	547
-	-	-	-	-	6,064
<u>10,316</u>	<u>11,307</u>	<u>12,596</u>	<u>12,420</u>	<u>7,516</u>	<u>13,555</u>
1,810	-	-	-	-	-
7,263	-	-	-	-	-
-	8	17	1,872	1,880	1,918
-	5,950	5,455	29,531	20,131	11,666
-	1,899	1,431	-	-	-
-	312	535	1,793	2,407	1,601
<u>\$ 9,073</u>	<u>\$ 8,169</u>	<u>\$ 7,438</u>	<u>\$ 33,196</u>	<u>\$ 24,418</u>	<u>\$ 15,185</u>

BAY COUNTY, MICHIGAN

Changes in Fund Balances of Governmental Funds

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

	2006	2007	2008	2009
Revenues				
Taxes	\$ 26,253	\$ 21,789	\$ 22,850	\$ 23,122
Licenses and permits	373	377	350	362
Federal	3,593	4,064	3,714	4,509
State	3,820	2,972	3,404	2,881
Interest, rents and royalties	2,003	2,265	1,882	1,531
Charges for services	3,288	3,272	3,055	2,824
Fines and forfeits	945	928	740	631
Reimbursements, refunds and other revenue	8,013	6,376	6,554	6,990
Total revenues	48,288	42,043	42,549	42,850
Expenditures				
General government	9,035	9,066	9,789	8,959
Public safety	10,258	10,289	10,594	11,448
Community and economic development	129	195	138	188
Health and welfare	10,356	10,206	10,575	10,303
Public works	6	7	8	10
Judicial	5,829	5,975	6,081	6,103
Legislative	478	485	459	533
Recreation and culture	1,851	1,908	2,089	1,762
Other functions	1,293	1,296	1,155	1,235
Capital outlay	1,185	21	-	-
Debt service:				
Principal	2,817	2,217	2,234	3,514
Interest and other fees	1,296	1,155	1,082	993
Total expenditures	44,533	42,820	44,204	45,048
Excess of revenues over (under) expenditures	3,755	(777)	(1,655)	(2,198)
Other financing sources (uses)				
Transfers in	9,390	7,675	8,669	11,982
Payment to escrow agents to refund debt	(7,394)	-	-	-
Insurance recoveries/proceeds	26	18	3	18
Issuance of debt	-	-	43	-
Proceeds of refunding bonds	7,205	-	-	-
Bond premium	300	-	-	-
Transfers (out)	(8,666)	(6,703)	(7,692)	(10,867)
Total other financing sources (uses)	861	990	1,023	1,133
Net change in fund balances	\$ 4,616	\$ 213	\$ (632)	\$ (1,065)
Debt service as a percentage of noncapital expenditures	9.60%	8.06%	7.76%	10.17%

Note: Variance may exist from the statement of net position to this statistical table due to rounding.

Table 4
Unaudited

	2010	2011	2012	2013	2014	2015
\$	22,479	\$ 21,459	\$ 21,270	\$ 22,472	\$ 22,359	\$ 22,481
	375	382	407	423	403	468
	5,589	9,892	6,930	4,560	9,859	3,853
	3,297	4,811	4,908	4,805	6,775	5,223
	1,305	1,357	1,329	1,397	2,370	1,087
	2,806	2,795	2,906	2,847	2,780	2,941
	641	536	584	546	527	639
	6,615	7,506	6,809	7,080	8,961	9,704
	<u>43,107</u>	<u>48,738</u>	<u>45,143</u>	<u>44,130</u>	<u>54,034</u>	<u>46,396</u>
	9,753	14,279	12,749	11,209	9,835	10,331
	11,634	12,008	10,813	11,264	10,601	10,540
	184	237	298	352	161	173
	10,521	10,446	10,565	10,195	10,946	11,064
	7	6	4	4,764	44	2
	6,224	6,221	6,087	6,305	6,236	6,259
	522	450	445	354	330	354
	1,739	1,753	1,588	1,623	1,984	1,825
	1,400	1,573	1,263	1,508	1,667	1,697
	-	-	-	-	36,151	17,951
	1,863	1,718	1,888	1,830	1,930	2,030
	856	776	663	651	1,954	2,280
	<u>44,703</u>	<u>49,467</u>	<u>46,363</u>	<u>50,055</u>	<u>81,839</u>	<u>64,506</u>
	<u>(1,596)</u>	<u>(729)</u>	<u>(1,220)</u>	<u>(5,925)</u>	<u>(27,805)</u>	<u>(18,110)</u>
	8,584	4,778	6,083	6,433	5,949	6,144
	-	-	(10,655)	-	-	-
	36	4	10	7	5	11
	-	-	-	-	18,572	7,963
	-	-	9,775	30,000	-	-
	-	-	1,004	(43)	-	-
	<u>(7,718)</u>	<u>(3,967)</u>	<u>(4,733)</u>	<u>(4,890)</u>	<u>(4,718)</u>	<u>(4,885)</u>
	<u>902</u>	<u>815</u>	<u>1,484</u>	<u>31,507</u>	<u>19,808</u>	<u>9,233</u>
\$	<u>(694)</u>	<u>\$ 86</u>	<u>\$ 264</u>	<u>\$ 25,582</u>	<u>\$ (7,997)</u>	<u>\$ (8,877)</u>
	6.30%	5.27%	5.60%	5.50%	5.05%	9.54%

Governmental Activities Tax Revenue By Year

Last Ten Fiscal Years
(accrual basis of accounting)

Fiscal Year	Property Tax
2006	\$ 26,709,969
2007	22,058,685
2008	22,901,469
2009	23,142,073
2010	22,412,007
2011	21,444,988
2012	21,203,689
2013	22,475,803
2014	22,333,712
2015	22,461,189

BAY COUNTY, MICHIGAN

Assessed and Estimated Actual Value of Taxable Property

Last Ten Fiscal Years

(in thousands of dollars)

Fiscal Year Ended December 31,	Real Property		Personal Property	Total Assessed Value	Total Direct Tax Rate
	Residential	Commercial			
2006	\$ 2,174,998	\$ 407,663	\$ 254,809	\$ 2,837,470	9.7100
2007	2,217,444	424,455	263,508	2,905,407	10.8096
2008	2,208,155	439,016	263,457	2,910,628	10.8138
2009	2,083,021	439,556	269,701	2,792,278	10.8138
2010	1,930,888	398,920	251,310	2,581,118	10.7138
2011	1,884,708	394,747	249,238	2,528,693	10.8138
2012	1,850,561	394,855	270,064	2,515,480	11.4638
2013	1,819,824	392,452	281,567	2,493,843	11.4638
2014	1,878,624	381,200	277,453	2,537,277	11.4638
2015	1,879,325	371,950	294,062	2,545,337	11.4638

Source: Bay County Equalization Department

Note: Property in the County is reassessed annually. The County 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.

Table 6
Unaudited



	Estimated Actual Assessed Value	Assessed Value as a Percentage of Actual Value
\$	5,674,940	50.00%
	5,810,814	50.00%
	5,821,256	50.00%
	5,584,556	50.00%
	5,162,236	50.00%
	5,057,386	50.00%
	5,030,960	50.00%
	4,987,686	50.00%
	5,074,554	50.00%
	5,090,674	50.00%

BAY COUNTY, MICHIGAN

Property Tax Rates

Direct and Overlapping Governments
Last Ten Fiscal Years

Fiscal Year (1) (2)	Bay County				Overlapping Rates		
	Operating Millage	Special Millage	Debt Millage	Total County Millage	SET Schools (3)	Inter-mediate Schools	Community College
2006	5.7257	3.9843	0.0000	9.7100	6.0000	0.1891	2.0427
2007	5.7257	5.0839	0.0000	10.8096	6.0000	0.1891	2.0427
2008	5.7257	5.0881	0.0000	10.8138	6.0000	0.1891	2.0427
2009	5.7257	5.0881	0.0000	10.8138	6.0000	0.1891	2.0427
2010	5.7257	4.9881	0.0000	10.7138	6.0000	0.1891	2.0427
2011	5.7257	5.0881	0.0000	10.8138	6.0000	0.1891	2.0427
2012	5.7257	5.7381	0.0000	11.4638	6.0000	0.1891	2.0427
2013	5.7257	5.7381	0.0000	11.4638	6.0000	0.1891	2.0427
2014	5.7257	5.7381	0.0000	11.4638	6.0000	0.1891	2.0427
2015	5.7257	5.7381	0.0000	11.4638	6.0000	0.1891	2.0427

Source: Bay County Equalization Department

- (1) Rates reduced to comply with the Headlee Amendment.
- (2) This is the year in which the tax is levied. 2006 refers to the 2007 tax collection, 2007 refers to the 2008 tax collection, and so on.
- (3) Proposal A voted in on March 15, 1994 implemented a 6 mill state education tax with the exception of 2003 which was reduced to 5 mills.

** Does not include DDA millage. Add 1.9260 in the City of Bay City and 1.0000 in the City of Essexville for properties in the DDA district and 2.0000 in the City of Midland for properties

Table 7
Unaudited

Overlapping Rates						
Townships	Cities					Total Direct & Overlapping Rates
	Auburn	Bay City	Essexville	Pinconning	Midland	
1.3500	16.0000	19.4532	15.3967	14.7965	12.1000	97.0382
1.3500	16.0000	19.5503	15.6436	14.7965	12.2400	98.6218
1.3500	13.0000	19.5503	15.7389	14.6737	12.9900	96.3485
1.3500	13.0000	19.5503	16.5931	14.6737	13.9400	98.1527
1.3500	12.0000	19.5503	16.8753	14.6736	13.9400	97.3348
1.3500	12.0000	19.5503	17.4877	14.6736	14.7900	98.8972
1.3500	12.0000	20.0935	19.1300	14.6736	14.7900	101.7327
1.3500	12.0000	21.3365 **	20.3000 **	14.6736	15.0800 **	104.4357
1.3500	12.0000	21.3365 **	20.7000 **	14.6736	15.0400 **	104.7957
1.3500	12.0000	21.3365 **	21.4172 **	14.6736	15.0000 **	105.4729

BAY COUNTY, MICHIGAN

Table 8
Unaudited

Principal Property Taxpayers

December 31, 2015 and Nine Years Ago

Taxpayer	2015			2006		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Consumers Energy	\$ 209,046,670	1	7.34%	\$ 252,297,720	1	9.07%
Dow Corning Corporation	78,942,127	2	2.77%	57,552,239	3	1.71%
S C Johnson	40,151,158	3	1.41%	41,840,139	4	0.46%
Monitor Sugar	33,171,731	4	1.17%	23,144,176	5	1.66%
Michigan Electric Transmission	25,348,790	5	0.89%	6,588,750	9	
Enbridge Energy	12,526,049	6	0.44%			
SSP Development LLC	11,649,534	7	0.41%			4.59%
Mersen USA	11,461,744	8	0.40%			
General Motors/Delphi	10,620,003	9	0.37%	110,822,300	2	0.37%
Kerkau Manufacturing	7,767,500	10	0.27%			
Bay City Mall Associates				10,986,455	6	0.42%
The Herald Company				10,869,941	7	0.38%
Meijer/Good Will Co. Inc				10,541,968	8	0.27%
Charter Communications				6,442,350	10	0.19%
Totals	<u>\$ 440,685,306</u>		<u>15.47%</u>	<u>\$ 531,086,038</u>		<u>19.12%</u>

Source: Bay County Equalization Department

BAY COUNTY, MICHIGAN

Table 9
Unaudited

Property Tax Levies and Collections

Last Ten Fiscal Years

(amounts expressed in thousands)

Fiscal Year Ended December 31,	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Delinquents Purchased by Treasurer	Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy			Amount	Percentage of Levy
2006	\$ 16,177	\$ 15,392	95.15%	\$ 753	31	\$ 16,176	99.99%
2007	16,960	16,186	95.44%	747	22	16,955	99.97%
2008	17,333	16,498	95.18%	796	17	17,311	99.87%
2009	17,402	16,545	95.08%	820	18	17,383	99.89%
2010	16,618	15,864	95.46%	732	13	16,609	99.95%
2011	16,276	15,578	95.71%	670	14	16,262	99.91%
2012	16,177	15,560	96.19%	602	14	16,176	99.99%
2013	16,042	15,372	95.82%	656	7	16,035	99.96%
2014	16,597	15,883	95.70%	654	2	16,539	99.65%
2015	16,542	15,878	95.99%	636	*	16,514	99.83%

Source: Bay County Treasurer

* This information is not yet available.

BAY COUNTY, MICHIGAN

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

Fiscal Year Ended December 31,	Governmental Activities					
	General Obligation Bonds	Unamortized Bond Prem/ Discount	Installment Purchase Contracts	Capital Leases	DWFR Loans	Revenue Bonds
2006	\$ 26,815,000	\$ 283,790	\$ 82,390	\$ 14,401	\$ -	\$ -
2007	24,695,000	254,307	-	-	-	-
2008	22,470,000	224,825	34,200	-	-	-
2009	18,965,000	195,343	25,650	-	-	-
2010	17,110,000	165,861	17,100	-	-	-
2011	15,400,000	136,378	8,550	-	-	-
2012	12,810,000	999,535	-	-	-	-
2013	10,980,000	817,024	-	-	-	30,000,000
2014	9,050,000	677,565	-	-	18,572,473	30,000,000
2015	7,020,000	537,926	-	-	26,535,285	30,000,000

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

There are currently no outstanding debt issues in the business-type activities of the primary government.

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

(2) This information is not yet available.

Table 10
Unaudited

Business-Type Activities		Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
Miscellaneous Payables				
\$ -	\$ 27,195,581	8.40%	252	
78,763	25,028,070	7.49%	233	
39,382	22,768,407	6.50%	212	
-	19,185,993	5.56%	179	
-	17,292,961	4.89%	160	
-	15,544,928	4.23%	144	
-	13,809,535	3.68%	129	
-	41,797,024	11.09%	391	
-	58,300,038	15.08%	549	
-	64,093,211	(2)	607	

Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Unamortized Bond Prem/Discount	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Taxable Value of Property (1)	Per Capita (2)
2006	\$ 26,815,000	\$ 283,790	\$ 625,309	\$ 26,473,481	0.92%	245
2007	24,695,000	254,307	703,157	24,246,150	0.80%	226
2008	22,470,000	224,825	763,168	21,931,657	0.72%	204
2009	18,965,000	195,343	819,711	18,340,632	0.59%	171
2010	17,110,000	165,861	19,557	17,256,304	0.58%	160
2011	15,400,000	136,378	21,233	15,515,145	0.53%	144
2012	12,810,000	999,535	65,394	13,744,141	0.47%	128
2013	10,980,000	817,024	85,397	11,711,627	0.41%	109
2014	9,050,000	677,565	112,545	9,615,020	0.34%	89
2015	7,020,000	537,926	116,548	7,441,378	0.26%	70

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

- (1) Estimated taxable value data is the consolidation of the SEV and taxable values provided by the equalization department.
- (2) See Statistical Table Number 15 for population data. Changed in 2015 to reflect estimated population 2011-2015.

BAY COUNTY, MICHIGAN

Table 12
Unaudited

Direct and Overlapping Governmental Activities Debt

As of December 31, 2015

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
Overlapping debt repaid with property taxes: County	\$ 223,669,205	69.71%	\$ 155,925,205
Bay County direct debt			<u>34,093,211</u>
Total direct and overlapping debt			<u>\$ 190,018,416</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 County. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Bay County. 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.

(1) Applicable percentages were estimated by determining the portion of the County's taxable value that is within the government's boundaries and dividing it by the County's total taxable value.

BAY COUNTY, MICHIGAN

Legal Debt Margin Information

Last Ten Fiscal Years

(amounts expressed in thousands)

	2006	2007	2008	2009	2010	2011
Debt limit	\$ 337,863	\$ 347,582	\$ 349,326	\$ 340,504	\$ 318,657	\$ 314,921
Total net debt applicable to limit	40,615	36,029	31,414	26,016	29,328	26,156
Legal debt margin	\$ 297,248	\$ 311,553	\$ 317,912	\$ 314,488	\$ 289,329	\$ 288,765
Total net debt applicable to the limit as a percentage of debt limit	12.02%	10.37%	8.99%	7.64%	9.20%	8.31%

Legal Debt Margin Calculation for Fiscal Year 2015

State equalized value of real property
 State equalized value of personal property
 Total state equalized value

Debt limit (10% of total state equalized value)

Debt applicable to limit: (1)

Less:

Assets in Debt Service funds
 available for payment of principal

Debt not subject to legal debt limit:

Special assessment debt

Total deductions

Total amount of debt applicable to
 debt limit

Legal debt margin

Note: Under state finance law Bay County's outstanding general obligation debt should not exceed 10 percent of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

(1) Includes primary government and component units.

Table 13
Unaudited

2012	2013	2014	2015
\$ 312,200	\$ 312,288	\$ 319,199	\$ 321,730
<u>30,613</u>	<u>51,673</u>	<u>67,407</u>	<u>74,193</u>
<u>\$ 281,587</u>	<u>\$ 260,615</u>	<u>\$ 251,792</u>	<u>\$ 247,538</u>

9.81% 16.55% 21.12% 23.06%

\$ 2,923,239
294,062
3,217,301

321,730

\$ 75,821.55

\$ 117

1,512

1,629

74,192.55

\$ 247,538

Pledged-Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	Operating Revenue (2)	Operating Expenses (3)	Net Available Revenue	Debt Service (5)		Total	Coverage
				Principal	Interest		
Water Supply System No. 1 Revenue Bonds (1)							
2006 (4)	\$ 972,636	\$ 824,923	\$ 147,713	\$ 56,223	\$ 4,643	\$ 60,866	2.43
2007	-	-	-	-	-	-	-
2008	-	-	-	-	-	-	-
2009	-	-	-	-	-	-	-
2010 (6)	3,742,001	2,650,154	1,091,847		64,794	64,794	16.85
2011 (6)	4,136,205	2,769,142	1,367,063	180,000	183,669	363,669	3.76
2012 (6)	4,308,937	2,961,525	1,347,412	185,000	180,069	365,069	3.69
2013 (6) (7)	4,373,619	2,878,647	1,494,972	190,000	176,369	366,369	4.08
2014 (6) (7)	4,584,579	3,191,548	1,393,031	195,000	1,677,652	1,872,652	0.74
2015 (6) (7)	5,885,223	4,185,567	1,699,656	200,000	1,676,969	1,876,969	0.91

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

- (1) Includes component unit - Department of Water and Sewer.
- (2) Excludes all non-operating revenue except interest earned.
- (3) Excludes depreciation and interest expense on bonded debt.
- (4) Includes the Water Supply System No. 1 Portsmouth Extension bonds through 2004 and Bay County Water Supply System 1987 Series bonds.
- (5) Debt service requirements are met with net revenue available for debt service and net assets.
- (6) Includes the Water Supply West Side Regional Sewage Disposal System Revenue Bonds, Series 2010.
- (7) Includes the Michigan Finance Authority Bay County 2013 Local Government Loan Program Revenue Bonds.

Demographic and Economic Statistics

Last Ten Fiscal Years

Fiscal Year	Population (1)	Personal Income (2)	Per Capita Personal Income	School Enrollment (3)	Unemployment Rate (4)
2006	107,973	\$ 3,167,808	\$ 29,339	15,552	6.90%
2007	107,373	3,184,007	29,654	15,298	6.70%
2008	107,597	3,332,427	30,971	15,017	7.90%
2009	107,434	3,443,912	32,056	14,792	11.60%
2010	107,771	3,532,857	32,781	14,798	11.90%
2011	107,229	3,677,507	34,296	14,420	9.80%
2012	106,890	3,750,645	35,089	14,320	8.70%
2013	106,832	3,770,457	35,293	13,958	9.10%
2014	106,179	3,866,902	36,419	13,751	7.10%
2015	105,659	(5)	(5)	13,442	5.50%

Data Sources:

- (1) Population Division, U.S. Census Bureau - Population is an estimate as of July 1, of fiscal year with the exception of 2010 which reflects the actual census.
- (2) Bureau of Economic Analysis, per capita income was computed using Census Bureau midyear population estimates. Amounts expressed in thousands.
- (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) Personal data not available at this time.

BAY COUNTY, MICHIGAN

Principal Employers

2013 and 2006

Employer	2013 (1)		
	Employees	Rank	Percentage of Total County Employment
McLaren - Bay Region (2)	2,016	1	4.23%
Dow Corning Corporation	1,245	2	2.61%
Delta College	1,029	3	2.16%
Bay City Public Schools (3)	900	4	1.89%
Michigan Sugar Company (4)	900	5	1.89%
Meijer Inc.	564	6	1.18%
Bay County	520	7	1.09%
Consumers Energy	465	8	0.97%
General Motors Powertrain	385	9	0.81%
Bay Arenac ISD	350	10	0.73%
Fabiano Brothers	350	-	0.73%
Monitor Sugar	-	-	0.00%
Totals	<u>8,724</u>		<u>18.30%</u>

Source:

Bay Future

(1) 2014 or 2015 data not yet available.

(2) Previously Bay Regional Medical Center and Bay Health Systems.

(3) Excludes substitute teachers.

(4) Figure represents peak manufacturing/industry seasons.

Table 16
Unaudited

2006		
Employees	Rank	Percentage of Total County Employment
1,870	1	3.60%
1,200	2	2.31%
938	4	1.81%
1,106	3	2.13%
730	5	1.40%
606	7	1.17%
554	8	1.07%
510	9	0.98%
675	6	1.30%
-	-	0.00%
-	-	0.00%
546	10	0.87%
<u>8,735</u>		<u>16.63%</u>

BAY COUNTY, MICHIGAN

Full-time Equivalent Government Employees by Function/Program Last Ten Fiscal Years

	2006	2007	2008	2009
Function				
Public safety	118	118	118	118
Community and economic development	6	6	6	6
Health and welfare	136	136	136	136
General government	109	109	108	107
Judicial	91	91	91	91
Legislative	11	12	12	12
Recreation and culture	24	24	24	24
100% tax payment	2	2	2	2
Golf course	6	6	6	6
Total	503	504	503	502

Source: Bay County Payroll Department

Note: There are no full-time equivalent positions in the public works or commissary functions.
Full-time equivalent positions are not available for Medical Care Facility and Housing Department.

Table 17
Unaudited

2010	2011	2012	2013	2014	2015
113	112	111	111	112	109
2	2	2	2	1	2
77	73	68	68	75	71
90	88	86	88	89	84
81	79	78	78	77	77
1	1	1	-	-	-
10	8	8	8	7	9
2	2	2	2	2	2
3	3	3	3	1	1
<u>379</u>	<u>368</u>	<u>359</u>	<u>360</u>	<u>364</u>	<u>355</u>

BAY COUNTY, MICHIGAN

Operating Indicators by Function/Program

Last Ten Fiscal Years

	2006	2007	2008	2009
Function				
Public safety				
Number of incarcerated offenders	4,479	5,016	4,276	4,073
Health and welfare				
Division on aging				
Meal site meals served	48,886	48,724	44,166	49,625
Home delivered meals served	147,529	149,549	159,060	158,664
Public works				
Number of parking spaces leased	793	275	126	122
Judicial				
Circuit court total caseload	4,613	4,682	4,076	3,999
District court total caseload	31,281	29,768	27,862	27,546
Probate court total caseload	821	792	780	820
Recreation and culture				
Swimming pool admissions (1)	6,652	6,318	6,006	5,897
Medical care facility				
Patient days	73,031	73,795	74,483	70,006
Patient admits	256	196	144	124
Golf course				
Memberships	185	160	181	210
Housing				
Number of lease days	36,281	36,361	35,892	35,999

Sources: Michigan Department of Corrections, State of Michigan Court Caseload Report, and County departments.

Note: Indicators are not available for the general government, legislative functions, community and economic development, 100% tax payment and commissary functions.

(1) This information contains some approximate values.

Table 18
Unaudited

2010	2011	2012	2013	2014	2015
4,081	3,813	4,032	4,057	4,392	4,350
42,276	40,148	37,867	37,928	36,404	36,644
127,789	118,672	119,732	125,007	136,849	146,632
126	252	151	319	66	101
4,121	4,064	3,873	3,594	3,212	3,121
26,099	24,178	25,720	24,612	23,635	25,641
882	871	848	791	882	960
4,591	3,124	3,033	4,150	3,935	4,100
87,873	73,896	69,984	84,709	78,222	64,497
283	350	102	131	145	132
196	154	193	176	131	118
36,088	36,017	35,261	35,607	36,096	36,067

BAY COUNTY, MICHIGAN

Capital Asset Statistics by Function/Program

Last Ten Fiscal Years

	2006	2007	2008	2009
Function				
Public safety				
Sheriff				
Stations	1	1	1	1
Vehicles	27	31	28	24
Boats	4	3	3	3
Animal control				
Vehicles	4	4	4	3
Community and economic development				
Streets (miles)	1,566	1,565	1,565	1,565
Traffic signals	107	108	108	108
Health and welfare				
Division on aging				
Meal sites	7	7	7	7
Mosquito control				
Vehicles	30	31	31	32
Public works				
Pere Marquette/Madison Avenues				
Parking spaces available for lease	432	432	432	432
Recreation and culture				
Parks (1)	3	3	3	3
Medical care facility				
Beds	206	206	206	206
Golf course				
Golf carts	54	54	54	53
Housing				
Apartments	100	100	100	100

Sources: County departments

Note: No capital asset indicators are available for the general government, judicial, legislative, 100% tax payment or commissary functions.

Not all historical information is available, this table will continue to be populated as more information becomes available.

(1) Euclid/Linear Park was leased out beginning in 2013. In 2014, two additional pieces of undeveloped land were purchased, but are not maintained.

Table 19
Unaudited



2010	2011	2012	2013	2014	2015
------	------	------	------	------	------

1	1	1	1	1	1
25	23	25	34	35	34
3	3	3	3	3	3
3	4	4	5	5	5
1,566	1,566	1,567	1,567	1,568	1,574
108	109	109	109	109	108
5	5	5	5	5	5
31	31	32	32	32	33
264	264	264	264	264	264
3	3	3	3	5	5
206	206	206	206	206	206
53	53	53	53	53	53
100	100	100	100	100	100