Bay County, Michigan

Year Ended December 31, 2025

Annual Comprehensive Financial Report

Prepared by:
Bay County Finance Department

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BAY COUNTY, MICHIGAN

Table of Contents

BAY COUNTY, MICHIGAN

Table of Contents

BAY COUNTY, MICHIGAN

Table of Contents

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INTRODUCTORY SECTION

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LIST OF ELECTED AND APPOINTED OFFICIALS

THE BOARD OF COMMISSIONERS

OFFICIALS AS OF JUNE 23, 2026

TIM BANASZAK
CHAIRMAN

VAUGHN J. BEGICK
VICE CHAIRMAN

KATHY NIEMIEC
SERGEANT AT ARMS

CHRISTOPHER RUPP
LARRY BESON

JESSE DOCKETT
JEROME CRETE

ALEX POIRIER
BOARD ADVISOR

ADMINISTRATION

JAMES A. BARCIA
COUNTY EXECUTIVE

SCOTT TREPKOWSKI
FINANCE OFFICER

KIMBERLY PRIESSNITZ
ASSISTANT FINANCE OFFICER

INDEPENDENT AUDITORS

REHMANN

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BAY COUNTY
FINANCE DEPARTMENT

Scott Trepkowski
Finance Officer
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James A. Barcia
County Executive

Kimberly A. Priessnitz
Assistant Finance Officer
priessnitzk@baycountymi.gov

Nicole Putt
Purchasing
puttn@baycountymi.gov

Julie A. O'Malley
Information Systems Manager
omalleyj@baycountymi.gov

June 23, 2026

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

The Annual Comprehensive Financial Report (ACFR) of Bay County, Michigan, for the calendar year ended December 31, 2025, 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 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 the 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, Independent Auditors, to meet the requirements of the state statutes. The independent auditors' unmodified opinion for the year ended December 31, 2025, 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 together.

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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. As reported by the Census Bureau, the county has a total area of 631 square miles, of which 442 square miles is land and 188 square miles is water, and currently serves a population of approximately 102,651. Bay County's population 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 four years beginning in 2025. 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 two 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 interests 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 Office of the Drain Commissioner provides for the construction and maintenance of drainage districts throughout Bay County; the Bay County Land Bank which was created to acquire, hold, manage and develop tax foreclosed properties; the Bay County Employees Retirement System, which manages all retirement funding and payments for agency retirees and the Voluntary Employee Benefit Association which manages the retiree health care for all qualifying agency retirees. Additional information on all nine of these legally separate entities can be found in the notes on the financial statements (see note I.A.).

LOCAL ECONOMY AND MAJOR INITIATIVES

The 2020 population census identified the population of Bay County to be 103,856. The population of Bay County has declined at a rate of 3.6% from the 2010 census of 107,771. This declining trend may reverse in the next decade based on the level and diversity of business developments.

The average unemployment rate for Bay County for the year ended December 31, 2025, was 5.8%, which compares with Bay County's rate as of December 31, 2024, of 5.6%. On December 31, 2025, the average nationwide unemployment rate was 4.3%*,* while the 2025 statewide rate was 5.0%.

Most recently, the county's state equalized values (SEV) of real property have increased 10.05%, 9.56%, and 6.71% for 2024, 2025, and 2026, respectively. For 2026, Bay County has an increase of $358,149,517, or 6.71% in our state equalized value of real property, which totals $5,696,942,922. The state equalized value of personal property increased by 3.2% in 2024, by 5.82% in 2025, and by 3.78% in 2026. Bay County's personal property state equalized value has an increase of 3.78% for a total of $322,921,850.

Bay County received more than $20 million in American Rescue Plan Act (ARPA) funding and continues to strategically deploy these resources to support economic development, strengthen essential services, and advance major projects. In 2025, ARPA-funded initiatives totaled $2.9 million, leaving a remaining balance of $3.7 million to be fully expended in 2026 to meet the federal deadline of December 31, 2026. Of the 2025 allocations, $46,000 was provided to Veterans Affairs to support the Veteran Woodworking Program, including marketing, utilities, tools, and equipment. The United Way of Bay County received $17,000 to develop a Common Intake System designed to streamline and coordinate assistance across agencies so families no longer need to repeatedly provide information when seeking services. Bay Future received $85,000 to support small business development by providing training, consulting, and startup assistance for new and existing Bay County entrepreneurs. The largest investment, $2.5 million, was allocated to the Health Department Facility Construction project to support the purchase and development of a consolidated Health and Human Services Center, enabling residents to access high-quality health and social services in a single, community-based location. The Boys & Girls Club received $22,500 to increase staffing and expand services to reduce waiting lists and provide a safe, reliable afterschool environment, supporting long-term program growth. Recreational improvements at the Civic Arena and Golf Course totaled $257,000, funding Wi-Fi upgrades, scoring technology, ice plant needs, and replacing aging golf course equipment, as well as supporting parking lot expansion and course drainage improvements. Finally, $2,400 was used for administrative attorney costs. The use of ARPA funds reflects Bay County's continued commitment to addressing community needs, improving service delivery, and investing in county-wide programs.

Bay County has continued to advance its opioid settlement strategy through a series of fiduciary fund initiatives aimed at prevention, treatment, and harm reduction. In 2024, the Bay County Board of Commissioners authorized direct grants totaling $392,967.08 to four local service providers: Sacred Heart Rehabilitation Center, Families Against Narcotics (FAN), Peer 360 Recovery Alliance, and Recovery Pathways, LLC. These funds were disbursed in 2025, with each organization required to submit quarterly financial reports to ensure transparency and proper use.

Additionally, in 2025, the Board approved transferring over $1.3 million to the Bay Area Community Foundation, establishing a funding source for ongoing prevention, treatment, recovery, and community health initiatives. Furthermore, the Board allocated $360,000 to the Bay County Community Corrections Department for residential treatment placements. Collectively, these actions demonstrate a shift from short-term provider support to a sustainable, grant-funding approach that prioritizes both programmatic impact and fiscal accountability.

Throughout fiscal year 2025, Bay County was instrumental in propelling the 501 Columbus affordable housing redevelopment forward by securing and administering the crucial resources necessary to address persistent blight at the former Bay County YMCA, Bay County Market, and neighboring parcels. Although the project had been envisioned before 2020, its progress was initially halted during the pandemic due to rising costs and uncertain demolition funding. Fortunately, the Bay County Land Bank Authority managed to revive the initiative by successfully obtaining $3.1 million in state support dedicated to demolition and brownfield remediation, including a notable $1.0 million EGLE brownfield redevelopment grant awarded in August 2025 for environmental improvements.

Demolition commenced early in the year, with costs estimated to be between $2.25 and $2.5 million. By the end of 2025, the removal of the Bay County Market structure was underway, and preparations for the YMCA demolition were set to follow. Bay County's leadership in coordinating state funding, securing environmental resources, and overseeing the blight-removal phase has been vital in converting these long-vacant, county-owned properties into parcels ready for development.

The total development costs are still being evaluated, expected to range from $25 million to $40 million based on the final design and unit mix. As of the end of 2025, the primary activities included brownfield remediation, demolition, and pre-development planning, all largely made possible by Bay County's effective acquisition and management of grant resources. These efforts have set the stage for a transformative redevelopment that will bring much-needed affordable housing to the community.

Also in 2025, a beneficial project to redevelop the Bay Valley Resort and Conference Center (BVR) in Frankenlust Township began under the direction of new ownership (Storie Co.) and with the approval of County and Local authorities. The BVR property features a golf course, 147-room hotel, over 17,000 square feet of restaurant and event space, and other amenities for visitors. Due to a lack of investment and maintenance in the past 25 years, and the presence of certain environmental contaminants on the site, the Bay Valley Resort was assessed as a "functionally obsolete" property that would require over $15 million dollars in project funding to fully rehabilitate. To activate redevelopment, this project utilized a combination of privately raised capital by Storie Co, funding provided through the Michigan Strategic Fund, and Tax Increment Financing for reimbursement of eligible construction activity costs related to the environmental remediation component of the project. Toward that end, the Bay County Board of Commissioners adopted a Brownfield Plan for the site in early 2025, and the Bay County Brownfield Redevelopment Authority is facilitating the Tax Increment Financing component of approximately $1.5 million dollars.

Redevelopment of the Bay Valley Resort and Conference Center will bring benefits to the community by turning a blighted property into a "world-class" recreational asset and entertainment/event destination that will attract visitors from across the region, retaining and creating local jobs, and increasing the local tax base. Significant construction activity occurred in 2025, and the property is now open for business. In recognition of the positive economic impact this project has achieved in Bay County, the ownership group was presented with an Economic Development Project Award by Bay Future in early 2026.

Several companies announced in 2025 major investments in Bay County:

- McLaren Bay Region is expanding its West Campus in Bangor Township. The health care system is adding specialty clinics, a medical laboratory, advanced imaging facilities, and an emergency room.
- HL Mechatronics announced plans to purchase two new facilities in Williams Township. The expansion will add 43 new jobs with an average wage of $56.40 plus benefits.
- Bay Valley Resort added a $15 million renovation project, which resulted in 30 new jobs.
- Bay View Foods and its subsidiary, Mr. Chips, located in Pinconning, expanded their operation, which resulted in the creation and retention of three dozen jobs.

FINANCIAL POLICIES

Relevant Financial Policies

In accordance with the County's General Financial Policy and amended 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%.

As of December 31, 2025, Bay County maintains a Budget Stabilization Fund (Fund) in compliance with GASB 54 and GASB 102. Per Bay County Ordinance No. 28, as amended by Resolution 2024-156 on September 17, 2024, the Fund is capped at the lesser of fifteen percent (15%) of either the County's most recent originally adopted General Fund budget or fifteen percent (15%) of the average of the five most recent amended General Fund budgets. On December 31, 2025, year-end, the Fund's balance of $7,344,397 exceeded the statutory limit at 17.25% of the five-year average General Fund budget of $42,568,749. The excess 2.25% is being treated as a prepayment toward future required funding levels.

The Fund's balance is classified in accordance with GASB 54 as Committed Fund Balance. Committed fund balance consists of resources whose use is limited by formal action of the Bay County Board of Commissioners, which serves as the County's highest level of decision-making authority.

Use of the Fund is permitted only for extraordinary, non-routine events. An emergency is defined as a Board-declared event that significantly impairs County operations or threatens public health, safety, or welfare, including major natural disasters or major public health emergencies. A revenue shortfall is defined as a sudden and unforeseen decline in revenues or increase in expenditures that is equal to or greater than five percent (5%) of the General Fund budget during a fiscal year. The Fund may also be used for catastrophic infrastructure failures or uninsured liability events exceeding $1 million that are not reimbursable from other funding sources.

Michigan Compiled Law (MCL) Section 141.443 further authorizes the use of stabilization resources for the purpose of covering a General Fund deficit, preventing reductions in public services or staffing levels due to insufficient revenues, or responding to natural disasters when expenses are not otherwise reimbursed by state or federal sources. All uses of Fund resources require a two-thirds vote of the Bay County Board of Commissioners, and any amounts expended must be replenished within two fiscal years unless otherwise specified by Board resolution.

In accordance with GASB 102, management has evaluated the Fund for concentrations of risk and determined that no additional constraints or exposures exist beyond those required to be disclosed. Management has also concluded that no events relating to the Fund's constraints are expected to materially impact financial conditions within twelve months of the financial statement date. On December 31, 2025, the Fund balance of $7,344,397 is reported as Committed per the Board approved Resolution No. 2025-147 on August 5, 2025.

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 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 Mortgaging 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. The activities of the General Fund and Special Revenue 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 at 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 adjust 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 Annual Comprehensive Financial Report (ACFR). 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 ACFR whose contents conform to program standards. This ACFR must satisfy both generally accepted accounting principles and applicable legal requirements.

Bay County, Michigan, received a Certificate of Achievement for its 2024 ACFR for the fiscal year ending on December 31, 2024. We believe that our current ACFR meets the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for a certificate for fiscal year 2025.

In addition, the Bay County Health Department has met all standards set by the Michigan Local Public Health Accreditation Program through December 2025. This accreditation process looks at a mandatory standards-based system for accrediting local public health departments.

Preparation of this report could not have been completed 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,

Jim Barcia

Bay County Executive Office
James A. Barcia
County Executive

Scott Trepkowski

Bay County Finance Department
Scott Trepkowski
Finance Officer

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Bay County
Michigan

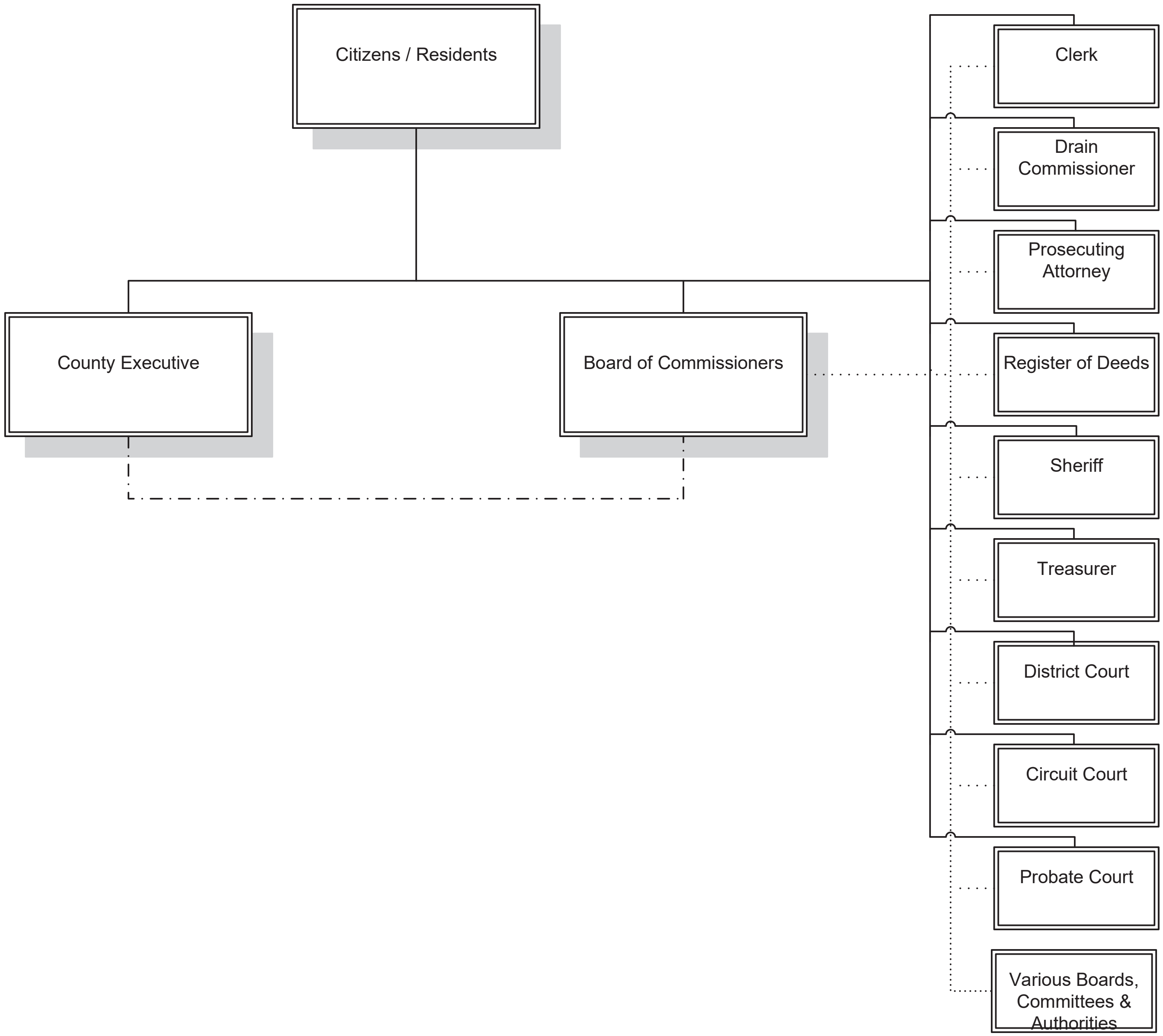
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2024

Christopher P. Morrill

Executive Director/CEO

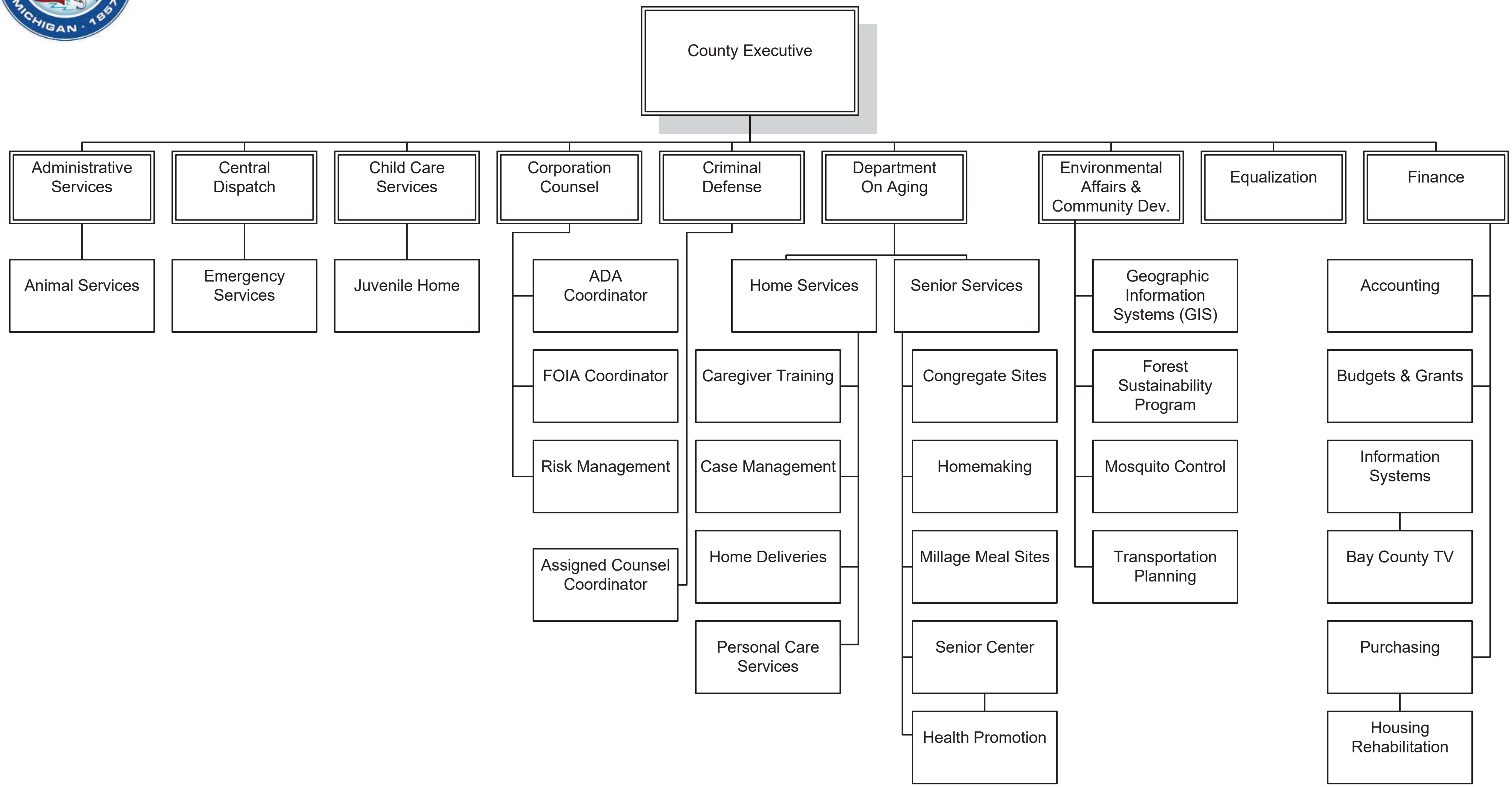
Bay County
Organizational Chart 2025



Legend:

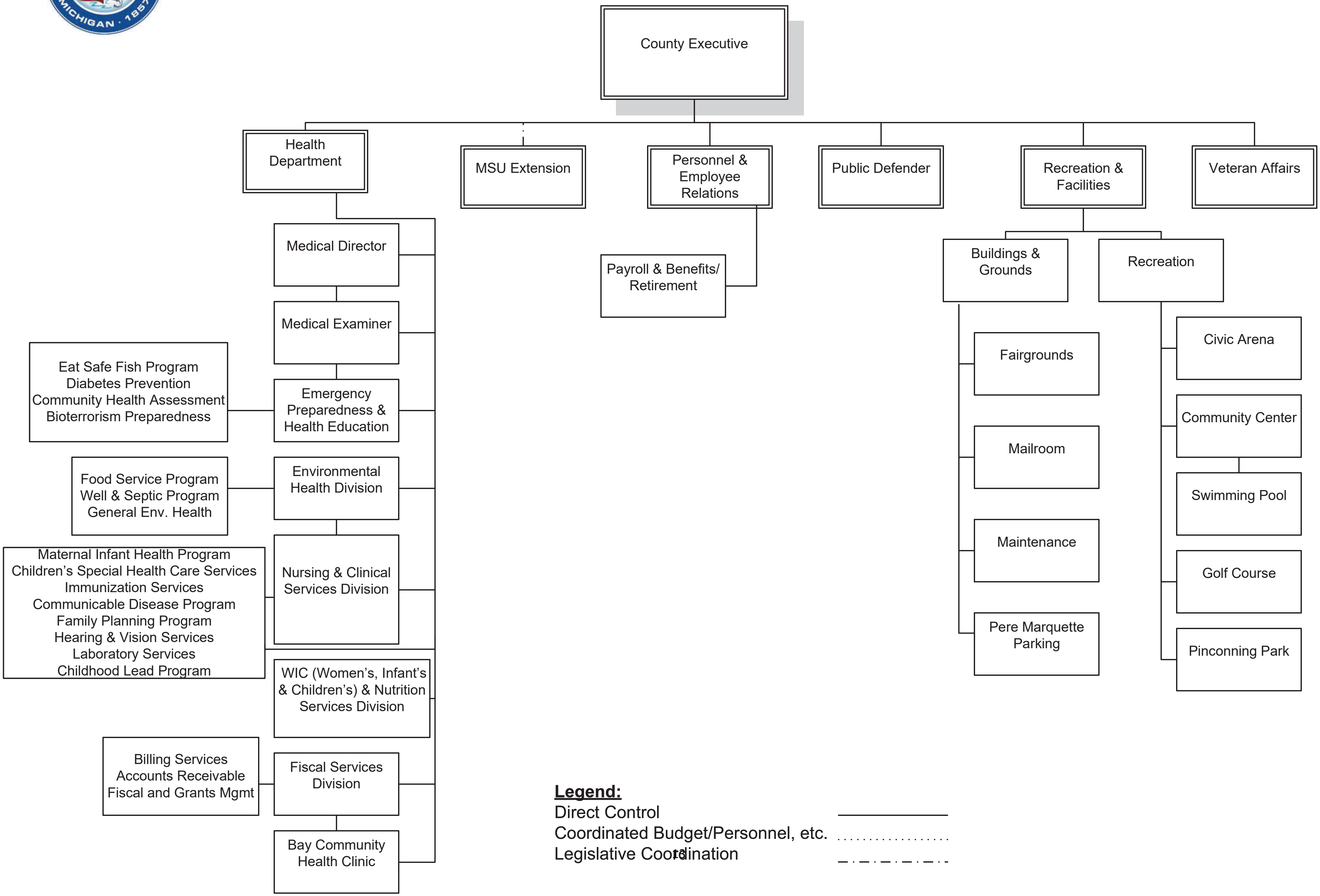
Direct Control ————
Coordinated Budget/Personnel, etc. ....
Legislative Coordination _._._._.

Bay County Organizational Chart
County Executive 2025

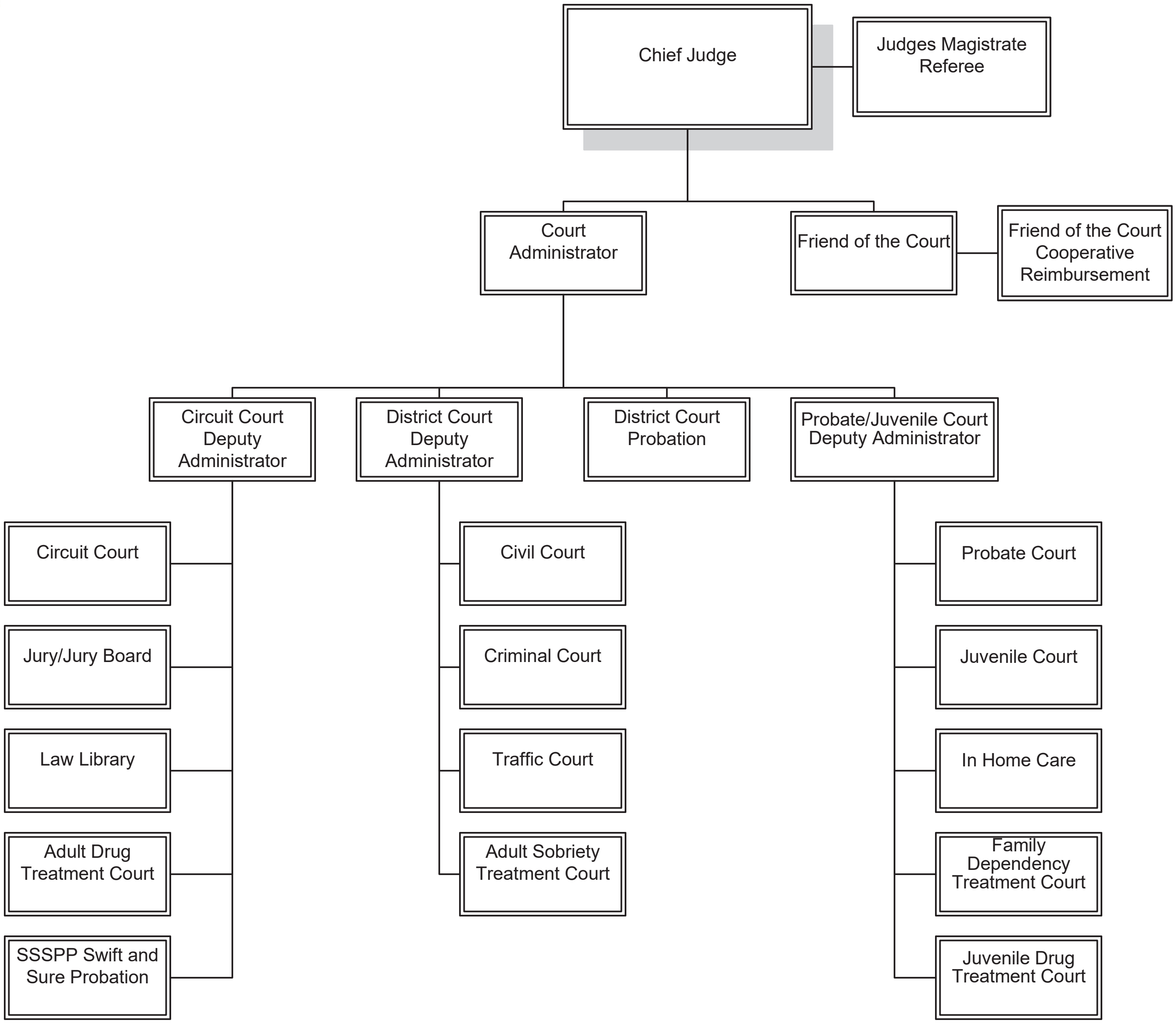


Legend:
Direct Control
Coordinated Budget/Personnel, etc.
Legislative Coordination

Bay County Organizational Chart
County Executive 2025 (Cont.)



Bay County
Organization Chart 2025



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 Financial Statements
- Required Supplementary Information
- Combining and Individual Fund Financial Statements and Schedules

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INDEPENDENT AUDITORS' REPORT

June 23, 2026

Board of Commissioners
Bay County, Michigan

Report on the Audit of the Financial Statements

Opinions

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, 2025, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County, as of December 31, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof, and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the following entities, which represent the indicated percentages of total aggregate discretely presented component units:

	Percent of Total Assets and Deferred Outflows	Percent of Total Net Position	Percent of Total Revenues
Bay County Road Commission	53%	59%	42%
Bay County Department of Water and Sewer	35%	28%	42%

Those statements were audited by other auditors whose reports thereon were furnished to us, and our opinions, insofar as they relate to the amounts included for the above entities, are based solely on the reports of the other auditors.

WE ARE AN INDEPENDENT MEMBER OF THE GLOBAL ADVISORY AND ACCOUNTING NETWORK

5800 Gratiot, Suite 201, Saginaw, MI 48638 989.799.9580

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Independent Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Independent Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards,* we:

· exercise professional judgment and maintain professional skepticism throughout the audit.

· identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

· obtain an understanding of internal control relevant to the audit 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 County's internal control. Accordingly, no such opinion is expressed.

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

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.

Supplementary 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 combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is 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. The 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.

Other Information

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued, under separate cover, our report dated June 23, 2026, 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 Robson LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2025. We encourage readers to consider the information presented here in conjunction with the accompanying basic financial statements.

Financial Highlights

· Total primary government net position	$ 190,816,557
· Unrestricted primary government net position	67,262,569
· Change in primary government net position	22,166,534
· Fund balances, governmental funds	49,646,601
· Changes in fund balances, governmental funds	5,224,534
· Unassigned fund balance, general fund	14,366,167
· Change in fund balance, general fund	1,158,954
· Primary government debt outstanding, excluding leases and SBITAs	62,941,719
· Change in primary government debt, excluding leases and SBITAs	9,472,152

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, water plant, delinquent property tax foreclosure and commissary.

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, Brownfield Redevelopment Authority and Landbank 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 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 and Road Commission bonds debt service 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, water plant, 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 and water plant funds, each of which are considered to be major funds. Individual fund data for the nonmajor enterprise funds and internal service funds are provided in the form of combining statements elsewhere in this report.

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 and schedules referred to earlier in connection with nonmajor governmental and proprietary funds, as listed in the table of contents, can be found after the required supplementary information.

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 outflows of resources exceeded liabilities and deferred inflows of resources by $190,816,557 at the close of the most recent fiscal year. Explanations for significant changes are described below.

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Assets						
Current and other assets	$ 135,805,645	$ 112,340,375	$ 80,966,668	$ 74,270,351	$ 216,772,313	$ 186,610,726
Capital assets, net	43,852,998	39,533,788	24,371,635	25,337,714	68,224,633	64,871,502
Total assets	179,658,643	151,874,163	105,338,303	99,608,065	284,996,946	251,482,228
Deferred outflows of resources	16,266,611	27,419,348	7,380,791	12,212,625	23,647,402	39,631,973
Liabilities						
Long-term liabilities	21,261,396	11,766,876	42,045,163	45,690,993	63,306,559	57,457,869
Other liabilities	12,655,355	14,525,469	3,215,184	2,985,160	15,870,539	17,510,629
Total liabilities	33,916,751	26,292,345	45,260,347	48,676,153	79,177,098	74,968,498
Deferred inflows of resources	25,181,249	30,742,787	13,469,444	16,752,893	38,650,693	47,495,680
Net position						
Net investment in capital assets	23,508,584	31,762,943	24,233,201	23,843,900	47,741,785	55,606,843
Restricted	63,617,593	50,632,241	12,194,610	8,852,933	75,812,203	59,485,174
Unrestricted	49,701,077	39,863,195	17,561,492	13,694,811	67,262,569	53,558,006
Total net position	$ 136,827,254	$ 122,258,379	$ 53,989,303	$ 46,391,644	$ 190,816,557	$ 168,650,023

A portion of the County's net position, $47,741,785 (25.0%), reflects its investment in capital assets (e.g., land, construction in progress, land improvements, buildings and improvements, machinery and equipment, office furniture and equipment, vehicles and right to use assets) 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.

The largest portion of the County's net position, $75,812,203 (39.7%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is $67,262,569. Restricted net position has been increasing due to an increase in receivables and investment returns, as well as an increase in dedicated property tax revenues and operating grant collections.

Management's Discussion and Analysis

The County's current and other assets increased by $30,161,587, consisting of an increase of $23,465,270 in governmental activities and $6,696,317 in business-type activities. The governmental activities change was driven by $11,899,240 in new long-term receivables from the Road Commission for the 2025 bond financing, a $8,782,315 increase in the net pension asset from year-end actuarial adjustments, and $2,783,715 in net operational cash growth. The County's long-term liabilities increased by $5,848,690, which consisted of an increase of $9,494,520 in governmental activities offset by a decrease of $3,645,830 in business-type activities. Further, deferred outflows of resources decreased by $15,984,571 which consisted of a decrease of $11,152,737 in governmental activities and $4,831,834 in business-type activities. Deferred inflows of resources also decreased by $8,844,987, which consisted of a decrease of $5,561,538 in governmental activities and $3,283,449 in business-type activities. These fluctuations are primarily due to the elimination of the net OPEB liabilities and the establishment of a net OPEB asset, resulting from favorable investment returns and changes within the actuarial assumptions in the pension and OPEB plans.

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues						
Program revenues:						
Charges for services	$ 11,958,840	$ 11,868,944	$ 21,886,970	$ 20,788,359	$ 33,845,810	$ 32,657,303
Operating grants and contributions	20,379,927	17,883,950	958,429	1,111,173	21,338,356	18,995,123
Capital grants and contributions	100,334	712,994	-	-	100,334	712,994
General revenues:						
Property and other taxes	33,350,167	30,774,286	5,995,850	5,630,738	39,346,017	36,405,024
Grants and contributions not restricted to specific programs	3,270,404	1,414,765	-	-	3,270,404	1,414,765
Unrestricted investment appreciation	3,299,004	2,315,158	400,354	1,059,901	3,699,358	3,375,059
Other revenue	12,008,326	6,341,216	904,460	828,034	12,912,786	7,169,250
Total revenues	84,367,002	71,311,313	30,146,063	29,418,205	114,513,065	100,729,518
Expenses						
General government	26,734,885	20,014,412	-	-	26,734,885	20,014,412
Public safety	13,503,549	10,660,942	-	-	13,503,549	10,660,942
Community and economic development	3,865,365	1,588,734	-	-	3,865,365	1,588,734
Health and welfare	12,535,409	13,639,086	-	-	12,535,409	13,639,086
Public works	747,715	708,547	-	-	747,715	708,547
Judicial	9,106,904	8,304,509	-	-	9,106,904	8,304,509
Legislative	611,391	490,354	-	-	611,391	490,354
Recreation and culture	2,752,350	2,368,560	-	-	2,752,350	2,368,560
Interest on long-term debt	559	2,542	-	-	559	2,542
Medical care facility	-	-	20,399,103	18,857,158	20,399,103	18,857,158
100% tax payment	-	-	153,839	161,679	153,839	161,679
Golf course	-	-	540,747	593,404	540,747	593,404
Water plant	-	-	1,155,830	1,202,294	1,155,830	1,202,294
Delinquent property tax foreclosure	-	-	75,645	170,023	75,645	170,023
Commissary	-	-	163,240	125,262	163,240	125,262
Total expenses	69,858,127	57,777,686	22,488,404	21,109,820	92,346,531	78,887,506

continued...

Management's Discussion and Analysis

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Change in net position before transfers	$ 14,508,875	$ 13,533,627	$ 7,657,659	$ 8,308,385	$ 22,166,534	$ 21,842,012
Transfers	60,000	1,060,000	(60,000)	(1,060,000)	-	-
Change in net position	14,568,875	14,593,627	7,597,659	7,248,385	22,166,534	21,842,012
Net position:						
Beginning of year	122,258,379	107,664,752	46,391,644	39,143,259	168,650,023	146,808,011
Net position, end of year	$ 136,827,254	$ 122,258,379	$ 53,989,303	$ 46,391,644	$ 190,816,557	$ 168,650,023

concluded

Governmental Activities. Governmental activities increased the County's net position by $14,568,875 compared to an increase of $14,593,627 in the prior year.

Operating grants and contributions increased by $2,495,977 which was mainly due to the Health Build Construction project and the use of ARPA funding for these costs.

Property taxes increased by $2,575,881 in the year 2025. This is a result of the average taxable value increased 5.779% and a new $1.2 million community pool millage.

Grants and contributions not restricted to specific programs increased by $1,855,639 which was mainly due to a increase in American Rescue Plan Act spending in 2025.

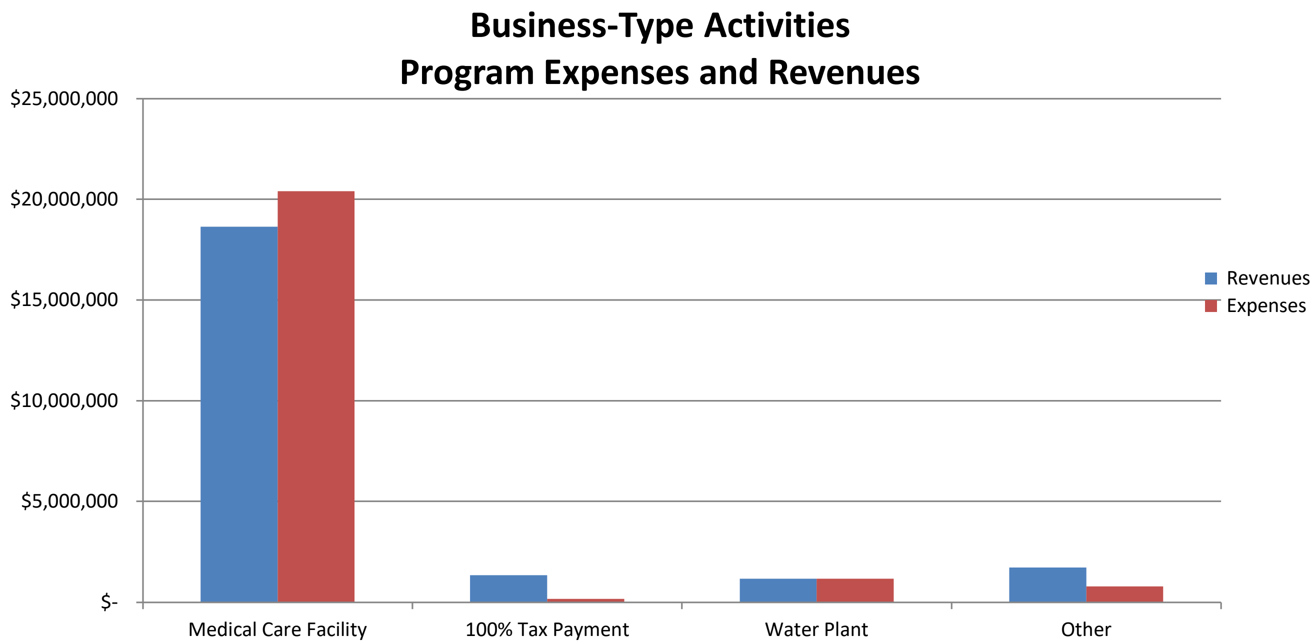
Other revenue increased by $5,667,110 which was mainly due to a $11.8 million issuance of Road Commission Transportation Bonds compared to $6.7 million issued in 2024 less a $200,000 decrease in Opioid revenue.

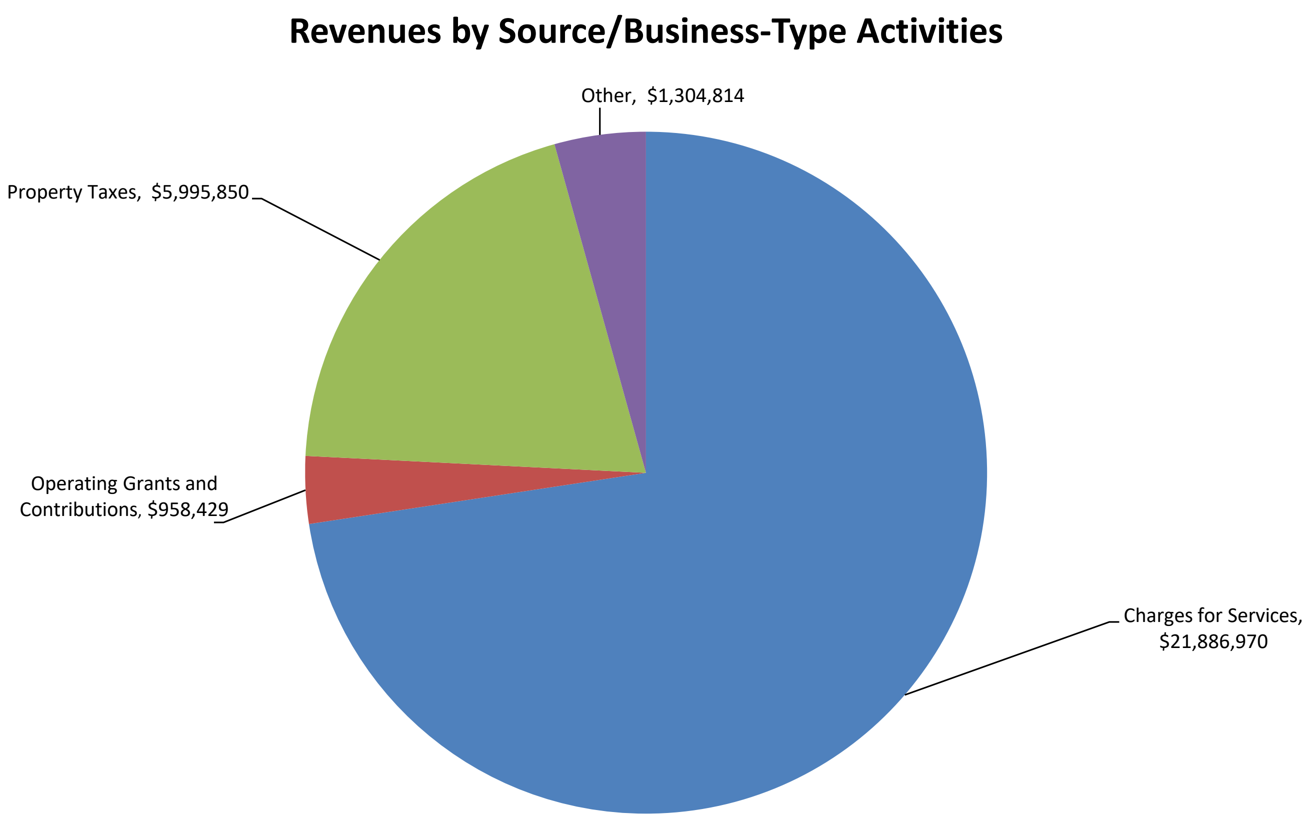
Expenses for general government increased by $6,720,473 which was mainly due to a $5.1 million increase in Road Commission Bond issuance over the $6.7 million issued in 2024 (bringing 2025 total issuance to $11.8 million), a $458,952 increase in retirement expenses, and a $287,000 increase in claims and settlements.

Expenses for public safety increased by $2,842,607 which was mainly due to a $1.4 million increase in retirement and retiree health care costs, a $361,000 increase in machinery & equipment, and a $600,000 increase in expenses for the Animal Control Construction project.

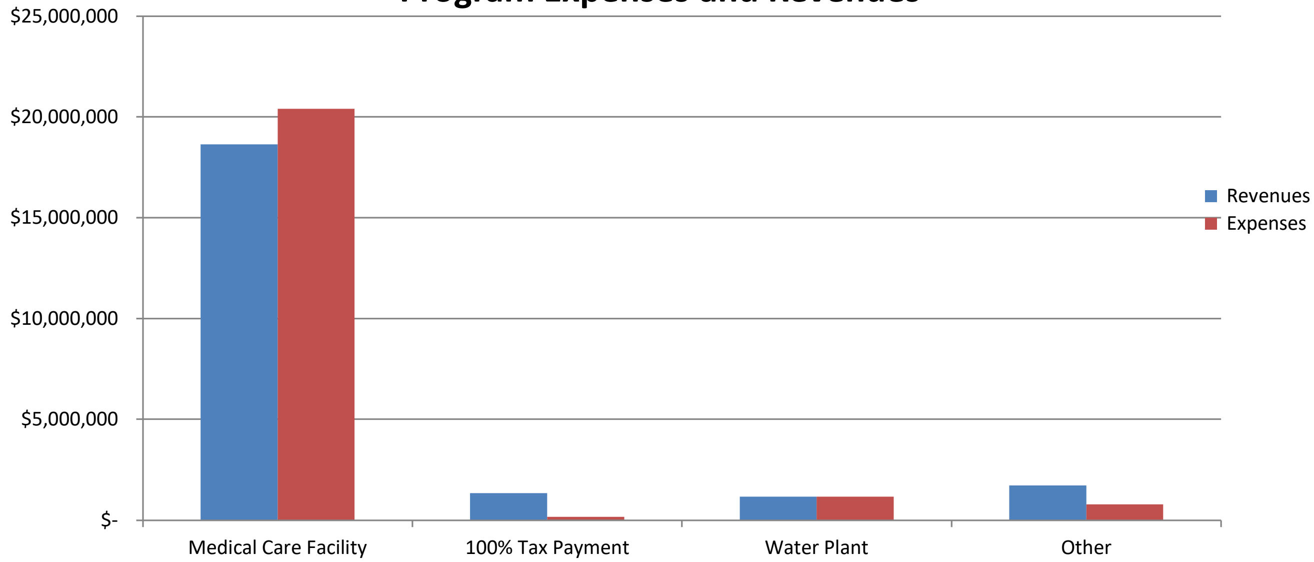
Expenses for community and economic development increased by $2,276,631 which was mainly due to a $2.4 million increase in American Rescue Plan Act grant dollars being spent on the new Health Building Project, offset by a $299,000 decrease due to the completion of the Linwood Scenic Access project.

Business-Type Activities. Business-type activities increased the County's net position by $7,597,659 compared to an increase of $7,248,385 in the prior year. See the discussions of the enterprise funds below for further information on the business-type activities.

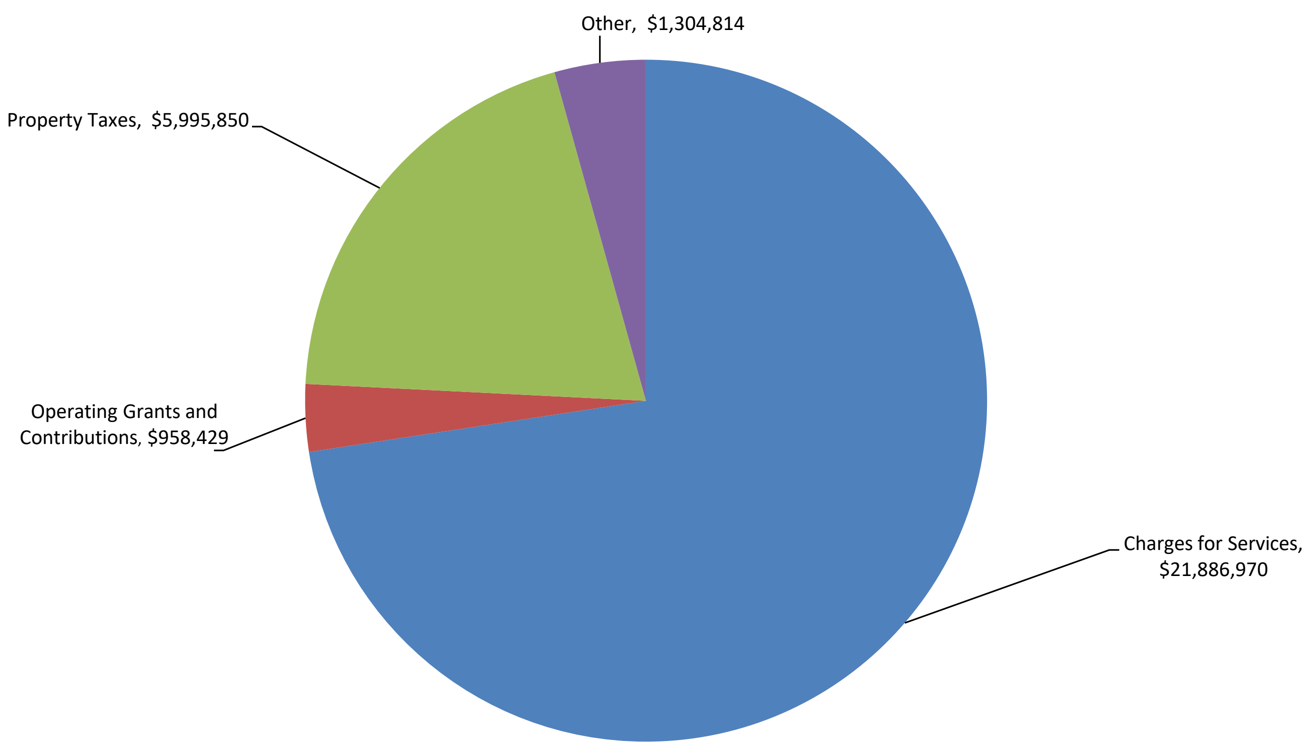

Business-Type Activities
Program Expenses and Revenues
$25,000,000
$20,000,000
$15,000,000
$10,000,000
$5,000,000
$-
Medical Care Facility
100% Tax Payment
Water Plant
Other
Revenues
Expenses


Revenues by Source/Business-Type Activities
Other, $1,304,814
Property Taxes, $5,995,850
Operating Grants and Contributions, $958,429
Charges for Services, $21,886,970

Business-Type Activities
Program Expenses and Revenues



Revenues by Source/Business-Type Activities



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 $49,646,601, an increase of $5,224,534 compared to the prior year. Of this amount, $7,344,397 is committed fund balance and $4,887,042 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 $14,366,167 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 nonspendable ($574,289) or restricted ($22,474,706).

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 $14,366,167 while total fund balance amounted to $24,712,716. 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 36.5% of total general fund expenditures, while total fund balance represents 62.8% of that same amount.

Fund balance of the County's general fund increased by $1,158,954 during the current fiscal year. The increase was primarily due to the result of an increase in property tax revenue and jail keep reimbursement for Federal detainees. Federal Detainees went from $17,563 in 2024 to $714,389 in 2025.

The Road Commission Bonds debt service fund was established in 2024, with a $6,035,000 issuance of bonds and $681,015 bond premium. So far, $764,875 in debt payments have been made. In 2025, an additional bond for Road Commission was issued from the Michigan Transportation fund Series 2025 with a $10,810,000 issuance of bonds and $1,089,240 bond premium.

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.

Total net position of the medical care facility ("facility") increased in 2025 by $5,253,567 mainly as a result of the following: the Facility received property tax revenue of $5,995,850, an increase of $365,112 from 2024 due to increased property values. Charges for services increased $1,078,677, or 7.79%, from 2024 due mainly to a census increase of 7.4% at year-end and an increase in the Medicaid rate of 8.4% for the last quarter of 2025. Personnel services expenses decreased by $648,190 from 2024 due to mainly a 17% decrease in healthcare claims and a 2% decrease in wages.

The water plant fund's net position as of year end was $79,622, an increase of $2,461, consistent with prior year. This fund was created to account for the installment purchase agreement with the Department of Water and Sewer component unit for the water plant as well as the related long-term debt.

Management's Discussion and Analysis

General fund budgetary highlights. The differences between the original budget and final amended budget for expenditures resulted in a 6.8% increase ($2,918,015) in expenditures budget; whereas the difference between the original budget and final amended budget for revenues resulted in a 3.8% increase ($1,554,469) in revenues budget; finally, the original budget for total other financing sources (uses) was amended resulting in a 45.8% increase ($570,475) in net other financing uses. The original budget shows a decrease of $3,309,638 in fund balance which was affected by budgetary adjustments. Budget adjustments of $1,934,021 resulted in a budgeted decrease to fund balance of $5,243,659. Significant budgetary differences are briefly summarized as follows:

- An increase in the budget of $606,485 in expenditures for prior-year open purchase orders that will be billed in 2025.
- An increase in the budget of $470,058 to cover costs associated with repaying the 2013–2020 foreclosure excess proceeds to the claimant.
- An increase in the budget of $650,000 in the Juvenile Division of the Circuit Court to support child placement costs for the 2025–2026 fiscal year.
- An increase in the budget of $110,004 to fund the court-appointed public guardian and conservatorship services contract with Catholic Family Services.
- An increase in the budget of $60,000 for the Sheriff Department to purchase a transport van.

Significant general fund actual to budget variances are as follows:

- A positive $755,347 variance in property tax revenue was primarily the result of collecting $748,000 more in current real property taxes in 2025 than what was budgeted.
- A unfavorable $1,176,717 variance in federal revenue was primarily the result of delays on a $350,000 project and a $700,000 project, which prevented us from incurring expenses required to claim the grant funds.
- A positive $1,812,968 variance in investment appreciations was primarily the result of unrealized gain on investments of $1 million and investment interest/dividends of $745,000 that was not budgeted.
- General government expenditures were $1,848,032 under budget due to the following: $800,000 unspent on budgeted projects, $500,000 underspent in Risk Management activity, and $535,000 in unused personnel costs.
- Public safety expenditures were $2,007,073 under budget due to $900,000 in projects not being completed and $800,000 under spending in wages and fringes due to employee turnover. Grant spending and reimbursements were also down $300,000.
- Judicial expenditures were $936,729 under budget due to $700,000 underspending in personnel costs due to employee turnover. Court grants were underutilized by $150,000. Underspending of bank and jury fees amounted to $30,000.
- Recreation and culture expenditures were $1,015,323 under budget due to $700,000 in unfinished capital projects due to timing and $175,000 in unused personnel costs.

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, 2025, amounted to $68,224,633 (net of accumulated depreciation and amortization). 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 5.2% (a 10.9% increase and 3.8% decrease for governmental activities and business-type activities, respectively).

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

- Equipment at the Golf Course was upgraded costing $264,233.
- The Sheriff's Office bought 5 vehicles totaling $260,416.
- New fire panels were replaced for the County building and the Sheriff's Office in the amount of $332,381.
- Thirteen vehicles were sold at auction in 2025 totaling $309,401.

	Capital Assets (net of depreciation and amortization)					
	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land	$ 2,744,853	$ 2,744,853	$ 167,021	$ 167,021	$ 2,911,874	$ 2,911,874
Construction work in progress	6,579,957	1,489,495	-	10,793,048	6,579,957	12,282,543
Land improvements	727,098	767,699	120,488	46,144	847,586	813,843
Buildings and improvements	28,308,213	29,400,315	21,711,977	12,361,219	50,020,190	41,761,534
Machinery and equipment	2,993,751	3,019,866	1,699,764	1,332,536	4,693,515	4,352,402
Office furniture and equipment	1,191,237	864,756	474,735	551,840	1,665,972	1,416,596
Vehicles	887,137	795,452	127,812	-	1,014,949	795,452
Lease infrastructure (Note 10)	20,506	26,097	-	-	20,506	26,097
Subscription assets (Note 11)	400,246	425,255	69,838	85,906	470,084	511,161
Total	$ 43,852,998	$ 39,533,788	$ 24,371,635	$ 25,337,714	$ 68,224,633	$ 64,871,502

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

Management's Discussion and Analysis

Long-Term Debt. At the end of the current fiscal year, the County's primary government had total outstanding debt of $62,941,719, excluding leases and subscriptions payable. The County debt is comprised of an installment purchase agreement payable, MTF bonds and bond premium, revenue bonds, Drinking Water Revolving Funds (DWRF) loans, a financed purchase agreement, and compensated absences.

	Outstanding Debt					
	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Primary Government						
Installment purchase agreement payable	$ 314,447	$ -	$ -	$ -	$ 314,447	$ -
Michigan Transportation Fund (MTF) bonds	16,370,000	6,035,000	-	-	16,370,000	6,035,000
Bond premium	1,702,153	681,015	-	-	1,702,153	681,015
Revenue bonds	-	-	26,310,000	27,240,000	26,310,000	27,240,000
DWRF loans	-	-	15,210,000	16,860,000	15,210,000	16,860,000
Financed purchase agreement	-	-	61,537	91,574	61,537	91,574
Compensated absences	2,586,853	2,245,207	386,729	316,771	2,973,582	2,561,978
Total	$ 20,973,453	$ 8,961,222	$ 41,968,266	$ 44,508,345	$ 62,941,719	$ 53,469,567

The County's total gross long-term debt of $62,941,719 is equivalent to $616 per capita or 1.7% of the County's taxable value of property of $3,692,206,272.

The County's total debt increased $9,472,152 or 17.7% during the current fiscal year. This increase is mainly the result of the issuance of the MTF bonds issued on behalf of the Bay County Road Commission offset by scheduled principal payments made during the year.

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

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	$ 533,879
Debt margin	491,842
Net debt as a percent of limit	7.87%

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 2026 fiscal year:

- All County union collective bargaining agreements are currently in effect until December 31, 2029, including a 5 percent annual wage increase. These extended terms significantly influence long-range personnel cost projections.

- Personnel and benefit costs continue to rise, driven by wage adjustments, health insurance premiums, pension contributions, and other benefit obligations.

- The County continues to seek new grant opportunities to enhance services and support operational priorities.

- For the first time, the 2026 Budget is going to utilize $850,000 of the Volunteer Employees' Beneficiary Association (VEBA) Retiree Health Care Plan, which is overfunded to reimburse the General Fund. General Fund has been funding VEBA since the plan was established on October 1, 2001.

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

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Statement of Net Position
December 31, 2025

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Assets				
Cash and cash equivalents	$ 20,102,172	$ 6,563,804	$ 26,665,976	$ 24,134,254
Investments	34,488,152	8,989,422	43,477,574	25,700,376
Receivables, net	44,606,894	52,498,847	97,105,741	13,644,760
Internal balances	2,145	(2,145)	-	-
Other assets	1,133,346	722,130	1,855,476	3,144,821
Restricted cash and cash equivalents	1,199,780	-	1,199,780	11,876,559
Restricted investments	2,889,311	-	2,889,311	-
Net pension asset	31,312,833	12,163,836	43,476,669	12,406,794
Net OPEB asset	71,012	30,774	101,786	61,228
Capital assets not being depreciated/amortized	9,324,810	167,021	9,491,831	40,072,664
Capital assets being depreciated/amortized, net	34,528,188	24,204,614	58,732,802	162,400,626
Total assets	179,658,643	105,338,303	284,996,946	293,442,082
Deferred outflows of resources				
Deferred charge on refunding	-	1,947,384	1,947,384	1,947,384
Deferred pension amounts	8,811,140	3,970,671	12,781,811	5,934,441
Deferred OPEB amounts	7,455,471	1,462,736	8,918,207	5,670,087
Total deferred outflows of resources	16,266,611	7,380,791	23,647,402	13,551,912
Liabilities				
Accounts payable and accrued liabilities	8,483,707	3,206,277	11,689,984	6,184,185
Unearned revenue	4,171,648	8,907	4,180,555	5,000,000
Bonds, notes and other long-term liabilities:				
Due within one year	2,156,925	3,065,141	5,222,066	5,355,343
Due in more than one year	19,104,471	38,980,022	58,084,493	60,044,258
Total liabilities	33,916,751	45,260,347	79,177,098	76,583,786
Deferred inflows of resources				
Deferred pension amounts	3,196,055	738,375	3,934,430	731,813
Deferred OPEB amounts	8,479,063	6,620,264	15,099,327	7,715,795
Deferred lease amounts	217,524	-	217,524	-
Taxes levied for a subsequent period	13,288,607	6,110,805	19,399,412	6,200,000
Total deferred inflows of resources	25,181,249	13,469,444	38,650,693	14,647,608

continued…

BAY COUNTY, MICHIGAN

Statement of Net Position
December 31, 2025

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Net position				
Net investment in capital assets	$ 23,508,584	$ 24,233,201	$ 47,741,785	$ 153,486,904
Restricted for:				
Pension and OPEB benefits	31,383,845	12,194,610	43,578,455	12,468,022
Insurance claims	5,594,790	-	5,594,790	-
Health and welfare	6,900,581	-	6,900,581	-
Home rehabilitation	1,768,163	-	1,768,163	-
Pest control	1,815,591	-	1,815,591	-
Recreation and culture	1,236,861	-	1,236,861	-
Public safety	8,265,740	-	8,265,740	-
Opioid remediation	5,867,975	-	5,867,975	-
Debt service	-	-	-	2,185,687
Other	784,047	-	784,047	-
Unrestricted	49,701,077	17,561,492	67,262,569	47,621,987
Total net position	$ 136,827,254	$ 53,989,303	$ 190,816,557	$ 215,762,600

concluded

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

BAY COUNTY, MICHIGAN

Statement of Activities
For the Year Ended December 31, 2025

Functions / Programs	Expenses	Indirect Expenses Allocation	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue
Primary government						
Governmental activities:						
General government	$ 26,906,356	$ (171,471)	$ 946,969	$ 9,922,685	$ 100,334	$ (15,764,897)
Public safety	13,409,696	93,853	2,814,625	1,263,829	-	(9,425,095)
Community and economic development	3,843,338	22,027	1,079,264	168,410	-	(2,617,691)
Health and welfare	12,496,629	38,780	4,152,584	6,246,616	-	(2,136,209)
Public works	778,359	(30,644)	297,772	-	-	(449,943)
Judicial	9,106,904	-	1,535,774	2,750,316	-	(4,820,814)
Legislative	611,391	-	-	-	-	(611,391)
Recreation and culture	2,897,064	(144,714)	1,131,852	28,071	-	(1,592,427)
Interest on long-term debt	559	-	-	-	-	(559)
Total governmental activities	70,050,296	(192,169)	11,958,840	20,379,927	100,334	(37,419,026)
Business-type activities:						
Medical care facility	20,367,656	31,447	17,782,971	850,241	-	(1,765,891)
100% tax payment	136,092	17,747	1,335,955	-	-	1,182,116
Golf course	433,115	107,632	783,419	-	-	242,672
Water plant	1,155,830	-	1,050,103	108,188	-	2,461
Delinquent property tax foreclosure	75,645	-	696,310	-	-	620,665
Commissary	159,411	3,829	238,212	-	-	74,972
Total business-type activities	22,327,749	160,655	21,886,970	958,429	-	356,995
Total primary government	$ 92,378,045	$ (31,514)	$ 33,845,810	$ 21,338,356	$ 100,334	$ (37,062,031)
Component units						
Road Commission	$ 20,278,068	$ -	$ 4,842,578	$ 15,084,368	$ 1,901,880	$ 1,550,758
Library System	6,895,520	870	36,220	834,258	43,732	(5,982,180)
Department of Water and Sewer	16,651,608	-	21,274,109	-	-	4,622,501
Drain Commission	1,162,156	30,644	29,700	-	723,372	(439,728)
Brownfield Redevelopment Authority	25,162	-	-	25,162	-	-
Bay County Landbank	159,133	-	153,340	-	5,427	(366)
Total component units	$ 45,171,647	$ 31,514	$ 26,335,947	$ 15,943,788	$ 2,674,411	$ (249,015)

continued...

Statement of Activities

For the Year Ended December 31, 2025

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Changes in net position				
Net (expense) revenue	$ (37,419,026)	$ 356,995	$ (37,062,031)	$ (249,015)
General revenues:				
Property and other taxes	33,350,167	5,995,850	39,346,017	5,953,058
Grants and contributions not restricted to specific programs	3,270,404	-	3,270,404	-
Unrestricted investment appreciation (depreciation)	3,299,004	400,354	3,699,358	2,157,623
Other	12,008,326	904,460	12,912,786	1,754,162
Transfers - internal activities	60,000	(60,000)	-	-
Total general revenues and transfers	51,987,901	7,240,664	59,228,565	9,864,843
Change in net position	14,568,875	7,597,659	22,166,534	9,615,828
Net position, beginning of year	122,258,379	46,391,644	168,650,023	206,146,772
Net position, end of year	$ 136,827,254	$ 53,989,303	$ 190,816,557	$ 215,762,600

concluded

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

Balance Sheet
Governmental Funds
December 31, 2025

	General Fund	Road Commission Bonds Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	$ 2,402,192	$ -	$ 12,640,209	$ 15,042,401
Investments	21,069,061	-	12,281,047	33,350,108
Receivables:				
Accounts, net	391,809	-	5,969,702	6,361,511
Property taxes, net	1,695,193	-	12,762,656	14,457,849
Interest	189,511	-	88,935	278,446
Due from other governmental units	2,763,598	-	1,987,745	4,751,343
Installment sales agreement	-	18,072,153	-	18,072,153
Due from component units	456,318	-	-	456,318
Leases	217,524	-	-	217,524
Inventories	6,908	-	-	6,908
Due from other funds	278,110	-	619,434	897,544
Prepaid items and other assets	519,487	-	47,894	567,381
Restricted cash and cash equivalents	-	-	1,199,780	1,199,780
Restricted investments	-	-	2,889,311	2,889,311
Total assets	$ 29,989,711	$ 18,072,153	$ 50,486,713	$ 98,548,577
Liabilities				
Accounts payable	$ 673,736	$ -	$ 2,331,568	$ 3,005,304
Accrued liabilities	2,484,667	-	581,336	3,066,003
Due to other funds	30,530	-	912,545	943,075
Due to component units	333,124	-	-	333,124
Due to other governmental units	70,294	-	605,404	675,698
Deposits	177,967	-	-	177,967
Unearned revenue	523,457	-	3,648,191	4,171,648
Total liabilities	4,293,775	-	8,079,044	12,372,819
Deferred inflows of resources				
Unavailable revenue - property taxes	-	-	27,800	27,800
Unavailable revenue - long-term receivable	765,696	18,072,153	4,157,377	22,995,226
Taxes levied for a subsequent period	-	-	13,288,607	13,288,607
Deferred lease amounts	217,524	-	-	217,524
Total deferred inflows of resources	983,220	18,072,153	17,473,784	36,529,157
Fund balances				
Nonspendable	526,395	-	47,894	574,289
Restricted	147,235	-	22,327,471	22,474,706
Committed	7,344,397	-	-	7,344,397
Assigned	2,328,522	-	2,558,520	4,887,042
Unassigned	14,366,167	-	-	14,366,167
Total fund balances	24,712,716	-	24,933,885	49,646,601
Total liabilities, deferred inflows of resources and fund balances	$ 29,989,711	$ 18,072,153	$ 50,486,713	$ 98,548,577

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

Reconciliation

Fund Balances for Governmental Funds
to Net Position of Governmental Activities
December 31, 2025

Fund balances - total governmental funds	$ 49,646,601
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/amortized	9,324,810
Capital assets being depreciated/amortized, net	34,528,188
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	27,800
Deferred inflow for long-term receivable	22,995,226
Certain pension and OPEB-related amounts, such as the net pension asset, net OPEB asset and related 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	31,298,534
Deferred outflows related to the net pension asset	8,810,108
Deferred inflows related to the net pension asset	(3,195,140)
Net OPEB asset	71,012
Deferred outflows related to the net OPEB asset	7,455,471
Deferred inflows related to the net OPEB asset	(8,479,063)
Internal service funds are used by management to charge the costs of self insurance to individual governmental funds. The assets, deferred outflows of resources, liabilities and deferred inflows of resources of the internal service funds are included in governmental activities in the statement of net position.	5,609,089
Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Bonds, notes and other long-term liabilities	(18,674,543)
Accrued interest on long-term debt	(3,986)
Compensated absences	(2,586,853)
Net position of governmental activities	$ 136,827,254

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, 2025

	General Fund	Road Commission Bonds Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Property taxes	$ 20,283,927	$ -	$ 13,032,377	$ 33,316,304
Licenses and permits	221,955	-	342,343	564,298
Federal	2,310,272	-	6,865,055	9,175,327
State	7,497,307	-	5,649,677	13,146,984
Investment appreciation, rents and royalties	2,985,718	-	822,358	3,808,076
Charges for services	3,243,904	-	562,504	3,806,408
Fines and forfeits	337,183	-	6,500	343,683
Reimbursements, refunds, and other	4,934,335	832,976	3,472,539	9,239,850
Total revenues	41,814,601	832,976	30,753,353	73,400,930
Expenditures				
Current:				
General government	12,729,989	-	2,566,661	15,296,650
Public safety	11,788,334	-	4,874,433	16,662,767
Community and economic development	851,722	-	3,016,516	3,868,238
Health and welfare	845,158	-	17,088,761	17,933,919
Public works	772,165	-	-	772,165
Judicial	9,739,496	-	33,776	9,773,272
Legislative	609,856	-	-	609,856
Recreation and culture	1,884,063	-	985,751	2,869,814
Debt service:				
Principal	125,144	475,000	133,109	733,253
Interest and other fiscal charges	2,366	289,875	5,995	298,236
Bond issuance costs	-	191,591	-	191,591
Contribution to component unit	-	11,775,750	-	11,775,750
Total expenditures	39,348,293	12,732,216	28,705,002	80,785,511
Revenues over (under) expenditures	2,466,308	(11,899,240)	2,048,351	(7,384,581)
Other financing sources (uses)				
Insurance recoveries/proceeds	56,856	-	76,200	133,056
Issuance of bonds, notes and other long-term liabilities	453,173	10,810,000	63,442	11,326,615
Premium on issuance of bonds, notes and other long-term liabilities	-	1,089,240	-	1,089,240
Transfers in	4,103,137	-	4,797,431	8,900,568
Transfer out	(5,920,520)	-	(2,919,844)	(8,840,364)
Total other financing sources (uses)	(1,307,354)	11,899,240	2,017,229	12,609,115
Net change in fund balances	1,158,954	-	4,065,580	5,224,534
Fund balances, beginning of year	23,553,762	-	20,868,305	44,422,067
Fund balances, end of year	$ 24,712,716	$ -	$ 24,933,885	$ 49,646,601

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

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, 2025

Net change in fund balances - total governmental funds	$	5,224,534
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/amortization expense.		
Capital assets purchased/constructed		7,041,266
Depreciation and amortization		(2,716,169)
Loss on disposal of capital assets		(5,887)
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		33,863
Change in deferred long-term receivable		10,899,319
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.		
Issuance of bonds, notes and other long-term liabilities		(11,326,615)
Premium on issuance of bonds, notes and other long-term liabilities		(1,089,240)
Principal payments on bonds, notes and other long-term liabilities		733,253
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 income (loss) from governmental activities internal service funds		118,686
Investment appreciation from governmental activities internal service funds		92,003
Transfers out of governmental activities internal service funds		(204)
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		(800,206)
Change in accrued interest payable on bonds		67,542
Change in the net OPEB asset and related deferred amounts		6,638,376
Change in the accrual for compensated absences		(341,646)
Change in net position of governmental activities	$	14,568,875

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

Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended December 31, 2025

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	$ 19,528,580	$ 19,528,580	$ 20,283,927	$ 755,347
Licenses and permits	218,700	218,700	221,955	3,255
Federal	2,432,558	3,486,989	2,310,272	(1,176,717)
State	7,897,347	8,049,512	7,497,307	(552,205)
Investment appreciation, rents and royalties	1,172,750	1,172,750	2,985,718	1,812,968
Charges for services	3,669,150	3,700,260	3,243,904	(456,356)
Fines and forfeits	620,000	620,000	337,183	(282,817)
Reimbursements, refunds, and other	5,193,150	5,509,913	4,934,335	(575,578)
Total revenues	40,732,235	42,286,704	41,814,601	(472,103)
Expenditures				
Current:				
General government	13,281,757	14,578,021	12,729,989	(1,848,032)
Public safety	13,043,645	13,795,407	11,788,334	(2,007,073)
Community and economic development	1,120,523	1,132,289	851,722	(280,567)
Health and welfare	916,740	916,740	845,158	(71,582)
Public works	746,419	783,030	772,165	(10,865)
Judicial	10,705,599	10,676,225	9,739,496	(936,729)
Legislative	793,758	793,758	609,856	(183,902)
Recreation and culture	2,108,100	2,899,386	1,884,063	(1,015,323)
Debt service:				
Principal	79,400	134,569	125,144	(9,425)
Interest and other fiscal charges	-	4,531	2,366	(2,165)
Total expenditures	42,795,941	45,713,956	39,348,293	(6,365,663)
Revenues over (under) expenditures	(2,063,706)	(3,427,252)	2,466,308	5,893,560
Other financing sources (uses)				
Insurance recoveries/proceeds	27,000	62,257	56,856	(5,401)
Issuance of bonds, notes and other long-term liabilities	-	60,116	453,173	393,057
Transfers in	4,101,768	4,130,431	4,103,137	(27,294)
Transfers out	(5,374,700)	(6,069,211)	(5,920,520)	(148,691)
Total other financing sources (uses)	(1,245,932)	(1,816,407)	(1,307,354)	509,053
Net change in fund balance	(3,309,638)	(5,243,659)	1,158,954	6,402,613
Fund balance, beginning of year	23,553,762	23,553,762	23,553,762	-
Fund balance, end of year	$ 20,244,124	$ 18,310,103	$ 24,712,716	$ 6,402,613

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

BAY COUNTY, MICHIGAN

Statement of Net Position

Proprietary Funds

December 31, 2025

	Business-type Activities - Enterprise Funds				Governmental Activities
	Medical Care Facility	Water Plant	Nonmajor Enterprise Funds	Total	Internal Service Funds
Assets					
Current assets:					
Cash and cash equivalents	$ 2,657,403	$ 1,637,880	$ 2,268,521	$ 6,563,804	$ 5,059,771
Investments	4,820,041	-	4,169,381	8,989,422	1,138,044
Accounts receivable, net	2,436,875	-	190,639	2,627,514	3,180
Property taxes receivable	5,858,257	-	4,440,879	10,299,136	-
Accrued interest receivable	-	257,491	697,058	954,549	8,537
Current portion of installment sales agreement receivable	-	2,635,000	-	2,635,000	-
Inventories	117,606	-	11,107	128,713	-
Due from other funds	-	-	420,620	420,620	47,676
Due from component units	-	-	25,000	25,000	-
Due from other governmental units	379,087	-	199,203	578,290	33
Prepaid items and other assets	578,054	-	15,363	593,417	559,057
Total current assets	16,847,323	4,530,371	12,437,771	33,815,465	6,816,298
Noncurrent assets:					
Installment sales agreement receivable, net of current portion	-	35,379,358	-	35,379,358	-
Net pension asset	11,926,820	-	237,016	12,163,836	14,299
Net OPEB asset	30,774	-	-	30,774	-
Capital assets not being depreciated/amortized	30,088	-	136,933	167,021	-
Capital assets being depreciated/amortized, net	23,800,626	-	403,988	24,204,614	-
Total noncurrent assets	35,788,308	35,379,358	777,937	71,945,603	14,299
Total assets	52,635,631	39,909,729	13,215,708	105,761,068	6,830,597
Deferred outflows of resources					
Deferred charge on refunding	-	1,947,384	-	1,947,384	-
Deferred pension amounts	3,959,108	-	11,563	3,970,671	1,032
Deferred OPEB amounts	1,462,736	-	-	1,462,736	-
Total deferred outflows of resources	5,421,844	1,947,384	11,563	7,380,791	1,032

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BAY COUNTY, MICHIGAN

Statement of Net Position

Proprietary Funds
December 31, 2025

	Business-type Activities - Enterprise Funds				Governmental Activities
	Medical Care Facility	Water Plant	Nonmajor Enterprise Funds	Total	Internal Service Funds
Liabilities					
Current liabilities:					
Accounts payable	$ 2,101,049	$ -	$ 25,313	$ 2,126,362	$ 797
Accrued liabilities	507,415	257,491	12,029	776,935	24,597
Deposits payable	14,702	-	-	14,702	-
Due to other funds	-	-	422,765	422,765	-
Due to other governmental units	-	-	12,727	12,727	-
Estimated insurance claims payable	275,551	-	-	275,551	1,196,231
Unearned revenue	-	-	8,907	8,907	-
Current portion of bonds, notes and other long-term liabilities	62,755	2,635,000	-	2,697,755	-
Current portion of compensated absences	358,330	-	9,056	367,386	-
Total current liabilities	3,319,802	2,892,491	490,797	6,703,090	1,221,625
Noncurrent liabilities:					
Bonds, notes and other long-term liabilities, net of current portion	75,679	38,885,000	-	38,960,679	-
Compensated absences, net of current portion	-	-	19,343	19,343	-
Total noncurrent liabilities	75,679	38,885,000	19,343	38,980,022	-
Total liabilities	3,395,481	41,777,491	510,140	45,683,112	1,221,625
Deferred inflows of resources					
Deferred pension amounts	723,093	-	15,282	738,375	915
Deferred OPEB amounts	6,620,264	-	-	6,620,264	-
Taxes levied for a subsequent period	6,110,805	-	-	6,110,805	-
Total deferred inflows of resources	13,454,162	-	15,282	13,469,444	915
Net position					
Net investment in capital assets	23,692,280	-	540,921	24,233,201	-
Restricted for:					
Pension and OPEB benefits	11,957,594	-	237,016	12,194,610	14,299
Insurance claims	-	-	-	-	5,594,790
Unrestricted	5,557,958	79,622	11,923,912	17,561,492	-
Total net position	$ 41,207,832	$ 79,622	$ 12,701,849	$ 53,989,303	$ 5,609,089

concluded

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

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BAY COUNTY, MICHIGAN

Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2025

	Business-type Activities - Enterprise Funds				Governmental Activities
	Medical Care Facility	Water Plant	Nonmajor Enterprise Funds	Total	Internal Service Funds
Operating revenues					
Charges for services	$ 17,782,971	$ -	$ 3,040,528	$ 20,823,499	$ 11,163,232
Other	-	1,050,103	13,368	1,063,471	-
Total operating revenues	17,782,971	1,050,103	3,053,896	21,886,970	11,163,232
Operating expenses					
Personnel services	11,569,072	-	493,231	12,062,303	11,044,546
Supplies	-	-	109,198	109,198	-
Other services	6,514,458	-	276,335	6,790,793	-
Depreciation/amortization	2,303,921	-	54,707	2,358,628	-
Total operating expenses	20,387,451	-	933,471	21,320,922	11,044,546
Operating income (loss)	(2,604,480)	1,050,103	2,120,425	566,048	118,686
Nonoperating revenues (expenses)					
Property taxes	5,995,850	-	-	5,995,850	-
Reimbursements, refunds and rebates	904,460	108,188	-	1,012,648	-
State revenue	850,241	-	-	850,241	-
Investment appreciation	119,148	-	281,206	400,354	92,003
Interest expense	-	(1,155,830)	-	(1,155,830)	-
Loss on sale of capital assets	(11,652)	-	-	(11,652)	-
Total nonoperating revenues (expenses)	7,858,047	(1,047,642)	281,206	7,091,611	92,003
Income (loss) before transfers	5,253,567	2,461	2,401,631	7,657,659	210,689
Transfers					
Transfers in	-	-	376,077	376,077	-
Transfers out	-	-	(436,077)	(436,077)	(204)
Net transfers	-	-	(60,000)	(60,000)	(204)
Change in net position	5,253,567	2,461	2,341,631	7,597,659	210,485
Net position, beginning of year	35,954,265	77,161	10,360,218	46,391,644	5,398,604
Net position, end of year	$ 41,207,832	$ 79,622	$ 12,701,849	$ 53,989,303	$ 5,609,089

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

Statement of Cash Flows

Proprietary Funds
For the Year Ended December 31, 2025

	Business-type Activities - Enterprise Funds				Governmental Activities
	Medical Care Facility	Water Plant	Nonmajor Enterprise Funds	Total	Internal Service Funds
Cash flows from operating activities					
Cash received from customers	$ 16,077,876	$ 1,050,103	$ 2,188,897	$ 19,316,876	$ -
Cash received from interfund services provided	-	-	-	-	11,353,238
Cash received from quality assurance program	1,451,794	-	-	1,451,794	-
Cash received from quality measure initiative	261,290	-	-	261,290	-
Cash received from CPE reimbursement	1,149,301	-	-	1,149,301	-
Cash paid for quality assurance assessment	(1,006,017)	-	-	(1,006,017)	-
Cash payments to suppliers for goods and services	(8,030,007)	-	(383,004)	(8,413,011)	-
Cash payments to employees and related taxes and insurance	(11,767,955)	-	(504,184)	(12,272,139)	(11,052,729)
Net cash provided by (used in) operating activities	(1,863,718)	1,050,103	1,301,709	488,094	300,509
Cash flows from noncapital financing activities					
Taxes received	6,041,395	-	-	6,041,395	-
Reimbursements, refunds, and rebates received	904,459	-	-	904,459	-
Change in resident trust deposits	7,398	-	-	7,398	-
Intergovernmental grant proceeds	850,241	-	-	850,241	-
Payments received on installment sales agreement receivable	-	2,495,752	-	2,495,752	-
Principal paid on bonds, notes and other long-term liabilities	-	(2,580,000)	-	(2,580,000)	-
Interest paid on bonds, notes and other long-term liabilities	-	(951,765)	-	(951,765)	-
Transfers in	-	-	376,077	376,077	-
Transfers out	-	-	(436,077)	(436,077)	(204)
Net cash provided by (used in) noncapital financing activities	7,803,493	(1,036,013)	(60,000)	6,707,480	(204)
Cash flows from capital and related financing activities					
Principal paid on bonds, notes and other long-term liabilities	(61,724)	-	-	(61,724)	-
Acquisition and construction of capital assets	(1,149,148)	-	(238,232)	(1,387,380)	-
Net cash provided by (used in) noncapital financing activities	(1,210,872)	-	(238,232)	(1,449,104)	-
Cash flows from investing activities					
Purchases of investments	(3,645,371)	-	(598,135)	(4,243,506)	(3,200)
Income on investments	160,019	12,311	182,147	354,477	91,517
Net cash provided by (used in) investing activities	(3,485,352)	12,311	(415,988)	(3,889,029)	88,317
Net change in cash and cash equivalents	1,243,551	26,401	587,489	1,857,441	388,622
Cash and cash equivalents, beginning of year	1,413,852	1,611,479	1,681,032	4,706,363	4,671,149
Cash and cash equivalents, end of year	$ 2,657,403	$ 1,637,880	$ 2,268,521	$ 6,563,804	$ 5,059,771

continued…

BAY COUNTY, MICHIGAN

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2025

	Business-type Activities - Enterprise Funds				Governmental Activities
	Medical Care Facility	Water Plant	Nonmajor Enterprise Funds	Total	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	$ (2,604,480)	$ 1,050,103	$ 2,120,425	$ 566,048	$ 118,686
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation/amortization	2,303,921	-	54,707	2,358,628	-
Bad debts	212,853	-	-	212,853	-
Changes in assets and liabilities that provided (used) cash:					
Accounts receivable, net	(695,059)	-	(22,753)	(717,812)	2,555
Property taxes receivable	-	-	(533,915)	(533,915)	-
Inventories	(54,061)	-	2,950	(51,111)	-
Due from other funds	-	-	37,300	37,300	489,000
Due from other governmental units	1,639,496	-	(158,107)	1,481,389	(33)
Prepaid items and other assets	20,253	-	(461)	19,792	(12,482)
Accounts payable	279,110	-	(129,087)	150,023	(10,391)
Accrued liabilities	105,029	-	1,670	106,699	(8,160)
Due to other funds	-	-	(36,612)	(36,612)	-
Due to other governmental units	-	-	(23,281)	(23,281)	-
Estimated insurance claims payable	-	-	-	-	(278,643)
Unearned revenue	-	-	1,496	1,496	-
Net pension asset	(3,200,331)	-	(110,572)	(3,310,903)	(5,732)
Deferred outflows - pension	3,400,212	-	87,700	3,487,912	5,695
Deferred inflows - pension	188,100	-	1,967	190,067	14
Net OPEB asset	(1,121,659)	-	-	(1,121,659)	-
Deferred outflows - OPEB	1,235,734	-	-	1,235,734	-
Deferred inflows - OPEB	(3,634,512)	-	-	(3,634,512)	-
Compensated absences	61,676	-	8,282	69,958	-
Net cash provided by (used in) operating activities	$ (1,863,718)	$ 1,050,103	$ 1,301,709	$ 488,094	$ 300,509

concluded

Noncash transactions:					
Capital assets financed with debt	$ 16,821	$ -	$ -	$ 16,821	$ -

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

BAY COUNTY, MICHIGAN

Statement of Fiduciary Net Position

Fiduciary Funds
December 31, 2025

	Pension and Other Employee Benefits Trusts	Custodial Funds
Assets		
Investments, at fair value:		
Equities	$ 457,458,281	$ -
Fixed income	121,147,122	22,496,174
Money market funds	998	-
Total investments, at fair value	578,606,401	22,496,174
Cash and cash equivalents	-	9,616,851
Receivables:		
Contributions receivable	349,982	-
Interest and dividends	1,097,218	-
Total receivables	1,447,200	-
Other assets:		
Net pension asset	100,109	-
Due from other governmental units	-	4
Due from other custodial funds	-	12,789
Total other assets	100,109	12,793
Total assets	580,153,710	32,125,818
Deferred outflows of resources - pensions	7,237	-
Liabilities		
Accounts payable	1,030,396	10,837
Accrued liabilities	14,887	31,893
Accrued vacation and sick pay	16,160	-
Due to component units	-	80,176
Due to other governmental units	-	31,896,533
Due to other custodial funds	-	12,789
Deposits	-	92,279
Total liabilities	1,061,443	32,124,507
Deferred inflows of resources - pensions	6,415	-
Net position		
Restricted for:		
Inmates	-	1,311
Pension benefits	465,031,494	-
Postemployment healthcare benefits	114,061,595	-
Total net position	$ 579,093,089	$ 1,311

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, 2025

	Pension and Other Employee Benefits Trusts	Custodial Funds
Additions		
Investment income:		
Net appreciation in fair value of investments	$ 50,024,833	$ -
Interest and dividends	22,533,895	-
Total investment income	72,558,728	-
Investment expense	(2,084,372)	-
Net investment income	70,474,356	-
Contributions:		
Employer	6,763,623	-
Plan members	2,370,386	-
Total contributions	9,134,009	-
Other:		
State education tax collected for other governments	-	20,748,598
Real estate transfer tax collected for other governments	-	2,849,756
Fees and fines collected on behalf of other governments	-	960,208
Collections from or on behalf of inmates	-	958,368
Other taxes collected for other governments	-	43,349
Other	7,094	-
Total other	7,094	25,560,279
Total additions	79,615,459	25,560,279
Deductions		
Participant benefits (including refunds of contributions)	29,690,952	-
Administrative expenses	620,794	-
Payments of state education tax to other governments	-	20,748,598
Payments of real estate transfer tax to other governments	-	2,849,756
Fees and fines remitted to other governments	-	960,208
Payments to or on behalf of inmates	-	958,301
Payments of other taxes to other governments	-	43,349
Total deductions	30,311,746	25,560,212
Change in net position	49,303,713	67
Net position		
Beginning of year	529,789,376	1,244
End of year	$ 579,093,089	$ 1,311

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

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BAY COUNTY, MICHIGAN

Combining Statement of Net Position

Component Units
December 31, 2025

	Road Commission	Library System	Department of Water and Sewer	Drain Commission
Assets				
Cash and cash equivalents	$ 287,604	$ 439,163	$ 20,449,367	$ 2,688,473
Investments	14,695,565	8,050,275	-	2,954,536
Receivables	2,937,081	6,250,870	2,778,419	1,088,954
Due from primary government	-	259,811	-	153,489
Prepaid items and other assets	1,117,162	250,939	976,759	775,794
Restricted cash and cash equivalents	11,876,559	-	-	-
Net pension asset	7,188,464	2,296,722	2,921,608	-
Net OPEB asset	38,602	6,604	16,022	-
Capital assets not being depreciated	38,246,363	107,487	1,385,641	333,173
Capital assets being depreciated, net	78,163,031	1,743,202	73,929,778	8,564,615
Total assets	154,550,431	19,405,073	102,457,594	16,559,034
Deferred outflows of resources				
Deferred charge on refunding	-	-	1,947,384	-
Deferred pension amounts	3,200,497	901,805	1,832,139	-
Deferred OPEB amounts	3,362,541	656,303	1,651,243	-
Total deferred outflows of resources	6,563,038	1,558,108	5,430,766	-
Liabilities				
Accounts payable and accrued liabilities	3,863,773	449,574	1,335,289	36,351
Unearned revenue	5,000,000	-	-	-
Due to primary government	-	-	-	169,488
Bonds, notes and other long-term liabilities:				
Due within one year	1,675,003	16,104	3,149,106	515,130
Due in more than one year	17,238,899	144,933	41,633,132	1,027,294
Total liabilities	27,777,675	610,611	46,117,527	1,748,263
Deferred inflows of resources				
Deferred pension amounts	476,336	92,640	162,837	-
Deferred OPEB amounts	4,651,942	1,047,991	2,015,862	-
Taxes levied for a subsequent period	-	6,200,000	-	-
Total deferred inflows of resources	5,128,278	7,340,631	2,178,699	-
Net position				
Net investment in capital assets	110,099,515	1,850,689	34,132,803	7,403,897
Restricted for:				
Pension and OPEB benefits	7,227,066	2,303,326	2,937,630	-
Debt service	-	-	-	2,185,687
Unrestricted	10,880,935	8,857,924	22,521,701	5,221,187
Total net position	$ 128,207,516	$ 13,011,939	$ 59,592,134	$ 14,810,771

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

Brownfield Redevelopment Authority	Bay County Landbank	Total
$ 38	$ 269,609	$ 24,134,254
-	-	25,700,376
30,292	145,844	13,231,460
-	-	413,300
-	24,167	3,144,821
-	-	11,876,559
-	-	12,406,794
-	-	61,228
-	-	40,072,664
-	-	162,400,626
30,330	439,620	293,442,082
-	-	1,947,384
-	-	5,934,441
-	-	5,670,087
-	-	13,551,912
17,880	-	5,702,867
-	-	5,000,000
12,450	299,380	481,318
-	-	5,355,343
-	-	60,044,258
30,330	299,380	76,583,786
-	-	731,813
-	-	7,715,795
-	-	6,200,000
-	-	14,647,608
-	-	153,486,904
-	-	12,468,022
-	-	2,185,687
-	140,240	47,621,987
$ -	$ 140,240	$ 215,762,600

BAY COUNTY, MICHIGAN

Combining Statement of Activities

Component Units
For the Year Ended December 31, 2025

Functions / Programs	Expenses	Indirect Expenses Allocation	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue
Component units						
Road Commission						
Governmental activities:						
Highways and streets	$ 20,278,068	$ -	$ 4,842,578	$ 15,084,368	$ 1,901,880	$ 1,550,758
Library System						
Governmental activities:						
Recreation and culture	6,895,520	870	36,220	834,258	43,732	(5,982,180)
Department of Water and Sewer						
Business-type activities:						
Water	11,074,824	-	15,362,071	-	-	4,287,247
Sewer	5,576,784	-	5,912,038	-	-	335,254
Total Department of Water and Sewer	16,651,608	-	21,274,109	-	-	4,622,501
Drain Commission						
Governmental activities:						
Public works	1,117,872	30,644	29,700	-	723,372	(395,444)
Interest on long-term debt	44,284	-	-	-	-	(44,284)
Total Drain Commission	1,162,156	30,644	29,700	-	723,372	(439,728)
Brownfield Redevelopment Authority						
Governmental activities:						
Community and economic development	25,162	-	-	25,162	-	-
Bay County Landbank						
Governmental activities:						
General government	159,133	-	153,340	-	5,427	(366)
Total component units	$ 45,171,647	$ 31,514	$ 26,335,947	$ 15,943,788	$ 2,674,411	$ (249,015)

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BAY COUNTY, MICHIGAN

Combining Statement of Activities
Component Units
For the Year Ended December 31, 2025

	Road Commission	Library System	Department of Water and Sewer	Drain Commission	Brownfield Redevelopment Authority	Bay County Landbank	Total
Change in net position							
Net (expense) revenue	$ 1,550,758	$ (5,982,180)	$ 4,622,501	$ (439,728)	$ -	$ (366)	$ (249,015)
General revenues:							
Property taxes	-	6,076,339	-	(123,281)	-	-	5,953,058
Unrestricted investment appreciation	766,106	583,127	504,128	304,262	-	-	2,157,623
Other	217,969	-	1,393,546	142,647	-	-	1,754,162
Total general revenues	984,075	6,659,466	1,897,674	323,628	-	-	9,864,843
Change in net position	2,534,833	677,286	6,520,175	(116,100)	-	(366)	9,615,828
Net position, beginning of year	125,672,683	12,334,653	53,071,959	14,926,871	-	140,606	206,146,772
Net position, end of year	$ 128,207,516	$ 13,011,939	$ 59,592,134	$ 14,810,771	$ -	$ 140,240	$ 215,762,600

concluded

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

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NOTES TO FINANCIAL STATEMENTS

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 102,123 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 combined financial statement (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 had no activity during the year. Separate financial statements are not prepared for the Bay County Building Authority.

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 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.

Brownfield Redevelopment Authority (the "Brownfield Authority") - The Brownfield Authority is an entity governed by a Board of Directors (Directors) which consists of not less than five (5) persons and not more than nine (9) persons in accordance with Act 381 of PA 1996. The Directors are appointed on the recommendation of the County Executive and concurrence of the Bay County Board of Commissioners. The Brownfield Authority was created to provide a means of financing remediation of brownfield (environmentally contaminated) sites within Bay County. No grant or loan shall be contracted on behalf of the Authority unless authorized by a resolution of the Brownfield Authority Board and approved by the Bay County Board of Commissioners. Separate financial statements are not prepared for the Brownfield Authority.

Bay County Landbank (the "Landbank") - The Landbank is governed by a Board which consists of the Bay County Treasurer, Bay County Executive, and five other board members appointed by the Bay County Board of Commissioners. The County can impose its will on the Landbank by removing Board members at will. 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. Funds for the Landbank are kept separately from the primary government. The Landbank is a public body corporate organized pursuant to 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 on behalf of Bay County. Separate financial statements are not prepared for the Landbank.

Fiduciary Component Units

The Bay County Employees' Retirement System and the Bay County Voluntary Employees Beneficiary Association Trust (collectively the "Plans") are multiple-employer defined benefit contributory retirement plans which provide pension and retiree healthcare benefits covering certain full-time employees of Bay County and its component units as well as an unrelated entity. The Plans are administered through qualified trusts. The County provides significant administrative support to the Plans and the County is financially accountable for the Plans, as it is obligated to make employer contributions; accordingly, they are included as fiduciary component units in the County's financial statements. Plan amendments are under the authority of County Ordinances. The changes in required contributions are subject to collective bargaining agreements and approval by the Retirement Board.

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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting.* 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.

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 *road commission bonds debt service fund* accounts for contributions from Bay County Road Commission, a discretely presented component unit, in order to pay the annual principal and semi-annual interest payments. These payments are necessary to retire the Michigan Transportation Fund Bonds, Series 2024 and 2025.

The County reports the following major enterprise 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 *water plant fund* accounts for long-term debt related to the construction of the County's water plant, which the County has an installment sales agreement with the Department of Water and Sewer (DWS) component unit. DWS operates the water plant and provides the necessary resources to the County for the debt service payments. Once the related debt obligations are repaid the title of the water plant will transfer to DWS.

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 *capital projects fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

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.

Pension and Other Postemployment Benefits Trust Funds account for the activities of the Employees' Retirement Plan, a defined-benefit pension plan, and the Voluntary Employees' Beneficiary Association (VEBA) trust, which accumulate resources for retirement and other postemployment benefit payments to qualified employees.

The *custodial funds* account for assets held by the County in a custodial capacity for other individuals, governments and entities. Primarily this includes undistributed collections and withholdings such as state education taxes, current property taxes, state jail booking fees, state real estate transfer taxes, and library penal fines.

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, water plant, and nonmajor 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.

Restricted net position represents amounts that are subject to restrictions beyond the County's control. The restrictions may be externally imposed or imposed by law. 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.

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, which is the consumption method.

Capital Assets

Capital assets, which include property, 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 $10,000 or more ($5,000 or more for federal grant purchased assets) 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 acquisition 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
Books and a/v materials	5
Office furniture and equipment	3-20
Land improvements (infrastructure)	2-50

The County reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its fair value. If it is determined that an impairment loss has occurred the asset is written down to its net realizable value and a current charge to income is recognized.

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 rights-of-way, 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 five 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.

Leases

Lessee. The County is a lessee for several noncancellable leases of infrastructure. The County recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The County recognizes lease liabilities with an initial, individual value of $10,000 or more ($5,000 or more for federal grant purchased assets).

At the commencement of a lease, the County initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the County determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments. The County uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the County generally uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price (if applicable) that the County is reasonably certain to exercise.

The County monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lessor. The County is a lessor for several noncancellable leases of buildings and land. The County recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the County initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for prepaid lease payments received at lease inception. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the County determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts. The County uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The County monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Subscription-Based Information Technology Arrangements (SBITA)

The County has noncancellable subscription-based information technology arrangements. The County recognizes a subscription liability and an intangible right-to-use subscription asset in the financial statements. The County recognizes subscription liabilities with an initial, individual value of $10,000 or more ($5,000 or more for federal grant purchased assets).

At the commencement of a subscription, the County initially measures the subscription liability at the present value of payments expected to be made during the SBITA term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for subscription payments made at or before the subscription commencement date, plus certain initial direct costs. Subsequently, the subscription asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to subscriptions include how the County determines (1) the discount rate it uses to discount the expected SBITA payments to present value, (2) subscription term, and (3) subscription payments. The County uses the interest rate charged by the SBITA vendor as the discount rate. When the interest rate charged by the SBITA vendor is not provided, the County generally uses its estimated incremental borrowing rate as the discount rate for SBITAs. The subscription term includes the noncancellable period of the subscription. Subscription payments included in the measurement of the subscription liability are composed of fixed payments and purchase option price (if applicable) that the County is reasonably certain to exercise.

The County monitors changes in circumstances that would require a remeasurement of its subscription and will remeasure the subscription asset and subscription liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

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 assets 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 related to pension and OPEB plans. The County also reports deferred outflows for the deferred charge on refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Unearned Revenue

Unearned revenue consists of amounts received prior to the delivery of goods/services or expenditure on allowable costs.

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.

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.

Accumulated sick and vacation is accrued when incurred in governmental activities and the proprietary funds. A liability for these amounts is reported for leave that has not been used but is attributable to services already rendered, accumulates, and is more likely than not to be used for time off or otherwise paid in cash. The liability is measured using the employee's pay rate as of the date of the financial statements. Certain salary-related payments that are directly and incrementally associated with payments for leave are also included in the measurement of the liability.

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 assets 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 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. Deferred inflows of resources are reported in the government-wide, proprietary fund and governmental fund financial statements for property taxes levied during the year that were intended to finance future periods. Additionally, the County reports deferred inflows of resources related to its pension and OPEB plans. Finally, the statement of net position and governmental funds balance sheet report deferred inflows related to leases. The amounts are deferred and amortized over the remaining life of the lease.

Fund Balance

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. The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that 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.

The County Board of Commissioners has formally established a budget stabilization arrangement under which it commits general 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 year end, the balance in the stabilization arrangement was $7,344,397.

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 and Retiree Healthcare

For purposes of measuring the net pension asset, net OPEB asset, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB 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.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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.

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, have a legal level of control over expenditures 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. The County does not employ encumbrance accounting as an extension of formula budgetary integration in the governmental funds. All unexpended appropriations lapse at year-end, unless specifically reappropriated by Board action.

3. EXCESS OF EXPENDITURES OVER BUDGET

State statutes provide that a local unit shall not incur expenditures in excess of the amounts appropriated. During the year, the County incurred expenditures within amounts appropriated.

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	$ 26,665,976	$ 24,134,254	$ 50,800,230
Investments	43,477,574	25,700,376	69,177,950
Restricted cash and cash equivalents	1,199,780	11,876,559	13,076,339
Restricted investments	2,889,311	-	2,889,311
Statement of Fiduciary Net Position			
Pension and other employee benefits trusts:			
Investments	578,606,401	-	578,606,401
Other fiduciary funds:			
Cash and cash equivalents	9,616,851	-	9,616,851
Investments	22,496,174	-	22,496,174
Total	$ 684,952,067	$ 61,711,189	$ 746,663,256

Deposits and investments	
Bank deposits:	
Checking, savings, and money market	$ 64,339,959
Investments:	
Equities:	
Domestic equities	351,418,276
LTD partnerships	38,656,624
Mutual funds	15,842,389
Commingled funds	51,540,992
Total equities	457,458,281
Fixed income:	
Domestic corporate bonds**	58,477,800
Foreign corporate bonds**	8,625,742
Commingled funds	7,396,802
U.S. treasury securities	17,525,296
Government bonds**	72,296,972
Municipal bonds	42,072,823
Total fixed income	206,395,435

continued...

Investments (continued):	
Michigan CLASS investment pool	$ 14,257,844
Money market funds and other similar investments	4,198,343
Total investments	682,309,903
Cash on hand	13,394
Total	$ 746,663,256

concluded

** The following investments, at fair value, include call options:

Domestic corporate bonds	$ 34,026,280
Foreign corporate bonds	6,812,874
Government bonds	1,553,314

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 and Other Employee Benefits Trust's are also allowed to invest in corporate stocks and bonds. Pension and Other Employee Benefits Trust's 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**	**Michigan CLASS Investment Pool**	**Money Market and Other Similar Investments**	**Total**
Less than 1 year	$ -	$ 13,074,022	$ 14,257,844	$ 2,633,094	$ 29,964,960
1 - 5 years	-	78,050,961	-	1,564,260	79,615,221
6 - 10 years	-	42,732,976	-	-	42,732,976
More than 10 years	-	64,301,442	-	-	64,301,442
No maturity	457,458,281	8,236,034	-	989	465,695,304
Total	$ 457,458,281	$ 206,395,435	$ 14,257,844	$ 4,198,343	$ 682,309,903

	Investment Type				
	Equities	Fixed Income	Michigan CLASS Investment Pool	Money Market and Other Similar Investments	Total
AAA	$ -	$ 13,830,951	$ -	$ -	$ 13,830,951
AAAm	-	-	14,257,844	-	14,257,844
AA	-	65,890,995	-	-	65,890,995
A	-	19,776,688	-	-	19,776,688
BAA	-	26,561,291	-	-	26,561,291
BA	-	1,773,455	-	-	1,773,455
Not rated	457,458,281	78,562,055	-	4,198,343	540,218,679
Total	$ 457,458,281	$ 206,395,435	$ 14,257,844	$ 4,198,343	$ 682,309,903

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 $56,685,956 of the County's bank balance of $60,734,878 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 changes in exchange rates will adversely affect the fair value of an investment or deposit. Any investments noted as foreign are investments in U.S. subsidiaries of foreign entities and are traded in U.S. dollars, therefore the investments are not subject to foreign currency risk.

Fair Value Measurement

The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observables inputs; Level 3 inputs are significant unobservable inputs. The County had the following recurring fair value measurements as of year end:

Investment Type	Level 1	Level 2	Level 3	Total Fair Value
Domestic equities	$ 351,418,276	$ -	$ -	$ 351,418,276
Mutual funds	15,842,389	-	-	15,842,389
Domestic corporate bonds	1,329,163	57,148,637	-	58,477,800
Foreign corporate bonds	-	8,625,742	-	8,625,742
U.S. treasury securities	17,525,296	-	-	17,525,296
Government bonds	1,893,246	70,403,726	-	72,296,972
Municipal bonds	-	42,072,823	-	42,072,823
	$ 388,008,370	$ 178,250,928	$ -	566,259,298
Investments carried at amortized cost:				
Money market funds and other similar investments				4,198,343
Investments carried at NAV:				
LTD partnerships				38,656,624
Commingled funds - equity				51,540,992
Commingled funds - fixed income				7,396,802
Michigan CLASS investment pool				14,257,844
				$ 682,309,903

Notes to Financial Statements

The following is a description of the valuation methodology used for assets recorded at fair value. There have been no changes from the prior year in the methodologies used.

Domestic equities, mutual funds, U.S. treasury securities, certain domestic corporate bonds, and certain government bonds are classified as Level 1 of the fair value hierarchy are valued based on quoted market prices in active markets.

Certain domestic and foreign corporate bonds, certain government bonds, and municipal bonds are classified as Level 2 of the fair value hierarchy and are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

The valuation method for investments measured at net asset value per share (or its equivalent) is presented in the table below.

Investments in Entities that Calculate Net Asset Value per Share

The County holds shares or interests in investment companies where the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

At December 31, 2025, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	Carrying Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
LTD partnerships	$ 38,656,624	$ -	N/A	N/A
Commingled funds - equity	51,540,992	-	N/A	N/A
Commingled funds - fixed income	7,396,802	-	N/A	N/A
Michigan CLASS investment pool	14,257,844	-	N/A	N/A

ERS

LTD partnerships. PRISA is an open-end commingled United States core real estate fund which invests in operating and substantially leased institutional quality real estate properties located mainly in major markets. The fund primarily (>75%) invests in office, retail, industrial and multifamily properties and secondarily (<25%) invests in manufactured housing, single family rental, student housing, life science and medical office property types. Most assets are acquired on a direct basis.

Principal is an open-end commingled United States core-plus real estate fund which invests primarily in operating and substantially leased institutional quality real estate properties located 20 to 30 markets. The fund will only invest in office, retail, industrial, and multi-family properties. Most assets are acquired on a direct basis. Joint ventures with qualified partners are considered if the fund has majority equity economic interest and appropriate liquidity and control mechanisms.

Commingled funds - equity. The MFS International account is comprised of domestic (U.S.) securities consisting of US common stocks. MFS may also purchase foreign securities, including American Deposit Receipts (ADRs), traded on a U.S. exchange with a limit of 10% at the time of purchase. The total investments in foreign securities traded on U.S. exchanges or OTC market should never exceed 20% of the total portfolio, at market, under management.

VEBA

LTD partnerships. PRISA is an open-end commingled United States core real estate fund which invests in operating and substantially leased institutional quality real estate properties located mainly in major markets. The fund primarily (>75%) invests in office, retail, industrial and multifamily properties and secondarily (<25%) invests in manufactured housing, single family rental, student housing, life science and medical office property types. Most assets are acquired on a direct basis.

Commingled funds - fixed income. The Loomis Investment Grade Corporate Bond Trust for the VEBA account may include shares in mutual funds, closed-end funds, hedge funds, and commodity pools, public companies, private companies with at least $50 million in shareholders' equity, and cash which may include bank deposits, certificates of deposit, bankers acceptances, and the net cash surrender value of an insurance policy.

County

The Michigan CLASS investment pool invests in U.S. Treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated A1 or better), collateralized bank deposits, repurchase agreements (collateralized at 102 percent by treasuries and agencies), and approved money market funds. The program is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities, and other public agencies.

Notes to Financial Statements

5. RECEIVABLES

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

	Governmental Activities	Business-type Activities	Component Units
Accounts:			
Current	$ 4,658,798	$ 2,674,514	$ 260,118
Noncurrent	2,163,715	-	-
Property taxes	15,078,380	10,299,136	6,200,000
Special assessments:			
Current	-	-	440,615
Noncurrent	-	-	258,552
Installment sales agreement:			
Current	1,195,717	2,635,000	-
Noncurrent	16,876,436	35,379,358	-
Interest	286,983	954,549	229,621
Intergovernmental:			
Current	4,751,376	578,290	4,700,378
Noncurrent	-	-	1,149,176
Leases:			
Current	181,109	-	-
Noncurrent	36,415	-	-
Due from component units:			
Current	456,318	25,000	-
Noncurrent	-	-	-
Due from primary government	-	-	413,300
Less: allowance for uncollectible accounts	(1,078,353)	(47,000)	(7,000)
Total	$ 44,606,894	$ 52,498,847	$ 13,644,760

Notes to Financial Statements

6. CAPITAL ASSETS

Primary government

Capital assets activity for the year ended December 31, 2025, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental activities					
Capital assets, not being depreciated/amortized:					
Land	$ 2,744,853	$ -	$ -	$ -	$ 2,744,853
Construction in progress	1,489,495	5,400,755	-	(310,293)	6,579,957
	4,234,348	5,400,755	-	(310,293)	9,324,810
Capital assets, being depreciated/amortized:					
Land improvements	3,414,724	-	-	-	3,414,724
Buildings and improvements	68,423,174	22,088	-	310,293	68,755,555
Machinery and equipment	6,812,781	353,741	-	-	7,166,522
Office furniture and equipment	5,124,358	548,204	(26,706)	-	5,645,856
Vehicles	3,799,692	538,575	(309,401)	-	4,028,866
Lease infrastructure (Note 10)	27,937	-	-	-	27,937
Subscription asset (Note 11)	589,813	177,903	(146,996)	-	620,720
	88,192,479	1,640,511	(483,103)	310,293	89,660,180

continued...

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Less accumulated depreciation/ amortization for:					
Land improvements	$ (2,647,025)	$ (40,601)	$ -	$ -	$ (2,687,626)
Buildings and improvements	(39,022,859)	(1,424,483)	-	-	(40,447,342)
Machinery and equipment	(3,792,915)	(379,856)	-	-	(4,172,771)
Office furniture and equipment	(4,259,602)	(221,723)	26,706	-	(4,454,619)
Vehicles	(3,004,240)	(441,003)	303,514	-	(3,141,729)
Lease infrastructure (Note 10)	(1,840)	(5,591)	-	-	(7,431)
Subscription asset (Note 11)	(164,558)	(202,912)	146,996	-	(220,474)
	(52,893,039)	(2,716,169)	477,216	-	(55,131,992)
Total capital assets being depreciated/amortized, net	35,299,440	(1,075,658)	(5,887)	310,293	34,528,188
Governmental activities capital assets, net	$ 39,533,788	$ 4,325,097	$ (5,887)	$ -	$ 43,852,998

concluded.

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Business-type activities					
Capital assets, not being depreciated/amortized:					
Land	$ 167,021	$ -	$ -	$ -	$ 167,021
Construction in progress	10,793,048	969,486	-	(11,762,534)	-
	10,960,069	969,486	-	(11,762,534)	167,021
Capital assets, being depreciated/amortized:					
Land improvements	431,189	-	(25,700)	77,437	482,926
Buildings and improvements	28,168,545	474	(314,325)	11,320,545	39,175,239
Machinery and equipment	3,716,048	262,910	(121,845)	364,552	4,221,665
Office furniture and equipment	1,435,490	23,978	(213,235)	-	1,246,233
Vehicles	163,526	130,532	-	-	294,058
Subscription asset (Note 11)	132,164	16,821	-	-	148,985
	34,046,962	434,715	(675,105)	11,762,534	45,569,106
Less accumulated depreciation/ amortization for:					
Land improvements	(385,045)	(3,093)	25,700	-	(362,438)
Buildings and improvements	(15,807,326)	(1,958,609)	302,673	-	(17,463,262)
Machinery and equipment	(2,383,512)	(260,234)	121,845	-	(2,521,901)
Office furniture and equipment	(883,650)	(101,083)	213,235	-	(771,498)
Vehicles	(163,526)	(2,720)	-	-	(166,246)
Subscription asset (Note 11)	(46,258)	(32,889)	-	-	(79,147)
	(19,669,317)	(2,358,628)	663,453	-	(21,364,492)
Total capital assets being depreciated/amortized, net	14,377,645	(1,923,913)	(11,652)	11,762,534	24,204,614
Business-type activities capital assets, net	$ 25,337,714	$ (954,427)	$ (11,652)	$ -	$ 24,371,635

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

Depreciation/amortization of governmental activities by function	
General government	$ 1,462,389
Public safety	544,881
Health and welfare	500,595
Recreation and culture	124,012
Judicial	84,292
	$ 2,716,169
Depreciation/amortization of business-type activities by function	
Medical Care Facility	$ 2,303,921
Golf Course	54,707
	$ 2,358,628

Discretely presented component units

Capital asset activity for the Road Commission for the year ended December 31, 2025, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	$ 400,237	$ -	$ -	$ -	$ 400,237
Land improvements	36,239,007	-	-	-	36,239,007
Right of ways	349,661	-	-	-	349,661
Wetlands	360,000	-	(360,000)	-	-
Construction in progress	181,860	1,257,458	(181,860)	-	1,257,458
	37,530,765	1,257,458	(541,860)	-	38,246,363
Capital assets, being depreciated:					
Buildings and improvements	2,431,063	249,000	(64,095)	-	2,615,968
Road equipment	15,835,668	1,529,206	(413,583)	-	16,951,291
Office equipment	46,300	-	-	-	46,300
Yard and storage	1,227,257	28,276	-	-	1,255,533
Infrastructure:					
Roads	113,180,621	3,366,764	(7,057,970)	-	109,489,415
Bridges	28,087,287	754,906	-	-	28,842,193
Traffic signals	700,550	-	-	-	700,550
	161,508,746	5,928,152	(7,535,648)	-	159,901,250
Less accumulated depreciation for:					
Buildings and improvements	(1,707,306)	(72,378)	64,095	-	(1,715,589)
Road equipment	(14,108,998)	(801,423)	407,146	-	(14,503,275)
Office equipment	(46,300)	-	-	-	(46,300)
Yard and storage	(1,197,290)	(10,080)	-	-	(1,207,370)
Infrastructure:					
Roads	(50,536,709)	(5,209,972)	7,057,970	-	(48,688,711)
Bridges	(14,323,068)	(567,059)	-	-	(14,890,127)
Traffic signals	(674,053)	(12,794)	-	-	(686,847)
	(82,593,724)	(6,673,706)	7,529,211	-	(81,738,219)
Total capital assets being depreciated, net	78,915,022	(745,554)	(6,437)	-	78,163,031
Road Commission capital assets, net	$ 116,445,787	$ 511,904	$ (548,297)	$ -	$ 116,409,394

Capital asset activity for the Library System for the year ended December 31, 2025, 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	138,559	-	-	-	138,559
Buildings and improvements	1,281,744	-	-	-	1,281,744
Machinery and equipment	283,471	30,838	-	-	314,309
Office furniture and equipment	1,181,760	-	-	-	1,181,760
Books and a/v materials	2,474,028	396,520	(399,947)	-	2,470,601
Vehicles and other	237,499	-	-	-	237,499
	5,597,061	427,358	(399,947)	-	5,624,472
Less accumulated depreciation for:					
Land improvements	(96,773)	(2,087)	-	-	(98,860)
Buildings and improvements	(1,018,540)	(20,703)	-	-	(1,039,243)
Machinery and equipment	(200,564)	(12,968)	-	-	(213,532)
Office furniture and equipment	(1,059,545)	(17,932)	-	-	(1,077,477)
Books and a/v materials	(1,199,994)	(414,816)	399,947	-	(1,214,863)
Vehicles and other	(233,427)	(3,868)	-	-	(237,295)
	(3,808,843)	(472,374)	399,947	-	(3,881,270)
Total capital assets being depreciated, net	1,788,218	(45,016)	-	-	1,743,202
Library System capital assets, net	$ 1,895,705	$ (45,016)	$ -	$ -	$ 1,850,689

Capital asset activity for the Department of Water & Sewer for the year ended December 31, 2025, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	$ 607,217	$ -	$ -	$ -	$ 607,217
Construction in progress	4,313,296	565,145	(4,100,017)	-	778,424
	4,920,513	565,145	(4,100,017)	-	1,385,641
Capital assets, being depreciated:					
Buildings and improvements	15,070,679	1,060,312	-	-	16,130,991
Improvements other than buildings	4,892,562	-	-	-	4,892,562
Machinery and equipment	21,262,256	461,938	(82,418)	-	21,641,776
Water system	61,628,997	3,769,414	-	-	65,398,411
Sewer system	33,848,359	1,557,857	-	-	35,406,216
	136,702,853	6,849,521	(82,418)	-	143,469,956
Less accumulated depreciation for:					
Buildings and improvements	(12,227,635)	(338,860)	-	-	(12,566,495)
Improvements other than buildings	(4,633,490)	(19,819)	-	-	(4,653,309)
Machinery and equipment	(19,373,322)	(340,470)	82,418	-	(19,631,374)
Water system	(11,547,179)	(1,543,163)	-	-	(13,090,342)
Sewer system	(18,794,932)	(803,726)	-	-	(19,598,658)
	(66,576,558)	(3,046,038)	82,418	-	(69,540,178)
Total capital assets being depreciated, net	70,126,295	3,803,483	-	-	73,929,778
Department of Water & Sewer capital assets, net	$ 75,046,808	$ 4,368,628	$ (4,100,017)	$ -	$ 75,315,419

Notes to Financial Statements

Capital asset activity for the Drain Commission for the year ended December 31, 2025, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	$ 333,173	$ -	$ -	$ -	$ 333,173
Capital assets, being depreciated:					
Land improvements (infrastructure)	12,115,735	154,610	-	-	12,270,345
Buildings	171,681	-	-	-	171,681
Machinery and equipment	875,233	61,931	-	-	937,164
Vehicles	378,348	-	-	-	378,348
	13,540,997	216,541	-	-	13,757,538
Less accumulated depreciation for:					
Land improvements (infrastructure)	(3,508,017)	(483,750)	-	-	(3,991,767)
Buildings	(171,681)	-	-	-	(171,681)
Machinery and equipment	(701,052)	(43,773)	-	-	(744,825)
Vehicles	(268,971)	(15,679)	-	-	(284,650)
	(4,649,721)	(543,202)	-	-	(5,192,923)
Total capital assets being depreciated, net	8,891,276	(326,661)	-	-	8,564,615
Drain Commission capital assets, net	$ 9,224,449	$ (326,661)	$ -	$ -	$ 8,897,788

7. PAYABLES

Accounts payable and accrued liabilities are as follows:

	Governmental Activities	Business-type Activities	Component Units
Accounts payable	$ 3,006,101	$ 2,126,362	$ 3,999,934
Wages, fringe benefits and other accrued liabilities	3,094,586	776,935	865,254
Due to other governmental units	675,698	12,727	746,714
Due to component unit	333,124	-	-
Deposits	177,967	14,702	10,000
Due to primary government	-	-	481,318
Estimated insurance claims payable	1,196,231	275,551	80,965
Total	$ 8,483,707	$ 3,206,277	$ 6,184,185

8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of year end, was as follows:

Due to and from primary government funds

	Due from Other Funds	Due to Other Funds
General fund	$ 278,110	$ 30,530
Nonmajor governmental funds	619,434	912,545
Nonmajor enterprise funds	420,620	422,765
Internal service funds	47,676	-
Total	$ 1,365,840	$ 1,365,840

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.

Due to and from component unit

	Due to Primary Government	Due from Component Unit	Due from Primary Government	Due to Component Unit
General fund	$ -	$ 456,318	$ -	$ 333,124
Nonmajor enterprise funds	-	25,000	-	-
Custodial funds	-	-	-	80,176
Library System	-	-	259,811	-
Drain Commission	169,488	-	153,489	-
Brownfield Redevelopment Authority	12,450			
Bay County Landbank	299,380	-	-	-
	$ 481,318	$ 481,318	$ 413,300	$ 413,300

The due to primary government in the drain commission is the drain receivable for at large wages and fringes for the general fund. The $25,000 from the County delinquent property tax fund is for the Landbank startup and the $259,811 is the local community stabilization act payments received in February 2026 due to the Library.

For the year ended December 31, 2025, interfund transfers consisted of the following:

	Transfers In			
Transfers Out	General Fund	Nonmajor Governmental Funds	Nonmajor Enterprise Funds	Total
General fund	$ 765,456	$ 4,778,987	$ 376,077	$ 5,920,520
Nonmajor governmental funds	2,901,400	18,444	-	2,919,844
Nonmajor enterprise funds	436,077	-	-	436,077
Internal service funds	204	-	-	204
	$ 4,103,137	$ 4,797,431	$ 376,077	$ 9,276,645

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 to finance various programs accounted for in other funds in accordance with budgetary authorizations.

9. BONDS, NOTES AND OTHER LONG-TERM LIABILITIES

Bonds, notes and other long-term liabilities activity for the year ended December 31, 2025, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Primary Government					
Governmental activities:					
Direct borrowings:					
Financed purchase agreement	$ -	$ 393,059	$ (78,612)	$ 314,447	$ 78,612
Michigan Transportation Bonds	6,035,000	10,810,000	(475,000)	16,370,000	1,055,000
Total installment debt	6,035,000	11,203,059	(553,612)	16,684,447	1,133,612
Bond premium	681,015	1,089,240	(68,102)	1,702,153	140,717
Lease payable (Note 10)	26,160	-	(5,297)	20,863	5,461
Subscription liability (Note 11)	317,868	123,556	(174,344)	267,080	94,115
Compensated absences	2,245,207	341,646	-	2,586,853	783,020
Total governmental activities	9,305,250	12,757,501	(801,355)	21,261,396	2,156,925
Business-type activities -					
Direct borrowings:					
Revenue bonds	27,240,000	-	(930,000)	26,310,000	940,000
DWRF loans	16,860,000	-	(1,650,000)	15,210,000	1,695,000
Financed purchase agreement	91,574	-	(30,037)	61,537	28,005
Total installment debt	44,191,574	-	(2,610,037)	41,581,537	2,663,005
Subscription liability (Note 11)	91,763	16,821	(31,687)	76,897	34,750
Compensated absences	316,771	69,958	-	386,729	367,386
Total business-type activities	44,600,108	86,779	(2,641,724)	42,045,163	3,065,141
Total primary government	$ 53,905,358	$ 12,844,280	$ (3,443,079)	$ 63,306,559	$ 5,222,066

The change in compensated absences reported above is the net change for the year.

Primary Government

The County issues general obligation bonds, installment purchase contracts, and installment purchase agreement to provide funds for the acquisition, renovation, and / or construction of major capital facilities and purchase of major equipment. The original amount of debt issued is as follows:

	Governmental Activities	Business-type Activities
Michigan Transportation bonds, Series 2024	$ 6,035,000	$ -
Michigan Transportation bonds, Series 2025	10,810,000	-
Revenue bonds - A	-	28,925,000
DWRF loans	-	29,545,285
Financed purchase agreement	393,059	91,574

The County entered into an installment purchase agreement with the department of water and sewer (DWS) component unit. DWS will operate the water facility and provide the funding for the revenue bonds and DWRF loans as the payments become due. Once the obligations are repaid the title for the water plant will transfer to DWS.

In 2024, the Medical Care Facility entered into a financed purchase agreement for computers which is due through December 17, 2027 in monthly installments of $2,353 to $2,926 with interest at 7.50%.

The loans and bonds payable are direct obligations and pledge the full faith and credit of the County. The Michigan Transportation Bonds, Series 2024 and 2025 were issued by the County on behalf of the Road Commission. Revenue bonds are secured by the revenue generated by the local municipalities that participate in the Bay Area Water Treatment Plant. The bonds payable, revenue bonds, DWRF loans, and financed purchase agreement currently outstanding are as follows:

Obligation	Interest Rates	Amount
Governmental activities		
Financed purchase agreement	0.00%	$ 314,447
Michigan Transportation bonds issued on behalf of the Road Commission	5.00%	16,370,000
Total		$ 16,684,447
Business-type activities		
Revenue bonds - A	0.473-3.080%	$ 26,310,000
DWRF loans	2.00 - 2.50%	15,210,000
Financed purchase agreement	7.50%	61,537
Total		$ 41,581,537

Notes to Financial Statements

Annual debt service requirements to maturity for installment debt are as follows:

Year Ended December 31,	Governmental Activities Principal	Governmental Activities Interest	Business-type Activities Principal	Business-type Activities Interest
2026	$ 1,133,612	$ 52,750	$ 2,663,005	$ 1,014,593
2027	1,128,612	52,500	2,348,532	963,696
2028	1,188,612	55,500	2,365,000	914,275
2029	1,233,611	57,750	2,415,000	863,643
2030	1,215,000	60,750	2,470,000	810,954
2031-2035	6,310,000	376,250	11,625,000	3,160,004
2036-2040	4,475,000	262,750	11,245,000	1,816,098
2041-2043	-	-	6,450,000	390,900
	$ 16,684,447	$ 918,250	$ 41,581,537	$ 9,934,163

Component Units

Road Commission

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Road Commission-					
Direct borrowings:					
Installment purchase agreements	$ 432,370	$ -	$ (318,085)	$ 114,285	$ 114,285
Bonds payable	6,035,000	10,810,000	(475,000)	16,370,000	1,055,000
Total installment debt	6,467,370	10,810,000	(793,085)	16,484,285	1,169,285
Bond premium	681,015	1,089,240	(68,102)	1,702,153	140,718
Compensated absences	773,345	316,243	(362,124)	727,464	365,000
Total	$ 7,921,730	$ 12,215,483	$ (1,223,311)	$ 18,913,902	$ 1,675,003

Notes to Financial Statements

Direct obligations currently outstanding are as follows:

Obligation	Interest Rates	Amount
Michigan Transportation Fund (MTF) bonds payable for road projects (issued by Bay County), Series 2024	5.00%	$ 5,560,000
Michigan Transportation Fund (MTF) bonds payable for road projects (issued by Bay County), Series 2025	5.00%	10,810,000
Installment purchase agreement - Waldo Drain	3.50%	114,285
		$ 16,484,285

Annual debt service requirements to maturity for Road Commission installment debt are as follows:

Year Ended December 31,	Principal	Interest
2026	$ 1,169,285	$ 705,649
2027	1,050,000	721,200
2028	1,110,000	667,200
2029	1,155,000	610,575
2030	1,215,000	551,325
2031-2035	6,310,000	1,773,250
2036-2040	4,475,000	522,775
	$ 16,484,285	$ 5,551,974

Library System

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Library System -					
Compensated absences	$ 164,681	$ -	$ (3,644)	$ 161,037	$ 16,104

The change in compensated absences reported above is the net change for the year.

Department of Water & Sewer

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Department of Water & Sewer-					
General obligation bonds	$ 1,895,000	$ -	$ (285,000)	$ 1,610,000	$ 295,000
Direct borrowings:					
Installment purchase agreement - due to primary government	44,100,000	-	(2,580,000)	41,520,000	2,635,000
Total installment debt	45,995,000	-	(2,865,000)	43,130,000	2,930,000
Other postemployment benefits payable (see below)	1,292,823	-	(143,647)	1,149,176	143,647
Compensated absences	478,148	24,914	-	503,062	75,459
Total	$ 47,765,971	$ 24,914	$ (3,008,647)	$ 44,782,238	$ 3,149,106

The change in compensated absences reported above is the net change for the year.

Other Postemployment Benefits Payable: The Board of County Road Commissioners of Bay County entered into a cost sharing agreement for the water plant on behalf of the parties of the Water Supply Agreement. As part of this agreement the DWS will pay Bay City the sum of $143,647 per annum as a partial reimbursement for Bay City's obligation of OPEB liabilities. These annual payments will continue until 2033.

General obligation bonds are issued by the County to finance construction projects managed and administered by the DWS.

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 and installment purchase agreement currently outstanding are as follows:

Obligation	Interest Rates	Amount
General obligation bonds	2.50 - 4.375%	$ 1,610,000
Installment purchase agreement	2.00 - 5.25%	41,520,000
		$ 43,130,000

Annual debt service requirements to maturity for DWS long-term obligations are as follows:

	General Obligation Bonds		Direct Borrowings	
Year Ended December 31,	Principal	Interest	Principal	Interest
2026	$ 295,000	$ 69,681	$ 2,635,000	$ 1,010,212
2027	310,000	57,144	2,315,000	961,898
2028	320,000	43,969	2,365,000	914,275
2029	335,000	29,969	2,415,000	863,643
2030	350,000	15,312	2,470,000	810,954
2031-2035	-	-	13,275,000	3,179,727
2036-2040	-	-	9,595,000	1,796,372
2041-2043	-	-	6,450,000	390,899
	$ 1,610,000	$ 216,075	$ 41,520,000	$ 9,927,980

Drain Commission

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Drain Commission-					
Direct borrowings:					
Advance from					
primary government	$ 61,013	$ -	$ (61,013)	$ -	$ -
Bonds payable	2,288,198	124,392	(918,699)	1,493,891	499,786
Total installment debt	2,349,211	124,392	(979,712)	1,493,891	499,786
Compensated absences	42,024	6,509	-	48,533	15,344
Total	$ 2,391,235	$ 130,901	$ (979,712)	$ 1,542,424	$ 515,130

Notes to Financial Statements

The change in compensated absences reported above is the net change for the year.

These are direct obligations, and pledge the full faith and credit of the Drain Commission and the respective drainage districts. Bonds payable are as follows:

Obligation	Interest Rates	Amount
Cheboyganing Creek drain bond payable	4.06%	$ 124,393
Tebo Erickson drain bond payable	1.95%	332,498
Waldo drain bond payable	2.00%-3.00%	1,037,000
		$ 1,493,891

Annual debt service requirements to maturity for the long-term debt are as follows:

Year Ended December 31,	Bonds Payable Principal	Bonds Payable Interest
2026	$ 499,786	$ 35,733
2027	158,128	25,897
2028	69,728	23,326
2029	69,515	21,350
2030	69,515	19,378
2031-2035	345,019	67,373
2036-2040	282,200	21,063
	$ 1,493,891	$ 214,120

10. LEASES

Lessee - The County is involved in multiple agreements as a lessee that qualify as long-term lease agreements. Below is a summary of the nature of these agreements. These agreements qualify as intangible, right-to-use assets and not financed purchases, as the County will not own the assets at the end of the contract term and the noncancellable term of the agreements surpass one year.

	Remaining Term of Agreements
Asset Type	
Infrastructure	4 years

The right-to-use assets and the related activity are included in Note 6, Capital Assets. The lease payable and related activity are presented in Note 9, Bonds, Notes and Other Long-Term Liabilities.

The net present value of future minimum payments as of December 31, 2025, were as follows:

Governmental Activities		
Year Ended December 31,	Principal	Interest
2026	$ 5,461	$ 560
2027	5,630	391
2028	5,804	217
2029	3,968	46
Total	$ 20,863	$ 1,214

Lessor - The County is involved in multiple agreements as a lessor that qualify as long-term lease agreements. Below is a summary of these agreements. These agreements qualify as long-term lease agreements as the County will not surrender control of the assets at the end of the term and the noncancellable term of the agreements surpass one year. Governmental activities total lease revenue for the year ended December 31, 2025 was $234,906, consisting of $6,478 of interest.

	Remaining Term of Agreements
Asset Type	
Buildings	1 year
Land	1 to 8 years

11. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

The County is involved in several arrangements that qualify as long-term subscription-based information technology arrangements ("SBITA"). Below is a summary of the nature of these arrangements. These arrangements qualify as intangible, right-to-use subscription assets as the County has the control of the right to use another party's IT software and the noncancellable term of the arrangements surpass one year. The present value is discounted using the County's incremental borrowing rate.

	Remaining Term of Arrangements
Asset Type	
Subscription assets	1 to 4 years

The right-to-use asset and the related activity are included in Note 6, Capital Assets. The subscription liability and related activity are presented in Note 9, Bonds, Notes and Other Long-term Liabilities.

The net present value of future minimum payments as of December 31, 2025, were as follows:

	Governmental Activities		Business-type Activities	
Year Ended December 31,	**Principal**	**Interest**	**Principal**	**Interest**
2026	$ 94,115	$ 6,724	$ 34,750	$ 4,782
2027	90,236	4,315	31,523	2,207
2028	69,947	2,120	9,357	254
2029	12,782	318	1,267	42
Total	$ 267,080	$ 13,477	$ 76,897	$ 7,285

12. 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, and Department of Water and Sewer 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. Membership of the Plan for Bay County and its component units was as follows at year end:

	Primary Government	Component Units	Total
Retirees and beneficiaries receiving benefits	762	192	954
Terminated plan members entitled to, but not yet receiving benefits	54	7	61
Active plan members	677	131	808
	1,493	330	1,823

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.

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. Plan members contribute at a rate of 3.51% to 4.63% of their annual salary. The Library portion of the plan is closed to new hires as of January 1, 2012 and therefore, the annual plan member contribution is fixed at $35,243 for the year ended December 31, 2025. The employer contribution current rates, which were determined through an actuarial valuation are as follows:

General county	0.00%
Sheriff's department	0.00%
Department of water and sewer	13.04%
Medical care facility	0.00%
Road commission	10.19%
Library	0.00%

Amounts received from employer contributions for the year ended December 31, 2025 are as follows:

	Contributions
Primary government	$ 191,344
Component units	1,076,095
	$ 1,267,439

Actuarial Assumptions. The total pension liability was calculated as of December 31, 2024 from an actuarial valuation as of December 31, 2023, using the following actuarial assumptions applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.50% to 8.25% including inflation
Investment rate of return	7.25%, net of investment and administrative expense including inflation
Mortality tables	Pub-2010 General and Safety Employee Pub-2010 General and Safety Healthy Annuitant Pub-2010 General and Safety Disabled Retiree

Rationale for the assumptions used was based on an experience study issued August 31, 2023.

Single Discount Rate. A single discount rate of 7.25% 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 7.25%. 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.

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, 2024 for each major asset class included in the Plan's target asset allocation as disclosed above are summarized as follows:

Asset Class	Target Allocation	Long-term Expected Rate of Return
Domestic equity	50.0%	7.5%
International equity	20.0%	8.5%
U.S. fixed income	23.0%	2.5%
Real estate	7.0%	4.5%
	100.0%	

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

	Primary Government and Component Units		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Asset
Balance at December 31, 2023	$ 292,197,634	$ 333,541,744	$ (41,344,110)
Changes for the year:			
Service cost	4,732,398	-	4,732,398
Interest on the total pension liability	20,656,841	-	20,656,841
Difference between expected and actual experience	(2,569,371)	-	(2,569,371)
Changes in benefit terms	186,406	-	186,406
Employer contributions	-	1,308,734	(1,308,734)
Employee contributions	-	1,876,768	(1,876,768)
Net investment income	-	36,496,360	(36,496,360)
Benefit payments and refunds	(19,283,766)	(19,283,766)	-
Administrative expenses	-	(436,124)	436,124
Net changes	3,722,508	19,961,972	(16,239,464)
Balance at December 31, 2024	$ 295,920,142	$ 353,503,716	$ (57,583,574)

The net pension asset is allocated as follows:

Primary government	$ 43,476,669
Pension trust	100,109
Component units	12,406,794
Component unit fiduciary funds not included within this report	1,600,002
	$ 57,583,574

	Primary Government/Pension Trust		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Asset
Balance at December 31, 2023	$ 221,122,631	$ 252,410,080	$ (31,287,449)
Changes for the year:			
Service cost	3,581,276	-	3,581,276
Interest on the total pension liability	15,632,211	-	15,632,211
Difference between expected and actual experience	(1,944,390)	-	(1,944,390)
Changes in benefit terms	141,064	-	141,064
Employer contributions	-	990,394	(990,394)
Employee contributions	-	1,420,257	(1,420,257)
Net investment income	-	27,618,879	(27,618,879)
Benefit payments and refunds	(14,593,127)	(14,593,127)	-
Administrative expenses	-	(330,040)	330,040
Net changes	2,817,034	15,106,363	(12,289,329)
Balance at December 31, 2024	$ 223,939,665	$ 267,516,443	$ (43,576,778)

	Component Units		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Asset
Balance at December 31, 2023	$ 71,075,003	$ 81,131,664	$ (10,056,661)
Changes for the year:			
Service cost	1,151,122	-	1,151,122
Interest on the total pension liability	5,024,630	-	5,024,630
Difference between expected and actual experience	(624,981)	-	(624,981)
Changes in benefit terms	45,342	-	45,342
Employer contributions	-	318,340	(318,340)
Employee contributions	-	456,511	(456,511)
Net investment income	-	8,877,481	(8,877,481)
Benefit payments and refunds	(4,690,639)	(4,690,639)	-
Administrative expenses	-	(106,084)	106,084
Net changes	905,474	4,855,609	(3,950,135)
Balance at December 31, 2024	$ 71,980,477	$ 85,987,273	$ (14,006,796)

Changes in benefit terms. A benefit change was reported for the Road Commission. This change increased the benefit multiplier from 1.50% to 2.00% for divisions 25, 26, and Road Commission Non-Union hired on or after 1/1/2016.

Sensitivity of the Net Pension Asset to Changes in the Discount Rate. The following table presents the System's net pension asset, calculated using a single discount rate of 7.25%, as well as what the System's net pension asset would be if it were calculated using a single discount rate that is one-percentage-point lower (6.25%) or one-percentage-point higher (8.25%) than the current rate:

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Primary government/pension trust	$ (18,773,190)	$ (43,576,778)	$ (64,501,923)
Component units	(6,034,228)	(14,006,796)	(20,732,721)
Total net pension asset	$ (24,807,418)	$ (57,583,574)	$ (85,234,644)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended December 31, 2025, the County recognized pension expense of $2,912,216. At December 31, 2025, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Primary Government and Component Units	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Difference between expected and actual experience	$ 2,441,238	$ 2,226,198	$ 215,040
Changes in assumptions	3,445,840	-	3,445,840
Change in proportionate share	2,535,641	2,535,641	-
Net difference between projected and actual earnings on pension plan investments	10,036,690	-	10,036,690
Component unit fiduciary funds not included within this report	(1,003,359)	(89,181)	(914,178)
	17,456,050	4,672,658	12,783,392
Contributions subsequent to measurement date	1,267,439	-	1,267,439
Total	$ 18,723,489	$ 4,672,658	$ 14,050,831

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

Primary government	$ 12,781,811	$ 3,934,430	$ 8,847,381
Pension trust	7,237	6,415	822
Component units	5,934,441	731,813	5,202,628
	$ 18,723,489	$ 4,672,658	$ 14,050,831

Primary Government/Pension Trust		Deferred Outflows of Resources		Deferred Inflows of Resources		Net Deferred Outflows (Inflows) of Resources
Difference between expected and actual experience	$	1,847,424	$	1,684,691	$	162,733
Changes in assumptions		2,607,664		-		2,607,664
Change in proportionate share		547,280		2,256,154		(1,708,874)
Net difference between projected and actual earnings on pension plan investments		7,595,336		-		7,595,336
		12,597,704		3,940,845		8,656,859
Contributions subsequent to measurement date		191,344		-		191,344
Total	$	12,789,048	$	3,940,845	$	8,848,203

Component Units		Deferred Outflows of Resources		Deferred Inflows of Resources		Net Deferred Outflows (Inflows) of Resources
Difference between expected and actual experience	$	593,814	$	541,507	$	52,307
Changes in assumptions		838,176		-		838,176
Change in proportionate share		1,988,361		279,487		1,708,874
Net difference between projected and actual earnings on pension plan investments		2,441,354		-		2,441,354
Component unit fiduciary funds not included within this report		(1,003,359)		(89,181)		(914,178)
		4,858,346		731,813		4,126,533
Contributions subsequent to measurement date		1,076,095		-		1,076,095
Total	$	5,934,441	$	731,813	$	5,202,628

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, 2026. 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,	Primary Government/ Pension Trust	Component Units	Total
2026	$ 5,354,714	$ 1,724,133	$ 7,078,847
2027	9,828,054	3,861,344	13,689,398
2028	(4,071,979)	(831,706)	(4,903,685)
2029	(2,417,165)	(625,383)	(3,042,548)
2030	(36,765)	(1,855)	(38,620)
	$ 8,656,859	$ 4,126,533	$ 12,783,392

Payable to the Pension Plan. As of year end, the County had outstanding contributions due to the plan in the amount of $62,572.

For governmental activities, net pension liability is generally liquidated by the general fund.

13. POSTEMPLOYMENT HEALTHCARE AND LIFE INSURANCE BENEFITS

The County also sponsors an agent multiple-employer 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 (Road Commission, Library System, Department of Water and Sewer). The purpose of the Plan is to provide medical and healthcare benefits for the welfare of certain retirees of the participating entities, and the spouses and dependents of such retirees, who are participants in the Bay County Employees' 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 issues stand-alone financial statements, which may be obtained from the County Finance Department. As of 2012, the Plan is closed with the exception of the Department of Water and Sewer and the Library.

The Plan is a contributory defined benefit plan which covers substantially all employees of Bay County and component units. At year end, participants in the Plan consisted of:

	Primary Government	Component Units	Total
Retired members and beneficiaries	637	-	637
Active plan members	336	131	467
	973	131	1,104

Employees become eligible for postemployment benefits if they reach normal retirement age while working for the County. Benefits for employees begin the first month following their date of retirement. For Bay County general and sheriff groups, employees hired after January 1, 2012 are not eligible for this postemployment benefit. For Bay County Medical Care Facility, employees hired after January 15, 2010 are not eligible for this postemployment benefit. For the Road Commission, employees hired after January 1, 2016 are not eligible for this postemployment benefit. The Library is open to full-time employees and the Department of Water and Sewer are open to all employees.

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.

Road Commission, Department of Water and Sewer, and Bay County 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.

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.

Postemployment benefits are financed on a pay-as-you-go basis for certain groups. Per the amended VEBA Trust Agreement (eff. 9/20/2022), groups who reach a 60% funding level may request reimbursement for healthcare costs directly from the trust. Groups who reach a funding level of 120% are considered “super-funded” and are required to begin using their VEBA funds unless they can provide the VEBA Board with a compelling reason as to why they should not draw from the plan. Beginning January 1, 2024, eligible employer groups were able to make quarterly requests for reimbursement. Three employer groups – Bay-Arenac Behavioral Health, Bay Medical Care Facility, and Library – all received reimbursement in 2025. 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 premiums.

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.

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 current policy is to fund the plan on a pay-as-you-go basis with additional amounts contributed into the VEBA trust fund. The employer contribution current rates, which were determined through an actuarial valuation are as follows:

General county	$ 368,229
Sheriff's department	194,084
Department of water and sewer	214,269
Medical care facility	-
Road commission	2,331,864
Library	-

Amounts received from employer contributions for the year ended December 31, 2025 are as follows:

	Contributions
Primary government	$ 2,904,965
Component units	2,018,944
	$ 4,923,909

Actuarial Assumptions. The total OPEB liability was calculated as of December 31, 2024 from an actuarial valuation date of December 31, 2023, using the following actuarial assumptions applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.75% to 8.50% including wage inflation
Investment rate of return	7.00%, net of investment and administrative expense including inflation
Healthcare trend rates	Pre-65: 7.50% trend, gradually decreasing to 3.50% in year 12; Post-65: 6.25% trend, gradually decreasing to 3.50% in year 12
Mortality tables	The RP-2014 Employee Generational The RP-2014 Healthy Annuitant Generational The RP-2014 Disabled

Rationale for the assumptions used was based on an experience study issued August 1, 2017 for the five-year period ended December 31, 2015.

Single Discount Rate. A single discount rate of 7.00% was used to measure the total OPEB liability. This single discount rate was based on the expected rate of return on OPEB plan investments of 7.00%. 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 OPEB 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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, 2024 for each major asset class included in the Plan's target asset allocation as disclosed above are summarized as follows:

Asset Class	Target Allocation	Long-term Expected Rate of Return
Domestic equity	49.0%	7.5%
International equity	21.0%	8.5%
U.S. fixed income	23.0%	2.5%
Real estate	7.0%	4.5%
	100.0%	

Changes in the Net OPEB Liability (Asset). The components of the change in the net OPEB liability (asset) are summarized as follows:

	Primary Government and Component Units		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at December 31, 2023	$ 73,727,223	$ 67,668,917	$ 6,058,306
Changes for the year:			
Service cost	953,993	-	953,993
Interest	5,034,204	-	5,034,204
Difference between expected and actual experience	(130,212)	-	(130,212)
Employer contributions	-	5,092,659	(5,092,659)
Net investment income	-	7,082,804	(7,082,804)
Benefit payments and refunds	(4,574,092)	(4,574,092)	-
Administrative expenses	-	(84,844)	84,844
Net changes	1,283,893	7,516,527	(6,232,634)
Balance at December 31, 2024	$ 75,011,116	$ 75,185,444	$ (174,328)

The net OPEB liability (asset) is allocated as follows:

Primary government	$ (101,786)
Component units	(61,228)
Component unit fiduciary funds not included within this report	(11,314)
	$ (174,328)

	Primary Government		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at December 31, 2023	$ 43,046,620	$ 39,509,398	$ 3,537,222
Changes for the year:			
Service cost	557,000	-	557,000
Interest	2,939,287	-	2,939,287
Difference between expected and actual experience	(76,026)	-	(76,026)
Employer contributions	-	2,973,417	(2,973,417)
Net investment income	-	4,135,389	(4,135,389)
Benefit payments and refunds	(2,670,644)	(2,670,644)	-
Administrative expenses	-	(49,537)	49,537
Net changes	749,617	4,388,625	(3,639,008)
Balance at December 31, 2024	$ 43,796,237	$ 43,898,023	$ (101,786)

	Component Units		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at December 31, 2023	$ 30,680,603	$ 28,159,519	$ 2,521,084
Changes for the year:			
Service cost	396,993	-	396,993
Interest	2,094,917	-	2,094,917
Difference between expected and actual experience	(54,186)	-	(54,186)
Employer contributions	-	2,119,242	(2,119,242)
Net investment income	-	2,947,415	(2,947,415)
Benefit payments and refunds	(1,903,448)	(1,903,448)	-
Administrative expenses	-	(35,307)	35,307
Net changes	534,276	3,127,902	(2,593,626)
Balance at December 31, 2024	$ 31,214,879	$ 31,287,421	$ (72,542)

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate. The following presents the net OPEB liability (asset) of the County, calculated using the discount rate of 7.00%, as well as what the County's net OPEB liability (asset) would be if it were calculated using a discount rate that is 1% lower or higher than the current rate:

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Primary government	$ 4,642,067	$ (101,786)	$ (4,116,408)
Component units	3,308,825	(72,542)	(2,934,141)
Total net OPEB liability (asset)	$ 7,950,892	$ (174,328)	$ (7,050,549)

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Healthcare Cost Trend Rate. The following presents the net OPEB liability (asset) of the County, calculated using the healthcare cost trend rate of 7.50% decreasing to 3.50% in year 12, as well as what the County's net OPEB liability (asset) would be if it were calculated using a healthcare cost trend rate that is 1% lower or higher than the current rate:

	1% Decrease (6.50%)	Current Trend Rate (7.50%)	1% Increase (8.50%)
Primary government	$ (5,540,946)	$ (101,786)	$ 5,332,896
Component units	(2,446,639)	(72,542)	3,801,243
Total net OPEB liability (asset)	$ (7,987,585)	$ (174,328)	$ 9,134,139

Notes to Financial Statements

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the year ended December 31, 2025, the County recognized OPEB expense (benefit) of $(11,108,121). At December 31, 2025, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Primary Government and Component Units	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Difference between expected and actual experience	$ 8,001	$ 19,165,373	$ (19,157,372)
Changes of assumptions	4,848,907	-	4,848,907
Change in proportionate share	5,073,457	5,073,457	-
Net difference between projected and actual earnings on pension plan investments	920,928	-	920,928
Component unit fiduciary funds not included within this report	(1,186,908)	(1,423,708)	236,800
	9,664,385	22,815,122	(13,150,737)
Contributions subsequent to measurement date	4,923,909	-	4,923,909
Total	$ 14,588,294	$ 22,815,122	$ (8,226,828)

Primary Government	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Difference between expected and actual experience	$ 4,671	$ 11,189,554	$ (11,184,883)
Changes of assumptions	2,830,997	-	2,830,997
Change in proportionate share	2,639,897	3,909,773	(1,269,876)
Net difference between projected and actual earnings on pension plan investments	537,677	-	537,677
	6,013,242	15,099,327	(9,086,085)
Contributions subsequent to measurement date	2,904,965	-	2,904,965
Total	$ 8,918,207	$ 15,099,327	$ (6,181,120)

Component Units	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Difference between expected and actual experience	$ 3,330	$ 7,975,819	$ (7,972,489)
Changes of assumptions	2,017,910	-	2,017,910
Change in proportionate share	2,433,560	1,163,684	1,269,876
Net difference between projected and actual earnings on pension plan investments	383,251	-	383,251
Component unit fiduciary funds not included within this report	(1,186,908)	(1,423,708)	236,800
	3,651,143	7,715,795	(4,064,652)
Contributions subsequent to measurement date	2,018,944	-	2,018,944
	$ 5,670,087	$ 7,715,795	$ (2,045,708)

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 OPEB liability for the year ending December 31, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31,	Primary Government	Component Units	Total
2026	$ (6,459,032)	$ (3,164,152)	$ (9,623,184)
2027	(1,593,501)	(198,451)	(1,791,952)
2028	(760,751)	(505,868)	(1,266,619)
2029	(272,801)	(196,181)	(468,982)
	$ (9,086,085)	$ (4,064,652)	$ (13,150,737)

Payable to the OPEB Plan. As of year end, the County had outstanding contributions due to the Plan in the amount of $71,175.

For governmental activities, net OPEB liability is generally liquidated by the general fund.

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

	Plan Net Position		
	Employees' Retirement System	VEBA Trust	Total
Assets			
Investments, at fair value:			
Equities	$ 370,343,120	$ 87,115,161	$ 457,458,281
Fixed income	93,935,920	27,211,202	121,147,122
Money market funds	701	297	998
Total investments	464,279,741	114,326,660	578,606,401
Receivables:			
Contributions	278,807	71,175	349,982
Interest and dividends	919,853	177,365	1,097,218
Total receivables	1,198,660	248,540	1,447,200
Other assets:			
Net pension asset	100,109	-	100,109
Total assets	465,578,510	114,575,200	580,153,710
Deferred outflows of resources - pension	7,237	-	7,237
Liabilities			
Accounts payable	516,791	513,605	1,030,396
Accrued liabilities	14,887	-	14,887
Accrued vacation and sick pay	16,160	-	16,160
Total liabilities	547,838	513,605	1,061,443
Deferred inflows of resources - pension	6,415	-	6,415
Net position			
Restricted for:			
Pension benefits	465,031,494	-	465,031,494
Postemployment healthcare benefits	-	114,061,595	114,061,595
Total net position	$ 465,031,494	$ 114,061,595	$ 579,093,089

	Plan Changes in Net Position		
	Employees' Retirement System	VEBA Trust	Total
Additions			
Investment income:			
Net appreciation in fair value of investments	$ 44,517,905	$ 5,506,928	$ 50,024,833
Interest and dividends	16,316,524	6,217,371	22,533,895
Less investment expense	(1,881,165)	(203,207)	(2,084,372)
Net investment income	58,953,264	11,521,092	70,474,356
Contributions:			
Employer	1,839,714	4,923,909	6,763,623
Plan members	2,370,386	-	2,370,386
Total contributions	4,210,100	4,923,909	9,134,009
Other revenue	7,094	-	7,094
Total additions	63,170,458	16,445,001	79,615,459
Deductions			
Participant benefits (including refunds of contributions)	24,334,880	5,356,072	29,690,952
Administrative expenses	552,243	68,551	620,794
Total deductions	24,887,123	5,424,623	30,311,746
Change in net position	38,283,335	11,020,378	49,303,713
Net position, beginning of year	426,748,159	103,041,217	529,789,376
Net position, end of year	$ 465,031,494	$ 114,061,595	$ 579,093,089

15. 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 enterprise fund), 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 thirteen bargaining units and by the Board of Commissioners for the County's nonrepresented employees.

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 2019, Bay County purchased excess insurance from Midwest Employers Casualty. 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, 2020, 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

The County is self-insured for general liability insurance coverage with Michigan Municipal Risk Management Authority ("MMRMA"). The 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. The 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	N/A

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 $99,974,305 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 the Standard 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.

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

	2025	2024
Claims liability, beginning of year	$ 680,396	$ 342,329
Claims incurred, including changes in estimates	(24,662)	924,270
Claims payments and adjustments	(111,815)	(586,203)
Claims liability, end of year	$ 543,919	$ 680,396

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

	2025	2024
Claims liability, beginning of year	$ 62,369	$ 66,367
Claims incurred, including changes in estimates	74,753	71,902
Claims payments and adjustments	(111,972)	(75,900)
Claims liability, end of year	$ 25,150	$ 62,369

Changes in the estimated claims liabilities for healthcare claims (excluding the Medical Care Facility) are as follows for the years ended December 31:

	2025	2024
Claims liability, beginning of year	$ 794,478	$ 614,492
Claims incurred, including changes in estimates	8,571,297	9,295,653
Claims payments and adjustments	(8,713,463)	(9,115,667)
Claims liability, end of year	$ 652,312	$ 794,478

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 $75,000. Changes in the estimated claims liabilities for healthcare claims of the Medical Care Facility are as follows for the years ended December 31:

	2025	2024
Claims liability, beginning of year	$ 74,475	$ 71,020
Claims incurred, including changes in estimates	2,840,740	3,009,262
Claims payments and adjustments	(2,664,814)	(3,005,807)
Claims liability, end of year	$ 250,401	$ 74,475

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.

The Road Commission is a member of the County Road Association Self-Insurance Fund for workers' compensation claims. As a member of the fund, the Road Commission is fully insured for workers' compensation claims incurred.

The Road Commission is self-insured for health care benefits with the administrative services of the program being performed by a health insurance company. The Road Commission makes monthly payments based on estimated claims and a stop-loss provision, which are adjusted quarterly. The Road Commission pays claims up to $125,000 per contract year. Based on claims incurred, the Road Commission has estimated the accrued health care claims, including an estimate for claims incurred but not reported (IBNR) of $80,965 at December 31, 2025.

Changes in the balance of the self-funded health claims provision for the years ended December 31 are as follows:

	2025	2024
Claims liability, beginning of year	$ 53,848	$ 55,727
Claims incurred, including changes in estimates	2,516,258	2,099,403
Claims payments and adjustments	(2,489,141)	(2,101,282)
Claims liability, end of year	$ 80,965	$ 53,848

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 $500,000. Net cost for the current year was $14,578.

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 $12,000,000 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 current year were $50,448.

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 current year were $290,194.

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 $100,000 specific stop loss coverage in a combined contract with DWS and the Road Commission. Payments made for the current year were $1,502,074.

16. PROPERTY TAXES

The County property tax is levied each July 1st and December 1st 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 winter 2025 ad valorem tax is levied and collectible starting December 1, 2025, it is the County's policy for all funds 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. The general fund tax is levied July 1 of each year and is recognized in the year of the levy.

The taxable value of real and personal property for the December 1, 2024 levy totaled $3,539,466,538. The taxable value of real and personal property for the July 1, 2025 levy totaled $3,692,206,272. The tax levy for fiscal year 2025 operations was based on the following rates:

General operating	5.69290 mills
Mosquito control	.5485 mills
Forest sustainability	.0993 mills
911 central dispatch	1.0472 mills
County library	1.7399 mills
Senior citizens	.8477 mills
Soldiers' relief	.0993 mills
Historical society	.0945 mills
Animal services	.6945 mills
Pool	.3490 mills
Medical care	1.7339 mills

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

Tax Abatements

Industrial property tax abatements are granted by the State of Michigan under public Act 198, as amended, to promote economic development, creation of jobs, and new or improvement facilities. The industrial facilities tax (IFT) exemption must be approved by both the local unit (after a public hearing is held) and the State of Michigan. IFT exemptions can cover real and/or personal property. By State law, the exemption must be applied for no later than six months after commencement of the project, and must be accompanied by a written agreement between the taxpayer and the local unit. An exemption allows for taxation on IFT property at 50% of the local property tax millage rate for a period of 1 to 12 years. Accordingly, such agreements meet the criteria of "tax abatements" under GAAP. Property taxes abated by the County in 2025 amounted to $369,857, related to IFT exemptions.

The Brownfield Redevelopment Financing Act, 1996 PA 381, as amended (Act 381), authorizes Brownfield Redevelopment Authorities (BRAs) to facilitate the implementation of Brownfield Plans and associated Work Plans that promote the revitalization, redevelopment, and reuse of contaminated, blighted, functionally obsolete, or historic resources. Act 381 authorizes and permits the use of school and local tax increment financing to help reduce the burden of Brownfield related costs when redeveloping affected properties. Accordingly, such agreements meet the criteria of "tax abatements" under GAAP. Property taxes abated by the County in 2025 amount to $790,641, related to brownfield exemptions.

Notes to Financial Statements

17. 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	Nonmajor Funds	Total
Nonspendable:			
Inventory	$ 6,908	$ -	$ 6,908
Prepaids	519,487	47,894	567,381
Total nonspendable	526,395	47,894	574,289
Restricted for:			
General county services	147,235	-	147,235
911 services	-	3,951,710	3,951,710
Division on aging	-	1,238,619	1,238,619
Health department	-	4,004,813	4,004,813
Mosquito control	-	1,582,957	1,582,957
Friend of the court	-	455,824	455,824
Animal adoption	-	3,930,142	3,930,142
Forest sustainability	-	232,634	232,634
Register of deeds	-	160,781	160,781
Concealed pistol licensing	-	153,054	153,054
Local C.F.O. training	-	72,916	72,916
Drug law enforcement	-	28,001	28,001
Community center pool	-	1,236,044	1,236,044
Home rehabilitation	-	1,768,163	1,768,163
Septic system replacement	-	103,034	103,034
Opioid remediation	-	1,710,598	1,710,598
Child care/social services	-	490,294	490,294
Community corrections	-	125,576	125,576
Soldiers' relief	-	1,036,973	1,036,973
Social welfare	-	25,975	25,975
Indigent defense	-	18,919	18,919
Historical preservation	-	444	444
Total restricted	147,235	22,327,471	22,474,706

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	General Fund	Nonmajor Funds	Total
Committed for:			
Budget stabilization	$ 7,344,397	$ -	$ 7,344,397
Assigned for:			
General county services	2,328,522	-	2,328,522
911 services	-	337,365	337,365
Division on aging	-	334,138	334,138
Health department	-	807,315	807,315
Mosquito control	-	553,242	553,242
Forest sustainability	-	68,112	68,112
Register of deeds	-	19,193	19,193
Concealed pistol licensing	-	39,975	39,975
Local C.F.O. training	-	11,463	11,463
Septic system replacement	-	4,500	4,500
Law library	-	22,001	22,001
Child care	-	350,000	350,000
Child care social/services	-	4,100	4,100
Community corrections	-	2,616	2,616
Social welfare	-	4,500	4,500
Total assigned	2,328,522	2,558,520	4,887,042
Unassigned	14,366,167	-	14,366,167
Total fund balances, governmental funds	$ 24,712,716	$ 24,933,885	$ 49,646,601

concluded

18. NET POSITION

Restricted Net Position

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

	Governmental Activities	Business-type Activities	Component Units
Restricted for:			
Pension and OPEB benefits	$ 31,383,845	$ 12,194,610	$ 12,468,022
Insurance claims	5,594,790	-	-
Health and welfare	6,900,581	-	-
Home rehabilitation	1,768,163	-	-
Pest control	1,815,591	-	-
Recreation and culture	1,236,861	-	-
Public safety	8,265,740	-	-
Opioid remediation	5,867,975	-	-
Debt service	-	-	2,185,687
Other:			
Judicial	455,824	-	-
Register of deeds	160,781	-	-
Donor restrictions	148,523	-	-
Indigent defense	18,919	-	-
	$ 63,617,593	$ 12,194,610	$ 14,653,709

Net Investment in Capital Assets

The composition of net investment in capital assets as of December 31, 2025, was as follows:

	Governmental Activities	Business-type Activities	Component Units
Capital assets:			
Assets not being depreciated/amortized	$ 9,324,810	$ 167,021	$ 40,072,664
Assets being depreciated/amortized, net	34,528,188	24,204,614	162,400,626
	43,852,998	24,371,635	202,473,290
Related debt:			
Due within one year	2,156,925	3,065,141	5,355,343
Due in more than one year	19,104,471	38,980,022	60,044,258
Capital related payables and retainage	1,669,871	-	-
Less:			
Deferred charge on bond refunding	-	(1,947,384)	(1,947,384)
Unspent bond proceeds	-	-	(11,876,559)
Non-capital bonds and deferred charge on bond refunding	-	(39,572,616)	-
Compensated absences	(2,586,853)	(386,729)	(1,440,096)
Retiree benefit obligation	-	-	(1,149,176)
	20,344,414	138,434	48,986,386
Net investment in capital assets	$ 23,508,584	$ 24,233,201	$ 153,486,904

19. 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.

The County is a defendant in litigation related to provisions of the Michigan General Property Tax Act and surplus proceeds generated through the auction of property tax-foreclosed properties under the statute, with similarly situated counties in the state. Proceedings are currently stayed while an appeal pending in the U.S. Circuit Court of Appeals is heard. The County may be required to repay in the future some portion of the surplus from previous years proceeds to former owners of property tax-foreclosed properties for the tax-foreclosed property dispositions. As of December 31, 2025, the County recorded an estimated potential liability in the amount of $1,234,975 in the general fund.

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.

As of December 31, 2025, the County's commitments on active projects with contractors are as follows:

	Spent to Date	Remaining Commitment
Otis Elevator replacement project	$ 818,342	$ 89,837
Health Services Center project	4,553,756	1,499,243
Animal Services Center project	1,172,309	8,108,343
Department on Aging Center kitchen project	35,550	598,609
Total	$ 6,579,957	$ 10,296,032

20. OPIOID SETTLEMENT

The County is part of various nationwide Opioid settlements reached by states and local political subdivisions against pharmaceutical distributors, manufacturers, and pharmacies. The terms of the settlements vary by entity; however, the County received installments beginning in 2023 and expects to receive future installments through 2038. The County currently expects the total amount of the settlement to be $7,464,189. Settlement payments received during the year ended December 31, 2025 were $461,725. The total receivable for all of the settlement agreements was recorded at the net present value, using a discount rate for payments to be received subsequent to 2025 of 3%. The net present value of the combined settlement payments to be received as of December 31, 2025 is $4,157,377.

Additional settlements with other pharmacies and manufacturers may be forthcoming as well. However, as of December 31, 2025, the amounts to be allocated to and collected by the County were not able to be determined, and as such, no amounts have been reported related to these settlements in the financial statements.

21. REPORTING UNITS AFFECTED BY ADJUSTMENT TO BEGINNING BALANCES

The County previously reported the American Rescue Plan Act special revenue fund as a major fund. This fund no longer meets the quantitative threshold for a major fund in accordance with GAAP for the year ended December 31, 2025. The American Rescue Plan Act special revenue fund had no fund balance as of December 31, 2024, therefore, the change from major to nonmajor fund did not impact the fund balance previously reported.

22. SUBSEQUENT EVENT

Subsequent to year-end, the County entered into an agreement for the community center pool facility construction project in the amount of $8,000,000.

Subsequent to year-end, the Board approved the Water Supply System Bonds (Limited Tax General Obligation), Series 2026 in the amount of $14,500,000 with annual interest at 4.00% to 5.00%. These bonds are expected to be issued on July 1, 2026.

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REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information

Employees' Retirement System

Schedule of Changes in Net Pension Asset and Related Ratios

	Plan Year Ended December 31,			
	2024	2023	2022	2021
Total pension liability				
Service cost	$ 4,732,398	$ 4,535,331	$ 4,470,985	$ 4,521,825
Interest	20,656,841	20,054,763	19,021,510	18,604,429
Changes in benefits	186,406	-	-	-
Differences between expected and actual experience	(2,569,371)	2,612,503	1,577,006	596,999
Changes of assumptions	-	-	7,708,380	-
Benefit payments, including refunds of member contributions	(19,283,766)	(18,709,435)	(18,407,144)	(17,482,843)
Net change in total pension liability	3,722,508	8,493,162	14,370,737	6,240,410
Total pension liability, beginning of year	292,197,634	283,704,472	269,333,735	263,093,325
Total pension liability, end of year	295,920,142	292,197,634	283,704,472	269,333,735
Plan fiduciary net position				
Employer contributions	1,308,734	1,208,705	1,139,490	1,246,987
Employee contributions	1,876,768	1,667,014	1,805,416	1,770,369
Net investment income (loss)	36,496,360	37,341,265	(60,263,656)	52,888,859
Benefit payments, including refunds of member contributions	(19,283,766)	(18,709,435)	(18,407,144)	(17,482,843)
Administrative expenses	(436,124)	(392,982)	(264,122)	(160,636)
Net change in fiduciary net position	19,961,972	21,114,567	(75,990,016)	38,262,736
Fiduciary net position, beginning of year	333,541,744	312,427,177	388,417,193	350,154,457
Fiduciary net position, end of year	353,503,716	333,541,744	312,427,177	388,417,193
Net pension asset	$ (57,583,574)	$ (41,344,110)	$ (28,722,705)	$ (119,083,458)
Fiduciary net position as a percentage of total pension asset	119.46%	114.15%	110.12%	144.21%
Covered payroll	$ 44,382,953	$ 42,602,674	$ 40,746,029	$ 39,231,596
Net pension asset as a percentage of covered payroll	-129.74%	-97.05%	-70.49%	-303.54%

See notes to required supplementary information.

Plan Year Ended December 31,					
2020	2019	2018	2017	2016	2015
$ 4,597,456	$ 4,204,664	$ 4,154,779	$ 4,082,245	$ 4,033,693	$ 3,995,877
18,354,165	18,052,689	17,454,630	17,280,650	17,018,949	16,521,779
-	-	-	-	300,125	-
(2,504,617)	(2,138,494)	2,243,847	(3,927,946)	(3,434,251)	-
-	-	-	-	8,000,602	-
(16,431,695)	(15,882,249)	(15,375,944)	(14,767,057)	(14,250,784)	(13,564,472)
4,015,309	4,236,610	8,477,312	2,667,892	11,668,334	6,953,184
259,078,016	254,841,406	246,364,094	243,696,202	232,027,868	225,074,684
263,093,325	259,078,016	254,841,406	246,364,094	243,696,202	232,027,868
1,314,145	1,197,464	1,526,177	1,784,822	1,958,204	2,165,361
1,740,809	1,721,903	1,645,878	1,664,592	1,759,828	1,591,066
48,521,218	59,850,265	(17,819,901)	48,824,494	19,028,272	1,861,801
(16,431,695)	(15,882,249)	(15,375,944)	(14,767,057)	(14,250,784)	(13,564,472)
(194,354)	(212,320)	(162,313)	(278,665)	(287,391)	(248,428)
34,950,123	46,675,063	(30,186,103)	37,228,186	8,208,129	(8,194,672)
315,204,334	268,529,271	298,715,374	261,487,188	253,279,059	261,473,731
350,154,457	315,204,334	268,529,271	298,715,374	261,487,188	253,279,059
$ (87,061,132)	$ (56,126,318)	$ (13,687,865)	$ (52,351,280)	$ (17,790,986)	$ (21,251,191)
133.09%	121.66%	105.37%	121.25%	107.30%	109.16%
$ 39,492,417	$ 38,040,191	$ 37,281,066	$ 37,891,976	$ 37,854,795	$ 37,463,853
-220.45%	-147.54%	-36.72%	-138.16%	-47.00%	-56.72%

Required Supplementary Information

Employees' Retirement System
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
2016	$ 1,306,845	$ 1,958,204	$ (651,359)	$ 37,854,795	4.71%
2017	1,072,462	1,784,822	(712,360)	37,891,976	4.71%
2018	1,621,479	1,526,177	95,302	37,281,066	4.09%
2019	1,152,393	1,197,464	(45,071)	38,040,191	5.43%
2020	1,278,469	1,314,145	(35,676)	39,492,417	3.34%
2021	1,246,043	1,246,987	(944)	39,231,596	3.18%
2022	980,443	1,139,490	(160,599)	40,746,029	2.80%
2023	799,393	1,208,705	(409,312)	42,602,674	2.84%
2024	925,904	1,308,734	(382,830)	44,382,953	2.95%
2025	906,533	1,267,439	(360,906)	46,234,372	2.74%

See notes to required supplementary information.

Notes to Required Supplementary Information

Employees' Retirement System

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	18 years closed for groups that are underfunded 20 years open for groups that are overfunded
Asset valuation method	5-year smoothed market
Wage inflation	3.00%
Price inflation	2.50%
Salary Increases	3.00% pay inflation plus merit and longevity
Investment rate of return	7.25%
Mortality	Pub-2010 General and Safety Employee Pub-2010 General and Safety Healthy Pub-2010 General and Safety Disabled

Assumption Changes

For the actuarial valuation dated December 31, 2022, the Plan had the following significant assumption changes: (1) wage inflation was lowered from 3.25% to 3.00%; (2) retirement rate increased for DWS and Library and decreased for Sheriff's Department and Road Commission; (3) the turnover rate increased for Medical Care Facility service-based withdrawals, decreased for DWS service-based withdrawals and decreased for General and Medical Care Facility age-based withdrawals; (4) the rates of mortality were updated to a version of the Pub-2010 fully generational tables, including the use of the MP-2021 mortality improvement scale; (5) the FAC loading factor was applied to normal, early, deferred, and disability retirement and was lowered from 3.50% to 3.25% for General, 7.00% to 6.00% for DWS, 5.00% to 4.00% for Medical Care Facility, 5.00% to 4.50% for Sheriff's Department, and 8.50% to 7.75% for Road Commission; and (6) the administrative expense was lowered from 0.50% to 0.45%.

For the actuarial valuation dated December 31, 2016, the Plan had the following significant assumption changes. Rate of return was reduced to 7.25%, inflation was changed to 2.5%, payroll base increase was changed to 3.25%, lump sum payments for unused sick and vacation were assumed to increase average final compensation by 3.4% to 7.0%, change in mortality tables, and non-investment administration expenses assumed to average 0.5%.

Notes to Required Supplementary Information

Employees' Retirement System

Benefit Changes

For the actuarial valuation dated December 31, 2024, a benefit change was reported for the Road Commission. This changed increased the benefit multiplier from 1.50% to 2.00% for divisions 25, 26, and Road Commission Non-Union hired on or after 1/1/2016.

For the actuarial valuation dated December 31, 2016, the General County group adopted a change to the benefit eligibility for the Elected Sheriff and Appointed Undersheriff, members within the Elected Officials and Department Heads group. The Medical Care Facility group adopted a change which grants additional temporary months of service for employees in a temporary position.

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Required Supplementary Information

VEBA Trust - Retiree Healthcare Plan

Schedule of Changes in Net OPEB Liability (Asset) and Related Ratios

	Plan Year Ended December 31,			
	2024	2023	2022	2021
Total OPEB liability				
Service cost	$ 953,993	$ 972,626	$ 997,040	$ 1,212,619
Interest	5,034,204	5,189,956	4,912,485	6,758,743
Changes in benefits	-	(39,784)	(4,778)	(154,575)
Changes of assumptions	-	4,399,555	2,848,646	1,849,909
Differences between expected and actual experience	(130,212)	(8,052,316)	17,282	(31,116,527)
Benefit payments, including refunds of member contributions	(4,574,092)	(4,797,423)	(4,791,799)	(4,843,200)
Net change in total OPEB liability	1,283,893	(2,327,386)	3,978,876	(26,293,031)
Total OPEB liability, beginning of year	73,727,223	76,054,609	72,075,733	98,368,764
Total OPEB liability, end of year	75,011,116	73,727,223	76,054,609	72,075,733
Plan fiduciary net position				
Employer contributions	5,092,659	6,472,294	6,398,201	7,443,808
Net investment income (loss)	7,082,804	7,865,273	(9,531,424)	7,340,731
Benefit payments, including refunds of member contributions	(4,574,092)	(4,797,423)	(4,791,799)	(4,843,200)
Administrative expenses	(84,844)	(104,459)	(34,755)	(56,669)
Net change in fiduciary net position	7,516,527	9,435,685	(7,959,777)	9,884,670
Fiduciary net position, beginning of year	67,668,917	58,233,232	66,193,009	56,308,339
Fiduciary net position, end of year	75,185,444	67,668,917	58,233,232	66,193,009
Net OPEB liability (asset)	$ (174,328)	$ 6,058,306	$ 17,821,377	$ 5,882,724
Fiduciary net position as a percentage of total OPEB liability	100.23%	91.78%	76.57%	91.84%
Covered-employee payroll	$ 20,575,186	$ 20,404,150	$ 21,684,239	$ 22,060,519
Net OPEB liability (asset) as a percentage of covered-employee payroll	-0.85%	29.69%	82.19%	26.67%

See notes to required supplementary information.

Plan Year Ended December 31,			
2020	2019	2018	2017
$ 1,209,908	$ 1,686,202	$ 1,725,898	$ 2,116,686
9,124,656	8,878,469	8,660,778	8,409,809
-	-	-	60,188
4,603,779	-	(575,231)	-
(44,095,297)	(2,187,790)	(1,733,529)	(2,007,823)
(4,443,102)	(4,800,459)	(5,095,943)	(4,500,449)
(33,600,056)	3,576,422	2,981,973	4,078,411
131,968,820	128,392,398	125,410,425	121,332,014
98,368,764	131,968,820	128,392,398	125,410,425
6,688,257	6,855,355	8,324,269	4,798,896
8,085,778	7,641,774	(1,741,165)	3,932,499
(4,443,102)	(4,800,459)	(5,095,943)	(4,500,449)
(74,644)	(59,788)	(11,767)	(43,437)
10,256,289	9,636,882	1,475,394	4,187,509
46,052,050	36,415,168	34,939,774	30,752,265
56,308,339	46,052,050	36,415,168	34,939,774
$ 42,060,425	$ 85,916,770	$ 91,977,230	$ 90,470,651
57.24%	34.90%	28.36%	27.86%
$ 23,365,490	$ 24,361,461	$ 25,293,502	$ 25,746,633
180.01%	352.67%	363.64%	351.39%

Required Supplementary Information

VEBA Trust - Retiree Healthcare Plan
Schedule of Contributions

Fiscal Year Ended December 31,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Actual Contribution as Percentage of Covered-Employee Payroll
2018	$ 9,966,040	$ 8,324,269	$ 1,641,771	$ 25,293,502	32.91%
2019	9,913,517	6,855,355	3,058,162	24,361,461	26.26%
2020	11,278,791	6,688,257	4,590,534	23,365,490	28.00%
2021	11,222,650	7,443,808	3,778,842	22,060,519	31.68%
2022	7,596,516	6,398,201	1,355,485	21,684,239	28.78%
2023	7,534,478	6,472,294	1,062,184	20,404,150	31.72%
2024	3,157,869	5,092,659	(1,934,790)	20,575,186	24.75%
2025	3,108,446	4,923,909	(1,815,463)	19,458,949	25.30%

See notes to required supplementary information.

Notes to Required Supplementary Information

VEBA Trust - Retiree Healthcare Plan

Notes to Schedule of Changes in Net OPEB Liability (Asset) and Related Ratios

GASB 75 was implemented in fiscal year 2018. Information is presented as of the measurement date and is being built prospectively. Ultimately, 10 years of data will be presented.

Notes to Schedule of Contributions

GASB 75 was implemented in fiscal year 2018. Information is presented as of the measurement date and is being built prospectively. Ultimately, 10 years of data will be presented.

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 percent-of-payroll for the department of water and sewer Level dollar amount for all other groups
Remaining amortization period	8 years closed for the road commission 16 years closed for medical care facility 18 years closed for all other groups
Asset valuation method	Fair value of assets
Price inflation	2.50%
Wage inflation	3.25%
Salary increases	3.75% to 8.50%, including wage inflation
Investment rate of return	7.00%, net of plan investment expenses
Mortality	RP-2014 Employee Generational Mortality Tables RP-2014 Healthy Annuitant Generational Mortality Tables RP-2014 Disabled Generational Mortality Tables
Healthcare trend rates	7.50% trend, gradually decreasing to 3.50% in year 12
Excise tax	No load was applied in connection with the "Cadillac" tax.

Notes to Required Supplementary Information

VEBA Trust - Retiree Healthcare Plan

Benefit changes in the December 31, 2023 actuarial valuations were as follows:

- Life insurance benefits for those retired on/after 1/1/2023 have been removed.
- Life insurance has been provided through the Hartford for DWS and the Road Commission, and through One America for General.

Benefit changes in the December 31, 2022 actuarial valuations were as follows:

- DWS Life Insurance has been reported as provided through The Hartford.
- Life insurance benefits for DWS Salaried Members retired on/after 1/1/2023 have been removed.

Benefit changes in the December 31, 2021 actuarial valuations were as follows:

- General County members retiring after January 1, 2023 were no longer eligible for life insurance in retirement

Assumptions changes in the December 31, 2023 actuarial valuations were as follows:

- Adjustments to the health care cost trend rates

Assumptions changes in the December 31, 2022 actuarial valuations were as follows:

- Mortality tables were updated to the Pub-2010 General and Safety Amount Weighted, Fully Generational Mortality Tables, with future mortality improvements assumed each year using scale MP- 2021 with a base year of 2010.

Assumptions changes in the December 31, 2021 actuarial valuations were as follows:

- Adjustment to healthcare cost trend rate.

Assumptions changes in the December 31, 2020 actuarial valuations were as follows:

- Adjustment to the retiree cost share applicable to the medical care facility.
- Adjustment to the retiree benefit election assumption in order to better reflect actual plan experience for the general county and sheriff groups.
- Healthcare trend rate decreased from 9.00% to 8.25%.

Assumptions changes in the December 31, 2018 actuarial valuations were as follows:

- Adjustment to the retiree cost share applicable to the medical care facility.
- Adjustment to the retiree benefit election assumption in order to better reflect actual plan experience for the general county and sheriff groups.

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, committed or assigned to expenditures for specific purposes other than debt service or capital 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 ***Animal Services Adoption Fund*** is used to account for revenues received from property taxes, charges for services, contributions, and grants for the continued operation of and capital improvements to the Bay County Animal Services and Adoption Center, including construction of an addition or new building.

The ***Community Center Pool Fund*** is for the purpose of constructing, equipping, furnishing, maintaining and operating a new outdoor Community Center pool area for public use which may include, but is not limited to, a multi-purpose pool that may be used for education, recreation and competition, a splash pad, locker rooms, lounging and deck areas.

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

The ***Mosquito Control Fund*** is used to account for revenues received from property taxes to provide countywide mosquito pest control services.

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 ***Indigent Defense Fund*** is used to account for grant revenue received to provide legal services to the indigent residents of the County.

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

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.

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS (concluded)

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.

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 ***Department on Aging Fund*** is used to account 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 ***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 ***Septic System Replacement Revolving Loan Fund*** is used to account for funds provided to Bay County to repair/replace failing septic systems near the Saginaw Bay. It was established to keep the waters in the Saginaw Bay clean and protected from bacteria sources of the failing septic systems.

The ***Opioid Settlements Fund*** is used to account for revenues received from the National Prescription Opiate Litigation to fund opioid abatement, education, treatment, and prevention strategies in Bay County.

The ***American Rescue Plan Act Fund*** is used to account for providing relief to address the continued impact of COVID-19 on the economy, public health, state and local governments, individuals, non-profits, and businesses.

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.

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.

CAPITAL PROJECTS FUNDS

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

The ***Animal Services Construction Fund*** was established to construct a new Animal Services building which is funded by a voter approved millage.

BAY COUNTY, MICHIGAN

Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2025

	Special Revenue Funds						
	Friend of the Court	Health Department / District Health	Animal Services Adoption	Community Center Pool	Forest Sustainability	Mosquito Control	Register of Deeds Automation
Assets							
Cash and cash equivalents	$ 134,908	$ 5,787,251	$ 1,461,418	$ 428,339	$ 116,689	$ 762,963	$ 69,280
Investments	324,625	-	3,219,415	829,520	196,777	1,545,136	112,773
Accounts receivable, net	-	271	-	-	-	-	-
Property taxes receivable, net	-	-	2,354,531	1,172,883	335,125	1,851,375	-
Interest receivable	-	-	24,477	5,847	1,814	13,004	778
Due from other governmental units	-	240,568	52,032	26,016	7,403	40,882	-
Due from other funds	-	-	-	-	-	-	-
Prepaid items and other assets	-	14,625	-	-	-	-	-
Restricted cash and cash equivalents	-	-	-	-	-	-	-
Restricted investments	-	-	-	-	-	-	-
Total assets	$ 459,533	$ 6,042,715	$ 7,111,873	$ 2,462,605	$ 657,808	$ 4,213,360	$ 182,831
Liabilities							
Accounts payable	$ 3,709	$ 315,650	$ 11,528	$ -	$ 425	$ 125,713	$ 2,857
Accrued liabilities	-	130,157	23,313	-	6,875	19,632	-
Due to other funds	-	3,811	620,234	-	187	586	-
Due to other governmental units	-	605,404	-	-	-	-	-
Unearned revenue	-	160,940	70,476	-	-	-	-
Total liabilities	3,709	1,215,962	725,551	-	7,487	145,931	2,857
Deferred inflows of resources							
Unavailable revenue - property taxes	-	-	4,341	817	818	4,811	-
Unavailable revenue - long-term receivables	-	-	-	-	-	-	-
Taxes levied for a subsequent period	-	-	2,451,839	1,225,744	348,757	1,926,419	-
Total deferred inflows of resources	-	-	2,456,180	1,226,561	349,575	1,931,230	-
Fund balances							
Nonspendable	-	14,625	-	-	-	-	-
Restricted	455,824	4,004,813	3,930,142	1,236,044	232,634	1,582,957	160,781
Assigned	-	807,315	-	-	68,112	553,242	19,193
Total fund balances	455,824	4,826,753	3,930,142	1,236,044	300,746	2,136,199	179,974
Total liabilities, deferred inflows of resources and fund balances	$ 459,533	$ 6,042,715	$ 7,111,873	$ 2,462,605	$ 657,808	$ 4,213,360	$ 182,831

Special Revenue Funds									
Indigent Defense	911 Service	Concealed Pistol Licensing	Local C.F.O. Training	Drug Law Enforcement	Law Library	Historical Preservation	Community Corrections	Department on Aging	Home Rehabilitation
$ 118	$ 1,457,866	$ 61,796	$ 84,379	$ 28,001	$ 28,367	$ 14,255	$ 100,638	$ 717,983	$ 71,715
-	2,953,652	132,880	-	-	-	-	-	1,016,834	-
-	144	1,004	-	-	-	-	-	15,387	1,696,448
-	3,533,855	-	-	-	-	318,993	-	2,860,714	-
-	25,781	-	-	-	-	-	-	11,718	-
512,839	158,471	-	-	-	-	7,047	40,838	148,582	-
-	-	-	-	-	-	-	-	-	-
-	33,269	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
$ 512,957	$ 8,163,038	$ 195,680	$ 84,379	$ 28,001	$ 28,367	$ 340,295	$ 141,476	$ 4,771,218	$ 1,768,163
$ 251,633	$ 56,462	$ 94	$ -	$ -	$ 6,366	$ 7,107	$ 7,304	$ 94,110	$ -
54,874	95,255	2,500	-	-	-	-	5,820	114,071	-
187,531	2,637	57	-	-	-	-	160	2,909	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	3,224	-
494,038	154,354	2,651	-	-	6,366	7,107	13,284	214,314	-
-	8,408	-	-	-	-	844	-	6,888	-
-	-	-	-	-	-	-	-	-	-
-	3,677,932	-	-	-	-	331,900	-	2,977,259	-
-	3,686,340	-	-	-	-	332,744	-	2,984,147	-
-	33,269	-	-	-	-	-	-	-	-
18,919	3,951,710	153,054	72,916	28,001	-	444	125,576	1,238,619	1,768,163
-	337,365	39,975	11,463	-	22,001	-	2,616	334,138	-
18,919	4,322,344	193,029	84,379	28,001	22,001	444	128,192	1,572,757	1,768,163
$ 512,957	$ 8,163,038	$ 195,680	$ 84,379	$ 28,001	$ 28,367	$ 340,295	$ 141,476	$ 4,771,218	$ 1,768,163

continued...

Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2025

	Special Revenue Funds					
	Septic System Replacement Revolving Loan	Opioid Settlements	American Rescue Plan Act	Social Welfare	Child Care	Child Care / Social Services
Assets						
Cash and cash equivalents	$ 8,463	$ 498,676	$ -	$ 10,747	$ 465,101	$ 16,258
Investments	-	1,211,922	-	19,884	-	-
Accounts receivable, net	99,071	4,157,377	-	-	-	-
Property taxes receivable, net	-	-	-	-	-	-
Interest receivable	-	-	-	-	-	-
Due from other governmental units	-	-	-	-	724,793	-
Due from other funds	-	-	-	-	-	-
Prepaid items and other assets	-	-	-	-	-	-
Restricted cash and cash equivalents	-	-	1,199,780	-	-	-
Restricted investments	-	-	2,889,311	-	-	-
Total assets	$ 107,534	$ 5,867,975	$ 4,089,091	$ 30,631	$ 1,189,894	$ 16,258
Liabilities						
Accounts payable	$ -	$ -	$ 675,540	$ 156	$ 146,347	$ -
Accrued liabilities	-	-	-	-	121,220	-
Due to other funds	-	-	-	-	94,191	-
Due to other governmental units	-	-	-	-	-	-
Unearned revenue	-	-	3,413,551	-	-	-
Total liabilities	-	-	4,089,091	156	361,758	-
Deferred inflows of resources						
Unavailable revenue - property taxes	-	-	-	-	-	-
Unavailable revenue - long-term receivables	-	4,157,377	-	-	-	-
Taxes levied for a subsequent period	-	-	-	-	-	-
Total deferred inflows of resources	-	4,157,377	-	-	-	-
Fund balances						
Nonspendable	-	-	-	-	-	-
Restricted	103,034	1,710,598	-	25,975	478,136	12,158
Assigned	4,500	-	-	4,500	350,000	4,100
Total fund balances	107,534	1,710,598	-	30,475	828,136	16,258
Total liabilities, deferred inflows of resources and fund balances	$ 107,534	$ 5,867,975	$ 4,089,091	$ 30,631	$ 1,189,894	$ 16,258

Special Revenue Fund	Capital Projects Fund	
Soldiers' Relief	Animal Services Construction Fund	Total Nonmajor Governmental Funds
$ 314,998	$ -	$ 12,640,209
717,629	-	12,281,047
-	-	5,969,702
335,180	-	12,762,656
5,516	-	88,935
28,274	-	1,987,745
-	619,434	619,434
-	-	47,894
-	-	1,199,780
-	-	2,889,311
$ 1,401,597	$ 619,434	$ 50,486,713
$ 7,133	$ 619,434	$ 2,331,568
7,619	-	581,336
242	-	912,545
-	-	605,404
-	-	3,648,191
14,994	619,434	8,079,044
873	-	27,800
-	-	4,157,377
348,757	-	13,288,607
349,630	-	17,473,784
-	-	47,894
1,036,973	-	22,327,471
-	-	2,558,520
1,036,973	-	24,933,885
$ 1,401,597	$ 619,434	$ 50,486,713

concluded

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds
For the Year Ended December 31, 2025

	Special Revenue Funds						
	Friend of the Court	Health Department / District Health	Animal Services Adoption	Community Center Pool	Forest Sustainability	Mosquito Control	Register of Deeds Automation
Revenues							
Property taxes	$ -	$ -	$ 1,804,349	$ 1,199,042	$ 342,057	$ 1,889,877	$ -
Licenses and permits	-	262,985	-	-	-	-	-
Federal	(25,203)	3,040,175	-	-	-	-	-
State	27,721	1,350,936	157,589	26,016	22,423	123,549	-
Investment appreciation, rents and royalties	-	-	203,000	10,986	18,478	134,243	6,306
Charges for services	27,457	12,675	25,630	-	-	952	-
Fines and forfeits	-	-	-	-	-	-	-
Reimbursements, refunds, and other	-	1,030,888	37,378	-	-	2,423	-
Total revenues	29,975	5,697,659	2,227,946	1,236,044	382,958	2,151,044	6,306
Expenditures							
Current:							
General government	-	-	-	-	-	-	59,646
Public safety	-	-	919,886	-	-	-	-
Community and economic development	-	-	-	-	-	-	-
Health and welfare	-	6,276,600	-	-	282,363	1,744,968	-
Judicial	19,831	-	-	-	-	-	-
Recreation and culture	-	-	-	-	-	-	-
Debt service:							
Principal	-	36,650	-	-	-	-	-
Interest and other fiscal charges	-	3,622	-	-	-	-	-
Total expenditures	19,831	6,316,872	919,886	-	282,363	1,744,968	59,646
Revenues over (under) expenditures	10,144	(619,213)	1,308,060	1,236,044	100,595	406,076	(53,340)
Other financing sources (uses)							
Insurance recoveries/proceeds	-	-	-	-	-	19,350	-
Issuance of bonds, notes and other long-term liabilities	-	-	-	-	-	34,710	-
Transfers in	-	1,552,230	-	-	-	-	80,675
Transfers out	(4,500)	(965,855)	(18,444)	-	(41,754)	(226,712)	-
Total other financing sources (uses)	(4,500)	586,375	(18,444)	-	(41,754)	(172,652)	80,675
Net change in fund balances	5,644	(32,838)	1,289,616	1,236,044	58,841	233,424	27,335
Fund balances, beginning of year	450,180	4,859,591	2,640,526	-	241,905	1,902,775	152,639
Fund balances, end of year	$ 455,824	$ 4,826,753	$ 3,930,142	$ 1,236,044	$ 300,746	$ 2,136,199	$ 179,974

Special Revenue Funds									
Indigent Defense	911 Service	Concealed Pistol Licensing	Local C.F.O. Training	Drug Law Enforcement	Law Library	Historical Preservation	Community Corrections	Department on Aging	Home Rehabilitation
$ -	$ 3,608,305	$ -	$ -	$ -	$ -	$ 324,721	$ -	$ 2,920,978	$ -
-	-	79,358	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	549,237	-
1,939,983	539,540	-	-	-	-	21,342	159,779	556,805	-
-	248,132	10,881	-	-	-	58	-	138,532	-
-	-	-	13,949	-	-	-	-	24,345	-
-	-	-	-	-	6,500	-	-	-	-
-	21,409	-	-	-	-	-	-	270,314	-
1,939,983	4,417,386	90,239	13,949	-	6,500	346,121	159,779	4,460,211	-
2,447,929	-	59,086	-	-	-	-	-	-	-
-	3,111,760	-	2,535	-	-	-	220,818	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	3,968,948	23,690
-	-	-	-	-	13,945	-	-	-	-
-	-	-	-	-	-	345,957	-	-	-
3,478	25,895	-	-	-	67,086	-	-	-	-
110	1,322	-	-	-	941	-	-	-	-
2,451,517	3,138,977	59,086	2,535	-	81,972	345,957	220,818	3,968,948	23,690
(511,534)	1,278,409	31,153	11,414	-	(75,472)	164	(61,039)	491,263	(23,690)
-	-	-	-	-	-	-	-	56,850	-
28,732	-	-	-	-	-	-	-	-	-
610,499	-	-	-	-	90,000	-	132,971	6,200	-
(124,695)	(378,526)	(22,229)	-	-	-	-	-	(694,811)	-
514,536	(378,526)	(22,229)	-	-	90,000	-	132,971	(631,761)	-
3,002	899,883	8,924	11,414	-	14,528	164	71,932	(140,498)	(23,690)
15,917	3,422,461	184,105	72,965	28,001	7,473	280	56,260	1,713,255	1,791,853
$ 18,919	$ 4,322,344	$ 193,029	$ 84,379	$ 28,001	$ 22,001	$ 444	$ 128,192	$ 1,572,757	$ 1,768,163

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Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds
For the Year Ended December 31, 2025

	Special Revenue Funds					
	Septic System Replacement Revolving Loan	Opioid Settlements	American Rescue Plan Act	Social Welfare	Child Care	Child Care / Social Services
Revenues						
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -
Licenses and permits	-	-	-	-	-	-
Federal	-	-	3,268,359	-	32,487	-
State	-	-	-	-	585,401	-
Investment appreciation, rents and royalties	-	-	-	-	-	-
Charges for services	678	456,818	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Reimbursements, refunds, and other	-	-	-	-	2,109,316	-
Total revenues	678	456,818	3,268,359	-	2,727,204	-
Expenditures						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Community and economic development	-	-	3,016,516	-	-	-
Health and welfare	37	392,967	-	60,238	4,112,701	-
Judicial	-	-	-	-	-	-
Recreation and culture	-	-	251,843	-	387,951	-
Debt service:						
Principal	-	-	-	-	-	-
Interest and other fiscal charges	-	-	-	-	-	-
Total expenditures	37	392,967	3,268,359	60,238	4,500,652	-
Revenues over (under) expenditures	641	63,851	-	(60,238)	(1,773,448)	-
Other financing sources (uses)						
Insurance recoveries/proceeds	-	-	-	-	-	-
Issuance of bonds, notes and other long-term liabilities	-	-	-	-	-	-
Transfers in	-	-	-	61,400	2,245,012	-
Transfers out	-	(54,532)	-	-	(335,800)	-
Total other financing sources (uses)	-	(54,532)	-	61,400	1,909,212	-
Net change in fund balances	641	9,319	-	1,162	135,764	-
Fund balances, beginning of year	106,893	1,701,279	-	29,313	692,372	16,258
Fund balances, end of year	$ 107,534	$ 1,710,598	$ -	$ 30,475	$ 828,136	$ 16,258

Special Revenue Fund	Capital Projects Fund	
Soldiers' Relief	Animal Services Construction Fund	Total Nonmajor Governmental Funds
$ 342,058	$ 600,990	$ 13,032,377
-	-	342,343
-	-	6,865,055
138,593	-	5,649,677
51,742	-	822,358
-	-	562,504
-	-	6,500
811	-	3,472,539
533,204	600,990	30,753,353
-	-	2,566,661
-	619,434	4,874,433
-	-	3,016,516
226,249	-	17,088,761
-	-	33,776
-	-	985,751
-	-	133,109
-	-	5,995
226,249	619,434	28,705,002
306,955	(18,444)	2,048,351
-	-	76,200
-	-	63,442
-	18,444	4,797,431
(51,986)	-	(2,919,844)
(51,986)	18,444	2,017,229
254,969	-	4,065,580
782,004	-	20,868,305
$ 1,036,973	$ -	$ 24,933,885

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, 2025

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Federal	$ 98,638	$ 98,638	$ (25,203)	$ (123,841)
State	30,000	30,000	27,721	(2,279)
Charges for services	45,580	45,580	27,457	(18,123)
Total revenues	174,218	174,218	29,975	(144,243)
Expenditures				
Current:				
Judicial	139,682	139,682	19,831	(119,851)
Revenues over (under) expenditures	34,536	34,536	10,144	(24,392)
Other financing uses				
Transfers out	(4,500)	(4,500)	(4,500)	-
Net change in fund balance	30,036	30,036	5,644	(24,392)
Fund balance, beginning of year	450,180	450,180	450,180	-
Fund balance, end of year	$ 480,216	$ 480,216	$ 455,824	$ (24,392)

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Health Department/District Health
For the Year Ended December 31, 2025

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Licenses and permits	$ 253,000	$ 253,000	$ 262,985	$ 9,985
Federal	3,863,509	3,973,768	3,040,175	(933,593)
State	1,025,095	1,283,210	1,350,936	67,726
Charges for services	24,450	24,450	12,675	(11,775)
Reimbursements, refunds, and other	989,864	989,864	1,030,888	41,024
Total revenues	6,155,918	6,524,292	5,697,659	(826,633)
Expenditures				
Current:				
Health and welfare	7,903,863	8,175,589	6,276,600	(1,898,989)
Debt service:				
Principal	-	36,651	36,650	(1)
Interest and other fiscal charges	-	3,623	3,622	(1)
Total expenditures	7,903,863	8,215,863	6,316,872	(1,898,991)
Revenues over (under) expenditures	(1,747,945)	(1,691,571)	(619,213)	1,072,358
Other financing sources (uses)				
Transfers in	1,612,172	1,612,172	1,552,230	(59,942)
Transfers out	(965,855)	(965,855)	(965,855)	-
Total other financing sources (uses)	646,317	646,317	586,375	(59,942)
Net change in fund balance	(1,101,628)	(1,045,254)	(32,838)	1,012,416
Fund balance, beginning of year	4,859,591	4,859,591	4,859,591	-
Fund balance, end of year	$ 3,757,963	$ 3,814,337	$ 4,826,753	$ 1,012,416

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Animal Services Adoption
For the Year Ended December 31, 2025

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	$ 2,387,427	$ 1,767,427	$ 1,804,349	$ 36,922
State	80,000	80,000	157,589	77,589
Investment appreciation, rents and royalties	20	20	203,000	202,980
Charges for services	24,100	24,100	25,630	1,530
Reimbursements, refunds, and other	29,200	29,200	37,378	8,178
Total revenues	2,520,747	1,900,747	2,227,946	327,199
Expenditures				
Current:				
Public safety	2,520,747	3,995,530	919,886	(3,075,644)
Revenues over (under) expenditures	-	18,444	18,444	-
Other financing uses				
Transfers out	-	(18,444)	(18,444)	-
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	2,640,526	2,640,526	2,640,526	-
Fund balance, end of year	$ 2,640,526	$ 2,658,970	$ 2,658,970	$ -

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Community Center Pool
For the Year Ended December 31, 2025

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	$ 1,238,813	$ 1,238,813	$ 1,199,042	$ (39,771)
State	-	-	26,016	26,016
Investment appreciation, rents and royalties	-	-	10,986	10,986
Total revenues	1,238,813	1,238,813	1,236,044	(2,769)
Expenditures				
Current:				
Recreation and culture	1,238,813	1,238,813	-	(1,238,813)
Net change in fund balance	-	-	1,236,044	1,236,044
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	$ -	$ -	$ 1,236,044	$ 1,236,044

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Forest Sustainability
For the Year Ended December 31, 2025

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	$ 345,197	$ 345,197	$ 342,057	$ (3,140)
State	26,000	26,000	22,423	(3,577)
Investment appreciation, rents and royalties	45,020	45,020	18,478	(26,542)
Total revenues	416,217	416,217	382,958	(33,259)
Expenditures				
Current:				
Health and welfare	442,575	442,575	282,363	(160,212)
Revenues over (under) expenditures	(26,358)	(26,358)	100,595	126,953
Other financing uses				
Transfers out	(41,754)	(41,754)	(41,754)	-
Net change in fund balance	(68,112)	(68,112)	58,841	126,953
Fund balance, beginning of year	241,905	241,905	241,905	-
Fund balance, end of year	$ 173,793	$ 173,793	$ 300,746	$ 126,953

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Mosquito Control
For the Year Ended December 31, 2025

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	$ 1,873,196	$ 1,873,196	$ 1,889,877	$ 16,681
State	60,667	60,667	123,549	62,882
Investment appreciation, rents and royalties	12,000	12,000	134,243	122,243
Charges for services	-	-	952	952
Reimbursements, refunds, and other	-	-	2,423	2,423
Total revenues	1,945,863	1,945,863	2,151,044	205,181
Expenditures				
Current:				
Health and welfare	2,050,558	2,104,618	1,744,968	(359,650)
Revenues over (under) expenditures	(104,695)	(158,755)	406,076	564,831
Other financing sources (uses)				
Insurance recoveries/proceeds	-	19,350	19,350	-
Issuance of bonds, notes and other long-term liabilities	-	34,710	34,710	-
Transfers out	(226,712)	(226,712)	(226,712)	-
Total other financing sources (uses)	(226,712)	(172,652)	(172,652)	-
Net change in fund balance	(331,407)	(331,407)	233,424	564,831
Fund balance, beginning of year	1,902,775	1,902,775	1,902,775	-
Fund balance, end of year	$ 1,571,368	$ 1,571,368	$ 2,136,199	$ 564,831

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Register of Deeds Automation

For the Year Ended December 31, 2025

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Investment appreciation, rents and royalties	$ 2,000	$ 2,000	$ 6,306	$ 4,306
Expenditures				
Current:				
General government	119,516	119,516	59,646	(59,870)
Revenues over (under) expenditures	(117,516)	(117,516)	(53,340)	64,176
Other financing sources				
Transfers in	110,000	110,000	80,675	(29,325)
Net change in fund balance	(7,516)	(7,516)	27,335	34,851
Fund balance, beginning of year	152,639	152,639	152,639	-
Fund balance, end of year	$ 145,123	$ 145,123	$ 179,974	$ 34,851

Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Indigent Defense
For the Year Ended December 31, 2025

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
State	$ 1,820,164	$ 1,939,984	$ 1,939,983	$ (1)
Expenditures				
Current:				
General government	2,292,151	2,451,377	2,447,929	(3,448)
Debt service:				
Principal	-	3,478	3,478	-
Interest and other fiscal charges	-	111	110	(1)
Total expenditures	2,292,151	2,454,966	2,451,517	(3,449)
Revenues over (under) expenditures	(471,987)	(514,982)	(511,534)	3,448
Other financing sources (uses)				
Issuance of bonds, notes and other long-term liabilities	-	28,733	28,732	(1)
Transfers in	610,944	610,944	610,499	(445)
Transfers out	(138,957)	(124,695)	(124,695)	-
Other financing sources (uses)	471,987	514,982	514,536	(446)
Net change in fund balance	-	-	3,002	3,002
Fund balance, beginning of year	15,917	15,917	15,917	-
Fund balance, end of year	$ 15,917	$ 15,917	$ 18,919	$ 3,002

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - 911 Service
For the Year Ended December 31, 2025

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	$ 3,585,141	$ 3,585,141	$ 3,608,305	$ 23,164
State	374,112	374,112	539,540	165,428
Investment appreciation, rents and royalties	30,100	30,100	248,132	218,032
Reimbursements, refunds, and other	23,104	23,104	21,409	(1,695)
Total revenues	4,012,457	4,012,457	4,417,386	404,929
Expenditures				
Current:				
Public safety	4,273,014	4,269,203	3,111,760	(1,157,443)
Debt service:				
Principal	6,000	26,598	25,895	(703)
Interest and other fiscal charges	200	798	1,322	524
Total expenditures	4,279,214	4,296,599	3,138,977	(1,157,622)
Revenues over (under) expenditures	(266,757)	(284,142)	1,278,409	1,562,551
Other financing uses				
Transfers out	(378,526)	(378,526)	(378,526)	-
Net change in fund balance	(645,283)	(662,668)	899,883	1,562,551
Fund balance, beginning of year	3,422,461	3,422,461	3,422,461	-
Fund balance, end of year	$ 2,777,178	$ 2,759,793	$ 4,322,344	$ 1,562,551

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Concealed Pistol Licensing
For the Year Ended December 31, 2025

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Licenses and permits	$ 60,000	$ 65,000	$ 79,358	$ 14,358
Investment appreciation, rents and royalties	-	-	10,881	10,881
Total revenues	60,000	65,000	90,239	25,239
Expenditures				
Current:				
General government	72,858	77,858	59,086	(18,772)
Revenues over (under) expenditures	(12,858)	(12,858)	31,153	44,011
Other financing uses				
Transfers out	(22,229)	(22,229)	(22,229)	-
Net change in fund balance	(35,087)	(35,087)	8,924	44,011
Fund balance, beginning of year	184,105	184,105	184,105	-
Fund balance, end of year	$ 149,018	$ 149,018	$ 193,029	$ 44,011

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, 2025

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Charges for services	$ 20,000	$ 20,000	$ 13,949	$ (6,051)
Expenditures				
Current:				
Public safety	31,463	31,463	2,535	(28,928)
Net change in fund balance	(11,463)	(11,463)	11,414	22,877
Fund balance, beginning of year	72,965	72,965	72,965	-
Fund balance, end of year	$ 61,502	$ 61,502	$ 84,379	$ 22,877

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Drug Law Enforcement
For the Year Ended December 31, 2025

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Fines and forfeits	$ 1,575	$ 1,575	$ -	$ (1,575)
Expenditures				
Current:				
Public safety	1,575	1,575	-	(1,575)
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	28,001	28,001	28,001	-
Fund balance, end of year	$ 28,001	$ 28,001	$ 28,001	$ -

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Law Library
For the Year Ended December 31, 2025

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Fines and forfeits	$ 6,500	$ 6,500	$ 6,500	$ -
Expenditures				
Current:				
Judicial	96,500	203,472	13,945	(189,527)
Debt service:				
Principal	-	77,086	67,086	(10,000)
Interest and other fiscal charges	-	942	941	(1)
Total expenditures	96,500	281,500	81,972	(199,528)
Revenues over (under) expenditures	(90,000)	(275,000)	(75,472)	199,528
Other financing sources				
Issuance of bonds, notes and other long-term liabilities	-	175,000	-	(175,000)
Transfers in	90,000	100,000	90,000	(10,000)
Total other financing sources	90,000	275,000	90,000	(185,000)
Net change in fund balance	-	-	14,528	14,528
Fund balance, beginning of year	7,473	7,473	7,473	-
Fund balance, end of year	$ 7,473	$ 7,473	$ 22,001	$ 14,528

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Historical Preservation
For the Year Ended December 31, 2025

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	$ 323,926	$ 323,926	$ 324,721	$ 795
State	45,000	45,000	21,342	(23,658)
Investment appreciation, rents and royalties	75	75	58	(17)
Total revenues	369,001	369,001	346,121	(22,880)
Expenditures				
Current:				
Recreation and culture	369,001	369,001	345,957	(23,044)
Net change in fund balance	-	-	164	164
Fund balance, beginning of year	280	280	280	-
Fund balance, end of year	$ 280	$ 280	$ 444	$ 164

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Community Corrections
For the Year Ended December 31, 2025

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
State	$ 166,264	$ 166,264	$ 159,779	$ (6,485)
Reimbursements, refunds, and other	1,550	1,550	-	(1,550)
Total revenues	167,814	167,814	159,779	(8,035)
Expenditures				
Current:				
Public safety	300,785	300,785	220,818	(79,967)
Revenues over (under) expenditures	(132,971)	(132,971)	(61,039)	71,932
Other financing sources				
Transfers in	132,971	132,971	132,971	-
Net change in fund balance	-	-	71,932	71,932
Fund balance, beginning of year	56,260	56,260	56,260	-
Fund balance, end of year	$ 56,260	$ 56,260	$ 128,192	$ 71,932

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Department on Aging
For the Year Ended December 31, 2025

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	$ 2,902,518	$ 2,902,518	$ 2,920,978	$ 18,460
Federal	816,329	970,837	549,237	(421,600)
State	132,647	149,513	556,805	407,292
Investment appreciation, rents and royalties	51,000	51,000	138,532	87,532
Charges for services	62,500	62,500	24,345	(38,155)
Reimbursements, refunds, and other	471,631	471,631	270,314	(201,317)
Total revenues	4,436,625	4,607,999	4,460,211	(147,788)
Expenditures				
Current:				
Health and welfare	4,256,800	4,225,269	3,968,948	(256,321)
Revenues over (under) expenditures	179,825	382,730	491,263	108,533
Other financing sources (uses)				
Insurance recoveries/proceeds	-	56,850	56,850	-
Transfers in	6,200	6,200	6,200	-
Transfers out	(694,811)	(694,811)	(694,811)	-
Total other financing sources (uses)	(688,611)	(631,761)	(631,761)	-
Net change in fund balance	(508,786)	(249,031)	(140,498)	108,533
Fund balance, beginning of year	1,713,255	1,713,255	1,713,255	-
Fund balance, end of year	$ 1,204,469	$ 1,464,224	$ 1,572,757	$ 108,533

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Home Rehabilitation
For the Year Ended December 31, 2025

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Reimbursements, refunds, and other revenues	$ 10,000	$ 10,000	$ -	$ (10,000)
Expenditures				
Current:				
Health and welfare	10,000	33,690	23,690	(10,000)
Net change in fund balance	-	(23,690)	(23,690)	-
Fund balance, beginning of year	1,791,853	1,791,853	1,791,853	-
Fund balance, end of year	$ 1,791,853	$ 1,768,163	$ 1,768,163	$ -

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Septic System Replacement Revolving Loan
For the Year Ended December 31, 2025

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Charges for services	$ -	$ -	$ 678	$ 678
Expenditures				
Current:				
Health and welfare	4,500	4,500	37	(4,463)
Net change in fund balance	(4,500)	(4,500)	641	5,141
Fund balance, beginning of year	106,893	106,893	106,893	-
Fund balance, end of year	$ 102,393	$ 102,393	$ 107,534	$ 5,141

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Opioid Settlements
For the Year Ended December 31, 2025

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Charges for services	$ 1,225,000	$ 1,225,000	$ 456,818	$ (768,182)
Expenditures				
Current:				
Health and welfare	1,041,250	1,041,250	392,967	(648,283)
Revenues over (under) expenditures	183,750	183,750	63,851	(119,899)
Other financing uses				
Transfers out	(183,750)	(183,750)	(54,532)	(129,218)
Net change in fund balance	-	-	9,319	9,319
Fund balance, beginning of year	1,701,279	1,701,279	1,701,279	-
Fund balance, end of year	$ 1,701,279	$ 1,701,279	$ 1,710,598	$ 9,319

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - American Rescue Plan Act
For the Year Ended December 31, 2025

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Federal	$ 6,350,000	$ 6,832,588	$ 3,268,359	$ (3,564,229)
Investment appreciation, rents and royalties	4,000	4,000	-	(4,000)
Total revenues	6,354,000	6,836,588	3,268,359	(3,568,229)
Expenditures				
Current:				
Community and economic development	6,350,000	6,528,082	3,016,516	(3,511,566)
Recreation and culture	-	304,506	251,843	(52,663)
Total expenditures	6,350,000	6,832,588	3,268,359	(3,564,229)
Revenues over (under) expenditures	4,000	4,000	-	(4,000)
Other financing uses				
Transfer out	(4,000)	(4,000)	-	(4,000)
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	$ -	$ -	$ -	$ -

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Social Welfare
For the Year Ended December 31, 2025

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures				
Current:				
Health and welfare	$ 69,625	$ 69,625	$ 60,238	$ (9,387)
Other financing sources				
Transfers in	61,400	61,400	61,400	-
Net change in fund balance	(8,225)	(8,225)	1,162	9,387
Fund balance, beginning of year	35,900	35,900	29,313	(6,587)
Fund balance, end of year	$ 27,675	$ 27,675	$ 30,475	$ 2,800

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Child Care
For the Year Ended December 31, 2025

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Federal	$ 31,440	$ 31,440	$ 32,487	$ 1,047
State	568,191	573,836	585,401	11,565
Reimbursements, refunds, and other	2,141,362	2,300,865	2,109,316	(191,549)
Total revenues	2,740,993	2,906,141	2,727,204	(178,937)
Expenditures				
Current:				
Health and welfare	3,687,510	4,533,748	4,112,701	(421,047)
Recreation and culture	406,496	407,996	387,951	(20,045)
Total expenditures	4,094,006	4,941,744	4,500,652	(441,092)
Revenues over (under) expenditures	(1,353,013)	(2,035,603)	(1,773,448)	262,155
Other financing sources (uses)				
Transfers in	1,563,918	2,245,012	2,245,012	-
Transfers out	(360,905)	(376,822)	(335,800)	(41,022)
Total other financing sources (uses)	1,203,013	1,868,190	1,909,212	41,022
Net change in fund balance	(150,000)	(167,413)	135,764	303,177
Fund balance, beginning of year	692,372	692,372	692,372	-
Fund balance, end of year	$ 542,372	$ 524,959	$ 828,136	$ 303,177

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, 2025

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Reimbursements, refunds, and other	$ 900	$ 900	$ -	$ (900)
Expenditures				
Current:				
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	$ 12,158	$ 12,158	$ 16,258	$ 4,100

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Soldiers' Relief
For the Year Ended December 31, 2025

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	$ 339,697	$ 339,697	$ 342,058	$ 2,361
State	110,953	110,953	138,593	27,640
Investment appreciation, rents and royalties	3,500	3,500	51,742	48,242
Reimbursements, refunds, and other	-	-	811	811
Total revenues	454,150	454,150	533,204	79,054
Expenditures				
Current:				
Health and welfare	368,224	368,224	226,249	(141,975)
Revenues over (under) expenditures	85,926	85,926	306,955	221,029
Other financing uses				
Transfers out	(51,986)	(51,986)	(51,986)	-
Net change in fund balance	33,940	33,940	254,969	221,029
Fund balance, beginning of year	782,004	782,004	782,004	-
Fund balance, end of year	$ 815,944	$ 815,944	$ 1,036,973	$ 221,029

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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 ***100% Tax Fund*** was established to account 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.

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, 2025

	Golf Course	100% Tax Payment	Delinquent Property Tax Foreclosure	Commissary	Total
Assets					
Current assets:					
Cash and cash equivalents	$ 72,987	$ 1,835,040	$ 307,769	$ 52,725	$ 2,268,521
Investments	152,687	3,294,587	640,799	81,308	4,169,381
Accounts receivable, net	-	190,639	-	-	190,639
Property taxes receivable	-	4,440,879	-	-	4,440,879
Accrued interest receivable	1,244	692,737	2,469	608	697,058
Inventories	11,107	-	-	-	11,107
Due from other funds	-	-	420,620	-	420,620
Due from component units	-	-	25,000	-	25,000
Due from other governmental units	-	199,203	-	-	199,203
Prepaid items and other assets	-	-	15,363	-	15,363
Total current assets	238,025	10,653,085	1,412,020	134,641	12,437,771
Noncurrent assets:					
Net pension asset	117,971	119,045	-	-	237,016
Capital assets not being depreciated/amortized	136,933	-	-	-	136,933
Capital assets being depreciated/amortized, net	403,988	-	-	-	403,988
Total noncurrent assets	658,892	119,045	-	-	777,937
Total assets	896,917	10,772,130	1,412,020	134,641	13,215,708
Deferred outflows of resources					
Deferred pension amounts	8,518	3,045	-	-	11,563
Liabilities					
Current liabilities:					
Accounts payable	7,147	13,697	4,469	-	25,313
Accrued liabilities	6,393	5,636	-	-	12,029
Due to other funds	175	422,590	-	-	422,765
Due to other governmental units	-	12,727	-	-	12,727
Unearned revenue	8,907	-	-	-	8,907
Current portion of compensated absences	8,386	670	-	-	9,056
Total current liabilities	31,008	455,320	4,469	-	490,797
Noncurrent liabilities:					
Compensated absences, net of current portion	14,506	4,837	-	-	19,343
Total liabilities	45,514	460,157	4,469	-	510,140
Deferred inflows of resources					
Deferred pension amounts	7,558	7,724	-	-	15,282
Net position					
Investment in capital assets	540,921	-	-	-	540,921
Restricted for pension benefits	117,971	119,045	-	-	237,016
Unrestricted	193,471	10,188,249	1,407,551	134,641	11,923,912
Total net position	$ 852,363	$ 10,307,294	$ 1,407,551	$ 134,641	$ 12,701,849

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

Nonmajor Enterprise Funds
For the Year Ended December 31, 2025

	Golf Course	100% Tax Payment	Delinquent Property Tax Foreclosure	Commissary	Total
Operating revenues					
Charges for services	$ 780,921	$ 1,335,955	$ 685,440	$ 238,212	$ 3,040,528
Other	2,498	-	10,870	-	13,368
Total operating revenues	783,419	1,335,955	696,310	238,212	3,053,896
Operating expenses					
Personnel services	372,934	120,297	-	-	493,231
Supplies	100,441	8,757	-	-	109,198
Other services	12,665	24,785	75,645	163,240	276,335
Depreciation/amortization	54,707	-	-	-	54,707
Total operating expenses	540,747	153,839	75,645	163,240	933,471
Operating income (loss)	242,672	1,182,116	620,665	74,972	2,120,425
Nonoperating revenues					
Investment appreciation	9,120	231,145	34,417	6,524	281,206
Income (loss) before transfers	251,792	1,413,261	655,082	81,496	2,401,631
Transfers					
Transfers in	-	376,077	-	-	376,077
Transfers out	-	-	(376,077)	(60,000)	(436,077)
Net transfers	-	376,077	(376,077)	(60,000)	(60,000)
Change in net position	251,792	1,789,338	279,005	21,496	2,341,631
Net position, beginning of year	600,571	8,517,956	1,128,546	113,145	10,360,218
Net position, end of year	$ 852,363	$ 10,307,294	$ 1,407,551	$ 134,641	$ 12,701,849

BAY COUNTY, MICHIGAN

Combining Statement of Cash Flows

Nonmajor Enterprise Funds

For the Year Ended December 31, 2025

	Golf Course	100% Tax Payment	Delinquent Property Tax Foreclosure	Commissary	Total
Cash flows from operating activities					
Cash received from customers	$ 783,718	$ 574,149	$ 592,818	$ 238,212	$ 2,188,897
Cash payments to suppliers for goods and services	(110,116)	(33,542)	(76,106)	(163,240)	(383,004)
Cash payments to employees and related taxes and insurance	(367,204)	(136,980)	-	-	(504,184)
Net cash provided by (used in) operating activities	306,398	403,627	516,712	74,972	1,301,709
Cash flows from noncapital financing activities					
Transfers in	-	376,077	-	-	376,077
Transfers out	-	-	(376,077)	(60,000)	(436,077)
Net cash provided by (used in) noncapital financing activities	-	376,077	(376,077)	(60,000)	(60,000)
Cash flows from capital and related financing activities					
Acquisition and construction of capital assets	(238,232)	-	-	-	(238,232)
Cash flows from investing activities					
Purchase of investments	(34,989)	(444,323)	(118,609)	(214)	(598,135)
Income on investments	8,797	132,805	34,027	6,518	182,147
Net cash provided by (used in) investing activities	(26,192)	(311,518)	(84,582)	6,304	(415,988)
Net change in cash and cash equivalents	41,974	468,186	56,053	21,276	587,489
Cash and cash equivalents, beginning of year	31,013	1,366,854	251,716	31,449	1,681,032
Cash and cash equivalents, end of year	$ 72,987	$ 1,835,040	$ 307,769	$ 52,725	$ 2,268,521

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BAY COUNTY, MICHIGAN

Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended December 31, 2025

	Golf Course	100% Tax Payment	Delinquent Property Tax Foreclosure	Commissary	Total
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	$ 242,672	$ 1,182,116	$ 620,665	$ 74,972	$ 2,120,425
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation/amortization	54,707	-	-	-	54,707
Changes in assets and liabilities that provided (used) cash:					
Accounts receivable, net	-	(22,753)	-	-	(22,753)
Property taxes receivable	-	(533,915)	-	-	(533,915)
Inventories	2,950	-	-	-	2,950
Due from other funds	-	-	37,300	-	37,300
Due from other governmental units	-	(158,107)	-	-	(158,107)
Prepaid items and other assets	-	-	(461)	-	(461)
Accounts payable	(1,197)	12,902	(140,792)	-	(129,087)
Accrued liabilities	936	734	-	-	1,670
Due to other funds	40	(36,652)	-	-	(36,612)
Due to other governmental units	-	(23,281)	-	-	(23,281)
Unearned revenue	1,496	-	-	-	1,496
Net pension asset	(47,249)	(63,323)	-	-	(110,572)
Deferred outflows - pension	47,001	40,699	-	-	87,700
Deferred inflows - pension	110	1,857	-	-	1,967
Compensated absences	4,932	3,350	-	-	8,282
Net cash provided by (used in) operating activities	$ 306,398	$ 403,627	$ 516,712	$ 74,972	$ 1,301,709

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

Combining Statement of Net Position
Internal Service Funds
December 31, 2025

	Self Insurance	Healthcare Self Insurance	Total
Assets			
Current assets:			
Cash and cash equivalents	$ 309,733	$ 4,750,038	$ 5,059,771
Investments	1,138,044	-	1,138,044
Accounts receivable, net	3,180	-	3,180
Accrued interest receivable	8,537	-	8,537
Due from other funds	47,676	-	47,676
Due from other governmental units	33	-	33
Prepaid items and other assets	19,191	539,866	559,057
Total current assets	1,526,394	5,289,904	6,816,298
Noncurrent assets:			
Net pension asset	14,299	-	14,299
Total assets	1,540,693	5,289,904	6,830,597
Deferred outflows of resources			
Deferred pension amounts	1,032	-	1,032
Liabilities			
Current liabilities:			
Accounts payable	121	676	797
Accrued liabilities	24,597	-	24,597
Estimated insurance claims payable	543,919	652,312	1,196,231
Total liabilities	568,637	652,988	1,221,625
Deferred inflows of resources			
Deferred pension amounts	915	-	915
Net position			
Restricted for:			
Pension benefits	14,299	-	14,299
Insurance claims	957,874	4,636,916	5,594,790
Total net position	$ 972,173	$ 4,636,916	$ 5,609,089

BAY COUNTY, MICHIGAN

Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Internal Service Funds
For the Year Ended December 31, 2025

	Self Insurance	Healthcare Self Insurance	Total
Operating revenues			
Charges for services	$ 779,957	$ 10,383,275	$ 11,163,232
Operating expenses			
Personnel services	593,154	10,451,392	11,044,546
Operating income (loss)	186,803	(68,117)	118,686
Nonoperating revenues			
Investment appreciation	92,003	-	92,003
Income (loss) before transfers	278,806	(68,117)	210,689
Transfers			
Transfers out	-	(204)	(204)
Change in net position	278,806	(68,321)	210,485
Net position, beginning of year	693,367	4,705,237	5,398,604
Net position, end of year	$ 972,173	$ 4,636,916	$ 5,609,089

Combining Statement of Cash Flows

Internal Service Funds
For the Year Ended December 31, 2025

	Self Insurance	Healthcare Self Insurance	Total
Cash flows from operating activities			
Cash received from interfund services provided	$ 672,349	$ 10,680,889	$ 11,353,238
Cash payments to employees and related taxes and insurance	(601,337)	(10,451,392)	(11,052,729)
Net cash provided by (used in) operating activities	71,012	229,497	300,509
Cash flows from noncapital financing activities			
Transfers out	-	(204)	(204)
Cash flows from investing activities			
Purchase of investments	(3,200)	-	(3,200)
Income on investments	91,517	-	91,517
Net cash provided by (used in) investing activities	88,317	-	88,317
Net change in cash and cash equivalents	159,329	229,293	388,622
Cash and cash equivalents, beginning of year	150,404	4,520,745	4,671,149
Cash and cash equivalents, end of year	$ 309,733	$ 4,750,038	$ 5,059,771

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Combining Statement of Cash Flows

Internal Service Funds
For the Year Ended December 31, 2025

	Self Insurance	Healthcare Self Insurance	Total
Reconciliation of operating income (loss)			
to net cash provided by (used in) operating activities			
Operating income (loss)	$ 186,803	$ (68,117)	$ 118,686
Adjustments to reconcile operating income (loss)			
to net cash provided by (used in) operating activities:			
Changes in assets and liabilities			
that provided (used) cash:			
Accounts receivable, net	(30)	2,585	2,555
Due from other funds	(11,000)	500,000	489,000
Due from other governmental units	(33)	-	(33)
Prepaid items and other assets	50,323	(62,805)	(12,482)
Accounts payable	(10,391)	-	(10,391)
Accrued liabilities	(8,160)	-	(8,160)
Estimated claims payable	(136,477)	(142,166)	(278,643)
Net pension asset	(5,732)	-	(5,732)
Deferred outflows - pension	5,695	-	5,695
Deferred inflows - pension	14	-	14
Net cash provided by (used in) operating activities	$ 71,012	$ 229,497	$ 300,509

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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 two broad categories:

Pension and Other Employee Benefit Trust Fiduciary Component Units - To account for resources required to be held in trust for the members and beneficiaries of retirement programs or other employee benefit programs.

Custodial Funds - To account for resources received and held by the County, in a custodial capacity, for individuals, organizations and other governments.

The ***Employees' Retirement System Fiduciary Component Unit*** 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 Fiduciary Component Unit*** is used to accumulate financial resources in order to provide medical benefits for retirees', their spouses and dependents.

The ***General Custodial 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 Collections 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.

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 per State Act 286 of 1961.

The ***District Court Fund*** is used to account for fees and fines collected by the District Court for other governments which are held by the County in a custodial capacity.

The ***Probate Court Fund*** is used to account for fees and fines collected by the Probate Court for other governments which are held by the County in a custodial capacity.

The ***Trial Court Fund*** is used to account for fees and fines collected by the Court for other governments which are held by the County in a custodial capacity.

The ***Inmates Fund*** is used to account for deposits from County jail inmates.

Combining Statement of Fiduciary Net Position

Pension and Other Employee Benefits - Employees' Retirement System and VEBA Trust
December 31, 2025

	Employees' Retirement System	VEBA Trust	Total
Assets			
Investments at fair value:			
Equities	$ 370,343,120	$ 87,115,161	$ 457,458,281
Fixed income	93,935,920	27,211,202	121,147,122
Money market funds	701	297	998
Total investments	464,279,741	114,326,660	578,606,401
Receivables:			
Contributions	278,807	71,175	349,982
Interest and dividends	919,853	177,365	1,097,218
Total receivables	1,198,660	248,540	1,447,200
Other assets:			
Net pension asset	100,109	-	100,109
Total assets	465,578,510	114,575,200	580,153,710
Deferred outflows of resources - pension	7,237	-	7,237
Liabilities			
Accounts payable	516,791	513,605	1,030,396
Accrued liabilities	14,887	-	14,887
Accrued vacation and sick pay	16,160	-	16,160
Total liabilities	547,838	513,605	1,061,443
Deferred inflows of resources - pension	6,415	-	6,415
Net position			
Restricted for:			
Pension benefits	465,031,494	-	465,031,494
Postemployment healthcare benefits	-	114,061,595	114,061,595
Total net position	$ 465,031,494	$ 114,061,595	$ 579,093,089

BAY COUNTY, MICHIGAN

Combining Statement of Changes in Fiduciary Net Position

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

For the Year Ended December 31, 2025

	Employees' Retirement System	VEBA Trust	Total
Additions			
Investment income:			
Net appreciation in fair value of investments	$ 44,517,905	$ 5,506,928	$ 50,024,833
Interest and dividends	16,316,524	6,217,371	22,533,895
Total investment income	60,834,429	11,724,299	72,558,728
Investment expense	(1,881,165)	(203,207)	(2,084,372)
Net investment income	58,953,264	11,521,092	70,474,356
Contributions:			
Employer	1,839,714	4,923,909	6,763,623
Plan members	2,370,386	-	2,370,386
Total contributions	4,210,100	4,923,909	9,134,009
Other revenue	7,094	-	7,094
Total additions	63,170,458	16,445,001	79,615,459
Deductions			
Participant benefits (including refunds of contributions)	24,334,880	5,356,072	29,690,952
Administrative expenses	552,243	68,551	620,794
Total deductions	24,887,123	5,424,623	30,311,746
Change in net position	38,283,335	11,020,378	49,303,713
Net position, beginning of year	426,748,159	103,041,217	529,789,376
Net position, end of year	$ 465,031,494	$ 114,061,595	$ 579,093,089

BAY COUNTY, MICHIGAN

Combining Statement of Fiduciary Net Position

Custodial Funds

December 31, 2025

	General Custodial	Current Tax Collections	Library Penal Fine
Assets			
Cash and cash equivalents	$ 9,026,694	$ 405,563	$ 526
Investments	22,496,174	-	-
Due from other governmental units	4	-	-
Due from other custodial funds	-	-	12,789
Total assets	31,522,872	405,563	13,315
Liabilities			
Accounts payable	799	37	-
Accrued liabilities	-	-	-
Due to component units	-	80,176	-
Due to other governmental units	31,475,037	325,350	13,315
Due to other custodial funds	-	-	-
Deposits	47,036	-	-
Total liabilities	31,522,872	405,563	13,315
Net position			
Restricted for:			
Inmates	$ -	$ -	$ -

District Court	Probate Court	Trial Court	Inmates	Total
$ 77,131	$ 17,743	$ 57,001	$ 32,193	$ 9,616,851
-	-	-	-	22,496,174
-	-	-	-	4
-	-	-	-	12,789
77,131	17,743	57,001	32,193	32,125,818
-	-	-	10,001	10,837
-	11,012	-	20,881	31,893
-	-	-	-	80,176
64,342	6,731	11,758	-	31,896,533
12,789	-	-	-	12,789
-	-	45,243	-	92,279
77,131	17,743	57,001	30,882	32,124,507
$ -	$ -	$ -	$ 1,311	$ 1,311

BAY COUNTY, MICHIGAN

Combining Statement of Changes in Fiduciary Net Position

Custodial Funds
For the Year Ended December 31, 2025

	General Custodial	Current Tax Collections	Library Penal Fine
Additions			
State education tax collected for other governments	$ -	$ 20,748,598	$ -
Real estate transfer tax collected for other governments	2,849,756	-	-
Fees and fines collected on behalf of other governments	44,910	-	223,287
Collections from or on behalf of inmates	-	-	-
Other taxes collected for other governments	43,349	-	-
Total additions	2,938,015	20,748,598	223,287
Deductions			
Payments of state education tax to other governments	-	20,748,598	-
Payments of real estate transfer tax to other governments	2,849,756	-	-
Fees and fines remitted to other governments	44,910	-	223,287
Payments to or on behalf of inmates	-	-	-
Payments of other taxes to other governments	43,349	-	-
Total deductions	2,938,015	20,748,598	223,287
Change in net position	-	-	-
Net position, beginning of year	-	-	-
Net position, end of year	$ -	$ -	$ -

District Court	Probate Court	Trial Court	Inmates	Total
$ -	$ -	$ -	$ -	$ 20,748,598
-	-	-	-	2,849,756
564,658	120,975	6,378	-	960,208
-	-	-	958,368	958,368
-	-	-	-	43,349
564,658	120,975	6,378	958,368	25,560,279
-	-	-	-	20,748,598
-	-	-	-	2,849,756
564,658	120,975	6,378	-	960,208
-	-	-	958,301	958,301
-	-	-	-	43,349
564,658	120,975	6,378	958,301	25,560,212
-	-	-	67	67
-	-	-	1,244	1,244
$ -	$ -	$ -	$ 1,311	$ 1,311

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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.

Statement of Net Position and Balance Sheet
Library System Component Unit
December 31, 2025

	Library System	Adjustments	Statement of Net Position
Assets			
Current assets:			
Cash and cash equivalents	$ 439,163	$ -	$ 439,163
Investments	8,050,275	-	8,050,275
Receivables:			
Property taxes, net	6,200,000	-	6,200,000
Interest	50,870	-	50,870
Due from primary government	259,811	-	259,811
Prepaid items and other assets	250,939	-	250,939
Total current assets	15,251,058	-	15,251,058
Noncurrent assets:			
Net pension asset	-	2,296,722	2,296,722
Net OPEB asset	-	6,604	6,604
Capital assets not being depreciated	-	107,487	107,487
Capital assets being depreciated, net	-	1,743,202	1,743,202
Total noncurrent assets	-	4,154,015	4,154,015
Total assets	$ 15,251,058	4,154,015	19,405,073
Deferred outflows of resources			
Deferred pension amounts		901,805	901,805
Deferred OPEB amounts		656,303	656,303
Total deferred outflows of resources		1,558,108	1,558,108
Liabilities			
Current liabilities:			
Accounts payable	$ 280,051	-	280,051
Accrued liabilities	169,523	-	169,523
Current portion of compensated absences	-	16,104	16,104
Total current liabilities	449,574	16,104	465,678
Noncurrent liabilities:			
Compensated absences, net of current portion	-	144,933	144,933
Total liabilities	449,574	161,037	610,611
Deferred inflows of resources			
Deferred pension amounts	-	92,640	92,640
Deferred OPEB amounts	-	1,047,991	1,047,991
Unavailable revenue - state revenue	121,499	(121,499)	-
Taxes levied for a subsequent period	6,200,000	-	6,200,000
Total deferred inflows of resources	6,321,499	1,019,132	7,340,631

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BAY COUNTY, MICHIGAN

Statement of Net Position and Balance Sheet

Library System Component Unit
December 31, 2025

	Library System	Adjustments	Statement of Net Position
Fund balances			
Nonspendable	$ 250,939	$ (250,939)	$ -
Assigned - library events	100,152	(100,152)	-
Assigned - capital outlay	344,451	(344,451)	-
Unassigned	7,784,443	(7,784,443)	-
Total fund balances	8,479,985	(8,479,985)	-
Total liabilities, deferred inflows of resources and fund balances	$ 15,251,058		
Net position			
Investment in capital assets		1,850,689	1,850,689
Restricted for:			
Pension and OPEB benefits		2,303,326	2,303,326
Unrestricted		8,857,924	8,857,924
Total net position		$ 13,011,939	$ 13,011,939

concluded

Statement of Activities and Statement of Revenues, Expenditures and Changes in Fund Balance

Library System Component Unit
For the Year Ended December 31, 2025

	Library System	Adjustments	Statement of Activities
Revenues			
Property and other taxes	$ 6,076,339	$ -	$ 6,076,339
Federal grants	12,739	-	12,739
State grants	508,035	(8,332)	499,703
Investment appreciation	583,127	-	583,127
Charges for services	36,220	-	36,220
Donations	43,732	-	43,732
Penal fines	221,742	-	221,742
Reimbursements, refunds, and other	100,074	-	100,074
Total revenues	7,582,008	(8,332)	7,573,676
Expenditures / expenses			
Current:			
Recreation and culture	7,080,596	(658,320)	6,422,276
Depreciation	-	472,374	472,374
Contributions to other units	1,740	-	1,740
Total expenditures / expenses	7,082,336	(185,946)	6,896,390
Net change in fund balance / net position	499,672	177,614	677,286
Fund balance / net position, beginning of year	7,980,313	4,354,340	12,334,653
Fund balance / net position, end of year	$ 8,479,985	$ 4,531,954	$ 13,011,939

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Combining Statement of Net Position and Balance Sheet

Drain Commission Component Unit
December 31, 2025

	Drain Debt Service	Drain Operations and Maintenance	Drain Capital Projects
Assets			
Cash and cash equivalents	$ 656,225	$ 961,469	$ 1,070,779
Investments	635	1,536,797	1,417,104
Special assessments	639,436	-	59,731
Accrued interest receivable	5	10,883	10,991
Due from other funds	-	85,261	3,437
Due from other governmental units	36,723	325,000	6,185
Due from primary government	82,756	53,393	17,340
Restricted cash held by others	775,794	-	-
Capital assets not being depreciated	-	-	-
Capital assets being depreciated, net	-	-	-
Total assets	$ 2,191,574	$ 2,972,803	$ 2,585,567
Liabilities			
Accounts payable	$ -	$ 1,993	$ 24,466
Accrued liabilities	-	2,700	1,305
Due to other funds	-	1,882	116,233
Due to primary government	-	86,549	53,522
Bonds, notes and other long-term liabilities:			
Due within one year	-	-	-
Due in more than one year	-	-	-
Total liabilities	-	93,124	195,526
Deferred inflows of resources			
Unavailable revenue - long-term receivables	758,915	378,393	83,256
Fund balances			
Restricted - debt service	1,432,659	-	-
Assigned	-	2,501,286	2,306,785
Total fund balances	1,432,659	2,501,286	2,306,785
Total liabilities, deferred inflows of resources and fund balances	$ 2,191,574	$ 2,972,803	$ 2,585,567
Net position			
Net investment in capital assets			
Restricted for:			
Debt service			
Unrestricted (deficit)			
Total net position			

Revolving Drain	Total Governmental Funds	Adjustments	Statement of Net Position
$ -	$ 2,688,473	$ -	$ 2,688,473
-	2,954,536	-	2,954,536
-	699,167	-	699,167
-	21,879	-	21,879
29,417	118,115	(118,115)	-
-	367,908	-	367,908
-	153,489	-	153,489
-	775,794	-	775,794
-	-	333,173	333,173
-	-	8,564,615	8,564,615
$ 29,417	$ 7,779,361	8,779,673	16,559,034
$ -	$ 26,459	-	26,459
-	4,005	5,887	9,892
-	118,115	(118,115)	-
29,417	169,488	-	169,488
-	-	515,130	515,130
-	-	1,027,294	1,027,294
29,417	318,067	1,430,196	1,748,263
-	1,220,564	(1,220,564)	-
-	1,432,659	(1,432,659)	-
-	4,808,071	(4,808,071)	-
-	6,240,730	(6,240,730)	-
$ 29,417	$ 7,779,361		
		7,403,897	7,403,897
		2,185,687	2,185,687
		5,221,187	5,221,187
		$ 14,810,771	$ 14,810,771

Combining Statement of Activities and Statement of Revenues, Expenditures and Changes in Fund Balances

Drain Commission Component Unit
For the Year Ended December 31, 2025

	Drain Debt Service	Drains Operations and Maintenance	Drain Capital Projects
Revenues			
Property and other taxes	$ 789,143	$ 16,465	$ 90,758
Licenses and permits	-	1,400	28,300
Investment appreciation, rents and royalties	29	190,832	113,401
Reimbursements, refunds and other revenue	36,231	74,131	32,285
Contributions from local units	77,576	625,000	20,796
Total revenues	902,979	907,828	285,540
Expenditures / expenses			
Public works:			
Contractual services	-	385,212	430,135
Depreciation	-	-	-
Debt service:			
Principal	979,712	-	-
Interest and fiscal charges	53,896	-	1,305
Total expenditures / expenses	1,033,608	385,212	431,440
Revenues over (under) expenditures / expenses	(130,629)	522,616	(145,900)
Other financing sources (uses)			
Issuance of long-term debt	-	-	124,392
Transfers in	-	-	38,765
Transfers out	-	(38,765)	-
Total other financing sources (uses)	-	(38,765)	163,157
Net change in fund balances / net position	(130,629)	483,851	17,257
Fund balances / net position, beginning of year	1,563,288	2,017,435	2,289,528
Fund balances / net position, end of year	$ 1,432,659	$ 2,501,286	$ 2,306,785

Revolving Drain	Total Governmental Funds	Adjustments	Statement of Net Position
$ -	$ 896,366	$ (1,019,647)	$ (123,281)
-	29,700	-	29,700
-	304,262	-	304,262
-	142,647	-	142,647
-	723,372	-	723,372
-	2,096,347	(1,019,647)	1,076,700
-	815,347	(210,033)	605,314
-	-	543,202	543,202
-	979,712	(979,712)	-
-	55,201	(10,917)	44,284
-	1,850,260	(657,460)	1,192,800
-	246,087	(362,187)	(116,100)
-	124,392	(124,392)	-
-	38,765	(38,765)	-
-	(38,765)	38,765	-
-	124,392	(124,392)	-
-	370,479	(486,579)	(116,100)
-	5,870,251	9,056,620	14,926,871
$ -	$ 6,240,730	$ 8,570,041	$ 14,810,771

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STATISTICAL SECTION

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Statistical Section Table of Contents

This part of the County's Annual Comprehensive 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.

Sources: Unless otherwise noted, the information in these schedules is derived from the Annual Comprehensive 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)

	2016	2017	2018	2019
Governmental activities				
Net investment in capital assets	$ 46,547	$ 47,382	$ 39,366	$ 39,191
Restricted	23,861	26,348	26,904	25,193
Unrestricted (deficit)	(8,895)	(8,701)	(17,543)	(12,993)
Total governmental activities net position	61,513	65,029	48,727	51,391
Business-type activities				
Net investment in capital assets	8,893	10,476	16,907	22,756
Restricted	7,969	8,308	8,802	7,460
Unrestricted (deficit)	11,894	11,388	(4,265)	(12,463)
Total business-type activities net position	28,756	30,172	21,444	17,753
Primary government				
Net investment in capital assets	55,440	57,858	56,273	61,947
Restricted	31,830	34,656	35,706	32,653
Unrestricted (deficit)	2,999	2,687	(21,808)	(25,456)
Total primary government activities net position	$ 90,269	$ 95,201	$ 70,171	$ 69,144

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

Note 2: Beginning net position of governmental and business-type activities were restated in 2017 to correct an error in prior period. Prior years were not restated.

Note 3: The County implemented GASB 75 in 2018. Prior years were not restated.

Note 4: Beginning net position of governmental and business-type activities were restated in 2024 for implementation of GASB 101, *Compensated Absences.*

Table 1
Unaudited

2020	2021	2022	2023	2024	2025
$ 38,915	$ 36,924	$ 35,856	$ 37,744	$ 31,763	$ 23,509
31,244	39,242	83,598	40,804	50,632	63,617
(13,665)	(7,931)	(31,460)	29,597	39,863	49,701
56,494	68,235	87,994	108,145	122,258	136,827
23,074	20,823	19,974	20,994	23,844	24,233
7,503	10,302	26,396	6,193	8,853	12,195
(13,052)	(1,481)	(9,207)	11,974	13,695	17,561
17,525	29,644	37,163	39,161	46,392	53,989
61,989	57,747	55,830	58,738	55,607	47,742
38,747	49,544	109,994	46,997	59,485	75,812
(26,717)	(9,412)	(40,667)	41,571	53,558	67,262
$ 74,019	$ 97,879	$ 125,157	$ 147,306	$ 168,650	$ 190,816

BAY COUNTY, MICHIGAN

Changes in Net Position

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

	2016	2017	2018	2019
Expenses				
Governmental activities:				
General government	$ 13,952	$ 13,985	$ 11,877	$ 13,592
Public safety	12,194	12,488	10,768	12,631
Community and economic development	245	233	239	277
Health and welfare	12,318	12,232	13,051	13,033
Public works	3,798	3,277	9,497	1
Judicial	7,504	7,746	6,854	7,434
Legislative	375	421	1,848	401
Recreation and culture	1,567	1,929	1,796	1,810
Interest on long-term debt	175	81	49	100
Total governmental activities expenses	52,128	52,392	55,979	49,279
Business-type activities:				
Medical Care Facility	25,661	26,174	25,335	29,610
100% Tax Payment	232	187	156	166
Golf Course	486	559	520	554
Delinquent Property Tax Foreclosure	169	200	222	238
Commissary	111	196	150	171
Water plant	-	-	2,624	2,042
Housing	702	735	678	807
Total business-type activities expenses	27,361	28,051	29,685	33,588
Total primary government expenses	79,489	80,443	85,664	82,867
Program Revenues				
Governmental activities:				
Charges for services:				
General government	3,221	3,151	3,087	3,206
Public safety	1,992	2,132	2,126	2,197
Community and economic development	207	66	174	88
Health and welfare	3,041	2,852	3,249	3,311
Public works	3,887	3,983	2	8
Judicial	1,751	1,767	1,954	2,086
Legislative	-	-	-	-
Recreation and culture	845	848	886	930
Operating grants and contributions	9,836	10,250	10,708	15,404
Capital grants and contributions	26	26	253	9
Total governmental activities program revenues	24,806	25,075	22,439	27,239

Table 2
Unaudited

2020	2021	2022	2023	2024	2025
$ 12,665	$ 11,404	$ 9,435	$ 12,425	$ 20,014	$ 26,735
11,097	7,756	5,107	10,989	10,660	13,504
154	250	4,049	5,417	1,589	3,865
12,726	11,305	9,760	10,288	13,639	12,535
1	1	678	669	709	748
6,729	5,532	6,198	8,077	8,305	9,107
381	366	497	589	490	611
1,355	1,452	1,471	2,331	2,369	2,752
46	-	-	1	3	1
45,154	38,066	37,195	50,786	57,778	69,858
27,538	19,653	14,360	20,314	18,858	20,399
154	198	184	156	162	153
482	559	696	657	593	541
190	176	201	199	170	76
139	199	176	147	125	163
1,989	2,137	1,347	1,264	1,202	1,156
747	232	-	-	-	-
31,239	23,154	16,964	22,737	21,110	22,488
76,393	61,220	54,159	73,523	78,888	92,346
3,396	1,980	679	827	1,021	946
1,751	1,837	1,910	2,095	1,900	2,815
164	68	1,109	911	1,137	1,079
2,658	2,934	2,494	4,519	5,008	4,153
-	10	262	275	322	298
1,509	1,571	1,495	1,463	1,473	1,536
-	-	-	-	1	-
537	895	1,007	1,011	1,007	1,132
13,972	15,577	16,892	17,529	17,884	20,380
23	40	183	257	713	100
24,010	24,912	26,031	28,887	30,466	32,439

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BAY COUNTY, MICHIGAN

Changes in Net Position

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

	2016	2017	2018	2019
Business-type activities:				
Charges for services:				
Medical Care Facility	$ 21,547	$ 23,103	$ 23,631	$ 22,986
100% Tax Payment	1,138	1,123	1,097	1,087
Golf Course	491	443	444	415
Water plant	-	-	-	-
Delinquent Property Tax Foreclosure	289	297	322	469
Commissary	150	271	217	249
Housing	284	271	274	282
Operating grants and contributions	158	243	290	328
Capital grants and contributions	-	89	-	-
Total business-type activities program revenues	24,057	25,840	26,275	25,816
Total primary government program revenues	48,863	50,915	48,714	53,055
Net (expense)/revenue				
Governmental activities	(27,322)	(27,317)	(33,540)	(22,040)
Business-type activities	(3,304)	(2,211)	(3,410)	(7,772)
Total primary government net expense	(30,626)	(29,528)	(36,950)	(29,812)
General revenues and other changes in net position				
Governmental activities:				
Property taxes	22,882	23,430	22,742	21,927
Grants and contributions not restricted to specific programs	-	-	-	-
Unrestricted investment earnings (loss)	491	656	475	1,120
Other revenue	597	277	257	378
Transfers - internal activities	1,260	1,945	1,349	1,280
Total governmental activities	25,230	26,308	24,823	24,705
Business-type activities:				
Property taxes	2,109	2,323	2,034	2,086
Unrestricted investment earnings (loss)	265	434	2,979	2,650
Other revenue	236	981	301	625
Transfers - internal activities	(1,260)	(1,945)	(1,349)	(1,280)
Total business-type activities	1,350	1,793	3,965	4,081
Total primary government	26,580	28,101	28,788	28,786
Change in net position				
Governmental activities	(2,092)	(1,009)	(8,717)	2,665
Business-type activities	(1,954)	(418)	555	(3,691)
Total primary government	$ (4,046)	$ (1,427)	$ (8,162)	$ (1,026)

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

Table 2
Unaudited

2020	2021	2022	2023	2024	2025
$ 21,864	$ 15,873	$ 15,306	$ 14,611	$ 17,108	$ 17,783
1,019	1,082	1,015	1,056	1,120	1,336
523	630	676	691	775	784
-	-	-	1,156	1,097	1,050
644	440	560	480	511	696
197	287	258	213	178	238
279	62	-	-	-	-
3,078	11,473	2,591	912	1,111	958
-	146	-	-	-	-
27,604	29,993	20,406	19,119	21,900	22,845
51,614	54,905	46,437	48,006	52,366	55,284
(21,144)	(13,154)	(11,164)	(21,899)	(27,312)	(37,419)
(3,635)	6,839	3,442	(3,618)	790	357
(24,779)	(6,315)	(7,722)	(25,517)	(26,522)	(37,062)
22,430	22,879	23,731	29,022	30,775	33,351
-	-	5,224	6,710	1,415	3,270
701	(40)	(2,638)	2,715	2,315	3,299
1,935	877	3,446	2,441	6,341	12,008
1,180	1,180	1,160	1,160	1,060	60
26,246	24,896	30,923	42,048	41,906	51,988
2,101	5,031	5,129	5,339	5,631	5,996
2,143	2,224	(516)	767	1,060	400
344	416	624	671	828	904
(1,180)	(1,180)	(1,160)	(1,160)	(1,060)	(60)
3,408	6,491	4,077	5,617	6,459	7,240
29,654	31,387	35,000	47,665	48,365	59,228
5,102	11,742	19,759	20,149	14,594	14,569
(227)	13,330	7,519	1,999	7,249	7,597
$ 4,875	$ 25,072	$ 27,278	$ 22,148	$ 21,843	$ 22,166

concluded

BAY COUNTY, MICHIGAN

Fund Balances of Governmental Funds

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

	2016	2017	2018	2019
General fund				
Nonspendable	$ 1,650	$ 1,510	$ 1,243	$ 1,091
Restricted	198	171	161	136
Committed	6,779	6,824	6,824	6,824
Assigned	1,167	4,317	1,130	875
Unassigned	4,184	2,496	3,891	5,129
Total general fund	$ 13,978	$ 15,318	$ 13,249	$ 14,055
All other governmental funds				
Nonspendable	$ 60	$ 27	$ 29	$ 61
Restricted	13,946	11,885	7,409	6,643
Assigned	711	2,921	2,547	6,297
Total all other governmental funds	$ 14,717	$ 14,833	$ 9,985	$ 13,001

Note 1: Variance may exist from the governmental funds balance sheet to this statistical table due to rounding.

Table 3
Unaudited

2020	2021	2022	2023	2024	2025
$ 936	$ 938	$ 747	$ 712	$ 508	$ 526
151	149	152	149	154	147
7,143	7,216	7,344	7,344	7,344	7,344
375	2,184	4,297	4,549	3,903	2,329
9,134	8,946	4,900	9,904	11,644	14,367
$ 17,739	$ 19,433	$ 17,440	$ 22,658	$ 23,553	$ 24,713
$ 57	$ 74	$ 55	$ 57	$ 43	$ 48
10,127	9,978	12,050	14,587	17,939	22,327
2,759	2,487	584	2,598	2,886	2,559
$ 12,943	$ 12,539	$ 12,689	$ 17,242	$ 20,868	$ 24,934

BAY COUNTY, MICHIGAN

Changes in Fund Balances of Governmental Funds

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

	2016	2017	2018	2019
Revenues				
Property taxes	$ 22,894	$ 23,441	$ 22,731	$ 21,946
Special assessments (1)	3,885	3,980	-	-
Licenses and permits	464	511	540	528
Federal	3,940	4,036	4,013	3,901
State	5,172	5,282	5,484	9,609
Interest, rents and royalties	1,248	1,398	1,243	1,823
Charges for services	2,761	2,946	3,082	3,322
Fines and forfeits	532	587	662	616
Reimbursements, refunds and other revenue (1)	8,007	7,397	8,277	8,360
Total revenues	48,903	49,578	46,032	50,105
Expenditures				
General government	10,360	10,640	10,840	12,269
Public safety	10,830	11,371	13,702	11,797
Community and economic development	223	231	208	268
Health and welfare	11,319	11,403	12,070	12,415
Public works	955	780	1	1
Judicial	6,198	6,432	6,539	7,185
Legislative	371	413	1,842	399
Recreation and culture	1,944	1,827	1,781	1,799
Other functions	1,656	1,559	1,529	-
Capital outlay	431	40	-	-
Debt service:				
Principal	3,240	2,755	1,290	1,350
Interest and other fees	2,697	2,665	160	109
Bond issuance costs	-	-	-	-
Contribution to component unit	-	-	4,375	-
Total expenditures	50,224	50,116	54,337	47,592
Revenues over (under) expenditures	(1,321)	(538)	(8,305)	2,513
Other financing sources (uses)				
Transfers in	6,338	6,876	6,386	6,827
Insurance recoveries/proceeds	-	38	31	24
Proceeds from sale of capital assets	-	-	-	-
Issuance of bonds, notes and other long-term liabilities	-	-	-	-
Premium on issuance of bonds	-	-	-	-
Transfers (out)	(5,063)	(4,920)	(5,030)	(5,541)
Total other financing sources (uses)	1,275	1,994	1,387	1,310
Net change in fund balances	$ (46)	$ 1,456	$ (6,918)	$ 3,823
Debt service as a percentage of noncapital expenditures	12.03%	11.03%	2.74%	3.11%

Note: Variance may exist from the governmental funds statement of revenues, expenditures and changes in fund balances to this statistical table due to rounding.

(1) Special assessment revenue broken out from reimbursements, refunds and other revenue starting in fiscal 2016. With the transfer of the water plant into a business-type fund in 2018, no special assessments were recorded under governmental activities.

Table 4
Unaudited

2020	2021	2022	2023	2024	2025
$ 22,420	$ 22,914	$ 23,672	$ 28,990	$30,721	$ 33,317
-	-	-	-	-	-
502	553	390	529	586	564
6,464	5,278	10,167	11,531	6,436	9,175
6,910	8,536	10,564	11,787	12,189	13,147
1,180	703	(1,917)	3,105	2,764	3,809
2,822	3,196	3,177	4,250	4,537	3,806
324	370	313	353	356	343
8,824	6,685	6,672	7,446	7,905	9,240
49,446	48,235	53,038	67,991	65,494	73,401
12,050	12,007	12,201	12,605	14,813	15,297
12,083	12,476	13,698	13,825	15,953	16,663
218	267	4,124	5,485	1,607	3,868
12,693	13,073	13,533	14,669	15,511	17,934
1	1	726	697	749	772
7,364	8,167	8,901	8,972	9,515	9,773
381	366	525	592	496	610
1,369	1,736	2,317	2,558	3,489	2,870
-	-	-	-	-	-
-	-	-	-	-	-
1,449	79	95	148	261	733
55	-	-	1	162	298
-	-	-	-	-	192
-	-	-	-	6,689	11,776
47,663	48,172	56,120	59,552	69,245	80,786
1,783	63	(3,082)	8,439	(3,751)	(7,385)
6,851	5,728	6,805	8,454	8,621	8,900
32	40	35	-	5	133
234	-	-	-	6	-
397	-	36	165	6,515	11,327
-	-	-	-	681	1,089
(5,669)	(4,543)	(5,637)	(7,286)	(7,555)	(8,840)
1,845	1,225	1,239	1,333	8,273	12,609
$ 3,628	$ 1,288	$ (1,843)	$ 9,772	$ 4,522	$ 5,224
3.22%	0.16%	0.17%	0.27%	0.65%	1.40%

Governmental Activities Tax Revenue By Year

Last Ten Fiscal Years
(accrual basis of accounting)

Fiscal Year	Property Tax
2016	$ 22,882,462
2017	23,431,134
2018	22,741,235
2019	21,927,262
2020	22,430,445
2021	22,878,841
2022	23,730,881
2023	29,021,366
2024	30,774,286
2025	33,350,167

BAY COUNTY, MICHIGAN

Table 6
Unaudited

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	Estimated Actual Assessed Value	Assessed Value as a Percentage of Actual Value
	Residential	Commercial					
2016	$ 1,940,345	$ 370,281	$ 245,516	$ 2,556,142	11.6138	$ 5,112,284	50.00%
2017	1,969,223	388,729	219,610	2,577,562	11.2138	5,155,124	50.00%
2018	1,994,688	399,121	215,701	2,609,510	11.2138	5,219,020	50.00%
2019	2,069,894	438,386	221,147	2,729,427	11.3138	5,458,854	50.00%
2020	2,202,365	501,486	278,470	2,982,321	12.0685	5,964,642	50.00%
2021	2,349,814	512,979	260,064	3,122,857	12.2984	6,245,714	50.00%
2022	2,513,080	526,054	279,616	3,318,750	13.6359	6,637,500	50.00%
2023	2,833,220	613,489	284,867	3,731,576	13.6359	7,463,152	50.00%
2024	3,232,477	604,426	294,050	4,130,953	12.9908	8,261,906	50.00%
2025	3,598,594	633,574	311,154	4,543,322	13.9506	9,086,644	50.00%

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.

This table does not include industrial and agriculture values.

BAY COUNTY, MICHIGAN

Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years

	Bay County			Overlapping Rates			
Fiscal Year (1) (2)	Operating Millage	Special Millage	Total County Millage	SET Schools (3)	Inter-mediate Schools	Community College	Townships
2016	5.7257	5.8881	11.6138	6.0000	0.1891	2.0427	1.3500
2017	5.7257	5.4881	11.2138	6.0000	0.1891	2.0427	1.3500
2018	5.7257	5.4881	11.2138	6.0000	0.1891	2.0427	1.3500
2019	5.7257	5.5881	11.3138	6.0000	0.1891	2.0427	1.3500
2020	5.7257	6.3428	12.0685	6.0000	0.1891	2.0427	1.3500
2021	5.7153	6.5831	12.2984	6.0000	0.1887	2.0427	1.3500
2022	5.7078	7.9281	13.6359	6.0000	0.1883	2.0427	1.3500
2023	5.7078	7.9281	13.6359	6.0000	0.1883	2.0427	1.3500
2024	5.7078	7.2830	12.9908	6.0000	0.1883	2.0563	1.3500
2025	5.6929	8.2577	13.9506	6.0000	0.1878	2.0559	1.3500

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. 2016 refers to the 2017 tax collection, 2017 refers to the 2018 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

Table 7
Unaudited

Overlapping Rates

Cities									
Auburn	Bay City		Essexville		Pinconning	Midland			Total Direct & Overlapping Rates
12.0000	21.1865	*	23.8431	*	14.6736	15.0000	*		107.8988
13.5000	21.4085	*	16.1431	*	14.6736	15.1385	*		101.6593
15.5000	21.4615	*	17.4031	*	14.6736	15.1385	*		104.9723
15.5000	20.7115	*	17.4031	*	14.6736	15.1385	*		104.3223
15.4986	20.7115	*	17.4031	*	14.6736	15.1385	*		105.0756
17.4852	16.9615	*	17.4031	*	14.6295	15.1385	*		103.4976
15.5000	16.9615	*	17.4031	*	14.6295	15.1385	*		102.8495
15.5000	16.9615	*	17.4031	*	14.6295	15.1385	*		102.8495
15.5000	16.9615	*	16.1431	*	14.2067	15.1385	*		100.5352
17.4351	16.9615	*	17.2147	*	14.0319	15.1399	*		104.3274

Table 8
Unaudited

Principal Property Taxpayers

December 31, 2025 and Nine Years Ago

	2025			2016		
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Consumers Energy	$ 162,232,283	1	4.35%	$ 197,564,583	1	7.10%
Michigan Electric Transmission	35,926,221	2	0.96%	24,952,485	3	0.90%
SK Siltron CSS, LLC	35,149,570	3	0.94%			
Dow Corning Corporation	34,906,420	4	0.94%	54,659,857	2	1.97%
SSP Development LLC	28,215,121	5	0.76%	14,072,548	6	0.51%
Enbridge Energy	27,804,500	6	0.75%	13,714,368	7	0.49%
Meijer/Goodwill Co, Inc	9,580,401	7	0.26%	7,502,086	10	0.27%
NP Bay City Logistics	9,536,997	8	0.26%			
Michigan Sugar	8,908,188	9	0.24%	17,161,451	5	0.62%
Charter Communications	7,832,846	10	0.21%			
S C Johnson				12,060,314	9	0.43%
Mersen USA				12,212,677	8	0.44%
DTE Electric Company				17,207,550	4	0.62%
Totals	$ 360,092,547		9.67%	$ 371,107,919		13.35%

Source: Bay County Equalization Department

Table 9
Unaudited

Property Tax Levies and Collections - General Fund

Last Ten Fiscal Years
(amounts expressed in thousands)

		Collected within the Fiscal Year of the Levy				Total Collections to Date	
Fiscal Year Ended December 31,	Total Tax Levy for Fiscal Year	Amount	Percentage of Levy	Delinquents Purchased by Treasurer	Collections in Subsequent Years	Amount	Percentage of Levy
2016	$ 15,579	$ 14,984	93.06%	$ 583	$ 11	$ 15,578	99.97%
2017	15,469	14,868	96.11%	582	17	15,467	99.97%
2018	15,673	15,067	96.14%	591	15	15,673	99.96%
2019	16,044	15,462	96.37%	571	8	16,041	99.98%
2020	16,423	15,825	96.36%	584	7	16,416	99.95%
2021	16,739	16,176	96.63%	554	4	16,734	99.94%
2022	17,441	16,818	96.43%	608	9	17,435	99.92%
2023	18,388	17,744	96.50%	629	1	18,374	99.92%
2024	19,578	18,866	96.36%	680	6	19,552	99.83%
2025	20,347	19,620	96.43%	704	*	20,324	99.89%

Source: Bay County Treasurer

* This information is not yet available.

BAY COUNTY, MICHIGAN

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

	Governmental Activities				
Fiscal Year Ended December 31,	General Obligation Bonds	Unamortized Bond Prem/ Discount	Installment Purchase Agreement	Leases (4)	SBITA (5)
2016	$ 5,255,000	$ 446,320	$ -	$ -	$ -
2017	4,010,000	334,740	-	-	-
2018	2,720,000	223,360	-	-	-
2019	1,370,000	111,580	-	-	-
2020	-	-	317,600	-	-
2021	-	-	238,200	-	-
2022	-	-	158,800	20,525	-
2023	-	-	79,400	4,469	41,313
2024	6,035,000	681,015	-	26,160	317,867
2025	16,370,000	1,702,153	314,447	20,863	267,080

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

(1) See Statistical Table Number 15 for personal income and population data.
(2) This information is not yet available.
(3) Debt/discount related to the DWS Construction was accounted for in a newly formed business-type fund beginning in 2018.
(4) The County implemented GASB 87, *Leases,* in 2022.
(5) The County implemented GASB 96, *Subscription-Based Information Technology Arrangements,* in 2023.

Table 10
Unaudited

Business-Type Activities (3)							
DWRF Loans	Revenue Bonds	Unamortized Bond Prem/ Discount	Installment Purchase Agreement	SBITA (5)	Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
$ 25,485,000	$ 29,575,000	$ (37,000)	$ -	$ -	$ 60,724,320	14.71%	580
24,415,000	29,135,000	(35,577)	-	-	57,859,163	13.53%	555
26,025,000	28,675,000	(34,153)	-	-	57,609,207	13.29%	554
24,585,000	28,200,000	(32,730)	-	-	54,233,850	12.05%	526
23,115,000	27,705,000	(31,307)	-	-	51,106,293	10.45%	499
21,605,000	30,020,000	-	-	-	51,863,200	9.53%	480
20,060,000	29,060,000	-	-	-	49,299,325	9.20%	457
18,480,000	28,165,000	-	-	115,537	46,885,719	8.71%	458
16,860,000	27,240,000	-	91,574	91,763	51,343,379	14.05%	500
15,210,000	26,310,000	-	61,537	76,897	60,332,977	(2)	591

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)
2016	$ 5,255,000	$ 446,320	$ 133,085	$ 5,568,235	0.20%	$ 53
2017	4,010,000	334,740	21,824	4,287,339	0.15%	41
2018	2,720,000	223,360	45,049	2,898,311	0.11%	28
2019	1,370,000	111,580	70,110	1,411,470	0.05%	14
2020 (3)	-	-	-	-	0.00%	-
2021 (3)	-	-	-	-	0.00%	-
2022 (3)	-	-	-	-	0.00%	-
2023 (3)	-	-	-	-	0.00%	-
2024 (3)	-	-	-	-	0.00%	-
2025 (3)	-	-	-	-	0.00%	-

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.
(3) All General Obligation Debt was paid off as of 12/31/2020.

Direct and Overlapping Governmental Activities Debt

As of December 31, 2025

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
Overlapping debt repaid with property taxes: County	$ 172,739,336	65.36%	$ 112,907,336
Bay County direct debt			18,674,543
Total direct and overlapping debt			$ 131,581,879

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)

	2016	2017	2018	2019
Debt limit	$ 324,088	$ 326,989	$ 331,557	$ 340,808
Total net debt applicable to limit	65,167	61,872	61,169	57,429
Legal debt margin	$ 258,921	$ 265,117	$ 270,388	$ 283,379
Total net debt applicable to the limit as a percentage of debt limit	20.11%	18.92%	18.45%	16.85%

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

2020	2021	2022	2023	2024	2025
$ 364,184	$ 376,933	$ 397,205	$ 443,772	$ 488,303	$ 533,879
54,021	52,158	49,431	46,958	44,899	42,038
$ 310,163	$ 324,775	$ 347,774	$ 396,814	$ 443,404	$ 491,842
14.83%	13.84%	12.44%	10.58%	9.19%	7.87%

Legal Debt Margin Calculation for Current Fiscal Year

State equalized value of real property			$ 5,027,639
State equalized value of personal property			311,154
Total state equalized value			5,338,793
Debt limit (10% of total state equalized value)			533,879
Debt applicable to limit: (1)		$ 61,604	
Less:			
Assets in debt service funds available for payment of principal	$ -		
Debt not subject to legal debt limit:			
Conduit debt	18,072		
Special assessment debt	1,494		
Total deductions		19,566	
Total amount of debt applicable to debt limit			42,038
Legal debt margin			$ 491,842

Pledged-Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	Operating Revenue (2)	Operating Expenses (3)	Net Available Revenue	Debt Service (4) Principal	Debt Service (4) Interest
Water Supply System No. 1 Revenue Bonds (1)					
2016 (5) (6)	$ 11,360,745	$ 5,645,889	$ 5,714,856	$ 630,000	$ 1,671,969
2017 (5) (6)	11,810,699	5,674,620	6,136,079	650,000	1,648,819
2018 (5) (6)	11,678,711	6,082,982	5,595,729	675,000	1,623,869
2019 (5) (6)	11,998,511	6,855,007	5,143,504	700,000	1,597,944
2020 (5) (6)	12,631,841	7,516,568	5,115,273	730,000	1,569,944
2021 (5) (6)	14,037,563	6,357,068	7,680,495	755,000	1,540,744
2022 (5) (6)	13,792,109	6,171,547	7,620,562	1,210,000	762,452
2023 (5) (6)	13,629,386	6,353,035	7,276,351	1,155,000	819,045
2024 (5) (6)	13,432,783	6,606,550	6,826,233	1,195,000	778,893
2025 (5) (6)	14,363,955	6,807,575	7,556,380	1,215,000	760,175

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) Includes Department of Water and Sewer revenues, less all non-operating revenue except interest earned.
(3) Includes Department of Water and Sewer expenses, less depreciation and interest expense on bonded debt.
(4) Debt service requirements are met with net revenue available for debt service and net position.
(5) Includes the Water Supply West Side Regional Sewage Disposal System Revenue Bonds, Series 2010.
(6) Includes the Bay County General Obligation Refunding Bonds, Series 2021.

Table 14
Unaudited

Total Debt Service	Coverage
$ 2,301,969	2.48
2,298,819	2.67
2,298,869	2.43
2,297,944	2.24
2,299,944	2.22
2,295,744	3.35
1,972,452	3.86
1,974,045	3.69
1,973,893	3.46
1,975,175	3.83

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Table 15
Unaudited

Demographic and Economic Statistics

Last Ten Fiscal Years

Fiscal Year	Population (1)	Personal Income (1) (expressed in thousands)	Per Capita Personal Income (1)	School Enrollment (2)	Unemployment Rate (3)
2016	104,747	$ 4,127,462	$ 39,404	13,513	5.20%
2017	104,239	4,276,348	41,024	13,462	5.60%
2018	103,923	4,335,883	41,722	13,029	5.80%
2019	103,126	4,502,212	43,657	12,932	4.70%
2020	103,856	4,892,672	47,786	12,231	9.20%
2021	102,985	5,190,073	50,396	12,162	6.10%
2022	102,821	5,106,814	49,667	11,865	5.20%
2023	102,500	5,389,312	52,579	11,752	4.40%
2024	102,651	3,654,581	35,602	11,519	5.60%
2025	102,123	(4)	(4)	11,346	5.80%

Data Sources:

(1) Bureau of Economic Analysis, per capita income was computed using Census Bureau midyear population estimates.

(2) MI School Data.

(3) U.S. Department of Labor Bureau of Labor Statistics Data - Unemployment rate information is a yearly average not seasonally adjusted.

(4) Data not available at this time.

BAY COUNTY, MICHIGAN

Principal Employers

2025 and Nine Years Ago

	2025 (4)		
Employer	**Employees**	**Rank**	**Percentage of Total County Employment**
McLaren - Bay Region (1)	1,399	1	2.97%
The Dow Chemical Corporation	1,100	2	2.34%
Michigan Sugar Company (3)	1,000	3	2.12%
Delta College	771	4	1.64%
Bay City Public Schools (2)	762	5	1.62%
Bay County	617	6	1.31%
Meijer Inc.	550	7	1.17%
SC Johnson	450	8	0.96%
General Motors Powertrain	425	9	0.90%
Bay Arenac ISD	348	10	0.74%
Consumers Energy			
Bay Medical Care Facility			
Totals	7,422		15.77%

Source:
Bay Future

(1) Previously Bay Regional Medical Center and Bay Health Systems.
(2) Excludes substitute teachers.
(3) Figure represents peak manufacturing/industry seasons.
(4) Figures may represent estimates based on information obtained.

Table 16
Unaudited

2016 (4)		
Employees	Rank	Percentage of Total County Employment
2,083	1	4.80%
1,160	2	2.67%
900	4	2.07%
957	3	2.21%
875	5	2.02%
593	7	1.37%
550	6	1.27%
392	9	0.90%
457	8	1.05%
365	10	0.84%
8,332		19.20%

Full-time Equivalent Government Employees by Function/Program

Last Ten Fiscal Years

	2016	2017	2018	2019
Function				
Public safety	101	115	118	118
Public works	-	-	-	-
Community and economic development	2	1	2	2
Health and welfare	70	70	73	73
General government	90	93	97	98
Judicial	77	75	72	72
Legislative	-	-	-	-
Recreation and culture	11	11	10	13
100% tax payment	2	2	2	2
Golf course	2	2	2	2
Total	355	369	376	380

Source: Bay County Payroll Department

Note: Full-time equivalent positions are not listed for Medical Care Facility.

Full-time equivalent positions are not calculated on temporary and seasonal employees.

Table 17
Unaudited

2020	2021	2022	2023	2024	2025
118	117	109	107	112	117
-	-	6	6	6	6
2	2	2	3	2	3
84	86	101	101	96	97
99	101	101	106	97	109
72	71	72	72	70	66
-	-	1	2	1	2
10	9	11	11	11	9
2	2	2	2	2	2
2	2	2	2	2	2
389	390	407	412	399	413

BAY COUNTY, MICHIGAN

Operating Indicators by Function/Program

Last Ten Fiscal Years

	2016	2017	2018	2019
Function				
Public safety				
Number of incarcerated offenders	4,205	4,298	4,420	4,079
Health and welfare				
Department on aging				
Meal site meals served	35,687	39,987	37,875	42,348
Home delivered meals served	146,109	141,358	176,781	197,506
Public works				
Number of parking spaces leased (4)	69	91	60	93
Judicial				
Circuit court total caseload	3,241	3,175	3,093	2,907
District court total caseload	21,452	23,832	23,523	21,957
Probate court total caseload	823	879	862	859
Recreation and culture				
Swimming pool admissions (1) (2) (5)	4,460	3,786	6,401	3,723
Medical care facility				
Patient days	100,287	88,648	64,343	84,281
Patient admits	139	115	97	100
Golf course				
Memberships	105	104	102	103
Housing				
Number of lease days (3)	36,221	35,983	35,468	35,114

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.
(2) The pool was not open in 2020 due to COVID-19.
(3) Bay County Housing (Center Ridge Arms) was sold on 03/31/2021.
(4) Parking space agreement ended in 2022.
(5) Swimming pool was closed in 2023.

Table 18
Unaudited

2020	2021	2022	2023	2024	2025
1,909	1,231	2,397	2,383	2,340	2,700
22,925	28,195	36,162	29,657	22,356	22,627
216,596	214,430	204,535	220,984	230,306	231,232
5	75	75	-	-	-
2,318	2,773	2,701	2,732	2,762	2,861
13,938	15,883	13,035	14,678	15,795	16,023
872	952	846	818	774	825
-	2,898	1,530	-	-	-
59,175	51,882	42,965	42,128	28,272	37,287
64	45	45	20	41	27
72	98	121	164	126	118
35,289	8,378	-	-	-	-

BAY COUNTY, MICHIGAN

Capital Asset Statistics by Function/Program

Last Ten Fiscal Years

	2016	2017	2018	2019
Function				
Public safety				
Sheriff				
Stations	1	1	1	1
Vehicles	32	33	33	36
Boats	3	2	3	3
Animal control				
Vehicles	4	3	3	3
Community and economic development				
Streets (miles)	1,575	1,574	1,574	1,574
Traffic signals	107	107	107	107
Health and welfare				
Department on aging				
Meal sites	5	5	5	5
Mosquito control				
Vehicles	32	33	32	32
Public works				
Pere Marquette/Madison Avenues				
Parking spaces available for lease	264	264	264	264
Recreation and culture				
Parks	5	5	5	5
Medical care facility				
Beds	206	206	206	206
Golf course				
Golf carts	53	53	53	53
Housing				
Apartments (1)	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) Bay County Housing (Center Ridge Arms) was sold on 03/31/2021.

Table 19
Unaudited

2020	2021	2022	2023	2024	2025
1	1	1	1	1	1
40	41	46	46	49	42
3	3	4	3	4	4
3	3	4	4	4	5
1,588	1,588	1,588	1,588	1,588	1,589
107	107	107	107	107	107
5	5	5	5	5	5
33	31	35	34	33	35
264	264	264	264	264	264
5	5	5	5	5	5
206	206	206	206	161	161
53	55	59	64	64	64
100	100	-	-	-	-

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