

Bay County Employees' Retirement System

Defined Benefit Plan

Year Ended
December 31,
2015

Financial
Statements

BAY COUNTY EMPLOYEES' RETIREMENT SYSTEM DEFINED BENEFIT PLAN

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INDEPENDENT AUDITORS' REPORT

June 29, 2016

To the Bay County Board of Commissioners
and the Bay County Retirement Board of Trustees
Bay County, Michigan

We have audited the accompanying statements of fiduciary net position of the *Bay County Employees' Retirement System Defined Benefit Plan* (the "Plan"), a pension trust fund of Bay County, Michigan, as of December 31, 2015, and the related statement of changes in fiduciary net position for the year then ended and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Independent Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Plan, as of December 31, 2015 and the respective changes in its fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Reporting Entity

As discussed in Note 1, the financial statements present only the Bay County Employees' Retirement System Defined Benefit Plan pension trust fund and do not purport to, and do not, present fairly the financial position of Bay County as of December 31, 2015 and the changes in its financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the schedule of pension information, as listed in the table of contents, be presented to supplement the 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 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 financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Plan's basic financial statements. The schedule of changes in fiduciary net position by component is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Rehmann Lobson LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

BAY COUNTY EMPLOYEES' RETIREMENT SYSTEM DEFINED BENEFIT PLAN

Management's Discussion and Analysis

This section of the annual report of the Bay County Employees' Retirement System Defined Benefit Plan (the "Plan") presents management's discussion and analysis of the Plan's financial performance during the plan year that ended on December 31, 2015. Please read it in conjunction with the Plan's financial statements, which follow this section.

Financial Highlights

- The Plan's total net position decreased during fiscal 2015 by \$7.2 million. Assets are held in trust and restricted to meet future benefit payments.
- The Plan's benefits are funded by contributions from Bay County and its component units (the "County"), Bay Arenac Behavioral Health ("BABH") and active members, as well as by the investment income earned on the Plan's assets.
- The change in the fair value of investments was unfavorable for the current year. The fair value of investments had a net depreciation of \$1.3 million for the year ended December 31, 2015 compared with net appreciation of \$19.8 million for the year ended December 31, 2014. The net depreciation is attributable to the declining financial markets and the resultant investment performance at the end of the year.

Overview of the Financial Statements

This annual report contains the Plan's financial statements, which consist of the statement of fiduciary net position and statement of changes in fiduciary net position. These financial statements report information about the Plan as a whole using accounting methods similar to those used by private-sector pension plans. The statement of fiduciary net position include all of the Plan's assets and liabilities. All of the current year increases and decreases in the Plan's net position are accounted for in the statement of changes in fiduciary net position, regardless of when cash is received or paid.

These financial statements report the Plan's net position and how it has changed. Net position represents the difference between the Plan's assets and deferred outflows of resources and liabilities and deferred inflows of resources, and it represents one way to measure the Plan's financial health, or position. Over time, increases or decreases in the Plan's net position are an indicator of whether its financial health is improving or deteriorating.

The notes to the financial statements explain some of the information in the financial statements and provide more detailed data.

BAY COUNTY EMPLOYEES' RETIREMENT SYSTEM DEFINED BENEFIT PLAN

Management's Discussion and Analysis

Financial Analysis of the Plan as a Whole

Below are the condensed statements of fiduciary net position as of December 31, 2015 and 2014:

	Net Position	
	2015	2014
Assets		
Investments	\$ 302,011,064	\$ 308,904,973
Other assets	1,450,082	2,371,058
Total assets	<u>303,461,146</u>	<u>311,276,031</u>
Deferred outflows of resources	3,830	-
Liabilities	2,515,898	3,135,138
Deferred inflows of resources	<u>849</u>	<u>-</u>
Net position restricted for pensions	<u>\$ 300,948,229</u>	<u>\$ 308,140,893</u>

The Plan's total assets as of December 31, 2015 were \$303.5 million and were mostly comprised of investments. Total assets decreased by \$7.8 million, or 2.5%, from the prior year. The decrease is primarily attributable to volatile, unfavorable market conditions at December 31, 2015 resulting in a net depreciation in fair value of investments of \$1.3 million, compared to a net appreciation of \$19.8 million in the prior year.

Total net position restricted for benefits at December 31, 2015 decreased by \$7.2 million from 2014. The decrease is primarily attributable to the decrease in the Plan's assets as discussed above.

BAY COUNTY EMPLOYEES' RETIREMENT SYSTEM DEFINED BENEFIT PLAN

Management's Discussion and Analysis

Below are the condensed statements of changes in fiduciary net position for the years ended December 31, 2015 and 2014:

	Change in Net Position	
	2015	2014
Additions		
Investment income:		
Net appreciation (depreciation)		
in fair value of investments	\$ (1,296,077)	\$ 19,798,907
Other investment income	3,581,497	3,222,525
Contributions	7,186,980	5,732,872
Other revenue	40,968	142,432
Total additions	<u>9,513,368</u>	<u>28,896,736</u>
Deductions		
Benefit payments and refunds of contributions	16,425,644	15,908,478
Administrative expenses	280,388	235,463
Total deductions	<u>16,706,032</u>	<u>16,143,941</u>
Change in net position	(7,192,664)	12,752,795
Net position		
Beginning of year	<u>308,140,893</u>	<u>295,388,098</u>
End of year	<u>\$ 300,948,229</u>	<u>\$ 308,140,893</u>

Change in Fiduciary Net Position

The reserves needed to finance pension benefits are accumulated through the collection of employee and employer contributions and through earnings on investments. The decrease in net position of \$7.2 million is the result of the decline in the fair value of the investments as a result of the market conditions at year end compared to the prior year end offset with an increase in contributions which was the result of an additional one-time \$2 million employer contribution from BABH in 2015.

Economic Factors

The financial markets have been volatile over the last several years. The current year saw declining financial markets and investment returns at the end of the year. Management believes that the Plan is in a financial position to meet its pension benefit obligations. It is anticipated that the financial position can improve with a prudent investment strategy and return to more stable market conditions.

Financial Contact

This financial report is designed to present its users with a general overview of the Plan's finances and to demonstrate the Plan's accountability for the funds it holds. If you have any questions about this report or need additional financial information, contact Bay County Finance Department, Bay County Building - 7th Floor, 515 Center Avenue, Bay City, Michigan 89708.

BASIC FINANCIAL STATEMENTS

BAY COUNTY EMPLOYEES' RETIREMENT SYSTEM DEFINED BENEFIT PLAN

Statement of Fiduciary Net Position December 31, 2015

Assets

Investments at fair value:

Equities	\$ 222,518,277
Fixed income	70,198,765
Money market	9,294,022
Total investments	<u>302,011,064</u>

Receivables:

Interest and dividends	736,040
Contributions receivable	334,442
Total receivables	<u>1,070,482</u>

Other current assets:

Prepaid items and other assets	354,457
Net pension asset	25,143
Total other current assets	<u>379,600</u>

Total assets 303,461,146

Deferred outflows of resources 3,830

Liabilities

Accounts payable	670,395
Accrued liabilities	1,803,514
Accrued vacation and sick pay	1,095
Net other postemployment obligation	40,894

Total liabilities 2,515,898

Deferred inflows of resources 849

Net position

Restricted for pension benefits \$ 300,948,229

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

BAY COUNTY EMPLOYEES' RETIREMENT SYSTEM DEFINED BENEFIT PLAN

Statement of Changes in Fiduciary Net Position For the Year Ended December 31, 2015

Additions	
Investment income:	
Net depreciation in fair value of investments	(1,296,077)
Interest and dividends	5,601,460
Other revenue	40,968
Total investment income	<u>4,346,351</u>
Investment expenses	<u>(2,019,963)</u>
Net investment income	<u>2,326,388</u>
Contributions:	
Employer	5,175,435
Plan members	2,011,545
Total contributions	<u>7,186,980</u>
Total additions	<u>9,513,368</u>
Deductions	
Participant benefits (including refunds of contributions)	16,425,644
Administrative expenses	280,388
Total deductions	<u>16,706,032</u>
Change in net position	(7,192,664)
Net position, beginning of year	<u>308,140,893</u>
Net position, end of year	<u><u>\$ 300,948,229</u></u>

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

BAY COUNTY EMPLOYEES' RETIREMENT SYSTEM DEFINED BENEFIT PLAN

Notes to Financial Statements

1. PLAN DESCRIPTION

General - The Bay County Employees' Retirement System Defined Benefit Plan (the "Plan") is an agent multiple employer defined benefit plan covering two employers, Bay County, Michigan (the "County"), which includes six divisions (General County, Sheriff's Department, Library, Department of Water and Sewer, Medical Care Facility, and Road Commission), and Bay Arenac Behavioral Health ("BABH"). The Plan provides retirement, disability, and death benefits to plan members and their beneficiaries.

The accompanying financial statements present only the financial position and changes in net position of the Bay County Employees' Retirement System pension trust fund. They do not purport to, and do not, present fairly the net position, changes in net position or cash flows of Bay County in conformity with accounting principles generally accepted in the United States of America.

The Retirement Commission consists of nine individual trustees whether elected or appointed in accordance with the County Retirement Ordinance. Four members (active employees) are elected by active members of the retirement system. Each elected position is voted on by the following four groups 1) Bay County Road Commission and Department of Water and Sewer 2) Bay County Medical Care Facility 3) Sheriff's Department and Library 4) General County and Bay Arenac Behavioral Health. The remaining trustees are the chairperson of the Bay County Board of Commissioners ex-officio or his/her designee, the chairperson of the Ways and Means Committee of the Bay County Board of Commissioners or his/her designee, the Treasurer of the Bay County, the chairperson of the Bay County Board of Human Services ex officio or his/her designee, and the chairperson of the Bay Arenac Behavioral Health Board of Directors or his/her designee. All elected terms are for three years.

Plan Membership - The Plan's membership consists of the following at December 31, 2015:

Active participants:

Retirees and beneficiaries	916
Inactive, nonretired members	89
Active members	1,160
	2,165

Contributions - The provisions of the Plan require the participating employers/divisions to contribute at an actuarially determined rate. Rates for the year ended December 31, 2015, determined through an actuarial valuation performed at December 31, 2013, were as follows for each employer/division:

General County	0.03%
Sheriff's Department	0.00%
Department of Water and Sewer	15.72%
Medical Care Facility	4.20%
Road Commission	19.14%
Bay Arenac Behavioral Health	12.85%

The Library portion of the plan is closed to new hires as of January 1, 2012 and therefore, the annual contribution is fixed at \$89,491.

In addition, the general county division made discretionary monthly contributions into the Plan of 3.97% of payroll for the year ended December 31, 2015. The Library and Bay Arenac Behavioral Health exceed their annual required contributions by \$43,346 and \$1,659,119, respectively.

BAY COUNTY EMPLOYEES' RETIREMENT SYSTEM DEFINED BENEFIT PLAN

Notes to Financial Statements

Contribution requirements for Plan members are established and may be amended through the collective bargaining process after approval by the benefit granting Board for each group. Currently, certain divisions have elected to pay all or some of the Plan member contributions. Plan member average contribution rates for the year ended December 31, 2015, were as follows by employer/division:

General County	4.23%
Sheriff's Department	6.00%
Library	4.00%
Department of Water and Sewer	4.00%
Medical Care Facility	4.00%
Road Commission	4.75%
Bay Arenac Behavioral Health	4.00%

Retirement Benefits - The Plan benefit provisions and contribution requirements of plan members and the participating employers are established and may be amended by the Retirement Board, who also administers the plan, in accordance with County policies, union contracts, and plan provisions. Benefits are paid monthly over the member or survivor's lifetime calculated as total service times final average compensation (highest 5 years) times a percent ranging from 1.60% to 2.80%, with a maximum of 75% of final average compensation.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting. 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.

Valuation of Investments and Income Recognition. Investments are stated 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. Fixed debt quotations are provided by a national brokerage pricing service. Real estate values are determined on the basis of comparable yields available in the marketplace. Investments for which market quotations are not readily available are valued at their fair values as determined by the custodian under the direction of the Retirement Board, with the assistance of a valuation service.

Dividend income is recognized based on the ex-dividend date, and interest income is recognized on the accrual basis as earned. All realized gains and losses on investments are recognized at the point of sale and are included in investment income. Purchases and sales of investments are recorded as of the trade date, which is the date when the transaction is initiated.

BAY COUNTY EMPLOYEES' RETIREMENT SYSTEM DEFINED BENEFIT PLAN

Notes to Financial Statements

Investment Allocation Policy

The Plan's policy in regard to the allocation of invested assets is established and may be amended by the Retirement Board. The investment policy has been formulated based on consideration of a wide range of policies and describes the prudent investment process that the Board deems appropriate. The Board established the following allocation range for each asset class in recognition of the need to vary exposure within and among different asset classes, based on investment opportunities and changing capital market conditions:

Asset Class	Target Allocation	Allocation Range
Cash	0%	0%-5%
U.S. fixed income	20%	17%-23%
High yield	0%	0%-15%
Global fixed income	5%	0%-10%
Large cap equity	28%	23%-33%
Small/mid cap equity	24%	20%-28%
International equity	10%	7%-13%
Real estate	8%	0%-10%
Hedge funds	5%	0%-10%
Total investments	100%	

Investments and Securities Lending

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

Domestic equities	\$	53,920,495
Corporate bonds		5,675,615
Municipal bonds		2,358,063

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

BAY COUNTY EMPLOYEES' RETIREMENT SYSTEM DEFINED BENEFIT PLAN

Notes to Financial Statements

3. INVESTMENTS

The authority for the purchase and sale of investments rests with the Retirement Board. The Michigan Public Employees Retirement Systems' Investment Act, Public Act 314 of 1965, as amended, authorizes the System to invest in domestic and foreign stocks, government securities, corporate securities, mortgages, real estate and various other investment instruments, subject to certain limitations and investment policy established by the Retirement Board. The Investment Act incorporates the prudent person rule and requires investment fiduciaries to act solely in the interest of the Plan's participants and beneficiaries.

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

Investments at fair value	
Equities:	
Convertible equity	\$ 1,182,625
Domestic equities	182,540,815
International equities	28,398,651
Preferred stock	191,218
Private equities	10,204,968
Total equities	<u>222,518,277</u>
Fixed income:	
Asset backed securities	81,538
Corporate bonds **	24,233,465
Corporate convertible bonds **	9,102,081
Government agencies	443,396
Municipal bonds	11,540,343
Government issued commercial mortgage-backed	5,267,485
Government mortgage-backed securities	10,743,306
International bonds **	8,787,151
Total fixed income	<u>70,198,765</u>
Money market	<u>9,294,022</u>
Total investments	<u><u>\$ 302,011,064</u></u>

** The Plan's investments in corporate bonds, corporate convertible bonds, and international bonds include call options with a market value of \$8,463,357, \$1,890,369 and \$1,898,266, respectively.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Plan's investment policy emphasizes appropriate risk/return parameters and compliance with Public Act 314, and gives discretionary authority to its investment managers as opposed to establishing specific credit rating benchmarks.

BAY COUNTY EMPLOYEES' RETIREMENT SYSTEM DEFINED BENEFIT PLAN

Notes to Financial Statements

As of December 31, 2015, Moody's ratings for the System's investments were as follows:

	Investment Type			
	Equities	Fixed Income	Money Market	Total
Aaa	\$ -	\$ 730,245	\$ -	\$ 730,245
Aa	-	1,746,595	-	1,746,595
A	-	10,972,158	-	10,972,158
Baa	-	13,204,236	-	13,204,236
Ba	-	2,598,833	-	2,598,833
B	-	903,204	-	903,204
Caa	-	88,650	-	88,650
Not rated	222,518,277	39,954,844	9,294,022	271,767,143
Total	\$ 222,518,277	\$ 70,198,765	\$ 9,294,022	\$ 302,011,064

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

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

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

As of December 31, 2015, investment maturities for the System's investments were as follows:

	Investment Type			
	Equities	Fixed Income	Money Market	Total
Less than 1 year	\$ -	\$ 3,618,900	\$ -	\$ 3,618,900
1 - 5 years	-	23,834,786	-	23,834,786
6 - 10 years	-	18,684,560	-	18,684,560
More than 10 years	-	24,060,519	-	24,060,519
No maturity	222,518,277	-	9,294,022	231,812,299
Total	\$ 222,518,277	\$ 70,198,765	\$ 9,294,022	\$ 302,011,064

BAY COUNTY EMPLOYEES' RETIREMENT SYSTEM DEFINED BENEFIT PLAN

Notes to Financial Statements

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

Investment/ Country	Currency	Fair Value (in U.S. Dollars)	
		International Equities	International Fixed Income
Australia	Australian Dollar	\$ -	\$ 1,145,772
Belgium	European Euro	-	83,148
Bermuda	Bermudian Dollar	-	59,063
Brazil	Brazilian Real	-	73,399
Canada	Canadian dollar	282,751	1,330,966
Cayman Islands	Cayman Dollar	-	84,084
Chile	Chilean Peso	-	127,066
Colombia	Colombian Peso	-	49,750
France	European Euro	312,825	900,341
Germany	European Euro	-	326,608
Hong Kong	Hong Kong Dollar	-	203,386
International Region	Special Drawing Right	27,358,147	-
Israel	Israeli New Sheqel	381,287	-
Japan	Japanese Yen	-	324,407
Luxembourg	European Euro	-	51,219
Mexico	Mexican Peso	-	393,203
Netherlands	European Euro	34,795	667,773
New Zealand	New Zealand Dollar	-	200,122
Norway	Norwegian Krone	-	149,153
Peru	Peruvian Nuevo Sol	-	80,000
Republic of Korea	South Korean Won	-	202,936
Spain	European Euro	-	111,761
Switzerland	Swiss Franc	-	87,675
United Kingdom	British Pound	28,846	2,135,319
Total international equities		<u>\$ 28,398,651</u>	<u>\$ 8,787,151</u>

Rate of Return. For the year ended December 31, 2015, the annual money-weighted rate of return on Plan's investments, net of Plan investment expenses, was 0.77%. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts that are actually invested.

REQUIRED SUPPLEMENTARY INFORMATION

BAY COUNTY EMPLOYEES' RETIREMENT SYSTEM DEFINED BENEFIT PLAN

Required Supplementary Information

Schedule of Investment Returns

For the Year Ended December 31, 2015

Fiscal Year Ending December 31,	Annual Return *
2014	7.89%
2015	0.77%

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

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

SUPPLEMENTARY INFORMATION

BAY COUNTY EMPLOYEES' RETIREMENT SYSTEM DEFINED BENEFIT PLAN

Schedule of Changes in Fiduciary Net Position by Component For the Year Ended December 31, 2015

	Bay County			
	General County	Sheriffs Department	Library	Medical Care Facility
Additions				
Contributions:				
Employer	\$ 596,827	\$ (2,166)	\$ 132,837	\$ 437,656
Plan members	622,713	230,934	63,447	421,969
Net investment income	(762,774)	831,280	(97,813)	(251,152)
Total additions	<u>456,766</u>	<u>1,060,048</u>	<u>98,471</u>	<u>608,473</u>
Deductions				
Pension benefits, including refunds				
of contributions	5,474,742	1,422,281	624,585	2,845,613
Administrative expenses	77,062	32,505	11,223	54,247
Total deductions	<u>5,551,804</u>	<u>1,454,786</u>	<u>635,808</u>	<u>2,899,860</u>
Changes in net position	(5,095,038)	(394,738)	(537,337)	(2,291,387)
Net position restricted for pension benefits				
Beginning of year	<u>119,641,174</u>	<u>28,369,909</u>	<u>12,642,183</u>	<u>57,365,320</u>
End of year	<u>\$ 114,546,136</u>	<u>\$ 27,975,171</u>	<u>\$ 12,104,846</u>	<u>\$ 55,073,933</u>

Note 1: This schedule is 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. Administrative expenses are financed through investment earnings.



Bay County			Bay Arenac Behavioral Health	Totals
Department of Water and Sewer	Road Commission	Total Bay County		
\$ 416,981	\$ 583,226	\$ 2,165,361	\$ 3,010,074	\$ 5,175,435
110,616	141,384	1,591,063	420,482	2,011,545
634,936	1,507,323	1,861,800	464,588	2,326,388
<u>1,162,533</u>	<u>2,231,933</u>	<u>5,618,224</u>	<u>3,895,144</u>	<u>9,513,368</u>
877,257	2,319,993	13,564,471	2,861,173	16,425,644
15,725	33,831	224,593	55,795	280,388
<u>892,982</u>	<u>2,353,824</u>	<u>13,789,064</u>	<u>2,916,968</u>	<u>16,706,032</u>
269,551	(121,891)	(8,170,840)	978,176	(7,192,664)
<u>12,317,189</u>	<u>22,557,405</u>	<u>252,893,180</u>	<u>55,247,713</u>	<u>308,140,893</u>
<u>\$ 12,586,740</u>	<u>\$ 22,435,514</u>	<u>\$ 244,722,340</u>	<u>\$ 56,225,889</u>	<u>\$ 300,948,229</u>