

Bay County,
Michigan



Year Ended
December 31,
2014

Comprehensive
Annual
Financial
Report

Prepared by:
Bay County Finance Department

BAY COUNTY, MICHIGAN

Table of Contents

	<u>Page</u>
INTRODUCTORY SECTION	
The Board of Commissioners	1
Letter of Transmittal	2
Table of Organization	8
FINANCIAL SECTION	
Independent Auditors' Report	13
Management's Discussion and Analysis	17
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	29
Statement of Activities	30
Fund Financial Statements:	
Balance Sheet - Governmental Funds	32
Reconciliation of Fund Balances for Governmental Funds to Net Position of Governmental Activities	34
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	35
Reconciliation of Net Changes in Fund Balances of Governmental Funds to Change in Net Position of Governmental Activities	37
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual:	
General Fund	38
911 Service Special Revenue Fund	39
Division on Aging Special Revenue Fund	40
Statement of Net Position - Proprietary Funds	41
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	43
Statement of Cash Flows - Proprietary Funds	44
Statement of Fiduciary Net Position - Fiduciary Funds	46
Statement of Changes in Fiduciary Net Position - Fiduciary Funds	47
Combining Statement of Net Position - Component Units	48
Combining Statement of Activities - Component Units	50
Notes to Financial Statements	54

BAY COUNTY, MICHIGAN

Table of Contents

	<u>Page</u>
Required Supplementary Information	
Schedule of Funding Progress - Employees' Retirement System	104
Schedule of Employer Contributions - Employees' Retirement System	104
Schedule of Changes in Net Pension Liability and Related Ratios - Employees' Retirement System	105
Schedule of Net Pension Liability - Employees' Retirement System	106
Schedule of Contributions - Employees' Retirement System	107
Schedule of Investment Returns - Employees' Retirement System	108
Schedules of Funding Progress - VEBA Trust Fund	109
Schedules of Employer Contributions - VEBA Trust Fund	109
Combining and Individual Fund Financial Statements and Schedules	
Nonmajor Governmental Funds:	
Combining Balance Sheet - Nonmajor Governmental Funds	114
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	118
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Nonmajor Governmental Funds	122
Nonmajor Enterprise Funds:	
Combining Statement of Net Position - Nonmajor Enterprise Funds	142
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position - Nonmajor Enterprise Funds	143
Combining Statement of Cash Flows - Nonmajor Enterprise Funds	144
Internal Service Funds:	
Combining Statement of Net Position - Internal Service Funds	147
Combining Statement of Revenues, Expenditures, and Changes in Fund Net Position - Internal Service Funds	148
Combining Statement of Cash Flows - Internal Service Funds	149
Fiduciary Funds:	
Combining Statement of Plan Net Position - Pension and Other Employee Benefits - Employees' Retirement System and VEBA Trust Fund	151
Combining Statement of Changes in Plan Net Position - Pension and Other Employee Benefits - Employees' Retirement System and VEBA Trust Fund	152
Combining Statement of Assets and Liabilities - Agency Funds	153
Combining Statement of Changes in Assets and Liabilities - Agency Funds	154

BAY COUNTY, MICHIGAN

Table of Contents

	<u>Page</u>
Component Units:	
Statement of Net Position and Balance Sheet - Library System Component Unit	157
Statement of Activities and Statement of Revenues, Expenditures and Changes in Fund Balances - Library System Component Unit	158
Combining Statement of Net Position and Balance Sheet - Drain Commission Component Unit	159
Combining Statement of Activities and Statement of Revenues, Expenditures and Changes in Fund Balances - Drain Commission Component Unit	161
STATISTICAL SECTION (UNAUDITED)	
Net Position by Component	165
Changes in Net Position	166
Fund Balances of Governmental Funds	168
Changes in Fund Balances of Governmental Funds	169
Governmental Activities Tax Revenue By Source	170
Assessed and Estimated Actual Value of Taxable Property	171
Property Tax Rates (\$1 per \$1,000 of Taxable Value) - Direct and Overlapping Governments	172
Principal Property Taxpayers	173
Property Tax Levies and Collections	174
Ratio of Outstanding Debt by Type	175
Ratios of General Bonded Debt Outstanding Payers	176
Direct and Overlapping Governmental Activities Debt	177
Legal Debt Margin Information	178
Pledged-Revenue Coverage	179
Demographic and Economic Statistics	180
Principal Employers	181
Full-Time Equivalent Government Employees by Function/Program	182
Operating Indicators by Function/Program	183
Capital Asset Statistics by Function/Program	184

INTRODUCTORY SECTION

THE BOARD OF COMMISSIONERS

ERNIE KRYGIER
CHAIRMAN

DONALD J. TILLEY
VICE CHAIRMAN

MICHAEL E. LUTZ
SERGEANT AT ARMS

VAUGHN J. BEGICK
KIM COONAN

THOMAS M. HEREK
MICHAEL DURANCZYK

ROBERT REDMOND
FINANCIAL ANALYST

ADMINISTRATION

THOMAS L. HICKNER
COUNTY EXECUTIVE

CRYSTAL HEBERT
FINANCE OFFICER

KIMBERLY PRIESSNITZ
ASSISTANT FINANCE OFFICER

INDEPENDENT AUDITORS

REHMANN ROBSON



BAY COUNTY
FINANCE/INFORMATION SYSTEMS

Thomas L. Hickner
Bay County Executive

Crystal A. Hebert
Finance Officer
hebertc@baycounty.net

Kimberly A. Priessnitz
Assistant Finance Officer
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Frances A. Moore
Purchasing/Housing Rehab
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Julie A. Coppens
Information Systems Manager
coppensj@baycounty.net

June 26, 2015

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

The Comprehensive Annual Financial Report (CAFR) of Bay County, Michigan, for the calendar year ended December 31, 2014, is hereby submitted. State Law requires each municipality within the state of Michigan to file an audit report annually with the Michigan Department of Treasury within six months from the end of its fiscal year. This report was prepared by the Bay County Finance Department.

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the County. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the government based upon a comprehensive framework of internal control that has been established for this purpose. Since the cost of internal control should not exceed anticipated benefits of such controls, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The Bay County Board of Commissioners has engaged with Rehmann Robson CPAs & Consultants, Independent Auditors to meet the requirements of the state statutes. The independent auditors' unqualified ("clean") opinion for the year ended December 31, 2014, 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 related OMB Circular A-133. The internal control is subject to periodic evaluation by management and the independent auditors of the County. These reports are available in Bay County's separately issued Single Audit Report.

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

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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. It occupies 444 square miles and currently serves a population of 106,179. Bay County is the 19th largest of 83 counties in the state of Michigan. Bay County is empowered to levy a property tax on real, personal, and industrial property located within its boundaries.

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

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

LOCAL ECONOMY AND MAJOR INITIATIVES

The 2010 population census identified the population of Bay County to be 107,771. As of July 1, 2014, the population of Bay County has declined to an estimated 106,179 or just over a 1% reduction from the 2010 census. This declining trend may reverse itself in the next decade based upon the level and diversity of business developments.

The average unemployment rate for Bay County for the year ended December 31, 2014, was 7.1%. This compares with Bay County's rate as of December 31, 2013, of 9.1% and with the

December 31, 2014, average nationwide rate of 6.2%, and with the 2014 statewide rate of 7.3%.

Most recently, the county's state equalized values (SEV) of real property have decreased 1.66% and 0.37% for 2012 and 2013 respectively and have increased 2.58% for 2014. For 2015 Bay County is projecting an increase of \$8,704,561 or 0.30% in state equalized values of real property which total \$2,923,238,806. The state equalized value of personal property increased by 8.36% and 4.26% in 2012 and 2013 respectively and decreased by 1.46% in 2014. For 2015 Bay County is projecting an increase of 5.98% or \$16,603,823 in the SEV of personal property which totals \$294,062,350. In total, the County's SEV for both real and personal property is projected to increase 0.79% or \$25,308,384 to \$3,217,301,156. In addition, for 2015, Bay County has an equivalent SEV on full and one-half (1/2) rate industrial tax rolls of \$39,724,025.

Since the manufacturing and farming sectors of Bay County's economy face increased competition, the County must look to its natural resources to maintain a strong and vigorous economy. The Saginaw River between Bay City and Saginaw had approximately 270,000 cubic yards of silt dredged from it in 2014 with \$3 million dedicated by the U.S. Army Corps of Engineers. Federal funds totaling \$2.8 million are slated as part of the President's 2016 proposed budget for continued dredging out of the channel and additional dollars slated for a study examining the feasibility of deepening the upper Saginaw River. This will allow the shipping industry to continue development and growth throughout the Bay County area.

Bay County leaders have worked closely over the years to encourage the DNR to make critical access and shoreline improvements to the Saginaw Bay at the Bay City State Recreation Area (BCSRA). DNR leaders have expressed an openness to consider improvements; however, they requested a public engagement process to ascertain a variety of options for shoreline amenities with public input on those options. The Lakeshore and Beachfront Access Study is the result of a two-year long effort and reflects extensive public input for desired improvements at our Great Lakes shoreline. Key community leaders representing local business, travel and tourism, conservation organizations, and economic development participated to make this document a meaningful community blueprint for Saginaw Bay access.

Bay County received special funding from the Michigan Coastal Zone Management (CZM) for the development of the Saginaw Bay Blueways Trail along shoreline areas for small watercraft such as canoes or kayaks. The completion of this project includes the creation of a Saginaw Bay Blueways Trail Map that showcases shoreline amenities, launch areas, beaches, bathroom facilities, parking, and historical or natural features along the way. This project successfully filled in the gap previously existing along the lower Saginaw Bay and river area. The project success was due to the successful partnership between the Bay County Department of Environmental Affairs and Community Development with Arenac County, Tuscola County, East Michigan Council of Governments (EMCOG), Saginaw Bay Coastal Initiative (SBCI), Bay County Geographic Information Systems (GIS), Saginaw Bay Watershed Initiative Network (WIN), Saginaw Basin Land Conservancy (SBCL), Land Information Access Association (LIAA) East Coast Paddlers, and the Bay County Historical Society.

Recognizing the value of waterfront access for tourism in the County, efforts to control invasive species were a top priority over the past few years. The US Fish and Wildlife Service (USFW) provided funding in 2010 to Bay County for Phragmites control (giant invasive reed that destroys natural habitats for animals and blocks access to the bay) along the shoreline of Saginaw Bay and its adjacent waterways. Additional funding from the USFW was provided in fiscal years

2013 and 2014. Bay County is responsible for project administration and site (performance) monitoring while partnering with local homeowners in the Phragmites Control project.

A nearly \$60 million membrane filtration water treatment plant known as the Bay Area Water Treatment Plant, will be completed in June 2015. The plant will yield a higher quality of water through a newer process with less chemicals involved. Operation will be less costly, as well, due to the absence of chemicals in the process. This project is being completed as a direct result of the efforts of the Bay County Road Commission, Bay County Department of Water and Sewer, City of Bay City, outlying townships and cities, and Bay County.

Bay County has been a recognized leader in promoting energy efficiency throughout the Great Lakes Bay Region. The Bay County Board of Commissioners voted to create a program aimed at sharing opportunities for energy efficiency with local business through the development of a Property Assessed Clean Energy (PACE) program in Bay County. As a result, commercial, industrial, multifamily, non-profit and faith-based property owners can now take advantage of Lean & Green Michigan PACE, which offers long-term fixed-rate financing for energy efficiency, water efficiency and renewable energy upgrades.

On 43-acres of the picturesque Saginaw River, property that virtually stood empty for decades is the new site for Uptown Bay City. In the heart of the Great Lakes Bay Region, a diverse group of communities is collaborating toward strengthening the region as a whole. Born out of a mixed-development concept to Live, Work and Play, the potential for Uptown is incomparable. Anchor tenants include Dow Corning, McLaren – Bay Region, Chemical Bank and most recently announced Michigan Sugar Company. In addition, residential apartments, a hotel/conference center, dining, shopping, and recreation are already constructed or planned as part of the site.

FINANCIAL POLICIES

Relevant Financial Policies

In accordance with the County's General Financial Policy and Bay County Ordinance No. 28, which mandates the General Fund establish and maintain a reserve for a long-term advance to the Budget Stabilization Fund at a minimum of 5% to a maximum of 15% of the General Fund's current year adopted operating budget. The fund advance at the end of December 31, 2014 was \$4,942,969, which is equal to 14.4% of the adopted *2014 General Fund Operating Budget*. If funds are available, additional advances will be provided in the future. The Budget Stabilization Fund, in accordance with MCL section 141.443, can be used to cover a General Fund fund deficit, to prevent a reduction in the level of public services or in the number of employees where revenues are not sufficient to cover expenditures, or to cover expenditures arising because of a natural disaster to the extent that such expenditures are not covered by federal or state funds.

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

Cash balances are invested according to the Statement of Investment Policy adopted by the Board of Commissioners. The Board of Commissioners has authorized the Bay County Treasurer to invest surplus funds of the county in accordance with those investments permitted by Act 20 of the Michigan Public Acts of 1943 as amended, M.C.L. 129.91. During the year,

excess cash was invested in interest bearing demand deposit accounts, bank money market investments, commercial paper, bank certificate of deposits, and bank certificate of deposits in the CDAR's program fully insured. Other investments include debt obligations of the State of Michigan and its' political subdivisions; including, counties, cities, school districts and universities. Additional investments include debt instruments issued by United States Federal Government Sponsored Enterprises, including Federal Home Loan Board, Freddie Mac, Federal Home Loan Mortgaging Corporation, Federal National Mortgage Association and Federal Farm Credit.

Budgetary Controls

Bay County prepares, adopts and maintains budgetary controls on an annual basis. Governmental fund types of Bay County are under formal budgetary control. Activities of the General Fund, Special Revenue funds and Debt Service funds are included in the annual appropriated budget. The level of budgetary control, that is, the level at which expenditures cannot legally exceed the appropriated amount, is established on a function level within these individual funds. Capital Project funds are budgeted by project. Enterprise funds and Internal Service funds, which are proprietary funds, and the Pension Trust Fund, Health Care Trust Fund and Private Purpose Trust funds, which are fiduciary funds, are also subject to budgetary controls and are budgeted by function as well.

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

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

AWARDS AND ACKNOWLEDGEMENTS

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

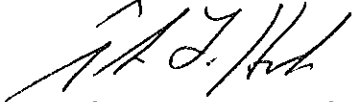
In order to be awarded a Certificate of Achievement, the government must publish an easily readable and efficiently organized CAFR whose contents conform to program standards. This CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

Bay County, Michigan, has received a Certificate of Achievement for twenty-one years. December 31, 2009, was the last fiscal year the County received this achievement. We believe that our current CAFR meets the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for a certificate.

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

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

Sincerely,

A handwritten signature in black ink, appearing to read 'T. L. Hickner', written in a cursive style.

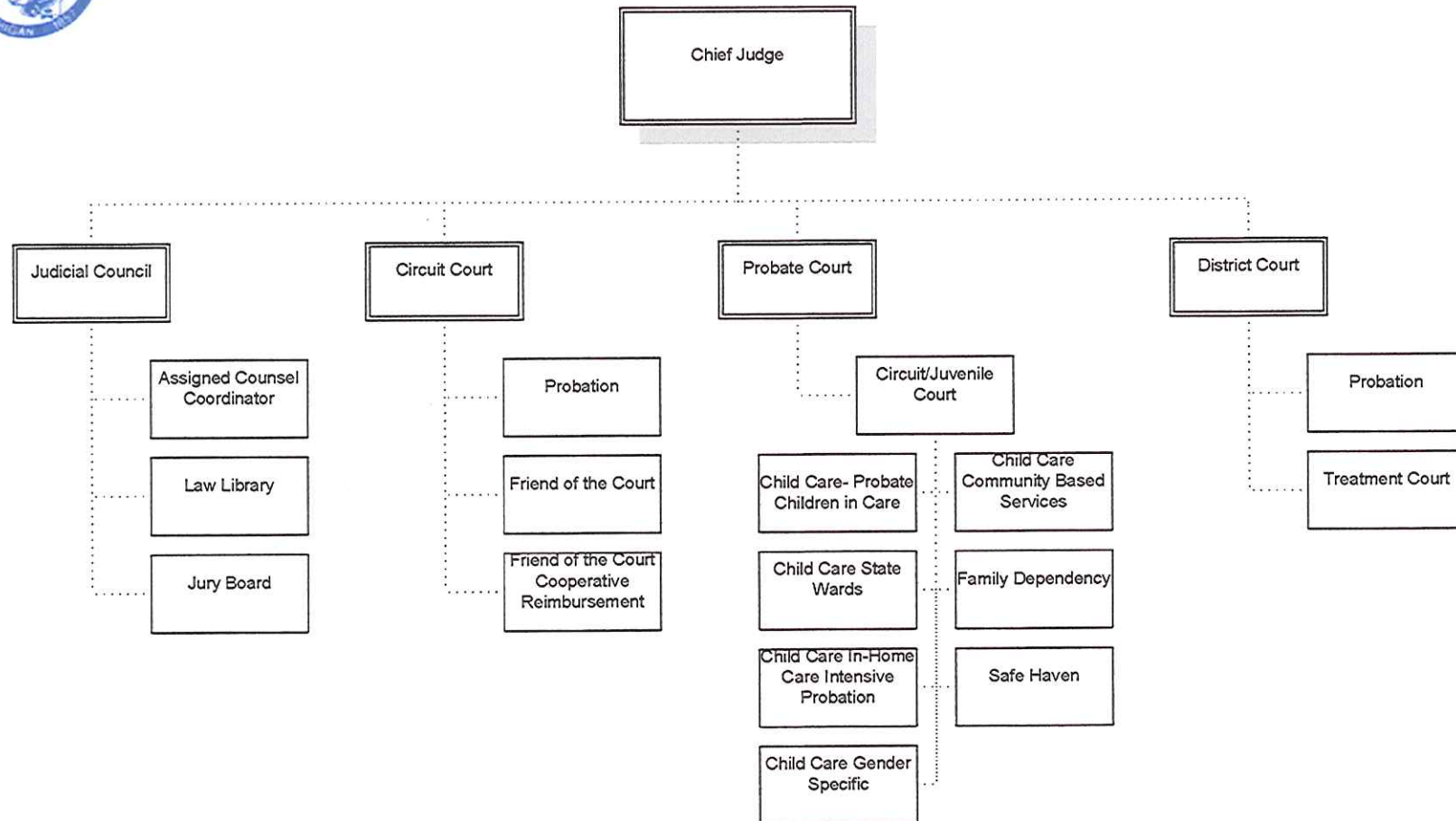
Bay County Executive Office
Thomas L. Hickner
County Executive

A handwritten signature in black ink, appearing to read 'Crystal Hebert', written in a cursive style.

Bay County Finance Department
Crystal Hebert
Finance Officer



Bay County Organizational Chart Courts 2014

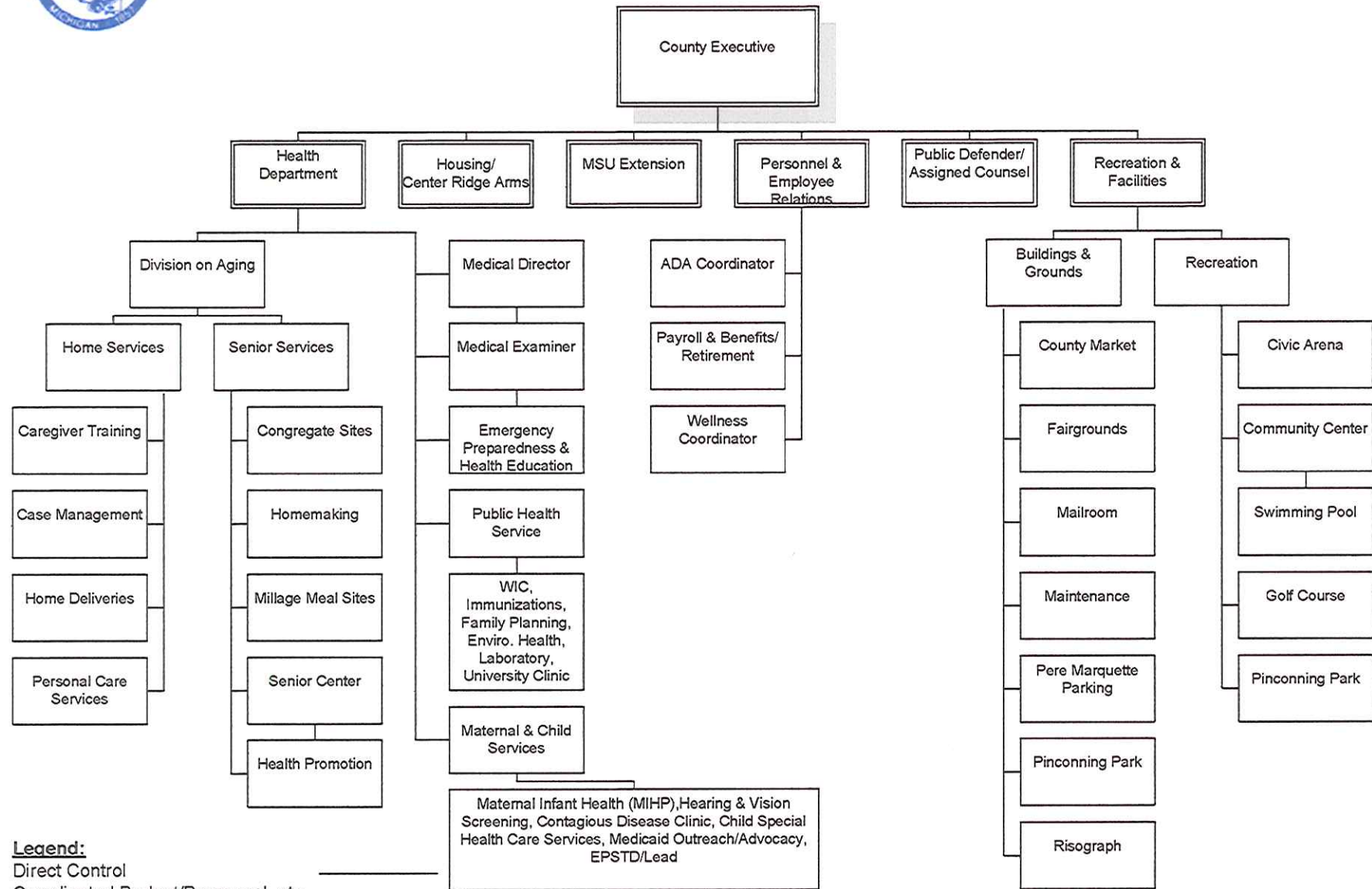


Legend:

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



Bay County Organizational Chart County Executive 2014 (Cont.)



Legend:

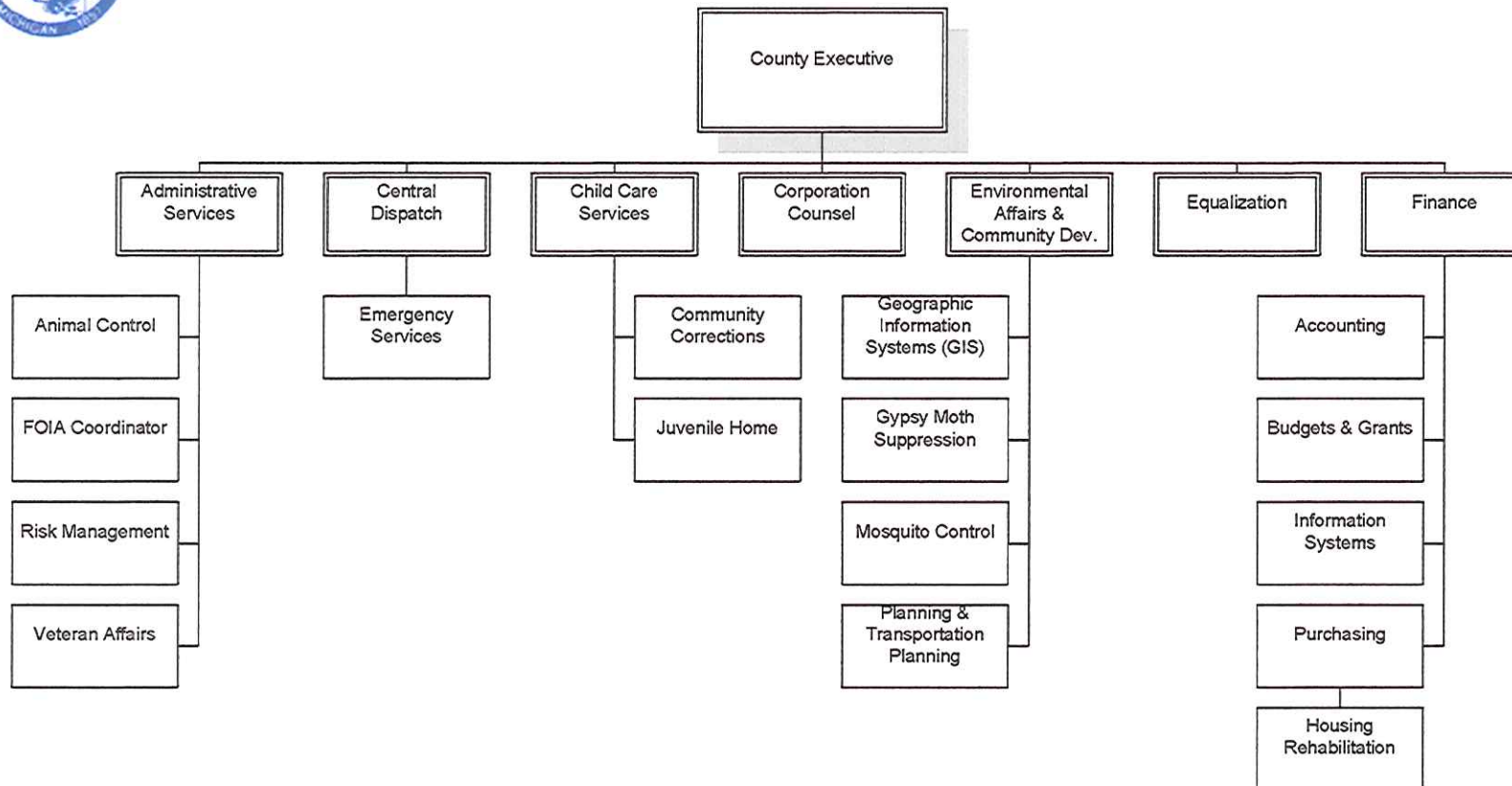
Direct Control

Coordinated Budget/Personnel, etc.

Legislative Coordination



Bay County Organizational Chart
County Executive 2014



Legend:

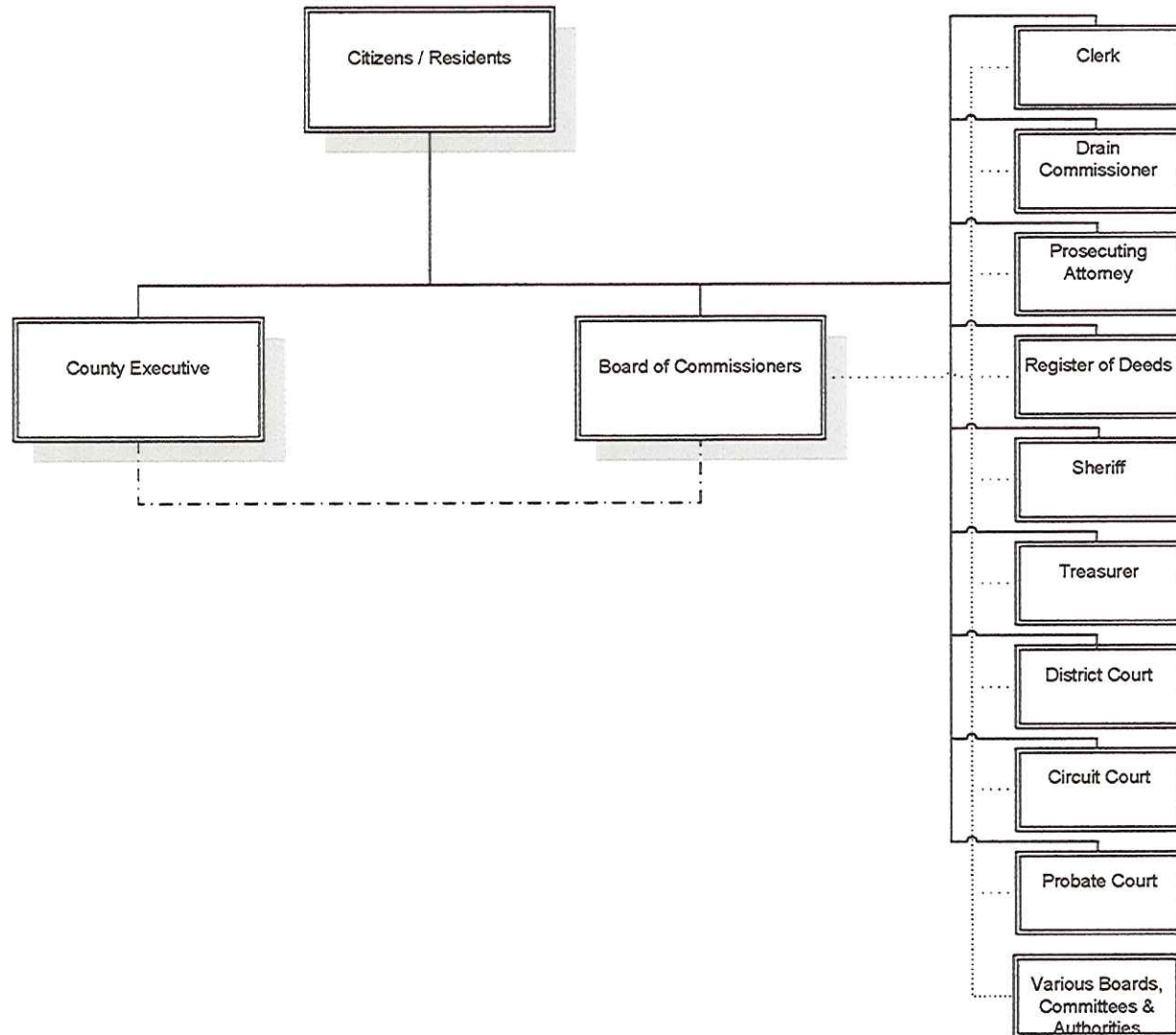
Direct Control

Coordinated Budget/Personnel, etc.

Legislative Coordination



Bay County Organizational Chart 2014



Legend:

Direct Control

Coordinated Budget/Personnel, etc.

Legislative Coordination

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FINANCIAL SECTION

The Financial Section contains:

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

INDEPENDENT AUDITORS' REPORT

June 26, 2015

Board of Commissioners
Bay County, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Bay County, Michigan (the "County"), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Independent Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Housing enterprise fund, which represents approximately 71% of the assets, 74% of the net position, and 40% of the revenues of the nonmajor enterprise funds; the financial statements of the Road Commission component unit, which represents approximately 63% of the assets, 67% of the net position, 48% of the revenues of the aggregate discretely presented component units; and the financial statements of the Department of Water and Sewer component unit, which represents approximately 22% of the assets, and 21% of the net position, and 22% of the revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Housing enterprise fund, Road Commission and Department of Water and Sewer component units, is based on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Bay County, Michigan, as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and each major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Implementation of GASB Statement No. 67

The County implemented the provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans* in the current year. While there was no effect on the amounts reported in the financial statements themselves, there were substantial changes to the disclosures found in Note 10 to the financial statements, including the calculation of the City's net pension liability, which will be required to be recorded by the County in its next fiscal year. Our opinion is not modified with respect to this matter.

Restatement of Beginning Net Position

As described in Note 18 to the financial statements, the beginning net position of the Medical Care Facility enterprise fund was restated (i.e., decreased) by \$304,486 to properly state the fiscal year 2014 financial statements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued under separate cover, our report dated June 26, 2015 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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

BAY COUNTY, MICHIGAN

Management's Discussion and Analysis

As management of Bay County, Michigan, we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended December 31, 2014. We encourage readers to consider the information presented here in conjunction with the accompanying basic financial statements.

Financial Highlights

- The assets of the County exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$77,252,559 (*net position*). Of this amount, \$9,585,203 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$9,372,987 during 2014.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$37,617,783, a decrease of \$7,997,223 in comparison with the prior year.
- At the end of the current fiscal year, the general fund had unassigned fund balance of \$5,683,497 or 19.84%. The assigned fund balance for the general fund was \$1,182,576 or 4.13% of total general fund expenditures. Total fund balance for the general fund was \$13,199,551.
- The County's total debt of the primary government increased by \$16,396,782 or 37.19% during the current fiscal year.

Overview of the Financial Statements

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

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

The *statement of net position* presents information on all of the County's assets, 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, Delinquent Property Tax Foreclosure, Commissary, and Housing.

BAY COUNTY, MICHIGAN

Management's Discussion and Analysis

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

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

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

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

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

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

Proprietary funds. The County maintains two different types of proprietary funds: enterprise funds and internal service funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for its Medical Care Facility, 100% Tax Payment, Golf Course, Housing, Delinquent Property Tax Foreclosure, and Commissary operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the County's various functions. Bay County uses internal service funds to account for its self insurance services. Because these services predominately benefit governmental rather than business-type functions, they have been included within the *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Medical Care Facility Fund and the 100% Tax Payment Fund, each of which are considered to be major funds. Data from the other proprietary funds are combined and presented in two separate columns distinguishing between *business-type activities* and *governmental activities*. Individual fund data for each of these non-major enterprise funds and internal service funds are provided in the form of *combining statements* elsewhere in this report.

BAY COUNTY, MICHIGAN

Management's Discussion and Analysis

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

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

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

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

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Bay County, as the following table demonstrates, assets exceeded liabilities and deferred inflows of resources by \$77,252,559 at the close of the most recent fiscal year.

	Bay County's Net Position					
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Assets						
Current and other assets	\$62,788,027	\$64,548,332	\$27,321,383	\$26,982,696	\$90,109,410	\$91,531,028
Capital assets, net	87,718,429	51,815,653	7,562,788	6,953,339	95,281,217	58,768,992
Total assets	150,506,456	116,363,985	34,884,171	33,936,035	185,390,627	150,300,020
Liabilities						
Long-term liabilities	60,273,583	43,827,322	209,954	259,433	60,483,537	44,086,755
Other liabilities	25,351,866	17,039,281	13,968,107	15,014,399	39,319,973	32,053,680
Total liabilities	85,625,449	60,866,603	14,178,061	15,273,832	99,803,510	76,140,435
Deferred inflows of resources	6,253,863	6,280,013	2,080,695	-	8,334,558	6,280,013
Net position						
Net investment in capital assets	44,431,008	35,432,582	7,562,788	6,953,339	51,993,796	42,385,921
Restricted	14,379,201	13,510,155	1,294,359	1,300,186	15,673,560	14,810,341
Unrestricted (deficit)	(183,065)	274,632	9,768,268	10,408,678	9,585,203	10,683,310
Total net position	\$58,627,144	\$49,217,369	\$18,625,415	\$18,662,203	\$77,252,559	\$67,879,572

BAY COUNTY, MICHIGAN

Management's Discussion and Analysis

The largest portions of the County's net position, \$51,993,796 (67.3%) reflects its investment in capital assets (e.g., land, construction in progress, land improvements, buildings and improvements, machinery and equipment, office furniture and equipment, and vehicles) less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the County's net position, \$15,673,560 (20.3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position*, \$9,585,203 (12.4%) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the County is able to report positive balances in all three categories of net position for business-type activities and positive balances in all categories except unrestricted for governmental activities.

Bay County's Change in Net Position						
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues						
Program revenues:						
Charges for services	\$10,098,091	\$ 9,855,885	\$23,803,749	\$23,314,675	\$33,901,840	\$33,170,560
Operating grants and contributions	17,153,645	10,173,430	165,266	156,640	17,318,911	10,330,070
Capital grants and contributions	309,395	94,431	128,959	-	438,354	94,431
General revenues:						
Property taxes	22,333,712	22,475,803	2,048,823	2,089,775	24,382,535	24,565,578
Unrestricted investment earnings	1,636,155	619,579	542,313	370,242	2,178,468	989,821
Other	2,222,975	658,320	518,017	187,393	2,740,992	845,713
Total revenues	53,753,973	43,877,448	27,207,127	26,118,725	80,961,100	69,996,173
Expenses						
General government	12,031,279	13,754,284	-	-	12,031,279	13,754,284
Public safety	11,442,652	11,722,726	-	-	11,442,652	11,722,726
Community and economic development	110,435	295,577	-	-	110,435	295,577
Health and welfare	10,702,658	10,921,035	-	-	10,702,658	10,921,035
Public works	1,560,054	177,945	-	-	1,560,054	177,945
Judicial	6,840,130	6,830,939	-	-	6,840,130	6,830,939
Legislative	329,437	342,078	-	-	329,437	342,078
Recreation and culture	2,181,288	1,617,479	-	-	2,181,288	1,617,479
Interest on long-term debt	371,265	875,190	-	-	371,265	875,190
Medical care facility	-	-	24,269,020	24,047,609	24,269,020	24,047,609
100% tax payment	-	-	162,957	321,946	162,957	321,946
Golf course	-	-	555,829	616,157	555,829	616,157
Delinquent property tax foreclosure	-	-	180,765	195,272	180,765	195,272
Commissary	-	-	125,463	136,244	125,463	136,244
Housing	-	-	724,881	758,661	724,881	758,661
Total expenses	45,569,198	46,537,253	26,018,915	26,075,889	71,588,113	72,613,142

BAY COUNTY, MICHIGAN

Management's Discussion and Analysis

	Bay County's Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Change in net position before transfers	\$ 8,184,775	\$ (2,659,805)	\$ 1,188,212	\$ 42,836	\$ 9,372,987	\$ (2,616,969)
Transfers	1,225,000	1,209,805	(1,225,000)	(1,209,805)	-	-
Change in net position	9,409,775	(1,450,000)	(36,788)	(1,166,969)	9,372,987	(2,616,969)
Net position, beginning of year, as restated	49,217,369	50,667,369	18,662,203	19,829,172	67,879,572	70,496,541
Net position, end of year	<u>\$58,627,144</u>	<u>\$49,217,369</u>	<u>\$18,625,415</u>	<u>\$18,662,203</u>	<u>\$77,252,559</u>	<u>\$67,879,572</u>

The County's net position increased \$9,372,987 during the current fiscal year, compared to a \$2,616,969 decrease in 2013. This change is attributable mainly to an increase in operating grants and contributions of \$6,988,841.

Governmental Activities. Governmental activities increased the County's net position during the current year by \$9,409,775 thereby accounting for the majority of the increase in the net position of the County. Key elements of this increase are as follows:

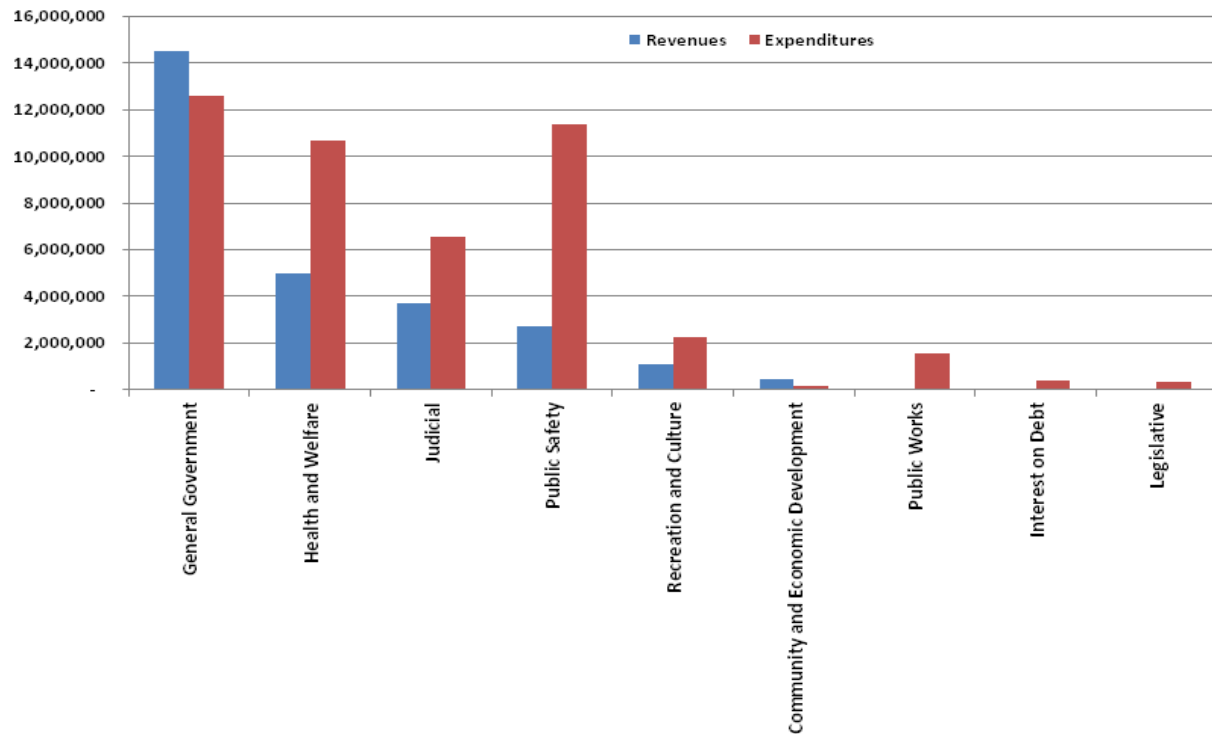
- Total operating grants and contributions increased \$6,980,215 in 2014 over 2013. The increase is due primarily to reimbursements received from the Drinking Water Trust Fund (DWTF) related to the Bay Area Water Treatment Plant. These federal and state construction grants consisted of loan forgivable grant dollars of \$5,984,579 and \$1,480,136 respectively.
- Other revenue included \$2,017,593 for fees assessed to fund the debt payments attributable to the Bay Area Water Supply System.

Business-Type Activities. Business-type activities decreased the County's net position by \$36,788, compared to a \$1,166,969 decrease in 2013. The key element of this decrease was primarily due to the Housing Fund's increased maintenance costs on aging infrastructure, while program subsidies remained fixed.

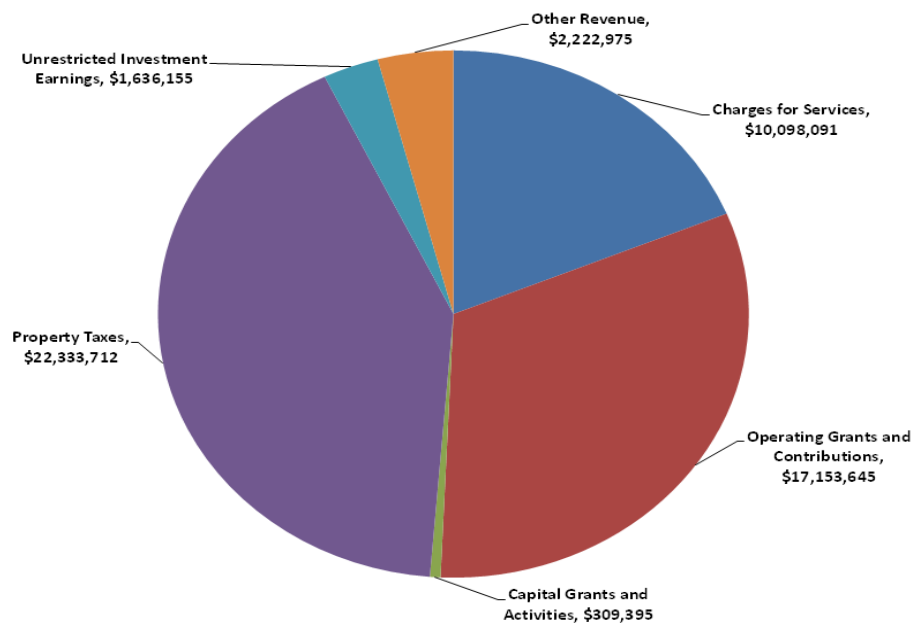
BAY COUNTY, MICHIGAN

Management's Discussion and Analysis

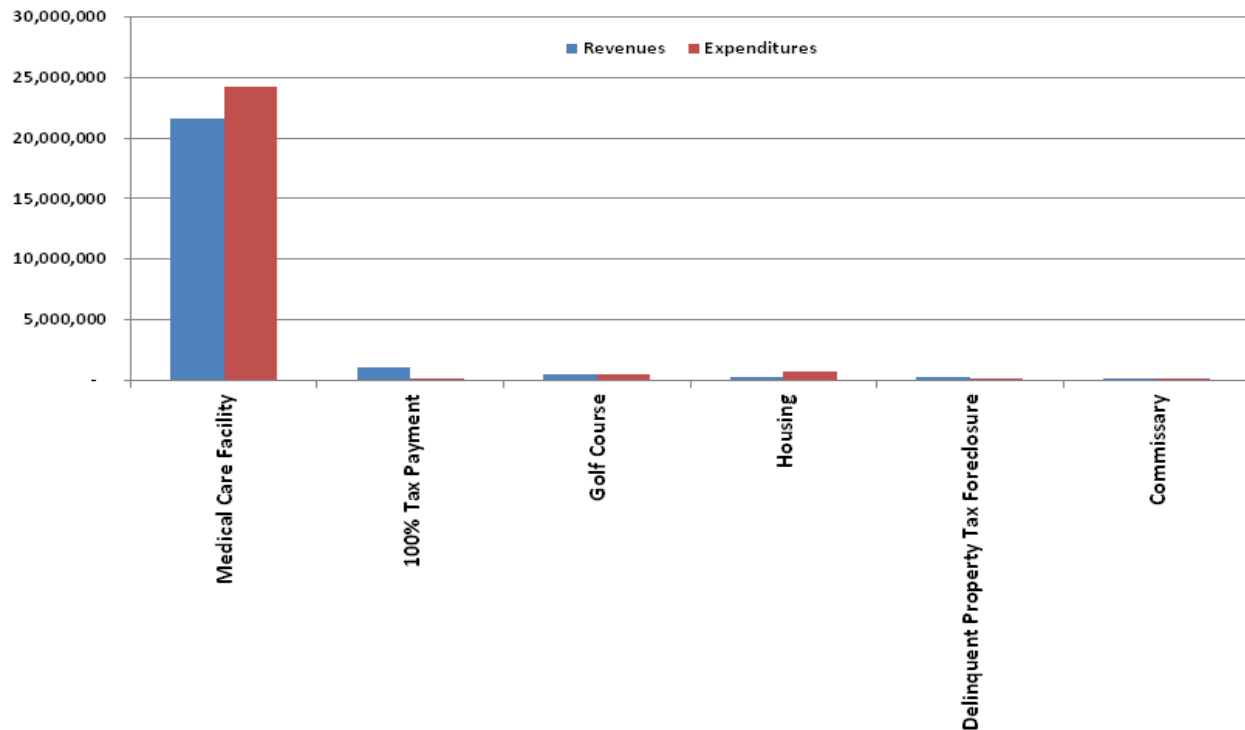
Governmental Activities - 2014 Expenditures and Program Revenues



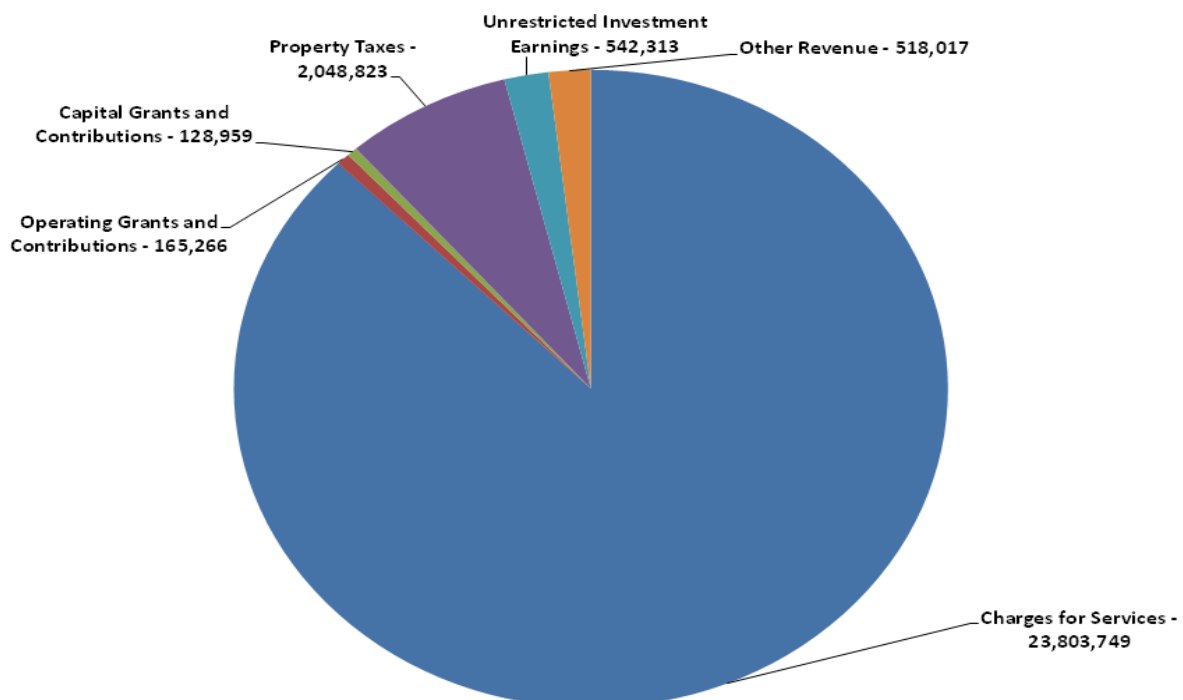
Revenues by Source/Governmental -Type Activities



Business-Type Activities – 2014 Expenditures and Program Revenues



Revenues by Source/Business-Type Activities



BAY COUNTY, MICHIGAN

Management's Discussion and Analysis

Financial Analysis of the County's Funds

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

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

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$37,617,783, a decrease of \$7,997,223 compared to the prior year. Of this amount, \$4,942,969 is committed fund balance and \$3,590,058 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 \$5,683,497 is unassigned and available for spending at the government's discretion. The remainder of fund balance is not available for new spending and is either: 1) Non-spendable (\$3,102,529), 2) Restricted (\$20,298,730).

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 \$5,683,497 while total fund balance amounted to \$13,199,551. 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 19.84% of total General Fund expenditures, while total fund balance represents 46.1% of that same amount.

Fund balance of the County's General Fund and 911 Service Fund increased by \$780,530 and \$178,489 respectively during the current fiscal year. This was primarily due to unrealized gain on investments of \$684,446 for General Fund and \$105,540 for 911 Service Fund. Total fund balance for the 911 Service Fund as of December 31, 2014 was \$2,932,277.

The fund balance of the Division on Aging Fund at December 31, 2014 was \$1,275,704, an increase of \$168,798. A special millage levy of .30 mills for five years was approved by voters in the 2012 general election. This millage was primarily passed to cover Division on Aging's remodeling project, which will be completed in 2015, and expanded services for seniors.

The Water Supply Capital Projects Fund was established to account for the construction of a membrane filtration water treatment plant. As of December 31, 2014, the fund balance was \$15,012,617, a decrease of \$10,066,926 over 2013. This decrease is mainly due to progress on construction of the plant. The Bay Area Water Treatment Plant is expected to be fully operational in late 2015.

Proprietary Funds. The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The County had two major proprietary funds at December 31, 2014.

Bay Medical Care Facility's (BMCF) net position as of December 31, 2014, increased from \$41,669 to \$7,097,514. This increase was primarily due to \$31,000 in energy rebates from a utility company for installing energy efficient boiler and HVAC systems.

The 100% Tax Payment Fund's net position as of December 31, 2014, was \$8,825,572, an increase of \$260,811. The increase was the result of the transfer in of \$237,385 from the Delinquent Tax Foreclosure Fund, which included transfers for more than one year.

BAY COUNTY, MICHIGAN

Management's Discussion and Analysis

General Fund Budgetary Highlights. The differences between the original budget and final amended budget for expenditures resulted in a 3.60% increase (\$1,080,894 increase in expenditures budget); whereas the difference between the original budget and final amended budget for revenues resulted in a 0.10% increase (\$30,406 increase in revenues budget); finally, the original budget for total other financing sources/uses was amended resulting in a 5.88% increase (\$68,676 increase in other financing uses). The original budget shows \$695,919 for a decrease of fund balance which was affected by budgetary adjustments. These adjustments (\$1,119,164 increase in use of fund balance) resulted in a budgeted use of fund balance of \$1,815,083. Significant budgetary differences are briefly summarized as follows:

- A \$115,544 increase in expenditures for 2013 open purchase orders filled in 2014.
- Transfers out of \$75,000 from the General Fund to the Child Care Fund were required due to special child care placement costs.
- An \$823,752 computer software project to gain efficiencies and promote a green-paperless environment in 2014 for the Bay County Court system.

Material actual to budget variances are as follows:

- A negative \$568,702 variance in federal grant revenues is mainly the result of reimbursable Friend of the Court, Circuit Court SSSPP, Probate Court Safe Haven, and NOAH grant expenditures not being incurred to earn the maximum reimbursement allowable on these grants.
- For 2014, General Government expenditures were \$1,292,097 under budget primarily due to \$847,000 of new technology projects budgeted still in progress at year end.

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, 2014, amounted to \$95,281,217 (net of accumulated depreciation). This investment in capital assets includes land, construction work in progress, land improvements, buildings and improvements, machinery and equipment, office furniture and equipment, and vehicles. The total increase in the County's investment in capital assets for the current fiscal year was 62.13% (a 69.29% increase for governmental activities and an 8.76% increase for business-type activities).

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

- Construction in progress for the Bay Area Water Treatment Plant continued and at year-end was \$40,737,392.
- New land acquired with capital grants for the year totaled \$218,500.
- Drain improvements made for the year to benefit the County totaled \$160,466.
- Work in process for the court computer software project at year-end totaled \$283,120.

BAY COUNTY, MICHIGAN

Management's Discussion and Analysis

	Bay County's Capital Assets (net of depreciation)					
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 2,205,953	\$ 1,926,399	\$ 257,559	\$ 257,559	\$ 2,463,512	\$ 2,183,958
Construction work in progress	41,676,215	5,037,009	1,104,131	170,091	42,780,346	5,207,100
Land improvements	1,019,864	557,694	157,788	197,290	1,177,652	754,984
Buildings and improvements	38,887,177	40,252,682	5,562,040	5,832,519	44,449,217	46,085,201
Machinery and equipment	2,024,715	2,185,826	166,157	158,167	2,190,872	2,343,993
Office equipment and furniture	1,356,957	1,244,839	294,958	325,213	1,651,915	1,570,052
Vehicles	547,548	611,204	20,155	12,500	567,703	623,704
Total	\$87,718,429	\$51,815,653	\$ 7,562,788	\$ 6,953,339	\$95,281,217	\$58,768,992

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

Long-Term Debt. At the end of the current fiscal year, the County's primary government had total outstanding debt of \$60,483,537. Of this amount, \$9,727,565 is general obligation bonds, net of premiums and discounts. The remainder of the County debt is comprised of revenue bonds, DWRF loans, and compensated absences.

	Bay County's Outstanding Debt					
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Primary Government						
General obligation bonds	\$ 9,050,000	\$10,980,000	\$ -	\$ -	\$ 9,050,000	\$10,980,000
Bond premium	717,411	858,473	-	-	717,411	858,473
Bond discount	(39,846)	(41,269)	-	-	(39,846)	(41,269)
Revenue bonds	30,000,000	30,000,000	-	-	30,000,000	30,000,000
DWRF loans	18,572,473	-	-	-	18,572,473	-
Compensated absences	1,973,545	2,030,118	209,954	259,433	2,183,499	2,289,551
Total	\$60,273,583	\$43,827,322	\$ 209,954	\$ 259,433	\$60,483,537	\$44,086,755

The County's total gross long-term debt of \$60,483,537 is equivalent to \$561 per capita or 2.12% of the County's taxable value of property of \$2,853,948,154.

The County's total debt increased \$16,396,782 or 37.19% during the current fiscal 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
Special assessment bonds	unrated	unrated

BAY COUNTY, MICHIGAN

Management's Discussion and Analysis

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	\$	319,199
Debt margin	\$	251,792
Percent of limit		78.88%

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

Economic Factors and Next Year's Budget and Rates

The following factors were considered in preparing the County's budget for the 2015 fiscal year:

- The unemployment rate for the County is currently around 5.6 percent, slightly below the state average of 6.3 percent.
- No increase to base wages.
- Projections from the Bay County Equalization Department showed a reduction in property tax revenue for the General Fund of 1.3 percent for 2015. Special millage fund's property tax revenues decreased by 0.82 percent for 2015.
- Continued limiting of capital expenditures.
- Actuary recommended pension contributions decreased to .03 percent of payroll for the General Group, down .99 percent from the prior year's actuarial study. The County contributed 4.0 percent of payroll for this group in 2015, at 3.97 percent above the recommended contribution.
- Operations at the County's wellness center continued in 2015 in an ongoing effort to control spiraling health care costs and reduce the occurrence of chronic diseases.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

BAY COUNTY, MICHIGAN

Statement of Net Position

December 31, 2014

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 18,173,555	\$ 2,286,306	\$ 20,459,861	\$ 13,670,184
Investments	20,532,974	16,045,024	36,577,998	4,180,919
Receivables	22,075,322	8,412,537	30,487,859	12,354,395
Internal balances	16,889	(16,889)	-	-
Prepaid items and other assets	520,435	461,246	981,681	557,959
Inventories	11,776	97,388	109,164	962,281
Net pension asset	1,457,076	35,771	1,492,847	-
Net OPEB asset	-	-	-	228,349
Capital assets not being depreciated	43,882,168	1,361,690	45,243,858	58,730,502
Capital assets being depreciated, net	43,836,261	6,201,098	50,037,359	66,974,857
Total assets	150,506,456	34,884,171	185,390,627	157,659,446
Liabilities				
Accounts payable and accrued liabilities	9,436,027	1,906,255	11,342,282	2,118,709
Unearned revenue	92,758	8,332	101,090	-
Long-term liabilities:				
Due within one year	2,416,332	6,117	2,422,449	1,074,815
Due in more than one year	57,857,251	203,837	58,061,088	7,431,469
Net other postemployment benefits obligation	15,823,081	12,053,520	27,876,601	8,836,080
Total liabilities	85,625,449	14,178,061	99,803,510	19,461,073
Deferred inflows of resources				
Taxes levied for a subsequent period	6,253,863	2,080,695	8,334,558	5,556,300
Net position				
Net investment in capital assets	44,431,008	7,562,788	51,993,796	118,503,126
Restricted for:				
Debt service	540,752	-	540,752	147,304
Home Rehabilitation	2,076,282	-	2,076,282	-
Restricted contributions	4,006,733	-	4,006,733	-
Insurance claims	7,755,434	-	7,755,434	-
Delinquent taxes	-	1,294,359	1,294,359	-
Restricted assets	-	-	-	4,550,510
Unrestricted (deficit)	(183,065)	9,768,268	9,585,203	9,441,133
Total net position	\$ 58,627,144	\$ 18,625,415	\$ 77,252,559	\$ 132,642,073

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

BAY COUNTY, MICHIGAN

Statement of Activities

For the Year Ended December 31, 2014

	Program Revenues					
Functions / Programs	Expenses	Indirect Expenses Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
Primary government						
Governmental activities:						
General government	\$ 12,597,386	\$ (566,107)	\$ 2,684,145	\$ 11,821,041	\$ 5,777	\$ 2,479,684
Public safety	11,370,307	72,345	2,048,848	675,547	23,847	(8,694,410)
Community and economic development	158,948	(48,513)	161,888	294,992	-	346,445
Health and welfare	10,702,658	-	2,531,771	2,458,055	14,824	(5,698,008)
Public works	1,560,054	-	2,145	-	-	(1,557,909)
Judicial	6,563,937	276,193	1,853,312	1,865,294	-	(3,121,524)
Legislative	329,437	-	-	-	-	(329,437)
Recreation and culture	2,267,720	(86,432)	815,982	38,716	264,947	(1,061,643)
Interest on long-term debt	371,265	-	-	-	-	(371,265)
Total governmental activities	45,921,712	(352,514)	10,098,091	17,153,645	309,395	(18,008,067)
Business-type activities:						
Medical care facility	24,256,203	12,817	21,575,675	-	-	(2,693,345)
100% tax payment	133,922	29,035	1,088,324	-	-	925,367
Golf course	467,037	88,792	497,279	-	-	(58,550)
Delinquent property tax foreclosure	165,443	15,322	198,745	-	-	17,980
Commissary	120,869	4,594	167,204	-	-	41,741
Housing	676,368	48,513	276,522	165,266	128,959	(154,134)
Total business-type activities	25,819,842	199,073	23,803,749	165,266	128,959	(1,920,941)
Total primary government	\$ 71,741,554	\$ (153,441)	\$ 33,901,840	\$ 17,318,911	\$ 438,354	\$ (19,929,008)
Component units						
Road Commission	\$ 12,581,924	\$ -	\$ 1,674,074	\$ 10,298,639	\$ 2,486,322	\$ 1,877,111
Library System	6,836,880	6,043	550,281	100,339	67,439	(6,124,864)
Department of Water and Sewer	6,108,318	-	6,418,236	-	-	309,918
Drain Commission	711,865	17,298	300	134,700	396,119	(198,044)
Bay Area Narcotics Enforcement Team	618,680	2,544	-	687,048	-	65,824
Bay County Landbank	11,094	-	-	-	-	(11,094)
Total component units	\$ 26,868,761	\$ 25,885	\$ 8,642,891	\$ 11,220,726	\$ 2,949,880	\$ (4,081,149)

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BAY COUNTY, MICHIGAN

Statement of Activities

For the Year Ended December 31, 2014

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Changes in net position				
Net (expense) revenue	\$ (18,008,067)	\$ (1,920,941)	\$ (19,929,008)	\$ (4,081,149)
General revenues:				
Property taxes	22,333,712	2,048,823	24,382,535	6,657,215
Unrestricted investment earnings	1,636,155	542,313	2,178,468	686,348
Other revenue	2,222,975	518,017	2,740,992	408,241
Transfers - internal activities	1,225,000	(1,225,000)	-	-
Total general revenues and transfers	27,417,842	1,884,153	29,301,995	7,751,804
Change in net position	9,409,775	(36,788)	9,372,987	3,670,655
Net position, beginning of year, as restated	49,217,369	18,662,203	67,879,572	128,971,418
Net position, end of year	\$ 58,627,144	\$ 18,625,415	\$ 77,252,559	\$ 132,642,073

concluded

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

BAY COUNTY, MICHIGAN

Balance Sheet

Governmental Funds

December 31, 2014

		Special Revenue Funds	
	General Fund	911 Service	Division on Aging
Assets			
Cash and cash equivalents	\$ -	\$ 219,866	\$ 329,416
Investments	13,889,160	2,514,986	1,390,039
Accounts receivable	1,426,348	199,848	10,331
Property taxes receivable	1,567,806	1,884,793	2,153,410
Accrued interest receivable	309,052	60,635	31,286
Inventories	11,776	-	-
Due from other funds	16,748	-	-
Due from component units	443,052	-	-
Due from other governmental units	1,420,905	70,115	106,941
Prepaid items and other assets	202,560	20,508	-
Interfund advances	150,000	-	-
Total assets	\$ 19,437,407	\$ 4,970,751	\$ 4,021,423
Liabilities			
Accounts payable	\$ 677,992	\$ 26,217	\$ 382,699
Accrued liabilities	728,867	56,445	127,746
Accrued vacation and sick pay	82,512	1,835	239
Due to other funds	3,913,858	896	757
Due to component units	69,618	-	-
Due to other governmental units	8,978	-	-
Deposits	960	-	-
Interfund advances	-	-	-
Unearned revenue	74,304	-	2,823
Total liabilities	5,557,089	85,393	514,264
Deferred inflows of resources			
Unavailable revenue - property taxes	680,767	3,275	3,105
Taxes levied for a subsequent period	-	1,949,806	2,228,350
Total deferred inflows of resources	680,767	1,953,081	2,231,455
Fund balances			
Nonspendable	1,222,317	20,508	-
Restricted	168,192	1,873,738	620,915
Committed	4,942,969	-	-
Assigned	1,182,576	1,038,031	654,789
Unassigned	5,683,497	-	-
Total fund balances	13,199,551	2,932,277	1,275,704
Total liabilities, deferred inflows of resources and fund balances	\$ 19,437,407	\$ 4,970,751	\$ 4,021,423

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

Water Supply Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 13,138,440	\$ 1,730,488	\$ 15,418,210
-	1,363,967	19,158,152
-	2,005,220	3,641,747
-	2,006,236	7,612,245
-	43,879	444,852
-	-	11,776
-	-	16,748
-	7,754	450,806
7,332,880	946,150	9,876,991
-	1,505	224,573
-	-	150,000
<u>\$ 20,471,320</u>	<u>\$ 8,105,199</u>	<u>\$ 57,006,100</u>
\$ 4,247,825	\$ 312,403	\$ 5,647,136
1,210,878	333,979	2,457,915
-	12,588	97,174
-	2,600	3,918,111
-	-	69,618
-	1,457	10,435
-	-	960
-	150,000	150,000
-	15,631	92,758
<u>5,458,703</u>	<u>828,658</u>	<u>12,444,107</u>
-	3,200	690,347
-	2,075,707	6,253,863
<u>-</u>	<u>2,078,907</u>	<u>6,944,210</u>
-	1,859,704	3,102,529
15,012,617	2,623,268	20,298,730
-	-	4,942,969
-	714,662	3,590,058
-	-	5,683,497
<u>15,012,617</u>	<u>5,197,634</u>	<u>37,617,783</u>
<u>\$ 20,471,320</u>	<u>\$ 8,105,199</u>	<u>\$ 57,006,100</u>

BAY COUNTY, MICHIGAN

Reconciliation

Fund Balances for Governmental Funds
To Net Position of Governmental Activities
December 31, 2014

Fund balances - total governmental funds	\$ 37,617,783
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Amounts reported for *governmental activities* in the statement of net position are different because:

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

Capital assets not being depreciated	43,882,168
Capital assets being depreciated, net	43,836,261

Other long-term assets are not available to pay for current period expenditures and, therefore, are either deferred or otherwise not recorded in the funds

Deferred inflow for delinquent taxes receivable	690,347
Net pension asset	1,457,076

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

Net position of governmental activities accounted for in the internal service funds	7,755,434
Net pension asset for internal service funds	(1,062)
Net other postemployment benefits obligation for internal service funds	7,272

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

Bonds and notes payable	(57,622,473)
Unamortized bond premium/discount	(677,565)
Accrued interest on long-term debt	(521,354)
Accrued liability to Historical Preservation	(444)
Net other postemployment benefits obligation	(15,823,081)
Compensated absences	(1,973,218)

Net position of governmental activities	<u>\$ 58,627,144</u>
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The accompanying notes are an integral part of these financial statements.

BAY COUNTY, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended December 31, 2014

	Special Revenue Funds		
	General Fund	911 Service	Division on Aging
Revenues			
Taxes	\$ 16,029,546	\$ 1,974,223	\$ 2,254,669
Licenses and permits	205,039	-	-
Federal	1,895,127	-	640,552
State	4,371,942	293,347	-
Interest, rents and royalties	1,908,340	179,352	86,608
Charges for services	2,630,540	-	30,169
Fines and forfeits	512,296	-	-
Reimbursements, refunds, and other revenues	2,994,529	15,203	355,035
Total revenues	30,547,359	2,462,125	3,367,033
Expenditures			
Current:			
General government	9,619,587	-	-
Public safety	8,287,342	2,149,398	-
Community and economic development	108,798	-	-
Health and welfare	814,041	-	2,952,076
Public works	6,718	-	-
Judicial	6,092,906	-	-
Legislative	330,241	-	-
Recreation and culture	1,716,082	-	-
Other functions	1,666,910	-	-
Capital outlay	-	-	-
Debt service:			
Principal	-	-	-
Interest and other fees	-	-	-
Total expenditures	28,642,625	2,149,398	2,952,076
Revenues over (under) expenditures	1,904,734	312,727	414,957
Other financing sources (uses)			
Insurance recoveries/proceeds	4,886	-	-
Loan proceeds	-	-	-
Transfers in	2,409,372	-	6,200
Transfer out	(3,538,462)	(134,238)	(252,359)
Total other financing sources (uses)	(1,124,204)	(134,238)	(246,159)
Net change in fund balance	780,530	178,489	168,798
Fund balances, beginning of year	12,419,021	2,753,788	1,106,906
Fund balances, end of year	\$ 13,199,551	\$ 2,932,277	\$ 1,275,704

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

Water Supply Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 2,100,329	\$ 22,358,767
-	198,039	403,078
5,984,579	1,338,541	9,858,799
1,480,136	629,627	6,775,052
84,654	111,423	2,370,377
-	119,042	2,779,751
-	14,290	526,586
-	5,596,763	8,961,530
<u>7,549,369</u>	<u>10,108,054</u>	<u>54,033,940</u>
-	215,299	9,834,886
-	163,930	10,600,670
-	52,398	161,196
-	7,179,449	10,945,566
37,243	-	43,961
-	142,688	6,235,594
-	-	330,241
-	268,363	1,984,445
-	-	1,666,910
36,151,525	-	36,151,525
-	1,930,000	1,930,000
-	1,953,817	1,953,817
<u>36,188,768</u>	<u>11,905,944</u>	<u>81,838,811</u>
<u>(28,639,399)</u>	<u>(1,797,890)</u>	<u>(27,804,871)</u>
-	-	4,886
18,572,473	-	18,572,473
-	3,532,262	5,947,834
-	(792,486)	(4,717,545)
<u>18,572,473</u>	<u>2,739,776</u>	<u>19,807,648</u>
(10,066,926)	941,886	(7,997,223)
<u>25,079,543</u>	<u>4,255,748</u>	<u>45,615,006</u>
<u>\$ 15,012,617</u>	<u>\$ 5,197,634</u>	<u>\$ 37,617,783</u>

BAY COUNTY, MICHIGAN

Reconciliation

Net Changes in Fund Balances of Governmental Funds
To Change in Net Position of Governmental Activities
For the Year Ended December 31, 2014

Net change in fund balances - total governmental funds \$ (7,997,223)

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

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

Capital outlay	37,892,354
Depreciation expense	(1,989,578)

Certain revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenue in the funds, rather they are deferred to the following fiscal year.

Decrease in delinquent property taxes	(25,055)
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Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal payments on long-term liabilities	1,930,000
Proceeds from issuance of long term debt	(18,572,473)
Amortization of bond premium/discount	139,639

Internal service funds are used by management to charge the costs of self insurance to individual governmental funds. The net revenue (expense) of the funds is reported with governmental activities.

Interest revenue from governmental internal service funds	92,996
Transfers out governmental internal service funds	(5,289)
Net operating income from governmental activities in internal service funds	456,625

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	21,490
Change in accrued interest payable on bonds	(73,175)
Change in the accrual to Historical Preservation	361
Change in the accrual for the net other postemployment benefits obligation	(2,517,797)
Change in the accrual for compensated absences	56,900

Change in net position of governmental activities	<u>\$ 9,409,775</u>
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The accompanying notes are an integral part of these financial statements.

BAY COUNTY, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual - General Fund

For the Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes	\$ 16,124,975	\$ 16,124,975	\$ 16,029,546	\$ (95,429)
Licenses and permits	197,050	197,050	205,039	7,989
Federal	2,737,932	2,463,829	1,895,127	(568,702)
State	3,918,455	4,180,394	4,371,942	191,548
Interest, rents and royalties	1,202,663	1,202,663	1,908,340	705,677
Charges for services	2,972,252	2,974,914	2,630,540	(344,374)
Fines and forfeits	545,000	545,000	512,296	(32,704)
Reimbursements, refunds, and other revenues	2,782,958	2,822,866	2,994,529	171,663
Total revenues	30,481,285	30,511,691	30,547,359	35,668
Expenditures				
Current:				
General government	9,944,329	10,911,684	9,619,587	(1,292,097)
Public safety	8,413,015	8,399,722	8,287,342	(112,380)
Community and economic development	227,339	227,339	108,798	(118,541)
Health and welfare	819,414	820,414	814,041	(6,373)
Public works	9,228	9,228	6,718	(2,510)
Judicial	6,744,980	6,690,620	6,092,906	(597,714)
Legislative	360,532	360,532	330,241	(30,291)
Recreation and culture	1,887,667	2,067,859	1,716,082	(351,777)
Other functions	1,603,183	1,603,183	1,666,910	63,727
Total expenditures	30,009,686	31,090,580	28,642,625	(2,447,955)
Revenues over (under) expenditures	471,599	(578,889)	1,904,734	2,483,623
Other financing sources (uses)				
Insurance recoveries/proceeds	-	-	4,886	4,886
Transfers in	2,406,508	2,417,777	2,409,372	(8,405)
Transfers out	(3,574,026)	(3,653,971)	(3,538,462)	(115,509)
Total other financing sources (uses)	(1,167,518)	(1,236,194)	(1,124,204)	111,990
Net change in fund balances	(695,919)	(1,815,083)	780,530	2,595,613
Fund balances, beginning of year	12,419,021	12,419,021	12,419,021	-
Fund balances, end of year	\$ 11,723,102	\$ 10,603,938	\$ 13,199,551	\$ 2,595,613

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

BAY COUNTY, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual - 911 Service Special Revenue Fund

For the Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes	\$ 1,966,359	\$ 1,966,359	\$ 1,974,223	\$ 7,864
State	286,000	286,000	293,347	7,347
Interest, rents and royalties	80,000	80,000	179,352	99,352
Reimbursements, refunds, and other revenues	3,638	3,638	15,203	11,565
Total revenues	2,335,997	2,335,997	2,462,125	126,128
Expenditures				
Public safety	3,112,012	3,110,764	2,149,398	(961,366)
Revenues over (under) expenditures	(776,015)	(774,767)	312,727	1,087,494
Other financing uses				
Transfers out	(126,682)	(134,238)	(134,238)	-
Net change in fund balances	(902,697)	(909,005)	178,489	1,087,494
Fund balances, beginning of year	2,753,788	2,753,788	2,753,788	-
Fund balances, end of year	<u>\$ 1,851,091</u>	<u>\$ 1,844,783</u>	<u>\$ 2,932,277</u>	<u>\$ 1,087,494</u>

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

BAY COUNTY, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Division on Aging Special Revenue Fund

For the Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes	\$ 2,237,670	\$ 2,237,670	\$ 2,254,669	\$ 16,999
Federal	656,242	681,477	640,552	(40,925)
State	100	100	-	(100)
Interest, rents and royalties	6,000	6,000	86,608	80,608
Charges for services	32,108	32,108	30,169	(1,939)
Reimbursements, refunds, and other revenues	323,360	326,763	355,035	28,272
Total revenues	3,255,480	3,284,118	3,367,033	82,915
Expenditures				
Health and welfare	3,182,283	3,586,862	2,952,076	(634,786)
Revenues over (under) expenditures	73,197	(302,744)	414,957	717,701
Other financing sources (uses)				
Transfers in	6,200	6,200	6,200	-
Transfers out	(249,434)	(249,434)	(252,359)	2,925
Other financing sources (uses)	(243,234)	(243,234)	(246,159)	(2,925)
Net change in fund balances	(170,037)	(545,978)	168,798	714,776
Fund balances, beginning of year	1,106,906	1,106,906	1,106,906	-
Fund balances, end of year	\$ 936,869	\$ 560,928	\$ 1,275,704	\$ 714,776

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

BAY COUNTY, MICHIGAN

Statement of Net Position

Proprietary Funds

December 31, 2014

	Business-type Activities - Enterprise Funds				Governmental Activities
	Medical Care Facility	100% Tax Payment	Nonmajor Enterprise Funds	Total	Internal Service Funds
Assets					
Current assets:					
Cash and cash equivalents	\$ 1,277,552	\$ 512,542	\$ 496,212	\$ 2,286,306	\$ 2,755,345
Investments	11,949,193	3,637,571	458,260	16,045,024	1,374,822
Accounts receivable, net of allowance	1,456,592	5,660	5,522	1,467,774	20,359
Property taxes receivable	2,007,529	3,989,317	-	5,996,846	-
Accrued interest receivable	-	735,051	10,234	745,285	28,215
Inventories	90,309	-	7,079	97,388	-
Due from other funds	-	51,854	-	51,854	3,921,674
Due from component units	-	-	25,000	25,000	-
Due from other governmental units	-	177,632	-	177,632	108
Prepaid items and other assets	449,089	-	12,157	461,246	295,862
Total current assets	17,230,264	9,109,627	1,014,464	27,354,355	8,396,385
Noncurrent assets:					
Net pension asset	-	7,834	27,937	35,771	1,062
Land	-	-	257,559	257,559	-
Construction in progress	1,055,996	-	48,135	1,104,131	-
Land improvements	-	-	1,108,717	1,108,717	-
Buildings and improvements	12,609,201	-	5,192,864	17,802,065	-
Machinery and equipment	200,740	-	832,321	1,033,061	-
Office furniture and equipment	2,174,734	2,035	158,827	2,335,596	-
Vehicles	88,848	-	15,050	103,898	-
Less accumulated depreciation	(10,638,196)	(2,035)	(5,542,008)	(16,182,239)	-
Total noncurrent assets	5,491,323	7,834	2,099,402	7,598,559	1,062
Total assets	22,721,587	9,117,461	3,113,866	34,952,914	8,397,447
Liabilities					
Current liabilities:					
Accounts payable	499,914	199,689	44,688	744,291	36
Accrued liabilities	406,754	3,929	43,124	453,807	45,969
Current portion of compensated absences	-	1,408	4,709	6,117	-
Deposits payable	20,042	-	24,954	44,996	-
Due to other funds	-	645	68,098	68,743	3,422
Due to other governmental units	-	4,403	150	4,553	-
Claims, settlements and judgments	658,608	-	-	658,608	584,987
Unearned revenue	-	-	8,332	8,332	-
Total current liabilities	1,585,318	210,074	194,055	1,989,447	634,414

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BAY COUNTY, MICHIGAN

Statement of Net Position

Proprietary Funds

December 31, 2014

	Business-type Activities - Enterprise Funds				Governmental Activities
	Medical Care Facility	100% Tax Payment	Nonmajor Enterprise Funds	Total	Internal Service Funds
Liabilities (continued)					
Noncurrent liabilities:					
Net OPEB obligation	\$11,783,415	\$ 64,907	\$ 205,198	\$12,053,520	\$ 7,272
Compensated absences, net of current portion	174,645	16,908	12,284	203,837	327
Total noncurrent liabilities	<u>11,958,060</u>	<u>81,815</u>	<u>217,482</u>	<u>12,257,357</u>	<u>7,599</u>
Total liabilities	<u>13,543,378</u>	<u>291,889</u>	<u>411,537</u>	<u>14,246,804</u>	<u>642,013</u>
Deferred inflows of resources					
Taxes levied for a subsequent period	<u>2,080,695</u>	<u>-</u>	<u>-</u>	<u>2,080,695</u>	<u>-</u>
Net position					
Investment in capital assets	5,491,323	-	2,071,465	7,562,788	-
Restricted for:					
Restricted assets	-	1,294,359	-	1,294,359	-
Insurance claims	-	-	-	-	7,755,434
Unrestricted	<u>1,606,191</u>	<u>7,531,213</u>	<u>630,864</u>	<u>9,768,268</u>	<u>-</u>
Total net position	<u>\$ 7,097,514</u>	<u>\$ 8,825,572</u>	<u>\$ 2,702,329</u>	<u>\$18,625,415</u>	<u>\$ 7,755,434</u>

concluded

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

BAY COUNTY, MICHIGAN

Statement of Revenues, Expenses and Changes in Fund Net Position

Proprietary Funds

For the Year Ended December 31, 2014

	Business-type Activities - Enterprise Funds				Governmental Activities
	Medical Care Facility	100% Tax Payment	Nonmajor Enterprise Funds	Total	Internal Service Funds
Operating revenues					
Charges for services	\$21,575,675	\$ 1,088,324	\$ 1,139,750	\$23,803,749	\$ 6,818,102
Other	24,858	-	69,156	94,014	-
Total operating revenues	21,600,533	1,088,324	1,208,906	23,897,763	6,818,102
Operating expenses					
Personnel services	14,917,537	122,739	457,125	15,497,401	5,027,115
Supplies	944,392	5,350	58,767	1,008,509	-
Other services	7,791,129	34,868	797,775	8,623,772	1,334,362
Depreciation	615,962	-	273,271	889,233	-
Total operating expenses	24,269,020	162,957	1,586,938	26,018,915	6,361,477
Operating (loss) income	(2,668,487)	925,367	(378,032)	(2,121,152)	456,625
Nonoperating revenues (expenses)					
Program grants-subsidies	-	-	165,266	165,266	-
Property and other taxes	2,048,823	-	-	2,048,823	-
Reimbursements, refunds and rebates	413,119	-	-	413,119	-
Other income	10,884	-	-	10,884	-
Interest income	237,330	273,059	31,924	542,313	92,996
Total nonoperating revenues (expenses)	2,710,156	273,059	197,190	3,180,405	92,996
Income (loss) before contributions and transfers	41,669	1,198,426	(180,842)	1,059,253	549,621
Capital contributions	-	-	128,959	128,959	-
Transfers					
Transfers in	-	237,385	-	237,385	-
Transfers out	-	(1,175,000)	(287,385)	(1,462,385)	(5,289)
Total transfers	-	(937,615)	(287,385)	(1,225,000)	(5,289)
Change in net position	41,669	260,811	(339,268)	(36,788)	544,332
Net position, beginning of year, as restated	7,055,845	8,564,761	3,041,597	18,662,203	7,211,102
Net position, end of year	\$ 7,097,514	\$ 8,825,572	\$ 2,702,329	\$18,625,415	\$ 7,755,434

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

BAY COUNTY, MICHIGAN

Statement of Cash Flows

Proprietary Funds

For the Year Ended December 31, 2014

	Business-type Activities - Enterprise Funds				Governmental Activities
	Medical Care Facility	100% Tax Payment	Nonmajor Enterprise Funds	Total	Internal Service Funds
Cash flows from operating activities					
Cash received from customers	\$ 19,975,907	\$ -	\$ 1,201,602	\$ 21,177,509	\$ -
Cash received from services provided	2,222,385	993,683	-	3,216,068	6,824,622
Interfund reimbursements	-	-	130,088	130,088	5,337,455
Interfund obligation	-	(93,547)	-	(93,547)	-
Cash payments to suppliers for goods and services	(7,466,321)	(126,320)	(866,490)	(8,459,131)	(5,883,000)
Cash payments to employees and related taxes and insurance	(15,418,364)	(141,431)	(467,929)	(16,027,724)	(4,970,269)
Other receipts	24,858	-	22,149	47,007	-
Net cash provided by (used in) by operating activities	(661,535)	632,385	19,420	(9,730)	1,308,808
Cash flows from noncapital financing activities					
Cash received from grants and subsidies	-	-	165,266	165,266	-
Taxes received	2,121,989	-	-	2,121,989	-
Change in resident trust deposits	4,412	-	-	4,412	-
Reimbursements, refunds, and rebates	424,003	-	-	424,003	-
Transfers in	-	237,385	-	237,385	-
Transfers out	-	(1,175,000)	(287,385)	(1,462,385)	(5,289)
Net cash provided by (used in) noncapital financing activities	2,550,404	(937,615)	(122,119)	1,490,670	(5,289)
Cash flows from capital and related financing activities					
Acquisition and construction of capital assets	(1,346,422)	-	(156,172)	(1,502,595)	-
Proceeds from sale of capital assets	3,912	-	-	3,913	-
Cash received from capital grants	-	-	128,959	128,959	-
Net cash used by capital and related financing activities	(1,342,510)	-	(27,213)	(1,369,723)	-
Cash flows from investing activities					
Proceeds from sale of investments	-	78,604	67,470	146,074	-
Purchases of investments	(71,779)	-	(398)	(72,177)	(65,683)
Interest received	237,330	184,482	28,344	450,156	85,923
Net cash provided by (used in) investing activities	165,551	263,086	95,416	524,053	20,240
Net increase (decrease) in cash and cash equivalents	711,910	(42,144)	(34,496)	635,270	1,323,759
Cash and cash equivalents, beginning of year	565,642	554,686	530,708	1,651,036	1,431,586
Cash and cash equivalents, end of year	\$ 1,277,552	\$ 512,542	\$ 496,212	\$ 2,286,306	\$ 2,755,345

Continued...

BAY COUNTY, MICHIGAN

Statement of Cash Flows

Proprietary Funds

For the Year Ended December 31, 2014

	Business-type Activities - Enterprise Funds				Governmental Activities
	Medical Care Facility	100% Tax Payment	Nonmajor Proprietary Funds	Total	Internal Service Funds
Cash flows from operating activities					
Operating income (loss)	\$ (2,668,487)	\$ 925,367	\$ (378,032)	\$ (2,121,152)	\$ 456,625
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities					
Depreciation	615,962	-	273,271	889,233	-
Bad debts	87,921	-	-	87,921	-
Changes in assets and liabilities:					
Accounts receivable	534,696	(720)	3,363	537,339	6,520
Property tax receivable	-	(292,395)	-	(292,395)	-
Inventories	(32,441)	-	1,264	(31,177)	-
Due from other funds	-	(51,834)	41,761	(10,073)	723,056
Due from component units	-	-	11,084	11,084	-
Due from other governmental units	-	(85,382)	285	(85,097)	-
Prepaid items and other assets	(11,781)	-	1,526	(10,255)	64,803
Net pension asset	-	(110)	(322)	(432)	(12)
Accounts payable	274,067	197,754	5,183	477,004	(2,464)
Accrued liabilities	(536,463)	12	(22,092)	(558,543)	(10,948)
Compensated absences	(39,905)	(19)	(1,810)	(41,734)	327
Deposits payable	-	-	(8)	(8)	-
Due to other funds	-	(41,713)	59,357	17,644	3,422
Due to other governmental units	-	(28,549)	42	(28,507)	-
Claims, settlements, and judgments	-	-	-	-	66,421
Unearned revenue	-	-	121	121	-
Net OPEB obligation	1,114,896	9,974	24,427	1,149,297	1,058
Net cash provided by (used in) operating activities	\$ (661,535)	\$ 632,385	\$ 19,420	\$ (9,730)	\$ 1,308,808

Concluded

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

BAY COUNTY, MICHIGAN

Statement of Fiduciary Net Position

Fiduciary Funds

December 31, 2014

	Inmate Private Purpose Trust Fund	Probate Court Private Purpose Trust Fund	Pension and Other Employee Benefits Trust Funds	Agency Funds
Assets				
Investments, at fair value:				
Equities	\$ -	\$ -	\$ 261,683,056	\$ -
Fixed income	-	-	76,457,134	9,456,018
Money market	-	-	12,954,720	-
Total investments, at fair value	-	-	351,094,910	9,456,018
Cash and cash equivalents	51,929	42,473	-	2,257,457
Receivables:				
Interest and dividends	-	-	893,037	-
Accounts	-	-	201,036	873
Prepaid items and other assets	-	-	1,325,787	-
Net pension asset	-	-	4,291	-
Due from other funds	-	-	227	44,352
Due from component units	-	-	56,989	-
Total assets	51,929	42,473	353,576,277	11,758,700
Liabilities				
Accounts payable	36,062	-	471,028	367,027
Accrued liabilities	14,800	42,473	2,806,220	159,973
Accrued vacation and sick pay	-	-	893	-
Due to other funds	-	-	-	44,352
Due to component units	-	-	-	10,689,341
Due to other governmental units	-	-	-	296,249
Deposits	-	-	-	201,758
Net OPEB obligation	-	-	30,601	-
Total liabilities	50,862	42,473	3,308,742	\$ 11,758,700
Net position				
Restricted for:				
Inmates	1,067	-	-	-
Employees' pension benefits	-	-	308,140,893	-
Postemployment health care benefits	-	-	42,126,642	-
Total net position	\$ 1,067	\$ -	\$ 350,267,535	

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, 2014

	Inmate Private Purpose Trust Fund	Probate Court Trust Fund	Pension and Other Employee Benefits Trust Funds
Additions			
Contributions:			
Employer	\$ -	\$ -	\$ 4,294,484
Plan members	-	-	2,120,927
Total contributions	-	-	6,415,411
Investment income:			
Net appreciation/depreciation in fair value of investments	-	-	21,248,494
Interest and dividends	248	-	7,118,124
Less: investment expense	-	-	(2,216,519)
Net investment income	248	-	26,150,099
Other revenue	-	-	145,670
Total additions	248	-	32,711,180
Deductions			
Benefits	-	-	15,527,700
Administrative expenses	-	-	363,879
Refunds of contributions	-	-	380,778
Total deductions	-	-	16,272,357
Change in net position	248	-	16,438,823
Net position			
Beginning of year	819	-	333,828,712
End of year	\$ 1,067	\$ -	\$ 350,267,535

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

BAY COUNTY, MICHIGAN

Combining Statement of Net Position

Component Units
December 31, 2014

	Road Commission	Library System	Department of Water and Sewer	Drain Commission
Assets				
Cash and cash equivalents	\$ 1,001,236	\$ 5,280,819	\$ 6,224,383	\$ 814,339
Investments	2,164,368	-	-	2,016,551
Receivables	114,376	5,670,648	2,005,184	1,182,973
Inventories	659,249	-	303,032	-
Due from other governmental units	1,913,840	-	817,846	408,346
Due from primary government	-	49,893	-	103,550
Prepaid items and other assets	92,502	140,349	310,413	14,695
Net OPEB asset	-	-	228,349	-
Capital assets not being depreciated	56,963,275	107,487	424,694	1,235,046
Capital assets being depreciated, net	36,403,640	2,612,038	24,334,751	3,624,428
Total assets	99,312,486	13,861,234	34,648,652	9,399,928
Liabilities				
Accounts payable and accrued liabilities	447,596	219,284	544,326	118,642
Due to other governmental units	-	-	-	3,065
Due to primary government	-	231	-	431,789
Advances from other governmental units	288,892	-	-	-
Long-term liabilities:				
Due within one year	255,932	17,346	624,890	176,647
Due in more than one year	788,854	156,110	5,514,374	972,131
Net OPEB obligation	8,303,408	532,672	-	-
Total liabilities	10,084,682	925,643	6,683,590	1,702,274
Deferred inflows of resources				
Taxes levied for a subsequent period	-	5,556,300	-	-
Net position				
Net investment in capital assets	93,253,460	2,719,525	18,819,445	3,710,696
Restricted for:				
Debt service	-	-	-	147,304
Library	-	4,550,510	-	-
Unrestricted (deficit)	(4,025,656)	109,256	9,145,617	3,839,654
Total net position	\$ 89,227,804	\$ 7,379,291	\$ 27,965,062	\$ 7,697,654

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



Bay Area Narcotics Enforcement Team	Bay County Landbank	Total
\$ 313,988	\$ 35,419	\$ 13,670,184
-	-	4,180,919
87,739	-	9,060,920
-	-	962,281
-	-	3,140,032
-	-	153,443
-	-	557,959
-	-	228,349
-	-	58,730,502
-	-	66,974,857
401,727	35,419	157,659,446
39,884	-	1,369,732
-	-	3,065
-	25,000	457,020
-	-	288,892
-	-	1,074,815
-	-	7,431,469
-	-	8,836,080
39,884	25,000	19,461,073
-	-	5,556,300
-	-	118,503,126
-	-	147,304
-	-	4,550,510
361,843	10,419	9,441,133
\$ 361,843	\$ 10,419	\$ 132,642,073

BAY COUNTY, MICHIGAN

Combining Statement of Activities

Component Units

For the Year Ended December 31, 2014

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Component units					
Road Commission					
Governmental activities:					
Highways and streets	\$ 12,581,924	\$ 1,674,074	\$ 10,298,639	\$ 2,486,322	\$ 1,877,111
Library System					
Governmental activities:					
Recreation and culture	6,842,923	550,281	100,339	67,439	(6,124,864)
Department of Water and Sewer					
Business-type activities:					
Water	1,624,411	1,887,477	-	-	263,066
Sewer	4,483,907	4,530,759	-	-	46,852
Total Department of Water and Sewer	6,108,318	6,418,236	-	-	309,918
Drain Commission					
Governmental activities:					
Public works	698,386	300	134,700	396,119	(167,267)
Interest on long-term debt	30,777	-	-	-	(30,777)
Total Drain Commission	729,163	300	134,700	396,119	(198,044)
Bay Area Narcotics Enforcement Team					
Governmental activities:					
Public safety	621,224	-	687,048	-	65,824
Bay County Landbank					
Governmental activities:					
General government	11,094	-	-	-	(11,094)
Total component units	\$ 26,894,646	\$ 8,642,891	\$ 11,220,726	\$ 2,949,880	\$ (4,081,149)

Continued...

BAY COUNTY, MICHIGAN

Statement of Activities

Component Units

For the Year Ended December 31, 2014

	Road Commission	Library System	Department of Water and Sewer	Drain Commission
Change in net position				
Net (expense) revenue	\$ 1,877,111	\$ (6,124,864)	\$ 309,918	\$ (198,044)
General revenues:				
Property taxes	-	5,634,969	-	1,022,246
Unrestricted investment earnings	56,546	339,203	115,746	174,853
Gain on disposal of capital asset	-	-	-	-
Insurance recoveries/proceeds	-	-	-	7,258
Other revenue	91,428	-	200,000	108,352
Total general revenues	147,974	5,974,172	315,746	1,312,709
Change in net position	2,025,085	(150,692)	625,664	1,114,665
Net position, beginning of year	87,202,719	7,529,983	27,339,398	6,582,989
Net position, end of year	\$ 89,227,804	\$ 7,379,291	\$ 27,965,062	\$ 7,697,654

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



Bay Area Narcotics Enforcement Team	Bay County Landbank	Total
\$ 65,824	\$ (11,094)	\$ (4,081,149)
-	-	6,657,215
-	-	686,348
-	1,033	1,033
-	-	7,258
170	-	399,950
170	1,033	7,751,804
65,994	(10,061)	3,670,655
295,849	20,480	128,971,418
\$ 361,843	\$ 10,419	\$ 132,642,073

Concluded.

NOTES TO FINANCIAL STATEMENTS

BAY COUNTY, MICHIGAN

Notes To Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity

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

Blended Component Unit

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

Discretely Presented Component Units

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

Bay County Economic Development Corporation (the "Economic Development Corporation") - The Economic Development Corporation is governed by a nine-member Board who are recommended by the Bay County Executive Board and approved by the Bay County Board of Commissioners. The County has appropriation authority and budgetary control over the activities of the Economic Development Corporation. The Economic Development Corporation provides the means and methods of encouragement and assistance to strengthen and revitalize the economy of Bay County by improving the atmosphere for progress and growth through new employment opportunities and an increased tax base. The Economic Development Corporation's activities are reported discretely as a governmental fund type.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

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 for the Library System can be obtained from its administrative offices at 500 Center Avenue, Bay City, Michigan, 48708.

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 for the Drain Commissioner can be obtained from the County's Finance Department at 515 Center Avenue, Bay City, Michigan, 48708.

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

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

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Government-Wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements, except for agency funds which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Agency funds, a type of fiduciary fund, are unlike all other types of funds, reporting only assets and liabilities. Therefore, agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

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

Property taxes, franchise taxes, licenses, intergovernmental revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

The County reports the following major governmental funds:

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

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

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

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

The government reports the following major proprietary funds:

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

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

Additionally, the County reports the following fund types:

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

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

The *Capital Project Funds* are used to account for and report financial resources that are restricted, committed, or assigned to expenditures 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.

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

BAY COUNTY, MICHIGAN

Notes To Financial Statements

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Medical Care Facility, the 100% Tax Payment, and enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

Assets, 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 County Commission, with the assistance of a valuation service.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

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.

Capital Assets

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

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

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

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

BAY COUNTY, MICHIGAN

Notes To Financial Statements

In the Drain Commission component unit, infrastructure includes only those infrastructure assets acquired subsequent to January 1, 2003. In the Road Commission component unit, infrastructure is reported retrospectively from 1980, except for right-of-ways, bridges, and traffic signals, which are required to be reported despite the date of purchase. Roads are removed from the capital assets at the time the group of individually recorded roads have fully been depreciated.

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

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.

Fund equity

Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Restricted fund balance is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. Committed fund balance is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Commissioners (the government's highest level of decision-making authority). A formal resolution of the Board of Commissioners is required to establish, modify, or rescind a fund balance commitment. The County reports assigned fund balance for amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Commissioners has delegated the authority to assign fund balance to the County Administrator/Controller or his/her designee. Unassigned fund balance is the residual classification for the General Fund.

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

BAY COUNTY, MICHIGAN

Notes To Financial Statements

The County Board of Commissioners has formally established a budget stabilization arrangement under which it commits General Fund fund balance up to 15 percent of the most recent General Fund budget, as originally adopted, or 15 percent of the average of the County's five recent General Fund budgets, as amended, whichever is less. The committed fund balance can be used to cover a general fund deficit; to prevent a reduction in the level of public services or in the number of employees at any time in a fiscal year when the budgeted revenue is not being collected in an amount sufficient to cover budgeted expenses; to prevent a reduction in the level of public services or in the number of employees when in preparing the budget for the next fiscal year the estimate revenue does not appear sufficient to cover estimated expenses; and to cover expenses arising because of natural disaster. This commitment may be used if one of the several potential qualifying events occurs (as detailed in a Board of Commissioners resolution) and the Board of Commissioners, by 2/3 vote of members present, affirms the qualifying event. As of December 31, 2014, the balance in the stabilization arrangement was \$4,942,969.

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.

Deferred inflows of resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenues, which arises only under a modified accrual basis of accounting, from one source: property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In addition, deferred inflows of resources are reported in the government-wide and governmental fund financial statements for property taxes levied during the year that were intended to finance future periods.

Compensated absences

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

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Employees of the Road Commission, a component unit, are granted vacation and sick leave in varying amounts, based on the contracts negotiated with the various employee groups. Individual employees have vested rights upon termination of employment to receive payments for unused vacation and sick leave under formulas and conditions specified in the contract. All amounts vested are accrued in the government-wide statements (statement of net position).

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

Compensated Absence Liability Recognition

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

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

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

BAY COUNTY, MICHIGAN

Notes To Financial Statements

3. EXCESS OF EXPENDITURES OVER BUDGET

The following individual funds incurred expenditures in excess of appropriations, presented at a summary level for the County's major and non-major governmental funds:

Fund	Appropriation	Actual Expenditure	Excess Expenditure over Appropriation
General Fund:			
Other functions	\$ 1,603,183	\$ 1,666,910	\$ 63,727
Division on Aging:			
Transfers out	249,434	252,359	2,925

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

4. DEPOSITS AND INVESTMENTS

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

	Primary Government	Component Units	Totals
Statement of Net Position			
Cash and cash equivalents	\$ 20,459,861	\$ 13,670,184	\$ 34,130,045
Investments	36,577,998	4,180,919	40,758,917
Statement of Fiduciary Net Position			
Pension and other employee benefits trust funds:			
Investments	351,094,910	-	351,094,910
Other fiduciary funds:			
Cash and cash equivalents	2,351,859	-	2,351,859
Investments	9,456,018	-	9,456,018
Total	<u>\$ 419,940,646</u>	<u>\$ 17,851,103</u>	<u>\$ 437,791,749</u>

BAY COUNTY, MICHIGAN

Notes To Financial Statements

	Primary Government	Component Units	Totals
Deposits and investments			
Bank deposits (checking, savings, money markets and certificates of deposit)			\$ 22,590,134
Investments:			
Equities:			
Domestic equities			240,942,973
Foreign equities			3,656,802
Convertible equity			2,927,401
Preferred stock			370,764
Corporate convertible bonds			13,785,116
Total equities			<u>261,683,056</u>
Fixed income:			
Asset backed securities			547,567
Corporate bonds			40,417,331
Government agencies**			26,782,271
Government bonds			10,417,151
Government mortgage-backed securities			12,940,287
Municipal bonds**			31,984,495
Government issued commercial mortgage-backed			5,041,456
Commercial mortgage-backed			873,918
Other fixed income**			6,565,190
Total fixed income			<u>135,569,666</u>
Money market			17,683,426
Cash and cash equivalents			251,463
Cash on hand			<u>14,004</u>
Total			<u>\$ 437,791,749</u>

** The County's investments in government agencies, municipal bonds, and other fixed income include call options with a market value of \$19,258,330, \$3,727,661, and \$3,454,100, respectively.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

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

Investments by type are shown below:

	Investment Type			
	Equities	Fixed Income	Money Market	Total
Less than 1 year	\$ -	\$ 6,950,373	\$ -	\$ 6,950,373
1 - 5 years	6,933,873	46,532,142	-	53,466,015
6 - 10 years	2,874,403	43,294,360	-	46,168,763
More than 10 years	3,976,840	38,792,791	-	42,769,631
No maturity	247,897,940	-	17,683,426	265,581,366
Total	<u>\$ 261,683,056</u>	<u>\$ 135,569,666</u>	<u>\$ 17,683,426</u>	<u>\$ 414,936,148</u>

	Investment Type			
	Equities	Fixed Income	Money Market	Total
Aaa	\$ -	\$ 36,346,938	\$ -	\$ 36,346,938
Aa1	-	938,981	-	938,981
Aa2	-	8,295,745	-	8,295,745
Aa3	-	3,474,374	-	3,474,374
A1	990,150	6,362,541	-	7,352,691
A2	1,899,466	8,016,609	-	9,916,075
A3	815,651	6,090,894	-	6,906,545
Baa1	-	7,086,583	-	7,086,583
Baa2	-	6,686,541	-	6,686,541
Baa3	524,531	3,616,132	-	4,140,663
Ba1	-	1,016,460	-	1,016,460
Ba2	-	529,450	-	529,450
Ba3	-	1,082,030	-	1,082,030
B1	-	324,823	-	324,823
B2	337,725	248,393	-	586,118
B3	-	251,025	-	251,025
Not rated	257,115,533	45,202,147	17,683,426	320,001,106
Total	<u>\$ 261,683,056</u>	<u>\$ 135,569,666</u>	<u>\$ 17,683,426</u>	<u>\$ 414,936,148</u>

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Investment and deposit risk

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

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified above. The County's investment policy does not have specific limits on investment credit risk. The ratings for each investment are identified above for investments held at year-end.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned. State law does not require and the County does not have a policy for deposit custodial credit risk. As of year-end \$19,964,939 of the County's bank balance of \$22,146,584 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.

Investments and Securities Lending

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

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

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Employees' Retirement System Investments

The System's investments are primarily held in a bank-administered trust fund. Following is a summary of the System's investments as of December 31, 2014:

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

Equities:

Domestic equities	\$ 215,351,836
International equities	3,037,202
Convertible equity	2,927,401
Preferred stock	370,764
Corporate convertible bonds	13,785,116

Total equities	<u>235,472,319</u>
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Fixed income:

Asset backed securities	114,721
Corporate bonds	35,198,590
Government agencies	592,422
Government bonds	9,557,385
Government mortgage-backed securities	11,112,907
Government issued commercial mortgage-backed	4,675,166
Commercial mortgage-backed	200,541

Total fixed income	<u>61,451,732</u>
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Money market	<u>11,980,922</u>
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Total investments in Employees' Retirement System	<u>\$ 308,904,973</u>
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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.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The System'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.

As of December 31, 2014, maturities and Moody's ratings for the System's investments in debt securities were as follows:

	Investment Type			
	Equities	Fixed Income	Money Market	Total
Less than 1 year	\$ -	\$ 1,751,612	\$ -	\$ 1,751,612
1 - 5 years	6,933,873	16,785,611	-	23,719,484
6 - 10 years	2,874,403	20,632,232	-	23,506,635
More than 10 years	3,976,840	22,282,277	-	26,259,117
No maturity	221,687,203	-	11,980,922	233,668,125
Total	<u>\$ 235,472,319</u>	<u>\$ 61,451,732</u>	<u>\$ 11,980,922</u>	<u>\$ 308,904,973</u>

BAY COUNTY, MICHIGAN

Notes To Financial Statements

	Investment Type			
	Equities	Fixed Income	Money Market	Total
Aaa	\$ -	\$ 11,107,573	\$ -	\$ 11,107,573
Aa1	-	330,718	-	330,718
Aa2	-	1,648,422	-	1,648,422
Aa3	-	1,546,637	-	1,546,637
A1	990,150	2,226,097	-	3,216,247
A2	1,899,466	3,060,296	-	4,959,762
A3	815,651	5,586,525	-	6,402,176
Baa1	-	6,586,755	-	6,586,755
Baa2	-	6,283,798	-	6,283,798
Baa3	524,531	3,616,132	-	4,140,663
Ba1	-	1,016,460	-	1,016,460
Ba2	-	529,450	-	529,450
Ba3	-	1,082,030	-	1,082,030
B1	-	324,823	-	324,823
B2	337,725	248,393	-	586,118
B3	-	251,025	-	251,025
Not rated	230,904,796	16,006,598	11,980,922	258,892,316
Total	<u>\$ 235,472,319</u>	<u>\$ 61,451,732</u>	<u>\$ 11,980,922</u>	<u>\$ 308,904,973</u>

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 System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The System's investment policy requires that securities be held in trust by a third-party institution in the System's name or its nominee custodian's name or in bearer form. Although uninsured and unregistered, the System's investments are not exposed to custodial credit risk since the securities are held by the counterparty's trust department or agent in the System'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 System's investment in a single issuer. The System'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, 2014 the System's investment portfolio was not concentrated.

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

BAY COUNTY, MICHIGAN

Notes To Financial Statements

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

Investment/Country	Currency	Fair Value (in U.S. Dollars)
China	Hong Kong dollar	\$ 78,703

Voluntary Employees' Beneficiary Association Trust

The Trust's investments are primarily held in a bank-administered trust fund. Following is a summary of the Trust's investments as of December 31, 2014:

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

Equities:

Domestic equities	\$ 25,591,137
International equities	619,600
Total equities	<u>26,210,737</u>

Fixed income:

Asset backed securities	432,846
Corporate bonds	5,218,741
Government agencies	1,978,879
Government bonds	859,765
Government mortgage-backed securities	1,827,381
Government issued commercial mortgage-backed	366,290
Municipal bonds	537,033
Commercial mortgage-backed	673,377
Other fixed income	<u>3,111,090</u>
Total fixed income	<u>15,005,402</u>
Money market	<u>973,798</u>

Total investments in Voluntary Employees' Beneficiary Association trust	<u><u>\$ 42,189,937</u></u>
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Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Trust's investment policy emphasizes appropriate risk/return parameters and compliance with Public Act 314, and gives discretionary authority to its investment managers as opposed to establishing specific credit rating benchmarks.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

As of December 31, 2014, maturities and Moody's ratings for the Trust's investments in debt securities were as follows:

	Investment Type			
	Equities	Fixed Income	Money Market	Total
Less than 1 year	\$ -	\$ 80,670	\$ -	\$ 80,670
1 - 5 years	-	5,766,575	-	5,766,575
6 - 10 years	-	4,550,977	-	4,550,977
More than 10 years	-	4,607,180	-	4,607,180
No maturity	26,210,737	-	973,798	27,184,535
Total	<u>\$ 26,210,737</u>	<u>\$ 15,005,402</u>	<u>\$ 973,798</u>	<u>\$ 42,189,937</u>

	Investment Type			
	Equities	Fixed Income	Money Market	Total
Aaa	\$ -	\$ 3,986,626	\$ -	\$ 3,986,626
Aa1	-	608,263	-	608,263
Aa2	-	428,005	-	428,005
Aa3	-	647,513	-	647,513
A1	-	1,206,914	-	1,206,914
A2	-	1,175,777	-	1,175,777
A3	-	504,369	-	504,369
Baa1	-	499,828	-	499,828
Baa2	-	402,743	-	402,743
Not rated	26,210,737	5,545,364	973,798	32,729,899
Total	<u>\$ 26,210,737</u>	<u>\$ 15,005,402</u>	<u>\$ 973,798</u>	<u>\$ 42,189,937</u>

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

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the Trust's investment in a single issuer. The Trust's investment policy requires that no manager will hold more than 5% of its portion of the total fund in any single company and no more than 5% may be held in any single common stock. At December 31, 2014 the Trust's investment portfolio was not concentrated.

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

BAY COUNTY, MICHIGAN

Notes To Financial Statements

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

Investment/Country	Currency	Fair Value (in U.S. Dollars)
Canada	US dollar	\$ 269,766
China	US dollar	187,092
Israel	US dollar	96,329
Switzerland	US dollar	66,413
Total international equities		<u>\$ 619,600</u>

5. RECEIVABLES

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

	Governmental Activities	Business-type Activities	Component Units
Taxes/special assessments:			
Current	\$ 7,823,702	\$ -	\$ 5,829,957
Noncurrent	60,649	5,996,846	864,959
Accounts	4,194,552	1,564,774	2,207,299
Interest	473,067	745,285	158,705
Intergovernmental	10,327,905	202,632	3,293,475
Less: allowance for uncollectible accounts	(804,553)	(97,000)	-
Total	<u>\$ 22,075,322</u>	<u>\$ 8,412,537</u>	<u>\$ 12,354,395</u>

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

	Unavailable	Subsequent Years' Resources	Total
Property taxes receivable			
Governmental activities:			
General fund	\$ 680,767	\$ -	\$ 680,767
911 service fund	3,275	1,949,806	1,953,081
Division on aging fund	3,105	2,228,350	2,231,455
Nonmajor governmental funds	3,200	2,075,707	2,078,907
Total Governmental activities	690,347	6,253,863	6,944,210
Business-type activities:			
Medical care facility	-	2,080,695	2,080,695
Component unit			
Library system	-	5,556,300	5,556,300
Total	<u>\$ 690,347</u>	<u>\$ 13,890,858</u>	<u>\$ 14,581,205</u>

BAY COUNTY, MICHIGAN

Notes To Financial Statements

6. CAPITAL ASSETS

Primary government

Capital assets activity for the year ended December 31, 2014, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental activities					
Capital assets, not being depreciated:					
Land	\$ 1,926,399	\$ 279,554	\$ -	\$ -	\$ 2,205,953
Construction in progress	5,037,009	37,180,619	-	(541,413)	41,676,215
	<u>6,963,408</u>	<u>37,460,173</u>	<u>-</u>	<u>(541,413)</u>	<u>43,882,168</u>
Capital assets, being depreciated:					
Land improvements	3,100,013	-	-	525,413	3,625,426
Buildings and improvements	64,875,702	-	-	-	64,875,702
Machinery and equipment	3,970,332	56,853	(15,039)	-	4,012,146
Office furniture and equipment	3,683,292	260,911	(4,289)	16,000	3,955,914
Vehicles	2,050,683	114,417	(50,725)	-	2,114,375
	<u>77,680,022</u>	<u>432,181</u>	<u>(70,053)</u>	<u>541,413</u>	<u>78,583,563</u>
Less accumulated depreciation for:					
Land improvements	(2,542,319)	(63,243)	-	-	(2,605,562)
Buildings and improvements	(24,623,020)	(1,365,505)	-	-	(25,988,525)
Machinery and equipment	(1,784,506)	(217,964)	15,039	-	(1,987,431)
Office furniture and equipment	(2,438,453)	(164,793)	4,289	-	(2,598,957)
Vehicles	(1,439,479)	(178,073)	50,725	-	(1,566,827)
	<u>(32,827,777)</u>	<u>(1,989,578)</u>	<u>70,053</u>	<u>-</u>	<u>(34,747,302)</u>
Total capital assets being depreciated, net	<u>44,852,245</u>	<u>(1,557,397)</u>	<u>-</u>	<u>541,413</u>	<u>43,836,261</u>
Governmental activities					
capital assets, net	<u>\$ 51,815,653</u>	<u>\$ 35,902,776</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 87,718,429</u>

BAY COUNTY, MICHIGAN

Notes To Financial Statements

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Business-type activities					
Capital assets, not being depreciated:					
Land	\$ 257,559	\$ -	\$ -	\$ -	\$ 257,559
Construction in progress	170,091	1,270,719	-	(336,679)	1,104,131
	<u>427,650</u>	<u>1,270,719</u>	<u>-</u>	<u>(336,679)</u>	<u>1,361,690</u>
Capital assets, being depreciated:					
Land improvements	1,108,717	-	-	-	1,108,717
Buildings and improvements	17,356,890	126,676	(18,180)	336,679	17,802,065
Machinery and equipment	1,033,939	-	(878)	-	1,033,061
Office furniture and equipment	2,288,622	105,200	(58,226)	-	2,335,596
Vehicles	103,898	-	-	-	103,898
	<u>21,892,066</u>	<u>231,876</u>	<u>(77,284)</u>	<u>336,679</u>	<u>22,383,337</u>
Less accumulated depreciation for:					
Land improvements	(911,427)	(39,502)	-	-	(950,929)
Buildings and improvements	(11,524,371)	(733,487)	14,266	3,567	(12,240,025)
Machinery and equipment	(875,772)	(31,993)	879	39,982	(866,904)
Office furniture and equipment	(1,963,409)	(71,929)	58,226	(63,526)	(2,040,638)
Vehicles	(91,398)	(12,322)	-	19,977	(83,743)
	<u>(15,366,377)</u>	<u>(889,233)</u>	<u>73,371</u>	<u>-</u>	<u>(16,182,239)</u>
Total capital assets being depreciated, net	<u>6,525,689</u>	<u>(657,357)</u>	<u>(3,913)</u>	<u>336,679</u>	<u>6,201,098</u>
Business-type activities					
capital assets, net	<u>\$ 6,953,339</u>	<u>\$ 613,362</u>	<u>\$ (3,913)</u>	<u>\$ -</u>	<u>\$ 7,562,788</u>

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

Depreciation of governmental activities by function

Judicial	\$ 12,958
General government	1,301,162
Public safety	320,996
Health and welfare	264,880
Recreation and culture	89,582
	<u>\$ 1,989,578</u>

Depreciation of business-type activities by function

Medical Care Facility	\$ 615,962
Housing	212,786
Golf Course	49,104
Delinquent Property Tax Foreclosure	11,381
	<u>\$ 889,233</u>

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Discretely presented component units

Activity for the Road Commission for the year ended December 31, 2014, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 505,981	\$ -	\$ -	\$ -	\$ 505,981
Land improvements	53,869,248	2,238,385	-	-	56,107,633
Right of ways	349,661	-	-	-	349,661
	<u>54,724,890</u>	<u>2,238,385</u>	<u>-</u>	<u>-</u>	<u>56,963,275</u>
Capital assets, being depreciated:					
Buildings and improvements	2,834,456	67,624	-	-	2,902,080
Road equipment	10,512,680	49,515	-	-	10,562,195
Shop equipment	217,625	3,526	-	-	221,151
Office equipment	185,605	73,012	-	-	258,617
Engineering equipment	216,349	21,586	-	-	237,935
Yard and storage	1,391,821	-	-	-	1,391,821
Infrastructure:					
Roads	52,778,895	3,357,578	(1,975,030)	-	54,161,443
Bridges	18,910,070	46,599	-	-	18,956,669
Traffic signals	659,494	41,056	-	-	700,550
Depletable assets:					
Gravel pits	53,037	-	-	-	53,037
	<u>87,760,032</u>	<u>3,660,496</u>	<u>(1,975,030)</u>	<u>-</u>	<u>89,445,498</u>
Less accumulated depreciation for:					
Buildings and improvements	(1,968,970)	(71,698)	-	-	(2,040,668)
Road equipment	(10,395,894)	(346,866)	-	-	(10,742,760)
Shop equipment	(197,531)	(9,882)	-	-	(207,413)
Office equipment	(90,202)	(18,759)	-	-	(108,961)
Engineering equipment	(161,144)	(17,106)	-	-	(178,250)
Yard and storage	(1,135,211)	(84,543)	-	-	(1,219,754)
Infrastructure:					
Roads	(27,736,948)	(2,792,846)	1,975,030	-	(28,554,764)
Bridges	(9,296,504)	(291,494)	-	-	(9,587,998)
Traffic signals	(350,958)	(35,729)	-	-	(386,687)
Depletable assets:					
Gravel pits	(14,603)	-	-	-	(14,603)
	<u>(51,347,965)</u>	<u>(3,668,923)</u>	<u>1,975,030</u>	<u>-</u>	<u>(53,041,858)</u>
Total capital assets being depreciated, net	<u>36,412,067</u>	<u>(8,427)</u>	<u>-</u>	<u>-</u>	<u>36,403,640</u>
Road Commission capital assets, net	<u>\$ 91,136,957</u>	<u>\$ 2,229,958</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 93,366,915</u>

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Activity for the Library System for the year ended December 31, 2014, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 107,487	\$ -	\$ -	\$ -	\$ 107,487
Capital assets, being depreciated:					
Land improvements	103,946	-	-	-	103,946
Buildings and improvements	1,524,065	-	-	-	1,524,065
Machinery and equipment	131,738	14,100	-	-	145,838
Office furniture and equipment	1,191,781	-	(10,021)	-	1,181,760
Books and a/v materials	3,063,961	424,241	(624,791)	-	2,863,411
Vehicles and other	210,186	-	-	-	210,186
	<u>6,225,677</u>	<u>438,341</u>	<u>(634,812)</u>	<u>-</u>	<u>6,029,206</u>
Less accumulated depreciation for:					
Land improvements	(63,602)	(3,272)	-	-	(66,874)
Buildings and improvements	(868,031)	(34,291)	-	-	(902,322)
Machinery and equipment	(106,297)	(7,339)	-	-	(113,636)
Office furniture and equipment	(728,553)	(48,704)	10,021	-	(767,236)
Books and a/v materials	(1,662,431)	(487,834)	624,791	-	(1,525,474)
Vehicles and other	(21,988)	(19,638)	-	-	(41,626)
	<u>(3,450,902)</u>	<u>(601,078)</u>	<u>634,812</u>	<u>-</u>	<u>(3,417,168)</u>
Total capital assets being depreciated, net	<u>2,774,775</u>	<u>(162,737)</u>	<u>-</u>	<u>-</u>	<u>2,612,038</u>
Library System capital assets, net	<u>\$ 2,882,262</u>	<u>\$ (162,737)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,719,525</u>

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Activity for the Department of Water & Sewer for the year ended December 31, 2014, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 196,284	\$ -	\$ -	\$ -	\$ 196,284
Construction in progress	48,850	179,560	-	-	228,410
	<u>245,134</u>	<u>179,560</u>	<u>-</u>	<u>-</u>	<u>424,694</u>
Capital assets, being depreciated:					
Buildings and improvements	14,618,193	-	-	-	14,618,193
Improvements other than buildings	538,301	-	-	-	538,301
Machinery and equipment	10,271,405	62,004	(49,917)	-	10,283,492
Water system	4,381,708	-	-	-	4,381,708
Sewer system	26,240,852	909,418	-	-	27,150,270
	<u>56,050,459</u>	<u>971,422</u>	<u>(49,917)</u>	<u>-</u>	<u>56,971,964</u>
Less accumulated depreciation for:					
Buildings and improvements	(8,633,768)	(329,383)	-	-	(8,963,151)
Improvements other than buildings	(219,174)	(44,696)	-	-	(263,870)
Machinery and equipment	(8,729,046)	(229,849)	49,917	-	(8,908,978)
Water system	(2,158,768)	(99,883)	-	-	(2,258,651)
Sewer system	(11,664,811)	(577,752)	-	-	(12,242,563)
	<u>(31,405,567)</u>	<u>(1,281,563)</u>	<u>49,917</u>	<u>-</u>	<u>(32,637,213)</u>
Total capital assets being depreciated, net	<u>24,644,892</u>	<u>(310,141)</u>	<u>-</u>	<u>-</u>	<u>24,334,751</u>
Department of Water & Sewer capital assets, net	<u>\$ 24,890,026</u>	<u>\$ (130,581)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,759,445</u>

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Activity for the Drain Commission for the year ended December 31, 2014, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 333,173	\$ -	\$ -	\$ -	\$ 333,173
Construction in progress	-	901,873	-	-	901,873
	<u>333,173</u>	<u>901,873</u>	<u>-</u>	<u>-</u>	<u>1,235,046</u>
Capital assets, being depreciated:					
Land improvements (infrastructure)	3,771,214	160,466	-	-	3,931,680
Buildings	171,681	-	-	-	171,681
Machinery and equipment	704,492	-	-	-	704,492
Office furniture and equipment	20,450	-	-	-	20,450
Vehicles	180,767	72,000	(26,000)	-	226,767
	<u>4,848,604</u>	<u>232,466</u>	<u>(26,000)</u>	<u>-</u>	<u>5,055,070</u>
Less accumulated depreciation for:					
Land improvements (infrastructure)	(715,969)	(117,859)	-	-	(833,828)
Buildings	(171,681)	-	-	-	(171,681)
Machinery and equipment	(261,591)	(36,682)	-	-	(298,273)
Office furniture and equipment	(20,450)	-	-	-	(20,450)
Vehicles	(103,596)	(28,814)	26,000	-	(106,410)
	<u>(1,273,287)</u>	<u>(183,355)</u>	<u>26,000</u>	<u>-</u>	<u>(1,430,642)</u>
Total capital assets being depreciated, net	<u>3,575,317</u>	<u>49,111</u>	<u>-</u>	<u>-</u>	<u>3,624,428</u>
Drain Commission capital assets, net	<u>\$ 3,908,490</u>	<u>\$ 49,111</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,859,474</u>

Activity for the Bay Area Narcotics Enforcement Team for the year ended December 31, 2014, was as follows:

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

BAY COUNTY, MICHIGAN

Notes To Financial Statements

7. PAYABLES

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

	Governmental Activities	Business-type Activities	Component Units
Accounts payable	\$ 5,647,172	\$ 744,291	\$ 1,208,957
Wages, fringe benefits and other accrued liabilities	3,122,854	453,807	193,529
Deposits	960	44,996	-
Intergovernmental	80,053	4,553	427,331
Advances	-	-	288,892
Claims, settlements, and judgments	584,987	658,608	-
Total	<u>\$ 9,436,026</u>	<u>\$ 1,906,255</u>	<u>\$ 2,118,709</u>

8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

	Due from Other Funds	Due to Other Funds
General fund	\$ 16,748	\$ 3,913,858
911 service fund	-	896
Division on aging fund	-	757
Nonmajor governmental funds	-	2,600
100% tax payment	51,854	645
Nonmajor enterprise funds	-	68,098
Internal service funds	3,921,674	3,422
Total	<u>\$ 3,990,276</u>	<u>\$ 3,990,276</u>

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

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

The advance between the General fund and the Child Care fund was an advance to assist the fund with cash flow for reimbursable expenditures due from the State of Michigan.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Transfers Out	Transfers In				Total
	General Fund	Division on Aging Fund	Nonmajor Governmental Funds	100% Tax Payment	
General fund	\$ -	\$ 6,200	\$ 3,532,262	\$ -	\$ 3,538,462
911 service fund	134,238	-	-	-	134,238
Division on aging fund	252,359	-	-	-	252,359
Nonmajor governmental funds	792,486	-	-	-	792,486
100% tax payment	1,175,000	-	-	-	1,175,000
Nonmajor enterprise funds	50,000	-	-	237,385	287,385
Internal service funds	5,289	-	-	-	5,289
Total	\$ 2,409,372	\$ 6,200	\$ 3,532,262	\$ 237,385	\$ 6,185,219

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

9. LONG-TERM DEBT

Long-term debt activity for the year ended December 31, 2014, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Primary Government					
Governmental activities:					
Notes and loans payable					
Building Authority - General obligation bonds	\$ 10,980,000	\$ -	\$ (1,930,000)	\$ 9,050,000	\$ 2,030,000
Bond premium	858,473	-	(141,062)	717,411	141,062
Bond discount	(41,269)	-	1,423	(39,846)	(1,423)
Revenue bonds	30,000,000	-	-	30,000,000	-
DWRF Loans	-	18,572,473	-	18,572,473	-
Total notes and loans payable	41,797,204	18,572,473	(2,069,639)	58,300,038	2,169,639
Compensated absences	2,030,118	1,800,392	(1,856,965)	1,973,545	246,693
Total governmental activities	43,827,322	20,372,865	(3,926,604)	60,273,583	2,416,332
Business-type activities:					
Compensated absences	259,433	944,067	(993,546)	209,954	6,117
Total primary government	\$ 44,086,755	\$ 21,316,932	\$ (4,920,150)	\$ 60,483,537	\$ 2,422,449

BAY COUNTY, MICHIGAN

Notes To Financial Statements

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Component Units					
Road Commission:					
Compensated absences	\$ 967,010	\$ 269,350	\$ (305,029)	\$ 931,331	\$ 200,000
Capital lease	167,839	-	(54,384)	113,455	55,932
Total Road Commission	<u>\$ 1,134,849</u>	<u>\$ 269,350</u>	<u>\$ (359,413)</u>	<u>\$ 1,044,786</u>	<u>\$ 255,932</u>
Library System:					
Compensated absences	<u>\$ 204,634</u>	<u>\$ 137,181</u>	<u>\$ (168,359)</u>	<u>\$ 173,456</u>	<u>\$ 17,346</u>
Department of Water & Sewer:					
General obligation bonds	\$ 6,515,000	\$ -	\$ (575,000)	\$ 5,940,000	\$ 595,000
Compensated absences	212,208	-	(12,944)	199,264	29,890
Total Department of Water & Sewer	<u>\$ 6,727,208</u>	<u>\$ -</u>	<u>\$ (587,944)</u>	<u>\$ 6,139,264</u>	<u>\$ 624,890</u>
Drain Commission:					
General obligation bonds	\$ 76,089	\$ -	\$ (76,089)	\$ -	\$ -
Notes payable	635,361	634,000	(120,583)	1,148,778	176,647
Total Drain Commission	<u>\$ 711,450</u>	<u>\$ 634,000</u>	<u>\$ (196,672)</u>	<u>\$ 1,148,778</u>	<u>\$ 176,647</u>

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for those funds are included as part of the above totals for governmental activities. At year-end, \$327 of internal service funds compensated absences are included with the governmental activities amounts. Also, for the governmental activities, compensated absences are generally liquidated by the general fund.

Primary Government

The County issues general obligation bonds, installment purchase contracts, and capital leases to provide funds for the acquisition, renovation, and / or construction of major capital facilities and purchase of major equipment. General obligation bonds have been issued for governmental activities. The original amount of general obligation bonds and notes payable issued in prior years was \$16,980,000.

During the 2013, the Primary Government issued revenue bonds for \$30,000,000 to fund the construction of the County's new water distribution plant. The bonds are issued for 30 years and bear interest rates ranging from 4.00% to 5.25%. The first principal payment is due October 1, 2016.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds are generally issued as 5 to 20-year serial bonds with varying amounts of principal maturing each year. Installment purchase contracts are generally issued as 5 year contracts payable with varying amounts of principal maturing each year. The general obligation bonds, revenue bonds, and DWRP loans currently outstanding are as follows:

Purpose	Interest Rates	Amount
General obligation	3.00 - 5.00%	\$ 9,050,000
Revenue bonds	4.00 - 5.25%	30,000,000
DWRP loans	2.00 - 2.50%	18,572,473
Total		<u>\$ 57,622,473</u>

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

Year Ended December 31,	Governmental Activities	
	Principal	Interest
2015	\$ 2,030,000	\$ 1,871,901
2016	2,965,285	1,793,001
2017	2,475,000	1,702,476
2018	2,560,000	1,635,076
2019	2,655,000	1,565,076
2020-2024	8,530,000	7,035,370
2025-2029	8,415,000	6,262,441
2030-2034	10,030,000	4,297,811
2035-2039	9,750,000	3,842,193
2040-2043	9,175,000	1,233,516
	<u>58,585,285</u>	<u>31,238,861</u>
Remaining available to draw	(962,812)	-
	<u>\$ 57,622,473</u>	<u>\$ 31,238,861</u>

Component Units

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

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

Purpose	Interest Rates	Amount
Business-type activities	2.25 - 5.25%	<u>\$ 5,940,000</u>

BAY COUNTY, MICHIGAN

Notes To Financial Statements

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

Year Ended December 31,	Business-type Activities	
	Principal	Interest
2015	\$ 595,000	\$ 238,343
2016	610,000	216,671
2017	620,000	193,426
2018	510,000	168,688
2019	340,000	150,725
2020-2024	1,370,000	569,564
2025-2029	1,545,000	282,557
2030	350,000	15,312
	<u>\$ 5,940,000</u>	<u>\$ 1,835,286</u>

Drain Commission. General obligation drain improvement bonds and notes are issued by the County to finance certain drainage district construction projects. General obligation bonds and notes have been issued for governmental activities. The original amount of general obligation bonds and notes issued in prior years was \$1,462,224.

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

Purpose	Interest Rates	Amount
Governmental activities	2.50 - 4.59%	<u>\$ 1,148,778</u>

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

Year Ended December 31,	Governmental Activities	
	Principal	Interest
2015	\$ 176,647	\$ 35,534
2016	179,086	29,273
2017	103,440	22,935
2018	106,019	19,807
2019	96,672	16,603
2020-2024	486,914	38,344
	<u>\$ 1,148,778</u>	<u>\$ 162,496</u>

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Advance refundings

On May 10, 2006, the Bay County Building Authority issued general obligation bonds of \$7,205,000. A portion of the proceeds from this bond issue were used in a current refunding of the 1997 ice/civic arena bonds. The remaining proceeds from this bond issue were used to advance refund the 1995 and 1997 courthouse facility bonds and the remainder of the 1997 ice/civic arena bonds. The courthouse facility refunded bonds mature as scheduled on May 1 through 2015 and 2016 and the ice/civic arena refunded bonds mature as scheduled on November 1 through 2016. The balance of the defeased debt outstanding at December 31, 2014, was \$1,485,000.

10. DEFINED BENEFIT PENSION PLAN

Plan Description - The County maintains an agent multiple employer defined benefit plan, the Bay County Employees' Retirement System (the "Plan"), covering substantially all employees of the primary government. Employees of the County's component units and related organizations, including Road Commission, Library System, Department of Water and Sewer, and Bay Arenac Behavioral Health (BABH), participate in the County's plan. The Plan provides retirement, disability, and death benefits to plan members and their beneficiaries. The Plan does not issue stand-alone financial statements and is not included in the financial report of any other entity.

Funding Policy/Contributions - The County's policy is to fund normal costs which are based on actuarially determined rates, expressed as percentages of annual covered payroll, and which are sufficient to accumulate assets to pay benefits when due. The provisions of the Plan require the County to contribute at an actuarially determined rate. The current rate is 3.87% of annual covered payroll for General County, 0.55% for the Sheriff's Department, 9.26% for the Library, 15.75% for Department of Water & Sewer, 7.22% for Medical Care Facility, 10.01% for Bay Area Behavioral Health, and 21.32% for the Road Commission, which was determined through an actuarial valuation performed at December 31, 2013. During 2014, the General County made a discretionary 0.38% contribution into the Plan. Contributions received from employer contributions for the year ended December 31, 2014, amounted to \$3,611,945. Plan members contribute at a rate of 4% of their annual salary. The County pays the plan member contributions for all employee groups. Contributions received from plan members for the year ended December 31, 2014, amounted to \$2,120,927. 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.

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

Administrative Expenses - The Bay County Employees' Retirement System is administered by Bay County. Administrative expenses such as trustee and actuarial fees, are paid by the System. Fees for investment counseling are paid by the Plan.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Benefits - A plan member may retire after reaching the age of 60 with 8 or more years of service if hired on or before January 1, 1991 or 10 or more years of service if hired on or before January 1, 2007. Sheriff Dispatchers and Bay Medical Care Facility employees may retire at 30 years of service regardless of age, or age 55 with 25 years of service. Road Patrol employees may retire with 25 years of service regardless of age. Correctional Facility Officers employees may retire at age 55 with 25 years of service. Road Commission employees may retire at 30 years of service regardless of age. All other plan members may retire at age 55 with 30 years of service. The Plan also provides early retirement to its members.

Method Used to Value Investments. Plan 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 for which market quotations are not readily available are valued at their fair values as determined by the custodian under the direction of the Plan Board of Trustees, with the assistance of a valuation service.

Investment Policy. The Plan's policy in regard to the allocation of invested assets is established and may be amended by the Board of Trustees. 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 Plan's asset allocation policy is shown on the following pages.

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

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

Rate of Return. For the year ended December 31, 2014, the annual money-weighted rate of return on Plan's investments, net of Plan investment expenses, was 7.89%. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts that are actually invested.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Long-term expected real rate of return. The long-term expected rate of return on the Plan's investments was determined using a building-block method, in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return at December 31, 2014 for each major asset class included in the Plan's target asset allocation as disclosed above are summarized as follows:

	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	50%	6.11%
International equity	20%	6.48%
U.S. fixed income	23%	1.15%
Real estate	7%	4.45%
	<u>100%</u>	

Net Pension Liability of the County. The components of the net pension liability of the County at December 31, 2014, were as follows:

Total pension liability	\$ 270,617,353
Plan fiduciary net position	<u>308,140,893</u>
County's net pension asset	<u>\$ (37,523,540)</u>
Fiduciary net position as a percentage of the total pension asset	113.9%
Covered payroll	\$ 45,995,310
Net pension asset as a percentage of covered payroll	-81.58%

Actuarial assumptions and mortality tables. The total pension liability was determined by an annual actuarial valuation as of December 31, 2013, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary increases	3.5% pay inflation plus merit and longevity
Cost of living assumption adjustments	None
Investment rate of return	7.5% (net of expenses)

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

BAY COUNTY, MICHIGAN

Notes To Financial Statements

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

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

	One Percent Decrease (6.5%)	Current Discount Rate (7.5%)	One Percent Increase (8.5%)
County's net pension asset	\$ (6,386,560)	\$ (37,523,540)	\$ (63,879,079)

Eligible employees are provided benefits based on 2.25% of their final average compensation times the number of years of credited service (2.0% for Behavioral Health AFSCME, 2.5% for Sheriff-Supervisory, CFO, Central Dispatch, District Court Union and Road Commission employees and 2.8% for Sheriff-Road Patrol). Employees starting on or after January 1, 2012 are provided benefits based on 1.6% of their final average compensation times the number years of credited service. Maximum retirement is 75% of final average compensation, defined as the average of the highest five years. For those who retire early, in accordance with the Plan provisions, the benefit is reduced to the actuarial equivalent of a pension at normal retirement age.

Duty death in service benefits provided by the County upon termination of workers' compensation payments entitle the plan member's spouse to a refund of accumulated contributions plus a benefit equal to the workers' compensation amount. Unmarried children under the age of 18 and parents receive a benefit equal to the workers' compensation amount. Non-duty death in service benefits, after ten years of service, are computed as a regular retirement, actuarially reduced in accordance with a 100% joint and survivor election.

Duty disability benefits provided by the County are computed as a regular retirement, with additional service credited until attainment of age 55, less an amount offset by workers' compensation payments. Non-duty disability benefits, after ten years of credited service, are computed as a regular retirement less an amount offset by workers' compensation payments.

Classes of Employees - The Plan's membership consists of the following at December 31, 2013, the date of the last actuarial valuation:

Retirees and beneficiaries receiving benefits	883
Terminated plan members entitled to, but not yet receiving benefits	94
Active plan members	1,129

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Annual Pension Cost - The County's annual pension cost and net pension asset for the current year were as follows:

Annual required contribution	\$ 3,611,945
Interest on net pension asset	(202,297)
Adjustment to annual required contribution	<u>180,291</u>
Annual pension costs (expense)	3,589,939
Contributions made	<u>(3,611,945)</u>
Increase in net pension asset	(22,006)
Net pension (asset), beginning of year	<u>(1,475,132)</u>
Net pension (asset), end of year	<u><u>\$ (1,497,138)</u></u>
Net pension asset reconciliation	
Governmental activities	\$ (1,457,076)
Business-type activities	(35,771)
Fiduciary funds	<u>(4,291)</u>
Net pension (asset), end of year	<u><u>\$ (1,497,138)</u></u>

The annual required contribution for the current year was determined as part of the December 31, 2013, actuarial valuation using the individual entry age normal cost method. Significant actuarial assumptions included (a) a rate of return on the investment of present and future assets of 7.5% per year compounded annually, (b) projected salary increases of 3.5% per year pay inflation plus merit and longevity, (c) additional projected salary increases ranging from 0.75 to 6.00% per year, depending on age, attributable to merit and longevity, and (d) the assumption that benefits will not increase after retirement.

Unfunded actuarial accrued liabilities or asset surpluses are amortized by level percent of payroll contributions. The amortization periods used are closed if the liabilities exceed the assets, and open if the assets exceed the liabilities. If the liabilities exceed the assets, the difference is amortized over 30 years; if the assets exceed the liabilities the difference is amortized over 10 years. These periods are re-established with each annual actuarial valuation. The actuarial value of assets is determined by adding contributions and regular investment income to valuation assets at the beginning of the year and reducing that amount by benefit payments and administrative expenses. This preliminary value is then adjusted by 20% of the fair value gains and losses for each of the last 5 years.

Three-Year Trend Information			
Years Ended December 31,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset
2012	\$ 3,097,696	113%	\$ 1,485,864
2013	4,110,600	100%	1,475,132
2014	3,589,939	101%	1,497,138

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Funded Status and Funding Progress. As of December 31, 2013, the most recent actuarial valuation date, the Plan was 100 percent funded. The actuarial accrued liability for benefits was \$262,118,015, and the actuarial value of assets was \$263,364,669, resulting in an actuarial accrued liability (AAL) of \$-1,246,654, which means the Plan is over-funded. The covered payroll (annual payroll for active employee covered by the Plan) was \$44,535,708 and the ratio for the AAL to the covered payroll was 3%.

The schedules of funding progress, presented as required supplementary information ("RSI") following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

Net position Reserved for Employees' Pension Benefits - Net position reserved for employees' pension benefits includes legally required reserves. Net position as of December 31, 2014, consists of the following reserves:

Annuity reserve	\$ 157,263,383
Employer reserve	122,832,547
Employee accumulated reserve	<u>28,044,963</u>
Total net position	<u>\$ 308,140,893</u>

Annuity reserve represents the cumulative contribution for retirees, disabled members, or surviving spouses who have elected monthly annuity benefits. Employer reserves represent the reserve for employer contributions, with County contributions, excluding member contributions made on behalf of employees, which are credited to the reserve for member contributions. Employee reserves represent the reserve into which the Retirement System shall make transfers and refunds of accumulated member contributions.

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

11. POSTRETIREMENT HEALTHCARE AND LIFE INSURANCE BENEFITS

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

BAY COUNTY, MICHIGAN

Notes To Financial Statements

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

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

Retired members and beneficiaries:	
Under age 65	248
Age 65 and over	319
Active plan members	861

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

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

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

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

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

The December 31, 2013, actuarial valuation identified the required employer contribution for the General County of \$3,249,758, based on a percentage of covered payroll and amortization period. Contributions to the Plan for the year-ended December 31, 2014, were \$1,431,846.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Annual OPEB Cost and Net OPEB Obligation - The County's annual other postemployment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the General County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the General County's net OPEB obligation:

Annual required contribution	\$ 4,159,427
Interest on net OPEB obligation	813,917
Adjustment to annual required contribution	<u>(982,991)</u>
Annual OPEB cost (expense)	3,990,353
Contributions made	<u>(1,431,846)</u>
Increase in net OPEB obligation	2,558,507
Net OPEB obligation, beginning of year	<u>13,565,280</u>
Net OPEB obligation, end of year	<u><u>\$ 16,123,787</u></u>

Medical Care Facility - For the year ended December 31, 2014, the Facility, as part of the County's plan, has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of December 31, 2011. The valuation's computed contribution and actual funding are summarized as follows for the year ended December 31, 2014:

Annual required contribution	\$ 3,001,446
Interest on net OPEB obligation	640,111
Adjustment to annual required contribution	<u>(796,782)</u>
Annual OPEB cost (expense)	2,844,775
Contributions made	<u>(1,729,879)</u>
Increase in net OPEB obligation	1,114,896
Net OPEB obligation, beginning of year (as restated)	<u>10,668,519</u>
Net OPEB obligation, end of year	<u><u>\$ 11,783,415</u></u>
Net OPEB Obligation Reconciliation	
Governmental activities	\$ 15,823,081
Business-type activities	12,053,520
Fiduciary funds	30,601
Net OPEB obligation, end of year	<u><u>\$ 27,907,202</u></u>

BAY COUNTY, MICHIGAN

Notes To Financial Statements

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 was as follows:

Three-Year Trend Information			
Years Ended December 31,	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation
2012	\$ 8,647,242	37%	\$ 19,306,276
2013	8,242,264	40%	24,233,799
2014	6,835,128	46%	27,907,202

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

Funded Status and Funding Progress - County. As of December 31, 2013, the most recent actuarial valuation date, the Plan was 22 percent funded. The actuarial accrued liability for benefits was \$49,972,212, and the actuarial value of assets was \$11,476,051, resulting in an unfunded actuarial accrued liability (UAAL) of \$38,496,161.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress, presented as required supplementary information following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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

Road Commission

During 2002, the Road Commission started participation in the Bay County Voluntary Employee Benefit Association Plan.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

The Road Commission's annual other postemployment benefit ("OPEB") cost is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents the level of funding necessary to cover the normal cost each year and the amortization of any unfunded actuarial liabilities (or funding excess) amortized over a period of 18 years.

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

Annual required contribution	\$ 2,181,711
Interest on net OPEB obligation	452,642
Adjustment to annual required contribution	<u>(696,464)</u>
Annual OPEB cost (expense)	1,937,709
Contributions made	<u>(1,175,336)</u>
Increase in net OPEB obligation	762,373
Net OPEB obligation, beginning of year	<u>7,541,035</u>
Net OPEB obligation, end of year	<u><u>\$ 8,303,408</u></u>

The Road Commission's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2014 was as follows:

Three-Year Trend Information			
Years Ended December 31,	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation
2012	\$ 1,719,560	79%	\$ 6,645,289
2013	2,004,263	55%	7,541,035
2014	1,937,709	61%	8,303,408

Funded Status and Funding Progress. As of December 31, 2014, the most recent actuarial valuation date, the Plan was 3 percent funded. The actuarial accrued liability for benefits was \$26,711,098, and the actuarial value of assets was \$839,502, resulting in an unfunded actuarial accrued liability (UAAL) of \$25,871,596. The covered payroll (annual payroll for active employee covered by the Plan) was \$2,878,870 and the ratio for the UAAL to the covered payroll was 899%. The required supplementary information can be found in the separately audited report.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Library System

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

Annual required contribution	\$ 384,213
Interest on net OPEB obligation	15,206
Adjustment to annual required contribution	<u>(34,985)</u>
Annual OPEB cost (expense)	364,434
Contributions made	<u>(85,199)</u>
Increase in net OPEB obligation	279,235
Net OPEB obligation, beginning of year	<u>253,437</u>
Net OPEB obligation, end of year	<u><u>\$ 532,672</u></u>

The Library's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 was as follows:

Three-Year Trend Information			
Years Ended December 31,	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB (Asset) Obligation
2012	\$ 144,661	45%	\$ 176,791
2013	138,924	45%	253,437
2014	364,434	23%	532,672

Funded Status and Funding Progress. As of December 31, 2014, the most recent actuarial valuation date, the Plan was 32 percent funded. The actuarial accrued liability for benefits was \$4,546,691, and the actuarial value of assets was \$1,473,759, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,072,932.

Department of Water and Sewer

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

BAY COUNTY, MICHIGAN

Notes To Financial Statements

The DWS' annual OPEB cost is calculated based on the annual required contribution ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of 30 years. The following table illustrates the components of the DWS' annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the DWS' net OPEB obligation (asset):

Annual required contribution	\$ 469,297
Interest on net OPEB asset	(23,549)
Adjustment to annual required contribution	<u>14,017</u>
Annual OPEB cost (expense)	459,765
Contributions made	<u>(469,563)</u>
Increase in net OPEB asset	(9,798)
Net OPEB (asset), beginning of year	<u>(392,489)</u>
Net OPEB (asset), end of year	<u><u>\$ (402,287)</u></u>

The DWS's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation (asset) for 2014 was as follows:

Three-Year Trend Information			
Years Ended December 31,	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation (Asset)
2012	\$ 407,870	130%	\$ (312,734)
2013	424,184	117%	(392,489)
2014	469,297	84%	(402,287)

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

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Additional information as of the latest actuarial valuation follows:

Valuation date	12/31/2013
Actuarial cost method	Individual entry-age
Amortization method	Level percentage of pay if division open and level dollar if division closed
Remaining amortization period	30 years
Assets valuation method	Market value
Actuarial assumptions:	
Investment rate of return	BABH - 7.5% a year, compounded annually All other groups - 6.0% a year, compounded annually
Projected salary increases	4 percent pay inflation plus merit and longevity
Additional merit and longevity increases	1 percent to 8 percent, dependent on years of service
Healthcare cost trend rate	9% initial 4% ultimate

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

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

	Plan Net Position		
	Pension Trust Fund	VEBA Trust Fund	Total
Assets			
Investments, at fair value:			
Equities	\$ 235,472,319	\$ 26,210,737	\$ 261,683,056
Fixed income	61,451,732	15,005,402	76,457,134
Money market	11,980,922	973,798	12,954,720
Total investments	308,904,973	42,189,937	351,094,910
Receivables:			
Interest and dividends	786,448	106,589	893,037
Accounts	197,316	3,720	201,036
Total receivables	983,764	110,309	1,094,073
Other current assets:			
Prepaid items and other assets	1,325,787	-	1,325,787
Net pension asset	4,291	-	4,291
Due from other funds	227	-	227
Due from component units	56,989	-	56,989
Total other current assets	1,387,294	-	1,387,294
Total assets	311,276,031	42,300,246	353,576,277

BAY COUNTY, MICHIGAN

Notes To Financial Statements

	Plan Net Position		
	Pension Trust Fund	VEBA Trust Fund	Total
Liabilities			
Accounts payable	\$ 452,943	\$ 18,085	\$ 471,028
Accrued liabilities	2,650,701	155,519	2,806,220
Accrued vacation and sick pay	893	-	893
Net OPEB obligation	30,601	-	30,601
Total liabilities	3,135,138	173,604	3,308,742
Net position			
Restricted for:			
Employees' retirement system	308,140,893	-	308,140,893
Postemployment health care benefits	-	42,126,642	42,126,642
Total net position	\$ 308,140,893	\$ 42,126,642	\$ 350,267,535
	Plan Changes in Net Position		
	Pension Trust Fund	VEBA Trust Fund	Total
Additions			
Contributions:			
Employer	\$ 3,611,945	\$ 682,539	\$ 4,294,484
Plan members	2,120,927	-	2,120,927
Total contributions	5,732,872	682,539	6,415,411
Investment income:			
Net appreciation/depreciation in fair value of securities	19,798,907	1,449,587	21,248,494
Interest and dividends	5,411,603	1,706,521	7,118,124
Less investment expense	(2,189,078)	(27,441)	(2,216,519)
Total investment income	23,021,432	3,128,667	26,150,099
Other revenue	142,432	3,238	145,670
Total additions	28,896,736	3,814,444	32,711,180
Deductions			
Benefit payments	15,527,700	-	15,527,700
Administrative expenses	235,463	128,416	363,879
Refunds of contributions	380,778	-	380,778
Total deductions	16,143,941	128,416	16,272,357
Change in net position	12,752,795	3,686,028	16,438,823
Net position, beginning of year	295,388,098	38,440,614	333,828,712
Net position, end of year	\$ 308,140,893	\$ 42,126,642	\$ 350,267,535

BAY COUNTY, MICHIGAN

Notes To Financial Statements

13. SELF-INSURANCE

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

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

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

The County estimates the liability for claims that have been incurred through December 31, 2014, including both claims that have been reported as well as those that have not yet been reported and estimates of both future payments of losses and related claim adjustment expenses. Estimated liabilities for unpaid claims are based on historical claim payments, including related legal and administrative expenses. Neither the County nor the Bay Medical Care Facility has experienced settlements in excess of insurance coverage during the past three years.

General Liability

In 2014, the County was self-insured for general liability insurance coverage with Michigan Municipal Risk Management Authority ("MMRMA"). Bay County's contributions to this fund are determined each year by MMRMA based on its review of an application filed by the County, which identifies County assets such as property, vehicles, buildings, and equipment. Bay County's retention levels and policy coverage through MMRMA are as follows:

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

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Limits of Coverage

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

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

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

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

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

	2014	2013
Claims liability, beginning of year	\$ 122,253	\$ 42,569
Claims and damages incurred	175,746	248,355
Claims payments and adjustments	<u>(102,627)</u>	<u>(168,671)</u>
Claims liability, end of year	<u>\$ 195,372</u>	<u>\$ 122,253</u>

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

	2014	2013
Claims liability, beginning of year	\$ 161,113	\$ 95,270
Claims and damages incurred	(85,729)	146,540
Claims payments and adjustments	<u>(62,379)</u>	<u>(80,697)</u>
Claims liability, end of year	<u>\$ 13,005</u>	<u>\$ 161,113</u>

Changes in the estimated claims liabilities for healthcare claims (excluding the Medical Care Facility) for the year ended December 31, 2014 and 2013, are as follows:

	2014	2013
Claims liability, beginning of year	\$ 396,313	\$ 379,476
Claims and damages incurred	4,659,459	4,736,205
Claims payments and adjustments	<u>(4,666,157)</u>	<u>(4,719,368)</u>
Claims liability, end of year	<u>\$ 389,615</u>	<u>\$ 396,313</u>

BAY COUNTY, MICHIGAN

Notes To Financial Statements

The Facility is self-insured for healthcare claims. The Facility is covered by a stop-loss policy that covers individual claims over \$15,000. Changes in the estimated claims liabilities for healthcare claims of the Medical Care Facility for the year ended December 31, 2014 and 2013, are as follows:

	2014	2013
Claims liability, beginning of year	\$ 219,501	\$ 219,501
Claims and damages incurred	2,126,775	3,362,615
Claims payments and adjustments	<u>(2,180,217)</u>	<u>(3,362,615)</u>
Claims liability, end of year	<u>\$ 166,059</u>	<u>\$ 219,501</u>

General Liability - Road Commission Component Unit

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

General Liability - Department of Water and Sewer Component Unit

The Department of Water and Sewer is self-insured for workers' compensation claims. This program is administered by an independent company which furnishes safety inspection, claims review, and claims processing services. The employers' liability maximum limit of indemnity per occurrence is \$1,000,000 and the self-insured retention per occurrence is \$400,000. Net cost for the year ended December 31, 2014, was \$7,109.

The Department of Water and Sewer is further insured for general, automobile, and errors or omissions claims as a member of the Michigan County Road Commission Self-Insurance Pool and is insured for liabilities up to a limit of \$10,500,000 per occurrence, subject to a \$1,000 deductible. The Department of Water and Sewer would be responsible for losses in excess of the limit. Payments made for the year ended December 31, 2014, were \$40,806.

The Department of Water and Sewer is further insured as a member of the Michigan County Road Commission Self-Insurance Pool for building, contents, off-road equipment and licensed vehicles claims and is insured for the lessor of the scheduled value of property or the cost of repairs or replacement, subject to a \$500 deductible. Payments made for the year ended December 31, 2014, were \$84,728.

The Department of Water and Sewer became self-insured for healthcare claims effective February 1, 2006. Blue Cross Blue Shield of Michigan administers the claims and provides \$75,000 specific stop loss coverage in a combined contract with DWS and Bay County Road Commission. Payments made for the year ended December 31, 2014, were \$830,320.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

14. PROPERTY TAXES

The County property tax is levied each July 1st and December 1st through 2014 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 2014 ad valorem tax is levied and collectible by December 1, 2014, it is the County's policy for all governmental fund types (with the exception below) to recognize revenues from the current tax levy in the year when the proceeds of the levy are budgeted and made available for financing County operations.

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

The taxable value of real and personal property for the December 1, 2013, levy totaled \$2,870,408,411. The taxable value of real and personal property for the July 1, 2014, levy totaled \$2,853,948,154. The tax levy for fiscal year 2014 operations was based on the following rates:

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

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

BAY COUNTY, MICHIGAN

Notes To Financial Statements

15. FUND BALANCES - GOVERNMENTAL FUNDS

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

	General Fund	911 Service Fund	Division on Aging Fund	Water Supply Capital Projects Fund	Nonmajor Funds	Total
Nonspendable:						
Inventory	\$ 11,776	\$ -	\$ -	\$ -	\$ -	\$ 11,776
Interfund advance	150,000	-	-	-	-	150,000
Prepays	202,560	20,508	-	-	1,505	224,573
Long-term receivables	857,981	-	-	-	1,858,199	2,716,180
Total nonspendable	1,222,317	20,508	-	-	1,859,704	3,102,529
Restricted for:						
General county services	168,192	-	-	-	-	168,192
911 services	-	1,873,738	-	-	-	1,873,738
Division on aging	-	-	620,915	-	-	620,915
Water supply capital projects	-	-	-	15,012,617	-	15,012,617
Friend of the court	-	-	-	-	181,410	181,410
Gypsy moth control	-	-	-	-	569,450	569,450
Mosquito control	-	-	-	-	219,673	219,673
Register of deeds	-	-	-	-	118,008	118,008
Local C.F.O training	-	-	-	-	21,077	21,077
Drug law enforcement	-	-	-	-	22,424	22,424
Community corrections	-	-	-	-	8,049	8,049
Home rehabilitation	-	-	-	-	218,083	218,083
Child care/social services	-	-	-	-	1,125	1,125
Soldiers' relief	-	-	-	-	199,655	199,655
Veterans' trust	-	-	-	-	2,208	2,208
Historical preservation	-	-	-	-	-	-
Building authority debt	-	-	-	-	112,545	112,545
Water supply debt service	-	-	-	-	949,561	949,561
Total restricted	168,192	1,873,738	620,915	15,012,617	2,623,268	20,298,730
Committed for:						
Budget Stabilization	4,942,969	-	-	-	-	4,942,969
Assigned for:						
General county services	1,182,576	-	-	-	-	1,182,576
911 services	-	1,038,031	-	-	-	1,038,031
Division on aging	-	-	654,789	-	-	654,789
Health department	-	-	-	-	367,944	367,944
Gypsy moth control	-	-	-	-	62,226	62,226
Mosquito control	-	-	-	-	60,842	60,842
Register of deeds automation	-	-	-	-	47,873	47,873
Local C.F.O. training	-	-	-	-	16,963	16,963
Law library	-	-	-	-	145	145
Community corrections	-	-	-	-	76,320	76,320
Social welfare	-	-	-	-	35,382	35,382
Child care services	-	-	-	-	31,834	31,834
Child care social services	-	-	-	-	15,133	15,133
Total assigned	1,182,576	1,038,031	654,789	-	714,662	3,590,058
Unassigned	5,683,497	-	-	-	-	5,683,497
Total fund balances, governmental funds	\$ 13,199,551	\$ 2,932,277	\$ 1,275,704	\$ 15,012,617	\$ 5,197,634	\$ 37,617,783

BAY COUNTY, MICHIGAN

Notes To Financial Statements

16. NET INVESTMENT IN CAPITAL ASSETS

The composition of net investment in capital assets as of December 31, 2014, was as follows:

	Governmental Activities	Business-type Activities	Component Units
Capital assets:			
Assets not being depreciated	\$ 43,882,168	\$ 1,361,690	\$ 58,730,502
Assets being depreciated, net	43,836,261	6,201,098	66,974,857
	<u>87,718,429</u>	<u>7,562,788</u>	<u>125,705,359</u>
Related debt:			
Due within one year	2,416,332	6,117	1,074,815
Due more than one year	57,857,251	203,837	7,431,469
Less compensated absences	(1,973,545)	(209,954)	(1,304,051)
Less proceeds not used for capital outlay	(15,012,617)	-	-
	<u>43,287,421</u>	<u>-</u>	<u>7,202,233</u>
Net investment in capital assets	<u>44,431,008</u>	<u>7,562,788</u>	<u>118,503,126</u>

17. COMMITMENTS, CONTINGENCIES, AND PENDING LITIGATION

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

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

On September 17, 2014, the County entered into a construction contract for the Division on Aging kitchen addition in the amount of \$912,972. Of this amount, \$642,382 has been completed, leaving \$270,590 as remaining commitment as of December 31, 2014.

On May 31, 2014, the County entered into a construction contract for the Wilcox drain project in the amount of \$823,923. Of this amount, \$173,862 has been completed, leaving \$650,061 as a remaining commitment as of December 31, 2014.

18. RESTATEMENT

Beginning net position of the Medical Care Facility was restated to properly recognize health insurance costs related to fiscal year ended December 31, 2013. The effect of this restatement was an increase in operating expenses of \$304,486 and a corresponding decrease to the change in net position for fiscal year 2013.

19. SUBSEQUENT EVENT

On February 17, 2015, an agreement for the Water Plant Cost Sharing Agreement was signed between Bay County, City of Bay City, and Bay County Road Commission for the County to assume debt related to the Bay County Water Supply System. The principal balance as of February 17, 2015 was \$3,895,000.



REQUIRED SUPPLEMENTARY INFORMATION

BAY COUNTY, MICHIGAN

Required Supplementary Information

Employees' Retirement System

Schedule of Funding Progress Employees' Retirement System Trust Fund

Actuarial Valuation Date December 31,	Actuarial Value of Assets (in Thousands)	Actuarial Accrued Liability (AAL) Entry Age (in Thousands)	Unfunded AAL (UAAL) (in Thousands)	Funded Ratio	Covered Payroll (in Thousands)	UAAL as a Percentage of Covered Payroll
2011	\$ 241,208	\$ 241,792	\$ (584)	100%	\$ 48,583	(1%)
2012	239,281	245,270	(5,989)	98%	48,572	(12%)
2013	263,365	262,118	1,247	100%	44,536	3%

Schedule of Employer Contributions Employees' Retirement System Trust Fund

Year Ended December 31,	Annual Required Contributions	Percentage Contributed
2012	\$ 3,070,500	114%
2013	4,073,454	101%
2014	3,611,945	100%

The information presented in the supplemental schedule was determined as part of the actuarial valuation at the dates indicated. Additional information as of the latest actuarial valuation (December 31, 2013) follows:

Actuarial cost method	Individual entry age normal cost
Amortization method	Level percent of payroll
Remaining amortization method:	29 years closed for groups that are underfunded and 10 years open for groups that are overfunded.
Asset valuation method	Market value with 5 year smoothing of gains and losses.
Actuarial assumptions:	
Investment rating return	7.5 percent
Projected salary increases	3.5 percent pay inflation plus merit and longevity
Additional merit and longevity increases	0.75 percent to 6.00 percent, dependent on member's age
Cost-of-living adjustments	None

BAY COUNTY, MICHIGAN

Required Supplementary Information

Employees' Retirement System

For the Year Ended December 31, 2014

Schedule of Changes in Net Pension Liability and Related Ratios

	Year Ending December 31, 2014
Total pension liability	
Service cost	\$ 5,152,173
Interest	19,255,500
Benefit payments, including refunds of member contributions	(15,908,478)
Net change in total pension liability	<u>8,499,195</u>
Total pension liability, beginning of year	<u>262,118,158</u>
Total pension liability, end of year	<u>270,617,353</u>
Plan fiduciary net position	
Employer contributions	3,611,945
Employee contributions	2,120,927
Pension plan net investment income/depreciation	23,163,864
Benefit payments, including refunds of member contributions	(15,908,478)
Pension plan administrative expenses	(235,463)
Net change in fiduciary net position	<u>12,752,795</u>
Fiduciary net position, beginning of year	<u>295,388,098</u>
Fiduciary net position, end of year	<u>308,140,893</u>
Net pension asset	<u>\$ 37,523,540</u>
Fiduciary net position as a percentage of total pension asset	113.87%
Covered employee payroll	<u>\$ 45,995,310</u>
Net pension asset as a percentage of covered employee payroll	81.58%

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

BAY COUNTY, MICHIGAN

Required Supplementary Information

Employees' Retirement System

For the Year Ended December 31, 2014

Schedule of the Net Pension Liability

Fiscal Year Ended December 31,	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL) Attained Age	(b-a) Unfunded Actuarial Accrued Liability (Asset)	(a/b) Funded Ratio	(c) Covered Payroll	((b-a)/c) UAAL as a % of Covered Payroll
2014	\$ 308,140,893	\$ 270,617,353	\$ (37,523,540)	113.9%	\$ 45,995,310	-81.6%

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

BAY COUNTY, MICHIGAN

Required Supplementary Information

Employees' Retirement System

For the Year Ended December 31, 2014

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
2014	\$ 3,611,945	\$ 3,611,945	\$ -	\$ 45,995,310	7.85%

Notes to Schedule of Contributions

Valuation date December 31, 2014

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	29 years years closed for groups that are underfunded
	10 years open for groups that are overfunded
	10 years closed for BABH ERIP
Asset valuation method	5 years smoothed market
Wage inflation	3.50%
Price inflation	3.00%
Salary increases	4.25%-9.50%, including inflation
Investment rate of return	7.50%
Mortality	RP 2000 Combined Healthy Mortality Table

BAY COUNTY, MICHIGAN

Required Supplementary Information

Employees' Retirement System

For the Year Ended December 31, 2014

Schedule of Investment Returns

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

* 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.

BAY COUNTY, MICHIGAN

Required Supplementary Information

VEBA Trust Fund

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

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

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

Year Ended December 31,	Annual Required Contributions	Percentage Contributed
2012	\$ 5,455,022	21%
2013	5,401,227	21%
2014	4,159,427	34%

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

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

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

Year Ended December 31,	Annual Required Contributions	Percentage Contributed
2012	\$ 3,821,443	100%
2013	3,798,701	100%
2014	3,001,446	100%

Schedule of Funding Progress
Other Postemployment Benefits Plan
Library Component Unit

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

Schedule of Employer Contributions
Other Postemployment Benefits Plan
Library Component Unit

Year Ended December 31,	Annual Required Contributions	Percentage Contributed
2012	\$ 160,527	100%
2013	166,949	100%
2014	384,214	100%

The information presented in the supplemental schedule was determined as part of the actuarial valuation at the dates indicated. Additional information as of the latest actuarial valuation (December 31, 2013) follows:

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

*Includes pay inflation at 3.5 percent

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

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

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

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

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

The *Homeland Security Fund* accounts for revenues received from federal grants administered by the United States Department of Homeland Security, for building and sustaining national preparedness activities.

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

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS (concluded)

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

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

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

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

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

DEBT SERVICE FUNDS

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

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

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

BAY COUNTY, MICHIGAN

Combining Balance Sheet

Nonmajor Governmental Funds

December 31, 2014

	Special Revenue Funds				
	Friend of the Court	Health Department / District Health	Gypsy Moth Control	Mosquito Control	Register of Deeds Automation
Assets					
Cash and cash equivalents	\$ 84,339	\$ 43,413	\$ 73,815	\$ 90,226	\$ 23,524
Investments	100,812	-	559,758	248,019	144,530
Accounts receivable, net of allowance	-	6,463	-	-	1
Property taxes receivable, net of allowance	-	-	269,123	1,211,656	-
Accrued interest receivable	-	-	11,003	8,534	3,359
Due from component units	-	7,754	-	-	-
Due from other governmental units	-	634,909	-	-	-
Prepays and other assets	-	-	-	-	-
Total assets	\$ 185,151	\$ 692,539	\$ 913,699	\$ 1,558,435	\$ 171,414
Liabilities					
Accounts payable	\$ 256	\$ 64,132	\$ 217	\$ 4,634	\$ 5,533
Accrued liabilities	3,432	243,855	2,889	16,555	-
Accrued vacation and sick pay	-	6,363	-	912	-
Due to other funds	53	1,311	44	268	-
Due to other governmental units	-	103	-	-	-
Interfund advances	-	-	-	-	-
Unearned revenue	-	8,831	-	-	-
Total liabilities	3,741	324,595	3,150	22,369	5,533
Deferred inflows of resources					
Unavailable revenue - property taxes	-	-	329	2,105	-
Taxes levied for a subsequent period	-	-	278,544	1,253,446	-
Total deferred inflows of resources	-	-	278,873	1,255,551	-
Fund balances					
Nonspendable	-	-	-	-	-
Restricted	181,410	-	569,450	219,673	118,008
Assigned	-	367,944	62,226	60,842	47,873
Total fund balances	181,410	367,944	631,676	280,515	165,881
Total liabilities, deferred inflows of resources and fund balances	\$ 185,151	\$ 692,539	\$ 913,699	\$ 1,558,435	\$ 171,414

Special Revenue Funds					
Local C.F.O. Training	Drug Law Enforcement	Law Library	Community Corrections	Home Rehabilitation	Homeland Security
\$ 34,015	\$ 22,424	\$ 3,185	\$ 65,102	\$ 49,008	\$ -
-	-	-	-	-	-
4,025	-	-	-	1,994,731	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	28,882	33,816	-
-	-	-	-	-	-
<u>\$ 38,040</u>	<u>\$ 22,424</u>	<u>\$ 3,185</u>	<u>\$ 93,984</u>	<u>\$ 2,077,555</u>	<u>\$ -</u>
\$ -	\$ -	\$ 3,040	\$ 6,345	\$ 1,174	\$ -
-	-	-	3,252	97	-
-	-	-	-	-	-
-	-	-	18	2	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	3,040	9,615	1,273	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	1,858,199	-
21,077	22,424	-	8,049	218,083	-
16,963	-	145	76,320	-	-
<u>38,040</u>	<u>22,424</u>	<u>145</u>	<u>84,369</u>	<u>2,076,282</u>	<u>-</u>
<u>\$ 38,040</u>	<u>\$ 22,424</u>	<u>\$ 3,185</u>	<u>\$ 93,984</u>	<u>\$ 2,077,555</u>	<u>\$ -</u>

continued...

BAY COUNTY, MICHIGAN

Combining Balance Sheet

Nonmajor Governmental Funds

December 31, 2014

	Special Revenue Funds			
	Social Welfare	Child Care	Child Care / Social Services	Soldiers' Relief
Assets				
Cash and cash equivalents	\$ 3,743	\$ 218,168	\$ 16,258	\$ 31,413
Investments	31,714	-	-	187,152
Accounts receivable, net of allowance	-	-	-	-
Property taxes receivable, net of allowance	-	-	-	269,118
Accrued interest receivable	-	-	-	3,949
Due from component units	-	-	-	-
Due from other governmental units	-	248,543	-	-
Prepays and other assets	-	-	-	1,505
Total assets	<u>\$ 35,457</u>	<u>\$ 466,711</u>	<u>\$ 16,258</u>	<u>\$ 493,137</u>
Liabilities				
Accounts payable	\$ 75	\$ 213,866	\$ -	\$ 13,110
Accrued liabilities	-	63,440	-	-
Accrued vacation and sick pay	-	5,313	-	-
Due to other funds	-	904	-	-
Due to other governmental units	-	1,354	-	-
Interfund advances	-	150,000	-	-
Unearned revenue	-	-	-	-
Total liabilities	<u>75</u>	<u>434,877</u>	<u>-</u>	<u>13,110</u>
Deferred inflows of resources				
Unavailable revenue - property taxes	-	-	-	323
Taxes levied for a subsequent period	-	-	-	278,544
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>278,867</u>
Fund balances				
Nonspendable	-	-	-	1,505
Restricted	-	-	1,125	199,655
Assigned	35,382	31,834	15,133	-
Total fund balances	<u>35,382</u>	<u>31,834</u>	<u>16,258</u>	<u>201,160</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 35,457</u>	<u>\$ 466,711</u>	<u>\$ 16,258</u>	<u>\$ 493,137</u>



Special Revenue Funds		Debt Service Funds		Total Nonmajor Governmental Funds
Veterans' Trust	Historical Preservation	Building Authority	Water Supply	
\$ 2,229	\$ 9,736	\$ 10,329	\$ 949,561	\$ 1,730,488
-	-	91,982	-	1,363,967
-	-	-	-	2,005,220
-	256,339	-	-	2,006,236
-	-	17,034	-	43,879
-	-	-	-	7,754
-	-	-	-	946,150
-	-	-	-	1,505
<hr/>				
\$ 2,229	\$ 266,075	\$ 119,345	\$ 949,561	\$ 8,105,199
<hr/>				
\$ 21	\$ -	\$ -	\$ -	\$ 312,403
-	459	-	-	333,979
-	-	-	-	12,588
-	-	-	-	2,600
-	-	-	-	1,457
-	-	-	-	150,000
-	-	6,800	-	15,631
<hr/>				
21	459	6,800	-	828,658
<hr/>				
-	443	-	-	3,200
-	265,173	-	-	2,075,707
<hr/>				
-	265,616	-	-	2,078,907
<hr/>				
-	-	-	-	1,859,704
2,208	-	112,545	949,561	2,623,268
-	-	-	-	714,662
<hr/>				
2,208	-	112,545	949,561	5,197,634
<hr/>				
\$ 2,229	\$ 266,075	\$ 119,345	\$ 949,561	\$ 8,105,199
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concluded

BAY COUNTY, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended December 31, 2014

	Special Revenue Funds				
	Friend of the Court	Health Department / District Health	Gypsy Moth Control	Mosquito Control	Register of Deeds Automation
Revenues					
Taxes	\$ -	\$ -	\$ 281,620	\$ 1,269,037	\$ -
Licenses and permits	-	198,039	-	-	-
Federal	66,927	1,008,395	-	-	-
State	-	380,920	-	-	-
Interest, rents and royalties	-	9,114	32,228	19,402	11,513
Charges for services	43,143	59,108	-	164	-
Fines and forfeitures	-	-	-	-	-
Reimbursements, refunds, and other revenues	-	815,291	-	-	-
Total revenues	110,070	2,470,867	313,848	1,288,603	11,513
Expenditures					
Current:					
General government	-	-	114,239	-	101,060
Public safety	-	-	-	-	-
Community and economic development	-	-	-	-	-
Health and welfare	-	3,287,569	-	1,082,231	-
Judicial	109,364	-	-	-	-
Recreation and culture	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest and other fees	-	-	-	-	-
Total expenditures	109,364	3,287,569	114,239	1,082,231	101,060
Revenues over (under) expenditures	706	(816,702)	199,609	206,372	(89,547)
Other financing sources (uses)					
Transfers in	-	1,154,589	-	-	92,530
Transfers out	-	(370,734)	(19,904)	(139,961)	(23,073)
Total other financing sources (uses)	-	783,855	(19,904)	(139,961)	69,457
Net change in fund balances	706	(32,847)	179,705	66,411	(20,090)
Fund balances, beginning of year	180,704	400,791	451,971	214,104	185,971
Fund balances, end of year	\$ 181,410	\$ 367,944	\$ 631,676	\$ 280,515	\$ 165,881

Special Revenue Funds					
Local C.F.O. Training	Drug Law Enforcement	Law Library	Community Corrections	Home Rehabilitation	Homeland Security
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	245,060	-
-	-	-	126,079	-	-
-	-	-	-	404	-
16,627	-	-	-	-	-
-	7,790	6,500	-	-	-
-	-	-	1,100	9,576	-
16,627	7,790	6,500	127,179	255,040	-
-	-	-	-	-	-
19,975	2,379	-	141,576	-	-
-	-	-	-	52,398	-
-	-	-	-	-	-
-	-	33,324	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
19,975	2,379	33,324	141,576	52,398	-
(3,348)	5,411	(26,824)	(14,397)	202,642	-
-	-	25,565	34,688	-	-
-	-	-	-	-	(3,712)
-	-	25,565	34,688	-	(3,712)
(3,348)	5,411	(1,259)	20,291	202,642	(3,712)
41,388	17,013	1,404	64,078	1,873,640	3,712
\$ 38,040	\$ 22,424	\$ 145	\$ 84,369	\$ 2,076,282	\$ -

continued...

BAY COUNTY, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended December 31, 2014

	Special Revenue Funds			
	Social Welfare	Child Care	Child Care / Social Services	Soldiers' Relief
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ 281,410
Licenses and permits	-	-	-	-
Federal	-	18,159	-	-
State	-	122,628	-	-
Interest, rents and royalties	-	-	-	10,975
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Reimbursements, refunds, and other revenues	529	1,305,210	-	-
Total revenues	529	1,445,997	-	292,385
Expenditures				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Community and economic development	-	-	-	-
Health and welfare	4,843	2,545,508	-	204,063
Judicial	-	-	-	-
Recreation and culture	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and other fees	-	-	-	-
Total expenditures	4,843	2,545,508	-	204,063
Revenues over (under) expenditures	(4,314)	(1,099,511)	-	88,322
Other financing sources (uses)				
Transfers in	-	1,250,565	-	-
Transfers out	(50,000)	(173,535)	-	(11,567)
Total other financing sources (uses)	(50,000)	1,077,030	-	(11,567)
Net change in fund balances	(54,314)	(22,481)	-	76,755
Fund balances, beginning of year	89,696	54,315	16,258	124,405
Fund balances, end of year	\$ 35,382	\$ 31,834	\$ 16,258	\$ 201,160

Continued...

Special Revenue Funds		Debt Service Funds		Total Nonmajor Governmental Funds
Veterans' Trust	Historical Preservation	Building Authority	Water Supply	
\$ -	\$ 268,262	\$ -	\$ -	\$ 2,100,329
-	-	-	-	198,039
-	-	-	-	1,338,541
-	-	-	-	629,627
-	101	27,148	538	111,423
-	-	-	-	119,042
-	-	-	-	14,290
54,064	-	1,393,400	2,017,593	5,596,763
54,064	268,363	1,420,548	2,018,131	10,108,054
-	-	-	-	215,299
-	-	-	-	163,930
-	-	-	-	52,398
55,235	-	-	-	7,179,449
-	-	-	-	142,688
-	268,363	-	-	268,363
-	-	1,930,000	-	1,930,000
-	-	437,724	1,516,093	1,953,817
55,235	268,363	2,367,724	1,516,093	11,905,944
(1,171)	-	(947,176)	502,038	(1,797,890)
-	-	974,325	-	3,532,262
-	-	-	-	(792,486)
-	-	974,325	-	2,739,776
(1,171)	-	27,149	502,038	941,886
3,379	-	85,396	447,523	4,255,748
\$ 2,208	\$ -	\$ 112,545	\$ 949,561	\$ 5,197,634

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, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Federal grants	\$ 87,096	\$ 133,644	\$ 66,927	\$ (66,717)
Charges for services	43,580	43,580	43,143	(437)
	<u>130,676</u>	<u>177,224</u>	<u>110,070</u>	<u>(67,154)</u>
Total revenues	130,676	177,224	110,070	(67,154)
Expenditures				
Judicial	<u>109,779</u>	<u>180,307</u>	<u>109,364</u>	<u>(70,943)</u>
Net change in fund balance	20,897	(3,083)	706	3,789
Fund balance, beginning of year	<u>180,704</u>	<u>180,704</u>	<u>180,704</u>	<u>-</u>
Fund balance, end of year	<u>\$ 201,601</u>	<u>\$ 177,621</u>	<u>\$ 181,410</u>	<u>\$ 3,789</u>

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Health Department/District Health

For the Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Licenses and permits	\$ 198,900	\$ 198,900	\$ 198,039	\$ (861)
Federal grants	1,008,833	1,054,167	1,008,395	(45,772)
State grants	330,563	363,952	380,920	16,968
Interest, rents and royalties	9,000	9,000	9,114	114
Charges for services	99,260	99,260	59,108	(40,152)
Reimbursements, refunds, and other revenues	684,938	746,166	815,291	69,125
Total revenues	2,331,494	2,471,445	2,470,867	(578)
Expenditures				
Health and welfare	3,378,798	3,524,987	3,287,569	(237,418)
Revenues over (under) expenditures	(1,047,304)	(1,053,542)	(816,702)	236,840
Other financing sources (uses)				
Transfers in	1,252,628	1,252,628	1,154,589	(98,039)
Transfers out	(370,734)	(370,734)	(370,734)	-
Total other financing sources (uses)	881,894	881,894	783,855	(98,039)
Net change in fund balance	(165,410)	(171,648)	(32,847)	138,801
Fund balance, beginning of year	400,791	400,791	400,791	-
Fund balance, end of year	\$ 235,381	\$ 229,143	\$ 367,944	\$ 138,801

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Gypsy Moth Control

For the Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property and other taxes	\$ 279,708	\$ 279,708	\$ 281,620	\$ 1,912
Interest, rents and royalties	9,058	9,058	32,228	23,170
Total revenues	288,766	288,766	313,848	25,082
Expenditures				
General government	225,927	225,927	114,239	(111,688)
Revenues over expenditures	62,839	62,839	199,609	136,770
Other financing uses				
Transfers out	(19,904)	(19,904)	(19,904)	-
Net change in fund balances	42,935	42,935	179,705	136,770
Fund balance, beginning of year	451,971	451,971	451,971	-
Fund balance, end of year	\$ 494,906	\$ 494,906	\$ 631,676	\$ 136,770

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Mosquito Control Fund

For the Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property and other taxes	\$ 1,258,688	\$ 1,258,688	\$ 1,269,037	\$ 10,349
Interest, rents and royalties	12,000	12,000	19,402	7,402
Charges for services	-	-	164	164
Total revenues	1,270,688	1,270,688	1,288,603	17,915
Expenditures				
Health and welfare	1,158,680	1,158,680	1,082,231	(76,449)
Revenues over expenditures	112,008	112,008	206,372	94,364
Other financing uses				
Transfers out	(139,961)	(139,961)	(139,961)	-
Net change in fund balances	(27,953)	(27,953)	66,411	94,364
Fund balances, beginning of year	214,104	214,104	214,104	-
Fund balances, end of year	\$ 186,151	\$ 186,151	\$ 280,515	\$ 94,364

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Register of Deeds Automation

For the Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Interest, rents and royalties	\$ 9,000	\$ 9,000	\$ 11,513	\$ 2,513
Expenditures				
General government	147,050	219,204	101,060	(118,144)
Revenues over (under) expenditures	(138,050)	(210,204)	(89,547)	120,657
Other financing sources (uses)				
Transfers in	110,000	110,000	92,530	(17,470)
Transfers out	(23,073)	(23,073)	(23,073)	-
Total other financing sources (uses)	86,927	86,927	69,457	(17,470)
Net change in fund balances	(51,123)	(123,277)	(20,090)	103,187
Fund balances, beginning of year	185,971	185,971	185,971	-
Fund balances, end of year	\$ 134,848	\$ 62,694	\$ 165,881	\$ 103,187

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, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Charges for services	\$ 18,000	\$ 18,000	\$ 16,627	\$ (1,373)
Expenditures				
Public safety	35,102	35,102	19,975	(15,127)
Net change in fund balances	(17,102)	(17,102)	(3,348)	13,754
Fund balances, beginning of year	41,388	41,388	41,388	-
Fund balances, end of year	<u>\$ 24,286</u>	<u>\$ 24,286</u>	<u>\$ 38,040</u>	<u>\$ 13,754</u>

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Drug Law Enforcement

For the Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Fines and forfeitures	\$ 3,500	\$ 3,500	\$ 7,790	\$ 4,290
Expenditures				
Public safety	280	3,293	2,379	(914)
Net change in fund balances	3,220	207	5,411	5,204
Fund balances, beginning of year	17,013	17,013	17,013	-
Fund balances, end of year	<u>\$ 20,233</u>	<u>\$ 17,220</u>	<u>\$ 22,424</u>	<u>\$ 5,204</u>

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Law Library

For the Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Fines and forfeitures	\$ 6,500	\$ 6,500	\$ 6,500	\$ -
Expenditures				
Judicial	28,380	33,324	33,324	-
Revenues under expenditures	(21,880)	(26,824)	(26,824)	-
Other financing sources				
Transfers in	20,620	25,565	25,565	-
Net change in fund balances	(1,260)	(1,259)	(1,259)	-
Fund balances, beginning of year	1,404	1,404	1,404	-
Fund balances, end of year	\$ 144	\$ 145	\$ 145	\$ -

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Community Corrections

For the Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
State grants	\$ 136,351	\$ 136,351	\$ 126,079	\$ (10,272)
Reimbursements, refunds, and other revenues	-	-	1,100	1,100
Total Revenues	136,351	136,351	127,179	(9,172)
Expenditures				
Public safety	171,039	171,039	141,576	(29,463)
Revenues over (under) expenditures	(34,688)	(34,688)	(14,397)	20,291
Other financing sources				
Transfers in	34,688	34,688	34,688	-
Net change in fund balances	-	-	20,291	20,291
Fund balances, beginning of year	64,078	64,078	64,078	-
Fund balances, end of year	\$ 64,078	\$ 64,078	\$ 84,369	\$ 20,291

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Home Rehabilitation

For the Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Federal grants	\$ 150,000	\$ 285,625	\$ 245,060	\$ (40,565)
Interest, rents and royalties	1,000	1,000	404	(596)
Charges for services	300	300	-	(300)
Reimbursements, refunds, and other revenues	-	9,481	9,576	95
Total revenues	151,300	296,406	255,040	(41,366)
Expenditures				
Community and economic development	185,436	341,484	52,398	(289,086)
Net change in fund balances	(34,136)	(45,078)	202,642	247,720
Fund balances, beginning of year	1,873,640	1,873,640	1,873,640	-
Fund balances, end of year	\$ 1,839,504	\$ 1,828,562	\$ 2,076,282	\$ 247,720

BAY COUNTY, MICHIGAN

■ Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Homeland Security

For the Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Other financing sources				
Transfers out	\$ -	\$ (3,712)	\$ (3,712)	\$ -
Net change in fund balances	-	(3,712)	(3,712)	-
Fund balances, beginning of year	3,712	3,712	3,712	-
Fund balances, end of year	<u>\$ 3,712</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Social Welfare

For the Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Reimbursements, refunds, and other revenues	\$ -	\$ -	\$ 529	\$ 529
Expenditures				
Health and welfare	35,900	35,900	4,843	(31,057)
Revenues over (under) expenditures	(35,900)	(35,900)	(4,314)	31,586
Other financing sources				
Transfers out	(50,000)	(50,000)	(50,000)	-
Net change in fund balances	(85,900)	(85,900)	(54,314)	31,586
Fund balances, beginning of year	89,696	89,696	89,696	-
Fund balances, end of year	\$ 3,796	\$ 3,796	\$ 35,382	\$ 31,586

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Child Care

For the Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Federal grants	\$ 20,000	\$ 20,000	\$ 18,159	\$ (1,841)
State grants	116,250	116,250	122,628	6,378
Reimbursements, refunds, and other revenues	1,240,328	1,355,328	1,305,210	(50,118)
Total revenues	1,376,578	1,491,578	1,445,997	(45,581)
Expenditures				
Health and welfare	2,378,608	2,570,511	2,545,508	(25,003)
Revenues under expenditures	(1,002,030)	(1,078,933)	(1,099,511)	(20,578)
Other financing sources (uses)				
Transfers in	1,175,565	1,250,565	1,250,565	-
Transfers out	(173,535)	(173,535)	(173,535)	-
Total other financing sources (uses)	1,002,030	1,077,030	1,077,030	-
Net change in fund balances	-	(1,903)	(22,481)	(20,578)
Fund balances, beginning of year	54,315	54,315	54,315	-
Fund balances, end of year	\$ 54,315	\$ 52,412	\$ 31,834	\$ (20,578)

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, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Reimbursements, refunds, and other revenues	\$ 900	\$ 900	\$ -	\$ (900)
Expenditures				
Health and welfare	5,000	5,000	-	(5,000)
Net change in fund balances	(4,100)	(4,100)	-	4,100
Fund balances, beginning of year	16,258	16,258	16,258	-
Fund balances, 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, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property and other taxes	\$ 279,708	\$ 279,708	\$ 281,410	\$ 1,702
Interest, rents and royalties	-	-	10,975	10,975
Total revenues	279,708	279,708	292,385	12,677
Expenditures				
Health and welfare	220,095	232,345	204,063	(28,282)
Revenues over expenditures	59,613	47,363	88,322	40,959
Other financing uses				
Transfers out	(11,567)	(11,567)	(11,567)	-
Net change in fund balances	48,046	35,796	76,755	40,959
Fund balances, beginning of year	124,405	124,405	124,405	-
Fund balances, end of year	\$ 172,451	\$ 160,201	\$ 201,160	\$ 40,959

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual -Veterans' Trust

For the Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Reimbursements, refunds and other revenues	\$ 60,000	\$ 60,000	\$ 54,064	\$ (5,936)
Expenditures				
Health and welfare	60,000	60,000	55,235	(4,765)
Net change in fund balances	-	-	(1,171)	(1,171)
Fund balances, beginning of year	3,379	3,379	3,379	-
Fund balances, end of year	\$ 3,379	\$ 3,379	\$ 2,208	\$ (1,171)

BAY COUNTY, MICHIGAN

■ Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Historical Preservation

For the Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property and other taxes	\$ 266,932	\$ 266,932	\$ 268,262	\$ 1,330
Interest, rents and royalties	25	25	101	76
	<u>266,957</u>	<u>266,957</u>	<u>268,363</u>	<u>1,406</u>
Total revenues	266,957	266,957	268,363	1,406
Expenditures				
Recreation and culture	<u>266,957</u>	<u>266,957</u>	<u>268,363</u>	<u>1,406</u>
Net change in fund balances	-	-	-	-
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Building Authority Debt Service Fund

For the Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Interest, rents and royalties	\$ 12,000	\$ 12,000	\$ 27,148	\$ 15,148
Reimbursements, refunds, and other revenues	1,393,400	1,393,400	1,393,400	-
Total revenues	1,405,400	1,405,400	1,420,548	15,148
Expenditures				
Debt service:				
Principal	1,930,000	1,930,000	1,930,000	-
Interest and other fees	437,725	437,725	437,724	(1)
Total expenditures	2,367,725	2,367,725	2,367,724	(1)
Revenues over (under) expenditures	(962,325)	(962,325)	(947,176)	15,149
Other financing sources				
Transfers in	974,325	974,325	974,325	-
Net change in fund balances	12,000	12,000	27,149	15,149
Fund balances, beginning of year	85,396	85,396	85,396	-
Fund balances, end of year	\$ 97,396	\$ 97,396	\$ 112,545	\$ 15,149

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Water Supply Debt Service Fund

For the Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Interest, rents and royalties	\$ -	\$ -	\$ 538	\$ 538
Reimbursements, refunds, and other revenues	-	1,630,433	2,017,593	387,160
Total revenues	-	1,630,433	2,018,131	387,698
Expenditures				
Debt service:				
Interest and other fees	-	1,630,433	1,516,093	(114,340)
Net change in fund balances	-	-	502,038	502,038
Fund balances, beginning of year	447,523	447,523	447,523	-
Fund balances, end of year	\$ 447,523	\$ 447,523	\$ 949,561	\$ 502,038

NONMAJOR ENTERPRISE FUNDS

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

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

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

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

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

BAY COUNTY, MICHIGAN

Combining Statement of Net Position

Nonmajor Enterprise Funds

December 31, 2014

	Golf Course	Housing	Delinquent Property Tax Foreclosure	Commissary	Total
Assets					
Current assets:					
Cash and cash equivalents	\$ 16,014	\$ 415,579	\$ 57,501	\$ 7,118	\$ 496,212
Investments	80,916	109,436	214,276	53,632	458,260
Accounts receivable, net of allowance	1,494	3,304	-	724	5,522
Accrued interest receivable	2,098	-	6,814	1,322	10,234
Inventories	7,079	-	-	-	7,079
Due from component units	-	-	25,000	-	25,000
Prepaid items and other assets	-	706	11,451	-	12,157
Total current assets	107,601	529,025	315,042	62,796	1,014,464
Noncurrent assets:					
Net pension asset	13,952	13,985	-	-	27,937
Land	167,021	90,538	-	-	257,559
Construction in progress	-	48,135	-	-	48,135
Land improvements	771,553	337,164	-	-	1,108,717
Buildings and improvements	406,224	4,786,640	-	-	5,192,864
Machinery and equipment	466,176	366,145	-	-	832,321
Office furniture and fixtures	15,697	-	143,130	-	158,827
Vehicles and other	15,050	-	-	-	15,050
Less accumulated depreciation	(1,449,313)	(3,950,023)	(142,672)	-	(5,542,008)
Total noncurrent assets	406,360	1,692,584	458	-	2,099,402
Total assets	513,961	2,221,609	315,500	62,796	3,113,866
Liabilities					
Current liabilities:					
Accounts payable	1,997	25,553	17,138	-	44,688
Accrued liabilities	5,169	37,955	-	-	43,124
Current portion of compensated absences	-	4,709	-	-	4,709
Deposits payable	-	24,954	-	-	24,954
Due to other funds	79	-	68,019	-	68,098
Due to other governmental units	52	-	-	98	150
Unearned revenue	7,209	1,123	-	-	8,332
Total current liabilities	14,506	94,294	85,157	98	194,055
Noncurrent liabilities:					
Compensated absences, net of current portion	10,456	1,828	-	-	12,284
Net OPEB obligation	87,065	118,133	-	-	205,198
Total noncurrent liabilities	97,521	119,961	-	-	217,482
Total liabilities	112,027	214,255	85,157	98	411,537
Net position					
Investment in capital assets	392,408	1,678,599	458	-	2,071,465
Unrestricted	9,526	328,755	229,885	62,698	630,864
Total net position	\$ 401,934	\$ 2,007,354	\$ 230,343	\$ 62,698	\$ 2,702,329

BAY COUNTY, MICHIGAN

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

Nonmajor Enterprise Funds

For the Year Ended December 31, 2014

	Golf Course	Housing	Delinquent Property Tax Foreclosure	Commissary	Total
Operating revenues					
Program grants-subsidies	\$ -	\$ 165,266	\$ -	\$ -	\$ 165,266
Charges for services	497,279	276,522	198,745	167,204	1,139,750
Other	716	47,007	21,424	9	69,156
Total operating revenues	497,995	488,795	220,169	167,213	1,374,172
Operating expenses					
Personal services	248,941	208,184	-	-	457,125
Supplies	58,767	-	-	-	58,767
Other services	199,017	303,911	169,384	125,463	797,775
Depreciation	49,104	212,786	11,381	-	273,271
Total operating expenses	555,829	724,881	180,765	125,463	1,586,938
Operating income (loss)	(57,834)	(236,086)	39,404	41,750	(212,766)
Nonoperating revenue					
Interest income	6,365	484	21,004	4,071	31,924
Income (loss) before contributions and transfers	(51,469)	(235,602)	60,408	45,821	(180,842)
Capital contributions	-	128,959	-	-	128,959
Transfers out	-	-	(237,385)	(50,000)	(287,385)
Change in net position	(51,469)	(106,643)	(176,977)	(4,179)	(339,268)
Net position, beginning of year	453,403	2,113,997	407,320	66,877	3,041,597
Net position, end of year	\$ 401,934	\$ 2,007,354	\$ 230,343	\$ 62,698	\$ 2,702,329

BAY COUNTY, MICHIGAN

Combining Statement of Cash Flows

Nonmajor Enterprise Funds

For the Year Ended December 31, 2014

	Golf Course	Housing	Delinquent Property Tax Foreclosure	Commissary	Total
Cash flows from operating activities					
Cash received from customers	\$ 498,283	\$ 326,329	\$ 209,829	\$ 167,161	\$ 1,201,602
Cash received from grants and subsidies	-	165,266	-	-	165,266
Interfund activity	(251)	-	130,339	-	130,088
Cash payments to suppliers for goods and services	(258,216)	(289,237)	(193,574)	(125,463)	(866,490)
Cash payments to employees and related related taxes and insurance	(255,621)	(212,301)	-	(7)	(467,929)
Other operating receipts	716	-	21,424	9	22,149
Net cash provided by (used in) operating activities	(15,089)	(9,943)	168,018	41,700	184,686
Cash flows from noncapital financing activities					
Transfers out	-	-	(237,385)	(50,000)	(287,385)
Cash flows from capital and related financing activities					
Acquisition and construction of capital assets	-	(156,171)	(1)	-	(156,172)
Cash received from capital grants	-	128,959	-	-	128,959
Net cash used in capital and related financing activities	-	(27,212)	(1)	-	(27,213)
Cash flows from investing activities					
Proceeds from sale of investments	9,044	-	53,373	5,053	67,470
Purchase of investments	-	(398)	-	-	(398)
Interest received	5,872	484	18,004	3,984	28,344
Net cash provided by (used in) investing activities	14,916	86	71,377	9,037	95,416
Net increase (decrease) in cash and cash equivalents	(173)	(37,069)	2,009	737	(34,496)
Cash and cash equivalents, beginning of year	16,187	452,648	55,492	6,381	530,708
Cash and cash equivalents, end of year	\$ 16,014	\$ 415,579	\$ 57,501	\$ 7,118	\$ 496,212

Continued...

BAY COUNTY, MICHIGAN

Combining Statement of Cash Flows

Nonmajor Enterprise Funds

For the Year Ended December 31, 2014

	Golf Course	Housing	Delinquent Property Tax Foreclosure	Commissary	Total
Cash flows from operating activities					
Operating (loss) income	\$ (57,834)	\$ (236,086)	\$ 39,404	\$ 41,750	\$ (212,766)
Adjustments to reconcile operating (loss) income to net cash provided by (used in) operating activities					
Depreciation	49,104	212,786	11,381	-	273,271
Changes in assets and liabilities:					
Accounts receivable	1,106	2,300	-	(43)	3,363
Inventories	1,264		-	-	1,264
Due from other funds	-		41,761	-	41,761
Due from component units	-		11,084	-	11,084
Due from other governmental units	285		-	-	285
Prepaid items and other assets	-	1,706	(180)	-	1,526
Net pension asset	(134)	(188)	-	-	(322)
Accounts payable	(1,696)	1,919	4,960	-	5,183
Accrued liabilities	(13,457)	(8,635)	-	-	(22,092)
Accrued vacation and sick pay	(1,810)		-	-	(1,810)
Deposits payable	-	(8)	-	-	(8)
Due to other funds	(251)		59,608	-	59,357
Due to other governmental units	49		-	(7)	42
Unearned revenue	(387)	508	-	-	121
Net OPEB obligation	8,672	15,755	-	-	24,427
Net cash provided by (used in) operating activities	<u>\$ (15,089)</u>	<u>\$ (9,943)</u>	<u>\$ 168,018</u>	<u>\$ 41,700</u>	<u>\$ 184,686</u>

Concluded

INTERNAL SERVICES FUNDS

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

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

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

BAY COUNTY, MICHIGAN

Combining Statement of Net Position

Internal Service Funds

December 31, 2014

	Self Insurance	Healthcare Self Insurance	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 1,027,428	\$ 1,727,917	\$ 2,755,345
Investments	1,374,822	-	1,374,822
Accounts receivable, net of allowance	42	20,317	20,359
Accrued interest receivable	28,215	-	28,215
Due from other funds	19,478	3,902,196	3,921,674
Due from other governmental units	108	-	108
Prepaid items and other assets	13,482	282,380	295,862
Total current assets	2,463,575	5,932,810	8,396,385
Noncurrent assets:			
Net pension asset	1,062	-	1,062
Total assets	2,464,637	5,932,810	8,397,447
Liabilities			
Current liabilities:			
Accounts payable	36	-	36
Accrued liabilities	45,969	-	45,969
Due to other funds	3,422	-	3,422
Claims, settlements, and judgments	195,372	389,615	584,987
Total current liabilities	244,799	389,615	634,414
Noncurrent liabilities:			
Compensated absences	327	-	327
Net OPEB obligation	7,272	-	7,272
Total noncurrent liabilities	7,599	-	7,599
Total liabilities	252,398	389,615	642,013
Net position			
Restricted:			
Insurance claims	\$ 2,212,239	\$ 5,543,195	\$ 7,755,434

BAY COUNTY, MICHIGAN

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

Internal Service Funds

For the Year Ended December 31, 2014

	Self Insurance	Healthcare Self Insurance	Total
Operating revenues			
Charges for services	\$ 303,455	\$ 6,514,647	\$ 6,818,102
Operating expenses			
Personal services	316,571	4,710,544	5,027,115
Other services	105,644	1,228,718	1,334,362
Total operating expenses	422,215	5,939,262	6,361,477
Operating income (loss)	(118,760)	575,385	456,625
Nonoperating revenues			
Interest income	92,996	-	92,996
Income (loss) before transfers	(25,764)	575,385	549,621
Transfers out	-	(5,289)	(5,289)
Change in net position	(25,764)	570,096	544,332
Net position, beginning of year	2,238,003	4,973,099	7,211,102
Net position, end of year	\$ 2,212,239	\$ 5,543,195	\$ 7,755,434

BAY COUNTY, MICHIGAN

Combining Statement of Cash Flows

Internal Service Funds

For the Year Ended December 31, 2014

	Self Insurance	Healthcare Self Insurance	Total
Cash flows from operating activities			
Cash received from interfund services provided	\$ 303,420	\$ 6,521,202	\$ 6,824,622
Interfund reimbursements	25,119	5,312,336	5,337,455
Cash payments to suppliers for goods and services	(105,301)	(5,777,699)	(5,883,000)
Cash payments to employees and related taxes and insurance	(253,027)	(4,717,242)	(4,970,269)
Net cash provided by (used in) operating activities	(29,789)	1,338,597	1,308,808
Cash flows from noncapital financing activities			
Transfers out	-	(5,289)	(5,289)
Cash flows from investing activities			
Purchases of investments	(65,683)	-	(65,683)
Interest received	85,923	-	85,923
Net cash provided by investing activities	20,240	-	20,240
Net increase (decrease) in cash and cash equivalents	(9,549)	1,333,308	1,323,759
Cash and cash equivalents, beginning of year	1,036,977	394,609	1,431,586
Cash and cash equivalents, end of year	\$ 1,027,428	\$ 1,727,917	\$ 2,755,345
Cash flows from operating activities			
Operating income (loss)	\$ (118,760)	\$ 575,385	\$ 456,625
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities			
Changes in assets and liabilities:			
Accounts receivable	(35)	6,555	6,520
Due from other funds	17,986	705,070	723,056
Due from component units	-	-	-
Due from other governmental units	-	-	-
Prepaid items and other assets	6,518	58,285	64,803
Net pension asset	(12)	-	(12)
Accounts payable	(2,464)	-	(2,464)
Accrued liabilities	(10,948)	-	(10,948)
Accrued vacation and sick pay	327	-	327
Net OPEB obligation	1,058	-	1,058
Due to other funds	3,422	-	3,422
Claims, settlements, and judgments	73,119	(6,698)	66,421
Net cash provided by (used in) operating activities	\$ (29,789)	\$ 1,338,597	\$ 1,308,808

FIDUCIARY FUNDS

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

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

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

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

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

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

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

BAY COUNTY, MICHIGAN

Combining Statement of Plan Net Position

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

December 31, 2014

	Employees' Retirement System	VEBA Trust Fund	Total
Assets			
Investments at fair value:			
Equities	\$ 235,472,319	\$ 26,210,737	\$ 261,683,056
Fixed income	61,451,732	15,005,402	76,457,134
Money market	11,980,922	973,798	12,954,720
Total investments	308,904,973	42,189,937	351,094,910
Receivables:			
Interest and dividends	786,448	106,589	893,037
Accounts	197,316	3,720	201,036
Total receivables	983,764	110,309	1,094,073
Other current assets:			
Prepaid items and other assets	1,325,787	-	1,325,787
Net pension asset	4,291	-	4,291
Due from other funds	227	-	227
Due from component units	56,989	-	56,989
Total other current assets	1,387,294	-	1,387,294
Total assets	311,276,031	42,300,246	353,576,277
Liabilities			
Accounts payable	452,943	18,085	471,028
Accrued liabilities	2,650,701	155,519	2,806,220
Accrued vacation and sick pay	893	-	893
Net OPEB obligation	30,601	-	30,601
Total liabilities	3,135,138	173,604	3,308,742
Net position			
Restricted for:			
Employees' retirement system	308,140,893	-	308,140,893
Postemployment health care benefits	-	42,126,642	42,126,642
Total net position	\$ 308,140,893	\$ 42,126,642	\$ 350,267,535

BAY COUNTY, MICHIGAN

Combining Statement of Changes in Plan Net Position

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

For the Year Ended December 31, 2014

	Employees' Retirement System	VEBA Trust Fund	Total
Additions			
Contributions:			
Employer	\$ 3,611,945	\$ 682,539	\$ 4,294,484
Plan members	2,120,927	-	2,120,927
	<u>5,732,872</u>	<u>682,539</u>	<u>6,415,411</u>
Total contributions			
	<u>5,732,872</u>	<u>682,539</u>	<u>6,415,411</u>
Investment income:			
Net appreciation/depreciation in fair value of investments	19,798,907	1,449,587	21,248,494
Interest and dividends	5,411,603	1,706,521	7,118,124
Less investment expense	(2,189,078)	(27,441)	(2,216,519)
	<u>23,021,432</u>	<u>3,128,667</u>	<u>26,150,099</u>
Net investment income			
	<u>23,021,432</u>	<u>3,128,667</u>	<u>26,150,099</u>
Other revenue	142,432	3,238	145,670
	<u>142,432</u>	<u>3,238</u>	<u>145,670</u>
Total additions	<u>28,896,736</u>	<u>3,814,444</u>	<u>32,711,180</u>
Deductions			
Benefits	15,527,700	-	15,527,700
Administrative expenses	235,463	128,416	363,879
Refunds of contributions	380,778	-	380,778
	<u>16,143,941</u>	<u>128,416</u>	<u>16,272,357</u>
Total deductions			
	<u>16,143,941</u>	<u>128,416</u>	<u>16,272,357</u>
Change in net position	12,752,795	3,686,028	16,438,823
Net position, beginning of year	295,388,098	38,440,614	333,828,712
	<u>295,388,098</u>	<u>38,440,614</u>	<u>333,828,712</u>
Net position, end of year	<u>\$ 308,140,893</u>	<u>\$ 42,126,642</u>	<u>\$ 350,267,535</u>

BAY COUNTY, MICHIGAN

Combing Statement of Assets and Liabilities

Agency Funds

December 31, 2014

	General Agency	Current Tax Collections	Library Penal Fine	Flexible Spending Plan	Total
Assets					
Cash and cash equivalents	\$ 2,233,019	\$ -	\$ -	\$ 24,438	\$ 2,257,457
Investments	8,981,506	474,512	-	-	9,456,018
Accounts receivable	873	-	-	-	873
Due from other agency funds	-	-	44,352	-	44,352
Total assets	\$ 11,215,398	\$ 474,512	\$ 44,352	\$ 24,438	\$ 11,758,700
Liabilities					
Accounts payable	\$ 109,432	\$ 257,595	\$ -	\$ -	\$ 367,027
Accrued liabilities	135,535	-	-	24,438	159,973
Due to component units	10,428,072	216,917	44,352	-	10,689,341
Due to other agency funds	44,352	-	-	-	44,352
Due to other governmental units	296,249	-	-	-	296,249
Deposits	201,758	-	-	-	201,758
Total liabilities	\$ 11,215,398	\$ 474,512	\$ 44,352	\$ 24,438	\$ 11,758,700

BAY COUNTY, MICHIGAN

Combining Statement of Changes in Assets and Liabilities

Agency Funds

For the Year Ended December 31, 2014

	Balance January 1, 2014	Additions	Deductions	Balance December 31, 2014
General Agency Fund				
Assets				
Cash and cash equivalents	\$ 2,040,875	\$ 37,765,228	\$ (37,573,084)	\$ 2,233,019
Investments	9,717,574	26,295,429	(27,031,497)	8,981,506
Accounts receivable	544	4,494	(4,165)	873
Total assets	\$ 11,758,993	\$ 64,065,151	\$ (64,608,746)	\$ 11,215,398
Liabilities				
Accounts payable	\$ 108,598	\$ 17,522,295	\$ (17,521,461)	\$ 109,432
Accrued liabilities	99,342	571,941	(535,748)	135,535
Due to component units	10,962,728	28,484,977	(29,019,633)	10,428,072
Due to other agency funds	23,933	88,703	(68,284)	44,352
Due to other governmental units	360,960	18,313,688	(18,378,399)	296,249
Deposits	203,432	228,275	(229,949)	201,758
Undistributed taxes	-	20,665	(20,665)	-
Total liabilities	\$ 11,758,993	\$ 65,230,544	\$ (65,774,139)	\$ 11,215,398
Current Tax Collection Fund				
Assets				
Cash and cash equivalents	\$ 1	\$ 63,432,032	\$ (63,432,033)	\$ -
Investments	530,612	474,512	(530,612)	474,512
Total assets	\$ 530,613	\$ 63,906,544	\$ (63,962,645)	\$ 474,512
Liabilities				
Accounts payable	\$ 319,594	\$ 21,670	\$ (83,669)	\$ 257,595
Due to component units	210,717	29,965,686	(29,959,486)	216,917
Undistributed taxes	302	30,281,235	(30,281,537)	-
Total liabilities	\$ 530,613	\$ 60,268,591	\$ (60,324,692)	\$ 474,512
Library Penal Fine				
Assets				
Cash and cash equivalents	\$ 26,359	\$ 427,429	\$ (453,788)	\$ -
Due from other agency funds	23,933	44,352	(23,933)	44,352
	\$ 50,292	\$ 471,781	\$ (477,721)	\$ 44,352
Liabilities				
Accounts payable	\$ -	\$ 447,288	\$ (447,288)	\$ -
Due to component units	50,292	494,899	(500,839)	44,352
Total liabilities	\$ 50,292	\$ 942,187	\$ (948,127)	\$ 44,352

continued...

BAY COUNTY, MICHIGAN

Combining Statement of Changes in Assets and Liabilities

Agency Funds

For the Year Ended December 31, 2014

	Balance January 1, 2014	Additions	Deductions	Balance December 31, 2014
Flexible Spending Plan Fund				
Assets				
Cash and cash equivalents	\$ 24,117	\$ 96,046	\$ (95,725)	\$ 24,438
Liabilities				
Accrued liabilities	\$ 24,117	\$ 96,046	\$ (95,725)	\$ 24,438
Total - All Agency Funds				
Assets				
Cash and cash equivalents	\$ 2,091,352	\$ 101,720,735	\$ (101,554,630)	\$ 2,257,457
Investments	10,248,186	26,769,941	(27,562,109)	9,456,018
Accounts receivable	544	4,494	(4,165)	873
Due from other agency funds	23,933	44,352	(23,933)	44,352
Total assets	\$ 12,364,015	\$ 128,539,522	\$ (129,144,837)	\$ 11,758,700
Liabilities				
Accounts payable	\$ 428,192	\$ 17,991,253	\$ (18,052,418)	\$ 367,027
Accrued liabilities	123,459	667,987	(631,473)	159,973
Due to component units	11,223,737	58,945,562	(59,479,958)	10,689,341
Due to other agency funds	23,933	88,703	(68,284)	44,352
Due to other governmental units	360,960	18,313,688	(18,378,399)	296,249
Deposits	203,432	228,275	(229,949)	201,758
Undistributed taxes	302	30,301,900	(30,302,202)	-
Total liabilities	\$ 12,364,015	\$ 126,537,368	\$ (127,142,683)	\$ 11,758,700

concluded

COMPONENT UNITS

LIBRARY SYSTEM

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

DRAIN COMMISSION

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

BAY COUNTY, MICHIGAN

Statement of Net Position and Balance Sheet

Library System Component Unit

December 31, 2014

	Library System	Adjustments	Statement of Net Position
Assets			
Current assets:			
Cash and cash equivalents	\$ 5,280,819	\$ -	\$ 5,280,819
Property taxes receivable	5,556,300	-	5,556,300
Accrued interest receivable	114,348	-	114,348
Due from primary government	49,893	-	49,893
Prepaid items and other assets	140,349	-	140,349
Total current assets	11,141,709	-	11,141,709
Capital assets:			
Land	-	107,487	107,487
Land improvements	-	103,946	103,946
Buildings and improvements	-	1,524,065	1,524,065
Machinery and equipment	-	145,838	145,838
Office furniture and fixtures	-	1,181,760	1,181,760
Books and audio/visual materials	-	2,863,411	2,863,411
Vehicles and other	-	210,186	210,186
Less accumulated depreciation	-	(3,417,168)	(3,417,168)
Total capital assets	-	2,719,525	2,719,525
Total assets	\$ 11,141,709	2,719,525	13,861,234
Liabilities			
Current liabilities:			
Accounts payable	\$ 49,183	-	49,183
Accrued liabilities	170,101	-	170,101
Due to primary government	231	-	231
Current portion of compensated absences	-	17,346	17,346
Total current liabilities	219,515	17,346	236,861
Noncurrent liabilities:			
Compensated absences	-	156,110	156,110
Net OPEB obligation	-	532,672	532,672
Total noncurrent liabilities	-	688,782	688,782
Total liabilities	219,515	706,128	925,643
Deferred inflows of resources			
Taxes levied for a subsequent period	5,556,300	-	5,556,300
Fund balances			
Nonspendable	140,349	(140,349)	-
Restricted	4,550,510	(4,550,510)	-
Assigned:			
Capital outlay	123,991	(123,991)	-
Retirement	119,226	(119,226)	-
Subsequent year's budget	431,818	(431,818)	-
Total fund balances	5,365,894	(5,365,894)	-
Total liabilities and fund balances	\$ 11,141,709		
Net position			
Investment in capital assets		2,719,525	2,719,525
Restricted		4,550,510	4,550,510
Unrestricted		109,256	109,256
Total net position		\$ 7,379,291	\$ 7,379,291

BAY COUNTY, MICHIGAN

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

Library System Component Unit

For the Year Ended December 31, 2014

	Library System	Adjustments	Statement of Activities
Revenues			
Property and other taxes	\$ 5,634,969	\$ -	\$ 5,634,969
Federal grants	29,164	-	29,164
State grants	71,175	-	71,175
Interest income	339,203	-	339,203
Charges for services	550,281	-	550,281
Donations	67,439	-	67,439
Total revenues	<u>6,692,231</u>	<u>-</u>	<u>6,692,231</u>
Expenditures / expenses			
Current:			
Recreation and culture	5,038,729	(190,284)	4,848,445
Depreciation	-	601,078	601,078
Contributions to other units	1,393,400	-	1,393,400
Total expenditures / expenses	<u>6,432,129</u>	<u>410,794</u>	<u>6,842,923</u>
Net change in fund balance / net position	260,102	(410,794)	(150,692)
Fund balance / net position, beginning of year	<u>5,105,792</u>	<u>2,424,191</u>	<u>7,529,983</u>
Fund balance / net position, end of year	<u>\$ 5,365,894</u>	<u>\$ 2,013,397</u>	<u>\$ 7,379,291</u>

BAY COUNTY, MICHIGAN

Combining Statement of Net Position and Balance Sheet

Drain Commission Component Unit

December 31, 2014

	Drain Debt Service Funds	Drain Operations and Maintenance	Drain Capital Projects Fund
Assets			
Cash and cash equivalents	\$ 44,870	\$ 134,470	\$ 634,999
Investments	129,606	140,599	1,746,346
Special assessments	994,406	-	144,210
Accrued interest receivable	2,785	4,995	36,577
Due from other funds	-	23,885	50,365
Due from primary government	39,245	45,733	18,572
Due from other governmental units	14,200	317,500	76,646
Prepaid items and other assets	30	3,632	11,033
Capital assets not being depreciated	-	-	-
Capital assets being depreciated, net	-	-	-
Total assets	\$ 1,225,142	\$ 670,814	\$ 2,718,748
Liabilities			
Accounts payable	\$ -	\$ 9,912	\$ 85,302
Accrued liabilities	-	2,700	-
Due to other governmental units	-	218	2,847
Due to other funds	-	2,563	452,977
Due to primary government	-	19,807	30,692
Long-term liabilities:			
Due within one year	-	-	-
Due in more than one year	-	-	-
Total liabilities	-	35,200	571,818
Deferred inflows of resources			
Unavailable revenue - long-term receivables	1,077,808	375,862	183,960
Fund balances			
Nonspendable	30	3,632	11,033
Restricted - debt service	147,304	-	-
Unassigned	-	256,120	1,951,937
Total fund balances	147,334	259,752	1,962,970
Total liabilities and fund balances	\$ 1,225,142	\$ 670,814	\$ 2,718,748
Net position			
Net investment in capital assets			
Restricted for:			
Debt service			
Unrestricted			
Total net position			

Revolving Drain	Auburn Road Drain	Total Governmental Funds	Adjustments	Statement of Net Position
\$ -	\$ -	\$ 814,339	\$ -	\$ 814,339
-	-	2,016,551	-	2,016,551
-	-	1,138,616	-	1,138,616
-	-	44,357	-	44,357
381,290	-	455,540	(455,540)	-
-	-	103,550	-	103,550
-	-	408,346	-	408,346
-	-	14,695	-	14,695
-	-	-	1,235,046	1,235,046
-	-	-	3,624,428	3,624,428
<u>\$ 381,290</u>	<u>\$ -</u>	<u>\$ 4,995,994</u>	<u>4,403,934</u>	<u>9,399,928</u>
\$ -	\$ -	\$ 95,214	-	95,214
-	-	2,700	20,728	23,428
-	-	3,065	-	3,065
-	-	455,540	(455,540)	-
381,290	-	431,789	-	431,789
-	-	-	176,647	176,647
-	-	-	972,131	972,131
<u>381,290</u>	<u>-</u>	<u>988,308</u>	<u>713,966</u>	<u>1,702,274</u>
<u>-</u>	<u>-</u>	<u>1,637,630</u>	<u>(1,637,630)</u>	<u>-</u>
-	-	14,695	(14,695)	-
-	-	147,304	(147,304)	-
-	-	2,208,057	(2,208,057)	-
-	-	2,370,056	(2,370,056)	-
<u>\$ 381,290</u>	<u>\$ -</u>	<u>\$ 4,995,994</u>		
			3,710,696	3,710,696
			147,304	147,304
			<u>3,839,654</u>	<u>3,839,654</u>
			<u>\$ 7,697,654</u>	<u>\$ 7,697,654</u>

BAY COUNTY, MICHIGAN

Combining Statement of Activities and Statement of Revenues, Expenditures and Changes in Fund Balances - Drain Commission Component Unit For the Year Ended December 31, 2014

	Drain Debt Service Funds	Drains Operations and Maintenance	Drain Capital Projects Fund
Revenues			
Property and other taxes	\$ 162,613	\$ 14,212	\$ 317,047
Federal grants	-	-	134,700
Licenses and permits	-	300	-
Interest, rents and royalties	9,676	32,792	127,578
Reimbursements, refunds and other revenue	39,137	54,871	14,344
Contributions from local units	19,473	355,000	21,646
Total revenues	230,899	457,175	615,315
Expenditures / expenses			
Public works:			
Contractual services	-	493,228	1,156,143
Depreciation	-	-	-
Debt service:			
Principal	196,672	-	-
Interest and fiscal charges	22,611	-	-
Total expenditures / expenses	219,283	493,228	1,156,143
Revenues over (under) expenditures / expenses	11,616	(36,053)	(540,828)
Other financing sources (uses)			
Insurance recoveries/proceeds	-	7,258	-
Issuance of long-term debt	-	-	634,000
Transfers in	-	-	205,414
Transfers out	-	(26,313)	-
Total other financing sources (uses)	-	(19,055)	839,414
Net change in fund balances	11,616	(55,108)	298,586
Fund balances / net position, beginning of year	135,718	314,860	1,664,384
Fund balances / net position, end of year	\$ 147,334	\$ 259,752	\$ 1,962,970

Revolving Drain	Auburn Road Drain	Total Governmental Funds	Adjustments	Statement of Net Position
\$ -	\$ -	\$ 493,872	\$ 528,374	\$ 1,022,246
-	-	134,700	-	134,700
-	-	300	-	300
-	4,807	174,853	-	174,853
-	-	108,352	-	108,352
-	-	396,119	-	396,119
-	4,807	1,308,196	528,374	1,836,570
-	-	1,649,371	(1,134,340)	515,031
-	-	-	183,355	183,355
-	-	196,672	(196,672)	-
-	-	22,611	8,166	30,777
-	-	1,868,654	(1,139,491)	729,163
-	4,807	(560,458)	1,667,865	1,107,407
-	-	7,258	-	7,258
-	-	634,000	(634,000)	-
-	-	205,414	(205,414)	-
-	(179,101)	(205,414)	205,414	-
-	(179,101)	641,258	(634,000)	7,258
-	(174,294)	80,800	1,033,865	1,114,665
-	174,294	2,289,256	4,293,733	6,582,989
\$ -	\$ -	\$ 2,370,056	\$ 5,327,598	\$ 7,697,654

STATISTICAL SECTION

BAY COUNTY, MICHIGAN

Statistical Section Table of Contents

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

		<u>Page</u>
Financial Trends Tables 1-4	These schedules contain trend information to help the reader understand and evaluate how the County's financial condition, performance and well-being have changed over time.	165-169
Revenue Capacity Tables 5-8	These schedules contain information to help the reader assess the County's ability to generate its most significant local revenue source, the property tax.	170-173
Debt Capacity Tables 9-14	These schedules present information to help the reader assess the affordability of the County's current levels of outstanding debt and its ability to issue additional debt in the future.	174-179
Demographic and Economic Information Tables 15-16	These schedules present various demographic and economic indicators to help the reader understand the environment within which the County operates and how they affect the County's financial activities.	180-181
Operating Information Tables 17-19	These schedules contain information about the County's operations and resources to help the reader understand how the information in the County's financial report relates to the services the County provides and the activities it performs.	182-184

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

BAY COUNTY, MICHIGAN

Table 1
Unaudited**Net Position by Component**

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities										
Net investment in capital assets	\$ 26,080	\$ 27,330	\$ 28,501	\$ 30,164	\$ 31,885	\$ 32,980	\$ 34,828	\$ 35,041	\$ 35,433	\$ 44,431
Restricted	8,761	12,594	10,806	6,989	2,681	2,387	2,755	2,701	13,510	14,379
Unrestricted (deficit)	7,469	9,259	11,991	14,693	17,338	14,997	14,818	12,924	274	(181)
Total governmental activities net position	42,310	49,183	51,298	51,846	51,904	50,364	52,401	50,666	49,217	58,629
Business-type activities										
Net investment in capital assets	10,753	10,248	9,682	8,896	8,840	8,558	7,798	7,353	6,953	7,563
Restricted	525	-	-	-	-	-	1,408	1,408	1,300	1,294
Unrestricted	9,362	10,787	11,731	11,827	10,683	11,497	11,326	10,268	10,713	9,767
Total business-type activities net position	20,640	21,035	21,413	20,723	19,523	20,055	20,532	19,029	18,966	18,624
Primary government										
Net investment in capital assets	36,833	37,578	38,183	39,060	40,725	41,538	42,626	42,394	42,386	51,994
Restricted	9,286	12,594	10,806	6,989	2,681	2,387	4,163	4,109	14,810	15,673
Unrestricted	16,831	20,046	23,722	26,520	28,021	26,494	26,144	23,192	10,987	9,586
Total primary government activities net position	\$ 62,950	\$ 70,218	\$ 72,711	\$ 72,569	\$ 71,427	\$ 70,419	\$ 72,933	\$ 69,695	\$ 68,183	\$ 77,253

BAY COUNTY, MICHIGAN

Table 2
Unaudited**Changes in Net Position**

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental activities:										
General government	\$ 8,835	\$ 11,104	\$ 9,675	\$ 10,084	\$ 10,411	\$ 12,298	\$ 16,086	\$ 15,617	\$ 13,754	\$ 12,597
Public safety	9,328	10,152	10,064	10,582	11,654	11,729	12,716	11,784	11,722	11,370
Community and economic development	146	99	161	126	185	161	189	273	296	159
Health and welfare	10,292	10,256	10,229	10,852	10,529	10,940	9,144	11,207	10,921	10,703
Public works	6	5	7	8	10	7	7	4	178	1,560
Judicial	5,691	5,986	6,200	6,537	6,546	6,999	6,510	6,909	6,831	6,564
Legislative	451	461	476	462	539	523	437	435	342	329
Recreation and culture	1,865	1,860	1,886	1,990	1,675	1,792	1,432	1,374	1,617	2,268
Other functions	1,158	1,293	1,296	1,155	1,233	-	-	-	-	-
Interest on long-term debt	1,382	1,239	1,141	1,069	939	813	734	657	875	371
Total governmental activities expenses	39,154	42,455	41,135	42,865	43,721	45,262	47,255	48,260	46,536	45,921
Business-type activities:										
Medical Care Facility	15,935	18,627	18,572	20,944	22,089	21,621	21,930	24,312	23,743	24,256
100% Tax Payment	122	123	119	125	124	129	123	140	322	134
Golf Course	545	637	586	629	657	671	694	692	616	467
Delinquent Property Tax Foreclosure	65	69	73	112	149	166	191	186	195	165
Commissary	115	118	109	98	101	114	106	122	136	121
Housing	574	577	619	653	622	671	761	804	759	676
Total business-type activities expenses	17,356	20,151	20,078	22,561	23,742	23,372	23,805	26,256	25,771	25,819
Total primary government expenses	56,510	62,606	61,213	65,426	67,463	68,634	71,060	74,516	72,307	71,740
Program Revenues										
Governmental activities:										
Charges for services										
General government	3,151	3,071	3,000	2,906	2,699	2,620	2,799	3,041	2,853	2,684
Public safety	1,698	1,569	1,649	1,675	1,882	1,885	2,145	1,873	1,972	2,049
Community and economic development	-	6	21	(2)	77	126	155	180	57	162
Health and welfare	1,980	2,193	2,266	2,195	2,373	2,564	2,614	2,471	2,347	2,532
Public works	-	23	6	4	4	6	11	7	10	2
Judicial	2,273	2,392	2,460	2,266	2,064	2,036	1,929	1,989	1,906	1,853
Legislative	-	-	3	-	-	-	-	21	-	-
Recreation and culture	1,344	1,739	1,254	1,125	853	825	762	757	710	816
Other	33	54	83	52	-	-	-	-	-	-
Operating grants and contributions	7,946	8,129	7,891	7,650	7,836	9,342	13,828	12,515	10,173	17,154
Capital grants and contributions	-	195	-	294	133	58	1,800	80	94	309
Total governmental activities program revenues	18,425	19,371	18,633	18,165	17,921	19,462	26,043	22,934	20,122	27,561

Continued...

BAY COUNTY, MICHIGAN

Table 2
Unaudited**Changes in Net Position**

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Business-type activities:										
Charges for services										
Medical Care Facility	\$ 13,746	\$ 16,942	\$ 17,219	\$ 18,401	\$ 19,007	\$ 20,074	\$ 20,358	\$ 21,600	\$ 20,949	\$ 21,576
100 % Tax Payment	833	862	822	856	1,327	1,201	1,268	1,117	1,074	1,088
Golf Course	555	548	598	598	595	625	547	611	556	497
Delinquent Property Tax Foreclosure	99	202	207	249	160	205	328	244	290	199
Commissary	142	158	152	124	126	141	136	170	178	167
Housing	228	238	251	255	257	285	260	258	268	277
Operating grants and contributions	304	170	195	238	221	228	311	285	157	165
Capital grants and contributions	-	44	35	19	20	247	54	-	-	129
Total business-type activities program revenues	15,907	19,164	19,479	20,740	21,713	23,006	23,262	24,285	23,472	24,098
Total primary government program revenues	34,332	38,535	38,112	38,905	39,634	42,468	49,305	47,219	43,594	51,659
Net (expense)/revenue										
Governmental activities	(20,729)	(23,084)	(22,502)	(24,700)	(25,800)	(25,800)	(21,212)	(25,326)	(26,414)	(18,360)
Business-type activities	(1,449)	(987)	(599)	(1,821)	(2,029)	(366)	(543)	(1,971)	(2,299)	(1,721)
Total primary government net expense	(22,178)	(24,071)	(23,101)	(26,521)	(27,829)	(26,166)	(21,755)	(27,297)	(28,713)	(20,081)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes	\$ 24,905	\$ 26,710	\$ 22,059	\$ 22,901	\$ 23,142	\$ 22,412	\$ 21,445	\$ 21,204	\$ 22,476	\$ 22,334
Unrestricted grants and contributions	-	-	-	-	-	-	-	-	-	-
Unrestricted investment earnings	677	1,013	1,239	943	922	656	523	505	620	1,636
Other revenue	2,949	1,525	347	427	715	329	467	238	658	2,223
Transfers - internal activities	1,009	724	972	977	1,080	864	811	1,350	1,210	1,225
Total governmental activities	29,540	29,972	24,617	25,248	25,859	24,261	23,246	23,297	24,964	27,418
Business-type activities:										
Property taxes	1,317	1,323	1,419	1,482	1,516	1,527	1,501	1,438	2,090	2,049
Unrestricted investment earnings	231	352	418	439	287	166	245	301	370	542
Other revenue	438	431	102	186	105	70	85	81	187	518
Transfers - internal activities	(1,009)	(724)	(972)	(977)	(1,080)	(864)	(811)	(1,350)	(1,210)	(1,225)
Total business-type activities	977	1,382	967	1,130	828	899	1,020	470	1,437	1,884
Total primary government	30,517	31,354	25,584	26,378	26,687	25,160	24,266	23,767	26,401	29,302
Change in Net Position (before indirect cost allocation)										
Governmental activities	8,811	6,888	2,115	549	59	(1,539)	2,035	(2,029)	(1,450)	9,058
Business-type activities	(472)	395	368	(691)	(1,201)	533	477	(1,501)	(862)	163
Total primary government	\$ 8,339	\$ 7,283	\$ 2,483	\$ (142)	\$ (1,142)	\$ (1,006)	\$ 2,512	\$ (3,530)	\$ (2,312)	\$ 9,221

Concluded

BAY COUNTY, MICHIGAN

Table 3
Unaudited

Fund Balances of Governmental Funds

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General fund										
Reserved	\$ 3,376	\$ 3,161	\$ 2,564	\$ 3,172	\$ 5,665	\$ 5,323	\$ -	\$ -	\$ -	\$ -
Unreserved	1,664	2,296	3,806	4,123	3,982	4,993	-	-	-	-
Nonspendable	-	-	-	-	-	-	469	209	626	1,222
Restricted	-	-	-	-	-	-	203	199	170	168
Committed	-	-	-	-	-	-	5,228	5,054	4,943	4,943
Assigned	-	-	-	-	-	-	5,407	7,134	6,681	1,183
Total general fund	5,040	5,457	6,370	7,295	9,647	10,316	11,307	12,596	12,420	7,516
All other governmental funds										
Reserved	8,290	12,267	10,637	6,774	2,500	1,810	-	-	-	-
Unreserved - Special revenue funds	3,637	3,845	4,774	7,080	7,938	7,263	-	-	-	-
Nonspendable	-	-	-	-	-	-	8	17	1,872	1,880
Restricted	-	-	-	-	-	-	5,950	5,455	29,531	20,131
Committed	-	-	-	-	-	-	1,899	1,431	-	-
Assigned	-	-	-	-	-	-	312	535	1,793	2,407
Total all other governmental funds	\$ 11,927	\$ 16,112	\$ 15,411	\$ 13,854	\$ 10,438	\$ 9,073	\$ 8,169	\$ 7,438	\$ 33,196	\$ 24,418

The County implemented GASB 54 in 2011

BAY COUNTY, MICHIGAN

Table 4
Unaudited

■ Changes in Fund Balances of Governmental Funds

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Taxes	\$ 24,889	\$ 26,253	\$ 21,789	\$ 22,850	\$ 23,122	\$ 22,479	\$ 21,459	\$ 21,270	\$ 22,472	\$ 22,359
Licenses and permits	368	373	377	350	362	375	382	407	423	403
Federal	3,395	3,593	4,064	3,714	4,509	5,589	9,892	6,930	4,560	9,859
State	3,347	3,820	2,972	3,404	2,881	3,297	4,811	4,908	4,805	6,775
Interest, rents and royalties	1,739	2,003	2,265	1,882	1,531	1,305	1,357	1,329	1,397	2,370
Charges for services	3,363	3,288	3,272	3,055	2,824	2,806	2,795	2,906	2,847	2,780
Fines and forfeits	900	945	928	740	631	641	536	584	546	527
Reimbursements, refunds and other revenue	9,065	8,013	6,376	6,554	6,990	6,615	7,506	6,809	7,080	8,961
Total revenues	47,067	48,288	42,043	42,549	42,850	43,107	48,738	45,143	44,130	54,034
Expenditures										
General government	8,938	9,035	9,066	9,789	8,959	9,753	14,279	12,749	11,209	9,835
Public safety	9,621	10,258	10,289	10,594	11,448	11,634	12,008	10,813	11,264	10,601
Community and economic development	157	129	195	138	188	184	237	298	352	161
Health and welfare	9,937	10,356	10,206	10,575	10,303	10,521	10,446	10,565	10,195	10,946
Public works	6	6	7	8	10	7	6	4	4,764	44
Judicial	5,483	5,829	5,975	6,081	6,103	6,224	6,221	6,087	6,305	6,236
Legislative	463	478	485	459	533	522	450	445	354	330
Recreation and culture	1,839	1,851	1,908	2,089	1,762	1,739	1,753	1,588	1,623	1,984
Other functions	1,164	1,293	1,296	1,155	1,235	1,400	1,573	1,263	1,508	1,667
Capital outlay	7,159	1,185	21	-	-	-	-	-	-	36,151
Debt service:										
Principal	2,248	2,817	2,217	2,234	3,514	1,863	1,718	1,888	1,830	1,930
Interest and other fees	1,393	1,296	1,155	1,082	993	856	776	663	651	1,954
Total expenditures	48,408	44,533	42,820	44,204	45,048	44,703	49,467	46,363	50,055	81,839
Excess of revenues over (under) expenditures	(1,341)	3,755	(777)	(1,655)	(2,198)	(1,596)	(729)	(1,220)	(5,925)	(27,805)
Other financing sources (uses)										
Proceeds from capital leases	-	-	-	-	-	-	-	-	-	-
Transfers in	10,068	9,390	7,675	8,669	11,982	8,584	4,778	6,083	6,433	5,949
Payment to escrow agents to refund debt	-	(7,394)	-	-	-	-	-	(10,655)	-	-
Insurance recoveries/proceeds	-	26	18	3	18	36	4	10	7	5
Issuance of debt	-	-	-	43	-	-	-	-	-	18,572
Proceeds of refunding bonds	-	7,205	-	-	-	-	-	9,775	30,000	-
Bond premium	-	300	-	-	-	-	-	1,004	(43)	-
Transfers (out)	(9,059)	(8,666)	(6,703)	(7,692)	(10,867)	(7,718)	(3,967)	(4,733)	(4,890)	(4,718)
Total other financing sources (uses)	1,009	861	990	1,023	1,133	902	815	1,484	31,507	19,808
Net change in fund balances	\$ (332)	\$ 4,616	\$ 213	\$ (632)	\$ (1,065)	\$ (694)	\$ 86	\$ 264	\$ 25,582	\$ (7,997)
Debt service as a percentage of noncapital expenditures	9.03%	9.60%	8.06%	7.76%	10.17%	6.30%	5.27%	5.60%	5.50%	8.84%

Governmental Activities Tax Revenue By Source

Last Ten Fiscal Years

(accrual basis of accounting)

Fiscal Year	Property Tax
2005	\$ 24,905,105
2006	26,709,969
2007	22,058,685
2008	22,901,469
2009	23,142,073
2010	22,412,007
2011	21,444,988
2012	21,203,689
2013	22,475,803
2014	22,333,712

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					
2005	\$ 2,095,440	\$ 385,772	\$ 256,049	\$ 2,737,261	10.9338	\$ 5,474,522	50.00%
2006	2,174,998	407,663	254,809	2,837,470	9.7100	5,674,940	50.00%
2007	2,217,444	424,455	263,508	2,905,407	10.8096	5,810,814	50.00%
2008	2,208,155	439,016	263,457	2,910,628	10.8138	5,821,256	50.00%
2009	2,083,021	439,556	269,701	2,792,278	10.8138	5,584,556	50.00%
2010	1,930,888	398,920	251,310	2,581,118	10.7138	5,162,236	50.00%
2011	1,884,708	394,747	249,238	2,528,693	10.8138	5,057,386	50.00%
2012	1,850,561	394,855	270,064	2,515,480	11.4638	5,030,960	50.00%
2013	1,819,824	392,452	281,567	2,493,843	11.4638	4,987,686	50.00%
2014	1,878,624	381,200	277,453	2,537,277	11.4638	5,074,554	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.

BAY COUNTY, MICHIGAN

Table 7
Unaudited

Property Tax Rates															
Direct and Overlapping Governments															
Last Ten Fiscal Years															
Fiscal Year (1) (2)	Bay County				Overlapping Rates										Total Direct & Overlapping Rates
	Operating Millage	Special Millage	Debt Millage	Total County Millage	SET Schools (3)	Inter- mediate Schools	Community College	Townships	Cities						
									Auburn	Bay City	Essexville	Pinconning	Midland		
2005	5.7441	5.1897	0.0000	10.9338	6.0000	0.1899	2.0427	1.3500	16.0000	20.0505	15.3481	14.7965	9.7900	96.5015	
2006	5.7257	3.9843	0.0000	9.7100	6.0000	0.1891	2.0427	1.3500	16.0000	19.4532	15.3967	14.7965	12.1000	97.0382	
2007	5.7257	5.0839	0.0000	10.8096	6.0000	0.1891	2.0427	1.3500	16.0000	19.5503	15.6436	14.7965	12.2400	98.6218	
2008	5.7257	5.0881	0.0000	10.8138	6.0000	0.1891	2.0427	1.3500	13.0000	19.5503	15.7389	14.6737	12.9900	96.3485	
2009	5.7257	5.0881	0.0000	10.8138	6.0000	0.1891	2.0427	1.3500	13.0000	19.5503	16.5931	14.6737	13.9400	98.1527	
2010	5.7257	4.9881	0.0000	10.7138	6.0000	0.1891	2.0427	1.3500	12.0000	19.5503	16.8753	14.6736	13.9400	97.3348	
2011	5.7257	5.0881	0.0000	10.8138	6.0000	0.1891	2.0427	1.3500	12.0000	19.5503	17.4877	14.6736	14.7900	98.8972	
2012	5.7257	5.7381	0.0000	11.4638	6.0000	0.1891	2.0427	1.3500	12.0000	20.0935	19.1300	14.6736	14.7900	101.7327	
2013	5.7257	5.7381	0.0000	11.4638	6.0000	0.1891	2.0427	1.3500	12.0000	21.3365 **	20.3000 **	14.6736	15.0800 **	104.4357	
2014	5.7257	5.7381	0.0000	11.4638	6.0000	0.1891	2.0427	1.3500	12.0000	21.3365 **	20.7000 **	14.6736	15.0400 **	104.7957	

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

BAY COUNTY, MICHIGAN

Table 8
Unaudited

Principal Property Taxpayers

December 31, 2014 and Nine Years Ago

Taxpayer	2014			2005		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Consumers Energy	\$ 233,526,967	1	8.18%	\$ 250,456,402	1	9.07%
Dow Corning Corporation	84,049,847	2	2.95%	47,332,894	3	1.71%
Monitor Sugar	35,233,003	3	1.23%	12,731,225	5	0.46%
S C Johnson	33,960,150	4	1.19%	45,891,354	4	1.66%
Michigan Electric Transmission	24,191,012	5	0.36%			
Northern Michigan Land	11,102,798	6	0.39%			
General Motors/Delphi	10,977,285	7	0.38%	126,609,100	2	4.59%
Mersen USA	9,839,107	8	0.34%			
Meijer/Good Will Co. Inc	7,355,241	9	0.26%	10,214,211	8	0.37%
Corporate Property Assoc.	6,824,032	10	0.24%			
Bay City Mall Associates				11,611,924	6	0.42%
The Herald Company				10,458,832	7	0.38%
Charter Communications				7,542,950	9	0.27%
Enbridge Energy				5,321,950	10	0.19%
Totals	<u>\$ 457,059,442</u>		<u>15.52%</u>	<u>\$ 528,170,842</u>		<u>19.12%</u>

Source: Bay County Equalization Department

BAY COUNTY, MICHIGAN

Table 9
Unaudited

Property Tax Levies and Collections								
Last Ten Fiscal Years								
(amounts expressed in thousands)								
Fiscal Year Ended December 31,	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Delinquents Purchased by Treasurer	Collections in Subsequent Years	Total Collections to Date		Percentage of Levy
		Amount	Percentage of Levy			Amount	Percentage of Levy	
2005	\$ 15,472	\$ 14,652	94.70%	\$ 789	\$ 40	\$ 15,466	99.96%	
2006	16,177	15,392	95.15%	753	31	16,145	99.80%	
2007	16,960	16,186	95.44%	747	22	16,933	99.84%	
2008	17,333	16,498	95.18%	796	17	17,311	99.87%	
2009	17,402	16,545	95.08%	820	18	17,383	99.89%	
2010	16,618	15,864	95.46%	732	1	16,597	99.87%	
2011	16,276	15,578	95.71%	670	8	16,256	99.88%	
2012	16,177	15,560	96.19%	602	3	16,165	99.93%	
2013	16,042	15,372	95.82%	656	6	16,028	99.91%	
2014	16,597	15,940	96.04%	657	*	15,924	95.95%	

Source: Bay County Treasurer

* This information is not yet available.

BAY COUNTY, MICHIGAN

Table 10
Unaudited
Ratios of Outstanding Debt by Type
 Last Ten Fiscal Years

Fiscal Year Ended December 31,	Governmental Activities						Business-Type Activities	Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Unamortized Bond Prem/ Discount	Installment Purchase Contracts	Capital Leases	DWFR Loans	Revenue Bonds	Miscellaneous Payables			
2005	\$ 29,385,000	\$ -	\$ 376,568	\$ 32,630	\$ -	\$ -	\$ -	\$ 29,794,198	9.49%	275
2006	26,815,000	283,790	82,390	14,401	-	-	-	27,195,581	8.40%	252
2007	24,695,000	254,307	-	-	-	-	78,763	25,028,070	7.49%	233
2008	22,470,000	224,825	34,200	-	-	-	39,382	22,768,407	6.50%	212
2009	18,965,000	195,343	25,650	-	-	-	-	19,185,993	5.56%	179
2010	17,110,000	165,861	17,100	-	-	-	-	17,292,961	4.89%	160
2011	15,400,000	136,378	8,550	-	-	-	-	15,544,928	4.23%	144
2012	12,810,000	999,535	-	-	-	-	-	13,809,535	3.68%	129
2013	10,980,000	817,024	-	-	-	30,000,000	-	41,797,024	11.09%	391
2014	9,050,000	677,565	-	-	18,572,473	30,000,000	-	58,300,038	(2)	541

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

There are currently no outstanding debt issues in the Business-Type Activities of the Primary Government.

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

(2) This information is not yet available.

BAY COUNTY, MICHIGAN

Table 11
Unaudited

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)
2005	\$ 29,385,000	\$ -	\$ 556,711	\$ 28,828,289	1.04%	266
2006	26,815,000	283,790	625,309	26,473,481	0.92%	245
2007	24,695,000	254,307	703,157	24,246,150	0.80%	226
2008	22,470,000	224,825	763,168	21,931,657	0.72%	204
2009	18,965,000	195,343	819,711	18,340,632	0.59%	171
2010	17,110,000	165,861	19,557	17,256,304	0.58%	160
2011	15,400,000	136,378	21,233	15,515,145	0.53%	144
2012	12,810,000	999,535	65,394	13,744,141	0.47%	128
2013	10,980,000	817,024	85,397	11,711,627	0.41%	109
2014	9,050,000	677,565	112,545	9,615,020	0.34%	89

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.

BAY COUNTY, MICHIGAN

Table 12
Unaudited

Direct and Overlapping Governmental Activities Debt

As of December 31, 2014

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
Overlapping debt repaid with property taxes: County	\$ 186,849,999	76.34%	\$ 142,645,418
Bay County direct debt			<u>70,354,000</u>
Total direct and overlapping debt			<u><u>\$ 212,999,418</u></u>

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

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the 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

Table 13
Unaudited

Legal Debt Margin Information

Last Ten Fiscal Years
(amounts expressed in thousands)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt limit	\$ 326,220	\$ 337,863	\$ 347,582	\$ 349,326	\$ 340,504	\$ 318,657	\$ 314,921	\$ 312,200	\$ 312,288	\$ 319,199
Total net debt applicable to limit	45,581	40,615	36,029	31,414	26,016	29,328	26,156	30,613	51,673	67,408
Legal debt margin	<u>\$ 280,639</u>	<u>\$ 297,248</u>	<u>\$ 311,553</u>	<u>\$ 317,912</u>	<u>\$ 314,488</u>	<u>\$ 289,329</u>	<u>\$ 288,765</u>	<u>\$ 281,587</u>	<u>\$ 260,615</u>	<u>\$ 251,791</u>
Total net debt applicable to the limit as a percentage of debt limit	13.97%	12.02%	10.37%	8.99%	7.64%	9.20%	8.31%	9.81%	16.55%	21.12%

Legal Debt Margin Calculation for Fiscal Year 2014

State equalized value of real property	\$ 2,914,534
State equalized value of personal property	277,453
Total state equalized value	<u>3,191,987</u>
Debt limit (10% of total state equalized value)	319,199
Debt applicable to limit: (1)	\$ 68,990
Less:	
Assets in Debt Service funds available for payment of principal	\$ 113
Debt not subject to legal debt limit: Special assessment debt	<u>1,469</u>
Total deductions	<u>1,582</u>
Total amount of debt applicable to debt limit	<u>67,407.82</u>
Legal debt margin	<u>\$ 251,791</u>

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.

BAY COUNTY, MICHIGAN

Table 14
Unaudited

Pledged-Revenue Coverage

Last Ten Fiscal Years

				Debt Service (5)			
Fiscal Year	Operating Revenue (2)	Operating Expenses (3)	Net Available Revenue	Principal	Interest	Total	Coverage
Water Supply System No. 1 Revenue Bonds (1)							
2005 (4)	\$ 1,099,600	\$ 810,258	\$ 289,342	\$ 48,115	\$ 8,512	\$ 56,627	5.11
2006 (4)	972,636	824,923	147,713	56,223	4,643	60,866	2.43
2007	-	-	-	-	-	-	-
2008	-	-	-	-	-	-	-
2009	-	-	-	-	-	-	-
2010 (6)	3,742,001	2,650,154	1,091,847		64,794	64,794	16.85
2011 (6)	4,136,205	2,769,142	1,367,063	180,000	183,669	363,669	3.76
2012 (6)	4,308,937	2,961,525	1,347,412	185,000	180,069	365,069	3.69
2013 (6) (7)	4,373,619	2,878,647	1,494,972	190,000	176,369	366,369	4.08
2014 (6) (7)	4,584,579	3,191,548	1,393,031	195,000	1,677,652	1,872,652	3.82

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

(1) Includes component unit - Department of Water and Sewer.

(2) Excludes all non-operating revenue except interest earned.

(3) Excludes depreciation and interest expense on bonded debt.

(4) Includes the Water Supply System No. 1 Portsmouth Extension bonds through 2004 and Bay County Water Supply System 1987 Series bonds.

(5) Debt service requirements are met with net revenue available for debt service and net assets.

(6) Includes the Water Supply West Side Regional Sewage Disposal System Revenue Bonds, Series 2010.

(7) Includes the Michigan Finance Authority Bay County 2013 Local Government Loan Program Revenue Bonds.

BAY COUNTY, MICHIGAN

Table 15

Unaudited

Demographic and Economic Statistics

Last Ten Fiscal Years

Fiscal Year	Population (1)	Personal Income (2)	Per Capita Personal Income	School Enrollment (3)	Unemployment Rate (4)
2005	108,513	3,047,312	\$ 28,082	\$ 14,952	6.90%
2006	107,973	3,167,808	29,339	15,552	6.90%
2007	107,373	3,184,007	29,654	15,298	6.70%
2008	107,597	3,332,427	30,971	15,017	7.90%
2009	107,434	3,443,912	32,056	14,792	11.60%
2010	107,771	3,532,857	32,781	14,798	11.90%
2011	107,229	3,677,507	34,296	14,420	9.80%
2012	106,890	3,750,645	35,089	14,320	8.70%
2013	106,832	3,770,457	35,293	13,958	9.10%
2014	106,179	(5)	(5)	13,751	7.10%

Data Sources:

(1) Population Division, U.S. Census Bureau - Population is an estimate as of July 1, of fiscal year with the exception of 2010 which reflects the actual census.

(2) Bureau of Economic Analysis, per capita income was computed using Census Bureau midyear population estimates. Amounts expressed in thousands.

(3) Local school districts

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

(5) Personal data not available at this time.

BAY COUNTY, MICHIGAN

Table 16
Unaudited

Principal Employers 2013 and 2004

Employer	2013 (1)			2004		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
McLaren - Bay Region (2)	2,016	1	4.23%	1,756	1	3.44%
Dow Corning Corporation	1,245	2	2.61%	1,200	3	2.35%
Delta College	1,029	3	2.16%	-	-	0.00%
Bay City Public Schools (3)	900	4	1.89%	1,203	2	2.35%
Michigan Sugar Company (4)	900	5	1.89%	770	5	1.51%
Meijer Inc.	564	6	1.18%	736	6	1.44%
Bay County	520	7	1.09%	584	7	1.14%
Consumers Energy	465	8	0.97%	495	8	0.97%
General Motors Powertrain	385	9	0.81%	976	4	1.91%
Bay Arenac ISD	350	10	0.73%	-	-	0.00%
Fabiano Brothers	350	-	0.73%	-	-	0.00%
SC Johnson	-	-	0.00%	456	9	0.89%
City of Bay City	-	-	0.00%	419	10	0.82%
Totals	8,724		18.30%	8,595		16.81%

Source:
Bay Future

- (1) 2014 data not yet available.
- (2) Previously Bay Regional Medical Center and Bay Health Systems.
- (3) Excludes substitute teachers.
- (4) Figure represents peak manufacturing/industry seasons.

BAY COUNTY, MICHIGAN

Table 17
Unaudited

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

	Full-time Equivalent Employees as of December 31,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Function										
Public safety	120	118	118	118	118	113	112	111	111	112
Community and economic develop	6	6	6	6	6	2	2	2	2	1
Health and welfare	143	136	136	136	136	77	73	68	68	75
General government	110	109	109	108	107	90	88	86	88	89
Judicial	91	91	91	91	91	81	79	78	78	77
Legislative	11	11	12	12	12	1	1	1	-	-
Recreation and culture	25	24	24	24	24	10	8	8	8	7
100% tax payment	2	2	2	2	2	2	2	2	2	2
Golf course	6	6	6	6	6	3	3	3	3	1
Total	514	503	504	503	502	379	368	359	360	364

Source: Bay County Payroll Department

Note: There are no full-time equivalent positions in the public works or commissary functions.

Full-time equivalent positions are not available for Medical Care Facility and Housing Department.

BAY COUNTY, MICHIGAN

Table 18
Unaudited

Operating Indicators by Function/Program
Last Ten Fiscal Years

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Function										
Public safety										
Number of incarcerated offenders	4,485	4,479	5,016	4,276	4,073	4,081	3,813	4,032	4,057	4,392
Health and welfare										
Division on aging										
Meal site meals served	55,279	48,886	48,724	44,166	49,625	42,276	40,148	37,867	37,928	36,404
Home delivered meals served	145,665	147,529	149,549	159,060	158,664	127,789	118,672	119,732	125,007	136,849
Public works										
Number of parking spaces leased	1,947	793	275	126	122	126	252	151	319	66
Judicial										
Circuit court total caseload	4,369	4,613	4,682	4,076	3,999	4,121	4,064	3,873	3,594	(1)
District court total caseload	27,387	31,281	29,768	27,862	27,546	26,099	24,178	25,720	24,612	23,635
Probate court total caseload	791	821	792	780	820	882	871	848	791	882
Recreation and culture										
Swimming pool admissions (2)	4,364	6,652	6,318	6,006	5,897	4,591	3,124	3,033	4,150	3,935
Medical care facility										
Patient days	73,164	73,031	73,795	74,483	70,006	87,873	73,896	69,984	84,709	78,222
Patient admits	274	256	196	144	124	283	350	102	131	145
Golf course										
Memberships	201	185	160	181	210	196	154	193	176	131
Housing										
Number of lease days	36,232	36,281	36,361	35,892	35,999	36,088	36,017	35,261	35,607	36,096

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 is not available.

(2) This information contains some approximate values.

BAY COUNTY, MICHIGAN

Table 19
Unaudited

Capital Asset Statistics by Function/Program Last Ten Fiscal Years

Function	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Public safety										
Sheriff										
Stations	1	1	1	1	1	1	1	1	1	1
Vehicles	28	27	31	28	24	25	23	25	34	35
Boats	4	4	3	3	3	3	3	3	3	3
Animal control										
Vehicles	5	4	4	4	3	3	4	4	5	5
Community and economic development										
Streets (miles)	1,565	1,566	1,565	1,565	1,565	1,566	1,566	1,567	1,567	1,568
Traffic signals	107	107	108	108	108	108	109	109	109	109
Health and welfare										
Division on aging										
Meal sites	8	7	7	7	7	5	5	5	5	5
Mosquito control										
Vehicles	30	30	31	31	32	31	31	32	32	32
Public works										
Pere Marquette/Madison Avenues										
Parking spaces available for lease	432	432	432	432	432	264	264	264	264	264
Recreation and culture										
Parks (1)	4	3	3	3	3	3	3	3	3	5
Medical care facility										
Beds	206	206	206	206	206	206	206	206	206	206
Golf course										
Golf carts	54	54	54	54	53	53	53	53	53	53
Housing										
Apartments	100	100	100	100	100	100	100	100	100	100

Sources: County departments

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

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

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