

Bay County
Michigan



Year Ended
December 31,
2016

Comprehensive
Annual
Financial
Report

Prepared by:
Bay County Finance Department

BAY COUNTY, MICHIGAN

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INTRODUCTORY SECTION

THE BOARD OF COMMISSIONERS

THOMAS M. HEREK
CHAIRMAN

MICHAEL J. DURANCZYK
VICE CHAIRMAN

VAUGHN J. BEGICK
SERGEANT AT ARMS

ERNIE KRYGIER
KIM COONAN

TOM RYDER
MICHAEL E. LUTZ

ROBERT REDMOND
FINANCIAL ANALYST

ADMINISTRATION

JAMES A. BARCIA
COUNTY EXECUTIVE

JAN HISTED
FINANCE OFFICER

KIMBERLY PRIESSNITZ
ASSISTANT FINANCE OFFICER

INDEPENDENT AUDITORS
REHMANN ROBSON



**BAY COUNTY
FINANCE/INFORMATION SYSTEMS**

James A. Barcia
County Executive

Jan M. Histed
Finance Officer
histedj@baycounty.net

Kimberly A. Priessnitz
Assistant Finance Officer
priessnitzk@baycounty.net

Frances A. Moore
Purchasing/Housing Rehab
mooref@baycounty.net

Julie A. Coppens
Information Systems Manager
coppensj@baycounty.net

June 30, 2017

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, 2016, is hereby submitted. State Law requires each municipality within the state of Michigan to file an audit report annually with the Michigan Department of Treasury within six months from the end of its fiscal year. This report was prepared by the Bay County Finance Department.

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

The Bay County Board of Commissioners has engaged with Rehmann Robson CPAs & Consultants, Independent Auditors to meet the requirements of the state statutes. The independent auditors' unmodified opinion for the year ended December 31, 2016, is included at the front of the financial section of this report.

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

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

PROFILE OF THE GOVERNMENT

Bay County, Michigan, incorporated in 1857, is located approximately 100 miles north of Detroit in the mid-eastern part of the state on the shores of the Saginaw Bay. It occupies 442 square miles and currently serves a population of approximately 104,747. Bay County is the 20th largest of 83 counties in the state of Michigan. Bay County is empowered to levy a property tax on real, personal, and industrial property located within its boundaries.

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

Bay County provides a wide range of services, including public safety, health and welfare services, community and economic development, and recreational and cultural activities. Certain financing and oversight services on the construction of Bay County public buildings are provided through the Bay County Building Authority, a blended component unit, which functions, in essence, as a department of Bay County, and therefore has been included as an integral part of Bay County's financial statements. Bay County is also financially accountable for services provided by discretely presented component units of Bay County. These services include the construction and maintenance of the county's system of roads and bridges by the Bay County Road Commission; the providing of services and materials to satisfy the educational, personal, and professional 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, 2016, the population of Bay County has declined to an estimated 104,747 or just under a 3% 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, 2016, was 5.2%. This compares with Bay County's rate as of December 31, 2015, of 5.5% and with the December 31, 2016, average nationwide rate of 4.9%, and with the 2016 statewide rate of the same 4.9%.

Most recently, the county's state equalized values (SEV) of real property have increased 2.58%, 0.30% and 2.47% for 2014, 2015 and 2016 respectively. For 2017, Bay County is projecting an increase of \$54,915,213 or 1.83% in state equalized values of real property which total \$3,050,274,781. The state equalized value of personal property decreased by 1.46% in 2014, increased by 5.99% in 2015 and decreased by 16.51% or \$48,546,556 in 2016. For 2017 Bay County is projecting a decrease of 10.55% in the SEV of personal property which totals \$219,610,393. In total, the County's SEV for both real and personal property is projected to increase 0.90% or \$29,009,812 to \$3,269,885,174. In addition, for 2017, Bay County has an equivalent SEV on full and one-half (1/2) rate industrial tax rolls of \$49,340,181.

Residents of Bay County can now create a Safety Profile, which includes any information they want 9-1-1 and First Responders to have in the event of an emergency through the new "Smart911" website. The Smart911 saves critical time in an emergency situation. When a citizen call 9-1-1, their Safety Profile is automatically displayed to the 9-1-1 dispatcher and allows them to send the correct first responder to the correct location with the correct information to the emergency. Since its April, 2016 implementation, the Smart911 system technology has already proven to be a valuable resource.

August 31, 2015 was the beginning of water production at the newly constructed Bay Area Water Treatment Plant. The plant held its Grand Opening on Thursday July 21, 2016 which invited the community to walk through the plant and see the newly constructed 40,893-sq-ft building containing membrane filters, raw and finished water pumping, chemical storage and feed facilities, residuals treatment facilities, laboratory, administrative offices and two 1.25 mg finished water tanks outside the building. The facility is the result of an unprecedented joint agreement between the Bay County Road Commission, ten townships and three cities throughout Bay County. The new treatment plant will serve fourteen partner government entities in Bay County, along with six other water districts

Bay County, Michigan ranked No. 9 in the top 10 list of "logistics leaders" in the Business Facilities, an economic development trade publication. The publication broke down the top municipalities in the country over a number of business-related categories. The Bay County area has an international airport in Freeland, the Saginaw River where freighters frequent, a rail system and I-75 which cuts through the middle of it. County leaders believe that Bay County and move up the rankings if the Saginaw River is dredged. Many local businesses use the many available modes of transportation to move products in and around Bay County.

After losing yearly support from the Bay City Public School District and the city of Bay City, Bay County rebranded Bay 3 TV as Bay County TV, or BCTV, to create a greater focus on the community. Those watching BCTV on Charter Cable Channel 190 or on its YouTube page, can see what is going on in the community, and those filming can get some experience in production. The public can now rent a camera (after a short training session) from BCTV can film community events or other types of educational or nonprofit functions. Also available the BCTV will film and edit your event for a per hour fee and produce DVDs of it for sale. This rebranding of BCTV has been successful and the community is welcoming into their homes.

The Michigan Department of Natural Resources (DNR) rolled out phase two of a comprehensive plan for the future of Bay City State Park and Recreation Area. Part of phase two of the plan calls the state park "a destination for birding." It states that the state park "plays an important role in the region for nature appreciation." The construction of a boardwalk off State Park Drive

will be completed next year. Bay County continues to support Beach Wellness and utilizes the State Park for many events and recreational activities. Bay County strives to improve the quality of life for its residents and promote continue tourism to our area.

In 2016, Bay County made its final principal payments of \$160,000 and \$425,000 paying off the county's 1997 Court Refunding Bonds and Ice Arena Bonds respectively. This leaves the county with only one remaining general obligation debt issuance, the Library Refinance bond, with principal payments through the year 2020.

FINANCIAL POLICIES

Relevant Financial Policies

In accordance with the County's General Financial Policy and amended Bay County Ordinance No. 28, which mandates the General Fund establish and maintain a reserve for a long-term advance to the Budget Stabilization Fund at a minimum of 5% to a maximum of now 20% (modified with resolution 2016-202) of the General Fund's current year adopted operating budget. The fund advance at the end of December 31, 2016 was \$6,777,639.65, which is equal to 20.0% of the adopted *2016 General Fund Operating Budget*. If funds are available, additional advances will be provided in the future. The Budget Stabilization Fund, in accordance with MCL section 141.443, can be used to cover a General Fund fund deficit, to prevent a reduction in the level of public services or in the number of employees where revenues are not sufficient to cover expenditures, or to cover expenditures arising because of a natural disaster to the extent that such expenditures are not covered by federal or state funds.

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

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

Budgetary Controls

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

Fund and Private Purpose Trust funds, which are fiduciary funds, are also subject to budgetary controls and are budgeted by function as well.

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

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

AWARDS AND ACKNOWLEDGEMENTS

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

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

Bay County, Michigan, received a Certificate of Achievement for its 2014 and 2015 CAFR dated December 31, 2014 and December 31, 2015, after not submitting for the five years previous. We believe that our current CAFR meets the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for a certificate.

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

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

Sincerely,



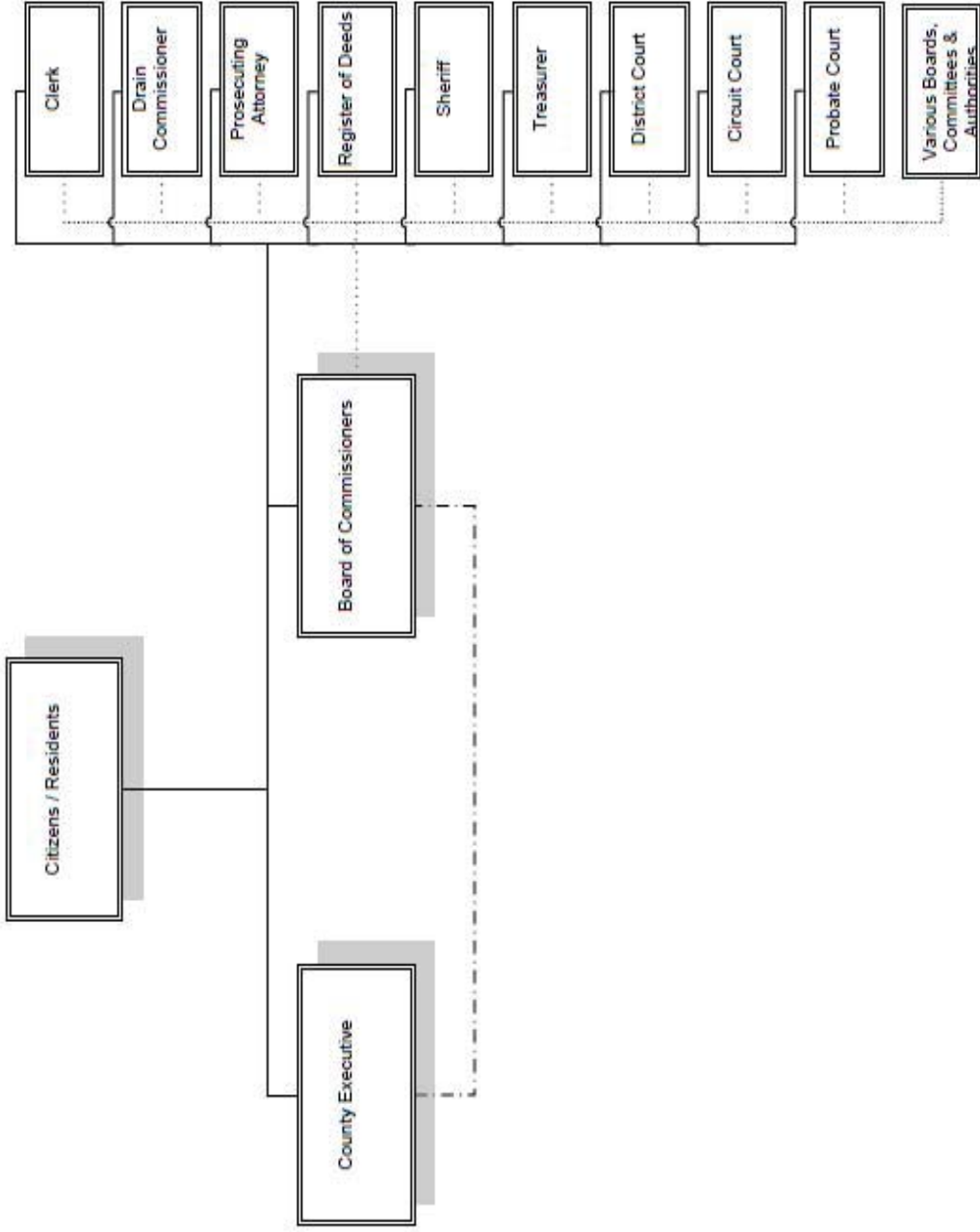
Bay County Executive Office
James A. Barcia
County Executive



Bay County Finance Department
Jan Histed
Finance Officer



Bay County Organizational Chart 2016



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

FINANCIAL SECTION

The Financial Section contains:

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

INDEPENDENT AUDITORS' REPORT

June 30, 2017

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, 2016, 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 and deferred outflows, 70% of the net position, and 32% of the revenues of the nonmajor enterprise funds; the financial statements of the Road Commission component unit, which represents approximately 60% of the assets and deferred outflows, 64% of the net position, 37% of the revenues of the aggregate discretely presented component units; or the financial statements of the Department of Water and Sewer component unit, which represents approximately 24% of the assets and deferred outflows, 23% of the net position, and 43% 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, 2016, 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.

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we will also issue at a later date under separate cover, our report on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance. The financial statements of the Medical Care Facility enterprise fund and Bay Area Narcotics Enforcement Team discretely presented component unit were not audited in accordance with *Government Auditing Standards*.

A handwritten signature in black ink that reads "Rehmann Lohann 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, 2016. We encourage readers to consider the information presented here in conjunction with the accompanying basic financial statements.

Financial Highlights

- The assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$90,268,563 (*net position*). Of this amount, \$2,998,902 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position decreased by \$4,047,481 during the current year.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$28,694,570, a decrease of \$46,189 in comparison with the prior year.
- At the end of the current fiscal year, the general fund had unassigned fund balance of \$4,183,852 or 14.3% of total general fund expenditures. The assigned fund balance for the general fund was \$1,167,146 or 4.0% of total general fund expenditures. Committed fund balance in the general fund was \$6,777,639 for budget stabilization. Nonspendable fund balance was \$1,649,523, which consists mainly of an advance to component unit. Total fund balance for the general fund was \$13,976,574.
- The County's total debt of the primary government decreased by \$3,231,028 or 4.9% during the current fiscal year.

Overview of the Financial Statements

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

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

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

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

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, public safety, community and economic development, health and welfare, public works, judicial, legislative, and recreation and culture. The business-type activities of the County include the medical care facility, 100% tax payment, golf course, housing, delinquent property tax foreclosure and commissary.

BAY COUNTY, MICHIGAN

Management's Discussion and Analysis

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

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

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

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

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

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

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

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

BAY COUNTY, MICHIGAN

Management's Discussion and Analysis

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

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

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

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

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Bay County, as the following table demonstrates, assets and deferred inflows of resources exceeded liabilities and deferred inflows of resources by \$90,268,563 at the close of the most recent fiscal year. Explanations for significant changes are described below.

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Assets						
Current and other assets	\$ 54,267,118	\$ 55,208,076	\$33,063,638	\$38,456,800	\$ 87,330,756	\$ 93,664,876
Capital assets, net	103,582,192	104,982,060	8,893,264	7,905,615	112,475,456	112,887,675
Total assets	157,849,310	160,190,136	41,956,902	46,362,415	199,806,212	206,552,551
Deferred outflows of resources	7,942,954	972,158	5,193,345	947,005	13,136,299	1,919,163
Liabilities						
Long-term liabilities	62,885,245	66,116,023	29,033	29,283	62,914,278	66,145,306
Other liabilities	27,688,702	24,988,054	16,237,559	14,206,495	43,926,261	39,194,549
Total liabilities	90,573,947	91,104,077	16,266,592	14,235,778	106,840,539	105,339,855
Deferred inflows of resources	13,705,869	6,452,902	2,127,540	2,362,913	15,833,409	8,815,815
Net position						
Net investment in capital assets	46,546,825	45,940,580	8,893,264	7,905,615	55,440,089	53,846,195
Restricted	23,860,919	22,222,236	7,968,653	10,264,794	31,829,572	32,487,030
Unrestricted (deficit)	(8,895,296)	(4,557,501)	11,894,198	12,540,320	2,998,902	7,982,819
Total net position	\$ 61,512,448	\$ 63,605,315	\$28,756,115	\$30,710,729	\$ 90,268,563	\$ 94,316,044

BAY COUNTY, MICHIGAN

Management's Discussion and Analysis

The largest portion of the County's net position, \$55,440,089 (61.4%) 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, \$31,829,572 (35.3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$2,998,902 (3.3%) may be used to meet the government's ongoing obligations to citizens and creditors.

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues						
Program revenues:						
Charges for services	\$ 14,945,149	\$ 13,181,806	\$23,898,809	\$26,076,373	\$ 38,843,958	\$ 39,258,179
Operating grants and contributions	9,833,588	9,957,392	157,979	158,830	9,991,567	10,116,222
Capital grants and contributions	25,656	15,864	-	36,314	25,656	52,178
General revenues:						
Property taxes	22,882,462	22,461,189	2,108,631	2,114,773	24,991,093	24,575,962
Unrestricted investment earnings	490,959	203,140	264,719	397,758	755,678	600,898
Other revenue	597,064	400,145	236,213	637,907	833,277	1,038,052
Total revenues	48,774,878	46,219,536	26,666,351	29,421,955	75,441,229	75,641,491
Expenses						
General government	13,952,801	13,287,239	-	-	13,952,801	13,287,239
Public safety	12,193,917	11,721,498	-	-	12,193,917	11,721,498
Community and economic development	245,252	208,438	-	-	245,252	208,438
Health and welfare	12,318,324	11,205,465	-	-	12,318,324	11,205,465
Public works	3,797,894	1,910,659	-	-	3,797,894	1,910,659
Judicial	7,503,757	7,085,367	-	-	7,503,757	7,085,367
Legislative	374,520	356,824	-	-	374,520	356,824
Recreation and culture	1,566,531	1,858,611	-	-	1,566,531	1,858,611
Interest on long-term debt	174,749	244,371	-	-	174,749	244,371
Medical care facility	-	-	25,660,071	23,114,202	25,660,071	23,114,202
100% tax payment	-	-	231,929	146,827	231,929	146,827
Golf course	-	-	486,242	539,938	486,242	539,938
Housing	-	-	702,335	687,562	702,335	687,562
Delinquent property tax foreclosure	-	-	169,175	184,890	169,175	184,890
Commissary	-	-	111,213	110,824	111,213	110,824
Total expenses	52,127,745	47,878,472	27,360,965	24,784,243	79,488,710	72,662,715

continued...

BAY COUNTY, MICHIGAN

Management's Discussion and Analysis

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Change in net position before transfers	\$ (3,352,867)	\$ (1,658,936)	\$ (694,614)	\$ 4,637,712	\$ (4,047,481)	\$ 2,978,776
Transfers	1,260,000	1,243,252	(1,260,000)	(1,243,252)	-	-
Change in net position	(2,092,867)	(415,684)	(1,954,614)	3,394,460	(4,047,481)	2,978,776
Net position:						
Beginning of year	63,605,315	58,627,144	30,710,729	18,625,415	94,316,044	77,252,559
Restatement	-	5,393,855	-	8,690,854	-	14,084,709
Net position, end of year	<u>\$ 61,512,448</u>	<u>\$ 63,605,315</u>	<u>\$28,756,115</u>	<u>\$30,710,729</u>	<u>\$ 90,268,563</u>	<u>\$ 94,316,044</u>

concluded.

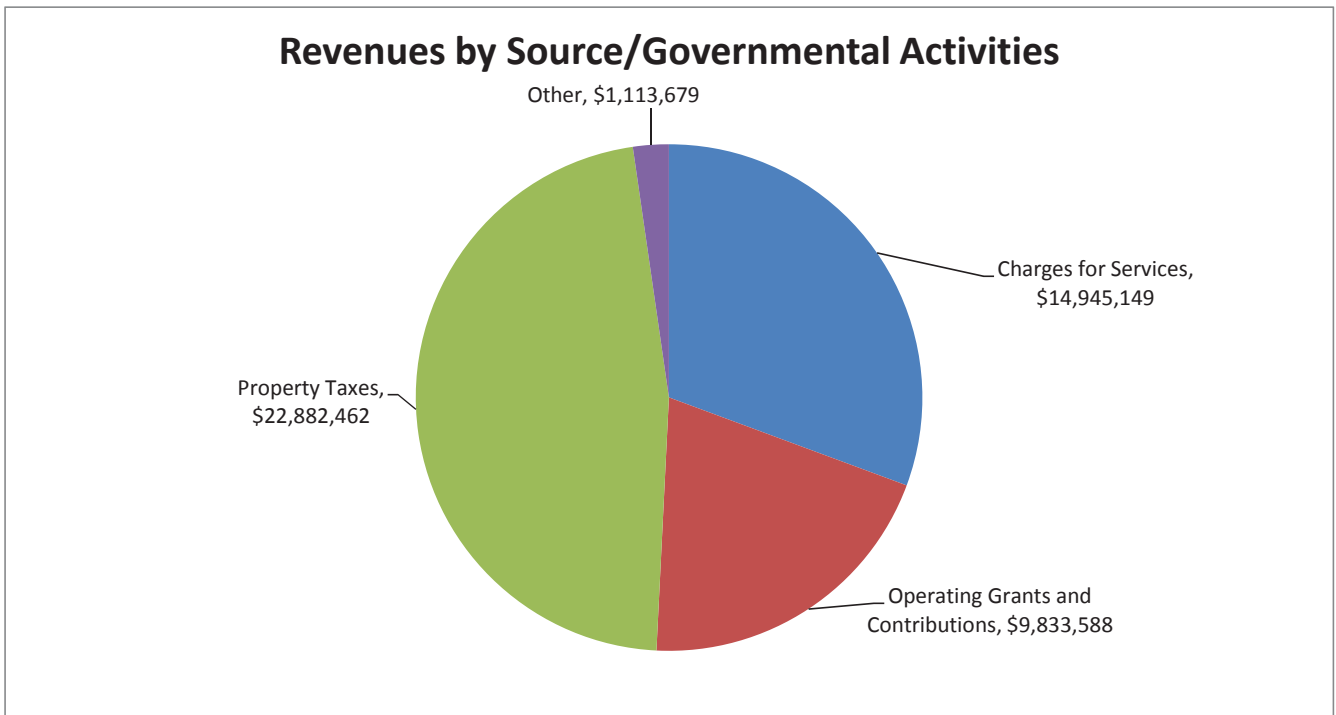
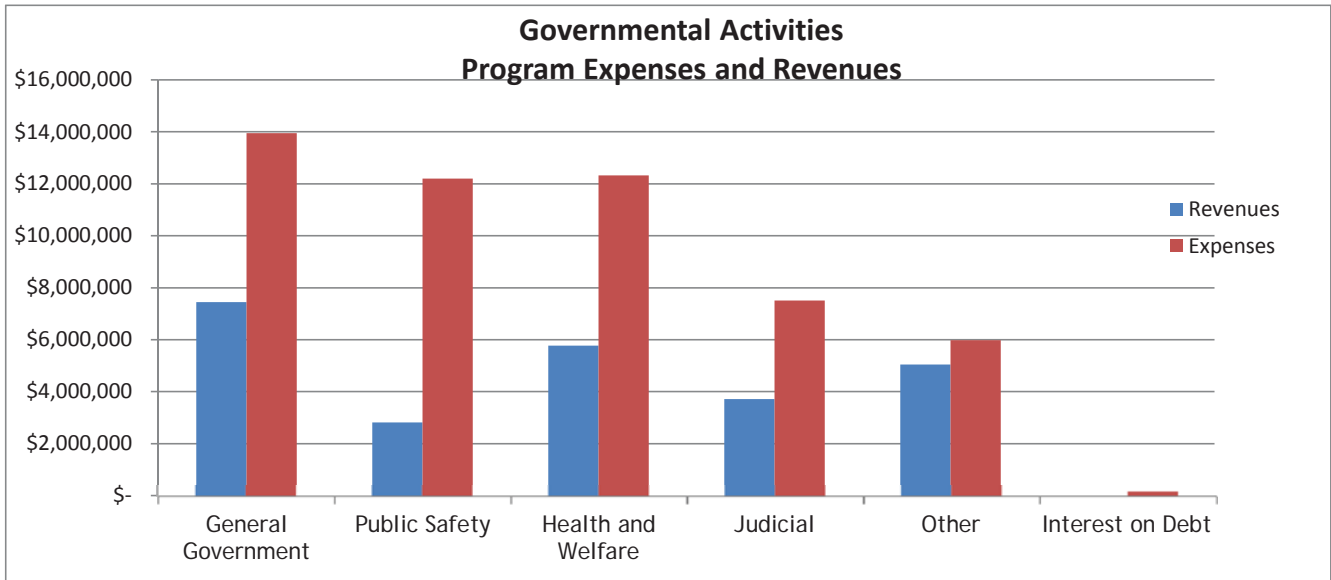
The County's net position decreased \$4,047,481 during the current fiscal year, but the prior year 2015 showed an increase of \$2,978,776. The difference in the County's net position over this two year period is mainly attributable to the reduction of charges for services revenue of 1.8 million and the increase of expenditures in 2016 over 2015 of 6.8 million.

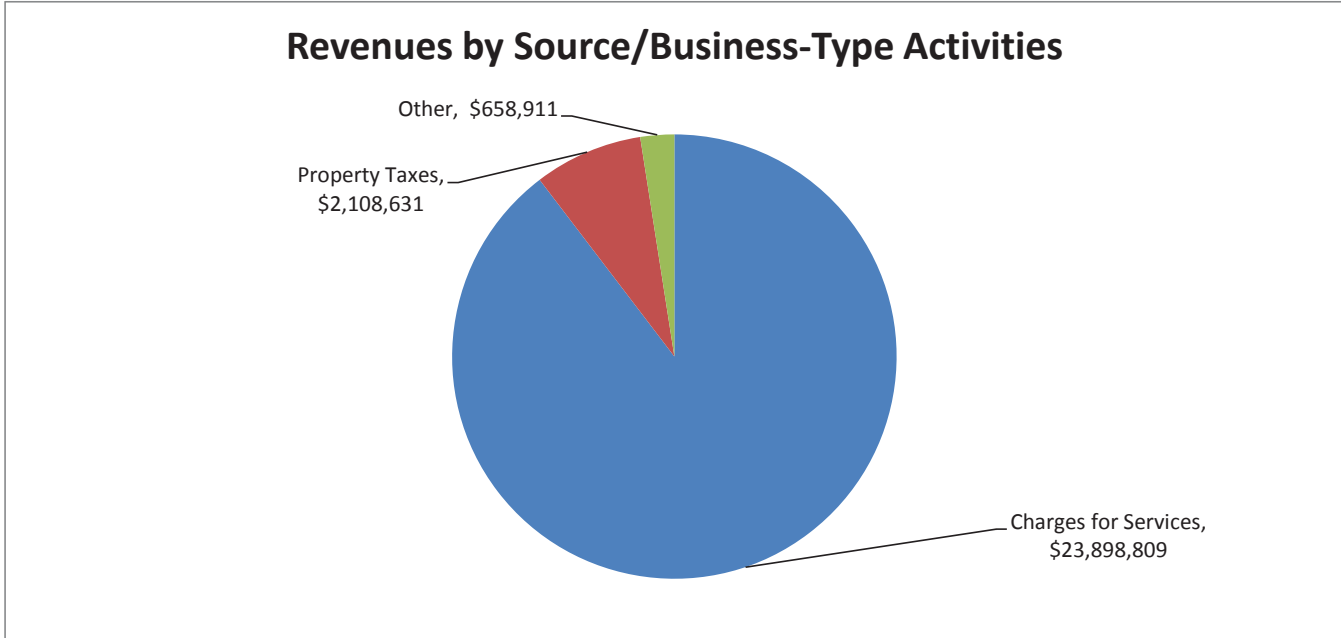
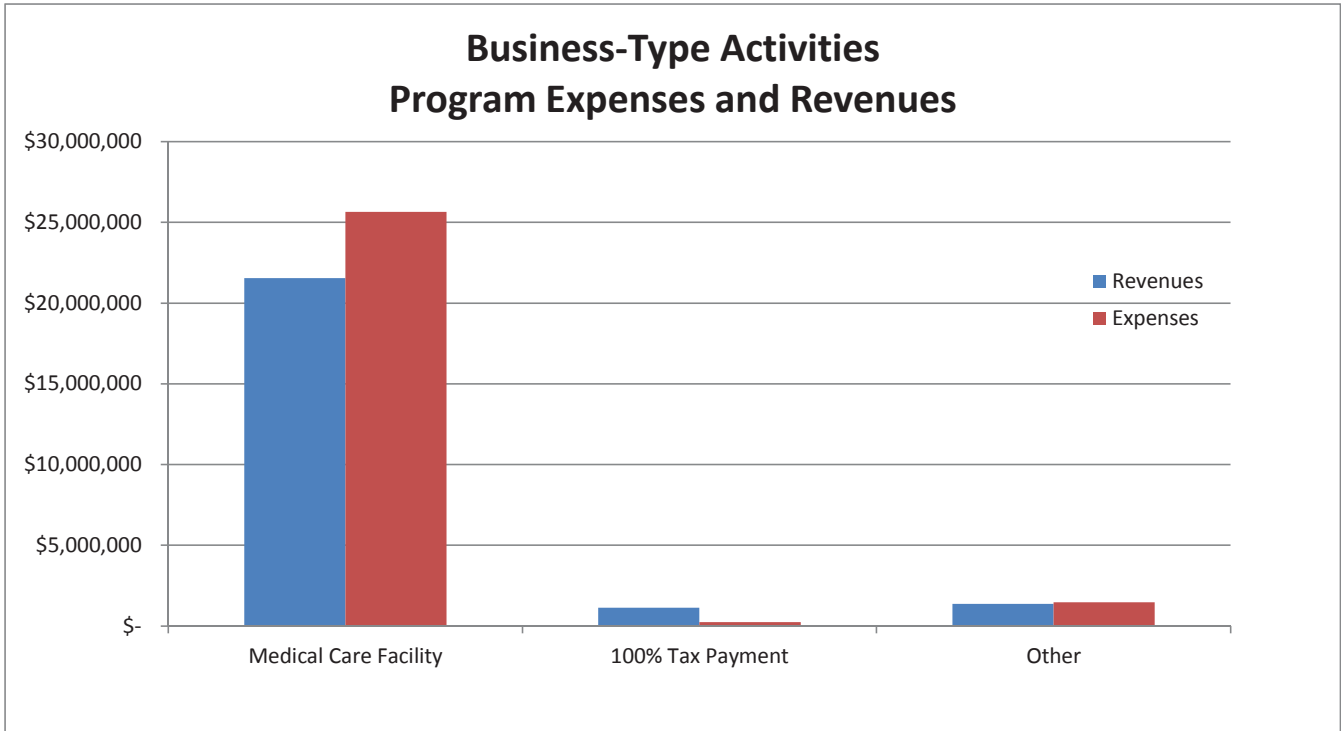
Governmental Activities. The following are key elements to the decrease in the County's governmental activities net position of \$2,092,867. The public works area had an increase in expenditures of 1.9 million while the health and welfare area had expenditure increases of 1.1 million. The increase in the water system debt activity was the major increase in the public works area.

Business-Type Activities. Business-type activities decreased the County's net position by \$1,954,614 compared to an increase of \$3,394,460 in the prior year. The key element of this decrease was primarily due to the the medical care facility's increase of \$2,545,869 in expenditures, and their reduction in charges for services revenue of 2.1 million.

BAY COUNTY, MICHIGAN

Management's Discussion and Analysis





BAY COUNTY, MICHIGAN

Management's Discussion and Analysis

Financial Analysis of the County's Funds

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

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

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$28,694,570, a decrease of \$46,189 compared to the prior year. Of this amount, \$6,777,639 is committed fund balance and \$1,878,016 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 \$4,183,852 is unassigned and available for spending at the government's discretion. The remainder of fund balance is not available for new spending and is either: 1) Nonspendable (\$1,709,269), 2) Restricted (\$14,145,794).

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 \$4,183,852 while total fund balance amounted to \$13,976,574. 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 14.3% of total general fund expenditures, while total fund balance represents 47.6% of that same amount.

Fund balance of the County's general fund increased by \$421,388 and 911 service fund decreased by \$128,201 during the current fiscal year. The general fund increase was primarily due to the additional property tax revenue received compared to budget. Also the reduction of expenditures overall compared to budget. The fund balance decrease in the 911 service fund was due to the additional transfer out to cover indirect costs increase over the previous year. Total fund balance for the general fund and 911 service fund at year end was \$13,976,574 and \$2,467,823, respectively.

The fund balance of the division on aging fund at year end was \$2,265,970, an increase of \$687,568. This increase was the result of the final year of collecting a special millage with no designated current project planned.

The water supply capital projects fund was established to account for the construction of a membrane filtration water treatment plant. As of year end, the fund balance was \$3,688,953, a decrease of \$1,362,778 over the prior year. This decrease is mainly due to payments made to contractors and professional services related to the construction of the new, and demolition of the old plant.

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

The medical care facility's net position as of year end, decreased \$1,621,017 to \$17,432,715. This decrease was primarily due to increase in operating expenditure of personnel services and other operating expenditures of 2,374,510.

The 100% tax payment fund's net position as of as of year end, was \$9,007,044, an increase of \$100,171. This was the result of a reduction in the operating transfer out to the general fund, as a lesser amount was needed to cover current year expenditures.

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 5.3% increase \$1,574,563 in expenditures budget; whereas the difference between the original budget and final amended budget for revenues resulted in a 1.8% increase \$542,798 in revenues budget; finally, the original budget for total other financing sources (uses) was amended resulting in a 58.1% increase (\$319,803) in net other financing uses. The original budget shows a decrease of \$269,804 in fund balance which was affected by budgetary adjustments. These adjustments (\$1,351,568) resulted in a budgeted use of fund balances. The grand total budgeted use of fund balance was \$1,621,372 for 2016. Significant budgetary differences are briefly summarized as follows:

- A \$294,204 increase in expenditures for 2015 open purchase orders filled in 2016.
- Transfers out of \$262,500 from the general fund to the child care fund were required due to special child care placement costs.
- A \$260,000 increase in expenditures under Sheriff Department for inmate housing.

Significant actual to budget variances are as follows:

- A negative \$347,760 federal and state \$318,490 variance in grants revenues is mainly the result of the reimbursable Friend of the Court Coop reimbursement and Circuit Court SSSPP grant expenditures not being incurred to earn the maximum reimbursement allowable on these grants.
- For 2016 general government expenditures were \$1,175,997 under budget primarily due to \$902,615 of new technology projects and various buildings and grounds projects budgeted but still in progress at the end of the year.

Capital Asset and Debt Administration

Capital Assets - The County's investment in capital assets for its governmental and business-type activities as of December 31, 2016, amounted to \$112,475,456 (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 decrease in the County's investment in capital assets for the current fiscal year was 0.4% (a 1.3% decrease for governmental activities and an increase of 12.5% for business-type activities).

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

- Construction in progress for the Bay Area Water Treatment Plant continued and at year-end was \$59,119,308.
- Work in process for the court computer software project expanded throughout the year, and at year-end had a value to date of \$612,294.72.
- The new phone system for 911 Central Dispatch was completed, benefiting the county with a total project cost of \$265,699.
- Capitalized drain improvements made and completed throughout the County totaled \$1,341,173.

BAY COUNTY, MICHIGAN

Management's Discussion and Analysis

	Capital Assets (net of depreciation)					
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 2,205,953	\$ 2,205,953	\$ 257,559	\$ 257,559	\$ 2,463,512	\$ 2,463,512
Construction work in progress	59,738,429	59,459,825	1,635,428	1,016,928	61,373,857	60,476,753
Land improvements	877,130	968,246	37,133	58,840	914,263	1,027,086
Buildings and improvements	37,163,452	38,546,046	5,663,037	5,933,031	42,826,489	44,479,077
Machinery and equipment	1,793,341	2,042,137	492,850	364,828	2,286,191	2,406,965
Office equipment and furniture	1,295,741	1,267,448	753,714	204,774	2,049,455	1,472,222
Vehicles	508,146	492,405	53,543	69,655	561,689	562,060
Total	\$103,582,192	\$104,982,060	\$ 8,893,264	\$ 7,905,615	\$112,475,456	\$112,887,675

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 \$62,914,278. Of this amount, \$5,664,320 is general obligation bonds, net of premiums and discounts. The remainder of the County debt is comprised of revenue bonds, DWRF loans, net of premiums and discounts, and compensated absences.

	Outstanding Debt					
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Primary Government						
General obligation bonds	\$ 5,255,000	\$ 7,020,000	\$ -	\$ -	\$ 5,255,000	\$ 7,020,000
Bond premium	446,320	576,349	-	-	446,320	576,349
Bond discount	(37,000)	(38,423)	-	-	(37,000)	(38,423)
Revenue bonds	29,575,000	30,000,000	-	-	29,575,000	30,000,000
DWRF loans	25,485,000	26,535,285	-	-	25,485,000	26,535,285
Compensated absences	2,160,925	2,022,812	29,033	29,283	2,189,958	2,052,095
Total	\$ 62,885,245	\$ 66,116,023	\$ 29,033	\$ 29,283	\$ 62,914,278	\$ 66,145,306

The County's total gross long-term debt of \$62,914,278 is equivalent to \$601 per capita or 2.3% of the County's taxable value of property of \$2,781,650,950.

The County's total debt decreased \$3,231,028 or 4.9% during the current fiscal year. This decrease is a result of principal payments made during the year of \$3,240,285.

BAY COUNTY, MICHIGAN

Management's Discussion and Analysis

The County's current bond ratings are as follows:

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

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

Debt limit	\$ 324,088
Debt margin	\$ 253,640
Percent of limit	78.26%

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 2017 fiscal year:

- All union contracts were settled through the year 2019.
- Continued limiting of capital expenditures.
- Actuary recommended pension contributions decreased to .00 percent of payroll for the General Group. The County contributed 4.0 percent of payroll for this group in 2016, at 4.00 percent above the recommended contribution.
- Operations at the County's wellness center continued for the third straight year in an ongoing effort to control spiraling health care costs and reduce the occurrence of chronic diseases. This appears to be working with actual medical costs paid by the County going down.

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, 2016

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 13,242,100	\$ 4,986,699	\$ 18,228,799	\$ 16,061,399
Investments	17,597,397	15,270,323	32,867,720	4,552,524
Receivables	15,733,816	9,372,625	25,106,441	15,524,874
Internal balances	1,157	(1,157)	-	-
Prepaid items and other assets	1,003,716	438,232	1,441,948	721,335
Inventories	14,184	121,043	135,227	1,094,359
Net pension asset	6,674,748	2,875,873	9,550,621	2,808,417
Net other postemployment benefits asset	-	-	-	120,753
Capital assets not being depreciated	61,944,382	1,892,987	63,837,369	36,685,773
Capital assets being depreciated, net	41,637,810	7,000,277	48,638,087	82,719,089
Total assets	157,849,310	41,956,902	199,806,212	160,288,523
Deferred outflows of resources				
Deferred pension amounts	7,942,954	5,193,345	13,136,299	8,910,558
Liabilities				
Accounts payable and accrued liabilities	5,238,668	2,211,141	7,449,809	2,146,331
Unearned revenue	567,690	6,640	574,330	-
Long-term liabilities:				
Due within one year	3,135,273	7,217	3,142,490	1,218,965
Due in more than one year	59,749,972	21,816	59,771,788	9,012,240
Net other postemployment benefits obligation	21,882,344	14,019,778	35,902,122	9,575,540
Total liabilities	90,573,947	16,266,592	106,840,539	21,953,076
Deferred inflows of resources				
Deferred pension amounts	7,235,800	100,565	7,336,365	-
Taxes levied for a subsequent period	6,470,069	2,026,975	8,497,044	5,393,200
Total deferred inflows of resources	13,705,869	2,127,540	15,833,409	5,393,200
Net position				
Net investment in capital assets	46,546,825	8,893,264	55,440,089	114,297,165
Restricted for:				
Pension benefits	7,381,902	7,968,653	15,350,555	9,148,225
Insurance claims	6,522,620	-	6,522,620	-
Other	9,956,397	-	9,956,397	4,613,798
Unrestricted (deficit)	(8,895,296)	11,894,198	2,998,902	13,793,617
Total net position	\$ 61,512,448	\$ 28,756,115	\$ 90,268,563	\$ 141,852,805

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

BAY COUNTY, MICHIGAN

Statement of Activities

For the Year Ended December 31, 2016

Functions / Programs	Expenses	Indirect Expenses Allocation	Program Revenues			Net (Expense) Revenue
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government						
Governmental activities:						
General government	\$ 14,473,033	\$ (520,232)	\$ 3,221,387	\$ 4,196,172	\$ 25,656	\$ (6,509,586)
Public safety	12,121,889	72,028	1,992,038	828,332	-	(9,373,547)
Community and economic development	239,849	5,403	207,492	106,891	-	69,131
Health and welfare	12,318,324	-	3,040,808	2,734,316	-	(6,543,200)
Public works	3,797,894	-	3,886,949	-	-	89,055
Judicial	7,155,568	348,189	1,751,191	1,963,104	-	(3,789,462)
Legislative	374,520	-	-	-	-	(374,520)
Recreation and culture	1,616,110	(49,579)	845,284	4,773	-	(716,474)
Interest on long-term debt	174,749	-	-	-	-	(174,749)
Total governmental activities	52,271,936	(144,191)	14,945,149	9,833,588	25,656	(27,323,352)
Business-type activities:						
Medical care facility	25,643,522	16,549	21,546,879	-	-	(4,113,192)
100% tax payment	205,628	26,301	1,138,214	-	-	906,285
Golf course	431,440	54,802	491,464	-	-	5,222
Housing	702,335	-	283,637	157,979	-	(260,719)
Delinquent property tax foreclosure	144,740	24,435	289,111	-	-	119,936
Commissary	106,220	4,993	149,504	-	-	38,291
Total business-type activities	27,233,885	127,080	23,898,809	157,979	-	(3,304,177)
Total primary government	\$ 79,505,821	\$ (17,111)	\$ 38,843,958	\$ 9,991,567	\$ 25,656	\$ (30,627,529)
Component units						
Road Commission	\$ 15,676,829	\$ -	\$ 1,947,694	\$ 9,263,515	\$ 2,084,341	\$ (2,381,279)
Library System	6,743,107	-	422,653	97,895	130,596	(6,091,963)
Department of Water and Sewer	15,275,592	-	15,704,878	-	-	429,286
Drain Commission	931,387	12,105	6,126	223,499	367,955	(345,912)
Bay Area Narcotics Enforcement Team	565,029	5,006	-	595,320	-	25,285
Bay County Landbank	693	-	8,120	-	-	7,427
Total component units	\$ 39,192,637	\$ 17,111	\$ 18,089,471	\$ 10,180,229	\$ 2,582,892	\$ (8,357,156)

continued...

BAY COUNTY, MICHIGAN

Statement of Activities

For the Year Ended December 31, 2016

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Changes in net position				
Net (expense) revenue	\$ (27,323,352)	\$ (3,304,177)	\$ (30,627,529)	\$ (8,357,156)
General revenues:				
Property taxes	22,882,462	2,108,631	24,991,093	5,613,513
Unrestricted investment earnings	490,959	264,719	755,678	265,834
Investment appreciation (depreciation)	-	-	-	(43,009)
Other revenue	597,064	236,213	833,277	299,607
Transfers - internal activities	1,260,000	(1,260,000)	-	-
Total general revenues and transfers	25,230,485	1,349,563	26,580,048	6,135,945
Change in net position	(2,092,867)	(1,954,614)	(4,047,481)	(2,221,211)
Net position, beginning of year	63,605,315	30,710,729	94,316,044	144,074,016
Net position, end of year	\$ 61,512,448	\$ 28,756,115	\$ 90,268,563	\$ 141,852,805

concluded

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

BAY COUNTY, MICHIGAN

Balance Sheet

Governmental Funds
December 31, 2016

	Special Revenue Funds		
	General Fund	911 Service	Division on Aging
Assets			
Cash and cash equivalents	\$ -	\$ 655,286	\$ 702,647
Investments	11,626,657	1,811,232	1,633,072
Receivables:			
Accounts, net	1,362,748	23,643	47,640
Property taxes, net of allowance	1,477,576	1,837,212	2,229,109
Interest	48,648	9,022	7,833
Due from other governmental units	1,332,218	67,294	60,847
Advance to component unit	1,258,352	-	-
Inventories	14,184	-	-
Due from other funds	1,080	-	-
Due from component units	101,276	-	-
Prepaid items and other assets	226,987	36,594	-
Interfund advances	150,000	-	-
Total assets	\$ 17,599,726	\$ 4,440,283	\$ 4,681,148
Liabilities			
Accounts payable	\$ 914,103	\$ 44,706	\$ 45,883
Accrued liabilities	423,514	28,217	42,243
Accrued vacation and sick pay	79,043	3,415	1,585
Due to other funds	1,327,623	475	546
Due to component units	64,458	-	-
Due to other governmental units	17,682	-	1,068
Deposits	2,785	-	-
Interfund advances	-	-	-
Unearned revenue	147,009	-	23,787
Total liabilities	2,976,217	76,813	115,112
Deferred inflows of resources			
Unavailable revenue - property taxes	646,935	3,804	3,919
Taxes levied for a subsequent period	-	1,891,843	2,296,147
Total deferred inflows of resources	646,935	1,895,647	2,300,066
Fund balances			
Nonspendable	1,649,523	36,594	-
Restricted	198,414	2,431,229	2,251,433
Committed	6,777,639	-	-
Assigned	1,167,146	-	14,537
Unassigned	4,183,852	-	-
Total fund balances	13,976,574	2,467,823	2,265,970
Total liabilities, deferred inflows of resources and fund balances	\$ 17,599,726	\$ 4,440,283	\$ 4,681,148

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



Water Supply Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 5,268,662	\$ 2,616,278	\$ 9,242,873
-	1,378,842	16,449,803
-	2,130,852	3,564,883
-	2,215,400	7,759,297
-	7,851	73,354
-	1,335,301	2,795,660
-	-	1,258,352
-	-	14,184
-	-	1,080
-	-	101,276
-	23,152	286,733
-	-	150,000
<u>\$ 5,268,662</u>	<u>\$ 9,707,676</u>	<u>\$ 41,697,495</u>
\$ 333,971	\$ 480,003	\$ 1,818,666
1,245,738	81,637	1,821,349
-	10,883	94,926
-	1,271	1,329,915
-	-	64,458
-	5,804	24,554
-	-	2,785
-	150,000	150,000
-	396,894	567,690
<u>1,579,709</u>	<u>1,126,492</u>	<u>5,874,343</u>
-	3,855	658,513
-	2,282,079	6,470,069
<u>-</u>	<u>2,285,934</u>	<u>7,128,582</u>
-	23,152	1,709,269
3,688,953	5,575,765	14,145,794
-	-	6,777,639
-	696,333	1,878,016
-	-	4,183,852
<u>3,688,953</u>	<u>6,295,250</u>	<u>28,694,570</u>
<u>\$ 5,268,662</u>	<u>\$ 9,707,676</u>	<u>\$ 41,697,495</u>

BAY COUNTY, MICHIGAN

Reconciliation

Fund Balances for Governmental Funds
To Net Position of Governmental Activities
December 31, 2016

Fund balances - total governmental funds \$ 28,694,570

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

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

Capital assets not being depreciated	61,944,382
Capital assets being depreciated, net	41,637,810

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

Deferred inflow for property taxes receivable	658,513
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Certain pension-related amounts, such as the net pension asset and deferred amounts are not due and payable in the current period or do not represent current financial resources and therefore are not reported in the funds.

Net pension asset	6,671,661
Deferred outflows related to the net pension asset	7,939,188
Deferred inflows related to the net pension asset	(7,233,232)

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

	6,526,905
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Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Bonds and notes payable	(60,315,000)
Net unamortized bond premium/discount	(409,320)
Accrued interest on long-term debt	(560,190)
Accrued liability to Historical Preservation	(515)
Net other postemployment benefits obligation	(21,882,344)
Compensated absences	(2,159,980)

Net position of governmental activities \$ 61,512,448

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, 2016

	Special Revenue Funds		
	General Fund	911 Service	Division on Aging
Revenues			
Property taxes	\$ 16,541,625	\$ 1,981,104	\$ 2,263,424
Special assessments	-	-	-
Licenses and permits	205,645	-	-
Federal	1,824,863	-	662,934
State	4,211,265	288,886	12,633
Interest, rents and royalties	1,074,353	50,394	40,393
Charges for services	2,611,530	-	33,753
Fines and forfeits	524,260	-	-
Reimbursements, refunds, and other revenues	3,562,695	6,786	386,930
Total revenues	30,556,236	2,327,170	3,400,067
Expenditures			
Current:			
General government	10,101,241	-	-
Public safety	8,507,840	2,146,088	-
Community and economic development	200,847	-	-
Health and welfare	811,013	-	2,367,663
Public works	1,190	-	-
Judicial	6,014,071	-	-
Legislative	370,784	-	-
Recreation and culture	1,678,735	-	-
Other functions	1,655,588	-	-
Capital outlay	-	-	-
Debt service:			
Principal	-	-	-
Interest and other fees	-	-	-
Total expenditures	29,341,309	2,146,088	2,367,663
Revenues over (under) expenditures	1,214,927	181,082	1,032,404
Other financing sources (uses)			
Transfers in	2,772,057	-	6,200
Transfer out	(3,565,596)	(309,283)	(351,036)
Total other financing sources (uses)	(793,539)	(309,283)	(344,836)
Net change in fund balances	421,388	(128,201)	687,568
Fund balances, beginning of year	13,555,186	2,596,024	1,578,402
Fund balances, end of year	\$ 13,976,574	\$ 2,467,823	\$ 2,265,970

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

Water Supply Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 2,108,045	\$ 22,894,198
-	3,884,675	3,884,675
-	257,876	463,521
-	1,452,600	3,940,397
-	659,417	5,172,201
22,147	61,110	1,248,397
-	116,078	2,761,361
-	7,769	532,029
-	4,050,360	8,006,771
<u>22,147</u>	<u>12,597,930</u>	<u>48,903,550</u>
-	258,888	10,360,129
-	176,178	10,830,106
-	21,824	222,671
-	8,140,586	11,319,262
953,655	-	954,845
-	183,766	6,197,837
-	-	370,784
-	265,724	1,944,459
-	-	1,655,588
431,270	-	431,270
-	3,240,285	3,240,285
-	2,697,396	2,697,396
<u>1,384,925</u>	<u>14,984,647</u>	<u>50,224,632</u>
<u>(1,362,778)</u>	<u>(2,386,717)</u>	<u>(1,321,082)</u>
-	3,559,396	6,337,653
-	(836,845)	(5,062,760)
-	2,722,551	1,274,893
<u>(1,362,778)</u>	<u>335,834</u>	<u>(46,189)</u>
<u>5,051,731</u>	<u>5,959,416</u>	<u>28,740,759</u>
<u>\$ 3,688,953</u>	<u>\$ 6,295,250</u>	<u>\$ 28,694,570</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, 2016

Net change in fund balances - total governmental funds \$ (46,189)

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

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

Capital assets purchased/constructed	881,970
Depreciation expense	(2,272,874)
Loss on disposal of capital assets	(8,964)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to subsequent fiscal years.

Change in deferred property taxes receivable	(11,736)
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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	3,240,285
Amortization of bond premium/discount	128,606

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

Net operating loss from governmental activities internal service funds	(285,832)
Interest revenue from governmental activities internal service funds	27,680
Investment depreciation from governmental activities internal service funds	(27,328)
Transfers out of governmental activities internal service funds	(14,893)

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

Change in the net pension asset and related deferred amounts	94,667
Change in accrued interest payable on bonds	(17,450)
Change in the accrual to Historical Preservation	(73)
Change in the accrual for the net other postemployment benefits obligation	(3,642,123)
Change in the accrual for compensated absences	(138,613)

Change in net position of governmental activities \$ (2,092,867)

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 - General Fund

For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 15,945,235	\$ 15,945,235	\$ 16,541,625	\$ 596,390
Licenses and permits	213,915	213,915	205,645	(8,270)
Federal	2,195,094	2,232,797	1,824,863	(407,934)
State	4,208,664	4,575,924	4,211,265	(364,659)
Interest, rents and royalties	1,180,463	1,180,463	1,074,353	(106,110)
Charges for services	2,677,012	2,693,399	2,611,530	(81,869)
Fines and forfeits	525,000	525,000	524,260	(740)
Reimbursements, refunds, and other revenues	3,176,469	3,297,917	3,562,695	264,778
Total revenues	30,121,852	30,664,650	30,556,236	(108,414)
Expenditures				
Current:				
General government	10,772,863	11,501,608	10,101,241	(1,400,367)
Public safety	8,373,113	8,806,468	8,507,840	(298,628)
Community and economic development	179,246	247,090	200,847	(46,243)
Health and welfare	833,646	833,646	811,013	(22,633)
Public works	2,377	2,377	1,190	(1,187)
Judicial	6,160,138	6,234,522	6,014,071	(220,451)
Legislative	375,529	375,529	370,784	(4,745)
Recreation and culture	1,634,740	1,851,376	1,678,735	(172,641)
Other functions	1,509,514	1,563,113	1,655,588	92,475
Total expenditures	29,841,166	31,415,729	29,341,309	(2,074,420)
Revenues over (under) expenditures	280,686	(751,079)	1,214,927	1,966,006
Other financing sources (uses)				
Insurance recoveries/proceeds	4,600	4,600	-	(4,600)
Transfers in	2,734,007	2,733,750	2,772,057	38,307
Transfers out	(3,289,097)	(3,608,643)	(3,565,596)	(43,047)
Total other financing sources (uses)	(550,490)	(870,293)	(793,539)	76,754
Net change in fund balance	(269,804)	(1,621,372)	421,388	2,042,760
Fund balance, beginning of year	13,555,186	13,555,186	13,555,186	-
Fund balance, end of year	\$ 13,285,382	\$ 11,933,814	\$ 13,976,574	\$ 2,042,760

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 - 911 Service Special Revenue Fund
For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 1,951,470	\$ 1,951,470	\$ 1,981,104	\$ 29,634
State	286,000	286,000	288,886	2,886
Interest, rents and royalties	80,000	80,000	50,394	(29,606)
Reimbursements, refunds, and other revenues	6,916	6,916	6,786	(130)
Total revenues	2,324,386	2,324,386	2,327,170	2,784
Expenditures				
Public safety	2,799,772	2,816,586	2,146,088	(670,498)
Revenues (under) expenditures	(475,386)	(492,200)	181,082	673,282
Other financing uses				
Transfers out	(309,450)	(309,450)	(309,283)	(167)
Net change in fund balance	(784,836)	(801,650)	(128,201)	673,449
Fund balance, beginning of year	2,596,024	2,596,024	2,596,024	-
Fund balance, end of year	\$ 1,811,188	\$ 1,794,374	\$ 2,467,823	\$ 673,449

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, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 2,220,651	\$ 2,220,651	\$ 2,263,424	\$ 42,773
Federal	762,220	783,488	662,934	(120,554)
State	10,032	10,032	12,633	2,601
Interest, rents and royalties	6,000	6,000	40,393	34,393
Charges for services	40,083	40,083	33,753	(6,330)
Reimbursements, refunds, and other revenues	327,270	327,270	386,930	59,660
Total revenues	3,366,256	3,387,524	3,400,067	12,543
Expenditures				
Health and welfare	2,506,856	2,528,124	2,367,663	(160,461)
Revenues over expenditures	859,400	859,400	1,032,404	173,004
Other financing sources (uses)				
Transfers in	6,200	6,200	6,200	-
Transfers out	(349,594)	(349,594)	(351,036)	1,442
Other financing sources (uses)	(343,394)	(343,394)	(344,836)	(1,442)
Net change in fund balance	516,006	516,006	687,568	171,562
Fund balance, beginning of year	1,578,402	1,578,402	1,578,402	-
Fund balance, end of year	\$ 2,094,408	\$ 2,094,408	\$ 2,265,970	\$ 171,562

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

BAY COUNTY, MICHIGAN

Statement of Net Position

Proprietary Funds

December 31, 2016

	Business-type Activities - Enterprise Funds				Governmental
	Medical Care Facility	100% Tax Payment	Nonmajor Enterprise Funds	Total	Internal Service Funds
Assets					
Current assets:					
Cash and cash equivalents	\$ 3,172,459	\$ 1,174,816	\$ 439,424	\$ 4,786,699	\$ 3,999,227
Investments	12,032,010	2,932,408	505,905	15,470,323	1,147,594
Accounts receivable, net of allowance	2,123,127	168,445	3,805	2,295,377	176,002
Property taxes receivable	1,964,650	4,079,016	-	6,043,666	-
Accrued interest receivable	-	697,074	2,081	699,155	4,949
Inventories	112,196	-	8,847	121,043	-
Due from other funds	-	-	11,726	11,726	1,330,772
Due from component units	-	-	25,000	25,000	-
Due from other governmental units	235,196	74,231	-	309,427	43
Prepaid items and other assets	423,170	1,579	13,483	438,232	716,983
Total current assets	20,062,808	9,127,569	1,010,271	30,200,648	7,375,570
Noncurrent assets:					
Net pension asset	2,766,777	27,274	81,822	2,875,873	3,087
Capital assets not being depreciated	1,665,516	-	227,471	1,892,987	-
Capital assets being depreciated, net	5,599,357	-	1,400,920	7,000,277	-
Total noncurrent assets	10,031,650	27,274	1,710,213	11,769,137	3,087
Total assets	30,094,458	9,154,843	2,720,484	41,969,785	7,378,657
Deferred outflows of resources					
Deferred pension amounts	5,070,130	33,256	89,959	5,193,345	3,766
Liabilities					
Current liabilities:					
Accounts payable	1,098,218	5,157	30,155	1,133,530	49,355
Accrued liabilities	474,434	2,778	82,868	560,080	24,468
Deposits payable	18,627	-	-	18,627	-
Due to other funds	-	12,849	34	12,883	780
Due to other governmental units	-	33,459	-	33,459	-
Estimated insurance claims payable	465,445	-	-	465,445	777,402
Unearned revenue	-	-	6,640	6,640	-
Current portion of compensated absences	-	-	7,217	7,217	-
Total current liabilities	2,056,724	54,243	126,914	2,237,881	852,005

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BAY COUNTY, MICHIGAN

Statement of Net Position

Proprietary Funds

December 31, 2016

	Business-type Activities - Enterprise Funds				Governmental
	Medical Care Facility	100% Tax Payment	Nonmajor Enterprise Funds	Total	Internal Service Funds
Liabilities (continued)					
Noncurrent liabilities:					
Net other postemployment benefit obligation	\$13,648,174	\$ 93,282	\$ 278,322	\$14,019,778	\$ -
Compensated absences, net of current portion	-	10,842	10,974	21,816	945
Total noncurrent liabilities	<u>13,648,174</u>	<u>104,124</u>	<u>289,296</u>	<u>14,041,594</u>	<u>945</u>
Total liabilities	<u>15,704,898</u>	<u>158,367</u>	<u>416,210</u>	<u>16,279,475</u>	<u>852,950</u>
Deferred inflows of resources					
Deferred pension amounts	-	22,688	77,877	100,565	2,568
Taxes levied for a subsequent period	<u>2,026,975</u>	<u>-</u>	<u>-</u>	<u>2,026,975</u>	<u>-</u>
Total deferred inflows of resources	<u>2,026,975</u>	<u>22,688</u>	<u>77,877</u>	<u>2,127,540</u>	<u>2,568</u>
Net position					
Investment in capital assets	7,264,873	-	1,628,391	8,893,264	-
Restricted for:					
Pension benefits	7,836,907	37,842	93,904	7,968,653	4,285
Insurance claims	-	-	-	-	6,522,620
Unrestricted	<u>2,330,935</u>	<u>8,969,202</u>	<u>594,061</u>	<u>11,894,198</u>	<u>-</u>
Total net position	<u>\$17,432,715</u>	<u>\$ 9,007,044</u>	<u>\$ 2,316,356</u>	<u>\$28,756,115</u>	<u>\$ 6,526,905</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, 2016

	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	\$21,546,879	\$ 1,138,214	\$ 1,213,716	\$23,898,809	\$ 6,256,815
Program grants and subsidies	-	-	157,979	157,979	-
Other	17,019	-	27,831	44,850	-
Total operating revenues	21,563,898	1,138,214	1,399,526	24,101,638	6,256,815
Operating expenses					
Personnel services	18,431,466	125,907	239,810	18,797,183	5,126,861
Supplies	-	5,039	65,732	70,771	-
Other services	6,454,149	32,144	894,061	7,380,354	1,415,786
Depreciation	586,803	-	258,483	845,286	-
Total operating expenses	25,472,418	163,090	1,458,086	27,093,594	6,542,647
Operating income (loss)	(3,908,520)	975,124	(58,560)	(2,991,956)	(285,832)
Nonoperating revenues (expenses)					
Property and other taxes	2,108,631	-	-	2,108,631	-
Reimbursements, refunds and rebates	163,215	-	-	163,215	-
Other income	28,148	-	-	28,148	-
Interest income	175,162	78,517	11,040	264,719	27,680
Investment depreciation	(167,643)	(68,839)	(6,442)	(242,924)	(27,328)
Loss on disposal of capital assets	(20,010)	-	(4,437)	(24,447)	-
Total nonoperating revenues (expenses)	2,287,503	9,678	161	2,297,342	352
Income (loss) before transfers	(1,621,017)	984,802	(58,399)	(694,614)	(285,480)
Transfers					
Transfers in	-	315,369	-	315,369	-
Transfers out	-	(1,200,000)	(375,369)	(1,575,369)	(14,893)
Net transfers	-	(884,631)	(375,369)	(1,260,000)	(14,893)
Change in net position	(1,621,017)	100,171	(433,768)	(1,954,614)	(300,373)
Net position, beginning of year	19,053,732	8,906,873	2,750,124	30,710,729	6,827,278
Net position, end of year	\$17,432,715	\$ 9,007,044	\$ 2,316,356	\$28,756,115	\$ 6,526,905

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, 2016

	Business-type Activities - Enterprise Funds				Governmental
	Medical Care Facility	100% Tax Payment	Nonmajor Enterprise Funds	Total	Internal Service Funds
Cash flows from operating activities					
Cash received from customers	\$ 19,958,129	\$ 1,112,263	\$ 1,219,814	\$ 22,290,206	\$ 7,447,078
Cash received from quality assurance program	2,214,869	-	-	2,214,869	-
Cash payments to suppliers for goods and services	(6,692,459)	(38,986)	(691,075)	(7,422,520)	(1,827,756)
Cash payments to employees and related taxes and insurance	(15,388,436)	(147,100)	(460,200)	(15,995,736)	(5,104,915)
Other receipts	17,019	-	175,042	192,061	-
Net cash provided by operating activities	109,122	926,177	243,581	1,278,880	514,407
Cash flows from noncapital financing activities					
Taxes received	2,087,790	-	-	2,087,790	-
Change in resident trust deposits	4,268	-	-	4,268	-
Reimbursements, refunds, and rebates	191,363	-	-	191,363	-
Transfers in	-	315,369	-	315,369	-
Transfers out	-	(1,200,000)	(375,369)	(1,575,369)	(14,893)
Net cash provided by (used in) noncapital financing activities	2,283,421	(884,631)	(375,369)	1,023,421	(14,893)
Cash flows from capital and related financing activities					
Proceeds from sale of capital assets	75	-	3,500	3,575	-
Acquisition and construction of capital assets	(1,831,380)	-	(29,577)	(1,860,957)	-
Net cash provided by (used in) capital and related financing activities	(1,831,305)	-	(26,077)	(1,857,382)	-
Cash flows from investing activities					
Proceeds from sale of investments	-	-	147,202	147,202	-
Purchases of investments	(1,087,266)	(131,373)	(137,707)	(1,356,346)	(5,001)
Interest received	172,440	66,159	10,047	248,646	27,030
Net cash provided by (used in) investing activities	(914,826)	(65,214)	19,542	(960,498)	22,029
Net change in cash and cash equivalents	(353,588)	(23,668)	(138,323)	(515,579)	521,543
Cash and cash equivalents, beginning of year	3,526,047	1,198,484	577,747	5,302,278	3,477,684
Cash and cash equivalents, end of year	\$ 3,172,459	\$ 1,174,816	\$ 439,424	\$ 4,786,699	\$ 3,999,227

continued...

BAY COUNTY, MICHIGAN

Statement of Cash Flows

Proprietary Funds

For the Year Ended December 31, 2016

	Business-type Activities - Enterprise Funds				Governmental
	Medical Care Facility	100% Tax Payment	Nonmajor Proprietary Funds	Total	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	\$ (3,908,520)	\$ 975,124	\$ (58,560)	\$ (2,991,956)	\$ (285,832)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	586,803	-	258,483	845,286	-
Bad debts	51,949	-	-	51,949	-
Changes in assets and liabilities that provided (used) cash:					
Accounts receivable, net	(338,898)	(1,803)	(71)	(340,772)	(118,522)
Property tax receivable	913,068	(3,559)	-	909,509	-
Inventories	(30,825)	-	(527)	(31,352)	-
Due from other funds	-	10,034	3,609	13,643	1,308,007
Due from component units	-	-	-	-	-
Due from other governmental units	-	(47,756)	-	(47,756)	2,175
Prepaid items and other assets	(204,119)	(5)	19,403	(184,721)	(461,306)
Accounts payable	819,756	3,336	(26,052)	797,040	49,336
Accrued liabilities	144,360	1,590	42,993	188,943	11,395
Due to other funds	-	11,999	(5,958)	6,041	778
Due to other governmental units	-	(37,493)	(95)	(37,588)	-
Estimated claims payable	-	-	-	-	17,586
Unearned revenue	-	-	(1,526)	(1,526)	-
Net other postemployment benefit obligation	1,074,218	14,382	(6,264)	1,082,336	(8,752)
Change in net pension asset and deferred amounts	1,001,330	377	20,756	1,022,463	42
Compensated absences	-	(49)	(2,610)	(2,659)	(500)
Net cash provided by operating activities	\$ 109,122	\$ 926,177	\$ 243,581	\$ 1,278,880	\$ 514,407
Non-cash transactions					
Investment depreciation	\$ (167,643)	\$ (68,839)	\$ (6,442)	\$ (242,924)	\$ (27,328)

concluded.

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

BAY COUNTY, MICHIGAN

Statement of Fiduciary Net Position

Fiduciary Funds
December 31, 2016

	Private Purpose Trust Funds	Pension and Other Employee Benefits Trust Funds	Agency Funds
Assets			
Investments, at fair value:			
Equities	\$ -	\$ 257,134,701	\$ -
Fixed income	-	91,033,415	8,308,585
Money market	-	9,831,272	-
Total investments, at fair value	-	357,999,388	8,308,585
Cash and cash equivalents	91,957	-	5,692,361
Receivables:			
Accounts	-	-	132
Contributions receivable	-	373,686	-
Interest and dividends	-	792,977	-
Total receivables	-	1,166,663	132
Other current assets:			
Prepaid items and other assets	-	288,808	-
Net pension asset	-	20,069	-
Due from other governmental units	-	-	579,187
Due from other agency funds	-	-	28,870
Total other current assets	-	308,877	608,057
Total assets	91,957	359,474,928	\$ 14,609,135
Deferred outflows of resources - pensions	-	24,472	
Liabilities			
Accounts payable	14,851	740,806	\$ 85,121
Accrued liabilities	76,244	902,490	170,746
Accrued vacation and sick pay	-	1,375	-
Due to other agency funds	-	-	28,870
Due to component units	-	-	12,950,360
Due to other governmental units	-	-	1,030,366
Deposits	-	-	236,260
Undistributed taxes	-	-	107,412
Total liabilities	91,095	1,644,671	\$ 14,609,135
Deferred inflows of resources - pensions	-	16,695	
Net position			
Restricted for:			
Inmates	862	-	
Pension benefits	-	311,500,976	
Postemployment health care benefits	-	46,337,058	
Total net position	\$ 862	\$ 357,838,034	

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, 2016

	Private Purpose Trust Funds	Pension and Other Employee Benefits Trust Funds
Additions		
Investment income:		
Net appreciation in fair value of investments	\$ -	\$ 21,475,328
Interest and dividends	83	6,706,953
Total investment earnings	<u>83</u>	<u>28,182,281</u>
Investment expense	-	(1,723,691)
Net investment income	<u>83</u>	<u>26,458,590</u>
Contributions:		
Employer	-	3,571,256
Plan members	-	2,275,750
Total contributions	<u>-</u>	<u>5,847,006</u>
Other revenue	-	10,012
Total additions	<u>83</u>	<u>32,315,608</u>
Deductions		
Participant benefits (including refunds of contributions)	-	17,222,061
Administrative expenses	-	651,247
Other services	<u>99</u>	<u>-</u>
Total deductions	<u>99</u>	<u>17,873,308</u>
Change in net position	(16)	14,442,300
Net position		
Beginning of year	<u>878</u>	<u>343,395,734</u>
End of year	<u>\$ 862</u>	<u>\$ 357,838,034</u>

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

BAY COUNTY, MICHIGAN

Combining Statement of Net Position

Component Units

December 31, 2016

	Road Commission	Library System	Department of Water and Sewer	Drain Commission
Assets				
Cash and cash equivalents	\$ 231,539	\$ 5,332,375	\$ 8,753,981	\$ 988,608
Investments	2,655,491	-	-	1,897,033
Receivables	115,605	5,412,956	3,980,274	1,283,628
Inventories	757,450	-	336,909	-
Due from other governmental units	2,304,150	-	1,611,745	527,512
Due from primary government	-	69,186	-	96,252
Prepaid items and other assets	311,556	151,040	240,402	-
Net other postemployment benefit asset	-	-	120,753	-
Net pension asset	1,725,500	572,401	510,516	-
Capital assets not being depreciated	35,921,220	107,487	260,716	388,230
Capital assets being depreciated, net	52,261,060	2,416,507	23,352,179	4,689,343
Total assets	96,283,571	14,061,952	39,167,475	9,870,606
Deferred outflows of resources				
Deferred pension amounts	5,512,382	1,337,942	2,060,234	-
Liabilities				
Accounts payable and accrued liabilities	509,920	112,707	994,532	110,291
Due to other governmental units	258,373	-	-	-
Due to primary government	-	-	-	98,995
Long-term liabilities:				
Due within one year	250,000	17,608	799,753	151,604
Due in more than one year	631,105	158,474	7,091,914	1,130,747
Net other postemployment benefits obligation	8,711,512	864,028	-	-
Total liabilities	10,360,910	1,152,817	8,886,199	1,491,637
Deferred inflows of resources				
Taxes levied for a subsequent period	-	5,393,200	-	-
Net position				
Net investment in capital assets	88,182,280	2,523,994	19,787,549	3,795,222
Restricted for:				
Debt service	-	-	-	194,258
Pension benefits	7,237,882	1,910,343	-	-
Library services	-	4,419,540	-	-
Unrestricted (deficit)	(3,985,119)	-	12,553,961	4,389,489
Total net position	\$ 91,435,043	\$ 8,853,877	\$ 32,341,510	\$ 8,378,969

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



Bay Area Narcotics Enforcement Team	Bay County Landbank	Total
\$ 737,733	\$ 17,163	\$ 16,061,399
-	-	4,552,524
123,566	-	10,916,029
-	-	1,094,359
-	-	4,443,407
-	-	165,438
-	18,337	721,335
-	-	120,753
-	-	2,808,417
-	8,120	36,685,773
-	-	82,719,089
<hr/>	<hr/>	<hr/>
861,299	43,620	160,288,523
<hr/>	<hr/>	<hr/>
-	-	8,910,558
<hr/>	<hr/>	<hr/>
36,513	-	1,763,963
-	-	258,373
-	25,000	123,995
-	-	1,218,965
-	-	9,012,240
-	-	9,575,540
<hr/>	<hr/>	<hr/>
36,513	25,000	21,953,076
<hr/>	<hr/>	<hr/>
-	-	5,393,200
<hr/>	<hr/>	<hr/>
-	8,120	114,297,165
-	-	194,258
-	-	9,148,225
-	-	4,419,540
824,786	10,500	13,793,617
<hr/>	<hr/>	<hr/>
\$ 824,786	\$ 18,620	\$ 141,852,805
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BAY COUNTY, MICHIGAN

Combining Statement of Activities

Component Units

For the Year Ended December 31, 2016

Functions / Programs	Expenses	Indirect Expenses Allocation	Program Revenues			Net (Expense) Revenue
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Component units						
Road Commission						
Governmental activities:						
Highways and streets	\$ 15,676,829	\$ -	\$ 1,947,694	\$ 9,263,515	\$ 2,084,341	\$ (2,381,279)
Library System						
Governmental activities:						
Recreation and culture	6,743,107	-	422,653	97,895	130,596	(6,091,963)
Department of Water and Sewer						
Business-type activities:						
Water	9,711,687	-	10,779,746	-	-	1,068,059
Sewer	5,563,905	-	4,925,132	-	-	(638,773)
Total Department of Water and Sewer	15,275,592	-	15,704,878	-	-	429,286
Drain Commission						
Governmental activities:						
Public works	892,186	12,105	6,126	223,499	367,955	(306,711)
Interest on long-term debt	39,201	-	-	-	-	(39,201)
Total Drain Commission	931,387	12,105	6,126	223,499	367,955	(345,912)
Bay Area Narcotics Enforcement Team						
Governmental activities:						
Public safety	565,029	5,006	-	595,320	-	25,285
Bay County Landbank						
Governmental activities:						
General government	693	-	8,120	-	-	7,427
Total component units	\$ 39,192,637	\$ 17,111	\$ 18,089,471	\$ 10,180,229	\$ 2,582,892	\$ (8,357,156)

Continued...

BAY COUNTY, MICHIGAN

Statement of Activities

Component Units

For the Year Ended December 31, 2016

	Road Commission	Library System	Department of Water and Sewer	Drain Commission
Change in net position				
Net (expense) revenue	\$ (2,381,279)	\$ (6,091,963)	\$ 429,286	\$ (345,912)
General revenues:				
Property taxes	-	5,613,513	-	-
Unrestricted investment earnings	49,865	23,387	106,011	86,571
Investment depreciation	-	-	-	(43,009)
Gain on disposal of capital asset	-	-	-	-
Other revenue	192,303	-	-	107,172
Total general revenues	242,168	5,636,900	106,011	150,734
Change in net position	(2,139,111)	(455,063)	535,297	(195,178)
Net position, beginning of year	93,574,154	9,308,940	31,806,213	8,574,147
Net position, end of year	\$ 91,435,043	\$ 8,853,877	\$ 32,341,510	\$ 8,378,969

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



Bay Area Narcotics Enforcement Team	Bay County Landbank	Total
\$ 25,285	\$ 7,427	\$ (8,357,156)
-	-	5,613,513
-	-	265,834
-	-	(43,009)
-	-	-
132	-	299,607
132	-	6,135,945
25,417	7,427	(2,221,211)
799,369	11,193	144,074,016
<u>\$ 824,786</u>	<u>\$ 18,620</u>	<u>\$ 141,852,805</u>

Concluded.

NOTES TO FINANCIAL STATEMENTS

BAY COUNTY, MICHIGAN

Notes To Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Bay County, Michigan (the "County") was incorporated in 1857. The County operates under the unified form of government and provides services to its 104,747 residents in many areas, including law enforcement, administration of justice, community enrichment and development, and human services.

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

Reporting Entity

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

Blended Component Unit

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

Discretely Presented Component Units

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

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

BAY COUNTY, MICHIGAN

Notes To Financial Statements

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

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

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

Bay County Landbank (the "Landbank") - The Landbank is governed by a Board which consists of the Bay County Treasurer, Bay County Executive, and five other board members appointed by the Bay County Board of Commissioners. The County does not have appropriation authority or budgetary control over the activities of the Landbank, but, utilizes the Landbank to manage its tax-foreclosed and vacant properties. Funds for the Landbank are kept separately from the Primary Government. The Landbank is a public body corporate organized pursuant to the Michigan Land Bank Authority and The Treasurer of Bay County, Michigan. The Landbank was created to acquire, hold, manage and develop tax-foreclosed properties, as well as other vacant and abandoned properties. Separate financial statements are not prepared for the Landbank.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Government-Wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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 enterprise funds:

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

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

Additionally, the County reports the following fund types:

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

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

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

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

The *private purpose trust funds* account for trust arrangements for the inmate and probate court trust funds, which accumulate resources held in trust for those specific purposes.

The *pension and other employee benefit trust funds* account for the activities of the employees' retirement system and public employee healthcare fund, which accumulate resources for pension and health benefit payments for qualified employees.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

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

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

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

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

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

Restricted net position represents amounts that are subject to restrictions beyond the County's control. The restrictions may be externally imposed or imposed by law. When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

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

Deposits and Investments

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

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

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 acquisition value at the date of donation.

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

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

	Years
Building and improvements	5-50
Machinery and equipment	3-20
Vehicles	3-7
Office furniture and equipment	3-20
Land improvements (infrastructure)	2-50

BAY COUNTY, MICHIGAN

Notes To Financial Statements

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

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

Deferred Outflows of Resources

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

Unearned Revenue

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

Long-term Obligations

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

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

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Compensated Absences

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

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

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

Compensated Absence Liability Recognition

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

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

Deferred Inflows of Resources

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

BAY COUNTY, MICHIGAN

Notes To Financial Statements

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

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

The County Board of Commissioners has formally established a budget stabilization arrangement under which it commits general fund 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, 2016, the balance in the stabilization arrangement was \$6,777,639.

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.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Pensions

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

Use of Estimates

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

The County utilizes various investment instruments which are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near-term and that such changes could materially affect the amounts reported in the financial statements.

2. BUDGETARY INFORMATION

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

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

Budgets shown in the financial statements were prepared on the same modified accrual basis that is used to reflect actual results. The Board of Commissioners has legal control over expenditures on a function level for the general fund and all special revenue funds. The circuit, district, and probate courts, have a legal level of control over expenditures 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

State statutes provide that a local unit shall not incur expenditures in excess of the amounts appropriated. Excess of expenditures or transfers out over appropriations individual funds are as follows:

Fund	Appropriations	Actual Expenditures	Excess Expenditures over Appropriations
General Fund:			
Current:			
Other functions	\$ 1,563,113	\$ 1,655,588	\$ 92,475
Division on Aging:			
Transfers out	349,594	351,036	1,442
Historical Preservation:			
Recreation and culture	264,533	265,724	1,191

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 statements for the County's deposits and investments is as follows:

	Primary Government	Component Units	Totals
Statement of Net Position			
Cash and cash equivalents	\$ 18,228,799	\$ 16,061,399	\$ 34,290,198
Investments	32,867,720	4,552,524	37,420,244
Statement of Fiduciary Net Position			
Pension and other employee benefits trust funds:			
Investments	357,999,388	-	357,999,388
Other fiduciary funds:			
Cash and cash equivalents	5,784,318	-	5,784,318
Investments	8,308,585	-	8,308,585
Total	\$ 423,188,810	\$ 20,613,923	\$ 443,802,733

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Deposits and investments

Bank deposits:	
Checking, savings, and money market	\$ 16,962,710
Investments:	
Equities:	
Convertible equity	1,273,458
Domestic equities	210,957,735
Foreign equities	29,003,327
Preferred stock	366,506
Private equities	15,533,676
Total equities	<u>257,134,702</u>
Fixed income:	
Asset-backed securities	686,001
Commercial mortgage-backed	631,025
Corporate bonds **	34,960,883
Corporate convertible bonds **	8,649,220
Government agencies**	5,962,658
Government bonds**	30,697,752
Government issued commercial mortgage-backed	4,427,140
Government mortgage-backed securities	14,549,055
International bonds	9,918,608
Municipal bonds**	33,937,955
Other fixed income	1,221,124
Total fixed income	<u>145,641,421</u>
Money market and other similar investments	<u>24,026,521</u>
Total investments	<u>426,802,644</u>
Cash on hand	<u>37,379</u>
Total	<u>\$ 443,802,733</u>

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

Corporate bonds	\$ 16,070,979
Corporate convertible bonds	1,087,445
Government agencies	138,679
Government bonds	13,452,204
Municipal bonds	5,085,478

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.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Investments by type are shown below:

	Investment Type			
	Equities	Fixed Income	Money Market and Other Similar Investments	Total
Less than 1 year	\$ -	\$ 6,340,502	\$ -	\$ 6,340,502
1 - 5 years	-	52,485,760	-	52,485,760
6 - 10 years	-	42,666,426	-	42,666,426
More than 10 years	-	44,148,733	-	44,148,733
No maturity	257,134,702	-	24,026,521	281,161,223
Total	\$ 257,134,702	\$ 145,641,421	\$ 24,026,521	\$ 426,802,644

	Investment Type			
	Equities	Fixed Income	Money Market and Other Similar Investments	Total
Aaa	\$ -	\$ 36,273,681	\$ -	\$ 36,273,681
Aa	-	16,349,550	-	16,349,550
A	-	22,079,336	-	22,079,336
Baa	-	17,980,562	-	17,980,562
Ba	-	3,381,186	-	3,381,186
B	-	558,033	-	558,033
Not rated	257,134,702	49,019,073	24,026,521	330,180,296
Total	\$ 257,134,702	\$ 145,641,421	\$ 24,026,521	\$ 426,802,644

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 \$20,376,318 of the County's bank balance of \$22,758,873 was exposed to custodial credit risk because it was uninsured and uncollateralized.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

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

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

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

Investments and Securities Lending

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

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

	Market Value of Loaned Securities	Cash Collateral Received
Domestic equities	\$ 41,686,358	42,857,860
Corporate bonds	9,468,436	9,715,411
Government bonds	3,694,043	3,776,431
Government agencies	52,120	53,308

BAY COUNTY, MICHIGAN

Notes To Financial Statements

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, 2016:

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

Equities:	
Domestic equities	\$ 27,487,311
International equities	59,241
Total equities	<u>27,546,552</u>
Fixed income:	
Asset-backed securities	628,570
Commercial mortgage-backed	631,025
Corporate bonds	6,126,148
Government agencies	973,443
Government bonds	4,412,053
Government mortgage-backed securities	3,111,905
International bonds	834,412
Municipal bonds	234,541
Other fixed income	1,221,124
Total fixed income	<u>18,173,221</u>
Money market	<u>698,989</u>
Total investments in Voluntary Employees' Beneficiary Association trust	<u><u>\$ 46,418,762</u></u>

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.

As of December 31, 2016, 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	\$ -	\$ 758,045	\$ -	\$ 758,045
1 - 5 years	-	5,935,726	-	5,935,726
6 - 10 years	-	5,175,835	-	5,175,835
More than 10 years	-	6,303,615	-	6,303,615
No maturity	27,546,552	-	698,989	28,245,541
Total	<u><u>\$ 27,546,552</u></u>	<u><u>\$ 18,173,221</u></u>	<u><u>\$ 698,989</u></u>	<u><u>\$ 46,418,762</u></u>

BAY COUNTY, MICHIGAN

Notes To Financial Statements

	Investment Type			
	Equities	Fixed Income	Money Market	Total
Aaa	\$ -	\$ 6,622,606	\$ -	\$ 6,622,606
Aa	-	1,682,121	-	1,682,121
A	-	3,801,687	-	3,801,687
Baa	-	1,285,972	-	1,285,972
Not rated	27,546,552	4,780,835	698,989	33,026,376
Total	\$ 27,546,552	\$ 18,173,221	\$ 698,989	\$ 46,418,762

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, 2016 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.

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

Investment/Country	Currency	Fair Value (in U.S. Dollars)	
		International Equities	International Fixed Income
Belgium	European Euro	\$ -	\$ 193,986
Canada	Canadian Dollar	-	302,565
France	European Euro	59,241	58,685
Netherlands	European Euro	-	99,536
United Kingdom	British Pound	-	179,640
Total		\$ 59,241	\$ 834,412

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Fair Value Measurement

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

Investment Type	Level 1	Level 2	Level 3	Total Fair Value
Convertible equity	\$ 1,273,458	\$ -	\$ -	\$ 1,273,458
Domestic equity	210,957,735	-	-	210,957,735
Foreign equities	28,684,427	318,900	-	29,003,327
Preferred stock	366,506	-	-	366,506
Private equities	-	15,533,676	-	15,533,676
Asset-backed securities	-	686,001	-	686,001
Commercial mortgage-backed securities	-	631,025	-	631,025
Corporate bond	33,217,290	1,743,593	-	34,960,883
Corporate convertible bond	-	8,649,220	-	8,649,220
Government agencies	1,024,914	4,937,744	-	5,962,658
Government bonds	5,021,344	25,676,408	-	30,697,752
Government issued commercial mortgage-backed securities	-	4,427,140	-	4,427,140
Government mortgage-backed securities	-	14,549,055	-	14,549,055
International bonds	9,577,565	341,043	-	9,918,608
Municipal bond	-	33,937,955	-	33,937,955
Other fixed income	1,221,124	-	-	1,221,124
	<u>\$ 291,344,363</u>	<u>\$ 111,431,760</u>	<u>\$ -</u>	<u>402,776,123</u>

Investments carried at amortized cost:

Money market funds	22,825,681
Certificates of deposit	1,200,840
	<u>\$ 426,802,644</u>

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

Convertible, domestic and foreign equities, preferred stock, corporate bonds, government agencies, government bonds, international bonds and other fixed income classified as Level 1 of the fair value hierarchy are valued based on quoted market prices in active markets.

Private equities, asset-backed securities, commercial mortgage-backed securities, corporate bonds, corporate convertible bonds, government agencies, government bonds, government mortgage-backed, government issued commercial mortgage-backed, international bonds and municipal bonds are classified as Level 2 of the fair value hierarchy and are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

5. RECEIVABLES AND DEFERRED INFLOWS OF RESOURCES

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

	Governmental Activities	Business-type Activities	Component Units
Accounts:			
Current	\$ 1,987,791	\$ 2,401,367	\$ 476,792
Noncurrent	2,119,980	-	3,742,653
Property taxes	8,039,400	6,043,666	5,393,200
Special assessments:			
Current	-	-	158,131
Noncurrent	-	-	1,117,608
Interest	78,303	699,155	27,645
Intergovernmental	2,795,703	309,427	4,443,407
Due from component units	101,276	25,000	-
Advance to component unit	1,118,748	-	-
Due from primary government	-	-	165,438
Less: allowance for uncollectible accounts	(507,385)	(105,990)	-
Total	\$ 15,733,816	\$ 9,372,625	\$ 15,524,874

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	\$ 646,935	\$ -	\$ 646,935
911 service fund	3,804	1,891,843	1,895,647
Division on aging fund	3,919	2,296,147	2,300,066
Nonmajor governmental funds	3,855	2,282,079	2,285,934
Total governmental activities	658,513	6,470,069	7,128,582
Business-type activities -			
Medical care facility	-	2,026,975	2,026,975
Component unit -			
Library system	-	5,393,200	5,393,200
Total	\$ 658,513	\$ 13,890,244	\$ 14,548,757

BAY COUNTY, MICHIGAN

Notes To Financial Statements

6. CAPITAL ASSETS

Primary government

Capital assets activity for the year ended December 31, 2016, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental activities					
Capital assets, not being depreciated:					
Land	\$ 2,205,953	\$ -	\$ -	\$ -	\$ 2,205,953
Construction in progress	59,459,825	544,303	-	(265,699)	59,738,429
	<u>61,665,778</u>	<u>544,303</u>	<u>-</u>	<u>(265,699)</u>	<u>61,944,382</u>
Capital assets, being depreciated:					
Land improvements	3,634,657	-	-	-	3,634,657
Buildings and improvements	65,906,697	-	-	-	65,906,697
Machinery and equipment	4,240,526	32,337	(16,232)	-	4,256,631
Office furniture and equipment	4,047,299	77,464	(20,269)	265,699	4,370,193
Vehicles	2,140,703	227,866	(65,741)	-	2,302,828
	<u>79,969,882</u>	<u>337,667</u>	<u>(102,242)</u>	<u>265,699</u>	<u>80,471,006</u>
Less accumulated depreciation for:					
Land improvements	(2,666,411)	(91,116)	-	-	(2,757,527)
Buildings and improvements	(27,360,651)	(1,382,594)	-	-	(28,743,245)
Machinery and equipment	(2,198,389)	(280,323)	15,422	-	(2,463,290)
Office furniture and equipment	(2,779,851)	(314,870)	20,269	-	(3,074,452)
Vehicles	(1,648,298)	(203,971)	57,587	-	(1,794,682)
	<u>(36,653,600)</u>	<u>(2,272,874)</u>	<u>93,278</u>	<u>-</u>	<u>(38,833,196)</u>
Total capital assets being depreciated, net	<u>43,316,282</u>	<u>(1,935,207)</u>	<u>(8,964)</u>	<u>265,699</u>	<u>41,637,810</u>
Governmental activities capital assets, net	<u>\$ 104,982,060</u>	<u>\$ (1,390,904)</u>	<u>\$ (8,964)</u>	<u>\$ -</u>	<u>\$ 103,582,192</u>

BAY COUNTY, MICHIGAN

Notes To Financial Statements

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Business-type activities					
Capital assets, not being depreciated:					
Land	\$ 257,559	\$ -	\$ -	\$ -	\$ 257,559
Construction in progress	1,016,928	618,500	-	-	1,635,428
	<u>1,274,487</u>	<u>618,500</u>	<u>-</u>	<u>-</u>	<u>1,892,987</u>
Capital assets, being depreciated:					
Land improvements	771,553	-	-	-	771,553
Buildings and improvements	19,063,534	544,403	(91,453)	(101,511)	19,414,973
Machinery and equipment	1,033,061	62,370	(20,991)	101,511	1,175,951
Office furniture and equipment	2,425,594	635,684	(150,489)	-	2,910,789
Vehicles	128,323	-	-	-	128,323
	<u>23,422,065</u>	<u>1,242,457</u>	<u>(262,933)</u>	<u>-</u>	<u>24,401,589</u>
Less accumulated depreciation for:					
Land improvements	(712,713)	(21,707)	-	-	(734,420)
Buildings and improvements	(13,130,503)	(693,380)	71,947	-	(13,751,936)
Machinery and equipment	(668,233)	(27,922)	13,054	-	(683,101)
Office furniture and equipment	(2,220,820)	(86,165)	149,910	-	(2,157,075)
Vehicles	(58,668)	(16,112)	-	-	(74,780)
	<u>(16,790,937)</u>	<u>(845,286)</u>	<u>234,911</u>	<u>-</u>	<u>(17,401,312)</u>
Total capital assets being depreciated, net	<u>6,631,128</u>	<u>397,171</u>	<u>(28,022)</u>	<u>-</u>	<u>7,000,277</u>
Business-type activities capital assets, net	<u>\$ 7,905,615</u>	<u>\$ 1,015,671</u>	<u>\$ (28,022)</u>	<u>\$ -</u>	<u>\$ 8,893,264</u>

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

Depreciation of governmental activities by function

Judicial	\$ 21,472
General government	1,410,182
Public safety	404,900
Health and welfare	311,662
Recreation and culture	124,658
	<u>\$ 2,272,874</u>

Depreciation of business-type activities by function

Medical Care Facility	\$ 586,803
Golf Course	45,199
Housing	213,284
	<u>\$ 845,286</u>

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Discretely presented component units

Activity for the Road Commission for the year ended December 31, 2016, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 392,502	\$ -	\$ -	\$ -	\$ 392,502
Land improvements	35,003,024	176,033	-	-	35,179,057
Right of ways	349,661	-	-	-	349,661
	<u>35,745,187</u>	<u>176,033</u>	<u>-</u>	<u>-</u>	<u>35,921,220</u>
Capital assets, being depreciated:					
Buildings and improvements	2,867,507	49,623	(130,154)	-	2,786,976
Road equipment	10,566,221	570,328	(308,202)	-	10,828,347
Shop equipment	149,533	7,262	(27,124)	-	129,671
Office equipment	298,431	5,674	(102,509)	-	201,596
Engineering equipment	227,349	-	(72,945)	-	154,404
Yard and storage	1,334,201	7,260	54,642	-	1,396,103
Infrastructure:					
Roads	78,078,464	2,522,236	(2,428,923)	-	78,171,777
Bridges	19,364,868	1,357,990	-	-	20,722,858
Traffic signals	700,550	-	-	-	700,550
	<u>113,587,124</u>	<u>4,520,373</u>	<u>(3,015,215)</u>	<u>-</u>	<u>115,092,282</u>
Less accumulated depreciation for:					
Buildings and improvements	(2,142,226)	(66,912)	129,884	-	(2,079,254)
Road equipment	(9,914,066)	(313,608)	310,283	-	(9,917,391)
Shop equipment	(135,308)	(11,745)	39,032	-	(108,021)
Office equipment	(178,146)	(25,129)	88,093	-	(115,182)
Engineering equipment	(180,599)	(14,126)	73,106	-	(121,619)
Yard and storage	(1,170,952)	(32,373)	(54,641)	-	(1,257,966)
Infrastructure:					
Roads	(36,655,455)	(4,030,013)	2,428,923	-	(38,256,545)
Bridges	(10,091,067)	(428,523)	-	-	(10,519,590)
Traffic signals	(422,416)	(33,238)	-	-	(455,654)
	<u>(60,890,235)</u>	<u>(4,955,667)</u>	<u>3,014,680</u>	<u>-</u>	<u>(62,831,222)</u>
Total capital assets being depreciated, net	<u>52,696,889</u>	<u>(435,294)</u>	<u>(535)</u>	<u>-</u>	<u>52,261,060</u>
Road Commission capital assets, net	<u>\$ 88,442,076</u>	<u>\$ (259,261)</u>	<u>\$ (535)</u>	<u>\$ -</u>	<u>\$ 88,182,280</u>

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Activity for the Library System for the year ended December 31, 2016, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 107,487	\$ -	\$ -	\$ -	\$ 107,487
Capital assets, being depreciated:					
Land improvements	103,946	-	-	-	103,946
Buildings and improvements	1,524,065	-	-	-	1,524,065
Machinery and equipment	145,838	67,925	-	-	213,763
Office furniture and equipment	1,181,760	-	-	-	1,181,760
Books and a/v materials	2,733,811	415,568	(525,019)	-	2,624,360
Vehicles and other	210,186	-	-	-	210,186
	<u>5,899,606</u>	<u>483,493</u>	<u>(525,019)</u>	<u>-</u>	<u>5,858,080</u>
Less accumulated depreciation for:					
Land improvements	(70,146)	(3,272)	-	-	(73,418)
Buildings and improvements	(935,893)	(33,571)	-	-	(969,464)
Machinery and equipment	(121,727)	(5,334)	-	-	(127,061)
Office furniture and equipment	(809,667)	(30,368)	-	-	(840,035)
Books and a/v materials	(1,433,954)	(441,758)	525,019	-	(1,350,693)
Vehicles and other	(61,264)	(19,638)	-	-	(80,902)
	<u>(3,432,651)</u>	<u>(533,941)</u>	<u>525,019</u>	<u>-</u>	<u>(3,441,573)</u>
Total capital assets being depreciated, net	<u>2,466,955</u>	<u>(50,448)</u>	<u>-</u>	<u>-</u>	<u>2,416,507</u>
Library System capital assets, net	<u>\$ 2,574,442</u>	<u>\$ (50,448)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,523,994</u>

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Activity for the Department of Water & Sewer for the year ended December 31, 2016, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 196,284	\$ -	\$ -	\$ -	\$ 196,284
Construction in progress	-	64,432	-	-	64,432
	<u>196,284</u>	<u>64,432</u>	<u>-</u>	<u>-</u>	<u>260,716</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	10,633,633	682,236	(79,498)	-	11,236,371
Water system	4,550,085	-	-	-	4,550,085
Sewer system	27,643,332	-	-	-	27,643,332
	<u>57,983,544</u>	<u>682,236</u>	<u>(79,498)</u>	<u>-</u>	<u>58,586,282</u>
Less accumulated depreciation for:					
Buildings and improvements	(9,043,374)	(571,295)	-	-	(9,614,669)
Improvements other than buildings	(308,565)	(44,699)	-	-	(353,264)
Machinery and equipment	(9,105,227)	(332,166)	79,498	-	(9,357,895)
Water system	(2,359,237)	(104,091)	-	-	(2,463,328)
Sewer system	(13,091,484)	(353,463)	-	-	(13,444,947)
	<u>(33,907,887)</u>	<u>(1,405,714)</u>	<u>79,498</u>	<u>-</u>	<u>(35,234,103)</u>
Total capital assets being depreciated, net	<u>24,075,657</u>	<u>(723,478)</u>	<u>-</u>	<u>-</u>	<u>23,352,179</u>
Department of Water & Sewer capital assets, net	<u>\$ 24,271,941</u>	<u>\$ (659,046)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,612,895</u>

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Activity for the Drain Commission for the year ended December 31, 2016, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 333,173	\$ -	\$ -	\$ -	\$ 333,173
Construction in progress	1,084,178	312,052	-	(1,341,173)	55,057
	<u>1,417,351</u>	<u>312,052</u>	<u>-</u>	<u>(1,341,173)</u>	<u>388,230</u>
Capital assets, being depreciated:					
Land improvements (infrastructure)	4,168,884	-	-	1,341,173	5,510,057
Buildings	171,681	-	-	-	171,681
Machinery and equipment	749,433	14,016	-	-	763,449
Office furniture and equipment	20,450	-	(1,901)	-	18,549
Vehicles	226,767	-	-	-	226,767
	<u>5,337,215</u>	<u>14,016</u>	<u>(1,901)</u>	<u>1,341,173</u>	<u>6,690,503</u>
Less accumulated depreciation for:					
Land improvements (infrastructure)	(941,167)	(325,266)	-	-	(1,266,433)
Buildings	(171,681)	-	-	-	(171,681)
Machinery and equipment	(317,612)	(55,257)	-	-	(372,869)
Office furniture and equipment	(20,450)	-	1,901	-	(18,549)
Vehicles	(142,424)	(29,204)	-	-	(171,628)
	<u>(1,593,334)</u>	<u>(409,727)</u>	<u>1,901</u>	<u>-</u>	<u>(2,001,160)</u>
Total capital assets being depreciated, net	<u>3,743,881</u>	<u>(395,711)</u>	<u>-</u>	<u>1,341,173</u>	<u>4,689,343</u>
Drain Commission capital assets, net	<u>\$ 5,161,232</u>	<u>\$ (83,659)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,077,573</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	\$ 1,868,021	\$ 1,133,530	\$ 1,642,906
Wages, fringe benefits and other accrued liabilities	2,501,448	560,080	121,057
Deposits	2,785	18,627	-
Due to other governmental units			258,373
Due to primary government	89,012	33,459	123,995
Estimated insurance claims payable	777,402	465,445	-
Total	\$ 5,238,668	\$ 2,211,141	\$ 2,146,331

8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

	Due from Other Funds	Due to Other Funds
General fund	\$ 1,080	\$ 1,327,623
911 service fund	-	475
Division on aging fund	-	546
Nonmajor governmental funds	-	1,271
100% tax payment	-	12,849
Nonmajor enterprise funds	11,726	34
Internal service funds	1,330,772	780
Total	\$ 1,343,578	\$ 1,343,578

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

	Advance to Other Funds	Advance From Other Funds
General fund	\$ 150,000	\$ -
Nonmajor governmental funds	-	150,000
Total	\$ 150,000	\$ 150,000

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

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Transfers Out	Transfers In		
	General Fund	Division on Aging Fund	Nonmajor Governmental Funds
General fund	\$ -	\$ 6,200	\$ 3,559,396
911 service fund	309,283	-	-
Division on aging fund	351,036	-	-
Nonmajor governmental funds	836,845	-	-
100% tax payment fund	1,200,000	-	-
Nonmajor enterprise funds	60,000	-	-
Internal service funds	14,893	-	-
Total	\$ 2,772,057	\$ 6,200	\$ 3,559,396

Transfers Out	Transfers In	
	100% Tax Payment	Total
General fund	-	\$ 3,565,596
911 service fund	-	309,283
Division on aging fund	-	351,036
Nonmajor governmental funds	-	836,845
100% tax payment fund	-	1,200,000
Nonmajor enterprise funds	315,369	375,369
Internal service funds	-	14,893
Total	\$ 315,369	\$ 6,653,022

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

BAY COUNTY, MICHIGAN

Notes To Financial Statements

9. LONG-TERM DEBT

Long-term debt activity for the year ended December 31, 2016, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Primary Government					
Governmental activities:					
Building Authority -					
General obligation					
bonds	\$ 7,020,000	\$ -	\$ (1,765,000)	\$ 5,255,000	\$ 1,245,000
Bond premium	576,349	-	(130,029)	446,320	111,580
Bond discount	(38,423)	-	1,423	(37,000)	(1,423)
Revenue bonds	30,000,000	-	(425,000)	29,575,000	440,000
DWRf Loans	26,535,285	-	(1,050,285)	25,485,000	1,070,000
Total	64,093,211	-	(3,368,891)	60,724,320	2,865,157
Compensated absences	2,022,812	2,316,222	(2,178,109)	2,160,925	270,116
Total governmental activities	66,116,023	2,316,222	(5,547,000)	62,885,245	3,135,273
Business-type activities -					
Compensated absences	29,283	33,738	(33,988)	29,033	7,217
Total primary government	\$ 66,145,306	\$ 2,349,960	\$ (5,580,988)	\$ 62,914,278	\$ 3,142,490
Component Units					
Road Commission -					
Capital lease	\$ 57,523	\$ -	\$ 57,523	\$ -	\$ -
Compensated absences	841,936	380,891	341,722	881,105	250,000
Total Road Commission	\$ 899,459	\$ 380,891	\$ 399,245	\$ 881,105	\$ 250,000
Library System -					
Compensated absences	\$ 169,195	\$ 191,568	\$ (184,681)	\$ 176,082	\$ 17,608
Department of Water & Sewer:					
General obligation					
bonds	\$ 5,105,000	\$ -	\$ (530,000)	\$ 4,575,000	\$ 540,000
Other postemployment					
benefits and pension					
payable	3,264,885	-	(219,118)	3,045,767	219,118
Compensated absences	237,706	33,194	-	270,900	40,635
Total	\$ 8,607,591	\$ 33,194	\$ (749,118)	\$ 7,891,667	\$ 799,753
Drain Commission-					
Notes payable	\$ 114,154	\$ -	\$ (90,155)	\$ 23,999	\$ 12,000
Advance from					
primary government	1,397,977	-	(139,625)	1,258,352	139,604
	\$ 1,512,131	\$ -	\$ (229,780)	\$ 1,282,351	\$ 151,604

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for those funds are included as part of the above totals for governmental activities. At year-end, \$945 of internal service funds compensated absences are included with the governmental activities amounts. Also, for the governmental activities, compensated absences and net other postemployment benefit obligations are generally liquidated by the general fund.

Primary Government

The County issues general obligation bonds, installment purchase contracts, and capital leases to provide funds for the acquisition, renovation, and / or construction of major capital facilities and purchase of major equipment. General obligation bonds have been issued for governmental activities. The original amount of general obligation bonds and notes payable issued in prior years was \$9,775,000.

As of December 31, 2016, the cumulative total of the DWRF loans for the construction of the County's new water distribution plant was \$25,485,000.

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

Purpose	Interest Rates	Amount
General obligation bonds	3.00 - 4.00%	\$ 5,255,000
Revenue bonds	4.00 - 5.25%	29,575,000
DWRF loans	2.00 - 2.50%	25,485,000
Total		<u>\$ 60,315,000</u>

Annual debt service requirements to maturity for general obligation and revenue bonds and DWRF loans are as follows:

Year Ended December 31,	Governmental Activities	
	Principal	Interest
2017	\$ 2,755,000	\$ 2,298,076
2018	2,845,000	2,204,877
2019	2,950,000	2,108,414
2020	3,015,000	2,008,287
2021	1,700,000	1,905,849
2022-2026	9,285,000	8,731,463
2027-2031	10,915,000	7,098,365
2032-2036	11,920,000	5,151,177
2037-2041	10,105,000	2,904,318
2042-2043	4,825,000	381,441
	<u>\$ 60,315,000</u>	<u>\$ 34,792,267</u>

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Component Units

Department of Water & Sewer. General obligation bonds are issued by the County to finance construction projects managed and administered by the Department of Water & Sewer.

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

Purpose	Interest Rates	Amount
General obligation bonds	2.25 - 5.25%	<u>\$ 4,575,000</u>

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

Year Ended December 31,	Business-type Activities	
	Principal	Interest
2017	\$ 540,000	\$ 187,726
2018	430,000	166,788
2019	340,000	150,725
2020	350,000	135,688
2021	240,000	123,269
2022-2026	1,360,000	462,082
2027-2030	<u>1,315,000</u>	<u>146,394</u>
	<u>\$ 4,575,000</u>	<u>\$ 1,372,672</u>

Drain Commission. General obligation drain improvement bonds and notes are issued by the County to finance certain drainage district construction projects. The original amount of general obligation bonds and notes outstanding at year end was \$1,634,899.

These notes and advances from primary government are direct obligations, and pledge the full faith and credit of the County and the respective drainage districts. Outstanding obligations are as follows:

Purpose	Interest Rates	Amount
Notes payable	2.50 - 4.59%	\$ 23,999
Advance from primary government	3.00%	<u>1,258,352</u>
		<u>\$ 1,282,351</u>

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Annual debt service requirements to maturity for notes payable are as follows:

Year Ended December 31,	Governmental Activities	
	Principal	Interest
2017	\$ 151,604	\$ 37,614
2018	155,628	33,041
2019	147,770	28,349
2020	152,030	24,087
2021	156,414	19,703
2022-2025	518,905	33,344
	<u>\$ 1,282,351</u>	<u>\$ 176,138</u>

Advance refundings

On May 10, 2006, the Bay County Building Authority issued general obligation bonds of \$7,205,000. A portion of the proceeds from this bond issue were used in a current refunding of the 1997 ice/civic arena bonds. The remaining proceeds from this bond issue were used to advance refund the 1995 and 1997 courthouse facility bonds and the remainder of the 1997 ice/civic arena bonds. The courthouse facility refunded bonds matured as scheduled on May 1, 2016 and the ice/civic arena refunded bonds matured as scheduled on November 1, 2016, therefore as of year end the County did not have any outstanding defeased bonds.

10. DEFINED BENEFIT PENSION PLAN

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

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

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Retirement eligibility varies depending on employer, division, and date of hire. Requirements for normal retirement range from age 55 to 60 with 8 years of service to 30 years of service, regardless of age. Early retirement options are also available at age 55 with 8 to 10 years of service or 25 to 30 years of service, regardless of age. The detailed summary annual report (SAR) is distributed annually to all Bay County retirement system members.

	Primary Government	Component Units	Total
Retirees and beneficiaries receiving benefits	632	176	808
Terminated plan members entitled to, but not yet receiving benefits	48	9	57
Active plan members	781	141	922
	<u>1,461</u>	<u>326</u>	<u>1,787</u>

Funding Policy/Contributions - The Plan benefit provisions and contribution requirements of plan members and the County are established and may be amended by the Board of Commissioners, who also administers the plan, in accordance with County policies, union contracts, and plan provisions. The County's policy is to fund normal costs which are based on actuarially determined rates, expressed as percentages of annual covered payroll, and which are sufficient to accumulate assets to pay benefits when due. The provisions of the Plan require the County to contribute at an actuarially determined rate. The current rate is 0% of annual covered payroll for General County, 0% for the Sheriff's Department, 2.87% for Medical Care Facility, 14.16% for Department of Water & Sewer, and 18.09% for the Road Commission, which was determined through an actuarial valuation performed at December 31, 2014. The Library division is closed and its annual required contribution was \$34,265. During 2016, the General County made a discretionary 4.00% monthly contribution into the Plan. The Library also exceeded its required contribution by \$43,529. Plan members contribute at a rate of 4% to 6% of their annual salary.

Contributions received from employer contributions for the year ended December 31, 2016 are as follows:

	Contributions
Primary government	\$ 972,328
Component units	988,884
	<u>\$ 1,961,212</u>

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

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.

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, 2015 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	50.0%	7.5%
International equity	20.0%	8.5%
U.S. fixed income	23.0%	2.5%
Real estate	7.0%	4.5%
	<u>100.0%</u>	

Sensitivity of the Net Pension Asset to Changes in the Discount Rate. The following presents the Plan's December 31, 2015 net pension asset of the County, calculated using the discount rate of 7.5%, as well as what the County's net pension asset would be if it were calculated using a discount rate that is 1% lower (6.5%) or higher (8.5%) than the current rate:

	One Percent Decrease (6.5%)	Current Discount Rate (7.5%)	One Percent Increase (8.5%)
County's net pension asset	\$ 13,300,084	\$ (12,670,640)	\$ (34,709,298)

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

BAY COUNTY, MICHIGAN

Notes To Financial Statements

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

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Asset (a) - (b)
Balances at December 31, 2014	\$ 225,074,684	\$ 252,893,180	\$ (27,818,496)
Changes for the year:			
Service cost	3,995,877	-	3,995,877
Interest	16,521,779	-	16,521,779
Employer contributions	-	2,165,361	(2,165,361)
Employee contributions	-	1,591,066	(1,591,066)
Net investment income	-	1,861,801	(1,861,801)
Benefit payments, including refunds of employee contributions	(13,564,472)	(13,564,472)	-
Administrative expense	-	(248,428)	248,428
Net changes	<u>6,953,184</u>	<u>(8,194,672)</u>	<u>15,147,856</u>
Balances at December 31, 2015	<u>\$ 232,027,868</u>	<u>\$ 244,698,508</u>	<u>\$ (12,670,640)</u>

The net pension asset is allocated as follows:

Primary government	\$ 9,550,621
Pension Trust Fund	20,069
Component units	2,808,417
Component unit fiduciary funds not included within this report	<u>291,533</u>
	<u>\$ 12,670,640</u>

Net Pension asset. The County's net pension asset was measured as of December 31, 2015, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of the same date.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended December 31, 2016, the County recognized pension expense of \$4,082,671. At December 31, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Difference between expected and actual experience	\$ 1,275,081	\$ -	\$ 1,275,081
Change in proportionate share	7,391,622	7,294,875	96,747
Net difference between projected and actual earnings on pension plan investments	12,619,920	58,185	12,561,735
	<u>21,286,623</u>	<u>7,353,060</u>	<u>13,933,563</u>
Contributions subsequent to measurement date	1,961,212	-	1,961,212
Total	\$ 23,247,835	\$ 7,353,060	\$ 15,894,775

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

Primary government	\$ 13,136,299	\$ 7,336,365	\$ 5,799,934
Pension Trust Fund	24,472	16,695	7,777
Component units	8,910,558	-	8,910,558
Component unit fiduciary funds not included within this report	1,176,506	-	1,176,506
Total	\$ 23,247,835	\$ 7,353,060	\$ 15,894,775

The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the total pension liability for the year ending December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended December 31,	Amount
2017	\$ 3,497,526
2018	3,497,526
2019	3,497,526
2020	<u>3,440,985</u>
Total	\$ 13,933,563

BAY COUNTY, MICHIGAN

Notes To Financial Statements

11. POSTRETIREMENT HEALTHCARE AND LIFE INSURANCE BENEFITS

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

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

The Plan is a contributory defined benefit plan which covers substantially all employees of Bay County as defined above. At December 31, 2015, the date of the latest actuarial valuation, participants in the plan consisted of:

	Primary Government	Component Units	Total
Retired members and beneficiaries:			
Under age 65	139	49	188
Age 65 and over	258	84	342
Active plan members	603	141	744
	<u>1,000</u>	<u>274</u>	<u>1,274</u>

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

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

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

BAY COUNTY, MICHIGAN

Notes To Financial Statements

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

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

The December 31, 2015, actuarial valuation identified the required employer contribution for the General County of \$4,245,655, based on a percentage of covered payroll and amortization period. Contributions to the Plan for the year-ended December 31, 2016, were \$1,480,606. This amount was contributed as a pay-as-you-go basis.

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	\$ 5,451,922
Interest on net OPEB obligation	930,777
Adjustment to annual required contribution	<u>(1,263,647)</u>
Annual OPEB cost (expense)	5,119,052
Contributions made	<u>(1,480,645)</u>
Increase in net OPEB obligation	3,638,407
Net OPEB obligation, beginning of year	<u>18,615,541</u>
Net OPEB obligation, end of year	<u><u>\$ 22,253,948</u></u>

Medical Care Facility - For the year ended December 31, 2016, 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, 2015. The valuation's computed contribution and actual funding are summarized as follows for the year ended December 31, 2016:

Annual required contribution	\$ 3,364,068
Interest on net OPEB obligation	628,698
Adjustment to annual required contribution	<u>(889,197)</u>
Annual OPEB cost (expense)	3,103,569
Contributions made	<u>(2,029,351)</u>
Increase in net OPEB obligation	1,074,218
Net OPEB obligation, beginning of year	<u>12,573,956</u>
Net OPEB obligation, end of year	<u><u>\$ 13,648,174</u></u>

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Primary government net OPEB Obligation Reconciliation	
Governmental activities	\$ 21,882,344
Business-type activities	14,019,778
Primary government net OPEB obligation, end of year	<u>\$ 35,902,122</u>

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

Three-Year Trend Information			
Years Ended December 31,	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation
2014	\$ 6,835,128	46%	\$ 27,907,202
2015	6,658,712	51%	31,189,497
2016	8,222,621	43%	35,902,122

Funded Status and Funding Progress - County. As of December 31, 2015, the most recent actuarial valuation date, the Plan was 18 percent funded. The actuarial accrued liability for benefits was \$116,122,611, and the actuarial value of assets was \$20,961,589, resulting in an unfunded actuarial accrued liability (UAAL) of \$95,161,022.

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.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Assumptions determined below were determined as part of the latest actuarial valuation dated December 31, 2015.

Actuarial cost method	Individual entry age normal cost
Amortization method	Level dollar
Remaining amortization method:	24 to 26 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rating return	5.0 percent, net of investment expenses
Projected salary increases*	4.25 percent to 9.5 percent, dependent on years of service
Cost-of-living adjustments	None

*Includes pay inflation at 3.5 percent

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

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

Road Commission

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

The Road Commission's annual other postemployment benefit ("OPEB") cost is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents the level of funding necessary to cover the normal cost each year and the amortization of any unfunded actuarial liabilities (or funding excess) amortized over a period of 16 years.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

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

Annual required contribution	\$ 2,726,321
Interest on net OPEB obligation	420,619
Adjustment to annual required contribution	<u>(776,210)</u>
Annual OPEB cost (expense)	2,370,730
Contributions made	<u>(2,071,598)</u>
Increase in net OPEB obligation	299,132
Net OPEB obligation, beginning of year	<u>8,412,380</u>
Net OPEB obligation, end of year	<u><u>\$ 8,711,512</u></u>

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

Three-Year Trend Information			
Years Ended December 31,	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation
2014	\$ 1,937,709	61%	\$ 8,303,408
2015	1,989,401	95%	8,412,380
2016	2,370,730	87%	8,711,512

Funded Status and Funding Progress. As of December 31, 2015, the most recent actuarial valuation date, the Plan was 3 percent funded. The actuarial accrued liability for benefits was \$30,689,652, and the actuarial value of assets was \$904,055, resulting in an unfunded actuarial accrued liability (UAAL) of \$29,785,597. The covered payroll (annual payroll for active employee covered by the Plan) was \$3,048,019 and the ratio for the UAAL to the covered payroll was 977%. Additional information and the required supplementary information can be found in the Road Commission's separately issued report.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Library System

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

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

Annual required contribution	\$ 312,494
Interest on net OPEB obligation	37,216
Adjustment to annual required contribution	<u>(109,649)</u>
Annual OPEB cost (expense)	240,061
Contributions made	<u>(120,343)</u>
Increase in net OPEB obligation	119,718
Net OPEB obligation, beginning of year	<u>744,310</u>
Net OPEB obligation, end of year	<u><u>\$ 864,028</u></u>

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

Three-Year Trend Information			
Years Ended December 31,	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB (Asset) Obligation
2014	\$ 364,434	23%	\$ 532,672
2015	336,354	37%	744,310
2016	240,061	50%	864,028

Funded Status and Funding Progress. As of December 31, 2015, the most recent actuarial valuation date, the Plan was 37 percent funded. The actuarial accrued liability for benefits was \$4,400,759, and the actuarial value of assets was \$1,635,074, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,765,685.

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	\$ 649,798
Interest on net OPEB asset	(19,181)
Adjustment to annual required contribution	<u>14,754</u>
Annual OPEB cost (expense)	645,371
Contributions made	<u>(485,758)</u>
Increase in net OPEB asset	159,613
Net OPEB (asset), beginning of year	<u>(383,612)</u>
Net OPEB (asset), end of year	<u><u>\$ (223,999)</u></u>

The net OPEB asset is allocated as follows:

Component units	\$ (120,753)
Fiduciary funds (not included in this report)	<u>(103,246)</u>
Total	<u><u>\$ (223,999)</u></u>

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

Three-Year Trend Information			
Years Ended December 31,	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation (Asset)
2014	\$ 469,297	106%	\$ (402,287)
2015	474,328	96%	(383,612)
2016	645,371	75%	(223,999)

Funded Status and Funding Progress. As of December 31, 2015, the most recent actuarial valuation date, the Plan was 35 percent funded. The actuarial accrued liability for benefits was \$12,870,635, and the actuarial value of assets was \$4,548,660, resulting in an unfunded actuarial accrued liability (UAAL) of \$8,321,975. Additional information and the required supplementary information can be found in the DWS' separately issued report.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

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

	Plan Net Position		
	Pension Trust Fund	VEBA Trust Fund	Total
Assets			
Investments, at fair value:			
Equities	\$ 229,588,149	\$ 27,546,552	\$ 257,134,701
Fixed income	72,860,194	18,173,221	91,033,415
Money market	9,132,283	698,989	9,831,272
Total investments	<u>311,580,626</u>	<u>46,418,762</u>	<u>357,999,388</u>
Receivables:			
Contributions	348,668	25,018	373,686
Interest and dividends	679,025	113,952	792,977
Total receivables	<u>1,027,693</u>	<u>138,970</u>	<u>1,166,663</u>
Other current assets:			
Prepaid items and other assets	274,744	14,064	288,808
Net pension asset	20,069	-	20,069
Total other current assets	<u>294,813</u>	<u>14,064</u>	<u>308,877</u>
Total assets	<u>312,903,132</u>	<u>46,571,796</u>	<u>359,474,928</u>
Deferred outflow of resources	<u>24,472</u>	<u>-</u>	<u>24,472</u>
Liabilities			
Accounts payable	698,833	41,973	740,806
Accrued liabilities	709,725	192,765	902,490
Accrued vacation and sick pay	1,375	-	1,375
Total liabilities	<u>1,409,933</u>	<u>234,738</u>	<u>1,644,671</u>
Deferred inflow of resources	<u>16,695</u>	<u>-</u>	<u>16,695</u>
Net position			
Restricted for:			
Employees' retirement system	311,500,976	-	311,500,976
Postemployment health care benefits	-	46,337,058	46,337,058
Total net position	<u>\$ 311,500,976</u>	<u>\$ 46,337,058</u>	<u>\$ 357,838,034</u>

BAY COUNTY, MICHIGAN

Notes To Financial Statements

	Plan Changes in Net Position		
	Pension Trust Fund	VEBA Trust Fund	Total
Additions			
Investment income:			
Net appreciation in fair value of investments	\$ 18,995,041	\$ 2,480,287	\$ 21,475,328
Interest and dividends	5,471,879	1,235,074	6,706,953
Less investment expense	(1,543,957)	(179,734)	(1,723,691)
Total investment income	<u>22,922,963</u>	<u>3,535,627</u>	<u>26,458,590</u>
Contributions:			
Employer	3,201,873	369,383	3,571,256
Plan members	2,275,750	-	2,275,750
Total contributions	<u>5,477,623</u>	<u>369,383</u>	<u>5,847,006</u>
Other revenue	<u>9,949</u>	<u>63</u>	<u>10,012</u>
Total additions	<u>28,410,535</u>	<u>3,905,073</u>	<u>32,315,608</u>
Deductions			
Benefit payments	17,222,061	-	17,222,061
Administrative expenses	<u>635,727</u>	<u>15,520</u>	<u>651,247</u>
Total deductions	<u>17,857,788</u>	<u>15,520</u>	<u>17,873,308</u>
Change in net position	10,552,747	3,889,553	14,442,300
Net position, beginning of year	<u>300,948,229</u>	<u>42,447,505</u>	<u>343,395,734</u>
Net position, end of year	<u>\$ 311,500,976</u>	<u>\$ 46,337,058</u>	<u>\$ 357,838,034</u>

13. SELF-INSURANCE

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

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

BAY COUNTY, MICHIGAN

Notes To Financial Statements

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, 2016, 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 2016, the County was self-insured for general liability insurance coverage with Michigan Municipal Risk Management Authority ("MMRMA"). Bay County's contributions to this fund are determined each year by MMRMA based on its review of an application filed by the County, which identifies County assets such as property, vehicles, buildings, and equipment. Bay County's retention levels and policy coverage through MMRMA are as follows:

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

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

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

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

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

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Changes in the estimated claims liabilities for workers' compensation claims (excluding the Medical Care Facility) for the years ended December 31, 2016 and 2015, are as follows:

	2016	2015
Claims liability, beginning of year	\$ 396,449	\$ 195,372
Claims incurred, including changes in estimates	133,969	649,181
Claims payments and adjustments	<u>(130,311)</u>	<u>(448,104)</u>
Claims liability, end of year	<u>\$ 400,107</u>	<u>\$ 396,449</u>

Changes in the estimated claims liabilities for workers' compensation claims of the Medical Care Facility for the years ended December 31, 2016 and 2015, are as follows:

	2016	2015
Claims liability, beginning of year	\$ 76,297	\$ 13,005
Claims incurred, including changes in estimates	6,641	115,360
Claims payments and adjustments	<u>(58,501)</u>	<u>(52,068)</u>
Claims liability, end of year	<u>\$ 24,437</u>	<u>\$ 76,297</u>

Changes in the estimated claims liabilities for healthcare claims (excluding the Medical Care Facility) for the year ended December 31, 2016 and 2015, are as follows:

	2016	2015
Claims liability, beginning of year	\$ 363,367	\$ 389,615
Claims incurred, including changes in estimates	4,747,304	5,222,505
Claims payments and adjustments	<u>(4,733,376)</u>	<u>(5,248,753)</u>
Claims liability, end of year	<u>\$ 377,295</u>	<u>\$ 363,367</u>

BAY COUNTY, MICHIGAN

Notes To Financial Statements

The Medical Care Facility is self-insured for healthcare claims. The Medical Care Facility is covered by a stop-loss policy that covers individual claims over \$15,000. Changes in the estimated claims liabilities for healthcare claims of the Medical Care Facility for the year ended December 31, 2016 and 2015, are as follows:

	2016	2015
Claims liability, beginning of year	\$ 150,730	\$ 166,059
Claims incurred, including changes in estimates	2,054,482	2,238,383
Claims payments and adjustments	<u>(2,015,833)</u>	<u>(2,253,712)</u>
Claims liability, end of year	<u>\$ 189,379</u>	<u>\$ 150,730</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, 2016, was \$11,360.

The Department of Water and Sewer is further insured for general, automobile, and errors or omissions claims as a member of the Michigan County Road Commission Self-Insurance Pool and is insured for liabilities up to a limit of \$10,500,000 per occurrence, subject to a \$1,000 deductible. The Department of Water and Sewer would be responsible for losses in excess of the limit. Payments made for the year ended December 31, 2016, were \$46,478.

The Department of Water and Sewer is further insured as a member of the Michigan County Road Commission Self-Insurance Pool for building, contents, off-road equipment and licensed vehicles claims and is insured for the lessor of the scheduled value of property or the cost of repairs or replacement, subject to a \$500 deductible. Payments made for the year ended December 31, 2015, were \$215,402.

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, 2016, were \$1,234,590.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

14. PROPERTY TAXES

The County property tax is levied each July 1st and December 1st through 2016 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 2016 ad valorem tax is levied and collectible by December 1, 2016, 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.

The taxable value of real and personal property for the December 1, 2015, levy totaled \$2,847,034,923. The taxable value of real and personal property for the July 1, 2016, levy totaled \$2,781,650,950. The tax levy for fiscal year 2016 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.

Tax Abatements

Industrial property tax abatements are granted by the State of Michigan under public Act 198, as amended, to promote economic development, creation of jobs, and new or improvement facilities. The industrial facilities tax (IFT) exemption must be approved by both the local unit (after a public hearing is held) and the State of Michigan. IFT exemptions can cover real and/or personal property. By State law, the exemption must be applied for no later than six months after commencement of the project, and must be accompanied by a written agreement between the taxpayer and the local unit. An exemption allows for taxation on IFT property at 50% of the local property tax millage rate for a period of 1 to 12 years. Accordingly, such agreements meet the criteria of "tax abatements" under GASB Statement No. 77. Property taxes abated by the County in 2016 amounted to \$347,574, related to IFT exemptions.

The Obsolete Property Rehabilitation Act (OPRA), PA 146 of 2000, as amended, provides property tax exemptions for commercial and commercial housing properties that are rehabilitated and meet the requirements of the Act. Properties must meet eligibility requirements including a statement of obsolescence by the local assessor. The property must be located in an established Obsolete Property Rehabilitation District. Exemptions are approved for a term of 1 to 12 years as determined by the local unit of government. Accordingly, such agreements meet the criteria of "tax abatements" under GASB Statement No. 77. Property taxes abated by the County in 2016 amount to \$8,234, related to OPRA exemptions.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

The Commercial Rehabilitation Act (CRA), PA 210 of 2005, as amended, affords a tax incentive for the rehabilitation of commercial property for the primary purpose and use of a commercial business or multi-family residential facility. The property must be located within an established Commercial Rehabilitation District. Exemptions are approved for a term of 1 to 10 years, as determined by the local unit of government. Accordingly, such agreements meet the criteria of "tax abatements" under GASB Statement No. 77. Property taxes abated by the County in 2016 amount to \$20,262, related to CRA exemptions.

The Brownfield Redevelopment Financing Act, 1996 PA 381, as amended (Act 381), authorizes Brownfield Redevelopment Authorities (BRAs) to facilitate the implementation of Brownfield Plans and associated Work Plans that promote the revitalization, redevelopment, and reuse of contaminated, blighted, functionally obsolete, or historic resources. Act 381 authorizes and permits the use of school and local tax increment financing to help reduce the burden of Brownfield related costs when redeveloping affected properties. Accordingly, such agreements meet the criteria of "tax abatements" under GASB Statement No. 77. Property taxes abated by the County in 2016 amount to \$313,666, related to brownfield exemptions.

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	\$ 14,184	\$ -	\$ -	\$ -	\$ -	\$ 14,184
Interfund advance	150,000	-	-	-	-	150,000
Prepays	226,987	36,594	-	-	23,152	286,733
Long-term receivables	1,258,352	-	-	-	-	1,258,352
Total nonspendable	1,649,523	36,594	-	-	23,152	1,709,269
Restricted for:						
General county services	198,414	-	-	-	-	198,414
911 services	-	2,431,229	-	-	-	2,431,229
Division on aging	-	-	2,251,433	-	-	2,251,433
Water supply capital projects	-	-	-	3,688,953	-	3,688,953
Friend of the court	-	-	-	-	255,429	255,429
Gypsy moth control	-	-	-	-	763,478	763,478
Mosquito control	-	-	-	-	331,575	331,575
Register of deeds	-	-	-	-	68,551	68,551
Concealed pistol licensing	-	-	-	-	46,551	46,551
Local C.F.O training	-	-	-	-	35,987	35,987
Drug law enforcement	-	-	-	-	23,715	23,715
Community corrections	-	-	-	-	8,049	8,049
Home rehabilitation	-	-	-	-	2,123,389	2,123,389
Child care/social services	-	-	-	-	16,258	16,258
Soldiers' relief	-	-	-	-	304,778	304,778
Historical preservation	-	-	-	-	3,027	3,027
Building authority debt	-	-	-	-	133,085	133,085
Water supply debt service	-	-	-	-	1,461,893	1,461,893
Total restricted	198,414	2,431,229	2,251,433	3,688,953	5,575,765	14,145,794
Committed for:						
Budget Stabilization	6,777,639	-	-	-	-	6,777,639
Assigned for:						
General county services	1,167,146	-	-	-	-	1,167,146
911 services	-	-	-	-	-	-
Division on aging	-	-	14,537	-	-	14,537
Health department	-	-	-	-	437,521	437,521
Mosquito control	-	-	-	-	-	-
Register of deeds automation	-	-	-	-	29,110	29,110
Law library	-	-	-	-	1,174	1,174
Community corrections	-	-	-	-	87,566	87,566
Social welfare	-	-	-	-	48,083	48,083
Child care services	-	-	-	-	92,879	92,879
Child care social services	-	-	-	-	-	-
Total assigned	1,167,146	-	14,537	-	696,333	1,878,016
Unassigned	4,183,852	-	-	-	-	4,183,852
Total fund balances, governmental funds	\$ 13,976,574	\$ 2,467,823	\$ 2,265,970	\$ 3,688,953	\$ 6,295,250	\$ 28,694,570

BAY COUNTY, MICHIGAN

Notes To Financial Statements

16. NET POSITION

Restricted Net Position

The composition of the County's restricted net position as of December 31, 2016, was as follows:

	Governmental Activities	Business-type Activities	Component Units
Restricted for:			
Pension benefits	\$ 7,381,902	\$ 7,968,653	\$ 9,148,225
Insurance claims	6,522,620	-	-
Other:			
Public safety	2,582,125	-	-
Health and welfare	2,575,530	-	-
Judicial	255,429	-	-
Debt service	1,034,788	-	194,258
Home rehabilitation	2,143,480	-	-
Pest control	1,095,053	-	-
Register of deeds	68,551	-	-
Donor restrictions	201,441	-	-
Library	-	-	4,419,540
	<u>\$ 23,860,919</u>	<u>\$ 7,968,653</u>	<u>\$ 13,762,023</u>

Net Investment in Capital Assets

The composition of net investment in capital assets as of December 31, 2016, was as follows:

	Governmental Activities	Business-type Activities	Component Units
Capital assets:			
Assets not being depreciated	\$ 61,944,382	\$ 1,892,987	\$ 36,685,773
Assets being depreciated, net	41,637,810	7,000,277	82,719,089
	<u>103,582,192</u>	<u>8,893,264</u>	<u>119,404,862</u>
Related debt:			
Due within one year	3,135,273	7,217	1,218,965
Due more than one year	59,749,972	21,816	9,012,240
Less:			
Conduit debt	-	-	(749,654)
Compensated absences	(2,160,925)	(29,033)	(1,328,087)
Retiree benefit obligation	-	-	(3,045,767)
Unspent long-term debt proceeds	(3,688,953)	-	-
	<u>57,035,367</u>	<u>-</u>	<u>5,107,697</u>
Net investment in capital assets	<u>\$ 46,546,825</u>	<u>\$ 8,893,264</u>	<u>\$ 114,297,165</u>

BAY COUNTY, MICHIGAN

Notes To Financial Statements

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 February 17, 2015, an agreement for the Water Plant Cost Sharing Agreement was signed between Bay County, City of Bay City, and Bay County Road Commission for the County to assume debt related to the Bay County Water Supply System, which had not occurred as of December 31, 2016. The principal balance as of December 31, 2016 was \$3,310,000.



REQUIRED SUPPLEMENTARY INFORMATION

BAY COUNTY, MICHIGAN

Required Supplementary Information

Employees' Retirement System
For the Year Ended December 31, 2016

Schedule of Changes in Net Pension Liability and Related Ratios

	Year Ending December 31,	
	2015	2014
Total pension liability		
Service cost	\$ 3,995,877	\$ 3,941,541
Interest	16,521,779	15,873,703
Differences between expected and actual experience	-	2,048,465
Benefit payments, including refunds of member contributions	(13,564,472)	(12,935,261)
Net change in total pension liability	<u>6,953,184</u>	<u>8,928,448</u>
Total pension liability, beginning of year	<u>225,074,684</u>	<u>216,146,236</u>
Total pension liability, end of year	<u>232,027,868</u>	<u>225,074,684</u>
Plan fiduciary net position		
Employer contributions	2,165,361	2,574,104
Employee contributions	1,591,066	1,669,919
Net investment income	1,861,801	19,045,651
Benefit payments, including refunds of member contributions	(13,564,472)	(12,935,261)
Administrative expenses	(248,428)	(193,343)
Net change in fiduciary net position	<u>(8,194,672)</u>	<u>10,161,070</u>
Fiduciary net position, beginning of year	<u>252,893,180</u>	<u>242,732,110</u>
Fiduciary net position, end of year	<u>244,698,508</u>	<u>252,893,180</u>
Net pension asset	<u>\$ (12,670,640)</u>	<u>\$ (27,818,496)</u>
Fiduciary net position as a percentage of total pension asset	105.46%	112.36%
Covered employee payroll	<u>\$ 36,792,195</u>	<u>\$ 47,378,819</u>
Net pension asset as a percentage of covered employee payroll	-34.44%	-58.72%

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

BAY COUNTY, MICHIGAN

Required Supplementary Information

Employees' Retirement System

For the Year Ended December 31, 2016

Schedule of the Net Pension Liability

Fiscal Year Ended December 31,	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Asset	Plan Fiduciary Net Position as Percentage of Total Pension Liability	Covered-Employee Payroll	Net Pension Asset as Percentage of Covered Payroll
2014	\$ 225,074,684	\$ 252,893,180	\$ (27,818,496)	112.4%	\$ 47,378,819	-58.7%
2015	232,027,868	244,698,508	(12,670,640)	105.5%	36,792,195	-34.4%

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

BAY COUNTY, MICHIGAN

Required Supplementary Information

Employees' Retirement System

For the Year Ended December 31, 2016

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
2007	\$ 706,090	\$ 706,090	\$ -	\$ 44,687,752	1.58%
2008	718,886	718,886	-	46,482,897	1.55%
2009	1,749,408	1,749,408	-	47,244,573	3.70%
2010	2,254,792	2,750,846	(496,054)	47,090,560	5.84%
2011	2,402,962	3,003,703	(600,741)	48,583,176	6.18%
2012	3,070,500	3,500,370	(429,870)	48,571,798	7.21%
2013	4,073,454	4,099,868	(26,414)	44,535,708	9.21%
2014	2,574,104	2,574,104	-	47,378,819	5.43%
2015	2,165,361	2,165,361	-	47,305,446	4.58%
2016	1,306,845	1,961,212	(654,367)	45,873,446	4.28%

Notes to Schedule of Contributions

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

Methods and assumptions used to determine contribution rates:

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

BAY COUNTY, MICHIGAN

Required Supplementary Information

VEBA Trust Fund

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

Actuarial Valuation Date December 31,	Actuarial Value of Assets (in Thousands)	Actuarial Accrued Liability (AAL) Entry Age (in Thousands)	Unfunded AAL (in Thousands)	Funded Ratio	Covered Payroll (in Thousands)	UAAL as a Percentage of Covered Payroll
2011	\$ 8,594	\$ 57,926	\$ (49,332)	15%	N/A	N/A
2013	11,476	49,972	(38,496)	23%	N/A	N/A
2015	12,359	67,890	(55,531)	18%	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
2014	\$ 4,099,849	34%
2015	4,099,849	34%
2016	5,451,922	27%

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
2011	\$ 4,633	\$ 44,358	\$ (39,725)	10%	N/A	N/A
2013	7,336	40,272	(32,936)	18%	N/A	N/A
2015	8,603	48,232	(39,629)	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
2014	\$ 3,001,446	58%
2015	2,964,927	67%
2016	3,364,068	60%

BAY COUNTY, MICHIGAN

Required Supplementary Information

VEBA Trust Fund

Schedule of Funding Progress Other Postemployment Benefits Plan Library Component Unit

Actuarial Valuation Date December 31,	Actuarial Value of Assets (in Thousands)	Actuarial Accrued Liability (AAL) Entry Age (in Thousands)	Unfunded AAL (in Thousands)	Funded Ratio	Covered Payroll (in Thousands)	UAAL as a Percentage of Covered Payroll
2011	\$ 1,121	\$ 2,458	\$ (1,337)	46%	N/A	N/A
2013	1,474	4,547	(3,073)	32%	N/A	N/A
2015	1,635	4,401	(2,766)	37%	N/A	N/A

Schedule of Employer Contributions Other Postemployment Benefits Plan Library Component Unit

Year Ended December 31,	Annual Required Contributions	Percentage Contributed
2014	\$ 384,214	22%
2015	376,853	33%
2016	312,494	39%

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, 2015) follows:

Actuarial cost method	Individual entry age normal cost
Amortization method	Level percent of payroll, opened divisions; level dollar, closed divisions
Remaining amortization method:	16 to 30 years (varies by division)
Asset valuation method	Market value
Actuarial assumptions:	
Investment rating return	5.0 percent
Projected salary increases*	3.75 percent to 9.5 percent, dependent on years of service
Cost-of-living adjustments	None

*Includes pay inflation at 3.5 percent

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

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

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

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

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

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

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

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS (concluded)

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

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

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

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

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

DEBT SERVICE FUNDS

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

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

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, 2016

	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	\$ 120,980	\$ 50,780	\$ 206,230	\$ 122,947	\$ 35,371
Investments	136,109	-	561,395	244,525	66,629
Accounts receivable, net of allowance	-	69,680	3,180	15,534	-
Property taxes receivable, net of allowance	-	-	262,361	1,440,799	-
Accrued interest receivable	-	-	2,487	1,470	314
Due from other governmental units	86	827,280	-	1,754	-
Prepays and other assets	-	-	-	-	-
Total assets	\$ 257,175	\$ 947,740	\$ 1,035,653	\$ 1,827,029	\$ 102,314
Liabilities					
Accounts payable	\$ 123	\$ 67,554	\$ 137	\$ 2,386	\$ 4,653
Accrued liabilities	1,598	39,324	1,316	5,354	-
Accrued vacation and sick pay	-	5,463	-	909	-
Due to other funds	25	641	20	96	-
Due to other governmental units	-	343	-	-	-
Interfund advances	-	-	-	-	-
Unearned revenue	-	396,894	-	-	-
Total liabilities	1,746	510,219	1,473	8,745	4,653
Deferred inflows of resources					
Unavailable revenue - property taxes	-	-	456	2,444	-
Taxes levied for a subsequent period	-	-	270,246	1,484,265	-
Total deferred inflows of resources	-	-	270,702	1,486,709	-
Fund balances					
Nonspendable	-	-	-	-	-
Restricted	255,429	-	763,478	331,575	68,551
Assigned	-	437,521	-	-	29,110
Total fund balances	255,429	437,521	763,478	331,575	97,661
Total liabilities, deferred inflows of resources and fund balances	\$ 257,175	\$ 947,740	\$ 1,035,653	\$ 1,827,029	\$ 102,314



Special Revenue Funds

Concealed Pistol Licensing	Local C.F.O. Training	Drug Law Enforcement	Law Library	Community Corrections	Home Rehabilitation	Social Welfare
\$ 49,269	\$ 34,607	\$ 23,715	\$ 4,839	\$ 63,841	\$ 66,203	\$ 12,698
-	-	-	-	-	-	35,524
-	1,380	-	-	-	2,034,871	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	46,310	36,136	-
-	-	-	-	-	20,091	-
<u>\$ 49,269</u>	<u>\$ 35,987</u>	<u>\$ 23,715</u>	<u>\$ 4,839</u>	<u>\$ 110,151</u>	<u>\$ 2,157,301</u>	<u>\$ 48,222</u>
\$ 2,464	\$ -	\$ -	\$ 3,665	\$ 12,984	\$ 13,821	\$ 139
250	-	-	-	1,535	-	-
-	-	-	-	-	-	-
4	-	-	-	17	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>2,718</u>	<u>-</u>	<u>-</u>	<u>3,665</u>	<u>14,536</u>	<u>13,821</u>	<u>139</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	20,091	-
46,551	35,987	23,715	-	8,049	2,123,389	-
-	-	-	1,174	87,566	-	48,083
<u>46,551</u>	<u>35,987</u>	<u>23,715</u>	<u>1,174</u>	<u>95,615</u>	<u>2,143,480</u>	<u>48,083</u>
<u>\$ 49,269</u>	<u>\$ 35,987</u>	<u>\$ 23,715</u>	<u>\$ 4,839</u>	<u>\$ 110,151</u>	<u>\$ 2,157,301</u>	<u>\$ 48,222</u>

continued...

BAY COUNTY, MICHIGAN

Combining Balance Sheet Nonmajor Governmental Funds December 31, 2016

	Special Revenue Funds				
	Child Care	Child Care / Social Services	Soldiers' Relief	Veterans' Trust	Historical Preservation
Assets					
Cash and cash equivalents	\$ 206,825	\$ 16,258	\$ 92,327	\$ 4,899	\$ 8,061
Investments	-	-	238,535	-	-
Accounts receivable, net of allowance	-	-	3,180	-	3,027
Property taxes receivable, net of allowance	-	-	262,375	-	249,865
Accrued interest receivable	-	-	1,155	-	-
Due from other governmental units	423,735	-	-	-	-
Prepays and other assets	-	-	3,061	-	-
Total assets	\$ 630,560	\$ 16,258	\$ 600,633	\$ 4,899	\$ 260,953
Liabilities					
Accounts payable	\$ 350,001	\$ -	\$ 22,076	\$ -	\$ -
Accrued liabilities	32,139	-	-	-	121
Accrued vacation and sick pay	4,511	-	-	-	-
Due to other funds	468	-	-	-	-
Due to other governmental units	562	-	-	4,899	-
Interfund advances	150,000	-	-	-	-
Unearned revenue	-	-	-	-	-
Total liabilities	537,681	-	22,076	4,899	121
Deferred inflows of resources					
Unavailable revenue - property taxes	-	-	440	-	515
Taxes levied for a subsequent period	-	-	270,278	-	257,290
Total deferred inflows of resources	-	-	270,718	-	257,805
Fund balances					
Nonspendable	-	-	3,061	-	-
Restricted	-	16,258	304,778	-	3,027
Assigned	92,879	-	-	-	-
Total fund balances	92,879	16,258	307,839	-	3,027
Total liabilities, deferred inflows of resources and fund balances	\$ 630,560	\$ 16,258	\$ 600,633	\$ 4,899	\$ 260,953



Debt Service Funds		
Building Authority	Water Supply	Total Nonmajor Governmental Funds
\$ 34,535	\$ 1,461,893	\$ 2,616,278
96,125	-	1,378,842
-	-	2,130,852
-	-	2,215,400
2,425	-	7,851
-	-	1,335,301
-	-	23,152
<u>\$ 133,085</u>	<u>\$ 1,461,893</u>	<u>\$ 9,707,676</u>
\$ -	\$ -	\$ 480,003
-	-	81,637
-	-	10,883
-	-	1,271
-	-	5,804
-	-	150,000
-	-	396,894
<u>-</u>	<u>-</u>	<u>1,126,492</u>
-	-	3,855
-	-	2,282,079
<u>-</u>	<u>-</u>	<u>2,285,934</u>
-	-	23,152
133,085	1,461,893	5,575,765
-	-	696,333
<u>133,085</u>	<u>1,461,893</u>	<u>6,295,250</u>
<u>\$ 133,085</u>	<u>\$ 1,461,893</u>	<u>\$ 9,707,676</u>

concluded.

BAY COUNTY, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended December 31, 2016

	Special Revenue Funds				
	Friend of the Court	Health Department / District Health	Gypsy Moth Control	Mosquito Control	Register of Deeds Automation
Revenues					
Property taxes	\$ -	\$ -	\$ 282,684	\$ 1,273,933	\$ -
Special assessments	-	-	-	-	-
Licenses and permits	-	211,670	-	-	-
Federal	84,021	1,271,134	-	-	-
State	51,590	373,520	-	3,754	-
Interest, rents and royalties	-	10,800	13,467	8,150	1,924
Charges for services	48,431	49,307	-	948	-
Fines and forfeits	-	-	-	-	-
Reimbursements, refunds, and other revenues	-	983,029	-	6,408	-
Total revenues	184,042	2,899,460	296,151	1,293,193	1,924
Expenditures					
Current:					
General government	-	-	164,690	-	74,114
Public safety	-	-	-	-	-
Community and economic development	-	-	-	-	-
Health and welfare	-	3,521,027	-	1,131,691	-
Judicial	141,620	-	-	-	-
Recreation and culture	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest and other fees	-	-	-	-	-
Total expenditures	141,620	3,521,027	164,690	1,131,691	74,114
Revenues over (under) expenditures	42,422	(621,567)	131,461	161,502	(72,190)
Other financing sources (uses)					
Transfers in	-	1,088,545	-	-	88,832
Transfers out	-	(399,844)	(27,534)	(125,277)	(22,134)
Total other financing sources (uses)	-	688,701	(27,534)	(125,277)	66,698
Net change in fund balances	42,422	67,134	103,927	36,225	(5,492)
Fund balances, beginning of year	213,007	370,387	659,551	295,350	103,153
Fund balances, end of year	\$ 255,429	\$ 437,521	\$ 763,478	\$ 331,575	\$ 97,661

Special Revenue Funds

Concealed Pistol Licensing	Local C.F.O. Training	Drug Law Enforcement	Law Library	Community Corrections	Home Rehabilitation	Social Welfare
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
46,206	-	-	-	-	74,783	-
-	-	-	-	137,769	-	-
-	-	-	-	-	278	-
-	17,250	-	-	142	-	-
-	-	1,269	6,500	-	-	-
-	-	-	-	2,092	3,076	554
<u>46,206</u>	<u>17,250</u>	<u>1,269</u>	<u>6,500</u>	<u>140,003</u>	<u>78,137</u>	<u>554</u>
20,084	-	-	-	-	-	-
-	20,850	425	-	154,903	-	-
-	-	-	-	-	21,824	-
-	-	-	-	-	-	33,320
-	-	-	42,146	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>20,084</u>	<u>20,850</u>	<u>425</u>	<u>42,146</u>	<u>154,903</u>	<u>21,824</u>	<u>33,320</u>
<u>26,122</u>	<u>(3,600)</u>	<u>844</u>	<u>(35,646)</u>	<u>(14,900)</u>	<u>56,313</u>	<u>(32,766)</u>
-	-	-	36,370	20,920	-	46,600
-	-	-	-	-	-	-
-	-	-	<u>36,370</u>	<u>20,920</u>	-	<u>46,600</u>
26,122	(3,600)	844	724	6,020	56,313	13,834
<u>20,429</u>	<u>39,587</u>	<u>22,871</u>	<u>450</u>	<u>89,595</u>	<u>2,087,167</u>	<u>34,249</u>
<u>\$ 46,551</u>	<u>\$ 35,987</u>	<u>\$ 23,715</u>	<u>\$ 1,174</u>	<u>\$ 95,615</u>	<u>\$ 2,143,480</u>	<u>\$ 48,083</u>

continued...

BAY COUNTY, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds For the Year Ended December 31, 2016

	Special Revenue Funds				
	Child Care	Child Care / Social Services	Soldiers' Relief	Veterans' Trust	Historical Preservation
Revenues					
Property taxes	\$ -	\$ -	\$ 282,683	\$ -	\$ 268,745
Special assessments	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Federal	22,662	-	-	-	-
State	92,784	-	-	-	-
Interest, rents and royalties	-	-	6,978	-	6
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Reimbursements, refunds, and other revenues	1,605,236	-	-	12,565	-
Total revenues	1,720,682	-	289,661	12,565	268,751
Expenditures					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Community and economic development	-	-	-	-	-
Health and welfare	3,217,078	-	223,971	13,499	-
Judicial	-	-	-	-	-
Recreation and culture	-	-	-	-	265,724
Debt service:					
Principal	-	-	-	-	-
Interest and other fees	-	-	-	-	-
Total expenditures	3,217,078	-	223,971	13,499	265,724
Revenues over (under) expenditures	(1,496,396)	-	65,690	(934)	3,027
Other financing sources (uses)					
Transfers in	1,666,804	-	-	-	-
Transfers out	(249,925)	-	(12,131)	-	-
Total other financing sources (uses)	1,416,879	-	(12,131)	-	-
Net change in fund balances	(79,517)	-	53,559	(934)	3,027
Fund balances, beginning of year	172,396	16,258	254,280	934	-
Fund balances, end of year	\$ 92,879	\$ 16,258	\$ 307,839	\$ -	\$ 3,027



Debt Service Funds		
Building Authority	Water Supply	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 2,108,045
-	3,884,675	3,884,675
-	-	257,876
-	-	1,452,600
-	-	659,417
18,717	790	61,110
-	-	116,078
-	-	7,769
<u>1,437,400</u>	<u>-</u>	<u>4,050,360</u>
<u>1,456,117</u>	<u>3,885,465</u>	<u>12,597,930</u>
-	-	258,888
-	-	176,178
-	-	21,824
-	-	8,140,586
-	-	183,766
-	-	265,724
1,765,000	1,475,285	3,240,285
<u>285,905</u>	<u>2,411,491</u>	<u>2,697,396</u>
<u>2,050,905</u>	<u>3,886,776</u>	<u>14,984,647</u>
<u>(594,788)</u>	<u>(1,311)</u>	<u>(2,386,717)</u>
611,325	-	3,559,396
<u>-</u>	<u>-</u>	<u>(836,845)</u>
<u>611,325</u>	<u>-</u>	<u>2,722,551</u>
16,537	(1,311)	335,834
<u>116,548</u>	<u>1,463,204</u>	<u>5,959,416</u>
<u>\$ 133,085</u>	<u>\$ 1,461,893</u>	<u>\$ 6,295,250</u>

concluded.

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Friend of the Court
For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Federal	\$ 86,159	\$ 63,359	\$ 84,021	\$ 20,662
State	-	27,909	51,590	23,681
Charges for services	43,580	43,580	48,431	4,851
Total revenues	129,739	134,848	184,042	49,194
Expenditures				
Judicial	143,691	151,432	141,620	(9,812)
Net change in fund balance	(13,952)	(16,584)	42,422	59,006
Fund balance, beginning of year	213,007	213,007	213,007	-
Fund balance, end of year	<u>\$ 199,055</u>	<u>\$ 196,423</u>	<u>\$ 255,429</u>	<u>\$ 59,006</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, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Licenses and permits	\$ 191,000	\$ 191,000	\$ 211,670	\$ 20,670
Federal	1,188,425	1,470,134	1,271,134	(199,000)
State	346,307	371,627	373,520	1,893
Interest, rents and royalties	9,000	9,000	10,800	1,800
Charges for services	98,447	98,447	49,307	(49,140)
Reimbursements, refunds, and other revenues	769,788	819,135	983,029	163,894
Total revenues	2,602,967	2,959,343	2,899,460	(59,883)
Expenditures				
Health and welfare	3,475,482	3,820,591	3,521,027	(299,564)
Revenues under expenditures	(872,515)	(861,248)	(621,567)	239,681
Other financing sources (uses)				
Transfers in	1,091,224	1,091,224	1,088,545	(2,679)
Transfers out	(399,844)	(399,844)	(399,844)	-
Total other financing sources (uses)	691,380	691,380	688,701	(2,679)
Net change in fund balance	(181,135)	(169,868)	67,134	237,002
Fund balance, beginning of year	370,387	370,387	370,387	-
Fund balance, end of year	\$ 189,252	\$ 200,519	\$ 437,521	\$ 237,002

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Gypsy Moth Control
For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 277,582	\$ 277,582	\$ 282,684	\$ 5,102
Interest, rents and royalties	9,058	9,058	13,467	4,409
Total revenues	286,640	286,640	296,151	9,511
Expenditures				
General government	188,678	188,678	164,690	(23,988)
Revenues over expenditures	97,962	97,962	131,461	33,499
Other financing uses				
Transfers out	(27,534)	(27,534)	(27,534)	-
Net change in fund balance	70,428	70,428	103,927	33,499
Fund balance, beginning of year	659,551	659,551	659,551	-
Fund balance, end of year	\$ 729,979	\$ 729,979	\$ 763,478	\$ 33,499

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Mosquito Control Fund

For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 1,249,117	\$ 1,249,117	\$ 1,273,933	\$ 24,816
State	-	-	3,754	3,754
Interest, rents and royalties	12,000	12,000	8,150	(3,850)
Charges for services	-	-	948	948
Reimbursements, refunds, and other revenues	-	-	6,408	6,408
Total revenues	1,261,117	1,261,117	1,293,193	32,076
Expenditures				
Health and welfare	1,180,286	1,180,286	1,131,691	(48,595)
Revenues over expenditures	80,831	80,831	161,502	80,671
Other financing uses				
Transfers out	(125,277)	(125,277)	(125,277)	-
Net change in fund balance	(44,446)	(44,446)	36,225	80,671
Fund balance, beginning of year	295,350	295,350	295,350	-
Fund balance, end of year	\$ 250,904	\$ 250,904	\$ 331,575	\$ 80,671

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, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Interest, rents and royalties	\$ 9,000	\$ 9,000	\$ 1,924	\$ (7,076)
Expenditures				
General government	116,866	118,565	74,114	(44,451)
Revenues under expenditures	(107,866)	(109,565)	(72,190)	37,375
Other financing sources (uses)				
Transfers in	110,000	110,000	88,832	(21,168)
Transfers out	(22,134)	(22,134)	(22,134)	-
Total other financing sources (uses)	87,866	87,866	66,698	(21,168)
Net change in fund balance	(20,000)	(21,699)	(5,492)	16,207
Fund balance, beginning of year	103,153	103,153	103,153	-
Fund balance, end of year	\$ 83,153	\$ 81,454	\$ 97,661	\$ 16,207

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Concealed Pistol Licensing

For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Licenses and permits	\$ 21,268	\$ 42,268	\$ 46,206	\$ 3,938
Expenditures				
General government	21,268	36,268	20,084	(16,184)
Net change in fund balance	-	6,000	26,122	20,122
Fund balance, beginning of year	20,429	20,429	20,429	-
Fund balance, end of year	<u>\$ 20,429</u>	<u>\$ 26,429</u>	<u>\$ 46,551</u>	<u>\$ 20,122</u>

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Local C.F.O. Training
For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Charges for services	\$ 18,000	\$ 18,000	\$ 17,250	\$ (750)
Expenditures				
Public safety	34,963	34,963	20,850	(14,113)
Net change in fund balance	(16,963)	(16,963)	(3,600)	13,363
Fund balance, beginning of year	39,587	39,587	39,587	-
Fund balance, end of year	<u>\$ 22,624</u>	<u>\$ 22,624</u>	<u>\$ 35,987</u>	<u>\$ 13,363</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, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Fines and forfeits	\$ 4,000	\$ 4,000	\$ 1,269	\$ (2,731)
Expenditures				
Public safety	2,000	2,000	425	(1,575)
Net change in fund balance	2,000	2,000	844	(1,156)
Fund balance, beginning of year	22,871	22,871	22,871	-
Fund balance, end of year	<u>\$ 24,871</u>	<u>\$ 24,871</u>	<u>\$ 23,715</u>	<u>\$ (1,156)</u>

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Law Library

For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Fines and forfeits	\$ 6,500	\$ 6,500	\$ 6,500	\$ -
Expenditures				
Judicial	32,870	42,870	42,146	(724)
Revenues under expenditures	(26,370)	(36,370)	(35,646)	724
Other financing sources				
Transfers in	26,370	36,370	36,370	-
Net change in fund balance	-	-	724	724
Fund balance, beginning of year	450	450	450	-
Fund balance, end of year	<u>\$ 450</u>	<u>\$ 450</u>	<u>\$ 1,174</u>	<u>\$ 724</u>

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Community Corrections

For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
State	\$ 136,351	\$ 136,351	\$ 137,769	\$ 1,418
Charges for services	-	-	142	142
Reimbursements, refunds, and other revenues	2,934	2,934	2,092	(842)
Total revenues	139,285	139,285	140,003	718
Expenditures				
Public safety	159,805	159,805	154,903	(4,902)
Revenues under expenditures	(20,520)	(20,520)	(14,900)	5,620
Other financing sources				
Transfers in	20,920	20,920	20,920	-
Net change in fund balance	400	400	6,020	5,620
Fund balance, beginning of year	89,595	89,595	89,595	-
Fund balance, end of year	<u>\$ 89,995</u>	<u>\$ 89,995</u>	<u>\$ 95,615</u>	<u>\$ 5,620</u>

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Home Rehabilitation
For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Federal	\$ 134,943	\$ 134,943	\$ 74,783	\$ (60,160)
Interest, rents and royalties	202	202	278	76
Reimbursements, refunds, and other revenues	1,200	1,200	3,076	1,876
Total revenues	136,345	136,345	78,137	(58,208)
Expenditures				
Community and economic development	172,926	172,926	21,824	(151,102)
Net change in fund balance	(36,581)	(36,581)	56,313	92,894
Fund balance, beginning of year	2,087,167	2,087,167	2,087,167	-
Fund balance, end of year	\$ 2,050,586	\$ 2,050,586	\$ 2,143,480	\$ 92,894

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Social Welfare
For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Reimbursements, refunds, and other revenues	\$ -	\$ -	\$ 554	\$ 554
Expenditures				
Health and welfare	50,825	50,825	33,320	(17,505)
Revenues under expenditures	(50,825)	(50,825)	(32,766)	18,059
Other financing sources				
Transfers in	46,600	46,600	46,600	-
Net change in fund balance	(4,225)	(4,225)	13,834	18,059
Fund balance, beginning of year	35,900	35,900	34,249	(1,651)
Fund balance, end of year	<u>\$ 31,675</u>	<u>\$ 31,675</u>	<u>\$ 48,083</u>	<u>\$ 16,408</u>

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Child Care

For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Federal	\$ 20,000	\$ 20,000	\$ 22,662	\$ 2,662
State	122,000	122,000	92,784	(29,216)
Reimbursements, refunds, and other revenues	1,369,485	1,645,832	1,605,236	(40,596)
Total revenues	1,511,485	1,787,832	1,720,682	(67,150)
Expenditures				
Health and welfare	2,606,484	3,269,177	3,217,078	(52,099)
Revenues under expenditures	(1,094,999)	(1,481,345)	(1,496,396)	(15,051)
Other financing sources (uses)				
Transfers in	1,376,458	1,666,804	1,666,804	-
Transfers out	(249,925)	(249,925)	(249,925)	-
Total other financing sources (uses)	1,126,533	1,416,879	1,416,879	-
Net change in fund balance	31,534	(64,466)	(79,517)	(15,051)
Fund balance, beginning of year	172,396	172,396	172,396	-
Fund balance, end of year	<u>\$ 203,930</u>	<u>\$ 107,930</u>	<u>\$ 92,879</u>	<u>\$ (15,051)</u>

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, 2016

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

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Soldiers' Relief
For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 277,582	\$ 277,582	\$ 282,683	\$ 5,101
Interest, rents and royalties	-	-	6,978	6,978
Total revenues	<u>277,582</u>	<u>277,582</u>	<u>289,661</u>	<u>12,079</u>
Expenditures				
Health and welfare	<u>220,335</u>	<u>228,035</u>	<u>223,971</u>	<u>(4,064)</u>
Revenues over expenditures	57,247	49,547	65,690	16,143
Other financing uses				
Transfers out	<u>(12,131)</u>	<u>(12,131)</u>	<u>(12,131)</u>	<u>-</u>
Net change in fund balance	45,116	37,416	53,559	16,143
Fund balance, beginning of year	<u>254,280</u>	<u>254,280</u>	<u>254,280</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 299,396</u></u>	<u><u>\$ 291,696</u></u>	<u><u>\$ 307,839</u></u>	<u><u>\$ 16,143</u></u>

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual -Veterans' Trust
For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Reimbursements, refunds and other revenues	\$ 60,000	\$ 60,000	\$ 12,565	\$ (47,435)
Expenditures				
Health and welfare	60,000	60,000	13,499	(46,501)
Net change in fund balance	-	-	(934)	(934)
Fund balance, beginning of year	934	934	934	-
Fund balance, end of year	<u>\$ 934</u>	<u>\$ 934</u>	<u>\$ -</u>	<u>\$ (934)</u>

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Historical Preservation

For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 264,508	\$ 264,508	\$ 268,745	\$ 4,237
Interest, rents and royalties	25	25	6	(19)
Total revenues	<u>264,533</u>	<u>264,533</u>	<u>268,751</u>	<u>4,218</u>
Expenditures				
Recreation and culture	<u>264,533</u>	<u>264,533</u>	<u>265,724</u>	<u>1,191</u>
Net change in fund balance	-	-	3,027	3,027
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,027</u>	<u>\$ 3,027</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, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Interest, rents and royalties	\$ 12,000	\$ 12,000	\$ 18,717	\$ 6,717
Reimbursements, refunds, and other revenues	1,437,400	1,437,400	1,437,400	-
Total revenues	<u>1,449,400</u>	<u>1,449,400</u>	<u>1,456,117</u>	<u>6,717</u>
Expenditures				
Debt service:				
Principal	1,765,000	1,765,000	1,765,000	-
Interest and other fees	283,725	283,725	285,905	2,180
Total expenditures	<u>2,048,725</u>	<u>2,048,725</u>	<u>2,050,905</u>	<u>2,180</u>
Revenues under expenditures	(599,325)	(599,325)	(594,788)	4,537
Other financing sources				
Transfers in	611,325	611,325	611,325	-
Net change in fund balance	12,000	12,000	16,537	4,537
Fund balance, beginning of year	116,548	116,548	116,548	-
Fund balance, end of year	<u>\$ 128,548</u>	<u>\$ 128,548</u>	<u>\$ 133,085</u>	<u>\$ 4,537</u>

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, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Special assessments	\$ 3,764,898	\$ 3,764,898	\$ 3,884,675	\$ 119,777
Interest, rents and royalties	-	-	790	790
Total revenues	<u>3,764,898</u>	<u>3,764,898</u>	<u>3,885,465</u>	<u>120,567</u>
Expenditures				
Debt service:				
Principal	1,670,285	1,670,285	1,475,285	(195,000)
Interest and other fees	2,203,613	2,203,613	2,411,491	207,878
Total expenditures	<u>3,873,898</u>	<u>3,873,898</u>	<u>3,886,776</u>	<u>12,878</u>
Revenues under expenditures	(109,000)	(109,000)	(1,311)	107,689
Other financing sources				
Transfers in	109,000	109,000	-	(109,000)
Net change in fund balance	-	-	(1,311)	(1,311)
Fund balance, beginning of year	1,463,204	1,463,204	1,463,204	-
Fund balance, end of year	<u>\$ 1,463,204</u>	<u>\$ 1,463,204</u>	<u>\$ 1,461,893</u>	<u>\$ (1,311)</u>

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, 2016

	Golf Course	Housing	Delinquent Property Tax Foreclosure	Commissary	Total
Assets					
Current assets:					
Cash and cash equivalents	\$ 24,002	\$ 314,373	\$ 69,406	\$ 31,643	\$ 439,424
Investments	78,748	200,000	151,391	75,766	505,905
Accounts receivable, net of allowance	86	3,719	-	-	3,805
Accrued interest receivable	395	-	1,394	292	2,081
Inventories	8,847	-	-	-	8,847
Due from other funds	-	-	11,726	-	11,726
Due from component units	-	-	25,000	-	25,000
Prepaid items and other assets	-	1,814	11,669	-	13,483
Total current assets	112,078	519,906	270,586	107,701	1,010,271
Noncurrent assets:					
Net pension asset	23,671	58,151	-	-	81,822
Capital assets not being depreciated	136,933	90,538	-	-	227,471
Capital assets being depreciated, net	148,127	1,252,793	-	-	1,400,920
Total noncurrent assets	308,731	1,401,482	-	-	1,710,213
Total assets	420,809	1,921,388	270,586	107,701	2,720,484
Deferred outflows of resources					
Deferred pension amounts	28,866	61,093	-	-	89,959
Liabilities					
Current liabilities:					
Accounts payable	277	29,878	-	-	30,155
Accrued liabilities	2,220	80,648	-	-	82,868
Due to other funds	34	-	-	-	34
Unearned revenue	6,084	556	-	-	6,640
Current portion of compensated absences	-	7,217	-	-	7,217
Total current liabilities	8,615	118,299	-	-	126,914
Noncurrent liabilities:					
Net other postemployment benefit obligation	92,911	185,411	-	-	278,322
Compensated absences, net of current portion	9,725	1,249	-	-	10,974
Total noncurrent liabilities	102,636	186,660	-	-	289,296
Total liabilities	111,251	304,959	-	-	416,210
Deferred inflows of resources					
Deferred pension amounts	19,692	58,185	-	-	77,877
Net position					
Investment in capital assets	285,060	1,343,331	-	-	1,628,391
Restricted for pension benefits	32,845	61,059	-	-	93,904
Unrestricted	827	214,947	270,586	107,701	594,061
Total net position	\$ 318,732	\$ 1,619,337	\$ 270,586	\$ 107,701	\$ 2,316,356

BAY COUNTY, MICHIGAN

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

Nonmajor Enterprise Funds

For the Year Ended December 31, 2016

	Golf Course	Housing	Delinquent Property Tax Foreclosure	Commissary	Total
Operating revenues					
Charges for services	\$ 491,464	\$ 283,637	\$ 289,111	\$ 149,504	\$ 1,213,716
Program grants and subsidies	-	157,979	-	-	157,979
Other	3,316	10,768	13,745	2	27,831
Total operating revenues	494,780	452,384	302,856	149,506	1,399,526
Operating expenses					
Personnel services	239,810	-	-	-	239,810
Supplies	65,732	-	-	-	65,732
Other services	129,395	489,051	166,020	109,595	894,061
Depreciation	45,199	213,284	-	-	258,483
Total operating expenses	480,136	702,335	166,020	109,595	1,458,086
Operating income (loss)	14,644	(249,951)	136,836	39,911	(58,560)
Nonoperating revenue (expense)					
Interest income	1,882	1,388	6,259	1,511	11,040
Investment depreciation	(1,669)	-	(3,155)	(1,618)	(6,442)
Loss on disposal of capital assets	(4,437)	-	-	-	(4,437)
Total nonoperating revenue (expense)	(4,224)	1,388	3,104	(107)	161
Income (loss) before transfers	10,420	(248,563)	139,940	39,804	(58,399)
Other financing uses					
Transfers out	(50,000)	-	(315,369)	(10,000)	(375,369)
Change in net position	(39,580)	(248,563)	(175,429)	29,804	(433,768)
Net position, beginning of year	358,312	1,867,900	446,015	77,897	2,750,124
Net position, end of year	\$ 318,732	\$ 1,619,337	\$ 270,586	\$ 107,701	\$ 2,316,356

BAY COUNTY, MICHIGAN

Combining Statement of Cash Flows

Nonmajor Enterprise Funds

For the Year Ended December 31, 2016

	Golf Course	Housing	Delinquent Property Tax Foreclosure	Commissary	Total
Cash flows from operating activities					
Cash received from customers	\$ 492,931	\$ 290,627	\$ 286,752	\$ 149,504	\$ 1,219,814
Cash payments to suppliers for goods and services	(198,521)	(190,162)	(192,797)	(109,595)	(691,075)
Cash payments to employees and related taxes and insurance	(247,908)	(212,199)	-	(93)	(460,200)
Other operating receipts	3,316	157,979	13,745	2	175,042
Net cash provided by operating activities	49,818	46,245	107,700	39,818	243,581
Cash flows from noncapital financing activities					
Transfers out	(50,000)	-	(315,369)	(10,000)	(375,369)
Cash flows from capital related financing activities					
Proceeds from the sale of capital assets	3,500	-	-	-	3,500
Acquisition and construction of capital assets	(22,700)	(6,877)	-	-	(29,577)
Net cash provided by (used in) capital related financing activities	(19,200)	(6,877)	-	-	(26,077)
Cash flows from investing activities					
Proceeds from sale of investments	-	-	147,202	-	147,202
Purchase of investments	(25,002)	(90,159)	-	(22,546)	(137,707)
Interest received	1,723	1,388	5,537	1,399	10,047
Net cash provided by (used in) investing activities	(23,279)	(88,771)	152,739	(21,147)	19,542
Net change in cash and cash equivalents	(42,661)	(49,403)	(54,930)	8,671	(138,323)
Cash and cash equivalents, beginning of year	66,663	363,776	124,336	22,972	577,747
Cash and cash equivalents, end of year	\$ 24,002	\$ 314,373	\$ 69,406	\$ 31,643	\$ 439,424

continued...

BAY COUNTY, MICHIGAN

Combining Statement of Cash Flows

Nonmajor Enterprise Funds

For the Year Ended December 31, 2016

	Golf Course	Housing	Delinquent Property Tax Foreclosure	Commissary	Total
Reconciliation of operating income (loss) to net cash provided by operating activities					
Operating income (loss)	\$ 14,644	\$ (249,951)	\$ 136,836	\$ 39,911	\$ (58,560)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	45,199	213,284	-	-	258,483
Changes in assets and liabilities that provided (used) cash:					
Accounts receivable	2,823	(2,894)	-	-	(71)
Inventories	(527)	-	-	-	(527)
Due from other funds	-	-	3,609	-	3,609
Prepaid items and other assets	-	19,438	(35)	-	19,403
Accounts payable	(2,867)	3,557	(26,742)	-	(26,052)
Accrued liabilities	451	42,542	-	-	42,993
Due to other funds	10	-	(5,968)	-	(5,958)
Due to other governmental units	(2)	-	-	(93)	(95)
Unearned revenue	(1,366)	(160)	-	-	(1,526)
Net other postemployment benefit obligation	(6,264)	-	-	-	(6,264)
Change in net pension asset and deferred amounts	327	20,429	-	-	20,756
Compensated absences	(2,610)	-	-	-	(2,610)
Net cash provided by operating activities	\$ 49,818	\$ 46,245	\$ 107,700	\$ 39,818	\$ 243,581
Non-cash transactions					
Investment depreciation	\$ (1,669)	\$ -	\$ (3,155)	\$ (1,618)	\$ (6,442)

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 Fund* 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, 2016

	Self Insurance	Healthcare Self Insurance	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 878,906	\$ 3,120,321	\$ 3,999,227
Investments	1,147,594	-	1,147,594
Accounts receivable, net of allowance	20	175,982	176,002
Accrued interest receivable	4,949	-	4,949
Due from other funds	9,214	1,321,558	1,330,772
Due from other governmental units	43	-	43
Prepaid items and other assets	33,930	683,053	716,983
Total current assets	2,074,656	5,300,914	7,375,570
Noncurrent assets:			
Net pension asset	3,087	-	3,087
Total assets	2,077,743	5,300,914	7,378,657
Deferred outflows of resources			
Deferred pension amounts	3,766	-	3,766
Liabilities			
Current liabilities:			
Accounts payable	19	49,336	49,355
Accrued liabilities	24,468	-	24,468
Due to other funds	780	-	780
Estimated insurance claims payable	400,107	377,295	777,402
Total current liabilities	425,374	426,631	852,005
Noncurrent liabilities:			
Compensated absences	945	-	945
Total liabilities	426,319	426,631	852,950
Deferred inflows of resources			
Deferred pension amounts	2,568	-	2,568
Net position			
Restricted for:			
Pension benefits	4,285	-	4,285
Insurance claims	1,648,337	4,874,283	6,522,620
Total net position	\$ 1,652,622	\$ 4,874,283	\$ 6,526,905

BAY COUNTY, MICHIGAN

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

Internal Service Funds

For the Year Ended December 31, 2016

	Self Insurance	Healthcare Self Insurance	Total
Operating revenues			
Charges for services	\$ 263,105	\$ 5,993,710	\$ 6,256,815
Operating expenses			
Personnel services	256,770	4,870,091	5,126,861
Other services	120,433	1,295,353	1,415,786
Total operating expenses	377,203	6,165,444	6,542,647
Operating loss	(114,098)	(171,734)	(285,832)
Nonoperating revenues (expense)			
Interest income	27,680	-	27,680
Investment depreciation	(27,328)	-	(27,328)
Total nonoperating revenue (expense)	352	-	352
Loss before transfers	(113,746)	(171,734)	(285,480)
Transfers out	-	(14,893)	(14,893)
Change in net position	(113,746)	(186,627)	(300,373)
Net position, beginning of year	1,766,368	5,060,910	6,827,278
Net position, end of year	\$ 1,652,622	\$ 4,874,283	\$ 6,526,905

BAY COUNTY, MICHIGAN

Combining Statement of Cash Flows

Internal Service Funds

For the Year Ended December 31, 2016

	Self Insurance	Healthcare Self Insurance	Total
Cash flows from operating activities			
Cash received from interfund services provided	\$ 260,556	\$ 7,186,522	\$ 7,447,078
Cash payments to suppliers for goods and services	(146,786)	(1,680,970)	(1,827,756)
Cash payments to employees and related taxes and insurance	(248,752)	(4,856,163)	(5,104,915)
Net cash provided by (used in) operating activities	<u>(134,982)</u>	<u>649,389</u>	<u>514,407</u>
Cash flows from noncapital financing activities			
Transfers out	-	(14,893)	(14,893)
Cash flows from investing activities			
Purchase of investments	(5,001)	-	(5,001)
Interest received	27,030	-	27,030
Net cash provided by investing activities	<u>22,029</u>	<u>-</u>	<u>22,029</u>
Net change in cash and cash equivalents	(112,953)	634,496	521,543
Cash and cash equivalents, beginning of year	991,859	2,485,825	3,477,684
Cash and cash equivalents, end of year	<u>\$ 878,906</u>	<u>\$ 3,120,321</u>	<u>\$ 3,999,227</u>

continued...

BAY COUNTY, MICHIGAN

Combining Statement of Cash Flows

Internal Service Funds

For the Year Ended December 31, 2016

	Self Insurance	Healthcare Self Insurance	Total
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities			
Operating income (loss)	\$ (114,098)	\$ (171,734)	\$ (285,832)
Adjustments to reconcile income (loss) to net cash provided by (used in) operating activities:			
Changes in assets and liabilities that provided (used) cash:			
Accounts receivable	(8)	(118,514)	(118,522)
Due from other funds	(3,319)	1,311,326	1,308,007
Due from other governmental units	2,175	-	2,175
Prepaid items and other assets	(26,353)	(434,953)	(461,306)
Accounts payable	-	49,336	49,336
Accrued liabilities	11,395	-	11,395
Due to other funds	778	-	778
Estimated claims payable	3,658	13,928	17,586
Net other postemployment benefit obligation	(8,752)	-	(8,752)
Change in net pension asset and deferred amounts	42	-	42
Compensated absences	(500)	-	(500)
Net cash provided by (used in) operating activities	<u>\$ (134,982)</u>	<u>\$ 649,389</u>	<u>\$ 514,407</u>
Non-cash transactions			
Investment depreciation	<u>\$ (27,328)</u>	<u>\$ -</u>	<u>\$ (27,328)</u>

concluded.

FIDUCIARY FUNDS

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

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

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

The *Employees' Retirement System Fund* is used to account for the financial transactions of the Bay County Employees' Retirement System. The system is administered by the Retirement Board of Trustees, while the County acts as custodian for the System. Combining statements for the pension and other postemployment trust funds are included in the notes to the financial statements and are not repeated here.

The *VEBA Trust Fund* is used to accumulate financial resources in order to provide medical benefits for retirees', their spouses and dependents. Combining statements for the pension and other postemployment trust funds are included in the notes to the financial statements and are not repeated here.

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, 2016

	Employees' Retirement System	VEBA Trust Fund	Total
Assets			
Investments at fair value:			
Equities	\$ 229,588,149	\$ 27,546,552	\$ 257,134,701
Fixed income	72,860,194	18,173,221	91,033,415
Cash and cash equivalents	9,132,283	698,989	9,831,272
Total investments	<u>311,580,626</u>	<u>46,418,762</u>	<u>357,999,388</u>
Receivables:			
Contributions receivable	348,668	25,018	373,686
Interest and dividends	679,025	113,952	792,977
Total receivables	<u>1,027,693</u>	<u>138,970</u>	<u>1,166,663</u>
Other current assets:			
Prepaid items and other assets	274,744	14,064	288,808
Net pension asset	20,069	-	20,069
Total other current assets	<u>294,813</u>	<u>14,064</u>	<u>308,877</u>
Total assets	<u>312,903,132</u>	<u>46,571,796</u>	<u>359,474,928</u>
Deferred outflows of resources	<u>24,472</u>	<u>-</u>	<u>24,472</u>
Liabilities			
Accounts payable	698,833	41,973	740,806
Accrued liabilities	709,725	192,765	902,490
Accrued vacation and sick pay	1,375	-	1,375
Net other postemployment benefit obligation	-	-	-
Total liabilities	<u>1,409,933</u>	<u>234,738</u>	<u>1,644,671</u>
Deferred inflows of resources	<u>16,695</u>	<u>-</u>	<u>16,695</u>
Net position			
Restricted for:			
Pension benefits	311,500,976	-	311,500,976
Postemployment health care benefits	-	46,337,058	46,337,058
Total net position	<u>\$ 311,500,976</u>	<u>\$ 46,337,058</u>	<u>\$ 357,838,034</u>

BAY COUNTY, MICHIGAN

Combining Statement of Changes in Plan Net Position

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

For the Year Ended December 31, 2016

	Employees' Retirement System	VEBA Trust Fund	Total
Additions			
Investment income:			
Net appreciation in fair value of investments	\$ 18,995,041	\$ 2,480,287	\$ 21,475,328
Interest and dividends	5,471,879	1,235,074	6,706,953
Total investment earnings	24,466,920	3,715,361	28,182,281
Less investment expense	(1,543,957)	(179,734)	(1,723,691)
Net investment income	22,922,963	3,535,627	26,458,590
Contributions:			
Employer	3,201,873	369,383	3,571,256
Plan members	2,275,750	-	2,275,750
Total contributions	5,477,623	369,383	5,847,006
Other revenue	9,949	63	10,012
Total additions	28,410,535	3,905,073	32,315,608
Deductions			
Participant benefits (including refunds of contributions)	17,222,061	-	17,222,061
Administrative expenses	635,727	15,520	651,247
Total deductions	17,857,788	15,520	17,873,308
Change in net position	10,552,747	3,889,553	14,442,300
Net position, beginning of year	300,948,229	42,447,505	343,395,734
Net position, end of year	\$ 311,500,976	\$ 46,337,058	\$ 357,838,034

BAY COUNTY, MICHIGAN

Combining Statement of Fiduciary Net Position

Private Purpose Trust Funds

December 31, 2016

	Inmate	Probate Court	Total
Assets			
Cash and cash equivalents	\$ 40,476	\$ 51,481	\$ 91,957
Liabilities			
Accounts payable	14,851	-	14,851
Accrued liabilities	24,763	51,481	76,244
Total liabilities	<u>39,614</u>	<u>51,481</u>	<u>91,095</u>
Net position			
Restricted for:			
Inmates	<u>\$ 862</u>	<u>\$ -</u>	<u>\$ 862</u>

BAY COUNTY, MICHIGAN

Combining Statement of Changes in Fiduciary Net Position
 Private Purpose Trust Funds
 For the Year Ended December 31, 2016

	Inmate	Probate Court	Total
Additions			
Investment income:			
Interest and dividends	\$ 83	\$ -	\$ 83
Deductions			
Other services	99	-	99
Change in net position	(16)	-	(16)
Net position			
Beginning of year	878	-	878
End of year	<u>\$ 862</u>	<u>\$ -</u>	<u>\$ 862</u>

BAY COUNTY, MICHIGAN

Combing Statement of Assets and Liabilities

Agency Funds
December 31, 2016

	General Agency	Current Tax Collections	Library Penal Fine	Flexible Spending Plan	Total
Assets					
Investments	\$ 7,817,807	\$ 490,778	\$ -	\$ -	\$ 8,308,585
Cash and cash equivalents	5,655,077	-	-	37,284	5,692,361
Accounts receivable	132	-	-	-	132
Due from other governmental units	249	578,938	-	-	579,187
Due from other agency funds	-	-	28,870	-	28,870
Total assets	\$ 13,473,265	\$ 1,069,716	\$ 28,870	\$ 37,284	\$ 14,609,135
Liabilities					
Accounts payable	\$ 85,119	\$ 2	\$ -	\$ -	\$ 85,121
Accrued liabilities	133,462	-	-	37,284	170,746
Due to other agency funds	28,870	-	-	-	28,870
Due to component units	12,657,258	264,232	28,870	-	12,950,360
Due to other governmental units	330,742	699,624	-	-	1,030,366
Deposits	236,260	-	-	-	236,260
Undistributed taxes	1,554	105,858	-	-	107,412
Total liabilities	\$ 13,473,265	\$ 1,069,716	\$ 28,870	\$ 37,284	\$ 14,609,135

BAY COUNTY, MICHIGAN

Combining Statement of Changes in Assets and Liabilities

Agency Funds

For the Year Ended December 31, 2016

	Balance January 1, 2016	Additions	Deductions	Balance December 31, 2016
General Agency Fund				
Assets				
Cash and cash equivalents	\$ 4,631,575	\$ 38,769,359	\$ (37,745,857)	\$ 5,655,077
Investments	7,652,064	13,975,281	(13,809,538)	7,817,807
Due from other governmental units	-	3,017	(2,768)	249
Accounts receivable	972	181	(1,021)	132
Total assets	\$ 12,284,611	\$ 52,747,838	\$ (51,559,184)	\$ 13,473,265
Liabilities				
Accounts payable	\$ 118,054	\$ 726,207	\$ (759,142)	\$ 85,119
Accrued liabilities	119,688	140,688	(126,914)	133,462
Due to component units	11,371,321	14,897,972	(13,612,035)	12,657,258
Due to other agency funds	26,482	26,482	(24,094)	28,870
Due to other governmental units	413,839	17,667,452	(17,750,549)	330,742
Deposits	223,405	110,855	(98,000)	236,260
Undistributed taxes	11,822	16,578	(26,846)	1,554
Total liabilities	\$ 12,284,611	\$ 33,586,234	\$ (32,397,580)	\$ 13,473,265
Current Tax Collection Fund				
Assets				
Investments	\$ 492,071	\$ 490,778	\$ (492,071)	\$ 490,778
Due from other governmental units	-	684,796	(105,858)	578,938
Total assets	\$ 492,071	\$ 1,175,574	\$ (597,929)	\$ 1,069,716
Liabilities				
Accounts payable	\$ 202,574	\$ 202,574	\$ (405,146)	\$ 2
Due to component units	289,497	5,801,045	(5,826,310)	264,232
Due to other governmental units	-	22,683,363	(21,983,739)	699,624
Undistributed taxes	-	29,661,516	(29,555,658)	105,858
Total liabilities	\$ 492,071	\$ 58,348,498	\$ (57,770,853)	\$ 1,069,716
Library Penal Fine				
Assets				
Cash and cash equivalents	\$ -	\$ 333,634	\$ (333,634)	\$ -
Due from other agency funds	26,482	28,870	(26,482)	28,870
Total assets	\$ 26,482	\$ 362,504	\$ (360,116)	\$ 28,870
Liabilities				
Accounts payable	\$ -	\$ 327,134	\$ (327,134)	\$ -
Due to component units	26,482	366,617	(364,229)	28,870
Total liabilities	\$ 26,482	\$ 693,751	\$ (691,363)	\$ 28,870

continued...

BAY COUNTY, MICHIGAN

Combining Statement of Changes in Assets and Liabilities

Agency Funds

For the Year Ended December 31, 2016

	Balance January 1, 2016	Additions	Deductions	Balance December 31, 2016
Flexible Spending Plan Fund				
Assets				
Cash and cash equivalents	\$ 29,435	\$ 118,600	\$ (110,751)	\$ 37,284
Prepaid items and other assets	6,000	-	(6,000)	-
Total assets	\$ 35,435	\$ 118,600	\$ (116,751)	\$ 37,284
Liabilities				
Accrued liabilities	\$ 35,435	\$ 116,751	\$ (114,902)	\$ 37,284
Total - All Agency Funds				
Assets				
Cash and cash equivalents	\$ 4,661,010	\$ 39,221,593	\$ (38,190,242)	\$ 5,692,361
Investments	8,144,135	14,466,059	(14,301,609)	8,308,585
Due from other governmental units	-	687,813	(108,626)	579,187
Accounts receivable	972	181	(1,021)	132
Prepaid items and other assets	6,000	-	(6,000)	-
Due from other agency funds	26,482	28,870	(26,482)	28,870
Total assets	\$ 12,838,599	\$ 54,404,516	\$ (52,633,980)	\$ 14,609,135
Liabilities				
Accounts payable	\$ 320,628	\$ 1,255,915	\$ (1,491,422)	\$ 85,121
Accrued liabilities	155,123	257,439	(241,816)	170,746
Due to component units	11,687,300	21,065,634	(19,802,574)	12,950,360
Due to other agency funds	26,482	26,482	(24,094)	28,870
Due to other governmental units	413,839	40,350,815	(39,734,288)	1,030,366
Deposits	223,405	110,855	(98,000)	236,260
Undistributed taxes	11,822	29,678,094	(29,582,504)	107,412
Total liabilities	\$ 12,838,599	\$ 92,745,234	\$ (90,974,698)	\$ 14,609,135

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, 2016

	Library System	Adjustments	Statement of Net Position
Assets			
Current assets:			
Cash and cash equivalents	\$ 5,332,375	\$ -	\$ 5,332,375
Property taxes receivable	5,393,200	-	5,393,200
Accrued interest receivable	19,756	-	19,756
Due from primary government	69,186	-	69,186
Prepaid items and other assets	151,040	-	151,040
Total current assets	<u>10,965,557</u>	<u>-</u>	<u>10,965,557</u>
Noncurrent assets:			
Net pension asset	-	572,401	572,401
Capital assets not being depreciated	-	107,487	107,487
Capital assets being depreciated, net	-	2,416,507	2,416,507
Total noncurrent assets	<u>-</u>	<u>3,096,395</u>	<u>3,096,395</u>
Total assets	<u>\$ 10,965,557</u>	<u>3,096,395</u>	<u>14,061,952</u>
Deferred outflows of resources		<u>1,337,942</u>	<u>1,337,942</u>
Liabilities			
Current liabilities:			
Accounts payable	\$ 61,337	-	61,337
Accrued liabilities	51,370	-	51,370
Current portion of compensated absences	-	17,608	17,608
Total current liabilities	<u>112,707</u>	<u>17,608</u>	<u>130,315</u>
Noncurrent liabilities:			
Compensated absences, net of current portion	-	158,474	158,474
Net other postemployment benefit obligation	-	864,028	864,028
Total noncurrent liabilities	<u>-</u>	<u>1,022,502</u>	<u>1,022,502</u>
Total liabilities	<u>112,707</u>	<u>1,040,110</u>	<u>1,152,817</u>
Deferred inflows of resources			
Taxes levied for a subsequent period	<u>5,393,200</u>	<u>-</u>	<u>5,393,200</u>
Fund balances			
Nonspendable	151,040	(151,040)	-
Restricted	4,774,725	(4,774,725)	-
Assigned:			
Capital outlay	123,991	(123,991)	-
Retirement	119,226	(119,226)	-
Subsequent year's budget	290,668	(290,668)	-
Total fund balances	<u>5,459,650</u>	<u>(5,459,650)</u>	<u>-</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 10,965,557</u>		
Net position			
Investment in capital assets		2,523,994	2,523,994
Restricted for:			
Library services		4,419,540	4,419,540
Pension benefits		1,910,343	1,910,343
Total net position		<u>\$ 8,853,877</u>	<u>\$ 8,853,877</u>

BAY COUNTY, MICHIGAN

Statement of Activities and Statement of Revenues, Expenditures and Changes in Fund Balance Library System Component Unit For the Year Ended December 31, 2016

	Library System	Adjustments	Statement of Activities
Revenues			
Property and other taxes	\$ 5,613,513	\$ -	\$ 5,613,513
Federal grants	25,541	-	25,541
State grants	72,354	-	72,354
Interest income	23,387	-	23,387
Charges for services	422,653	-	422,653
Donations	130,596	-	130,596
Total revenues	6,288,044	-	6,288,044
Expenditures / expenses			
Current:			
Recreation and culture	4,810,046	(106,205)	4,703,841
Depreciation	-	533,941	533,941
Contributions to other units	1,505,325	-	1,505,325
Total expenditures / expenses	6,315,371	427,736	6,743,107
Net change in fund balance / net position	(27,327)	(427,736)	(455,063)
Fund balance / net position, beginning of year	5,486,977	3,821,963	9,308,940
Fund balance / net position, end of year	\$ 5,459,650	\$ 3,394,227	\$ 8,853,877

BAY COUNTY, MICHIGAN

Combining Statement of Net Position and Balance Sheet

Drain Commission Component Unit

December 31, 2016

	Drain Debt Service Funds	Drain Operations and Maintenance	Drain Capital Projects Fund
Assets			
Cash and cash equivalents	\$ 107,555	\$ 184,366	\$ 696,687
Investments	108,186	351,034	1,437,813
Special assessments	1,235,947	-	39,792
Accrued interest receivable	458	1,367	6,064
Due from other funds	-	13,194	19,988
Due from primary government	26,592	66,059	3,601
Due from other governmental units	32,647	325,000	169,865
Capital assets not being depreciated	-	-	-
Capital assets being depreciated, net	-	-	-
Total assets	\$ 1,511,385	\$ 941,020	\$ 2,373,810
Liabilities			
Accounts payable	\$ -	\$ 9,465	\$ 31,139
Accrued liabilities	-	2,700	45,046
Due to other funds	-	93	79,760
Due to primary government	-	41,321	11,003
Long-term liabilities:			
Due within one year	-	-	-
Due in more than one year	-	-	-
Total liabilities	-	53,579	166,948
Deferred inflows of resources			
Unavailable revenue - long-term receivables	1,295,186	391,059	50,210
Fund balances			
Restricted - debt service	216,199	-	-
Assigned	-	496,382	2,156,652
Total fund balances	216,199	496,382	2,156,652
Total liabilities, deferred inflows of resources and fund balances	\$ 1,511,385	\$ 941,020	\$ 2,373,810
Net position			
Net investment in capital assets			
Restricted for:			
Debt service			
Unrestricted			
Total net position			



Revolving Drain	Total Governmental Funds	Adjustments	Statement of Net Position
\$ -	\$ 988,608	\$ -	\$ 988,608
-	1,897,033	-	1,897,033
-	1,275,739	-	1,275,739
-	7,889	-	7,889
46,671	79,853	(79,853)	-
-	96,252	-	96,252
-	527,512	-	527,512
-	-	388,230	388,230
-	-	4,689,343	4,689,343
<u>\$ 46,671</u>	<u>\$ 4,872,886</u>	<u>4,997,720</u>	<u>9,870,606</u>
\$ -	\$ 40,604	-	40,604
-	47,746	21,941	69,687
-	79,853	(79,853)	-
46,671	98,995	-	98,995
-	-	151,604	151,604
-	-	1,130,747	1,130,747
<u>46,671</u>	<u>267,198</u>	<u>1,224,439</u>	<u>1,491,637</u>
-	1,736,455	(1,736,455)	-
-	216,199	(216,199)	-
-	2,653,034	(2,653,034)	-
-	2,869,233	(2,869,233)	-
<u>\$ 46,671</u>	<u>\$ 4,872,886</u>		
		3,795,222	3,795,222
		194,258	194,258
		<u>4,389,489</u>	<u>4,389,489</u>
		<u>\$ 8,378,969</u>	<u>\$ 8,378,969</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, 2016

	Drain Debt Service Funds	Drains Operations and Maintenance	Drain Capital Projects Fund
Revenues			
Property and other taxes	\$ 217,331	\$ 26,704	\$ 203,003
Federal grants	-	-	223,499
Licenses and permits	-	800	5,326
Interest, rents and royalties	2,553	23,420	60,598
Reimbursements, refunds and other revenue	42,712	44,819	19,641
Contributions from local units	48,931	337,500	37,653
Total revenues	<u>311,527</u>	<u>433,243</u>	<u>549,720</u>
Expenditures / expenses			
Public works:			
Contractual services	-	254,547	566,087
Depreciation	-	-	-
Debt service:			
Principal	229,780	-	-
Interest and fiscal charges	41,420	-	-
Total expenditures / expenses	<u>271,200</u>	<u>254,547</u>	<u>566,087</u>
Revenues over (under) expenditures / expenses	<u>40,327</u>	<u>178,696</u>	<u>(16,367)</u>
Other financing sources (uses)			
Investment depreciation	(2,451)	(8,112)	(32,446)
Transfers in	-	-	20,786
Transfers out	-	(20,786)	-
Total other financing sources (uses)	<u>(2,451)</u>	<u>(28,898)</u>	<u>(11,660)</u>
Net change in fund balances	37,876	149,798	(28,027)
Fund balances / net position, beginning of year	<u>178,323</u>	<u>346,584</u>	<u>2,184,679</u>
Fund balances / net position, end of year	<u><u>\$ 216,199</u></u>	<u><u>\$ 496,382</u></u>	<u><u>\$ 2,156,652</u></u>

Revolving Drain	Total Governmental Funds	Adjustments	Statement of Net Position
\$ -	\$ 447,038	\$ (447,038)	\$ -
-	223,499	-	223,499
-	6,126	-	6,126
-	86,571	-	86,571
-	107,172	-	107,172
-	424,084	(56,129)	367,955
-	1,294,490	(503,167)	791,323
-	820,634	(326,070)	494,564
-	-	409,727	409,727
-	229,780	(229,780)	-
-	41,420	(2,219)	39,201
-	1,091,834	(148,342)	943,492
-	202,656	(354,825)	(152,169)
-	(43,009)	-	(43,009)
-	20,786	(20,786)	-
-	(20,786)	20,786	-
-	(43,009)	-	(43,009)
-	159,647	(354,825)	(195,178)
-	2,709,586	5,864,561	8,574,147
\$ -	\$ 2,869,233	\$ 5,509,736	\$ 8,378,969

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.	164-173
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.	174-179
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.	180-188
Demographic and Economic Information Tables 15-16	These schedules present various demographic and economic indicators to help the reader understand the environment within which the County operates and how they affect the County's financial activities.	189-191
Operating Information Tables 17-19	These schedules contain information about the County's operations and resources to help the reader understand how the information in the County's financial report relates to the services the County provides and the activities it performs.	192-197

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

BAY COUNTY, MICHIGAN

Net Position by Component

Last Ten Fiscal Years

(accrual basis of accounting)

(amounts expressed in thousands)

	2007	2008	2009	2010
Governmental activities				
Net investment in capital assets	\$ 28,501	\$ 30,164	\$ 31,885	\$ 32,980
Restricted	10,806	6,989	2,681	2,387
Unrestricted (deficit)	11,991	14,693	17,338	14,997
Total governmental activities net position	51,298	51,846	51,904	50,364
Business-type activities				
Net investment in capital assets	9,682	8,896	8,840	8,558
Restricted	-	-	-	-
Unrestricted	11,731	11,827	10,683	11,497
Total business-type activities net position	21,413	20,723	19,523	20,055
Primary government				
Net investment in capital assets	38,183	39,060	40,725	41,538
Restricted	10,806	6,989	2,681	2,387
Unrestricted	23,722	26,520	28,021	26,494
Total primary government activities net position	\$ 72,711	\$ 72,569	\$ 71,427	\$ 70,419

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

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

Table 1
Unaudited

	2011	2012	2013	2014	2015	2016
\$	34,828	\$ 35,041	\$ 35,433	\$ 44,431	\$ 45,941	\$ 46,547
	2,755	2,701	13,510	14,379	22,222	23,861
	14,818	12,924	274	(183)	(4,557)	(8,895)
	<u>52,401</u>	<u>50,666</u>	<u>49,217</u>	<u>58,627</u>	<u>63,606</u>	<u>61,513</u>
	7,798	7,353	6,953	7,563	7,906	8,893
	1,408	1,408	1,300	1,294	10,265	7,969
	11,326	10,268	10,713	9,768	12,539	11,894
	<u>20,532</u>	<u>19,029</u>	<u>18,966</u>	<u>18,625</u>	<u>30,710</u>	<u>28,756</u>
	42,626	42,394	42,386	51,994	53,847	55,440
	4,163	4,109	14,810	15,673	32,487	31,830
	26,144	23,192	10,987	9,585	7,982	2,999
\$	<u>72,933</u>	<u>69,695</u>	<u>68,183</u>	<u>77,252</u>	<u>94,316</u>	<u>90,269</u>

BAY COUNTY, MICHIGAN

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

(amounts expressed in thousands)

	2007	2008	2009	2010
Expenses				
Governmental activities:				
General government	\$ 9,675	\$ 10,084	\$ 10,411	\$ 12,298
Public safety	10,064	10,582	11,654	11,729
Community and economic development	161	126	185	161
Health and welfare	10,229	10,852	10,529	10,940
Public works	7	8	10	7
Judicial	6,200	6,537	6,546	6,999
Legislative	476	462	539	523
Recreation and culture	1,886	1,990	1,675	1,792
Other functions	1,296	1,155	1,233	-
Interest on long-term debt	1,141	1,069	939	813
Total governmental activities expenses	41,135	42,865	43,721	45,262
Business-type activities:				
Medical Care Facility	18,572	20,944	22,089	21,621
100% Tax Payment	119	125	124	129
Golf Course	586	629	657	671
Delinquent Property Tax Foreclosure	73	112	149	166
Commissary	109	98	101	114
Housing	619	653	622	671
Total business-type activities expenses	20,078	22,561	23,742	23,372
Total primary government expenses	61,213	65,426	67,463	68,634
Program Revenues				
Governmental activities:				
Charges for services				
General government	3,000	2,906	2,699	2,620
Public safety	1,649	1,675	1,882	1,885
Community and economic development	21	(2)	77	126
Health and welfare	2,266	2,195	2,373	2,564
Public works	6	4	4	6
Judicial	2,460	2,266	2,064	2,036
Legislative	3	-	-	-
Recreation and culture	1,254	1,125	853	825
Other	83	52	-	-
Operating grants and contributions	7,891	7,650	7,836	9,342
Capital grants and contributions	-	294	133	58
Total governmental activities program revenues	18,633	18,165	17,921	19,462

Table 2
Unaudited

	2011	2012	2013	2014	2015	2016
\$	16,086	\$ 15,617	\$ 13,754	\$ 12,031	\$ 13,287	\$ 13,952
	12,716	11,784	11,722	11,443	11,721	12,194
	189	273	296	110	-	-
	9,144	11,207	10,921	10,703	208	245
	7	4	178	1,560	11,205	12,318
	6,510	6,909	6,831	6,840	1,911	3,798
	437	435	342	329	7,085	7,504
	1,432	1,374	1,617	2,181	357	375
	-	-	-	-	1,859	1,567
	734	657	875	371	244	175
	<u>47,255</u>	<u>48,260</u>	<u>46,536</u>	<u>45,568</u>	<u>47,877</u>	<u>52,128</u>
	21,930	24,312	23,743	24,269	23,114	25,661
	123	140	322	163	147	232
	694	692	616	556	540	486
	191	186	195	181	185	169
	106	122	136	125	111	111
	761	804	759	725	688	702
	<u>23,805</u>	<u>26,256</u>	<u>25,771</u>	<u>26,019</u>	<u>24,785</u>	<u>27,361</u>
	<u>71,060</u>	<u>74,516</u>	<u>72,307</u>	<u>71,587</u>	<u>72,662</u>	<u>79,489</u>
	2,799	3,041	2,853	2,684	3,045	3,221
	2,145	1,873	1,972	2,049	2,030	1,992
	155	180	57	162	44	207
	2,614	2,471	2,347	2,532	2,777	3,041
	11	7	10	2	3	3,887
	1,929	1,989	1,906	1,853	2,040	1,751
	-	21	-	-	-	-
	762	757	710	816	814	845
	-	-	-	-	-	-
	13,828	12,515	10,173	17,154	9,957	9,836
	1,800	80	94	309	16	26
	<u>26,043</u>	<u>22,934</u>	<u>20,122</u>	<u>27,561</u>	<u>20,726</u>	<u>24,806</u>

Continued...

BAY COUNTY, MICHIGAN

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

(amounts expressed in thousands)

	2007	2008	2009	2010
Business-type activities:				
Charges for services				
Medical Care Facility	\$ 17,219	\$ 18,401	\$ 19,007	\$ 20,074
100 % Tax Payment	822	856	1,327	1,201
Golf Course	598	598	595	625
Delinquent Property Tax Foreclosure	207	249	160	205
Commissary	152	124	126	141
Housing	251	255	257	285
Operating grants and contributions	195	238	221	228
Capital grants and contributions	35	19	20	247
Total business-type activities program revenues	19,479	20,740	21,713	23,006
Total primary government program revenues	38,112	38,905	39,634	42,468
Net (expense)/revenue				
Governmental activities	(22,502)	(24,700)	(25,800)	(25,800)
Business-type activities	(599)	(1,821)	(2,029)	(366)
Total primary government net expense	(23,101)	(26,521)	(27,829)	(26,166)
General revenues and other changes in net position				
Governmental activities:				
Property taxes	22,059	22,901	23,142	22,412
Unrestricted investment earnings	1,239	943	922	656
Other revenue	347	427	715	329
Transfers - internal activities	972	977	1,080	864
Total governmental activities	24,617	25,248	25,859	24,261
Business-type activities:				
Property taxes	1,419	1,482	1,516	1,527
Unrestricted investment earnings	418	439	287	166
Other revenue	102	186	105	70
Transfers - internal activities	(972)	(977)	(1,080)	(864)
Total business-type activities	967	1,130	828	899
Total primary government	25,584	26,378	26,687	25,160
Change in Net Position				
Governmental activities	2,115	549	59	(1,539)
Business-type activities	368	(691)	(1,201)	533
Total primary government	\$ 2,483	\$ (142)	\$ (1,142)	\$ (1,006)

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

Table 2
Unaudited

	2011	2012	2013	2014	2015	2016
\$	20,358	\$ 21,600	\$ 20,949	\$ 21,576	\$ 23,487	\$ 21,547
	1,268	1,117	1,074	1,088	1,300	1,138
	547	611	556	497	457	491
	328	244	290	199	406	289
	136	170	178	167	151	150
	260	258	268	277	276	284
	311	285	157	165	159	158
	54	-	-	129	36	-
	<u>23,262</u>	<u>24,285</u>	<u>23,472</u>	<u>24,098</u>	<u>26,272</u>	<u>24,057</u>
	<u>49,305</u>	<u>47,219</u>	<u>43,594</u>	<u>51,659</u>	<u>46,998</u>	<u>48,863</u>
	(21,212)	(25,326)	(26,414)	(18,007)	(27,151)	(27,322)
	(543)	(1,971)	(2,299)	(1,921)	1,487	(3,304)
	<u>(21,755)</u>	<u>(27,297)</u>	<u>(28,713)</u>	<u>(19,928)</u>	<u>(25,664)</u>	<u>(30,626)</u>
	21,445	21,204	22,476	22,334	22,461	22,882
	523	505	620	1,636	203	491
	467	238	658	2,223	2,830	597
	811	1,350	1,210	1,225	1,243	1,260
	<u>23,246</u>	<u>23,297</u>	<u>24,964</u>	<u>27,418</u>	<u>26,737</u>	<u>25,230</u>
	1,501	1,438	2,090	2,049	2,115	2,109
	245	301	370	542	398	265
	85	81	187	518	638	236
	(811)	(1,350)	(1,210)	(1,225)	(1,243)	(1,260)
	<u>1,020</u>	<u>470</u>	<u>1,437</u>	<u>1,884</u>	<u>1,908</u>	<u>1,350</u>
	<u>24,266</u>	<u>23,767</u>	<u>26,401</u>	<u>29,302</u>	<u>28,645</u>	<u>26,580</u>
	2,035	(2,029)	(1,450)	9,411	(414)	(2,092)
	477	(1,501)	(862)	(37)	3,395	(1,955)
\$	<u>2,512</u>	<u>\$ (3,530)</u>	<u>\$ (2,312)</u>	<u>\$ 9,374</u>	<u>\$ 2,981</u>	<u>\$ (4,047)</u>

Concluded

BAY COUNTY, MICHIGAN

Fund Balances of Governmental Funds

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

	2007	2008	2009	2010
General fund				
Reserved	\$ 2,564	\$ 3,172	\$ 5,665	\$ 5,323
Unreserved	3,806	4,123	3,982	4,993
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total general fund	<u>6,370</u>	<u>7,295</u>	<u>9,647</u>	<u>10,316</u>
All other governmental funds				
Reserved	10,637	6,774	2,500	1,810
Unreserved - Special revenue funds	4,774	7,080	7,938	7,263
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Total all other governmental funds	<u>\$ 15,411</u>	<u>\$ 13,854</u>	<u>\$ 10,438</u>	<u>\$ 9,073</u>

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

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

Table 3
Unaudited

2011	2012	2013	2014	2015	2016
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
469	209	626	1,222	1,622	1,650
203	199	170	168	174	198
5,228	5,054	4,943	4,943	5,148	6,779
5,407	7,134	6,681	1,183	547	1,167
-	-	-	-	6,064	4,184
<u>11,307</u>	<u>12,596</u>	<u>12,420</u>	<u>7,516</u>	<u>13,555</u>	<u>13,978</u>
-	-	-	-	-	-
-	-	-	-	-	-
8	17	1,872	1,880	1,918	60
5,950	5,455	29,531	20,131	11,666	13,946
1,899	1,431	-	-	-	-
312	535	1,793	2,407	1,601	711
<u>\$ 8,169</u>	<u>\$ 7,438</u>	<u>\$ 33,196</u>	<u>\$ 24,418</u>	<u>\$ 15,185</u>	<u>\$ 14,717</u>

BAY COUNTY, MICHIGAN

Changes in Fund Balances of Governmental Funds

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

	2007	2008	2009	2010
Revenues				
Property taxes	\$ 21,789	\$ 22,850	\$ 23,122	\$ 22,479
Special assessments (1)	-	-	-	-
Licenses and permits	377	350	362	375
Federal	4,064	3,714	4,509	5,589
State	2,972	3,404	2,881	3,297
Interest, rents and royalties	2,265	1,882	1,531	1,305
Charges for services	3,272	3,055	2,824	2,806
Fines and forfeits	928	740	631	641
Reimbursements, refunds and other revenue (1)	6,376	6,554	6,990	6,615
Total revenues	42,043	42,549	42,850	43,107
Expenditures				
General government	9,066	9,789	8,959	9,753
Public safety	10,289	10,594	11,448	11,634
Community and economic development	195	138	188	184
Health and welfare	10,206	10,575	10,303	10,521
Public works	7	8	10	7
Judicial	5,975	6,081	6,103	6,224
Legislative	485	459	533	522
Recreation and culture	1,908	2,089	1,762	1,739
Other functions	1,296	1,155	1,235	1,400
Capital outlay	21	-	-	-
Debt service:				
Principal	2,217	2,234	3,514	1,863
Interest and other fees	1,155	1,082	993	856
Total expenditures	42,820	44,204	45,048	44,703
Excess of revenues over (under) expenditures	(777)	(1,655)	(2,198)	(1,596)
Other financing sources (uses)				
Transfers in	7,675	8,669	11,982	8,584
Payment to escrow agents to refund debt	-	-	-	-
Insurance recoveries/proceeds	18	3	18	36
Issuance of debt	-	43	-	-
Proceeds of refunding bonds	-	-	-	-
Bond premium	-	-	-	-
Transfers (out)	(6,703)	(7,692)	(10,867)	(7,718)
Total other financing sources (uses)	990	1,023	1,133	902
Net change in fund balances	\$ 213	\$ (632)	\$ (1,065)	\$ (694)
Debt service as a percentage of noncapital expenditures	8.06%	7.76%	10.17%	6.30%

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

(1) Special assessment revenue broken out from reimbursements, refunds and other revenue starting in fiscal 2016.

Table 4
Unaudited

	2011	2012	2013	2014	2015	2016
\$	21,459	\$ 21,270	\$ 22,472	\$ 22,359	\$ 22,481	\$ 22,894
	-	-	-	-	-	3,885
	382	407	423	403	468	464
	9,892	6,930	4,560	9,859	3,853	3,940
	4,811	4,908	4,805	6,775	5,223	5,172
	1,357	1,329	1,397	2,370	1,087	1,248
	2,795	2,906	2,847	2,780	2,941	2,761
	536	584	546	527	639	532
	7,506	6,809	7,080	8,961	9,704	8,007
	48,738	45,143	44,130	54,034	46,396	48,903
	14,279	12,749	11,209	9,835	10,331	10,360
	12,008	10,813	11,264	10,601	10,540	10,830
	237	298	352	161	173	223
	10,446	10,565	10,195	10,946	11,064	11,319
	6	4	4,764	44	2	955
	6,221	6,087	6,305	6,236	6,259	6,198
	450	445	354	330	354	371
	1,753	1,588	1,623	1,984	1,825	1,944
	1,573	1,263	1,508	1,667	1,697	1,656
	-	-	-	36,151	17,951	431
	1,718	1,888	1,830	1,930	2,030	3,240
	776	663	651	1,954	2,280	2,697
	49,467	46,363	50,055	81,839	64,506	50,224
	(729)	(1,220)	(5,925)	(27,805)	(18,110)	(1,321)
	4,778	6,083	6,433	5,949	6,144	6,338
	-	(10,655)	-	-	-	-
	4	10	7	5	11	-
	-	-	-	18,572	7,963	-
	-	9,775	30,000	-	-	-
	-	1,004	(43)	-	-	-
	(3,967)	(4,733)	(4,890)	(4,718)	(4,885)	(5,063)
	815	1,484	31,507	19,808	9,233	1,275
\$	86	\$ 264	\$ 25,582	\$ (7,997)	\$ (8,877)	\$ (46)
	5.27%	5.60%	5.50%	5.05%	9.54%	12.03%

Governmental Activities Tax Revenue By Year

Last Ten Fiscal Years
(accrual basis of accounting)

Fiscal Year	Property Tax
2007	\$ 22,058,685
2008	22,901,469
2009	23,142,073
2010	22,412,007
2011	21,444,988
2012	21,203,689
2013	22,475,803
2014	22,333,712
2015	22,461,189
2016	22,882,462

BAY COUNTY, MICHIGAN

Assessed and Estimated Actual Value of Taxable Property

Last Ten Fiscal Years

(in thousands of dollars)

Fiscal Year Ended December 31,	Real Property		Personal Property	Total Assessed Value	Total Direct Tax Rate
	Residential	Commercial			
2007	\$ 2,217,444	\$ 424,455	\$ 263,508	\$ 2,905,407	10.8096
2008	2,208,155	439,016	263,457	2,910,628	10.8138
2009	2,083,021	439,556	269,701	2,792,278	10.8138
2010	1,930,888	398,920	251,310	2,581,118	10.7138
2011	1,884,708	394,747	249,238	2,528,693	10.8138
2012	1,850,561	394,855	270,064	2,515,480	11.4638
2013	1,819,824	392,452	281,567	2,493,843	11.4638
2014	1,878,624	381,200	277,453	2,537,277	11.4638
2015	1,879,325	371,950	294,062	2,545,337	11.4638
2016	1,940,345	370,281	245,516	2,556,142	11.6138

Source: Bay County Equalization Department

Note: Property in the County is reassessed annually. The County assesses property at approximately 50 percent of actual value for all types of real and personal property. Estimated actual value is calculated by dividing assessed value by those percentages.

Tax rates are per \$1,000 of taxable value.

Table 6
Unaudited



	Estimated Actual Assessed Value	Assessed Value as a Percentage of Actual Value
\$	5,810,814	50.00%
	5,821,256	50.00%
	5,584,556	50.00%
	5,162,236	50.00%
	5,057,386	50.00%
	5,030,960	50.00%
	4,987,686	50.00%
	5,074,554	50.00%
	5,090,674	50.00%
	5,112,284	50.00%

BAY COUNTY, MICHIGAN

Property Tax Rates

Direct and Overlapping Governments
Last Ten Fiscal Years

Fiscal Year (1) (2)	Bay County				Overlapping Rates		
	Operating Millage	Special Millage	Debt Millage	Total County Millage	SET Schools (3)	Inter-mediate Schools	Community College
2007	5.7257	5.0839	0.0000	10.8096	6.0000	0.1891	2.0427
2008	5.7257	5.0881	0.0000	10.8138	6.0000	0.1891	2.0427
2009	5.7257	5.0881	0.0000	10.8138	6.0000	0.1891	2.0427
2010	5.7257	4.9881	0.0000	10.7138	6.0000	0.1891	2.0427
2011	5.7257	5.0881	0.0000	10.8138	6.0000	0.1891	2.0427
2012	5.7257	5.7381	0.0000	11.4638	6.0000	0.1891	2.0427
2013	5.7257	5.7381	0.0000	11.4638	6.0000	0.1891	2.0427
2014	5.7257	5.7381	0.0000	11.4638	6.0000	0.1891	2.0427
2015	5.7257	5.7381	0.0000	11.4638	6.0000	0.1891	2.0427
2016	5.7257	5.8881	0.0000	11.6138	6.0000	0.1891	2.0427

Source: Bay County Equalization Department

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

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

Table 7
Unaudited

Overlapping Rates						
Townships	Cities					Total Direct & Overlapping Rates
	Auburn	Bay City	Essexville	Pinconning	Midland	
1.3500	16.0000	19.5503	15.6436	14.7965	12.2400	98.6218
1.3500	13.0000	19.5503	15.7389	14.6737	12.9900	96.3485
1.3500	13.0000	19.5503	16.5931	14.6737	13.9400	98.1527
1.3500	12.0000	19.5503	16.8753	14.6736	13.9400	97.3348
1.3500	12.0000	19.5503	17.4877	14.6736	14.7900	98.8972
1.3500	12.0000	20.0935	19.1300	14.6736	14.7900	101.7327
1.3500	12.0000	21.3365 **	20.3000 **	14.6736	15.0800 **	104.4357
1.3500	12.0000	21.3365 **	20.7000 **	14.6736	15.0400 **	104.7957
1.3500	12.0000	21.3365 **	21.4172 **	14.6736	15.0000 **	105.4729
1.3500	12.0000	21.1865 **	23.8431 **	14.6736	15.0000 **	107.8988

BAY COUNTY, MICHIGAN

Table 8
Unaudited

Principal Property Taxpayers

December 31, 2016 and Nine Years Ago

Taxpayer	2016			2007		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Consumers Energy	\$ 197,564,583	1	7.10%	\$ 260,897,786	1	8.66%
Dow Corning Corporation	54,659,857	2	1.97%	58,100,961	3	1.93%
Michigan Electric Transmission	24,952,485	3	0.90%			
DTE Electric Company	17,207,550	4	0.62%			
Monitor Sugar	17,161,451	5	0.62%	25,542,868	5	0.85%
SSP Development LLC	14,072,548	6	0.51%			
Enbridge Energy	13,714,368	7	0.49%	5,620,277	10	0.19%
Mersen USA	12,212,677	8	0.44%			
S C Johnson	12,060,314	9	0.43%	45,675,830	4	1.52%
Meijer/Good Will Co. Inc	7,502,086	10	0.27%	10,595,723	7	0.35%
General Motors/Delphi				132,849,800	2	4.41%
Bay City Mall Associates				11,187,163	6	0.37%
Wal-Mart Real Estate				6,632,850	8	0.22%
Charter Communications				5,967,956	9	0.20%
Totals	<u>\$ 371,107,919</u>		<u>13.35%</u>	<u>\$ 563,071,214</u>		<u>18.70%</u>

Source: Bay County Equalization Department

BAY COUNTY, MICHIGAN

Table 9
Unaudited

Property Tax Levies and Collections

Last Ten Fiscal Years
(amounts expressed in thousands)

Fiscal Year Ended December 31,	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Delinquents Purchased by Treasurer	Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy			Amount	Percentage of Levy
2007	\$ 16,960	\$ 16,186	95.44%	\$ 747	22	\$ 16,955	99.97%
2008	17,333	16,498	95.18%	796	17	17,311	99.87%
2009	17,402	16,545	95.08%	820	18	17,383	99.89%
2010	16,618	15,864	95.46%	732	13	16,609	99.95%
2011	16,276	15,578	95.71%	670	14	16,262	99.91%
2012	16,177	15,560	96.19%	602	14	16,176	99.99%
2013	16,042	15,372	95.82%	656	7	16,035	99.96%
2014	16,597	15,883	95.70%	654	3	16,539	99.65%
2015	16,542	15,878	95.99%	636	3	16,514	99.83%
2016	16,101	14,984	93.06%	583	*	15,567	96.68%

Source: Bay County Treasurer

* This information is not yet available.

BAY COUNTY, MICHIGAN

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

Fiscal Year Ended December 31,	Governmental Activities					Business-Type Activities
	General Obligation Bonds	Unamortized Bond Prem/ Discount	Installment Purchase Contracts	DWFR Loans	Revenue Bonds	Miscellaneous Payables
2007	\$ 24,695,000	\$ 254,307	\$ -	\$ -	\$ -	\$ 78,763
2008	22,470,000	224,825	34,200	-	-	39,382
2009	18,965,000	195,343	25,650	-	-	-
2010	17,110,000	165,861	17,100	-	-	-
2011	15,400,000	136,378	8,550	-	-	-
2012	12,810,000	999,535	-	-	-	-
2013	10,980,000	817,024	-	-	30,000,000	-
2014	9,050,000	677,565	-	18,572,473	30,000,000	-
2015	7,020,000	537,926	-	26,535,285	30,000,000	-
2016	5,255,000	409,320	-	25,485,000	29,575,000	-

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

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

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

(2) This information is not yet available.

Table 10
Unaudited



	Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
\$	25,028,070	7.49%	233
	22,768,407	6.50%	212
	19,185,993	5.56%	179
	17,292,961	4.89%	160
	15,544,928	4.23%	145
	13,809,535	3.68%	129
	41,797,024	11.09%	391
	58,300,038	15.08%	549
	64,093,211	16.01%	607
	60,724,320	(2)	580

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)
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%	145
2012	12,810,000	999,535	65,394	13,744,141	0.47%	129
2013	10,980,000	858,473	85,397	11,753,076	0.41%	110
2014	9,050,000	717,411	112,545	9,654,866	0.34%	91
2015	7,020,000	576,349	116,548	7,479,801	0.26%	71
2016	5,255,000	446,320	133,085	5,568,235	0.20%	53

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

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

BAY COUNTY, MICHIGAN

Table 12
Unaudited

Direct and Overlapping Governmental Activities Debt

As of December 31, 2016

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
Overlapping debt repaid with property taxes: County	\$ 203,692,130	68.48%	\$ 139,498,130
Bay County direct debt			<u>60,724,320</u>
Total direct and overlapping debt			<u><u>\$ 200,222,450</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

Legal Debt Margin Information

Last Ten Fiscal Years

(amounts expressed in thousands)

	2007	2008	2009	2010
Debt limit	\$ 347,582	\$ 349,326	\$ 340,504	\$ 318,657
Total net debt applicable to limit	<u>36,029</u>	<u>31,414</u>	<u>26,016</u>	<u>29,328</u>
Legal debt margin	<u>\$ 311,553</u>	<u>\$ 317,912</u>	<u>\$ 314,488</u>	<u>\$ 289,329</u>
Total net debt applicable to the limit as a percentage of debt limit	10.37%	8.99%	7.64%	9.20%

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

(1) Includes primary government and component units.

Table 13
Unaudited

2011	2012	2013	2014	2015	2016
\$ 314,921	\$ 312,200	\$ 312,288	\$ 319,199	\$ 321,730	\$ 324,088
26,156	30,613	51,673	67,407	74,193	70,448
<u>\$ 288,765</u>	<u>\$ 281,587</u>	<u>\$ 260,615</u>	<u>\$ 251,792</u>	<u>\$ 247,537</u>	<u>\$ 253,640</u>
8.31%	9.81%	16.55%	21.12%	23.06%	21.74%

Legal Debt Margin Calculation for Fiscal Year 2016

State equalized value of real property	\$ 2,995,359
State equalized value of personal property	245,516
Total state equalized value	<u>3,240,875</u>
Debt limit (10% of total state equalized value)	324,088
Debt applicable to limit: (1)	\$ 71,863
Less:	
Assets in debt service funds available for payment of principal	\$ 133
Debt not subject to legal debt limit:	
Special assessment debt	<u>1,282</u>
Total deductions	<u>1,415</u>
Total amount of debt applicable to debt limit	<u>70,448</u>
Legal debt margin	<u>\$ 253,640</u>

BAY COUNTY, MICHIGAN

Pledged-Revenue Coverage

Last Ten Fiscal Years

Fiscal Year	Operating Revenue (2)	Operating Expenses (3)	Net Available Revenue	Debt Service (4)	
				Principal	Interest
Water Supply System No. 1 Revenue Bonds (1)					
2007	\$ -	\$ -	\$ -	\$ -	\$ -
2008	-	-	-	-	-
2009	-	-	-	-	-
2010 (5)	3,742,001	2,650,154	1,091,847	-	64,794
2011 (5)	4,136,205	2,769,142	1,367,063	180,000	183,669
2012 (5)	4,308,937	2,961,525	1,347,412	185,000	180,069
2013 (5) (6)	4,373,619	2,878,647	1,494,972	190,000	176,369
2014 (5) (6)	4,584,579	3,191,548	1,393,031	195,000	1,677,652
2015 (5) (6)	5,885,223	4,185,567	1,699,656	200,000	1,676,969
2016 (5) (6)	11,360,745	5,645,889	5,714,856	630,000	1,671,969

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

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

(2) Includes Department of Water and Sewer revenues, less all non-operating revenue except interest earned.

(3) Includes Department of Water and Sewer revenues, less depreciation and interest expense on bonded debt.

(4) Debt service requirements are met with net revenue available for debt service and net position.

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

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

Table 14
Unaudited



Total	Coverage
-------	----------

\$ -	-
-	-
-	-
64,794	16.85
363,669	3.76
365,069	3.69
366,369	4.08
1,872,652	0.74
1,876,969	0.91
2,301,969	2.48

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)
2007	107,373	\$ 3,184,007	\$ 29,654	15,298	6.70%
2008	107,597	3,332,427	30,971	15,017	7.90%
2009	107,434	3,443,912	32,056	14,792	11.60%
2010	107,771	3,532,857	32,781	14,798	11.90%
2011	107,229	3,677,507	34,296	14,420	9.80%
2012	106,890	3,750,645	35,089	14,320	8.70%
2013	106,832	3,770,457	35,293	13,958	9.10%
2014	106,179	3,866,902	36,419	13,751	7.10%
2015	105,659	4,002,825	37,884	13,442	5.50%
2016	104,747	(5)	(5)	13,513	5.20%

Data Sources:

- (1) Population Division, U.S. Census Bureau - Population is an estimate as of July 1, of fiscal year with the exception of 2010 which reflects the actual census.
- (2) Bureau of Economic Analysis, per capita income was computed using Census Bureau midyear population estimates. Amounts expressed in thousands.
- (3) Local school districts
- (4) U.S. Department of Labor Bureau of Labor Statistics Data - Unemployment rate information is a yearly average not seasonally adjusted.
- (5) Personal data not available at this time.

BAY COUNTY, MICHIGAN

Principal Employers

2013 and 2007

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

Source:

Bay Future

(1) 2014, 2015, or 2016 data not yet available.

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

(3) Excludes substitute teachers.

(4) Figure represents peak manufacturing/industry seasons.

Table 16
Unaudited

2007		
Employees	Rank	Percentage of Total County Employment
1,958	1	3.80%
1,200	2	2.33%
930	5	1.81%
1,054	4	2.05%
1,148	3	2.23%
586	7	1.14%
533	8	1.04%
516	9	1.00%
614	6	1.19%
-	-	0.00%
-	-	0.00%
444	10	0.86%
<u>8,983</u>		<u>17.44%</u>

BAY COUNTY, MICHIGAN

Full-time Equivalent Government Employees by Function/Program

Last Ten Fiscal Years

	2007	2008	2009	2010
Function				
Public safety	118	118	118	113
Community and economic development	6	6	6	2
Health and welfare	136	136	136	77
General government	109	108	107	90
Judicial	91	91	91	81
Legislative	12	12	12	1
Recreation and culture	24	24	24	10
100% tax payment	2	2	2	2
Golf course	6	6	6	3
Total	504	503	502	379

Source: Bay County Payroll Department

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

Table 17
Unaudited

2011	2012	2013	2014	2015	2016
112	111	111	112	109	101
2	2	2	1	2	2
73	68	68	75	71	70
88	86	88	89	84	90
79	78	78	77	77	77
1	1	-	-	-	-
8	8	8	7	9	11
2	2	2	2	2	2
3	3	3	1	1	2
<u>368</u>	<u>359</u>	<u>360</u>	<u>364</u>	<u>355</u>	<u>355</u>

BAY COUNTY, MICHIGAN

Operating Indicators by Function/Program

Last Ten Fiscal Years

	2007	2008	2009	2010
Function				
Public safety				
Number of incarcerated offenders	5,016	4,276	4,073	4,081
Health and welfare				
Division on aging				
Meal site meals served	48,724	44,166	49,625	42,276
Home delivered meals served	149,549	159,060	158,664	127,789
Public works				
Number of parking spaces leased	275	126	122	126
Judicial				
Circuit court total caseload	4,682	4,076	3,999	4,121
District court total caseload	29,768	27,862	27,546	26,099
Probate court total caseload	792	780	820	882
Recreation and culture				
Swimming pool admissions (1)	6,318	6,006	5,897	4,591
Medical care facility				
Patient days	73,795	74,483	70,006	87,873
Patient admits	196	144	124	283
Golf course				
Memberships	160	181	210	196
Housing				
Number of lease days	36,361	35,892	35,999	36,088

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

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

(1) This information contains some approximate values.

Table 18
Unaudited

2011	2012	2013	2014	2015	2016
3,813	4,032	4,057	4,392	4,350	4,205
40,148	37,867	37,928	36,404	36,644	26,899
118,672	119,732	125,007	136,849	146,632	146,109
252	151	319	66	101	69
4,064	3,873	3,594	3,212	3,121	3,241
24,178	25,720	24,612	23,635	25,641	21,452
871	848	791	882	960	823
3,124	3,033	4,150	3,935	4,100	4,460
73,896	69,984	84,709	78,222	64,497	100,287
350	102	131	145	132	139
154	193	176	131	118	105
36,017	35,261	35,607	36,096	36,067	36,221

BAY COUNTY, MICHIGAN

Capital Asset Statistics by Function/Program

Last Ten Fiscal Years

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

Sources: County departments

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

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

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

Table 19
Unaudited

2011	2012	2013	2014	2015	2016	
1	1	1	1	1	1	1
23	25	34	35	34	32	
3	3	3	3	3	3	
4	4	5	5	5	4	
1,566	1,567	1,567	1,568	1,574	1,575	
109	109	109	109	108	107	
5	5	5	5	5	5	
31	32	32	32	33	32	
264	264	264	264	264	264	
3	3	3	5	5	5	
206	206	206	206	206	206	
53	53	53	53	53	53	
100	100	100	100	100	100	