

Bay County,
Michigan



Year Ended
December 31,
2012

Financial
Statements

**BAY COUNTY, MICHIGAN
FINANCIAL REPORT
Year Ended December 31, 2012
Prepared by Bay County Finance Department
(With Independent Auditor's Report Thereon)**



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BAY COUNTY, MICHIGAN

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FINANCIAL SECTION

The Financial Section contains:

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



INDEPENDENT AUDITORS' REPORT

June 26, 2013

Board of Commissioners
Bay County
Bay City, 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, 2012, 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.

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 Bay County Housing Fund and the Medical Care Facility, which are major fund opinion units; the financial statements of the Bay County Road Commission Component Unit, which represents approximately 62% of the assets and 47% of the revenues of the aggregate discretely presented component units; and the financial statements of the Bay County Department of Water and Sewer, which represents approximately 23% of the assets and 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 Fund, Medical Care Facility, Road Commission and Department of Water and Sewer, 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, 2012, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedules of Funding Progress and Employer Contributions 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 combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements 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 are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued under separate cover, our report on our consideration of Bay County, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Lehmann Johnson 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, 2012. We encourage readers to consider the information presented here in conjunction with the accompanying basic financial statements.

Financial Highlights

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$69,698,559 (*net position*). Of this amount, \$23,193,485 (*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 \$3,529,646 during 2012.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$20,033,317, an increase of \$263,859 in comparison with the prior year.
- At the end of the current fiscal year, the general fund did not have an unassigned fund balance. The assigned fund balance for the general fund was \$7,133,913 or 25.98% of total general fund expenditures. Total fund balance for the general fund was \$12,595,987.
- The County's total debt decreased \$3,050,118 or 10.83% 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 and liabilities, with the difference between the two 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 public safety, community and economic development, health and welfare, public works, general government, judicial, legislative, and recreation and culture. The business-type activities of the County include the Medical Care Facility, 100% Tax Payment Fund, Housing, Golf Course, Delinquent Property Tax Foreclosure, and Commissary Operations.

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 a legally separate Road Commission, a legally separate Economic Development Corporation, a legally separate Department of Water and Sewer, a legally separate Drain Commission, a legally separate Library System, a legally separate Land Bank and a legally separate Bay Area Narcotics Enforcement Team 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.

The government-wide financial statements can be found starting on page 18 of this report.

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 24 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, Mosquito Control Fund, 911 Service Fund, Division on Aging Fund, and Homeland Security Fund, each of which are considered to be major funds. Data from the other 19 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.

The basic governmental fund financial statements can be found starting on page 22 of this report.

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 Fund, Housing, Golf Course, Delinquent Property Tax Foreclosure Fund, 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 Workers' Compensation/Unemployment Compensation/Sick and Accident Self Insurance Fund and its Health Care Self Insurance Fund. 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.

BAY COUNTY, MICHIGAN

Management's Discussion and Analysis

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, the 100% Tax Payment Fund and the Housing Fund, each of which are considered to be major funds. Data from the other proprietary funds are combined and presented in two separate columns distinguishing between *business-type activities* and *governmental activities*. Individual fund data for each of these non-major enterprise funds and internal service funds are provided in the form of *combining statements* elsewhere in this report.

The basic proprietary fund financial statements can be found starting on page 33 of this report.

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

The basic fiduciary fund financial statements can be found starting on page 38 of this report.

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. The notes to the financial statements can be found starting on page 46 of this report.

Other information - In addition to the basic financial statements and accompanying notes, this report also presents certain *supplementary information*. This includes the combining and individual fund financial statements and schedules. Combining and individual fund statements and schedules can be found starting on page 100 of this report.

BAY COUNTY, MICHIGAN

Management's Discussion and Analysis

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Bay County, as the following table demonstrates, assets exceeded liabilities by \$69,698,559 at the close of the most recent fiscal year.

	Bay County's Net Position					
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Assets:						
Current and other assets	\$38,917,605	\$36,507,762	\$26,010,139	\$24,488,063	\$64,927,744	\$60,995,825
Capital assets, net of accumulated depreciation	48,850,621	50,373,025	7,353,440	7,798,087	56,204,061	58,171,112
Total assets	87,768,226	86,880,787	33,363,579	32,286,150	121,131,805	119,166,937
Liabilities:						
Long-term liabilities	26,076,350	23,963,829	10,146,363	8,238,052	36,222,713	32,201,881
Other liabilities	4,704,006	10,515,580	4,186,026	3,514,989	8,890,032	14,030,569
Total liabilities	30,780,356	34,479,409	14,332,389	11,753,041	45,112,745	46,232,450
Deferred inflows of resources						
Taxes levied for a subsequent period	6,320,501	-	-	-	6,320,501	-
Net position:						
Invested in capital assets, net of related debt	35,041,086	34,828,097	7,353,440	7,798,087	42,394,526	42,626,184
Restricted	2,701,646	2,755,049	1,408,902	1,408,902	4,110,548	4,163,951
Unrestricted	12,924,637	14,818,232	10,268,848	11,326,120	23,193,485	26,144,352
Total net position	\$50,667,369	\$52,401,378	\$19,031,190	\$20,533,109	\$69,698,559	\$72,934,487

One of the largest portions of the County's net position, \$42,394,526 (60.8%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment) 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, \$4,110,548 (5.9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position*, \$23,193,485 (33.3%) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the County is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

BAY COUNTY, MICHIGAN

Management's Discussion and Analysis

	Bay County's Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenue						
Program revenue:						
Charges for services	\$10,339,375	\$10,415,563	\$23,998,913	\$22,898,314	\$34,338,288	\$33,313,877
Operating grants and contributions	12,515,201	13,828,220	285,489	310,793	12,800,690	14,139,013
Capital grants and contributions	80,497	1,799,663	-	54,150	80,497	1,853,813
General revenue:						
Property taxes	21,203,689	21,444,988	1,437,577	1,500,994	22,641,266	22,945,982
Unrestricted investment earnings	505,495	523,735	300,877	244,734	806,372	768,469
Other	238,148	467,658	81,508	84,926	319,656	552,584
Total revenue	44,882,405	48,479,827	26,104,364	25,093,911	70,986,769	73,573,738
Expenses						
Public safety	11,783,813	12,716,096	-	-	11,783,813	12,716,096
Community and economic development	272,878	189,260	-	-	272,878	189,260
Health and welfare	11,206,727	9,144,114	-	-	11,206,727	9,144,114
Public works	4,177	6,510	-	-	4,177	6,510
General government	15,617,422	16,085,564	-	-	15,617,422	16,085,564
Judicial	6,909,233	6,510,162	-	-	6,909,233	6,510,162
Legislative	435,233	437,091	-	-	435,233	437,091
Recreation and culture	1,373,762	1,432,962	-	-	1,373,762	1,432,962
Interest on long-term debt	656,888	734,097	-	-	656,888	734,097
Medical care facility	-	-	24,312,319	21,929,668	24,312,319	21,929,668
100% tax payment	-	-	140,155	123,273	140,155	123,273
Golf course	-	-	691,609	693,591	691,609	693,591
Delinquent property tax foreclosure	-	-	186,296	191,470	186,296	191,470
Commissary	-	-	122,168	106,029	122,168	106,029
Housing	-	-	803,735	761,335	803,735	761,335
Total expenses	48,260,133	47,255,856	26,256,282	23,805,366	74,516,415	71,061,222
Change in net position before transfers	(3,377,728)	1,223,971	(151,918)	1,288,545	(3,529,646)	2,512,516
Transfers	1,350,000	811,394	(1,350,000)	(811,394)	-	-
Change in net position	(2,027,728)	2,035,365	(1,501,918)	477,151	(3,529,646)	2,512,516
Net position, beginning of year, as restated	52,695,097	50,366,013	20,533,108	20,055,958	73,228,205	70,421,971
Net position, end of year	\$ 50,667,369	\$ 52,401,378	\$ 19,031,190	\$ 20,533,109	\$ 69,698,559	\$ 72,934,487

The County's net position decreased \$3,529,646 during the current fiscal year. This decrease is attributable mainly to Medical Care Facility and Health and Welfare expenses increasing \$2,382,651 and \$2,062,613, respectively, over 2011.

BAY COUNTY, MICHIGAN

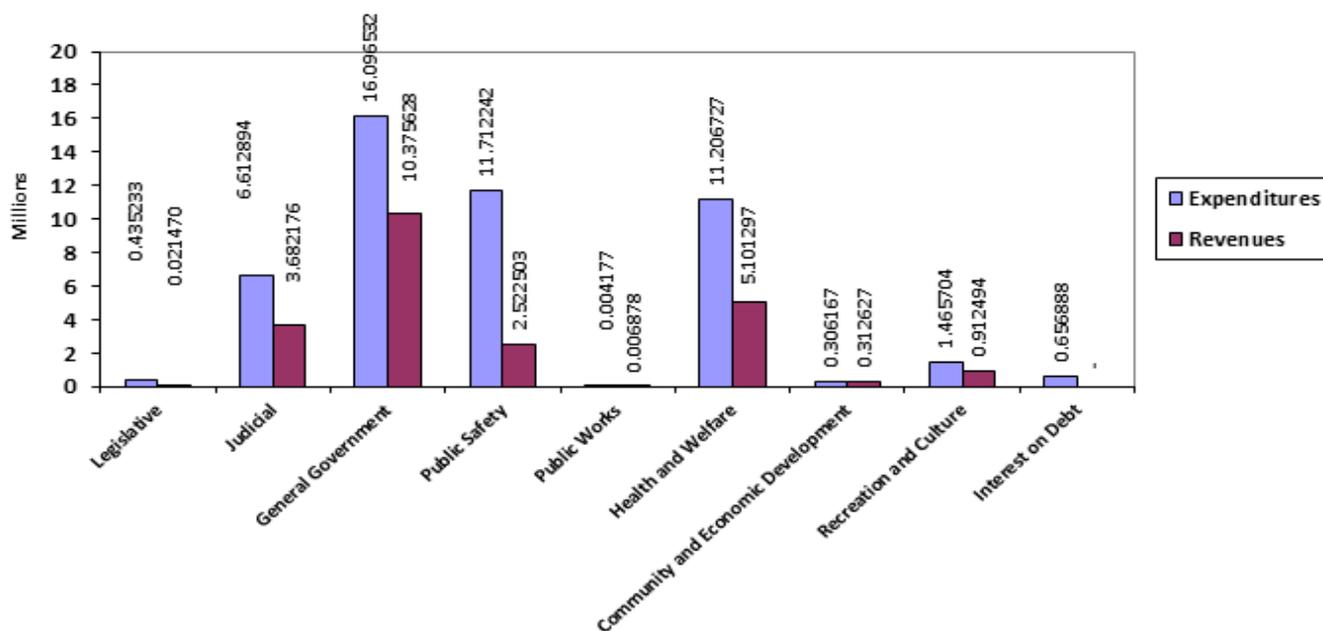
Management's Discussion and Analysis

Governmental activities - Governmental activities decreased the County's net position during the current year by \$2,027,728 thereby accounting for the majority of the decrease in the net position of the County. Key elements of this increase are as follows:

- Total operating grants and contributions decreased \$1,313,019 in 2012 over 2011. The decrease is due primarily to Homeland Security grant programs being reduced by \$1.043M, as the County is no longer the fiduciary for the 2011/2012 grants. This figure also includes pass-through dollars to other agencies.
- Total capital grants and contributions decreased \$1,719,166 in 2012 over 2011. The communications tower built in 2011 accounted for nearly \$1.5M in capital assets, plus energy efficient upgrades at many County-owned facilities were completed in 2011.
- Total health and welfare expenditures increased \$2,062,613 in 2012 over 2011 primarily due to increases in transfers to the Bay County Health Department for operating and an increase in pass-through dollars to Bay Arenac Behavioral Health.
- The levy of a veteran's millage in late fall of 2011 (.10 mills or approximately \$285,000) was received for indigent veterans to be used under the Bay County Soldiers' Relief Fund in 2012. As a result of this new millage, the Soldiers' Relief Fund had increased expenditures in the year 2012 over 2011.

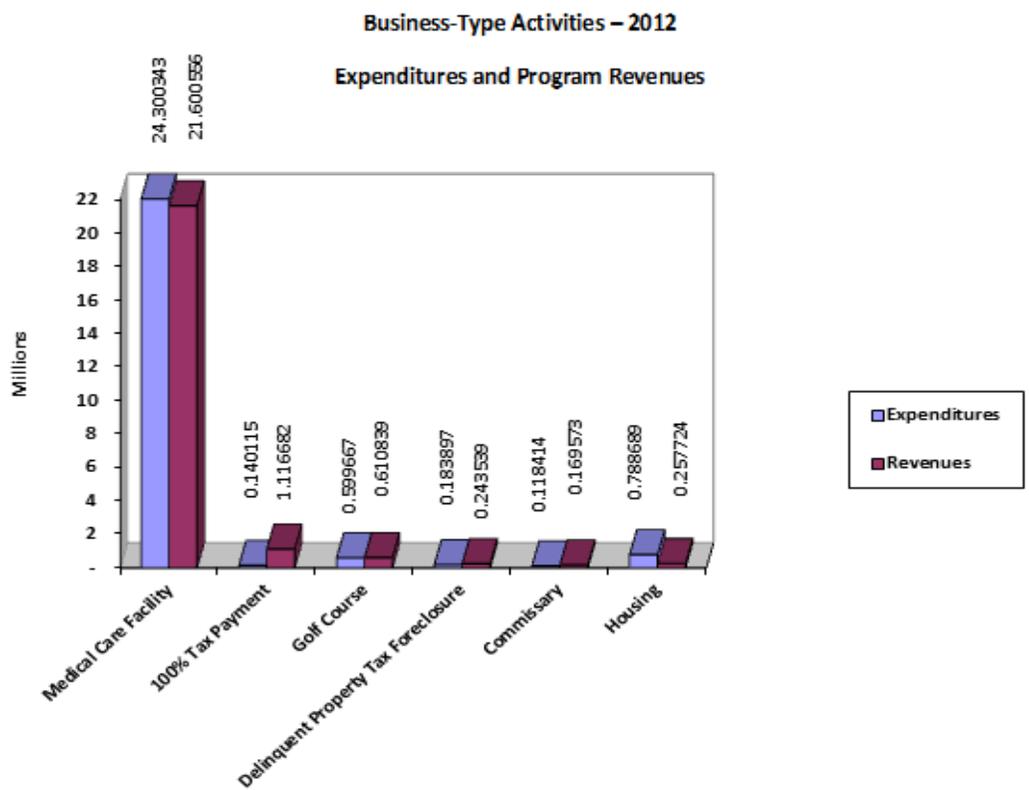
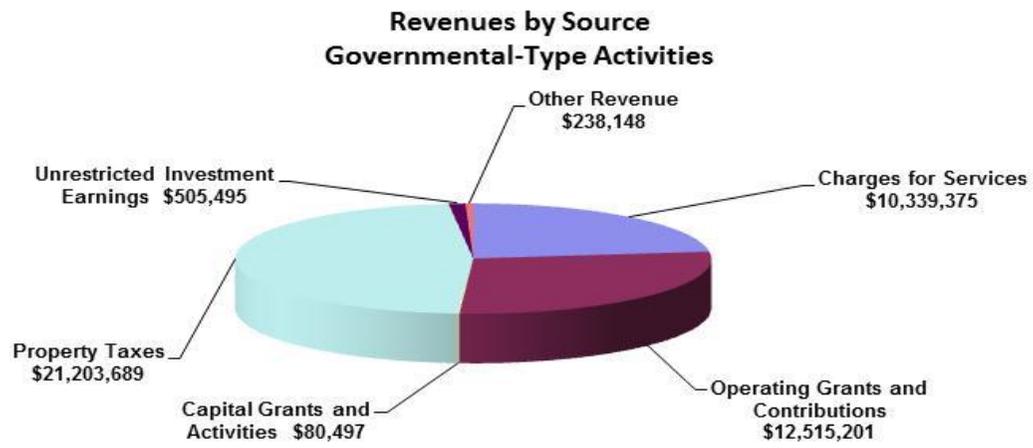
Business-type activities - Business-type activities decreased the County's net position by \$1,501,918. The key element of this decrease was the increase of \$2,382,651 in Medical Care Facility expenses, which is offset by an increase of \$1,100,599 in charges for services from 2011.

**Governmental Activities - 2012
Expenditures and Program Revenues**



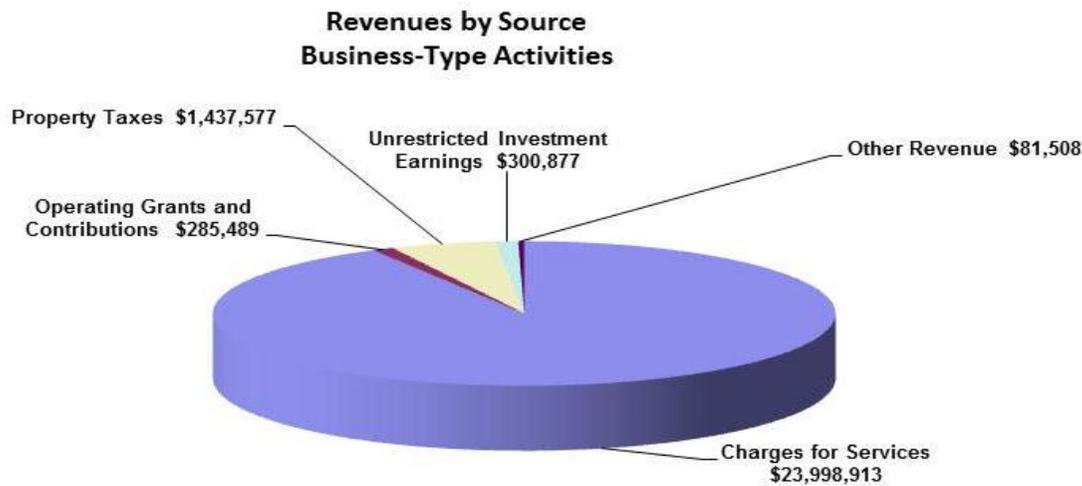
BAY COUNTY, MICHIGAN

Management's Discussion and Analysis



BAY COUNTY, MICHIGAN

Management's Discussion and Analysis



Financial Analysis of the Government'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 \$20,033,317, an increase of \$263,859 compared to the prior year. Of this amount, 70.65% (\$14,154,100) constitutes committed and assigned *fund balance*, which is available for spending at the government's discretion. However, this fund balance amount is further separated into committed fund balance (\$6,485,024) and assigned fund balance (7,669,076). 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. The remainder of fund balance is restricted to indicate that it is not available for new spending because it has already been committed to: 1) Non-spendable (\$225,313), 2) Restricted (\$5,653,904). Of the \$263,859 increase in governmental fund balances, there was a significant increase in the General Fund of \$995,428, and significant decreases in the Mosquito Control fund of \$214,635, the 911 Services fund of \$271,084, the Child Care fund of \$182,800, and the Gypsy Moth Control fund of \$128,882.

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, the assigned fund balance of the General Fund was \$7,133,913 while total fund balance amounted to \$12,595,987. As a measure of the General Fund's liquidity, it may be useful to compare both assigned fund balance and total fund balance to fund expenditures. Assigned fund balance represents 25.98% of total General Fund expenditures, while total fund balance represents 45.88% of that same amount.

Fund balance of the County's General Fund increased by \$995,428 during the current fiscal year. This was primarily due to several general government projects still in progress at year's end.

The 911 Service Fund decrease of \$271,084 was primarily the result of the implementation and transition to the 800 MHz radio system and the purchase of six sirens positioned throughout the County.

The Mosquito Control Fund decreased \$214,635. This decrease was primarily due to early spring aerial spraying and the purchase of two vehicles to replace older, high-mileage vehicles.

BAY COUNTY, MICHIGAN

Management's Discussion and Analysis

Fund balance of the Division on Aging Fund decreased \$74,313. A special millage levy of .30 mills for three years was approved by voters in the general election of fall 2012.

The Homeland Security Fund accounts for revenues from federal grants administered by the United States of Homeland Security for building and sustaining national preparedness activities. This fund was established in 2011.

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

Unrestricted net position of the 100% Tax Payment Fund at the end of the year amounted to \$7,438,871, while those for the Medical Care Facility Fund and Housing Fund amounted to \$1,935,374 and \$535,295 respectively. The combined unrestricted net position of the nonmajor enterprise funds and the internal service funds were \$359,308 and \$0 respectively, at the end of the year. The 100% Tax Payment Fund had a decrease in net position for the year of \$24,900, while the Medical Care Facility had an decrease in net position of \$1,066,185 and Housing Fund had a decrease in net position of \$216,861. The combined decrease in net position of the nonmajor enterprise funds was \$193,972 and the combined increase in net position for the internal service funds was \$851,364 for the year. Other factors concerning the finances of these funds have already been addressed in the discussion of the County's business-type activities.

General Fund Budgetary Highlights. The differences between the original budget and final amended budget for expenditures resulted in a 1.07% increase (\$309,225 increase in expenditures); whereas the difference between the original budget and final amended budget for revenues resulted in a 0.49% increase (\$145,235 increase in revenues); finally, the original budget for total other financing sources/uses was amended resulting in a 4.01% decrease (\$28,318 decrease in other financing uses). The original budget shows \$91,939 for an increase of fund balance which was affected by budgetary adjustments. These adjustments (\$192,308) resulted in a use of fund balance, including the budgeted use of reserved fund balance of \$26,380. Significant budgetary differences are briefly summarized as follows:

- A \$284,865 increase in expenditures for 2011 open purchase orders filled in 2012.
- A \$90,821 decrease due to personnel expenditures being properly adjusted primarily due to combining the Department of Criminal Defense with the Department of Public Defender.

Material actual to budget variances are as follows:

- A negative \$225,720 variance in federal grant revenues is mainly the result of reimbursable Friend of the Court and Prosecutor's cooperative reimbursement expenditures not being incurred to earn the maximum reimbursement allowable on these grants.
- A negative \$356,448 variance in charges for services is the result of the court costs and civic arena revenues associated with tournament fees and food/merchandise sales, being less than budgeted.
- Judicial expenditures were \$228,342 under budget primarily due to the District Court OWI Drug Treatment Grant reductions and the reassignment of related grant funded personnel that were not replaced.
- General government expenditures were \$589,674 under budget primarily as a result of a delay filling or eliminating vacant personnel positions and several budgeted projects in Information Systems, Buildings and Grounds, and Administrative Services Department's still in progress.
- For 2012, recreation and culture expenditures were \$283,169 under budget primarily due to Pinconning Park capital improvement actual expenditures being less than budgeted. In addition, the Bay County Civic Arena had expenditure savings due to lower public utilities and delays in filling some vacant personnel positions.
- The other function expenditures were \$319,282 under budget primarily due to risk management expenses being less than budgeted.

BAY COUNTY, MICHIGAN

Management's Discussion and Analysis

- The remaining actual to budget positive variances are due to the County exercising fiscal responsibility.

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, 2012 amounted to \$56,204,061 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings and building improvements, machinery and equipment, office equipment and furniture, computer software, computer hardware, vehicles, and construction work in progress. The total decrease in the County's investment in capital assets for the current fiscal year was 3.38% (a 3.02% decrease for governmental activities and a 5.70% decrease for business-type activities).

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

- New World software purchased for Central Dispatch over two years was installed at a total cost of \$152,650.
- Six new sirens were purchased and installed around the County by 911 Central Dispatch at a cost of \$115,912.
- Machinery and equipment in the amount of \$122,643 was purchased and put into use by the Bay County Drain Commission.

	Bay County's Capital Assets (net of depreciation)					
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 1,926,399	\$ 1,926,399	\$ 257,559	\$ 257,559	\$ 2,183,958	\$ 2,183,958
Land improvements	621,857	732,915	237,224	277,158	859,081	1,010,073
Buildings and building additions and improvement	41,617,918	42,913,129	6,236,363	6,650,968	47,854,281	49,564,097
Machinery and equipment	2,351,120	2,648,210	243,582	201,070	2,594,702	2,849,280
Office equipment and furniture	1,302,968	1,293,233	304,787	337,228	1,607,755	1,630,461
Vehicles	525,447	494,350	26,857	41,212	552,304	535,562
Construction work in progress	504,912	364,789	47,068	32,892	551,980	397,681
Total	\$ 48,850,621	\$ 50,373,025	\$ 7,353,440	\$ 7,798,087	\$ 56,204,061	\$ 58,171,112

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

BAY COUNTY, MICHIGAN

Management's Discussion and Analysis

Long-term debt - At the end of the current fiscal year, the County had total outstanding debt of \$25,102,200. Of this amount, \$20,037,176 is general obligation bonds. The remainder of the County debt is comprised of notes payable, bond premium, compensated absences, claims, and maintenance agreements payable.

	Bay County's Outstanding Debt					
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Primary Government						
General obligation bonds	\$ 12,810,000	\$ 15,400,000	\$ -	\$ -	\$ 12,810,000	\$ 15,400,000
Maintenance agreement payable	-	8,550	-	-	-	8,550
Bond premium	999,535	136,378			999,535	136,378
Compensated absences	2,108,429	2,086,226	231,352	360,106	2,339,781	2,446,332
Component Units						
General obligation bonds	7,227,176	8,413,264	-	-	7,227,176	8,413,264
Notes payable	384,616	500,937	-	-	384,616	500,937
Compensated absences	1,341,092	1,246,857	-	-	1,341,092	1,246,857
Total	\$ 24,870,848	\$ 27,792,212	\$ 231,352	\$ 360,106	\$ 25,102,200	\$ 28,152,318

The County's total gross long-term debt of \$25,102,200 is equivalent to \$233 per capita or 0.87% of the County's taxable value of property of \$2,901,967,896.

The County's total debt decreased \$3,050,118 or 10.83% during the current fiscal year.

The County's current bond ratings are as follows:

	Moody's	Standard and Poor's
Limited tax obligations	A1	AA
Insured limited tax obligations	Aaa	AAA
Unlimited tax obligations	unrated	unrated
Revenue bonds	unrated	unrated
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	\$ 312,200
Debt margin	\$ 281,587
Percent of limit	90.19%

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 2013 fiscal year:

- The unemployment rate for the County is currently around 8.5 percent, slightly above the state average of 8.4 percent.

BAY COUNTY, MICHIGAN

Management's Discussion and Analysis

- Wages continue to be frozen at the 2008 level, although the majority of employees will be paid a 0.75 percent lump sum of wages, not included in the base, for the final year of the current collective bargaining agreements. The County is actively working on ways to control spiraling health care costs through increased awareness of generic prescriptions, removing unnecessary administrative costs, and increasing co-pays on some prescription medications.
- Projections from the Bay County Equilization Department showed a reduction in property tax revenue for the General Fund of 1.4 percent for 2013. Special millage fund's property tax revenues decreased by 0.27 percent for 2013.
- Limiting of capital expenditures.
- Actuary recommended pension contributions increased to 4.08 percent of payroll for the General Group, up from 1.19 percent from the prior year's actuarial study.

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, 2012

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	4,760,683	726,699	5,487,382	13,124,253
Investments	18,306,759	15,359,716	33,666,475	3,566,588
Receivables	14,292,865	8,306,536	22,599,401	11,804,676
Net pension asset	1,446,037	21,700	1,467,737	-
Internal balances	(1,019,967)	1,019,967	-	-
Prepaid items and other assets	1,121,742	550,404	1,672,146	622,801
Inventories	9,486	25,117	34,603	1,091,467
Net OPEB asset	-	-	-	177,723
Capital assets not being depreciated	2,431,311	304,627	2,735,938	52,630,581
Capital assets being depreciated, net	46,419,310	7,048,813	53,468,123	67,099,969
Total assets	87,768,226	33,363,579	121,131,805	150,118,058
Liabilities				
Accounts payable and accrued liabilities	4,512,956	2,064,321	6,577,277	2,156,439
Unearned revenue	191,050	2,121,705	2,312,755	5,614,500
Noncurrent liabilities:				
Due within one year	2,234,616	17,459	2,252,075	1,154,973
Due in more than one year				
Long-term debt	13,683,348	213,893	13,897,241	7,797,911
Net OPEB obligation	10,158,386	9,915,011	20,073,397	6,822,080
Total liabilities	30,780,356	14,332,389	45,112,745	23,545,903
Deferred inflows of resources				
Taxes levied for a subsequent period	6,320,501	-	6,320,501	-
Net position				
Invested in capital assets, net of related debt	35,041,086	7,353,440	42,394,526	114,573,142
Restricted for:				
Debt service	65,393	-	65,393	266,605
Home Rehabilitation	1,967,871	-	1,967,871	-
Restricted contributions	594,868	-	594,868	-
Restricted assets	73,514	1,408,902	1,482,416	-
Unrestricted	12,924,637	10,268,848	23,193,485	11,732,408
Total net position	\$ 50,667,369	\$ 19,031,190	\$ 69,698,559	\$ 126,572,155

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

BAY COUNTY, MICHIGAN

Statement of Activities

For the Year Ended December 31, 2012

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:						
Public safety	\$ 11,712,242	\$ 71,571	\$ 1,872,597	\$ 614,154	\$ 35,752	\$ (9,261,310)
Community and economic development	306,167	(33,289)	179,985	132,642	-	39,749
Health and welfare	11,206,727	-	2,471,488	2,619,731	10,078	(6,105,430)
Public works	4,177	-	6,878	-	-	2,701
General government	16,096,532	(479,110)	3,040,771	7,300,190	34,667	(5,241,794)
Judicial	6,612,894	296,339	1,989,484	1,692,692	-	(3,227,057)
Legislative	435,233	-	21,470	-	-	(413,763)
Recreation and culture	1,465,704	(91,942)	756,702	155,792	-	(461,268)
Interest on long-term debt	656,888	-	-	-	-	(656,888)
Total governmental activities	48,496,564	(236,431)	10,339,375	12,515,201	80,497	(25,325,060)
Business-type activities:						
Medical Care Facility	24,301,213	11,106	21,600,556	-	-	(2,711,763)
100% Tax Payment	140,155	-	1,116,682	-	-	976,527
Golf Course	599,667	91,942	610,839	-	-	(80,770)
Delinquent Property Tax Foreclosure	171,902	14,394	243,539	-	-	57,243
Commissary	118,414	3,754	169,573	-	-	47,405
Housing	770,446	33,289	257,724	285,489	-	(260,522)
Total business-type activities	26,101,797	154,485	23,998,913	285,489	-	(1,971,880)
Total primary government	\$ 74,598,361	\$ (81,946)	\$ 34,338,288	\$ 12,800,690	\$ 80,497	\$ (27,296,940)
Component units						
Road Commission	\$ 12,265,236	\$ -	\$ 1,837,494	\$ 8,013,294	\$ 2,174,657	\$ (239,791)
Economic development	21,546	-	-	-	-	(21,546)
Library System	6,407,383	43,925	472,091	76,208	108,752	(5,794,257)
Department of Water and Sewer	5,706,083	-	5,909,124	-	-	203,041
Drain Commission	624,210	-	6,200	-	310,675	(307,335)
Bay Area Narcotics Enforcement Team	629,129	5,358	366,335	383,428	-	115,276
Bay County Landbank	23,705	-	-	-	-	(23,705)
Total component units	\$ 25,677,292	\$ 49,283	\$ 8,591,244	\$ 8,472,930	\$ 2,594,084	\$ (6,068,317)

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BAY COUNTY, MICHIGAN

Statement of Activities

For the Year Ended December 31, 2012

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Changes in net position				
Net (expense) revenue	\$ (25,325,060)	\$ (1,971,880)	\$ (27,296,940)	\$ (6,068,317)
General revenues:				
Property taxes	21,203,689	1,437,577	22,641,266	5,698,469
Unrestricted investment earnings	505,495	300,877	806,372	372,673
Gain on equipment disposal	-	-	-	(18,818)
Other revenue	238,148	81,508	319,656	236,592
Transfers - internal activities	1,350,000	(1,350,000)	-	-
Total general revenues and transfers	23,297,332	469,962	23,767,294	6,288,916
Change in net position	(2,027,728)	(1,501,918)	(3,529,646)	220,599
Net position, beginning of year, as restated	52,695,097	20,533,108	73,228,205	126,351,556
Net position, end of year	\$ 50,667,369	\$ 19,031,190	\$ 69,698,559	\$ 126,572,155

concluded

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

BAY COUNTY, MICHIGAN

Balance Sheet Governmental Funds December 31, 2012

	General	Mosquito Control	911 Service	Division on Aging
Assets				
Cash and cash equivalents	\$ 1	\$ 59,331	\$ -	\$ 130,256
Investments	13,339,124	138,335	2,674,858	57,706
Accounts receivable	567,573	-	1,632	161,498
Property taxes receivable	1,491,865	1,218,694	1,895,902	2,164,114
Accrued interest receivable	163,405	4,561	41,834	4,428
Inventories	9,486	-	-	-
Due from other funds	9,066	-	522,325	333
Due from component units	152,320	-	-	-
Due from other governmental units	1,330,692	-	64,607	59,032
Prepaid items and other assets	149,274	-	16,553	-
Interfund advances	50,000	-	-	-
Total assets	\$ 17,262,806	\$ 1,420,921	\$ 5,217,711	\$ 2,577,367
Liabilities				
Accounts payable	\$ 729,063	\$ 2,198	\$ 72,505	\$ 39,686
Accrued liabilities	872,331	19,206	81,067	72,237
Accrued vacation and sick pay	82,407	420	3,507	1,921
Due to other funds	2,075,456	193	1,085	535
Due to component units	63,133	-	-	-
Due to other governmental units	50,041	-	-	-
Deposits	1,485	-	-	-
Interfund advances	-	-	-	-
Long term advances	-	-	-	-
Deferred revenue	96,754	-	-	7,603
Total liabilities	3,970,670	22,017	158,164	121,982
Deferred inflows of resources				
Unavailable revenue - property taxes	696,149	3,781	6,045	4,280
Taxes levied for a subsequent period	-	1,266,803	1,970,583	2,252,094
Total deferred inflows of resources	696,149	1,270,584	1,976,628	2,256,374
Fund balances				
Nonspendable	208,760	-	16,553	-
Restricted	198,962	92,936	2,290,759	199,011
Committed	5,054,352	35,384	775,607	-
Assigned	7,133,913	-	-	-
Total fund balances	12,595,987	128,320	3,082,919	199,011
Total liabilities, deferred inflows of resources and fund balances	\$ 17,262,806	\$ 1,420,921	\$ 5,217,711	\$ 2,577,367

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

Homeland Security	Other Governmental Funds	Total Governmental Funds
\$ 156,518	\$ 486,223	\$ 832,329
-	867,307	17,077,330
-	1,927,475	2,658,178
-	798,374	7,568,949
-	12,222	226,450
-	-	9,486
-	527,707	1,059,431
-	-	152,320
1,399,678	706,300	3,560,309
-	-	165,827
-	-	50,000
<u>\$ 1,556,196</u>	<u>\$ 5,325,608</u>	<u>\$ 33,360,609</u>
\$ 1,455,958	111,898	2,411,308
4,460	228,180	1,277,481
-	11,998	100,253
33	35,849	2,113,151
-	-	63,133
8,252	8	58,301
-	-	1,485
50,000	-	50,000
-	29,000	29,000
25,000	61,693	191,050
<u>1,543,703</u>	<u>478,626</u>	<u>6,295,162</u>
-	1,374	711,629
-	831,021	6,320,501
<u>-</u>	<u>832,395</u>	<u>7,032,130</u>
-	-	225,313
12,493	2,859,743	5,653,904
-	619,681	6,485,024
-	535,163	7,669,076
<u>12,493</u>	<u>4,014,587</u>	<u>20,033,317</u>
<u>\$ 1,556,196</u>	<u>\$ 5,325,608</u>	<u>\$ 33,360,609</u>



BAY COUNTY, MICHIGAN

Reconciliation

Fund Balances for Governmental Funds
 To Net Position of Governmental Activities
 December 31, 2012

Fund balances - total governmental funds \$ 20,033,317

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, net of accumulated depreciation 48,850,621

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

Deferred revenue for delinquent taxes receivable 711,629
 Net pension asset 1,444,982

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

Net position of governmental activities accounted for in the internal service funds 5,782,860

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

Long-term debt (12,810,000)
 Unamortized bond premium (999,535)
 Accrued interest on long-term debt (84,821)
 Accrued liability to Historical Preservation (818)
 Net OPEB liability (10,153,973)
 Compensated absences (2,106,893)

Net position of governmental activities \$ 50,667,369

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, 2012

	General	Mosquito Control	911 Service	Division on Aging
Revenues				
Property taxes and other taxes	\$ 16,133,330	\$ 1,264,451	\$ 1,967,064	\$ 1,353,597
Licenses and permits	216,660	-	-	-
Federal grants	1,603,092	-	(438)	668,825
State grants	4,010,738	3,000	284,757	-
Interest, rents and royalties	1,204,914	8,310	81,108	8,007
Charges for services	2,746,456	-	-	16,917
Fines and forfeits	570,790	-	-	-
Reimbursements, refunds, and other revenues	2,786,737	267	14,025	345,534
Total revenues	29,272,717	1,276,028	2,346,516	2,392,880
Expenditures				
Current:				
Legislative	445,004	-	-	-
Judicial	5,995,556	-	-	-
General government	9,203,462	-	-	-
Public safety	8,247,188	-	2,391,534	-
Public works	4,177	-	-	-
Health and welfare	811,580	1,378,796	-	2,190,061
Community and economic development	166,043	-	-	-
Recreation and culture	1,318,131	-	-	-
Other functions	1,263,302	-	-	-
Debt service:				
Principal	-	-	8,550	-
Interest and other fees	-	-	-	-
Total expenditures	27,454,443	1,378,796	2,400,084	2,190,061
Revenues over (under) expenditures	1,818,274	(102,768)	(53,568)	202,819
Other financing sources (uses)				
Insurance recoveries/proceeds	10,158	-	-	-
Bond premium	-	-	-	-
Debt proceeds	-	-	-	-
Transfers in	2,624,854	-	-	6,200
Refunding debt payments	-	-	-	-
Transfer out	(3,457,858)	(111,867)	(217,516)	(283,332)
Total other financing sources (uses)	(822,846)	(111,867)	(217,516)	(277,132)
Net change in fund balance	995,428	(214,635)	(271,084)	(74,313)
Fund balances, beginning of year, as restated	11,600,559	342,955	3,354,003	273,324
Fund balances, end of year	\$ 12,595,987	\$ 128,320	\$ 3,082,919	\$ 199,011

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

Homeland Security	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 551,532	\$ 21,269,974
-	190,620	407,280
3,303,073	1,354,926	6,929,478
-	609,526	4,908,021
-	26,459	1,328,798
-	143,031	2,906,404
-	13,315	584,105
<u>16,695</u>	<u>3,645,682</u>	<u>6,808,940</u>
<u>3,319,768</u>	<u>6,535,091</u>	<u>45,143,000</u>
-	-	445,004
-	91,744	6,087,300
3,316,076	229,229	12,748,767
-	174,443	10,813,165
-	-	4,177
-	6,184,245	10,564,682
-	131,538	297,581
-	269,891	1,588,022
-	-	1,263,302
-	1,880,000	1,888,550
-	662,849	662,849
<u>3,316,076</u>	<u>9,623,939</u>	<u>46,363,399</u>
<u>3,692</u>	<u>(3,088,848)</u>	<u>(1,220,399)</u>
-	-	10,158
-	1,004,219	1,004,219
-	9,775,000	9,775,000
-	3,451,658	6,082,712
-	(10,655,119)	(10,655,119)
-	(662,139)	(4,732,712)
<u>-</u>	<u>2,913,619</u>	<u>1,484,258</u>
3,692	(175,229)	263,859
<u>8,801</u>	<u>4,189,816</u>	<u>19,769,458</u>
<u>\$ 12,493</u>	<u>\$ 4,014,587</u>	<u>\$ 20,033,317</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, 2012

Net change in fund balances - total governmental funds \$ 263,859

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

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

Capital outlay	790,944
Net book value of disposed capital assets	(265,229)
Depreciation expense	(2,048,119)

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

Decrease in delinquent property taxes	(66,284)
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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	12,373,550
Proceeds from issuance of long term debt	(9,775,000)
Proceeds from long term debt - premium	(1,004,219)
Amortization of bond premium	141,062

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

Interest revenue from governmental internal service funds	32,515
Net operating income from governmental activities in internal service funds	818,849

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 accrual for the net pension asset	382,528
Change in accrued interest payable on bonds	35,017
Change in the accrual to Historical Preservation	(53)
Change in the accrual for the net OPEB liability	(3,684,920)
Change in the accrual for compensated absences	(22,228)

Change in net position of governmental activities	<u>\$ (2,027,728)</u>
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The accompanying notes are an integral part of these financial statements.

BAY COUNTY, MICHIGAN

Statement of Revenue, Expenditures and Changes in Fund Balances

Budget to Actual - General Fund

For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes and other taxes	\$ 16,041,642	\$ 16,041,642	\$ 16,133,330	\$ 91,688
Licenses and permits	205,600	205,600	216,660	11,060
Federal grants	2,067,904	1,828,812	1,603,092	(225,720)
State grants	3,708,643	3,952,355	4,010,738	58,383
Interest, rents and royalties	1,312,579	1,316,193	1,204,914	(111,279)
Charges for services	3,102,904	3,102,904	2,746,456	(356,448)
Fines and forfeits	551,000	551,000	570,790	19,790
Reimbursements, refunds, and other revenues	2,614,172	2,751,173	2,786,737	35,564
Total revenues	29,604,444	29,749,679	29,272,717	(476,962)
Expenditures				
Current:				
Legislative	498,803	498,803	445,004	(53,799)
Judicial	6,219,698	6,223,898	5,995,556	(228,342)
General government	9,519,282	9,793,136	9,203,462	(589,674)
Public safety	8,179,562	8,393,272	8,247,188	(146,084)
Public works	9,296	9,296	4,177	(5,119)
Health and welfare	813,920	816,920	811,580	(5,340)
Community and economic development	151,619	195,928	166,043	(29,885)
Recreation and culture	1,597,979	1,601,300	1,318,131	(283,169)
Other functions	1,815,753	1,582,584	1,263,302	(319,282)
Total expenditures	28,805,912	29,115,137	27,454,443	(1,660,694)
Revenues over (under) expenditures	798,532	634,542	1,818,274	1,183,732
Other financing sources (uses)				
Insurance recoveries/proceeds	7,450	10,070	10,158	88
Transfers in	2,643,096	2,649,513	2,624,854	(24,659)
Transfers out	(3,357,139)	(3,394,494)	(3,457,858)	(63,364)
Total other financing sources (uses)	(706,593)	(734,911)	(822,846)	(87,935)
Net change in fund balances	91,939	(100,369)	995,428	1,095,797
Fund balances, beginning of year, as restated	11,600,559	11,600,559	11,600,559	-
Fund balances, end of year	\$ 11,692,498	\$ 11,500,190	\$ 12,595,987	\$ 1,095,797

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

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - Mosquito Control For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property and other taxes	\$ 1,270,220	\$ 1,270,220	\$ 1,264,451	\$ (5,769)
State grants	-	-	3,000	3,000
Interest, rents and royalties	12,000	12,000	8,310	(3,690)
Charges for services	-	-	-	-
Reimbursements, refunds, and other revenues	-	-	267	267
Total revenues	<u>1,282,220</u>	<u>1,282,220</u>	<u>1,276,028</u>	<u>(6,192)</u>
Expenditures				
Health and welfare	<u>1,412,474</u>	<u>1,452,474</u>	<u>1,378,796</u>	<u>(73,678)</u>
Revenues over (under) expenditures	<u>(130,254)</u>	<u>(170,254)</u>	<u>(102,768)</u>	<u>67,486</u>
Other financing uses				
Transfers out	<u>(111,867)</u>	<u>(111,867)</u>	<u>(111,867)</u>	<u>-</u>
Net change in fund balances	<u>(242,121)</u>	<u>(282,121)</u>	<u>(214,635)</u>	<u>67,486</u>
Fund balances, beginning of year	<u>342,955</u>	<u>342,955</u>	<u>342,955</u>	<u>-</u>
Fund balances, end of year	<u>\$ 100,834</u>	<u>\$ 60,834</u>	<u>\$ 128,320</u>	<u>\$ 67,486</u>

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

BAY COUNTY, MICHIGAN

Statement of Revenue, Expenditures and Changes in Fund Balances

Budget to Actual - 911 Services Fund
For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property and other taxes	\$ 1,984,299	\$ 1,984,299	\$ 1,967,064	\$ (17,235)
Federal grants	135,000	135,000	(438)	(135,438)
State grants	282,000	282,000	284,757	2,757
Interest, rents and royalties	80,000	80,000	81,108	1,108
Reimbursements, refunds, and other revenues	35,275	35,275	14,025	(21,250)
Total revenues	2,516,574	2,516,574	2,346,516	(170,058)
Expenditures				
Public safety	2,791,058	2,912,063	2,391,534	(520,529)
Principal	8,550	10,550	8,550	(2,000)
Total expenditures	2,799,608	2,922,613	2,400,084	(522,529)
Revenues over (under) expenditures	(283,034)	(406,039)	(53,568)	352,471
Other financing uses				
Transfers out	(217,516)	(217,516)	(217,516)	-
Net change in fund balances	(500,550)	(623,555)	(271,084)	352,471
Fund balances, beginning of year	3,354,003	3,354,003	3,354,003	-
Fund balances, end of year	\$ 2,853,453	\$ 2,730,448	\$ 3,082,919	\$ 352,471

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

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Division on Aging
For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property and other taxes	\$ 1,411,357	\$ 1,411,357	\$ 1,353,597	\$ (57,760)
Federal grants	641,442	686,872	668,825	(18,047)
State grants	100	100	-	(100)
Interest, rents and royalties	6,000	6,000	8,007	2,007
Charges for services	28,447	29,167	16,917	(12,250)
Reimbursements, refunds, and other revenues	301,652	301,652	345,534	43,882
Total revenues	2,388,998	2,435,148	2,392,880	(42,268)
Expenditures				
Health and welfare	2,365,899	2,380,333	2,190,061	(190,272)
Total expenditures	2,365,899	2,380,333	2,190,061	(190,272)
Revenues over (under) expenditures	23,099	54,815	202,819	148,004
Other financing sources (uses)				
Transfers in	14,500	6,200	6,200	-
Transfers out	(287,520)	(287,520)	(283,332)	4,188
Other financing sources (uses)	(273,020)	(281,320)	(277,132)	4,188
Net change in fund balances	(249,921)	(226,505)	(74,313)	152,192
Fund balances, beginning of year	273,324	273,324	273,324	-
Fund balances, end of year	\$ 23,403	\$ 46,819	\$ 199,011	\$ 152,192

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

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - Homeland Security For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Federal grants	\$ 7,375,098	\$ 7,203,954	\$ 3,303,073	\$ (3,900,881)
Reimbursements, refunds, and other revenues	-	-	16,695	16,695
Total revenues	<u>7,375,098</u>	<u>7,203,954</u>	<u>3,319,768</u>	<u>(3,884,186)</u>
Expenditures				
General government	<u>7,375,098</u>	<u>7,203,954</u>	<u>3,316,076</u>	<u>(3,887,878)</u>
Net change in fund balances	-	-	3,692	3,692
Fund balances, beginning of year	-	-	8,801	8,801
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,493</u>	<u>\$ 12,493</u>

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

BAY COUNTY, MICHIGAN

Statement of Net Position

Proprietary Funds
December 31, 2012

	Business-type Activities - Enterprise Funds					Governmental Activities
	Medical Care Facility	100% Tax Payment	Housing	Other Enterprise Funds	Total	Internal Service Funds
Assets						
Current assets:						
Cash and cash equivalents	\$ 148,901	\$ -	\$ 429,390	\$ 148,408	\$ 726,699	\$ 3,928,354
Investments	11,386,350	3,497,536	235,711	240,119	15,359,716	1,229,429
Accounts receivable, net of allowance	1,768,274	8,854	1,199	9,152	1,787,479	109,504
Property taxes receivable	2,111,337	3,656,223	-	-	5,767,560	-
Accrued interest receivable	-	643,806	-	4,379	648,185	16,213
Inventories	-	-	-	25,117	25,117	-
Due from other funds	-	1,029,239	-	12,796	1,042,035	33,754
Due from component units	-	-	-	25,000	25,000	712
Due from other governmental units	-	78,297	-	15	78,312	230
Prepaid items and other assets	537,578	-	1,776	11,050	550,404	955,915
Total current assets	15,952,440	8,913,955	668,076	476,036	26,010,507	6,274,111
Noncurrent assets:						
Net pension asset	-	7,784	-	13,916	21,700	1,055
Land	-	-	90,538	167,021	257,559	-
Land improvements	-	-	337,164	771,553	1,108,717	-
Constuction in progress	47,068	-	-	-	47,068	-
Buildings and improvements	11,970,380	-	4,674,439	406,224	17,051,043	-
Machinery and equipment	315,855	-	356,473	467,054	1,139,382	-
Office furniture and fixtures	1,957,269	2,035	-	161,442	2,120,746	-
Vehicles and other	108,826	-	-	15,050	123,876	-
Less accumulated depreciation	(9,501,581)	(2,035)	(3,527,753)	(1,463,582)	(14,494,951)	-
Total noncurrent assets	4,897,817	7,784	1,930,861	538,678	7,375,140	1,055
Total assets	20,850,257	8,921,739	2,598,937	1,014,714	33,385,647	6,275,166
Liabilities						
Current liabilities:						
Accounts payable	534,587	587	30,783	22,280	588,237	4
Accrued liabilities	619,714	3,666	58,128	9,879	691,387	64,307
Accrued vacation and sick pay, current portion	-	901	13,643	2,915	17,459	-
Deposits payable	26,418	-	23,548	-	49,966	-
Due to other funds	-	13,480	-	8,588	22,068	1
Due to other governmental units	-	6,173	-	451	6,624	-
Claims, settlements and judgments	728,107	-	-	-	728,107	422,045
Unearned revenue	2,111,337	-	644	9,724	2,121,705	-
Total current liabilities	4,020,163	24,807	126,746	53,837	4,225,553	486,357

continued...

BAY COUNTY, MICHIGAN

Statement of Net Position

Proprietary Funds
December 31, 2012

	Business-type Activities - Enterprise Funds					Governmental
	Medical Care Facility	100% Tax Payment	Housing	Other Enterprise Funds	Total	Internal Service Funds
Liabilities (continued)						
Noncurrent liabilities:						
Net OPEB obligation	\$ 9,822,402	\$ 37,941	\$ -	\$ 54,668	\$ 9,915,011	\$ 4,413
Accrued vacation and sick pay	174,501	11,218	6,035	22,139	213,893	1,536
Total noncurrent liabilities	9,996,903	49,159	6,035	76,807	10,128,904	5,949
Total liabilities	14,017,066	73,966	132,781	130,644	14,354,457	492,306
Net position						
Investment in capital assets	4,897,817	-	1,930,861	524,762	7,353,440	-
Restricted for:						
Restricted assets	-	1,408,902	-	-	1,408,902	-
Insurance claims	-	-	-	-	-	5,458,195
Contributions	-	-	-	-	-	324,665
Unrestricted	1,935,374	7,438,871	535,295	359,308	10,268,848	-
Total net position	\$ 6,833,191	\$ 8,847,773	\$ 2,466,156	\$ 884,070	\$ 19,031,190	\$ 5,782,860

concluded

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

BAY COUNTY, MICHIGAN

Statement of Revenue, Expenses and Changes in Fund Net Position

Proprietary Funds

For the Year Ended December 31, 2012

	Business-type Activities - Enterprise Funds					Governmental Activities
	Medical Care Facility	100% Tax Payment	Housing	Other Enterprise Funds	Total	Internal Service Funds
Operating revenues						
Program grants-subsidies	\$ -	\$ -	\$ 285,489	\$ -	\$ 285,489	\$ -
Charges for services	21,600,556	-	257,724	1,023,951	22,882,231	7,013,230
Reimbursements, refunds, and other revenue	14,514	-	42,109	17,686	74,309	-
Total operating revenues	21,615,070	-	585,322	1,041,637	23,242,029	7,013,230
Operating expenses						
Personal services	17,898,444	132,719	180,945	339,905	18,552,013	5,383,279
Supplies	-	6,811	-	67,087	73,898	2
Other services	5,813,921	625	421,638	521,459	6,757,643	811,100
Depreciation	599,686	-	201,152	71,622	872,460	-
Total operating expenses	24,312,051	140,155	803,735	1,000,073	26,256,014	6,194,381
Operating (loss) income	(2,696,981)	(140,155)	(218,413)	41,564	(3,013,985)	818,849
Nonoperating revenues (expenses)						
Property and other taxes	1,437,577	1,116,682	-	-	2,554,259	-
Other income	7,199	-	-	-	7,199	-
Interest income	186,288	104,032	1,552	9,005	300,877	32,515
Interest expense	(268)	-	-	-	(268)	-
Total nonoperating revenues (expenses)	1,630,796	1,220,714	1,552	9,005	2,862,067	32,515
Income (loss) before contributions and transfers	(1,066,185)	1,080,559	(216,861)	50,569	(151,918)	851,364
Transfers in	-	94,541	-	-	94,541	-
Transfers out	-	(1,200,000)	-	(244,541)	(1,444,541)	-
Change in net position	(1,066,185)	(24,900)	(216,861)	(193,972)	(1,501,918)	851,364
Net position, beginning of year	7,899,376	8,872,673	2,683,017	1,078,042	20,533,108	4,931,496
Net position, end of year	<u>\$ 6,833,191</u>	<u>\$ 8,847,773</u>	<u>\$ 2,466,156</u>	<u>\$ 884,070</u>	<u>\$19,031,190</u>	<u>\$ 5,782,860</u>

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, 2012

	Business-type Activities - Enterprise Funds					Governmental Activities
	Medical Care Facility	100% Tax Payment	Housing	Other Enterprise Funds	Total	Internal Service Funds
Cash flows from operating activities						
Cash received from customers	\$20,116,207	\$ -	\$ 298,630	\$ 1,016,882	\$21,431,719	\$ -
Cash received from interfund services provided	2,312,108	1,199,207	-	-	3,511,315	7,160,921
Cash received from grants and subsidies	-	-	369,054	-	369,054	-
Interfund reimbursements	-	-	-	-	-	-
Cash payments to suppliers for goods and services	(5,561,201)	(636,769)	(392,591)	(573,749)	(7,164,310)	(858,854)
Cash payments to employees and related taxes and insurance	(16,157,894)	(115,175)	(223,129)	(314,297)	(16,810,495)	(5,776,379)
Other operating revenues	14,514	-	-	17,686	32,200	-
Net cash provided (used) by operating activities	723,734	447,263	51,964	146,522	1,369,483	525,688
Cash flows from noncapital financing activities						
Taxes received	1,437,577	558,662	-	-	1,996,239	-
Resident trust deposits	8,936	-	-	-	8,936	-
Contributions	7,199	-	-	-	7,199	-
Transfers in	-	94,541	-	-	94,541	-
Transfers out	-	(1,200,000)	-	(244,541)	(1,444,541)	-
Net cash provided (used) by noncapital financing activities	1,453,712	(546,797)	-	(244,541)	662,374	-
Cash flows from capital and related financing activities						
Acquisition and construction of capital assets	(302,442)	-	(125,831)	-	(428,273)	-
Proceeds from sale of capital assets	195	-	-	-	195	-
Net cash provided (used) by capital and related financing activities	(302,247)	-	(125,831)	-	(428,078)	-
Cash flows from investing activities						
Purchases of investments	(2,304,495)	(806,608)	(1,227)	110,316	(3,002,014)	(200,519)
Interest on investments	186,288	104,032	1,552	9,005	300,877	32,515
Net cash provided (used) by investing activities	(2,118,207)	(702,576)	325	119,321	(2,701,137)	(168,004)
Net increase (decrease) in cash and cash equivalents	(243,008)	(802,110)	(73,542)	21,302	(1,097,358)	357,684
Cash and cash equivalents, beginning of year	391,909	802,110	502,932	127,106	1,824,057	3,570,670
Cash and cash equivalents, end of year	\$ 148,901	\$ -	\$ 429,390	\$ 148,408	\$ 726,699	\$ 3,928,354

continued...

BAY COUNTY, MICHIGAN

Statement of Cash Flows

Proprietary Funds

For the Year Ended December 31, 2012

	Business-type Activities - Enterprise Funds					Governmental Activities
	Medical Care Facility	100% Tax Payment	Housing	Other Proprietary Funds	Total	Internal Service Funds
Cash flows from operating activities						
Operating income (loss)	\$ (2,696,981)	\$ (140,155)	\$ (218,413)	\$ 41,564	\$ (3,013,985)	\$ 818,849
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities						
Depreciation	599,686	-	201,152	71,622	872,460	-
Changes in assets and liabilities:						
Accounts receivable	226,422	554,489	83,565	(5,576)	858,900	149,481
Property taxes receivable	-	558,020	-	-	558,020	-
Accrued interest receivable	-	94,087	-	120	94,207	(1,828)
Inventories	-	-	-	22,040	22,040	-
Due from other funds	-	(604,015)	-	(394)	(604,409)	(10,317)
Due from component units	-	-	-	-	-	38
Due from other governmental units	-	(12,168)	-	5	(12,163)	84
Prepaid items and other assets	22,503	-	24,533	(217)	46,819	(35,964)
Net pension asset	-	(2,161)	-	(3,924)	(6,085)	(294)
Accounts payable	178,540	47	(41,442)	10,554	147,699	(1,460)
Accrued liabilities	(94,410)	346	3,772	3,828	(86,464)	(64,626)
Accrued vacation and sick pay	(106,557)	1,724	-	379	(104,454)	(25)
Deposits payable	-	-	1,175	-	1,175	-
Due to other funds	-	453	-	(17,186)	(16,733)	(11)
Due to other governmental units	-	(21,039)	-	297	(20,742)	-
Claims, settlements, and judgments	(52,885)	-	-	-	(52,885)	(332,652)
Unearned revenue	653,014	-	(2,378)	(1,618)	649,018	-
Net OPEB obligation	1,994,402	17,635	-	25,028	2,037,065	4,413
Net cash provided (used by operating activities)	<u>\$ 723,734</u>	<u>\$ 447,263</u>	<u>\$ 51,964</u>	<u>\$ 146,522</u>	<u>\$ 1,369,483</u>	<u>\$ 525,688</u>

concluded

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

BAY COUNTY, MICHIGAN

Statement of Fiduciary Net Position

Fiduciary Funds

December 31, 2012

	Inmate Private Purpose Trust Fund	Probate Court Trust Fund	Pension and Other Employee Benefits Trust Funds	Agency Funds
Assets				
Cash and cash equivalents	\$ 9,621	\$ 3,050	\$ -	\$ 2,758,201
Investments at fair value:				
Equities	-	-	204,948,062	-
Fixed income	-	-	64,883,877	-
Money market	-	-	8,678,236	-
Other	-	-	229,193	8,157,282
Total investments, at fair value	-	-	278,739,368	8,157,282
Receivables:				
Interest and dividends	-	-	687,905	-
Accounts	-	-	804,405	282
Due from other governmental units	-	-	144,603	-
Prepaid items and other assets	-	-	708,200	-
Net pension asset	-	-	4,245	-
Due from other funds	-	-	14	-
Due from component units	-	-	52,763	-
Total assets	9,621	3,050	281,141,503	\$ 10,915,765
Liabilities				
Accounts payable	\$ 8,696	\$ -	\$ 384,108	\$ 289,629
Accrued liabilities	195	3,050	1,963,184	101,435
Accrued vacation and sick pay	-	-	6,146	-
Due to other funds	-	-	14	-
Due to component units	-	-	-	10,033,219
Due to other governmental units	-	-	-	321,241
Deposits	-	-	-	169,652
Undistributed taxes	-	-	-	589
Net OPEB obligation	-	-	16,423	-
Total liabilities	8,891	3,050	2,369,875	\$ 10,915,765
Net position held in trust	\$ 730	\$ -	\$ 278,771,628	

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, 2012

	Inmate Private Purpose Trust Fund	Probate Court Trust Fund	Pension and Other Employee Benefits Trust Funds
Additions			
Contributions:			
Employer	\$ -	\$ -	\$ 4,477,464
Current premium contributions	-	-	1,134,775
Plan members	-	-	2,116,924
Reimbursements, refunds, and other revenue	-	-	-
Total contributions	-	-	7,729,163
Investment income:			
Net depreciation in fair value of investments	-	-	26,984,426
Interest and dividends	214	-	6,047,455
Less investment expense	-	-	(1,816,495)
Net investment income (loss)	214	-	31,215,386
Other revenue	-	-	171,022
Total additions	214	-	39,115,571
Deductions			
Benefits	-	-	12,273,871
Retiree healthcare premium payments	-	-	1,134,775
Administrative expenses	-	-	249,460
Refunds of contributions	-	-	113,550
Pension expense	-	-	7,482
Other services	82	-	-
Total deductions	82	-	13,779,138
Change in net position	132	-	25,336,433
Net position held in trust for pension, healthcare, and other benefits			
Beginning of year	598	-	253,435,195
End of year	\$ 730	\$ -	\$ 278,771,628

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

BAY COUNTY, MICHIGAN

Statement of Net Position

Component Units
December 31, 2012

	Road Commission	Economic Development	Library System
Assets			
Cash and cash equivalents	\$ 1,098,237	\$ -	\$ 5,241,921
Investments	1,570,328	-	-
Receivables	143,452	-	5,682,509
Inventories	753,162	-	-
Due from other governmental units	1,494,343	-	-
Due from primary government	2,778	-	69,222
Prepaid items and other assets	356,086	-	111,553
Net OPEB asset	-	-	-
Capital assets not being depreciated	51,969,844	-	107,487
Capital assets being depreciated, net	36,138,915	-	2,780,270
Total assets	93,527,145	-	13,992,962
Liabilities			
Accounts payable and accrued liabilities	455,924	-	204,412
Unearned revenue	-	-	5,614,500
Due to other governmental units	29,636	-	-
Due to other component units	308,072	-	-
Due to primary government	-	-	-
Advances from other governmental units	348,450	-	-
Long-term liabilities:			
Due within one year	375,000	-	23,715
Due in more than one year	568,361	-	173,912
Net OPEB obligation	6,645,289	-	176,791
Total liabilities	8,730,732	-	6,193,330
Net position			
Investment in capital assets, net of related debt	88,108,759	-	2,887,757
Restricted for:			
Debt service	-	-	-
Unrestricted (deficit)	(3,312,346)	-	4,911,875
Total net position	\$ 84,796,413	\$ -	\$ 7,799,632

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

Department of Water and Sewer	Drain Commission	Bay Area Narcotics Enforcement Team	Bay County Landbank	Total
\$ 6,020,833	\$ 575,827	\$ 161,438	\$ 25,997	\$ 13,124,253
-	1,996,260	-	-	3,566,588
2,715,775	676,150	156,201	-	9,374,087
337,219	-	-	1,086	1,091,467
466,563	314,839	-	-	2,275,745
-	82,844	-	-	154,844
149,500	3,662	2,000	-	622,801
177,723	-	-	-	177,723
220,077	333,173	-	-	52,630,581
24,736,562	3,438,426	5,796	-	67,099,969
<u>34,824,252</u>	<u>7,421,181</u>	<u>325,435</u>	<u>27,083</u>	<u>150,118,058</u>
511,667	45,180	84,788	25,000	1,326,971
-	-	-	-	5,614,500
-	-	-	-	29,636
-	-	-	-	308,072
-	143,310	-	-	143,310
-	-	-	-	348,450
590,016	166,242	-	-	1,154,973
6,685,088	370,550	-	-	7,797,911
-	-	-	-	6,822,080
<u>7,786,771</u>	<u>725,282</u>	<u>84,788</u>	<u>25,000</u>	<u>23,545,903</u>
20,336,023	3,234,807	5,796	-	114,573,142
-	266,605	-	-	266,605
6,701,458	3,194,487	234,851	2,083	11,732,408
<u>\$ 27,037,481</u>	<u>\$ 6,695,899</u>	<u>\$ 240,647</u>	<u>\$ 2,083</u>	<u>\$ 126,572,155</u>



BAY COUNTY, MICHIGAN

Statement of Activities

Component Units

For the Year Ended December 31, 2012

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Component units					
Road Commission					
Governmental activities:					
Highways and streets	\$ 12,265,236	\$ 1,837,494	\$ 8,013,294	\$ 2,174,657	\$ (239,791)
Economic Development					
Governmental activities:					
Health and wellness	21,546	-	-	-	(21,546)
Library System					
Governmental activities:					
Recreation and culture	6,451,308	472,091	76,208	108,752	(5,794,257)
Department of Water and Sewer					
Business-type activities:					
Water	1,528,588	1,624,180	-	-	95,592
Sewer	4,177,495	4,284,944	-	-	107,449
Total Department of Water and Sewer	5,706,083	5,909,124	-	-	203,041
Drain Commission					
Governmental activities:					
Public works	597,525	6,200	-	310,675	(280,650)
Interest on long-term debt	26,685	-	-	-	(26,685)
Total Drain Commission	624,210	6,200	-	310,675	(307,335)
Bay Area Narcotics Enforcement Team					
Governmental activities:					
Public safety	634,487	366,335	383,428	-	115,276
Bay County Landbank					
Governmental activities:					
General government	23,705	-	-	-	(23,705)
Total component units	\$ 25,705,029	\$ 8,591,244	\$ 8,472,930	\$ 2,594,084	\$ (6,068,317)

continued...

BAY COUNTY, MICHIGAN

Statement of Activities

Component Units

For the Year Ended December 31, 2012

	Road Commission	Economic Development	Library System
Change in net position			
Net (expense) revenue	\$ (239,791)	\$ (21,546)	\$ (5,794,257)
General revenues:			
Property taxes	-	-	5,607,867
Unrestricted investment earnings	54,112	-	135,428
Gain/(loss) on disposal of capital asset	-	-	-
Other revenue	159,377	-	-
Total general revenues	213,489	-	5,743,295
Change in net position	(26,302)	(21,546)	(50,962)
Net position, beginning of year, as restated	84,822,715	21,546	7,850,594
Net position, end of year	\$ 84,796,413	\$ -	\$ 7,799,632

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



Department of Water and Sewer	Drain Commission	Bay Area Narcotics Enforcement Team	Bay County Landbank	Total
\$ 203,041	\$ (307,335)	\$ 115,276	\$ (23,705)	\$ (6,068,317)
-	90,602	-	-	5,698,469
88,998	94,135	-	-	372,673
-	(19,606)	-	788	(18,818)
-	77,074	141	-	236,592
88,998	242,205	141	788	6,288,916
292,039	(65,130)	115,417	(22,917)	220,599
26,745,442	6,761,029	125,230	25,000	126,351,556
<u>\$ 27,037,481</u>	<u>\$ 6,695,899</u>	<u>\$ 240,647</u>	<u>\$ 2,083</u>	<u>\$ 126,572,155</u>



NOTES TO FINANCIAL STATEMENTS

BAY COUNTY, MICHIGAN

Notes To Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity

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

Blended Component Unit

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

Bay County Economic Development Corporation (Economic Development Corporation) - The Economic Development Corporation is governed by a nine-member Board who are recommended by the Bay County Executive Board and approved by the Bay County Board of Commissioners. The County has appropriation authority and budgetary control over the activities of the Economic Development Corporation. The Economic Development Corporation provides the means and methods of encouragement and assistance to strengthen and revitalize the economy of Bay County by improving the atmosphere for progress and growth through new employment opportunities and an increased tax base. The Economic Development Corporation’s activities are reported discretely as a governmental fund type. Separate financial statements for the Economic Development Corporation can be obtained from the County’s Finance Department at 515 Center Avenue, Bay City, Michigan, 48708.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Bay County Library System (Library System) - The Library System is governed by a Board comprised of five appointees of the Bay County Board of Commissioners who are not County Board members. The County, which is the Library System's taxing authority, also has appropriation authority, but not budgetary control, over its activities. The Library System provides services and materials in a variety of formats to satisfy the educational, personal, and professional interests of the Bay County community, with funds primarily raised through local property taxes. The Library System's activities are reported discretely as a governmental fund type. Separate financial statements for the Library System can be obtained from its administrative offices at 500 Center Avenue, Bay City, Michigan, 48708.

Bay County Department of Water and Sewer (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 (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 Commission. The Drain Commission deposits its receipts with the County Treasurer. The nature and significance of the relationship between the primary government and the Drain Commission is such that exclusion would cause the reporting entity's financial statements to be misleading. Separate financial statements for the Drain Commission can be obtained from the County's Finance Department at 515 Center Avenue, Bay City, Michigan, 48708.

Bay Area Narcotics Enforcement Team (BAYANET) - BAYANET is an instrument of six counties and the State Police formed to organize a multi-jurisdictional/multi-tiered investigative task force designed to singularly combat the proliferation of narcotic trafficking in the eastern Mid-Michigan area. Complete financial statements of BAYANET can be obtained from its administrative offices at P.O. Box 676, Freeland, Michigan 48623.

Bay County Landbank - The landbank is a public body corporate organized pursuant to the Michigan Land Bank Fast Track P.A. 258 and an Intergovernmental Agreement entered into between the Michigan Land Bank Authority and the Treasurer of Bay County, Michigan. The Landbank was created to acquire, hold, manager and develop tax-foreclosed properties, as well as other vacant and abandoned properties.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Government-Wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements, except for agency funds which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 government reports the following major governmental funds:

The *General Fund* is the principal operating fund of Bay County. It is used to account for all revenues, expenditures, and activities not specifically accounted for in another fund.

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

The *911 Service 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 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 *Homeland Security Fund* accounts for revenues received from federal grants administered by the United States Homeland Security for building and sustaining national preparedness activities.

The government reports the following major proprietary funds:

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

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

Additionally, the County reports the following fund types:

The *Special Revenue Funds* account for revenue sources that are legally restricted to expenditures for specific purposes not including major capital projects.

The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental activities.

The *Capital Projects Fund* accounts for nontax revenues earmarked for statutory public improvements.

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.

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

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

BAY COUNTY, MICHIGAN

Notes To Financial Statements

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

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 Housing 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.

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

Assets, liabilities and equity

Deposits and investments

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

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

Receivable and payables

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

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Activity between funds that are representative of lending / borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to / from other funds” (i.e., the current portion of interfund loans) or “advances to / from other funds” (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as “due to / from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account 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 more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

BAY COUNTY, MICHIGAN

Notes To Financial Statements

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

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

Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, 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. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

Fund equity

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

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

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.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

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

Deferred inflows of resources

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

Compensated absences

Bay County, including its component units, except for the Road Commission and Department of Water and Sewer, has an employee benefit plan that allows employees to accumulate unused sick days up to a maximum of 90 days, except for the Medical Care Facility, which has no limit for accumulating unused sick days. The Road Patrol employees hired before September 15, 1989 and all Correctional Facility Officers may accumulate unused sick days up to a maximum of 120 days. Road Patrol employees hired after September 15, 1989 may accumulate a maximum of 90 days. Probate Court employees may accumulate a maximum of 60 unused sick days. Employees may either use these sick days when ill or receive payment for 50 percent of the unused portion at time of retirement, subject to certain limitations. Most employees are also allowed to accumulate unused vacation days, subject to certain limitations. All employees can accumulate and carryforward 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 vacation and sick leave in varying amounts, based on the Road Commission's administrative policy and contract with union employees. Vacation time is credited annually to each employee but cannot be accumulated for more than one year without Board approval, with the exception that all employees can carry over five days without Board approval. Administrative employees and union employees are limited to 1,200 hours of sick leave accumulation. At this point, the employees are allowed to accumulate 96 hours of sick leave reserve, the unused portion of which is paid by the Road Commission at the beginning of the following year. Upon retirement, permanent disability or leaving the employment of the Road Commission, all union employees are paid 85% of their accumulated sick leave. Administrative employees are paid 85% of their accumulated sick leave upon leaving the employment of the Road Commission.

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 120 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.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

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

2. BUDGETARY INFORMATION

Governmental funds are under formal budgetary control. Capital Projects 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 an object class (categorical) basis, with the exception of the Circuit, District, and Probate courts, whose legal level of control over expenditures is on a total basis (lump sum) encompassing all of their operations. Expenditures are limited to appropriations for each object class (category) 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. The County has prepared and issued separate from the financial statements a report on budget amounts compared to actual at the legal level of budgetary control (by activity, by object class (category), by fund).

3. EXCESS OF EXPENDITURES OVER BUDGET

The County has prepared and issued separate from the financial statements a report on budget amounts, which includes a schedule reflecting the amount of any excess of expenditures over appropriations at the legal level of control. The following individual funds incurred expenditures in excess of appropriations, presented at a summary level for the County's major and non-major governmental funds:

Fund	Appropriation	Expenditure	Excess Expenditure
General Fund:			
Transfers out	\$ 3,394,494	\$ 3,457,858	\$ 63,364

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

BAY COUNTY, MICHIGAN

Notes To Financial Statements

4. DEPOSITS AND INVESTMENTS

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

	Primary Government	Component Units	Totals
Statement of Net Position			
Cash and cash equivalents	\$ 5,487,382	\$ 13,124,253	\$ 18,611,635
Investments	33,666,475	3,566,588	37,233,063
Statement of Fiduciary Net Position			
Pension and other employee benefits trust funds:			
Cash and cash equivalents	-	-	-
Investments	278,739,368	-	278,739,368
Other fiduciary funds:			
Cash and cash equivalents	2,767,822	-	2,767,822
Investments	8,157,282	-	8,157,282
Total	\$ 328,818,329	\$ 16,690,841	\$ 345,509,170
Deposits and investments			
Bank deposits (checking, savings, money markets and certificates of deposit)			\$ 10,715,901
Investments:			
Equities			
Domestic equities			174,003,307
Foreign equities			17,003,145
Convertible equity			2,397,398
Preferred stock			1,797
Corporate convertible bonds			11,542,415
Fixed income			
Asset backed securities			277,580
Corporate bonds			31,835,631
Government agencies**			22,818,249
Government bonds			7,965,235
Government mortgage-backed securities			13,235,105
Municipal bonds**			31,201,341
Government issued commercial mortgage-backed			4,312,123
Commercial mortgage-backed			757,230
Other fixed income**			3,404,677
Money market			
Short-term investments			13,770,189
Cash and cash equivalents			229,193
Cash on hand			38,654
Total			\$ 345,509,170

** The County's investments in government agencies, municipal bonds, and other fixed income include call options with a market value of \$17,059,100, \$1,412,492, and \$1,003,140, respectively.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

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

	Investment Type			
	Equities	Fixed Income	Money Markets	Total
Less than 1 year	\$ 3,725,344	\$ 5,520,430	\$ 13,770,189	\$ 23,015,963
1 - 5 years	4,045,754	29,684,308	-	33,730,062
6 - 10 years	1,472,800	45,671,117	-	47,143,917
More than 10 years	2,298,517	34,931,316	-	37,229,833
No maturity	193,405,647	-	-	193,405,647
Total	\$ 204,948,062	\$ 115,807,171	\$ 13,770,189	\$ 334,525,422

	Investment Type			
	Equities	Fixed Income	Money Markets	Total
AAA	\$ 1,261,991	\$ 1,207,139	\$ -	\$ 2,469,130
AA+	-	19,482,070	-	19,482,070
AA	-	583,685	-	583,685
AA-	-	11,912,968	-	11,912,968
A+	673,019	1,976,491	-	2,649,510
A	651,475	3,197,336	-	3,848,811
A-	2,946,835	487,298	-	3,434,133
B+	152,839	-	-	152,839
BBB+	2,539,457	2,112,285	-	4,651,742
BBB	538,965	-	-	538,965
BBB-	1,226,961	-	-	1,226,961
BB+	433,990	-	-	433,990
BB	256,586	-	-	256,586
BB-	229,725	-	-	229,725
SP-1+	-	1,004,280	-	1,004,280
SP-1	-	4,029,760	-	4,029,760
Not rated	194,036,219	69,813,859	13,770,189	281,463,613
Total	\$ 204,948,062	\$ 115,807,171	\$ 13,770,189	\$ 334,525,422

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Investment and deposit risk

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

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

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned. State law does not require and the County does not have a policy for deposit custodial credit risk. As of year-end \$7,902,973 of the County's bank balance of \$11,409,234 was exposed to custodial credit risk because it was uninsured and uncollateralized.

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

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

Investments and Securities Lending

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

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

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Employees' Retirement System Investments

The System's investments are primarily held in a bank-administered trust fund. Following is a summary of the System's investments as of December 31, 2012:

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

Equities:

Domestic equities	\$ 157,334,239
International equities	16,950,864
Convertible equity	2,397,398
Preferred stock	1,797
Corporate convertible bonds	11,542,415

Fixed income:

Asset backed securities	146,371
Corporate bonds	27,738,184
Government agencies	1,292,251
Government bonds	7,400,251
Government mortgage-backed securities	12,017,495
Municipal bonds	157,862
Government issued commercial mortgage-backed	2,875,753

Money market:

Short-term investments	7,254,440
Cash and cash equivalents	229,193

Total investments in Employees' Retirement System \$ 247,338,513

The Michigan Public Employees Retirement Systems' Investment Act, Public Act 314 of 1965, as amended, authorizes the System to invest in domestic and foreign stocks, government securities, corporate securities, mortgages, real estate and various other investment instruments, subject to certain limitations.

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

As of December 31, 2012, maturities and Standard & Poors ratings for the System's investments in debt securities were as follows:

	Investment Type			
	Equities	Fixed Income	Money Markets	Total
Less than 1 year	\$ 3,725,344	\$ 39,719	\$ 7,254,440	\$ 11,019,503
1 - 5 years	4,045,475	10,568,841	-	14,614,316
6 - 10 years	1,472,800	22,364,158	-	23,836,958
More than 10 years	2,298,517	18,655,449	-	20,953,966
No maturity	176,684,577	-	-	176,684,577
Total	<u><u>\$ 188,226,713</u></u>	<u><u>\$ 51,628,167</u></u>	<u><u>\$ 7,254,440</u></u>	<u><u>\$ 247,109,320</u></u>

BAY COUNTY, MICHIGAN

Notes To Financial Statements

	Investment Type			
	Equities	Fixed Income	Money Markets	Total
AAA	\$ 1,261,991	\$ 7,430,094	\$ -	\$ 8,692,085
AA+	-	3,266,239	-	3,266,239
AA	-	219,597	-	219,597
AA-	-	866,800	-	866,800
A+	673,019	2,514,124	-	3,187,143
A	651,475	2,940,065	-	3,591,540
A-	2,946,835	6,821,897	-	9,768,732
B+	152,839	15,750	-	168,589
BBB+	2,539,457	3,199,992	-	5,739,449
BBB	538,965	3,689,677	-	4,228,642
BBB-	1,226,961	3,663,339	-	4,890,300
BB+	433,990	889,267	-	1,323,257
BB	256,586	517,274	-	773,860
BB-	229,725	840,602	-	1,070,327
Not rated	177,314,870	14,753,450	7,254,440	199,322,760
Total	\$ 188,226,713	\$ 51,628,167	\$ 7,254,440	\$ 247,109,320

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

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the System's investment in a single issuer. The System's investment policy requires that no manager will hold more than 5% of its portion of the total fund in any single company and no more than 5% may be held in any single common stock. At December 31, 2012 the System's investment portfolio was not concentrated.

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

BAY COUNTY, MICHIGAN

Notes To Financial Statements

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

Investment/Country	Currency	Fair Value (in U.S. Dollars)
Australia	Australian dollar	\$ 383,965
Brazil	US dollar	42,765
Canada	Canadian dollar	40,335
Canada	US dollar	812,896
China	Hong Kong dollar	223,261
China	US dollar	472,035
France	European euro	1,316,101
France	US dollar	390,423
Germany	European euro	1,315,435
Germany	US dollar	50,728
Ireland	US dollar	351,792
Israel	Israeli new sheqel	259,936
Israel	US dollar	677,915
Japan	Japanese yen	2,584,211
Korea, Republic of	US dollar	258,114
Mexico	US dollar	280,063
Netherlands	US dollar	902,642
Norway	Norwegian krone	70,804
Russian Federation	US dollar	197,645
Singapore	Singapore dollar	658,625
Sweden	Swedish dollar	272,023
Switzerland	Swiss franc	1,053,776
United Kingdom	European euro	254,889
United Kingdom	Great Britain pound	3,610,905
United Kingdom	US dollar	469,580
		\$ 16,950,864
Total international equities		\$ 16,950,864

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, 2012:

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

Equities:	
Domestic equities	\$ 16,669,068
International equities	52,281
Fixed income:	
Asset backed securities	131,209
Corporate bonds	4,097,447
Government agencies	2,463,048
Government bonds	564,984
Government mortgage-backed securities	1,217,610
Government issued commercial mortgage-backed	1,436,370
Municipal bonds	186,277
Commercial mortgage-backed	757,230
Other fixed income	2,401,535
Money market:	
Short-term investments	<u>1,423,796</u>
Total investments in Voluntary Employees' Beneficiary Association trust	<u><u>\$ 31,400,855</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, 2012, maturities and Standard & Poors ratings for the Trust's investments in debt securities were as follows:

	Investment Type			
	Equities	Fixed Income	Money Markets	Total
Less than 1 year	\$ -	\$ 640,026	\$ 1,423,796	\$ 2,063,822
1 - 5 years	-	4,896,064	-	4,896,064
6 - 10 years	-	2,859,778	-	2,859,778
More than 10 years	-	4,859,842	-	4,859,842
No maturity	16,721,349	-	-	16,721,349
Total	<u><u>\$ 16,721,349</u></u>	<u><u>\$ 13,255,710</u></u>	<u><u>\$ 1,423,796</u></u>	<u><u>\$ 31,400,855</u></u>

BAY COUNTY, MICHIGAN

Notes To Financial Statements

	Investment Type			
	Equities	Fixed Income	Money Markets	Total
AAA	\$ -	\$ 688,495	\$ -	\$ 688,495
AA+	-	2,565,770	-	2,565,770
AA	-	707,278	-	707,278
AA-	-	442,827	-	442,827
A+	-	564,271	-	564,271
A	-	1,185,554	-	1,185,554
A-	-	973,631	-	973,631
BBB+	-	253,367	-	253,367
BBB	-	47,086	-	47,086
Not rated	16,721,349	5,827,431	1,423,796	23,972,576
Total	\$ 16,721,349	\$ 13,255,710	\$ 1,423,796	\$ 31,400,855

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, 2012 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)
United Kingdom	US dollar	<u>52,281</u>

BAY COUNTY, MICHIGAN

Notes To Financial Statements

5. RECEIVABLES

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

	Governmental Activities	Business-type Activities	Component Units
Taxes/special assessments:			
Current	\$ 7,756,638	\$ -	\$ 5,890,785
Non-current	100,925	5,767,560	372,872
Accounts	3,218,200	1,787,479	3,015,428
Interest	242,663	648,185	95,002
Intergovernmental	3,713,571	103,312	2,430,589
Less: allowance for uncollectible accounts	(739,132)	-	-
Total	\$ 14,292,865	\$ 8,306,536	\$ 11,804,676

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 reported as deferred inflows of resources.

	Unavailable	Subsequent Years' Resources	Total
Property taxes receivable			
General fund	\$ 696,149	\$ -	\$ 696,149
Mosquito control fund	3,781	1,266,803	1,270,584
911 service fund	6,045	1,970,583	1,976,628
Division on aging fund	4,280	2,252,094	2,256,374
Nonmajor government type funds	1,374	831,021	832,395
Total	\$ 711,629	\$ 6,320,501	\$ 7,032,130

BAY COUNTY, MICHIGAN

Notes To Financial Statements

6. CAPITAL ASSETS

Primary government

Capital assets activity for the year ended December 31, 2012, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental activities					
Capital assets, not being depreciated:					
Land	\$ 1,926,399	\$ -	\$ -	\$ -	\$ 1,926,399
Construction in progress	364,789	292,773	-	(152,650)	504,912
	<u>2,291,188</u>	<u>292,773</u>	<u>-</u>	<u>(152,650)</u>	<u>2,431,311</u>
Capital assets, being depreciated:					
Land improvements	3,055,596	34,667	-	-	3,090,263
Buildings and improvements	64,795,673	78,754	-	-	64,874,427
Machinery and equipment	4,042,610	173,278	(278,076)	-	3,937,812
Office furniture and equipment	3,364,648	44,079	(1,920)	152,650	3,559,457
Vehicles	1,698,282	167,393	(48,449)	-	1,817,226
	<u>76,956,809</u>	<u>498,171</u>	<u>(328,445)</u>	<u>152,650</u>	<u>77,279,185</u>
Less accumulated depreciation for:					
Land improvements	(2,322,681)	(145,725)	-	-	(2,468,406)
Buildings and improvements	(21,882,544)	(1,373,965)	-	-	(23,256,509)
Machinery and equipment	(1,394,400)	(209,610)	17,318	-	(1,586,692)
Office furniture and equipment	(2,071,415)	(186,994)	1,920	-	(2,256,489)
Vehicles	(1,203,932)	(131,825)	43,978	-	(1,291,779)
	<u>(28,874,972)</u>	<u>(2,048,119)</u>	<u>63,216</u>	<u>-</u>	<u>(30,859,875)</u>
Total capital assets being depreciated, net	<u>48,081,837</u>	<u>(1,549,948)</u>	<u>(265,229)</u>	<u>152,650</u>	<u>46,419,310</u>
Governmental activities capital assets, net	<u>\$ 50,373,025</u>	<u>\$ (1,257,175)</u>	<u>\$ (265,229)</u>	<u>\$ -</u>	<u>\$ 48,850,621</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	32,892	269,042	-	(254,866)	47,068
	<u>290,451</u>	<u>269,042</u>	<u>-</u>	<u>(254,866)</u>	<u>304,627</u>
Capital assets, being depreciated:					
Land improvements	1,108,718	-	-	-	1,108,718
Buildings and improvements	17,065,870	125,831	(303,440)	162,782	17,051,043
Machinery and equipment	1,098,426	33,400	(84,528)	92,084	1,139,382
Office furniture and equipment	2,233,127	-	(112,381)	-	2,120,746
Vehicles	123,876	-	-	-	123,876
	<u>21,630,017</u>	<u>159,231</u>	<u>(500,349)</u>	<u>254,866</u>	<u>21,543,765</u>
Less accumulated depreciation for:					
Land improvements	(831,560)	(39,934)	-	-	(871,494)
Buildings and improvements	(10,414,902)	(703,218)	303,440	-	(10,814,680)
Machinery and equipment	(897,356)	(82,647)	84,203	-	(895,800)
Office furniture and equipment	(1,895,899)	(32,306)	112,246	-	(1,815,959)
Vehicles	(82,664)	(14,355)	-	-	(97,019)
	<u>(14,122,381)</u>	<u>(872,460)</u>	<u>499,889</u>	<u>-</u>	<u>(14,494,952)</u>
Total capital assets being depreciated, net	<u>7,507,636</u>	<u>(713,229)</u>	<u>(460)</u>	<u>254,866</u>	<u>7,048,813</u>
Business-type activities capital assets, net	<u>\$ 7,798,087</u>	<u>\$ (444,187)</u>	<u>\$ (460)</u>	<u>\$ -</u>	<u>\$ 7,353,440</u>

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

Depreciation of governmental activities by function	
Judicial	\$ 15,436
General government	1,391,541
Public safety	264,389
Health and welfare	277,587
Recreation and culture	99,166
	<u>\$ 2,048,119</u>
Depreciation of business-type activities by function	
Medical Care Facility	\$ 599,686
Housing	201,152
Golf Course	49,746
Delinquent Property Tax Foreclosure	21,876
	<u>\$ 872,460</u>

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Discretely presented component units

Activity for the Road Commission for the year ended December 31, 2012, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 505,981	\$ -	\$ -	\$ -	\$ 505,981
Land improvements	49,912,755	1,201,447	-	-	51,114,202
Right of ways	349,661	-	-	-	349,661
	<u>50,768,397</u>	<u>1,201,447</u>	<u>-</u>	<u>-</u>	<u>51,969,844</u>
Capital assets, being depreciated:					
Buildings and improvements	2,726,978	48,358	-	-	2,775,336
Road equipment	10,112,096	385,524	(223,984)	-	10,273,636
Shop equipment	176,029	31,610	-	-	207,639
Office equipment	167,488	38,666	(47,670)	-	158,484
Engineering equipment	183,244	16,106	-	-	199,350
Yard and storage	1,359,386	17,535	-	-	1,376,921
Infrastructure:					
Roads	51,056,910	1,802,171	(1,514,225)	-	51,344,856
Bridges	18,566,430	307,898	-	-	18,874,328
Traffic signals	488,030	171,464	-	-	659,494
Depletable assets:					
Gravel pits	53,037	-	-	-	53,037
	<u>84,889,628</u>	<u>2,819,332</u>	<u>(1,785,879)</u>	<u>-</u>	<u>85,923,081</u>
Less accumulated depreciation for:					
Buildings and improvements	(1,828,625)	(76,857)	-	-	(1,905,482)
Road equipment	(9,865,629)	(424,716)	223,984	-	(10,066,361)
Shop equipment	(178,944)	(8,027)	-	-	(186,971)
Office equipment	(114,479)	(11,406)	47,670	-	(78,215)
Engineering equipment	(132,416)	(14,664)	-	-	(147,080)
Yard and storage	(1,014,912)	(61,325)	-	-	(1,076,237)
Infrastructure:					
Roads	(25,914,890)	(2,686,349)	1,514,225	-	(27,087,014)
Bridges	(8,485,629)	(418,608)	-	-	(8,904,237)
Traffic signals	(284,974)	(32,992)	-	-	(317,966)
Depletable assets:					
Gravel pits	(14,547)	(56)	-	-	(14,603)
	<u>(47,835,045)</u>	<u>(3,735,000)</u>	<u>1,785,879</u>	<u>-</u>	<u>(49,784,166)</u>
Total capital assets being depreciated, net	<u>37,054,583</u>	<u>(915,668)</u>	<u>-</u>	<u>-</u>	<u>36,138,915</u>
Road Commission capital assets, net	<u>\$ 87,822,980</u>	<u>\$ 285,779</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 88,108,759</u>

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Activity for the Library System for the year ended December 31, 2012, 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	1,171,086	352,979	-	-	1,524,065
Machinery and equipment	135,361	-	(3,623)	-	131,738
Office furniture and equipment	1,197,716	-	(15,456)	-	1,182,260
Books and a/v materials	2,812,457	447,919	(520,662)	-	2,739,714
Vehicles and other	182,770	-	-	-	182,770
	<u>5,603,336</u>	<u>800,898</u>	<u>(539,741)</u>	<u>-</u>	<u>5,864,493</u>
Less accumulated depreciation for:					
Land improvements	(57,058)	(3,272)	-	-	(60,330)
Buildings and improvements	(786,681)	(37,734)	-	-	(824,415)
Machinery and equipment	(96,586)	(6,667)	3,623	-	(99,630)
Office furniture and equipment	(627,304)	(55,220)	15,456	-	(667,068)
Books and a/v materials	(1,312,483)	(458,190)	520,662	-	(1,250,011)
Vehicles and other	(181,124)	(1,645)	-	-	(182,769)
	<u>(3,061,236)</u>	<u>(562,728)</u>	<u>539,741</u>	<u>-</u>	<u>(3,084,223)</u>
Total capital assets being depreciated, net	<u>2,542,100</u>	<u>238,170</u>	<u>-</u>	<u>-</u>	<u>2,780,270</u>
Library System capital assets, net	<u>\$ 2,649,587</u>	<u>\$ 238,170</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,887,757</u>

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Activity for the Department of Water & Sewer for the year ended December 31, 2012, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 196,284	\$ -	\$ -	\$ -	\$ 196,284
Construction in progress	265,194	-	(241,401)	-	23,793
	<u>461,478</u>	<u>-</u>	<u>(241,401)</u>	<u>-</u>	<u>220,077</u>
Capital assets, being depreciated:					
Buildings and improvements	13,300,694	737,806	-	-	14,038,500
Improvements other than buildings	530,411	-	-	-	530,411
Machinery and equipment	9,587,162	436,188	(279,384)	-	9,743,966
Water system	4,381,708	-	-	-	4,381,708
Sewer system	26,246,200	-	-	-	26,246,200
	<u>54,046,175</u>	<u>1,173,994</u>	<u>(279,384)</u>	<u>-</u>	<u>54,940,785</u>
Less accumulated depreciation for:					
Buildings and improvements	(8,041,168)	(287,431)	-	-	(8,328,599)
Improvements other than buildings	(130,182)	(44,496)	-	-	(174,678)
Machinery and equipment	(8,610,197)	(187,365)	250,139	-	(8,547,423)
Water system	(1,959,002)	(99,883)	-	-	(2,058,885)
Sewer system	(10,524,333)	(570,305)	-	-	(11,094,638)
	<u>(29,264,882)</u>	<u>(1,189,480)</u>	<u>250,139</u>	<u>-</u>	<u>(30,204,223)</u>
Total capital assets being depreciated, net	<u>24,781,293</u>	<u>(15,486)</u>	<u>(29,245)</u>	<u>-</u>	<u>24,736,562</u>
Department of Water & Sewer capital assets, net	<u>\$ 25,242,771</u>	<u>\$ (15,486)</u>	<u>\$ (270,646)</u>	<u>\$ -</u>	<u>\$ 24,956,639</u>

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Activity for the Drain Commission for the year ended December 31, 2012, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 340,673	\$ -	\$ (7,500)	\$ -	\$ 333,173
Capital assets, being depreciated:					
Land improvements (infrastructure)	3,479,241	29,240	-	-	3,508,481
Buildings	171,681	-	-	-	171,681
Machinery and equipment	545,381	118,783	(17,717)	-	646,447
Office furniture and equipment	20,450	-	-	-	20,450
Vehicles	180,767	-	-	-	180,767
	<u>4,397,520</u>	<u>148,023</u>	<u>(17,717)</u>	<u>-</u>	<u>4,527,826</u>
Less accumulated depreciation for:					
Land improvements (infrastructure)	(461,561)	(127,204)	-	-	(588,765)
Buildings	(171,681)	-	-	-	(171,681)
Machinery and equipment	(203,725)	(28,408)	5,611	-	(226,522)
Office furniture and equipment	(20,450)	-	-	-	(20,450)
Vehicles	(60,368)	(21,614)	-	-	(81,982)
	<u>(917,785)</u>	<u>(177,226)</u>	<u>5,611</u>	<u>-</u>	<u>(1,089,400)</u>
Total capital assets being depreciated, net	<u>3,479,735</u>	<u>(29,203)</u>	<u>(12,106)</u>	<u>-</u>	<u>3,438,426</u>
Drain Commission capital assets, net	<u>\$ 3,820,408</u>	<u>\$ (29,203)</u>	<u>\$ (19,606)</u>	<u>\$ -</u>	<u>\$ 3,771,599</u>

Activity for the Bay Area Narcotics Enforcement Team for the year ended December 31, 2012, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets, being depreciated:					
Equipment	\$ 100,482	\$ -	\$ -	\$ -	\$ 100,482
Less accumulated depreciation for:					
Equipment	(80,849)	(13,837)	-	-	(94,686)
Bay Area Narcotics Enforcement Team capital assets, net	<u>\$ 19,633</u>	<u>\$ (13,837)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,796</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	\$ 2,411,312	\$ 588,237	\$ 1,199,200
Wages, fringe benefits and other accrued liabilities	1,527,680	691,387	127,771
Deposits	1,485	49,966	-
Intergovernmental	121,434	6,624	481,018
Advances	29,000	-	348,450
Claims, settlements, and judgments	422,045	728,107	-
Total	\$ 4,512,956	\$ 2,064,321	\$ 2,156,439

8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

	Due from Other Funds	Due to Other Funds
General fund	\$ 9,066	\$ 2,075,456
Mosquito control fund	-	193
911 service fund	522,325	1,085
Division on aging fund	333	535
Homeland security fund	-	33
Nonmajor governmental funds	527,707	35,849
100% tax payment	1,029,239	13,480
Nonmajor enterprise funds	12,796	8,588
Internal service funds	33,754	1
Total	\$ 2,135,220	\$ 2,135,220

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

	Advance From Other Funds	Advance to Other Funds
General fund	\$ 50,000	\$ -
Homeland security fund	-	50,000
Total	\$ 50,000	\$ 50,000

The advance between the General fund and the Homeland Security fund was an advance to assist the fund with cash flow and start up.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Transfers Out	General Fund	Transfers In			Total
		Division on Aging Fund	Nonmajor Governmental Funds	100% Tax Payment	
General fund	\$ -	\$ 6,200	\$ 3,451,658	\$ -	\$ 3,457,858
Mosquito control fund	111,867	-	-	-	111,867
911 service fund	217,516	-	-	-	217,516
Division on aging fund	283,332	-	-	-	283,332
Nonmajor governmental funds	662,139	-	-	-	662,139
100% tax payment	1,200,000	-	-	-	1,200,000
Nonmajor enterprise funds	150,000	-	-	94,541	244,541
Total	\$ 2,624,854	\$ 6,200	\$ 3,451,658	\$ 94,541	\$ 6,177,253

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

9. LONG-TERM DEBT

Long-term liability activity for the year ended December 31, 2012, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Primary Government					
Governmental activities:					
Building Authority - General obligation bonds	\$ 15,400,000	\$ 9,775,000	\$ (12,365,000)	\$ 12,810,000	\$ 1,830,000
Maintenance agreement payable	8,550	-	(8,550)	-	-
Bond premium	136,378	1,004,219	(141,062)	999,535	141,062
Compensated absences	2,086,226	1,983,796	(1,961,593)	2,108,429	263,554
Total governmental activities	\$ 17,631,154	\$ 12,763,015	\$ (14,476,205)	\$ 15,917,964	\$ 2,234,616
Business-type activities:					
Compensated absences	\$ 360,106	\$ 23,593	\$ (152,347)	\$ 231,352	\$ 17,459

BAY COUNTY, MICHIGAN

Notes To Financial Statements

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Component Units					
Road Commission:					
Compensated absences	\$ 866,555	\$ 451,237	\$ (374,431)	\$ 943,361	\$ 375,000
Library System:					
Compensated absences	\$ 186,986	\$ 16,980	\$ (6,339)	\$ 197,627	\$ 23,715
Department of Water & Sewer:					
General obligation bonds	\$ 8,135,000	\$ -	\$ (1,060,000)	\$ 7,075,000	\$ 560,000
Compensated absences	193,316	6,788	-	200,104	30,016
Total Department of Water & Sewer	\$ 8,328,316	\$ 6,788	\$ (1,060,000)	\$ 7,275,104	\$ 590,016
Drain Commission:					
General obligation bonds	\$ 278,264	\$ -	\$ (126,088)	\$ 152,176	\$ 76,088
Notes payable	500,937	-	(116,321)	384,616	90,154
Total Drain Commission	\$ 779,201	\$ -	\$ (242,409)	\$ 536,792	\$ 166,242

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for those funds are included as part of the above totals for governmental activities. At year-end, \$1,536 of internal service funds compensated absences are included in the above amounts. Also, for the governmental activities, compensated absences are generally liquidated by the general fund.

Primary Government

The County issues general obligation bonds, installment purchase contracts, and capital leases to provide funds for the acquisition, renovation, and / or construction of major capital facilities and purchase of major equipment. General obligation bonds have been issued for governmental activities. The original amount of general obligation bonds and notes payable issued in prior years was \$32,378,145. During the year ended December 31, 2008, the County entered into a maintenance agreement in the amount of \$42,750.

During the current fiscal year the Primary Government issued General Obligation Refunding bonds for \$9,775,000 to refund the Library Revenue bonds which had \$10,485,000 in principal outstanding. The bond is issued for 8 years and bears interest ranging from 3% to 4%. The refunding resulted in an economic gain of \$1,251,973.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

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

Purpose	Interest Rates	Amount
Governmental activities	2.5 - 5.0%	<u>\$ 12,810,000</u>

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

Year Ended December 31,	Governmental Activities	
	Principal	Interest
2013	\$ 1,830,000	\$ 508,925
2014	1,930,000	437,725
2015	2,030,000	362,625
2016	1,765,000	283,725
2017	1,245,000	210,200
2018-2020	<u>4,010,000</u>	<u>324,000</u>
	<u>\$ 12,810,000</u>	<u>\$ 2,127,200</u>

Component Units

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

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

Purpose	Interest Rates	Amount
Business-type activities	2.0 - 5.4%	<u>\$ 7,075,000</u>

BAY COUNTY, MICHIGAN

Notes To Financial Statements

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

Year Ended December 31,	Business-type Activities	
	Principal	Interest
2013	\$ 560,000	\$ 278,498
2014	575,000	259,234
2015	595,000	238,343
2016	610,000	216,671
2017	620,000	193,426
2018-2022	1,690,000	692,039
2023-2027	1,420,000	405,557
2028-2030	1,005,000	89,250
	<u>\$ 7,075,000</u>	<u>\$ 2,373,018</u>

Drain Commission. General obligation drain improvement bonds and notes are issued by the County to finance certain drainage district construction projects. General obligation bonds and notes have been issued for governmental activities. The original amount of general obligation bonds and notes issued in prior years was \$6,755,547.

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

Purpose	Interest Rates	Amount
Governmental activities	2.25 - 8.0%	<u>\$ 536,792</u>

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

Year Ended December 31,	Governmental Activities	
	Principal	Interest
2013	\$ 166,242	\$ 20,965
2014	166,242	14,100
2015	90,154	8,752
2016	90,154	4,930
2017	12,000	1,100
2018	12,000	551
	<u>\$ 536,792</u>	<u>\$ 50,398</u>

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Advance refundings

On May 10, 2006, the Bay County Building Authority issued general obligation bonds of \$7,205,000. A portion of the proceeds from this bond issue were used in a current refunding of the 1997 ice/civic arena bonds. The remaining proceeds from this bond issue were used to advance refund the 1995 and 1997 courthouse facility bonds and the remainder of the 1997 ice/civic arena bonds. The courthouse facility refunded bonds mature as scheduled on May 1 through 2017 and the ice/civic arena refunded bonds mature as scheduled on November 1 through 2015. The balance of the defeased debt outstanding at December 31, 2012, was \$3,805,000.

10. DEFINED BENEFIT PENSION PLAN

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

Funding Policy/Contributions - The County's policy is to fund normal costs which are based on actuarially determined rates, expressed as percentages of annual covered payroll, and which are sufficient to accumulate assets to pay benefits when due. The provisions of the Plan require the County to contribute at an actuarially determined rate. The current rate is 1.19% of annual covered payroll for General County, 0.00% for the Sheriff's Department, 6.91% for the Library, 11.71% for Department of Water & Sewer, 7.36% for Medical Care Facility, 9.08% for Bay Area Behavioral Health, and 18.05% for the Road Commission, which was determined through an actuarial valuation performed at December 31, 2011. During 2012, the General County made a discretionary 2.81% contribution into the Plan. Contributions received from employer contributions for the year ended December 31, 2012, amounted to \$3,495,686. Plan members contribute at a rate of 4% of their annual salary. The County pays the plan member contributions for all employee groups. Contributions received from plan members for the year ended December 31, 2012, amounted to \$2,116,924. 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.

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

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

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

BAY COUNTY, MICHIGAN

Notes To Financial Statements

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

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

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

Classes of Employees - The Plan's membership consists of the following at December 31, 2011, the date of the last actuarial valuation:

Retirees and beneficiaries receiving benefits	740
Terminated plan members entitled to, but not yet receiving benefits	92
Active plan members	1,165

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

Annual required contribution	\$ 3,070,500
Interest on net pension asset	(81,591)
Adjustment to annual required contribution	<u>108,787</u>
Annual pension costs (expense)	3,097,696
Contributions made	<u>(3,495,686)</u>
Increase in net pension asset	(397,990)
Net pension (asset), beginning of year	<u>(1,087,874)</u>
Net pension (asset), end of year	\$ (1,485,864)
Less: Housing fund's portion, not recorded	13,882
Net pension (asset), end of year, recorded	<u><u>\$ (1,471,982)</u></u>

The annual required contribution for the current year was determined as part of the December 31, 2011, actuarial valuation using the individual entry age normal cost method. Significant actuarial assumptions included (a) a rate of return on the investment of present and future assets of 7.5% per year compounded annually, (b) projected salary increases of 4.0% per year pay inflation plus merit and longevity, (c) additional projected salary increases ranging from 1.0 to 8.0% per year, depending on age, attributable to merit and longevity, and (d) the assumption that benefits will not increase after retirement.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

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

Three-Year Trend Information			
Years Ended December 31,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset
2010	\$ 2,254,792	122%	\$ 499,717
2011	2,415,455	124%	1,087,874
2012	3,097,696	113%	1,485,864

Funded Status and Funding Progress. As of December 31, 2011, the most recent actuarial valuation date, the Plan was 100 percent funded. The actuarial accrued liability for benefits was \$241,791,817, and the actuarial value of assets was \$241,207,722, resulting in an actuarial accrued liability (AAL) of \$584,095, which means the Plan is under-funded. The covered payroll (annual payroll for active employee covered by the Plan) was \$48,583,176 and the ratio for the AAL to the covered payroll was 1%.

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

Net position Reserved for Employees’ Pension Benefits - Net position reserved for employees’ pension benefits includes legally required reserves. Net position as of December 31, 2012, consists of the following reserves:

Annuity reserve	\$ 116,550,436
Employer reserve	101,118,985
Employee accumulated reserve	<u>29,240,275</u>
 Total net position	 <u>\$ 246,909,696</u>

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

BAY COUNTY, MICHIGAN

Notes To Financial Statements

11. POSTRETIREMENT HEALTHCARE AND LIFE INSURANCE BENEFITS

The County also sponsors a retiree healthcare plan through a Voluntary Employees Beneficiary Association (“VEBA”) trust (the “Plan”). The plan is a single employer defined benefit public retiree healthcare plan established effective October 1, 2001. 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.

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, 2011, the date of the latest actuarial valuation, participants in the plan consisted of:

Retired members and beneficiaries:	
Under age 65	196
Age 65 and over	284
Active plan members	989

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

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

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

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

The postretirement benefits are financed on a pay-as-you-go basis. The amount of expenditures for the benefits is recognized during the period incurred. The premiums are paid by the County. Employees make no contribution directly to the County for their share of the expense. The cost of retiree healthcare and life insurance benefits for all groups for 2012 was approximately \$4,205,773.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

The December 31, 2011, actuarial valuation identified the required employer contribution ranging from \$160,527 to \$4,257,244, based on a percentage of covered payroll, depending on employee group and amortization period. Contributions to the Plan for the year-ended December 31, 2012, were \$1,134,775.

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	\$ 5,455,022
Interest on net OPEB obligation	394,137
Adjustment to annual required contribution	<u>(931,070)</u>
Annual OPEB cost (expense)	4,918,089
Contributions made	<u>(1,144,101)</u>
Increase in net OPEB obligation	3,773,988
Net OPEB obligation, beginning of year	<u>6,568,950</u>
Net OPEB obligation, end of year	\$ 10,342,938
Less: Housing fund's portion, not recorded	<u>(75,520)</u>
Net OPEB obligation, end of year, recorded	<u><u>\$ 10,267,418</u></u>

Medical Care Facility - For the year ended December 31, 2012, the Facility, as part of the County's plan, has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of December 31, 2011. The valuation's computed contribution and actual funding are summarized as follows for the year ended December 31, 2012:

Annual required contribution	\$ 3,821,443
Interest on net OPEB obligation	235,000
Adjustment to annual required contribution	<u>-</u>
Annual OPEB cost (expense)	4,056,443
Contributions made	<u>(2,062,041)</u>
Increase in net OPEB obligation	1,994,402
Net OPEB obligation, beginning of year	<u>7,828,000</u>
Net OPEB obligation, end of year	<u><u>\$ 9,822,402</u></u>

BAY COUNTY, MICHIGAN

Notes To Financial Statements

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 was as follows:

	Three-Year Trend Information			
	Years Ended December 31,	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation
County:				
	2010	\$ 3,506,657	33%	\$ 4,663,026
	2011	3,302,767	42%	6,568,950
	2012	4,918,089	23%	10,342,938
Medical Care Facility:				
	2010	\$ 3,629,479	58%	\$ 5,991,000
	2011	3,655,891	50%	7,828,000
	2012	4,056,443	51%	9,822,402

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

Funded Status and Funding Progress - County. As of December 31, 2011, the most recent actuarial valuation date, the Plan was 15 percent funded. The actuarial accrued liability for benefits was \$57,925,964, and the actuarial value of assets was \$8,593,853, resulting in an unfunded actuarial accrued liability (UAAL) of \$49,332,111.

Funded Status and Funding Progress - Medical Care Facility. As of December 31, 2011, the most recent actuarial valuation date, the Plan was 10 percent funded. The actuarial accrued liability for benefits was \$44,357,739, and the actuarial value of assets was \$4,632,580, resulting in an unfunded actuarial accrued liability (UAAL) of \$39,725,159.

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.

The accompanying schedules of employer contributions present trend information about the amounts contributed to the plan by employers in comparison to the ARC, an amount that is actuarially determined in accordance with the parameters of GASB Statement 43. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

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.

Additional information as of the latest actuarial valuation follows:

Valuation date	12/31/2011
Actuarial cost method	Entry age
Amortization method	Level percentage of pay, open
Remaining amortization period	30 years
Assets valuation method	Market value
Actuarial assumptions	
Investment rate of return*	7.5% - active 6.0% - retirees
Healthcare cost trend rate*	9% initial 4% ultimate

*Included an inflation assumption of 4%

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

Road Commission

During 2002, the Road Commission started participation in the Bay County Public Employee Health Care Plan.

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 30 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	\$ 2,100,878
Interest on net OPEB obligation	364,382
Adjustment to annual required contribution	<u>(745,700)</u>
Annual OPEB cost (expense)	1,719,560
Contributions made	<u>(1,363,538)</u>
Increase in net OPEB obligation	356,022
Net OPEB obligation, beginning of year	<u>6,289,267</u>
Net OPEB obligation, end of year	<u><u>\$ 6,645,289</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 2012 was as follows:

Three-Year Trend Information			
Years Ended December 31,	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation
2010	\$ 1,983,499	60%	\$ 5,549,701
2011	1,981,929	63%	6,289,267
2012	1,719,560	79%	6,645,289

Funded Status and Funding Progress. As of December 31, 2011, the most recent actuarial valuation date, the Plan was 2 percent funded. The actuarial accrued liability for benefits was \$27,399,478, and the actuarial value of assets was \$638,763, resulting in an unfunded actuarial accrued liability (UAAL) of \$26,760,715. The covered payroll (annual payroll for active employee covered by the Plan) was \$2,902,123 and the ratio for the UAAL to the covered payroll was 922%.

Library System

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

Annual required contribution	\$ 160,527
Interest on net OPEB obligation	5,800
Adjustment to annual required contribution	<u>(21,666)</u>
Annual OPEB cost (expense)	144,661
Contributions made	<u>(64,544)</u>
Increase in net OPEB obligation	80,117
Net OPEB obligation, beginning of year	<u>96,674</u>
Net OPEB obligation, end of year	<u><u>\$ 176,791</u></u>

BAY COUNTY, MICHIGAN

Notes To Financial Statements

The Library’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 was as follows:

Three-Year Trend Information			
Years Ended December 31,	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB (Asset) Obligation
2010	\$ 169,615	35%	\$ 3,503
2011	157,619	41%	96,674
2012	144,661	45%	176,791

Funded Status and Funding Progress. As of December 31, 2011, the most recent actuarial valuation date, the Plan was 46 percent funded. The actuarial accrued liability for benefits was \$2,457,922, and the actuarial value of assets was \$1,121,359, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,336,563.

Department of Water and Sewer

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

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

Annual required contribution	\$ 407,870
Interest on net OPEB asset	(11,134)
Adjustment to annual required contribution	<u>6,186</u>
Annual OPEB cost (expense)	402,922
Contributions made	<u>(530,077)</u>
Increase in net OPEB asset	(127,155)
Net OPEB (asset), beginning of year	<u>(185,579)</u>
Net OPEB (asset), end of year	<u><u>\$ (312,734)</u></u>

BAY COUNTY, MICHIGAN

Notes To Financial Statements

The DWS's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 was as follows:

Three-Year Trend Information			
Years Ended December 31,	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation (Asset)
2010	\$ 484,659	160%	\$ (134,620)
2011	496,176	110%	(185,579)
2012	402,922	132%	(312,734)

Funded Status and Funding Progress. As of December 31, 2011, the most recent actuarial valuation date, the Plan was 33 percent funded. The actuarial accrued liability for benefits was \$8,883,000, and the actuarial value of assets was \$2,947,124, resulting in an unfunded actuarial accrued liability (UAAL) of \$5,935,876.

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	\$ 188,226,713	\$ 16,721,349	\$ 204,948,062
Fixed income	51,628,167	13,255,710	64,883,877
Money market	7,254,440	1,423,796	8,678,236
Other	229,193	-	229,193
Total investments	<u>247,338,513</u>	<u>31,400,855</u>	<u>278,739,368</u>
Receivables:			
Interest and dividends	603,893	84,012	687,905
Accounts	153,213	651,192	804,405
Due from other governmental units	144,603	-	144,603
Total receivables	<u>901,709</u>	<u>735,204</u>	<u>1,636,913</u>
Other current assets:			
Prepaid items and other assets	708,200	-	708,200
Net pension asset	4,245	-	4,245
Due from other funds	14	-	14
Due from component units	52,763	-	52,763
Total other current assets	<u>765,222</u>	<u>-</u>	<u>765,222</u>
Total assets	<u>249,005,444</u>	<u>32,136,059</u>	<u>281,141,503</u>
Liabilities			
Accounts payable	363,673	20,435	384,108
Accrued liabilities	1,709,492	253,692	1,963,184
Accrued vacation and sick pay	6,146	-	6,146
Due to other funds	14	-	14
Net OPEB obligation	16,423	-	16,423
Total liabilities	<u>2,095,748</u>	<u>274,127</u>	<u>2,369,875</u>
Net position			
Held in trust for:			
Employees' retirement system	246,909,696	-	246,909,696
Public employee healthcare	-	31,861,932	31,861,932
Total net position	<u>\$ 246,909,696</u>	<u>\$ 31,861,932</u>	<u>\$ 278,771,628</u>

BAY COUNTY, MICHIGAN

Notes To Financial Statements

	Plan Net Position		
	Pension Trust Fund	VEBA Trust Fund	Total
Additions			
Contributions:			
Employer	\$ 3,495,686	\$ 981,778	\$ 4,477,464
Current premium contributions	-	1,134,775	1,134,775
Plan members	2,116,924	-	2,116,924
Total contributions	<u>5,612,610</u>	<u>2,116,553</u>	<u>7,729,163</u>
Investment income:			
Net appreciation in fair value of securities	24,229,014	2,755,412	26,984,426
Interest and dividends	5,515,775	531,680	6,047,455
Less investment expense	(1,791,164)	(25,331)	(1,816,495)
Total investment income	<u>27,953,625</u>	<u>3,261,761</u>	<u>31,215,386</u>
Other revenue	<u>171,022</u>	<u>-</u>	<u>171,022</u>
Total additions	<u>33,737,257</u>	<u>5,378,314</u>	<u>39,115,571</u>
Deductions			
Benefit payments	12,273,871	-	12,273,871
Retiree healthcare premium payments	-	1,134,775	1,134,775
Administrative expenses	154,631	94,829	249,460
Pension expense	7,482	-	7,482
Refunds of contributions	113,550	-	113,550
Total deductions	<u>12,549,534</u>	<u>1,229,604</u>	<u>13,779,138</u>
Change in net position	21,187,723	4,148,710	25,336,433
Net position, beginning of year	<u>225,721,973</u>	<u>27,713,222</u>	<u>253,435,195</u>
Net position, end of year	<u>\$ 246,909,696</u>	<u>\$ 31,861,932</u>	<u>\$ 278,771,628</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.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

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

Specifically in the area of workers’ compensation, the County purchases excess insurance to reduce its exposure to significant claim losses. Excess insurance allows recovery of a portion of the losses from the excess insurer, although it does not discharge the primary liability of the Self-Insurance fund as direct insurer of the risks. During 2008, Bay County purchased excess insurance from Citizens Insurance Company of America. The self-insured retention is \$400,000 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, 2012, 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 2012, 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.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

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

Changes in the estimated claims liabilities for workers' compensation claims (excluding the Medical Care Facility) for the years ended December 31, 2012 and 2011, are as follows:

	12/31/2012	12/31/2011
Claims liability, beginning of year	\$ 329,888	\$ 484,943
Claims and damages incurred	(303,039)	(136,601)
Claims and payments	15,720	(18,454)
	<u> </u>	<u> </u>
Claims liability, end of year	<u>\$ 42,569</u>	<u>\$ 329,888</u>

Changes in the estimated claims liabilities for workers' compensation claims of the Medical Care Facility for the years ended December 31, 2012 and 2011, are as follows:

	12/31/2012	12/31/2011
Claims liability, beginning of year	\$ 96,478	\$ 12,000
Claims and damages incurred	89,785	173,753
Claims and payments	(90,993)	(89,275)
	<u> </u>	<u> </u>
Claims liability, end of year	<u>\$ 95,270</u>	<u>\$ 96,478</u>

Changes in the estimated claims liabilities for healthcare claims (excluding the Medical Care Facility) for the year ended December 31, 2012 and 2011, are as follows:

	12/31/2012	12/31/2011
Claims liability, beginning of year	\$ 424,809	\$ 245,774
Claims and damages incurred	5,078,434	5,273,445
Claims and payments	(5,123,767)	(5,094,410)
	<u> </u>	<u> </u>
Claims liability, end of year	<u>\$ 379,476</u>	<u>\$ 424,809</u>

BAY COUNTY, MICHIGAN

Notes To Financial Statements

The Facility is self-insured for healthcare claims. The Facility is covered by a stop-loss policy that covers individual claims over \$150,000. Changes in the estimated claims liabilities for healthcare claims of the Medical Care Facility for the year ended December 31, 2012 and 2011, are as follows:

	12/31/2012	12/31/2011
Claims liability, beginning of year	\$ 219,501	\$ 126,000
Claims and damages incurred	3,315,491	3,196,714
Claims and payments	<u>(3,315,491)</u>	<u>(3,103,213)</u>
Claims liability, end of year	<u>\$ 219,501</u>	<u>\$ 219,501</u>

General Liability - Road Commission Component Unit

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

General Liability - Department of Water and Sewer Component Unit

The Department of Water and Sewer is self-insured for workers' compensation claims. This program is administered by an independent company which furnishes safety inspection, claims review, and claims processing services. The employers' liability maximum limit of indemnity per occurrence is \$1,000,000 and the self-insured retention per occurrence is \$400,000. Net cost for the year ended December 31, 2012, was \$14,113.

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, 2012, were \$49,213.

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, 2012, were \$76,005.

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, 2012, were \$847,925.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

14. PROPERTY TAXES

The County property tax is levied each July 1st and December 1st through 2012 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 2012 ad valorem tax is levied and collectible by December 1, 2012, it is the County's policy for all governmental fund types (with the exception below) to recognize revenues from the current tax levy in the year when the proceeds of the levy are budgeted and made available for financing County operations.

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

The taxable value of real and personal property for the December 1, 2011, levy totaled \$2,916,647,488. The taxable value of real and personal property for the July 1, 2012, levy totaled \$2,901,967,896. The tax levy for fiscal year 2012 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	.5000 mills
Soldiers' Relief	.1000 mills
Historical society	.0952 mills

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

BAY COUNTY, MICHIGAN

Notes To Financial Statements

15. FUND BALANCES - GOVERNMENTAL FUNDS

The County adopted the provisions of GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. GASB 54 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 the resources reported in governmental funds. Detailed information on fund balances of governmental funds is as follows:

	General Fund	Mosquito Fund	911 Service Fund	Division on Aging Fund	Homeland Security Fund	Nonmajor Funds	Total
Nonspendable:							
Inventory	\$ 9,486	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,486
Interfund advance	50,000	-	-	-	-	-	50,000
Prepays	149,274	-	16,553	-	-	-	165,827
Total nonspendable	<u>208,760</u>	<u>-</u>	<u>16,553</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>225,313</u>
Restricted for:							
General county services	198,962	-	-	-	-	-	198,962
Mosquito control	-	92,936	-	-	-	-	92,936
911 services	-	-	2,290,759	-	-	-	2,290,759
Division on aging	-	-	-	199,011	-	-	199,011
Homeland security	-	-	-	-	12,493	-	12,493
Friend of the court	-	-	-	-	-	177,721	177,721
Gypsy moth control	-	-	-	-	-	397,116	397,116
Register of deeds	-	-	-	-	-	123,242	123,242
Local C.F.O training	-	-	-	-	-	31,677	31,677
Drug law enforcement	-	-	-	-	-	15,081	15,081
Community corrections	-	-	-	-	-	8,049	8,049
Home rehabilitation	-	-	-	-	-	1,967,871	1,967,871
Soldiers' relief	-	-	-	-	-	69,785	69,785
Veterans' trust	-	-	-	-	-	3,808	3,808
Building authority debt	-	-	-	-	-	65,393	65,393
Total restricted	<u>198,962</u>	<u>92,936</u>	<u>2,290,759</u>	<u>199,011</u>	<u>12,493</u>	<u>2,859,743</u>	<u>5,653,904</u>
Committed for:							
Sub. years budget	<u>5,054,352</u>	<u>35,384</u>	<u>775,607</u>	<u>-</u>	<u>-</u>	<u>619,681</u>	<u>6,485,024</u>
Assigned for:							
General county services	7,133,913	-	-	-	-	-	7,133,913
Health department	-	-	-	-	-	217,740	217,740
Law library	-	-	-	-	-	5,277	5,277
Community corrections	-	-	-	-	-	39,404	39,404
Social welfare	-	-	-	-	-	124,302	124,302
Child care services	-	-	-	-	-	140,782	140,782
Child care social services	-	-	-	-	-	7,658	7,658
Total assigned	<u>7,133,913</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>535,163</u>	<u>7,669,076</u>
Total fund balances, governmental funds	<u>\$12,595,987</u>	<u>\$ 128,320</u>	<u>\$ 3,082,919</u>	<u>\$ 199,011</u>	<u>\$ 12,493</u>	<u>\$ 4,014,587</u>	<u>\$20,033,317</u>

BAY COUNTY, MICHIGAN

Notes To Financial Statements

16. NET POSITION INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT

The composition of net position invested in capital assets, net of related debt as of December 31, 2012, was as follows:

	Governmental Activities	Business-type Activities	Component Units
Capital assets:			
Assets not being depreciated	\$ 2,431,311	\$ 304,627	\$ 52,630,581
Assets being depreciated, net	46,419,310	7,048,813	67,099,969
	<u>48,850,621</u>	<u>7,353,440</u>	<u>119,730,550</u>
Related debt:			
Bonds payable	12,810,000	-	4,772,792
Notes payable	-	-	384,616
Premium on bonds payable	999,535	-	-
	<u>13,809,535</u>	<u>-</u>	<u>5,157,408</u>
Invested in capital assets, net of related debt	<u>\$ 35,041,086</u>	<u>\$ 7,353,440</u>	<u>\$ 114,573,142</u>

17. 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.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

18. RESTATEMENTS

In the current year, there was an adjustment made to the general fund's state revenue sharing income for the year December 31, 2011. In addition, there was an adjustment made to the bay area narcotics enforcement team component unit's grant revenue for the year ending December 31, 2011. These adjustments had the following effect on the beginning fund balance and net position:

	General Fund		
Fund balance as previously reported	\$ 11,306,840		
Prior period adjustment:			
Adjust revenue for amounts related to previous years	<u>293,719</u>		
Fund balance, beginning of year, as restated	<u>\$ 11,600,559</u>		
		Governmental Activities	Bay Area Narcotics Enforcement Team
Net position, as previously reported	\$ 52,401,378	50,230	
Adjust revenue for amounts related to previous years	<u>293,719</u>	<u>75,000</u>	
Net position, beginning of year, as restated	<u>\$ 52,695,097</u>	<u>\$ 125,230</u>	

19. IMPLEMENTATION OF NEW STANDARDS

Bay County adopted the provisions GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, and No. 65, Items Previously Reported as Assets and Liabilities, in the current year. While the classification of certain financial elements in the financial statements were revised, the implementation of these standards had no effect on total equity.





REQUIRED SUPPLEMENTARY INFORMATION

BAY COUNTY, MICHIGAN

Required Supplementary Information
Employees' Retirement System

Schedule of Funding Progress
Employees' Retirement System Trust Fund

Actuarial Valuation Date December 31,	Actuarial Value of Assets (in Thousands)	Actuarial Accrued Liability (AAL) Entry Age (in Thousands)	Unfunded AAL (UAAL) (in Thousands)	Funded Ratio	Covered Payroll (in Thousands)	UAAL as a Percentage of Covered Payroll
2006	\$ 237,681	\$ 189,811	\$ 47,870	125%	\$ 42,024	114%
2007	253,492	200,933	52,559	126%	44,688	118%
2008	246,578	212,531	34,047	116%	46,483	73%
2009	243,272	221,408	21,864	110%	47,245	46%
2010	244,728	231,625	13,103	106%	47,090	28%
2011	241,208	241,792	(584)	100%	48,583	-1%

Schedule of Employer Contributions
Employees' Retirement System Trust Fund

Year Ended December 31,	Annual Required Contributions	Percentage Contributed
2007	\$ 706,090	100%
2008	718,886	100%
2009	1,749,408	100%
2010	2,254,792	122%
2011	2,402,962	125%
2012	3,070,500	114%

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, 2011) follows:

Actuarial cost method	Individual entry age normal cost
Amortization method	Level percent of payroll, opened periods
Remaining amortization method:	30 years for groups that are underfunded and 10 years for groups that are overfunded.
Asset valuation method	Market value with 5 year smoothing of gains and losses.
Actuarial assumptions:	
Investment rating return*	7.5 percent
Projected salary increases*	5.0 percent to 12.0 percent, dependent on member's age
Addition merit and longevity increases	0.16 percent to 14.3 percent, dependent on member's age
Cost-of-living adjustments	None

*Includes pay inflation at 4.0 percent

BAY COUNTY, MICHIGAN

Required Supplementary Information
Public Employee Health Care

Schedule of Funding Progress
Public Employee Health Care Trust Fund

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
2007	\$ 8,034	\$ 19,452	\$ (11,418)	41%	N/A	N/A
2009	7,800	52,849	(45,049)	15%	N/A	N/A
2011	8,594	57,926	(49,332)	15%	N/A	N/A

Schedule of Employer Contributions
Public Employee Health Care Trust Fund

Year Ended December 31,	Annual Required Contributions	Percentage Contributed
2008	\$ 3,417,517	68%
2009	2,097,348	37%
2010	3,886,495	30%
2011	4,041,955	35%
2012	5,455,022	21%

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, 2011) follows:

Actuarial cost method	Individual entry age normal cost
Amortization method	Level percent of payroll, opened periods
Remaining amortization method:	30 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rating return*	7.5 percent - actives 6.0 percent - retirees
Projected salary increases*	5.0 percent to 12.0 percent, dependent on years of service
Cost-of-living adjustments	None

*Includes pay inflation at 4.0 percent



OTHER SUPPLEMENTARY INFORMATION

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

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

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

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

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

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

The *Revenue Sharing Reserve Fund* is used to account for collection and distribution of property taxes in accordance with Public Act 357 of 2004 which provides funding mechanism to serve as a substitute to county revenue sharing payments. This substitute funding mechanism involves a gradual shift of county property tax millage from a winter tax levy to a summer tax levy over a course of three consecutive years. It is subject to the budgetary requirements of Act 2 of the Public Acts of 1968, as amended.

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

The *Social Services Protective Services Fund* is used to account for revenue received from donations to provide services for abused and neglected children.

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.

CAPITAL PROJECT FUNDS

Capital Projects funds account for financial resources segregated for the acquisition of capital assets or construction of major capital projects not financed by proprietary funds.

The *Public Improvement Fund* is used to account for nontax revenues earmarked for statutory public improvements.

DEBT SERVICE FUNDS

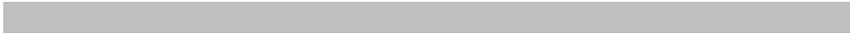
Debt Service funds accounts for the payment of principal and interest on long-term general obligation debt other than that payable from special assessments and debt issued for an services primarily by an enterprise

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

BAY COUNTY, MICHIGAN

Combining Balance Sheet Nonmajor Governmental Funds December 31, 2012

	Special Revenue Funds			
	Friend of the Court	Health Department / District Health	Gypsy Moth Control	Register of Deeds Automation
Assets				
Cash and cash equivalents	\$ 82,571	\$ 5,003	\$ 77,849	\$ 37,440
Investments	98,590	-	366,531	158,288
Accounts receivable, net of allowance	-	3,145	-	-
Property taxes receivable, net of allowance	-	-	270,348	-
Accrued interest receivable	-	-	5,727	2,287
Due from other funds	-	527,707	-	-
Due from other governmental units	16	307,035	-	-
Prepays and other assets	-	-	-	-
Total assets	\$ 181,177	\$ 842,890	\$ 720,455	\$ 198,015
Liabilities				
Accounts payable	\$ 18	\$ 39,995	\$ 23	\$ 2,781
Accrued liabilities	3,407	153,712	3,222	-
Accrued vacation and sick pay	-	6,504	-	-
Due to other funds	31	1,039	31	-
Due to other governmental units	-	8	-	-
Long term advances	-	-	-	-
Deferred revenue	-	61,693	-	-
Total liabilities	3,456	262,951	3,276	2,781
Deferred inflows of resources				
Unavailable revenue - property taxes	-	-	363	-
Taxes levied for a subsequent period	-	-	281,511	-
Total deferred inflows of resources	-	-	281,874	-
Fund balances				
Nonspendable	-	-	-	-
Restricted	177,721	-	397,116	123,242
Committed	-	362,199	38,189	71,992
Assigned	-	217,740	-	-
Total fund balances	177,721	579,939	435,305	195,234
Total liabilities, deferred inflows of resources and fund balances	\$ 181,177	\$ 842,890	\$ 720,455	\$ 198,015



Special Revenue Funds

Local C.F.O. Training	Drug Law Enforcement	Law Library	Community Corrections	Home Rehabilitation
\$ 47,506	\$ 15,081	\$ 12,911	\$ 51,279	\$ 88,701
-	-	-	-	-
1,197	-	-	-	1,923,133
-	-	-	-	-
-	-	-	-	-
-	-	-	25,802	55,219
-	-	-	-	-
<u>\$ 48,703</u>	<u>\$ 15,081</u>	<u>\$ 12,911</u>	<u>\$ 77,081</u>	<u>\$ 2,067,053</u>
\$ -	\$ -	\$ 2,124	\$ 3,448	\$ 8,640
-	-	-	3,162	495
-	-	-	-	-
-	-	-	8	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	2,124	6,618	9,135
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
31,677	15,081	-	8,049	1,967,871
17,026	-	5,510	23,010	90,047
-	-	5,277	39,404	-
<u>48,703</u>	<u>15,081</u>	<u>10,787</u>	<u>70,463</u>	<u>2,057,918</u>
<u>\$ 48,703</u>	<u>\$ 15,081</u>	<u>\$ 12,911</u>	<u>\$ 77,081</u>	<u>\$ 2,067,053</u>

continued...

BAY COUNTY, MICHIGAN

Combining Balance Sheet Nonmajor Governmental Funds December 31, 2012

	Special Revenue Funds			
	Revenue Sharing Reserve	Social Welfare	Social Services Protective Services	Child Care
Assets				
Cash and cash equivalents	\$ -	\$ 14,516	\$ -	\$ -
Investments	-	115,639	-	-
Accounts receivable, net of allowance	-	-	-	-
Property taxes receivable, net of allowance	-	-	-	-
Accrued interest receivable	-	-	-	-
Due from other funds	-	-	-	-
Due from other governmental units	-	23,147	-	295,081
Prepays and other assets	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ 153,302</u>	<u>\$ -</u>	<u>\$ 295,081</u>
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ 47,225
Accrued liabilities	-	-	-	63,732
Accrued vacation and sick pay	-	-	-	5,494
Due to other funds	-	-	-	34,740
Due to other governmental units	-	-	-	-
Long term advances	-	29,000	-	-
Deferred revenue	-	-	-	-
Total liabilities	<u>-</u>	<u>29,000</u>	<u>-</u>	<u>151,191</u>
Deferred inflows of resources				
Unavailable revenue - property taxes	-	-	-	-
Taxes levied for a subsequent period	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances				
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	3,108
Assigned	-	124,302	-	140,782
Total fund balances	<u>-</u>	<u>124,302</u>	<u>-</u>	<u>143,890</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ -</u>	<u>\$ 153,302</u>	<u>\$ -</u>	<u>\$ 295,081</u>

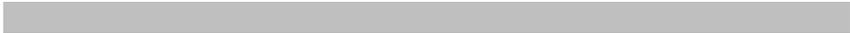
Special Revenue Funds				Capital Projects Fund	Debt Service Fund	Total Nonmajor Governmental Funds
Child Care / Social Services	Soldiers' Relief	Veterans' Trust	Historical Preservation	Public Improvement	Building Authority	
\$ 16,258	\$ 11,244	\$ 4,058	\$ 11,418	\$ -	\$ 10,388	\$ 486,223
-	76,459	-	-	-	51,800	867,307
-	-	-	-	-	-	1,927,475
-	270,177	-	257,849	-	-	798,374
-	986	-	-	-	3,222	12,222
-	-	-	-	-	-	527,707
-	-	-	-	-	-	706,300
-	-	-	-	-	-	-
<u>\$ 16,258</u>	<u>\$ 358,866</u>	<u>\$ 4,058</u>	<u>\$ 269,267</u>	<u>\$ -</u>	<u>\$ 65,410</u>	<u>\$ 5,325,608</u>
\$ -	\$ 7,377	\$ 250	\$ -	\$ -	\$ 17	\$ 111,898
-	-	-	450	-	-	228,180
-	-	-	-	-	-	11,998
-	-	-	-	-	-	35,849
-	-	-	-	-	-	8
-	-	-	-	-	-	29,000
-	-	-	-	-	-	61,693
-	7,377	250	450	-	17	478,626
-	193	-	818	-	-	1,374
-	281,511	-	267,999	-	-	831,021
-	281,704	-	268,817	-	-	832,395
-	-	-	-	-	-	-
-	69,785	3,808	-	-	65,393	2,859,743
8,600	-	-	-	-	-	619,681
7,658	-	-	-	-	-	535,163
<u>16,258</u>	<u>69,785</u>	<u>3,808</u>	<u>-</u>	<u>-</u>	<u>65,393</u>	<u>4,014,587</u>
<u>\$ 16,258</u>	<u>\$ 358,866</u>	<u>\$ 4,058</u>	<u>\$ 269,267</u>	<u>\$ -</u>	<u>\$ 65,410</u>	<u>\$ 5,325,608</u>

concluded

BAY COUNTY, MICHIGAN

Combining Statement of Revenue, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds December 31, 2012

	Special Revenue Funds			
	Friend of the Court	Health Department / District Health	Gypsy Moth Control	Register of Deeds Automation
Revenues				
Property and other taxes	\$ -	\$ -	\$ (2,434)	\$ -
Licenses and permits	-	188,331	-	-
Federal grants	62,125	1,179,253	-	-
State grants	-	330,049	-	-
Interest, rents and royalties	-	3,500	10,713	4,369
Charges for services	47,587	76,283	-	-
Fines and forfeitures	-	-	-	-
Reimbursements, refunds, and other revenues	-	627,135	-	-
Total revenues	109,712	2,404,551	8,279	4,369
Expenditures				
Current:				
Judicial	91,744	-	-	-
General government	-	-	119,277	82,043
Public safety	-	-	-	-
Health and welfare	-	3,327,439	-	-
Community and economic development	-	-	-	-
Recreation and culture	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and other fees	-	-	-	-
Total expenditures	91,744	3,327,439	119,277	82,043
Revenues over (under) expenditures	17,968	(922,888)	(110,998)	(77,674)
Other financing sources (uses)				
Bond premium	-	-	-	-
Refunding debt proceeds	-	-	-	-
Transfers in	-	1,457,213	-	110,555
Refunding debt payments	-	-	-	-
Transfers out	-	(368,050)	(17,884)	(42,216)
Total other financing sources (uses)	-	1,089,163	(17,884)	68,339
Net change in fund balances	17,968	166,275	(128,882)	(9,335)
Fund balances, beginning of year	159,753	413,664	564,187	204,569
Fund balances, end of year	\$ 177,721	\$ 579,939	\$ 435,305	\$ 195,234



Special Revenue Funds				
Local C.F.O. Training	Drug Law Enforcement	Law Library	Community Corrections	Home Rehabilitation
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	93,902
-	-	-	130,343	-
-	-	-	-	(837)
19,161	-	-	-	-
-	6,815	6,500	-	-
-	-	-	-	10,000
<u>19,161</u>	<u>6,815</u>	<u>6,500</u>	<u>130,343</u>	<u>103,065</u>
-	-	-	-	-
-	-	27,909	-	-
34,517	552	-	139,374	-
-	-	-	-	-
-	-	-	-	131,538
-	-	-	-	-
-	-	-	-	-
<u>34,517</u>	<u>552</u>	<u>27,909</u>	<u>139,374</u>	<u>131,538</u>
<u>(15,356)</u>	<u>6,263</u>	<u>(21,409)</u>	<u>(9,031)</u>	<u>(28,473)</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	(29,000)	-	-	-
-	(29,000)	-	-	-
(15,356)	(22,737)	(21,409)	(9,031)	(28,473)
64,059	37,818	32,196	79,494	2,086,391
<u>\$ 48,703</u>	<u>\$ 15,081</u>	<u>\$ 10,787</u>	<u>\$ 70,463</u>	<u>\$ 2,057,918</u>

continued...

BAY COUNTY, MICHIGAN

Combining Statement of Revenue, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds December 31, 2012

	Special Revenue Funds			
	Revenue Sharing Reserve	Social Welfare	Social Services Protective Services	Child Care
Revenues				
Property and other taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Federal grants	-	-	-	19,646
State grants	-	-	-	149,134
Interest, rents and royalties	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Reimbursements, refunds, and other revenues	-	270,015	-	1,194,878
Total revenues	-	270,015	-	1,363,658
Expenditures				
Current:				
Judicial	-	-	-	-
General government	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	277,821	-	2,282,660
Community and economic development	-	-	-	-
Recreation and culture	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and other fees	-	-	-	-
Total expenditures	-	277,821	-	2,282,660
Revenues over (under) expenditures	-	(7,806)	-	(919,002)
Other financing sources (uses)				
Bond premium	-	-	-	-
Refunding debt proceed	-	-	-	-
Transfers in	-	-	-	920,315
Refunding debt payments	-	-	-	-
Transfers out	-	-	-	(184,113)
Total other financing sources (uses)	-	-	-	736,202
Net change in fund balances	-	(7,806)	-	(182,800)
Fund balances, beginning of year	-	132,108	-	326,690
Fund balances, end of year	\$ -	\$ 124,302	\$ -	\$ 143,890

Special Revenue Funds				Capital Projects Fund	Debt Service Fund	Total Nonmajor Governmental Funds
Child Care / Social Services	Soldiers' Relief	Veterans' Trust	Historical Preservation	Public Improvement	Building Authority	
\$ -	\$ 284,077	\$ -	\$ 269,889	\$ -	\$ -	\$ 551,532
-	2,289	-	-	-	-	190,620
-	-	-	-	-	-	1,354,926
-	-	-	-	-	-	609,526
-	-	-	2	131	8,581	26,459
-	-	-	-	-	-	143,031
-	-	-	-	-	-	13,315
585	-	52,316	-	-	1,490,753	3,645,682
585	286,366	52,316	269,891	131	1,499,334	6,535,091
-	-	-	-	-	-	91,744
-	-	-	-	-	-	229,229
-	-	-	-	-	-	174,443
1,169	243,526	51,630	-	-	-	6,184,245
-	-	-	-	-	-	131,538
-	-	-	269,891	-	-	269,891
-	-	-	-	-	1,880,000	1,880,000
-	-	-	-	-	662,849	662,849
1,169	243,526	51,630	269,891	-	2,542,849	9,623,939
(584)	42,840	686	-	131	(1,043,515)	(3,088,848)
-	-	-	-	-	1,004,219	1,004,219
-	-	-	-	-	9,775,000	9,775,000
-	-	-	-	-	963,575	3,451,658
-	-	-	-	-	(10,655,119)	(10,655,119)
-	-	-	-	(20,876)	-	(662,139)
-	-	-	-	(20,876)	1,087,675	2,913,619
(584)	42,840	686	-	(20,745)	44,160	(175,229)
16,842	26,945	3,122	-	20,745	21,233	4,189,816
\$ 16,258	\$ 69,785	\$ 3,808	\$ -	\$ -	\$ 65,393	\$ 4,014,587

concluded



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 *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, 2012

	Golf Course	Delinquent Property Tax Foreclosure	Commissary	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 10,711	\$ 131,638	\$ 6,059	\$ 148,408
Investments	61,095	104,346	74,678	240,119
Accounts receivable, net of allowance	8,357	-	795	9,152
Accrued interest receivable	1,192	1,644	1,543	4,379
Inventories	25,117	-	-	25,117
Due from other funds	-	12,796	-	12,796
Due from component units	-	25,000	-	25,000
Due from other governmental units	15	-	-	15
Prepaid items and other assets	-	11,050	-	11,050
Total current assets	106,487	286,474	83,075	476,036
Noncurrent assets				
Net pension asset	13,916	-	-	13,916
Land	167,021	-	-	167,021
Land improvements	771,553	-	-	771,553
Buildings and improvements	406,224	-	-	406,224
Machinery and equipment	467,054	-	-	467,054
Office furniture and fixtures	18,312	143,130	-	161,442
Vehicles and other	15,050	-	-	15,050
Less accumulated depreciation	(1,354,165)	(109,417)	-	(1,463,582)
Total noncurrent assets	504,965	33,713	-	538,678
Total assets	611,452	320,187	83,075	1,014,714
Liabilities				
Current liabilities				
Accounts payable	2,350	19,930	-	22,280
Accrued liabilities	9,879	-	-	9,879
Accrued vacation and sick pay	2,915	-	-	2,915
Due to other funds	172	8,416	-	8,588
Due to other governmental units	327	-	124	451
Unearned revenue	9,724	-	-	9,724
Total current liabilities	25,367	28,346	124	53,837
Long-term liabilities:				
Accrued vacation and sick pay	22,139	-	-	22,139
Net OPEB obligation	54,668	-	-	54,668
Total long-term liabilities	76,807	-	-	76,807
Total liabilities	102,174	28,346	124	130,644
Net position				
Investment in capital assets	491,049	33,713	-	524,762
Unrestricted	18,229	258,128	82,951	359,308
Total net position	\$ 509,278	\$ 291,841	\$ 82,951	\$ 884,070

BAY COUNTY, MICHIGAN

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

Nonmajor Enterprise Funds
December 31, 2012

	Golf Course	Delinquent Property Tax Foreclosure	Commissary	Total
Operating revenues				
Charges for services	\$ 610,839	\$ 243,539	\$ 169,573	\$ 1,023,951
Reimbursements, refunds, and other revenue	4,706	12,957	23	17,686
Total operating revenues	615,545	256,496	169,596	1,041,637
Operating expenses				
Personal services	339,905	-	-	339,905
Supplies	67,087	-	-	67,087
Other services	234,871	164,420	122,168	521,459
Depreciation	49,746	21,876	-	71,622
Total operating expenses	691,609	186,296	122,168	1,000,073
Operating income (loss)	(76,064)	70,200	47,428	41,564
Nonoperating revenue				
Interest income	2,087	4,046	2,872	9,005
Income (loss) before transfers	(73,977)	74,246	50,300	50,569
Transfers				
Transfers out	-	(94,541)	(150,000)	(244,541)
Change in net position	(73,977)	(20,295)	(99,700)	(193,972)
Net position, beginning of year	583,255	312,136	182,651	1,078,042
Net position, end of year	\$ 509,278	\$ 291,841	\$ 82,951	\$ 884,070

BAY COUNTY, MICHIGAN

Combining Statement of Cash Flows

Nonmajor Enterprise Funds

December 31, 2012

	Golf Course	Delinquent Property Tax Foreclosure	Commissary	Total
Cash flows from operating activities				
Cash received from customers	\$ 604,476	\$ 243,375	\$ 169,031	\$ 1,016,882
Cash payments to suppliers for goods and services	(280,828)	(170,753)	(122,168)	(573,749)
Cash payments to employees and related taxes and insurance	(314,365)	-	68	(314,297)
Other operating revenues	4,706	12,957	23	17,686
Net cash provided by (used in) operating activities	13,989	85,579	46,954	146,522
Cash flows from noncapital financing activities				
Transfers out	-	(94,541)	(150,000)	(244,541)
Cash flows from investing activities				
Sale (purchase) of investments	(6,093)	58,600	57,809	110,316
Interest on investments	2,087	4,046	2,872	9,005
Net cash provided (used) by investing activities	(4,006)	62,646	60,681	119,321
Net increase (decrease) in cash and cash equivalents	9,983	53,684	(42,365)	21,302
Cash and cash equivalents, beginning of year	728	77,954	48,424	127,106
Cash and cash equivalents, end of year	\$ 10,711	\$ 131,638	\$ 6,059	\$ 148,408
Cash flows from operating activities				
Operating (loss) income	\$ (76,064)	\$ 70,200	\$ 47,428	\$ 41,564
Adjustments to reconcile operating (loss) income to net cash provided by operating activities				
Depreciation	49,746	21,876	-	71,622
Changes in assets and liabilities:				
Accounts receivable	(4,781)	-	(795)	(5,576)
Accrued interest receivable	31	(164)	253	120
Inventories	22,040	-	-	22,040
Due from other funds	-	(394)	-	(394)
Due from component units	-	-	-	-
Due from other governmental units	5	-	-	5
Prepaid items and other assets	-	(217)	-	(217)
Net pension asset	(3,924)	-	-	(3,924)
Accounts payable	(845)	11,399	-	10,554
Accrued liabilities	3,828	-	-	3,828
Accrued vacation and sick pay	379	-	-	379
Due to other funds	(65)	(17,121)	-	(17,186)
Due to other governmental units	229	-	68	297
Unearned revenue	(1,618)	-	-	(1,618)
Net OPEB obligation	25,028	-	-	25,028
Net cash provided by operating activities	\$ 13,989	\$ 85,579	\$ 46,954	\$ 146,522

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 *Self Insurance Healthcare 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, 2012

	Self Insurance	Healthcare Self Insurance	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 986,266	\$ 2,942,088	\$ 3,928,354
Investments	1,229,429	-	1,229,429
Accounts receivable, net of allowance	30	109,474	109,504
Accrued interest receivable	16,213	-	16,213
Due from other funds	33,754	-	33,754
Due from component units	712	-	712
Due from other governmental units	230	-	230
Prepaid items and other assets	18,140	937,775	955,915
Total current assets	2,284,774	3,989,337	6,274,111
Noncurrent assets:			
Net pension asset	1,055	-	1,055
Total assets	2,285,829	3,989,337	6,275,166
Liabilities			
Current liabilities:			
Accounts payable	4	-	4
Accrued liabilities	64,307	-	64,307
Due to other funds	1	-	1
Claims, settlements, and judgments	42,569	379,476	422,045
Total current liabilities	106,881	379,476	486,357
Long-term liabilities:			
Accrued vacation and sick pay	1,536	-	1,536
Net OPEB obligation	4,413	-	4,413
Total long-term liabilities	5,949	-	5,949
Total liabilities	112,830	379,476	492,306
Net position			
Restricted:			
Insurance claims	2,172,999	3,285,196	5,458,195
Restricted contributions	-	324,665	324,665
Total net position	\$ 2,172,999	\$ 3,609,861	\$ 5,782,860

BAY COUNTY, MICHIGAN

Combining Statement of Revenue, Expenses and Changes in Fund Net Position Internal Service Funds December 31, 2012

	Self Insurance	Healthcare Self Insurance	Total
Operating revenues			
Charges for services	\$ 648,706	\$ 6,364,524	\$ 7,013,230
Total operating revenues	648,706	6,364,524	7,013,230
Operating expenses			
Personal services	304,845	5,078,434	5,383,279
Supplies	2	-	2
Other services	54,343	756,757	811,100
Total operating expenses	359,190	5,835,191	6,194,381
Operating income	289,516	529,333	818,849
Nonoperating revenues			
Interest income	32,515	-	32,515
Net change in assets	322,031	529,333	851,364
Net position, beginning of year	1,850,968	3,080,528	4,931,496
Net position, end of year	\$ 2,172,999	\$ 3,609,861	\$ 5,782,860

BAY COUNTY, MICHIGAN

Combining Statement of Cash Flows Internal Service Funds December 31, 2012

	Self Insurance	Healthcare Self Insurance	Total
Cash flows from operating activities			
Cash received from interfund services provided	\$ 646,888	\$ 6,514,033	\$ 7,160,921
Interfund reimbursements	-	-	-
Cash payments to suppliers for goods and services	(62,939)	(795,915)	(858,854)
Cash payments to employees and related taxes and insurance	(652,612)	(5,123,767)	(5,776,379)
Net cash provided (used) by operating activities	(68,663)	594,351	525,688
Cash flows from investing activities			
Purchases of investments	(200,519)	-	(200,519)
Interest on investments	32,515	-	32,515
Cash used by investing activities	(168,004)	-	(168,004)
Net increase (decrease) in cash and cash equivalents	(236,667)	594,351	357,684
Cash and cash equivalents, beginning of year	1,222,933	2,347,737	3,570,670
Cash and cash equivalents, end of year	\$ 986,266	\$ 2,942,088	\$ 3,928,354
Cash flows from operating activities			
Operating income	\$ 289,516	\$ 529,333	\$ 818,849
Adjustments to reconcile operating loss to net cash provided (used) by operating activities			
Changes in assets and liabilities:			
Accounts receivable	(28)	149,509	149,481
Accrued interest receivable	(1,828)	-	(1,828)
Due from other funds	(10,317)	-	(10,317)
Due from component units	38	-	38
Due from other governmental units	84	-	84
Prepaid items and other assets	1,840	(37,804)	(35,964)
Net pension asset	(294)	-	(294)
Accounts payable	(106)	(1,354)	(1,460)
Accrued liabilities	(64,626)	-	(64,626)
Accrued vacation and sick pay	(25)	-	(25)
Net OPEB obligation	4,413	-	4,413
Due to other funds	(11)	-	(11)
Claims, settlements, and judgments	(287,319)	(45,333)	(332,652)
Net cash provided (used) by operating activities	\$ (68,663)	\$ 594,351	\$ 525,688

FIDUCIARY FUNDS

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

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

The *Public Employee Health Care Fund* is used to accumulate financial resources in order to provide medical benefits for retirees', their spouses and dependents.

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

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

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

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

BAY COUNTY, MICHIGAN

Combining Statement of Plan Net Position Pension and Other Employee Benefits Trust Funds December 31, 2012

	Employees' Retirement System	Public Employee Health Care	Total
Assets			
Investments at fair value:			
Equities	\$ 188,226,713	\$ 16,721,349	\$ 204,948,062
Fixed income	51,628,167	13,255,710	64,883,877
Money market	7,254,440	1,423,796	8,678,236
Other	229,193	-	229,193
Total investments	247,338,513	31,400,855	278,739,368
Receivables:			
Interest and dividends	603,893	84,012	687,905
Accounts	153,213	651,192	804,405
Due from other governmental units	144,603	-	144,603
Total receivables	901,709	735,204	1,636,913
Other current assets:			
Prepaid items and other assets	708,200	-	708,200
Net pension asset	4,245	-	4,245
Due from other funds	14	-	14
Due from component units	52,763	-	52,763
Total other current assets	765,222	-	765,222
Total assets	249,005,444	32,136,059	281,141,503
Liabilities			
Accounts payable	363,673	20,435	384,108
Accrued liabilities	1,709,492	253,692	1,963,184
Accrued vacation and sick pay	6,146	-	6,146
Due to other funds	14	-	14
Net OPEB obligation	16,423	-	16,423
Total liabilities	2,095,748	274,127	2,369,875
Net position			
Held in trust for pension and healthcare benefits	\$ 246,909,696	\$ 31,861,932	\$ 278,771,628

BAY COUNTY, MICHIGAN

Combining Statement of Changes in Plan Net Position Pension and Other Employee Benefits Trust Funds December 31, 2012

	Employees' Retirement System	Public Employee Health Care	Total
Additions			
Contributions:			
Employer	\$ 3,495,686	\$ 981,778	\$ 4,477,464
Current premium contributions	-	1,134,775	1,134,775
Plan members	2,116,924	-	2,116,924
Total contributions	5,612,610	2,116,553	7,729,163
Investment income:			
Net appreciation in fair value of investments	24,229,014	2,755,412	26,984,426
Interest and dividends	5,515,775	531,680	6,047,455
Less investment expense	(1,791,164)	(25,331)	(1,816,495)
Net investments	27,953,625	3,261,761	31,215,386
Other revenue	171,022	-	171,022
Total additions	33,737,257	5,378,314	39,115,571
Deductions			
Benefits	12,273,871	-	12,273,871
Retiree healthcare premium payments	-	1,134,775	1,134,775
Administrative expenses	154,631	94,829	249,460
Pension expense	7,482	-	7,482
Refunds of contributions	113,550	-	113,550
Total deductions	12,549,534	1,229,604	13,779,138
Change in net position	21,187,723	4,148,710	25,336,433
Net position held in trust for pension and healthcare benefits			
Beginning of year	225,721,973	27,713,222	253,435,195
End of year	\$ 246,909,696	\$ 31,861,932	\$ 278,771,628

BAY COUNTY, MICHIGAN

Combing Statement of Assets and Liabilities

Agency Funds

December 31, 2012

	General Agency	Current Tax Collections	Library Penal Fine	Flexible Spending Plan	Total
Assets					
Cash and cash equivalents	\$ 2,680,889	\$ 1	\$ 30,353	\$ 46,958	\$ 2,758,201
Investments	7,642,573	514,709	-	-	8,157,282
Accounts receivable	282	-	-	-	282
Total assets	\$ 10,323,744	\$ 514,710	\$ 30,353	\$ 46,958	\$ 10,915,765
Liabilities					
Accounts payable	\$ 2,494	\$ 263,621	\$ -	\$ 23,514	\$ 289,629
Accrued liabilities	77,991	-	-	23,444	101,435
Due to component units	9,751,777	251,089	30,353	-	10,033,219
Due to other governmental units	321,241	-	-	-	321,241
Deposits	169,652	-	-	-	169,652
Undistributed taxes	589	-	-	-	589
Total liabilities	\$ 10,323,744	\$ 514,710	\$ 30,353	\$ 46,958	\$ 10,915,765

BAY COUNTY, MICHIGAN

Combining Statement of Changes in Assets and Liabilities

Agency Funds

For the Year Ended December 31, 2012

	Balance January 1, 2012	Additions	Deductions	Balance December 31, 2012
General Agency Fund				
Assets				
Cash and cash equivalents	\$ 4,197,269	\$ 36,957,809	\$ (38,474,189)	\$ 2,680,889
Investments	5,218,728	10,776,229	(8,352,384)	7,642,573
Accounts receivable	361	4,281	(4,360)	282
Total assets	\$ 9,416,358	\$ 47,738,319	\$ (46,830,933)	\$ 10,323,744
Liabilities				
Accounts payable	\$ 43,666	\$ 16,779,591	\$ (16,820,763)	\$ 2,494
Accrued liabilities	104,591	108,842	(135,442)	77,991
Due to component units	8,819,079	13,586,365	(12,653,667)	9,751,777
Due to other governmental units	285,066	18,256,586	(18,220,411)	321,241
Deposits	163,956	33,820	(28,124)	169,652
Undistributed taxes	-	194,894	(194,305)	589
Total liabilities	\$ 9,416,358	\$ 48,960,098	\$ (48,052,712)	\$ 10,323,744
Current Tax Collection Fund				
Assets				
Cash and cash equivalents	\$ 8,865	\$ 96,772,788	\$ (96,781,652)	\$ 1
Investments	380,711	514,709	(380,711)	514,709
Total assets	\$ 389,576	\$ 97,287,497	\$ (97,162,363)	\$ 514,710
Liabilities				
Accounts payable	\$ 125,972	\$ 21,887,772	\$ (21,750,123)	\$ 263,621
Due to component units	263,604	6,291,819	(6,304,334)	251,089
Undistributed taxes	-	66,438,320	(66,438,320)	-
Total liabilities	\$ 389,576	\$ 94,617,911	\$ (94,492,777)	\$ 514,710
Library Penal Fine				
Assets				
Cash and cash equivalents	\$ 26,286	\$ 358,322	\$ (354,255)	\$ 30,353
Liabilities				
Accounts payable	\$ -	\$ 327,968	\$ (327,968)	\$ -
Due to component units	26,286	358,322	(354,255)	30,353
Total liabilities	\$ 26,286	\$ 686,290	\$ (682,223)	\$ 30,353

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BAY COUNTY, MICHIGAN

Combining Statement of Changes in Assets and Liabilities

Agency Funds

For the Year Ended December 31, 2012

	Balance January 1, 2012	Additions	Deductions	Balance December 31, 2012
Flexible Spending Plan Fund				
Assets				
Cash and cash equivalents	\$ 46,682	\$ 108,705	\$ (108,429)	\$ 46,958
Liabilities				
Accounts payable	\$ 23,514	\$ -	\$ -	\$ 23,514
Accrued liabilities	23,168	108,705	(108,429)	23,444
Total liabilities	\$ 46,682	\$ 108,705	\$ (108,429)	\$ 46,958
Total - All Agency Funds				
Assets				
Cash and cash equivalents	\$ 4,279,102	\$ 134,197,624	\$ (135,718,525)	\$ 2,758,201
Investments	5,599,439	11,290,938	(8,733,095)	8,157,282
Accounts receivable	361	4,281	(4,360)	282
Total assets	\$ 9,878,902	\$ 145,492,843	\$ (144,455,980)	\$ 10,915,765
Liabilities				
Accounts payable	\$ 193,152	\$ 38,995,331	\$ (38,898,854)	\$ 289,629
Accrued liabilities	127,759	217,547	(243,871)	101,435
Due to component units	9,108,969	20,236,506	(19,312,256)	10,033,219
Due to other governmental units	285,066	18,256,586	(18,220,411)	321,241
Deposits	163,956	33,820	(28,124)	169,652
Undistributed taxes	-	66,633,214	(66,632,625)	589
Total liabilities	\$ 9,878,902	\$ 144,373,004	\$ (143,336,141)	\$ 10,915,765

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, 2012

	Library System	Adjustments	Statement of Net Position
Assets			
Current assets:			
Cash and cash equivalents	\$ 5,241,921	\$ -	\$ 5,241,921
Accounts receivable, net of allowance	-	-	-
Property taxes receivable, net of allowance	5,614,500	-	5,614,500
Accrued interest receivable	68,009	-	68,009
Due from primary government	69,222	-	69,222
Prepaid items and other assets	111,553	-	111,553
Total current assets	11,105,205	-	11,105,205
Capital assets:			
Land	-	107,487	107,487
Land improvements	-	103,946	103,946
Buildings and improvements	-	1,524,065	1,524,065
Machinery and equipment	-	131,738	131,738
Office furniture and fixtures	-	1,182,260	1,182,260
Books and audio/visual materials	-	2,739,714	2,739,714
Vehicles and other	-	182,770	182,770
Less accumulated depreciation	-	(3,084,223)	(3,084,223)
Total capital assets	-	2,887,757	2,887,757
Total assets	\$ 11,105,205	\$ 2,887,757	\$ 13,992,962
Liabilities			
Current liabilities:			
Accounts payable	\$ 89,287	-	89,287
Accrued liabilities	115,125	-	115,125
Deferred / unearned revenue	5,614,500	-	5,614,500
Total current liabilities	5,818,912	-	5,818,912
Noncurrent liabilities:			
Accrued vacation and sick pay, long term	-	197,627	197,627
Net OPEB obligation	-	176,791	176,791
Total noncurrent liabilities	-	374,418	374,418
Total liabilities	5,818,912	374,418	6,193,330
Fund balances			
Nonspendable	111,553	(111,553)	-
Restricted	1,811,630	(1,811,630)	-
Assigned			
Capital outlay	123,991	(123,991)	-
Restricted assets	19,226	(19,226)	-
Restricted contributions	712,450	(712,450)	-
Designated for projects and activities	2,698,332	(2,698,332)	-
Total fund balances	5,286,293	(5,286,293)	-
Total liabilities and fund balances	\$ 11,105,205		
Net position			
Invested in capital assets		2,887,757	2,887,757
Unrestricted		4,911,875	4,911,875
Total net position		\$ 7,799,632	\$ 7,799,632

BAY COUNTY, MICHIGAN

Statement of Activities and Statement of Revenues, Expenditures and Changes in Fund Balances
 Library System Component Unit
 For the Year Ended December 31, 2012

	Library System	Adjustments	Statement of Activities
Revenues			
Property and other taxes	\$ 5,607,867	\$ -	\$ 5,607,867
Federal grants	27,984	-	27,984
State grants	48,224	-	48,224
Interest income	135,428	-	135,428
Charges for services	472,091	-	472,091
Donations	108,752	-	108,752
Total revenues	<u>6,400,346</u>	<u>-</u>	<u>6,400,346</u>
Expenditures / expenses			
Current:			
Recreation and culture	5,107,968	(710,140)	4,397,828
Depreciation	-	562,728	562,728
Contributions to other units	1,490,752	-	1,490,752
Total expenditures / expenses	<u>6,598,720</u>	<u>(147,412)</u>	<u>6,451,308</u>
Net change in fund balance / net position	(198,374)	147,412	(50,962)
Fund balance / net position, beginning of year	<u>5,484,667</u>	<u>2,365,927</u>	<u>7,850,594</u>
Fund balance / net position, end of year	<u>\$ 5,286,293</u>	<u>\$ 2,513,339</u>	<u>\$ 7,799,632</u>

BAY COUNTY, MICHIGAN

Statement of Net Position and Balance Sheet

Drain Commission Component Unit

December 31, 2012

	Drain Debt Service Funds	Drains Operations and Maintenance	Drain Capital Projects Fund
Assets			
Cash and cash equivalents	\$ 60,669	\$ 87,648	\$ 369,940
Investments	119,054	281,014	1,507,800
Special assessments	509,122	-	109,726
Accrued interest receivable	1,614	3,296	20,567
Due from other funds	-	24,656	35,862
Due from primary government	19,223	41,003	21,896
Due from other governmental units	19,157	265,728	29,954
Prepaid items and other assets	30	3,632	-
Capital assets not being depreciated	-	-	-
Capital assets being depreciated, net	-	-	-
Total assets	\$ 728,869	\$ 706,977	\$ 2,095,745
Liabilities			
Accounts payable	\$ -	\$ 4,836	\$ 27,698
Accrued liabilities	-	2,700	-
Due to other funds	-	1,758	169,145
Due to primary governments	-	9,432	23,493
Deferred / unearned revenue	591,346	317,925	152,163
Long-term liabilities:			
Due within one year	-	-	-
Due in more than one year	-	-	-
Total liabilities	591,346	336,651	372,499
Fund balances			
Nonspendable	30	3,632	-
Assigned:			
Designated for projects and activities	-	-	-
Unassigned	137,493	366,694	1,723,246
Total fund balances	137,523	370,326	1,723,246
Total liabilities and fund balances	\$ 728,869	\$ 706,977	\$ 2,095,745
Net position			
Invested in capital assets, net of related debt			
Restricted for:			
Debt service			
Unrestricted			
Total net position			

Revolving Drain	Auburn Road Drain	Total Governmental Funds	Adjustments	Statement of Net Position
\$ -	\$ 57,570	\$ 575,827	\$ -	\$ 575,827
-	88,392	1,996,260	-	1,996,260
-	30,309	649,157	-	649,157
-	1,516	26,993	-	26,993
110,385	-	170,903	(170,903)	-
-	722	82,844	-	82,844
-	-	314,839	-	314,839
-	-	3,662	-	3,662
-	-	-	333,173	333,173
-	-	-	3,438,426	3,438,426
<u>\$ 110,385</u>	<u>\$ 178,509</u>	<u>\$ 3,820,485</u>	<u>\$ 3,600,696</u>	<u>\$ 7,421,181</u>
\$ -	\$ -	\$ 32,534	-	32,534
-	-	2,700	9,946	12,646
-	-	170,903	(170,903)	-
110,385	-	143,310	-	143,310
-	49,427	1,110,861	(1,110,861)	-
-	-	-	166,242	166,242
-	-	-	370,550	370,550
<u>110,385</u>	<u>49,427</u>	<u>1,460,308</u>	<u>(735,026)</u>	<u>725,282</u>
-	-	3,662	(3,662)	-
-	-	-	-	-
-	129,082	2,356,515	(2,356,515)	-
-	129,082	2,360,177	(2,360,177)	-
<u>\$ 110,385</u>	<u>\$ 178,509</u>	<u>\$ 3,820,485</u>		
			3,234,807	3,234,807
			266,605	266,605
			<u>3,194,487</u>	<u>3,194,487</u>
			<u>\$ 6,695,899</u>	<u>\$ 6,695,899</u>

BAY COUNTY, MICHIGAN

Statement of Activities and Statement of Revenues, Expenditures and Changes in Fund Balances - Drain Commission Component Unit For the Year Ended December 31, 2012

	Drain Debt Service Funds	Drains Operations and Maintenance	Drain Capital Projects Fund
Revenues			
Property and other taxes	\$ 221,130	\$ 11,145	\$ 73,979
Federal grants	-	-	-
Lincenses and permits	-	400	5,800
Interest, rents and royalties	3,232	20,091	68,504
Reimbursements, refunds and other revenue	18,844	40,953	17,277
Contributions from local units	31,730	264,828	14,117
Total revenues	274,936	337,417	179,677
Expenditures / expenses			
Public works:			
Contractual services	-	362,419	205,901
Loss on sale of capital assets	-	-	-
Depreciation	-	-	-
Debt service:			
Principal	242,409	-	-
Interest and fiscal charges	30,207	-	-
Total expenditures / expenses	272,616	362,419	205,901
Revenues over (under) expenditures / expenses	2,320	(25,002)	(26,224)
Other financing sources (uses)			
Transfers in	65	71,100	25,345
Transfers out	-	(25,345)	(71,165)
Total other financing sources (uses)	65	45,755	(45,820)
Net change in fund balances	2,385	20,753	(72,044)
Fund balances / net position, beginning of year	135,138	349,573	1,795,290
Fund balances / net position, end of year	\$ 137,523	\$ 370,326	\$ 1,723,246

Revolving Drain	Auburn Road Drain	Total Governmental Funds	Adjustments	Statement of Net Position
\$ -	\$ 51,549	\$ 357,803	\$ (267,201)	\$ 90,602
-	-	-	-	-
-	-	6,200	-	6,200
-	2,308	94,135	-	94,135
-	-	77,074	-	77,074
-	-	310,675	-	310,675
-	53,857	845,887	(267,201)	578,686
-	-	568,320	(148,021)	420,299
-	-	-	19,606	19,606
-	-	-	177,226	177,226
-	-	242,409	(242,409)	-
-	-	30,207	(3,522)	26,685
-	-	840,936	(197,120)	643,816
-	53,857	4,951	(70,081)	(65,130)
-	-	96,510	-	96,510
-	-	(96,510)	-	(96,510)
-	-	-	-	-
-	53,857	4,951	(70,081)	(65,130)
-	75,225	2,355,226	4,405,803	6,761,029
\$ -	\$ 129,082	\$ 2,360,177	\$ 4,335,722	\$ 6,695,899