

Bay County,
Michigan



Year Ended
December 31,
2013

Financial
Statements

**BAY COUNTY, MICHIGAN
FINANCIAL REPORT
Year Ended December 31, 2013
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 30, 2014

Board of Commissioners
Bay County, Michigan**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Bay County, Michigan (the "County"), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Independent Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the 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 63% of the assets and 52% 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 22% of the assets and 21% of the revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Housing 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, 2013, 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 and other auditors 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 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.

Rehmann Lobson LLC

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, 2013. 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 \$68,184,058 (*net position*). Of this amount, \$10,987,796 (*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 \$2,312,483 during 2013.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$45,615,006, an increase of \$25,581,689 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 \$6,680,501 or 23.40% of total general fund expenditures. Total fund balance for the general fund was \$12,419,021.
- The County's total debt increased \$27,594,857 or 109.93% 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 17 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 26 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 Water Supply Capital Projects Fund, each of which are considered to be major funds. Data from the other 21 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 20 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 30 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 35 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 43 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 98 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 \$68,184,058 at the close of the most recent fiscal year.

	Bay County's Net Position					
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Assets:						
Current and other assets	\$64,548,332	\$38,917,605	\$27,287,182	\$26,024,577	\$91,835,514	\$64,942,182
Capital assets, net of accumulated depreciation	51,815,653	48,850,621	6,953,339	7,353,440	58,768,992	56,204,061
Total assets	116,363,985	87,768,226	34,240,521	33,378,017	150,604,506	121,146,243
Liabilities:						
Long-term liabilities	57,131,548	26,076,350	11,163,656	9,362,819	68,295,204	35,439,169
Other liabilities	3,735,055	4,704,006	4,110,176	4,186,026	7,845,231	8,890,032
Total liabilities	60,866,603	30,780,356	15,273,832	13,548,845	76,140,435	44,329,201
Deferred inflows of resources						
Taxes levied for a subsequent period	6,280,013	6,320,501	-	-	6,280,013	6,320,501
Net position:						
Invested in capital assets, net of related debt	35,432,582	35,041,086	6,953,339	7,353,440	42,385,921	42,394,526
Restricted	13,510,155	2,701,646	1,300,186	1,408,902	14,810,341	4,110,548
Unrestricted	274,632	12,924,637	10,713,164	11,066,830	10,987,796	23,991,467
Total net position	\$49,217,369	\$50,667,369	\$18,966,689	\$19,829,172	\$68,184,058	\$70,496,541

One of the largest portions of the County's net position, \$42,385,921 (62.2%) 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, \$14,810,341 (21.7%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position*, \$10,987,796 (16.1%) 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	
	2013	2012	2013	2012	2013	2012
Revenue						
Program revenue:						
Charges for services	\$ 9,855,885	\$10,339,375	\$23,314,675	\$23,998,913	\$33,170,560	\$34,338,288
Operating grants and contributions	10,173,430	12,515,201	156,640	285,489	10,330,070	12,800,690
Capital grants and contributions	94,431	80,497	-	-	94,431	80,497
General revenue:						
Property taxes	22,475,803	21,203,689	2,089,775	1,437,577	24,565,578	22,641,266
Unrestricted investment earnings	619,579	505,495	370,242	300,877	989,821	806,372
Other	658,320	238,148	187,393	81,508	845,713	319,656
Total revenue	43,877,448	44,882,405	26,118,725	26,104,364	69,996,173	70,986,769
Expenses						
Public safety	11,722,726	11,783,813	-	-	11,722,726	11,783,813
Community and economic development	295,577	272,878	-	-	295,577	272,878
Health and welfare	10,921,035	11,206,727	-	-	10,921,035	11,206,727
Public works	177,945	4,177	-	-	177,945	4,177
General government	13,754,284	15,617,422	-	-	13,754,284	15,617,422
Judicial	6,830,939	6,909,233	-	-	6,830,939	6,909,233
Legislative	342,078	435,233	-	-	342,078	435,233
Recreation and culture	1,617,479	1,373,762	-	-	1,617,479	1,373,762
Interest on long-term debt	875,190	656,888	-	-	875,190	656,888
Medical care facility	-	-	23,743,123	23,985,032	23,743,123	23,985,032
100% tax payment	-	-	321,946	140,155	321,946	140,155
Golf course	-	-	616,157	691,609	616,157	691,609
Delinquent property tax foreclosure	-	-	195,272	186,296	195,272	186,296
Commissary	-	-	136,244	122,168	136,244	122,168
Housing	-	-	758,661	864,815	758,661	864,815
Total expenses	46,537,253	48,260,133	25,771,403	25,990,075	72,308,656	74,250,208
Change in net position before transfers	(2,659,805)	(3,377,728)	347,322	114,289	(2,312,483)	(3,263,439)
Transfers	1,209,805	1,350,000	(1,209,805)	(1,350,000)	-	-
Change in net position	(1,450,000)	(2,027,728)	(862,483)	(1,235,711)	(2,312,483)	(3,263,439)
Net position, beginning of year, as restated	50,667,369	52,695,097	19,829,172	21,064,883	70,496,541	73,759,980
Net position, end of year	\$ 49,217,369	\$ 50,667,369	\$ 18,966,689	\$ 19,829,172	\$ 68,184,058	\$ 70,496,541

BAY COUNTY, MICHIGAN

Management's Discussion and Analysis

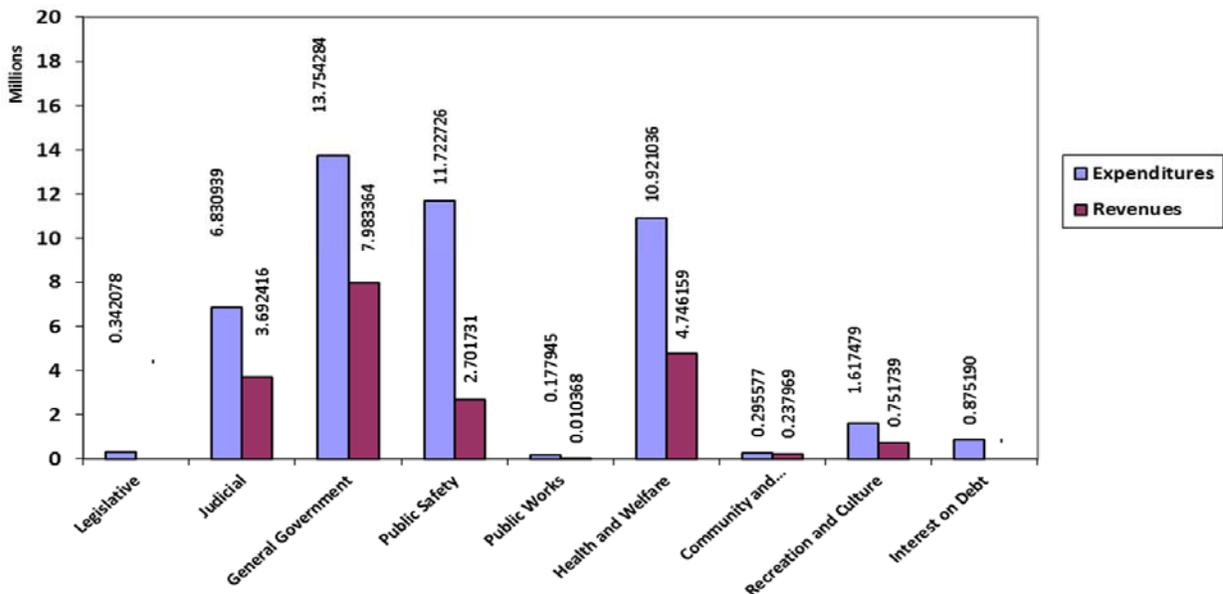
The County's net position decreased \$2,312,483 during the current fiscal year, compared to a \$3,263,439 decrease in 2012. This change is attributable mainly to a decrease in general government expenses of \$1,863,138, which is offset by increases in other expenses.

Governmental activities - Governmental activities decreased the County's net position during the current year by \$1,450,000 thereby accounting for the majority of the decrease in the net position of the County. Key elements of this decrease are as follows:

- Total operating grants and contributions decreased \$2,341,771 in 2013 over 2012. The decrease is due primarily to Homeland Security grant programs being reduced by \$2.102M, as the County is no longer the fiduciary for the 2011/2012 grants. This figure also includes pass-through dollars to other agencies.
- Total charges for services revenue decreased \$483,490 due to District and Circuit Courts collecting less revenue in 2013 over 2012.
- Total property tax revenue increased \$1,272,114 in 2013 over 2012, primarily due to collecting an extra voter approved .30 mills for the Division on Aging Fund construction project.
- Total general government expenses decreased \$1,863,138 in 2013 over 2012. As discussed above, the Homeland Security grant expenses, including pass-through monies, account for \$2.106M of this reduction.
- Total expenditures for public works increased \$173,768, recreation and culture increased \$243,717 and interest on long-term debt increased \$218,302 in 2013 over 2012 due to outlay for County capital improvement projects.
- Total transfers out decreased \$140,195 in 2013 over 2012 due to a decrease in transfers from the 100% Tax Payment Fund of \$50,000 and a \$90,195 decrease from the Commissary Fund.

Business-type activities - Business-type activities decreased the County's net position by \$862,483. The key element of this decrease was primarily due to the \$684,238 decline in charges for services revenue over the 2012 dollar amount.

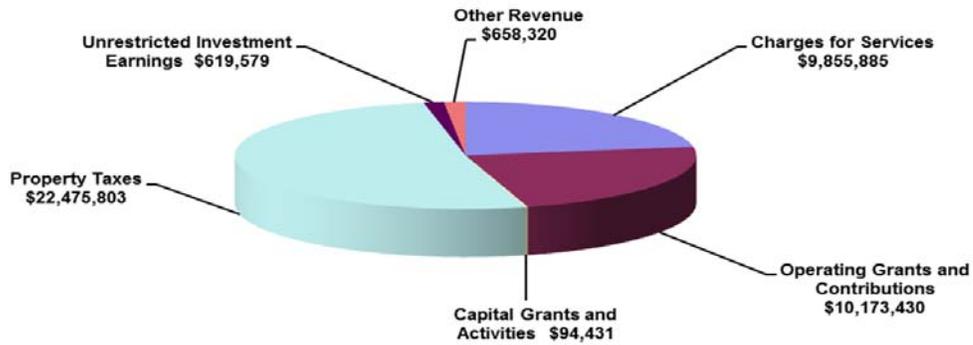
**Governmental Activities - 2013
Expenditures and Program Revenues**



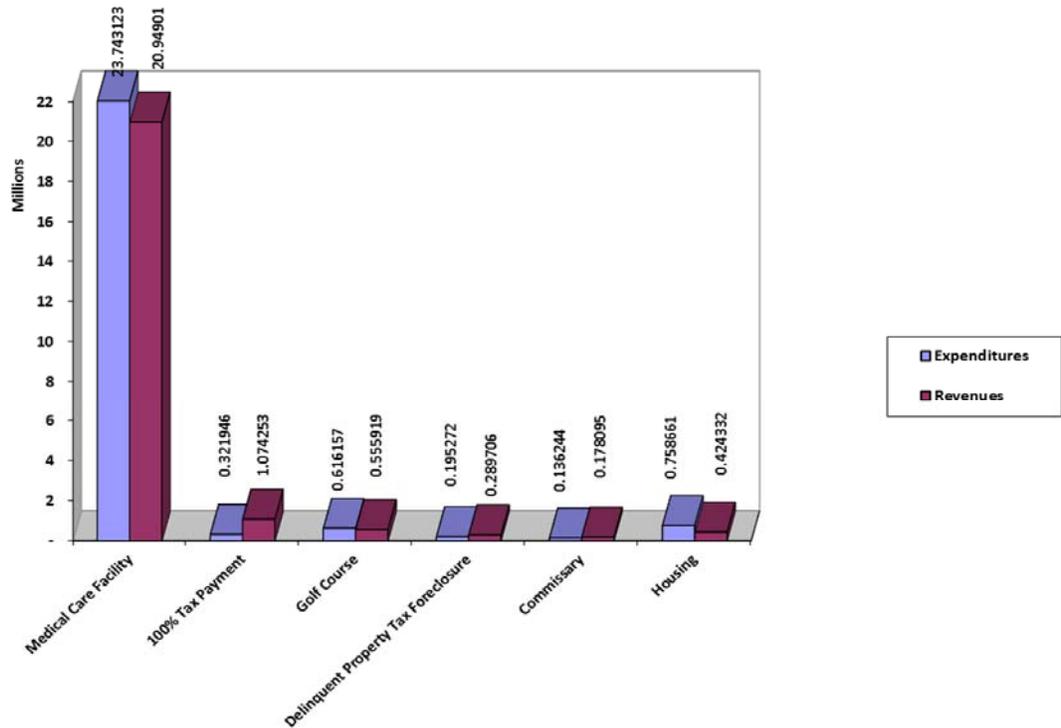
BAY COUNTY, MICHIGAN

Management's Discussion and Analysis

**Revenues by Source
Governmental-Type Activities**

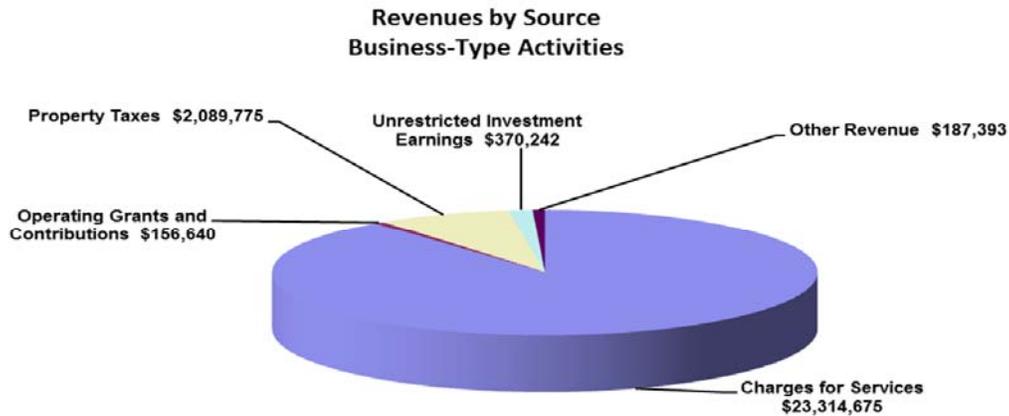


**Business-Type Activities - 2013
Expenditures and Program Revenues**



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 \$45,615,006, an increase of \$25,581,689 compared to the prior year. Of this amount, 29.41% (\$13,416,061) 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 (\$5,879,930) and assigned fund balance (7,536,131). 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 (\$2,498,082), 2) Restricted (\$29,700,863). The \$25,581,689 increase in governmental fund balances is mainly due to the Water Supply Capital Projects fund being established in 2013, with a fund balance of \$25,079,543 at year-end.

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 \$6,680,501 while total fund balance amounted to \$12,419,021. 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 23.4% of total General Fund expenditures, while total fund balance represents 43.5% of that same amount.

Fund balance of the County's General Fund decreased by \$176,966 during the current fiscal year. This was primarily due to unrealized loss on investments of approximately \$637,000, which was offset by several general government projects still in progress at year's end.

The 911 Service Fund decrease of \$329,131 was primarily the result of purchasing mobile data terminals for all law enforcement agencies, the purchase of sirens positioned throughout the County, and building improvements at 911.

The Mosquito Control Fund increased \$85,784. This increase was primarily due to departmental cost cutting.

BAY COUNTY, MICHIGAN

Management's Discussion and Analysis

Fund balance of the Division on Aging Fund increased \$907,895. A special millage levy of .30 mills for three years was approved by voters in the fall 2012 general election for the Division on Aging remodeling project. The work is expected to start in 2014.

The Water Supply Capital Projects fund was established in 2013, with a \$30 million issuance of long-term debt.

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 \$7,264,575, while those for the Medical Care Facility Fund and Housing Fund amounted to \$2,595,556 and \$378,782 respectively. The combined unrestricted net position of the nonmajor enterprise funds and the internal service funds were \$474,251 and \$0 respectively, at the end of the year. The 100% Tax Payment Fund had a decrease in net position for the year of \$283,012, while the Medical Care Facility had an decrease in net position of \$331,924 and Housing Fund had a decrease in net position of \$291,079. The combined increase in net position of the nonmajor enterprise funds was \$43,532 and the combined increase in net position for the internal service funds was \$1,428,242 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 5.30% increase (\$1,507,193 increase in expenditures); whereas the difference between the original budget and final amended budget for revenues resulted in a 3.38% increase (\$986,255 increase in revenues); finally, the original budget for total other financing sources/uses was amended resulting in a 19.30% decrease (\$128,434 decrease in other financing uses). The original budget shows \$92,304 for an increase of fund balance which was affected by budgetary adjustments. These adjustments (\$649,372) resulted in a use of fund balance, including the budgeted use of reserved fund balance of \$20,000. Significant budgetary differences are briefly summarized as follows:

- A \$111,383 increase in expenditures for 2012 open purchase orders filled in 2013.
- A \$112,500 increase in transfers out from the General Fund to Child Care fund due to special child care placement costs.
- A \$135,000 increase in costs at the jail to house two inmates with special medical needs.
- A \$93,775 increase in expenditures to purchase four Sheriff Department vehicles.

Material actual to budget variances are as follows:

- A negative \$918,103 variance in federal grant revenues is mainly the result of reimbursable Friend of the Court, Circuit Court SSSPP Grant and Probate Court Safe Haven Grant expenditures not being incurred to earn the maximum reimbursement allowable on these grants.
- For 2013, recreation and culture expenditures were \$761,141 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 capital purchase delays.

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, 2013 amounted to \$58,768,992 (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 4.56% (a 6.07% increase for governmental activities and a 5.44% decrease for business-type activities).

BAY COUNTY, MICHIGAN

Management's Discussion and Analysis

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

- Construction in progress for the Bay Area Water Treatment Plant at year-end was \$4,585,867.
- Eleven vehicle purchases were made and put into the County's use at a total cost of \$246,383.
- Drain improvements made for the year and benefiting the County had a total cost of \$262,733.

	Bay County's Capital Assets (net of depreciation)					
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 1,926,399	\$ 1,926,399	\$ 257,559	\$ 257,559	\$ 2,183,958	\$ 2,183,958
Land improvements	557,694	621,857	197,290	237,224	754,984	859,081
Buildings and building additions and improvements	40,252,682	41,617,918	5,832,519	6,236,363	46,085,201	47,854,281
Machinery and equipment	2,185,826	2,351,120	158,167	243,582	2,343,993	2,594,702
Office equipment and furniture	1,244,839	1,302,968	325,213	304,787	1,570,052	1,607,755
Vehicles	611,204	525,447	12,500	26,857	623,704	552,304
Construction work in progress	5,037,009	504,912	170,091	47,068	5,207,100	551,980
Total	\$ 51,815,653	\$ 48,850,621	\$ 6,953,339	\$ 7,353,440	\$ 58,768,992	\$ 56,204,061

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

Long-term debt - At the end of the current fiscal year, the County had total outstanding debt of \$52,864,896. Of this amount, \$47,571,089 is general obligation bonds. The remainder of the County debt is comprised of notes payable, bond premium, bond discount, compensated absences, claims, and maintenance agreements payable.

	Bay County's Outstanding Debt					
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Primary Government						
General obligation bonds	\$ 40,980,000	\$ 12,810,000	\$ -	\$ -	\$ 40,980,000	\$ 12,810,000
Bond premium	858,473	999,535	-	-	858,473	999,535
Bond discount	(41,269)	-	-	-	(41,269)	-
Compensated absences	2,030,118	2,108,429	259,433	231,352	2,289,551	2,339,781
Component Units						
General obligation bonds	6,591,089	7,227,176	-	-	6,591,089	7,227,176
Notes payable	635,361	384,616	-	-	635,361	384,616
Capital lease	167,839	-	-	-	167,839	-
Compensated absences	1,383,852	1,341,092	-	-	1,383,852	1,341,092
Total	\$ 52,605,463	\$ 24,870,848	\$ 259,433	\$ 231,352	\$ 52,864,896	\$ 25,102,200

The County's total gross long-term debt of \$52,864,896 is equivalent to \$491 per capita or 1.84% of the County's taxable value of property of \$2,870,408,411.

The County's total debt increased \$27,762,696 or 110.60% during the current fiscal year.

BAY COUNTY, MICHIGAN

Management's Discussion and Analysis

The County's current bond ratings are as follows:

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

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

Debt limit	\$ 312,288
Debt margin	\$ 260,614
Percent of limit	83.45%

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 2014 fiscal year:

- The unemployment rate for the County is currently around 7.7 percent, slightly above the state average of 7.4 percent.
- Employees saw an increase in base wages for the first time since 2008, as part of the current year of the collective bargaining agreements negotiated in late 2013.
- Projections from the Bay County Equalization Department showed a reduction in property tax revenue for the General Fund of 0.06 percent for 2014. Special millage fund's property tax revenues decreased by 0.64 percent for 2014.
- Continued limiting of capital expenditures.
- Actuary recommended pension contributions decreased to 3.87 percent of payroll for the General Group, down 0.05 percent from the prior year's actuarial study.
- A wellness center was opened in early 2014 in a continued effort to control spiraling health care costs and reduce the occurrence of chronic diseases. Increases in health insurance copays and deductibles were instituted.

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, 2013

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 28,216,843	\$ 1,936,438	\$ 30,153,281	\$ 12,607,791
Investments	20,758,663	16,118,922	36,877,585	4,479,878
Receivables	13,518,483	8,669,515	22,187,998	11,675,817
Net pension asset	1,435,572	35,339	1,470,911	-
Internal balances	9,318	(9,318)	-	-
Prepaid items and other assets	599,898	527,943	1,127,841	798,082
Inventories	9,555	8,343	17,898	893,948
Net OPEB asset	-	-	-	222,768
Capital assets not being depreciated	6,963,408	427,650	7,391,058	55,410,684
Capital assets being depreciated, net	44,852,245	6,525,689	51,377,934	67,408,351
Total assets	116,363,985	34,240,521	150,604,506	153,497,319
Liabilities				
Accounts payable and accrued liabilities	3,605,263	2,004,152	5,609,415	2,383,288
Unearned revenue	129,792	2,106,024	2,235,816	-
Long-term liabilities:				
Due within one year	2,323,404	11,716	2,335,120	1,082,443
Due in more than one year	41,503,918	247,717	41,751,635	7,695,698
Net OPEB obligation	13,304,226	10,904,223	24,208,449	7,794,472
Total liabilities	60,866,603	15,273,832	76,140,435	18,955,901
Deferred inflows of resources				
Taxes levied for a subsequent period	6,280,013	-	6,280,013	5,570,000
Net position				
Net investment in capital assets	35,432,582	6,953,339	42,385,921	117,510,398
Restricted for:				
Debt service	532,919	-	532,919	310,012
Home Rehabilitation	1,873,640	-	1,873,640	-
Restricted contributions	3,892,494	-	3,892,494	-
Insurance claims	7,211,102	-	7,211,102	-
Restricted assets	-	1,300,186	1,300,186	-
Unrestricted	274,632	10,713,164	10,987,796	11,151,008
Total net position	\$ 49,217,369	\$ 18,966,689	\$ 68,184,058	\$ 128,971,418

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

BAY COUNTY, MICHIGAN

Statement of Activities

For the Year Ended December 31, 2013

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	\$ 11,635,193	\$ 87,533	\$ 1,971,813	\$ 666,726	\$ 63,192	\$ (9,020,995)
Community and economic development	347,122	(51,545)	57,375	180,594	-	(57,608)
Health and welfare	10,921,035	-	2,346,980	2,386,540	12,639	(6,174,876)
Public works	177,945	-	10,368	-	-	(167,577)
General government	14,332,784	(578,500)	2,852,724	5,112,040	18,600	(5,770,920)
Judicial	6,533,470	297,469	1,906,198	1,786,218	-	(3,138,523)
Legislative	342,078	-	-	-	-	(342,078)
Recreation and culture	1,670,052	(52,573)	710,427	41,312	-	(865,740)
Interest on long-term debt	875,190	-	-	-	-	(875,190)
Total governmental activities	46,834,869	(297,616)	9,855,885	10,173,430	94,431	(26,413,507)
Business-type activities:						
Medical Care Facility	23,734,453	8,670	20,949,010	-	-	(2,794,113)
100% Tax Payment	321,946	-	1,074,253	-	-	752,307
Golf Course	563,584	52,573	555,919	-	-	(60,238)
Delinquent Property Tax Foreclosure	181,954	13,318	289,706	-	-	94,434
Commissary	131,985	4,259	178,095	-	-	41,851
Housing	707,116	51,545	267,692	156,640	-	(334,329)
Total business-type activities	25,641,038	130,365	23,314,675	156,640	-	(2,300,088)
Total primary government	\$ 72,475,907	\$ (167,251)	\$ 33,170,560	\$ 10,330,070	\$ 94,431	\$ (28,713,595)
Component units						
Road Commission	\$ 12,608,916	\$ -	\$ 2,064,059	\$ 10,394,204	\$ 2,387,308	\$ 2,236,655
Library System	6,619,902	5,175	450,071	83,937	65,192	(6,025,877)
Department of Water and Sewer	5,697,081	-	5,865,839	-	-	168,758
Drain Commission	1,224,908	16,756	7,000	146,724	306,819	(781,121)
Bay Area Narcotics Enforcement Team	457,053	3,147	212,451	302,776	-	55,027
Bay County Landbank	1,103	-	-	-	-	(1,103)
Total component units	\$ 26,608,963	\$ 25,078	\$ 8,599,420	\$ 10,927,641	\$ 2,759,319	\$ (4,347,661)

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BAY COUNTY, MICHIGAN

Statement of Activities

For the Year Ended December 31, 2013

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Changes in net position				
Net (expense) revenue	\$ (26,413,507)	\$ (2,300,088)	\$ (28,713,595)	\$ (4,347,661)
General revenues:				
Property taxes	22,475,803	2,089,775	24,565,578	5,951,253
Unrestricted investment earnings	619,579	370,242	989,821	386,438
Gain on equipment disposal	-	-	-	19,500
Other revenue	658,320	187,393	845,713	389,733
Transfers - internal activities	1,209,805	(1,209,805)	-	-
Total general revenues and transfers	24,963,507	1,437,605	26,401,112	6,746,924
Change in net position	(1,450,000)	(862,483)	(2,312,483)	2,399,263
Net position, beginning of year, as restated	50,667,369	19,829,172	70,496,541	126,572,155
Net position, end of year	\$ 49,217,369	\$ 18,966,689	\$ 68,184,058	\$ 128,971,418

concluded

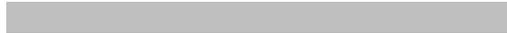
The accompanying notes are an integral part of these financial statements.

BAY COUNTY, MICHIGAN

Balance Sheet Governmental Funds December 31, 2013

	Special Revenue Funds			
	General	Mosquito Control	911 Service	Division on Aging
Assets				
Cash and cash equivalents	\$ -	\$ 74,714	\$ 138,619	\$ 229,773
Investments	14,991,267	192,020	2,392,596	958,250
Accounts receivable	963,053	-	228,447	33,545
Property taxes receivable	1,493,441	1,223,718	1,903,633	2,173,248
Accrued interest receivable	224,650	6,307	47,593	14,514
Inventories	9,555	-	-	-
Due from other funds	8,931	-	-	-
Due from component units	256,186	-	-	-
Due from other governmental units	1,122,894	-	66,461	62,071
Prepaid items and other assets	155,895	-	30,762	-
Interfund advances	150,000	-	-	-
Total assets	\$ 19,375,872	\$ 1,496,759	\$ 4,808,111	\$ 3,471,401
Liabilities				
Accounts payable	\$ 607,975	\$ 3,963	\$ 33,913	\$ 62,541
Accrued liabilities	763,258	15,447	54,113	57,464
Accrued vacation and sick pay	70,934	540	1,540	1,593
Due to other funds	4,639,644	245	852	749
Due to component units	73,355	-	-	-
Due to other governmental units	13,948	-	-	-
Deposits	455	-	-	-
Interfund advances	-	-	-	-
Unearned revenue	87,674	-	-	17
Total liabilities	6,257,243	20,195	90,418	122,364
Deferred inflows of resources				
Unavailable revenue - property taxes	699,608	3,771	5,947	4,463
Taxes levied for a subsequent period	-	1,258,689	1,957,958	2,237,668
Total deferred inflows of resources	699,608	1,262,460	1,963,905	2,242,131
Fund balances				
Nonspendable	625,921	-	30,762	-
Restricted	169,630	186,148	1,814,021	936,869
Committed	4,942,969	-	-	-
Assigned	6,680,501	27,956	909,005	170,037
Total fund balances	12,419,021	214,104	2,753,788	1,106,906
Total liabilities, deferred inflows of resources and fund balances	\$ 19,375,872	\$ 1,496,759	\$ 4,808,111	\$ 3,471,401

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



Water Supply Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 25,456,540	\$ 885,611	\$ 26,785,257
-	915,391	19,449,524
-	1,798,436	3,023,481
-	801,913	7,595,953
-	23,335	316,399
-	-	9,555
-	13,929	22,860
-	219,785	475,971
-	807,124	2,058,550
-	52,576	239,233
-	-	150,000
<u>\$ 25,456,540</u>	<u>\$ 5,518,100</u>	<u>\$ 60,126,783</u>
\$ 269,471	177,904	1,155,767
107,526	251,573	1,249,381
-	9,998	84,605
-	16,782	4,658,272
-	-	73,355
-	787	14,735
-	-	455
-	150,000	150,000
-	42,101	129,792
<u>376,997</u>	<u>649,145</u>	<u>7,516,362</u>
-	1,613	715,402
-	825,698	6,280,013
<u>-</u>	<u>827,311</u>	<u>6,995,415</u>
-	1,841,399	2,498,082
25,079,543	1,514,652	29,700,863
-	-	4,942,969
-	685,593	8,473,092
<u>25,079,543</u>	<u>4,041,644</u>	<u>45,615,006</u>
<u>\$ 25,456,540</u>	<u>\$ 5,518,100</u>	<u>\$ 60,126,783</u>

BAY COUNTY, MICHIGAN

Reconciliation

Fund Balances for Governmental Funds
To Net Position of Governmental Activities
December 31, 2013

Fund balances - total governmental funds	\$ 45,615,006
<p>Amounts reported for <i>governmental activities</i> in the statement of net position are different because:</p>	
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.</p>	
Capital assets, net of accumulated depreciation	51,815,653
<p>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</p>	
Deferred inflow for delinquent taxes receivable	715,402
Net pension asset	1,434,522
<p>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.</p>	
Net position of governmental activities accounted for in the internal service funds	7,211,102
<p>Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.</p>	
Long-term debt	(40,980,000)
Unamortized bond premium/discount	(817,204)
Accrued interest on long-term debt	(448,177)
Accrued liability to Historical Preservation	(805)
Net OPEB liability	(13,298,012)
Compensated absences	(2,030,118)
Net position of governmental activities	<u>\$ 49,217,369</u>

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, 2013

	Special Revenue Funds			
	General	Mosquito Control	911 Service	Division on Aging
Revenues				
Property taxes and other taxes	\$ 16,151,833	\$ 1,266,638	\$ 1,970,486	\$ 2,252,269
Licenses and permits	233,891	-	-	-
Federal grants	1,650,202	-	-	601,806
State grants	3,893,676	2,703	292,608	-
Interest, rents and royalties	1,209,761	11,249	78,014	24,638
Charges for services	2,690,286	371	-	29,645
Fines and forfeits	536,761	-	-	-
Reimbursements, refunds, and other revenues	2,895,479	330	12,487	363,849
Total revenues	29,261,889	1,281,291	2,353,595	3,272,207
Expenditures				
Current:				
Legislative	353,775	-	-	-
Judicial	6,171,108	-	-	-
General government	9,654,409	-	-	-
Public safety	8,536,668	-	2,532,502	-
Public works	2,247	-	-	-
Health and welfare	811,471	1,096,238	-	2,222,458
Community and economic development	151,541	-	-	-
Recreation and culture	1,354,544	-	-	-
Other functions	1,508,041	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and other fees	-	-	-	-
Total expenditures	28,543,804	1,096,238	2,532,502	2,222,458
Revenues over (under) expenditures	718,085	185,053	(178,907)	1,049,749
Other financing sources (uses)				
Insurance recoveries/proceeds	6,809	-	-	-
Bond premium	-	-	-	-
Debt proceeds	-	-	-	-
Transfers in	2,765,641	-	-	6,200
Transfer out	(3,667,501)	(99,269)	(150,224)	(148,054)
Total other financing sources (uses)	(895,051)	(99,269)	(150,224)	(141,854)
Net change in fund balance	(176,966)	85,784	(329,131)	907,895
Fund balances, beginning of year	12,595,987	128,320	3,082,919	199,011
Fund balances, end of year	\$ 12,419,021	\$ 214,104	\$ 2,753,788	\$ 1,106,906

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

Water Supply Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 830,804	\$ 22,472,030
-	188,755	422,646
-	2,308,182	4,560,190
-	615,864	4,804,851
23,300	50,278	1,397,240
-	126,284	2,846,586
-	8,782	545,543
-	3,807,688	7,079,833
<u>23,300</u>	<u>7,936,637</u>	<u>44,128,919</u>
-	-	353,775
-	134,172	6,305,280
-	1,554,887	11,209,296
-	194,780	11,263,950
4,761,565	-	4,763,812
-	6,064,343	10,194,510
-	200,566	352,107
-	268,003	1,622,547
-	-	1,508,041
-	1,830,000	1,830,000
139,500	511,972	651,472
<u>4,901,065</u>	<u>10,758,723</u>	<u>50,054,790</u>
<u>(4,877,765)</u>	<u>(2,822,086)</u>	<u>(5,925,871)</u>
-	-	6,809
(42,692)	-	(42,692)
30,000,000	-	30,000,000
-	3,661,301	6,433,142
-	(824,651)	(4,889,699)
<u>29,957,308</u>	<u>2,836,650</u>	<u>31,507,560</u>
25,079,543	14,564	25,581,689
-	4,027,080	20,033,317
<u>\$ 25,079,543</u>	<u>\$ 4,041,644</u>	<u>\$ 45,615,006</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, 2013

Net change in fund balances - total governmental funds \$ 25,581,689

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	4,962,952
Loss on disposal of capital assets	(2,292)
Depreciation expense	(1,995,628)

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	3,773
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Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal payments on long-term liabilities	1,830,000
Proceeds from issuance of long term debt	(30,000,000)
Proceeds from long term debt - discount	42,692
Amortization of bond premium/discount	139,639

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

Interest revenue from governmental internal service funds	35,913
Unrealized loss on investments from governmental internal service funds	(60,302)
Transfers out governmental internal service funds	(333,638)
Net operating income from governmental activities in internal service funds	1,786,269

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	(10,460)
Change in accrued interest payable on bonds	(363,356)
Change in the accrual to Historical Preservation	13
Change in the accrual for the net OPEB liability	(3,144,039)
Change in the accrual for compensated absences	76,775

Change in net position of governmental activities \$ (1,450,000)

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

BAY COUNTY, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balances

Budget to Actual - General Fund

For the Year Ended December 31, 2013

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes and other taxes	\$ 16,032,675	\$ 16,032,675	\$ 16,151,833	\$ 119,158
Licenses and permits	212,900	212,900	233,891	20,991
Federal grants	1,838,150	2,568,305	1,650,202	(918,103)
State grants	3,804,303	3,910,383	3,893,676	(16,707)
Interest, rents and royalties	1,163,079	1,170,963	1,209,761	38,798
Charges for services	2,841,004	2,949,804	2,690,286	(259,518)
Fines and forfeits	551,000	551,000	536,761	(14,239)
Reimbursements, refunds, and other revenues	2,727,789	2,761,125	2,895,479	134,354
Total revenues	29,170,900	30,157,155	29,261,889	(895,266)
Expenditures				
Current:				
Legislative	503,081	503,081	353,775	(149,306)
Judicial	6,300,853	6,553,116	6,171,108	(382,008)
General government	9,410,987	9,579,405	9,654,409	75,004
Public safety	8,101,814	8,599,921	8,536,668	(63,253)
Public works	9,296	9,296	2,247	(7,049)
Health and welfare	819,611	819,611	811,471	(8,140)
Community and economic development	201,977	208,577	151,541	(57,036)
Recreation and culture	1,557,766	2,115,685	1,354,544	(761,141)
Other functions	1,507,919	1,531,805	1,508,041	(23,764)
Total expenditures	28,413,304	29,920,497	28,543,804	(1,376,693)
Revenues over (under) expenditures	757,596	236,658	718,085	481,427
Other financing sources (uses)				
Insurance recoveries/proceeds	7,450	12,870	6,809	(6,061)
Transfers in	2,755,034	2,780,652	2,765,641	(15,011)
Transfers out	(3,427,776)	(3,587,248)	(3,667,501)	80,253
Total other financing sources (uses)	(665,292)	(793,726)	(895,051)	(101,325)
Net change in fund balances	92,304	(557,068)	(176,966)	380,102
Fund balances, beginning of year	12,595,987	12,595,987	12,595,987	-
Fund balances, end of year	\$ 12,688,291	\$ 12,038,919	\$ 12,419,021	\$ 380,102

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 Special Revenue Fund For the Year Ended December 31, 2013

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property and other taxes	\$ 1,269,351	\$ 1,269,351	\$ 1,266,638	\$ (2,713)
State grants	-	-	2,703	2,703
Interest, rents and royalties	12,000	12,000	11,249	(751)
Charges for services	-	-	371	371
Reimbursements, refunds, and other revenues	-	-	330	330
Total revenues	1,281,351	1,281,351	1,281,291	(60)
Expenditures				
Health and welfare	1,217,467	1,217,467	1,096,238	(121,229)
Revenues over (under) expenditures	63,884	63,884	185,053	121,169
Other financing uses				
Transfers out	(99,269)	(99,269)	(99,269)	-
Net change in fund balances	(35,385)	(35,385)	85,784	121,169
Fund balances, beginning of year	128,320	128,320	128,320	-
Fund balances, end of year	\$ 92,935	\$ 92,935	\$ 214,104	\$ 121,169

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

BAY COUNTY, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balances

Budget to Actual - 911 Service Special Revenue Fund

For the Year Ended December 31, 2013

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property and other taxes	\$ 1,983,337	\$ 1,983,337	\$ 1,970,486	\$ (12,851)
State grants	284,000	284,000	292,608	8,608
Interest, rents and royalties	80,000	80,000	78,014	(1,986)
Reimbursements, refunds, and other revenues	35,275	35,275	12,487	(22,788)
Total revenues	2,382,612	2,382,612	2,353,595	(29,017)
Expenditures				
Public safety	2,991,798	3,007,995	2,532,502	(475,493)
Revenues over (under) expenditures	(609,186)	(625,383)	(178,907)	446,476
Other financing uses				
Transfers out	(150,224)	(150,224)	(150,224)	-
Net change in fund balances	(759,410)	(775,607)	(329,131)	446,476
Fund balances, beginning of year	3,082,919	3,082,919	3,082,919	-
Fund balances, end of year	\$ 2,323,509	\$ 2,307,312	\$ 2,753,788	\$ 446,476

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 Special Revenue Fund For the Year Ended December 31, 2013

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property and other taxes	\$ 2,252,092	\$ 2,252,092	\$ 2,252,269	\$ 177
Federal grants	689,142	704,000	601,806	(102,194)
State grants	100	100	-	(100)
Interest, rents and royalties	6,000	6,000	24,638	18,638
Charges for services	24,983	36,731	29,645	(7,086)
Reimbursements, refunds, and other revenues	301,663	304,163	363,849	59,686
Total revenues	3,273,980	3,303,086	3,272,207	(30,879)
Expenditures				
Health and welfare	3,133,760	3,163,546	2,222,458	(941,088)
Revenues over (under) expenditures	140,220	139,540	1,049,749	910,209
Other financing sources (uses)				
Transfers in	6,200	6,200	6,200	-
Transfers out	(146,420)	(146,420)	(148,054)	1,634
Other financing sources (uses)	(140,220)	(140,220)	(141,854)	(1,634)
Net change in fund balances	-	(680)	907,895	908,575
Fund balances, beginning of year	199,011	199,011	199,011	-
Fund balances, end of year	\$ 199,011	\$ 198,331	\$ 1,106,906	\$ 908,575

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

BAY COUNTY, MICHIGAN

Statement of Net Position

Proprietary Funds
December 31, 2013

	Business-type Activities - Enterprise Funds					Governmental
	Medical Care Facility	100% Tax Payment	Housing	Other Enterprise Funds	Total	Internal Service Funds
Assets						
Current assets:						
Cash and cash equivalents	\$ 851,044	\$ 554,686	\$ 452,648	\$ 78,060	\$ 1,936,438	\$ 1,431,586
Investments	11,877,414	3,716,175	109,038	416,295	16,118,922	1,309,139
Accounts receivable, net of allowance	2,079,209	4,940	5,603	3,281	2,093,033	26,879
Property taxes receivable	2,097,813	3,696,922	-	-	5,794,735	-
Accrued interest receivable	-	646,474	-	6,654	653,128	21,142
Inventories	-	-	-	8,343	8,343	-
Due from other funds	-	20	-	41,761	41,781	4,644,730
Due from component units	-	-	-	36,084	36,084	-
Due from other governmental units	-	92,250	-	285	92,535	108
Prepaid items and other assets	514,260	-	2,412	11,271	527,943	360,665
Total current assets	17,419,740	8,711,467	569,701	602,034	27,302,942	7,794,249
Noncurrent assets:						
Net pension asset	-	7,724	13,797	13,818	35,339	1,050
Land	-	-	90,538	167,021	257,559	-
Land improvements	-	-	337,164	771,553	1,108,717	-
Construction in progress	170,091	-	-	-	170,091	-
Buildings and improvements	12,272,062	-	4,678,604	406,224	17,356,890	-
Machinery and equipment	200,740	-	366,145	467,054	1,033,939	-
Office furniture and fixtures	2,125,145	2,035	-	161,442	2,288,622	-
Vehicles and other	88,848	-	-	15,050	103,898	-
Less accumulated depreciation	(10,092,111)	(2,035)	(3,737,236)	(1,534,995)	(15,366,377)	-
Total noncurrent assets	4,764,775	7,724	1,749,012	467,167	6,988,678	1,050
Total assets	22,184,515	8,719,191	2,318,713	1,069,201	34,291,620	7,795,299
Liabilities						
Current liabilities:						
Accounts payable	225,847	1,935	23,634	15,871	267,287	2,500
Accrued liabilities	741,667	3,917	38,845	18,626	803,055	56,917
Accrued vacation and sick pay, current portion	-	1,092	7,709	2,915	11,716	-
Deposits payable	15,630	-	24,962	-	40,592	-
Due to other funds	-	42,358	-	8,741	51,099	-
Due to other governmental units	-	32,952	-	108	33,060	-
Claims, settlements and judgments	860,158	-	-	-	860,158	518,566
Unearned revenue	2,097,813	-	615	7,596	2,106,024	-
Total current liabilities	3,941,115	82,254	95,765	53,857	4,172,991	577,983

continued...

BAY COUNTY, MICHIGAN

Statement of Net Position

Proprietary Funds
December 31, 2013

	Business-type Activities - Enterprise Funds					Governmental
	Medical Care Facility	100% Tax Payment	Housing	Nonmajor Enterprise Funds	Total	Internal Service Funds
Liabilities (continued)						
Noncurrent liabilities:						
Net OPEB obligation	\$10,668,519	\$ 54,933	\$ 102,378	\$ 78,393	\$10,904,223	\$ 6,214
Accrued vacation and sick pay	214,550	17,243	6,573	9,351	247,717	-
Total noncurrent liabilities	10,883,069	72,176	108,951	87,744	11,151,940	6,214
Total liabilities	14,824,184	154,430	204,716	141,601	15,324,931	584,197
Net position						
Investment in capital assets	4,764,775	-	1,735,215	453,349	6,953,339	-
Restricted for:						
Restricted assets	-	1,300,186	-	-	1,300,186	-
Insurance claims	-	-	-	-	-	7,211,102
Contributions	-	-	-	-	-	-
Unrestricted	2,595,556	7,264,575	378,782	474,251	10,713,164	-
Total net position	\$ 7,360,331	\$ 8,564,761	\$ 2,113,997	\$ 927,600	\$18,966,689	\$ 7,211,102

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, 2013

	Business-type Activities - Enterprise Funds					Governmental Activities
	Medical Care Facility	100% Tax Payment	Housing	Nonmajor Enterprise Funds	Total	Internal Service Funds
Operating revenues						
Program grants-subsidies	\$ -	\$ -	\$ 156,640	\$ -	\$ 156,640	\$ -
Charges for services	20,949,010	-	267,692	1,023,720	22,240,422	7,701,101
Reimbursements, refunds, and other revenue	23,988	-	41,804	16,540	82,332	-
Total operating revenues	20,972,998	-	466,136	1,040,260	22,479,394	7,701,101
Operating expenses						
Personell services	17,925,995	141,305	215,148	329,358	18,611,806	5,112,897
Supplies	-	5,792	-	63,852	69,644	-
Other services	5,215,146	3,630	334,030	464,741	6,017,547	801,935
Depreciation	601,982	-	209,483	71,413	882,878	-
Total operating expenses	23,743,123	150,727	758,661	929,364	25,581,875	5,914,832
Operating (loss) income	(2,770,125)	(150,727)	(292,525)	110,896	(3,102,481)	1,786,269
Nonoperating revenues (expenses)						
Property and other taxes	2,089,775	1,074,253	-	-	3,164,028	-
Other income	105,061	-	-	-	105,061	-
Interest income	243,365	114,391	1,446	11,040	370,242	35,913
Unrealized loss on investments	-	(171,219)	-	(18,309)	(189,528)	(60,302)
Total nonoperating revenues (expenses)	2,438,201	1,017,425	1,446	(7,269)	3,449,803	(24,389)
Income (loss) before contributions and transfers	(331,924)	866,698	(291,079)	103,627	347,322	1,761,880
Transfers						
Transfers in	-	290	-	-	290	-
Transfers out	-	(1,150,000)	-	(60,095)	(1,210,095)	(333,638)
Total transfers	-	(1,149,710)	-	(60,095)	(1,209,805)	(333,638)
Change in net position	(331,924)	(283,012)	(291,079)	43,532	(862,483)	1,428,242
Net position, beginning of year, as restated	7,692,255	8,847,773	2,405,076	884,068	19,829,172	5,782,860
Net position, end of year	\$ 7,360,331	\$ 8,564,761	\$ 2,113,997	\$ 927,600	\$18,966,689	\$ 7,211,102

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, 2013

	Business-type Activities - Enterprise Funds					Governmental Activities
	Medical Care Facility	100% Tax Payment	Housing	Nonmajor Enterprise Funds	Total	Internal Service Funds
Cash flows from operating activities						
Cash received from customers	\$ 18,436,039	\$ -	\$ 306,477	\$ 1,016,109	\$ 19,758,625	\$ -
Cash received from services provided	2,268,244	1,348	-	-	2,269,592	7,784,438
Cash received from grants and subsidies	-	-	156,640	-	156,640	-
Interfund reimbursements	-	1,058,097	-	158	1,058,255	-
Cash payments to suppliers for goods and services	(5,570,788)	(19,461)	(310,329)	(547,421)	(6,447,999)	(4,815,166)
Cash payments to employees and related taxes and insurance	(15,926,601)	(91,007)	(243,812)	(309,919)	(16,571,339)	(5,023,374)
Other operating revenues	28,000	-	-	16,540	44,540	-
Net cash provided (used) by operating activities	(765,106)	948,977	(91,024)	175,467	268,314	(2,054,102)
Cash flows from noncapital financing activities						
Taxes received	2,089,775	1,033,554	-	-	3,123,329	-
Change in resident trust deposits	(10,788)	-	-	-	(10,788)	-
Reimbursements, refunds, and rebates	104,901	-	-	-	104,901	-
Transfers in	-	290	-	-	290	-
Transfers out	-	(1,150,000)	-	(60,095)	(1,210,095)	(333,638)
Net cash provided (used) by noncapital financing activities	2,183,888	(116,156)	-	(60,095)	2,007,637	(333,638)
Cash flows from capital and related financing activities						
Acquisition and construction of capital assets	(468,940)	-	(13,837)	-	(482,777)	-
Cash flows from investing activities						
Proceeds from sale of investments	-	-	126,673	-	126,673	-
Purchases of investments	(491,064)	(389,858)	-	(194,485)	(1,075,407)	(140,012)
Interest received	243,365	111,723	1,446	8,765	365,299	30,984
Net cash provided (used) by investing activities	(247,699)	(278,135)	128,119	(185,720)	(583,435)	(109,028)
Net increase (decrease) in cash and cash equivalents	702,143	554,686	23,258	(70,348)	1,209,739	(2,496,768)
Cash and cash equivalents, beginning of year	148,901	-	429,390	148,408	726,699	3,928,354
Cash and cash equivalents, end of year	\$ 851,044	\$ 554,686	\$ 452,648	\$ 78,060	\$ 1,936,438	\$ 1,431,586

continued...

BAY COUNTY, MICHIGAN

Statement of Cash Flows

Proprietary Funds

For the Year Ended December 31, 2013

	Business-type Activities - Enterprise Funds					Governmental Activities
	Medical Care Facility	100% Tax Payment	Housing	Nonmajor Proprietary Funds	Total	Internal Service Funds
Cash flows from operating activities						
Operating income (loss)	\$ (2,770,125)	\$ (150,727)	\$ (292,525)	\$ 110,896	\$ (3,102,481)	\$ 1,786,269
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities						
Depreciation	601,982	-	209,483	71,413	882,878	-
Changes in assets and liabilities:						
Accounts receivable	(297,411)	3,914	(4,404)	5,871	(292,030)	82,625
Inventories	-	-	-	16,774	16,774	-
Due from other funds	-	1,029,219	-	(28,965)	1,000,254	(4,610,976)
Due from component units	-	-	-	(11,084)	(11,084)	712
Due from other governmental units	-	(13,953)	-	(270)	(14,223)	122
Prepaid items and other assets	23,318	-	(636)	(221)	22,461	595,250
Net pension asset	-	60	643	98	801	5
Accounts payable	(308,740)	1,348	(7,149)	(6,411)	(320,952)	2,496
Accrued liabilities	121,953	251	2,179	8,747	133,130	(7,390)
Accrued vacation and sick pay	40,049	6,216	-	(12,788)	33,477	(1,536)
Deposits payable	-	-	1,414	-	1,414	-
Due to other funds	-	28,878	-	153	29,031	(1)
Due to other governmental units	-	26,779	-	(343)	26,436	-
Claims, settlements, and judgments	132,051	-	-	-	132,051	96,521
Unearned revenue	(13,524)	-	(29)	(2,128)	(15,681)	-
Net OPEB obligation	1,705,341	16,992	-	23,725	1,746,058	1,801
Net cash provided (used) by operating activities	<u>\$ (765,106)</u>	<u>\$ 948,977</u>	<u>\$ (91,024)</u>	<u>\$ 175,467</u>	<u>\$ 268,314</u>	<u>\$ (2,054,102)</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, 2013

	Inmate Private Purpose Trust Fund	Probate Court Trust Fund	Pension and Other Employee Benefits Trust Funds	Agency Funds
Assets				
Cash and cash equivalents	\$ 17,583	\$ 5,148	\$ -	\$ 2,091,352
Investments at fair value:				
Equities	-	-	253,450,218	-
Fixed income	-	-	69,828,172	-
Money market	-	-	9,687,857	-
Other	-	-	204,837	10,248,186
Total investments, at fair value	-	-	333,171,084	10,248,186
Receivables:				
Interest and dividends	-	-	856,733	-
Accounts	-	-	280,107	544
Due from other governmental units	-	-	147,728	-
Prepaid items and other assets	-	-	275,467	-
Net pension asset	-	-	4,221	-
Due from component units	-	-	120,187	-
Total assets	17,583	5,148	334,855,527	\$ 12,340,082
Liabilities				
Accounts payable	\$ 14,753	\$ -	\$ 671,298	\$ 428,192
Accrued liabilities	2,011	5,148	330,167	123,459
Due to component units	-	-	-	11,223,737
Due to other governmental units	-	-	-	360,960
Deposits	-	-	-	203,432
Undistributed taxes	-	-	-	302
Net OPEB obligation	-	-	25,350	-
Total liabilities	16,764	5,148	1,026,815	\$ 12,340,082
Net position held in trust	\$ 819	\$ -	\$ 333,828,712	

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, 2013

	Inmate Private Purpose Trust Fund	Probate Court Trust Fund	Pension and Other Employee Benefits Trust Funds
Additions			
Contributions:			
Employer	\$ -	\$ -	\$ 4,755,631
Current premium contributions	-	-	1,334,780
Plan members	-	-	2,200,017
Total contributions	-	-	8,290,428
Investment income:			
Net appreciation in fair value of investments	-	-	64,252,031
Interest and dividends	178	-	5,742,179
Less investment expense	-	-	(2,091,313)
Net investment income	178	-	67,902,897
Other revenue	-	-	70,072
Total additions	178	-	76,263,397
Deductions			
Benefits	-	-	13,242,071
Retiree healthcare premium payments	-	-	1,334,780
Administrative expenses	-	-	344,009
Refunds of contributions	-	-	326,468
Pension expense	-	-	8,927
Net depreciation in fair value of investments	-	-	5,950,058
Other services	89	-	-
Total deductions	89	-	21,206,313
Change in net position	89	-	55,057,084
Net position held in trust for pension, healthcare, and other benefits			
Beginning of year	730	-	278,771,628
End of year	\$ 819	\$ -	\$ 333,828,712

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

BAY COUNTY, MICHIGAN

Statement of Net Position

Component Units
December 31, 2013

	Road Commission	Economic Development	Library System
Assets			
Cash and cash equivalents	\$ 660,326	\$ -	\$ 5,061,470
Investments	2,309,106	-	-
Receivables	149,794	-	5,654,111
Inventories	640,974	-	-
Due from other governmental units	1,816,411	-	-
Due from primary government	7,790	-	50,292
Prepaid items and other assets	472,739	-	129,471
Net OPEB asset	-	-	-
Capital assets not being depreciated	54,724,890	-	107,487
Capital assets being depreciated, net	36,412,067	-	2,774,775
Total assets	97,194,097	-	13,777,606
Liabilities			
Accounts payable and accrued liabilities	665,291	-	219,552
Due to other governmental units	12,827	-	-
Due to other component units	318,291	-	-
Due to primary government	-	-	-
Advances from other governmental units	319,085	-	-
Long-term liabilities:			
Due within one year	254,384	-	24,556
Due in more than one year	880,465	-	180,078
Net OPEB obligation	7,541,035	-	253,437
Total liabilities	9,991,378	-	677,623
Deferred inflows of resources			
Taxes levied for a subsequent period	-	-	5,570,000
Net position			
Net investment in capital assets	90,969,118	-	2,882,262
Restricted for:			
Debt service	-	-	-
Unrestricted (deficit)	(3,766,399)	-	4,647,721
Total net position	\$ 87,202,719	\$ -	\$ 7,529,983

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
\$ 6,193,369	\$ 393,650	\$ 253,496	\$ 45,480	\$ 12,607,791
-	2,170,772	-	-	4,479,878
2,401,107	610,817	65,250	-	8,881,079
252,974	-	-	-	893,948
340,859	468,315	-	-	2,625,585
-	111,071	-	-	169,153
192,210	3,662	-	-	798,082
222,768	-	-	-	222,768
245,134	333,173	-	-	55,410,684
24,644,892	3,575,317	1,300	-	67,408,351
<u>34,493,313</u>	<u>7,666,777</u>	<u>320,046</u>	<u>45,480</u>	<u>153,497,319</u>
426,707	117,460	24,197	25,000	1,478,207
-	-	-	-	12,827
-	-	-	-	318,291
-	254,878	-	-	254,878
-	-	-	-	319,085
606,831	196,672	-	-	1,082,443
6,120,377	514,778	-	-	7,695,698
-	-	-	-	7,794,472
<u>7,153,915</u>	<u>1,083,788</u>	<u>24,197</u>	<u>25,000</u>	<u>18,955,901</u>
-	-	-	-	5,570,000
20,460,678	3,197,040	1,300	-	117,510,398
-	310,012	-	-	310,012
6,878,720	3,075,937	294,549	20,480	11,151,008
<u>\$ 27,339,398</u>	<u>\$ 6,582,989</u>	<u>\$ 295,849</u>	<u>\$ 20,480</u>	<u>\$ 128,971,418</u>

BAY COUNTY, MICHIGAN

Statement of Activities

Component Units

For the Year Ended December 31, 2013

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	\$ 12,608,916	\$ 2,064,059	\$ 10,394,204	\$ 2,387,308	\$ 2,236,655
Economic Development					
Governmental activities:					
Health and wellness	-	-	-	-	-
Library System					
Governmental activities:					
Recreation and culture	6,625,077	450,071	83,937	65,192	(6,025,877)
Department of Water and Sewer					
Business-type activities:					
Water	1,563,759	1,539,112	-	-	(24,647)
Sewer	4,133,322	4,326,727	-	-	193,405
Total Department of Water and Sewer	5,697,081	5,865,839	-	-	168,758
Drain Commission					
Governmental activities:					
Public works	1,118,271	7,000	146,724	306,819	(657,728)
Interest on long-term debt	23,597	-	-	-	(23,597)
Miscellaneous	99,796	-	-	-	(99,796)
Total Drain Commission	1,241,664	7,000	146,724	306,819	(781,121)
Bay Area Narcotics Enforcement Team					
Governmental activities:					
Public safety	460,200	212,451	302,776	-	55,027
Bay County Landbank					
Governmental activities:					
General government	1,103	-	-	-	(1,103)
Total component units	\$ 26,634,041	\$ 8,599,420	\$ 10,927,641	\$ 2,759,319	\$ (4,347,661)

continued...

BAY COUNTY, MICHIGAN

Statement of Activities

Component Units

For the Year Ended December 31, 2013

	Road Commission	Economic Development	Library System
Change in net position			
Net (expense) revenue	\$ 2,236,655	\$ -	\$ (6,025,877)
General revenues:			
Property taxes	-	-	5,615,135
Unrestricted investment earnings	51,406	-	141,093
Gain/(loss) on disposal of capital asset	-	-	-
Other revenue	118,245	-	-
Total general revenues	169,651	-	5,756,228
Change in net position	2,406,306	-	(269,649)
Net position, beginning of year	84,796,413	-	7,799,632
Net position, end of year	\$ 87,202,719	\$ -	\$ 7,529,983

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
\$ 168,758	\$ (781,121)	\$ 55,027	\$ (1,103)	\$ (4,347,661)
-	336,118	-	-	5,951,253
113,930	80,009	-	-	386,438
-	-	-	19,500	19,500
19,229	252,084	175	-	389,733
133,159	668,211	175	19,500	6,746,924
301,917	(112,910)	55,202	18,397	2,399,263
27,037,481	6,695,899	240,647	2,083	126,572,155
<u>\$ 27,339,398</u>	<u>\$ 6,582,989</u>	<u>\$ 295,849</u>	<u>\$ 20,480</u>	<u>\$ 128,971,418</u>

concluded.

NOTES TO FINANCIAL STATEMENTS

BAY COUNTY, MICHIGAN

Notes To Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity

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

Blended Component Unit

Bay County Building Authority (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 Commissioner (Drain Commissioner) - Each of the drainage districts established pursuant to the Drain Code of 1956 are separate legal entities, with the power to contract, to sue and be sued, to hold, manage and dispose of real and personal property, etc. The County Drain Commissioner has sole responsibility to administer the drainage district established pursuant to Chapters 3 and 4 of the Drain Code. The drainage Board or Drain Commissioner, on behalf of the drainage district, may issue debt and levy special assessments authorized by the Drain Code without the prior approval of the County Board of Commissioners. The full faith and credit of the County may be given for the debt of the drainage district. The County employs all full-time employees and the elected officials of the Drain Commissioner. The Drain Commissioner deposits its receipts with the County Treasurer. The nature and significance of the relationship between the primary government and the Drain Commissioner is such that exclusion would cause the reporting entity's financial statements to be misleading. Separate financial statements for the Drain Commissioner can be obtained from the County's Finance Department at 515 Center Avenue, Bay City, Michigan, 48708.

Bay Area Narcotics Enforcement Team (BAYANET) - BAYANET is 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 accounts for all the financial resources of the general government, except those accounted for and reported in another fund.

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

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

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

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

The government reports the following major proprietary funds:

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

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

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

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

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

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

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

BAY COUNTY, MICHIGAN

Notes To Financial Statements

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Medical Care Facility, the 100% Tax Payment, and 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 \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

BAY COUNTY, MICHIGAN

Notes To Financial Statements

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

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

Long-term Obligations

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

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

Fund equity

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

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

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. Generally, all employees can accumulate and carry forward a maximum of 30 days; hours accumulated in excess of 30 days must be used by December 31.

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

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

Compensated Absence Liability Recognition

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

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.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

3. EXCESS OF EXPENDITURES OVER BUDGET

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

Fund	Appropriation	Expenditure	Excess Expenditure
General Fund:			
General government	\$ 9,579,405	\$ 9,654,409	\$ 75,004
Transfers out	3,587,248	3,667,501	80,253
Division on Aging:			
Transfers out	146,420	148,054	1,634

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

4. DEPOSITS AND INVESTMENTS

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

	Primary Government	Component Units	Totals
Statement of Net Position			
Cash and cash equivalents	\$ 30,153,281	\$ 12,607,791	\$ 42,761,072
Investments	36,877,585	4,479,878	41,357,463
Statement of Fiduciary Net Position			
Pension and other employee benefits trust funds:			
Investments	333,171,084	-	333,171,084
Other fiduciary funds:			
Cash and cash equivalents	2,114,083	-	2,114,083
Investments	10,248,186	-	10,248,186
Total	<u>\$ 412,564,219</u>	<u>\$ 17,087,669</u>	<u>\$ 429,651,888</u>

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Deposits and investments	
Bank deposits (checking, savings, money markets and certificates of deposit)	\$ 36,764,590
Investments:	
Equities	
Domestic equities	219,610,461
Foreign equities	19,822,669
Convertible equity	2,188,833
Preferred stock	2,331
Corporate convertible bonds	11,825,924
Fixed income	
Asset backed securities	177,068
Corporate bonds	36,200,593
Government agencies**	27,298,237
Government bonds	11,361,992
Government mortgage-backed securities	10,935,176
Municipal bonds**	31,168,226
Government issued commercial mortgage-backed	4,058,108
Commercial mortgage-backed	977,440
Other fixed income**	4,708,657
Money market	
Short-term investments	12,307,742
Cash and cash equivalents	204,837
Cash on hand	39,004
	\$ 429,651,888
Total	\$ 429,651,888

** The County's investments in government agencies, municipal bonds, and other fixed income include call options with a market value of \$20,076,720, \$4,720,893, and \$1,846,480, respectively.

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, except for the Road Commission, Department of Water and Sewer, and Bay Medical Care Facility, which are reported at cost.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

	Investment Type			
	Equities	Fixed Income	Money Market	Total
Less than 1 year	\$ 2,980,122	\$ 4,220,230	\$ 12,307,742	\$ 19,508,094
1 - 5 years	3,516,171	42,293,345	-	45,809,516
6 - 10 years	2,491,334	49,411,232	-	51,902,566
More than 10 years	2,838,297	30,960,690	-	33,798,987
No maturity	241,624,294	-	-	241,624,294
Total	\$ 253,450,218	\$ 126,885,497	\$ 12,307,742	\$ 392,643,457

	Investment Type			
	Equities	Fixed Income	Money Market	Total
AAA	\$ 868,538	\$ 1,129,160	\$ -	\$ 1,997,698
AA+	-	21,846,781	-	21,846,781
AA	-	3,194,143	-	3,194,143
AA-	-	12,927,676	-	12,927,676
A+	934,894	1,880,045	-	2,814,939
A	-	4,601,260	-	4,601,260
A-	2,698,433	472,255	-	3,170,688
B	117,558	-	-	117,558
BBB+	1,710,100	-	-	1,710,100
BBB	1,697,733	-	-	1,697,733
BBB-	850,693	-	-	850,693
BB+	156,299	-	-	156,299
BB-	794,908	-	-	794,908
SP-1	-	975,270	-	975,270
Not rated	243,621,062	79,858,907	12,307,742	335,787,711
Total	\$ 253,450,218	\$ 126,885,497	\$ 12,307,742	\$ 392,643,457

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.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

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 \$33,916,128 of the County's bank balance of \$36,507,125 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, 2013:

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

Equities:

Domestic equities	\$ 195,539,837
International equities	19,565,424
Convertible equity	2,188,833
Preferred stock	2,331
Corporate convertible bonds	11,825,924

Fixed income:

Asset backed securities	125,524
Corporate bonds	31,570,811
Government agencies	826,236
Government bonds	10,090,196
Government mortgage-backed securities	9,828,395
Municipal bonds	137,218
Government issued commercial mortgage-backed	3,316,721
Commercial mortgage-backed	273,447

Money market:

Short-term investments	9,311,207
Cash and cash equivalents	204,837

Total investments in Employees' Retirement System \$ 294,806,941

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, 2013, maturities and Standard & Poors ratings for the System's investments in debt securities were as follows:

	Investment Type				
	Equities	Fixed Income	Money Market	Cash and Cash Equivalents	Total
Less than 1 year	\$ 2,980,122	\$ 82,438	\$ 9,311,207	-	\$ 12,373,767
1 - 5 years	3,516,171	17,754,682	-	-	21,270,853
6 - 10 years	2,491,334	20,537,216	-	-	23,028,550
More than 10 years	2,838,297	17,794,212	-	-	20,632,509
No maturity	217,296,425	-	-	204,837	217,501,262
Total	<u><u>\$ 229,122,349</u></u>	<u><u>\$ 56,168,548</u></u>	<u><u>\$ 9,311,207</u></u>	<u><u>\$ 204,837</u></u>	<u><u>\$ 294,806,941</u></u>

BAY COUNTY, MICHIGAN

Notes To Financial Statements

	Investment Type				
	Equities	Fixed Income	Money Market	Cash and Cash Equivalents	Total
AAA	\$ 868,538	\$ -	\$ -	\$ -	\$ 868,538
AA+	-	12,369,786	-	-	12,369,786
AA	-	745,502	-	-	745,502
AA-	-	1,583,034	-	-	1,583,034
A+	934,894	1,759,197	-	-	2,694,091
A	-	4,166,291	-	-	4,166,291
A-	2,698,433	8,064,081	-	-	10,762,514
B	117,558	-	-	-	117,558
BBB+	1,710,100	4,783,285	-	-	6,493,385
BBB	1,697,733	3,655,504	-	-	5,353,237
BBB-	850,693	2,963,189	-	-	3,813,882
BB+	156,299	652,239	-	-	808,538
BB	-	853,870	-	-	853,870
BB-	794,908	396,113	-	-	1,191,021
Not rated	219,293,193	14,176,457	9,311,207	204,837	242,985,694
Total	\$ 229,122,349	\$ 56,168,548	\$ 9,311,207	\$ 204,837	\$ 294,806,941

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, 2013 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)
Brazil	US dollar	\$ 38,616
Canada	US dollar	1,894,610
China	Hong Kong dollar	237,771
France	European euro	1,675,033
France	US dollar	609,214
Germany	European euro	1,968,608
Hong Kong	Hong Kong dollar	306,033
Ireland	US dollar	268,177
Israel	US dollar	257,140
Japan	Japanese yen	4,090,408
Korea, Republic of	Korean won	98,455
Netherlands	European euro	339,288
Russian Federation	US dollar	506,952
Singapore	Singapore dollar	422,054
Sweden	Swedish kronor	184,630
Switzerland	Swiss franc	1,807,455
Taiwan	US dollar	258,112
United Kingdom	European euro	514,162
United Kingdom	Great Britain pound	3,771,772
United Kingdom	US dollar	316,934
		<hr/>
Total international equities		<u>\$ 19,565,424</u>

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, 2013:

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

Equities:	
Domestic equities	\$ 24,070,625
International equities	257,244
Fixed income:	
Asset backed securities	51,544
Corporate bonds	4,629,782
Government agencies	1,873,364
Government bonds	1,271,797
Government mortgage-backed securities	1,106,781
Government issued commercial mortgage-backed	741,387
Municipal bonds	418,799
Commercial mortgage-backed	703,993
Other fixed income	2,862,177
Money market:	
Short-term investments	<u>376,650</u>
Total investments in Voluntary Employees' Beneficiary Association trust	<u><u>\$ 38,364,143</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, 2013, maturities and Standard & Poors ratings for the Trust's investments in debt securities were as follows:

	Investment Type			Total
	Equities	Fixed Income	Money Market	
Less than 1 year	\$ -	\$ 162,802	\$ 376,650	\$ 539,452
1 - 5 years	-	5,000,192	-	5,000,192
6 - 10 years	-	4,015,253	-	4,015,253
More than 10 years	-	4,481,377	-	4,481,377
No maturity	24,327,869	-	-	24,327,869
Total	<u>\$ 24,327,869</u>	<u>\$ 13,659,624</u>	<u>\$ 376,650</u>	<u>\$ 38,364,143</u>

BAY COUNTY, MICHIGAN

Notes To Financial Statements

	Investment Type			
	Equities	Fixed Income	Money Market	Total
AAA	\$ -	\$ 550,109	\$ -	\$ 550,109
AA+	-	3,197,759	-	3,197,759
AA	-	782,714	-	782,714
AA-	-	617,648	-	617,648
A+	-	855,400	-	855,400
A	-	995,823	-	995,823
A-	-	1,133,462	-	1,133,462
BBB+	-	419,279	-	419,279
Not rated	24,327,869	5,107,430	376,650	29,811,949
Total	\$ 24,327,869	\$ 13,659,624	\$ 376,650	\$ 38,364,143

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, 2013 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)
Canada	US dollar	<u>257,244</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	\$ 7,781,757	\$ -	\$ 5,829,669
Non-current	108,131	5,794,735	316,581
Accounts	3,524,460	2,215,033	2,616,151
Interest	337,541	653,128	118,678
Intergovernmental	2,534,629	128,619	2,794,738
Less: allowance for uncollectible accounts	(768,035)	(122,000)	-
Total	\$ 13,518,483	\$ 8,669,515	\$ 11,675,817

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	\$ 699,608	\$ -	\$ 699,608
Mosquito control fund	3,771	1,258,689	1,262,460
911 service fund	5,947	1,957,958	1,963,905
Division on aging fund	4,463	2,237,668	2,242,131
Nonmajor governmental funds	1,613	825,698	827,311
Total	\$ 715,402	\$ 6,280,013	\$ 6,995,415

BAY COUNTY, MICHIGAN

Notes To Financial Statements

6. CAPITAL ASSETS

Primary government

Capital assets activity for the year ended December 31, 2013, 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	504,912	4,612,657	(2,292)	(78,268)	5,037,009
	<u>2,431,311</u>	<u>4,612,657</u>	<u>(2,292)</u>	<u>(78,268)</u>	<u>6,963,408</u>
Capital assets, being depreciated:					
Land improvements	3,090,263	9,750	-	-	3,100,013
Buildings and improvements	64,874,427	1,275	-	-	64,875,702
Machinery and equipment	3,937,812	47,320	(14,800)	-	3,970,332
Office furniture and equipment	3,559,457	45,567	-	78,268	3,683,292
Vehicles	1,817,226	246,383	(12,926)	-	2,050,683
	<u>77,279,185</u>	<u>350,295</u>	<u>(27,726)</u>	<u>78,268</u>	<u>77,680,022</u>
Less accumulated depreciation for:					
Land improvements	(2,468,406)	(73,913)	-	-	(2,542,319)
Buildings and improvements	(23,256,509)	(1,366,511)	-	-	(24,623,020)
Machinery and equipment	(1,586,692)	(212,614)	14,800	-	(1,784,506)
Office furniture and equipment	(2,256,489)	(181,964)	-	-	(2,438,453)
Vehicles	(1,291,779)	(160,626)	12,926	-	(1,439,479)
	<u>(30,859,875)</u>	<u>(1,995,628)</u>	<u>27,726</u>	<u>-</u>	<u>(32,827,777)</u>
Total capital assets being depreciated, net	<u>46,419,310</u>	<u>(1,645,333)</u>	<u>-</u>	<u>78,268</u>	<u>44,852,245</u>
Governmental activities capital assets, net	<u>\$ 48,850,621</u>	<u>\$ 2,967,324</u>	<u>\$ (2,292)</u>	<u>\$ -</u>	<u>\$ 51,815,653</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	47,068	292,938	-	(169,915)	170,091
	<u>304,627</u>	<u>292,938</u>	<u>-</u>	<u>(169,915)</u>	<u>427,650</u>
Capital assets, being depreciated:					
Land improvements	1,108,717	-	-	-	1,108,717
Buildings and improvements	17,051,043	133,270	-	172,577	17,356,890
Machinery and equipment	1,139,382	25,488	(11,452)	(119,479)	1,033,939
Office furniture and equipment	2,120,746	31,081	-	136,795	2,288,622
Vehicles	123,876	-	-	(19,978)	103,898
	<u>21,543,764</u>	<u>189,839</u>	<u>(11,452)</u>	<u>169,915</u>	<u>21,892,066</u>
Less accumulated depreciation for:					
Land improvements	(871,493)	(39,934)	-	-	(911,427)
Buildings and improvements	(10,814,680)	(713,258)	-	3,567	(11,524,371)
Machinery and equipment	(895,800)	(31,406)	11,452	39,982	(875,772)
Office furniture and equipment	(1,815,959)	(83,924)	-	(63,526)	(1,963,409)
Vehicles	(97,019)	(14,356)	-	19,977	(91,398)
	<u>(14,494,951)</u>	<u>(882,878)</u>	<u>11,452</u>	<u>-</u>	<u>(15,366,377)</u>
Total capital assets being depreciated, net	<u>7,048,813</u>	<u>(693,039)</u>	<u>-</u>	<u>169,915</u>	<u>6,525,689</u>
Business-type activities capital assets, net	<u>\$ 7,353,440</u>	<u>\$ (400,101)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,953,339</u>

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

Depreciation of governmental activities by function

Judicial	\$ 10,641
General government	1,320,651
Public safety	300,473
Health and welfare	272,619
Recreation and culture	91,244
	<u>\$ 1,995,628</u>

Depreciation of business-type activities by function

Medical Care Facility	\$ 601,982
Housing	209,483
Golf Course	49,538
Delinquent Property Tax Foreclosure	21,875
	<u>\$ 882,878</u>

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Discretely presented component units

Activity for the Road Commission for the year ended December 31, 2013, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 505,981	\$ -	\$ -	\$ -	\$ 505,981
Land improvements	51,114,202	2,755,046	-	-	53,869,248
Right of ways	349,661	-	-	-	349,661
	<u>51,969,844</u>	<u>2,755,046</u>	<u>-</u>	<u>-</u>	<u>54,724,890</u>
Capital assets, being depreciated:					
Buildings and improvements	2,775,336	59,120	-	-	2,834,456
Road equipment	10,273,636	355,820	(116,776)	-	10,512,680
Shop equipment	207,639	9,986	-	-	217,625
Office equipment	158,484	27,121	-	-	185,605
Engineering equipment	199,350	16,999	-	-	216,349
Yard and storage	1,376,921	14,900	-	-	1,391,821
Infrastructure:					
Roads	51,344,856	3,523,021	(2,088,982)	-	52,778,895
Bridges	18,874,328	35,742	-	-	18,910,070
Traffic signals	659,494	-	-	-	659,494
Depletable assets:					
Gravel pits	53,037	-	-	-	53,037
	<u>85,923,081</u>	<u>4,042,709</u>	<u>(2,205,758)</u>	<u>-</u>	<u>87,760,032</u>
Less accumulated depreciation for:					
Buildings and improvements	(1,905,482)	(63,488)	-	-	(1,968,970)
Road equipment	(10,066,361)	(446,309)	116,776	-	(10,395,894)
Shop equipment	(186,971)	(10,560)	-	-	(197,531)
Office equipment	(78,215)	(11,987)	-	-	(90,202)
Engineering equipment	(147,080)	(14,064)	-	-	(161,144)
Yard and storage	(1,076,237)	(58,974)	-	-	(1,135,211)
Infrastructure:					
Roads	(27,087,014)	(2,738,916)	2,088,982	-	(27,736,948)
Bridges	(8,904,237)	(392,267)	-	-	(9,296,504)
Traffic signals	(317,966)	(32,992)	-	-	(350,958)
Depletable assets:					
Gravel pits	(14,603)	-	-	-	(14,603)
	<u>(49,784,166)</u>	<u>(3,769,557)</u>	<u>2,205,758</u>	<u>-</u>	<u>(51,347,965)</u>
Total capital assets being depreciated, net	<u>36,138,915</u>	<u>273,152</u>	<u>-</u>	<u>-</u>	<u>36,412,067</u>
Road Commission capital assets, net	<u>\$ 88,108,759</u>	<u>\$ 3,028,198</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 91,136,957</u>

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Activity for the Library System for the year ended December 31, 2013, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 107,487	\$ -	\$ -	\$ -	\$ 107,487
Capital assets, being depreciated:					
Land improvements	103,946	-	-	-	103,946
Buildings and improvements	1,524,065	-	-	-	1,524,065
Machinery and equipment	131,738	-	-	-	131,738
Office furniture and equipment	1,182,260	-	-	9,521	1,191,781
Books and a/v materials	2,739,714	437,183	(112,936)	-	3,063,961
Vehicles and other	182,770	196,380	(159,443)	(9,521)	210,186
	<u>5,864,493</u>	<u>633,563</u>	<u>(272,379)</u>	<u>-</u>	<u>6,225,677</u>
Less accumulated depreciation for:					
Land improvements	(60,330)	(3,272)	-	-	(63,602)
Buildings and improvements	(824,415)	(43,616)	-	-	(868,031)
Machinery and equipment	(99,630)	(6,667)	-	-	(106,297)
Office furniture and equipment	(667,068)	(51,964)	-	(9,521)	(728,553)
Books and a/v materials	(1,250,011)	(525,356)	112,936	-	(1,662,431)
Vehicles and other	(182,769)	(8,183)	159,443	9,521	(21,988)
	<u>(3,084,223)</u>	<u>(639,058)</u>	<u>272,379</u>	<u>-</u>	<u>(3,450,902)</u>
Total capital assets being depreciated, net	<u>2,780,270</u>	<u>(5,495)</u>	<u>-</u>	<u>-</u>	<u>2,774,775</u>
Library System capital assets, net	<u>\$ 2,887,757</u>	<u>\$ (5,495)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,882,262</u>

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Activity for the Department of Water & Sewer for the year ended December 31, 2013, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 196,284	\$ -	\$ -	\$ -	\$ 196,284
Construction in progress	23,793	25,057	-	-	48,850
	<u>220,077</u>	<u>25,057</u>	<u>-</u>	<u>-</u>	<u>245,134</u>
Capital assets, being depreciated:					
Buildings and improvements	14,038,500	579,693	-	-	14,618,193
Improvements other than buildings	530,411	7,890	-	-	538,301
Machinery and equipment	9,743,966	550,275	(22,836)	-	10,271,405
Water system	4,381,708	-	-	-	4,381,708
Sewer system	26,246,200	-	(5,348)	-	26,240,852
	<u>54,940,785</u>	<u>1,137,858</u>	<u>(28,184)</u>	<u>-</u>	<u>56,050,459</u>
Less accumulated depreciation for:					
Buildings and improvements	(8,328,599)	(305,169)	-	-	(8,633,768)
Improvements other than buildings	(174,678)	(44,496)	-	-	(219,174)
Machinery and equipment	(8,547,423)	(204,459)	22,836	-	(8,729,046)
Water system	(2,058,885)	(99,883)	-	-	(2,158,768)
Sewer system	(11,094,638)	(570,173)	-	-	(11,664,811)
	<u>(30,204,223)</u>	<u>(1,224,180)</u>	<u>22,836</u>	<u>-</u>	<u>(31,405,567)</u>
Total capital assets being depreciated, net	<u>24,736,562</u>	<u>(86,322)</u>	<u>(5,348)</u>	<u>-</u>	<u>24,644,892</u>
Department of Water & Sewer capital assets, net	<u>\$ 24,956,639</u>	<u>\$ (61,265)</u>	<u>\$ (5,348)</u>	<u>\$ -</u>	<u>\$ 24,890,026</u>

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Activity for the Drain Commission for the year ended December 31, 2013, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 333,173	\$ -	\$ -	\$ -	\$ 333,173
Capital assets, being depreciated:					
Land improvements (infrastructure)	3,508,481	262,733	-	-	3,771,214
Buildings	171,681	-	-	-	171,681
Machinery and equipment	646,447	58,045	-	-	704,492
Office furniture and equipment	20,450	-	-	-	20,450
Vehicles	180,767	-	-	-	180,767
	<u>4,527,826</u>	<u>320,778</u>	<u>-</u>	<u>-</u>	<u>4,848,604</u>
Less accumulated depreciation for:					
Land improvements (infrastructure)	(588,765)	(127,204)	-	-	(715,969)
Buildings	(171,681)	-	-	-	(171,681)
Machinery and equipment	(226,522)	(35,069)	-	-	(261,591)
Office furniture and equipment	(20,450)	-	-	-	(20,450)
Vehicles	(81,982)	(21,614)	-	-	(103,596)
	<u>(1,089,400)</u>	<u>(183,887)</u>	<u>-</u>	<u>-</u>	<u>(1,273,287)</u>
Total capital assets being depreciated, net	<u>3,438,426</u>	<u>136,891</u>	<u>-</u>	<u>-</u>	<u>3,575,317</u>
Drain Commission capital assets, net	<u>\$ 3,771,599</u>	<u>\$ 136,891</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,908,490</u>

Activity for the Bay Area Narcotics Enforcement Team for the year ended December 31, 2013, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets, being depreciated:					
Equipment	\$ 100,482	\$ -	\$ (23,244)	\$ -	\$ 77,238
Less accumulated depreciation for:					
Equipment	(94,686)	(4,496)	23,244	-	(75,938)
Bay Area Narcotics Enforcement Team capital assets, net	<u>\$ 5,796</u>	<u>\$ (4,496)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,300</u>

BAY COUNTY, MICHIGAN

Notes To Financial Statements

7. PAYABLES

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

	Governmental Activities	Business-type Activities	Component Units
Accounts payable	\$ 1,158,267	\$ 267,287	\$ 1,260,620
Wages, fringe benefits and other accrued liabilities	1,839,885	803,055	217,587
Deposits	455	40,592	-
Intergovernmental	88,090	33,060	585,996
Advances	-	-	319,085
Claims, settlements, and judgments	518,566	860,158	-
Total	\$ 3,605,263	\$ 2,004,152	\$ 2,383,288

8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

	Due from Other Funds	Due to Other Funds
General fund	\$ 8,931	\$ 4,639,644
Mosquito control fund	-	245
911 service fund	-	852
Division on aging fund	-	749
Homeland security fund	-	-
Nonmajor governmental funds	13,929	16,782
100% tax payment	20	42,358
Nonmajor enterprise funds	41,761	8,741
Internal service funds	4,644,730	-
Agency funds	23,933	23,933
Total	\$ 4,733,304	\$ 4,733,304

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

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

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

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Transfers Out	Transfers In				Total
	General Fund	Division on Aging Fund	Nonmajor Governmental Funds	100% Tax Payment	
General fund	\$ -	\$ 6,200	\$ 3,661,301	\$ -	\$ 3,667,501
Mosquito control fund	99,269	-	-	-	99,269
911 service fund	150,224	-	-	-	150,224
Division on aging fund	148,054	-	-	-	148,054
Nonmajor governmental funds	824,651	-	-	-	824,651
100% tax payment	1,150,000	-	-	-	1,150,000
Nonmajor enterprise funds	59,805	-	-	290	60,095
Internal service funds	333,638	-	-	-	333,638
Total	\$ 2,765,641	\$ 6,200	\$ 3,661,301	\$ 290	\$ 6,433,432

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, 2013, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Primary Government					
Governmental activities:					
Building Authority - General obligation bonds	\$ 12,810,000	\$ 30,000,000	\$ (1,830,000)	\$ 40,980,000	\$ 1,930,000
Bond premium	999,535	-	(141,062)	858,473	141,062
Bond discount	-	(42,692)	1,423	(41,269)	(1,423)
Compensated absences	2,108,429	1,779,944	(1,858,255)	2,030,118	253,765
Total governmental activities	\$ 15,917,964	\$ 31,737,252	\$ (3,827,894)	\$ 43,827,322	\$ 2,323,404
Business-type activities:					
Compensated absences	\$ 231,352	\$ 69,116	\$ (41,035)	\$ 259,433	\$ 11,716

BAY COUNTY, MICHIGAN

Notes To Financial Statements

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Component Units					
Road Commission:					
Compensated absences	\$ 943,361	\$ 320,206	\$ (296,557)	\$ 967,010	\$ 200,000
Capital lease	-	227,000	(59,161)	167,839	54,384
Total Road Commission	\$ 943,361	\$ 547,206	\$ (355,718)	\$ 1,134,849	\$ 254,384
Library System:					
Compensated absences	\$ 197,627	\$ 7,007	\$ -	\$ 204,634	\$ 24,556
Department of Water & Sewer:					
General obligation bonds	\$ 7,075,000	\$ -	\$ (560,000)	\$ 6,515,000	\$ 575,000
Compensated absences	200,104	12,104	-	212,208	31,831
Total Department of Water & Sewer	\$ 7,275,104	\$ 12,104	\$ (560,000)	\$ 6,727,208	\$ 606,831
Drain Commission:					
General obligation bonds	\$ 152,176	\$ -	\$ (76,087)	\$ 76,089	\$ 76,090
Notes payable	384,616	340,899	(90,154)	635,361	120,582
Total Drain Commission	\$ 536,792	\$ 340,899	\$ (166,241)	\$ 711,450	\$ 196,672

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 \$46,980,000.

During the current fiscal year the Primary Government issued General Obligation bonds for \$30,000,000 to fund the construction of the County's new water distribution plant. The bonds are issued for 30 years and bear interest rates ranging from 4.00% to 5.25%.

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 currently outstanding are as follows:

Purpose	Interest Rates	Amount
Governmental activities	3.00 - 5.25%	<u>\$ 40,980,000</u>

BAY COUNTY, MICHIGAN

Notes To Financial Statements

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
2014	\$ 1,930,000	\$ 1,938,615
2015	2,030,000	1,871,901
2016	2,190,000	1,793,001
2017	1,685,000	1,702,476
2018	1,750,000	1,635,076
2019-2023	5,300,000	7,246,972
2024-2028	3,240,000	6,433,927
2029-2033	4,155,000	5,507,437
2034-2038	7,510,000	4,227,080
2039-2043	11,190,000	1,820,991
	<u>\$ 40,980,000</u>	<u>\$ 34,177,476</u>

Component Units

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

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

Purpose	Interest Rates	Amount
Business-type activities	2.25 - 5.25%	<u>\$ 6,515,000</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
2014	\$ 575,000	\$ 259,234
2015	595,000	238,343
2016	610,000	216,671
2017	620,000	193,426
2018	510,000	168,688
2019-2023	1,440,000	627,020
2024-2028	1,480,000	345,857
2029-2030	685,000	45,281
	<u>\$ 6,515,000</u>	<u>\$ 2,094,520</u>

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

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

Purpose	Interest Rates	Amount
Governmental activities	2.50 - 4.59%	<u>\$ 711,450</u>

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

Year Ended December 31,	Governmental Activities	
	Principal	Interest
2014	\$ 196,672	\$ 22,622
2015	121,341	16,514
2016	122,123	11,912
2017	44,768	7,283
2018	45,587	5,915
2019-2023	180,959	13,795
	<u>\$ 711,450</u>	<u>\$ 78,041</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, 2013, was \$2,990,000.

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 and related organizations, including Road Commission, Library System, Department of Water and Sewer, and Bay Arenac Behavioral Health, 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 4.08% of annual covered payroll for General County, 0.00% for the Sheriff's Department, 9.89% for the Library, 13.77% for Department of Water & Sewer, 9.57% for Medical Care Facility, 10.17% for Bay Area Behavioral Health, and 20.78% for the Road Commission, which was determined through an actuarial valuation performed at December 31, 2012. During 2013, the General County made a discretionary 0.17% contribution into the Plan. Contributions received from employer contributions for the year ended December 31, 2013, amounted to \$4,099,868. 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, 2013, amounted to \$2,200,019. 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.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

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

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, 2012, the date of the last actuarial valuation:

Retirees and beneficiaries receiving benefits	786
Terminated plan members entitled to, but not yet receiving benefits	90
Active plan members	1,172

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

Annual required contribution	\$ 4,073,454
Interest on net pension asset	(111,440)
Adjustment to annual required contribution	<u>148,586</u>
Annual pension costs (expense)	4,110,600
Contributions made	<u>(4,099,868)</u>
Decrease in net pension asset	10,732
Net pension (asset), beginning of year	<u>(1,485,864)</u>
Net pension (asset), end of year	<u>\$ (1,475,132)</u>

BAY COUNTY, MICHIGAN

Notes To Financial Statements

The annual required contribution for the current year was determined as part of the December 31, 2012, actuarial valuation using the individual entry age normal cost method. Significant actuarial assumptions included (a) a rate of return on the investment of present and future assets of 7.5% per year compounded annually, (b) projected salary increases of 3.5% per year pay inflation plus merit and longevity, (c) additional projected salary increases ranging from 0.75 to 6.00% per year, depending on age, attributable to merit and longevity, and (d) the assumption that benefits will not increase after retirement.

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

Three-Year Trend Information			
Years Ended December 31,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset
2011	\$ 2,415,455	124%	\$ 1,087,874
2012	3,097,696	113%	1,485,864
2013	4,110,600	100%	1,475,132

Funded Status and Funding Progress. As of December 31, 2012, the most recent actuarial valuation date, the Plan was 98 percent funded. The actuarial accrued liability for benefits was \$245,269,867, and the actuarial value of assets was \$239,280,740, resulting in an actuarial accrued liability (AAL) of \$5,989,127, which means the Plan is under-funded. The covered payroll (annual payroll for active employee covered by the Plan) was \$48,571,798 and the ratio for the AAL to the covered payroll was 12%.

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, 2013, consists of the following reserves:

Annuity reserve	\$ 125,582,624
Employer reserve	142,493,697
Employee accumulated reserve	<u>27,311,777</u>
Total net position	<u>\$ 295,388,098</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 2013 was approximately \$5,396,870.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

The December 31, 2011, actuarial valuation identified the required employer contribution ranging from \$166,949 to \$4,212,687, based on a percentage of covered payroll, depending on employee group and amortization period. Contributions to the Plan for the year-ended December 31, 2013, were \$1,352,019.

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	\$ 5,401,227
Interest on net OPEB obligation	620,576
Adjustment to annual required contribution	<u>(1,447,442)</u>
Annual OPEB cost (expense)	4,574,361
Contributions made	<u>(1,352,019)</u>
Increase in net OPEB obligation	3,222,342
Net OPEB obligation, beginning of year	<u>10,342,938</u>
Net OPEB obligation, end of year	<u><u>\$ 13,565,280</u></u>

Medical Care Facility - For the year ended December 31, 2013, 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, 2013:

Annual required contribution	\$ 3,798,701
Interest on net OPEB obligation	537,800
Adjustment to annual required contribution	<u>(668,598)</u>
Annual OPEB cost (expense)	3,667,903
Contributions made	<u>(1,962,722)</u>
Increase in net OPEB obligation	1,705,181
Net OPEB obligation, beginning of year (as restated)	<u>8,963,338</u>
Net OPEB obligation, end of year	<u><u>\$ 10,668,519</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 2013 was as follows:

Three-Year Trend Information				
	Years Ended December 31,	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation
County:	2011	\$ 3,302,767	42%	\$ 6,568,950
	2012	4,918,089	23%	10,342,938
	2013	4,574,361	30%	13,565,280
Medical Care Facility:	2011	\$ 3,655,891	50%	\$ 7,296,225
	2012	3,729,153	55%	8,963,338
	2013	3,667,903	54%	10,668,519

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

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 20 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	\$ 2,184,913
Interest on net OPEB obligation	398,717
Adjustment to annual required contribution	<u>(579,367)</u>
Annual OPEB cost (expense)	2,004,263
Contributions made	<u>(1,108,517)</u>
Increase in net OPEB obligation	895,746
Net OPEB obligation, beginning of year	<u>6,645,289</u>
Net OPEB obligation, end of year	<u><u>\$ 7,541,035</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 2013 was as follows:

Three-Year Trend Information			
Years Ended December 31,	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation
2011	\$ 1,981,929	63%	\$ 6,289,267
2012	1,719,560	79%	6,645,289
2013	2,004,263	55%	7,541,035

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	\$ 166,949
Interest on net OPEB obligation	10,607
Adjustment to annual required contribution	<u>(38,632)</u>
Annual OPEB cost (expense)	138,924
Contributions made	<u>(62,278)</u>
Increase in net OPEB obligation	76,646
Net OPEB obligation, beginning of year	<u>176,791</u>
Net OPEB obligation, end of year	<u><u>\$ 253,437</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 2013 was as follows:

Three-Year Trend Information			
Years Ended December 31,	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB (Asset) Obligation
2011	\$ 157,619	41%	\$ 96,674
2012	144,661	45%	176,791
2013	138,924	45%	253,437

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	\$ 424,184
Interest on net OPEB asset	(18,764)
Adjustment to annual required contribution	<u>10,424</u>
Annual OPEB cost (expense)	415,844
Contributions made	<u>(495,599)</u>
Increase in net OPEB asset	(79,755)
Net OPEB (asset), beginning of year	<u>(312,734)</u>
Net OPEB (asset), end of year	<u><u>\$ (392,489)</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 2013 was as follows:

Three-Year Trend Information			
Years Ended December 31,	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation (Asset)
2011	\$ 496,176	110%	\$ (185,579)
2012	402,922	130%	(312,734)
2013	415,844	119%	(392,489)

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	\$ 229,122,349	\$ 24,327,869	\$ 253,450,218
Fixed income	56,168,548	13,659,624	69,828,172
Money market	9,311,207	376,650	9,687,857
Other	204,837	-	204,837
Total investments	<u>294,806,941</u>	<u>38,364,143</u>	<u>333,171,084</u>
Receivables:			
Interest and dividends	749,584	107,149	856,733
Accounts	280,107	-	280,107
Due from other governmental units	147,728	-	147,728
Total receivables	<u>1,177,419</u>	<u>107,149</u>	<u>1,284,568</u>
Other current assets:			
Prepaid items and other assets	257,736	17,731	275,467
Net pension asset	4,221	-	4,221
Due from component units	120,187	-	120,187
Total other current assets	<u>382,144</u>	<u>17,731</u>	<u>399,875</u>
Total assets	<u>296,366,504</u>	<u>38,489,023</u>	<u>334,855,527</u>
Liabilities			
Accounts payable	645,065	26,233	671,298
Accrued liabilities	307,991	22,176	330,167
Net OPEB obligation	25,350	-	25,350
Total liabilities	<u>978,406</u>	<u>48,409</u>	<u>1,026,815</u>
Net position			
Held in trust for:			
Employees' retirement system	295,388,098	-	295,388,098
Public employee healthcare	-	38,440,614	38,440,614
Total net position	<u>\$ 295,388,098</u>	<u>\$ 38,440,614</u>	<u>\$ 333,828,712</u>

BAY COUNTY, MICHIGAN

Notes To Financial Statements

	Plan Net Position		
	Pension Trust Fund	VEBA Trust Fund	Total
Additions			
Contributions:			
Employer	\$ 4,099,868	\$ 655,763	\$ 4,755,631
Current premium contributions	-	1,334,780	1,334,780
Plan members	2,200,017	-	2,200,017
Total contributions	6,299,885	1,990,543	8,290,428
Investment income:			
Net appreciation in fair value of securities	58,428,228	5,823,803	64,252,031
Interest and dividends	5,144,954	597,225	5,742,179
Less investment expense	(2,030,042)	(61,271)	(2,091,313)
Total investment income	61,543,140	6,359,757	67,902,897
Other revenue	70,072	-	70,072
Total additions	67,913,097	8,350,300	76,263,397
Deductions			
Benefit payments	13,242,071	-	13,242,071
Retiree healthcare premium payments	-	1,334,780	1,334,780
Administrative expenses	239,204	104,805	344,009
Pension expense	8,927	-	8,927
Refunds of contributions	326,468	-	326,468
Net depreciation in fair value of investments	5,618,025	332,033	5,950,058
Total deductions	19,434,695	1,771,618	21,206,313
Change in net position	48,478,402	6,578,682	55,057,084
Net position, beginning of year	246,909,696	31,861,932	278,771,628
Net position, end of year	\$ 295,388,098	\$ 38,440,614	\$ 333,828,712

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 \$450,000 per occurrence. The maximum limit of indemnity per occurrence is statutory. The employers’ liability maximum limit of indemnity is \$1,000,000 per occurrence.

The County estimates the liability for claims that have been incurred through December 31, 2013, 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 2013, 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, 2013 and 2012, are as follows:

	12/31/2013	12/31/2012
Claims liability, beginning of year	\$ 42,569	\$ 329,888
Claims and damages incurred	248,355	105,233
Claims payments and adjustments	<u>(168,671)</u>	<u>(392,552)</u>
Claims liability, end of year	<u>\$ 122,253</u>	<u>\$ 42,569</u>

Changes in the estimated claims liabilities for workers' compensation claims of the Medical Care Facility for the years ended December 31, 2013 and 2012, are as follows:

	12/31/2013	12/31/2012
Claims liability, beginning of year	\$ 95,270	\$ 96,478
Claims and damages incurred	146,540	89,785
Claims payments and adjustments	<u>(80,697)</u>	<u>(90,993)</u>
Claims liability, end of year	<u>\$ 161,113</u>	<u>\$ 95,270</u>

Changes in the estimated claims liabilities for healthcare claims (excluding the Medical Care Facility) for the year ended December 31, 2013 and 2012, are as follows:

	12/31/2013	12/31/2012
Claims liability, beginning of year	\$ 379,476	\$ 424,809
Claims and damages incurred	4,736,205	5,078,434
Claims payments and adjustments	<u>(4,719,368)</u>	<u>(5,123,767)</u>
Claims liability, end of year	<u>\$ 396,313</u>	<u>\$ 379,476</u>

BAY COUNTY, MICHIGAN

Notes To Financial Statements

The Facility is self-insured for healthcare claims. The Facility is covered by a stop-loss policy that covers individual claims over \$15,000. Changes in the estimated claims liabilities for healthcare claims of the Medical Care Facility for the year ended December 31, 2013 and 2012, are as follows:

	12/31/2013	12/31/2012
Claims liability, beginning of year	\$ 219,501	\$ 219,501
Claims and damages incurred	3,362,615	3,315,491
Claims payments and adjustments	<u>(3,362,615)</u>	<u>(3,315,491)</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, 2013, was \$5,070.

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, 2013, were \$45,332.

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, 2013, were \$77,456.

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, 2013, were \$803,528.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

14. PROPERTY TAXES

The County property tax is levied each July 1st and December 1st through 2013 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 2013 ad valorem tax is levied and collectible by December 1, 2013, 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, 2012, levy totaled \$2,901,967,896. The taxable value of real and personal property for the July 1, 2013, levy totaled \$2,870,408,411. The tax levy for fiscal year 2013 operations was based on the following rates:

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

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

BAY COUNTY, MICHIGAN

Notes To Financial Statements

15. FUND BALANCES - GOVERNMENTAL FUNDS

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	Water Supply Capital Projects Fund	Nonmajor Funds	Total
Nonspendable:							
Inventory	\$ 9,555	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,555
Interfund advance	150,000	-	-	-	-	-	150,000
Prepays	155,895	-	30,762	-	-	52,576	239,233
Long-term receivables	310,471	-	-	-	-	1,788,823	2,099,294
Total nonspendable	625,921	-	30,762	-	-	1,841,399	2,498,082
Restricted for:							
General county services	169,630	-	-	-	-	-	169,630
Mosquito control	-	186,148	-	-	-	-	186,148
911 services	-	-	1,814,021	-	-	-	1,814,021
Division on aging	-	-	-	936,869	-	-	936,869
Water supply capital projects	-	-	-	-	25,079,543	-	25,079,543
Friend of the court	-	-	-	-	-	180,704	180,704
Gypsy moth control	-	-	-	-	-	451,971	451,971
Register of deeds	-	-	-	-	-	134,848	134,848
Local C.F.O training	-	-	-	-	-	24,286	24,286
Drug law enforcement	-	-	-	-	-	17,013	17,013
Community corrections	-	-	-	-	-	8,049	8,049
Home rehabilitation	-	-	-	-	-	37,015	37,015
Homeland security	-	-	-	-	-	3,712	3,712
Child care/social services	-	-	-	-	-	1,125	1,125
Soldiers' relief	-	-	-	-	-	119,631	119,631
Veterans' trust	-	-	-	-	-	3,379	3,379
Building authority debt	-	-	-	-	-	85,396	85,396
Water supply debt service	-	-	-	-	-	447,523	447,523
Total restricted	169,630	186,148	1,814,021	936,869	25,079,543	1,514,652	29,700,863
Committed for:							
Subsequent year's budget	4,942,969	-	-	-	-	-	4,942,969
Assigned for:							
General county services	6,680,501	-	-	-	-	-	6,680,501
Mosquito control	-	27,956	-	-	-	-	27,956
911 services	-	-	909,005	-	-	-	909,005
Division on aging	-	-	-	170,037	-	-	170,037
Health department	-	-	-	-	-	400,791	400,791
Register of deeds automation	-	-	-	-	-	51,123	51,123
Local C.F.O. training	-	-	-	-	-	17,102	17,102
Law library	-	-	-	-	-	1,404	1,404
Community corrections	-	-	-	-	-	56,029	56,029
Social welfare	-	-	-	-	-	89,696	89,696
Child care services	-	-	-	-	-	54,315	54,315
Child care social services	-	-	-	-	-	15,133	15,133
Total assigned	6,680,501	27,956	909,005	170,037	-	685,593	8,473,092
Total fund balances, governmental funds	\$ 12,419,021	\$ 214,104	\$ 2,753,788	\$ 1,106,906	\$ 25,079,543	\$ 4,041,644	\$ 45,615,006

BAY COUNTY, MICHIGAN

Notes To Financial Statements

16. NET INVESTMENT IN CAPITAL ASSETS

The composition of net investment in capital assets as of December 31, 2013, was as follows:

	Governmental Activities	Business-type Activities	Component Units
Capital assets:			
Assets not being depreciated	\$ 6,963,408	\$ 427,650	\$ 55,410,684
Assets being depreciated, net	44,852,245	6,525,689	67,408,351
	<u>51,815,653</u>	<u>6,953,339</u>	<u>122,819,035</u>
Related debt:			
Bonds payable	40,980,000	-	4,505,437
Less: proceeds not used for capital outlay	(25,414,133)	-	-
Notes payable	-	-	635,361
Capital lease	-	-	167,839
Net premium on bonds payable	817,204	-	-
	<u>16,383,071</u>	<u>-</u>	<u>5,308,637</u>
Net investment in capital assets	<u>\$ 35,432,582</u>	<u>\$ 6,953,339</u>	<u>\$ 117,510,398</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.

18. RESTATEMENTS

Beginning net position of the Medical Care Facility was restated to correct a misstatement due to the incorrect valuation of the postemployment benefit obligation. The misstatement was the result of using an incorrect discount rate in prior years as well as omission of the ARC adjustment. The effect of the restatement on the statement of net position at January 1, 2013 was to increase unrestricted net position and decrease the postemployment benefit obligation by \$859,064.

During the year, restatements to the Housing Department were necessary to properly account for the understatement of the OPEB obligation and understatement of the Net Pension Asset. The errors have been corrected and had the following effect on beginning net position:

Beginning net position, as previously stated	\$ 2,466,156
Adjustment for OPEB obligation	(75,520)
Adjustment for net pension asset	<u>14,440</u>
Beginning net position, as previously stated	<u>\$ 2,405,076</u>

BAY COUNTY, MICHIGAN

Notes To Financial Statements

19. SUBSEQUENT EVENT

On June 26, 2014, an agreement for the Wilcox Drain Drainage District loan from the General Fund was signed, with a loan amount of \$634,000 to be repaid in annual principal amounts ranging from \$55,304 to \$70,058, plus interest at a rate of 3.0%, through June 1, 2024.



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
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%
2012	239,281	245,270	(5,989)	98%	48,572	-12%

Schedule of Employer Contributions
Employees' Retirement System Trust Fund

Year Ended December 31,	Annual Required Contributions	Percentage Contributed
2008	\$ 718,886	100%
2009	1,749,408	100%
2010	2,254,792	122%
2011	2,402,962	125%
2012	3,070,500	114%
2013	4,073,454	101%

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, 2012) follows:

Actuarial cost method	Individual entry age normal cost
Amortization method	Level percent of payroll
Remaining amortization method:	30 years closed for groups that are underfunded and 10 years open for groups that are overfunded.
Asset valuation method	Market value with 5 year smoothing of gains and losses.
Actuarial assumptions:	
Investment rating return	7.5 percent
Projected salary increases	3.5 percent pay inflation plus merit and longevity
Additional merit and longevity increases	0.75 percent to 6.00 percent, dependent on member's age
Cost-of-living adjustments	None

BAY COUNTY, MICHIGAN

Required Supplementary Information
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%
2013	5,401,227	25%

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

The *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 fund.

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

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

BAY COUNTY, MICHIGAN

Combining Balance Sheet Nonmajor Governmental Funds December 31, 2013

	Special Revenue Funds			
	Friend of the Court	Health Department / District Health	Gypsy Moth Control	Register of Deeds Automation
Assets				
Cash and cash equivalents	\$ 78,319	\$ 323,894	\$ 50,709	\$ 15,633
Investments	105,775	-	405,252	171,358
Accounts receivable, net of allowance	-	6,002	-	-
Property taxes receivable, net of allowance	-	-	271,604	-
Accrued interest receivable	-	-	7,425	2,819
Due from other funds	-	13,929	-	-
Due from component units	-	2,752	-	-
Due from other governmental units	-	323,279	-	-
Prepays and other assets	-	-	-	-
Total assets	\$ 184,094	\$ 669,856	\$ 734,990	\$ 189,810
Liabilities				
Accounts payable	\$ 217	\$ 35,508	\$ 181	\$ 3,839
Accrued liabilities	3,125	182,233	2,590	-
Accrued vacation and sick pay	-	7,135	-	-
Due to other funds	48	1,863	39	-
Due to other governmental units	-	225	-	-
Interfund advances	-	-	-	-
Deferred revenue	-	42,101	-	-
Total liabilities	3,390	269,065	2,810	3,839
Deferred inflows of resources				
Unavailable revenue - property taxes	-	-	501	-
Taxes levied for a subsequent period	-	-	279,708	-
Total deferred inflows of resources	-	-	280,209	-
Fund balances				
Nonspendable	-	-	-	-
Restricted	180,704	-	451,971	134,848
Committed	-	-	-	-
Assigned	-	400,791	-	51,123
Total fund balances	180,704	400,791	451,971	185,971
Total liabilities, deferred inflows of resources and fund balances	\$ 184,094	\$ 669,856	\$ 734,990	\$ 189,810



Special Revenue Funds					
Local C.F.O. Training	Drug Law Enforcement	Law Library	Community Corrections	Home Rehabilitation	Homeland Security
\$ 40,345	\$ 18,255	\$ 4,216	\$ 36,966	\$ 32,548	\$ 3,712
-	-	-	-	-	-
1,043	-	-	-	1,788,823	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	44,784	4,529	-
-	-	-	-	47,802	-
<u>\$ 41,388</u>	<u>\$ 18,255</u>	<u>\$ 4,216</u>	<u>\$ 81,750</u>	<u>\$ 1,873,702</u>	<u>\$ 3,712</u>
\$ -	\$ -	\$ 2,812	\$ 14,718	\$ 25	\$ -
-	1,242	-	2,909	36	-
-	-	-	-	-	-
-	-	-	45	1	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	1,242	2,812	17,672	62	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	1,836,625	-
24,286	17,013	-	8,049	37,015	3,712
-	-	-	-	-	-
17,102	-	1,404	56,029	-	-
<u>41,388</u>	<u>17,013</u>	<u>1,404</u>	<u>64,078</u>	<u>1,873,640</u>	<u>3,712</u>
<u>\$ 41,388</u>	<u>\$ 18,255</u>	<u>\$ 4,216</u>	<u>\$ 81,750</u>	<u>\$ 1,873,702</u>	<u>\$ 3,712</u>

continued...

BAY COUNTY, MICHIGAN

Combining Balance Sheet Nonmajor Governmental Funds December 31, 2013

	Special Revenue Funds				
	Revenue Sharing Reserve	Social Welfare	Social Services Protective Services	Child Care	Child Care / Social Services
Assets					
Cash and cash equivalents	\$ -	\$ 4,953	\$ -	\$ -	\$ 16,258
Investments	-	34,867	-	-	-
Accounts receivable, net of allowance	-	-	-	2,568	-
Property taxes receivable, net of allowance	-	-	-	-	-
Accrued interest receivable	-	-	-	-	-
Due from other funds	-	-	-	-	-
Due from component units	-	-	-	-	-
Due from other governmental units	-	50,000	-	384,532	-
Prepays and other assets	-	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ 89,820</u>	<u>\$ -</u>	<u>\$ 387,100</u>	<u>\$ 16,258</u>
Liabilities					
Accounts payable	\$ -	\$ 124	\$ -	\$ 105,706	\$ -
Accrued liabilities	-	-	-	58,868	-
Accrued vacation and sick pay	-	-	-	2,863	-
Due to other funds	-	-	-	14,786	-
Due to other governmental units	-	-	-	562	-
Interfund advances	-	-	-	150,000	-
Deferred revenue	-	-	-	-	-
Total liabilities	<u>-</u>	<u>124</u>	<u>-</u>	<u>332,785</u>	<u>-</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>	<u>-</u>
Fund balances					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	1,125
Committed	-	-	-	-	-
Assigned	-	89,696	-	54,315	15,133
Total fund balances	<u>-</u>	<u>89,696</u>	<u>-</u>	<u>54,315</u>	<u>16,258</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ -</u>	<u>\$ 89,820</u>	<u>\$ -</u>	<u>\$ 387,100</u>	<u>\$ 16,258</u>

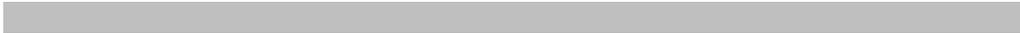
Special Revenue Funds			Capital Projects Fund	Debt Service Funds		Total Nonmajor Governmental Funds
Soldiers' Relief	Veterans' Trust	Historical Preservation	Public Improvement	Building Authority	Water Supply	
\$ 9,758	\$ 3,792	\$ 8,759	\$ -	\$ 7,004	\$ 230,490	\$ 885,611
130,525	-	-	-	67,614	-	915,391
-	-	-	-	-	-	1,798,436
271,411	-	258,898	-	-	-	801,913
2,313	-	-	-	10,778	-	23,335
-	-	-	-	-	-	13,929
-	-	-	-	-	217,033	219,785
-	-	-	-	-	-	807,124
4,774	-	-	-	-	-	52,576
<u>\$ 418,781</u>	<u>\$ 3,792</u>	<u>\$ 267,657</u>	<u>\$ -</u>	<u>\$ 85,396</u>	<u>\$ 447,523</u>	<u>\$ 5,518,100</u>
\$ 14,361	\$ 413	\$ -	\$ -	\$ -	\$ -	\$ 177,904
-	-	570	-	-	-	251,573
-	-	-	-	-	-	9,998
-	-	-	-	-	-	16,782
-	-	-	-	-	-	787
-	-	-	-	-	-	150,000
-	-	-	-	-	-	42,101
<u>14,361</u>	<u>413</u>	<u>570</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>649,145</u>
307	-	805	-	-	-	1,613
279,708	-	266,282	-	-	-	825,698
<u>280,015</u>	<u>-</u>	<u>267,087</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>827,311</u>
4,774	-	-	-	-	-	1,841,399
119,631	3,379	-	-	85,396	447,523	1,514,652
-	-	-	-	-	-	-
-	-	-	-	-	-	685,593
<u>124,405</u>	<u>3,379</u>	<u>-</u>	<u>-</u>	<u>85,396</u>	<u>447,523</u>	<u>4,041,644</u>
<u>\$ 418,781</u>	<u>\$ 3,792</u>	<u>\$ 267,657</u>	<u>\$ -</u>	<u>\$ 85,396</u>	<u>\$ 447,523</u>	<u>\$ 5,518,100</u>

concluded

BAY COUNTY, MICHIGAN

Combining Statement of Revenue, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds December 31, 2013

	Special Revenue Funds			
	Friend of the Court	Health Department / District Health	Gypsy Moth Control	Register of Deeds Automation
Revenues				
Property and other taxes	\$ -	\$ -	\$ 281,663	\$ -
Licenses and permits	-	188,755	-	-
Federal grants	63,755	1,010,168	-	-
State grants	-	365,586	-	-
Interest, rents and royalties	-	5,540	12,516	4,716
Charges for services	42,197	67,820	-	-
Fines and forfeitures	-	-	-	-
Reimbursements, refunds, and other revenues	-	632,831	-	-
Total revenues	105,952	2,270,700	294,179	4,716
Expenditures				
Current:				
Judicial	102,969	-	-	-
General government	-	-	258,476	86,882
Public safety	-	-	-	-
Health and welfare	-	3,283,128	-	-
Community and economic development	-	-	-	-
Recreation and culture	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and other fees	-	-	-	-
Total expenditures	102,969	3,283,128	258,476	86,882
Revenues over (under) expenditures	2,983	(1,012,428)	35,703	(82,166)
Other financing sources (uses)				
Transfers in	-	1,366,426	-	105,645
Transfers out	-	(533,146)	(19,037)	(32,742)
Total other financing sources (uses)	-	833,280	(19,037)	72,903
Net change in fund balances	2,983	(179,148)	16,666	(9,263)
Fund balances, beginning of year	177,721	579,939	435,305	195,234
Fund balances, end of year	\$ 180,704	\$ 400,791	\$ 451,971	\$ 185,971



Special Revenue Funds					
Local C.F.O. Training	Drug Law Enforcement	Law Library	Community Corrections	Home Rehabilitation	Homeland Security
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	14,374	1,200,748
-	-	-	163,497	-	-
-	-	-	-	506	-
16,267	-	-	-	-	-
-	2,282	6,500	-	-	-
-	-	-	966	1,408	-
<u>16,267</u>	<u>2,282</u>	<u>6,500</u>	<u>164,463</u>	<u>16,288</u>	<u>1,200,748</u>
-	-	31,203	-	-	-
-	-	-	-	-	1,209,529
23,582	350	-	170,848	-	-
-	-	-	-	-	-
-	-	-	-	200,566	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>23,582</u>	<u>350</u>	<u>31,203</u>	<u>170,848</u>	<u>200,566</u>	<u>1,209,529</u>
<u>(7,315)</u>	<u>1,932</u>	<u>(24,703)</u>	<u>(6,385)</u>	<u>(184,278)</u>	<u>(8,781)</u>
-	-	15,320	-	-	-
-	-	-	-	-	-
-	-	15,320	-	-	-
<u>(7,315)</u>	<u>1,932</u>	<u>(9,383)</u>	<u>(6,385)</u>	<u>(184,278)</u>	<u>(8,781)</u>
<u>48,703</u>	<u>15,081</u>	<u>10,787</u>	<u>70,463</u>	<u>2,057,918</u>	<u>12,493</u>
<u>\$ 41,388</u>	<u>\$ 17,013</u>	<u>\$ 1,404</u>	<u>\$ 64,078</u>	<u>\$ 1,873,640</u>	<u>\$ 3,712</u>

continued...

BAY COUNTY, MICHIGAN

Combining Statement of Revenue, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds December 31, 2013

	Special Revenue Funds				
	Revenue Sharing Reserve	Social Welfare	Social Services Protective Services	Child Care	Child Care / Social Services
Revenues					
Property and other taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Federal grants	-	-	-	19,137	-
State grants	-	-	-	86,781	-
Interest, rents and royalties	-	-	-	-	-
Charges for services	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Reimbursements, refunds, and other revenues	-	581	-	1,304,889	-
Total revenues	-	581	-	1,410,807	-
Expenditures					
Current:					
Judicial	-	-	-	-	-
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Health and welfare	-	5,187	-	2,521,436	-
Community and economic development	-	-	-	-	-
Recreation and culture	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest and other fees	-	-	-	-	-
Total expenditures	-	5,187	-	2,521,436	-
Revenues over (under) expenditures	-	(4,606)	-	(1,110,629)	-
Other financing sources (uses)					
Transfers in	-	-	-	1,203,835	-
Transfers out	-	(30,000)	-	(182,781)	-
Total other financing sources (uses)	-	(30,000)	-	1,021,054	-
Net change in fund balances	-	(34,606)	-	(89,575)	-
Fund balances, beginning of year	-	124,302	-	143,890	16,258
Fund balances, end of year	\$ -	\$ 89,696	\$ -	\$ 54,315	\$ 16,258

Special Revenue Funds			Capital Projects Fund	Debt Service Funds		Total Nonmajor Governmental Funds
Soldiers' Relief	Veterans' Trust	Historical Preservation	Public Improvement	Building Authority	Water Supply	
\$ 281,162	\$ -	\$ 267,979	\$ -	\$ -	\$ -	\$ 830,804
-	-	-	-	-	-	188,755
-	-	-	-	-	-	2,308,182
-	-	-	-	-	-	615,864
3,923	-	24	-	23,050	3	50,278
-	-	-	-	-	-	126,284
-	-	-	-	-	-	8,782
-	50,643	-	-	1,368,850	447,520	3,807,688
<u>285,085</u>	<u>50,643</u>	<u>268,003</u>	<u>-</u>	<u>1,391,900</u>	<u>447,523</u>	<u>7,936,637</u>
-	-	-	-	-	-	134,172
-	-	-	-	-	-	1,554,887
-	-	-	-	-	-	194,780
203,520	51,072	-	-	-	-	6,064,343
-	-	-	-	-	-	200,566
-	-	268,003	-	-	-	268,003
-	-	-	-	1,830,000	-	1,830,000
-	-	-	-	511,972	-	511,972
<u>203,520</u>	<u>51,072</u>	<u>268,003</u>	<u>-</u>	<u>2,341,972</u>	<u>-</u>	<u>10,758,723</u>
<u>81,565</u>	<u>(429)</u>	<u>-</u>	<u>-</u>	<u>(950,072)</u>	<u>447,523</u>	<u>(2,822,086)</u>
-	-	-	-	970,075	-	3,661,301
(26,945)	-	-	-	-	-	(824,651)
<u>(26,945)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>970,075</u>	<u>-</u>	<u>2,836,650</u>
54,620	(429)	-	-	20,003	447,523	14,564
<u>69,785</u>	<u>3,808</u>	<u>-</u>	<u>-</u>	<u>65,393</u>	<u>-</u>	<u>4,027,080</u>
<u>\$ 124,405</u>	<u>\$ 3,379</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 85,396</u>	<u>\$ 447,523</u>	<u>\$ 4,041,644</u>

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, 2013

	Golf Course	Delinquent Property Tax Foreclosure	Commissary	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 16,187	\$ 55,492	\$ 6,381	\$ 78,060
Investments	89,961	267,649	58,685	416,295
Accounts receivable, net of allowance	2,600	-	681	3,281
Accrued interest receivable	1,605	3,814	1,235	6,654
Inventories	8,343	-	-	8,343
Due from other funds	-	41,761	-	41,761
Due from component units	-	36,084	-	36,084
Due from other governmental units	285	-	-	285
Prepaid items and other assets	-	11,271	-	11,271
Total current assets	118,981	416,071	66,982	602,034
Noncurrent assets				
Net pension asset	13,818	-	-	13,818
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	(1,403,703)	(131,292)	-	(1,534,995)
Total noncurrent assets	455,329	11,838	-	467,167
Total assets	574,310	427,909	66,982	1,069,201
Liabilities				
Current liabilities				
Accounts payable	3,693	12,178	-	15,871
Accrued liabilities	18,626	-	-	18,626
Accrued vacation and sick pay	2,915	-	-	2,915
Due to other funds	330	8,411	-	8,741
Due to other governmental units	3	-	105	108
Unearned revenue	7,596	-	-	7,596
Total current liabilities	33,163	20,589	105	53,857
Long-term liabilities:				
Accrued vacation and sick pay	9,351	-	-	9,351
Net OPEB obligation	78,393	-	-	78,393
Total long-term liabilities	87,744	-	-	87,744
Total liabilities	120,907	20,589	105	141,601
Net position				
Investment in capital assets	441,511	11,838	-	453,349
Unrestricted	11,892	395,482	66,877	474,251
Total net position	\$ 453,403	\$ 407,320	\$ 66,877	\$ 927,600

BAY COUNTY, MICHIGAN

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

Nonmajor Enterprise Funds
December 31, 2013

	Golf Course	Delinquent Property Tax Foreclosure	Commissary	Total
Operating revenues				
Charges for services	\$ 555,919	\$ 289,706	\$ 178,095	\$ 1,023,720
Reimbursements, refunds, and other revenue	2,037	14,458	45	16,540
Total operating revenues	557,956	304,164	178,140	1,040,260
Operating expenses				
Personal services	329,358	-	-	329,358
Supplies	63,852	-	-	63,852
Other services	169,399	161,913	133,429	464,741
Depreciation	49,538	21,875	-	71,413
Total operating expenses	612,147	183,788	133,429	929,364
Operating income (loss)	(54,191)	120,376	44,711	110,896
Nonoperating revenue (expense)				
Interest income	2,327	6,878	1,835	11,040
Unrealized loss on investments	(4,010)	(11,484)	(2,815)	(18,309)
Net nonoperating revenue (expense)	(1,683)	(4,606)	(980)	(7,269)
Income (loss) before transfers	(55,874)	115,770	43,731	103,627
Transfers				
Transfers out	-	(290)	(59,805)	(60,095)
Change in net position	(55,874)	115,480	(16,074)	43,532
Net position, beginning of year	509,277	291,840	82,951	884,068
Net position, end of year	\$ 453,403	\$ 407,320	\$ 66,877	\$ 927,600

BAY COUNTY, MICHIGAN

Combining Statement of Cash Flows

Nonmajor Enterprise Funds

December 31, 2013

	Golf Course	Delinquent Property Tax Foreclosure	Commissary	Total
Cash flows from operating activities				
Cash received from customers	\$ 559,278	\$ 278,622	\$ 178,209	\$ 1,016,109
Interfund reimbursements	158	-	-	158
Cash payments to suppliers for goods and services	(215,135)	(198,857)	(133,429)	(547,421)
Cash payments to employees and related taxes and insurance	(309,900)	-	(19)	(309,919)
Other operating revenues	2,037	14,458	45	16,540
Net cash provided by (used in) operating activities	36,438	94,223	44,806	175,467
Cash flows from noncapital financing activities				
Transfers out	-	(290)	(59,805)	(60,095)
Cash flows from investing activities				
Sale (purchase) of investments	(32,876)	(174,787)	13,178	(194,485)
Interest received	1,914	4,708	2,143	8,765
Net cash provided (used) by investing activities	(30,962)	(170,079)	15,321	(185,720)
Net increase (decrease) in cash and cash equivalents	5,476	(76,146)	322	(70,348)
Cash and cash equivalents, beginning of year	10,711	131,638	6,059	148,408
Cash and cash equivalents, end of year	\$ 16,187	\$ 55,492	\$ 6,381	\$ 78,060
Cash flows from operating activities				
Operating (loss) income	\$ (54,191)	\$ 120,376	\$ 44,711	\$ 110,896
Adjustments to reconcile operating (loss) income to net cash provided by operating activities				
Depreciation	49,538	21,875	-	71,413
Changes in assets and liabilities:				
Accounts receivable	5,757	-	114	5,871
Inventories	16,774	-	-	16,774
Due from other funds	-	(28,965)	-	(28,965)
Due from component units	-	(11,084)	-	(11,084)
Due from other governmental units	(270)	-	-	(270)
Prepaid items and other assets	-	(221)	-	(221)
Net pension asset	98	-	-	98
Accounts payable	1,342	(7,753)	-	(6,411)
Accrued liabilities	8,747	-	-	8,747
Accrued vacation and sick pay	(12,788)	-	-	(12,788)
Due to other funds	158	(5)	-	153
Due to other governmental units	(324)	-	(19)	(343)
Unearned revenue	(2,128)	-	-	(2,128)
Net OPEB obligation	23,725	-	-	23,725
Net cash provided by operating activities	\$ 36,438	\$ 94,223	\$ 44,806	\$ 175,467

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, 2013

	Self Insurance	Healthcare Self Insurance	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 1,036,977	\$ 394,609	\$ 1,431,586
Investments	1,309,139	-	1,309,139
Accounts receivable, net of allowance	7	26,872	26,879
Accrued interest receivable	21,142	-	21,142
Due from other funds	37,464	4,607,266	4,644,730
Due from other governmental units	108	-	108
Prepaid items and other assets	20,000	340,665	360,665
Total current assets	2,424,837	5,369,412	7,794,249
Noncurrent assets:			
Net pension asset	1,050	-	1,050
Total assets	2,425,887	5,369,412	7,795,299
Liabilities			
Current liabilities:			
Accounts payable	2,500	-	2,500
Accrued liabilities	56,917	-	56,917
Claims, settlements, and judgments	122,253	396,313	518,566
Total current liabilities	181,670	396,313	577,983
Long-term liabilities:			
Net OPEB obligation	6,214	-	6,214
Total liabilities	187,884	396,313	584,197
Net position			
Restricted:			
Insurance claims	2,238,003	4,973,099	7,211,102

BAY COUNTY, MICHIGAN

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

Internal Service Funds

December 31, 2013

	Self Insurance	Healthcare Self Insurance	Total
Operating revenues			
Charges for services	\$ 520,287	\$ 7,180,814	\$ 7,701,101
Total operating revenues	520,287	7,180,814	7,701,101
Operating expenses			
Personal services	376,692	4,736,205	5,112,897
Other services	54,202	747,733	801,935
Total operating expenses	430,894	5,483,938	5,914,832
Operating income	89,393	1,696,876	1,786,269
Nonoperating revenues (expenses)			
Interest income	35,913	-	35,913
Unrealized loss on investments	(60,302)	-	(60,302)
Net nonoperating expenses	(24,389)	-	(24,389)
Income before transfers	65,004	1,696,876	1,761,880
Transfers			
Transfers out	-	(333,638)	(333,638)
Net change in assets	65,004	1,363,238	1,428,242
Net position, beginning of year	2,172,999	3,609,861	5,782,860
Net position, end of year	\$ 2,238,003	\$ 4,973,099	\$ 7,211,102

BAY COUNTY, MICHIGAN

Combining Statement of Cash Flows Internal Service Funds December 31, 2013

	Self Insurance	Healthcare Self Insurance	Total
Cash flows from operating activities			
Cash received from interfund services provided	\$ 521,022	\$ 7,263,416	\$ 7,784,438
Cash payments to suppliers for goods and services	(57,277)	(4,757,889)	(4,815,166)
Cash payments to employees and related taxes and insurance	(304,006)	(4,719,368)	(5,023,374)
Net cash provided (used) by operating activities	159,739	(2,213,841)	(2,054,102)
Cash flows from noncapital financing activities			
Transfers out	-	(333,638)	(333,638)
Cash flows from investing activities			
Purchases of investments	(140,012)	-	(140,012)
Interest received	30,984	-	30,984
Cash used by investing activities	(109,028)	-	(109,028)
Net increase (decrease) in cash and cash equivalents	50,711	(2,547,479)	(2,496,768)
Cash and cash equivalents, beginning of year	986,266	2,942,088	3,928,354
Cash and cash equivalents, end of year	\$ 1,036,977	\$ 394,609	\$ 1,431,586
Cash flows from operating activities			
Operating income	\$ 89,393	\$ 1,696,876	\$ 1,786,269
Adjustments to reconcile operating loss to net cash provided (used) by operating activities			
Changes in assets and liabilities:			
Accounts receivable	23	82,602	82,625
Due from other funds	(3,710)	(4,607,266)	(4,610,976)
Due from component units	712	-	712
Due from other governmental units	122	-	122
Prepaid items and other assets	(1,860)	597,110	595,250
Net pension asset	5	-	5
Accounts payable	2,496	-	2,496
Accrued liabilities	(7,390)	-	(7,390)
Accrued vacation and sick pay	(1,536)	-	(1,536)
Net OPEB obligation	1,801	-	1,801
Due to other funds	(1)	-	(1)
Claims, settlements, and judgments	79,684	16,837	96,521
Net cash provided (used) by operating activities	\$ 159,739	\$ (2,213,841)	\$ (2,054,102)

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, 2013

	Employees' Retirement System	Public Employee Health Care	Total
Assets			
Investments at fair value:			
Equities	\$ 229,122,349	\$ 24,327,869	\$ 253,450,218
Fixed income	56,168,548	13,659,624	69,828,172
Money market	9,311,207	376,650	9,687,857
Other	204,837	-	204,837
Total investments	294,806,941	38,364,143	333,171,084
Receivables:			
Interest and dividends	749,584	107,149	856,733
Accounts	280,107	-	280,107
Due from other governmental units	147,728	-	147,728
Total receivables	1,177,419	107,149	1,284,568
Other current assets:			
Prepaid items and other assets	257,736	17,731	275,467
Net pension asset	4,221	-	4,221
Due from component units	120,187	-	120,187
Total other current assets	382,144	17,731	399,875
Total assets	296,366,504	38,489,023	334,855,527
Liabilities			
Accounts payable	645,065	26,233	671,298
Accrued liabilities	307,991	22,176	330,167
Net OPEB obligation	25,350	-	25,350
Total liabilities	978,406	48,409	1,026,815
Net position			
Held in trust for pension and healthcare benefits	\$ 295,388,098	\$ 38,440,614	\$ 333,828,712

BAY COUNTY, MICHIGAN

Combining Statement of Changes in Plan Net Position Pension and Other Employee Benefits Trust Funds December 31, 2013

	Employees' Retirement System	Public Employee Health Care	Total
Additions			
Contributions:			
Employer	\$ 4,099,868	\$ 655,763	\$ 4,755,631
Current premium contributions	-	1,334,780	1,334,780
Plan members	2,200,017	-	2,200,017
Total contributions	6,299,885	1,990,543	8,290,428
Investment income:			
Net appreciation in fair value of investments	58,428,228	5,823,803	64,252,031
Interest and dividends	5,144,954	597,225	5,742,179
Less investment expense	(2,030,042)	(61,271)	(2,091,313)
Net investment income	61,543,140	6,359,757	67,902,897
Other revenue	70,072	-	70,072
Total additions	67,913,097	8,350,300	76,263,397
Deductions			
Benefits	13,242,071	-	13,242,071
Retiree healthcare premium payments	-	1,334,780	1,334,780
Administrative expenses	239,204	104,805	344,009
Pension expense	8,927	-	8,927
Refunds of contributions	326,468	-	326,468
Net depreciation in fair value of investments	5,618,025	332,033	5,950,058
Total deductions	19,434,695	1,771,618	21,206,313
Change in net position	48,478,402	6,578,682	55,057,084
Net position			
Beginning of year	246,909,696	31,861,932	278,771,628
End of year	\$ 295,388,098	\$ 38,440,614	\$ 333,828,712

BAY COUNTY, MICHIGAN

Combing Statement of Assets and Liabilities

Agency Funds
December 31, 2013

	General Agency	Current Tax Collections	Library Penal Fine	Flexible Spending Plan	Total
Assets					
Cash and cash equivalents	\$ 2,040,875	\$ 1	\$ 26,359	\$ 24,117	\$ 2,091,352
Investments	9,717,574	530,612	-	-	10,248,186
Accounts receivable	544	-	-	-	544
Due from other agency funds	-	-	23,933	-	23,933
Total assets	\$ 11,758,993	\$ 530,613	\$ 50,292	\$ 24,117	\$ 12,364,015
Liabilities					
Accounts payable	\$ 108,598	\$ 319,594	\$ -	\$ -	\$ 428,192
Accrued liabilities	99,342	-	-	24,117	123,459
Due to component units	10,962,728	210,717	50,292	-	11,223,737
Due to other agency funds	23,933	-	-	-	23,933
Due to other governmental units	360,960	-	-	-	360,960
Deposits	203,432	-	-	-	203,432
Undistributed taxes	-	302	-	-	302
Total liabilities	\$ 11,758,993	\$ 530,613	\$ 50,292	\$ 24,117	\$ 12,364,015

BAY COUNTY, MICHIGAN

Combining Statement of Changes in Assets and Liabilities

Agency Funds

For the Year Ended December 31, 2013

	Balance January 1, 2013	Additions	Deductions	Balance December 31, 2013
General Agency Fund				
Assets				
Cash and cash equivalents	\$ 2,680,889	\$ 36,115,038	\$ (36,755,052)	\$ 2,040,875
Investments	7,642,573	13,111,405	(11,036,404)	9,717,574
Accounts receivable	282	4,119	(3,857)	544
Total assets	\$ 10,323,744	\$ 49,230,562	\$ (47,795,313)	\$ 11,758,993
Liabilities				
Accounts payable	\$ 2,494	\$ 18,062,322	\$ (17,956,218)	\$ 108,598
Accrued liabilities	77,991	297,172	(275,821)	99,342
Due to component units	9,751,777	14,374,547	(13,163,596)	10,962,728
Due to other agency funds	-	23,933	-	23,933
Due to other governmental units	321,241	18,157,746	(18,118,027)	360,960
Deposits	169,652	125,768	(91,988)	203,432
Undistributed taxes	589	172,814	(173,403)	-
Total liabilities	\$ 10,323,744	\$ 51,214,302	\$ (49,779,053)	\$ 11,758,993
Current Tax Collection Fund				
Assets				
Cash and cash equivalents	\$ 1	\$ 65,250,436	\$ (65,250,436)	\$ 1
Investments	514,709	530,612	(514,709)	530,612
Total assets	\$ 514,710	\$ 65,781,048	\$ (65,765,145)	\$ 530,613
Liabilities				
Accounts payable	\$ 263,621	\$ 19,560,614	\$ (19,504,641)	\$ 319,594
Due to component units	251,089	11,004,038	(11,044,410)	210,717
Undistributed taxes	-	38,133,331	(38,133,029)	302
Total liabilities	\$ 514,710	\$ 68,697,983	\$ (68,682,080)	\$ 530,613
Library Penal Fine				
Assets				
Cash and cash equivalents	\$ 30,353	\$ 371,689	\$ (375,683)	\$ 26,359
Due from other agency funds	-	23,933	-	23,933
	\$ 30,353	\$ 395,622	\$ (375,683)	\$ 50,292
Liabilities				
Accounts payable	\$ -	\$ 351,750	\$ (351,750)	\$ -
Due to component units	30,353	371,689	(351,750)	50,292
Total liabilities	\$ 30,353	\$ 723,439	\$ (703,500)	\$ 50,292

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BAY COUNTY, MICHIGAN

Combining Statement of Changes in Assets and Liabilities

Agency Funds

For the Year Ended December 31, 2013

	Balance January 1, 2013	Additions	Deductions	Balance December 31, 2013
Flexible Spending Plan Fund				
Assets				
Cash and cash equivalents	\$ 46,958	\$ 135,635	\$ (158,476)	\$ 24,117
Liabilities				
Accounts payable	\$ 23,514	\$ -	\$ (23,514)	\$ -
Accrued liabilities	23,444	109,322	(108,649)	24,117
Total liabilities	\$ 46,958	\$ 109,322	\$ (132,163)	\$ 24,117
Total - All Agency Funds				
Assets				
Cash and cash equivalents	\$ 2,758,201	\$ 101,872,798	\$ (102,539,647)	\$ 2,091,352
Investments	8,157,282	13,642,017	(11,551,113)	10,248,186
Accounts receivable	282	4,119	(3,857)	544
Due from other agency funds	-	23,933	-	23,933
Total assets	\$ 10,915,765	\$ 115,542,867	\$ (114,094,617)	\$ 12,364,015
Liabilities				
Accounts payable	\$ 289,629	\$ 37,974,686	\$ (37,836,123)	\$ 428,192
Accrued liabilities	101,435	406,494	(384,470)	123,459
Due to component units	10,033,219	25,750,274	(24,559,756)	11,223,737
Due to other agency funds	-	23,933	-	23,933
Due to other governmental units	321,241	18,157,746	(18,118,027)	360,960
Deposits	169,652	125,768	(91,988)	203,432
Undistributed taxes	589	38,306,145	(38,306,432)	302
Total liabilities	\$ 10,915,765	\$ 120,745,046	\$ (119,296,796)	\$ 12,364,015

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, 2013

	Library System	Adjustments	Statement of Net Position
Assets			
Current assets:			
Cash and cash equivalents	\$ 5,061,470	\$ -	\$ 5,061,470
Property taxes receivable	5,570,000	-	5,570,000
Accrued interest receivable	84,111	-	84,111
Due from primary government	50,292	-	50,292
Prepaid items and other assets	129,471	-	129,471
Total current assets	10,895,344	-	10,895,344
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	-	1,191,781	1,191,781
Books and audio/visual materials	-	3,063,961	3,063,961
Vehicles and other	-	210,186	210,186
Less accumulated depreciation	-	(3,450,902)	(3,450,902)
Total capital assets	-	2,882,262	2,882,262
Total assets	\$ 10,895,344	\$ 2,882,262	\$ 13,777,606
Liabilities			
Current liabilities:			
Accounts payable	\$ 86,706	-	86,706
Accrued liabilities	132,846	-	132,846
Total current liabilities	219,552	-	219,552
Noncurrent liabilities:			
Accrued vacation and sick pay, long term	-	204,634	204,634
Net OPEB obligation	-	253,437	253,437
Total noncurrent liabilities	-	458,071	458,071
Total liabilities	219,552	458,071	677,623
Deferred inflows of resources			
Taxes levied for a subsequent period	5,570,000	-	5,570,000
Fund balances			
Nonspendable	129,471	(129,471)	-
Restricted	4,301,286	(4,301,286)	-
Assigned			
Capital outlay	123,991	(123,991)	-
Retirement	119,226	(119,226)	-
Subsequent year's budget	431,818	(431,818)	-
Total fund balances	5,105,792	(5,105,792)	-
Total liabilities and fund balances	\$ 10,895,344		
Net position			
Invested in capital assets		2,882,262	2,882,262
Unrestricted		4,647,721	4,647,721
Total net position		\$ 7,529,983	\$ 7,529,983

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, 2013

	Library System	Adjustments	Statement of Activities
Revenues			
Property and other taxes	\$ 5,615,135	\$ -	\$ 5,615,135
Federal grants	28,329	-	28,329
State grants	55,608	-	55,608
Interest income	141,093	-	141,093
Charges for services	450,071	-	450,071
Donations	65,192	-	65,192
Total revenues	<u>6,355,428</u>	<u>-</u>	<u>6,355,428</u>
Expenditures / expenses			
Current:			
Recreation and culture	5,167,079	(549,910)	4,617,169
Depreciation	-	639,058	639,058
Contributions to other units	1,368,850	-	1,368,850
Total expenditures / expenses	<u>6,535,929</u>	<u>89,148</u>	<u>6,625,077</u>
Net change in fund balance / net position	(180,501)	(89,148)	(269,649)
Fund balance / net position, beginning of year	<u>5,286,293</u>	<u>2,513,339</u>	<u>7,799,632</u>
Fund balance / net position, end of year	<u>\$ 5,105,792</u>	<u>\$ 2,424,191</u>	<u>\$ 7,529,983</u>

BAY COUNTY, MICHIGAN

Statement of Net Position and Balance Sheet

Drain Commission Component Unit

December 31, 2013

	Drain Debt Service Funds	Drains Operations and Maintenance	Drain Capital Projects Fund
Assets			
Cash and cash equivalents	\$ 26,986	\$ 66,965	\$ 284,194
Investments	139,936	281,324	1,592,650
Special assessments	456,249	-	120,001
Accrued interest receivable	2,125	4,551	25,964
Due from other funds	-	10,661	51,091
Due from primary government	38,219	51,246	21,606
Due from other governmental units	2,671	355,000	110,644
Prepaid items and other assets	30	3,632	-
Capital assets not being depreciated	-	-	-
Capital assets being depreciated, net	-	-	-
Total assets	\$ 666,216	\$ 773,379	\$ 2,206,150
Liabilities			
Accounts payable	\$ -	\$ 5,342	\$ 27,377
Accrued liabilities	-	2,700	69,478
Due to other funds	-	1,290	270,738
Due to primary governments	-	28,729	15,873
Long-term liabilities:			
Due within one year	-	-	-
Due in more than one year	-	-	-
Total liabilities	-	38,061	383,466
Deferred inflows of resources			
Unavailable revenue - special assessments	530,498	420,458	158,300
Fund balances			
Nonspendable	30	3,632	-
Unassigned	135,688	311,228	1,664,384
Total fund balances	135,718	314,860	1,664,384
Total liabilities and fund balances	\$ 666,216	\$ 773,379	\$ 2,206,150
Net position			
Net investment in capital assets			
Restricted for:			
Debt service			
Unrestricted			
Total net position			

Revolving Drain	Auburn Road Drain	Total Governmental Funds	Adjustments	Statement of Net Position
\$ -	\$ 15,505	\$ 393,650	\$ -	\$ 393,650
-	156,862	2,170,772	-	2,170,772
-	-	576,250	-	576,250
-	1,927	34,567	-	34,567
210,276	-	272,028	(272,028)	-
-	-	111,071	-	111,071
-	-	468,315	-	468,315
-	-	3,662	-	3,662
-	-	-	333,173	333,173
-	-	-	3,575,317	3,575,317
<u>\$ 210,276</u>	<u>\$ 174,294</u>	<u>\$ 4,030,315</u>	<u>\$ 3,636,462</u>	<u>\$ 7,666,777</u>
\$ -	\$ -	\$ 32,719	-	32,719
-	-	72,178	12,563	84,741
-	-	272,028	(272,028)	-
210,276	-	254,878	-	254,878
-	-	-	196,672	196,672
-	-	-	514,778	514,778
<u>210,276</u>	<u>-</u>	<u>631,803</u>	<u>451,985</u>	<u>1,083,788</u>
<u>-</u>	<u>-</u>	<u>1,109,256</u>	<u>(1,109,256)</u>	<u>-</u>
-	-	3,662	(3,662)	-
-	174,294	2,285,594	(2,285,594)	-
-	174,294	2,289,256	(2,289,256)	-
<u>\$ 210,276</u>	<u>\$ 174,294</u>	<u>\$ 4,030,315</u>		
			3,197,040	3,197,040
			310,012	310,012
			<u>3,075,937</u>	<u>3,075,937</u>
			<u>\$ 6,582,989</u>	<u>\$ 6,582,989</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, 2013

	Drain Debt Service Funds	Drains Operations and Maintenance	Drain Capital Projects Fund
Revenues			
Property and other taxes	\$ 157,971	\$ 11,194	\$ 119,130
Federal grants	-	-	146,724
Licenses and permits	-	300	6,700
Interest, rents and royalties	3,630	13,881	59,478
Reimbursements, refunds and other revenue	11,128	41,003	199,953
Contributions from local units	19,157	265,728	21,934
Total revenues	191,886	332,106	553,919
Expenditures / expenses			
Public works:			
Contractual services	-	350,689	904,473
Depreciation	-	-	-
Miscellaneous	6,482	12,925	73,165
Debt service:			
Principal	166,241	-	-
Interest and fiscal charges	20,968	-	-
Total expenditures / expenses	193,691	363,614	977,638
Revenues over (under) expenditures / expenses	(1,805)	(31,508)	(423,719)
Other financing sources (uses)			
Issuance of long-term debt	-	-	340,899
Transfers in	-	-	23,958
Transfers out	-	(23,958)	-
Total other financing sources (uses)	-	(23,958)	364,857
Net change in fund balances	(1,805)	(55,466)	(58,862)
Fund balances / net position, beginning of year	137,523	370,326	1,723,246
Fund balances / net position, end of year	\$ 135,718	\$ 314,860	\$ 1,664,384

Revolving Drain	Auburn Road Drain	Total Governmental Funds	Adjustments	Statement of Net Position
\$ -	\$ 49,428	\$ 337,723	\$ (1,605)	\$ 336,118
-	-	146,724	-	146,724
-	-	7,000	-	7,000
-	3,020	80,009	-	80,009
-	-	252,084	-	252,084
-	-	306,819	-	306,819
-	52,448	1,130,359	(1,605)	1,128,754
-	-	1,255,162	(320,778)	934,384
-	-	-	183,887	183,887
-	7,224	99,796	-	99,796
-	-	166,241	(166,241)	-
-	12	20,980	2,617	23,597
-	7,236	1,542,179	(300,515)	1,241,664
-	45,212	(411,820)	298,910	(112,910)
-	-	340,899	(340,899)	-
-	-	23,958	(23,958)	-
-	-	(23,958)	23,958	-
-	-	340,899	(340,899)	-
-	45,212	(70,921)	(41,989)	(112,910)
-	129,082	2,360,177	4,335,722	6,695,899
\$ -	\$ 174,294	\$ 2,289,256	\$ 4,293,733	\$ 6,582,989