

Bay County, Michigan



Financial Report

Year Ended December 31, 2010

**BAY COUNTY, MICHIGAN
FINANCIAL REPORT
Year Ended December 31, 2010
Prepared by Bay County Finance Department
(With Independent Auditors' Report Thereon)**

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FINANCIAL REPORT
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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**
- **Supplementary Financial Information**

INDEPENDENT AUDITORS' REPORT

June 29, 2011

Board of Commissioners
Bay County
Bay City, Michigan

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**, as of and for the year ended December 31, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Bay County's management. 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 60% of the assets and 40% 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 25% of the assets and 32% of the revenues of the aggregate discretely presented component units. Those financial 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our 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, as of December 31, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparisons of the General Fund and major special revenue funds for the year then ended in conformity with accounting principles general accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also separately issued our report dated June 29, 2011, on our consideration of Bay County's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the historical pension and other postemployment benefits supplementary information for the Employees Retirement System and Public Employee Health Care plan listed in the table of contents, are not required parts of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bay County's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the report of other auditors, are fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Lehmann Lohman".

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, 2010. 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 \$70,421,971 (*net assets*). Of this amount, \$26,495,284 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets decreased by \$1,006,380.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$19,389,817, a decrease of \$694,868 in comparison with the prior year. Approximately 63.21% of this total amount, or \$12,255,876, is *available for spending* at the government's discretion (*unreserved fund balance*). This amount is inclusive of both the *unreserved – designated* amount, which has been designated based upon either County policy or for a specific purpose, and the *unreserved – undesignated* amount.
- At the end of the current fiscal year, the general fund's unreserved – undesignated fund balance was \$3,665,971 or 12.56% of total general fund expenditures. Total fund balance for the general fund was \$10,316,575.
- The County's total debt increased \$1,848,844 or 6.20% 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 assets* presents information on all of the County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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.

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, 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 on pages 18-20 of this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements.

By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains 24 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, 911 Service Fund and Budget Stabilization 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 non-major 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 on pages 21-26 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.

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 on pages 27-30 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 on pages 31-32 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 on pages 36-97 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 on pages 100-137 of this report.

Government-wide Financial Analysis

As noted earlier, net assets 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 \$70,421,971 at the close of the most recent fiscal year.

Bay County's Net Assets

Fiscal Year Ending December 31,	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Assets:						
Current and other assets	\$ 35,071,250	\$ 33,580,084	\$ 21,113,420	\$ 18,752,959	\$ 56,184,670	\$ 52,333,043
Capital assets, net of accumulated depreciation	50,273,377	50,876,230	8,558,545	8,840,146	58,831,922	59,716,376
Total assets	85,344,627	84,456,314	29,671,965	27,593,105	115,016,592	112,049,419
Liabilities:						
Long-term liabilities	23,835,299	23,290,706	6,419,745	4,777,101	30,255,044	28,067,807
Other liabilities	11,143,315	9,260,453	3,196,262	3,292,808	14,339,577	12,553,261
Total liabilities	34,978,614	32,551,159	9,616,007	8,069,909	44,594,621	40,621,068
Net assets:						
Invested in capital assets, net of related debt	32,980,416	31,885,580	8,558,545	8,840,146	41,538,961	40,725,726
Restricted	2,387,726	2,681,413	-	-	2,387,726	2,681,413
Unrestricted	14,997,871	17,338,162	11,497,413	10,683,050	26,495,284	28,021,212
Total net assets	\$ 50,366,013	\$ 51,905,155	\$ 20,055,958	\$ 19,523,196	\$ 70,421,971	\$ 71,428,351

One of the largest portions of the County's net assets, \$41,538,961 (58.99%) 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 assets, \$2,387,726 (3.39%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets*, \$26,495,284 (37.62%) 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 assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

Bay County's Change in Net Assets

Fiscal Year Ending December 31,	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenue						
Program revenue:						
Charges for services	\$ 10,062,003	\$ 9,951,790	\$ 22,530,117	\$ 21,472,751	\$ 32,592,120	\$ 31,424,541
Operating grants and contributions	9,341,697	7,835,876	228,080	221,075	9,569,777	8,056,951
Capital grants and contributions	58,124	132,852	247,381	19,966	305,505	152,818
General revenue:						
Property taxes	22,412,007	23,142,073	1,527,208	1,516,031	23,939,215	24,658,104
Unrestricted investment earnings	656,224	921,619	166,310	287,211	822,534	1,208,830
Other	329,296	717,874	70,112	105,359	399,408	823,233
Total revenue	42,859,351	42,702,084	24,769,208	23,622,393	67,628,559	66,324,477
Expenses						
Public safety	11,729,009	11,653,466	-	-	11,729,009	11,653,466
Community and economic development	160,891	184,987	-	-	160,891	184,987
Health and welfare	10,939,743	10,529,464	-	-	10,939,743	10,529,464
Public works	7,258	10,370	-	-	7,258	10,370
General government	12,298,431	11,643,368	-	-	12,298,431	11,643,368
Judicial	6,998,766	6,545,713	-	-	6,998,766	6,545,713
Legislative	522,962	538,793	-	-	522,962	538,793
Recreation and culture	1,792,309	1,674,980	-	-	1,792,309	1,674,980
Interest on long-term debt	813,170	939,213	-	-	813,170	939,213
Medical care facility	-	-	21,621,370	22,088,612	21,621,370	22,088,612
100% tax payment	-	-	128,588	123,869	128,588	123,869
Golf course	-	-	671,353	656,839	671,353	656,839
Delinquent property tax foreclosure	-	-	165,932	149,571	165,932	149,571
Commissary	-	-	113,956	101,561	113,956	101,561
Housing	-	-	671,201	622,280	671,201	622,280
Total expenses	45,262,539	43,720,354	23,372,400	23,742,732	68,634,939	67,463,086
Change in net assets before transfers	(2,403,188)	(1,018,270)	1,396,808	(120,339)	(1,006,380)	(1,138,609)
Transfers	864,046	1,080,269	(864,046)	(1,080,269)	-	-
Change in net assets	(1,539,142)	61,999	532,762	(1,200,608)	(1,006,380)	(1,138,609)
Net assets - beginning of year	51,905,155	51,846,197	19,523,196	20,723,804	71,428,351	72,570,001

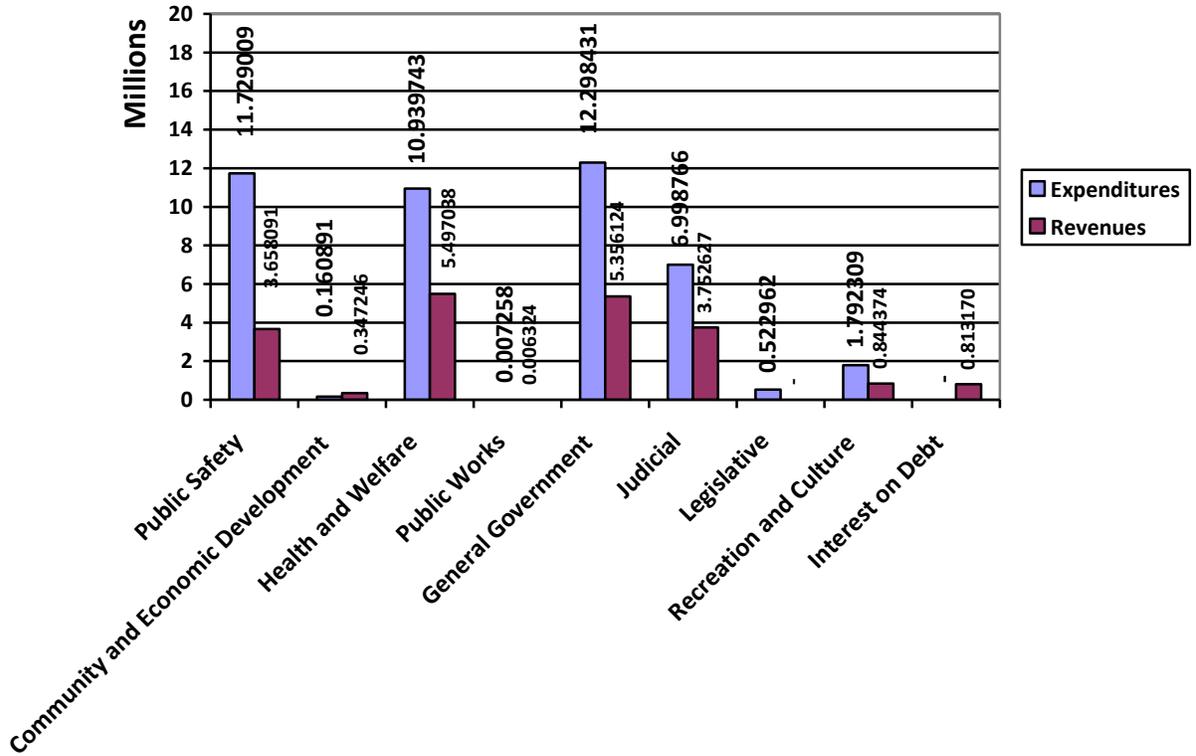
The County's net assets decreased \$1,006,380 during the current fiscal year. This decrease is attributable mainly to actual expenditures incurred being over budget and a decrease in investment earnings and property taxes.

Governmental activities - Governmental activities decreased the County's net assets by \$1,539,142 thereby accounting for the majority of decline in the net assets of the County. Key elements of this decrease are as follows:

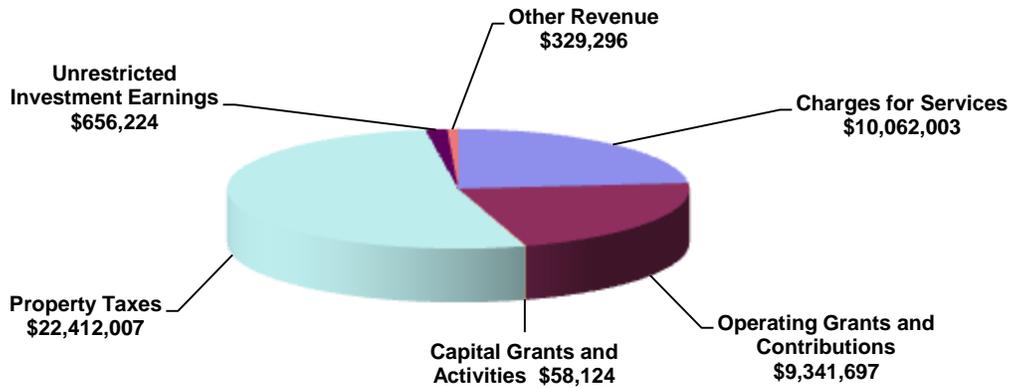
- Total property taxes decreased \$730,066 in 2010 over 2009.
- Total unrestricted investment earnings decreased \$265,395 in 2010 over 2009.
- Total other program revenue decreased \$388,578 in 2010 over 2009.

Business-type activities - Business-type activities increased the County's net assets by \$532,762. The key element of this increase was the Medical Care Facility Fund's expenses decreased \$467,242 in 2010 over 2009.

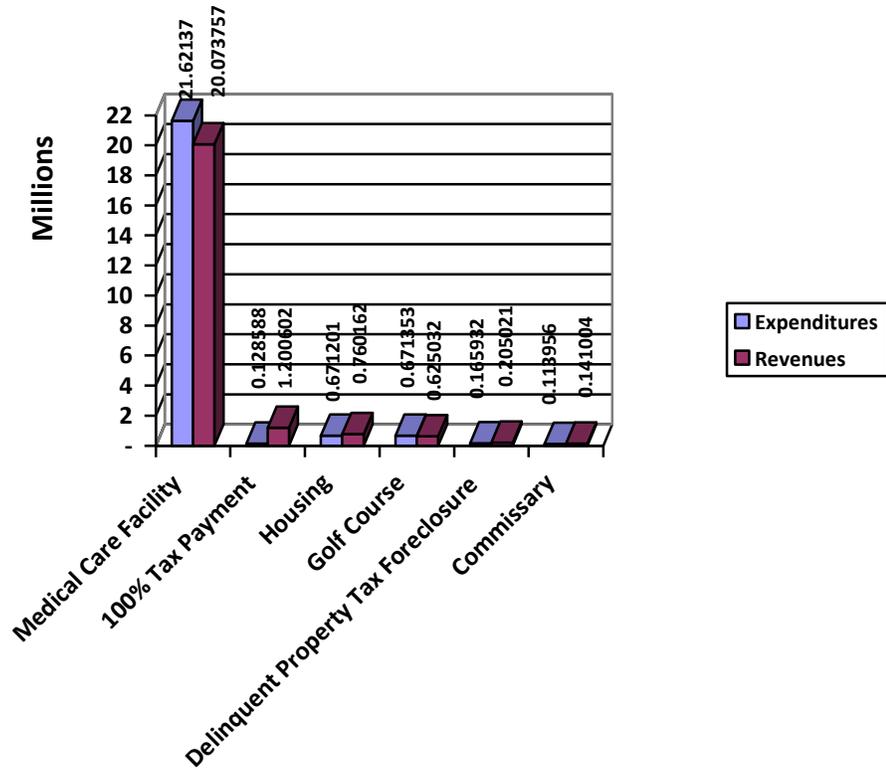
Governmental Activities – 2010 Expenditures and Program Revenues



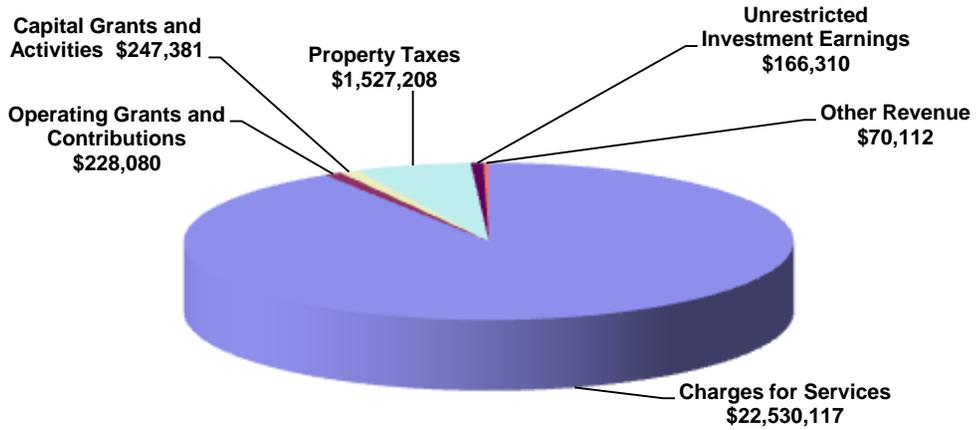
Revenues by Source Governmental-Type Activities



Business-Type Activities – 2010 Expenditures and Program Revenues



Revenues by Source Business-Type Activities



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, *unreserved 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 \$19,389,817, a decrease of \$694,868 compared to the prior year. Of this amount, 63.21% (\$12,255,876) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. However, the *unreserved fund balance* amount is further separated into *unreserved – designated fund balance* (\$5,800,096) and *unreserved – undesignated fund balance* (\$6,455,780). The underlying distinction between the two is that *unreserved – designated fund balance* has been designated based upon a specific purpose. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed for: 1) long-term advances (\$4,942,969), 2) restricted assets (\$57,180), 3) prepaid expenditures (\$94,245), 4) non-current assets (\$1,698,414), 5) debt service (\$19,557), 6) restricted contributions (\$287,910), and 7) inventory (\$33,666). Of the \$694,868 decrease in governmental fund balances, there were increases in the General Fund of \$669,203, the 911 Service Fund of \$202,567, the Child Care Fund of \$159,223, the Gypsy Moth Control Fund of \$195,894 and the Health Department Fund/District Health Fund of \$499,565, and decreases in the Revenue Sharing Reserve Fund of \$1,929,116, and the Building Authority Debt Service Fund of \$800,153.

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, the *unreserved – undesignated fund balance* of the General Fund was \$3,665,971 while total fund balance amounted to \$10,316,575. As a measure of the General Fund's liquidity, it may be useful to compare both *unreserved – undesignated fund balance* and total fund balance to total fund expenditures. *Unreserved – undesignated fund balance* represents 12.56% of total general fund expenditures, while total fund balance represents 35.34% of that same amount.

Fund balance of the County's General Fund increased by \$669,203 during the current fiscal year. This was primarily due to actual state revenue sharing and jail keep reimbursements being greater than budgeted.

The \$1,929,116 decrease in the Revenue Sharing Reserve Fund was the result of the final transfer to the General Fund.

The 911 Service Fund increase of \$202,567 resulted primarily from expenditures being under budget due to 911 major tower work commencing in 2011.

The Board of Commissioners approved the Specific Fund Balance Policy within the Bay County General Financial Policy. This policy established a Reserve for a Long Term Advance to the Budget Stabilization Fund. The policy authorizes earmarking a minimum of five percent (5%) to a maximum of fifteen percent (15%) of the General Fund's current year adopted budget for this Reserve.

The current long-term advance reserve consists of a reserve for the Budget Stabilization of \$4,942,969 (15.00%) of the 2010 adopted General Fund operating budget.

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 assets of the 100% Tax Payment Fund at the end of the year amounted to \$6,732,575, while those for the Medical Care Facility Fund and Housing Fund amounted to \$2,040,324 and \$661,878 respectively. The combined unrestricted net assets of the non-major enterprise funds and the internal service funds were \$572,081 and \$0 respectively, at the end of the year. The 100% Tax Payment Fund had an increase in net assets for the year of \$281,075, while the Medical Care Facility and Housing Fund had an increase in net assets of \$117,156, and \$105,982, respectively. The combined increase in net assets of the non-major enterprise funds was \$28,960 and the combined decrease in net assets for the internal service funds was \$130,657 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 10.62% increase (\$3,024,375 increase in expenditures); whereas the difference between the original budget and final amended budget for revenues resulted in a 3.37% increase (\$966,342 increase in revenues); finally, the original budget for total other financing sources/uses was amended resulting in a 299.21% increase (\$601,034 increase in other financing sources). The original budget shows \$0 for the addition to fund balance which was affected by budgetary adjustments. These adjustments (\$1,456,999) resulted in a use of fund balance, including the budgeted use of reserved fund balance of \$10,325. Significant budgetary differences are briefly summarized as follows:

- A \$822,516 decrease in current and industrial facility tax revenue.
- A \$196,751 additional retirement employer contribution for 2010.
- A \$575,501 increase in expenditures for 2009 open purchase orders filled in 2010.

Material actual to budget variances are as follows:

- State grant revenues were \$306,423 over budget due to state revenue sharing being greater than budgeted.
- A negative \$324,039 variance in charges for services is the result of the court costs revenue being less than budgeted.

- The primary reason for the \$155,807 positive variance in reimbursement, refunds, and other revenues is due to jail keep reimbursement (federal and state) being greater than budgeted.
- The primary reason for the \$173,937 positive variance in property taxes and other taxes is due to current personal property taxes being greater than budgeted.
- A negative \$700,927 variance in federal grant revenues is mainly the result of reimbursable Homeland Security expenditures not being incurred.
- The legislative expenditures were \$230,579 under budget primarily due to all of the General Fund increased retirement contributions being budgeted under the legislative activity.
- The judicial function under spent its budget \$126,950 as a result of vacant positions not being filled and combining positions with other courts to save costs.
- General government expenditures were \$901,194 under budget primarily as a result of vacant positions not being filled or delayed being filled.
- Public safety expenditures were \$626,861 under budget due to machinery and equipment and contractual services not purchased in 2010 under the Homeland Security Grant.
- For 2010 Recreation and Culture expenditures were \$107,507 under budget primarily due to Civic/Ice Arena actual expenses being less than budgeted.
- The other function expenditures were \$251,941 under budget primarily due to Self Insurance expenses being less than budgeted.
- The remaining actual to budget positive variances are due to the County exercising fiscal responsibility.

Capital Asset and Debt Administration

Capital assets - The County's investment in capital assets for its governmental and business-type activities as of December 31, 2010 amounted to \$58,831,922 (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 1.48% (a 1.18% decrease for governmental activities and a 3.19% decrease for business-type activities).

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

- A Motorola console system was purchased for 911 Central Dispatch at a cost of \$448,120.
- A Dell raid storage unit and Dell Server were purchased for the Sheriff Department at a total cost of \$18,532.
- The Information Systems Division purchased two Dell Powervault servers totaling \$23,320 (\$11,660 each).
- Two sirens were purchased at a total cost of \$39,800 (\$19,900 each) for 911 Central Dispatch for use by the City of Bay City and Bangor Township.

**Bay County's
Capital Assets (net of depreciation)**

Fiscal Year Ending December 31,	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 1,926,399	\$ 1,926,399	\$ 257,559	\$ 257,559	\$ 2,183,958	\$ 2,183,958
Land improvement	794,804	958,019	317,093	358,780	1,111,897	1,316,799
Buildings and buildings additions and improvements	43,666,515	44,934,735	7,323,909	7,321,058	50,990,424	52,255,793
Machinery and equipment	1,134,055	753,141	171,190	228,338	1,305,245	981,479
Office equipment and furniture	286,751	344,067	396,776	451,144	683,527	795,211
Computer software	688,520	775,271	-	-	688,520	775,271
Computer hardware	249,632	232,848	-	-	249,632	232,848
Vehicles	504,146	500,814	55,569	10,931	559,715	511,745
Construction work in progress	1,022,555	450,936	36,449	212,335	1,059,004	663,271
Total	\$ 50,273,377	\$ 50,876,230	\$ 8,558,545	\$ 8,840,145	\$ 58,831,922	\$ 59,716,375

Additional information on the County's capital assets can be found in note III C on pages 60-67 of this report.

Long-term debt - At the end of the current fiscal year, the County had total outstanding debt of \$31,685,739. Of this amount, \$27,414,351 is general obligation bonds. The remainder of the County debt is comprised of notes payable, compensated absences, claims, and maintenance agreements payable.

**Bay County's
Outstanding Debt**

Fiscal Year Ending December 31,	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Primary Government						
General obligation bonds	\$ 17,110,000	\$ 18,965,000	-	-	\$ 17,110,000	\$ 18,965,000
Maintenance agreement payable	17,100	25,650	-	-	17,100	25,650
Compensated absences	2,102,763	1,980,559	399,402	299,669	2,502,165	2,280,228
Component Units						
General obligation bonds	10,304,351	6,437,351	-	-	10,304,351	6,437,351
Notes payable	667,635	912,698	-	-	667,635	912,698
Compensated absences	1,084,488	1,215,968	-	-	1,084,488	1,215,968
Total	\$ 31,286,337	\$ 29,537,226	\$ 399,402	\$ 299,669	\$ 31,685,739	\$ 29,836,895

The County's total gross long-term debt of \$31,685,739 is equivalent to \$294 per capita or 1.07% of the County's taxable value of property of \$2,958,617,497.

The County's total debt increased \$1,848,844 or 6.20% during the current fiscal year.

The County's current bond ratings are as follows:

	<u>Moody's</u>	<u>Standard and Poor's</u>
Limited tax obligations	A1	AA
Insured limited tax obligations	Aaa	AAA
Unlimited tax obligations	unrated	unrated
Revenue bonds	unrated	unrated
Special assessment bonds	unrated	unrated

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

Debt limit	\$318,657
Debt margin	\$289,329
Percent of limit	90.80%

Additional information on the County's long-term debt can be found in note III F on pages 70-74 of this report.

Economic Factors and Next Year's Budget and Rates

The following factors were considered in preparing the County's budget for the 2011 fiscal year:

- Staffing levels/reducing overtime.
- 0% wage increase.
- Increasing general liability insurance costs.
- Increasing health insurance costs for employees and retirees.
- Higher utility costs.
- Reduction in some federal and state grants and local government reimbursements.
- Limiting capital expenditures.
- Increasing 2011 user fees.
- Increasing pension contributions beyond the actuarial funding requirement.

During the current fiscal year, unreserved–undesignated fund balance in the General Fund increased to \$3,665,971. The County has appropriated \$1,327,265 of this fund balance for spending in the adopted 2011 fiscal year budget.

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
STATEMENT OF NET ASSETS
DECEMBER 31, 2010

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 7,000,186	\$ 3,552,371	\$ 10,552,557	\$ 12,624,289
Investments	13,441,440	8,173,301	21,614,741	4,006,764
Receivables	13,776,781	9,167,128	22,943,909	15,164,079
Net pension asset	487,062	6,836	493,898	-
Internal balances	1,956	(1,956)	-	-
Prepaid items and other assets	330,159	175,229	505,388	802,380
Inventories	33,666	40,511	74,177	1,120,537
Net OPEB asset	-	-	-	75,539
Capital assets, net:				
Assets not being depreciated	2,948,954	294,008	3,242,962	59,051,830
Assets being depreciated	47,324,423	8,264,537	55,588,960	58,331,811
Total assets	85,344,627	29,671,965	115,016,592	151,177,229
Liabilities				
Accounts payable and accrued liabilities	5,112,919	1,698,496	6,811,415	2,745,908
Unearned revenue	5,864,535	1,497,766	7,362,301	5,750,950
Unamortized bond premium	165,861	-	165,861	-
Noncurrent liabilities:				
Due within one year	1,981,396	26,550	2,007,946	1,822,425
Due in more than one year				
Long-term debt	17,248,467	372,852	17,621,319	10,234,049
Net OPEB obligation	4,605,436	6,020,343	10,625,779	5,553,204
Total liabilities	34,978,614	9,616,007	44,594,621	26,106,536
Net assets				
Invested in capital assets, net of related debt	32,980,416	8,558,545	41,538,961	111,073,605
Restricted for:				
Debt service	19,557	-	19,557	763,809
Home Rehabilitation	1,698,414	-	1,698,414	-
Restricted contributions	612,575	-	612,575	-
Restricted assets for advances	57,180	-	57,180	-
Unrestricted	14,997,871	11,497,413	26,495,284	13,233,279
Total net assets	\$ 50,366,013	\$ 20,055,958	\$ 70,421,971	\$ 125,070,693

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

BAY COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010

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	\$ 11,690,587	\$ 38,422	\$ 1,884,905	\$ 1,744,706	\$ 28,480	\$ (8,070,918)
Community and economic development	179,898	(19,007)	125,631	221,615	-	186,355
Health and welfare	10,939,743	-	2,564,089	2,903,305	29,644	(5,442,705)
Public works	7,258	-	6,324	-	-	(934)
General government	12,735,761	(437,330)	2,620,499	2,735,625	-	(6,942,307)
Judicial	6,728,793	269,973	2,035,914	1,716,713	-	(3,246,139)
Legislative	522,962	-	-	-	-	(522,962)
Recreation and culture	1,883,555	(91,246)	824,641	19,733	-	(947,935)
Interest on long-term debt	813,170	-	-	-	-	(813,170)
Total governmental activities	45,501,727	(239,188)	10,062,003	9,341,697	58,124	(25,800,715)
Business-type activities:						
Medical Care Facility	21,609,394	11,976	20,073,757	-	-	(1,547,613)
100% Tax Payment	128,588	-	1,200,602	-	-	1,072,014
Golf Course	580,107	91,246	625,032	-	-	(46,321)
Delinquent Property Tax Foreclosure	145,892	20,040	205,021	-	-	39,089
Commissary	106,967	6,989	141,004	-	-	27,048
Housing	656,155	15,046	284,701	228,080	247,381	88,961
Total business-type activities	23,227,103	145,297	22,530,117	228,080	247,381	(366,822)
Total primary government	\$ 68,728,830	\$ (93,891)	\$ 32,592,120	\$ 9,569,777	\$ 305,505	\$ (26,167,537)
Component units						
Road Commission	\$ 11,567,994	\$ -	\$ 1,788,071	\$ 8,696,014	\$ 1,124,462	\$ 40,553
Library System	6,701,320	5,861	442,999	60,075	76,719	(6,127,388)
Department of Water and Sewer	4,931,662	-	5,321,491	-	-	389,829
Drain Commission	753,890	-	5,550	82,004	349,882	(316,454)
Bay Area Narcotics Enforcement Team	1,018,837	2,544	255,469	481,311	-	(284,601)
Total component units	\$ 24,973,703	\$ 8,405	\$ 7,813,580	\$ 9,319,404	\$ 1,551,063	\$ (6,298,061)

Continued...

BAY COUNTY
STATEMENT OF ACTIVITIES (CONCLUDED)
FOR THE YEAR ENDED DECEMBER 31, 2010

Functions / Programs	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Changes in net assets				
Net (expense) revenue	\$ (25,800,715)	\$ (366,822)	\$ (26,167,537)	\$ (6,298,061)
General revenues:				
Property taxes	22,412,007	1,527,208	23,939,215	6,154,817
Unrestricted investment earnings	656,224	166,310	822,534	298,566
Gain on equipment disposal	-	-	-	30,389
Other revenue	329,296	70,112	399,408	4,996,582
Transfers - internal activities	864,046	(864,046)	-	-
Total general revenues and transfers	<u>24,261,573</u>	<u>899,584</u>	<u>25,161,157</u>	<u>11,480,354</u>
Change in net assets	(1,539,142)	532,762	(1,006,380)	5,182,293
Net assets, beginning of year	<u>51,905,155</u>	<u>19,523,196</u>	<u>71,428,351</u>	<u>119,888,400</u>
Net assets, end of year	<u>\$ 50,366,013</u>	<u>\$ 20,055,958</u>	<u>\$ 70,421,971</u>	<u>\$ 125,070,693</u>

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

**BAY COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2010**

	General	Budget Stabilization	911 Service	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ -	\$ 185,659	\$ 1,242,578	\$ 2,483,811	\$ 3,912,048
Investments	5,626,121	3,155,849	2,451,725	1,268,247	12,501,942
Accounts receivable	1,275,938	83,699	835	1,787,076	3,147,548
Property taxes receivable	1,550,832	-	1,958,186	3,212,276	6,721,294
Accrued interest receivable	84,606	-	26,237	15,908	126,751
Inventories	33,666	-	-	-	33,666
Due from other funds	1,667	1,517,762	-	-	1,519,429
Due from component units	178,106	-	-	14,330	192,436
Due from other governmental units	2,566,739	-	200,806	658,275	3,425,820
Prepaid items and other current assets	138,751	-	-	1,488	140,239
Interfund advances	4,942,969	-	-	-	4,942,969
Total assets	\$ 16,399,395	\$ 4,942,969	\$ 5,880,367	\$ 9,441,411	\$ 36,664,142
Liabilities and fund balances					
Liabilities					
Accounts payable	\$ 2,290,666	\$ -	\$ 253,349	\$ 275,278	\$ 2,819,293
Accrued items and other liabilities	694,676	-	43,791	184,652	923,119
Accrued vacation and sick pay	88,620	-	4,046	10,405	103,071
Due to other funds	1,534,735	-	1,308	5,192	1,541,235
Due to component units	169,642	-	-	-	169,642
Due to other governmental units	68,535	-	-	12,563	81,098
Deposits	8,036	-	-	-	8,036
Interfund advances	-	4,942,969	-	-	4,942,969
Long term advances from other governmental units	-	-	-	29,000	29,000
Deferred revenue	1,227,910	-	2,020,586	3,408,366	6,656,862
Total liabilities	6,082,820	4,942,969	2,323,080	3,925,456	17,274,325
Fund balances					
Reserved:					
Debt service	-	-	-	19,557	19,557
Noncurrent assets	-	-	-	1,698,414	1,698,414
Restricted contributions	196,767	-	-	91,143	287,910
Prepaid items	92,757	-	-	1,488	94,245
Inventories	33,666	-	-	-	33,666
Restricted assets	57,180	-	-	-	57,180
Advances	4,942,969	-	-	-	4,942,969
Total reserves	5,323,339	-	-	1,810,602	7,133,941
Unreserved:					
Designated for subsequent year's expenditures					
General fund	1,327,265	-	-	-	1,327,265
Special revenue funds	-	-	1,698,794	2,696,314	4,395,108
Designated for other projects and activities					
Special revenue funds	-	-	77,723	-	77,723
Undesignated:					
General fund	3,665,971	-	-	-	3,665,971
Special revenue fund	-	-	1,780,770	1,009,039	2,789,809
Total fund balances	10,316,575	-	3,557,287	5,515,955	19,389,817
Total liabilities and fund balances	\$ 16,399,395	\$ 4,942,969	\$ 5,880,367	\$ 9,441,411	\$ 36,664,142

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

BAY COUNTY
RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET
FOR GOVERNMENTAL FUNDS TO NET ASSETS OF
GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET ASSETS
DECEMBER 31, 2010

Fund balances - total governmental funds	\$ 19,389,817
<p>Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:</p>	
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.</p>	
Add - capital assets, net of accumulated depreciation	50,273,377
<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>	
Add - deferred revenue for delinquent taxes receivable	792,327
Add - net pension asset	486,735
<p>Bond premiums in the governmental activities are reported in the funds, but amortized over the life of the bonds on the statement of net assets</p>	
Deduct - unamortized bond premium	(165,861)
<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 assets.</p>	
Add - net assets of governmental activities accounted for in the internal service funds	3,556,490
<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>	
Deduct - long-term debt	(17,127,100)
Deduct - accrued interest on long-term debt	(132,388)
Deduct - accrued liability to Historical Preservation	(635)
Deduct - net OPEB liability	(4,605,436)
Deduct - compensated absences	(2,101,313)
Net assets of governmental activities	<u>\$50,366,013</u>

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

BAY COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	General	Budget Stabilization	911 Service	Other Governmental Funds	Total Governmental Funds
Revenues					
Property taxes and other taxes	\$ 16,845,026	\$ -	\$ 2,137,416	\$ 3,496,244	\$ 22,478,686
Licenses and permits	196,865	-	-	177,675	374,540
Federal grants	2,857,081	-	209,997	2,521,872	5,588,950
State grants	2,466,169	-	282,508	548,178	3,296,855
Interest, rents and royalties	935,703	-	66,383	302,868	1,304,954
Charges for services	2,640,562	-	-	165,668	2,806,230
Fines and forfeits	623,421	-	-	17,975	641,396
Reimbursements, refunds, and other revenues	2,687,412	-	19,957	3,907,964	6,615,333
Total revenues	29,252,239	-	2,716,261	11,138,444	43,106,944
Expenditures					
Current					
Legislative	522,051	-	-	-	522,051
Judicial	6,110,288	-	-	114,004	6,224,292
General government	9,533,648	-	-	219,442	9,753,090
Public safety	9,139,829	-	2,304,287	189,530	11,633,646
Public works	7,258	-	-	-	7,258
Health and welfare	908,040	-	-	9,612,935	10,520,975
Community and economic development	121,967	-	-	61,718	183,685
Recreation and culture	1,448,274	-	-	290,462	1,738,736
Other functions	1,400,510	-	-	-	1,400,510
Debt service					
Principal	-	-	8,550	1,855,000	1,863,550
Interest and other fees	-	-	-	855,678	855,678
Total expenditures	29,191,865	-	2,312,837	13,198,769	44,703,471
Revenues over (under) expenditures	60,374	-	403,424	(2,060,325)	(1,596,527)
Other financing sources (uses)					
Insurance recoveries/proceeds	30,234	-	-	5,579	35,813
Transfers in	4,581,136	-	-	4,002,541	8,583,677
Transfer out	(4,002,541)	-	(200,857)	(3,514,433)	(7,717,831)
Total other financing sources (uses)	608,829	-	(200,857)	493,687	901,659
Net change in fund balance	669,203	-	202,567	(1,566,638)	(694,868)
Fund balances, beginning of year	9,647,372	-	3,354,720	7,082,593	20,084,685
Fund balances, end of year	\$10,316,575	\$ -	\$3,557,287	\$ 5,515,955	\$ 19,389,817

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

BAY COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010

Net change in fund balances - total governmental funds	\$ (694,868)
Amounts reported for <i>governmental activities</i> 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.	
Add - capital outlay	1,517,734
Deduct - depreciation expense	(2,120,587)
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	
Deduct - decrease in delinquent property taxes	(66,566)
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 assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	
Add - principal payments on long-term liabilities	1,863,550
Add - amortization of bond premium	29,482
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.	
Add - interest revenue from governmental internal service funds	23,010
Deduct - net operating loss from governmental activities in internal service funds	(151,867)
Deduct - transfers out from governmental internal service funds	(1,800)
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.	
Add - decrease in accrued interest payable on bonds	13,025
Deduct - increase in the accrual to Historical Preservation	(114)
Add - increase in the accrual for the net pension asset	486,735
Deduct - increase in the accrual for the net OPEB liability	(2,314,939)
Deduct - increase in the accrual for compensated absences	(121,937)
Change in net assets of governmental activities	\$ (1,539,142)

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

BAY COUNTY
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues				
Property taxes and other taxes	\$ 17,400,035	\$ 16,671,089	\$ 16,845,026	\$ 173,937
Licenses and permits	195,100	210,100	196,865	(13,235)
Federal grants	1,977,229	3,558,008	2,857,081	(700,927)
State grants	2,159,746	2,159,746	2,466,169	306,423
Interest, rents and royalties	951,879	974,279	935,703	(38,576)
Charges for services	2,944,600	2,964,601	2,640,562	(324,039)
Fines and forfeits	551,000	551,000	623,421	72,421
Reimbursements, refunds, and other revenues	2,474,497	2,531,605	2,687,412	155,807
Total revenues	<u>28,654,086</u>	<u>29,620,428</u>	<u>29,252,239</u>	<u>(368,189)</u>
Expenditures				
Current				
Legislative	152,920	752,630	522,051	230,579
Judicial	6,293,168	6,237,238	6,110,288	126,950
General government	9,469,821	10,434,842	9,533,648	901,194
Public safety	8,373,486	9,766,690	9,139,829	626,861
Public works	11,250	9,850	7,258	2,592
Health and welfare	917,392	920,392	908,040	12,352
Community and economic development	152,717	147,717	121,967	25,750
Recreation and culture	1,448,439	1,555,781	1,448,274	107,507
Other functions	1,634,023	1,652,451	1,400,510	251,941
Total expenditures	<u>28,453,216</u>	<u>31,477,591</u>	<u>29,191,865</u>	<u>2,285,726</u>
Revenues over (under) expenditures	<u>200,870</u>	<u>(1,857,163)</u>	<u>60,374</u>	<u>1,917,537</u>
Other financing sources (uses)				
Insurance recoveries/proceeds	-	31,109	30,234	(875)
Transfers in	3,760,427	4,534,537	4,581,136	46,599
Transfer out	(3,961,297)	(4,165,482)	(4,002,541)	162,941
Total other financing sources (uses)	<u>(200,870)</u>	<u>400,164</u>	<u>608,829</u>	<u>208,665</u>
Change in fund balances	-	(1,456,999)	669,203	2,126,202
Fund balances, beginning of year	9,647,372	9,647,372	9,647,372	-
Fund balances, end of year	<u>\$ 9,647,372</u>	<u>\$ 8,190,373</u>	<u>\$ 10,316,575</u>	<u>\$ 2,126,202</u>

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

BAY COUNTY
911 SERVICE SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues				
Property and other taxes	\$ 2,124,896	\$ 2,136,336	\$ 2,137,416	\$ 1,080
Federal grants	250,000	1,210,000	209,997	(1,000,003)
State grants	259,000	277,000	282,508	5,508
Interest, rents and royalties	80,000	80,000	66,383	(13,617)
Reimbursements, refunds, and other revenues	8,725	8,725	19,957	11,232
	<u>2,722,621</u>	<u>3,712,061</u>	<u>2,716,261</u>	<u>(995,800)</u>
Revenues				
Expenditures				
Public safety	2,579,118	3,988,865	2,304,287	1,684,578
Principal	-	-	8,550	(8,550)
	<u>2,579,118</u>	<u>3,988,865</u>	<u>2,312,837</u>	<u>1,676,028</u>
Expenditures				
Revenues over (under) expenditures	<u>143,503</u>	<u>(276,804)</u>	<u>403,424</u>	<u>680,228</u>
Other financing uses				
Transfers out	(157,167)	(198,770)	(200,857)	(2,087)
	<u>(157,167)</u>	<u>(198,770)</u>	<u>(200,857)</u>	<u>(2,087)</u>
Net change in fund balances	<u>(13,664)</u>	<u>(475,574)</u>	<u>202,567</u>	<u>678,141</u>
Fund balances, beginning of year	<u>3,354,720</u>	<u>3,354,720</u>	<u>3,354,720</u>	<u>-</u>
Fund balances, end of year	<u>\$ 3,341,056</u>	<u>\$ 2,879,146</u>	<u>\$ 3,557,287</u>	<u>\$ 678,141</u>

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

BAY COUNTY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2010

	Business-type Activities - Enterprise Funds					Governmental
	Medical Care Facility	100% Tax Payment	Housing	Other Proprietary Funds	Total	Internal Service Funds
Assets						
Current assets:						
Cash and cash equivalents	\$2,045,785	\$ 767,687	\$ 500,783	\$ 238,116	\$ 3,552,371	\$ 3,088,138
Investments	5,632,781	1,957,868	233,445	349,207	8,173,301	939,498
Accounts receivable, net of allowance	1,918,173	4,610	179,802	5,023	2,107,608	148,273
Property taxes receivable	1,479,309	4,679,877	-	-	6,159,186	-
Accrued interest receivable	-	781,090	-	3,707	784,797	9,305
Inventories	-	-	-	40,511	40,511	-
Due from other funds	-	25,537	-	12,601	38,138	23,781
Due from component units	-	-	-	-	-	4,987
Due from other governmental units	-	115,484	-	53	115,537	367
Prepaid items and other current assets	137,124	-	26,188	11,917	175,229	189,920
Total current assets	11,213,172	8,332,153	940,218	661,135	21,146,678	4,404,269
Noncurrent assets:						
Net pension asset	-	2,552	-	4,284	6,836	327
Land	-	-	90,538	167,021	257,559	-
Land improvements	-	-	337,164	771,554	1,108,718	-
Constuction in progress	15,928	-	20,521	-	36,449	-
Buildings and improvements	12,111,038	-	4,508,942	406,224	17,026,204	-
Machinery and equipment	293,764	-	278,806	469,702	1,042,272	-
Office furniture and fixtures	2,053,800	2,035	-	158,794	2,214,629	-
Vehicles and other	108,826	-	-	15,050	123,876	-
Less accumulated depreciation	(8,807,274)	(2,035)	(3,124,732)	(1,317,121)	(13,251,162)	-
Total noncurrent assets	5,776,082	2,552	2,111,239	675,508	8,565,381	327
Total assets	16,989,254	8,334,705	3,051,457	1,336,643	29,712,059	4,404,596
Liabilities						
Current liabilities:						
Accounts payable	550,746	8,750	59,868	7,900	627,264	16,678
Accrued items and other liabilities	540,306	3,283	146,088	5,300	694,977	99,242
Accrued vacation and sick pay, current portion	-	828	22,807	2,915	26,550	-
Deposits payable	10,387	-	22,386	-	32,773	-
Due to other funds	-	14,333	-	25,761	40,094	19
Due to other governmental units	-	61,249	-	233	61,482	-
Claims, settlements, and judgments	282,000	-	-	-	282,000	730,717
Unearned revenue	1,479,309	-	6,366	12,091	1,497,766	-
Total current liabilities	2,862,748	88,443	257,515	54,200	3,262,906	846,656
Noncurrent liabilities:						
Net OPEB obligation	5,991,000	12,058	-	17,285	6,020,343	-
Accrued vacation and sick pay	319,100	11,074	20,825	21,853	372,852	1,450
Total noncurrent liabilities	6,310,100	23,132	20,825	39,138	6,393,195	1,450
Total liabilities	9,172,848	111,575	278,340	93,338	9,656,101	848,106
Net assets						
Investment in capital assets	5,776,082	-	2,111,239	671,224	8,558,545	-
Reserve for restricted assets	-	1,490,555	-	-	1,490,555	-
Restricted for insurance claims	-	-	-	-	-	3,231,825
Restricted for contributions	-	-	-	-	-	324,665
Unrestricted	2,040,324	6,732,575	661,878	572,081	10,006,858	-
Total net assets	\$7,816,406	\$ 8,223,130	\$2,773,117	\$1,243,305	\$20,055,958	\$ 3,556,490

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

BAY COUNTY
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	Business-type Activities - Enterprise Funds					Governmental
	Medical Care Facility	100% Tax Payment	Housing	Other Proprietary Funds	Total	Internal Service Funds
Operating revenues						
Program grants-subsidies	\$ -	\$ -	\$ 228,080	\$ -	\$ 228,080	\$ -
Charges for services	20,073,757	-	284,701	971,057	21,329,515	6,724,996
Reimbursements, refunds, and other revenue	41,252	-	11,504	9,954	62,710	-
Total operating revenues	<u>20,115,009</u>	<u>-</u>	<u>524,285</u>	<u>981,011</u>	<u>21,620,305</u>	<u>6,724,996</u>
Operating expenses						
Personal services	15,913,158	119,456	135,962	333,254	16,501,830	6,007,332
Supplies	-	4,702	-	71,758	76,460	2,723
Other services	5,049,368	4,430	350,330	465,234	5,869,362	866,808
Depreciation	641,530	-	184,909	80,995	907,434	-
Total operating expenses	<u>21,604,056</u>	<u>128,588</u>	<u>671,201</u>	<u>951,241</u>	<u>23,355,086</u>	<u>6,876,863</u>
Operating (loss) income	<u>(1,489,047)</u>	<u>(128,588)</u>	<u>(146,916)</u>	<u>29,770</u>	<u>(1,734,781)</u>	<u>(151,867)</u>
Nonoperating revenues (expenses)						
Property and other taxes	1,527,208	1,200,602	-	-	2,727,810	-
Other income	7,402	-	-	-	7,402	-
Loss on disposal of capital assets	(17,314)	-	-	-	(17,314)	-
Interest income	88,907	62,492	5,106	9,805	166,310	23,010
Total nonoperating revenues (expenses)	<u>1,606,203</u>	<u>1,263,094</u>	<u>5,106</u>	<u>9,805</u>	<u>2,884,208</u>	<u>23,010</u>
Income (loss) before contributions and transfers	<u>117,156</u>	<u>1,134,506</u>	<u>(141,810)</u>	<u>39,575</u>	<u>1,149,427</u>	<u>(128,857)</u>
Capital contributions	-	-	247,381	-	247,381	-
Transfers out	-	(853,431)	-	(10,615)	(864,046)	(1,800)
Change in net assets	<u>117,156</u>	<u>281,075</u>	<u>105,571</u>	<u>28,960</u>	<u>532,762</u>	<u>(130,657)</u>
Net assets, beginning of year	<u>7,699,250</u>	<u>7,942,055</u>	<u>2,667,546</u>	<u>1,214,345</u>	<u>19,523,196</u>	<u>3,687,147</u>
Net assets, end of year	<u>\$ 7,816,406</u>	<u>\$ 8,223,130</u>	<u>\$ 2,773,117</u>	<u>\$ 1,243,305</u>	<u>\$ 20,055,958</u>	<u>\$ 3,556,490</u>

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

BAY COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	Business-type Activities - Enterprise Funds				Governmental	
	Medical Care Facility	100% Tax Payment	Housing	Other Proprietary Funds	Total	Activities Internal Service Funds
Cash flows from operating activities						
Cash received from customers	\$ 17,569,586	\$ -	\$ 170,503	975,866	\$ 18,715,955	\$ -
Cash received from interfund services provided	2,267,192	-	-	-	2,267,192	6,722,588
Cash received from grants and subsidies	-	136,947	178,928	-	315,875	-
Interfund reimbursements	-	(38,431)	-	(15)	(38,446)	(1,086)
Cash payments to suppliers for goods and services	(5,079,388)	(850,342)	(344,835)	(529,008)	(6,803,573)	(990,938)
Cash payments to employees and related taxes and insurance	(14,116,588)	(115,298)	(53,875)	(328,331)	(14,614,092)	(5,806,032)
Other operating revenues	41,252	-	-	9,954	51,206	-
Net cash provided (used) by operating activities	682,054	(867,124)	(49,279)	128,466	(105,883)	(75,468)
Cash flows from noncapital financing activities						
Taxes received	1,527,208	1,607,796	-	-	3,135,004	-
Resident trust withdrawals	460	-	-	-	460	-
Contributions	7,402	-	-	-	7,402	-
Transfers out	-	(853,431)	-	(10,615)	(864,046)	(1,800)
Net cash provided (used) by noncapital financing activities	1,535,070	754,365	-	(10,615)	2,278,820	(1,800)
Cash flows from capital and related financing activities						
Acquisition and construction of capital assets	(384,323)	-	(226,860)	(11,686)	(622,869)	-
Proceeds from sale of capital assets	243	-	-	-	243	-
Decrease in construction payable	(189,848)	-	-	-	(189,848)	-
Cash received from capital grants	-	-	247,381	-	247,381	-
Net cash provided (used) by capital and related financing activities	(573,928)	-	20,521	(11,686)	(565,093)	-
Cash flows from investing activities						
Purchases of investments	(2,099,669)	(751,836)	-	(101,378)	(2,952,883)	(261,485)
Interest on investments	88,907	62,492	5,106	9,805	166,310	23,010
Net cash provided (used) by investing activities	(2,010,762)	(689,344)	5,106	(91,573)	(2,786,573)	(238,475)
Net increase (decrease) in cash and cash equivalents	(367,566)	(802,103)	(23,652)	14,592	(1,178,729)	(315,743)
Cash and cash equivalents, beginning of year	2,413,351	1,569,790	524,435	223,524	4,731,100	3,403,881
Cash and cash equivalents, end of year	\$ 2,045,785	\$ 767,687	\$ 500,783	\$ 238,116	\$ 3,552,371	\$ 3,088,138

(Continued)

BAY COUNTY
STATEMENT OF CASH FLOWS (CONCLUDED)
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	Business-type Activities - Enterprise Funds				Governmental Activities	
	Medical Care Facility	100% Tax Payment	Housing	Other Proprietary Funds	Total	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided (used) by operating activities						
Operating income (loss)	\$(1,489,047)	\$ (128,588)	\$ (146,916)	\$ 29,770	\$(1,734,781)	\$ (151,867)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities						
Depreciation	641,530	-	184,909	80,995	907,434	-
Changes in assets and liabilities:						
Accounts receivable	(317,666)	(407,514)	(126,483)	924	(850,739)	(3,886)
Property taxes receivable	-	(407,194)	-	-	(407,194)	-
Accrued interest receivable	-	(30,244)	-	1,121	(29,123)	4,438
Inventories	-	-	-	(15,107)	(15,107)	-
Due from other funds	-	(25,537)	-	13,551	(11,986)	(593)
Due from component units	-	-	-	-	-	(2,960)
Due from other governmental units	-	144,037	-	59	144,096	(52)
Prepaid items and other current assets	174,305	-	105	-	174,410	(129,537)
Net pension asset	-	(2,552)	-	(4,284)	(6,836)	(327)
Accounts payable	(91,164)	3,742	5,390	(15,997)	(98,029)	8,130
Accrued items and other liabilities	133,995	166	82,868	(600)	216,429	(8,176)
Accrued vacation and sick pay	80,075	(176)	-	1,377	81,276	267
Due to other funds	-	(12,894)	-	25,522	12,628	(493)
Due to other governmental units	-	(7,090)	-	(761)	(7,851)	(10,058)
Due to component unit	-	-	-	-	-	(17,300)
Claims, settlements, and judgments	55,500	-	-	-	55,500	236,946
Unearned revenue	(32,474)	-	(49,152)	2,705	(78,921)	-
Net OPEB obligation	1,527,000	6,720	-	9,191	1,542,911	-
Net cash provided (used) by operating activities	<u>\$ 682,054</u>	<u>\$ (867,124)</u>	<u>\$ (49,279)</u>	<u>\$ 128,466</u>	<u>\$ (105,883)</u>	<u>\$ (75,468)</u>

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

**BAY COUNTY
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
DECEMBER 31, 2010**

	Inmate Private Purpose Trust Fund	Pension and Other Employee Benefits Trust Funds	Agency Funds
Assets			
Cash and cash equivalents	\$ 13,152	\$ -	\$ 4,232,131
Investments at fair value:			
Common stock	-	188,819,984	-
Corporate bonds	-	25,699,440	-
Governmental securities	-	20,503,725	-
Short-term investment funds	-	6,923,942	-
Convertible bonds and equity	-	17,846,989	-
Other	-	2,440,359	4,884,579
Total Investments	-	262,234,439	4,884,579
Receivables:			
Interest and dividends	-	712,325	-
Accounts	-	1,530,208	293
Prepaid items and other current assets	709	1,419,329	-
Net pension asset	-	1,332	-
Due from other funds	-	134,387	-
Due from component units	-	53,287	-
Due from other governmental units	-	1,616	-
Total assets	13,861	266,086,923	\$ 9,117,003
Liabilities			
Accounts payable	8,029	1,072,179	181,602
Accrued items and other liabilities	5,206	1,922,626	127,899
Accrued vacation and sick pay	-	5,800	-
Due to other funds	-	134,387	-
Due to component units	-	509	8,437,197
Due to other governmental units	-	-	194,873
Deposits	-	-	163,780
Undistributed taxes	-	-	11,652
Net OPEB obligation	-	5,471	-
Total liabilities	13,235	3,140,972	\$ 9,117,003
Net assets held in trust	\$ 626	\$ 262,945,951	

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

**BAY COUNTY
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Inmate Private Purpose Trust Fund	Pension and Other Employee Benefits Trust Funds
Additions		
Contributions:		
Employer	\$ -	\$ 4,708,032
Current premium contributions	-	1,158,134
Plan members	-	1,954,427
Reimbursements, refunds, and other revenue	1,500	-
Total contributions	1,500	7,820,593
Investment income:		
Net appreciation in fair value of investments	-	34,007,859
Interest and dividends	51	5,407,772
Less investment expense	-	(1,616,022)
Net investment income	51	37,799,609
Other revenue	-	275,618
Total additions	1,551	45,895,820
Deductions		
Benefits	-	10,786,895
Retiree healthcare premium payments	-	1,158,134
Administrative expenses	-	267,044
Refunds of contributions	-	128,001
Pension expense	-	2,828
Other services	1,745	-
Total deductions	1,745	12,342,902
Change in net assets	(194)	33,552,918
Net assets held in trust for pension and healthcare benefits		
Beginning of year	820	229,393,033
End of year	\$ 626	\$ 262,945,951

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

**BAY COUNTY
COMPONENT UNITS
STATEMENT OF NET ASSETS
DECEMBER 31, 2010**

	Road Commission	Economic Development	Library System
Assets			
Cash and cash equivalents	\$ 234,771	\$ 6,927	\$5,368,682
Investments	2,116,832	13,947	-
Receivables	38,008	138	5,796,302
Inventories	736,473	-	-
Prepaid items and other current assets	515,681	-	160,039
Due from other governmental units	1,997,640	-	-
Due from primary government	4,928	-	54,130
Net OPEB asset	-	-	-
Capital assets, net:			
Assets not being depreciated	48,732,803	-	107,487
Assets being depreciated	36,631,992	-	2,634,076
Total Assets	91,009,128	21,012	14,120,716
Liabilities			
Accounts payable and accrued liabilities	391,227	-	185,714
Unearned revenue	-	-	5,750,950
Due to other governmental units	343,298	-	-
Due to primary government	-	-	-
Advances from other governmental units	337,950	-	-
Long-term liabilities:			
Due within one year	350,000	-	20,648
Due in more than one year	369,139	-	151,420
Net OPEB obligation	5,549,701	-	3,503
Total liabilities	7,341,315	-	6,112,235
Net assets			
Investment in capital assets, net of related debt	85,364,795	-	2,741,563
Restricted for:			
Debt service	-	-	-
Unrestricted (deficit)	(1,696,982)	21,012	5,266,918
Total net assets	\$ 83,667,813	\$ 21,012	\$8,008,481

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

Department of Water and Sewer	Drain Commission	Bay Area Narcotics Enforcement Team	Total
\$ 5,650,807	\$ 1,108,706	\$ 254,396	\$ 12,624,289
-	1,875,985	-	4,006,764
5,553,231	1,228,882	56,294	12,672,855
384,064	-	-	1,120,537
118,498	3,662	4,500	802,380
-	338,110	-	2,335,750
-	96,416	-	155,474
75,539	-	-	75,539
9,870,867	340,673	-	59,051,830
15,507,112	3,519,587	39,044	58,331,811
<u>37,160,118</u>	<u>8,512,021</u>	<u>354,234</u>	<u>151,177,229</u>
1,096,493	96,539	104,080	1,874,053
-	-	-	5,750,950
-	-	-	343,298
-	190,607	-	190,607
-	-	-	337,950
1,158,992	292,785	-	1,822,425
8,684,289	1,029,201	-	10,234,049
-	-	-	5,553,204
<u>10,939,774</u>	<u>1,609,132</u>	<u>104,080</u>	<u>26,106,536</u>
20,389,929	2,538,274	39,044	111,073,605
298,934	464,875	-	763,809
5,531,481	3,899,740	211,110	13,233,279
<u>\$ 26,220,344</u>	<u>\$ 6,902,889</u>	<u>\$ 250,154</u>	<u>\$ 125,070,693</u>

**BAY COUNTY
COMPONENT UNITS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010**

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	\$11,567,994	\$ 1,788,071	\$ 8,696,014	\$ 1,124,462	\$ 40,553
Library System					
Governmental Activities:					
Recreation and culture	6,707,181	442,999	60,075	76,719	(6,127,388)
Department of Water and Sewer					
Business Type Activities:					
Water	1,548,299	1,565,824	-	-	17,525
Sewer	3,383,363	3,755,667	-	-	372,304
Total Department of Water and Sewer	4,931,662	5,321,491	-	-	389,829
Drain Commission					
Governmental Activities:					
Public works	687,435	5,550	82,004	349,882	(249,999)
Interest on long-term debt	66,455	-	-	-	(66,455)
Total Drain Commission	753,890	5,550	82,004	349,882	(316,454)
Bay Area Narcotics Enforcement Team					
Governmental Activities:					
Public safety	1,021,381	255,469	481,311	-	(284,601)
Total component units	\$24,982,108	\$ 7,813,580	\$ 9,319,404	\$ 1,551,063	\$ (6,298,061)

**BAY COUNTY
 COMPONENT UNITS
 STATEMENT OF ACTIVITIES (CONCLUDED)
 FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Road Commission</u>	<u>Economic Development</u>	<u>Library System</u>	<u>Department of Water and Sewer</u>	<u>Drain Commission</u>	<u>Bay Area Narcotics Enforcement Team</u>	<u>Total</u>
Change in net assets							
Net (expense) revenue	\$ 40,553	\$ -	\$(6,127,388)	\$ 389,829	\$ (316,454)	\$ (284,601)	\$ (6,298,061)
General revenues:							
Property taxes	-	-	6,184,957	-	(30,140)	-	6,154,817
Unrestricted investment earning	23,587	343	104,151	69,264	101,221	-	298,566
Gain on equipment disposal	30,389	-	-	-	-	-	30,389
Other revenue	509,454	-	-	4,338,966	147,630	532	4,996,582
Total general revenues	<u>563,430</u>	<u>343</u>	<u>6,289,108</u>	<u>4,408,230</u>	<u>218,711</u>	<u>532</u>	<u>11,480,354</u>
Change in net assets	603,983	343	161,720	4,798,059	(97,743)	(284,069)	5,182,293
Net assets, beginning of year	<u>83,063,830</u>	<u>20,669</u>	<u>7,846,761</u>	<u>21,422,285</u>	<u>7,000,632</u>	<u>534,223</u>	<u>119,888,400</u>
Net assets, end of year	<u>\$83,667,813</u>	<u>\$ 21,012</u>	<u>\$ 8,008,481</u>	<u>\$26,220,344</u>	<u>\$ 6,902,889</u>	<u>\$ 250,154</u>	<u>\$ 125,070,693</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. 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 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

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

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 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

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

statements to be misleading. Periodically, the Department of Water and Sewer requests and receives a pledge of the full faith and credit of Bay County as secondary security on bond issues. The Department of Water and Sewer provides a healthful and continuous water supply service and an environmentally sound, convenient, and continuous wastewater disposal service to Bay County communities. The Department of Water and Sewer debt service and capital project activities are reported discretely. Complete financial statements of the Department of Water and Sewer can be obtained from its administrative offices at 3933 Patterson Road, Bay City, Michigan, 48706.

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

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets 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

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

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.

C. 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

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

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.

The government reports the following major governmental funds:

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

The *Budget Stabilization Fund* accounts for funds advanced from the General Fund until additional funds are needed by the County to cover a General Fund deficit, to prevent a reduction in the level of public services or number of employees, or to cover expenses arising because of a natural disaster.

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

The government reports the following major proprietary funds:

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

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

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

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

Additionally, the County reports the following fund types:

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

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

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

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

The *Private Purpose Trust Funds* account for trust arrangements for the Probate Court and Inmate 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.

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

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NOTES TO FINANCIAL STATEMENTS

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.

D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY

1. 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.

2. RECEIVABLES AND PAYABLES

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

Activity between funds that are representative of lending / borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to / from other funds" (i.e., the current portion of interfund loans) or "advances to / from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to / from other funds." Any residual

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NOTES TO FINANCIAL STATEMENTS

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.

3. INVENTORIES AND PREPAID ITEMS

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.

4. CAPITAL ASSETS

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

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

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

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NOTES TO FINANCIAL STATEMENTS

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

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

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

5. 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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

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NOTES TO FINANCIAL STATEMENTS

6. FUND EQUITY

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

7. INTERFUND TRANSACTIONS

During the course of normal operations, the County has numerous transactions between funds, including expenditures and transfers of resources to provide services and to service debt. The accompanying financial statements generally reflect such transactions as transfers. Subsidies are also recorded as transfers.

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

8. 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 and Correctional Facility Officers employees may accumulate unused sick days up to a maximum of 120 days. Probate Court employees may accumulate a maximum of 30 unused sick days. Employees may either use these sick days when ill or receive payment for 50 percent of the unused portion at time of retirement, subject to certain limitations. Most employees are also allowed to accumulate unused vacation days, subject to certain limitations. All employees can accumulate and carryforward a maximum of 30 days; hours accumulated in excess of 30 days must be used by December 31.

Employees of the Road Commission, a component unit, are granted vacation and sick leave in varying amounts, based on the Road Commission's administrative policy and contract with union employees. Vacation time is credited annually to each employee but cannot be accumulated for more than one year without Board approval, with the exception that all employees can carry over five days without Board approval. Administrative employees and union employees are limited to 1,200 hours of sick leave accumulation. At this point, the employees are allowed to accumulate 96 hours

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NOTES TO FINANCIAL STATEMENTS

of sick leave reserve, the unused portion of which is paid by the Road Commission at the beginning of the following year. Upon retirement, permanent disability or leaving the employment of the Road Commission, all union employees are paid 85% of their accumulated sick leave. Administrative employees are paid 85% of their accumulated sick leave upon leaving the employment of the Road Commission.

The Department of Water and Sewer, a component unit, has an employee benefit plan that allows employees to accumulate unused sick days up to a maximum of 120 days. Union employees may either use these sick days when ill or receive payment for 70% of the unused portion at time of retirement. All other employees receive 85% of the unused portion at time employment is terminated. Employees are also allowed to accumulate unused vacation days. Employees can accumulate a maximum of 30 days to carry over at the end of the year.

Compensated Absence Liability Recognition

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

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

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETS AND BUDGETARY ACCOUNTING

Governmental funds are under formal budgetary control. For 2010, no budget was adopted for the Budget Stabilization fund, a Special Revenue fund, as no activity occurred during the year. Capital Projects funds are budgeted by project. Budget and actual comparisons for the Budget Stabilization fund, a Special Revenue fund, and Capital Projects funds are not reported in the financial statements, because annual budgets are not prepared. 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

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NOTES TO FINANCIAL STATEMENTS

and Means Committee, which recommends formal adoption by the Bay County Board of Commissioners. The operating budget includes proposed expenditures and the means of financing them.

2. Public hearings are conducted to obtain comments.
3. Prior to January 1, the budget is legally enacted by a budget adopting resolution.

Budgets shown in the financial statements were prepared on the same modified accrual basis that is used to reflect actual results. The Board of Commissioners has legal control over expenditures on an object class (categorical) basis, with the exception of the Circuit, District, and Probate courts, whose legal level of control over expenditures is on a total basis (lump sum) encompassing all of their operations. Expenditures are limited to appropriations for each object class (category) of budget data presented. The Board of Commissioners is authorized to make adjustments to the various budgets as deemed necessary. Elected officials and department/division heads are authorized to amend budgets under their control, subject to provisions of the General Appropriation Budget Act Resolution. Such adjustments and amendments have been reflected in the budgeted amounts shown in the financial statements. There were no supplemental appropriations that were deemed material. All appropriations lapse at year-end. Encumbrances that have lapsed are reappropriated. Budgetary expenditures represented by the encumbrances are reflected in the budget in the year that the expenditures are shown in the financial statements. The County has prepared and issued separate from the financial statements a report on budget amounts compared to actual at the legal level of budgetary control (by activity, by object class (category), by fund).

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS FOR BUDGETARY FUNDS

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

<u>Fund</u>	<u>Appropriation</u>	<u>Expenditure</u>	<u>Excess Expenditure</u>
Special Revenue Funds:			
911 Service:			
Principal	\$ -	\$ 8,550	\$ (8,550)
Transfers out	198,770	200,857	(2,087)
Law Library:			
Judicial	21,820	25,063	(3,243)
Revenue Sharing Reserve:			
Transfers out	1,874,454	1,929,116	(54,662)
Historical Preservation:			
Recreation and culture	288,518	290,462	(1,944)

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

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

III. DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

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

	<u>Carrying Amount</u>
Government-wide Financial Statement Captions:	
Primary Government:	
Cash and cash equivalents	\$ 10,552,557
Investments	21,614,741
Component Units:	
Cash and cash equivalents	12,624,289
Investments	4,006,764
Fiduciary Fund Financial Statement Captions:	
Cash and cash equivalents	4,245,283
Investments	<u>267,119,018</u>
Total	<u>\$ 320,162,652</u>

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

Notes to Financial Statements:

Bank deposits (checking accounts, savings and money market accounts and certificates of deposit)	\$ 18,762,550
Investments:	
Equities	
Domestic equities	159,764,711
International equities	29,055,273
Convertible equity	1,555,092
Preferred stock	1,014,146
Corporate convertible bonds	16,291,897
Fixed income	
Asset backed securities	185,318
Commercial paper	509,726
Corporate bonds	25,699,439
Government agencies	20,676,031
Government bonds	6,530,172
Government mortgage backed securities	11,917,373
Municipal bonds	14,318,486
Government issued commercial mortgage-backed	388,911
Commercial mortgage-backed	940,988
Other fixed income	1,000,041
Money market	
Short-term investments	11,183,298
Cash and cash equivalents	329,312
Cash on hand	<u>39,888</u>
Total	<u>\$ 320,162,652</u>

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

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

	Investment Maturities (In Years)					Credit Rating Range
	Fair Value	Less Than 1	1-5	6-10	More Than 10	Standard & Poors
Domestic equities	\$ 159,764,711	\$ N/A	\$ N/A	\$ N/A	\$ N/A	NR
International equities	29,055,273	N/A	N/A	N/A	N/A	NR
Convertible equity	1,555,092	N/A	N/A	N/A	N/A	NR
Preferred stock	1,014,146	N/A	N/A	N/A	N/A	NR
Corporate convertible bonds	16,291,897	-	7,039,253	1,757,686	7,494,958	NR – B-
Asset backed securities	185,318	-	-	185,318	-	A+
Commercial paper	509,726	-	509,726	-	-	A
Corporate bonds	25,699,439	116,295	6,931,417	12,400,119	6,251,608	NR – B-
Government agencies	20,676,031	-	9,467,319	7,033,213	4,175,500	NR – AAA
Government bonds	6,530,172	-	873,979	1,276,599	4,379,594	AAA
Government mortgage-backed securities	11,917,373	300,410	1,572,199	3,752,224	6,292,540	NR
Municipal bonds	14,318,486	2,503,874	11,410,515	-	404,096	NR – SP-1
Government issued commercial mortgage-backed	388,911	-	-	388,911	-	NR
Commercial mortgage-backed	940,988	-	-	-	940,988	NR
Other fixed income	1,000,041	-	-	-	1,000,041	A-2
Short-term investments	11,183,298	11,183,298	-	-	-	NR
Cash and cash equivalents	329,312	329,312	-	-	-	
	<u>\$ 301,360,214</u>	<u>\$ 14,433,189</u>	<u>\$ 37,804,408</u>	<u>\$ 26,794,070</u>	<u>\$ 30,939,325</u>	

**The County's investments in corporate bonds include call options with a market value of \$4,001,558.

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.

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NOTES TO FINANCIAL STATEMENTS

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

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned. State law does not require and the County does not have a policy for deposit custodial credit risk. As of year-end \$8,842,717 of the County's bank balance of \$19,756,892 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 sixty 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

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NOTES TO FINANCIAL STATEMENTS

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.

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, 2010:

Investments at fair value, as determined by quoted market price:	
Equities	
Domestic equities	\$ 136,972,292
International equities	28,792,422
Convertible equity	1,555,092
Preferred stock	1,014,146
Corporate convertible bonds	16,291,897
Fixed income	
Asset backed securities	185,318
Corporate bonds	23,429,558
Government agencies	210,017
Government bonds	6,530,172
Government mortgage backed se	11,917,373
Government issued commercial mortgage-backed	388,911
Commercial mortgage-backed	940,988
Money market	
Short-term investments	6,534,609
Cash and cash equivalents	299,906
Total investments	<u><u>\$ 235,062,701</u></u>

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

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, 2010, maturities and Standard & Poors ratings for the System's investments in debt securities were as follows:

	<u>Investment Maturities (In Years)</u>					<u>Credit Rating</u>
	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>	<u>Range</u>
Domestic equities	\$ 136,972,292	N/A	N/A	N/A	N/A	NR
International equities	28,792,422	N/A	N/A	N/A	N/A	NR
Convertible equity	1,555,092	N/A	N/A	N/A	N/A	NR
Preferred stock	1,014,146	N/A	N/A	N/A	N/A	NR
Corporate convertible bonds	16,291,897	-	7,039,253	1,757,686	7,494,958	NR - B-
Asset backed securities	185,318	-	-	185,318	-	A+
Corporate bonds	23,429,558	116,295	5,267,535	12,400,120	5,645,608	NR - B-
Government agencies	210,017	-	-	-	210,016	NR
Government bonds	6,530,172	-	873,979	1,276,599	4,379,594	AAA
Government mortgage-backed securities	11,917,373	300,410	1,572,199	3,752,224	6,292,540	NR
Government issued commercial mortgage-backed	388,911	-	-	388,911	-	NR
Commercial mortgage-backed	940,988	-	-	-	940,988	NR
Short-term investments	6,534,609	6,534,609	-	-	-	NR
Cash and cash equivalents	299,906	299,906	-	-	-	
	<u>\$ 235,062,701</u>	<u>\$ 7,251,220</u>	<u>\$ 14,752,966</u>	<u>\$ 19,760,858</u>	<u>\$ 24,963,704</u>	

Custodial Credit Risk. For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The System's investment policy requires that securities be held in trust by a third-party institution in the System's name or its nominee custodian's name or in bearer form.

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

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, 2010 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

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:

<u>Investment / Country</u>	<u>Currency</u>	<u>Fair Value (in U.S. Dollars)</u>
International equities		
Australia	Australian dollar	\$ 605,201
Australia	Great Britain pound	335,178
Brazil	Brazilian real	373,640
Brazil	US dollar	661,360
Canada	Canadian dollar	251,603
Canada	US dollar	1,438,871
China	Chinese yuan	217,272
France	European euro	1,359,409
Germany	European euro	875,861
Hong Kong	Hong Kong dollar	579,288
International Region	US dollar	9,753,109
Ireland	European euro	508,289
Israel	Israeli new sheqel	352,407
Israel	US dollar	1,562,501
Japan	Japanese yen	1,914,907
Japan	US dollar	900,600
Korea, Repulic of	Korean won	538,346
Netherlands	European euro	222,826
Norway	Norwegian krone	246,774
Singapore	Singapore dollar	257,102
Spain	European euro	253,192
Switzerland	Swiss franc	1,057,900
United Kingdom	Great Britain pound	3,296,961
United Kingdom	US dollar	1,229,825
Total		<u>\$ 28,792,422</u>

BAY COUNTY

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, 2010:

Investments at fair value, as determined by quoted market price:	
Equities	
Domestic equities	\$ 22,792,419
International equities	262,851
Fixed income	
Corporate bonds	2,269,882
Government agencies	1,457,253
Money market	
Short-term investments	389,333
Total investments	<u>\$ 27,171,738</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, 2010, maturities and Standard & Poors ratings for the Trust's investments in debt securities were as follows:

	Investment Maturities (In Years)					Credit Rating Range
	Fair Value	Less Than 1	1-5	6-10	More Than 10	Standard & Poors
Domestic equities	\$ 22,792,419	N/A	N/A	N/A	N/A	NR
International equities	262,851	N/A	N/A	N/A	N/A	NR
Corporate bonds	2,269,882	-	1,663,882	-	606,000	A+ - BBB
Government agencies	1,457,253	-	1,457,253	-	-	AAA
Short-term investments	389,333	389,333	-	-	-	NR
	<u>\$ 27,171,738</u>	<u>\$ 389,333</u>	<u>\$ 3,121,135</u>	<u>\$ -</u>	<u>\$ 606,000</u>	

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

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, 2010 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:

<u>Investment / Country</u>	<u>Currency</u>	<u>Fair Value (in U.S. Dollars)</u>
International equities		
Brazil	US dollar	\$ 93,339
China	US dollar	96,530
Israel	US dollar	72,982
Total		<u><u>\$ 262,851</u></u>

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

B. RECEIVABLES

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Component Units</u>
Taxes/special assessments			
Due within one year	\$ 6,963,275	\$ 6,159,186	\$ 6,961,046
Due after one year	-	-	-
Accounts	3,878,669	2,374,608	-
Notes			
Due within one year	-	-	910,717
Due after one year	-	-	4,695,000
Interest	136,056	784,797	113,092
Intergovernmental	3,623,610	115,537	2,491,224
Less: allowance for uncollectible accounts	<u>(824,829)</u>	<u>(267,000)</u>	<u>(7,000)</u>
Total	<u>\$ 13,776,781</u>	<u>\$ 9,167,128</u>	<u>\$ 15,164,079</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Property taxes receivable (General fund)	\$ 779,754	\$ -
Property taxes receivable (911 service fund)	-	2,020,586
Property taxes receivable (Nonmajor governmental fund types)	12,573	3,305,448
Grant drawdowns prior to meeting all eligibility requirements	<u>-</u>	<u>538,501</u>
Total	<u>\$ 792,327</u>	<u>\$ 5,864,535</u>

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

C. CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2010, was as follows:

Primary Government

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 1,926,399	\$ -	\$ -	\$ 1,926,399
Construction in progress	<u>450,936</u>	<u>1,022,555</u>	<u>(450,936)</u>	<u>1,022,555</u>
Total capital assets not being depreciated	<u>2,377,335</u>	<u>1,022,555</u>	<u>(450,936)</u>	<u>2,948,954</u>
Capital assets being depreciated:				
Land improvements	2,963,005	-	(1,600)	2,961,405
Buildings and improvements	64,077,324	122,770	-	64,200,094
Machinery and equipment	1,979,799	512,563	(74,259)	2,418,103
Office furniture and equipment	3,259,468	130,678	(268,534)	3,121,612
Vehicles	<u>1,691,119</u>	<u>180,104</u>	<u>(177,465)</u>	<u>1,693,758</u>
Total capital assets being depreciated	<u>73,970,715</u>	<u>946,115</u>	<u>(521,858)</u>	<u>74,394,972</u>
Less accumulated depreciation				
Land improvements	(2,004,986)	(163,215)	1,600	(2,166,601)
Buildings and improvements	(19,142,589)	(1,390,990)	-	(20,533,579)
Machinery and equipment	(1,226,658)	(131,648)	74,259	(1,284,048)
Office furniture and equipment	(1,907,282)	(257,962)	268,534	(1,896,709)
Vehicles	<u>(1,190,305)</u>	<u>(176,772)</u>	<u>177,465</u>	<u>(1,189,612)</u>
Total accumulated depreciation	<u>(25,471,820)</u>	<u>(2,120,587)</u>	<u>521,858</u>	<u>(27,070,549)</u>
Total capital assets being depreciated, net	<u>48,498,895</u>	<u>(1,174,472)</u>	<u>-</u>	<u>47,324,423</u>
Governmental activities capital assets, net	<u>\$ 50,876,230</u>	<u>\$ (151,917)</u>	<u>\$ (450,936)</u>	<u>\$50,273,377</u>

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets not being depreciated:				
Land	\$ 257,559	\$ -	\$ -	\$ 257,559
Construction in progress	<u>212,335</u>	<u>323,246</u>	<u>(499,132)</u>	<u>36,449</u>
Total capital assets not being depreciated	<u>469,894</u>	<u>323,246</u>	<u>(499,132)</u>	<u>294,008</u>
Capital assets being depreciated:				
Land improvements	1,109,794	-	(1,076)	1,108,718
Buildings and improvements	16,356,187	725,992	(55,975)	17,026,204
Machinery and equipment	1,072,977	38,965	(69,670)	1,042,272
Office furniture and equipment	2,209,634	5,495	(500)	2,214,629
Vehicles	<u>75,052</u>	<u>48,824</u>	<u>-</u>	<u>123,876</u>
Total capital assets being depreciated	<u>20,823,644</u>	<u>819,276</u>	<u>(127,221)</u>	<u>21,515,699</u>
Less accumulated depreciation				
Land improvements	(751,014)	(41,687)	1,076	(791,625)
Buildings and improvements	(9,035,129)	(709,847)	42,681	(9,702,295)
Machinery and equipment	(844,639)	(91,851)	65,408	(871,082)
Office furniture and equipment	(1,758,490)	(59,863)	500	(1,817,853)
Vehicles	<u>(64,121)</u>	<u>(4,186)</u>	<u>-</u>	<u>(68,307)</u>
Total accumulated depreciation	<u>(12,453,393)</u>	<u>(907,434)</u>	<u>109,665</u>	<u>(13,251,162)</u>
Total capital assets being depreciated, net	<u>8,370,251</u>	<u>(88,158)</u>	<u>(17,556)</u>	<u>8,264,537</u>
Business-type activities capital assets, net	<u>\$ 8,840,145</u>	<u>\$ 235,088</u>	<u>\$(516,688)</u>	<u>\$ 8,558,545</u>

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

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

Governmental activities:

Judicial	\$ 18,135
General government	1,480,749
Public safety	309,019
Health and welfare	202,118
Recreation and culture	<u>110,566</u>

Total depreciation expense – governmental activities **\$ 2,120,587**

Business-type activities:

Medical Care Facility	\$ 641,530
Housing	184,909
Golf Course	59,561
Delinquent Property Tax Foreclosure	<u>21,434</u>

Total depreciation expense – business-type activities **\$ 907,434**

Discretely presented component units

Activity for the Road Commission for the year ended December 31, 2010, was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets not being depreciated:				
Land	\$ 501,981	\$ -	\$ -	\$ 501,981
Land improvements	46,691,539	1,189,622	-	47,881,161
Right of ways	<u>349,661</u>	<u>-</u>	<u>-</u>	<u>349,661</u>
Total capital assets not being depreciated	<u>47,543,181</u>	<u>1,189,622</u>	<u>-</u>	<u>48,732,803</u>

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets being depreciated:				
Buildings and improvements	\$ 2,670,136	\$ 32,731	\$ -	\$ 2,702,867
Road equipment	9,639,863	205,743	(122,600)	9,723,006
Shop equipment	163,691	6,116	-	169,807
Office equipment	148,709	10,779	-	159,488
Engineering equipment	164,440	8,937	-	173,377
Yard and storage	1,353,313	-	-	1,353,313
Infrastructure:				
Roads	49,793,763	1,784,434	(2,376,510)	49,201,687
Bridges	18,185,723	62,414	-	18,248,137
Traffic signals	419,579	-	-	419,579
Depletable assets:				
Gravel pits	<u>53,037</u>	<u>-</u>	<u>-</u>	<u>53,037</u>
Total capital assets being depreciated	<u>82,592,254</u>	<u>2,111,154</u>	<u>(2,499,110)</u>	<u>82,204,298</u>
Less accumulated depreciation				
Buildings and improvements	(1,687,174)	(68,905)	-	(1,756,079)
Road equipment	(9,261,341)	(488,734)	122,404	(9,627,671)
Shop equipment	(158,413)	(14,444)	-	(172,857)
Office equipment	(96,848)	(8,364)	-	(105,212)
Engineering equipment	(109,568)	(9,416)	-	(118,984)
Yard and storage	(900,303)	(55,385)	-	(955,688)
Infrastructure:				
Roads	(24,247,046)	(2,570,480)	2,376,510	(24,441,016)
Bridges	(7,742,601)	(371,325)	-	(8,113,926)
Traffic signals	(250,517)	(15,865)	-	(266,382)
Depletable assets:				
Gravel pits	<u>(14,435)</u>	<u>(56)</u>	<u>-</u>	<u>(14,491)</u>
Total accumulated depreciation	<u>(44,468,246)</u>	<u>(3,602,974)</u>	<u>2,498,914</u>	<u>(45,572,306)</u>
Total capital assets being depreciated, net	<u>38,124,008</u>	<u>(1,491,820)</u>	<u>(196)</u>	<u>36,631,992</u>
Road Commission capital assets, net	<u>\$ 85,667,189</u>	<u>\$ (302,198)</u>	<u>\$ (196)</u>	<u>\$ 85,364,795</u>

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

Activity for the Library System for the year ended December 31, 2010, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 107,487	\$ -	\$ -	\$ 107,487
Capital assets being depreciated:				
Land improvements	103,946	-	-	103,946
Buildings and improvements	1,162,456	8,630	-	1,171,086
Machinery and equipment	136,810	-	-	136,810
Office furniture & fixtures	1,218,332	-	(2,083)	1,216,249
Books and a/v materials	2,660,123	525,019	(393,092)	2,792,050
Vehicles and other	182,770	-	-	182,770
Total capital assets being depreciated	<u>5,464,437</u>	<u>533,649</u>	<u>(395,175)</u>	<u>5,602,911</u>
Less accumulated depreciation				
Land improvements	(50,481)	(3,305)	-	(53,786)
Buildings and improvements	(723,123)	(31,707)	-	(754,830)
Machinery and equipment	(79,640)	(11,340)	-	(90,980)
Office furniture & fixtures	(534,309)	(57,563)	2,083	(589,789)
Books and a/v materials	(1,239,984)	(453,406)	393,092	(1,300,298)
Vehicles and other	(177,180)	(1,972)	-	(179,152)
Total accumulated depreciation	<u>(2,804,717)</u>	<u>(559,293)</u>	<u>395,175</u>	<u>(2,968,835)</u>
Total capital assets being depreciated, net	<u>2,659,720</u>	<u>(25,644)</u>	<u>-</u>	<u>2,634,076</u>
Library System capital assets, net	<u>\$ 2,767,207</u>	<u>\$ (25,644)</u>	<u>\$ -</u>	<u>\$ 2,741,563</u>

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

Activity for the Department of Water & Sewer for the year ended December 31, 2010, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 196,284	\$ -	\$ -	\$ 196,284
Construction in progress	<u>758,625</u>	<u>8,915,958</u>	<u>-</u>	<u>9,674,583</u>
Total capital assets not being depreciated	<u>954,909</u>	<u>8,915,958</u>	<u>-</u>	<u>9,870,867</u>
Capital assets being depreciated:				
Buildings	13,300,694	-	-	13,300,694
Improvements other than buildings	120,403	-	-	120,403
Machinery and equipment	8,906,578	35,710	(82,271)	8,860,017
Water system	4,146,162	-	-	4,146,162
Sewer system	<u>17,169,768</u>	<u>-</u>	<u>-</u>	<u>17,169,768</u>
Total capital assets being depreciated	<u>43,643,605</u>	<u>35,710</u>	<u>(82,271)</u>	<u>43,597,044</u>
Less accumulated depreciation				
Buildings	(7,489,258)	(275,955)	-	(7,765,213)
Improvements other than buildings	(80,704)	(4,982)	-	(85,686)
Machinery and equipment	(8,345,113)	(155,310)	77,481	(8,422,942)
Water system	(1,768,069)	(93,995)	-	(1,862,063)
Sewer system	<u>(9,610,633)</u>	<u>(343,395)</u>	<u>-</u>	<u>(9,954,028)</u>
Total accumulated depreciation	<u>(27,293,777)</u>	<u>(873,636)</u>	<u>77,481</u>	<u>(28,089,932)</u>
Total capital assets being depreciated, net	<u>16,349,828</u>	<u>(837,926)</u>	<u>(4,790)</u>	<u>15,507,112</u>
Department of Water & Sewer capital assets, net	<u>\$ 17,304,737</u>	<u>\$8,078,032</u>	<u>\$ (4,790)</u>	<u>\$ 25,377,979</u>

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

Activity for the Drain Commission for the year ended December 31, 2010, was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets not being depreciated:				
Land	\$ 340,673	\$ -	\$ -	\$ 340,673
Capital assets being depreciated:				
Land improvements (infrastructure)	3,335,733	40,794	-	3,376,527
Buildings	171,681	-	-	171,681
Machinery and equipment	448,005	110,793	(13,417)	545,381
Office furniture and equipment	20,451	-	-	20,451
Vehicles	162,669	48,694	(9,516)	201,847
Total capital assets being depreciated	4,138,539	200,281	(22,933)	4,315,887
Less accumulated depreciation				
Land improvements (infrastructure)	(206,765)	(127,592)	-	(334,357)
Buildings	(170,863)	(818)	-	(171,681)
Machinery and equipment	(162,330)	(29,197)	13,417	(178,110)
Office furniture and equipment	(20,451)	-	-	(20,451)
Vehicles	(77,222)	(23,995)	9,516	(91,701)
Total accumulated depreciation	(637,631)	(181,602)	22,933	(796,300)
Total capital assets being depreciated, net	3,500,908	18,679	-	3,519,587
Drain commission capital assets, net	\$ 3,841,581	\$ 18,679	\$ -	\$ 3,860,260

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

Activity for the Bay Area Narcotics Enforcement Team for the year ended December 31, 2010, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Capital assets being depreciated:				
Equipment	\$ 100,482	\$ -	\$ -	\$ 100,482
Less accumulated depreciation				
Equipment	<u>(41,586)</u>	<u>(19,852)</u>	<u>-</u>	<u>(61,438)</u>
Bay Area Narcotics Enforcement Team capital assets, net	<u>\$ 58,896</u>	<u>\$ (19,852)</u>	<u>\$ -</u>	<u>\$ 39,044</u>

D. PAYABLES

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Component Units</u>
Accounts	\$ 2,835,971	\$ 627,264	\$ 1,751,580
Wages, fringe benefits and other accrued liabilities	1,258,455	694,977	122,473
Deposits	8,036	32,773	-
Intergovernmental	250,740	61,482	533,905
Advances	29,000	-	-
Claims, settlements, and judgments	<u>730,717</u>	<u>282,000</u>	<u>337,950</u>
Total	<u>\$ 5,112,919</u>	<u>\$ 1,698,496</u>	<u>\$ 2,745,908</u>

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

E. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Due to:	Due from:						Total
	General	911 Service	Nonmajor Governmental	100% Tax	Nonmajor Enterprise	Internal Service	
General	\$ -	\$ -	\$ 47	\$ 1,620	\$ -	\$ -	\$ 1,667
Budget Stabilization	1,517,762	-	-	-	-	-	1,517,762
100% Tax Payment	-	-	-	-	25,537	-	25,537
Nonmajor Enterprise	-	-	-	12,601	-	-	12,601
Internal Service	16,973	1,308	5,145	112	224	19	23,781
Total	<u>\$ 1,534,735</u>	<u>\$ 1,308</u>	<u>\$ 5,192</u>	<u>\$ 14,333</u>	<u>\$ 25,761</u>	<u>\$ 19</u>	<u>\$ 1,581,348</u>

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

Advances to/from other funds:	To	From
General fund	\$ 4,942,969	\$ -
Budget stabilization fund	-	4,942,969
Total	<u>\$ 4,942,969</u>	<u>\$ 4,942,969</u>

The advance between the general fund and the budget stabilization fund exists to maintain adequate reserves in the budget stabilization fund.

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

	Transfers In		
Transfers Out	General Fund	Nonmajor Governmental Funds	Total
General fund	\$ -	\$ 4,002,541	\$ 4,002,541
911 service	200,857		200,857
Nonmajor governmental funds	3,514,433	-	3,514,433
100% tax payment	853,431	-	853,431
Nonmajor proprietary funds	10,615	-	10,615
Internal service funds	1,800	-	1,800
	\$ 4,581,136	\$ 4,002,541	\$ 8,583,677

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. In addition, the revenue sharing reserve fund has transferred the allowable spending amount specified by the State for the State revenue sharing fund in compliance with Public Act 357 of 2004.

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

F. LONG-TERM DEBT

Changes in Long-Term Debt

Long-term liability activity for the year ended December 31, 2010, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Primary Government					
Governmental activities:					
Building Authority -					
General obligation bonds	\$ 18,965,000	\$ -	\$ (1,855,000)	\$ 17,110,000	\$ 1,710,000
Maintenance agreement payable	25,650	-	(8,550)	17,100	8,550
Compensated absences	<u>1,980,559</u>	<u>2,024,136</u>	<u>(1,901,932)</u>	<u>2,102,763</u>	<u>262,846</u>
Total governmental activities	<u>\$ 20,971,209</u>	<u>\$ 2,024,136</u>	<u>\$ (3,765,482)</u>	<u>\$ 19,229,863</u>	<u>\$ 1,981,396</u>
Business-type activities:					
Compensated absences	<u>\$ 299,669</u>	<u>\$ 122,353</u>	<u>\$ (22,620)</u>	<u>\$ 399,402</u>	<u>\$ 26,550</u>
Component Units					
Road Commission:					
Compensated absences	<u>\$ 752,039</u>	<u>\$ 361,671</u>	<u>\$ (394,571)</u>	<u>\$ 719,139</u>	<u>\$ 350,000</u>
Library System:					
Compensated absences	<u>\$ 170,596</u>	<u>\$ 23,926</u>	<u>\$ (22,454)</u>	<u>\$ 172,068</u>	<u>\$ 20,648</u>
Department of Water & Sewer					
General obligation bonds	\$ 5,630,000	\$ 4,955,000	\$ (935,000)	\$ 9,650,000	\$ 1,130,000
Compensated absences	<u>293,333</u>	<u>-</u>	<u>(100,052)</u>	<u>193,281</u>	<u>28,992</u>
Total Department of Water & Sewer	<u>\$ 5,923,333</u>	<u>\$ 4,955,000</u>	<u>\$ (1,035,052)</u>	<u>\$ 9,843,281</u>	<u>\$ 1,158,992</u>
Drain Commission					
General obligation bonds	\$ 807,351	\$ -	\$ (153,000)	\$ 654,351	\$ 126,088
Notes payable	<u>912,698</u>	<u>-</u>	<u>(245,063)</u>	<u>667,635</u>	<u>166,697</u>
Total Drain Commission	<u>\$ 1,720,049</u>	<u>\$ -</u>	<u>\$ (398,063)</u>	<u>\$ 1,321,986</u>	<u>\$ 292,785</u>

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for those funds are included as part of the above totals for governmental activities. At year-end, \$1,450 of internal service funds compensated absences are included in the above amounts. Also, for the governmental activities, compensated absences are generally liquidated by the general fund.

Primary Government

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

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

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities	2.5–8.0%	<u>\$ 17,127,100</u>

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

<u>Year Ending December 31</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2011	\$ 1,718,550	\$ 776,127
2012	1,763,550	699,327
2013	1,870,000	619,368
2014	1,990,000	532,564
2015	2,105,000	438,156
2016-2020	<u>7,680,000</u>	<u>1,273,252</u>
Total	<u>\$ 17,127,100</u>	<u>\$ 4,338,794</u>

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

Component Units

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

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Business-type activities	2.0 – 5.4%	\$ <u>9,650,000</u>

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

<u>Year Ending December 31</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2011	\$ 1,130,000	\$ 361,145
2012	1,055,000	326,134
2013	625,000	295,479
2014	640,000	273,128
2015	660,000	249,149
2016-2020	2,625,000	879,093
2021-2025	1,305,000	515,670
2026-2030	<u>1,610,000</u>	<u>216,075</u>
Total	<u>\$ 9,650,000</u>	<u>\$3,115,873</u>

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

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

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:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities	2.25 –8.0%	\$ <u>1,321,986</u>

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

<u>Year Ending December 31</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2011	\$ 292,785	\$ 60,642
2012	367,409	41,226
2013	291,242	24,715
2014	166,242	14,100
2015	90,155	8,752
2016-2020	<u>114,153</u>	<u>6,581</u>
Total	<u>\$ 1,321,986</u>	<u>\$ 156,016</u>

Advance refundings

On February 18, 2004, the Bay County Building Authority issued general obligation bonds of \$2,035,000. Proceeds from this bond issue were used to advance refund two separately issued general obligation bonds, one issued in 1994 for jail renovations and one issued in 1995 for adult foster care homes. The refunded bonds mature as scheduled on November 1 through 2011. The balance of the defeased debt outstanding at December 31, 2010, was \$55,000.

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

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, 2010, was \$5,320,000.

IV. OTHER INFORMATION

A. DEFINED BENEFIT PENSION PLAN

Pension Plan

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

Funding Policy/Contributions - The County's policy is to fund normal costs which are based on actuarially determined rates, expressed as percentages of annual covered payroll, and which are sufficient to accumulate assets to pay benefits when due. The provisions of the Plan require the County to contribute at an actuarially determined rate. The current rate is 0% of annual covered payroll for General County and the Sheriff's Department, 2.07% for the Library, 7.40% for Department of Water & Sewer, 4.63% for Medical Care Facility, 8.83% for Bay Area Behavioral Health, and 17.75% for the Road Commission, which was determined through an actuarial valuation performed at December 31, 2009. During 2010, the General County made a one-time discretionary 3% contribution into the Plan. Contributions received from employer contributions for the year ended December 31, 2010, amounted to \$2,754,507. 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, 2010, amounted to \$1,954,427. The Plan benefit provisions and contribution requirements of plan members and the County are established and may be

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

amended by the Board of Commissioners, who also administers the plan, in accordance with County policies, union contracts, and plan provisions.

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

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

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

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-Road Patrol, CFO, Central Dispatch, District Court Union and Road Commission employees). 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.

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

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, 2009, the date of the last actuarial valuation:

Retirees and beneficiaries receiving benefits	683
Terminated plan members entitled to, but not yet receiving, benefits	86
Active plan members	1,175

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

Annual required contribution	\$ 2,254,792
Interest on net pension asset	<u>-</u>
Annual pension cost (expense)	2,254,792
Contributions made	<u>(2,754,509)</u>
Increase in net pension asset	(499,717)
Net pension (asset) – beginning of year	<u>-</u>
Net pension (asset) – end of year	<u>\$ (499,717)</u>

The annual required contribution for the current year was determined as part of the December 31, 2009, actuarial valuation using the individual entry age normal cost method. Significant actuarial assumptions included (a) a rate of return on the investment of present and future assets of 7.5% per year compounded annually, (b) projected salary increases of 4.0% per year pay inflation plus merit and longevity, (c) additional projected salary increases ranging from 1.0 to 8.0% per year, depending on age, attributable to merit and longevity, and (d) the assumption that benefits will not increase after retirement.

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

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

Three Year Trend Information

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of</u> <u>APC Contributed</u>	<u>Net Pension</u> <u>Asset</u>
2008	\$ 718,886	100%	\$ -
2009	1,749,408	100%	-
2010	2,254,792	122%	499,717

The funded status of the plan as of December 31, 2009, the most recent actuarial valuation date, is as follows:

<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Actuarial</u> <u>Value of</u> <u>Assets</u> <u>(a)</u>	<u>Actuarial</u> <u>Accrued</u> <u>Liability (AAL)</u> <u>Entry Age</u> <u>(b)</u>	<u>Unfunded</u> <u>AAL (UAAL)</u> <u>(b) - (a)</u>	<u>Funded</u> <u>Ratio</u> <u>(a)/(b)</u>	<u>Covered</u> <u>Payroll</u> <u>(c)</u>	<u>UAAL as a</u> <u>Percentage of</u> <u>Covered Payroll</u> <u>[(b) - (a)]/(c)</u>
12/31/2009	\$ 243,271,514	\$ 221,407,973	\$(21,863,541)	109.9	\$47,244,573	(46.3)%

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

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

Net assets Reserved for Employees' Pension Benefits – Net assets reserved for employees' pension benefits includes legally required reserves. Net assets as of December 31, 2010, consists of the following reserves:

Annuity reserve	\$ 101,334,329
Employer reserve	106,545,912
Employee accumulated reserve	<u>27,499,021</u>
Total net assets	<u>\$235,379,262</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.

Following are the financial statements for the Employees' Retirement System Pension Trust Fund for the year ended December 31, 2010.

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

Statement of Plan Assets

Assets

Investments at fair value:

Common stock	\$ 165,764,714
Corporate bonds	23,429,558
Governmental securities	19,046,472
Short-term investment funds	6,534,609
Convertible bonds and equity	17,846,989
Other	2,440,359

Total investments 235,062,701

Receivables:

Interest and dividends	656,124
Accounts	1,301,609

Total receivables 1,957,733

Other current assets:

Prepaid items and other current assets	1,419,329
Net pension asset	1,332
Due from other funds	1,474
Due from component units	53,287
Due from other governmental units	1,616

Total other current assets 1,477,038

Total assets 238,497,472

Liabilities

Accounts payable	1,049,417
Accrued items and other liabilities	1,922,626
Accrued vacation and sick pay	5,800
Due to other funds	134,387
Due to component units	509
Due to other governmental units	-
Net OPEB obligation	5,471

Total liabilities 3,118,210

Net assets

Held in trust for pension and healthcare benefits	<u>\$ 235,379,262</u>
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BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

Statement of Changes in Plan Net Assets

Additions

Contributions:

Employer	\$ 2,754,507
Plan members	<u>1,954,427</u>

Total contributions 4,708,934

Investment income:

Net appreciation in fair value of investments	32,303,837
Interest and dividends	4,772,412
Less investment expense	<u>(1,603,224)</u>

Net investments 35,473,025

Other revenue 275,618

Total additions 40,457,577

Deductions

Benefits	10,786,895
Administrative expenses	155,316
Pension expense	2,828
Refunds of contributions	<u>128,001</u>

Total deductions 11,073,040

Change in net assets 29,384,537

Net assets held in trust for pension and healthcare benefits:

Beginning of year 205,994,725

End of year \$ 235,379,262

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

B. 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, 2009, the date of the latest actuarial valuation, participants in the plan consisted of:

Retired members and beneficiaries:

Under age 65	189
Age 65 and over	263
Active plan members	1,007

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.

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

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 2010 was approximately \$4,417,539.

The December 31, 2009, actuarial valuation identified the required employer contribution ranging from \$152,092 - \$3,497,479 of covered payroll, depending on employee group and amortization period. Contributions to the Plan for the year-ended December 31, 2010, were \$1,158,134.

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 County’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County’s net OPEB obligation:

Annual required contribution	\$ 3,886,495
Interest on net OPEB obligation	138,870
Adjustment to annual required contribution	<u>(518,708)</u>
Annual OPEB cost (expense)	3,506,657
Contributions made	<u>(1,158,134)</u>
Increase in net OPEB obligation	2,348,523
Net OPEB obligation – beginning of year	<u>2,314,503</u>
Net OPEB obligation – end of year	<u><u>\$ 4,663,026</u></u>

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

Medical Care Facility – For the year ended December 31, 2010, 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, 2009. The valuation’s computed contribution and actual funding are summarized as follows for the year ended December 31, 2010:

Annual required contribution	\$ 3,497,479
Interest on net OPEB obligation	<u>132,000</u>
Annual OPEB cost	3,629,479
Amount contributed	<u>(2,102,479)</u>
Increase in net OPEB obligation	1,527,000
Net OPEB obligation, beginning of year	<u>4,464,000</u>
Net OPEB obligation, end of year	<u>\$ 5,991,000</u>

The County’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 was as follows:

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual OPEB</u> <u>Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
County:			
2008	\$ 3,417,517	68.1%	\$ 1,091,416
2009	2,004,142	39.0%	2,314,503
2010	3,506,657	33.0%	4,663,026
Medical Care Facility:			
2008	\$ 3,889,227	45.0%	\$ 2,156,000
2009	4,228,318	45.3%	4,464,000
2010	3,629,479	57.9%	5,991,000

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.

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

The funded status of the plan, County and Medical Care Facility, as of the most recent actuarial valuation date is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b) – (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b)- (a)]/(c)
County:						
12/31/2009	\$ 7,800,435	\$ 52,849,402	\$45,048,967	14.8%	N/A	N/A
Medical Care Facility:						
12/31/2009	\$ 3,847,374	\$ 39,490,324	\$ 35,642,950	9.7%	\$6,696,336	532%

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.

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.

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

Additional information as of the latest actuarial valuation follows:

Valuation date	12/31/09
Actuarial cost method	Entry age
Amortization method	Level percentage of pay, open
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
Actuarial assumptions	
Investment rate of return*	7.5% - active
	6.0% - retirees
Healthcare cost trend rate*	10% initial
	4% ultimate

*Includes an inflation assumption of 4%.

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

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

Following are the financial statements for the Public Employee Healthcare Trust Fund for the year ended December 31, 2010.

Statement of Plan Assets

Assets

Investments at fair value:

Common stock	\$ 23,055,270
Corporate bonds	2,269,882
Governmental securities	1,457,253
Short-term investment funds	<u>389,333</u>

Total investments 27,171,738

Receivables:

Interest and dividends	56,201
Accounts	<u>228,599</u>

Total receivables 284,800

Other current assets:

Due from other funds	<u>132,913</u>
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Total assets 27,589,451

Liabilities

Accounts payable	<u>22,762</u>
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Net assets

Held in trust for pension and healthcare benefits	<u><u>\$ 27,566,689</u></u>
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BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

Statement of Changes in Plan Net Assets

Additions

Contributions:

Employer	\$ 1,953,525
Current premium contributions	<u>1,158,134</u>

Total contributions 3,111,659

Investment income:

Net appreciation in fair value of investments	1,704,022
Interest and dividends	635,360
Less investment expense	<u>(12,798)</u>

Net investments 2,326,584

Total additions 5,438,243

Deductions

Retiree healthcare premium payments	1,158,134
Administrative expenses	<u>111,728</u>

Total deductions 1,269,862

Change in net assets 4,168,381

Net assets held in trust for pension and healthcare benefits:

Beginning of year 23,398,308

End of year \$ 27,566,689

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

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

The Road Commission’s annual other postemployment benefit (“OPEB”) cost is calculated based on the annual required contribution of the employer (“ARC”), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents the level of funding necessary to cover the normal cost each year and the amortization of any unfunded actuarial liabilities (or funding excess) amortized over a period of 30 years.

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	\$ 1,973,199
Interest on net OPEB obligation	284,816
Adjustment to annual required contribution	<u>(274,516)</u>
Annual OPEB cost (expense)	1,983,499
Contributions made	<u>(1,180,735)</u>
Increase in net OPEB obligation	802,764
Net OPEB obligation – beginning of year	<u>4,746,937</u>
Net OPEB obligation – end of year	<u>\$ 5,549,701</u>

The Road Commission’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2010 was as follows:

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual OPEB</u> <u>Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
2008	\$ 3,175,728	24.75%	\$ 2,389,710
2009	3,326,342	29.13%	4,746,937
2010	1,983,499	59.53%	5,549,701

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b) – (a)</u>	<u>Funded Ratio (a)/(b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll [(b)- (a)]/(c)</u>
12/31/2009	\$ 607,641	\$ 25,314,167	\$ 24,706,526	2.4%	\$ 2,995,142	824.9%

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	\$ 152,092
Interest on net OPEB obligation	(6,407)
Adjustment to annual required contribution	<u>23,930</u>
Annual OPEB cost (expense)	169,615
Contributions made	<u>(59,338)</u>
Decrease in net OPEB asset	110,278
Net OPEB (asset) – beginning of year	<u>(106,775)</u>
Net OPEB obligation – end of year	<u><u>\$ 3,503</u></u>

The Library’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 was as follows:

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB (Asset) Obligation</u>
2008	\$ 224,186	191.2%	\$ 204,376
2009	394,148	75.2%	(106,775)
2010	169,615	35.0%	3,503

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b) – (a)</u>	<u>Funded Ratio (a)/(b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll [(b)- (a)]/(c)</u>
12/31/2009	\$ 936,547	\$ 2,149,808	\$ 1,213,261	43.6%	N/A	N/A

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

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	\$ 480,544
Interest on net OPEB obligation	9,260
Adjustment to annual required contribution	<u>(5,145)</u>
Annual OPEB cost (expense)	484,659
Contributions made	<u>(773,620)</u>
Decrease in net OPEB obligation	(288,961)
Net OPEB obligation – beginning of year	<u>154,341</u>
Net OPEB asset – end of year	<u><u>\$ (134,620)</u></u>

The DWS’ annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 were as follows:

<u>Fiscal Year</u> <u>Ending</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost</u>	<u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
2008	\$ 707,090	81%	\$ 133,334
2009	760,287	97%	154,341
2010	484,659	160%	(134,620)

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b) – (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll [(b)- (a)]/(c)
12/31/2009	\$2,002,881	\$ 8,196,281	\$ 6,193,400	24.4%	n/a	n/a

C. SELF-INSURANCE

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

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

Specifically in the area of workers’ compensation, the County purchases excess insurance to reduce its exposure to significant claim losses. Excess insurance allows recovery of a portion of the losses from the excess insurer, although it does not discharge the primary liability of the Self-Insurance fund as direct insurer of the risks. During 2008, Bay County purchased excess insurance from Citizens Insurance Company of America. The self-insured retention is \$400,000 per occurrence. The maximum limit of indemnity per occurrence is statutory. The employers’ liability maximum limit of indemnity is \$1,000,000 per occurrence.

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

The County estimates the liability for claims that have been incurred through December 31, 2010, 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 2010, 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 \$97,014,588 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, \$200,000,000 of aggregate property coverage, a \$100,000,000 earthquake aggregate loss limit, a

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

\$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 Hartford Insurance with whom the County has entered into a contractual agreement.

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

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.

Changes in the estimated claims liabilities for workers' compensation claims (excluding the Medical Care Facility) for the years ended December 31, 2010 and 2009, are as follows:

	<u>12/31/2009</u>	<u>12/31/2010</u>
Claims liability, beginning of year	\$ 307,745	\$ 298,628
Claims and damages incurred	108,302	549,976
Claims payments	<u>(117,419)</u>	<u>(363,661)</u>
Claims liability, end of year	<u>\$ 298,628</u>	<u>\$ 484,943</u>

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

Changes in the estimated claims liabilities for workers' compensation claims of the Medical Care Facility for the years ended December 31, 2010 and 2009, are as follows:

	<u>12/31/2009</u>	<u>12/31/2010</u>
Claims liability, beginning of year	\$ 91,520	\$ 136,500
Claims and damages incurred	182,509	25,419
Claims payments	<u>(137,529)</u>	<u>(149,919)</u>
Claims liability, end of year	<u>\$ 136,500</u>	<u>\$ 12,000</u>

Changes in the estimated claims liabilities for healthcare claims (excluding the Medical Care Facility) for the year ended December 31, 2010 and 2009, are as follows:

	<u>12/31/2009</u>	<u>12/31/2010</u>
Claims liability, beginning of year	\$ 289,597	\$ 195,143
Claims and damages incurred	4,362,097	5,376,871
Claims payments	<u>(4,456,551)</u>	<u>(5,326,240)</u>
Claims liability, end of year	<u>\$ 195,143</u>	<u>\$ 245,774</u>

Beginning July 1, 2006, the Medical Care Facility is fully self-insured for healthcare claims. Prior to July 1, 2006, the Facility was partially self-insured for healthcare claims, but also paid a partial premium. The Facility is covered by a stop-loss policy that covers individual claims over \$400,000 or total claims in excess of \$1,000,000, to a maximum of \$1,000,000. Changes in the estimated claims liabilities for healthcare claims of the Medical Care Facility for the year ended December 31, 2010 and 2009, are as follows:

	<u>12/31/2009</u>	<u>12/31/2010</u>
Claims liability, beginning of year	\$ 172,000	\$ 90,000
Claims and damages incurred	3,739,532	3,777,330
Claims payments	<u>(3,821,532)</u>	<u>(3,741,330)</u>
Claims liability, end of year	<u>\$ 90,000</u>	<u>\$ 126,000</u>

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

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, 2010, was \$5,244.

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. Payments made for the year ended December 31, 2010, were \$49,187.

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, 2010, were \$62,517.

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 and \$1,500,000 aggregate stop loss coverage in a combined contract with DWS and Bay County Road Commission. Payments made for the year ended December 31, 2010, were \$618,337.

D. PROPERTY TAXES

The County property tax is levied each July 1st and December 1st through 2010 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 2010 ad valorem tax is levied and collectible by December 1, 2010, 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

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

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, 2009, levy totaled \$3,105,175,515. The taxable value of real and personal property for the July 1, 2010, levy totaled \$2,958,617,497. The tax levy for fiscal year 2010 operations was based on the following rates:

General Operating	5.7257 mills
Gypsy Moth	.1000 mills
Mosquito Control	.4500 mills
911 Central Dispatch	.7000 mills
County Library	1.9953 mills
Senior Citizens	.5000 mills
Historical Society	.0952 mills

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

E. 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. County management believes disallowances, if any, would be minimal.

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

F. NET ASSETS INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT

The composition of net assets invested in capital assets, net of related debt as of December 31, 2010, was as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Component Units</u>
Capital asset not being depreciated	\$ 2,948,954	\$ 294,008	\$ 59,051,830
Capital assets being depreciated, net	47,324,423	8,264,537	58,331,811
Bonds payable	(17,110,000)	-	(5,642,401)
Notes payable	(17,100)	-	(667,635)
Premium on bonds payable	(165,861)	-	-
	<u>\$ 32,980,416</u>	<u>\$ 8,558,545</u>	<u>\$ 111,073,605</u>

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REQUIRED SUPPLEMENTARY INFORMATION

**BAY COUNTY
REQUIRED SUPPLEMENTARY INFORMATION**

EMPLOYEES' RETIREMENT SYSTEM

**SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS
SIX-YEAR HISTORICAL TREND INFORMATION - UNAUDITED**

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date December 31,	Actuarial Value of Assets (in Thousands)	Actuarial Accrued Liability (AAL) Entry Age (in Thousands)	Assets Over AAL (in Thousands)	Funded Ratio	Covered Payroll (in Thousands)	UAAL as a Percentage of Covered Payroll
2004	\$ 227,174	\$ 174,175	\$ 52,999	130.4%	\$ 43,551	121.7%
2005	230,242	181,305	48,937	127.0%	43,104	113.5%
2006	237,681	189,811	47,870	125.2%	42,024	113.9%
2007	253,492	200,933	52,559	126.2%	44,688	117.6%
2008	246,578	212,531	34,047	116.0%	46,483	73.2%
2009	243,272	221,408	21,864	109.9%	47,245	46.3%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended December 31,	Annual Required Contribution	Percentage Contributed
2005	\$ 393,515	100%
2006	581,067	100%
2007	706,090	100%
2008	718,886	100%
2009	1,749,408	100%
2010	2,254,792	122%

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, 2009) follows:

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

*Includes pay inflation at 4.0 percent

**BAY COUNTY
REQUIRED SUPPLEMENTARY INFORMATION**

PUBLIC EMPLOYEE HEALTH CARE

**SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS
HISTORICAL TREND INFORMATION - UNAUDITED**

SCHEDULE OF FUNDING PROGRESS

<u>Actuarial Valuation Date December 31,</u>	<u>Actuarial Value of Assets (in Thousands)</u>	<u>Actuarial Accrued Liability (AAL) Entry Age (in Thousands)</u>	<u>Unfunded AAL (in Thousands)</u>	<u>Funded Ratio</u>	<u>Covered Payroll (in Thousands)</u>	<u>UAAL as a Percentage of Covered Payroll</u>
2007	\$ 8,034	\$ 19,452	\$ (11,418)	41.3%	N/A	N/A
2009	7,800	52,849	(45,049)	14.8%	N/A	N/A

SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Year Ended December 31,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2008	\$3,417,517	68.1%
2009	2,097,348	37.2%
2010	3,886,495	29.8%

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, 2009) 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 with 5 year smoothing of gains and losses.
Actuarial assumptions:	
Investment rating return*	7.5 percent - actives 4.0 percent - retirees
Projected salary increases*	5.0 percent to 13.0 percent, dependant on years of service
Cost-of-living adjustments	None

*Includes pay inflation at 4.0 percent

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

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.

Special Revenue Funds (concluded)

The Mosquito Control Fund is used to account for revenues received from property taxes and State grants for mosquito control.

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 Division on Aging Fund is used to account 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 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.

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.

BAY COUNTY
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2010

	Special Revenue Funds				
	Friend of the Court	Health Department / District Health	Gypsy Moth Control	Public Improvement	Register of Deeds Automation
Assets					
Cash and cash equivalents	\$ 106,087	\$ 806,469	\$ 311,125	\$ 6,669	\$ 108,585
Investments	54,658	-	546,117	13,429	179,661
Accounts receivable, net of allowance	-	13,828	-	-	-
Property taxes receivable, net of allowance	-	-	288,486	-	-
Accrued interest receivable	-	-	5,470	133	1,800
Prepays and other assets	-	-	-	-	1,488
Due from component units	-	14,048	-	-	-
Due from other governmental units	-	209,113	-	-	-
Total assets	\$ 160,745	\$ 1,043,458	\$ 1,151,198	\$ 20,231	\$ 291,534
Liabilities and fund balances					
Liabilities					
Accounts payable	\$ 2,096	\$ 86,207	\$ 1,599	\$ -	\$ 12,393
Accrued items and other liabilities	3,013	67,282	2,072	-	-
Accrued vacation and sick pay	-	5,664	-	-	-
Due to other funds	80	1,978	56	-	-
Due to other governmental units	-	87	-	-	-
Long term advances from other governmental units	-	-	-	-	-
Deferred revenue	-	96,395	288,486	-	-
Total liabilities	5,189	257,613	292,213	-	12,393
Fund balances					
Reserved:					
Debt service	-	-	-	-	-
Prepaid items	-	-	-	-	1,488
Noncurrent assets	-	-	-	-	-
Restricted contributions	-	-	-	19,901	-
Total reserved	-	-	-	19,901	1,488
Unreserved:					
Designated for subsequent year's expenditures	22,943	151,758	77,136	-	-
Designated for other projects and activities	-	-	-	-	-
Undesignated	132,613	634,087	781,849	330	277,653
Total fund balances	155,556	785,845	858,985	20,231	279,141
Total liabilities and fund balances	\$ 160,745	\$ 1,043,458	\$ 1,151,198	\$ 20,231	\$ 291,534

Special Revenue Funds

Local C.F.O. Training	Drug Law Enforcement	Law Library	Community Corrections	Home Rehabilitation	Mosquito Control
\$ 61,606	\$ 40,368	\$ 39,775	\$ 44,770	\$ 40,920	\$ 195,331
-	-	-	-	-	296,815
1,229	-	-	-	1,766,598	-
-	-	-	-	-	1,258,791
-	-	-	-	-	3,869
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	28,370	-	-
<u>\$ 62,835</u>	<u>\$ 40,368</u>	<u>\$ 39,775</u>	<u>\$ 73,140</u>	<u>\$ 1,807,518</u>	<u>\$ 1,754,806</u>

\$ 5	\$ -	\$ 1,892	\$ 6,854	\$ 164	\$ 16,883
-	-	-	1,496	56	12,269
-	-	-	-	-	90
-	-	-	41	1	337
-	-	-	-	14,057	-
-	-	-	-	-	-
-	-	-	-	-	1,298,905
<u>5</u>	<u>-</u>	<u>1,892</u>	<u>8,391</u>	<u>14,278</u>	<u>1,328,484</u>

-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	1,698,414	-
-	-	-	8,049	-	-
-	-	-	8,049	1,698,414	-
16,963	-	-	1,420	74,771	153,331
-	-	-	-	-	-
<u>45,867</u>	<u>40,368</u>	<u>37,883</u>	<u>55,280</u>	<u>20,055</u>	<u>272,991</u>
<u>62,830</u>	<u>40,368</u>	<u>37,883</u>	<u>64,749</u>	<u>1,793,240</u>	<u>426,322</u>
<u>\$ 62,835</u>	<u>\$ 40,368</u>	<u>\$ 39,775</u>	<u>\$ 73,140</u>	<u>\$ 1,807,518</u>	<u>\$ 1,754,806</u>

Continued...

BAY COUNTY
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET (CONCLUDED)
DECEMBER 31, 2010

	Special Revenue Funds (continued)					
	Revenue Sharing Reserve	Division on Aging	Social Welfare	Social Services Protective Services	Child Care	Child Care / Social Services
Assets						
Cash and cash equivalents	\$ -	\$ 387,249	\$ 55,107	\$ -	\$ 224,971	\$ 14,592
Investments	-	73,905	92,325	-	-	-
Accounts receivable, net of allowance	-	4,077	-	-	1,344	-
Property taxes receivable, net of allowance	-	1,398,683	-	-	-	-
Accrued interest receivable	-	2,834	-	-	-	-
Prepays and other assets	-	-	-	-	-	-
Due from component units	-	282	-	-	-	-
Due from other governmental units	-	55,253	100	-	364,789	650
Total assets	\$ -	\$ 1,922,283	\$ 147,532	\$ -	\$ 591,104	\$ 15,242
Liabilities and fund balances						
Liabilities						
Accounts payable	\$ -	\$ 51,955	\$ -	\$ -	\$ 95,056	\$ -
Accrued items and other liabilities	-	52,517	-	-	45,947	-
Accrued vacation and sick pay	-	201	-	-	4,450	-
Due to other funds	-	1,328	-	-	1,324	-
Due to other governmental units	-	-	-	-	(1,581)	-
Long term advances from other governmental units	-	-	29,000	-	-	-
Deferred revenue	-	1,449,777	-	-	-	-
Total liabilities	-	1,555,778	29,000	-	145,196	-
Fund balances						
Reserved:						
Debt service	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-
Noncurrent assets	-	-	-	-	-	-
Restricted contributions	-	1,188	60,880	-	-	1,125
Total reserved	-	1,188	60,880	-	-	1,125
Unreserved:						
Designated for subsequent year's expenditures	1,854,454	221,803	-	-	121,735	-
Designated for other projects and activities	-	-	-	-	-	-
Undesignated	(1,854,454)	143,514	57,652	-	324,173	14,117
Total fund balances	-	366,505	118,532	-	445,908	15,242
Total liabilities and fund balances	\$ -	\$ 1,922,283	\$ 147,532	\$ -	\$ 591,104	\$ 15,242

Special Revenue Funds (concluded)			Debt Service Fund	Total Nonmajor Governmental Funds
Soldiers' Relief	Veterans' Trust	Historical Preservation	Building Authority	
\$ 24,427	\$ 850	\$ 8,492	\$ 6,418	\$ 2,483,811
-	-	-	11,337	1,268,247
-	-	-	-	1,787,076
-	-	266,316	-	3,212,276
-	-	-	1,802	15,908
-	-	-	-	1,488
-	-	-	-	14,330
-	-	-	-	658,275
<u>\$ 24,427</u>	<u>\$ 850</u>	<u>\$ 274,808</u>	<u>\$ 19,557</u>	<u>\$ 9,441,411</u>
\$ 167	\$ 2	\$ 5	\$ -	\$ 275,278
-	-	-	-	184,652
-	-	-	-	10,405
-	47	-	-	5,192
-	-	-	-	12,563
-	-	-	-	29,000
-	-	274,803	-	3,408,366
<u>167</u>	<u>49</u>	<u>274,808</u>	<u>-</u>	<u>3,925,456</u>
-	-	-	19,557	19,557
-	-	-	-	1,488
-	-	-	-	1,698,414
-	-	-	-	91,143
-	-	-	19,557	1,810,602
-	-	-	-	2,696,314
-	-	-	-	-
24,260	801	-	-	1,009,039
<u>24,260</u>	<u>801</u>	<u>-</u>	<u>19,557</u>	<u>5,515,955</u>
<u>\$ 24,427</u>	<u>\$ 850</u>	<u>\$ 274,808</u>	<u>\$ 19,557</u>	<u>\$ 9,441,411</u>

BAY COUNTY
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2010

	Special Revenue Funds			
	Friend of the Court	Health Department / District Health	Gypsy Moth Control	Public Improvement
Revenues				
Property and other taxes	\$ -	\$ -	\$ 305,111	\$ -
Licenses and permits	-	177,675	-	-
Federal grants	71,234	1,601,310	-	-
State grants	-	382,618	-	-
Interest, rents and royalties	-	4,375	15,777	331
Charges for services	43,902	87,669	-	-
Fines and forfeitures	-	-	-	-
Reimbursements, refunds, and other revenues	-	626,338	3,650	-
Total revenues	<u>115,136</u>	<u>2,879,985</u>	<u>324,538</u>	<u>331</u>
Expenditures				
Current				
Judicial	114,004	-	-	-
General government	-	-	95,871	-
Public safety	-	-	-	-
Health and welfare	-	3,591,860	-	-
Community and economic development	-	-	-	-
Recreation and culture	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest and other fees	-	-	-	-
Total expenditures	<u>114,004</u>	<u>3,591,860</u>	<u>95,871</u>	<u>-</u>
Revenues over (under) expenditures	<u>1,132</u>	<u>(711,875)</u>	<u>228,667</u>	<u>331</u>
Other financing sources (uses)				
Insurance recoveries/proceeds	-	-	-	-
Transfers in	-	1,588,645	-	-
Transfers out	-	(377,205)	(32,773)	-
Total other financing sources (uses)	<u>-</u>	<u>1,211,440</u>	<u>(32,773)</u>	<u>-</u>
Net change in fund balances	1,132	499,565	195,894	331
Fund balances, beginning of year	154,424	286,280	663,091	19,900
Fund balances, end of year	<u>\$ 155,556</u>	<u>\$ 785,845</u>	<u>\$ 858,985</u>	<u>\$ 20,231</u>

Special Revenue Funds

Register of Deeds Automation	Local C.F.O. Training	Drug Law Enforcement	Law Library	Community Corrections	Home Rehabilitation	Mosquito Control
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,373,996
-	-	-	-	-	-	-
-	-	-	-	-	196,374	-
-	-	-	-	141,019	-	-
4,500	-	-	-	-	646	11,134
-	17,584	-	-	-	75	378
-	-	11,475	6,500	-	-	-
-	-	1,500	-	-	-	804
<u>4,500</u>	<u>17,584</u>	<u>12,975</u>	<u>6,500</u>	<u>141,019</u>	<u>197,095</u>	<u>1,386,312</u>
-	-	-	-	-	-	-
98,508	-	-	25,063	-	-	-
-	15,346	23,256	-	150,928	-	-
-	-	-	-	-	-	1,206,773
-	-	-	-	-	61,718	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>98,508</u>	<u>15,346</u>	<u>23,256</u>	<u>25,063</u>	<u>150,928</u>	<u>61,718</u>	<u>1,206,773</u>
<u>(94,008)</u>	<u>2,238</u>	<u>(10,281)</u>	<u>(18,563)</u>	<u>(9,909)</u>	<u>135,377</u>	<u>179,539</u>
5,579	-	-	-	-	-	-
100,000	-	-	15,320	20,515	-	-
<u>(20,979)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(99,801)</u>
<u>84,600</u>	<u>-</u>	<u>-</u>	<u>15,320</u>	<u>20,515</u>	<u>-</u>	<u>(99,801)</u>
(9,408)	2,238	(10,281)	(3,243)	10,606	135,377	79,738
288,549	60,592	50,649	41,126	54,143	1,657,863	346,584
<u>\$ 279,141</u>	<u>\$ 62,830</u>	<u>\$ 40,368</u>	<u>\$ 37,883</u>	<u>\$ 64,749</u>	<u>\$ 1,793,240</u>	<u>\$ 426,322</u>

Continued...

BAY COUNTY
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (CONCLUDED)
FOR THE YEAR ENDED DECEMBER 31, 2010

	Special Revenue Funds (continued)					
	Revenue Sharing Reserve	Division on Aging	Social Welfare	Social Services Protective Services	Child Care	Child Care / Social Services
Revenues						
Property and other taxes	\$ -	\$ 1,526,683	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Federal grants	-	632,865	-	-	20,089	-
State grants	-	3,132	-	-	21,409	-
Interest, rents and royalties	-	4,897	-	-	-	-
Charges for services	-	16,060	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Reimbursements, refunds, and other revenues	-	369,374	248,447	-	1,304,258	2,250
Total revenues	-	2,553,011	248,447	-	1,345,756	2,250
Expenditures						
Current						
Judicial	-	-	-	-	-	-
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Health and welfare	-	2,240,407	268,630	-	2,224,195	5,375
Community and economic development	-	-	-	-	-	-
Recreation and culture	-	-	-	-	-	-
Debt service						
Principal	-	-	-	-	-	-
Interest and other fees	-	-	-	-	-	-
Total expenditures	-	2,240,407	268,630	-	2,224,195	5,375
Revenues over (under) expenditures	-	312,604	(20,183)	-	(878,439)	(3,125)
Other financing sources (uses)						
Insurance recoveries/proceeds	-	-	-	-	-	-
Transfers in	-	4,650	15,093	-	1,166,714	6,600
Transfers out	(1,929,116)	(218,430)	-	-	(129,052)	-
Total other financing sources (uses)	(1,929,116)	(213,780)	15,093	-	1,037,662	6,600
Net change in fund balances	(1,929,116)	98,824	(5,090)	-	159,223	3,475
Fund balances, beginning of year	1,929,116	267,681	123,622	-	286,685	11,767
Fund balances, end of year	\$ -	\$ 366,505	\$ 118,532	\$ -	\$ 445,908	\$ 15,242

Special Revenue Funds (concluded)			Debt Service Fund	Total Nonmajor Governmental Funds
Soldiers' Relief	Veterans' Trust	Historical Preservation	Building Authority	
\$ -	\$ -	\$ 290,454	\$ -	\$ 3,496,244
-	-	-	-	177,675
-	-	-	-	2,521,872
-	-	-	-	548,178
-	-	8	261,200	302,868
-	-	-	-	165,668
-	-	-	-	17,975
-	24,616	-	1,326,727	3,907,964
-	24,616	290,462	1,587,927	11,138,444
-	-	-	-	114,004
-	-	-	-	219,442
-	-	-	-	189,530
48,957	26,738	-	-	9,612,935
-	-	-	-	61,718
-	-	290,462	-	290,462
-	-	-	1,855,000	1,855,000
-	-	-	855,678	855,678
48,957	26,738	290,462	2,710,678	13,198,769
(48,957)	(2,122)	-	(1,122,751)	(2,060,325)
-	-	-	-	5,579
55,329	-	-	1,029,675	4,002,541
-	-	-	(707,077)	(3,514,433)
55,329	-	-	322,598	493,687
6,372	(2,122)	-	(800,153)	(1,566,638)
17,888	2,923	-	819,710	7,082,593
<u>\$ 24,260</u>	<u>\$ 801</u>	<u>\$ -</u>	<u>\$ 19,557</u>	<u>\$ 5,515,955</u>

BAY COUNTY
FRIEND OF THE COURT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues				
Federal grants	\$ 57,500	\$ 57,500	\$ 71,234	\$ 13,734
Charges for services	43,500	43,500	43,902	402
Total revenues	<u>101,000</u>	<u>101,000</u>	<u>115,136</u>	<u>14,136</u>
Expenditures				
Judicial	<u>115,970</u>	<u>118,201</u>	<u>114,004</u>	<u>4,197</u>
Net change in fund balances	(14,970)	(17,201)	1,132	18,333
Fund balances, beginning of year	<u>154,424</u>	<u>154,424</u>	<u>154,424</u>	<u>-</u>
Fund balances, end of year	<u>\$ 139,454</u>	<u>\$ 137,223</u>	<u>\$ 155,556</u>	<u>\$ 18,333</u>

BAY COUNTY
HEALTH DEPARTMENT / DISTRICT HEALTH SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues				
Licenses and permits	\$ 183,900	\$ 183,900	\$ 177,675	\$ (6,225)
Federal grants	1,517,788	1,581,658	1,601,310	19,652
State grants	420,397	427,984	382,618	(45,366)
Interest, rents and royalties	1,000	1,000	4,375	3,375
Charges for services	101,700	101,700	87,669	(14,031)
Reimbursements, refunds, and other revenues	561,042	608,090	626,338	18,248
Total revenues	<u>2,785,827</u>	<u>2,904,332</u>	<u>2,879,985</u>	<u>(24,347)</u>
Expenditures				
Health and welfare	<u>3,881,899</u>	<u>4,254,275</u>	<u>3,591,860</u>	<u>662,415</u>
Revenues over (under) expenditures	<u>(1,096,072)</u>	<u>(1,349,943)</u>	<u>(711,875)</u>	<u>638,068</u>
Other financing sources (uses)				
Transfers in	1,548,277	1,739,595	1,588,645	(150,950)
Transfers out	<u>(377,205)</u>	<u>(377,205)</u>	<u>(377,205)</u>	<u>-</u>
Total other financing sources (uses)	<u>1,171,072</u>	<u>1,362,390</u>	<u>1,211,440</u>	<u>(150,950)</u>
Net change in fund balances	75,000	12,447	499,565	487,118
Fund balances, beginning of year	<u>286,280</u>	<u>286,280</u>	<u>286,280</u>	<u>-</u>
Fund balances, end of year	<u>\$ 361,280</u>	<u>\$ 298,727</u>	<u>\$ 785,845</u>	<u>\$ 487,118</u>

BAY COUNTY
GYPSY MOTH CONTROL SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2010

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Revenues				
Property and other taxes	\$ 299,057	\$ 300,691	\$ 305,111	\$ 4,420
Interest, rents and royalties	11,250	11,250	15,777	4,527
Reimbursements, refunds, and other revenues	-	-	3,650	3,650
Total revenues	<u>310,307</u>	<u>311,941</u>	<u>324,538</u>	<u>12,597</u>
Expenditures				
General government	<u>104,501</u>	<u>120,145</u>	<u>95,871</u>	<u>24,274</u>
Revenues over expenditures	205,806	191,796	228,667	36,871
Other financing uses				
Transfers out	<u>(25,633)</u>	<u>(32,773)</u>	<u>(32,773)</u>	<u>-</u>
Net change in fund balances	180,173	159,023	195,894	36,871
Fund balanced, beginning of year	<u>663,091</u>	<u>663,091</u>	<u>663,091</u>	<u>-</u>
Fund balances, end of year	<u>\$ 843,264</u>	<u>\$ 822,114</u>	<u>\$ 858,985</u>	<u>\$ 36,871</u>

BAY COUNTY
PUBLIC IMPROVEMENT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues				
Interest, rents and royalties	\$ 600	\$ 600	\$ 331	\$ (269)
Expenditures				
Recreation and culture	-	-	-	-
Net change in fund balances	600	600	331	(269)
Fund balances, beginning of year	19,900	19,900	19,900	-
Fund balances, end of year	<u>\$ 20,500</u>	<u>\$ 20,500</u>	<u>\$ 20,231</u>	<u>\$ (269)</u>

BAY COUNTY
REGISTER OF DEEDS AUTOMATION SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues				
Interest, rents and royalties	\$ 9,000	\$ 9,000	\$ 4,500	\$ (4,500)
Expenditures				
General government	48,577	134,080	98,508	35,572
Revenues over (under) expenditures	<u>(39,577)</u>	<u>(125,080)</u>	<u>(94,008)</u>	<u>31,072</u>
Other financing sources (uses)				
Insurance recoveries/proceeds	-	5,579	5,579	-
Transfers in	100,000	100,000	100,000	-
Transfers out	<u>(20,979)</u>	<u>(20,979)</u>	<u>(20,979)</u>	<u>-</u>
Total other financing sources (uses)	<u>79,021</u>	<u>84,600</u>	<u>84,600</u>	<u>-</u>
Net change in fund balances	39,444	(40,480)	(9,408)	31,072
Fund balances, beginning of year	<u>288,549</u>	<u>288,549</u>	<u>288,549</u>	<u>-</u>
Fund balances, end of year	<u>\$ 327,993</u>	<u>\$ 248,069</u>	<u>\$ 279,141</u>	<u>\$ 31,072</u>

BAY COUNTY
LOCAL C.F.O. TRAINING SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues				
Charges for services	\$ 18,000	\$ 18,000	\$ 17,584	\$ (416)
Expenditures				
Public safety	34,963	34,967	15,346	19,621
Net change in fund balances	(16,963)	(16,967)	2,238	19,205
Fund balances, beginning of year	60,592	60,592	60,592	-
Fund balances, end of year	<u>\$ 43,629</u>	<u>\$ 43,625</u>	<u>\$ 62,830</u>	<u>\$ 19,205</u>

BAY COUNTY
DRUG LAW ENFORCEMENT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues				
Fines and forfeitures	\$ 1,500	\$ 1,500	\$ 11,475	\$ 9,975
Reimbursements, refunds and other revenues	-	-	1,500	1,500
Total revenues	<u>1,500</u>	<u>1,500</u>	<u>12,975</u>	<u>11,475</u>
Expenditures				
Public safety	549	23,256	23,256	-
Net change in fund balances	951	(21,756)	(10,281)	11,475
Fund balances, beginning of year	<u>50,649</u>	<u>50,649</u>	<u>50,649</u>	<u>-</u>
Fund balances, end of year	<u>\$ 51,600</u>	<u>\$ 28,893</u>	<u>\$ 40,368</u>	<u>\$ 11,475</u>

BAY COUNTY
LAW LIBRARY SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues				
Fines and forfeitures	\$ 6,500	\$ 6,500	\$ 6,500	\$ -
Expenditures				
Judicial	21,820	21,820	25,063	(3,243)
Revenues under expenditures	<u>(15,320)</u>	<u>(15,320)</u>	<u>(18,563)</u>	<u>(3,243)</u>
Other financing sources				
Transfer in	15,320	15,320	15,320	-
Net change in fund balances	-	-	(3,243)	(3,243)
Fund balanced, beginning of year	41,126	41,126	41,126	-
Fund balanced, end of year	<u>\$ 41,126</u>	<u>\$ 41,126</u>	<u>\$ 37,883</u>	<u>\$ (3,243)</u>

BAY COUNTY
COMMUNITY CORRECTIONS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues				
State grants	\$ 147,320	\$ 147,320	\$ 141,019	\$ (6,301)
Expenditures				
Public safety	167,528	169,183	150,928	18,255
Revenues over (under) expenditures	<u>(20,208)</u>	<u>(21,863)</u>	<u>(9,909)</u>	<u>11,954</u>
Other financing sources				
Transfers in	20,208	20,515	20,515	-
Net change in fund balances	-	(1,348)	10,606	11,954
Fund balances, beginning of year	54,143	54,143	54,143	-
Fund balances, end of year	<u>\$ 54,143</u>	<u>\$ 52,795</u>	<u>\$ 64,749</u>	<u>\$ 11,954</u>

BAY COUNTY
HOME REHABILITATION SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues				
Federal grants	\$ 150,000	\$ 150,000	\$ 196,374	\$ 46,374
Interest, rents and royalties	1,000	1,000	646	(354)
Charges for services	300	300	75	(225)
Total revenues	<u>151,300</u>	<u>151,300</u>	<u>197,095</u>	<u>45,795</u>
Expenditures				
Community and economic development	<u>233,901</u>	<u>234,032</u>	<u>61,718</u>	<u>172,314</u>
Net change in fund balances	(82,601)	(82,732)	135,377	218,109
Fund balances, beginning of year	<u>1,657,863</u>	<u>1,657,863</u>	<u>1,657,863</u>	<u>-</u>
Fund balances, end of year	<u><u>\$ 1,575,262</u></u>	<u><u>\$ 1,575,131</u></u>	<u><u>\$ 1,793,240</u></u>	<u><u>\$ 218,109</u></u>

BAY COUNTY
MOSQUITO CONTROL SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues				
Property and other taxes	\$ 1,360,605	\$ 1,367,959	\$ 1,373,996	\$ 6,037
Interest, rents and royalties	12,000	12,000	11,134	(866)
Charges for services	-	-	378	378
Reimbursements, refunds, and other revenues	-	-	804	804
Total revenues	<u>1,372,605</u>	<u>1,379,959</u>	<u>1,386,312</u>	<u>6,353</u>
Expenditures				
Health and welfare	<u>1,361,516</u>	<u>1,367,691</u>	<u>1,206,773</u>	<u>160,918</u>
Revenues over expenditures	<u>11,089</u>	<u>12,268</u>	<u>179,539</u>	<u>167,271</u>
Other financing uses				
Transfer out	<u>(93,461)</u>	<u>(99,801)</u>	<u>(99,801)</u>	<u>-</u>
Net chang in fund balances	<u>(82,372)</u>	<u>(87,533)</u>	<u>79,738</u>	<u>167,271</u>
Fund balances, beginning of year	<u>346,584</u>	<u>346,584</u>	<u>346,584</u>	<u>-</u>
Fund balances, end of year	<u>\$ 264,212</u>	<u>\$ 259,051</u>	<u>\$ 426,322</u>	<u>\$ 167,271</u>

BAY COUNTY
REVENUE SHARING RESERVE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues				
Interest, rents and royalties	\$ 20,000	\$ 20,000	\$ -	\$ (20,000)
Other financing uses				
Transfer out	(1,874,454)	(1,874,454)	(1,929,116)	(54,662)
Net change in fund balances	(1,854,454)	(1,854,454)	(1,929,116)	(74,662)
Fund balances, beginning of year	1,929,116	1,929,116	1,929,116	-
Fund balances, end of year	<u>\$ 74,662</u>	<u>\$ 74,662</u>	<u>\$ -</u>	<u>\$ (74,662)</u>

BAY COUNTY
DIVISION ON AGING SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2010

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Revenues				
Property and other taxes	\$ 1,511,783	\$ 1,520,332	\$ 1,526,683	\$ 6,351
Federal grants	605,256	653,128	632,865	(20,263)
State grants	7,942	5,010	3,132	(1,878)
Interest, rents and royalties	11,000	11,000	4,897	(6,103)
Charges for services	27,346	27,346	16,060	(11,286)
Reimbursements, refunds, and other revenues	341,555	344,757	369,374	24,617
Total revenues	<u>2,504,882</u>	<u>2,561,573</u>	<u>2,553,011</u>	<u>(8,562)</u>
Expenditures				
Current				
Health and welfare	2,471,130	2,586,021	2,240,407	345,614
Total expenditures	<u>2,471,130</u>	<u>2,586,021</u>	<u>2,240,407</u>	<u>345,614</u>
Revenues over (under) expenditures	<u>33,752</u>	<u>(24,448)</u>	<u>312,604</u>	<u>337,052</u>
Other financing sources (uses)				
Transfers in	6,200	6,200	4,650	(1,550)
Transfers out	(218,430)	(218,430)	(218,430)	-
Other financing sources (uses)	<u>(212,230)</u>	<u>(212,230)</u>	<u>(213,780)</u>	<u>(1,550)</u>
Net change in fund balances	(178,478)	(236,678)	98,824	335,502
Fund balances, beginning of year	267,681	267,681	267,681	-
Fund balances, end of year	<u>\$ 89,203</u>	<u>\$ 31,003</u>	<u>\$ 366,505</u>	<u>\$ 335,502</u>

BAY COUNTY
SOCIAL WELFARE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues				
Reimbursements, refunds, and other revenues	\$ 634,353	\$ 634,353	\$ 248,447	\$ (385,906)
Expenditures				
Health and welfare	670,246	670,246	268,630	401,616
Revenues over (under) expenditures	<u>(35,893)</u>	<u>(35,893)</u>	<u>(20,183)</u>	<u>15,710</u>
Other financing sources				
Transfers in	15,093	15,093	15,093	-
Net change in fund balances	(20,800)	(20,800)	(5,090)	15,710
Fund balances, beginning of year	123,622	123,622	123,622	-
Fund balances, end of year	<u>\$ 102,822</u>	<u>\$ 102,822</u>	<u>\$ 118,532</u>	<u>\$ 15,710</u>

BAY COUNTY
SOCIAL SERVICES PROTECTIVE SERVICES SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues				
Reimbursements, refunds, and other revenues	\$ 500	\$ 500	\$ -	\$ (500)
Expenditures				
Health and welfare	500	500	-	500
Net change in fund balances	-	-	-	-
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

BAY COUNTY
CHILD CARE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues				
Federal grants	\$ 20,000	\$ 20,000	\$ 20,089	\$ 89
State grants	19,582	19,582	21,409	1,827
Reimbursements, refunds, and other revenues	<u>1,205,354</u>	<u>1,285,540</u>	<u>1,304,258</u>	<u>18,718</u>
Total revenues	<u>1,244,936</u>	<u>1,325,122</u>	<u>1,345,756</u>	<u>20,634</u>
Expenditures				
Health and welfare	<u>2,346,312</u>	<u>2,476,293</u>	<u>2,224,195</u>	<u>252,098</u>
Revenues over (under) expenditures	<u>(1,101,376)</u>	<u>(1,151,171)</u>	<u>(878,439)</u>	<u>272,732</u>
Other financing sources (uses)				
Transfers in	1,160,428	1,172,084	1,166,714	(5,370)
Transfers out	<u>(129,052)</u>	<u>(129,052)</u>	<u>(129,052)</u>	<u>-</u>
Total other financing sources (uses)	<u>1,031,376</u>	<u>1,043,032</u>	<u>1,037,662</u>	<u>(5,370)</u>
Net change in fund balances	(70,000)	(108,139)	159,223	267,362
Fund balances, beginning of year	<u>286,685</u>	<u>286,685</u>	<u>286,685</u>	<u>-</u>
Fund balances, end of year	<u>\$ 216,685</u>	<u>\$ 178,546</u>	<u>\$ 445,908</u>	<u>\$ 267,362</u>

BAY COUNTY
CHILD CARE / SOCIAL SERVICES SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues				
Reimbursements	\$ 900	\$ 900	\$ 2,250	\$ 1,350
Expenditures				
Health and welfare	7,500	7,500	5,375	2,125
Revenues over (under) expenditures	<u>(6,600)</u>	<u>(6,600)</u>	<u>(3,125)</u>	<u>3,475</u>
Other financing sources				
Transfers in	6,600	6,600	6,600	-
Net change in fund balances	-	-	3,475	3,475
Fund balances, beginning of year	<u>11,767</u>	<u>11,767</u>	<u>11,767</u>	<u>-</u>
Fund balances, end of year	<u>\$ 11,767</u>	<u>\$ 11,767</u>	<u>\$ 15,242</u>	<u>\$ 3,475</u>

BAY COUNTY
SOLDIERS' RELIEF SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues				
Reimbursements, refunds and other revenues	\$ -	\$ -	\$ -	\$ -
Expenditures				
Health and welfare	59,496	60,400	48,957	11,443
Revenues over (under) expenditures	<u>(59,496)</u>	<u>(60,400)</u>	<u>(48,957)</u>	<u>11,443</u>
Other financing sources				
Transfers in	59,496	60,400	55,329	(5,071)
Net change in fund balances	-	-	6,372	6,372
Fund balances, beginning of year	17,888	17,888	17,888	-
Fund balances, end of year	<u>\$ 17,888</u>	<u>\$ 17,888</u>	<u>\$ 24,260</u>	<u>\$ 6,372</u>

BAY COUNTY
VETERANS' TRUST SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues				
Reimbursements, refunds and other revenues	\$ 47,600	\$ 47,600	\$ 24,616	\$ (22,984)
Expenditures				
Health and welfare	47,600	47,600	26,738	20,862
Net change in fund balances	-	-	(2,122)	(2,122)
Fund balances, beginning of year	2,923	2,923	2,923	-
Fund balances, end of year	<u>\$ 2,923</u>	<u>\$ 2,923</u>	<u>\$ 801</u>	<u>\$ (2,122)</u>

BAY COUNTY
HISTORICAL PRESERVATION SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues				
Property and other taxes	\$ 288,493	\$ 288,493	\$ 290,454	\$ 1,961
Interest, rents and royalties	25	25	8	(17)
Total revenues	<u>288,518</u>	<u>288,518</u>	<u>290,462</u>	<u>1,944</u>
Expenditures				
Recreation and culture	<u>288,518</u>	<u>288,518</u>	<u>290,462</u>	<u>1,944</u>
Net change in fund balances	-	-	-	-
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Debt Service Funds

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

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

BAY COUNTY
BUILDING AUTHORITY DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues				
Interest, rents and royalties	\$ 305,800	\$ 305,800	\$ 261,200	\$ (44,600)
Reimbursements, refunds, and other revenues	1,418,653	1,418,653	1,326,727	(91,926)
Total revenues	<u>1,724,453</u>	<u>1,724,453</u>	<u>1,587,927</u>	<u>(136,526)</u>
Expenditures				
Debt service				
Principal	1,855,000	1,855,000	1,855,000	-
Interest and other fees	855,978	855,978	855,678	300
Total expenditures	<u>2,710,978</u>	<u>2,710,978</u>	<u>2,710,678</u>	<u>300</u>
Revenues under expenditures	<u>(986,525)</u>	<u>(986,525)</u>	<u>(1,122,751)</u>	<u>(136,226)</u>
Other financing sources (uses)				
Transfers in	1,029,675	1,029,675	1,029,675	-
Transfers out	-	(717,227)	(707,077)	10,150
Total other financing sources (uses)	<u>1,029,675</u>	<u>312,448</u>	<u>322,598</u>	<u>10,150</u>
Net change in fund balances	43,150	(674,077)	(800,153)	(126,076)
Fund balances, beginning of year	<u>819,710</u>	<u>819,710</u>	<u>819,710</u>	<u>-</u>
Fund balances, end of year	<u>\$ 862,860</u>	<u>\$ 145,633</u>	<u>\$ 19,557</u>	<u>\$ (126,076)</u>

Nonmajor Enterprise Funds

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

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

The 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
ENTERPRISE FUNDS
COMBINING STATEMENT OF NET ASSETS
DECEMBER 31, 2010

	Golf Course	Delinquent Property Tax Foreclosure	Commissary	Total
Assets				
Current Assets:				
Cash and cash equivalents	\$ 53,666	\$ 138,238	\$ 46,212	\$ 238,116
Investments	93,710	143,060	112,437	349,207
Accounts receivable, net of allowance	3,627	-	1,396	5,023
Due from other funds	-	12,601	-	12,601
Due from other governmental units	53	-	-	53
Accrued interest receivable	1,037	1,625	1,045	3,707
Inventories	40,511	-	-	40,511
Prepaid items and other current assets	-	11,917	-	11,917
Total current assets	192,604	307,441	161,090	661,135
Noncurrent assets:				
Net pension asset	4,284	-	-	4,284
Land	167,021	-	-	167,021
Land improvements	771,554	-	-	771,554
Buildings and improvements	406,224	-	-	406,224
Machinery and equipment	469,702	-	-	469,702
Office furniture and fixtures	15,664	143,130	-	158,794
Vehicles and other	15,050	-	-	15,050
Less accumulated depreciation	(1,251,453)	(65,668)	-	(1,317,121)
Total noncurrent assets	598,046	77,462	-	675,508
Total assets	790,650	384,903	161,090	1,336,643
Liabilities				
Current liabilities:				
Accounts payable	7,900	-	-	7,900
Accrued items and other liabilities	5,300	-	-	5,300
Accrued vacation and sick pay	2,915	-	-	2,915
Due to other funds	224	25,537	-	25,761
Due to other governmental units	96	-	137	233
Unearned revenue	12,091	-	-	12,091
Total current liabilities	28,526	25,537	137	54,200
Long-term liabilities:				
Accrued vacation and sick pay	21,853	-	-	21,853
Net OPEB obligation	17,285	-	-	17,285
Total long-term liabilities	39,138	-	-	39,138
Total liabilities	67,664	25,537	137	93,338
Net assets				
Investment in capital assets	593,762	77,462	-	671,224
Unrestricted	129,224	281,904	160,953	572,081
Total net assets	\$ 722,986	\$ 359,366	\$ 160,953	\$ 1,243,305

BAY COUNTY
ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2010

	Golf Course	Delinquent Property Tax Foreclosure	Commissary	Total
Operating revenues				
Charges for services	\$ 625,032	\$ 205,021	\$ 141,004	\$ 971,057
Reimbursements, refunds, and other revenue	3,030	6,915	9	9,954
Total operating revenues	<u>628,062</u>	<u>211,936</u>	<u>141,013</u>	<u>981,011</u>
Operating expenses				
Personal services	333,254	-	-	333,254
Supplies	71,758	-	-	71,758
Other services	206,780	144,498	113,956	465,234
Depreciation	59,561	21,434	-	80,995
Total operating expenses	<u>671,353</u>	<u>165,932</u>	<u>113,956</u>	<u>951,241</u>
Operating income (loss)	(43,291)	46,004	27,057	29,770
Nonoperating revenue				
Interest income	2,061	4,974	2,770	9,805
Income before transfers	(41,230)	50,978	29,827	39,575
Transfers				
Transfers out	-	-	(10,615)	(10,615)
Change in net assets	(41,230)	50,978	19,212	28,960
Net assets, beginning of year	764,216	308,388	141,741	1,214,345
Net assets, end of year	<u>\$ 722,986</u>	<u>\$ 359,366</u>	<u>\$ 160,953</u>	<u>\$ 1,243,305</u>

BAY COUNTY
ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Golf Course</u>	<u>Delinquent Property Tax Foreclosure</u>	<u>Commissary</u>	<u>Total</u>
Cash flows from operating activities				
Cash received from customers	\$ 630,255	\$ 205,249	\$ 140,362	\$ 975,866
Interfund reimbursements	(15)	-	-	(15)
Cash payments to suppliers for goods and services	(288,702)	(126,350)	(113,956)	(529,008)
Cash payments to employees and related taxes and insurance	(328,340)	-	9	(328,331)
Other operating revenues	3,030	6,915	9	9,954
Net cash provided by operating activities	<u>16,228</u>	<u>85,814</u>	<u>26,424</u>	<u>128,466</u>
Cash flows from noncapital financing activities				
Transfers out	-	-	(10,615)	(10,615)
Cash flows from capital and related financing activities				
Acquisition and construction of capital assets	(6,191)	(5,495)	-	(11,686)
Cash flows from investing activities				
Purchases of investments	(20,703)	(40,215)	(40,460)	(101,378)
Interest on investments	2,061	4,974	2,770	9,805
Net cash used by investing activities	<u>(18,642)</u>	<u>(35,241)</u>	<u>(37,690)</u>	<u>(91,573)</u>
Net increase (decrease) in cash and cash equivalents	(8,605)	45,078	(21,881)	14,592
Cash and cash equivalents, beginning of year	62,271	93,160	68,093	223,524
Cash and cash equivalents, end of year	<u>\$ 53,666</u>	<u>\$ 138,238</u>	<u>\$ 46,212</u>	<u>\$ 238,116</u>

BAY COUNTY
ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Golf Course</u>	<u>Delinquent Property Tax Foreclosure</u>	<u>Commissary</u>	<u>Total</u>
Reconciliation of operating income to net cash provided by operating activities				
Operating (loss) income	\$ (43,291)	\$ 46,004	\$ 27,057	\$ 29,770
Adjustments to reconcile operating (loss) income to net cash provided by operating activities				
Depreciation	59,561	21,434	-	80,995
Changes in assets and liabilities:				
Accounts receivable	1,719	-	(795)	924
Due from other governmental units	59	-	-	59
Accrued interest receivable	740	228	153	1,121
Inventories	(15,107)	-	-	(15,107)
Due from other funds	-	13,551	-	13,551
Prepaid items and other current assets	-	-	-	-
Net pension asset	(4,284)	-	-	(4,284)
Accounts payable	4,943	(20,940)	-	(15,997)
Accrued items and other liabilities	(600)	-	-	(600)
Accrued vacation and sick pay	1,377	-	-	1,377
Due to other funds	(15)	25,537	-	25,522
Due to other governmental units	(770)	-	9	(761)
Unearned revenue	2,705	-	-	2,705
Net OPEB obligation	9,191	-	-	9,191
Net cash provided by operating activities	<u>\$ 16,228</u>	<u>\$ 85,814</u>	<u>\$ 26,424</u>	<u>\$ 128,466</u>

Internal Service 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
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
DECEMBER 31, 2010

	<u>Self Insurance</u>	<u>Healthcare Self Insurance</u>	<u>Total</u>
Assets			
Current assets:			
Cash and cash equivalents	\$ 1,128,049	\$ 1,960,089	\$ 3,088,138
Investments	939,498	-	939,498
Accounts receivable, net of allowance	32	148,241	148,273
Accrued interest receivable	9,305	-	9,305
Due from other funds	23,781	-	23,781
Due from other governmental units	367	-	367
Due from component units	4,987	-	4,987
Prepaid items and other current assets	9,276	180,644	189,920
Total current assets	<u>2,115,295</u>	<u>2,288,974</u>	<u>4,404,269</u>
Noncurrent assets:			
Net pension asset	327	-	327
Total assets	<u>2,115,622</u>	<u>2,288,974</u>	<u>4,404,596</u>
Liabilities			
Current liabilities:			
Accounts payable	6,856	9,822	16,678
Accrued items and other liabilities	98,180	1,062	99,242
Due to other funds	19	-	19
Due to component unit	-	-	-
Due to other governmental units	-	-	-
Claims, settlements, and judgments	484,943	245,774	730,717
Total current liabilities	<u>589,998</u>	<u>256,658</u>	<u>846,656</u>
Long-term liabilities:			
Accrued vacation and sick pay	1,450	-	1,450
Total liabilities	<u>591,448</u>	<u>256,658</u>	<u>848,106</u>
Net assets			
Restricted:			
Insurance claims	1,524,174	1,707,651	3,231,825
Restricted contributions	-	324,665	324,665
Total net assets	<u>\$ 1,524,174</u>	<u>\$ 2,032,316</u>	<u>\$ 3,556,490</u>

BAY COUNTY
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Self Insurance</u>	<u>Healthcare Self Insurance</u>	<u>Total</u>
Operating revenues			
Charges for services	\$ 580,650	\$ 6,144,346	\$ 6,724,996
Operating expenses			
Personal services	630,461	5,376,871	6,007,332
Supplies	17	2,706	2,723
Other services	39,144	827,664	866,808
Total operating expenses	<u>669,622</u>	<u>6,207,241</u>	<u>6,876,863</u>
Operating loss	(88,972)	(62,895)	(151,867)
Nonoperating revenues			
Interest income	23,010	-	23,010
Income before transfers	(65,962)	(62,895)	(128,857)
Transfers			
Transfers out	-	(1,800)	(1,800)
Net change in assets	(65,962)	(64,695)	(130,657)
Net assets, beginning of year	<u>1,590,136</u>	<u>2,097,011</u>	<u>3,687,147</u>
Net assets, end of year	<u>\$ 1,524,174</u>	<u>\$ 2,032,316</u>	<u>\$ 3,556,490</u>

BAY COUNTY
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2010

	Self Insurance	Healthcare Self Insurance	Total
Cash flows from operating activities			
Cash received from interfund services provided	\$ 582,486	\$ 6,140,102	\$ 6,722,588
Interfund reimbursements	(585)	(501)	(1,086)
Cash payments to suppliers for goods and services	(35,383)	(955,555)	(990,938)
Cash payments to employees and related taxes and insurance	<u>(454,050)</u>	<u>(5,351,982)</u>	<u>(5,806,032)</u>
Net cash provided (used) by operating activities	<u>92,468</u>	<u>(167,936)</u>	<u>(75,468)</u>
Cash flows from noncapital financing activities			
Transfers out	<u>-</u>	<u>(1,800)</u>	<u>(1,800)</u>
Cash flows from investing activities			
Purchases of investments	(261,485)	-	(261,485)
Interest on investments	<u>23,010</u>	<u>-</u>	<u>23,010</u>
Cash used by investing activities	<u>(238,475)</u>	<u>-</u>	<u>(238,475)</u>
Net decrease in cash and cash equivalents	(146,007)	(169,736)	(315,743)
Cash and cash equivalents, beginning of year	<u>1,274,056</u>	<u>2,129,825</u>	<u>3,403,881</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,128,049</u></u>	<u><u>\$ 1,960,089</u></u>	<u><u>\$ 3,088,138</u></u>

BAY COUNTY
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Self Insurance</u>	<u>Healthcare Self Insurance</u>	<u>Total</u>
Reconciliation of operating income to net cash provided by operating activities			
Operating loss	\$ (88,972)	\$ (62,895)	\$ (151,867)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities			
Changes in assets and liabilities:			
Accounts receivable	358	(4,244)	(3,886)
Accrued interest receivable	4,438	-	4,438
Due from other funds	(594)	1	(593)
Due from component units	(2,960)	-	(2,960)
Due from other governmental units	(52)	-	(52)
Prepaid items and other current assets	3,550	(133,087)	(129,537)
Net pension asset	(327)	-	(327)
Accounts payable	228	7,902	8,130
Accrued items and other liabilities	(9,238)	1,062	(8,176)
Due to other funds	9	(502)	(493)
Due to component unit	-	(17,300)	(17,300)
Due to other governmental units	(554)	(9,504)	(10,058)
Claims, settlements, and judgments	186,315	50,631	236,946
Accrued vacation and sick pay	267	-	267
Net cash provided (used) by operating activities	<u>\$ 92,468</u>	<u>\$ (167,936)</u>	<u>\$ (75,468)</u>

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
PENSION AND OTHER EMPLOYEE BENEFITS TRUST FUNDS
COMBINING STATEMENT OF PLAN NET ASSETS
DECEMBER 31, 2010

	Employees' Retirement System	Public Employee Health Care	Total
Assets			
Investments at fair value:			
Common stock	\$ 165,764,714	\$ 23,055,270	\$ 188,819,984
Corporate bonds	23,429,558	2,269,882	25,699,440
Governmental securities	19,046,472	1,457,253	20,503,725
Short-term investment funds	6,534,609	389,333	6,923,942
Convertible bonds and equity	17,846,989	-	17,846,989
Other	2,440,359	-	2,440,359
Total investments	235,062,701	27,171,738	262,234,439
Receivables:			
Interest and dividends	656,124	56,201	712,325
Accounts	1,301,609	228,599	1,530,208
Total receivables	1,957,733	284,800	2,242,533
Other current assets:			
Prepaid items and other current assets	1,419,329	-	1,419,329
Net pension asset	1,332	-	1,332
Due from other funds	1,474	132,913	134,387
Due from component units	53,287	-	53,287
Due from other governmental units	1,616	-	1,616
Total other current assets	1,477,038	132,913	1,609,951
Total assets	238,497,472	27,589,451	266,086,923
Liabilities			
Accounts payable	1,049,417	22,762	1,072,179
Accrued items and other liabilities	1,922,626	-	1,922,626
Accrued vacation and sick pay	5,800	-	5,800
Due to other funds	134,387	-	134,387
Due to component units	509	-	509
Due to other governmental units	-	-	-
Net OPEB obligation	5,471	-	5,471
Total liabilities	3,118,210	22,762	3,140,972
Net assets			
Held in trust for pension and healthcare benefits	<u>\$ 235,379,262</u>	<u>\$ 27,566,689</u>	<u>\$ 262,945,951</u>

**BAY COUNTY
EMPLOYEE PENSION AND OTHER BENEFITS TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Employees' Retirement System	Public Employee Health Care	Total
Additions			
Contributions:			
Employer	\$ 2,754,507	\$ 1,953,525	\$ 4,708,032
Current premium contributions	-	1,158,134	1,158,134
Plan members	1,954,427	-	1,954,427
Total contributions	4,708,934	3,111,659	7,820,593
Investment income:			
Net appreciation in fair value of investments	32,303,837	1,704,022	34,007,859
Interest and dividends	4,772,412	635,360	5,407,772
Less investment expense	(1,603,224)	(12,798)	(1,616,022)
Net investments	35,473,025	2,326,584	37,799,609
Other revenue	275,618	-	275,618
Total additions	40,457,577	5,438,243	45,895,820
Deductions			
Benefits	10,786,895	-	10,786,895
Retiree healthcare premium payments	-	1,158,134	1,158,134
Administrative expenses	155,316	111,728	267,044
Pension expense	2,828	-	2,828
Refunds of contributions	128,001	-	128,001
Total deductions	11,073,040	1,269,862	12,342,902
Change in net assets	29,384,537	4,168,381	33,552,918
Net assets held in trust for pension and healthcare benefits:			
Beginning of year	205,994,725	23,398,308	229,393,033
End of year	\$ 235,379,262	\$ 27,566,689	\$ 262,945,951

**BAY COUNTY
AGENCY FUNDS
COMBINING STATEMENT OF ASSETS AND LIABILITIES
DECEMBER 31, 2010**

	General Agency	Current Tax Collections	Library Penal Fine	Flexible Spending Plan	Total
Assets					
Cash and cash equivalents	\$ 4,140,447	\$ -	\$ 44,510	\$ 47,174	\$ 4,232,131
Investments	4,547,142	337,437	-	-	4,884,579
Accounts receivable	293	-	-	-	293
Due from other funds	-	-	-	-	-
Due from component unit	-	-	-	-	-
Total assets	\$ 8,687,882	\$ 337,437	\$ 44,510	\$ 47,174	\$ 9,117,003
Liabilities					
Accounts payable	\$ 28,699	\$ 129,389	\$ -	\$ 23,514	\$ 181,602
Accrued items and other liabilities	104,239	-	-	23,660	127,899
Due to other funds	-	-	-	-	-
Due to component units	8,184,815	207,872	44,510	-	8,437,197
Due to other governmental units	194,873	-	-	-	194,873
Deposits	163,780	-	-	-	163,780
Undistributed taxes	11,476	176	-	-	11,652
Total liabilities	\$ 8,687,882	\$ 337,437	\$ 44,510	\$ 47,174	\$ 9,117,003

BAY COUNTY
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	Balance January 1, 2010	Additions	Deductions	Balance December 31, 2010
<u>General Agency Fund</u>				
Assets				
Cash and cash equivalents	\$ 6,093,463	\$ 65,831,950	\$ 67,784,966	\$ 4,140,447
Investments	2,071,669	7,306,705	4,831,232	4,547,142
Accounts receivable	5,714	3,936	9,357	293
Total assets	\$ 8,170,846	\$ 73,142,591	\$ 72,625,555	\$ 8,687,882
Liabilities				
Accounts payable	\$ 647	\$ 18,256,495	\$ 18,228,443	\$ 28,699
Accrued items and other liabilities	112,946	147,804	156,511	104,239
Due to other funds	24,094	-	24,094	-
Due to component units	7,521,967	10,966,836	10,303,988	8,184,815
Due to other governmental units	291,812	17,918,932	18,015,871	194,873
Deposits	207,608	72,254	116,082	163,780
Undistributed taxes	11,772	127,809	128,105	11,476
Total liabilities	\$ 8,170,846	\$ 47,490,130	\$ 46,973,094	\$ 8,687,882
<u>Current Tax Collection Fund</u>				
Assets				
Cash and cash equivalents	\$ 377,858	\$ 103,861,389	\$ 104,239,247	\$ -
Investments	-	337,437	-	337,437
TOTAL ASSETS	\$ 377,858	\$ 104,198,826	\$ 104,239,247	\$ 337,437
Liabilities				
Accounts payable	\$ 80,688	\$ 27,283,336	\$ 27,234,635	\$ 129,389
Due to component units	288,214	7,098,527	7,178,869	207,872
Undistributed taxes	8,956	30,182,613	30,191,393	176
Total liabilities	\$ 377,858	\$ 64,564,476	\$ 64,604,897	\$ 337,437
<u>Library Penal Fine</u>				
Assets				
Cash and cash equivalents	\$ -	\$ 358,785	\$ 314,275	\$ 44,510
Accounts receivable	6,500	-	6,500	-
Due from other funds	24,094	-	24,094	-
Due from component unit	265	-	265	-
Total assets	\$ 30,859	\$ 358,785	\$ 345,134	\$ 44,510
Liabilities				
Due to component units	\$ 30,859	\$ 705,285	\$ 691,634	\$ 44,510

Continued...

BAY COUNTY
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS (CONCLUDED)
FOR THE YEAR ENDED DECEMBER 31, 2010

	Balance January 1, 2010	Additions	Deductions	Balance December 31, 2010
<u>Flexible Spending Plan Fund</u>				
Assets				
Cash and cash equivalents	\$ 52,398	\$ 106,322	\$ 111,546	\$ 47,174
Liabilities				
Accounts payable	\$ 23,514	\$ -	\$ -	\$ 23,514
Accrued items and other liabilities	28,884	106,322	111,546	23,660
Total liabilities	\$ 52,398	\$ 106,322	\$ 111,546	\$ 47,174
 <u>Total - All Agency Funds</u>				
Assets				
Cash and cash equivalents	\$ 6,523,719	\$ 170,158,446	\$ 172,450,034	\$ 4,232,131
Investments	2,071,669	7,644,142	4,831,232	4,884,579
Accounts receivable	12,214	3,936	15,857	293
Due from other funds	24,094	-	24,094	-
Due from component unit	265	-	265	-
Total assets	\$ 8,631,961	\$ 177,806,524	\$ 177,321,482	\$ 9,117,003
Liabilities				
Accounts payable	\$ 104,849	\$ 45,539,831	\$ 45,463,078	\$ 181,602
Accrued items and other liabilities	141,830	254,126	268,057	127,899
Due to other funds	24,094	-	24,094	-
Due to component units	7,841,040	18,770,648	18,174,491	8,437,197
Due to other governmental units	291,812	17,918,932	18,015,871	194,873
Deposits	207,608	72,254	116,082	163,780
Undistributed taxes	20,728	30,310,422	30,319,498	11,652
Total liabilities	\$ 8,631,961	\$ 112,866,213	\$ 112,381,171	\$ 9,117,003

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.

BAY COUNTY
LIBRARY SYSTEM COMPONENT UNIT
STATEMENT OF NET ASSETS AND BALANCE SHEET - GOVERNMENTAL FUND
DECEMBER 31, 2010

	<u>Library System</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
Assets			
Current assets:			
Cash and cash equivalents	\$ 5,368,682	\$ -	\$ 5,368,682
Accounts receivable, net of allowance	4,330	-	4,330
Property taxes receivable, net of allowance	5,750,950	-	5,750,950
Accrued interest receivable	41,022	-	41,022
Due from primary government	54,130	-	54,130
Prepaid items and other current assets	160,039	-	160,039
Total current assets	<u>11,379,153</u>	<u>-</u>	<u>11,379,153</u>
Capital assets:			
Land	-	107,487	107,487
Land improvements	-	103,946	103,946
Buildings and improvements	-	1,171,086	1,171,086
Machinery and equipment	-	136,810	136,810
Office furniture and fixtures	-	1,216,249	1,216,249
Books and audio/visual materials	-	2,792,050	2,792,050
Vehicles and other	-	182,770	182,770
Less accumulated depreciation	-	(2,968,835)	(2,968,835)
Total capital assets	<u>-</u>	<u>2,741,563</u>	<u>2,741,563</u>
Total noncurrent assets	<u>-</u>	<u>2,741,563</u>	<u>2,741,563</u>
Total assets	<u>\$ 11,379,153</u>	<u>2,741,563</u>	<u>14,120,716</u>
Liabilities			
Current liabilities:			
Accounts payable	\$ 85,869	-	85,869
Accrued items and other liabilities	99,845	-	99,845
Due to primary government	-	-	-
Deferred / unearned revenue	5,750,950	-	5,750,950
Total current liabilities	<u>5,936,664</u>	<u>-</u>	<u>5,936,664</u>
Noncurrent liabilities:			
Accrued vacation and sick pay, long term	-	172,068	172,068
Net OPEB obligation	-	3,503	3,503
Total noncurrent liabilities	<u>-</u>	<u>175,571</u>	<u>175,571</u>
Total liabilities	<u>5,936,664</u>	<u>175,571</u>	<u>6,112,235</u>
Fund balances			
Reserved for:			
Prepaid expenditures	160,039	(160,039)	-
Capital outlay	123,991	(123,991)	-
Restricted assets	19,226	(19,226)	-
Restricted contributions	712,450	(712,450)	-
Unreserved:			
Designated for projects and activities	2,572,287	(2,572,287)	-
Undesignated	1,854,496	(1,854,496)	-
Total fund balances	<u>5,442,489</u>	<u>(5,442,489)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 11,379,153</u>		
Net assets			
Invested in capital assets		2,741,563	2,741,563
Unrestricted		5,266,918	5,266,918
Total net assets		<u>\$ 8,008,481</u>	<u>\$ 8,008,481</u>

BAY COUNTY
LIBRARY SYSTEM COMPONENT UNIT
STATEMENT OF ACTIVITIES AND STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Library System</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues			
Property and other taxes	\$ 6,184,957	\$ -	\$ 6,184,957
Federal grants	11,558	-	11,558
State grants	48,517	-	48,517
Interest income	104,151	-	104,151
Charges for services	442,999	-	442,999
Donations	76,719	-	76,719
Total revenues	<u>6,868,901</u>	<u>-</u>	<u>6,868,901</u>
Expenditures / expenses			
Current			
Recreation and culture	5,151,135	(421,899)	4,729,236
Depreciation	-	559,293	559,293
Capital outlay	-	-	-
Contributions to other units	1,418,652	-	1,418,652
Total expenditures / expenses	<u>6,569,787</u>	<u>137,394</u>	<u>6,707,181</u>
Net change in fund balance / net assets	299,114	(137,394)	161,720
Fund balance / net assets, beginning of year	<u>5,143,375</u>	<u>2,703,386</u>	<u>7,846,761</u>
Fund balance / net assets, end of year	<u>\$ 5,442,489</u>	<u>\$ 2,565,992</u>	<u>\$ 8,008,481</u>

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
DRAIN COMMISSION COMPONENT UNIT
STATEMENT OF NET ASSETS AND BALANCE SHEET - GOVERNMENTAL FUND
DECEMBER 31, 2010

	Drain Debt Service Funds	Drains Operations and Maintenance	Drain Capital Projects Fund
Assets			
Cash and cash equivalents	\$ 114,180	\$ 131,800	\$ 734,942
Investments	127,462	191,484	1,353,935
Special assessments	1,039,273	-	69,400
Accrued interest receivable	1,305	1,913	13,534
Due from other funds	-	35,096	13,144
Due from primary government	39,442	40,578	15,361
Due from other governmental units	35,791	258,073	44,246
Prepaid items and other current assets	30	3,632	-
Capital assets, net:			
Assets not being depreciated	-	-	-
Assets being depreciated	-	-	-
Total assets	\$ 1,357,483	\$ 662,576	\$2,244,562
Liabilities			
Accounts payable	\$ -	\$ 6,199	\$ 67,712
Accrued items and other liabilities	-	2,700	-
Due to other funds	-	468	189,098
Due to primary governments	-	21,847	27,434
Deferred / unearned revenue	1,173,350	309,425	101,284
Long-term liabilities:			
Due within one year	-	-	-
Due in more than one year	-	-	-
Total liabilities	1,173,350	340,639	385,528
Fund balances			
Reserved for prepaid expenditures	30	3,632	-
Unreserved:			
Designated for projects and activities	-	-	32,811
Undesignated	184,103	318,305	1,826,223
Total fund balances	184,133	321,937	1,859,034
Total liabilities and fund balances	\$ 1,357,483	\$ 662,576	\$2,244,562
Net assets			
Invested in capital assets, net of related debt			
Restricted for:			
Debt service			
Unrestricted			
Total net assets			

Revolving Drain	Auburn Road Drain	Total Governmental Funds	Adjustments	Statement of Net Assets
\$ -	\$ 127,784	\$ 1,108,706	-	\$ 1,108,706
-	203,104	1,875,985	-	1,875,985
-	101,423	1,210,096	-	1,210,096
-	2,034	18,786	-	18,786
141,326	-	189,566	(189,566)	-
-	1,035	96,416	-	96,416
-	-	338,110	-	338,110
-	-	3,662	-	3,662
-	-	-	340,673	340,673
-	-	-	3,519,587	3,519,587
<u>\$ 141,326</u>	<u>\$ 435,380</u>	<u>\$ 4,841,327</u>	<u>\$3,670,694</u>	<u>\$ 8,512,021</u>
\$ -	\$ -	73,911	-	73,911
-	-	2,700	19,928	22,628
-	-	189,566	(189,566)	-
141,326	-	190,607	-	190,607
-	154,638	1,738,697	(1,738,697)	-
-	-	-	292,785	292,785
-	-	-	1,029,201	1,029,201
<u>141,326</u>	<u>154,638</u>	<u>2,195,481</u>	<u>(586,349)</u>	<u>1,609,132</u>
-	-	3,662	(3,662)	-
-	-	32,811	(32,811)	-
-	280,742	2,609,373	(2,609,373)	-
-	280,742	2,645,846	(2,645,846)	-
<u>\$ 141,326</u>	<u>\$ 435,380</u>	<u>\$ 4,841,327</u>		
			2,538,274	2,538,274
			464,875	464,875
			<u>3,899,740</u>	<u>3,899,740</u>
			<u>\$6,902,889</u>	<u>\$ 6,902,889</u>

BAY COUNTY
DRAIN COMMISSION COMPONENT UNIT
STATEMENT OF ACTIVITIES AND STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	Drain Debt Service Funds	Drains Operations and Maintenance	Drain Capital Projects Fund
Revenues			
Property and other taxes	\$ 351,075	\$ 11,323	\$ 135,497
Federal grants	-	-	82,004
Lincenses and permits	-	600	4,950
Interest, rents and royalties	4,332	36,915	53,819
Reimbursements, refunds and other revenue	32,496	41,577	62,907
Contributions from local units	54,761	268,073	27,048
Total revenues	442,664	358,488	366,225
Expenditures / expenses			
Public works:			
Contractual services	-	256,850	449,264
Capital outlay	-	-	-
Depreciation	-	-	-
Debt service:			
Principal	371,897	26,268	-
Interest and fiscal charges	55,907	2,228	-
Total expenditures / expenses	427,804	285,346	449,264
Revenues over (under) expenditures / expenses	14,860	73,142	(83,039)
Other financing sources (uses)			
Insurance recoveries/proceeds	-	10,650	-
Transfers in	-	-	25,603
Transfers out	-	(25,603)	-
Total other financing sources (uses)	-	(14,953)	25,603
Net change in fund balances	14,860	58,189	(57,436)
Fund balances / net assets, beginning of year	169,273	263,748	1,916,470
Fund balances/ net assets, end of year	\$ 184,133	\$ 321,937	\$ 1,859,034

Revolving Drain	Auburn Road Drain	Total Governmental Funds	Adjustments	Statement of Activities
\$ -	\$ 56,264	\$ 554,159	\$ (584,299)	\$ (30,140)
-	-	82,004	-	82,004
-	-	5,550	-	5,550
-	6,155	101,221	-	101,221
-	-	136,980	-	136,980
-	-	349,882	-	349,882
-	62,419	1,229,796	(584,299)	645,497
-	-	706,114	(200,281)	505,833
-	-	-	-	-
-	-	-	181,602	181,602
-	-	398,165	(398,165)	-
-	15,766	73,901	(7,446)	66,455
-	15,766	1,178,180	(424,290)	753,890
-	46,653	51,616	(160,009)	(108,393)
-	-	10,650	-	10,650
-	-	25,603	-	25,603
-	-	(25,603)	-	(25,603)
-	-	10,650	-	10,650
-	46,653	62,266	(160,009)	(97,743)
-	234,089	2,583,580	4,417,052	7,000,632
\$ -	\$ 280,742	\$ 2,645,846	\$ 4,257,043	\$ 6,902,889