

Bay County,
Michigan



Year Ended
December 31,
2018

Comprehensive
Annual
Financial
Report

Prepared by:
Bay County Finance Department

BAY COUNTY, MICHIGAN

Table of Contents

	<u>Page</u>
INTRODUCTORY SECTION	
The Board of Commissioners	2
Letter of Transmittal	3
GFOA Certificate of Achievement	8
Organizational Chart	9
FINANCIAL SECTION	
Independent Auditors' Report	14
Management's Discussion and Analysis	18
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	30
Statement of Activities	31
Fund Financial Statements:	
Balance Sheet - Governmental Funds	33
Reconciliation of Fund Balances for Governmental Funds to Net Position of Governmental Activities	35
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	36
Reconciliation of Net Changes in Fund Balances of Governmental Funds to Change in Net Position of Governmental Activities	38
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual:	
General Fund	39
911 Service Special Revenue Fund	40
Division on Aging Special Revenue Fund	41
Mosquito Control Special Revenue Fund	42
Statement of Net Position - Proprietary Funds	43
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	45
Statement of Cash Flows - Proprietary Funds	46
Statement of Fiduciary Net Position - Fiduciary Funds	48
Statement of Changes in Fiduciary Net Position - Fiduciary Funds	49
Combining Statement of Net Position - Component Units	50
Combining Statement of Activities - Component Units	52
Notes to Financial Statements	56

BAY COUNTY, MICHIGAN

Table of Contents

	<u>Page</u>
Required Supplementary Information	
Employees' Retirement System	
Schedule of Changes in Net Pension Asset and Related Ratios	103
Schedule of the Net Pension Asset	104
Schedule of Contributions	105
VEBA Trust - Retiree Healthcare Plan	
Schedule of Changes in Net OPEB Liability and Related Ratios	106
Schedule of the Net OPEB Liability	107
Schedule of Contributions	108
Combining and Individual Fund Financial Statements and Schedules	
Nonmajor Governmental Funds:	
Combining Balance Sheet	112
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	116
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	120
Nonmajor Enterprise Funds:	
Combining Statement of Net Position	139
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position	140
Combining Statement of Cash Flows	141
Internal Service Funds:	
Combining Statement of Net Position	144
Combining Statement of Revenues, Expenses and Changes in Fund Net Position	145
Combining Statement of Cash Flows	146
Fiduciary Funds:	
Combining Statement of Plan Net Position - Pension and Other Employee Benefits - Employees' Retirement System and VEBA Trust Fund	149
Combining Statement of Changes in Plan Net Position - Pension and Other Employee Benefits - Employees' Retirement System and VEBA Trust Fund	150
Combining Statement of Fiduciary Net Position - Private Purpose Trust Funds	151
Combining Statement of Changes in Fiduciary Net Position - Private Purpose Trust Funds	152
Combining Statement of Assets and Liabilities - Agency Funds	153
Combining Statement of Changes in Assets and Liabilities - Agency Funds	154

BAY COUNTY, MICHIGAN

Table of Contents

	<u>Page</u>
Component Units:	
Statement of Net Position and Balance Sheet - Library System Component Unit	157
Statement of Activities and Statement of Revenues, Expenditures and Changes in Fund Balance - Library System Component Unit	158
Combining Statement of Net Position and Balance Sheet - Drain Commission Component Unit	159
Combining Statement of Activities and Statement of Revenues, Expenditures and Changes in Fund Balances - Drain Commission Component Unit	161
STATISTICAL SECTION (UNAUDITED)	
Net Position by Component	165
Changes in Net Position	167
Fund Balances of Governmental Funds	171
Changes in Fund Balances of Governmental Funds	173
Governmental Activities Tax Revenue By Year	175
Assessed and Estimated Actual Value of Taxable Property	176
Property Tax Rates - Direct and Overlapping Governments	178
Principal Property Taxpayers	180
Property Tax Levies and Collections	181
Ratios of Outstanding Debt by Type	182
Ratios of General Bonded Debt Outstanding	184
Direct and Overlapping Governmental Activities Debt	185
Legal Debt Margin Information	186
Pledged-Revenue Coverage	188
Demographic and Economic Statistics	190
Principal Employers	191
Full-time Equivalent Government Employees by Function/Program	193
Operating Indicators by Function/Program	195
Capital Asset Statistics by Function/Program	197

INTRODUCTORY SECTION

THE BOARD OF COMMISSIONERS

MICHAEL J. DURANCZYK
CHAIRMAN

MICHAEL E. LUTZ
VICE CHAIRMAN

VAUGHN J. BEGICK
SERGEANT AT ARMS

ERNIE KRYGIER
KIM COONAN

TOM RYDER
THOMAS M. HEREK

ROBERT REDMOND
FINANCIAL ANALYST

ADMINISTRATION

JAMES A. BARCIA
COUNTY EXECUTIVE

JAN HISTED
FINANCE OFFICER

KIMBERLY PRIESSNITZ
ASSISTANT FINANCE OFFICER

INDEPENDENT AUDITORS
REHMANN ROBSON



**BAY COUNTY
FINANCE/INFORMATION SYSTEMS**

James A. Barcia
County Executive

Jan M. Histed
Finance Officer
histedj@baycounty.net

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

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

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

June 27, 2019

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

The Comprehensive Annual Financial Report (CAFR) of Bay County, Michigan, for the calendar year ended December 31, 2018, is hereby submitted. State Law requires each municipality within the state of Michigan to file an audit report annually with the Michigan Department of Treasury within six months from the end of its fiscal year. This report was prepared by the Bay County Finance Department.

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

The Bay County Board of Commissioners has engaged with Rehmann Robson CPAs & Consultants, Independent Auditors to meet the requirements of the state statutes. The independent auditors' unmodified opinion for the year ended December 31, 2018, is included at the front of the financial section of this report.

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

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

PROFILE OF THE GOVERNMENT

Bay County, Michigan, incorporated in 1857, is located approximately 100 miles north of Detroit in the mid-eastern part of the state on the shores of the Saginaw Bay. It occupies 442 square miles and currently serves a population of approximately 103,923. Bay County is the 20th largest of 83 counties in the state of Michigan. Bay County is empowered to levy a property tax on real, personal, and industrial property located within its boundaries.

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

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

LOCAL ECONOMY AND MAJOR INITIATIVES

The 2010 population census identified the population of Bay County to be 107,771. As of July 1, 2018, the population of Bay County has declined to an estimated 103,923 or approximately a 4% reduction from the 2010 census. This declining trend may reverse itself in the next decade based upon the level and diversity of business developments.

The average unemployment rate for Bay County for the year ended December 31, 2018, was 5.8%. This compares with Bay County's rate as of December 31, 2017, of 5.6% and with the December 31, 2018, average nationwide rate of 3.9%, and with the 2018 statewide rate of 4.1%.

Most recently, the county's state equalized values (SEV) of real property have increased 2.47%, 1.83% and 1.63% for 2016, 2017 and 2018 respectively. For 2019, Bay County is projecting an increase of \$87,062,006 or 2.81% in state equalized values of real property which totals \$3,186,928,473. The state equalized value of personal property decreased by 16.51% or \$48,546,556 in 2016, decreased by 10.55% or \$25,905,401 in 2017 and decreased by 1.78% or \$3,909,028 in 2018. For 2019 Bay County is projecting an increase of 2.52% in the SEV of personal property which totals \$5,445,853. In total, the County's SEV for both real and personal property is projected to increase 2.79% or \$92,507,859 to \$3,408,075,691.

Dow Chemical Company is revitalizing their Heritage Dow Corning Campus also in Williams Township in Bay County which will create and secure jobs in the area. This site will become the home of Dow's \$100 million dollar, 100,000 square foot Innovation Center. The project is expected to be completed by the end of 2019. The facility will accommodate 200 employees who will develop new technologies and products for a variety of the company's key markets.

The Bay County Animal Control facility worked tirelessly in 2018 towards achieving the coveted status of being a "no-kill" shelter, and recorded an 89% save rate. More living dogs and cats have left the facility than in many previous years. A shelter is considered "no kill" when its save rate hits 90 percent. In 2018, Bay County Animal Control had a survival rate that exceeded their 2017 rate of 85.34%. This is a steady increase from 2016 which ended the year with 65.81%. A new Outreach Specialist position will assist Animal Control in increasing animal adoption rates. Euthanasia at the facility only occurs for reasons of aggressiveness or illnesses. If an animal has been at the facility for a substantial time, it is transferred to another facility for a better shot at finding a permanent home.

One of the most controversial issues which were brought to light at the end of 2017 is the Bridge Crisis that the City of Bay City is experiencing. Bay City sits on the Saginaw River and is connected by four drawbridges, in which two are owned by the State of Michigan and the remaining two, the Independence Bridge and the Liberty Bridge are locally owned by the City of Bay City. Both of the locally owned bridges are in need of \$9 million in repairs over the next several years, and according to Bay City officials, they do not have the funds to complete the repairs. Funding discussions have risen regarding the possibility of selling the bridges and privatizing them (with a possible toll), voting on a county-wide millage and researching grant dollars to help fund the repairs necessary to repair the bridges. Bay County's County Executive has stated he'll do whatever he can to help the City with the major repair efforts. This topic will be an ongoing issue and stands to have many consequences on the city and county residents.

The economic expansion and development of Uptown Bay City, a Brownfield Redevelopment Site, will allow for an increase in both businesses and residents in Bay County as well as, a rise in the local tax-base. Shaheen Development which developed the Costela Brazilian Steak House in Uptown this year will also begin construction on a three story 55,000 square foot mixed use building near the Saginaw River in Bay County. The project is estimated to cost \$8.6 million dollars. The new structure will feature a first floor of 19,000 square feet of commercial space for office and retail use. The second and third floors will be residential condominiums that will rent for \$975 to \$1,150 per month. The new facility located in the up-and-coming neighborhood presents easy access to work, shop, restaurants, and entertainment which provides incentive for new businesses and citizens to call the County of Bay, Michigan home.

In 2016, Bay County paid off the county's 1997 Court Refunding Bonds and Ice Arena Bonds. This leaves the county with only one remaining general obligation debt issuance, the Library Refinance bond. The 2019 principal payment on this bond is 1,350,000 and is due in November of 2019. These principal payments continue through the year 2020.

FINANCIAL POLICIES

Relevant Financial Policies

In accordance with the County's General Financial Policy and amended Bay County Ordinance No. 28, which mandates the General Fund establish and maintain a reserve for a long-term advance to the Budget Stabilization Fund at a minimum of 5% to a maximum of now 20% (modified with resolution 2016-202) of the General Fund's current year adopted operating budget. The fund advance at the end of December 31, 2018 was \$6,824,764.32, which is equal to 19.4% of the County's five most recent *General Fund Operating Budgets*. If funds are available, additional advances will be provided in the future. The Budget Stabilization Fund, in accordance with MCL section 141.443, can be used to cover a General Fund, fund deficit, to prevent a reduction in the level of public services or in the number of employees where revenues are not sufficient to cover expenditures, or to cover expenditures arising because of a natural disaster to the extent that such expenditures are not covered by federal or state funds.

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

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

Budgetary Controls

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

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

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

AWARDS AND ACKNOWLEDGEMENTS

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

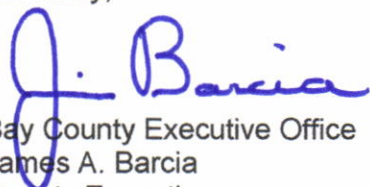
In order to be awarded a Certificate of Achievement, the government must publish an easily readable and efficiently organized CAFR whose contents conform to program standards. This CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

Bay County, Michigan, received a Certificate of Achievement for its 2014, 2015, 2016 and 2017 CAFR for fiscal year ending date of December 31, after not submitting for the five years previous. We believe that our current CAFR meets the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for a certificate.

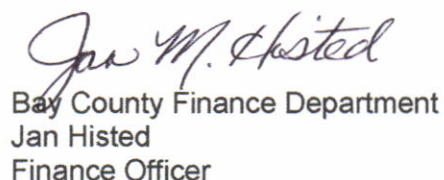
In addition, the Bay County Health Department has met all standards set by the Michigan Local Public Health Accreditation Program and as of December 2018, has been awarded a three year accreditation which is effective 2019 through 2021. This accreditation process looks at a mandatory standards-based system for accrediting local public health departments.

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

Sincerely,



Bay County Executive Office
James A. Barcia
County Executive



Bay County Finance Department
Jan Histed
Finance Officer



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Bay County
Michigan**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

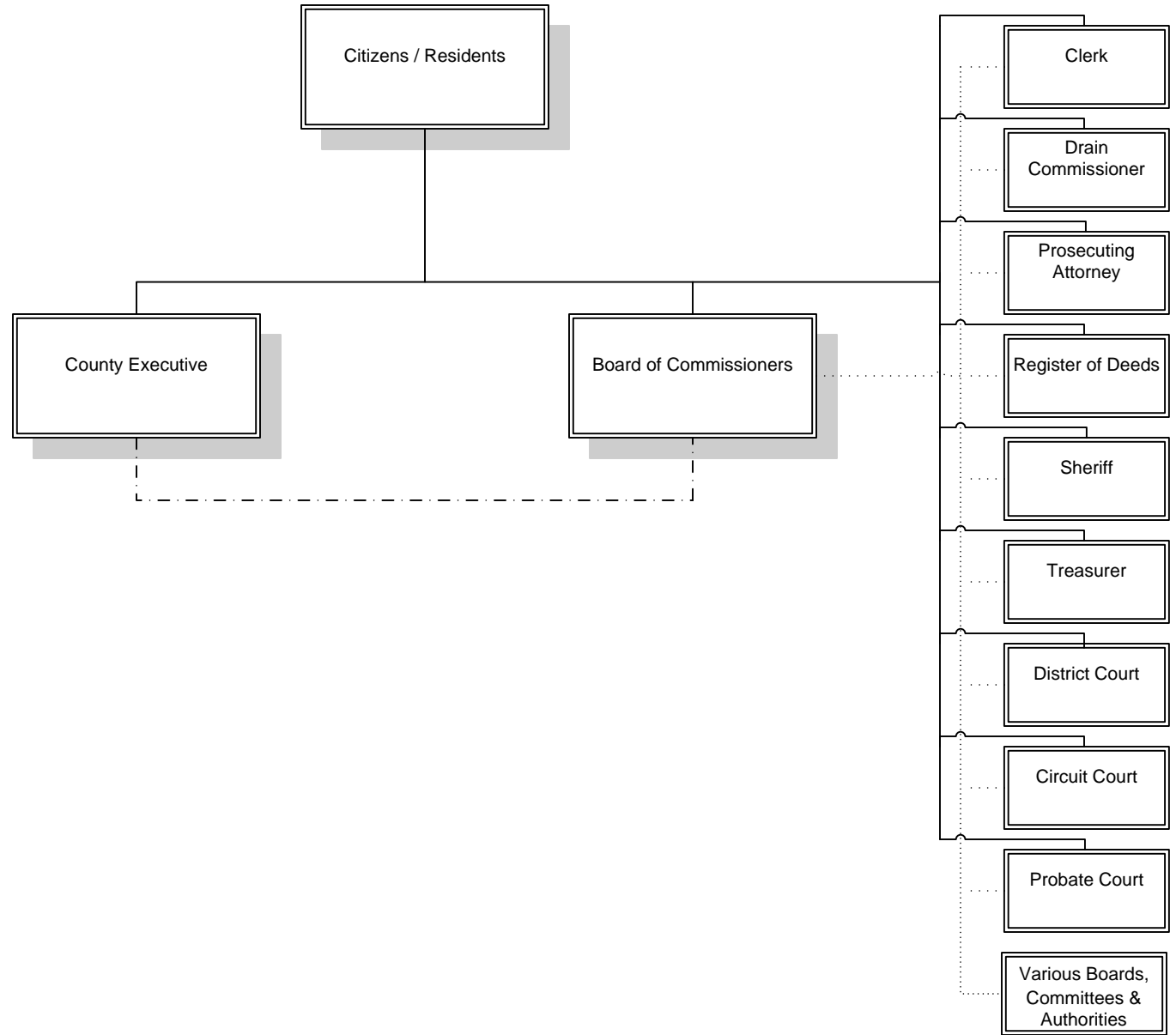
December 31, 2017

Christopher P. Morill

Executive Director/CEO



Bay County Organizational Chart 2018



Legend:

Direct Control _____

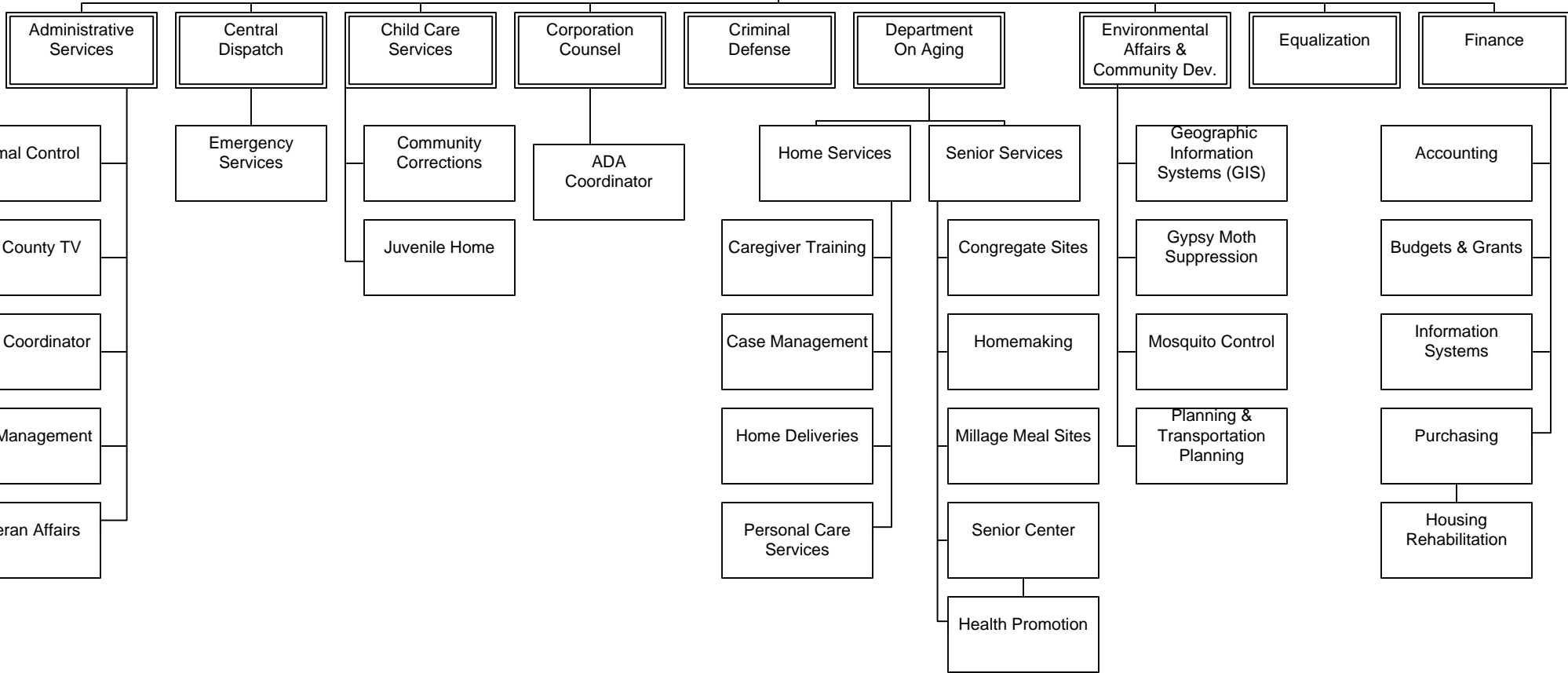
Coordinated Budget/Personnel, etc.

Legislative Coordination - - - - -



Bay County Organizational Chart
County Executive 2018

County Executive

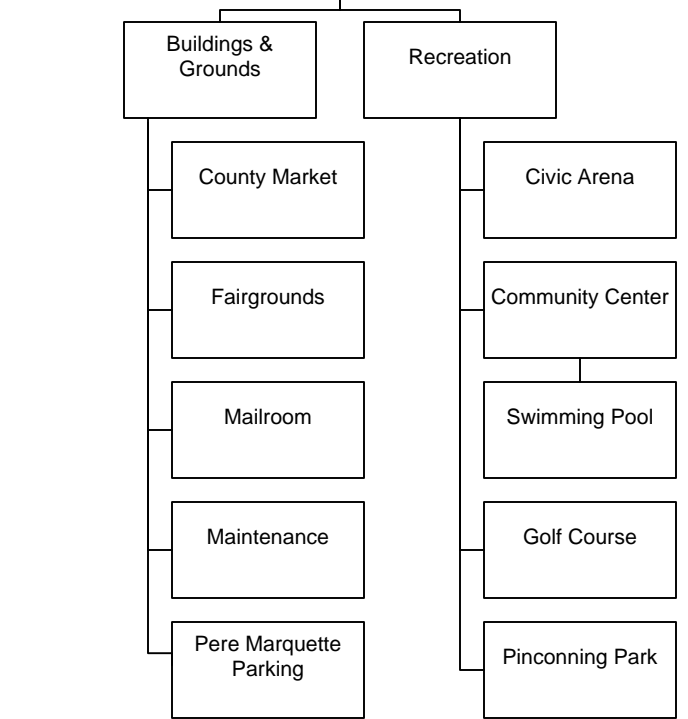
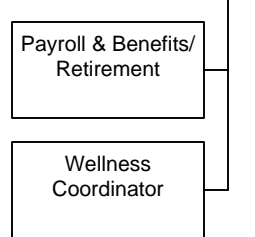
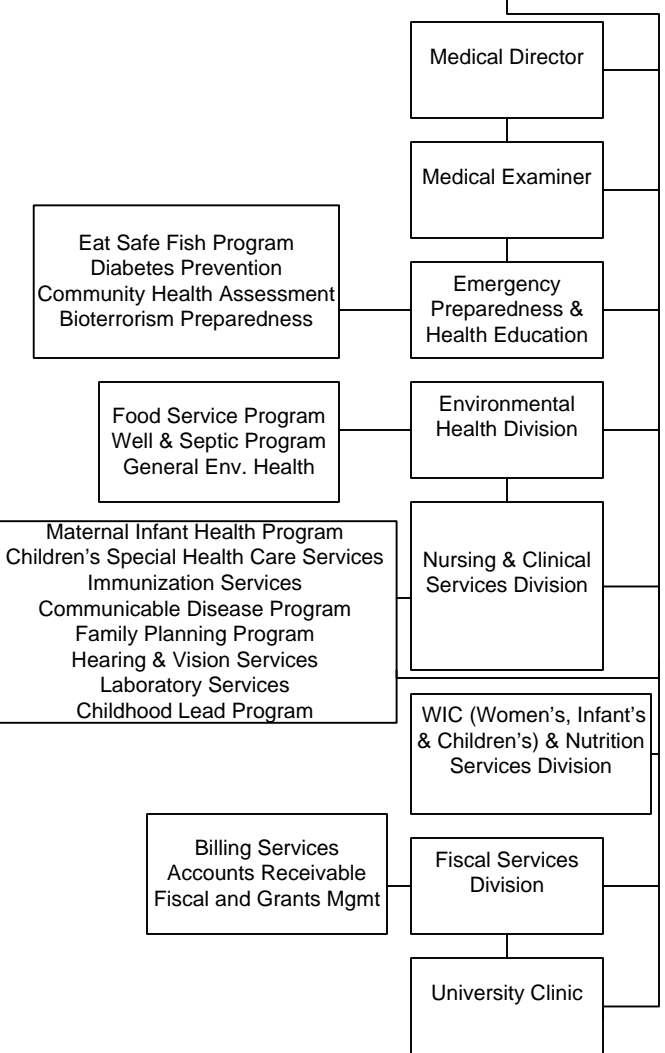


Legend:
 Direct Control _____
 Coordinated Budget/Personnel, etc.
 Legislative Coordination - - - - -



Bay County Organizational Chart
County Executive 2018 (Cont.)

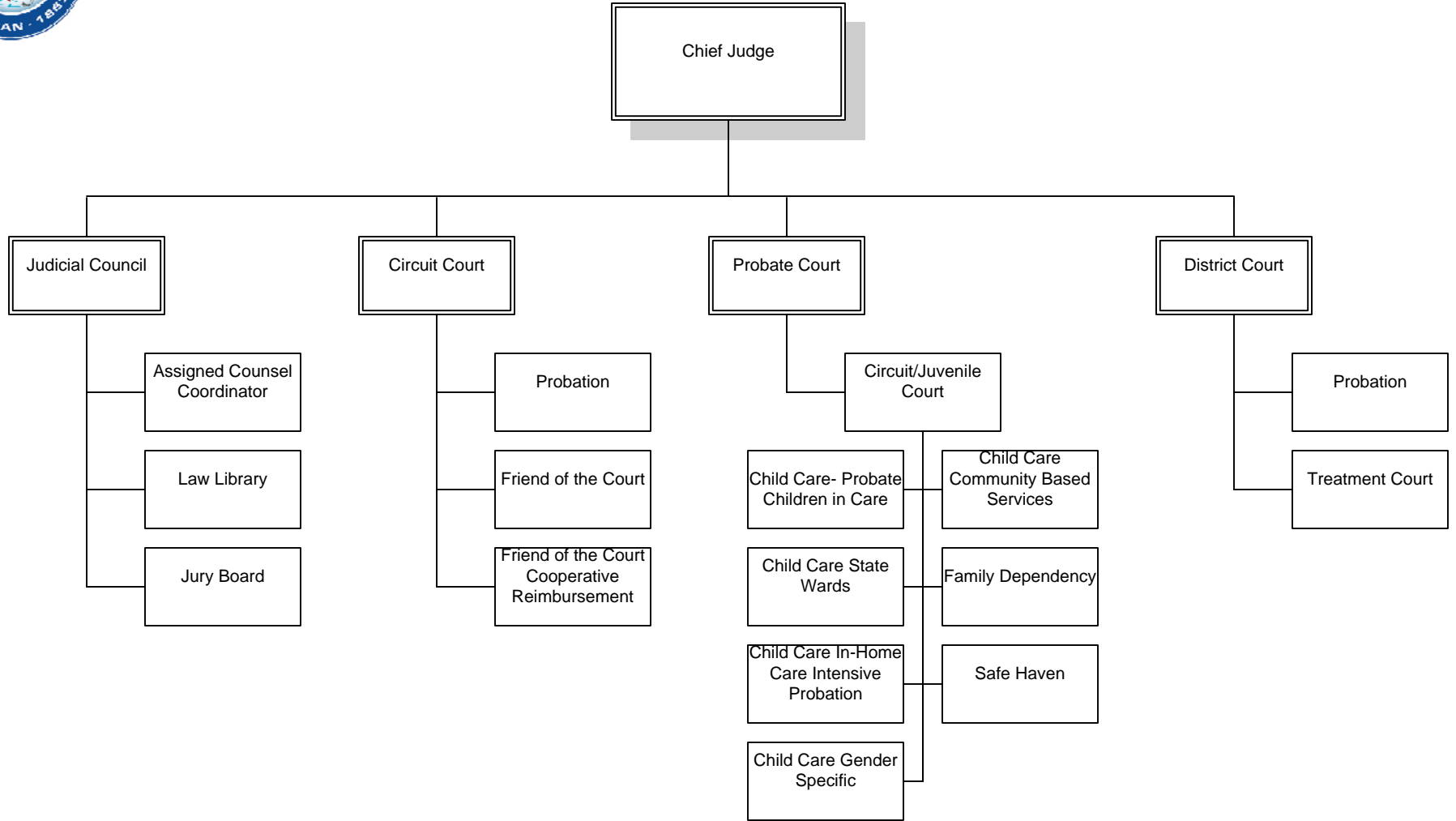
County Executive



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



Bay County Organization Chart 2018



Legend:

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

FINANCIAL SECTION

The Financial Section contains:

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

INDEPENDENT AUDITORS' REPORT

June 27, 2019

Board of Commissioners
 Bay County, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of *Bay County, Michigan* (the "County"), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Independent Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Bay County Road Commission component unit, Bay County Department of Water and Sewer component unit, or the Bay County Housing enterprise fund, which represent the indicated percentages of aggregate discretely presented component units and aggregate remaining funds total assets and deferred outflows of resources, net position and revenues, as applicable:

	Percent of Total Assets and Deferred Outflows	Percent of Total Net Position	Percent of Total Revenues
Bay County Road Commission	45%	60%	34%
Bay County Department of Water and Sewer	44%	27%	52%
Bay County Housing	0%	0%	10%

Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Bay County Road Commission component unit, Bay County Department of Water and Sewer component unit and the Bay County Housing enterprise fund are based on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Bay County, Michigan, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund and each major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Implementation of GASB Statement No. 75

As discussed in Note 18 to the financial statements, the County implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, in the current year. Accordingly, the beginning net position for the governmental activities, business-type activities, medical care facility enterprise fund, 100% tax payment enterprise fund, nonmajor enterprise funds, internal service funds, the library system component unit, road commission component unit, and department of water and sewer component unit were restated. Our opinion is not modified with respect to this matter.

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

BAY COUNTY, MICHIGAN

Management's Discussion and Analysis

As management of Bay County, Michigan, we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended December 31, 2018. We encourage readers to consider the information presented here in conjunction with the accompanying basic financial statements.

Financial Highlights

■ Total primary government net position	\$ 70,169,071
■ Unrestricted primary government net position (deficit)	(21,808,513)
■ Change in primary government net position	(8,162,541)
■ Fund balances, governmental funds	23,233,827
■ Changes in fund balances, governmental funds	(6,917,800)
■ Unassigned fund balance, general fund	3,890,566
■ Change in fund balance, general fund	(2,069,519)
■ Primary government debt outstanding	59,703,970
■ Change in primary government debt	(288,079)

Overview of the Financial Statements

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

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

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

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

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

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

BAY COUNTY, MICHIGAN

Management's Discussion and Analysis

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

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

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

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

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

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

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

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain information concerning the County's progress in funding its obligation to provide pension and other postemployment benefits to its employees. This information can be found in the required supplementary information, as listed in the table of contents. The combining statements and schedules referred to earlier in connection with nonmajor governmental and proprietary funds, as listed in the table of contents, can be found after the required supplementary information.

BAY COUNTY, MICHIGAN

Management's Discussion and Analysis

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Bay County, as the following table demonstrates, assets and deferred inflows of resources exceeded liabilities and deferred inflows of resources by \$70,169,071 at the close of the most recent fiscal year. Explanations for significant changes are described below.

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Assets						
Current and other assets	\$ 65,611,459	\$ 56,232,174	\$ 93,505,365	\$ 35,298,640	\$159,116,824	\$ 91,530,814
Capital assets, net	42,309,034	102,343,901	16,906,635	10,476,374	59,215,669	112,820,275
Total assets	107,920,493	158,576,075	110,412,000	45,775,014	218,332,493	204,351,089
Deferred outflows of resources						
	6,668,854	9,348,188	5,172,493	5,131,768	11,841,347	14,479,956
Liabilities						
Long-term debt	5,012,520	59,960,643	54,691,450	31,406	59,703,970	59,992,049
Other liabilities	38,015,817	30,478,880	31,253,705	18,006,506	69,269,522	48,485,386
Total liabilities	43,028,337	90,439,523	85,945,155	18,037,912	128,973,492	108,477,435
Deferred inflows of resources						
	22,834,946	12,455,950	8,196,331	2,696,648	31,031,277	15,152,598
Net position						
Net investment in capital assets	39,365,674	47,381,569	16,906,635	10,476,374	56,272,309	57,857,943
Restricted	26,903,546	26,347,728	8,801,729	8,307,899	35,705,275	34,655,627
Unrestricted (deficit)	(17,543,156)	(8,700,507)	(4,265,357)	11,387,949	(21,808,513)	2,687,442
Total net position	\$ 48,726,064	\$ 65,028,790	\$ 21,443,007	\$ 30,172,222	\$ 70,169,071	\$ 95,201,012

The largest portion of the County's net position, \$56,272,309 (80.2%), reflects its investment in capital assets (e.g., land, construction in progress, land improvements, buildings and improvements, machinery and equipment, office furniture and equipment, and vehicles) less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the County's net position, \$35,705,275 (50.9%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is a deficit of \$21,808,513.

BAY COUNTY, MICHIGAN

Management's Discussion and Analysis

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues						
Program revenues:						
Charges for services	\$ 11,478,575	\$ 14,799,263	\$ 25,985,059	\$ 25,507,277	\$ 37,463,634	\$ 40,306,540
Operating grants and contributions	10,707,960	10,250,852	289,934	243,171	10,997,894	10,494,023
Capital grants and contributions	252,212	25,656	-	88,601	252,212	114,257
General revenues:						
Property taxes	22,741,235	23,431,134	2,033,378	2,322,520	24,774,613	25,753,654
Unrestricted investment earnings	475,324	655,718	2,979,437	433,503	3,454,761	1,089,221
Other revenue	257,270	276,619	301,110	981,117	558,380	1,257,736
Total revenues	45,912,576	49,439,242	31,588,918	29,576,189	77,501,494	79,015,431
Expenses						
General government	11,876,960	13,985,259	-	-	11,876,960	13,985,259
Public safety	10,768,356	12,488,375	-	-	10,768,356	12,488,375
Community and economic development	238,601	232,762	-	-	238,601	232,762
Health and welfare	13,051,308	12,231,626	-	-	13,051,308	12,231,626
Public works	9,497,250	3,276,850	-	-	9,497,250	3,276,850
Judicial	6,854,177	7,746,008	-	-	6,854,177	7,746,008
Legislative	1,847,979	420,966	-	-	1,847,979	420,966
Recreation and culture	1,796,293	1,928,930	-	-	1,796,293	1,928,930
Interest on long-term debt	49,018	80,969	-	-	49,018	80,969
Medical care facility	-	-	25,334,691	26,173,665	25,334,691	26,173,665
100% tax payment	-	-	155,672	186,469	155,672	186,469
Golf course	-	-	519,861	559,004	519,861	559,004
Housing	-	-	677,984	735,110	677,984	735,110
Water plant	-	-	2,624,245	-	2,624,245	-
Delinquent property tax foreclosure	-	-	221,765	199,705	221,765	199,705
Commissary	-	-	149,875	196,495	149,875	196,495
Total expenses	55,979,942	52,391,745	29,684,093	28,050,448	85,664,035	80,442,193

continued...

BAY COUNTY, MICHIGAN

Management's Discussion and Analysis

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Change in net position before transfers	\$ (10,067,366)	\$ (2,952,503)	\$ 1,904,825	\$ 1,525,741	\$ (8,162,541)	\$ (1,426,762)
Transfers	1,349,200	1,944,799	(1,349,200)	(1,944,799)	-	-
Change in net position	(8,718,166)	(1,007,704)	555,625	(419,058)	(8,162,541)	(1,426,762)
Net position:						
Beginning of year	65,028,790	66,036,494	30,172,222	30,591,280	95,201,012	96,627,774
Restatement	(7,584,560)	-	(9,284,840)	-	(16,869,400)	-
Net position, end of year	<u>\$ 48,726,064</u>	<u>\$ 65,028,790</u>	<u>\$ 21,443,007</u>	<u>\$ 30,172,222</u>	<u>\$ 70,169,071</u>	<u>\$ 95,201,012</u>

concluded.

The County implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, during the current year. The implementation of this new standard resulted in a restatement to beginning net position of governmental and business-type activities as indicated above.

Governmental Activities. Along with the restatement, the new implementation also created variances among the activity between the current and past year's expenses for retiree healthcare. As a result, the decrease in the governmental activities' expenses related to general government's retiree healthcare totaled \$1,139,268 in 2018.

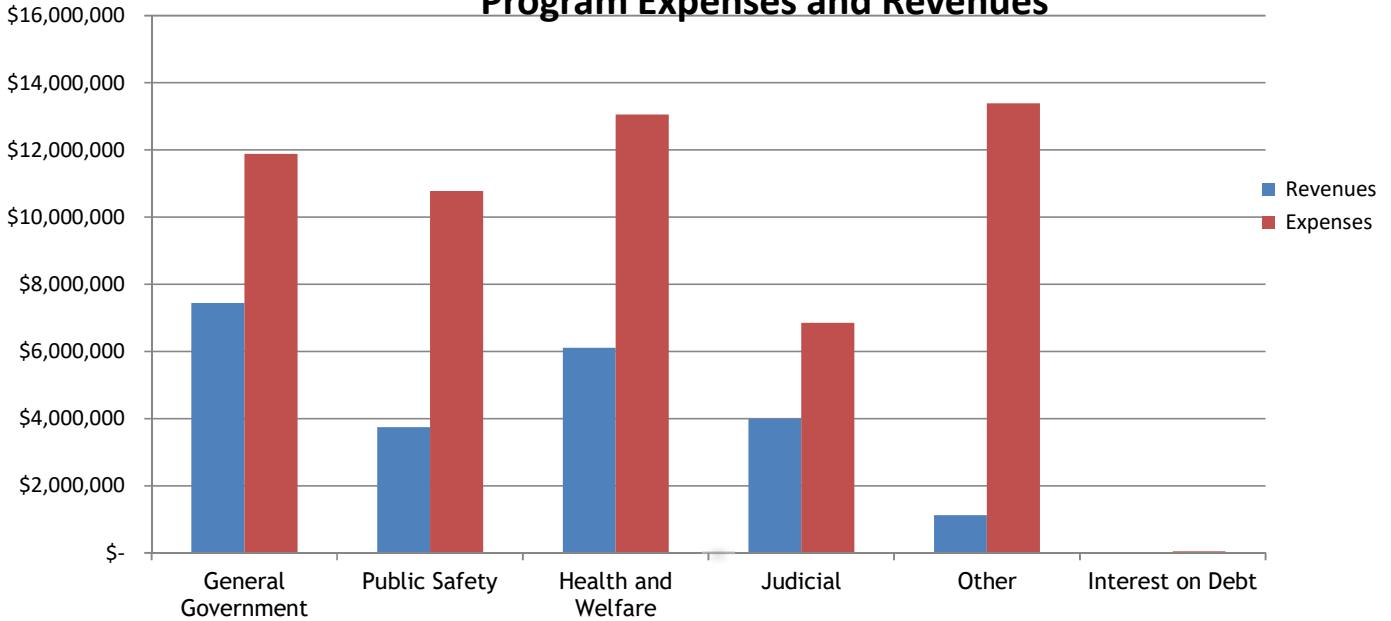
In 2018, expenses for public safety decreased by \$1,720,019. An adjustment for pension related activity of \$2,121,065 was the primary contributor for the decrease from the past year.

At January 1, 2018, the County created a new Enterprise Fund to account for the transfer of the Construction in progress for the new Department of Water Treatment Plant. This transfer resulted in a one-time contribution expense and interest adjustment net of \$9,497,164 from governmental activities under public works. These expenses were also highly contributable to the County's net position decrease of \$8,162,541 during the current fiscal year.

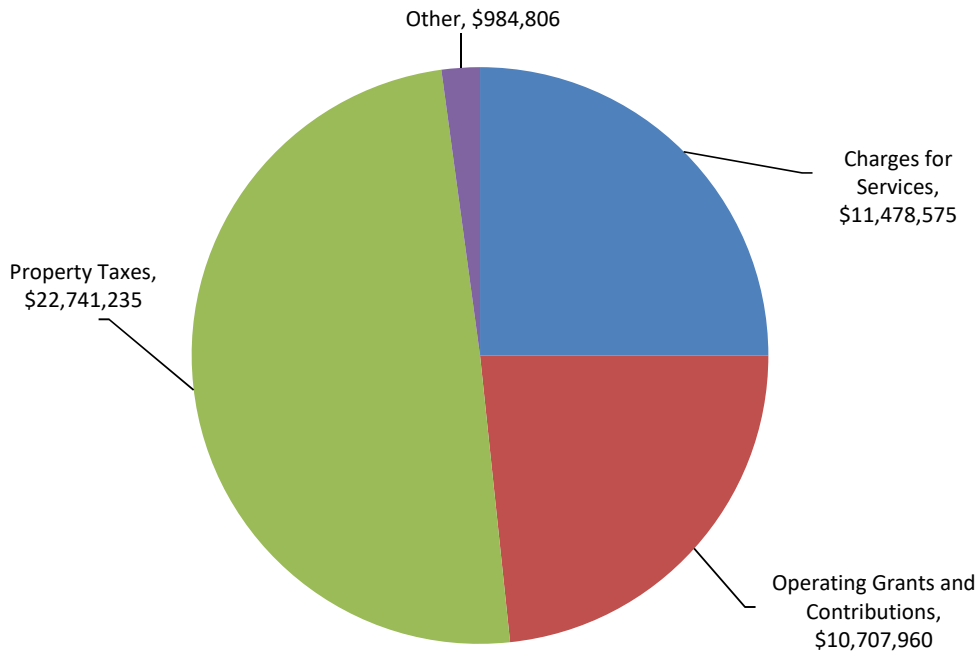
An additional result of the DWS transfer into the newly created business-type fund was the reduction of the charges for services under the governmental activities. Special assessment revenue for this project decreased by \$3,980,000 in the current year, and contributed to the decrease in net position for governmental activities of \$8,718,166.

Business-Type Activities. Business-type activities increased the County's net position by \$555,619 compared to a decrease of \$419,058 in the prior year. Although an increase of \$2,545,934 for unrestricted investment earnings was recorded for the newly comprised business-type water plant fund, a correlating expense of \$2,624,245 also was incurred, with little contribution to the change in net position. However, a reduction in retirement contributions of approximately \$680,000 with an offset of approximately \$219,000 for certified public expenses, did contribute to the increase in 2018.

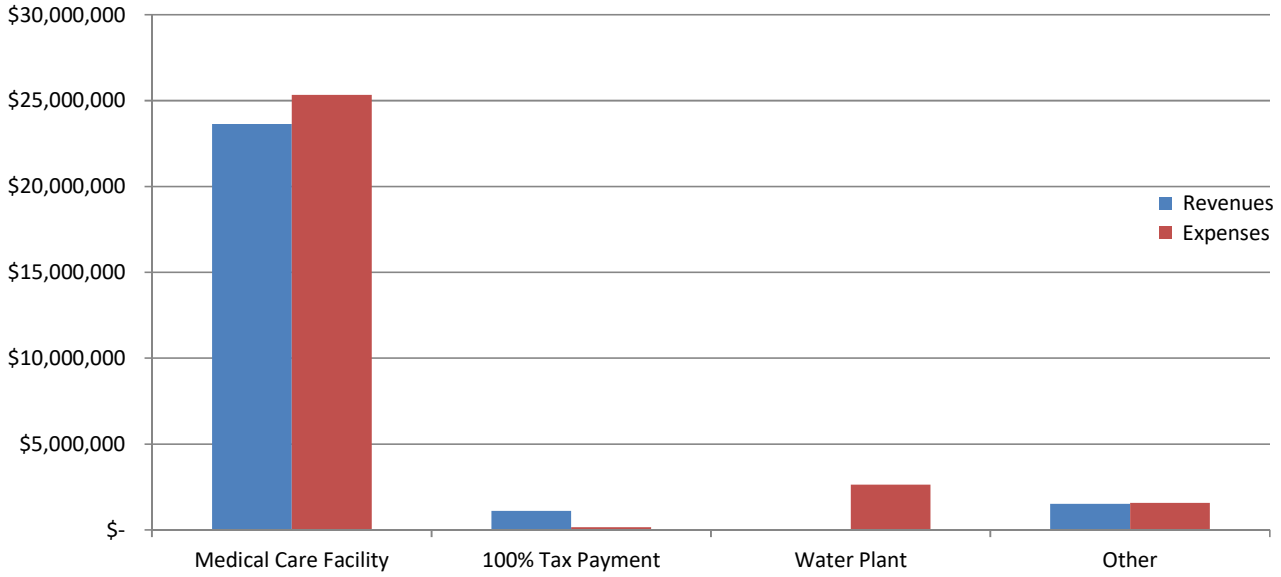
**Governmental Activities
Program Expenses and Revenues**



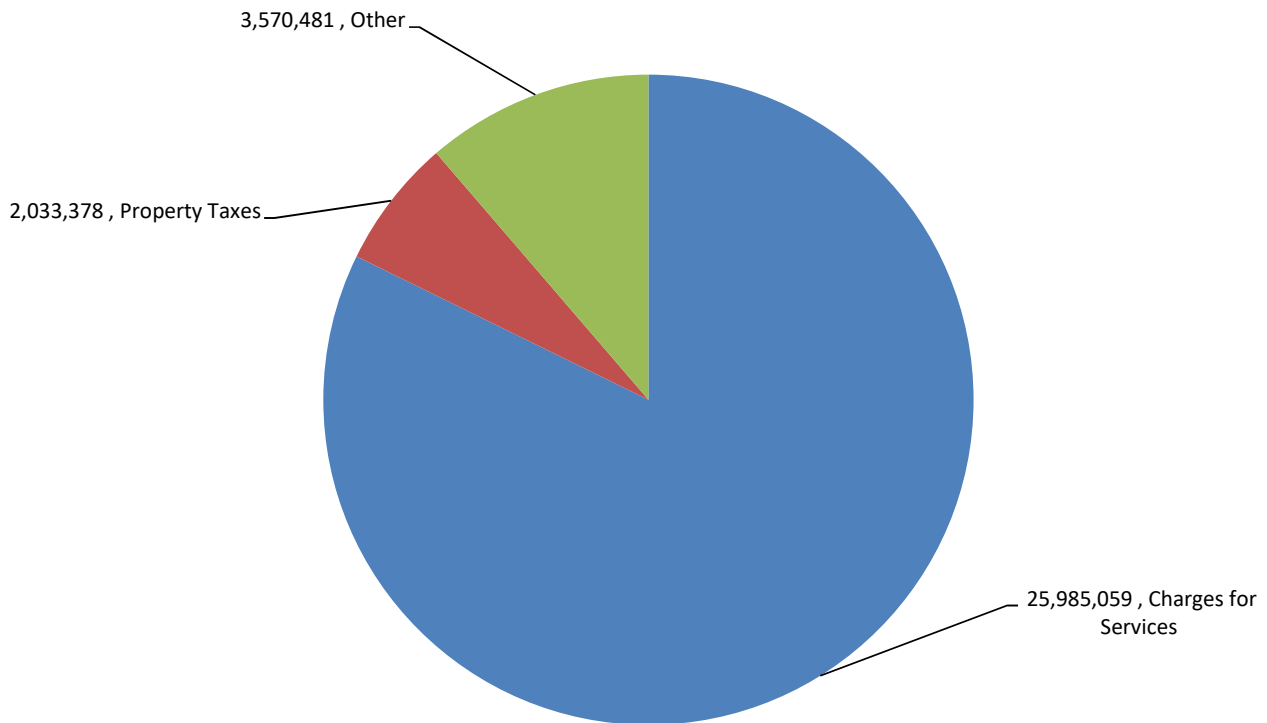
Revenues by Source/Governmental -Type Activities



Business-Type Activities Program Expenses and Revenues



Revenues by Source/Business-Type Activities



BAY COUNTY, MICHIGAN

Management's Discussion and Analysis

Financial Analysis of the County's Funds

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

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

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$23,233,827, a decrease of \$6,917,800 compared to the prior year. Of this amount, \$6,824,764 is committed fund balance and \$3,676,912 is assigned fund balance. The underlying distinction between the two is that committed fund balance has been designated by the highest level of decision making authority and formal action is needed to establish, modify, or rescind a commitment. An additional \$3,890,566 is unassigned and available for spending at the government's discretion. The remainder of fund balance is not available for new spending and is either nonspendable (\$1,271,591) or restricted (\$7,569,994).

The general fund is the chief operating fund of the County. At the end of the current fiscal year, the unassigned fund balance of the general fund was \$3,890,566 while total fund balance amounted to \$13,248,907. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total expenditures. Unassigned fund balance represents 11.9% of total general fund expenditures, while total fund balance represents 40.4% of that same amount.

Fund balance of the County's general fund decreased by \$2,069,519 during the current fiscal year. The general fund decrease was primarily due to a one-time lump sum contribution to the VEBA plan in the amount so \$1,464,000. Total fund balance for the general fund at year end was \$13,248,907.

Fund balance of the County's 911 service fund decreased by \$904,539 during the current fiscal year. The fund balance decrease was due to an upgrade to the existing decade old 800MHz radio equipment and related radio infrastructure in order to facilitate communication between Bay County 911 and the Bay County first responder community at an approximate cost of \$896,000. Total fund balance at year end was \$1,323,284.

The fund balance of the department on aging fund at year end was \$3,010,974, a decrease of \$4,900. This decrease was the result of a slight increase in the program costs for the sixty years and better population.

The fund balance of the mosquito control fund at year end was \$851,983, an increase of \$435,478. This increase was primarily the result of additional revenues received from the State for the local community stabilization program that was not included in the budget as well as slightly lower operating costs during the year.

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

The medical care facility's net position as of year end, increased \$849,245 to \$11,224,507. This increase was primarily due to a reduction in retirement contributions of approximately \$680,000 offset by additional Certified Public Expenditure revenue of approximately \$219,000.

The 100% tax payment fund's net position as of as of year end, was \$8,137,775, a decrease of \$132,494. This was the result of unrealized loss on investments of \$28,238 and \$113,920 less revenue from the delinquent tax penalty and interest revenue.

BAY COUNTY, MICHIGAN

Management's Discussion and Analysis

The water plant fund's net position as of as of year end, was \$71,544, an increase of \$71,544. This fund was created to account for the capital lease with the Department of Water and Sewer component unit for the water plant as well as the related long-term debt.

General fund budgetary highlights. The differences between the original budget and final amended budget for expenditures resulted in a 3.3% increase (\$1,123,785) in expenditures budget; whereas the difference between the original budget and final amended budget for revenues resulted in a 1.6% increase (\$484,110) in revenues budget; finally, the original budget for total other financing sources (uses) was amended resulting in a 4.6% increase (\$33,528) in net other financing sources. The original budget shows a decrease of \$3,593,618 in fund balance which was affected by budgetary adjustments. Adjustments of \$673,203 resulted in a budgeted use of fund balance. The grand total budgeted use of fund balance was \$4,266,821. Significant budgetary differences are briefly summarized as follows:

- A \$502,325 increase in expenditures for prior year open purchase orders to be filled in 2018.
- Increase 2018 budget by \$100,000 for a classification and compensation job study.

Significant actual to budget variances are as follows:

- A negative \$507,895 variance in federal grant revenues was primarily the result of the reimbursable friend of the court, transportation, drug court, and homeland grant expenditures not being incurred to earn the maximum reimbursement allowable on these grants during 2018.
- For 2018, general government expenditures were \$1,282,060 under budget primarily due to \$977,689 of new technology projects, various buildings and grounds projects and the transportation grant that were fully budgeted for in 2018 but will not be finished until 2019.

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, 2018, amounted to \$59,215,669 (net of accumulated depreciation). This investment in capital assets includes land, construction work in progress, land improvements, buildings and improvements, machinery and equipment, office furniture and equipment, and vehicles. The total decrease in the County's investment in capital assets for the current fiscal year was 47.5% (a 58.7% decrease for governmental activities and an increase of 61.4% for business-type activities).

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

- A new water vessel was purchased through a homeland security grant and capitalized with a cost of \$227,815.
- A County-wide phone system upgrade was completed and capitalized at a cost of \$325,290.
- The software project for Onbase was completed in 2018 with a multi-year cost totaling \$634,448.
- The governmental activities transferred the water treatment plant construction work in progress to the department of water and sewer component unit during 2018 in the amount of \$59,159,343.

BAY COUNTY, MICHIGAN

Management's Discussion and Analysis

	Capital Assets (net of depreciation)					
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 2,205,953	\$ 2,205,953	\$ 257,559	\$ 257,559	\$ 2,463,512	\$ 2,463,512
Construction work in progress	6,826	59,955,779	3,036,204	3,344,937	3,043,030	63,300,716
Land improvements	744,803	810,090	19,855	25,055	764,658	835,145
Buildings and improvements	34,486,346	35,817,994	11,843,548	5,532,941	46,329,894	41,350,935
Machinery and equipment	2,169,037	1,627,820	598,602	443,336	2,767,639	2,071,156
Office equipment and furniture	2,018,791	1,270,987	1,128,258	825,024	3,147,049	2,096,011
Vehicles	677,278	655,278	22,609	47,522	699,887	702,800
Total	\$ 42,309,034	\$102,343,901	\$ 16,906,635	\$ 10,476,374	\$ 59,215,669	\$112,820,275

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

Long-Term Debt. At the end of the current fiscal year, the County's primary government had total outstanding debt of \$59,703,970. Of this amount, \$2,909,207 is general obligation bonds, net of premiums and discounts. The remainder of the County debt is comprised of revenue bonds, Drinking Water Revolving Funds (DWRF) loans, net of premiums and discounts, and compensated absences.

	Outstanding Debt					
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Primary Government						
General obligation bonds	\$ 2,720,000	\$ 4,010,000	\$ -	\$ -	\$ 2,720,000	\$ 4,010,000
Bond premium	223,360	334,740	-	-	223,360	334,740
Revenue bonds	-	-	28,675,000	29,135,000	28,675,000	29,135,000
Bond discount	-	-	(34,153)	(35,577)	(34,153)	(35,577)
DWRF loans	-	-	26,025,000	24,415,000	26,025,000	24,415,000
Compensated absences	2,069,160	2,101,480	25,603	31,406	2,094,763	2,132,886
Total	\$ 5,012,520	\$ 6,446,220	\$ 54,691,450	\$ 53,545,829	\$ 59,703,970	\$ 59,992,049

During 2018, the County transferred the revenue bonds, DWRF loans and related bond discount to business-type activities. The above presentation has been restated for comparability purposes.

The County's total gross long-term debt of \$59,703,970 is equivalent to \$573 per capita or 2.1% of the County's taxable value of property of \$2,797,472,161.

The County's total debt decreased \$288,079 or 0.5% during the current fiscal year. This decrease is a result of principal payments made during the year of \$3,150,000.

BAY COUNTY, MICHIGAN

Management's Discussion and Analysis

The County's current bond ratings are as follows:

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

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

Debt limit	\$	331,557
Debt margin		270,388
Net debt as a percent of limit		18.45%

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

Economic Factors and Next Year's Budget and Rates

The following factors were considered in preparing the County's budget for the 2019 fiscal year:

- All union contracts were settled through the fiscal year 2019.
- The County is expected to continue limiting the amount of capital expenditures for 2019.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

BAY COUNTY, MICHIGAN

Statement of Net Position

December 31, 2018

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 3,866,082	\$ 5,261,553	\$ 9,127,635	\$ 21,377,536
Investments	19,126,633	13,847,849	32,974,482	7,704,145
Receivables	14,581,720	62,492,832	77,074,552	14,880,001
Internal balances	(11,055)	11,055	-	-
Prepaid items and other assets	669,858	321,203	991,061	675,768
Inventories	13,022	53,123	66,145	1,204,515
Net pension asset	27,365,199	11,517,750	38,882,949	12,164,630
Capital assets not being depreciated	2,212,779	3,293,763	5,506,542	38,988,456
Capital assets being depreciated, net	40,096,255	13,612,872	53,709,127	144,487,187
Total assets	107,920,493	110,412,000	218,332,493	241,482,238
Deferred outflows of resources				
Deferred pension amounts	3,049,720	2,589,862	5,639,582	5,134,488
Deferred OPEB amounts	3,619,134	2,582,631	6,201,765	1,676,318
Total deferred outflows of resources	6,668,854	5,172,493	11,841,347	6,810,806
Liabilities				
Accounts payable and accrued liabilities	2,923,460	5,055,398	7,978,858	4,394,430
Unearned revenue	814,019	30,496	844,515	-
Long-term debt:				
Due within one year	1,720,225	1,916,240	3,636,465	2,684,353
Due in more than one year	3,292,295	52,775,210	56,067,505	60,636,255
Net OPEB liability, due in more than one year	34,278,338	26,167,811	60,446,149	26,542,594
Total liabilities	43,028,337	85,945,155	128,973,492	94,257,632
Deferred inflows of resources				
Deferred pension amounts	16,286,429	5,305,883	21,592,312	5,653,339
Deferred OPEB amounts	1,129,750	853,521	1,983,271	865,745
Taxes levied for a subsequent period	5,418,767	2,036,927	7,455,694	5,498,800
Total deferred inflows of resources	22,834,946	8,196,331	31,031,277	12,017,884
Net position				
Net investment in capital assets	39,365,674	16,906,635	56,272,309	124,195,524
Restricted for:				
Pension benefits	14,128,490	8,801,729	22,930,219	9,069,277
Insurance claims	5,194,192	-	5,194,192	-
Health and welfare	2,534,972	-	2,534,972	-
Home rehabilitation	2,217,312	-	2,217,312	-
Pest control	1,486,531	-	1,486,531	-
Other	1,342,049	-	1,342,049	439,105
Unrestricted (deficit)	(17,543,156)	(4,265,357)	(21,808,513)	8,313,622
Total net position	\$ 48,726,064	\$ 21,443,007	\$ 70,169,071	\$ 142,017,528

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

BAY COUNTY, MICHIGAN

Statement of Activities

For the Year Ended December 31, 2018

Functions / Programs	Expenses	Indirect Expenses Allocation	Program Revenues			Net (Expense) Revenue
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government						
Governmental activities:						
General government	\$ 12,490,590	\$ (613,630)	\$ 3,087,613	\$ 4,107,002	\$ 252,212	\$ (4,430,133)
Public safety	10,676,417	91,939	2,126,447	1,625,096	-	(7,016,813)
Community and economic development	211,147	27,454	174,490	54,353	-	(9,758)
Health and welfare	13,051,308	-	3,248,688	2,865,183	-	(6,937,437)
Public works	9,497,250	-	1,998	-	-	(9,495,252)
Judicial	6,457,697	396,480	1,954,198	2,044,077	-	(2,855,902)
Legislative	1,847,979	-	-	-	-	(1,847,979)
Recreation and culture	1,883,454	(87,161)	885,141	12,249	-	(898,903)
Interest on long-term debt	49,018	-	-	-	-	(49,018)
Total governmental activities	56,164,860	(184,918)	11,478,575	10,707,960	252,212	(33,541,195)
Business-type activities:						
Medical care facility	25,320,788	13,903	23,631,491	-	-	(1,703,200)
100% tax payment	130,047	25,625	1,097,479	-	-	941,807
Golf course	429,628	90,233	443,640	-	-	(76,221)
Housing	663,105	14,879	273,558	254,358	-	(150,068)
Water plant	2,624,245	-	-	35,576	-	(2,588,669)
Delinquent property tax foreclosure	198,228	23,537	322,373	-	-	100,608
Commissary	148,283	1,592	216,518	-	-	66,643
Total business-type activities	29,514,324	169,769	25,985,059	289,934	-	(3,409,100)
Total primary government	\$ 85,679,184	\$ (15,149)	\$ 37,463,634	\$ 10,997,894	\$ 252,212	\$ (36,950,295)
Component units						
Road Commission	\$ 15,349,568	\$ -	\$ 3,139,587	\$ 14,988,581	\$ -	\$ 2,778,600
Library System	6,411,218	1,400	444,297	94,703	97,869	(5,775,749)
Department of Water and Sewer	18,208,555	-	27,794,597	-	-	9,586,042
Drain Commission	809,826	10,497	4,500	47,126	391,480	(377,217)
Bay Area Narcotics Enforcement Team	309,814	3,252	-	388,691	-	75,625
Bay County Landbank	70,526	-	1	-	-	(70,525)
Total component units	\$ 41,159,507	\$ 15,149	\$ 31,382,982	\$ 15,519,101	\$ 489,349	\$ 6,216,776

continued...

BAY COUNTY, MICHIGAN

Statement of Activities For the Year Ended December 31, 2018

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Changes in net position				
Net (expense) revenue	\$ (33,541,195)	\$ (3,409,100)	\$ (36,950,295)	\$ 6,216,776
General revenues:				
Property taxes	22,741,235	2,033,378	24,774,613	6,079,004
Unrestricted investment earnings	475,324	2,979,437	3,454,761	522,002
Other revenue	257,270	301,110	558,380	381,421
Transfers - internal activities	1,349,200	(1,349,200)	-	-
Total general revenues and transfers	24,823,029	3,964,725	28,787,754	6,982,427
Change in net position	(8,718,166)	555,625	(8,162,541)	13,199,203
Net position, beginning of year, as restated	57,444,230	20,887,382	78,331,612	128,818,325
Net position, end of year	\$ 48,726,064	\$ 21,443,007	\$ 70,169,071	\$ 142,017,528

concluded.

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

BAY COUNTY, MICHIGAN

Balance Sheet Governmental Funds December 31, 2018

	Special Revenue Funds			
	General Fund	911 Service	Division on Aging	Mosquito Control
Assets				
Cash and cash equivalents	\$ -	\$ 238,850	\$ 591,574	\$ 180,613
Investments	12,556,541	1,022,044	2,389,040	645,083
Receivables:				
Accounts, net	785,921	9,206	20,683	7,720
Property taxes, net	1,457,821	1,830,451	1,438,915	1,437,937
Interest	81,232	7,592	13,576	3,701
Due from other governmental units	1,655,910	197,240	153,510	83,384
Advance to component unit	975,119	-	-	-
Inventories	13,022	-	-	-
Due from other funds	127,559	-	-	-
Due from component units	469,238	-	-	-
Prepaid items and other assets	254,447	25,604	-	-
Total assets	\$ 18,376,810	\$ 3,330,987	\$ 4,607,298	\$ 2,358,438
Liabilities				
Accounts payable	\$ 888,556	\$ 64,088	\$ 47,227	\$ 2,191
Accrued liabilities	507,222	37,695	40,578	7,382
Due to other funds	2,805,172	1,778	1,375	1,048
Due to component units	88,760	-	-	-
Due to other governmental units	112,547	-	-	-
Deposits	2,496	-	-	-
Unearned revenue	73,387	-	10,330	-
Total liabilities	4,478,140	103,561	99,510	10,621
Deferred inflows of resources				
Unavailable revenue - property taxes	649,763	3,011	3,068	2,088
Taxes levied for a subsequent period	-	1,901,131	1,493,746	1,493,746
Total deferred inflows of resources	649,763	1,904,142	1,496,814	1,495,834
Fund balances				
Nonspendable	1,242,588	25,604	-	-
Restricted	160,697	600,202	2,291,364	851,983
Committed	6,824,764	-	-	-
Assigned	1,130,292	697,478	719,610	-
Unassigned	3,890,566	-	-	-
Total fund balances	13,248,907	1,323,284	3,010,974	851,983
Total liabilities, deferred inflows of resources and fund balances	\$ 18,376,810	\$ 3,330,987	\$ 4,607,298	\$ 2,358,438

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

Nonmajor Governmental Funds	Total Governmental Funds
\$ 1,562,807	\$ 2,573,844
1,157,564	17,770,272
2,162,573	2,986,103
510,712	6,675,836
7,430	113,531
1,156,220	3,246,264
-	975,119
-	13,022
-	127,559
-	469,238
3,399	283,450
<u>\$ 6,560,705</u>	<u>\$ 35,234,238</u>
\$ 263,515	\$ 1,265,577
101,255	694,132
127,331	2,936,704
-	88,760
8,379	120,926
-	2,496
730,302	814,019
<u>1,230,782</u>	<u>5,922,614</u>
1,100	659,030
530,144	5,418,767
<u>531,244</u>	<u>6,077,797</u>
3,399	1,271,591
3,665,748	7,569,994
-	6,824,764
1,129,532	3,676,912
-	3,890,566
<u>4,798,679</u>	<u>23,233,827</u>
<u>\$ 6,560,705</u>	<u>\$ 35,234,238</u>

BAY COUNTY, MICHIGAN

Reconciliation

Fund Balances for Governmental Funds
To Net Position of Governmental Activities
December 31, 2018

Fund balances - total governmental funds \$ 23,233,827

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

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

Capital assets not being depreciated	2,212,779
Capital assets being depreciated, net	40,096,255

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

Deferred inflow for property taxes receivable	659,030
---	---------

Certain pension and OPEB-related amounts, such as the net pension asset, net OPEB liability and related deferred amounts are not due and payable in the current period or do not represent current financial resources and therefore are not reported in the funds.

Net pension asset	27,354,642
Deferred outflows related to the net pension asset	3,048,567
Deferred inflows related to the net pension asset	(16,280,511)
Net OPEB liability	(34,253,999)
Deferred outflows related to the net OPEB liability	3,614,577
Deferred inflows related to the net OPEB liability	(1,128,956)

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

	5,199,984
--	-----------

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

Bonds and notes payable	(2,720,000)
Net unamortized bond premium/discount	(223,360)
Accrued interest on long-term debt	(18,133)
Accrued liability to Historical Preservation	(408)
Compensated absences	(2,068,230)

Net position of governmental activities \$ 48,726,064

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

BAY COUNTY, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Year Ended December 31, 2018

	Special Revenue Funds			
	General Fund	911 Service	Division on Aging	Mosquito Control
Revenues				
Property taxes	\$ 16,562,422	\$ 2,164,466	\$ 1,700,607	\$ 1,700,650
Licenses and permits	242,601	-	-	-
Federal	1,959,906	-	673,944	-
State	4,439,677	331,732	22,080	3,802
Interest, rents and royalties	1,075,703	43,652	53,723	10,793
Charges for services	2,928,545	-	42,598	708
Fines and forfeits	655,610	-	-	-
Reimbursements, refunds, and other revenues	3,125,677	452,276	378,347	39,163
Total revenues	30,990,141	2,992,126	2,871,299	1,755,116
Expenditures				
Current:				
General government	10,582,517	-	-	-
Public safety	9,960,791	3,555,202	-	-
Community and economic development	172,195	-	-	-
Health and welfare	838,167	-	2,548,169	1,279,131
Public works	1,148	-	-	-
Judicial	6,361,474	-	-	-
Legislative	1,842,236	-	-	-
Recreation and culture	1,502,717	-	-	-
Other functions	1,528,531	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and other fees	-	-	-	-
Contribution to Department of Water and Sewer component unit	-	-	-	-
Total expenditures	32,789,776	3,555,202	2,548,169	1,279,131
Revenues over (under) expenditures	(1,799,635)	(563,076)	323,130	475,985
Other financing sources (uses)				
Insurance recoveries/proceeds	17,054	-	-	14,429
Transfers in	3,070,212	-	6,200	-
Transfer out	(3,357,150)	(341,463)	(334,230)	(54,936)
Total other financing sources (uses)	(269,884)	(341,463)	(328,030)	(40,507)
Net change in fund balances	(2,069,519)	(904,539)	(4,900)	435,478
Fund balances, beginning of year	15,318,426	2,227,823	3,015,874	416,505
Fund balances, end of year	\$ 13,248,907	\$ 1,323,284	\$ 3,010,974	\$ 851,983

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

Nonmajor Governmental Funds	Total Governmental Funds
\$ 602,663	\$ 22,730,808
297,443	540,044
1,379,349	4,013,199
686,497	5,483,788
58,731	1,242,602
110,170	3,082,021
6,500	662,110
4,281,481	8,276,944
<u>7,422,834</u>	<u>46,031,516</u>
257,289	10,839,806
186,042	13,702,035
35,743	207,938
7,404,757	12,070,224
-	1,148
177,274	6,538,748
-	1,842,236
278,009	1,780,726
-	1,528,531
1,290,000	1,290,000
160,400	160,400
<u>4,375,226</u>	<u>4,375,226</u>
<u>14,164,740</u>	<u>54,337,018</u>
<u>(6,741,906)</u>	<u>(8,305,502)</u>
-	31,483
3,309,950	6,386,362
(942,364)	(5,030,143)
<u>2,367,586</u>	<u>1,387,702</u>
(4,374,320)	(6,917,800)
<u>9,172,999</u>	<u>30,151,627</u>
<u>\$ 4,798,679</u>	<u>\$ 23,233,827</u>

BAY COUNTY, MICHIGAN

Reconciliation

Net Changes in Fund Balances of Governmental Funds
To Change in Net Position of Governmental Activities
For the Year Ended December 31, 2018

Net change in fund balances - total governmental funds \$ (6,917,800)

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

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

Capital assets purchased/constructed	1,373,675
Depreciation	(2,245,963)
Loss on disposal of capital assets	(3,236)

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

Change in deferred property taxes receivable	10,427
--	--------

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

Principal payments on long-term liabilities	1,290,000
Amortization of bond premium/discount	111,380

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

Net operating loss from governmental activities internal service funds	(881,545)
Interest revenue from governmental activities internal service funds	24,068
Transfers out of governmental activities internal service funds	(7,019)

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.

Contribution of capital assets and change in capital lease receivable with	
Department of Water and Sewer component unit	(5,121,938)
Change in the net pension asset and related deferred amounts	2,506,231
Change in accrued interest payable on bonds	2
Change in the net OPEB liability and related deferred amounts	1,111,045
Change in the accrual for compensated absences	32,507

Change in net position of governmental activities \$ (8,718,166)

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

BAY COUNTY, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund

For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 15,964,567	\$ 15,964,567	\$ 16,562,422	\$ 597,855
Licenses and permits	207,200	207,200	242,601	35,401
Federal	2,291,715	2,467,801	1,959,906	(507,895)
State	4,366,608	4,491,944	4,439,677	(52,267)
Interest, rents and royalties	1,127,763	1,127,763	1,075,703	(52,060)
Charges for services	2,797,741	2,800,948	2,928,545	127,597
Fines and forfeits	590,000	590,000	655,610	65,610
Reimbursements, refunds, and other revenues	3,450,083	3,629,564	3,125,677	(503,887)
Total revenues	30,795,677	31,279,787	30,990,141	(289,646)
Expenditures				
Current:				
General government	11,288,966	11,864,577	10,582,517	(1,282,060)
Public safety	9,432,647	9,931,212	9,960,791	29,579
Community and economic development	273,043	273,043	172,195	(100,848)
Health and welfare	835,046	835,046	838,167	3,121
Public works	2,300	2,300	1,148	(1,152)
Judicial	6,446,222	6,448,959	6,361,474	(87,485)
Legislative	1,938,569	1,938,569	1,842,236	(96,333)
Recreation and culture	1,674,238	1,721,110	1,502,717	(218,393)
Other functions	1,768,937	1,768,937	1,528,531	(240,406)
Total expenditures	33,659,968	34,783,753	32,789,776	(1,993,977)
Revenues over (under) expenditures	(2,864,291)	(3,503,966)	(1,799,635)	1,704,331
Other financing sources (uses)				
Insurance recoveries/proceeds	4,600	4,600	17,054	12,454
Transfers in	2,660,348	2,658,069	3,070,212	412,143
Transfers out	(3,394,275)	(3,425,524)	(3,357,150)	(68,374)
Total other financing sources (uses)	(729,327)	(762,855)	(269,884)	492,971
Net change in fund balance	(3,593,618)	(4,266,821)	(2,069,519)	2,197,302
Fund balance, beginning of year	15,318,426	15,318,426	15,318,426	-
Fund balance, end of year	\$ 11,724,808	\$ 11,051,605	\$ 13,248,907	\$ 2,197,302

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

BAY COUNTY, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - 911 Service Special Revenue Fund For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 1,954,253	\$ 1,954,253	\$ 2,164,466	\$ 210,213
State	286,000	286,000	331,732	45,732
Interest, rents and royalties	80,000	80,000	43,652	(36,348)
Reimbursements, refunds, and other revenues	326,473	326,473	452,276	125,803
Total revenues	2,646,726	2,646,726	2,992,126	345,400
Expenditures				
Current:				
Public safety	3,948,576	3,963,701	3,555,202	(408,499)
Revenues under expenditures	(1,301,850)	(1,316,975)	(563,076)	753,899
Other financing uses				
Transfers out	(342,722)	(342,722)	(341,463)	(1,259)
Net change in fund balance	(1,644,572)	(1,659,697)	(904,539)	755,158
Fund balance, beginning of year	2,227,823	2,227,823	2,227,823	-
Fund balance, end of year	\$ 583,251	\$ 568,126	\$ 1,323,284	\$ 755,158

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

BAY COUNTY, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Division on Aging Special Revenue Fund

For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 1,568,578	\$ 1,574,451	\$ 1,700,607	\$ 126,156
Federal	597,703	656,032	673,944	17,912
State	16,328	16,328	22,080	5,752
Interest, rents and royalties	6,000	6,000	53,723	47,723
Charges for services	35,682	35,682	42,598	6,916
Reimbursements, refunds, and other revenues	355,580	340,219	378,347	38,128
Total revenues	2,579,871	2,628,712	2,871,299	242,587
Expenditures				
Current:				
Health and welfare	2,681,076	2,799,751	2,548,169	(251,582)
Revenues over (under) expenditures	(101,205)	(171,039)	323,130	494,169
Other financing sources (uses)				
Transfers in	6,200	6,200	6,200	-
Transfers out	(334,230)	(334,230)	(334,230)	-
Total other financing sources (uses)	(328,030)	(328,030)	(328,030)	-
Net change in fund balance	(429,235)	(499,069)	(4,900)	494,169
Fund balance, beginning of year	3,015,874	3,015,874	3,015,874	-
Fund balance, end of year	\$ 2,586,639	\$ 2,516,805	\$ 3,010,974	\$ 494,169

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

BAY COUNTY, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - Mosquito Control Special Revenue Fund For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 1,535,485	\$ 1,535,485	\$ 1,700,650	\$ 165,165
State	-	-	3,802	3,802
Interest, rents and royalties	12,000	12,000	10,793	(1,207)
Charges for services	-	-	708	708
Reimbursements, refunds, and other revenues	-	-	39,163	39,163
Total revenues	1,547,485	1,547,485	1,755,116	207,631
Expenditures				
Current:				
Health and welfare	1,387,194	1,387,194	1,279,131	(108,063)
Revenues over (under) expenditures	160,291	160,291	475,985	315,694
Other financing sources (uses)				
Insurance recoveries/proceeds	-	-	14,429	14,429
Transfers out	(54,936)	(54,936)	(54,936)	-
Total other financing sources (uses)	(54,936)	(54,936)	(40,507)	14,429
Net change in fund balance	105,355	105,355	435,478	330,123
Fund balance, beginning of year	416,505	416,505	416,505	-
Fund balance, end of year	\$ 521,860	\$ 521,860	\$ 851,983	\$ 330,123

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

BAY COUNTY, MICHIGAN

Statement of Net Position

Proprietary Funds
December 31, 2018

	Business-type Activities - Enterprise Funds					Governmental Activities
	Medical Care Facility	100% Tax Payment	Water Plant	Nonmajor Enterprise Funds	Total	Internal Service Funds
Assets						
Current assets:						
Cash and cash equivalents	\$ 2,039,017	\$ 640,519	\$ 1,997,204	\$ 378,350	\$ 5,055,090	\$ 1,292,238
Investments	10,754,282	2,934,264	-	365,766	14,054,312	1,356,361
Accounts receivable, net of allowance	2,198,500	165,494	-	22,407	2,386,401	108,736
Property taxes receivable	1,957,972	3,770,635	-	-	5,728,607	-
Accrued interest receivable	-	684,777	517,627	1,356	1,203,760	6,821
Current portion of lease receivable	-	-	1,915,000	-	1,915,000	-
Inventories	47,253	-	-	5,870	53,123	-
Due from other funds	-	12,938	-	101,779	114,717	2,798,090
Due from component units	-	-	-	25,000	25,000	-
Due from other governmental units	2,588	302,514	-	-	305,102	72
Prepaid items and other assets	306,491	1,626	-	13,086	321,203	386,408
Total current assets	17,306,103	8,512,767	4,429,831	913,614	31,162,315	5,948,726
Noncurrent assets:						
Lease receivable, net of current portion	-	-	50,928,962	-	50,928,962	-
Net pension asset	11,127,091	86,579	-	304,080	11,517,750	10,557
Capital assets not being depreciated	3,066,292	-	-	227,471	3,293,763	-
Capital assets being depreciated, net	12,578,443	-	-	1,034,429	13,612,872	-
Total noncurrent assets	26,771,826	86,579	50,928,962	1,565,980	79,353,347	10,557
Total assets	44,077,929	8,599,346	55,358,793	2,479,594	110,515,662	5,959,283
Deferred outflows of resources						
Deferred pension amounts	2,547,585	9,364	-	32,913	2,589,862	1,153
Deferred OPEB amounts	2,538,202	8,399	-	36,030	2,582,631	4,557
Total deferred outflows of resources	5,085,787	17,763	-	68,943	5,172,493	5,710
Liabilities						
Current liabilities:						
Accounts payable	3,202,933	334	-	31,543	3,234,810	10,485
Accrued liabilities	559,463	3,151	517,627	54,443	1,134,684	29,694
Deposits payable	23,144	-	-	-	23,144	-
Due to other funds	-	103,630	-	32	103,662	-
Due to other governmental units	-	190,297	103,775	-	294,072	-
Estimated insurance claims payable	368,688	-	-	-	368,688	692,849
Unearned revenue	-	-	-	30,496	30,496	-
Current portion of long-term debt	-	-	1,913,233	-	1,913,233	-
Current portion of compensated absences	-	-	-	3,007	3,007	-
Total current liabilities	4,154,228	297,412	2,534,635	119,521	7,105,796	733,028

continued...

BAY COUNTY, MICHIGAN

Statement of Net Position

Proprietary Funds
December 31, 2018

	Business-type Activities - Enterprise Funds					Governmental Activities
	Medical Care Facility	100% Tax Payment	Water Plant	Nonmajor Enterprise Funds	Total	Internal Service Funds
Liabilities (continued)						
Noncurrent liabilities:						
Long-term debt, net of current portion	\$ -	\$ -	\$52,752,614	\$ -	\$52,752,614	\$ -
Compensated absences, net of current portion	-	13,325	-	9,271	22,596	930
Net OPEB liability	25,818,949	116,287	-	232,575	26,167,811	24,339
Total noncurrent liabilities	25,818,949	129,612	52,752,614	241,846	78,943,021	25,269
Total liabilities	29,973,177	427,024	55,287,249	361,367	86,048,817	758,297
Deferred inflows of resources						
Deferred pension amounts	5,086,963	48,517	-	170,403	5,305,883	5,918
Deferred OPEB amounts	842,142	3,793	-	7,586	853,521	794
Taxes levied for a subsequent period	2,036,927	-	-	-	2,036,927	-
Total deferred inflows of resources	7,966,032	52,310	-	177,989	8,196,331	6,712
Net position						
Investment in capital assets	15,644,735	-	-	1,261,900	16,906,635	-
Restricted for:						
Pension benefits	8,587,713	47,426	-	166,590	8,801,729	5,792
Insurance claims	-	-	-	-	-	5,194,192
Unrestricted (deficit)	(13,007,941)	8,090,349	71,544	580,691	(4,265,357)	-
Total net position	\$11,224,507	\$ 8,137,775	\$ 71,544	\$ 2,009,181	\$21,443,007	\$ 5,199,984

concluded.

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

BAY COUNTY, MICHIGAN

Statement of Revenues, Expenses and Changes in Fund Net Position

Proprietary Funds

For the Year Ended December 31, 2018

	Business-type Activities - Enterprise Funds					Governmental Activities
	Medical Care Facility	100% Tax Payment	Water Plant	Nonmajor Enterprise Funds	Total	Internal Service Funds
Operating revenues						
Charges for services	\$23,631,491	\$ 1,097,479	\$ -	\$ 1,256,089	\$25,985,059	\$ 6,886,772
Program grants and subsidies	-	-	-	254,358	254,358	-
Other	-	-	-	22,624	22,624	-
Total operating revenues	23,631,491	1,097,479	-	1,533,071	26,262,041	6,886,772
Operating expenses						
Personnel services	17,497,066	118,990	-	293,914	17,909,970	6,625,203
Supplies	-	5,775	-	65,439	71,214	-
Other services	7,077,494	30,907	-	976,220	8,084,621	1,143,114
Depreciation	743,801	-	-	233,912	977,713	-
Total operating expenses	25,318,361	155,672	-	1,569,485	27,043,518	7,768,317
Operating income (loss)	(1,686,870)	941,807	-	(36,414)	(781,477)	(881,545)
Nonoperating revenues (expenses)						
Property and other taxes	2,033,378	-	-	-	2,033,378	-
Reimbursements, refunds and rebates	265,542	-	35,576	12,944	314,062	-
Other income	-	-	-	-	-	-
Interest income	253,525	52,262	2,660,213	13,437	2,979,437	24,068
Interest expense	-	-	(2,624,245)	-	(2,624,245)	-
Loss on sale of capital assets	(16,330)	-	-	-	(16,330)	-
Total nonoperating revenues	2,536,115	52,262	71,544	26,381	2,686,302	24,068
Income (loss) before transfers	849,245	994,069	71,544	(10,033)	1,904,825	(857,477)
Transfers						
Transfers in	-	103,437	-	41,000	144,437	-
Transfers out	-	(1,230,000)	-	(263,637)	(1,493,637)	(7,019)
Net transfers	-	(1,126,563)	-	(222,637)	(1,349,200)	(7,019)
Change in net position	849,245	(132,494)	71,544	(232,670)	555,625	(864,496)
Net position, beginning of year, as restated	10,375,262	8,270,269	-	2,241,851	20,887,382	6,064,480
Net position, end of year	\$11,224,507	\$ 8,137,775	\$ 71,544	\$ 2,009,181	\$21,443,007	\$ 5,199,984

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

BAY COUNTY, MICHIGAN

Statement of Cash Flows

Proprietary Funds

For the Year Ended December 31, 2018

	Business-type Activities - Enterprise Funds					Governmental
	Medical Care Facility	100% Tax Payment	Water Plant	Nonmajor Enterprise Funds	Total	Internal Service Funds
Cash flows from operating activities						
Cash received from customers	\$ 20,246,051	\$ 1,481,400	\$ -	\$ 1,504,214	\$ 23,231,665	\$ -
Cash received from interfund services provided	-	-	-	-	-	6,927,270
Cash received from quality assurance program	544,204	-	-	-	544,204	-
Cash received from quality measure initiative	504,963	-	-	-	504,963	-
Cash received from CPE reimbursement	697,023	-	-	-	697,023	-
Cash payments to suppliers for goods and services	(6,399,346)	(36,985)	-	(1,032,103)	(7,468,434)	(1,198,549)
Cash payments to employees and related taxes and insurance	(15,783,239)	(123,187)	-	(535,115)	(16,441,541)	(6,633,561)
Other receipts	20,941	-	-	-	20,941	-
Net cash provided by (used in) operating activities	(169,403)	1,321,228	-	(63,004)	1,088,821	(904,840)
Cash flows from noncapital financing activities						
Taxes received	1,968,408	-	-	-	1,968,408	-
Change in resident trust deposits	4,875	-	-	-	4,875	-
Reimbursements, refunds, and rebates	1,077,409	-	-	12,944	1,090,353	-
Payments received on capital lease receivable	-	-	3,821,236	-	3,821,236	-
Principal paid on long-term debt	-	-	(1,860,000)	-	(1,860,000)	-
Interest paid on long-term debt	-	-	(2,106,618)	-	(2,106,618)	-
Transfers in	-	103,437	-	41,000	144,437	-
Transfers out	-	(1,230,000)	-	(263,637)	(1,493,637)	(7,019)
Net cash provided by (used in) noncapital financing activities	3,050,692	(1,126,563)	(145,382)	(209,693)	1,569,054	(7,019)
Cash flows from capital and related financing activities						
Proceeds from sale of capital assets	8,932	-	-	-	8,932	-
Acquisition and construction of capital assets	(7,433,236)	-	-	-	(7,433,236)	-
Net cash used in capital and related financing activities	(7,424,304)	-	-	-	(7,424,304)	-
Cash flows from investing activities						
Proceeds from sale of investments	3,334,962	-	-	171,837	3,506,799	-
Purchases of investments	-	(299,541)	-	(3,499)	(303,040)	(12,289)
Interest received	318,973	84,868	2,142,586	13,838	2,560,265	23,647
Net cash provided by (used in) investing activities	3,653,935	(214,673)	2,142,586	182,176	5,764,024	11,358
Net change in cash and cash equivalents	(889,080)	(20,008)	1,997,204	(90,521)	997,595	(900,501)
Cash and cash equivalents, beginning of year	2,928,097	660,527	-	468,871	4,057,495	2,192,739
Cash and cash equivalents, end of year	\$ 2,039,017	\$ 640,519	\$ 1,997,204	\$ 378,350	\$ 5,055,090	\$ 1,292,238

continued...

BAY COUNTY, MICHIGAN

Statement of Cash Flows

Proprietary Funds

For the Year Ended December 31, 2018

	Business-type Activities - Enterprise Funds					Governmental
	Medical Care Facility	100% Tax Payment	Water Plant	Nonmajor Proprietary Funds	Total	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities						
Operating income (loss)	\$ (1,686,870)	\$ 941,807	\$ -	\$ (36,414)	\$ (781,477)	\$ (881,545)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	743,801	-	-	233,912	977,713	-
Bad debts	40,096	-	-	-	40,096	-
Changes in assets and liabilities that provided (used) cash:						
Accounts receivable, net	(141,214)	6,830	-	17,681	(116,703)	91,614
Property tax receivable	-	170,006	-	-	170,006	-
Inventories	12,527	-	-	635	13,162	-
Due from other funds	-	148,991	-	(40,760)	108,231	(96,263)
Due from other governmental units	-	(163,879)	-	-	(163,879)	(17)
Prepaid items and other assets	(236,043)	(303)	-	(208)	(236,554)	(55,071)
Accounts payable	1,794,422	167	-	(16,799)	1,777,790	10,470
Accrued liabilities	(72,522)	1,328	-	12,756	(58,438)	(5,039)
Due to other funds	-	40,959	-	(161,927)	(120,968)	-
Due to other governmental units	-	180,847	-	-	180,847	(364)
Estimated insurance claims payable	-	-	-	-	-	34,694
Unearned revenue	-	-	-	(556)	(556)	-
Net pension asset	(7,392,293)	(53,608)	-	(210,185)	(7,656,086)	(6,257)
Deferred outflows - pension	2,513,479	24,656	-	35,010	2,573,145	3,283
Deferred inflows - pension	4,419,834	28,163	-	109,509	4,557,506	3,263
Net OPEB liability	(226,077)	(141)	-	(280)	(226,498)	(32)
Deferred outflows - OPEB	(780,685)	(8,399)	-	(7,161)	(796,245)	(4,557)
Deferred inflows - OPEB	842,142	3,793	-	7,586	853,521	794
Compensated absences	-	11	-	(5,803)	(5,792)	187
Net cash provided by (used in) operating activities	<u>\$ (169,403)</u>	<u>\$ 1,321,228</u>	<u>\$ -</u>	<u>\$ (63,004)</u>	<u>\$ 1,088,821</u>	<u>\$ (904,840)</u>

concluded.

Noncash transactions:

During the year the governmental activities transferred long-term debt and capital lease receivable to the Water Plant enterprise fund in the amount of \$56,665,198.

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

BAY COUNTY, MICHIGAN

Statement of Fiduciary Net Position

Fiduciary Funds

December 31, 2018

	Private Purpose Trust Funds	Pension and Other Employee Benefits Trust Funds	Agency Funds
Assets			
Investments, at fair value:			
Equities	\$ -	\$ 267,206,936	\$ -
Fixed income	-	98,333,773	18,100,265
Money market	-	11,011,785	-
Total investments, at fair value	-	376,552,494	18,100,265
Cash and cash equivalents	42,183	-	4,192,869
Receivables:			
Accounts	-	-	46
Contributions receivable	-	457,664	-
Interest and dividends	-	854,763	-
Total receivables	-	1,312,427	46
Other current assets:			
Prepaid items and other assets	-	1,730,697	-
Net pension asset	-	76,019	-
Due from other governmental units	-	-	110,657
Due from other agency funds	-	-	27,803
Total other current assets	-	1,806,716	138,460
Total assets	42,183	379,671,637	\$ 22,431,640
Deferred outflows of resources - pensions	-	8,214	
Liabilities			
Accounts payable	19,527	696,333	\$ 109,135
Accrued liabilities	21,671	4,624,950	391,034
Accrued vacation and sick pay	-	2,629	-
Due to other agency funds	-	-	27,803
Due to component units	-	-	61,146
Due to other governmental units	-	-	21,791,966
Deposits	-	-	49,792
Undistributed taxes	-	-	764
Total liabilities	41,198	5,323,912	\$ 22,431,640
Deferred inflows of resources - pensions	-	42,601	
Net position			
Restricted for:			
Inmates	985	-	
Pension benefits	-	321,196,636	
Postemployment health care benefits	-	53,116,702	
Total net position	\$ 985	\$ 374,313,338	

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

BAY COUNTY, MICHIGAN

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

For the Year Ended December 31, 2018

	Private Purpose Trust Funds	Pension and Other Employee Benefits Trust Funds
Additions		
Investment income (loss):		
Net depreciation in fair value of investments	\$ -	\$ (29,751,947)
Interest and dividends	40	8,338,531
Total investment earnings (loss)	40	(21,413,416)
Investment expense	-	(2,258,477)
Net investment income (loss)	40	(23,671,893)
Contributions:		
Employer	-	10,855,062
Plan members	-	2,093,766
Total contributions	-	12,948,828
Other revenue	-	11,881
Total additions (net of investment loss)	40	(10,711,184)
Deductions		
Participant benefits (including refunds of contributions)	-	23,535,698
Administrative expenses	-	420,503
Total deductions	-	23,956,201
Change in net position	40	(34,667,385)
Net position		
Beginning of year	945	408,980,723
End of year	\$ 985	\$ 374,313,338

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

BAY COUNTY, MICHIGAN

Combining Statement of Net Position

Component Units
December 31, 2018

	Road Commission	Library System	Department of Water and Sewer	Drain Commission
Assets				
Cash and cash equivalents	\$ 66,698	\$ 5,973,165	\$ 13,557,728	\$ 773,472
Investments	5,356,133	-	-	2,348,012
Receivables	20,637	5,527,730	3,076,657	1,064,912
Inventories	863,893	-	340,622	-
Due from other governmental units	2,717,791	28,282	1,643,328	592,875
Due from primary government	-	-	-	149,906
Prepaid items and other assets	189,359	221,332	265,077	-
Net pension asset	7,232,413	2,416,797	2,515,420	-
Capital assets not being depreciated	35,954,205	107,487	2,339,797	583,960
Capital assets being depreciated, net	54,484,792	2,186,973	83,353,805	4,451,979
Total assets	106,885,921	16,461,766	107,092,434	9,965,116
Deferred outflows of resources				
Deferred pension amounts	3,079,064	760,966	1,294,458	-
Deferred OPEB amounts	1,227,174	79,000	370,144	-
Total deferred outflows of resources	4,306,238	839,966	1,664,602	-
Liabilities				
Accounts payable and accrued liabilities	662,698	105,882	2,719,872	25,074
Due to other governmental units	364,596	-	-	-
Due to primary government	-	-	-	469,238
Long-term debt:				
Due within one year	-	13,997	2,522,586	147,770
Due in more than one year	977,985	117,849	58,713,072	827,349
Net OPEB liability, due in more than one year	19,800,768	1,518,821	5,223,005	-
Total liabilities	21,806,047	1,756,549	69,178,535	1,469,431
Deferred inflows of resources				
Deferred pension amounts	3,294,268	1,125,695	1,233,376	-
Deferred OPEB amounts	645,845	49,540	170,360	-
Taxes levied for a subsequent period	-	5,498,800	-	-
Total deferred inflows of resources	3,940,113	6,674,035	1,403,736	-
Net position				
Net investment in capital assets	90,438,997	2,294,460	27,388,602	4,060,820
Restricted for:				
Debt service	-	-	-	240,359
Pension benefits	7,017,209	2,052,068	-	-
Library services	-	198,746	-	-
Unrestricted (deficit)	(12,010,207)	4,325,874	10,786,163	4,194,506
Total net position	\$ 85,445,999	\$ 8,871,148	\$ 38,174,765	\$ 8,495,685

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

Bay Area Narcotics Enforcement Team	Bay County Landbank	Total
\$ 856,367	\$ 150,106	\$ 21,377,536
-	-	7,704,145
57,883	-	9,747,819
-	-	1,204,515
-	-	4,982,276
-	-	149,906
-	-	675,768
-	-	12,164,630
3,007	-	38,988,456
9,638	-	144,487,187
<u>926,895</u>	<u>150,106</u>	<u>241,482,238</u>
-	-	5,134,488
-	-	1,676,318
<u>-</u>	<u>-</u>	<u>6,810,806</u>
22,070	-	3,535,596
-	-	364,596
-	25,000	494,238
-	-	2,684,353
-	-	60,636,255
-	-	26,542,594
<u>22,070</u>	<u>25,000</u>	<u>94,257,632</u>
-	-	5,653,339
-	-	865,745
-	-	5,498,800
<u>-</u>	<u>-</u>	<u>12,017,884</u>
12,645	-	124,195,524
-	-	240,359
-	-	9,069,277
-	-	198,746
892,180	125,106	8,313,622
<u>\$ 904,825</u>	<u>\$ 125,106</u>	<u>\$ 142,017,528</u>

BAY COUNTY, MICHIGAN

Combining Statement of Activities

Component Units

For the Year Ended December 31, 2018

Functions / Programs	Expenses	Indirect Expenses Allocation	Program Revenues		Net (Expense) Revenue	
			Charges for Services	Operating Grants and Contributions		
Component units						
Road Commission						
Governmental activities:						
Highways and streets	\$ 15,349,568	\$ -	\$ 3,139,587	\$ 14,988,581	\$ -	\$ 2,778,600
Library System						
Governmental activities:						
Recreation and culture	6,411,218	1,400	444,297	94,703	97,869	(5,775,749)
Department of Water and Sewer						
Business-type activities:						
Water	13,295,305	-	23,170,083	-	-	9,874,778
Sewer	4,913,250	-	4,624,514	-	-	(288,736)
Total Department of Water and Sewer	18,208,555	-	27,794,597	-	-	9,586,042
Drain Commission						
Governmental activities:						
Public works	779,520	10,497	4,500	47,126	391,480	(346,911)
Interest on long-term debt	30,306	-	-	-	-	(30,306)
Total Drain Commission	809,826	10,497	4,500	47,126	391,480	(377,217)
Bay Area Narcotics Enforcement Team						
Governmental activities:						
Public safety	309,814	3,252	-	388,691	-	75,625
Bay County Landbank						
Governmental activities:						
General government	70,526	-	1	-	-	(70,525)
Total component units	\$ 41,159,507	\$ 15,149	\$ 31,382,982	\$ 15,519,101	\$ 489,349	\$ 6,216,776

continued...

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

BAY COUNTY, MICHIGAN

Statement of Activities

Component Units

For the Year Ended December 31, 2018

	Road Commission	Library System	Department of Water and Sewer	Drain Commission
Change in net position				
Net (expense) revenue	\$ 2,778,600	\$ (5,775,749)	\$ 9,586,042	\$ (377,217)
General revenues:				
Property taxes	-	5,903,851	-	175,153
Unrestricted investment earnings	97,174	117,599	233,186	74,043
Gain on sale of capital assets	183,603	-	13,882	-
Other revenue	-	-	-	180,218
Total general revenues	280,777	6,021,450	247,068	429,414
Change in net position	3,059,377	245,701	9,833,110	52,197
Net position, beginning of year, as restated	82,386,622	8,625,447	28,341,655	8,443,488
Net position, end of year	\$ 85,445,999	\$ 8,871,148	\$ 38,174,765	\$ 8,495,685



Bay Area Narcotics Enforcement Team	Bay County Landbank	Total
<u>\$ 75,625</u>	<u>\$ (70,525)</u>	<u>\$ 6,216,776</u>
-	-	6,079,004
-	-	522,002
-	-	197,485
<u>3,718</u>	<u>-</u>	<u>183,936</u>
<u>3,718</u>	<u>-</u>	<u>6,982,427</u>
79,343	(70,525)	13,199,203
<u>825,482</u>	<u>195,631</u>	<u>128,818,325</u>
<u>\$ 904,825</u>	<u>\$ 125,106</u>	<u>\$ 142,017,528</u>

concluded.

NOTES TO FINANCIAL STATEMENTS

BAY COUNTY, MICHIGAN

Notes To Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Bay County, Michigan (the "County") was incorporated in 1857. The County operates under the unified form of government and provides services to its 103,923 residents in many areas, including law enforcement, administration of justice, community enrichment and development, and human services.

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

Reporting Entity

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

Blended Component Unit

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

Discretely Presented Component Units

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

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

BAY COUNTY, MICHIGAN

Notes To Financial Statements

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

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

Bay Area Narcotics Enforcement Team ("BAYANET") - BAYANET is governed by a Board who are not members of the Bay County Board of Commissioners. The County has appropriation authority and budgetary control over the activities of BAYANET though the County Board's approval of BAYANET's annual budget and any amendments as well as the monthly expenditures. BAYANET funds are held with the County Treasurer and the County acts as a fiduciary for 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, or by viewing it on the Michigan Department of Treasury Website.

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

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Government-Wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

BAY COUNTY, MICHIGAN

Notes To Financial Statements

The County reports the following major governmental funds:

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

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

The *division on aging special revenue fund* accounts for revenues received from property taxes, federal and state grants, and contributions to provide services and programs for County residents 60 years of age and older.

The *mosquito control special revenue fund* accounts for revenues received from property taxes to provide mosquito control services to County residents.

The government reports the following major enterprise funds:

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

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

The *water plant fund* accounts for long-term debt related to the construction of the County's water plant, which is leased to the Department of Water and Sewer (DWS) component unit. DWS operates the water plant and provides the necessary resources to the County for the debt service payments. Once the related debt obligations are repaid the title of the water plant will transfer to DWS.

Additionally, the County reports the following fund types:

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

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

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

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

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

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

BAY COUNTY, MICHIGAN

Notes To Financial Statements

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

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

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

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

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

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

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

Deposits and Investments

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

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

Receivable and Payables

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

BAY COUNTY, MICHIGAN

Notes To Financial Statements

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

Advances between funds, as reported in the fund financial statements, are offset by nonspendable fund balance in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Inventory and Prepaids

Inventories are valued at cost using either the first-in, first-out or specific identification method. The costs of inventories are recorded as assets when purchased and charged to expenditures when used, which is the consumption method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements, which is the consumption method.

Capital Assets

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

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

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

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

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.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

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

Deferred Outflows of Resources

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

Unearned Revenue

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

Long-term Obligations

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

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

Compensated Absences

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

BAY COUNTY, MICHIGAN

Notes To Financial Statements

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

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

Compensated Absence Liability Recognition

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

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

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds also report unavailable revenues, which arise only under a modified accrual basis of accounting that are reported as deferred inflows of resources. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred inflows of resources are reported in the government-wide and governmental fund financial statements for property taxes levied during the year that were intended to finance future periods. Additionally, the County reports deferred inflows of resources for changes in expected and actual investment returns, assumptions, and benefits provided in its pension and OPEB plans.

Fund Equity

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

BAY COUNTY, MICHIGAN

Notes To Financial Statements

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

The County Board of Commissioners has formally established a budget stabilization arrangement under which it commits general fund balance up to 20 percent of the most recent general fund budget, as originally adopted, or 20 percent of the average of the County's five recent general fund budgets, as amended, whichever is less. The committed fund balance can be used to cover a general fund deficit; to prevent a reduction in the level of public services or in the number of employees at any time in a fiscal year when the budgeted revenue is not being collected in an amount sufficient to cover budgeted expenses; to prevent a reduction in the level of public services or in the number of employees when in preparing the budget for the next fiscal year the estimate revenue does not appear sufficient to cover estimated expenses; and to cover expenses arising because of natural disaster. This commitment may be used if one of the several potential qualifying events occurs (as detailed in a Board of Commissioners resolution) and the Board of Commissioners, by 2/3 vote of members present, affirms the qualifying event. As of year end, the balance in the stabilization arrangement was \$6,824,764.

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.

Pensions and Retiree Healthcare

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

Use of Estimates

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

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

BAY COUNTY, MICHIGAN

Notes To Financial Statements

2. BUDGETARY INFORMATION

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

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

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

3. EXCESS OF EXPENDITURES OVER BUDGET

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

Fund	Appropriations	Actual Expenditures	Excess Expenditures over Appropriations
General Fund:			
Public safety	\$ 9,931,212	\$ 9,960,791	\$ 29,579
Health and welfare	835,046	838,167	3,121
Local C.F.O. Training:			
Public safety	18,000	19,150	1,150
Child Care:			
Transfers out	-	348,522	348,522
Soldiers' Relief:			
Health and welfare	254,290	347,183	92,893
Historical Preservation:			
Recreation and culture	265,805	278,009	12,204

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

BAY COUNTY, MICHIGAN

Notes To Financial Statements

4. DEPOSITS AND INVESTMENTS

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

	Primary Government	Component Units	Totals
Statement of Net Position			
Cash and cash equivalents	\$ 9,127,635	\$ 21,377,536	\$ 30,505,171
Investments	32,974,482	7,704,145	40,678,627
Statement of Fiduciary Net Position			
Pension and other employee benefits trust funds:			
Investments	376,552,494	-	376,552,494
Other fiduciary funds:			
Cash and cash equivalents	4,235,052	-	4,235,052
Investments	18,100,265	-	18,100,265
Total	\$ 440,989,928	\$ 29,081,681	\$ 470,071,609
Deposits and investments			
Bank deposits:			
Checking, savings, and money market			\$ 23,875,780
Investments:			
Equities:			
Domestic equities			263,502,557
Real estate			8,521,630
Total equities			272,024,187
Fixed income:			
Asset-backed securities			847,983
Corporate bonds			62,991,117
Government agencies**			12,919,669
Government bonds**			52,057,918
Municipal bonds**			29,087,536
Total fixed income			157,904,223
Money market and other similar investments			16,215,478
Total investments			446,143,888
Cash on hand			51,941
Total			\$ 470,071,609

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

Government agencies	\$ 564,471
Government bonds	18,786,229
Municipal bonds	7,830,335

BAY COUNTY, MICHIGAN

Notes To Financial Statements

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

Investments by type are shown below:

	Investment Type			
	Equities	Fixed Income	Money Market and Other Similar Investments	Total
Less than 1 year	\$ -	\$ 5,044,159	\$ -	\$ 5,044,159
1 - 5 years	-	55,580,881	-	55,580,881
6 - 10 years	-	50,485,001	-	50,485,001
More than 10 years	-	41,872,634	-	41,872,634
No maturity	272,024,187	4,921,548	16,215,478	293,161,213
Total	\$ 272,024,187	\$ 157,904,223	\$ 16,215,478	\$ 446,143,888

	Investment Type			
	Equities	Fixed Income	Money Market and Other Similar Investments	Total
AAA	\$ 967,252	\$ 37,916,112	\$ -	\$ 38,883,364
AA	-	11,467,381	-	11,467,381
A	-	18,666,424	-	18,666,424
BAA	501,683	20,186,645	-	20,688,328
BA	-	3,538,109	-	3,538,109
B	-	184,236	-	184,236
Not rated	270,555,252	65,945,316	16,215,478	352,716,046
Total	\$ 272,024,187	\$ 157,904,223	\$ 16,215,478	\$ 446,143,888

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.

BAY COUNTY, MICHIGAN

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 \$21,258,329 of the County's bank balance of \$23,556,302 was exposed to custodial credit risk because it was uninsured and uncollateralized.

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

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

Investments and Securities Lending

A contract approved by the Bay County Board of Commissioners permits the Bay County Employees' Retirement System and the VEBA Trust (the "Plans") 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 Plans custodial bank manages the securities lending program and receives securities or cash as collateral. The collateral securities cannot be pledged or sold by the Plans unless the borrower defaults. Collateral securities and cash are initially pledged at 102 percent of the fair value of United States securities lent and 105 percent of the fair value of non-United States securities, and may not fall below 100 percent during the term of the loan.

There are no restrictions on the amount of the securities that can be loaned. Securities on loan at year-end are classified in the previous schedule of investments according to the category for the collateral received on the securities lent. At year-end the Plans have no credit risk exposure to borrowers because the amounts the Plans owe the borrowers exceed the amounts the borrowers owe the System. The contract with the Plans' custodian requires it to indemnify the Plans if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the Plans for income distributions by the securities' issuers while the securities are on loan. The Plans had the following securities on loan as December 31, 2018:

	ERS		VEBA	
	Fair Value of Underlying Securities	Cash Collateral Received	Fair Value of Underlying Securities	Cash Collateral Received
Corporate fixed income	\$ -	\$ -	\$ 90,052	\$ 92,560
Domestic equities	630,825	651,174	-	-

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Fair Value Measurement

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

Investment Type	Level 1	Level 2	Level 3	Total Fair Value
Domestic equity	\$ 180,558,658	\$ 82,943,899	\$ -	\$ 263,502,557
Real estate	8,521,630	-	-	8,521,630
Asset-backed securities	-	847,983	-	847,983
Corporate bonds	-	62,991,117	-	62,991,117
Government agencies	-	12,919,669	-	12,919,669
Government bonds	-	52,057,918	-	52,057,918
Municipal bonds	-	29,087,536	-	29,087,536
	<u>\$ 189,080,288</u>	<u>\$ 240,848,122</u>	<u>\$ -</u>	<u>429,928,410</u>

Investments carried at amortized cost:

Money market funds and other similar investments	<u>16,215,478</u>
	<u>\$ 446,143,888</u>

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

Certain domestic equities and real estate classified as Level 1 of the fair value hierarchy are valued based on quoted market prices in active markets.

Asset-backed securities, certain domestic equities, corporate bonds, government agencies, government bonds, and municipal bonds are classified as Level 2 of the fair value hierarchy and are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

5. RECEIVABLES AND DEFERRED INFLOWS OF RESOURCES

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

	Governmental Activities	Business-type Activities	Component Units
Accounts:			
Current	\$ 1,468,457	\$ 2,448,401	\$ 3,155,177
Noncurrent	2,107,052	-	-
Property taxes	6,908,952	5,728,607	5,498,800
Special assessments:			
Current	-	-	272,695
Noncurrent	-	-	780,233
Capital lease:			
Current	-	1,915,000	-
Long-term	-	50,928,962	-
Interest	120,352	1,203,760	40,914
Intergovernmental	3,246,336	305,102	4,989,226
Due from component units	469,238	25,000	-
Advance to component unit	975,119	-	-
Due from primary government	-	-	142,956
Less: allowance for uncollectible accounts	(713,786)	(62,000)	-
Total	\$ 14,581,720	\$ 62,492,832	\$ 14,880,001

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

	Unavailable	Subsequent Years' Resources	Total
Property taxes receivable			
Governmental activities:			
General fund	\$ 649,763	\$ -	\$ 649,763
911 service fund	3,011	1,901,131	1,904,142
Division on aging fund	3,068	1,493,746	1,496,814
Mosquito control fund	2,088	1,493,746	1,495,834
Nonmajor governmental funds	1,100	530,144	531,244
Total governmental activities	659,030	5,418,767	6,077,797
Business-type activities -			
Medical care facility	-	2,036,927	2,036,927
Component unit -			
Library system	-	5,498,800	5,498,800
Total	\$ 659,030	\$ 12,954,494	\$ 13,613,524

BAY COUNTY, MICHIGAN

Notes To Financial Statements

6. CAPITAL ASSETS

Primary government

Capital assets activity for the year ended December 31, 2018, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental activities					
Capital assets, not being depreciated:					
Land	\$ 2,205,953	\$ -	\$ -	\$ -	\$ 2,205,953
Construction in progress	59,955,779	170,128	-	(60,119,081)	6,826
	<u>62,161,732</u>	<u>170,128</u>	<u>-</u>	<u>(60,119,081)</u>	<u>2,212,779</u>
Capital assets, being depreciated:					
Land improvements	3,634,657	-	-	-	3,634,657
Buildings and improvements	65,934,227	36,488	-	-	65,970,715
Machinery and equipment	4,285,513	622,617	(334,161)	170,128	4,744,097
Office furniture and equipment	4,598,831	211,375	(532,788)	789,610	5,067,028
Vehicles	2,484,433	333,067	(225,102)	23,957	2,616,355
	<u>80,937,661</u>	<u>1,203,547</u>	<u>(1,092,051)</u>	<u>983,695</u>	<u>82,032,852</u>
Less accumulated depreciation for:					
Land improvements	(2,824,567)	(65,287)	-	-	(2,889,854)
Buildings and improvements	(30,116,233)	(1,368,136)	-	-	(31,484,369)
Machinery and equipment	(2,657,693)	(251,528)	334,161	-	(2,575,060)
Office furniture and equipment	(3,327,844)	(250,455)	530,062	-	(3,048,237)
Vehicles	(1,829,155)	(310,557)	224,592	(23,957)	(1,939,077)
	<u>(40,755,492)</u>	<u>(2,245,963)</u>	<u>1,088,815</u>	<u>(23,957)</u>	<u>(41,936,597)</u>
Total capital assets being depreciated, net	<u>40,182,169</u>	<u>(1,042,416)</u>	<u>(3,236)</u>	<u>959,738</u>	<u>40,096,255</u>
Governmental activities capital assets, net	<u>\$ 102,343,901</u>	<u>\$ (872,288)</u>	<u>\$ (3,236)</u>	<u>\$ (59,159,343)</u>	<u>\$ 42,309,034</u>

At January 1, 2018, the County entered into a capital lease and transferred the water plant capital asset in the amount of \$59,159,343 to the department of water and sewer component unit. See Footnote 9 for additional information.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Business-type activities					
Capital assets, not being depreciated:					
Land	\$ 257,559	\$ -	\$ -	\$ -	\$ 257,559
Construction in progress	3,344,937	7,260,400	-	(7,569,133)	3,036,204
	<u>3,602,496</u>	<u>7,260,400</u>	<u>-</u>	<u>(7,569,133)</u>	<u>3,293,763</u>
Capital assets, being depreciated:					
Land improvements	771,553	-	-	-	771,553
Buildings and improvements	19,833,563	134,665	(173,014)	6,969,136	26,764,350
Machinery and equipment	1,195,315	38,171	(29,776)	163,676	1,367,386
Office furniture and equipment	2,750,940	-	(712,191)	436,321	2,475,070
Vehicles	163,526	-	-	-	163,526
	<u>24,714,897</u>	<u>172,836</u>	<u>(914,981)</u>	<u>7,569,133</u>	<u>31,541,885</u>
Less accumulated depreciation for:					
Land improvements	(746,498)	(5,200)	-	-	(751,698)
Buildings and improvements	(14,300,622)	(777,717)	157,537	-	(14,920,802)
Machinery and equipment	(751,979)	(46,423)	29,618	-	(768,784)
Office furniture and equipment	(1,925,916)	(123,460)	702,564	-	(1,346,812)
Vehicles	(116,004)	(24,913)	-	-	(140,917)
	<u>(17,841,019)</u>	<u>(977,713)</u>	<u>889,719</u>	<u>-</u>	<u>(17,929,013)</u>
Total capital assets being depreciated, net	<u>6,873,878</u>	<u>(804,877)</u>	<u>(25,262)</u>	<u>7,569,133</u>	<u>13,612,872</u>
Business-type activities capital assets, net	<u>\$ 10,476,374</u>	<u>\$ 6,455,523</u>	<u>\$ (25,262)</u>	<u>\$ -</u>	<u>\$ 16,906,635</u>

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

Depreciation of governmental activities by function

General government	\$ 1,337,252
Public safety	431,778
Health and welfare	356,900
Judicial	16,070
Recreation and culture	103,963
	<u>\$ 2,245,963</u>

Depreciation of business-type activities by function

Medical Care Facility	\$ 743,801
Golf Course	25,369
Housing	208,543
	<u>\$ 977,713</u>

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Discretely presented component units

Activity for the Road Commission for the year ended December 31, 2018, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 392,502	\$ 7,735	\$ -	\$ -	\$ 400,237
Land improvements	35,179,988	24,319	-	-	35,204,307
Right of ways	349,661	-	-	-	349,661
	<u>35,922,151</u>	<u>32,054</u>	<u>-</u>	<u>-</u>	<u>35,954,205</u>
Capital assets, being depreciated:					
Buildings and improvements	2,682,809	125,189	(2,858)	-	2,805,140
Road equipment	11,556,375	979,864	(671,028)	-	11,865,211
Shop equipment	129,671	-	(7,034)	-	122,637
Office equipment	181,037	-	(9,447)	-	171,590
Engineering equipment	138,018	7,996	(14,510)	-	131,504
Yard and storage	1,396,051	-	-	-	1,396,051
Infrastructure:					
Roads	79,938,738	6,368,860	(3,109,888)	-	83,197,710
Bridges	20,754,555	53,047	-	-	20,807,602
Traffic signals	700,550	-	-	-	700,550
	<u>117,477,804</u>	<u>7,534,956</u>	<u>(3,814,765)</u>	<u>-</u>	<u>121,197,995</u>
Less accumulated depreciation for:					
Buildings and improvements	(1,975,730)	(74,138)	2,858	-	(2,047,010)
Road equipment	(10,336,684)	(512,029)	668,992	-	(10,179,721)
Shop equipment	(116,772)	(4,564)	7,034	-	(114,302)
Office equipment	(119,915)	(23,412)	9,447	-	(133,880)
Engineering equipment	(115,338)	(8,620)	14,510	-	(109,448)
Yard and storage	(1,274,403)	(33,378)	-	-	(1,307,781)
Infrastructure:					
Roads	(39,787,061)	(4,245,417)	3,109,888	-	(40,922,590)
Bridges	(10,948,747)	(430,218)	-	-	(11,378,965)
Traffic signals	(487,592)	(31,914)	-	-	(519,506)
	<u>(65,162,242)</u>	<u>(5,363,690)</u>	<u>3,812,729</u>	<u>-</u>	<u>(66,713,203)</u>
Total capital assets being depreciated, net	<u>52,315,562</u>	<u>2,171,266</u>	<u>(2,036)</u>	<u>-</u>	<u>54,484,792</u>
Road Commission capital assets, net	<u>\$ 88,237,713</u>	<u>\$ 2,203,320</u>	<u>\$ (2,036)</u>	<u>\$ -</u>	<u>\$ 90,438,997</u>

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Activity for the Library System for the year ended December 31, 2018, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 107,487	\$ -	\$ -	\$ -	\$ 107,487
Capital assets, being depreciated:					
Land improvements	103,946	-	-	-	103,946
Buildings and improvements	1,524,065	-	-	-	1,524,065
Machinery and equipment	213,763	-	-	-	213,763
Office furniture and equipment	1,181,760	-	-	-	1,181,760
Books and a/v materials	2,527,228	426,067	(447,919)	-	2,505,376
Vehicles and other	210,186	-	-	-	210,186
	<u>5,760,948</u>	<u>426,067</u>	<u>(447,919)</u>	<u>-</u>	<u>5,739,096</u>
Less accumulated depreciation for:					
Land improvements	(76,690)	(2,789)	-	-	(79,479)
Buildings and improvements	(1,002,853)	(32,483)	-	-	(1,035,336)
Machinery and equipment	(135,550)	(8,489)	-	-	(144,039)
Office furniture and equipment	(870,403)	(29,873)	-	-	(900,276)
Books and a/v materials	(1,304,872)	(415,862)	447,919	-	(1,272,815)
Vehicles and other	(100,540)	(19,638)	-	-	(120,178)
	<u>(3,490,908)</u>	<u>(509,134)</u>	<u>447,919</u>	<u>-</u>	<u>(3,552,123)</u>
Total capital assets being depreciated, net	<u>2,270,040</u>	<u>(83,067)</u>	<u>-</u>	<u>-</u>	<u>2,186,973</u>
Library System capital assets, net	<u>\$ 2,377,527</u>	<u>\$ (83,067)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,294,460</u>

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Activity for the Department of Water & Sewer for the year ended December 31, 2018, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 196,284	\$ 110,548	\$ -	\$ -	\$ 306,832
Construction in progress	303,011	1,729,954	-	-	2,032,965
	<u>499,295</u>	<u>1,840,502</u>	<u>-</u>	<u>-</u>	<u>2,339,797</u>
Capital assets, being depreciated:					
Buildings and improvements	14,618,193	92,458	-	-	14,710,651
Improvements other than buildings	548,257	4,218,648	-	-	4,766,905
Machinery and equipment	11,643,752	332,558	(79,484)	7,832,588	19,729,414
Water system	4,550,085	-	-	51,326,755	55,876,840
Sewer system	28,413,933	601,978	-	-	29,015,911
	<u>59,774,220</u>	<u>5,245,642</u>	<u>(79,484)</u>	<u>59,159,343</u>	<u>124,099,721</u>
Less accumulated depreciation for:					
Buildings and improvements	(9,935,679)	(316,740)	-	-	(10,252,419)
Improvements other than buildings	(398,126)	(623,050)	-	-	(1,021,176)
Machinery and equipment	(9,636,522)	(1,487,081)	79,484	-	(11,044,119)
Water system	(2,566,301)	(1,161,905)	-	-	(3,728,206)
Sewer system	(14,064,616)	(635,380)	-	-	(14,699,996)
	<u>(36,601,244)</u>	<u>(4,224,156)</u>	<u>79,484</u>	<u>-</u>	<u>(40,745,916)</u>
Total capital assets being depreciated, net	<u>23,172,976</u>	<u>1,021,486</u>	<u>-</u>	<u>59,159,343</u>	<u>83,353,805</u>
Department of Water & Sewer capital assets, net	<u>\$ 23,672,271</u>	<u>\$ 2,861,988</u>	<u>\$ -</u>	<u>\$ 59,159,343</u>	<u>\$ 85,693,602</u>

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Activity for the Drain Commission for the year ended December 31, 2018, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 333,173	\$ -	\$ -	\$ -	\$ 333,173
Construction in progress	-	317,611	-	(66,824)	250,787
	<u>333,173</u>	<u>317,611</u>	<u>-</u>	<u>(66,824)</u>	<u>583,960</u>
Capital assets, being depreciated:					
Land improvements (infrastructure)	5,710,523	-	-	66,824	5,777,347
Buildings	171,681	-	-	-	171,681
Machinery and equipment	763,449	-	(23,961)	-	739,488
Office furniture and equipment	18,549	-	(18,549)	-	-
Vehicles	226,767	94,730	-	(23,957)	297,540
	<u>6,890,969</u>	<u>94,730</u>	<u>(42,510)</u>	<u>42,867</u>	<u>6,986,056</u>
Less accumulated depreciation for:					
Land improvements (infrastructure)	(1,491,323)	(238,724)	-	-	(1,730,047)
Buildings	(171,681)	-	-	-	(171,681)
Machinery and equipment	(416,853)	(43,229)	23,961	-	(436,121)
Office furniture and equipment	(18,549)	-	18,549	-	-
Vehicles	(194,570)	(25,615)	-	23,957	(196,228)
	<u>(2,292,976)</u>	<u>(307,568)</u>	<u>42,510</u>	<u>23,957</u>	<u>(2,534,077)</u>
Total capital assets being depreciated, net	<u>4,597,993</u>	<u>(212,838)</u>	<u>-</u>	<u>66,824</u>	<u>4,451,979</u>
Drain Commission capital assets, net	<u>\$ 4,931,166</u>	<u>\$ 104,773</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,035,939</u>

Activity for BAYANET for the year ended December 31, 2018, was as follows:

Capital assets, not being depreciated:					
Construction in progress	\$ -	\$ 3,007	\$ -	\$ -	\$ 3,007
Capital assets, being depreciated:					
Furniture and equipment	76,681	10,811	(40,820)	-	46,672
Less accumulated depreciation for:					
Furniture and equipment	(76,681)	(1,173)	40,820	-	(37,034)
Total capital assets being depreciated, net	<u>-</u>	<u>9,638</u>	<u>-</u>	<u>-</u>	<u>9,638</u>
BAYANET capital assets, net	<u>\$ -</u>	<u>\$ 12,645</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,645</u>

BAY COUNTY, MICHIGAN

Notes To Financial Statements

7. PAYABLES

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

	Governmental Activities	Business-type Activities	Component Units
Accounts payable	\$ 1,276,062	\$ 3,234,810	\$ 3,454,999
Wages, fringe benefits and other accrued liabilities	742,367	1,134,684	80,597
Deposits	2,496	23,144	-
Due to other governmental units	120,926	294,072	364,596
Due to component unit	88,760	-	-
Due to primary government	-	-	494,238
Estimated insurance claims payable	692,849	368,688	-
Total	\$ 2,923,460	\$ 5,055,398	\$ 4,394,430

8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

	Due from Other Funds	Due to Other Funds
General fund	\$ 127,559	\$ 2,805,172
911 service fund	-	1,778
Division on aging fund	-	1,375
Mosquito control fund	-	1,048
Nonmajor governmental funds	-	127,331
100% tax payment fund	12,938	103,630
Nonmajor enterprise funds	101,779	32
Internal service funds	2,798,090	-
Total	\$ 3,040,366	\$ 3,040,366

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.

The general fund has a long-term advance of \$975,119 to the drain component unit to provide resources for the construction and maintenance of County drains. The drain component unit records this advance within long-term debt. See Note 9 for specific repayment terms.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Transfers Out	Transfers In			
	General Fund	Division on Aging Fund	Nonmajor Governmental Funds	100% Tax Payment
General fund	\$ -	\$ 6,200	\$ 3,309,950	\$ -
911 service fund	341,463	-	-	-
Division on aging fund	334,230	-	-	-
Mosquito control fund	54,936	-	-	-
Nonmajor governmental funds	942,364	-	-	-
100% tax payment fund	1,230,000	-	-	-
Nonmajor enterprise funds	160,200	-	-	103,437
Internal service funds	7,019	-	-	-
Total	\$ 3,070,212	\$ 6,200	\$ 3,309,950	\$ 103,437

continued...

Transfers Out	Transfers In	
	Nonmajor Enterprise Funds	Total
General fund	\$ 41,000	\$ 3,357,150
911 service fund	-	341,463
Division on aging fund	-	334,230
Mosquito control fund	-	54,936
Nonmajor governmental funds	-	942,364
100% tax payment fund	-	1,230,000
Nonmajor enterprise funds	-	263,637
Internal service funds	-	7,019
Total	\$ 41,000	\$ 6,530,799

concluded.

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

BAY COUNTY, MICHIGAN

Notes To Financial Statements

9. LONG-TERM DEBT

Long-term debt activity for the year ended December 31, 2018, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Primary Government					
Governmental activities:					
General obligation bonds	4,010,000	-	(1,290,000)	2,720,000	1,350,000
Deferred amounts:					
Bond premium	334,740	-	(111,380)	223,360	111,580
Total installment debt	4,344,740	-	(1,401,380)	2,943,360	1,461,580
Compensated absences	2,101,480	2,316,942	(2,349,262)	2,069,160	258,645
Total governmental activities	6,446,220	2,316,942	(3,750,642)	5,012,520	1,720,225
Business-type activities -					
Revenue bonds	29,135,000	-	(460,000)	28,675,000	475,000
DWRF loans	24,415,000	3,010,000	(1,400,000)	26,025,000	1,440,000
Deferred amounts:					
Bond discount	(35,577)	-	1,424	(34,153)	(1,767)
Total installment debt	53,514,423	3,010,000	(1,858,576)	54,665,847	1,913,233
Compensated absences	31,406	106,769	(112,572)	25,603	3,007
Total business-type activities	53,545,829	3,116,769	(1,971,148)	54,691,450	1,916,240
Total primary government	\$ 59,992,049	\$ 5,433,711	\$ (5,721,790)	\$ 59,703,970	\$ 3,636,465

At January 1, 2018, the County transferred the revenue bonds and DWRF loans from governmental activities to business-type activities. The above presentation has been restated for comparability purposes.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Component Units					
Road Commission -					
Compensated absences	\$ 940,311	\$ 37,674	\$ -	\$ 977,985	\$ -
Library System -					
Compensated absences	\$ 139,972	\$ 165,132	\$ (173,258)	\$ 131,846	\$ 13,997
Department of Water & Sewer:					
General obligation bonds	\$ 4,035,000	\$ -	\$ (430,000)	\$ 3,605,000	\$ 340,000
Capital lease - due to primary government	-	56,560,000	(1,860,000)	54,700,000	1,915,000
Other postemployment benefits and pension payable	2,826,649	-	(219,118)	2,607,531	219,118
Total installment debt	6,861,649	56,560,000	(2,509,118)	60,912,531	2,474,118
Compensated absences	236,442	86,685	-	323,127	48,468
Total	\$ 7,098,091	\$ 56,646,685	\$ (2,509,118)	\$ 61,235,658	\$ 2,522,586
Drain Commission-					
Notes payable	\$ 12,000	\$ -	\$ (12,000)	\$ -	\$ -
Advance from primary government	1,118,748	-	(143,629)	975,119	147,770
	\$ 1,130,748	\$ -	\$ (155,629)	\$ 975,119	\$ 147,770

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, \$930 of internal service funds compensated absences are included with the governmental activities amounts. Also, for the governmental activities, compensated absences are generally liquidated by the general fund.

Primary Government

The County issues general obligation bonds, installment purchase contracts, and capital leases to provide funds for the acquisition, renovation, and / or construction of major capital facilities and purchase of major equipment. The original amount of debt issued is as follows:

	Governmental Activities	Business-type Activities
General obligation bonds	\$ 9,650,000	\$ -
Revenue bonds	-	30,000,000
DWRF loans	-	29,545,285

BAY COUNTY, MICHIGAN

Notes To Financial Statements

At January 1, 2018, the County transferred the revenue bonds, DWRF loans and related discount from governmental activities to the water plant enterprise fund (business-type activities). The water plant enterprise fund then entered into a capital lease agreement with the department of water and sewer (DWS). DWS will operate the facility and provide the funding for the revenue bonds and DWRF loans as the payments become due. Once the obligations are repaid the title for the water plant will transfer to DWS.

During 2018, the County assumed \$3,010,000 in debt from the City of Bay City related to the Water Plant Cost Sharing Agreement between the two entities.

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. Revenue bonds are secured by the revenue generated by the local municipalities that participate in the Bay Area Water Treatment Plant. The general obligation bonds, revenue bonds, and DWRF loans currently outstanding are as follows:

Purpose	Interest Rates	Amount
Governmental activities		
General obligation bonds	3.00 - 4.00%	<u>\$ 2,720,000</u>
Business-type activities		
Revenue bonds	4.00 - 5.25%	28,675,000
DWRF loans	2.00 - 2.50%	<u>26,025,000</u>
		<u>54,700,000</u>
Total		<u><u>\$ 57,420,000</u></u>

Annual debt service requirements to maturity for installment debt are as follows:

Year Ended December 31,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2019	\$ 1,350,000	\$ 108,800	\$ 1,915,000	\$ 2,053,748
2020	1,370,000	54,800	1,965,000	2,000,875
2021	-	-	2,025,000	1,946,383
2022	-	-	2,080,000	1,890,222
2023	-	-	2,140,000	1,832,437
2024-2028	-	-	10,960,000	8,148,241
2029-2033	-	-	11,650,000	6,353,614
2034-2038	-	-	10,775,000	4,305,556
2039-2043	-	-	11,190,000	1,820,991
	<u>\$ 2,720,000</u>	<u>\$ 163,600</u>	<u>\$ 54,700,000</u>	<u>\$ 30,352,067</u>

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Component Units

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

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

Purpose	Interest Rates	Amount
General obligation bonds	2.25 - 5.25%	\$ 3,605,000
Capital lease	2.00 - 5.25%	54,700,000
		<u>\$ 58,305,000</u>

Annual debt service requirements to maturity for DWS bonds are as follows:

Year Ended December 31,	Principal	Interest
2019	\$ 2,255,000	\$ 2,204,471
2020	2,315,000	2,136,563
2021	2,265,000	2,069,653
2022	2,330,000	2,003,891
2023	2,400,000	1,936,107
2024-2028	12,440,000	8,498,095
2029-2033	12,335,000	6,398,893
2034-2038	10,775,000	4,305,556
2039-2043	11,190,000	1,822,801
	<u>\$ 58,305,000</u>	<u>\$ 31,376,030</u>

The Board of County Road Commissioners of Bay County entered into a cost sharing agreement for the water plant on behalf of the parties of the Water Supply Agreement. As part of this agreement the DWS will pay Bay City the sum of \$143,647 per annum as a partial reimbursement for Bay City's obligation of OPEB liabilities and \$75,471 per annum as a partial reimbursement for Bay City's obligation for Municipal Employees Retirement System (MERS) contributions for retirees and eligible retirees. These annual payments will continue until 2033 and are reported above as OPEB and MERS payable.

Drain Commission. General obligation drain improvement bonds and notes are issued by the County to finance certain drainage district construction projects. The original amount of notes and advances was \$1,514,899.

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

Purpose	Interest Rates	Amount
Advance from primary government	3.00%	\$ 975,119

BAY COUNTY, MICHIGAN

Notes To Financial Statements

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

Year Ended December 31,	Principal	Interest
2019	\$ 147,770	\$ 28,349
2020	152,030	24,087
2021	156,414	19,703
2022	160,927	15,192
2023	165,570	10,550
2024-2025	192,408	7,602
	<u>\$ 975,119</u>	<u>\$ 105,483</u>

10. DEFINED BENEFIT PENSION PLAN

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

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

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

	Primary Government	Component Units	Total
Retirees and beneficiaries receiving benefits	653	-	653
Terminated plan members entitled to, but not yet receiving benefits	47	10	57
Active plan members	782	136	918
	<u>1,482</u>	<u>146</u>	<u>1,628</u>

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

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Funding Policy/Contributions - The Plan benefit provisions and contribution requirements of plan members and the County are established and may be amended by the Board of Commissioners, who also administers the plan, in accordance with County policies, union contracts, and plan provisions. The County's policy is to fund normal costs which are based on actuarially determined rates, expressed as percentages of annual covered payroll, and which are sufficient to accumulate assets to pay benefits when due. The provisions of the Plan require the County to contribute at an actuarially determined rate. Plan members contribute at a rate of 4% to 6% of their annual salary. The employer contribution current rates, which were determined through an actuarial valuation are as follows:

General county	0.00%
Sheriff's department	0.00%
Department of water and sewer	14.91%
Medical care facility	2.76%
Road commission	21.28%
Library	\$ 74,780

Amounts received from employer contributions for the year ended December 31, 2018 are as follows:

	Contributions
Primary government	\$ 297,158
Component units	1,288,229
	\$ 1,585,387

Actuarial Assumptions. The total pension liability was calculated as of December 31, 2017 from an actuarial valuation as of the same date, using the following actuarial assumptions applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	4.00% to 8.50% including inflation
Investment rate of return	7.25%, net of investment and administrative expense including inflation
Mortality tables	The RP-2014 Employee Generational The RP-2014 Healthy Annuitant Generational The RP-2014 Disabled

Rationale for the assumptions used was based on an experience study issued August 1, 2017 for the five-year period ended December 31, 2015.

Single Discount Rate. A single discount rate of 7.25% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.25%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Long-term Expected Real Rate of Return. The long-term expected rate of return on the Plan's investments was determined using a building-block method, in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return at December 31, 2017 for each major asset class included in the Plan's target asset allocation as disclosed above are summarized as follows:

Asset Class	Target Allocation	Long-term Expected Rate of Return
Domestic equity	48.0%	7.5%
International equity	20.0%	8.5%
U.S. fixed income	25.0%	2.5%
Real estate	7.0%	4.5%
	<u>100.0%</u>	

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

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Asset (a) - (b)
Balances at December 31, 2016	\$ 243,696,202	\$ 261,487,178	\$ (17,790,976)
Changes for the year:			
Service cost	4,082,245	-	4,082,245
Interest	17,280,650	-	17,280,650
Difference between expected and actual experience	(3,927,946)		(3,927,946)
Employer contributions	-	1,784,822	(1,784,822)
Employee contributions	-	1,664,592	(1,664,592)
Net investment income	-	48,824,494	(48,824,494)
Benefit payments, including refunds of employee contributions	(14,767,057)	(14,767,057)	-
Administrative expense	-	(278,655)	278,655
Net changes	<u>2,667,892</u>	<u>37,228,196</u>	<u>(34,560,304)</u>
Balances at December 31, 2017	<u>\$ 246,364,094</u>	<u>\$ 298,715,374</u>	<u>\$ (52,351,280)</u>

The net pension asset is allocated as follows:

Primary government	\$ 38,882,949
Pension Trust Fund	76,019
Component units	12,164,630
Component unit fiduciary funds not included within this report	<u>1,227,682</u>
	<u>\$ 52,351,280</u>

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Sensitivity of the Net Pension Asset to Changes in the Discount Rate. The following presents the net pension asset of the County, calculated using the discount rate of 7.25%, as well as what the County's net pension asset would be if it were calculated using a discount rate that is 1% lower (6.25%) or higher (8.25%) than the current rate:

	One Percent Decrease (6.25%)	Current Discount Rate (7.25%)	One Percent Increase (8.25%)
County's net pension asset	\$ (24,162,124)	\$ (52,351,280)	\$ (76,096,910)

Net Pension Asset. The County's net pension asset was determined by an actuarial valuation as of December 31, 2017.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended December 31, 2018, the County recognized pension expense of (\$1,162,041). At December 31, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Difference between expected and actual experience	\$ 501,693	\$ 5,318,526	\$ (4,816,833)
Change in proportionate share	4,342,559	4,342,559	-
Change in assumptions	4,986,454	-	4,986,454
Net difference between projected and actual earnings on pension plan investments	-	18,229,106	(18,229,106)
	<u>9,830,706</u>	<u>27,890,191</u>	<u>(18,059,485)</u>
Contributions subsequent to measurement date	1,585,387	-	1,585,387
	<u>\$ 11,416,093</u>	<u>\$ 27,890,191</u>	<u>\$ (16,474,098)</u>

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

Primary government	\$ 5,639,582	\$ 21,592,312	\$ (15,952,730)
Pension Trust Fund	8,214	42,601	(34,387)
Component units	5,134,488	5,653,339	(518,851)
Component unit fiduciary funds not included within this report	633,809	601,939	31,870
	<u>\$ 11,416,093</u>	<u>\$ 27,890,191</u>	<u>\$ (16,474,098)</u>

BAY COUNTY, MICHIGAN

Notes To Financial Statements

The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the total pension liability for the year ending December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended December 31,	Amount
2019	\$ (2,601,544)
2020	(2,638,456)
2021	(6,099,067)
2022	(6,541,727)
2023	<u>(178,691)</u>
Total	<u>\$ (18,059,485)</u>

Payable to the Pension Plans. As of year end, the County did not have any outstanding contributions due to the plan.

11. POSTEMPLOYMENT HEALTHCARE AND LIFE INSURANCE BENEFITS

The County also sponsors an agent multiple-employer retiree healthcare plan through a Voluntary Employees Beneficiary Association (“VEBA”) trust (the “Plan”). The Plan is a defined benefit public retiree healthcare plan established effective October 1, 2001 and covers substantially all employees of the primary government, employees of the County’s component units (Road Commission, Library System, Department of Water and Sewer, and an unrelated entity (Bay Arenac Behavioral Health (BABH))). The purpose of the Plan is to provide medical and healthcare benefits for the welfare of certain retirees of the participating entities, and the spouses and dependents of such retirees, who are participants in the Bay County Employees' 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 issues stand-alone financial statements, which may be obtained from the County Finance Department. As of 2011, the Plan is closed to new participants.

The Plan is a contributory defined benefit plan which covers substantially all employees of Bay County and component units. At December 31, 2017, the date of the latest actuarial valuation, participants in the Plan consisted of:

	Primary Government	Component Units	Total
Retired members and beneficiaries	410	134	544
Inactive, nonretired members	-	-	-
Active plan members	659	129	788
	<u>1,069</u>	<u>263</u>	<u>1,332</u>

BAY COUNTY, MICHIGAN

Notes To Financial Statements

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

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

Road Commission, Department of Water and Sewer, and Bay County 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 postemployment 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 premiums.

The December 31, 2017, actuarial valuation identified the required employer contribution for the General County of \$9,966,040, based on a percentage of covered payroll and amortization period. Contributions to the Plan for the year-ended December 31, 2018, were \$8,124,820. This amount was contributed on a pay-as-you-go basis.

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

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Funding Policy/Contributions - The Plan benefit provisions and contribution requirements of plan members and the County are established and may be amended by the Board of Commissioners, who also administers the plan, in accordance with County policies, union contracts, and plan provisions. The County's current policy is to fund the plan on a pay-as-you-go basis with additional amounts contributed into the VEBA trust fund. The employer contribution current rates, which were determined through an actuarial valuation are as follows:

General county	\$ 2,779,319
Sheriff's department	722,085
Department of water and sewer	583,242
Medical care facility	2,620,460
Road commission	3,219,583
Library	41,351

Amounts received from employer contributions for the year ended December 31, 2018 are as follows:

	Contributions
Primary government	\$ 7,158,919
Component units	965,901
	\$ 8,124,820

Actuarial Assumptions. The total OPEB liability was calculated as of December 31, 2017 from an actuarial valuation as of the same date, using the following actuarial assumptions applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	4.00% to 8.50% including inflation
Investment rate of return	7.00%, net of investment and administrative expense including inflation
Healthcare trend rates	9.00% trend, gradually decreasing to 3.50% in year 10
Mortality tables	The RP-2014 Employee Generational The RP-2014 Healthy Annuitant Generational The RP-2014 Disabled

Rationale for the assumptions used was based on an experience study issued August 1, 2017 for the five-year period ended December 31, 2015.

Assumptions changes in the December 31, 2017 actuarial valuations were as follows:

Investment rate of return	Increased from 5.00% to 7.00%
Benefits	Adjusted for the road commission and medical care facility based on retiree cost shares

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Single Discount Rate. A single discount rate of 7.00% was used to measure the total OPEB liability. This single discount rate was based on the expected rate of return on OPEB plan investments of 7.00%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Long-term Expected Real Rate of Return. The long-term expected rate of return on the Plan's investments was determined using a building-block method, in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return at December 31, 2017 for each major asset class included in the Plan's target asset allocation as disclosed above are summarized as follows:

Asset Class	Target Allocation	Long-term Expected Rate of Return
Domestic equity	49.0%	7.5%
International equity	21.0%	8.5%
U.S. fixed income	23.0%	2.5%
Real estate	7.0%	4.5%
	<u>100.0%</u>	

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate. The following presents the net OPEB liability of the County, calculated using the healthcare cost trend rate of 9.00% decreasing to 3.50% in year 10, as well as what the County's net OPEB liability would be if it were calculated using a discount rate that is 1% lower or higher than the current rate:

	One Percent Decrease (6.00%)	Current Discount Rate (7.00%)	One Percent Increase (8.00%)
County's net OPEB liability	\$ 106,344,663	\$ 90,470,651	\$ 77,287,674

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Changes in the Net OPEB Liability. The components of the change in the net OPEB liability are summarized as follows:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at December 31, 2016	\$ 121,332,014	\$ 30,752,265	\$ 90,579,749
Changes for the year:			
Service cost	2,116,686	-	2,116,686
Interest	8,409,809	-	8,409,809
Changes in benefit terms	60,188	-	60,188
Difference between expected and actual experience	(2,007,823)	-	(2,007,823)
Employer contributions	-	4,798,896	(4,798,896)
Net investment income	-	3,932,499	(3,932,499)
Benefit payments, including refunds of employee contributions	(4,500,449)	(4,500,449)	-
Administrative expense	-	(43,437)	43,437
Net changes	4,078,411	4,187,509	(109,098)
Balances at December 31, 2017	\$ 125,410,425	\$ 34,939,774	\$ 90,470,651

The net OPEB liability is allocated as follows:

Primary government	\$ 60,446,149
Component units	26,542,594
Component unit fiduciary funds not included within this report	3,481,908
	<u>\$ 90,470,651</u>

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate. The following presents the net OPEB liability of the County, calculated using the discount rate of 7.00%, as well as what the County's net OPEB liability would be if it were calculated using a discount rate that is 1% lower or higher than the current rate:

	One Percent Decrease (8.00%)	Current Discount Rate (9.00%)	One Percent Increase (10.00%)
County's net OPEB liability	\$ 76,721,130	\$ 90,470,651	\$ 107,122,927

BAY COUNTY, MICHIGAN

Notes To Financial Statements

Net OPEB liability. The County's net OPEB liability was determined by an actuarial valuation as of December 31, 2017.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the year ended December 31, 2019, the County recognized OPEB expense of \$7,640,698. At December 31, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Difference between expected and actual experience	\$ -	\$ 1,534,168	\$ (1,534,168)
Net difference between projected and actual earnings on pension plan investments	-	1,416,732	(1,416,732)
	-	2,950,900	(2,950,900)
Contributions subsequent to measurement date	8,124,820	-	8,124,820
Total	\$ 8,124,820	\$ 2,950,900	\$ 5,173,920

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

Primary government	\$ 6,201,765	\$ 1,983,271	\$ 4,218,494
Component units	1,676,318	865,745	810,573
Component unit fiduciary funds not included within this report	246,737	101,884	144,853
Total	\$ 8,124,820	\$ 2,950,900	\$ 5,173,920

The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the total OPEB liability for the year ending December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31,	Amount
2019	\$ (827,838)
2020	(827,838)
2021	(827,838)
2022	(467,386)
Total	\$ (2,950,900)

Payable to the OPEB Plan. As of year end, the County did not have any outstanding contributions due to the Plan.

The general fund and certain and enterprise funds typically have been used to liquidate the net OPEB liability.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

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

	Plan Net Position		
	Pension Trust Fund	VEBA Trust Fund	Total
Assets			
Investments, at fair value:			
Equities	\$ 236,270,466	\$ 30,936,470	\$ 267,206,936
Fixed income	76,982,209	21,351,564	98,333,773
Money market	6,332,955	4,678,830	11,011,785
Total investments	<u>319,585,630</u>	<u>56,966,864</u>	<u>376,552,494</u>
Receivables:			
Contributions	342,095	115,569	457,664
Interest and dividends	737,113	117,650	854,763
Total receivables	<u>1,079,208</u>	<u>233,219</u>	<u>1,312,427</u>
Other current assets:			
Prepaid items and other assets	1,730,697	-	1,730,697
Net pension asset	76,019	-	76,019
Total other current assets	<u>1,806,716</u>	<u>-</u>	<u>1,806,716</u>
Total assets	<u>322,471,554</u>	<u>57,200,083</u>	<u>379,671,637</u>
Deferred outflow of resources - pension	<u>8,214</u>	<u>-</u>	<u>8,214</u>
Liabilities			
Accounts payable	626,797	69,536	696,333
Accrued liabilities	611,105	4,013,845	4,624,950
Accrued vacation and sick pay	2,629	-	2,629
Total liabilities	<u>1,240,531</u>	<u>4,083,381</u>	<u>5,323,912</u>
Deferred inflow of resources - pension	<u>42,601</u>	<u>-</u>	<u>42,601</u>
Net position			
Restricted for:			
Employees' retirement system	321,196,636	-	321,196,636
Postemployment health care benefits	-	53,116,702	53,116,702
Total net position	<u>\$ 321,196,636</u>	<u>\$ 53,116,702</u>	<u>\$ 374,313,338</u>

BAY COUNTY, MICHIGAN

Notes To Financial Statements

	Plan Changes in Net Position		
	Pension Trust Fund	VEBA Trust Fund	Total
Additions			
Investment income (loss):			
Net depreciation in fair value of investments	\$ (24,777,818)	\$ (4,974,129)	\$ (29,751,947)
Interest and dividends	5,799,369	2,539,162	8,338,531
Less investment expense	(2,100,524)	(157,953)	(2,258,477)
Total investment income (loss)	<u>(21,078,973)</u>	<u>(2,592,920)</u>	<u>(23,671,893)</u>
Contributions:			
Employer	2,574,557	8,280,505	10,855,062
Plan members	2,093,766	-	2,093,766
Total contributions	<u>4,668,323</u>	<u>8,280,505</u>	<u>12,948,828</u>
Other revenue	<u>11,736</u>	<u>145</u>	<u>11,881</u>
Total additions (net of investment loss)	<u>(16,398,914)</u>	<u>5,687,730</u>	<u>(10,711,184)</u>
Deductions			
Benefit payments	18,483,518	5,052,180	23,535,698
Administrative expenses	<u>416,268</u>	<u>4,235</u>	<u>420,503</u>
Total deductions	<u>18,899,786</u>	<u>5,056,415</u>	<u>23,956,201</u>
Change in net position	(35,298,700)	631,315	(34,667,385)
Net position, beginning of year, as restated	<u>356,495,336</u>	<u>52,485,387</u>	<u>408,980,723</u>
Net position, end of year	<u>\$ 321,196,636</u>	<u>\$ 53,116,702</u>	<u>\$ 374,313,338</u>

13. SELF-INSURANCE

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

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

BAY COUNTY, MICHIGAN

Notes To Financial Statements

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

The County estimates the liability for claims that have been incurred through December 31, 2018, 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

The County is 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	N/A

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

The County's limits of liability coverage range from \$2,000 to \$10,000,000 per occurrence depending on type of occurrence. The County's limits of property and crime coverage range from \$10,000 to \$99,974,305 per occurrence depending on type of occurrence. In addition to the County's coverage from MMRMA, the combined members' have an aggregate \$5,000,000 terrorism liability coverage, \$300,000,000 of aggregate property coverage, a \$100,000,000 earthquake aggregate loss limit, a \$100,000,000 flood aggregate loss limit, and a \$50,000,000 terrorism per occurrence loss limit for all members.

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

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

BAY COUNTY, MICHIGAN

Notes To Financial Statements

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

	2018	2017
Claims liability, beginning of year	\$ 294,821	\$ 400,107
Claims incurred, including changes in estimates	1,303,109	25,168
Claims payments and adjustments	<u>(1,348,196)</u>	<u>(130,454)</u>
Claims liability, end of year	<u>\$ 249,734</u>	<u>\$ 294,821</u>

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

	2018	2017
Claims liability, beginning of year	\$ 124,645	\$ 24,437
Claims incurred, including changes in estimates	27,367	143,084
Claims payments and adjustments	<u>(57,779)</u>	<u>(42,876)</u>
Claims liability, end of year	<u>\$ 94,233</u>	<u>\$ 124,645</u>

Changes in the estimated claims liabilities for healthcare claims (excluding the Medical Care Facility) are as follows for the years ended December 31:

	2018	2017
Claims liability, beginning of year	\$ 363,334	\$ 377,295
Claims incurred, including changes in estimates	6,142,981	5,883,487
Claims payments and adjustments	<u>(6,063,200)</u>	<u>(5,897,448)</u>
Claims liability, end of year	<u>\$ 443,115</u>	<u>\$ 363,334</u>

BAY COUNTY, MICHIGAN

Notes To Financial Statements

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

	2018	2017
Claims liability, beginning of year	\$ 135,289	\$ 189,379
Claims incurred, including changes in estimates	2,769,220	2,909,508
Claims payments and adjustments	<u>(2,704,294)</u>	<u>(2,963,598)</u>
Claims liability, end of year	<u>\$ 200,215</u>	<u>\$ 135,289</u>

General Liability - Road Commission Component Unit

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

General Liability - Department of Water and Sewer Component Unit

The Department of Water and Sewer is self-insured for workers' compensation claims. This program is administered by an independent company which furnishes safety inspection, claims review, and claims processing services. The employers' liability maximum limit of indemnity per occurrence is \$1,000,000 and the self-insured retention per occurrence is \$400,000. Net cost for the current year was \$23,370.

The Department of Water and Sewer is further insured for general, automobile, and errors or omissions claims as a member of the Michigan County Road Commission Self-Insurance Pool and is insured for liabilities up to a limit of \$10,500,000 per occurrence, subject to a \$1,000 deductible. The Department of Water and Sewer would be responsible for losses in excess of the limit. Payments made for the current year were \$42,470.

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 current year were \$169,723.

The Department of Water and Sewer became self-insured for healthcare claims effective February 1, 2006. Blue Cross Blue Shield of Michigan administers the claims and provides \$75,000 specific stop loss coverage in a combined contract with DWS and Bay County Road Commission. Payments made for the current year were \$1,214,783.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

14. PROPERTY TAXES

The County property tax is levied each July 1st and December 1st 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 2018 ad valorem tax is levied and collectible by December 1, 2018, it is the County's policy for all governmental fund types (with the exception below) to recognize revenues from the current tax levy in the year when the proceeds of the levy are budgeted and made available for financing County operations.

The taxable value of real and personal property for the December 1, 2017 levy totaled \$2,760,381,937. The taxable value of real and personal property for the July 1, 2018 levy totaled \$2,797,472,161. The tax levy for fiscal year 2018 operations was based on the following rates:

General operating	5.7257 mills
Mosquito control	.5500 mills
911 central dispatch	.7000 mills
County library	1.9953 mills
Senior citizens	.5500 mills
Soldiers' Relief	.1000 mills
Historical society	.0952 mills
Medical care	.7500 mills

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

Tax Abatements

Industrial property tax abatements are granted by the State of Michigan under public Act 198, as amended, to promote economic development, creation of jobs, and new or improvement facilities. The industrial facilities tax (IFT) exemption must be approved by both the local unit (after a public hearing is held) and the State of Michigan. IFT exemptions can cover real and/or personal property. By State law, the exemption must be applied for no later than six months after commencement of the project, and must be accompanied by a written agreement between the taxpayer and the local unit. An exemption allows for taxation on IFT property at 50% of the local property tax millage rate for a period of 1 to 12 years. Accordingly, such agreements meet the criteria of "tax abatements" under GASB Statement No. 77. Property taxes abated by the County in 2018 amounted to \$213,147, related to IFT exemptions.

The Brownfield Redevelopment Financing Act, 1996 PA 381, as amended (Act 381), authorizes Brownfield Redevelopment Authorities (BRAs) to facilitate the implementation of Brownfield Plans and associated Work Plans that promote the revitalization, redevelopment, and reuse of contaminated, blighted, functionally obsolete, or historic resources. Act 381 authorizes and permits the use of school and local tax increment financing to help reduce the burden of Brownfield related costs when redeveloping affected properties. Accordingly, such agreements meet the criteria of "tax abatements" under GASB Statement No. 77. Property taxes abated by the County in 2018 amount to \$303,102, related to brownfield exemptions.

BAY COUNTY, MICHIGAN

Notes To Financial Statements

15. FUND BALANCES - GOVERNMENTAL FUNDS

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

	General Fund	911 Service Fund	Division on Aging Fund	Mosquito Control Fund	Nonmajor Funds	Total
Nonspendable:						
Inventory	\$ 13,022	\$ -	\$ -	\$ -	\$ -	\$ 13,022
Prepays	254,447	25,604	-	-	3,399	283,450
Long-term advance	975,119	-	-	-	-	975,119
Total nonspendable	1,242,588	25,604	-	-	3,399	1,271,591
Restricted for:						
General county services	160,697	-	-	-	-	160,697
911 services	-	600,202	-	-	-	600,202
Division on aging	-	-	2,291,364	-	-	2,291,364
Mosquito control	-	-	-	851,983	-	851,983
Friend of the court	-	-	-	-	311,550	311,550
Gypsy moth control	-	-	-	-	634,548	634,548
Register of deeds	-	-	-	-	41,959	41,959
Concealed pistol licensing	-	-	-	-	82,544	82,544
Local C.F.O. training	-	-	-	-	42,701	42,701
Drug law enforcement	-	-	-	-	23,125	23,125
Community corrections	-	-	-	-	8,049	8,049
Home rehabilitation	-	-	-	-	2,217,312	2,217,312
Child care/social services	-	-	-	-	1,125	1,125
Soldiers' relief	-	-	-	-	239,084	239,084
Historical preservation	-	-	-	-	18,702	18,702
Building authority debt service	-	-	-	-	45,049	45,049
Total restricted	160,697	600,202	2,291,364	851,983	3,665,748	7,569,994
Committed for:						
Budget Stabilization	6,824,764	-	-	-	-	6,824,764
Assigned for:						
General county services	1,130,292	-	-	-	-	1,130,292
911 services	-	697,478	-	-	-	697,478
Division on aging	-	-	719,610	-	-	719,610
Health department	-	-	-	-	389,320	389,320
Register of deeds automation	-	-	-	-	12,650	12,650
Concealed pistol license	-	-	-	-	8,396	8,396
Law library	-	-	-	-	1,177	1,177
Community corrections	-	-	-	-	71,226	71,226
Social welfare	-	-	-	-	46,062	46,062
Child care	-	-	-	-	561,882	561,882
Child care social/services	-	-	-	-	15,133	15,133
Soldiers' relief	-	-	-	-	23,682	23,682
Indigent defense	-	-	-	-	4	4
Total assigned	1,130,292	697,478	719,610	-	1,129,532	3,676,912
Unassigned	3,890,566	-	-	-	-	3,890,566
Total fund balances, governmental funds	\$ 13,248,907	\$ 1,323,284	\$ 3,010,974	\$ 851,983	\$ 4,798,679	\$ 23,233,827

BAY COUNTY, MICHIGAN

Notes To Financial Statements

16. NET POSITION

Restricted Net Position

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

	Governmental Activities	Business-type Activities	Component Units
Restricted for:			
Pension benefits	\$ 14,128,490	\$ 8,801,729	\$ 9,069,277
Insurance claims	5,194,192	-	-
Health and welfare	2,534,972	-	-
Home rehabilitation	2,217,312	-	-
Pest control	1,486,531	-	-
Other:			
Public safety	782,225	-	-
Judicial	311,550	-	-
Debt service	26,916	-	240,359
Register of deeds	41,959	-	-
Donor restrictions	179,399	-	-
Library	-	-	198,746
	<u>\$ 26,903,546</u>	<u>\$ 8,801,729</u>	<u>\$ 9,508,382</u>

Net Investment in Capital Assets

The composition of net investment in capital assets as of December 31, 2018, was as follows:

	Governmental Activities	Business-type Activities	Component Units
Capital assets:			
Assets not being depreciated	\$ 2,212,779	\$ 3,293,763	\$ 38,988,456
Assets being depreciated, net	40,096,255	13,612,872	144,487,187
	<u>42,309,034</u>	<u>16,906,635</u>	<u>183,475,643</u>
Related debt:			
Due within one year	1,720,225	1,916,240	2,684,353
Due more than one year	3,292,295	52,775,210	60,636,255
Less:			
Conduit debt	-	-	-
Non-capital debt	-	(54,665,847)	-
Compensated absences	(2,069,160)	(25,603)	(1,432,958)
Retiree benefit obligation	-	-	(2,607,531)
	<u>2,943,360</u>	<u>-</u>	<u>59,280,119</u>
Net investment in capital assets	<u>\$ 39,365,674</u>	<u>\$ 16,906,635</u>	<u>\$ 124,195,524</u>

BAY COUNTY, MICHIGAN

Notes To Financial Statements

17. COMMITMENTS, CONTINGENCIES, AND PENDING LITIGATION

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

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

As of December 31, 2018, the Medical Care Facility has a commitment balance of \$11,781,030 related to the renovation project.

18. RESTATEMENTS

The County implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting of Postemployment Benefits Other than Pensions*, during the current year. The implementation of this new standard includes the recognition of the net OPEB liability at the beginning of the year and the elimination of the net OPEB obligation recorded under the standards previously in effect. The implementation of this standard impacted beginning net position of the following opinion units:

	Governmental Activities	Business-type Activities	Component Units	Total
Governmental activities	\$ (7,563,304)	\$ -	\$ -	\$ (7,563,304)
Internal service funds	(21,256)	-	-	(21,256)
Medical care facility fund	-	(9,382,727)	-	(9,382,727)
100% tax payment fund	-	(7,580)	-	(7,580)
Nonmajor enterprise funds	-	105,467	-	105,467
Road commission	-	-	(8,512,886)	(8,512,886)
Library	-	-	(366,352)	(366,352)
Department of water and sewer	-	-	(5,021,385)	(5,021,385)
Total	\$ (7,584,560)	\$ (9,284,840)	\$ (13,900,623)	\$ (30,770,023)



REQUIRED SUPPLEMENTARY INFORMATION

BAY COUNTY, MICHIGAN

Required Supplementary Information

Employees' Retirement System
For the Year Ended December 31, 2018

Schedule of Changes in Net Pension Asset and Related Ratios

	Year Ending December 31,			
	2017	2016	2015	2014
Total pension liability				
Service cost	\$ 4,082,245	\$ 4,033,693	\$ 3,995,877	\$ 3,941,541
Interest	17,280,650	17,018,949	16,521,779	15,873,703
Changes in benefits	-	300,125	-	-
Differences between expected and actual experience	(3,927,946)	(3,434,251)	-	2,048,465
Changes in assumptions	-	8,000,602	-	-
Benefit payments, including refunds of member contributions	(14,767,057)	(14,250,784)	(13,564,472)	(12,935,261)
Net change in total pension liability	<u>2,667,892</u>	<u>11,668,334</u>	<u>6,953,184</u>	<u>8,928,448</u>
Total pension liability, beginning of year	<u>243,696,202</u>	<u>232,027,868</u>	<u>225,074,684</u>	<u>216,146,236</u>
Total pension liability, end of year	<u>246,364,094</u>	<u>243,696,202</u>	<u>232,027,868</u>	<u>225,074,684</u>
Plan fiduciary net position				
Employer contributions	1,784,822	1,958,204	2,165,361	2,574,104
Employee contributions	1,664,592	1,759,828	1,591,066	1,669,919
Net investment income	48,824,494	19,028,272	1,861,801	19,045,651
Benefit payments, including refunds of member contributions	(14,767,057)	(14,250,784)	(13,564,472)	(12,935,261)
Administrative expenses	(278,655)	(287,391)	(248,428)	(193,343)
Net change in fiduciary net position	<u>37,228,196</u>	<u>8,208,129</u>	<u>(8,194,672)</u>	<u>10,161,070</u>
Fiduciary net position, beginning of year, as restated	<u>261,487,178</u>	<u>253,279,059</u>	<u>261,473,731</u>	<u>251,312,661</u>
Fiduciary net position, end of year	<u>298,715,374</u>	<u>261,487,188</u>	<u>253,279,059</u>	<u>261,473,731</u>
Net pension asset	<u>\$ (52,351,280)</u>	<u>\$ (17,790,986)</u>	<u>\$ (21,251,191)</u>	<u>\$ (36,399,047)</u>
Fiduciary net position as a percentage of total pension asset	121.25%	107.30%	109.16%	116.17%
Covered payroll	<u>\$ 37,891,976</u>	<u>\$ 37,854,795</u>	<u>\$ 37,463,853</u>	<u>\$ 36,274,550</u>
Net pension asset as a percentage of covered payroll	-138.16%	-47.00%	-56.72%	-100.34%

Note: GASB 68 was implemented in fiscal year 2015. Information is presented as of the measurement date and is being built prospectively. Ultimately, 10 years of data will be presented.

BAY COUNTY, MICHIGAN

Required Supplementary Information

Employees' Retirement System

For the Year Ended December 31, 2018

Schedule of the Net Pension Asset

Fiscal Year Ended December 31,	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Asset	Plan Fiduciary Net Position as Percentage of Total Pension Liability	Covered Payroll	Net Pension Asset as Percentage of Covered Payroll
2014	\$ 225,074,684	\$ 261,473,731	\$ (36,399,047)	116.2%	\$ 36,274,550	-100.3%
2015	232,027,868	253,279,059	(21,251,191)	109.2%	37,463,853	-56.7%
2016	243,696,202	261,487,188	(17,790,986)	107.3%	37,854,795	-47.0%
2017	246,364,094	298,715,374	(52,351,280)	121.2%	37,891,976	-138.2%

Note: GASB 68 was implemented in fiscal year 2015. Information is presented as of the measurement date and is being built prospectively. Ultimately, 10 years of data will be presented.

BAY COUNTY, MICHIGAN

Required Supplementary Information

Employees' Retirement System

For the Year Ended December 31, 2018

Schedule of Contributions

Fiscal Year Ended December 31,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as Percentage of Covered Payroll
2015	\$ 1,784,822	\$ 1,784,822	\$ -	\$ 37,463,853	4.76%
2016	1,306,845	1,961,212	(654,367)	37,854,795	4.19%
2017	1,072,462	1,585,387	(512,925)	37,891,976	4.18%
2018	1,621,479	2,574,557	(953,078)	39,263,832	6.56%

Note: GASB 75 was implemented in fiscal year 2015. Information is presented as of the measurement date and is being built prospectively. Ultimately, 10 years of data will be presented.

Notes to Schedule of Contributions

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry-age normal
Amortization method	Level dollar amount for Library
	Level percentage of payroll for all other groups
Remaining amortization period	27 years closed for groups that are underfunded
	10 years open for groups that are overfunded
Asset valuation method	5-year smoothed market
Wage inflation	3.5% plus merit & longevity increases ranging from 0.75% to 5.25%
Cost-of-living adjustments	None
Price inflation	2.75%
Investment rate of return	7.50%
Mortality	RP 2000 Combined Healthy Mortality Table

Assumption Changes

For the actuarial valuation dated December 31, 2016, the Plan had the following significant assumption changes. Rate of return was reduced to 7.25%, inflation was changed to 2.5%, payroll base increase was changed to 3.25%, lump sum payments for unused sick and vacation were assumed to increase average final compensation by 3.4% to 7.0%, change in mortality tables, and non-investment administration expenses assumed to average 0.5%.

BAY COUNTY, MICHIGAN

Required Supplementary Information

VEBA Trust - Retiree Healthcare Plan
For the Year Ended December 31, 2018

Schedule of Changes in Net OPEB Liability and Related Ratios

	Year Ending December 31, 2017
Total OPEB liability	
Service cost	\$ 2,116,686
Interest	8,409,809
Changes in benefits	60,188
Differences between expected and actual experience	(2,007,823)
Benefit payments, including refunds of member contributions	(4,500,449)
Net change in total OPEB liability	<u>4,078,411</u>
Total OPEB liability, beginning of year	<u>121,332,014</u>
Total OPEB liability, end of year	<u>125,410,425</u>
Plan fiduciary net position	
Employer contributions	4,798,896
Net investment income	3,932,499
Benefit payments, including refunds of member contributions	(4,500,449)
Administrative expenses	(43,437)
Net change in fiduciary net position	<u>4,187,509</u>
Fiduciary net position, beginning of year	<u>30,752,265</u>
Fiduciary net position, end of year	<u>34,939,774</u>
Net OPEB liability	<u>\$ 90,470,651</u>
Fiduciary net position as a percentage of total pension asset	27.86%
Covered payroll	<u>\$ 25,746,633</u>
Net OPEB liability as a percentage of covered payroll	351.39%

Note: GASB 75 was implemented in fiscal year 2018. Information is presented as of the measurement date and is being built prospectively. Ultimately, 10 years of data will be presented.

BAY COUNTY, MICHIGAN

Required Supplementary Information

VEBA Trust - Retiree Healthcare Plan
 For the Year Ended December 31, 2018

Schedule of the Net OPEB Liability

Fiscal Year Ended December 31,	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability	Plan Fiduciary Net Position as Percentage of Total OPEB Liability	Covered Payroll	Net OPEB Liability as Percentage of Covered Payroll
2017	\$ 125,410,425	\$ 34,939,774	\$ 90,470,651	27.9%	\$ 25,746,633	351.4%

Note: GASB 75 was implemented in fiscal year 2018. Information is presented as of the measurement date and is being built prospectively. Ultimately, 10 years of data will be presented.

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

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue funds account for the proceeds of specific revenue resources that are restricted, committed or assigned to expenditures for specific purposes other than debt service or capital projects

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

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

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

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

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

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

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

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

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

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

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

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS (concluded)

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

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

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

The *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.

The *Indigent Defense Fund* is used to account for grant revenue received to provide legal services to the indigent residents of the County.

DEBT SERVICE FUNDS

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

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

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

Capital Project funds account for the resources accumulated and expended for capital projects of the County.

The *Water Supply Capital Project Fund* was established to accumulate resources for and the construction of the County's Bay Area Water Treatment Plant, which was transferred to the department of water and sewer component unit.

BAY COUNTY, MICHIGAN

Combining Balance Sheet Nonmajor Governmental Funds December 31, 2018

	Special Revenue Funds			
	Friend of the Court	Health Department / District Health	Gypsy Moth Control	Register of Deeds Automation
Assets				
Cash and cash equivalents	\$ 100,898	\$ 820,026	\$ 100,327	\$ 16,843
Investments	211,493	-	534,008	43,317
Accounts receivable, net of allowance	-	47,930	-	-
Property taxes receivable, net of allowance	-	-	291	-
Interest receivable	-	-	2,903	249
Due from other governmental units	-	336,211	-	-
Prepaid items and other assets	-	-	-	-
Total assets	\$ 312,391	\$ 1,204,167	\$ 637,529	\$ 60,409
Liabilities				
Accounts payable	\$ 30	\$ 23,715	\$ 332	\$ 5,800
Accrued liabilities	799	52,239	2,323	-
Due to other funds	12	774	36	-
Due to other governmental units	-	7,817	-	-
Unearned revenue	-	730,302	-	-
Total liabilities	841	814,847	2,691	5,800
Deferred inflows of resources				
Unavailable revenue - property taxes	-	-	290	-
Taxes levied for a subsequent period	-	-	-	-
Total deferred inflows of resources	-	-	290	-
Fund balances				
Nonspendable	-	-	-	-
Restricted	311,550	-	634,548	41,959
Assigned	-	389,320	-	12,650
Total fund balances	311,550	389,320	634,548	54,609
Total liabilities, deferred inflows of resources and fund balances	\$ 312,391	\$ 1,204,167	\$ 637,529	\$ 60,409

Special Revenue Funds						
Concealed Pistol Licensing	Local C.F.O. Training	Drug Law Enforcement	Law Library	Community Corrections	Home Rehabilitation	Social Welfare
\$ 17,869	\$ 41,120	\$ 23,125	\$ 5,148	\$ 57,981	\$ 110,260	\$ 7,286
72,745	-	-	-	-	-	38,866
357	1,581	-	-	-	2,107,052	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
288	-	-	-	32,234	-	-
-	-	-	-	-	-	-
<u>\$ 91,259</u>	<u>\$ 42,701</u>	<u>\$ 23,125</u>	<u>\$ 5,148</u>	<u>\$ 90,215</u>	<u>\$ 2,217,312</u>	<u>\$ 46,152</u>
\$ 11	\$ -	\$ -	\$ 3,971	\$ 9,932	\$ -	\$ 90
303	-	-	-	993	-	-
5	-	-	-	15	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>319</u>	<u>-</u>	<u>-</u>	<u>3,971</u>	<u>10,940</u>	<u>-</u>	<u>90</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
82,544	42,701	23,125	-	8,049	2,217,312	-
8,396	-	-	1,177	71,226	-	46,062
<u>90,940</u>	<u>42,701</u>	<u>23,125</u>	<u>1,177</u>	<u>79,275</u>	<u>2,217,312</u>	<u>46,062</u>
<u>\$ 91,259</u>	<u>\$ 42,701</u>	<u>\$ 23,125</u>	<u>\$ 5,148</u>	<u>\$ 90,215</u>	<u>\$ 2,217,312</u>	<u>\$ 46,152</u>

continued...

BAY COUNTY, MICHIGAN

Combining Balance Sheet
 Nonmajor Governmental Funds
 December 31, 2018

	Special Revenue Funds				
	Child Care	Child Care / Social Services	Soldiers' Relief	Historical Preservation	Indigent Defense
Assets					
Cash and cash equivalents	\$ 174,240	\$ 16,258	\$ 52,338	\$ 11,187	\$ 902
Investments	-	-	221,862	-	-
Accounts receivable, net of allowance	93	-	2,465	3,095	-
Property taxes receivable, net of allowance	-	-	261,472	248,949	-
Interest receivable	-	-	1,501	-	-
Due from other governmental units	757,893	-	15,161	14,433	-
Prepaid items and other assets	-	-	3,399	-	-
Total assets	\$ 932,226	\$ 16,258	\$ 558,198	\$ 277,664	\$ 902
Liabilities					
Accounts payable	\$ 199,731	\$ -	\$ 19,871	\$ -	\$ 32
Accrued liabilities	43,745	-	-	-	853
Due to other funds	126,306	-	170	-	13
Due to other governmental units	562	-	-	-	-
Unearned revenue	-	-	-	-	-
Total liabilities	370,344	-	20,041	-	898
Deferred inflows of resources					
Unavailable revenue - property taxes	-	-	402	408	-
Taxes levied for a subsequent period	-	-	271,590	258,554	-
Total deferred inflows of resources	-	-	271,992	258,962	-
Fund balances					
Nonspendable	-	-	3,399	-	-
Restricted	-	1,125	239,084	18,702	-
Assigned	561,882	15,133	23,682	-	4
Total fund balances	561,882	16,258	266,165	18,702	4
Total liabilities, deferred inflows of resources and fund balances	\$ 932,226	\$ 16,258	\$ 558,198	\$ 277,664	\$ 902

Debt Service Funds		Capital Projects Fund	Total Nonmajor Governmental Funds
Building Authority	Water Supply	Water Supply	
\$ 6,999	\$ -	\$ -	\$ 1,562,807
35,273	-	-	1,157,564
-	-	-	2,162,573
-	-	-	510,712
2,777	-	-	7,430
-	-	-	1,156,220
-	-	-	3,399
<u>\$ 45,049</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,560,705</u>
\$ -	\$ -	\$ -	\$ 263,515
-	-	-	101,255
-	-	-	127,331
-	-	-	8,379
-	-	-	730,302
-	-	-	1,230,782
-	-	-	1,100
-	-	-	530,144
-	-	-	531,244
-	-	-	3,399
45,049	-	-	3,665,748
-	-	-	1,129,532
<u>45,049</u>	<u>-</u>	<u>-</u>	<u>4,798,679</u>
<u>\$ 45,049</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,560,705</u>

concluded.

BAY COUNTY, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds For the Year Ended December 31, 2018

	Special Revenue Funds			
	Friend of the Court	Health Department / District Health	Gypsy Moth Control	Register of Deeds Automation
Revenues				
Property taxes	\$ -	\$ -	\$ 4	\$ -
Licenses and permits	-	245,857	-	-
Federal	70,474	1,286,218	-	-
State	24,422	423,287	-	-
Interest, rents and royalties	-	15,625	13,254	1,218
Charges for services	48,256	42,812	-	-
Fines and forfeits	-	-	-	-
Reimbursements, refunds, and other revenues	-	898,884	-	-
Total revenues	143,152	2,912,683	13,258	1,218
Expenditures				
Current:				
General government	-	-	159,843	75,535
Public safety	-	-	-	-
Community and economic development	-	-	-	-
Health and welfare	-	3,754,730	-	-
Judicial	120,773	-	-	-
Recreation and culture	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and other fees	-	-	-	-
Contribution to Department of Water and Sewer component unit	-	-	-	-
Total expenditures	120,773	3,754,730	159,843	75,535
Revenues over (under) expenditures	22,379	(842,047)	(146,585)	(74,317)
Other financing sources (uses)				
Transfers in	-	1,500,656	-	87,910
Transfers out	-	(496,540)	(28,512)	(34,451)
Total other financing sources (uses)	-	1,004,116	(28,512)	53,459
Net change in fund balances	22,379	162,069	(175,097)	(20,858)
Fund balances, beginning of year	289,171	227,251	809,645	75,467
Fund balances, end of year	\$ 311,550	\$ 389,320	\$ 634,548	\$ 54,609

Special Revenue Funds						
Concealed Pistol Licensing	Local C.F.O. Training	Drug Law Enforcement	Law Library	Community Corrections	Home Rehabilitation	Social Welfare
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
51,586	-	-	-	-	-	-
-	-	-	-	-	-	-
(194)	-	-	-	157,981	-	-
-	19,102	-	-	-	-	-
-	-	-	6,500	-	-	-
-	-	-	-	1,737	-	355
<u>51,392</u>	<u>19,102</u>	<u>-</u>	<u>6,500</u>	<u>159,718</u>	<u>-</u>	<u>355</u>
21,911	-	-	-	-	-	-
-	19,150	-	-	166,892	-	-
-	-	-	-	-	35,743	-
-	-	-	47,917	-	-	50,104
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>21,911</u>	<u>19,150</u>	<u>-</u>	<u>47,917</u>	<u>166,892</u>	<u>35,743</u>	<u>50,104</u>
<u>29,481</u>	<u>(48)</u>	<u>-</u>	<u>(41,417)</u>	<u>(7,174)</u>	<u>(35,743)</u>	<u>(49,749)</u>
-	-	-	41,420	-	-	48,300
(7,675)	-	-	-	-	-	-
<u>(7,675)</u>	<u>-</u>	<u>-</u>	<u>41,420</u>	<u>-</u>	<u>-</u>	<u>48,300</u>
21,806	(48)	-	3	(7,174)	(35,743)	(1,449)
<u>69,134</u>	<u>42,749</u>	<u>23,125</u>	<u>1,174</u>	<u>86,449</u>	<u>2,253,055</u>	<u>47,511</u>
<u>\$ 90,940</u>	<u>\$ 42,701</u>	<u>\$ 23,125</u>	<u>\$ 1,177</u>	<u>\$ 79,275</u>	<u>\$ 2,217,312</u>	<u>\$ 46,062</u>

continued...

BAY COUNTY, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended December 31, 2018

	Special Revenue Funds				
	Child Care	Child Care / Social Services	Soldiers' Relief	Historical Preservation	Indigent Defense
Revenues					
Property taxes	\$ -	\$ -	\$ 309,016	\$ 293,643	\$ -
Licenses and permits	-	-	-	-	-
Federal	22,657	-	-	-	-
State	80,807	-	-	-	-
Interest, rents and royalties	-	-	6,929	40	-
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Reimbursements, refunds, and other revenues	1,928,739	-	-	-	-
Total revenues	2,032,203	-	315,945	293,683	-
Expenditures					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Community and economic development	-	-	-	-	-
Health and welfare	3,252,740	-	347,183	-	-
Judicial	-	-	-	-	8,584
Recreation and culture	-	-	-	278,009	-
Debt service:					
Principal	-	-	-	-	-
Interest and other fees	-	-	-	-	-
Contribution to Department of Water and Sewer component unit	-	-	-	-	-
Total expenditures	3,252,740	-	347,183	278,009	8,584
Revenues over (under) expenditures	(1,220,537)	-	(31,238)	15,674	(8,584)
Other financing sources (uses)					
Transfers in	1,623,076	-	-	-	8,588
Transfers out	(348,522)	-	(26,664)	-	-
Total other financing sources (uses)	1,274,554	-	(26,664)	-	8,588
Net change in fund balances	54,017	-	(57,902)	15,674	4
Fund balances, beginning of year	507,865	16,258	324,067	3,028	-
Fund balances, end of year	\$ 561,882	\$ 16,258	\$ 266,165	\$ 18,702	\$ 4

Debt Service Funds		Capital Projects Fund	Total Nonmajor Governmental Funds
Building Authority	Water Supply	Water Supply	
\$ -	\$ -	\$ -	\$ 602,663
-	-	-	297,443
-	-	-	1,379,349
-	-	-	686,497
21,859	-	-	58,731
-	-	-	110,170
-	-	-	6,500
<u>1,451,766</u>	<u>-</u>	<u>-</u>	<u>4,281,481</u>
<u>1,473,625</u>	<u>-</u>	<u>-</u>	<u>7,422,834</u>
-	-	-	257,289
-	-	-	186,042
-	-	-	35,743
-	-	-	7,404,757
-	-	-	177,274
-	-	-	278,009
1,290,000	-	-	1,290,000
160,400	-	-	160,400
<u>-</u>	<u>1,478,394</u>	<u>2,896,832</u>	<u>4,375,226</u>
<u>1,450,400</u>	<u>1,478,394</u>	<u>2,896,832</u>	<u>14,164,740</u>
<u>23,225</u>	<u>(1,478,394)</u>	<u>(2,896,832)</u>	<u>(6,741,906)</u>
-	-	-	3,309,950
-	-	-	(942,364)
<u>-</u>	<u>-</u>	<u>-</u>	<u>2,367,586</u>
23,225	(1,478,394)	(2,896,832)	(4,374,320)
<u>21,824</u>	<u>1,478,394</u>	<u>2,896,832</u>	<u>9,172,999</u>
<u>\$ 45,049</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,798,679</u>

concluded.

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual - Friend of the Court
 For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Federal	\$ 63,471	\$ 63,471	\$ 70,474	\$ 7,003
State	30,000	30,000	24,422	(5,578)
Charges for services	43,580	43,580	48,256	4,676
Total revenues	137,051	137,051	143,152	6,101
Expenditures				
Current:				
Judicial	131,275	131,275	120,773	(10,502)
Net change in fund balance	5,776	5,776	22,379	16,603
Fund balance, beginning of year	289,171	289,171	289,171	-
Fund balance, end of year	\$ 294,947	\$ 294,947	\$ 311,550	\$ 16,603

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - Health Department/District Health For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Licenses and permits	\$ 259,500	\$ 259,500	\$ 245,857	\$ (13,643)
Federal	1,236,357	1,379,538	1,286,218	(93,320)
State	406,921	466,649	423,287	(43,362)
Interest, rents and royalties	10,800	10,800	15,625	4,825
Charges for services	76,296	76,296	42,812	(33,484)
Reimbursements, refunds, and other revenues	833,117	850,917	898,884	47,967
Total revenues	2,822,991	3,043,700	2,912,683	(131,017)
Expenditures				
Current:				
Health and welfare	3,821,492	4,075,767	3,754,730	(321,037)
Revenues under expenditures	(998,501)	(1,032,067)	(842,047)	190,020
Other financing sources (uses)				
Transfers in	1,505,310	1,505,310	1,500,656	(4,654)
Transfers out	(496,540)	(496,540)	(496,540)	-
Total other financing sources (uses)	1,008,770	1,008,770	1,004,116	(4,654)
Net change in fund balance	10,269	(23,296)	162,069	185,366
Fund balance, beginning of year	227,251	227,251	227,251	-
Fund balance, end of year	\$ 237,520	\$ 203,955	\$ 389,320	\$ 185,366

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Gypsy Moth Control

For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 11,030	\$ 11,030	\$ 4	\$ (11,026)
Interest, rents and royalties	14,940	14,940	13,254	(1,686)
Total revenues	25,970	25,970	13,258	(12,712)
Expenditures				
Current:				
General government	237,634	237,634	159,843	(77,791)
Revenues over (under) expenditures	(211,664)	(211,664)	(146,585)	65,079
Other financing uses				
Transfers out	(28,512)	(28,512)	(28,512)	-
Net change in fund balance	(240,176)	(240,176)	(175,097)	65,079
Fund balance, beginning of year	809,645	809,645	809,645	-
Fund balance, end of year	\$ 569,469	\$ 569,469	\$ 634,548	\$ 65,079

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - Register of Deeds Automation For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Interest, rents and royalties	\$ 9,000	\$ 9,000	\$ 1,218	\$ (7,782)
Expenditures				
Current:				
General government	120,866	93,866	75,535	(18,331)
Revenues under expenditures	(111,866)	(84,866)	(74,317)	10,549
Other financing sources (uses)				
Transfers in	110,000	90,000	87,910	(2,090)
Transfers out	(34,451)	(34,451)	(34,451)	-
Total other financing sources (uses)	75,549	55,549	53,459	(2,090)
Net change in fund balance	(36,317)	(29,317)	(20,858)	8,459
Fund balance, beginning of year	75,467	75,467	75,467	-
Fund balance, end of year	\$ 39,150	\$ 46,150	\$ 54,609	\$ 8,459

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - Concealed Pistol Licensing For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Licenses and permits	\$ 60,000	\$ 60,000	\$ 51,586	\$ (8,414)
Interest, rents and royalties	-	-	(194)	(194)
Total revenues	60,000	60,000	51,392	(8,608)
Expenditures				
Current:				
General government	54,105	54,105	21,911	(32,194)
Revenues over expenditures	5,895	5,895	29,481	23,586
Other financing uses				
Transfers out	(7,675)	(7,675)	(7,675)	-
Net change in fund balance	(1,780)	(1,780)	21,806	23,586
Fund balance, beginning of year	69,134	69,134	69,134	-
Fund balance, end of year	\$ 67,354	\$ 67,354	\$ 90,940	\$ 23,586

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual - Local C.F.O. Training
 For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Charges for services	\$ 18,000	\$ 18,000	\$ 19,102	\$ 1,102
Expenditures				
Current:				
Public safety	18,000	18,000	19,150	1,150
Net change in fund balance	-	-	(48)	(48)
Fund balance, beginning of year	42,749	42,749	42,749	-
Fund balance, end of year	<u>\$ 42,749</u>	<u>\$ 42,749</u>	<u>\$ 42,701</u>	<u>\$ (48)</u>

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual - Drug Law Enforcement
 For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Fines and forfeits	\$ 3,287	\$ 3,287	\$ -	\$ (3,287)
Expenditures				
Current:				
Public safety	3,287	3,287	-	(3,287)
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	23,125	23,125	23,125	-
Fund balance, end of year	\$ 23,125	\$ 23,125	\$ 23,125	\$ -

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual - Law Library
 For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Fines and forfeits	\$ 6,500	\$ 6,500	\$ 6,500	\$ -
Expenditures				
Current:				
Judicial	37,000	47,920	47,917	(3)
Revenues under expenditures	(30,500)	(41,420)	(41,417)	3
Other financing sources				
Transfers in	30,500	41,420	41,420	-
Net change in fund balance	-	-	3	3
Fund balance, beginning of year	1,174	1,174	1,174	-
Fund balance, end of year	\$ 1,174	\$ 1,174	\$ 1,177	\$ 3

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Community Corrections

For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
State	\$ 175,633	\$ 175,633	\$ 157,981	\$ (17,652)
Reimbursements, refunds, and other revenues	2,934	2,934	1,737	(1,197)
Total revenues	178,567	178,567	159,718	(18,849)
Expenditures				
Current:				
Public safety	212,559	212,559	166,892	(45,667)
Net change in fund balance	(33,992)	(33,992)	(7,174)	26,818
Fund balance, beginning of year	86,449	86,449	86,449	-
Fund balance, end of year	\$ 52,457	\$ 52,457	\$ 79,275	\$ 26,818

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - Home Rehabilitation For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Interest, rents and royalties	\$ -	\$ -	\$ -	\$ -
Expenditures				
Current:				
Community and economic development	41,277	41,277	35,743	(5,534)
Net change in fund balance	(41,277)	(41,277)	(35,743)	5,534
Fund balance, beginning of year	2,253,055	2,253,055	2,253,055	-
Fund balance, end of year	<u>\$ 2,211,778</u>	<u>\$ 2,211,778</u>	<u>\$ 2,217,312</u>	<u>\$ 5,534</u>

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - Social Welfare For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Reimbursements, refunds, and other revenues	\$ -	\$ -	\$ 355	\$ 355
Expenditures				
Current:				
Health and welfare	52,585	52,585	50,104	(2,481)
Revenues under expenditures	(52,585)	(52,585)	(49,749)	2,836
Other financing sources				
Transfers in	48,360	48,360	48,300	(60)
Net change in fund balance	(4,225)	(4,225)	(1,449)	2,776
Fund balance, beginning of year	35,900	35,900	47,511	11,611
Fund balance, end of year	\$ 31,675	\$ 31,675	\$ 46,062	\$ 14,387

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - Child Care For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Federal	\$ 20,000	\$ 20,000	\$ 22,657	\$ 2,657
State	121,000	121,000	80,807	(40,193)
Reimbursements, refunds, and other revenues	1,595,027	1,595,027	1,928,739	333,712
Total revenues	1,736,027	1,736,027	2,032,203	296,176
Expenditures				
Current:				
Health and welfare	3,355,203	3,359,103	3,252,740	(106,363)
Revenues under expenditures	(1,619,176)	(1,623,076)	(1,220,537)	402,539
Other financing sources (uses)				
Transfers in	1,619,176	1,623,076	1,623,076	-
Transfers out	-	-	(348,522)	(348,522)
Total other financing sources (uses)	1,619,176	1,623,076	1,274,554	(348,522)
Net change in fund balance	-	-	54,017	54,017
Fund balance, beginning of year	507,865	507,865	507,865	-
Fund balance, end of year	\$ 507,865	\$ 507,865	\$ 561,882	\$ 54,017

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - Child Care/Social Services For the Year Ended December 31, 2018

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

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - Soldiers' Relief For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 279,180	\$ 279,180	\$ 309,016	\$ 29,836
Interest, rents and royalties	-	-	6,929	6,929
Total revenues	279,180	279,180	315,945	36,765
Expenditures				
Current:				
Health and welfare	249,090	254,290	347,183	92,893
Revenues over (under) expenditures	30,090	24,890	(31,238)	(56,128)
Other financing uses				
Transfers out	(26,664)	(26,664)	(26,664)	-
Net change in fund balance	3,426	(1,774)	(57,902)	(56,128)
Fund balance, beginning of year	324,067	324,067	324,067	-
Fund balance, end of year	\$ 327,493	\$ 322,293	\$ 266,165	\$ (56,128)

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - Historical Preservation For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 265,780	\$ 265,780	\$ 293,643	\$ 27,863
Interest, rents and royalties	25	25	40	15
Total revenues	265,805	265,805	293,683	27,878
Expenditures				
Current:				
Recreation and culture	265,805	265,805	278,009	12,204
Net change in fund balance	-	-	15,674	15,674
Fund balance, beginning of year	3,028	3,028	3,028	-
Fund balance, end of year	\$ 3,028	\$ 3,028	\$ 18,702	\$ 15,674

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual - Indigent Defense
 For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures				
Current:				
Judicial	\$ -	\$ 8,588	\$ 8,584	\$ (4)
Other financing sources				
Transfers in	-	8,588	8,588	-
Net change in fund balance	-	-	4	4
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4</u>	<u>\$ 4</u>

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - Building Authority Debt Service Fund For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Interest, rents and royalties	\$ 12,000	\$ 12,000	\$ 21,859	\$ 9,859
Reimbursements, refunds, and other revenues	1,455,200	1,455,200	1,451,766	(3,434)
Total revenues	1,467,200	1,467,200	1,473,625	6,425
Expenditures				
Debt service:				
Principal	1,245,000	1,245,000	1,290,000	45,000
Interest and other fees	210,200	210,200	160,400	(49,800)
Total expenditures	1,455,200	1,455,200	1,450,400	(4,800)
Net change in fund balance	12,000	12,000	23,225	11,225
Fund balance, beginning of year	21,824	21,824	21,824	-
Fund balance, end of year	\$ 33,824	\$ 33,824	\$ 45,049	\$ 11,225

BAY COUNTY, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - Water Supply Debt Service Fund For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Special assessments	\$ 1,465,197	\$ 1,465,197	\$ -	\$ (1,465,197)
Interest, rents and royalties	-	2,811	-	(2,811)
Total revenues	<u>1,465,197</u>	<u>1,468,008</u>	<u>-</u>	<u>(1,468,008)</u>
Expenditures				
Debt service:				
Principal	1,860,000	1,860,000	-	(1,860,000)
Interest and other fees	2,105,197	2,442,179	-	(2,442,179)
Contribution to Department of Water and Sewer component unit	-	1,478,395	1,478,394	(1)
Total expenditures	<u>3,965,197</u>	<u>5,780,574</u>	<u>1,478,394</u>	<u>(4,302,180)</u>
Revenues over (under) expenditures	<u>(2,500,000)</u>	<u>(4,312,566)</u>	<u>(1,478,394)</u>	<u>2,834,172</u>
Other financing sources (uses)				
Transfers in	2,500,000	2,533,991	-	(2,533,991)
Net change in fund balance	-	(1,778,575)	(1,478,394)	300,181
Fund balance, beginning of year	<u>1,478,394</u>	<u>1,478,394</u>	<u>1,478,394</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,478,394</u>	<u>\$ (300,181)</u>	<u>\$ -</u>	<u>\$ 300,181</u>

NONMAJOR ENTERPRISE FUNDS

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

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

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

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

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

BAY COUNTY, MICHIGAN

Combining Statement of Net Position

Nonmajor Enterprise Funds
December 31, 2018

	Golf Course	Housing	Delinquent Property Tax Foreclosure	Commissary	Total
Assets					
Current assets:					
Cash and cash equivalents	\$ 2,009	\$ 329,399	\$ 31,895	\$ 15,047	\$ 378,350
Investments	11,672	206,463	70,635	76,996	365,766
Accounts receivable, net	-	16,626	-	5,781	22,407
Accrued interest receivable	118	-	840	398	1,356
Inventories	5,870	-	-	-	5,870
Due from other funds	-	-	101,779	-	101,779
Due from component units	-	-	25,000	-	25,000
Prepaid items and other assets	-	1,064	12,022	-	13,086
Total current assets	19,669	553,552	242,171	98,222	913,614
Noncurrent assets:					
Net pension asset	88,689	215,391	-	-	304,080
Capital assets not being depreciated	136,933	90,538	-	-	227,471
Capital assets being depreciated, net	108,271	926,158	-	-	1,034,429
Total noncurrent assets	333,893	1,232,087	-	-	1,565,980
Total assets	353,562	1,785,639	242,171	98,222	2,479,594
Deferred outflows of resources					
Deferred pension amounts	9,597	23,316	-	-	32,913
Deferred OPEB amounts	-	36,030	-	-	36,030
Total deferred outflows of resources	9,597	59,346	-	-	68,943
Liabilities					
Current liabilities:					
Accounts payable	1,163	30,380	-	-	31,543
Accrued liabilities	2,075	52,368	-	-	54,443
Due to other funds	32	-	-	-	32
Unearned revenue	6,047	24,449	-	-	30,496
Current portion of compensated absences	-	3,007	-	-	3,007
Total current liabilities	9,317	110,204	-	-	119,521
Noncurrent liabilities:					
Net OPEB liability	-	232,575	-	-	232,575
Compensated absences, net of current portion	2,381	6,890	-	-	9,271
Total noncurrent liabilities	2,381	239,465	-	-	241,846
Total liabilities	11,698	349,669	-	-	361,367
Deferred inflows of resources					
Deferred pension amounts	49,701	120,702	-	-	170,403
Deferred OPEB amounts	-	7,586	-	-	7,586
Total deferred inflows of resources	49,701	128,288	-	-	177,989
Net position					
Investment in capital assets	245,204	1,016,696	-	-	1,261,900
Restricted for pension benefits	48,585	118,005	-	-	166,590
Unrestricted	7,971	232,327	242,171	98,222	580,691
Total net position	\$ 301,760	\$ 1,367,028	\$ 242,171	\$ 98,222	\$ 2,009,181

BAY COUNTY, MICHIGAN

Combining Statement of Revenue, Expenses and Changes in Fund Net Position Nonmajor Enterprise Funds For the Year Ended December 31, 2018

	Golf Course	Housing	Delinquent Property Tax Foreclosure	Commissary	Total
Operating revenues					
Charges for services	\$ 443,640	\$ 273,558	\$ 322,373	\$ 216,518	\$ 1,256,089
Program grants and subsidies	-	254,358	-	-	254,358
Other	2,626	5,605	14,393	-	22,624
Total operating revenues	446,266	533,521	336,766	216,518	1,533,071
Operating expenses					
Personnel services	278,697	-	15,217	-	293,914
Supplies	63,785	-	1,654	-	65,439
Other services	152,010	469,441	204,894	149,875	976,220
Depreciation	25,369	208,543	-	-	233,912
Total operating expenses	519,861	677,984	221,765	149,875	1,569,485
Operating income (loss)	(73,595)	(144,463)	115,001	66,643	(36,414)
Nonoperating revenue					
Reimbursements, refunds and rebates	-	12,944	-	-	12,944
Interest income	648	5,141	6,004	1,644	13,437
Total nonoperating revenue	648	18,085	6,004	1,644	26,381
Income (loss) before transfers	(72,947)	(126,378)	121,005	68,287	(10,033)
Transfers					
Transfers in	41,000	-	-	-	41,000
Transfers out	(80,200)	-	(103,437)	(80,000)	(263,637)
Net transfers	(39,200)	-	(103,437)	(80,000)	(222,637)
Change in net position	(112,147)	(126,378)	17,568	(11,713)	(232,670)
Net position, beginning of year, as restated	413,907	1,493,406	224,603	109,935	2,241,851
Net position, end of year	\$ 301,760	\$ 1,367,028	\$ 242,171	\$ 98,222	\$ 2,009,181

BAY COUNTY, MICHIGAN

Combining Statement of Cash Flows Nonmajor Enterprise Funds For the Year Ended December 31, 2018

	Golf Course	Housing	Delinquent Property Tax Foreclosure	Commissary	Total
Cash flows from operating activities					
Cash received from customers	\$ 445,967	\$ 556,534	\$ 290,976	\$ 210,737	\$ 1,504,214
Cash payments to suppliers for goods and services	(215,158)	(298,345)	(368,725)	(149,875)	(1,032,103)
Cash payments to employees and related taxes and insurance	(281,891)	(238,007)	(15,217)	-	(535,115)
Net cash provided by (used in) operating activities	(51,082)	20,182	(92,966)	60,862	(63,004)
Cash flows from noncapital financing activities					
Transfers in	41,000	-	-	-	41,000
Reimbursements, refunds, and rebates	-	12,944	-	-	12,944
Transfers out	(80,200)	-	(103,437)	(80,000)	(263,637)
Net cash provided by (used in) noncapital financing activities	(39,200)	12,944	(103,437)	(80,000)	(209,693)
Cash flows from investing activities					
Proceeds from sale of investments	6,987	-	156,360	8,490	171,837
Purchase of investments	-	(3,499)	-	-	(3,499)
Interest received	769	5,141	6,248	1,680	13,838
Net cash provided by (used in) investing activities	7,756	1,642	162,608	10,170	182,176
Net change in cash and cash equivalents	(82,526)	34,768	(33,795)	(8,968)	(90,521)
Cash and cash equivalents, beginning of year	84,535	294,631	65,690	24,015	468,871
Cash and cash equivalents, end of year	\$ 2,009	\$ 329,399	\$ 31,895	\$ 15,047	\$ 378,350

continued...

BAY COUNTY, MICHIGAN

Combining Statement of Cash Flows

Nonmajor Enterprise Funds

For the Year Ended December 31, 2018

	Golf Course	Housing	Delinquent Property Tax Foreclosure	Commissary	Total
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	\$ (73,595)	\$ (144,463)	\$ 115,001	\$ 66,643	\$ (36,414)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	25,369	208,543	-	-	233,912
Changes in assets and liabilities that provided (used) cash:					
Accounts receivable, net	-	23,462	-	(5,781)	17,681
Inventories	635	-	-	-	635
Due from other funds	-	-	(40,760)	-	(40,760)
Prepaid items and other assets	-	40	(248)	-	(208)
Accounts payable	(192)	(11,577)	(5,030)	-	(16,799)
Accrued liabilities	131	12,625	-	-	12,756
Due to other funds	2	-	(161,929)	-	(161,927)
Unearned revenue	(107)	(449)	-	-	(556)
Net pension asset	(51,418)	(158,767)	-	-	(210,185)
Deferred outflows - pension	28,875	6,135	-	-	35,010
Deferred inflows - pension	26,695	82,814	-	-	109,509
Net OPEB liability	-	(280)	-	-	(280)
Deferred outflows - OPEB	-	(7,161)	-	-	(7,161)
Deferred inflows - OPEB	-	7,586	-	-	7,586
Compensated absences	(7,477)	1,674	-	-	(5,803)
Net cash provided by (used in) operating activities	\$ (51,082)	\$ 20,182	\$ (92,966)	\$ 60,862	\$ (63,004)

concluded.

INTERNAL SERVICES FUNDS

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

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

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

BAY COUNTY, MICHIGAN

Combining Statement of Net Position

Internal Service Funds

December 31, 2018

	Self Insurance	Healthcare Self Insurance	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 362,030	\$ 930,208	\$ 1,292,238
Investments	1,356,361	-	1,356,361
Accounts receivable, net of allowance	3,078	105,658	108,736
Accrued interest receivable	6,821	-	6,821
Due from other funds	10,063	2,788,027	2,798,090
Due from other governmental units	72	-	72
Prepaid items and other assets	46,510	339,898	386,408
Total current assets	1,784,935	4,163,791	5,948,726
Noncurrent assets:			
Net pension asset	10,557	-	10,557
Total assets	1,795,492	4,163,791	5,959,283
Deferred outflows of resources			
Deferred pension amounts	1,153	-	1,153
Deferred OPEB amounts	4,557	-	4,557
Total deferred outflows of resources	5,710	-	5,710
Liabilities			
Current liabilities:			
Accounts payable	9,809	676	10,485
Accrued liabilities	29,694	-	29,694
Estimated insurance claims payable	249,734	443,115	692,849
Total current liabilities	289,237	443,791	733,028
Noncurrent liabilities:			
Net OPEB liability	24,339	-	24,339
Compensated absences	930	-	930
Total noncurrent liabilities	25,269	-	25,269
Total liabilities	314,506	443,791	758,297
Deferred inflows of resources			
Deferred pension amounts	5,918	-	5,918
Deferred OPEB amounts	794	-	794
Total deferred inflows of resources	6,712	-	6,712
Net position			
Restricted for:			
Pension benefits	5,792	-	5,792
Insurance claims	1,474,192	3,720,000	5,194,192
Total net position	\$ 1,479,984	\$ 3,720,000	\$ 5,199,984

BAY COUNTY, MICHIGAN

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

Internal Service Funds

For the Year Ended December 31, 2018

	Self Insurance	Healthcare Self Insurance	Total
Operating revenues			
Charges for services	\$ 324,462	\$ 6,562,310	\$ 6,886,772
Operating expenses			
Personnel services	293,342	6,331,861	6,625,203
Other services	103,958	1,039,156	1,143,114
Total operating expenses	397,300	7,371,017	7,768,317
Operating loss	(72,838)	(808,707)	(881,545)
Nonoperating revenues			
Interest income	24,068	-	24,068
Loss before transfers	(48,770)	(808,707)	(857,477)
Transfers out	-	(7,019)	(7,019)
Change in net position	(48,770)	(815,726)	(864,496)
Net position, beginning of year, as restated	1,528,754	4,535,726	6,064,480
Net position, end of year	\$ 1,479,984	\$ 3,720,000	\$ 5,199,984

BAY COUNTY, MICHIGAN

Combining Statement of Cash Flows

Internal Service Funds

For the Year Ended December 31, 2018

	Self Insurance	Healthcare Self Insurance	Total
Cash flows from operating activities			
Cash received from interfund services provided	\$ 285,198	\$ 6,642,072	\$ 6,927,270
Cash payments to suppliers for goods and services	(104,322)	(1,094,227)	(1,198,549)
Cash payments to employees and related taxes and insurance	(301,700)	(6,331,861)	(6,633,561)
Net cash used in operating activities	<u>(120,824)</u>	<u>(784,016)</u>	<u>(904,840)</u>
Cash flows from noncapital financing activities			
Transfers out	-	(7,019)	(7,019)
Cash flows from investing activities			
Purchase of investments	(12,289)	-	(12,289)
Interest received	23,647	-	23,647
Net cash provided by investing activities	<u>11,358</u>	<u>-</u>	<u>11,358</u>
Net change in cash and cash equivalents	(109,466)	(791,035)	(900,501)
Cash and cash equivalents, beginning of year	471,496	1,721,243	2,192,739
Cash and cash equivalents, end of year	<u>\$ 362,030</u>	<u>\$ 930,208</u>	<u>\$ 1,292,238</u>

continued...

BAY COUNTY, MICHIGAN

Combining Statement of Cash Flows

Internal Service Funds

For the Year Ended December 31, 2018

	Self Insurance	Healthcare Self Insurance	Total
Reconciliation of operating loss to net cash used in operating activities			
Operating loss	\$ (72,838)	\$ (808,707)	\$ (881,545)
Adjustments to reconcile operating loss to net cash used in used in operating activities:			
Changes in assets and liabilities that provided (used) cash:			
Accounts receivable, net	(3,058)	94,672	91,614
Due from other funds	(896)	(95,367)	(96,263)
Due from other governmental units	(17)	-	(17)
Prepaid items and other assets	-	(55,071)	(55,071)
Accounts payable	9,794	676	10,470
Accrued liabilities	(5,039)	-	(5,039)
Due to other governmental units	(364)	-	(364)
Estimated claims payable	(45,087)	79,781	34,694
Net pension asset	(6,257)	-	(6,257)
Deferred outflows - pension	3,283	-	3,283
Deferred inflows - pension	3,263	-	3,263
Net OPEB liability	(32)	-	(32)
Deferred outflows - OPEB	(4,557)	-	(4,557)
Deferred inflows - OPEB	794	-	794
Compensated absences	187	-	187
Net cash used in operating activities	<u>\$ (120,824)</u>	<u>\$ (784,016)</u>	<u>\$ (904,840)</u>

concluded.

FIDUCIARY FUNDS

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

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

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

The *Employees' Retirement System Fund* is used to account for the financial transactions of the Bay County Employees' Retirement System. The system is administered by the Retirement Board of Trustees, while the County acts as custodian for the System. Combining statements for the pension and other postemployment trust funds are included in the notes to the financial statements.

The *VEBA Trust Fund* is used to accumulate financial resources in order to provide medical benefits for retirees', their spouses and dependents. Combining statements for the pension and other postemployment trust funds are included in the notes to the financial statements.

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

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

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

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

BAY COUNTY, MICHIGAN

Combining Statement of Plan Net Position

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

December 31, 2018

	Employees' Retirement System	VEBA Trust Fund	Total
Assets			
Investments at fair value:			
Equities	\$ 236,270,466	\$ 30,936,470	\$ 267,206,936
Fixed income	76,982,209	21,351,564	98,333,773
Money market	6,332,955	4,678,830	11,011,785
Total investments	<u>319,585,630</u>	<u>56,966,864</u>	<u>376,552,494</u>
Receivables:			
Contributions	342,095	115,569	457,664
Interest and dividends	737,113	117,650	854,763
Total receivables	<u>1,079,208</u>	<u>233,219</u>	<u>1,312,427</u>
Other current assets:			
Prepaid items and other assets	1,730,697	-	1,730,697
Net pension asset	76,019	-	76,019
Total other current assets	<u>1,806,716</u>	<u>-</u>	<u>1,806,716</u>
Total assets	<u>322,471,554</u>	<u>57,200,083</u>	<u>379,671,637</u>
Deferred outflows of resources	<u>8,214</u>	<u>-</u>	<u>8,214</u>
Liabilities			
Accounts payable	626,797	69,536	696,333
Accrued liabilities	611,105	4,013,845	4,624,950
Accrued vacation and sick pay	2,629	-	2,629
Total liabilities	<u>1,240,531</u>	<u>4,083,381</u>	<u>5,323,912</u>
Deferred inflows of resources	<u>42,601</u>	<u>-</u>	<u>42,601</u>
Net position			
Restricted for:			
Pension benefits	321,196,636	-	321,196,636
Postemployment health care benefits	-	53,116,702	53,116,702
Total net position	<u>\$ 321,196,636</u>	<u>\$ 53,116,702</u>	<u>\$ 374,313,338</u>

BAY COUNTY, MICHIGAN

Combining Statement of Changes in Plan Net Position

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

For the Year Ended December 31, 2018

	Employees' Retirement System	VEBA Trust Fund	Total
Additions			
Investment income (loss):			
Net depreciation in fair value of investments	\$ (24,777,818)	\$ (4,974,129)	\$ (29,751,947)
Interest and dividends	5,799,369	2,539,162	8,338,531
Total investment earnings (loss)	(18,978,449)	(2,434,967)	(21,413,416)
Less investment expense	(2,100,524)	(157,953)	(2,258,477)
Net investment income (loss)	(21,078,973)	(2,592,920)	(23,671,893)
Contributions:			
Employer	2,574,557	8,280,505	10,855,062
Plan members	2,093,766	-	2,093,766
Total contributions	4,668,323	8,280,505	12,948,828
Other revenue	11,736	145	11,881
Total additions (net of investment loss)	(16,398,914)	5,687,730	(10,711,184)
Deductions			
Participant benefits (including refunds of contributions)	18,483,518	5,052,180	23,535,698
Administrative expenses	416,268	4,235	420,503
Total deductions	18,899,786	5,056,415	23,956,201
Change in net position	(35,298,700)	631,315	(34,667,385)
Net position, beginning of year	356,495,336	52,485,387	408,980,723
Net position, end of year	\$ 321,196,636	\$ 53,116,702	\$ 374,313,338

BAY COUNTY, MICHIGAN

Combining Statement of Fiduciary Net Position

Private Purpose Trust Funds

December 31, 2018

	Inmate	Probate Court	Total
Assets			
Cash and cash equivalents	\$ 40,195	\$ 1,988	\$ 42,183
Liabilities			
Accounts payable	19,527	-	19,527
Accrued liabilities	19,683	1,988	21,671
Total liabilities	39,210	1,988	41,198
Net position			
Restricted for:			
Inmates	\$ 985	\$ -	\$ 985

BAY COUNTY, MICHIGAN

Combining Statement of Changes in Fiduciary Net Position

Private Purpose Trust Funds

For the Year Ended December 31, 2018

	Inmate	Probate Court	Total
Additions			
Investment income:			
Interest and dividends	\$ 40	\$ -	\$ 40
Deductions			
Other services	-	-	-
Change in net position	40	-	40
Net position			
Beginning of year	945	-	945
End of year	<u>\$ 985</u>	<u>\$ -</u>	<u>\$ 985</u>

BAY COUNTY, MICHIGAN

Combining Statement of Assets and Liabilities

Agency Funds
December 31, 2018

	General Agency	Current Tax Collections	Library Penal Fine	Flexible Spending Plan	Total
Assets					
Cash and cash equivalents	\$ 4,156,810	\$ -	\$ -	\$ 36,059	\$ 4,192,869
Investments	17,648,426	451,839	-	-	18,100,265
Accounts receivable	46	-	-	-	46
Due from other governmental units	255	110,402	-	-	110,657
Due from other agency funds	-	-	27,803	-	27,803
Total assets	\$ 21,805,537	\$ 562,241	\$ 27,803	\$ 36,059	\$ 22,431,640
Liabilities					
Accounts payable	\$ 109,135	\$ -	\$ -	\$ -	\$ 109,135
Accrued liabilities	354,975	-	-	36,059	391,034
Due to other agency funds	27,803	-	-	-	27,803
Due to component units	-	61,146	-	-	61,146
Due to other governmental units	21,263,068	501,095	27,803	-	21,791,966
Deposits	49,792	-	-	-	49,792
Undistributed taxes	764	-	-	-	764
Total liabilities	\$ 21,805,537	\$ 562,241	\$ 27,803	\$ 36,059	\$ 22,431,640

BAY COUNTY, MICHIGAN

Combining Statement of Changes in Assets and Liabilities

Agency Funds

For the Year Ended December 31, 2018

	Balance January 1, 2018	Additions	Deductions	Balance December 31, 2018
General Agency Fund				
Assets				
Cash and cash equivalents	\$ 3,796,507	\$ 39,396,956	\$ (39,036,653)	\$ 4,156,810
Investments	10,155,570	23,582,062	(16,089,206)	17,648,426
Accounts receivable	8	91	(53)	46
Due from other governmental units	346	3,367	(3,458)	255
Total assets	\$ 13,952,431	\$ 62,982,476	\$ (55,129,370)	\$ 21,805,537
Liabilities				
Accounts payable	\$ 88,016	\$ 3,013,312	\$ (2,992,193)	\$ 109,135
Accrued liabilities	370,390	435,395	(450,810)	354,975
Due to other agency funds	22,110	5,693	-	27,803
Due to component units	13,057,443	-	(13,057,443)	-
Due to other governmental units	344,827	60,957,087	(40,038,846)	21,263,068
Deposits	67,840	38,723	(56,771)	49,792
Undistributed taxes	1,805	7,872	(8,913)	764
Total liabilities	\$ 13,952,431	\$ 64,458,082	\$ (56,604,976)	\$ 21,805,537
Current Tax Collection Fund				
Assets				
Investments	\$ 485,047	\$ 451,838	(485,046)	451,839
Due from other governmental units	-	110,402	-	110,402
Total assets	\$ 485,047	\$ 562,240	\$ (485,046)	\$ 562,241
Liabilities				
Due to component units	\$ 247,321	\$ 6,517,874	\$ (6,704,049)	\$ 61,146
Due to other governmental units	237,726	23,503,210	(23,239,841)	501,095
Total liabilities	\$ 485,047	\$ 30,021,084	\$ (29,943,890)	\$ 562,241
Library Penal Fine				
Assets				
Cash and cash equivalents	\$ 24,362	\$ 359,254	\$ (383,616)	\$ -
Due from other agency funds	22,110	27,803	(22,110)	27,803
Total assets	\$ 46,472	\$ 387,057	\$ (405,726)	\$ 27,803
Liabilities				
Due to other governmental units	\$ 46,472	\$ 364,947	\$ (383,616)	\$ 27,803

continued...

BAY COUNTY, MICHIGAN

Combining Statement of Changes in Assets and Liabilities

Agency Funds

For the Year Ended December 31, 2018

	Balance January 1, 2018	Additions	Deductions	Balance December 31, 2018
Flexible Spending Plan Fund				
Assets				
Cash and cash equivalents	\$ 33,840	\$ 122,390	\$ (120,171)	\$ 36,059
Liabilities				
Accrued liabilities	\$ 33,840	\$ 122,390	\$ (120,171)	\$ 36,059
Total - All Agency Funds				
Assets				
Cash and cash equivalents	\$ 3,854,709	\$ 39,878,600	\$ (39,540,440)	\$ 4,192,869
Investments	10,640,617	24,033,900	(16,574,252)	18,100,265
Accounts receivable	8	91	(53)	46
Due from other governmental units	346	113,769	(3,458)	110,657
Due from other agency funds	22,110	27,803	(22,110)	27,803
Total assets	\$ 14,517,790	\$ 64,054,163	\$ (56,140,313)	\$ 22,431,640
Liabilities				
Accounts payable	\$ 88,016	\$ 3,013,312	\$ (2,992,193)	\$ 109,135
Accrued liabilities	404,230	557,785	(570,981)	391,034
Due to other agency funds	22,110	5,693	-	27,803
Due to component units	13,304,764	6,517,874	(19,761,492)	61,146
Due to other governmental units	629,025	84,825,244	(63,662,303)	21,791,966
Deposits	67,840	38,723	(56,771)	49,792
Undistributed taxes	1,805	7,872	(8,913)	764
Total liabilities	\$ 14,517,790	\$ 94,966,503	\$ (87,052,653)	\$ 22,431,640

concluded

COMPONENT UNITS

LIBRARY SYSTEM

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

DRAIN COMMISSION

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

BAY COUNTY, MICHIGAN

Statement of Net Position and Balance Sheet

Library System Component Unit
December 31, 2018

	Library System	Adjustments	Statement of Net Position
Assets			
Current assets:			
Cash and cash equivalents	\$ 5,973,165	\$ -	\$ 5,973,165
Property taxes receivable	5,498,800	-	5,498,800
Accrued interest receivable	28,930	-	28,930
Due from other governmental units	28,282	-	28,282
Prepaid items and other assets	221,332	-	221,332
Total current assets	<u>11,750,509</u>	<u>-</u>	<u>11,750,509</u>
Noncurrent assets:			
Net pension asset	-	2,416,797	2,416,797
Capital assets not being depreciated	-	107,487	107,487
Capital assets being depreciated, net	-	2,186,973	2,186,973
Total noncurrent assets	<u>-</u>	<u>4,711,257</u>	<u>4,711,257</u>
Total assets	<u>\$ 11,750,509</u>	<u>4,711,257</u>	<u>16,461,766</u>
Deferred outflows of resources			
Deferred pension amounts		760,966	760,966
Deferred OPEB amounts		79,000	79,000
Total deferred outflows of resources		<u>839,966</u>	<u>839,966</u>
Liabilities			
Current liabilities:			
Accounts payable	\$ 44,522	-	44,522
Accrued liabilities	61,360	-	61,360
Current portion of compensated absences	-	13,997	13,997
Total current liabilities	<u>105,882</u>	<u>13,997</u>	<u>119,879</u>
Noncurrent liabilities:			
Compensated absences, net of current portion	-	117,849	117,849
Net OPEB liability	-	1,518,821	1,518,821
Total noncurrent liabilities	<u>-</u>	<u>1,636,670</u>	<u>1,636,670</u>
Total liabilities	<u>105,882</u>	<u>1,650,667</u>	<u>1,756,549</u>
Deferred inflows of resources			
Deferred pension amounts	-	1,125,695	1,125,695
Deferred OPEB amounts	-	49,540	49,540
Taxes levied for a subsequent period	5,498,800	-	5,498,800
Total deferred inflows of resources	<u>5,498,800</u>	<u>1,175,235</u>	<u>6,674,035</u>
Fund balances			
Nonspendable	221,332	(221,332)	-
Restricted	198,746	(198,746)	-
Assigned - capital outlay	300,329	(300,329)	-
Unassigned	5,425,420	(5,425,420)	-
Total fund balances	<u>6,145,827</u>	<u>(6,145,827)</u>	<u>-</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 11,750,509</u>		
Net position			
Investment in capital assets		2,294,460	2,294,460
Restricted for:			
Library services		198,746	198,746
Pension benefits		2,052,068	2,052,068
Unrestricted		4,325,874	4,325,874
Total net position		<u>\$ 8,871,148</u>	<u>\$ 8,871,148</u>

BAY COUNTY, MICHIGAN

Statement of Activities and Statement of Revenues, Expenditures and Changes in Fund Balance Library System Component Unit For the Year Ended December 31, 2018

	Library System	Adjustments	Statement of Activities
Revenues			
Property and other taxes	\$ 5,903,851	\$ -	\$ 5,903,851
Federal grants	14,487	-	14,487
State grants	80,216	-	80,216
Interest income	117,599	-	117,599
Charges for services	444,297	-	444,297
Donations	97,869	-	97,869
Total revenues	6,658,319	-	6,658,319
Expenditures / expenses			
Current:			
Recreation and culture	4,859,100	(408,816)	4,450,284
Depreciation	-	509,134	509,134
Contributions to other units	1,453,200	-	1,453,200
Total expenditures / expenses	6,312,300	100,318	6,412,618
Net change in fund balance / net position	346,019	(100,318)	245,701
Fund balance / net position, beginning of year, as restated	5,799,808	2,825,639	8,625,447
Fund balance / net position, end of year	\$ 6,145,827	\$ 2,725,321	\$ 8,871,148

BAY COUNTY, MICHIGAN

Combining Statement of Net Position and Balance Sheet

Drain Commission Component Unit

December 31, 2018

	Drain Debt Service Funds	Drain Operations and Maintenance	Drain Capital Projects Fund
Assets			
Cash and cash equivalents	\$ 128,437	\$ 212,011	\$ 433,024
Investments	127,816	591,225	1,628,971
Special assessments	878,635	-	174,293
Accrued interest receivable	643	3,096	8,245
Due from other funds	-	20,831	29,963
Due from other governmental units	11,815	561,445	19,615
Due from primary government	47,213	63,249	39,444
Capital assets not being depreciated	-	-	-
Capital assets being depreciated, net	-	-	-
Total assets	\$ 1,194,559	\$ 1,451,857	\$ 2,333,555
Liabilities			
Accounts payable	\$ -	\$ 2,884	\$ 2,953
Accrued liabilities	-	2,700	-
Due to other funds	-	1,886	408,538
Due to primary government	-	76,724	32,884
Long-term debt:			
Due within one year	-	-	-
Due in more than one year	-	-	-
Total liabilities	-	84,194	444,375
Deferred inflows of resources			
Unavailable revenue - long-term receivables	937,663	624,694	233,352
Fund balances			
Restricted - debt service	256,896	-	-
Assigned	-	742,969	1,655,828
Total fund balances	256,896	742,969	1,655,828
Total liabilities, deferred inflows of resources and fund balances	\$ 1,194,559	\$ 1,451,857	\$ 2,333,555
Net position			
Net investment in capital assets			
Restricted for:			
Debt service			
Unrestricted			
Total net position			



Revolving Drain	Total Governmental Funds	Adjustments	Statement of Net Position
\$ -	\$ 773,472	\$ -	\$ 773,472
-	2,348,012	-	2,348,012
-	1,052,928	-	1,052,928
-	11,984	-	11,984
359,630	410,424	(410,424)	-
-	592,875	-	592,875
-	149,906	-	149,906
-	-	583,960	583,960
-	-	4,451,979	4,451,979
<u>\$ 359,630</u>	<u>\$ 5,339,601</u>	<u>4,625,515</u>	<u>9,965,116</u>
\$ -	\$ 5,837	-	5,837
-	2,700	16,537	19,237
-	410,424	(410,424)	-
359,630	469,238	-	469,238
-	-	147,770	147,770
-	-	827,349	827,349
<u>359,630</u>	<u>888,199</u>	<u>581,232</u>	<u>1,469,431</u>
-	1,795,709	(1,795,709)	-
-	256,896	(256,896)	-
-	2,398,797	(2,398,797)	-
-	2,655,693	(2,655,693)	-
<u>\$ 359,630</u>	<u>\$ 5,339,601</u>		
		4,060,820	4,060,820
		240,359	240,359
		<u>4,194,506</u>	<u>4,194,506</u>
		<u>\$ 8,495,685</u>	<u>\$ 8,495,685</u>

BAY COUNTY, MICHIGAN

Combining Statement of Activities and Statement of Revenues, Expenditures and Changes in Fund Balances - Drain Commission Component Unit For the Year Ended December 31, 2018

	Drain Debt Service Funds	Drains Operations and Maintenance	Drain Capital Projects Fund
Revenues			
Property and other taxes	\$ 129,708	\$ 15,949	\$ 107,899
Federal grants	-	-	47,126
Licenses and permits	-	100	4,400
Interest, rents and royalties	2,196	27,229	44,618
Reimbursements, refunds and other revenue	38,391	64,143	77,684
Contributions from local units	34,885	335,974	20,621
Total revenues	205,180	443,395	302,348
Expenditures / expenses			
Public works:			
Contractual services	-	358,990	535,799
Depreciation	-	-	-
Debt service:			
Principal	155,629	-	-
Interest and fiscal charges	33,042	-	-
Total expenditures / expenses	188,671	358,990	535,799
Revenues over (under) expenditures / expenses	16,509	84,405	(233,451)
Other financing sources (uses)			
Transfers in	-	-	23,039
Transfers out	-	(23,039)	-
Total other financing sources (uses)	-	(23,039)	23,039
Net change in fund balances / net position	16,509	61,366	(210,412)
Fund balances / net position, beginning of year	240,387	681,603	1,866,240
Fund balances / net position, end of year	\$ 256,896	\$ 742,969	\$ 1,655,828



Revolving Drain	Total Governmental Funds	Adjustments	Statement of Net Position
\$ -	\$ 253,556	\$ (78,403)	\$ 175,153
-	47,126	-	47,126
-	4,500	-	4,500
-	74,043	-	74,043
-	180,218	-	180,218
-	391,480	-	391,480
-	950,923	(78,403)	872,520
-	894,789	(412,340)	482,449
-	-	307,568	307,568
-	155,629	(155,629)	-
-	33,042	(2,736)	30,306
-	1,083,460	(263,137)	820,323
-	(132,537)	184,734	52,197
-	23,039	(23,039)	-
-	(23,039)	23,039	-
-	-	-	-
-	(132,537)	184,734	52,197
-	2,788,230	5,655,258	8,443,488
<u>\$ -</u>	<u>\$ 2,655,693</u>	<u>\$ 5,839,992</u>	<u>\$ 8,495,685</u>

STATISTICAL SECTION

BAY COUNTY, MICHIGAN

Statistical Section Table of Contents

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

		<u>Page</u>
Financial Trends Tables 1-4	These schedules contain trend information to help the reader understand and evaluate how the County's financial condition, performance and well-being have changed over time.	165-174
Revenue Capacity Tables 5-8	These schedules contain information to help the reader assess the County's ability to generate its most significant local revenue source, the property tax.	175-180
Debt Capacity Tables 9-14	These schedules present information to help the reader assess the affordability of the County's current levels of outstanding debt and its ability to issue additional debt in the future.	181-189
Demographic and Economic Information Tables 15-16	These schedules present various demographic and economic indicators to help the reader understand the environment within which the County operates and how they affect the County's financial activities.	190-192
Operating Information Tables 17-19	These schedules contain information about the County's operations and resources to help the reader understand how the information in the County's financial report relates to the services the County provides and the activities it performs.	193-198

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

BAY COUNTY, MICHIGAN

Net Position by Component

Last Ten Fiscal Years

(accrual basis of accounting)

(amounts expressed in thousands)

	2009	2010	2011	2012
Governmental activities				
Net investment in capital assets	\$ 31,885	\$ 32,980	\$ 34,828	\$ 35,041
Restricted	2,681	2,387	2,755	2,701
Unrestricted (deficit)	17,338	14,997	14,818	12,924
Total governmental activities net position	51,904	50,364	52,401	50,666
Business-type activities				
Net investment in capital assets	8,840	8,558	7,798	7,353
Restricted	-	-	1,408	1,408
Unrestricted	10,683	11,497	11,326	10,268
Total business-type activities net position	19,523	20,055	20,532	19,029
Primary government				
Net investment in capital assets	40,725	41,538	42,626	42,394
Restricted	2,681	2,387	4,163	4,109
Unrestricted	28,021	26,494	26,144	23,192
Total primary government activities net position	\$ 71,427	\$ 70,419	\$ 72,933	\$ 69,695

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

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

Note 3: Beginning net position of governmental and business-type activities were restated in 2017 to correct an error in prior period. Prior years were not restated.

Note 4: The County implemented GASB 75 in 2018. Prior years were not restated.

Table 1
Unaudited

2013	2014	2015	2016	2017	2018
\$ 35,433	\$ 44,431	\$ 45,941	\$ 46,547	\$ 47,382	\$ 39,366
13,510	14,379	22,222	23,861	26,348	26,904
274	(183)	(4,557)	(8,895)	(8,701)	(17,543)
<u>49,217</u>	<u>58,627</u>	<u>63,606</u>	<u>61,513</u>	<u>65,029</u>	<u>48,727</u>
6,953	7,563	7,906	8,893	10,476	16,907
1,300	1,294	10,265	7,969	8,308	8,802
10,713	9,768	12,539	11,894	11,388	(4,265)
<u>18,966</u>	<u>18,625</u>	<u>30,710</u>	<u>28,756</u>	<u>30,172</u>	<u>21,444</u>
42,386	51,994	53,847	55,440	57,858	56,272
14,810	15,673	32,487	31,830	34,656	35,706
10,987	9,585	7,982	2,999	2,687	(21,808)
<u>\$ 68,183</u>	<u>\$ 77,252</u>	<u>\$ 94,316</u>	<u>\$ 90,269</u>	<u>\$ 95,201</u>	<u>\$ 70,170</u>

BAY COUNTY, MICHIGAN

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

(amounts expressed in thousands)

	2009	2010	2011	2012
Expenses				
Governmental activities:				
General government	\$ 10,411	\$ 12,298	\$ 16,086	\$ 15,617
Public safety	11,654	11,729	12,716	11,784
Community and economic development	185	161	189	273
Health and welfare	10,529	10,940	9,144	11,207
Public works	10	7	7	4
Judicial	6,546	6,999	6,510	6,909
Legislative	539	523	437	435
Recreation and culture	1,675	1,792	1,432	1,374
Other functions	1,233	-	-	-
Interest on long-term debt	939	813	734	657
Total governmental activities expenses	43,721	45,262	47,255	48,260
Business-type activities:				
Medical Care Facility	22,089	21,621	21,930	24,312
100% Tax Payment	124	129	123	140
Golf Course	657	671	694	692
Delinquent Property Tax Foreclosure	149	166	191	186
Commissary	101	114	106	122
Water plant	-	-	-	-
Housing	622	671	761	804
Total business-type activities expenses	23,742	23,372	23,805	26,256
Total primary government expenses	67,463	68,634	71,060	74,516
Program Revenues				
Governmental activities:				
Charges for services:				
General government	2,699	2,620	2,799	3,041
Public safety	1,882	1,885	2,145	1,873
Community and economic development	77	126	155	180
Health and welfare	2,373	2,564	2,614	2,471
Public works	4	6	11	7
Judicial	2,064	2,036	1,929	1,989
Legislative	-	-	-	21
Recreation and culture	853	825	762	757
Operating grants and contributions	7,836	9,342	13,828	12,515
Capital grants and contributions	133	58	1,800	80
Total governmental activities program revenues	17,921	19,462	26,043	22,934

Table 2
Unaudited

	2013	2014	2015	2016	2017	2018
\$	13,754	\$ 12,031	\$ 13,287	\$ 13,952	\$ 13,985	\$ 11,877
	11,722	11,443	11,721	12,194	12,488	10,768
	296	110	208	245	233	239
	10,921	10,703	11,205	12,318	12,232	13,051
	178	1,560	1,911	3,798	3,277	9,497
	6,831	6,840	7,085	7,504	7,746	6,854
	342	329	357	375	421	1,848
	1,617	2,181	1,859	1,567	1,929	1,796
	-	-	244	175	81	49
	875	371	-	-	-	-
	<u>46,536</u>	<u>45,568</u>	<u>47,877</u>	<u>52,128</u>	<u>52,392</u>	<u>55,979</u>
	23,743	24,269	23,114	25,661	26,174	25,335
	322	163	147	232	187	156
	616	556	540	486	559	520
	195	181	185	169	200	222
	136	125	111	111	196	150
	-	-	-	-	-	2,624
	759	725	688	702	735	678
	<u>25,771</u>	<u>26,019</u>	<u>24,785</u>	<u>27,361</u>	<u>28,051</u>	<u>29,685</u>
	<u>72,307</u>	<u>71,587</u>	<u>72,662</u>	<u>79,489</u>	<u>80,443</u>	<u>85,664</u>
	2,853	2,684	3,045	3,221	3,151	3,087
	1,972	2,049	2,030	1,992	2,132	2,126
	57	162	44	207	66	174
	2,347	2,532	2,777	3,041	2,852	3,249
	10	2	3	3,887	3,983	2
	1,906	1,853	2,040	1,751	1,767	1,954
	-	-	-	-	-	-
	710	816	814	845	848	886
	10,173	17,154	9,957	9,836	10,250	10,708
	94	309	16	26	26	253
	<u>20,122</u>	<u>27,561</u>	<u>20,726</u>	<u>24,806</u>	<u>25,075</u>	<u>22,439</u>

continued...

BAY COUNTY, MICHIGAN

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

(amounts expressed in thousands)

	2009	2010	2011	2012
Business-type activities:				
Charges for services:				
Medical Care Facility	\$ 19,007	\$ 20,074	\$ 20,358	\$ 21,600
100% Tax Payment	1,327	1,201	1,268	1,117
Golf Course	595	625	547	611
Delinquent Property Tax Foreclosure	160	205	328	244
Commissary	126	141	136	170
Water plant	-	-	-	-
Housing	257	285	260	258
Operating grants and contributions	221	228	311	285
Capital grants and contributions	20	247	54	-
Total business-type activities program revenues	21,713	23,006	23,262	24,285
Total primary government program revenues	39,634	42,468	49,305	47,219
Net (expense)/revenue				
Governmental activities	(25,800)	(25,800)	(21,212)	(25,326)
Business-type activities	(2,029)	(366)	(543)	(1,971)
Total primary government net expense	(27,829)	(26,166)	(21,755)	(27,297)
General revenues and other changes in net position				
Governmental activities:				
Property taxes	23,142	22,412	21,445	21,204
Unrestricted investment earnings	922	656	523	505
Other revenue	715	329	467	238
Transfers - internal activities	1,080	864	811	1,350
Total governmental activities	25,859	24,261	23,246	23,297
Business-type activities:				
Property taxes	1,516	1,527	1,501	1,438
Unrestricted investment earnings	287	166	245	301
Other revenue	105	70	85	81
Transfers - internal activities	(1,080)	(864)	(811)	(1,350)
Total business-type activities	828	899	1,020	470
Total primary government	26,687	25,160	24,266	23,767
Change in Net Position				
Governmental activities	59	(1,539)	2,035	(2,029)
Business-type activities	(1,201)	533	477	(1,501)
Total primary government	\$ (1,142)	\$ (1,006)	\$ 2,512	\$ (3,530)

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

Note 2: Beginning net position of governmental and business-type activities were restated in 2017 to correct an error in prior period. Prior years were not restated.

Table 2
Unaudited

	2013	2014	2015	2016	2017	2018
\$	20,949	\$ 21,576	\$ 23,487	\$ 21,547	\$ 23,103	\$ 23,631
	1,074	1,088	1,300	1,138	1,123	1,097
	556	497	457	491	443	444
	290	199	406	289	297	322
	178	167	151	150	271	217
	-	-	-	-	-	-
	268	277	276	284	271	274
	157	165	159	158	243	290
	-	129	36	-	89	-
	<u>23,472</u>	<u>24,098</u>	<u>26,272</u>	<u>24,057</u>	<u>25,840</u>	<u>26,275</u>
	<u>43,594</u>	<u>51,659</u>	<u>46,998</u>	<u>48,863</u>	<u>50,915</u>	<u>48,714</u>
	(26,414)	(18,007)	(27,151)	(27,322)	(27,317)	(33,541)
	(2,299)	(1,921)	1,487	(3,304)	(2,211)	(3,410)
	<u>(28,713)</u>	<u>(19,928)</u>	<u>(25,664)</u>	<u>(30,626)</u>	<u>(29,528)</u>	<u>(36,951)</u>
	22,476	22,334	22,461	22,882	23,430	22,742
	620	1,636	203	491	656	475
	658	2,223	2,830	597	277	257
	1,210	1,225	1,243	1,260	1,945	1,349
	<u>24,964</u>	<u>27,418</u>	<u>26,737</u>	<u>25,230</u>	<u>26,308</u>	<u>24,823</u>
	2,090	2,049	2,115	2,109	2,323	2,034
	370	542	398	265	434	2,979
	187	518	638	236	981	301
	(1,210)	(1,225)	(1,243)	(1,260)	(1,945)	(1,349)
	<u>1,437</u>	<u>1,884</u>	<u>1,908</u>	<u>1,350</u>	<u>1,793</u>	<u>3,965</u>
	<u>26,401</u>	<u>29,302</u>	<u>28,645</u>	<u>26,580</u>	<u>28,101</u>	<u>28,788</u>
	(1,450)	9,411	(414)	(2,092)	(1,009)	(8,718)
	(862)	(37)	3,395	(1,954)	(418)	555
\$	<u>(2,312)</u>	<u>\$ 9,374</u>	<u>\$ 2,981</u>	<u>\$ (4,046)</u>	<u>\$ (1,427)</u>	<u>\$ (8,163)</u>

concluded

BAY COUNTY, MICHIGAN

Fund Balances of Governmental Funds

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

	2009	2010	2011	2012
General fund				
Reserved	\$ 5,665	\$ 5,323	\$ -	\$ -
Unreserved	3,982	4,993	-	-
Nonspendable	-	-	469	209
Restricted	-	-	203	199
Committed	-	-	5,228	5,054
Assigned	-	-	5,407	7,134
Unassigned	-	-	-	-
Total general fund	9,647	10,316	11,307	12,596
All other governmental funds				
Reserved	2,500	1,810	-	-
Unreserved - Special revenue funds	7,938	7,263	-	-
Nonspendable	-	-	8	17
Restricted	-	-	5,950	5,455
Committed	-	-	1,899	1,431
Assigned	-	-	312	535
Total all other governmental funds	\$ 10,438	\$ 9,073	\$ 8,169	\$ 7,438

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

Note 2: Variance may exist from the governmental funds balance sheet to this statistical table due to rounding.

Table 3
Unaudited

2013	2014	2015	2016	2017	2018
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
626	1,222	1,622	1,650	1,510	1,243
170	168	174	198	171	161
4,943	4,943	5,148	6,779	6,824	6,824
6,681	1,183	547	1,167	4,317	1,130
-	-	6,064	4,184	2,496	3,891
<u>12,420</u>	<u>7,516</u>	<u>13,555</u>	<u>13,978</u>	<u>15,318</u>	<u>13,249</u>
-	-	-	-	-	-
-	-	-	-	-	-
1,872	1,880	1,918	60	27	29
29,531	20,131	11,666	13,946	11,885	7,409
-	-	-	-	-	-
<u>1,793</u>	<u>2,407</u>	<u>1,601</u>	<u>711</u>	<u>2,921</u>	<u>2,547</u>
<u>\$ 33,196</u>	<u>\$ 24,418</u>	<u>\$ 15,185</u>	<u>\$ 14,717</u>	<u>\$ 14,833</u>	<u>\$ 9,985</u>

BAY COUNTY, MICHIGAN

Changes in Fund Balances of Governmental Funds

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

	2009	2010	2011	2012
Revenues				
Property taxes	\$ 23,122	\$ 22,479	\$ 21,459	\$ 21,270
Special assessments (1)	-	-	-	-
Licenses and permits	362	375	382	407
Federal	4,509	5,589	9,892	6,930
State	2,881	3,297	4,811	4,908
Interest, rents and royalties	1,531	1,305	1,357	1,329
Charges for services	2,824	2,806	2,795	2,906
Fines and forfeits	631	641	536	584
Reimbursements, refunds and other revenue (1)	6,990	6,615	7,506	6,809
Total revenues	42,850	43,107	48,738	45,143
Expenditures				
General government	8,959	9,753	14,279	12,749
Public safety	11,448	11,634	12,008	10,813
Community and economic development	188	184	237	298
Health and welfare	10,303	10,521	10,446	10,565
Public works	10	7	6	4
Judicial	6,103	6,224	6,221	6,087
Legislative	533	522	450	445
Recreation and culture	1,762	1,739	1,753	1,588
Other functions	1,235	1,400	1,573	1,263
Capital outlay	-	-	-	-
Debt service:				
Principal	3,514	1,863	1,718	1,888
Interest and other fees	993	856	776	663
Contribution to component unit	-	-	-	-
Total expenditures	45,048	44,703	49,467	46,363
Excess of revenues over (under) expenditures	(2,198)	(1,596)	(729)	(1,220)
Other financing sources (uses)				
Transfers in	11,982	8,584	4,778	6,083
Payment to escrow agents to refund debt	-	-	-	(10,655)
Insurance recoveries/proceeds	18	36	4	10
Issuance of debt	-	-	-	-
Proceeds of refunding bonds	-	-	-	9,775
Bond premium	-	-	-	1,004
Transfers (out)	(10,867)	(7,718)	(3,967)	(4,733)
Total other financing sources (uses)	1,133	902	815	1,484
Net change in fund balances	\$ (1,065)	\$ (694)	\$ 86	\$ 264
Debt service as a percentage of noncapital expenditures	10.17%	6.30%	5.27%	5.60%

Note: Variance may exist from the governmental funds statement of revenues, expenditures and changes in fund balances to this statistical table due to rounding.

(1) Special assessment revenue broken out from reimbursements, refunds and other revenue starting in fiscal 2016. With the transfer of the water plant into a business-type fund in 2018, no special assessments were recorded under governmental activities.

Table 4
Unaudited

2013	2014	2015	2016	2017	2018
\$ 22,472	\$ 22,359	\$ 22,481	\$ 22,894	\$ 23,441	\$ 22,731
-	-	-	3,885	3,980	-
423	403	468	464	511	540
4,560	9,859	3,853	3,940	4,036	4,013
4,805	6,775	5,223	5,172	5,282	5,484
1,397	2,370	1,087	1,248	1,398	1,243
2,847	2,780	2,941	2,761	2,946	3,082
546	527	639	532	587	662
7,080	8,961	9,704	8,007	7,397	8,277
<u>44,130</u>	<u>54,034</u>	<u>46,396</u>	<u>48,903</u>	<u>49,578</u>	<u>46,032</u>
11,209	9,835	10,331	10,360	10,640	10,840
11,264	10,601	10,540	10,830	11,371	13,702
352	161	173	223	231	208
10,195	10,946	11,064	11,319	11,403	12,070
4,764	44	2	955	780	1
6,305	6,236	6,259	6,198	6,432	6,539
354	330	354	371	413	1,842
1,623	1,984	1,825	1,944	1,827	1,781
1,508	1,667	1,697	1,656	1,559	1,529
-	36,151	17,951	431	40	-
1,830	1,930	2,030	3,240	2,755	1,290
651	1,954	2,280	2,697	2,665	160
-	-	-	-	-	4,375
<u>50,055</u>	<u>81,839</u>	<u>64,506</u>	<u>50,224</u>	<u>50,116</u>	<u>54,337</u>
<u>(5,925)</u>	<u>(27,805)</u>	<u>(18,110)</u>	<u>(1,321)</u>	<u>(538)</u>	<u>(8,305)</u>
6,433	5,949	6,144	6,338	6,876	6,386
-	-	-	-	-	-
7	5	11	-	38	31
-	18,572	7,963	-	-	-
30,000	-	-	-	-	-
(43)	-	-	-	-	-
<u>(4,890)</u>	<u>(4,718)</u>	<u>(4,885)</u>	<u>(5,063)</u>	<u>(4,920)</u>	<u>(5,030)</u>
<u>31,507</u>	<u>19,808</u>	<u>9,233</u>	<u>1,275</u>	<u>1,994</u>	<u>1,387</u>
<u>\$ 25,582</u>	<u>\$ (7,997)</u>	<u>\$ (8,877)</u>	<u>\$ (46)</u>	<u>\$ 1,456</u>	<u>\$ (6,918)</u>
5.50%	5.05%	9.54%	12.03%	11.03%	2.74%

Governmental Activities Tax Revenue By Year

Last Ten Fiscal Years
(accrual basis of accounting)

Fiscal Year	Property Tax
2009	\$ 23,142,073
2010	22,412,007
2011	21,444,988
2012	21,203,689
2013	22,475,803
2014	22,333,712
2015	22,461,189
2016	22,882,462
2017	23,431,134
2018	22,741,235

BAY COUNTY, MICHIGAN

Assessed and Estimated Actual Value of Taxable Property

Last Ten Fiscal Years

(in thousands of dollars)

Fiscal Year Ended December 31,	Real Property		Personal Property	Total Assessed Value	Total Direct Tax Rate
	Residential	Commercial			
2009	\$ 2,083,021	\$ 439,556	\$ 269,701	\$ 2,792,278	10.8138
2010	1,930,888	398,920	251,310	2,581,118	10.7138
2011	1,884,708	394,747	249,238	2,528,693	10.8138
2012	1,850,561	394,855	270,064	2,515,480	11.4638
2013	1,819,824	392,452	281,567	2,493,843	11.4638
2014	1,878,624	381,200	277,453	2,537,277	11.4638
2015	1,879,325	371,950	294,062	2,545,337	11.4638
2016	1,940,345	370,281	245,516	2,556,142	11.6138
2017	1,969,223	388,729	219,610	2,577,562	11.2138
2018	1,994,688	399,121	215,701	2,609,510	11.2138

Source: Bay County Equalization Department

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

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

Table 6
Unaudited



	Estimated Actual Assessed Value	Assessed Value as a Percentage of Actual Value
\$	5,584,556	50.00%
	5,162,236	50.00%
	5,057,386	50.00%
	5,030,960	50.00%
	4,987,686	50.00%
	5,074,554	50.00%
	5,090,674	50.00%
	5,112,284	50.00%
	5,155,124	50.00%
	5,219,020	50.00%

BAY COUNTY, MICHIGAN

Property Tax Rates

Direct and Overlapping Governments
Last Ten Fiscal Years

Fiscal Year (1) (2)	Bay County				Overlapping Rates		
	Operating Millage	Special Millage	Debt Millage	Total County Millage	SET Schools (3)	Inter-mediate Schools	Community College
2009	5.7257	5.0881	0.0000	10.8138	6.0000	0.1891	2.0427
2010	5.7257	4.9881	0.0000	10.7138	6.0000	0.1891	2.0427
2011	5.7257	5.0881	0.0000	10.8138	6.0000	0.1891	2.0427
2012	5.7257	5.7381	0.0000	11.4638	6.0000	0.1891	2.0427
2013	5.7257	5.7381	0.0000	11.4638	6.0000	0.1891	2.0427
2014	5.7257	5.7381	0.0000	11.4638	6.0000	0.1891	2.0427
2015	5.7257	5.7381	0.0000	11.4638	6.0000	0.1891	2.0427
2016	5.7257	5.8881	0.0000	11.6138	6.0000	0.1891	2.0427
2017	5.7257	5.4881	0.0000	11.2138	6.0000	0.1891	2.0427
2018	5.7257	5.4881	0.0000	11.2138	6.0000	0.1891	2.0427

Source: Bay County Equalization Department

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

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

Table 7
Unaudited



Overlapping Rates						
Townships	Cities					Total Direct & Overlapping Rates
	Auburn	Bay City	Essexville	Pinconning	Midland	
1.3500	13.0000	19.5503	16.5931	14.6737	13.9400	98.1527
1.3500	12.0000	19.5503	16.8753	14.6736	13.9400	97.3348
1.3500	12.0000	19.5503	17.4877	14.6736	14.7900	98.8972
1.3500	12.0000	20.0935	19.1300	14.6736	14.7900	101.7327
1.3500	12.0000	21.3365 **	20.3000 **	14.6736	15.0800 **	104.4357
1.3500	12.0000	21.3365 **	20.7000 **	14.6736	15.0400 **	104.7957
1.3500	12.0000	21.3365 **	21.4172 **	14.6736	15.0000 **	105.4729
1.3500	12.0000	21.1865 **	23.8431 **	14.6736	15.0000 **	107.8988
1.3500	13.5000	21.4085 **	16.1431 **	14.6736	15.1385 **	101.6593
1.3500	15.5000	21.4615 **	17.4031 **	14.6736	15.1385 **	104.9723

BAY COUNTY, MICHIGAN

Table 8
Unaudited

Principal Property Taxpayers

December 31, 2018 and Nine Years Ago

Taxpayer	2018			2009		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Consumers Energy	\$ 178,293,633	1	6.37%	\$ 276,488,794	1	8.90%
Dow Corning Corporation	50,749,580	2	1.81%	58,935,777	2	1.90%
Michigan Electric Transmission	26,678,849	3	0.95%	11,029,300	6	0.36%
Enbridge Energy	15,345,868	4	0.55%			
SSP Development LLC	15,153,196	5	0.54%			
Monitor/ Michigan Sugar	12,903,121	6	0.46%	26,847,067	5	0.86%
Meijer/Good Will Co, Inc	8,681,500	7	0.31%	10,125,775	8	0.33%
S C Johnson	8,554,558	8	0.31%	41,811,324	4	1.35%
Mersen USA	7,762,519	9	0.28%			
Charter Communications	7,717,550	10	0.28%			
General Motors/Delphi				48,184,276	3	1.55%
Bay City Mall Associates				10,980,752	7	0.35%
The Herald Company				9,900,558	9	0.32%
Wal-Mart Real Estate				6,718,550	10	0.22%
Totals	<u>\$ 331,840,374</u>		<u>11.86%</u>	<u>\$ 501,022,173</u>		<u>16.14%</u>

Source: Bay County Equalization Department

BAY COUNTY, MICHIGAN

Table 9
Unaudited

Property Tax Levies and Collections

Last Ten Fiscal Years

(amounts expressed in thousands)

Fiscal Year Ended December 31,	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Delinquents Purchased by Treasurer	Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy			Amount	Percentage of Levy
2009	\$ 17,402	\$ 16,545	95.08%	\$ 820	\$ 19	\$ 17,384	99.90%
2010	16,618	15,864	95.46%	732	16	16,612	99.96%
2011	16,276	15,578	95.71%	670	17	16,265	99.93%
2012	16,177	15,560	96.19%	602	14	16,176	99.99%
2013	16,042	15,372	95.82%	656	11	16,039	99.98%
2014	16,597	15,883	95.70%	654	7	16,544	99.68%
2015	16,542	15,878	95.99%	636	8	16,522	99.88%
2016	16,101	14,984	93.06%	583	5	15,572	96.71%
2017	15,469	14,868	96.11%	582	6	15,450	99.88%
2018	15,673	15,068	96.14%	591	*	15,659	99.91%

Source: Bay County Treasurer

* This information is not yet available.

BAY COUNTY, MICHIGAN

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

Fiscal Year Ended December 31,	Governmental Activities			Business-Type Activities		
	General Obligation Bonds	Unamortized Bond Prem/ Discount	Installment Purchase Contracts	DWFR Loans (3)	Revenue Bonds (3)	Unamortized Bond Prem/ Discount
2009	\$ 18,965,000	\$ 195,343	\$ 25,650	\$ -	\$ -	\$ -
2010	17,110,000	165,861	17,100	-	-	-
2011	15,400,000	136,378	8,550	-	-	-
2012	12,810,000	999,535	-	-	-	-
2013	10,980,000	858,473	-	-	30,000,000	(41,269)
2014	9,050,000	717,411	-	18,572,473	30,000,000	(39,846)
2015	7,020,000	576,349	-	26,535,285	30,000,000	(38,423)
2016	5,255,000	446,320	-	25,485,000	29,575,000	(37,000)
2017	4,010,000	334,740	-	24,415,000	29,135,000	(35,577)
2018	2,720,000	223,360	-	26,025,000	28,675,000	(34,153)

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

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

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

(2) This information is not yet available.

(3) At January 1, 2018 the DWRF loans, revenue bonds and related unamortized bond premium and discount were transferred from governmental activities to an enterprise fund (business-type activities). Previous years in this chart were restated for comparative purposes.

Table 10
Unaudited



	Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
\$	19,185,993	5.56%	179
	17,292,961	4.89%	160
	15,544,928	4.23%	145
	13,809,535	3.68%	129
	41,797,024	11.09%	391
	58,300,038	15.08%	549
	64,093,211	16.01%	607
	60,724,320	14.71%	580
	57,859,163	13.53%	555
	57,609,207	(2)	554

Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Unamortized Bond Prem/Discount	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Taxable Value of Property (1)	Per Capita (2)
2009	\$ 18,965,000	\$ 195,343	\$ 819,711	\$ 18,340,632	0.59%	171
2010	17,110,000	165,861	19,557	17,256,304	0.58%	160
2011	15,400,000	136,378	21,233	15,515,145	0.53%	145
2012	12,810,000	999,535	65,394	13,744,141	0.47%	129
2013	10,980,000	858,473	85,397	11,753,076	0.41%	110
2014	9,050,000	717,411	112,545	9,654,866	0.34%	91
2015	7,020,000	576,349	116,548	7,479,801	0.26%	71
2016	5,255,000	446,320	133,085	5,568,235	0.20%	53
2017	4,010,000	334,740	21,824	4,287,339	0.15%	41
2018	2,720,000	223,360	45,049	2,898,311	0.10%	28

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

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

BAY COUNTY, MICHIGAN

Table 12
Unaudited

Direct and Overlapping Governmental Activities Debt

As of December 31, 2018

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
Overlapping debt repaid with property taxes: County	\$ 185,658,791	70.17%	\$ 130,268,791
Bay County direct debt			<u>2,943,360</u>
Total direct and overlapping debt			<u>\$ 133,212,151</u>

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

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the County. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Bay County. This process recognizes that, when considering the government's ability to issue and repay long term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

(1) Applicable percentages were estimated by determining the portion of the County's taxable value that is within the government's boundaries and dividing it by the County's total taxable value.

BAY COUNTY, MICHIGAN

Legal Debt Margin Information

Last Ten Fiscal Years

(amounts expressed in thousands)

	2009	2010	2011	2012
Debt limit	\$ 340,504	\$ 318,657	\$ 314,921	\$ 312,200
Total net debt applicable to limit	<u>26,016</u>	<u>29,328</u>	<u>23,191</u>	<u>20,501</u>
Legal debt margin	<u>\$ 314,488</u>	<u>\$ 289,329</u>	<u>\$ 291,730</u>	<u>\$ 291,699</u>
Total net debt applicable to the limit as a percentage of debt limit	7.64%	9.20%	7.36%	6.57%

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

(1) Includes primary government and component units.

Table 13
Unaudited

2013	2014	2015	2016	2017	2018
\$ 312,288	\$ 319,199	\$ 321,730	\$ 324,088	\$ 326,989	\$ 331,557
48,076	63,920	67,627	65,167	61,872	61,169
<u>\$ 264,212</u>	<u>\$ 255,279</u>	<u>\$ 254,103</u>	<u>\$ 258,921</u>	<u>\$ 265,117</u>	<u>\$ 270,388</u>
15.39%	20.03%	21.02%	20.11%	18.92%	18.45%

Legal Debt Margin Calculation for Current Fiscal Year

State equalized value of real property		\$ 3,099,866
State equalized value of personal property		215,701
Total state equalized value		<u>3,315,567</u>
Debt limit (10% of total state equalized value)		331,557
Debt applicable to limit: (1)		\$ 62,189
Less:		
Assets in debt service funds available for payment of principal	\$ 45	
Debt not subject to legal debt limit:		
Special assessment debt	<u>975</u>	
Total deductions		<u>1,020</u>
Total amount of debt applicable to debt limit		<u>61,169</u>
Legal debt margin		<u>\$ 270,388</u>

BAY COUNTY, MICHIGAN

Pledged-Revenue Coverage

Last Ten Fiscal Years

Fiscal Year	Operating Revenue (2)	Operating Expenses (3)	Net Available Revenue	Debt Service (4)	
				Principal	Interest
Water Supply System No. 1 Revenue Bonds (1)					
2009	\$ -	\$ -	\$ -	\$ -	\$ -
2010 (5)	3,742,001	2,650,154	1,091,847	-	64,794
2011 (5)	4,136,205	2,769,142	1,367,063	180,000	183,669
2012 (5)	4,308,937	2,961,525	1,347,412	185,000	180,069
2013 (5) (6)	4,373,619	2,878,647	1,494,972	190,000	176,369
2014 (5) (6)	4,584,579	3,191,548	1,393,031	195,000	1,677,652
2015 (5) (6)	5,885,223	4,185,567	1,699,656	200,000	1,676,969
2016 (5) (6)	11,360,745	5,645,889	5,714,856	630,000	1,671,969
2017 (5) (6)	11,810,699	5,674,620	6,136,079	650,000	1,648,819
2018 (5) (6)	11,678,711	6,082,982	5,595,729	675,000	1,623,869

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

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

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

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

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

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

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

Table 14
Unaudited



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

\$	-	-
	64,794	16.85
	363,669	3.76
	365,069	3.69
	366,369	4.08
	1,872,652	0.74
	1,876,969	0.91
	2,301,969	2.48
	2,298,819	2.67
	2,298,869	2.43

Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population (1)	Personal Income (2)	Per Capita Personal Income	School Enrollment (3)	Unemployment Rate (4)
2009	107,434	\$ 3,443,912	\$ 32,056	14,792	11.60%
2010	107,771	3,532,857	32,781	14,798	11.90%
2011	107,229	3,677,507	34,296	14,420	9.80%
2012	106,890	3,750,645	35,089	14,320	8.70%
2013	106,832	3,770,457	35,293	13,958	9.10%
2014	106,179	3,866,902	36,419	13,751	7.10%
2015	105,659	4,002,825	37,884	13,442	5.50%
2016	104,747	4,127,462	39,404	13,513	5.20%
2017	104,239	4,276,348	41,024	13,462	5.60%
2018	103,923	(5)	(5)	13,029	5.80%

Data Sources:

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

BAY COUNTY, MICHIGAN

Principal Employers

2018 and Nine Years Ago

Employer	2017 (4)		
	Employees	Rank	Percentage of Total County Employment
McLaren - Bay Region (1)	2,083	1	4.80%
The Dow Chemical Corporation	1,160	2	2.67%
Delta College	957	3	2.21%
Michigan Sugar Company (3)	900	4	2.07%
Bay City Public Schools (2)	875	5	2.02%
Bay County	593	6	1.37%
Meijer Inc.	550	7	1.27%
Consumers Energy	457	8	1.05%
General Motors Powertrain	392	9	0.90%
Bay Medical Care Facility	365	10	0.84%
SC Johnson			
Totals	<u>8,332</u>		<u>19.21%</u>

Source:

Bay Future

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

(2) Excludes substitute teachers.

(3) Figure represents peak manufacturing/industry seasons.

(4) 2018 Data not available at this time.

Table 16
Unaudited

2009		
Employees	Rank	Percentage of Total County Employment
1,804	1	5.14%
1,200	2	3.42%
999	5	2.85%
1,006	4	2.87%
1,041	3	2.96%
594	7	1.69%
620	6	1.77%
510	8	1.45%
400	10	1.14%
450	9	1.28%
<u>8,624</u>		<u>24.56%</u>

BAY COUNTY, MICHIGAN

Full-time Equivalent Government Employees by Function/Program

Last Ten Fiscal Years

	2009	2010	2011	2012
Function				
Public safety	118	113	112	111
Community and economic development	6	2	2	2
Health and welfare	136	77	73	68
General government	107	90	88	86
Judicial	91	81	79	78
Legislative	12	1	1	1
Recreation and culture	24	10	8	8
100% tax payment	2	2	2	2
Golf course	6	3	3	3
Total	502	379	368	359

Source: Bay County Payroll Department

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

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

Table 17
Unaudited

2013	2014	2015	2016	2017	2018
111	112	109	101	115	118
2	1	2	2	1	2
68	75	71	70	70	73
88	89	84	90	93	97
78	77	77	77	75	72
-	-	-	-	-	-
8	7	9	11	11	10
2	2	2	2	2	2
3	1	1	2	2	2
<u>360</u>	<u>364</u>	<u>355</u>	<u>355</u>	<u>369</u>	<u>376</u>

BAY COUNTY, MICHIGAN

Operating Indicators by Function/Program

Last Ten Fiscal Years

	2009	2010	2011	2012
Function				
Public safety				
Number of incarcerated offenders	4,073	4,081	3,813	4,032
Health and welfare				
Division on aging				
Meal site meals served	49,625	42,276	40,148	37,867
Home delivered meals served	158,664	127,789	118,672	119,732
Public works				
Number of parking spaces leased	122	126	252	151
Judicial				
Circuit court total caseload	3,999	4,121	4,064	3,873
District court total caseload	27,546	26,099	24,178	25,720
Probate court total caseload	820	882	871	848
Recreation and culture				
Swimming pool admissions (1)	5,897	4,591	3,124	3,033
Medical care facility				
Patient days	70,006	87,873	73,896	69,984
Patient admits	124	283	350	102
Golf course				
Memberships	210	196	154	193
Housing				
Number of lease days	35,999	36,088	36,017	35,261

Sources: Michigan Department of Corrections, State of Michigan Court Caseload Report, and County departments.
 Note: Indicators are not available for the general government, legislative functions, community and economic development, 100% tax payment and commissary functions.

(1) This information contains some approximate values.

Table 18
Unaudited

2013	2014	2015	2016	2017	2018
4,057	4,392	4,350	4,205	4,298	4,420
37,928	36,404	36,644	35,687	39,987	37,875
125,007	136,849	146,632	146,109	141,358	176,781
319	66	101	69	91	60
3,594	3,212	3,121	3,241	3,175	3,093
24,612	23,635	25,641	21,452	23,832	23,523
791	882	960	823	879	862
4,150	3,935	4,100	4,460	3,786	6,401
84,709	78,222	64,497	100,287	88,648	64,343
131	145	132	139	115	97
176	131	118	105	104	102
35,607	36,096	36,067	36,221	35,983	35,468

BAY COUNTY, MICHIGAN

Capital Asset Statistics by Function/Program

Last Ten Fiscal Years

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

Sources: County departments

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

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

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

Table 19
Unaudited

2013	2014	2015	2016	2017	2018
1	1	1	1	1	1
34	35	34	32	33	33
3	3	3	3	2	3
5	5	5	4	3	3
1,567	1,568	1,574	1,575	1,574	1,574
109	109	108	107	107	107
5	5	5	5	5	5
32	32	33	32	33	32
264	264	264	264	264	264
3	5	5	5	5	5
206	206	206	206	206	206
53	53	53	53	53	53
100	100	100	100	100	100