

Bay County, Michigan

Comprehensive Annual Financial Report

Year Ended December 31, 2008

BAY COUNTY
COMPREHENSIVE ANNUAL FINANCIAL REPORT
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I. INTRODUCTORY SECTION

The Introductory Section contains:

- **Letter of Transmittal**
- **List of Principal Officers**
- **Organizational Chart**
- **Government Finance Officers Association of the United States and Canada Certificate of Achievement for Excellence in Financial Reporting**

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Bay County Executive

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Interim Finance Officer

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June 26, 2009

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, 2008, is hereby submitted. In accordance with State Law, re: Public Act 34 of 2001, the revised Municipal Finance Act, Section 141.2303 (1) requires each municipality within the state of Michigan to file an audit report annually with the Michigan Department of Treasury within 6 months from the end of its fiscal year or as otherwise provided in the Uniform Budgeting and Accounting Act, 1968 PA 2, MCL 141.421 to 141.440a. 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, the objective is to provide reasonable, rather than absolute assurance that the financial statements are free of any material misstatements.

Michigan law requires an annual audit of the county's financial statements. The Bay County Board of Commissioners had engaged Rehman Robson CPAs & Consultants, Independent Auditors, for this purpose. The independent auditors' unqualified ("clean") opinion has been included at the front of the financial section of this 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.

ORGANIZATIONAL STRUCTURE

County government is the largest unit of local government in Michigan and is also the oldest political subdivision of the state, having attained stature and importance before any other form of government now in existence. Also, it is the only form of government in the United States which is directly answerable to the people it governs. Unlike other forms of government in the cities and states, all major departments and offices are administered by men and women elected by and responsible to the people for their every action.

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 444 square miles and currently serves a population of 107,495. In terms of population, this ranks Bay County as the 19th 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), 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 nine 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 three 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 a component unit, a legally separate building authority, 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 other legally separate 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 are provided by the Bay County Department of Water and Sewer. In addition, the Bay County Drain Commission 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 Bay County Economic Development Corporation provides the means and methods to strengthen and revitalize the economy of Bay County all of which are reported separately within Bay County's financial statements. Additional information on all seven of these legally separate entities can be found in the notes to the financial statements (see note I.A.) The Bay-Arenac Intermediate School District, Bay County Historical Society and Bay County Fair and Youth Exhibition did not meet the basic established criteria for inclusion and are not included in the report.

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 categorical basis by function and activity within an individual fund. 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 on a categorical basis. The County's procedures in establishing its annual budget are as follows:

- In June of each year, budget packages are mailed to all County elected officials and department/division heads, outlining the procedures for requesting appropriations for the subsequent budget year.

- During the months of August and September the Finance Department obtains additional information from all elected officials and department/division heads regarding their budget requests.
- On October 1 preceding the beginning of the next fiscal year, in accordance with the provisions of the state of Michigan PA 139 of 1963, as amended by PA 100 of 1980 (the Unified Form of County Government Act), and in conformance with Act 2, PA 1968, as amended by Public Act 621 of 1978, (the Uniform Budgeting and Accounting Act), the Finance Department prepares and the County Executive submits a proposed operating budget to the Board of Commissioners Ways and Means Committee for review and subsequent adoption by the County Board of Commissioners.
- Subsequent to the County Executive submitting the proposed budget to the Board of Commissioners, a public hearing is conducted to obtain taxpayer comments. The Board of Commissioners then makes any amendments to the budget it deems necessary and adopts the same by formal resolution prior to December 31.

The above described budget cycle is typical for the County; however, the 2009 budget was developed using an accelerated budget process and schedule. The 2008 budget process was accelerated due to the implementation of a new county wide financial software system. As a result of this accelerated budget schedule, the Board of Commissioners adopted the 2009 budget by formal resolution in September 2008.

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 Paragraph 10 of the County's General Appropriation Budget Act Resolution. Bay County prepares and issues separate from the CAFR a report on budget amounts compared to actual at the legal level of budgetary control.

ECONOMIC CONDITION AND OUTLOOK

The 2000 population census identified the population of Bay County to be 110,157. The decrease in the population during the 1990s has slowed to 19 percent of the decrease during the 1980s. As of July 1, 2008 the population of Bay County has declined to an estimated 107,495 or a 2.4 percent reduction from the 2000 census. It is hopeful this declining trend will reverse itself in the next decade based upon the level and diversity of business developments.

Because of excesses and imbalances in the credit markets, the boom-bust cycle in the housing market causing housing values to fall, bankruptcies in the financial markets and the financial struggles in the auto industry, resulting in increasing unemployment, the country entered into a recession in 2008. Factory orders, durable and non-durable goods orders, housing starts, industrial production, new and existing home sales, consumer spending and retail sales were all sharply lower in 2008. The state's job outlook for Bay County through 2014 predicts a 6% and 4% decline in production work and farming, fishing and forestry jobs and 16% and 5% increase in health support jobs and management positions, respectively. Overall employment in Bay County is projected to increase by 5.5%. As a result, the outlook for the County is less stable than in the past; however, we remain optimistic about the County's economic future.

Most recently, the county's state equalized values (SEV) of real property have increased 3.91%, 2.83% and 0.49% for 2006, 2007 and 2008 respectively. For 2009 Bay County is projecting a decrease of \$94,457,032 or 2.92% in state equalized values of real property which total \$3,135,341,854. The state equalized value of personal property decreased by 0.02% in 2008 after an increase of 3.41% in 2007 and a decrease of 0.48% in 2006. Bay County, for 2009, is projecting an increase of 2.37% or \$6,244,156 in

the SEV of personal property which totals \$269,701,550. In total, the County's SEV for both real and personal property is projected to decrease 2.53% or \$88,212,882 to \$3,405,043,404. In addition, for 2009, Bay County is projecting \$39,080,449 in equivalent SEV on the full and one-half (½) rate industrial tax rolls.

The average unemployment rate for Bay County for the year ended December 31, 2008, was 9.9%. This compares unfavorably with Bay County's rate as of December 31, 2007, of 6.7% and unfavorably with the December 31, 2008, average nationwide rate of 7.2%, and favorably with the 2008 statewide rate of 10.4%.

Total listings of commercial and residential property sold in 2008 by Bay County real estate agents was 1,423 with a total sales value of \$105,861,015, with the average price of these transactions being \$74,393. These figures represent a decrease of 22.99% and 18.07%, respectively, compared to 2007 sales valued at \$137,465,843, with an average price of transactions of \$90,796. Bay County's average residential sales price in 2008 decreased 18.65% to \$75,453 from \$92,756.

Since the manufacturing and farming sectors of Bay County's economy face increased competition, the county must look to its natural resources to maintain a strong and vigorous economy. The Saginaw River, which flows the entire length of Bay County, is one of Michigan's most important commercial ports. There are 28 commercial ports located along the river between the city of Saginaw and Saginaw Bay. The state's only direct export grain terminals are also located on the river. The hinterland served by the Saginaw River port is the largest of Michigan's 38 cargo ports. While most waterborne commerce on the river consists of United States domestic and Canadian trades, direct overseas shipments also occur each year.

Boating is also big business on the Saginaw Bay and Saginaw River. In 2008 there were 813,957 boats registered in Michigan, with more than 50 percent of them being within 100 miles of the Saginaw Bay. Bay County has 9,466 registered boats, which equates to 1.16% of all registered boats in the state. The Saginaw River was the host for a very large national boat race in 2008, namely the Bay City River Roar, an outboard grand prix. This race, which attracts between 25,000 and 40,000 people annually, has been held for the past 21 years and all signs point to a continuation of this race in future years. Over the years, to accommodate the large number of fishermen and pleasure boaters, Bay County constructed and operates a 56-campsite campground inclusive of six camping cabins and a boat launch. In addition, a 98 slip marina was developed cooperatively by Bay County and Bay City and the county developed 3 additional boat launches with a total of 15 ramps.

Bay County leaders organized a work group of local and regional business leaders to promote Saginaw Bay as a spot for offshore wind and economic development. There is thinking that local manufacturers can get in on the action as investments in wind increase in Michigan given that the state of Michigan passed a renewable energy standard requiring utilities to get 10% of their electricity from wind and other renewable resources by 2015. A Michigan Sea Grant study identified Bay County as one of five places in Michigan to consider placing wind turbines.

MAJOR INITIATIVES

Over the past 30 years Bay County has been a leader in developing a productive fishery in the Saginaw Bay area. It is through a cooperative effort with the Michigan Department of Natural Resources, that over 20 million walleye fingerlings have been planted. In 2008, no fingerlings were planted in the Saginaw Bay due to the wild class levels being reached.

This effort has produced a nationally recognized trophy walleye population and has attracted the following major fishing tournaments which generated great media exposure:

- Infisherman Professional Walleye Trail Mercury Championship
- RCL Operation National Walleye Tournament
- Michigan Walleye Tour championship

Another fishery which is being recognized is the Saginaw Bay bass population. This fish is also a tournament draw, specifically the Michigan Bass Federation State Tournament held in 2006, in addition to several regional events held in Bay County annually. The Saginaw Bay is a very fertile body of water. The fishery for bass and walleye will continue to expand, along with the perch, catfish, white bass, northern pike, carp, suckers, etc. Sport fishing has a seemingly unlimited future.

Consumers Energy will spend \$330 million on new pollution control equipment at its Karn-Weadock Generating Complex in Bay County's Hampton Township. The pollution control project is the largest capital expenditure of its kind by Consumers in the past five to ten years. Consumers estimates that it will create 600 construction jobs when the pollution control project is in full swing in 2009. Ground breaking is scheduled for the spring of 2009 and should take three years to complete. The project is a forerunner of the company's plan to build a new \$2.3 billion coal-fired plant at Karn-Weadock.

As mentioned above, Consumers Energy plans on constructing a new \$2.3 billion, 830-megawatt, coal fired power plant at its Karn-Weadock facility in Bay County's Hampton Township. Hampton Township is prepared to offer the maximum 50% tax abatement on Consumers Energy's investment for twelve years. The estimated completion date is 2015. It is anticipated to create 1,800 construction jobs and 80 permanent new jobs. The construction is expected to have a direct economic impact of \$549 million in Michigan, including \$298 million in Bay, Midland and Saginaw counties. The direct and indirect economic impact of the construction is estimated to be \$1.2 billion in Michigan, including \$500 million for the tri county area. The plants ongoing operations economic impact is estimated to be \$51 million annually for the state and \$39 million for the three county area.

MBS International Airport, which is owned by Bay County and the cities of Saginaw and Midland, plans on making nearly \$50 million in capital improvements between 2009 and 2012, in order to keep pace with its competitors. The projects in the plan include construction of a new \$48 million, 75,000 square foot terminal, taxiway, apron and access road, land acquisition, wetlands mitigation, security equipment, fencing and an extension and improvement to the airfield perimeter service road. Funding for the plan is anticipated to be \$34.3 million from the federal government, \$976,350 from the state, more than \$10 million locally and \$4.1 million from passenger facility charges.

Fabiano Brothers Inc., a beverage distributor, began construction on a new 191,000 square foot \$16 million distribution center complete with new corporate offices in the Market Place Corporate Center located in Bay County's Monitor Township. The building plans call for indoor parking for executives, an electric security gate, a built in truck wash, a recycling center, a large indoor cooler and a drive through loading bay. Public commitment to pave the way for the construction came from Monitor Township Downtown Development Authority capturing \$2 million in taxes to help pay for the infrastructure costs. This investment could bring as many as 300 jobs to Bay County and act as a catalyst for attracting other businesses. The company plans to move into the new building in January 2009.

Plans and fundraising are well on the way for the development and construction of a new \$15.5 million, 65,000 square foot YMCA fitness center in Bay City. This facility will be the fourth in the nation to be LEED certified which recognizes Leadership in Energy and Environmental Design. Features of the new

Y include: an eight lane pool with seating for 250 spectators, 1/8th mile track, a Healthy Eating Café, a multi-purpose community room, a Kid Zone, exercise and aerobics studios, various locker rooms, a warm water family fun/therapy pool, a wellness center and child care center. There will be courts for paddleball, racquetball, squash, basketball volleyball and indoor soccer. Nearly \$10 million has been pledged to date with Dow Chemical Co. pledging \$4 million. Dow's donation will be reflected in the YMCA's new name, The Dow Bay Area Family Y.

A new three story, 77 room, \$5 million Holiday Inn Express opened in Bay County's Monitor Township in December 2008.

Lowe's home improvement chain has submitted plans to Bay County's Monitor Township for a new 140,000 square foot store on a 50 acre site. It includes a 33,000 square foot outdoor garden center, a 41,500 square foot outdoor lumber center and a parking lot to accommodate 623 vehicles.

FINANCIAL INFORMATION

General Fund Fund Balance

The unreserved, undesignated fund balance of the General Fund represents the excess of assets over liabilities, less reserves and designations. The 2007 unreserved, undesignated General Fund fund balance of \$2,676,734 increased by \$1,105,358 to \$3,782,092 in 2008, which represents 11.10 percent of the adopted 2009 general fund operating budget.

Relevant Financial Policies

In accordance with the county's General Financial Policy which mandates the General Fund to establish and maintain a reserve for a long-term advance to the Budget Stabilization Fund at a minimum of 5 percent to a maximum of 10 percent of the General Fund's current year adopted operating budget, the Board of Commissioners have funded the Budget Stabilization Fund by authorizing advances of \$600,000 in 1993; \$482,581 in 1995; \$176,624 in 1997; \$71,562 in 1999; \$75,829 in 2000; \$374,175 in 2001; \$18,819 in 2002 and \$1,073,535 in 2008 bringing the total General Fund advance to the Budget Stabilization Fund to \$2,873,125, which is equal to 8.55 percent of the adopted 2008 *General Fund Operating Budget*. If funds are available, additional advances will be provided in the future. The Budget Stabilization Fund 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 10% 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. 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 investments in U.S. government obligations; certificates of deposit, savings accounts and deposit accounts of banks, savings and loans, and credit unions who are members of the FDIC, FSLIC, and NACU,

respectively; commercial paper; U. S. government or federal agency obligation repurchase agreements; bankers' acceptances of United States banks; and, with some restrictions, mutual funds.

Employees' Retirement System Fund

In 2008 the Bay County Employees' Retirement System experienced a 33.06% decrease in its net assets held in trust for pension benefits. The net assets decreased from \$254,228,599 as of December 31, 2007 to \$170,175,086, or a \$84,053,513 decrease. The system's funded ratio is 126.2% as of December 31, 2007.

Public Employees' Health Care Fund

In 2001, Bay County established and initiated funding the Bay County Voluntary Employees' Beneficiary Association (VEBA), a tax-exempt trust under section 501(c)(9) of the Internal Revenue Code of 1986, as amended and pursuant to the state of Michigan, Public Employee Healthcare Fund Investment Act, Public Act 149 of 1999. The purpose of the VEBA is to provide for medical or other benefits for retired employees of the employer, their spouses and dependents. In 2008 the Public Employees' Health Care Fund experienced a 25.13% decrease in its net assets held in trust for medical or other benefits for retired employees. The net assets decreased from \$22,301,785 as of December 31, 2007 to \$16,696,412 or a \$5,605,373 decrease. As of December 31, 2008 the Public Employees Health Care Fund has not begun paying benefits because its funding status is below the minimum required to enable the fund to begin paying benefits. The funds funded ratio for active employees is 37.47% and 15.30% for both active employees and retirees as of December 31, 2007.

OTHER INFORMATION

Risk Management

Bay County, through the Michigan Municipal Risk Management Authority (MMRMA) is self-insured for property, general, inland marine, crime, auto liability, and bonds. In addition, the county is self-insured in the areas of workers' compensation, sickness and accident, unemployment compensation and employee/retiree health care.

Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Bay County, Michigan, for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2007. 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 published 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.

A Certificate of Achievement is valid for a period of one year only. Bay County, Michigan, has received a Certificate of Achievement for the last nineteen consecutive years ended 1989 through 2007. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements, and we are again submitting it to the GFOA to determine its eligibility for another certificate.

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, and the 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
Thomas L. Hickner
County Executive



Bay County Finance Department
Timothy Quinn
Interim Finance Director

THE BOARD OF COMMISSIONERS

PATRICK BESON
CHAIRMAN

EUGENE F. GWIZDALA
VICE CHAIRMAN

DONALD J. TILLEY
SERGEANT AT ARMS

VAUGHN J. BEGICK
ERNIE KRYGIER
DAWN A. KLIDA

KIM COONAN
BRIAN K. ELDER
RICHARD L. BYRNE

ADMINISTRATION

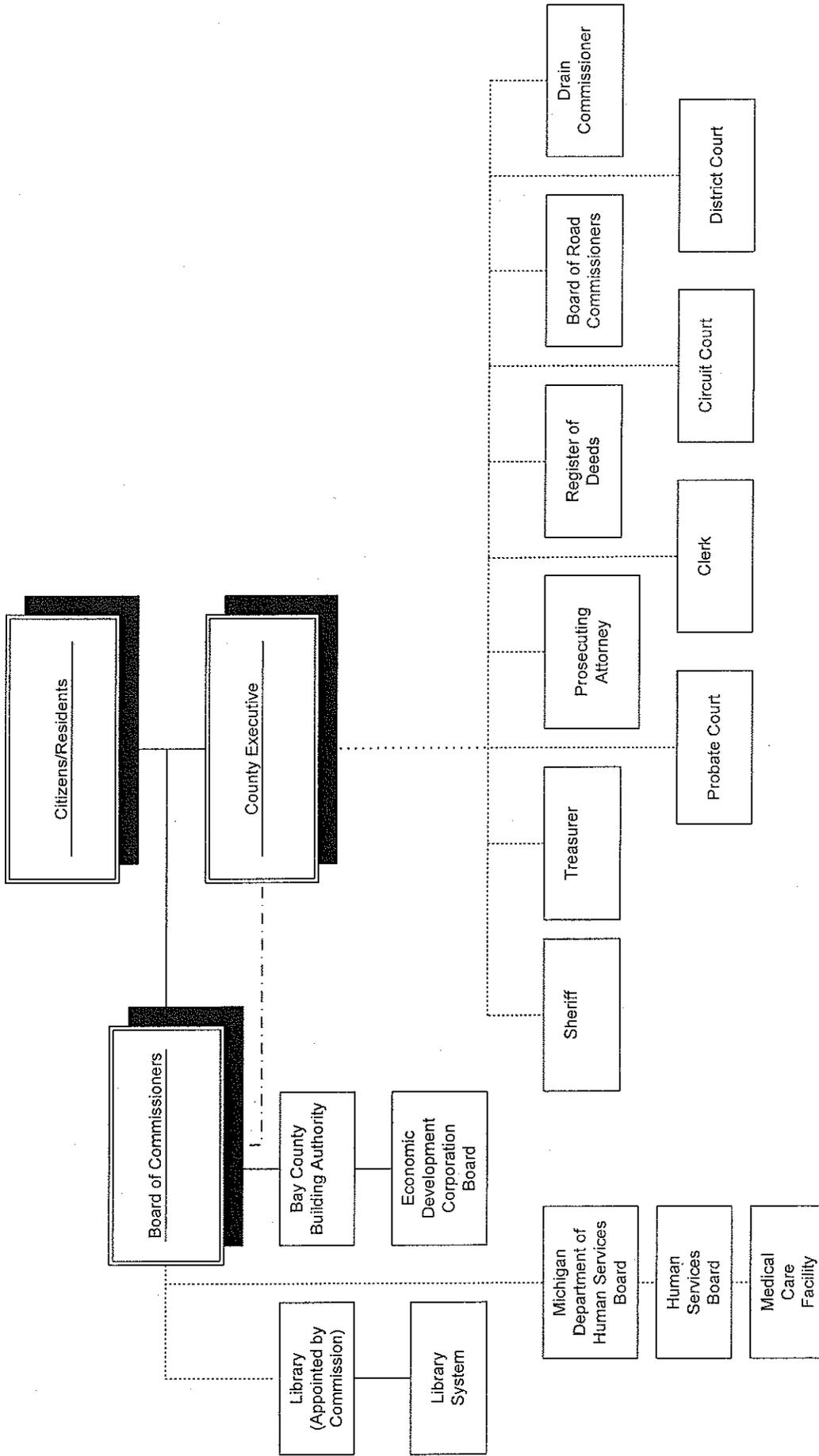
THOMAS L. HICKNER
COUNTY EXECUTIVE

MICHAEL J. REGULSKI CGFM
FINANCE OFFICER

INDEPENDENT AUDITORS

REHMANN ROBSON

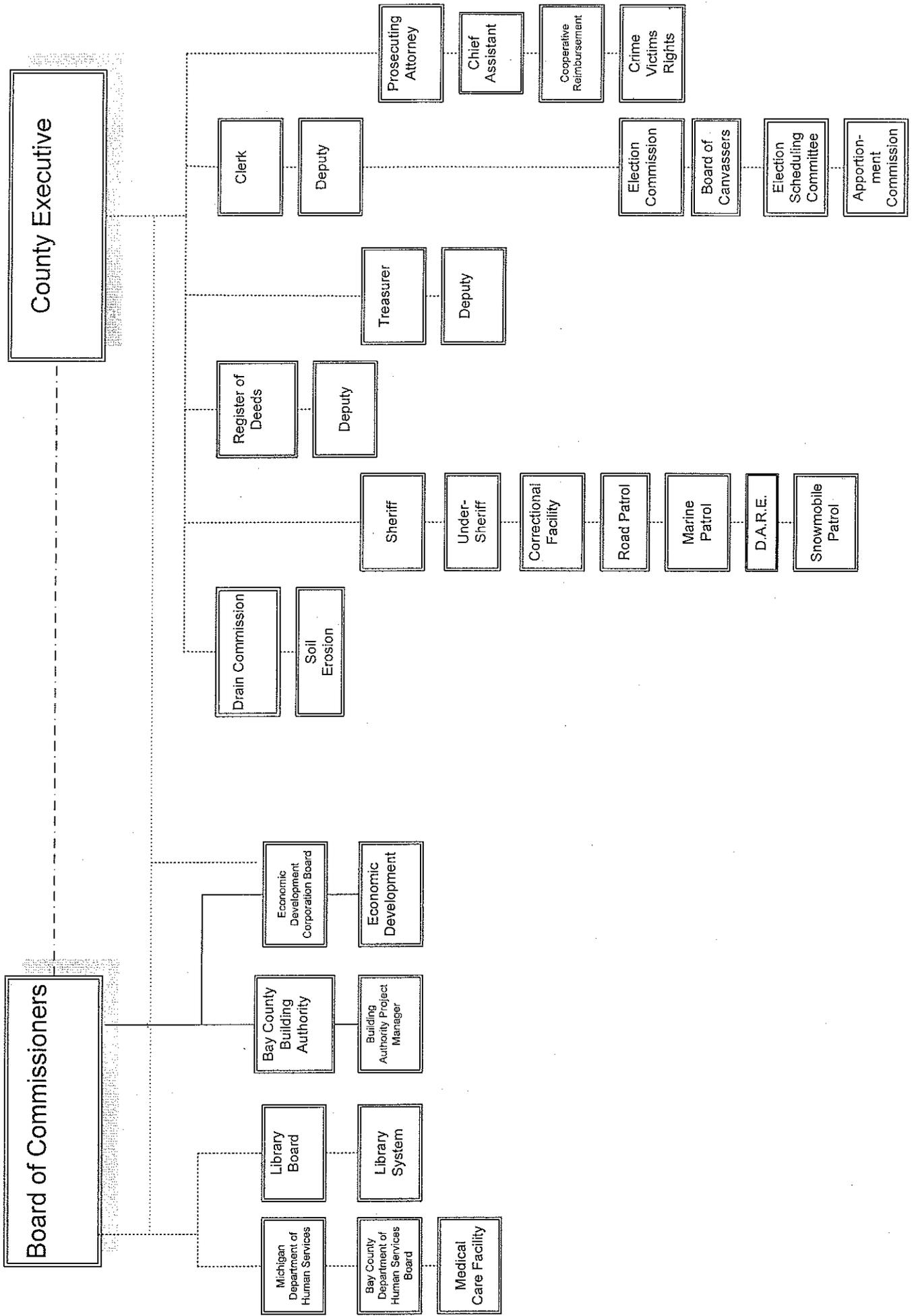
Bay County Organizational Chart



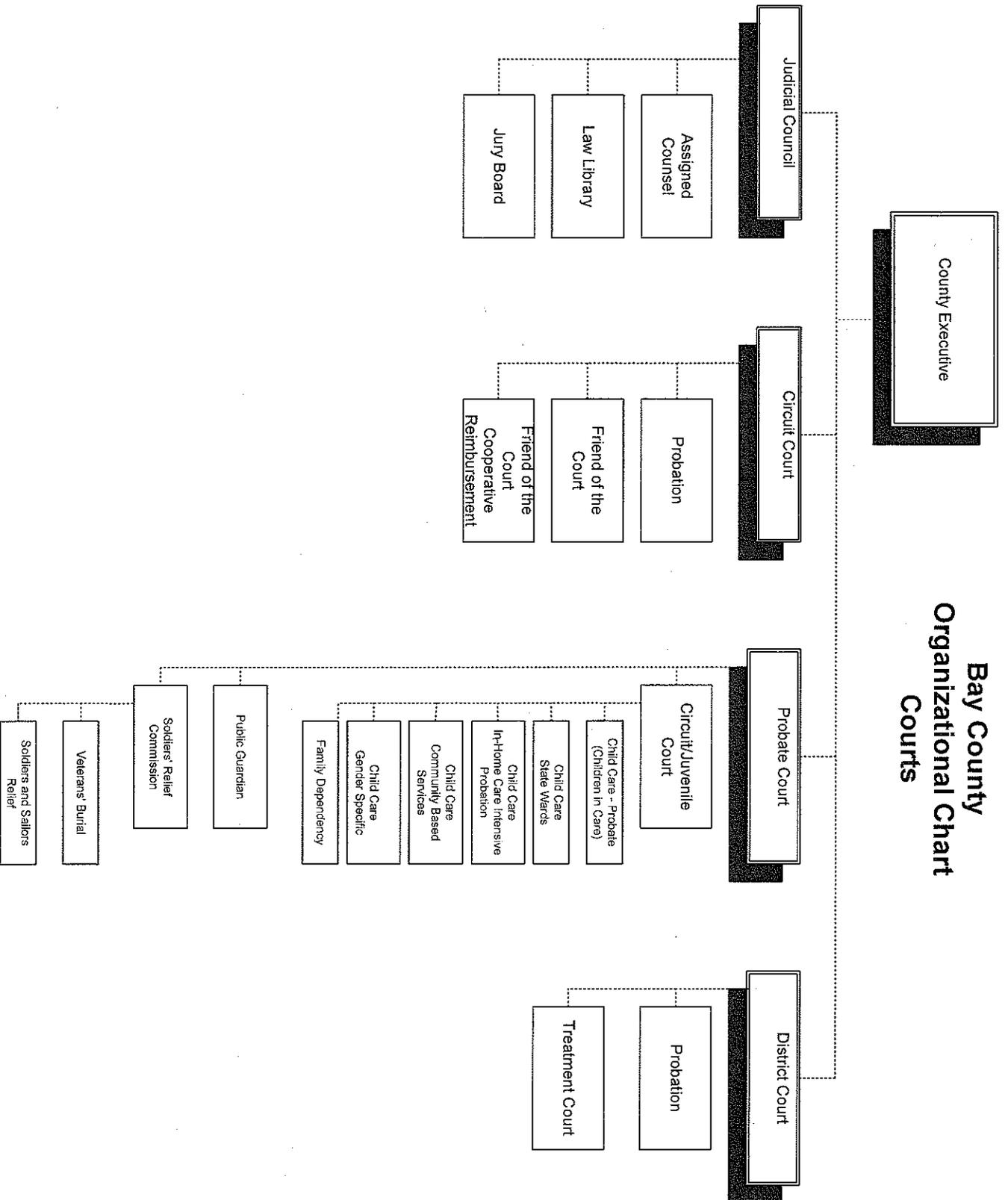
Legend:

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

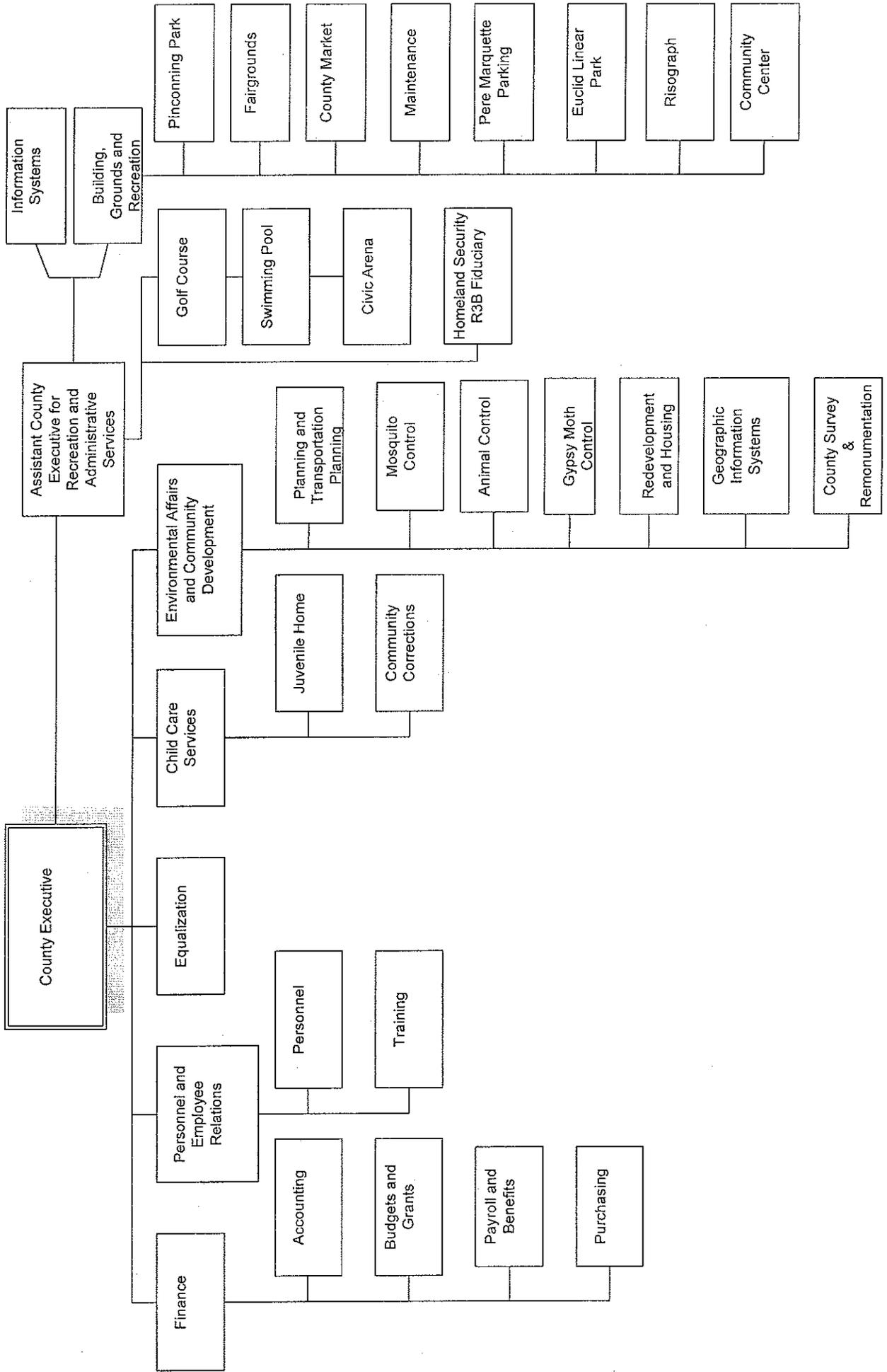
Bay County Organizational Chart Elected/Appointed Officials



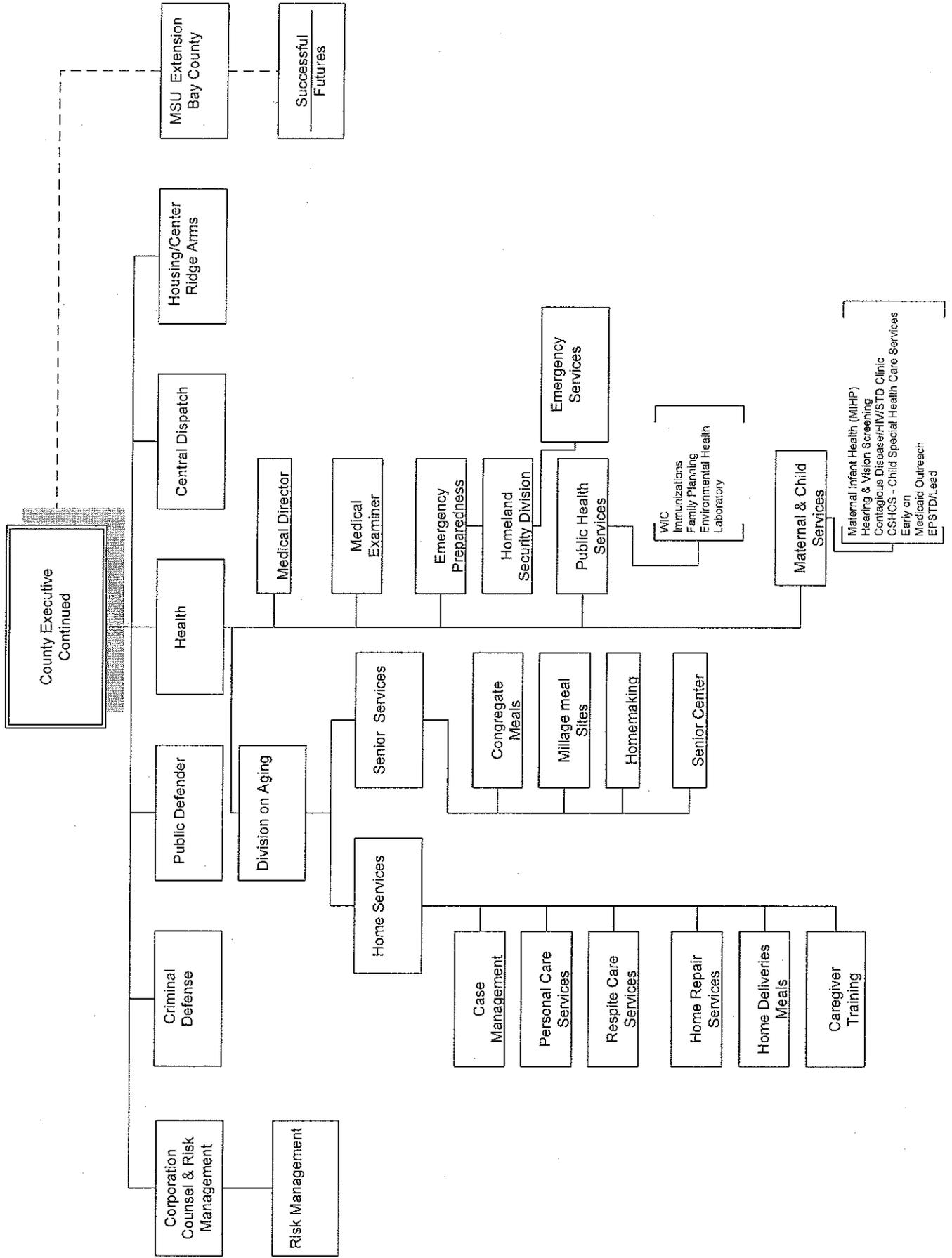
Bay County Organizational Chart Courts



Bay County Organizational Chart County Executive



Bay County Organizational Chart County Executive (Continued)



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, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

II. FINANCIAL SECTION

The Financial Section contains:

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

INDEPENDENT AUDITORS' REPORT

June 26, 2009

Board of Commissioners
County of Bay
Bay City, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **County of Bay, Michigan**, as of and for the year ended December 31, 2008, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the **County of Bay** management's. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Bay County Housing Fund and the Medical Care Facility, which are major fund opinion units; the financial statements of the Bay County Road Commission Component Unit, which represents 63.34% of the assets and 48.83% of the revenues of the aggregate discretely presented component units; and the financial statements of the Bay County Department of Water and Sewer, which represents 19.42% of the assets and 15.21% of the revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Housing fund, Medical Care Facility, Road Commission and Department of Water and Sewer, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **County of Bay, Michigan**, as of December 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparisons of the General Fund and major special revenue funds for the year then ended in conformity with accounting principles general accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also separately issued our report dated June 26, 2009, on our consideration of the **County of Bay, Michigan's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **County of Bay, Michigan's** basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the report of other auditors, are fairly stated, in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables, as listed in the table of contents, have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.

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

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, 2008. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report, and the accompanying basic financial statements.

Financial Highlights

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$72,569,590 (*net assets*). Of this amount, \$26,526,928 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets decreased by \$142,375.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$21,149,287, a decrease of \$631,780 in comparison with the prior year. Approximately 52.97% of this total amount, or \$11,203,149, is *available for spending* at the government's discretion (*unreserved fund balance*). This amount is inclusive of both the *unreserved – designated* amount, which has been designated based upon either County policy or for a specific purpose, and the *unreserved – undesignated* amount.
- At the end of the current fiscal year, the general fund's unreserved – undesignated fund balance was \$3,782,092 or 13.33% of total general fund expenditures. Total fund balance for the general fund was \$7,295,186.
- The County's total debt decreased \$5,406,156 or 12.97% during the current fiscal year.

Overview of the Financial Statements

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

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

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

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

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include legislative, judicial, general government, public safety, public works, health and welfare, community and economic development, and recreation and culture. The business-type activities of the County include the 100% Tax Payment Fund, Delinquent Property Tax Foreclosure, Medical Care Facility, Golf Course, Housing, and Commissary Operations.

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

The government-wide financial statements can be found on pages 34-36 of this report.

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

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

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

The County maintains 25 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Mosquito Control Fund, Division on Aging Fund, 911 Service Fund, Budget Stabilization Fund and Revenue Sharing Reserve Fund, each of which are considered to be major funds. Data from the other 19 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

The basic governmental fund financial statements can be found on pages 37-45 of this report.

Proprietary funds - The County maintains two different types of proprietary funds: enterprise funds and internal service funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for its 100% Tax Payment Fund, Delinquent Property Tax Foreclosure Fund, Medical Care Facility, Golf Course, Housing, and Commissary operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the County's various functions. Bay County uses internal service funds to account for its Workers' Compensation/Unemployment Compensation/Sick and Accident Self Insurance Fund and its Health Care Self Insurance Fund. Because these services predominately benefit governmental rather than business-type functions, they have been included within the *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Medical Care Facility Fund, the 100% Tax Payment Fund and the Housing Fund, each of which are considered to be major funds. Data from the other proprietary funds are combined and presented in two separate columns distinguishing between *business-type activities* and *governmental activities*. Individual fund data for each of these nonmajor enterprise funds and internal service funds are provided in the form of *combining statements* elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 46-49 of this report.

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

The basic fiduciary fund financial statements can be found on pages 50-51 of this report.

Notes to the financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 55-105 of this report.

Other information - In addition to the basic financial statements and accompanying notes, this report also presents certain *supplementary information*. This includes the combining and

individual fund financial statements and schedules. Combining and individual fund statements and schedules can be found on pages 108-146 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Bay County, as the following table demonstrates, assets exceeded liabilities by \$72,569,590 at the close of the most recent fiscal year.

Fiscal Year Ending December 31,	Bay County's Net Assets					
	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$33,533,724	\$33,653,591	\$17,104,582	\$15,149,144	\$50,638,306	\$48,802,735
Capital assets, net of accumulated depreciation	52,668,790	53,195,605	8,935,761	9,682,534	61,604,551	62,878,139
Total assets	86,202,514	86,849,196	26,040,343	24,831,678	112,242,857	111,680,874
Long-term liabilities outstanding	26,297,272	27,432,899	2,846,391	926,952	29,143,663	28,359,851
Other liabilities	8,059,045	8,118,597	2,470,559	2,491,301	10,529,604	10,609,898
Total liabilities	34,356,317	35,551,496	5,316,950	3,418,253	39,673,267	38,969,749
Net assets:						
Invested in capital assets, net of related debt	30,164,590	28,500,605	8,896,379	9,682,534	39,060,969	38,183,139
Restricted	6,981,693	10,805,586	-	-	6,981,693	10,805,586
Unrestricted	14,699,914	11,991,509	11,827,014	11,730,891	26,526,928	23,722,400
Total net assets	\$ 51,846,197	\$ 51,297,700	\$ 20,723,393	\$ 21,413,425	\$ 72,569,590	\$ 72,711,125

One of the largest portions of the County's net assets, \$39,060,969 (53.83%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment) less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the County's net assets, \$6,981,693 (9.62%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets*, \$26,526,928 (36.55%) may be used to meet the government's ongoing obligations to citizens and creditors.

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

**Bay County's
Changes in Net Assets**

Fiscal Year Ending December 31, Revenues	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Program revenue:						
Charges for services	\$10,220,846	\$10,742,237	\$20,482,492	\$19,248,923	\$30,703,338	\$29,991,160
Operating grants and contributions	7,650,010	7,716,066	238,342	194,863	7,888,352	7,910,929
Capital grants and contributions	294,384	174,315	19,231	34,575	313,615	208,890
General revenue:						
Property taxes	22,901,469	22,058,685	1,482,390	1,418,657	24,383,859	23,477,342
Unrestricted investment earnings	943,192	1,239,576	438,914	417,591	1,382,106	1,657,167
Other	426,749	347,307	185,529	102,868	612,278	450,175
Total revenue	42,436,650	42,278,186	22,846,898	21,417,477	65,283,548	63,695,663
Expenses						
Legislative	461,968	476,193	-	-	461,968	476,193
Judicial	6,537,706	6,199,519	-	-	6,537,706	6,199,519
General government	10,084,695	9,675,202	-	-	10,084,695	9,675,202
Public safety	10,581,804	10,063,369	-	-	10,581,804	10,063,369
Public works	7,803	6,803	-	-	7,803	6,803
Health and welfare	10,852,388	10,229,296	-	-	10,852,388	10,229,296
Community and economic development	125,849	161,116	-	-	125,849	161,116
Recreation and culture	1,989,245	1,886,181	-	-	1,989,245	1,886,181
Other activities	1,154,740	1,296,026	-	-	1,154,740	1,296,026
Interest on debt	1,068,973	1,141,128	-	-	1,068,973	1,141,128
100% tax payment	-	-	124,711	118,585	124,711	118,585
Medical care facility	-	-	20,944,360	18,571,595	20,944,360	18,571,595
Delinquent Property Tax Foreclosure	-	-	111,323	72,847	111,323	72,847
Golf course	-	-	629,080	586,215	629,080	586,215
Housing	-	-	652,975	619,345	652,975	619,345
Commissary	-	-	98,303	108,994	98,303	108,994
Total expenses	42,865,171	41,134,833	22,560,752	20,077,581	65,425,923	61,212,414
Increase in net assets before transfers	(428,521)	1,143,353	286,146	1,339,896	(142,375)	2,483,249
Transfers	977,018	971,857	(977,018)	(971,857)	-	-
Increase in net assets	548,497	2,115,210	(690,872)	368,039	(142,375)	2,483,249
Net assets - beginning of year	51,297,700	49,182,490	21,414,265	21,045,386	72,711,965	70,227,876
Net assets - end of year	\$51,846,197	\$51,297,700	\$20,723,393	\$21,413,425	\$72,569,590	\$72,711,125

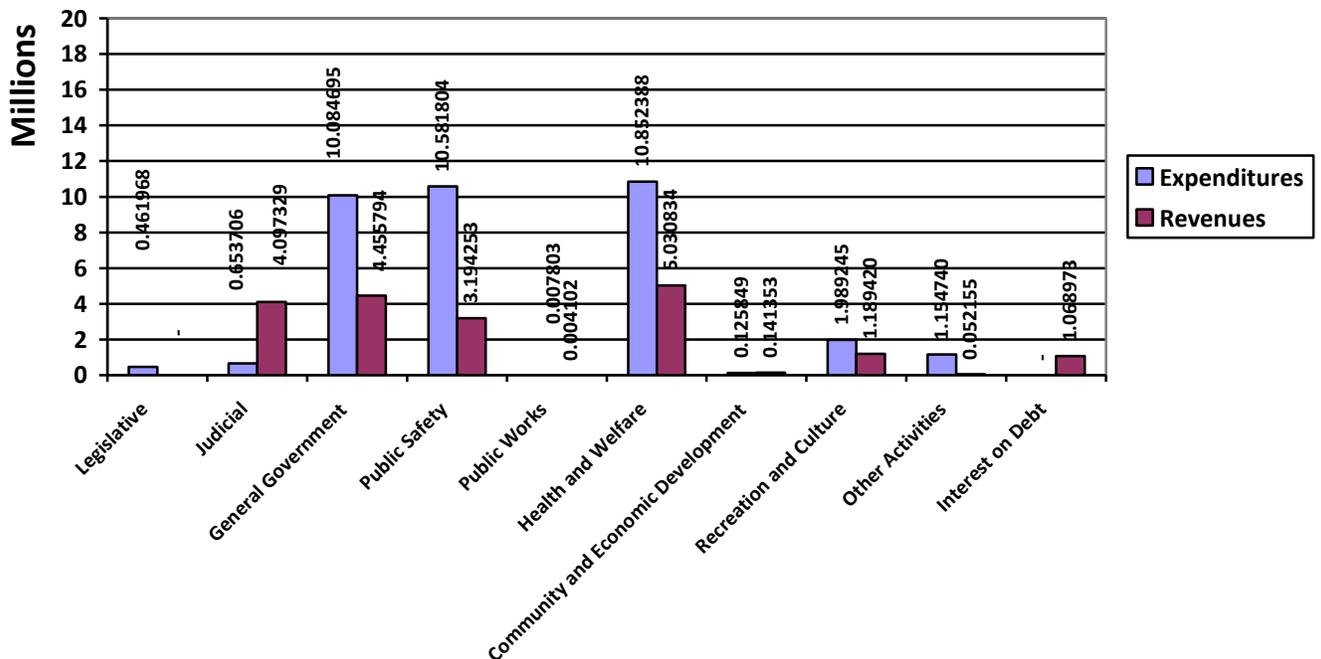
The County's net assets decreased \$142,375 during the current fiscal year. This decrease is attributable mainly to actual expenditures incurred being over budget and a decrease in investment earnings and charges for services.

Governmental activities - Governmental activities increased the County's net assets by \$548,497 thereby accounting for the majority of growth in the net assets of the County. Key elements of this increase are as follows:

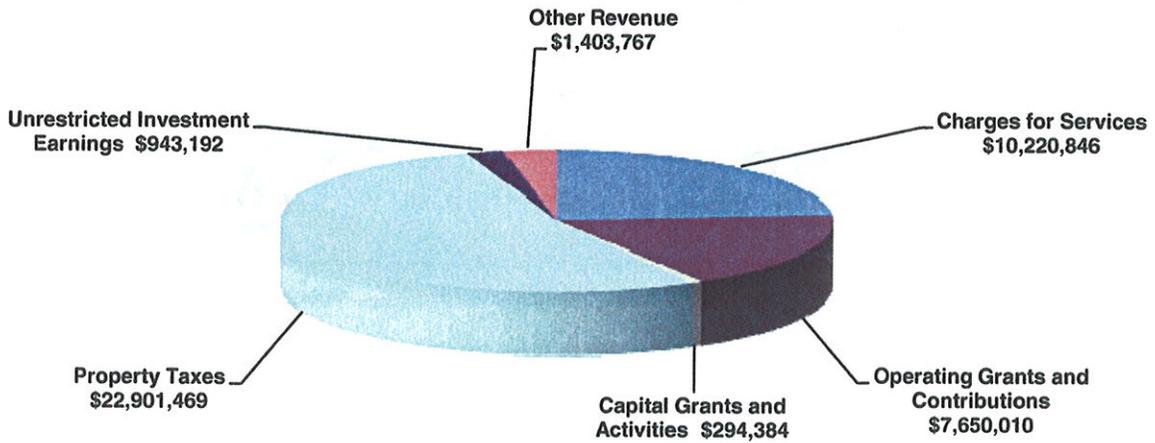
- Total property taxes increased \$842,784 in 2008 over 2007.
- Total Judicial expenditures increased \$338,187 in 2008 over 2007.

Business-type activities - Business-type activities decreased the County's net assets by \$690,872. The key element of this decrease was the Medical Care Facility Fund's expenses exceeding revenues by \$705,796 in 2008.

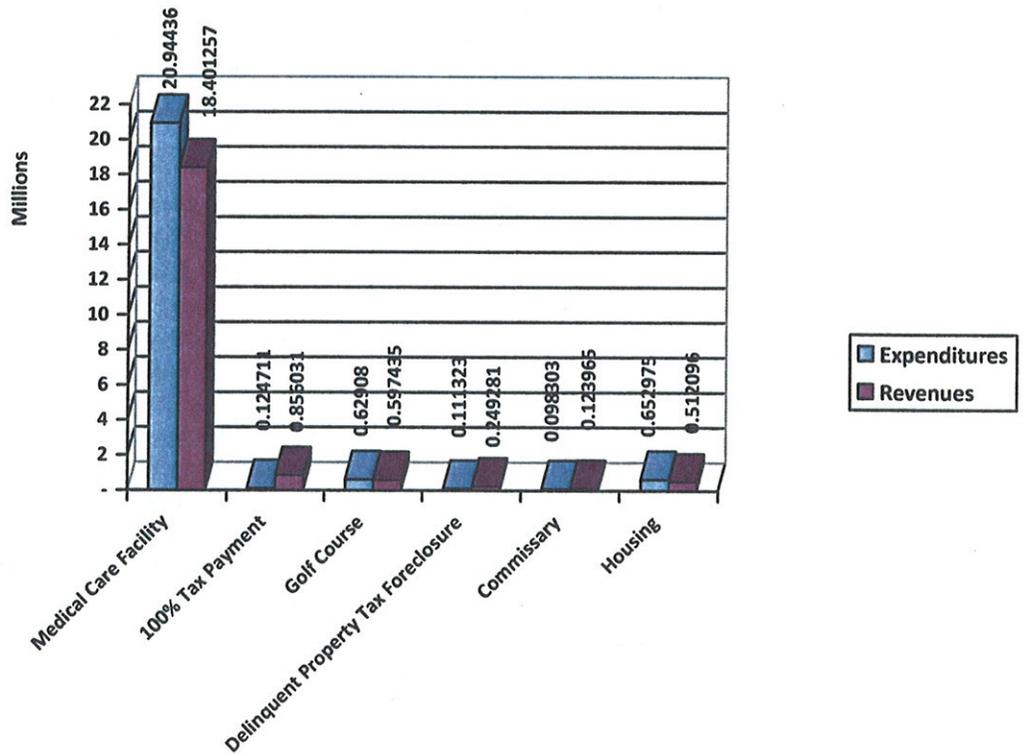
Governmental Activities - 2008 Expenditures and Program Revenues



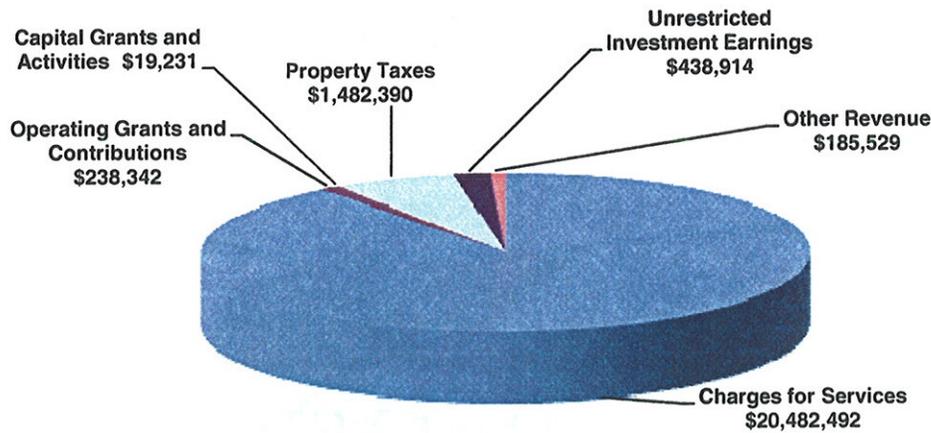
Revenues by Source Governmental-Type Activities



Business-Type Activities – 2008 Expenditures and Program Revenues



Revenues by Source Business-Type Activities



Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$21,149,287, a decrease of \$631,780 compared to the prior year. Of this amount, 52.97% (\$11,203,149) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. However, the *unreserved fund balance* amount is further separated into *unreserved – designated fund balance* (\$3,316,406) and *unreserved – undesignated fund balance* (\$7,886,743). The underlying distinction between the two is that *unreserved – designated fund balance* has been designated based upon a specific purpose. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed for: 1) long-term advances (\$2,873,125), 2) restricted assets (\$4,443,393), 3) prepaid expenditures (\$48,886), 4) non-current assets (\$1,489,514), 5) debt service (\$763,169), 6) restricted contributions (\$285,617), and 7) inventory (\$42,434). Of the \$631,780 decrease in governmental fund balances, there were increases in the General Fund of \$924,960, the 911 Service Fund of \$560,254, the Mosquito Control Fund of \$34,346, the Gypsy Moth Control Fund of \$217,701 and the Child Care Fund of \$175,471, and decreases in the Revenue Sharing Reserve Fund of \$2,213,967, Division on Aging Fund of \$188,687 and the Health Department/District Health Fund of \$186,521.

The general fund is the chief operating fund of the County. At the end of the current fiscal year, the *unreserved – undesignated fund balance* of the general fund was \$3,782,092 while total fund balance amounted to \$7,295,186. As a measure of the general fund's liquidity, it may be useful to compare both *unreserved – undesignated fund balance* and total fund balance to total fund

expenditures. Unreserved – undesignated fund balance represents 13.33% of total general fund expenditures, while total fund balance represents 25.71% of that same amount.

Fund balance of the County’s general fund increased by \$924,960 during the current fiscal year. The key factors in this increase are as follows:

- Property and other taxes increased by \$438,964 (2.59%).
- Reimbursements, refunds and other revenue increased by \$238,242 (9.35%).
- Federal grant revenues increased \$137,675 (6.03%).
- Charges for services decreased \$201,030 (6.54%).
- Other financing uses decreased \$315,486 (84.38%)

The \$2,213,967 decrease in the Revenue Sharing Reserve Fund was the result of transfers out to the General Fund to support its operations.

The 911 Service Fund increase of \$560,254 resulted primarily from expenditures being under budget by \$596,971.

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

Unrestricted net assets of the 100% Tax Payment Fund at the end of the year amounted to \$7,538,963, while those for the Medical Care Facility Fund and Housing Fund amounted to \$3,106,933 and \$537,731 respectively. The combined unrestricted net assets of the nonmajor enterprise funds and the internal service funds were \$643,387 and \$0 respectively, at the end of the year. The 100% Tax Payment Fund had an increase in net assets for the year of \$16,916, while the Medical Care Facility and Housing Fund had a decrease in net assets of \$705,796, and \$88,813, respectively. The combined increase in net assets of the nonmajor enterprise funds was \$86,821 and the combined increase in net assets for the internal service funds was \$517,628 for the year. Other factors concerning the finances of these funds have already been addressed in the discussion of the County’s business-type activities.

General Fund Budgetary Highlights. The differences between the original budget and final amended budget for expenditures resulted in a 7.15% increase (\$2,053,422 increase in expenditures); whereas the difference between the original budget and final amended budget for revenues resulted in a 0.29% increase (\$87,440 increase in revenues); finally, the original budget for total other financing sources/uses was amended resulting in a 103.72% increase (\$1,078,272 increase in other financing uses). The original budget for the decrease to fund balance (\$4,000) was affected by budgetary adjustments. These adjustments (\$887,710) resulted in a use of fund balance (\$891,170), including the budgeted use of reserved fund balance of \$8,888. The budgetary differences are briefly summarized as follows:

- A \$240,000 decrease in interest income.
- A \$233,951 decrease in current property taxes.
- A \$147,070 decrease in the Register of Deeds recording fees and transfer tax stamp revenues.
- \$1,129,648 increase in expenditures for 2007 open purchase orders filled in 2008.
- A \$1,073,535 increase transfer from the Revenue Sharing Reserve Fund.
- A \$70,071 increase in the Sheriff Department vehicle repair and gasoline purchases.

Material actual to budget variances are as follows:

- A negative \$347,706 variance in federal grant revenues is the result of reimbursable Homeland Security expenditures not being incurred.
- The primary reason for the \$201,442 negative revenue variance in fines and forfeitures is due to actual fees collected at District Court being less than budgeted.
- State grant revenues were \$161,146 under budget primarily due to underspending in the County's PA 416 Secondary Road Patrol Grant.
- The primary reason for the \$181,143 positive variance in reimbursement, refunds and other revenues is due to jail keep reimbursements greater than budgeted.
- General government expenditures were under budget by \$940,062 primarily as a result of a new financial, human resources and treasury management software and hardware not purchased in 2008 and vacant positions not being filled or delayed being filled.
- Public safety expenditures were \$474,585 under budget due to machinery and equipment not purchased in 2008 under the Homeland Security Grant.
- For 2008 other functions expenditures were \$434,405 under budget due to not having any insurance claims or related expenditures, relative to the County's self insurance program for general liability insurance coverage.
- The judicial function under spent its budget \$379,415 as a result of grant expenditures not being incurred.
- The remaining actual to budget positive variances are due to the County exercising fiscal responsibility.

General Fund Balance. The following schedule presents a comparative summary of changes in the fund balance of the General Fund for the fiscal years ended December 31, 2008, and December 31, 2007, along with the amount and percentage of increases and decreases in relation to the 2007 fund balance:

	2008	2007	Variance From 2007	Percent Increase/ (Decrease)
Revenues	\$ 29,239,051	\$ 28,660,603	\$ 578,448	2.02%
Expenditures	(28,372,506)	(27,373,648)	(998,858)	3.65%
Revenue Over (Under) Expenditures	866,545	1,286,955	(420,410)	
Other Financing Sources (Uses):				
Insurance Recoveries & Proceeds	2,670	18,255	(15,585)	(85.37)%
Transfers In	4,362,492	3,641,361	721,131	19.80%
Transfers Out	(4,306,747)	(4,033,517)	(273,230)	6.77%
Revenues & other financing sources over (under) expenditures & other financing uses	924,960	913,054	11,906	
Fund balance, beginning of year	6,370,226	5,457,172	913,054	
Fund balance, end of year	\$ 7,295,186	\$ 6,370,226	\$ 924,960	14.52%

The following schedule enumerates the particular changes in the classifications of fund balance.

GENERAL FUND BALANCE ANALYSIS

	Reserve for Advances to Other Funds	Reserve for Future Use	Unreserved	Total Fund Balance
Fund balance beginning of year	\$ 2,299,590	\$ 264,254	\$ 3,806,382	\$ 6,370,226
2008 Transactions				
Revenues over (under) expenditures	515,120	34,586	316,839	866,545
Total other financing sources (uses)	58,415	-	-	58,415
2008 net increase (decrease)	573,535	34,586	316,839	924,960
Fund balance, end of year	\$ 2,873,125	\$ 298,840	\$ 4,123,221	\$ 7,295,186

The Board of Commissioners approved the Specific Fund Balance Policy within the Bay County General Financial Policy. This policy establishes a Reserve for a Long Term Advance to the Budget Stabilization Fund. The policy authorizes earmarking a minimum of five percent (5%) to a maximum of ten percent (10%) of the General Fund's current year adopted budget for this Reserve.

The current long-term advance reserve consists of a reserve for budget stabilization of \$2,873,125 or 8.55% of the 2008 adopted General Fund operating budget.

The reserve for restricted contributions (\$199,750) consists of prepaid animal adoption fees (\$35,840), remonumentation recording fees (\$68,126), family counseling fees (\$35,180), and various revenues received for specific programs (\$60,604). The reserve for prepaid items

(\$46,221) consists of items like prepaid insurance, maintenance contracts, and postage. The reserve for restricted assets (\$10,435) relates to a cash flow advance to the Flexible Spending Plan Fund and the reserve for inventories (\$42,434) relates to resalable merchandise.

Enterprise Operations - The enterprise operations of the County include the use of six (6) enterprise funds: the 100% Tax Payment Fund, the Medical Care Facility Fund, the Golf Course Fund, the Delinquent Property Tax Foreclosure Fund, the Commissary Fund, and the Housing Fund.

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

The Bay Medical Care Facility Fund was established to account for the operations of the County-owned 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 Golf Course Fund accounts for the operation of the County golf course. Revenues are primarily generated from user fees.

The Delinquent Property Tax Foreclosure Fund was established to account for various fees and costs relating to the 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 of items sold.

The Housing Fund accounts for the operations of the Hampton Township Housing Project – Center Ridge Arms, which provides low income housing to eligible County residents. Revenues are primarily received through rental charges and an operating subsidy received from the federal government (HUD).

Fiduciary Operations - The fiduciary operations of the County include the use of eight (8) trust and/or agency funds: a General Agency Fund, the Probate Court Trust Fund, the Inmate Trust Fund, the Library Penal Fine Fund, the Current Tax Collection Fund, the Flexible Spending Plan Fund, the Employees' Retirement System Fund and the Public Employees' Health Care Fund.

The General Trust and Agency Fund is used to account for resources held by the County in a trustee or agency capacity which are received from various sources and subsequently disbursed to other parties.

The Probate Court Trust Fund is used to account for individual donations made to the court and their subsequent disbursement to assist youths.

The Inmate Trust Fund is used to account for deposits from inmates at the Bay County Law Enforcement Center and related expenses to maintain the 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 of Michigan, Public Act 286 of 1961.

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 distributions to the appropriate local governmental units and County funds.

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.

The Employees Retirement System Fund is used to accumulate financial resources in order to pay pension benefits to retirees (spouses) and account for the related financial transactions of the Bay County Employees' Retirement System. The System is administered by the Retirement Board of Trustees while the County acts as custodian for the System.

The Public Employee Health Care Fund is used to accumulate financial resources in order to provide medical benefits for retirees' and their spouses and dependents. The fund is administered by the Voluntary Employees' Beneficiary Association (VEBA) Board of Trustees.

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, 2008 amounted to \$61,604,552 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings and building improvements, machinery and equipment, office equipment and furniture, computer software, computer hardware, vehicles, and construction work in progress. The total decrease in the County's investment in capital assets for the current fiscal year was 2.03% (a 0.99% decrease for governmental activities and a 7.71% decrease for business-type activities).

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

- To compliment the mobile data terminal project within the Bay County Sheriff Department a crash reporting software system was implemented at a cost of \$190,000 funded with federal grant dollars.
- A parking lot that services the Courts, Health Department and 911 Central Dispatch was reconstructed at a cost of \$178,798.
- Pinconning Park spent \$63,738 to have an obsolete water treatment plant dismantled, clearing the land for future use. This project was funded, in part, with a \$30,000 federal grant.
- The Golf Course purchased a \$15,050 Ford ½ ton pick-up truck.
- A dry floor was added to the Civic Arena at a cost of \$103,500 paid for with contributions from the Bangor Township Downtown Development Authority.

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

Fiscal Year Ending December 31,	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$ 2,208,186	\$ 2,144,448	\$ 257,559	\$ 257,559	\$ 2,465,745	\$ 2,402,007
Land improvement	1,230,463	1,230,375	391,447	411,741	1,621,910	1,642,116
Buildings and buildings additions and improvements	46,237,331	47,424,623	7,568,194	8,477,666	53,805,525	55,902,289
Machinery and equipment	751,568	654,642	228,073	187,837	979,641	842,479
Office equipment and furniture	534,121	535,220	477,409	288,144	1,011,530	823,364
Computer software	375,515	159,851	-	-	375,515	159,851
Computer hardware	258,947	220,815	-	-	258,947	220,815
Vehicles	480,104	546,173	13,080	-	493,184	546,173
Leased assets	-	2,216	-	-	-	2,216
Construction work in progress	592,555	277,242	-	59,607	592,555	336,849
Total	\$ 52,668,790	\$ 53,195,605	\$ 8,935,762	\$ 9,682,554	\$ 61,604,552	\$ 62,878,159

Additional information on the County's capital assets can be found in note III C on pages 72-80 of this report.

Long-term debt - At the end of the current fiscal year, the County had total outstanding debt of \$36,289,886. Of this amount, \$30,371,221 is general obligation bonds. The remainder of the County debt is comprised of notes payable, compensated absences, claims, maintenance agreement payable, and long term advances.

**Bay County's
Outstanding Debt**

Fiscal Year Ending December 31,	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Primary Government						
General obligation bonds	\$ 22,470,000	\$ 24,695,000	-	-	\$ 22,470,000	\$ 24,695,000
Maintenance agreement payable	34,200	-	-	-	34,200	-
Notes payable	-	-	\$ 39,381	\$ 78,763	39,381	78,763
Long term advances	29,000	29,000	-	-	29,000	29,000
Internal service fund claims	597,342	666,106	-	-	597,342	666,106
Compensated absences	2,075,314	2,042,793	385,215	396,050	2,460,529	2,438,843
Claims	-	-	268,794	491,520	268,794	491,520
Component Units						
General obligation bonds	7,901,221	10,785,091	-	-	7,901,221	10,785,091
Notes payable	1,167,189	1,213,641	-	-	1,167,189	1,213,641
Compensated absences	1,322,230	1,298,078	-	-	1,322,230	1,298,078
Total	\$ 35,596,496	\$ 40,729,709	\$ 693,390	\$ 966,333	\$ 36,289,886	\$ 41,696,042

The County's total gross long-term debt of \$36,289,886 is equivalent to \$338 per capita or 1.2% of the County's taxable value of property of \$3,065,317,958.

The County's total debt decreased \$5,406,156 or 12.97% during the current fiscal year.

The County's current bond ratings are as follows:

	<u>Moody's</u>	<u>Standard and Poor's</u>
Unlimited tax obligations	A2	A
Limited tax obligations	A3	A
Insured limited tax obligations	Aaa	AAA
Revenue bonds	unrated	unrated
Special assessment bonds	unrated	unrated

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

Debt limit	\$349,326
Debt margin	\$317,912
Percent of limit	91.01%

Additional information on the County's long-term debt can be found in note III F on pages 83-87 of this report.

Economic Factors and Next Year's Budget and Rates

The following factors were considered in preparing the County's budget for the 2009 fiscal year:

- Staffing levels.
- 0% wage increase.
- A budget equal to or less than 2008 adopted budget except for capital items and items noted below.
- Increasing general liability insurance costs.
- Increasing health insurance costs for employees and retirees.
- Higher utility costs.
- Higher gasoline costs.
- Reduction in some federal and state grants and local government reimbursements.
- Transfers to/from other funds.
- Limiting capital expenditures.
- Increasing 2009 user fees.

During the current fiscal year, unreserved–undesignated fund balance in the General Fund increased to \$3,782,092. The County has not appropriated any of these funds for spending in the adopted 2009 fiscal year budget.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

**BAY COUNTY
STATEMENT OF NET ASSETS
DECEMBER 31, 2008**

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
ASSETS				
Cash and cash equivalents	\$ 11,436,036	\$ 3,689,152	\$ 15,125,188	\$ 11,565,498
Investments	8,370,961	5,756,707	14,127,668	2,801,663
Receivables	12,833,008	7,302,050	20,135,058	17,709,205
Internal balances	11,550	(11,550)	-	-
Prepaid items and other assets	839,735	355,057	1,194,792	738,353
Inventories	42,434	13,166	55,600	919,875
Net OPEB asset	-	-	-	204,376
Capital assets, net:				
Assets not being depreciated	2,800,741	257,559	3,058,300	48,121,107
Assets being depreciated	49,868,049	8,678,202	58,546,251	61,107,997
TOTAL ASSETS	86,202,514	26,040,343	112,242,857	143,168,074
LIABILITIES				
Accounts payable and accrued liabilities	1,884,552	879,184	2,763,736	2,623,930
Unearned revenue	5,949,668	1,591,375	7,541,043	5,981,000
Unamortized bond premium	224,825	-	224,825	-
Noncurrent liabilities:				
Due within one year	3,190,074	648,115	3,838,189	1,873,777
Due in more than one year	22,015,782	45,276	22,061,058	8,516,863
Net OPEB obligation	1,091,416	2,153,000	3,244,416	2,461,770
TOTAL LIABILITIES	34,356,317	5,316,950	39,673,267	21,457,340
NET ASSETS				
Invested in capital assets, net of related debt	30,164,590	8,896,379	39,060,969	106,760,694
Restricted for:				
Debt service	763,169	-	763,169	696,947
Noncurrent assets	1,489,514	-	1,489,514	-
Restricted contributions	285,617	-	285,617	-
Restricted assets	4,443,393	-	4,443,393	-
System replacement	-	-	-	403,995
Unrestricted	14,699,914	11,827,014	26,526,928	13,849,098
TOTAL NET ASSETS	\$ 51,846,197	\$ 20,723,393	\$ 72,569,590	\$ 121,710,734

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

**BAY COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008**

FUNCTIONS / PROGRAMS	EXPENSES	INDIRECT EXPENSES ALLOCATION	PROGRAM REVENUES			NET (EXPENSE) REVENUE
			CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
PRIMARY GOVERNMENT						
GOVERNMENTAL ACTIVITIES:						
Public safety	\$ 10,539,264	\$ 42,540	\$ 1,675,053	\$ 1,290,564	\$ 228,636	\$ (7,387,551)
Community and economic development	140,895	(15,046)	(1,980)	143,333	-	15,504
Health and welfare	10,852,388	-	2,194,364	2,830,722	5,748	(5,821,554)
Public works	7,803	-	4,102	-	-	(3,701)
General government	10,435,052	(350,357)	2,906,342	1,519,452	30,000	(5,628,901)
Judicial	6,249,273	288,433	2,265,839	1,831,490	-	(2,440,377)
Legislative	461,968	-	-	-	-	(461,968)
Recreation and culture	2,086,618	(97,373)	1,124,971	34,449	30,000	(799,825)
Other functions	1,154,740	-	52,155	-	-	(1,102,585)
Interest on long-term debt	1,068,973	-	-	-	-	(1,068,973)
TOTAL GOVERNMENTAL ACTIVITIES	42,996,974	(131,803)	10,220,846	7,650,010	294,384	(24,699,931)
BUSINESS-TYPE ACTIVITIES:						
Medical Care Facility	20,932,384	11,976	18,401,257	-	-	(2,543,103)
100% Tax Payment	124,711	-	856,031	-	-	731,320
Golf Course	537,693	91,387	597,435	-	-	(31,645)
Delinquent Property Tax Foreclosure	110,407	916	249,281	-	-	137,958
Commissary	94,230	4,073	123,965	-	-	25,662
Housing	637,929	15,046	254,523	238,342	19,231	(140,879)
TOTAL BUSINESS-TYPE ACTIVITIES	22,437,354	123,398	20,482,492	238,342	19,231	(1,820,687)
TOTAL PRIMARY GOVERNMENT	\$ 65,434,328	\$ (8,405)	\$ 30,703,338	\$ 7,888,352	\$ 313,615	\$ (26,520,618)
COMPONENT UNITS						
Road Commission	\$ 14,417,150	\$ -	\$ 2,068,640	\$ 5,342,861	\$ 4,989,825	\$ (2,015,824)
Library System	6,097,749	5,861	512,751	86,784	81,929	(5,422,146)
Department of Water and Sewer	4,998,986	-	4,096,498	-	-	(902,488)
Drain Commission	623,160	-	(209,280)	-	1,318,936	486,496
Bay Area Narcotics Enforcement Team	1,583,285	2,544	976,395	806,880	-	197,446
TOTAL COMPONENT UNITS	\$ 27,720,330	\$ 8,405	\$ 7,445,004	\$ 6,236,525	\$ 6,390,690	\$ (7,656,516)

**BAY COUNTY
STATEMENT OF ACTIVITIES (CONCLUDED)
FOR THE YEAR ENDED DECEMBER 31, 2008**

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
CHANGES IN NET ASSETS				
Net (expense) revenue	\$ (24,699,931)	\$ (1,820,687)	\$ (26,520,618)	\$ (7,656,516)
General revenues:				
Property taxes	22,901,469	1,482,390	24,383,859	5,939,289
Unrestricted investment earnings	943,192	438,914	1,382,106	601,234
Other revenue	426,749	185,529	612,278	924,327
Gain on disposal of capital assets	-	-	-	116,002
Transfers - internal activities	977,018	(977,018)	-	-
TOTAL GENERAL REVENUES AND TRANSFERS	<u>25,248,428</u>	<u>1,129,815</u>	<u>26,378,243</u>	<u>7,580,852</u>
CHANGE IN NET ASSETS	548,497	(690,872)	(142,375)	(75,664)
NET ASSETS, BEGINNING OF YEAR	<u>51,297,700</u>	<u>21,414,265</u>	<u>72,711,965</u>	<u>121,786,398</u>
NET ASSETS, END OF YEAR	<u>\$ 51,846,197</u>	<u>\$ 20,723,393</u>	<u>\$ 72,569,590</u>	<u>\$ 121,710,734</u>

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

**BAY COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2008**

	<u>GENERAL</u>	<u>MOSQUITO CONTROL</u>	<u>BUDGET STABILIZATION</u>	<u>911 SERVICE</u>
ASSETS				
Cash and cash equivalents	\$ -	\$ 204,726	\$ 2,120,179	\$ 1,756,427
Investments	1,917,345	122,146	752,946	1,229,265
Accounts receivable	516,809	-	-	250
Property taxes receivable	1,630,092	1,309,723	-	2,037,461
Accrued interest receivable	64,454	4,546	-	34,220
Inventories	42,434	-	-	-
Due from other funds	21,473	-	-	-
Due from component units	418,851	-	-	-
Due from other governmental units	2,495,104	-	-	64,565
Prepaid items and other current assets	363,072	-	-	2,665
Interfund advances	2,873,125	-	-	-
TOTAL ASSETS	<u>\$ 10,342,759</u>	<u>\$ 1,641,141</u>	<u>\$ 2,873,125</u>	<u>\$ 5,124,853</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 613,316	\$ 8,964	\$ -	\$ 16,550
Accrued items and other liabilities	510,769	9,788	-	39,863
Accrued vacation and sick pay, current	112,668	-	-	1,689
Due to other funds	816,632	266	-	1,131
Due to component units	77,616	-	-	-
Due to other governmental units	64,732	-	-	-
Deposits	11,687	-	-	-
Interfund advances	-	-	2,873,125	-
Long term advances from other governmental units	-	-	-	-
Deferred revenue	840,153	1,349,923	-	2,099,994
TOTAL LIABILITIES	<u>3,047,573</u>	<u>1,368,941</u>	<u>2,873,125</u>	<u>2,159,227</u>
FUND BALANCES:				
Reserved:				
Debt service	-	-	-	-
Non-current assets	-	-	-	-
Restricted contributions	199,750	-	-	-
Prepaid items	46,221	-	-	2,665
Inventories	42,434	-	-	-
Restricted assets	10,435	-	-	-
Advances	2,873,125	-	-	-
Total reserves	3,171,965	-	-	2,665
Unreserved:				
Designated for subsequent year's expenditures				
General fund	341,129	-	-	-
Special revenue funds	-	26,467	-	5,256
Designated for other projects and activities				
Special revenue funds	-	-	-	77,723
Undesignated:				
General fund	3,782,092	-	-	-
Special revenue fund	-	245,733	-	2,879,982
TOTAL FUND BALANCES	<u>7,295,186</u>	<u>272,200</u>	<u>-</u>	<u>2,965,626</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 10,342,759</u>	<u>\$ 1,641,141</u>	<u>\$ 2,873,125</u>	<u>\$ 5,124,853</u>

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

<u>DIVISION ON AGING</u>	<u>REVENUE SHARING RESERVE</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
\$ 221,769	\$ 2,277,803	\$ 2,203,236	\$ 8,784,140
97,623	2,987,242	706,392	7,812,959
29,001	-	1,555,787	2,101,847
1,455,278	-	567,925	7,000,479
6,305	66,705	17,461	193,691
-	-	-	42,434
-	801,117	-	822,590
-	-	10,199	429,050
113,855	-	337,136	3,010,660
-	-	-	365,737
-	-	-	2,873,125
<u>\$ 1,923,831</u>	<u>\$ 6,132,867</u>	<u>\$ 5,398,136</u>	<u>\$ 33,436,712</u>
\$ 48,593	\$ -	\$ 87,138	\$ 774,561
46,136	-	95,513	702,069
522	-	4,488	119,367
1,103	-	12,834	831,966
-	-	-	77,616
-	-	15,389	80,121
-	-	-	11,687
-	-	-	2,873,125
-	-	29,000	29,000
1,506,337	-	991,506	6,787,913
<u>1,602,691</u>	<u>-</u>	<u>1,235,868</u>	<u>12,287,425</u>
-	-	763,169	763,169
-	-	1,489,514	1,489,514
1,188	-	84,679	285,617
-	-	-	48,886
-	-	-	42,434
-	4,432,958	-	4,443,393
-	-	-	2,873,125
<u>1,188</u>	<u>4,432,958</u>	<u>2,337,362</u>	<u>9,946,138</u>
-	-	-	341,129
319,952	1,699,909	447,581	2,499,165
-	-	243,432	321,155
-	-	-	3,782,092
-	-	1,133,893	4,259,608
<u>321,140</u>	<u>6,132,867</u>	<u>4,162,268</u>	<u>21,149,287</u>
<u>\$ 1,923,831</u>	<u>\$ 6,132,867</u>	<u>\$ 5,398,136</u>	<u>\$ 33,436,712</u>

BAY COUNTY
RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET
FOR GOVERNMENTAL FUNDS TO NET ASSETS OF
GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET ASSETS
DECEMBER 31, 2008

Fund balances - total governmental funds	\$ 21,149,287
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Add - capital assets	76,741,540
Deduct - accumulated depreciation	(24,072,750)
Other long-term assets are not available to pay for current period expenditures and, therefore, either deferred or otherwise not recorded in the funds	
Add - deferred revenue for delinquent taxes receivable	838,245
Bond premiums in the governmental activities are reported in the funds, but amortized over the life of the bonds on the statement of net assets	
Deduct - unamortized bond premium	(224,825)
Internal service funds are used by management to charge the costs of self insurance to individual governmental funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	
Add - net assets of governmental activities accounted for in the internal service funds	3,135,364
Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Deduct - long-term debt	(22,504,200)
Deduct - accrued interest on long-term debt	(169,483)
Deduct - accrued liability to Historical Preservation	(697)
Deduct - net OPEB liability	(1,091,416)
Deduct - compensated absences	(1,954,868)
Net assets of governmental activities	\$ 51,846,197

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

BAY COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>GENERAL</u>	<u>MOSQUITO CONTROL</u>	<u>BUDGET STABILIZATION</u>	<u>911 SERVICE</u>
REVENUES				
Property taxes and other taxes	\$ 17,368,314	\$ 1,332,231	\$ -	\$ 2,082,625
Licenses and permits	168,723	-	-	-
Federal grants	2,417,714	-	-	-
State grants	1,809,776	-	-	239,157
Interest, rents and royalties	1,094,546	18,356	-	127,091
Charges for services	2,875,111	-	-	-
Fines and forfeits	719,578	-	-	-
Reimbursements, refunds, and other revenues	2,785,289	180	-	5,740
TOTAL REVENUES	<u>29,239,051</u>	<u>1,350,767</u>	<u>-</u>	<u>2,454,613</u>
EXPENDITURES				
Current				
Legislative	458,551	-	-	-
Judicial	5,983,077	-	-	-
General government	9,571,341	-	-	-
Public safety	8,529,398	-	-	1,878,988
Public works	7,803	-	-	-
Health and welfare	1,000,831	1,221,280	-	-
Community and economic development	125,939	-	-	-
Recreation and culture	1,540,826	-	-	-
Other functions	1,154,740	-	-	-
Debt service				
Principal	-	-	-	8,550
Interest and other fees	-	-	-	-
TOTAL EXPENDITURES	<u>28,372,506</u>	<u>1,221,280</u>	<u>-</u>	<u>1,887,538</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>866,545</u>	<u>129,487</u>	<u>-</u>	<u>567,075</u>
OTHER FINANCING SOURCES (USES)				
Insurance recoveries/proceeds	2,670	668	-	-
Issuance of debt	-	-	-	42,750
Transfers in	4,362,492	-	-	-
Transfer (out)	(4,306,747)	(95,809)	-	(49,571)
TOTAL OTHER FINANCING SOURCES (USES)	<u>58,415</u>	<u>(95,141)</u>	<u>-</u>	<u>(6,821)</u>
NET CHANGE IN FUND BALANCES	924,960	34,346	-	560,254
FUND BALANCES, BEGINNING OF YEAR	<u>6,370,226</u>	<u>237,854</u>	<u>-</u>	<u>2,405,372</u>
FUND BALANCES, END OF YEAR	<u>\$ 7,295,186</u>	<u>\$ 272,200</u>	<u>\$ -</u>	<u>\$ 2,965,626</u>

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

DIVISION ON AGING	REVENUE SHARING RESERVE	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 1,487,581	\$ -	\$ 579,308	\$ 22,850,059
-	-	180,907	349,630
616,326	-	679,812	3,713,852
9,680	-	1,345,037	3,403,650
25,424	267,287	349,210	1,881,914
26,078	-	153,392	3,054,581
-	-	20,849	740,427
424,788	-	3,338,509	6,554,506
<u>2,589,877</u>	<u>267,287</u>	<u>6,647,024</u>	<u>42,548,619</u>
-	-	-	458,551
-	-	98,439	6,081,516
-	-	218,045	9,789,386
-	-	185,810	10,594,196
-	-	-	7,803
2,493,923	-	5,858,710	10,574,744
-	-	12,151	138,090
-	-	547,711	2,088,537
-	-	-	1,154,740
-	-	2,225,000	2,233,550
-	-	1,082,392	1,082,392
<u>2,493,923</u>	<u>-</u>	<u>10,228,258</u>	<u>44,203,505</u>
<u>95,954</u>	<u>267,287</u>	<u>(3,581,234)</u>	<u>(1,654,886)</u>
-	-	-	3,338
-	-	-	42,750
2,700	-	4,304,047	8,669,239
(287,341)	(2,481,254)	(471,499)	(7,692,221)
<u>(284,641)</u>	<u>(2,481,254)</u>	<u>3,832,548</u>	<u>1,023,106</u>
(188,687)	(2,213,967)	251,314	(631,780)
<u>509,827</u>	<u>8,346,834</u>	<u>3,910,954</u>	<u>21,781,067</u>
<u>\$ 321,140</u>	<u>\$ 6,132,867</u>	<u>\$ 4,162,268</u>	<u>\$ 21,149,287</u>

BAY COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008

Net change in fund balances - total governmental funds \$ (631,780)

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.

Add - capital outlay	1,457,405
Deduct - loss on sale of capital assets	(25,638)
Deduct - depreciation expense	(1,958,582)

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

Add - increase in delinquent property taxes	51,410
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Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add - principal payments on long-term liabilities	2,233,550
Subtract - issuance of long-term debt	(42,750)
Add - amortization of bond premium	29,482

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

Add - interest revenue from governmental internal service funds	54,596
Add - net operating income from governmental activities in internal service funds	463,032

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

Add - decrease in accrued interest payable on bonds	13,418
Add - decrease in the accrual to Historical Preservation	185
Deduct - increase in the accrual for the net OPEB liability	(1,091,416)
Deduct - increase in the accrual for compensated absences	(4,415)

Change in net assets of governmental activities	\$ 548,497
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The accompanying notes are an integral part of these financial statements.

**BAY COUNTY
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2008**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Property taxes and other taxes	\$ 17,459,192	\$ 17,225,241	\$ 17,368,314	\$ 143,073
Licenses and permits	211,100	211,100	168,723	(42,377)
Federal grants	2,227,660	2,765,420	2,417,714	(347,706)
State grants	1,938,469	1,970,922	1,809,776	(161,146)
Interest, rents and royalties	1,385,213	1,145,213	1,094,546	(50,667)
Charges for services	3,154,550	3,002,861	2,875,111	(127,750)
Fines and forfeits	921,000	921,000	719,578	(201,422)
Reimbursements, refunds, and other revenues	2,460,991	2,603,858	2,785,289	181,431
TOTAL REVENUES	29,758,175	29,845,615	29,239,051	(606,564)
EXPENDITURES				
Current				
Legislative	520,183	521,194	458,551	62,643
Judicial	6,252,425	6,362,492	5,983,077	379,415
General government	9,446,328	10,511,403	9,571,341	940,062
Public safety	8,273,835	9,003,983	8,529,398	474,585
Public works	11,250	11,250	7,803	3,447
Health and welfare	1,028,349	999,108	1,000,831	(1,723)
Community and economic development	145,781	145,781	125,939	19,842
Recreation and culture	1,452,417	1,631,678	1,540,826	90,852
Other functions	1,588,984	1,589,145	1,154,740	434,405
Debt service				
Principal	3,000	-	-	-
Interest and other fees	60	-	-	-
TOTAL EXPENDITURES	28,722,612	30,776,034	28,372,506	2,403,528
REVENUES OVER (UNDER) EXPENDITURES	1,035,563	(930,419)	866,545	1,796,964
OTHER FINANCING SOURCES (USES)				
Insurance recoveries/proceeds	-	2,670	2,670	-
Transfers in	3,276,721	4,364,760	4,362,492	(2,268)
Transfer (out)	(4,316,284)	(4,328,721)	(4,306,747)	21,974
TOTAL OTHER FINANCING SOURCES (USES)	(1,039,563)	38,709	58,415	19,706
NET CHANGE IN FUND BALANCES	(4,000)	(891,710)	924,960	1,816,670
FUND BALANCES, BEGINNING OF YEAR	6,370,226	6,370,226	6,370,226	-
FUND BALANCES, END OF YEAR	\$ 6,366,226	\$ 5,478,516	\$ 7,295,186	\$ 1,816,670

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

BAY COUNTY
MOSQUITO CONTROL SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES				
Property and other taxes	\$ 1,372,208	\$ 1,372,208	\$ 1,332,231	\$ (39,977)
Interest, rents and royalties	18,000	17,000	18,356	1,356
Reimbursements, refunds, and other revenues	-	-	180	180
TOTAL REVENUES	1,390,208	1,389,208	1,350,767	(38,441)
EXPENDITURES				
Health and welfare	1,322,129	1,322,129	1,221,280	100,849
REVENUES OVER (UNDER) EXPENDITURES	68,079	67,079	129,487	62,408
OTHER FINANCING SOURCES (USES)				
Insurance recoveries/proceeds	-	-	668	668
Transfers (out)	(95,809)	(95,809)	(95,809)	-
TOTAL OTHER FINANCING SOURCES (USES)	(95,809)	(95,809)	(95,141)	668
NET CHANGE IN FUND BALANCES	(27,730)	(28,730)	34,346	63,076
FUND BALANCES, BEGINNING OF YEAR	237,854	237,854	237,854	-
FUND BALANCES, END OF YEAR	\$ 210,124	\$ 209,124	\$ 272,200	\$ 63,076

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

BAY COUNTY
911 SERVICE SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>BUDGETED AMOUNTS</u>			VARIANCE
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Property and other taxes	\$ 2,063,548	\$ 2,063,548	\$ 2,082,625	\$ 19,077
State grants	220,000	220,000	239,157	19,157
Interest, rents and royalties	102,200	112,200	127,091	14,891
Reimbursements, refunds, and other revenues	4,900	5,900	5,740	(160)
TOTAL REVENUES	2,390,648	2,401,648	2,454,613	52,965
EXPENDITURES				
Public safety	2,407,992	2,475,959	1,878,988	596,971
Debt service				
Principal	-	-	8,550	(8,550)
TOTAL EXPENDITURES	2,407,992	2,475,959	1,887,538	588,421
REVENUES OVER (UNDER) EXPENDITURES	(17,344)	(74,311)	567,075	641,386
OTHER FINANCING SOURCES (USES)				
Issuance of debt	-	-	42,750	42,750
Transfers (out)	(49,571)	(49,571)	(49,571)	-
TOTAL OTHER FINANCING SOURCES (USES)	(49,571)	(49,571)	(6,821)	42,750
NET CHANGE IN FUND BALANCES	(66,915)	(123,882)	560,254	684,136
FUND BALANCES, BEGINNING OF YEAR	2,405,372	2,405,372	2,405,372	-
FUND BALANCES, END OF YEAR	\$ 2,338,457	\$ 2,281,490	\$ 2,965,626	\$ 684,136

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

BAY COUNTY
DIVISION ON AGING SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>BUDGETED AMOUNTS</u>			VARIANCE
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Property and other taxes	\$ 1,479,133	\$ 1,478,753	\$ 1,487,581	\$ 8,828
Federal grants	598,628	621,397	616,326	(5,071)
State grants	12,000	10,839	9,680	(1,159)
Interest, rents and royalties	39,000	25,000	25,424	424
Charges for services	25,876	25,909	26,078	169
Reimbursements, refunds, and other revenues	418,991	428,669	424,788	(3,881)
TOTAL REVENUES	2,573,628	2,590,567	2,589,877	(690)
EXPENDITURES				
Health and welfare	2,701,518	2,817,790	2,493,923	323,867
REVENUES OVER (UNDER) EXPENDITURES	(127,890)	(227,223)	95,954	323,177
OTHER FINANCING SOURCES (USES)				
Transfers in	2,700	2,700	2,700	-
Transfers (out)	(287,341)	(287,341)	(287,341)	-
TOTAL OTHER FINANCING SOURCES (USES)	(284,641)	(284,641)	(284,641)	-
NET CHANGE IN FUND BALANCES	(412,531)	(511,864)	(188,687)	323,177
FUND BALANCES, BEGINNING OF YEAR	509,827	509,827	509,827	-
FUND BALANCES (DEFICIT), END OF YEAR	\$ 97,296	\$ (2,037)	\$ 321,140	\$ 323,177

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

**BAY COUNTY
REVENUE SHARING RESERVE SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES				
Interest, rents and royalties	\$ 281,000	\$ 264,000	\$ 267,287	\$ 3,287
OTHER FINANCING (USES)				
Transfer (out)	(1,407,719)	(2,481,254)	(2,481,254)	-
NET CHANGE IN FUND BALANCES	(1,126,719)	(2,217,254)	(2,213,967)	3,287
FUND BALANCE, BEGINNING OF YEAR	8,346,834	8,346,834	8,346,834	-
FUND BALANCE, END OF YEAR	<u>\$ 7,220,115</u>	<u>\$ 6,129,580</u>	<u>\$ 6,132,867</u>	<u>\$ 3,287</u>

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

**BAY COUNTY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2008**

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS					GOVERNMENTAL ACTIVITIES
	MEDICAL CARE FACILITY	100% TAX PAYMENT	HOUSING	OTHER PROPRIETARY FUNDS	TOTAL	INTERNAL SERVICE FUNDS
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	\$ 647,671	\$2,187,645	\$ 461,093	\$ 392,743	\$ 3,689,152	\$ 2,651,896
Investments	3,910,791	1,395,779	207,262	242,875	5,756,707	558,002
Accounts receivable, net of allowance	1,697,103	3,050	4,408	4,200	1,708,761	82,107
Property taxes receivable	1,531,205	3,517,126	-	-	5,048,331	-
Accrued interest receivable	-	388,700	-	5,153	393,853	13,746
Inventories	-	-	-	13,166	13,166	-
Due from other funds	-	-	-	26,222	26,222	20,935
Due from component units	-	-	-	-	-	1,428
Due from other governmental units	-	151,080	-	25	151,105	-
Prepaid items and other current assets	349,715	-	5,342	-	355,057	473,998
TOTAL CURRENT ASSETS	8,136,485	7,643,380	678,105	684,384	17,142,354	3,802,112
NONCURRENT ASSETS						
Land	-	-	90,538	167,021	257,559	-
Land improvements	-	-	337,164	772,630	1,109,794	-
Buildings and improvements	11,264,009	-	4,262,116	406,224	15,932,349	-
Machinery and equipment	466,864	-	278,806	449,941	1,195,611	-
Office furniture and fixtures	2,034,576	2,035	-	134,309	2,170,920	-
Vehicles and other	60,002	-	-	15,050	75,052	-
Less accumulated depreciation	(7,855,683)	(2,035)	(2,758,371)	(1,189,435)	(11,805,524)	-
TOTAL NONCURRENT ASSETS	5,969,768	-	2,210,253	755,740	8,935,761	-
TOTAL ASSETS	14,106,253	7,643,380	2,888,358	1,440,124	26,078,115	3,802,112
LIABILITIES						
CURRENT LIABILITIES						
Accounts payable	219,717	119	30,242	4,102	254,180	64,843
Accrued items and other liabilities	466,253	2,726	45,826	4,736	519,541	3,475
Accrued vacation and sick pay	326,591	570	9,863	2,915	339,939	-
Deposits payable	9,464	-	20,229	-	29,693	-
Due to other funds	9,861	27,739	-	172	37,772	9
Due to other governmental units	-	62,607	12,992	171	75,770	-
Claims, settlements, and judgments	268,794	-	-	-	268,794	592,067
Unearned revenue	1,575,872	-	7,247	8,256	1,591,375	-
Notes payable, current portion	-	-	-	39,382	39,382	-
TOTAL CURRENT LIABILITIES	2,876,552	93,761	126,399	59,734	3,156,446	660,394
NONCURRENT LIABILITIES						
Claims, settlements, and judgments	-	-	-	-	-	5,275
Net OPEB obligation	2,153,000	-	-	-	2,153,000	-
Accrued vacation and sick pay	-	10,656	13,975	20,645	45,276	1,079
TOTAL NONCURRENT LIABILITIES	2,153,000	10,656	13,975	20,645	2,198,276	6,354
TOTAL LIABILITIES	5,029,552	104,417	140,374	80,379	5,354,722	666,748
NET ASSETS						
Investment in capital assets, net of related debt	5,969,768	-	2,210,253	716,358	8,896,379	-
Restricted for insurance claims	-	-	-	-	-	2,810,699
Restricted for advances received	-	-	-	-	-	324,665
Unrestricted	3,106,933	7,538,963	537,731	643,387	11,827,014	-
TOTAL NET ASSETS	\$ 9,076,701	\$ 7,538,963	\$ 2,747,984	\$ 1,359,745	\$ 20,723,393	\$ 3,135,364

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

BAY COUNTY
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS					GOVERNMENTAL
	MEDICAL	100% TAX	HOUSING	OTHER		ACTIVITIES
	CARE			PROPRIETARY		INTERNAL
	FACILITY	PAYMENT		FUNDS	TOTAL	SERVICE
						FUNDS
OPERATING REVENUES						
Program grants-subsidies	\$ -	\$ -	\$ 238,342	\$ -	\$ 238,342	\$ -
Charges for services	18,401,257	15	254,523	970,681	19,626,476	5,633,450
Reimbursements, refunds, and other revenue	60,477	33	36,578	9,670	106,758	80,733
TOTAL OPERATING REVENUES	18,461,734	48	529,443	980,351	19,971,576	5,714,183
OPERATING EXPENSES						
Personal services	15,844,339	108,256	98,369	300,239	16,351,203	4,325,102
Supplies	-	12,357	-	84,592	96,949	51
Other services	4,465,299	4,098	355,075	379,654	5,204,126	925,998
Depreciation	611,566	-	199,531	74,221	885,318	-
TOTAL OPERATING EXPENSES	20,921,204	124,711	652,975	838,706	22,537,596	5,251,151
OPERATING INCOME (LOSS)	(2,459,470)	(124,663)	(123,532)	141,645	(2,566,020)	463,032
NONOPERATING REVENUES (EXPENSES)						
Property and other taxes	1,482,390	856,016	-	-	2,338,406	-
Federal grants	-	-	-	-	-	-
Other income	78,771	-	-	-	78,771	-
Gain (loss) on disposal of capital assets	(21,609)	-	-	-	(21,609)	-
Interest income	215,669	188,138	15,488	19,619	438,914	54,596
Interest expense	(1,547)	-	-	-	(1,547)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	1,753,674	1,044,154	15,488	19,619	2,832,935	54,596
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(705,796)	919,491	(108,044)	161,264	266,915	517,628
Capital contributions	-	-	19,231	-	19,231	-
Transfers in	-	59,940	-	-	59,940	-
Transfers (out)	-	(962,515)	-	(74,443)	(1,036,958)	-
CHANGE IN NET ASSETS	(705,796)	16,916	(88,813)	86,821	(690,872)	517,628
NET ASSETS, BEGINNING OF YEAR	9,782,497	7,522,047	2,836,797	1,272,924	21,414,265	2,617,736
NET ASSETS, END OF YEAR	\$ 9,076,701	\$ 7,538,963	\$ 2,747,984	\$ 1,359,745	\$ 20,723,393	\$ 3,135,364

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

**BAY COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS					GOVERNMENTAL ACTIVITIES
	MEDICAL CARE FACILITY	100% TAX PAYMENT	HOUSING	OTHER PROPRIETARY FUNDS	TOTAL	INTERNAL SERVICE FUNDS
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from customers	\$ 16,026,674	\$ -	\$ 252,387	\$ 976,535	\$ 17,255,596	\$ -
Cash received from interfund services provided	1,991,414	-	-	-	1,991,414	5,557,729
Cash received from grants and subsidies	-	-	238,342	-	238,342	-
Interfund reimbursements	-	8,151	-	22,424	30,575	(11)
Cash payments to suppliers for goods and services	(2,742,173)	323,919	(233,831)	(483,888)	(3,135,973)	(1,268,510)
Cash payments for interfund services received	-	-	-	-	-	-
Cash payments to employees and related taxes and insurance	(15,844,339)	(105,821)	(144,376)	(295,847)	(16,390,383)	(4,360,704)
Other operating revenues	60,477	33	52,265	9,670	122,445	80,733
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(507,947)	226,282	164,787	228,894	112,016	9,237
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Taxes received	1,493,001	(57,915)	-	-	1,435,086	-
Proceeds from interfund advances	-	-	-	22,792	22,792	-
Claims, settlements, and judgments, long-term	-	-	-	-	-	(106,847)
Resident trust withdrawals	7,781	-	-	-	7,781	-
Contributions	8,271	-	-	-	8,271	-
Transfers in	-	59,940	-	-	59,940	-
Transfers (out)	-	(962,515)	-	(74,443)	(1,036,958)	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	1,509,053	(960,490)	-	(51,651)	496,912	(106,847)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition and construction of capital assets	(130,674)	-	(19,231)	(15,050)	(164,955)	-
Proceeds from sale of capital assets	4,800	-	-	-	4,800	-
Cash received from capital grants	-	-	68,040	-	68,040	-
Principal paid on long-term debt	-	-	-	(39,381)	(39,381)	-
Interest paid on long-term debt	(1,547)	-	-	-	(1,547)	-
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(127,421)	-	48,809	(54,431)	(133,043)	-
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from sale of investments	-	186,038	-	-	186,038	-
Purchases of investments	(884,405)	-	(10,938)	(64,439)	(959,782)	(51,794)
Interest on investments	215,669	188,138	17,616	19,619	441,042	54,596
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(668,736)	374,176	6,678	(44,820)	(332,702)	2,802
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	204,949	(360,032)	220,274	77,992	143,183	(94,808)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	442,722	2,547,677	240,819	314,751	3,545,969	2,746,704
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 647,671	\$ 2,187,645	\$ 461,093	\$ 392,743	\$ 3,689,152	\$ 2,651,896

(Continued)

BAY COUNTY
STATEMENT OF CASH FLOWS (CONCLUDED)
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS					GOVERNMENTAL
	MEDICAL CARE FACILITY	100% TAX PAYMENT	HOUSING	OTHER PROPRIETARY FUNDS	TOTAL	INTERNAL SERVICE FUNDS
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES						
Operating income (loss)	\$ (2,459,470)	\$ (124,663)	\$ (123,532)	\$ 141,645	\$ (2,566,020)	\$ 463,032
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities						
Depreciation	611,566	-	199,531	74,221	885,318	-
Changes in assets and liabilities:						
Accounts receivable	(297,583)	(616)	13,551	1,623	(283,025)	(74,804)
Accrued interest receivable		(2,449)	-	(855)	(3,304)	(955)
Inventories		-	-	(4,962)	(4,962)	-
Due from other funds		18	-	15,454	15,472	(12)
Due from component units	-	-	-	-	-	38
Due from other governmental units		294,816	-	229	295,045	-
Prepaid items and other current assets	(55,837)	-	38,314	-	(17,523)	(406,700)
Accounts payable	(178,043)	(667)	8,911	(5,353)	(175,152)	64,239
Accrued items and other liabilities	1,871,420	655	28,012	(1,951)	1,898,136	(73,619)
Accrued vacation and sick pay, current	-	1,780	-	4,313	6,093	134
Due to other funds	-	8,133	-	(17)	8,116	1
Due to other governmental units	-	49,275	-	(310)	48,965	(200)
Claims, settlements, and judgments	-	-	-	-	-	38,083
Unearned revenue	-	-	-	4,857	4,857	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (507,947)</u>	<u>\$ 226,282</u>	<u>\$ 164,787</u>	<u>\$ 228,894</u>	<u>\$ 112,016</u>	<u>\$ 9,237</u>

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

**BAY COUNTY
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
DECEMBER 31, 2008**

	PRIVATE PURPOSE TRUST FUNDS	PENSION AND OTHER EMPLOYEE BENEFITS TRUST FUNDS	AGENCY FUNDS
ASSETS			
Cash and cash equivalents	\$ 50,273	\$ -	\$ 6,890,050
Investments at fair value:			
Common stock	-	115,561,612	-
Corporate bonds	-	18,555,497	-
Governmental securities	-	27,431,581	-
Short-term investment funds	-	9,261,572	-
Convertible bonds and equity	-	14,274,498	-
Other	-	474,754	4,338,522
Total Investments	<u>-</u>	<u>185,559,514</u>	<u>4,338,522</u>
Receivables:			
Interest and dividends	-	797,585	-
Accounts	-	1,477,372	3,103
Prepaid items and other current assets	-	198	-
Due from other funds	-	-	27,086
Due from component units	-	40,131	-
	<u>-</u>	<u>40,131</u>	<u>-</u>
TOTAL ASSETS	<u>50,273</u>	<u>187,874,800</u>	<u>\$ 11,258,761</u>
LIABILITIES			
Accounts payable	-	362,918	50,222
Accrued items and other liabilities	49,471	635,949	175,194
Accrued vacation and sick pay	-	4,318	-
Due to other funds	-	-	27,086
Due to component units	-	-	10,568,988
Due to other governmental units	-	117	215,357
Deposits	-	-	186,920
Undistributed taxes	-	-	11,480
Advances	-	-	23,514
	<u>-</u>	<u>-</u>	<u>23,514</u>
TOTAL LIABILITIES	<u>49,471</u>	<u>1,003,302</u>	<u>\$ 11,258,761</u>
NET ASSETS HELD IN TRUST	<u>\$ 802</u>	<u>\$ 186,871,498</u>	

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

**BAY COUNTY
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	PRIVATE PURPOSE TRUST FUNDS	PENSION AND OTHER EMPLOYEE BENEFITS TRUST FUNDS
ADDITIONS		
Contributions:		
Employer	\$ -	\$ 3,044,987
Plan members	-	1,376,314
	<hr/>	<hr/>
Total contributions	-	4,421,301
	<hr/>	<hr/>
Investment income:		
Net depreciation in fair value of investments	-	(89,579,185)
Interest and dividends	311	6,508,284
Less investment expense	-	(1,639,695)
	<hr/>	<hr/>
Net investment income (loss)	311	(84,710,596)
	<hr/>	<hr/>
Other revenue	-	90,085
	<hr/>	<hr/>
TOTAL ADDITIONS (net of investment loss)	311	(80,199,210)
	<hr/>	<hr/>
DEDUCTIONS		
Benefits	-	9,069,218
Administrative expenses	-	190,006
Refunds of contributions	-	200,452
Other services	140	-
	<hr/>	<hr/>
TOTAL DEDUCTIONS	140	9,459,676
	<hr/>	<hr/>
CHANGE IN NET ASSETS	171	(89,658,886)
	<hr/>	<hr/>
NET ASSETS HELD IN TRUST FOR PENSION AND HEALTHCARE BENEFITS		
Beginning of year	631	276,530,384
	<hr/>	<hr/>
End of year	\$ 802	\$ 186,871,498
	<hr/> <hr/>	<hr/> <hr/>

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

**BAY COUNTY
 COMPONENT UNITS
 STATEMENT OF NET ASSETS
 DECEMBER 31, 2008**

	ROAD COMMISSION	ECONOMIC DEVELOPMENT	LIBRARY SYSTEM
ASSETS			
Cash and cash equivalents	\$ 900,165	\$ 11,514	\$ 5,034,951
Investments	1,482,561	8,284	-
Receivables	1,848,138	204	6,087,483
Inventories	558,179	-	-
Prepaid items and other current assets	406,889	-	188,514
Net OPEB asset	-	-	204,376
Capital assets, net:			
Assets not being depreciated	46,309,387	-	107,487
Assets being depreciated	39,184,463	-	2,570,683
TOTAL ASSETS	90,689,782	20,002	14,193,494
LIABILITIES			
Accounts payable and accrued liabilities	1,324,487	-	292,876
Unearned revenue	-	-	5,980,000
Long-term liabilities:			
Due within one year	360,000	-	-
Due in more than one year	510,932	-	147,842
Net OPEB obligation	2,389,710	-	-
TOTAL LIABILITIES	4,585,129	-	6,420,718
NET ASSETS			
Investment in capital assets, net of related debt	85,493,850	-	2,678,170
Restricted for:			
Debt service	-	-	-
System replacement	-	-	-
Unrestricted	610,803	20,002	5,094,606
TOTAL NET ASSETS	\$ 86,104,653	\$ 20,002	\$ 7,772,776

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

DEPARTMENT OF WATER AND SEWER	DRAIN COMMISSION	BAY AREA NARCOTICS ENFORCEMENT TEAM	TOTAL
\$ 3,249,180	\$ 1,909,726	\$ 459,962	\$ 11,565,498
-	1,310,818	-	2,801,663
6,822,895	2,872,074	78,411	17,709,205
361,696	-	-	919,875
142,950	-	-	738,353
-	-	-	204,376
89,499	1,614,734	-	48,121,107
17,138,200	2,155,913	58,738	61,107,997
27,804,420	9,863,265	597,111	143,168,074
374,983	517,626	113,958	2,623,930
1,000	-	-	5,981,000
1,015,518	498,259	-	1,873,777
5,887,938	1,970,151	-	8,516,863
72,060	-	-	2,461,770
7,351,499	2,986,036	113,958	21,457,340
17,227,699	1,302,237	58,738	106,760,694
-	696,947	-	696,947
403,995	-	-	403,995
2,821,227	4,878,045	424,415	13,849,098
\$ 20,452,921	\$ 6,877,229	\$ 483,153	\$ 121,710,734

**BAY COUNTY
 COMPONENT UNITS
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2008**

<u>FUNCTIONS / PROGRAMS</u>	<u>PROGRAM REVENUES</u>				<u>NET (EXPENSE) REVENUE</u>
	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>CAPITAL GRANTS AND CONTRIBUTIONS</u>	
COMPONENT UNIT					
ROAD COMMISSION					
Governmental Activities:					
Highways and streets	\$ 14,417,150	\$ 2,068,640	\$ 5,342,861	\$ 4,989,825	\$ (2,015,824)
LIBRARY SYSTEM					
Governmental Activities:					
Recreation and culture	6,103,610	512,751	86,784	81,929	(5,422,146)
DEPARTMENT OF WATER AND SEWER					
Business Type Activities:					
Water	1,502,522	1,522,894	-	-	20,372
Sewer	3,496,464	2,573,604	-	-	(922,860)
TOTAL DEPARTMENT OF WATER AND SEWER	<u>4,998,986</u>	<u>4,096,498</u>	<u>-</u>	<u>-</u>	<u>(902,488)</u>
DRAIN COMMISSION					
Governmental Activities:					
Public works	508,280	(209,280)	-	1,318,936	601,376
Interest on long-term debt	114,880	-	-	-	(114,880)
TOTAL DRAIN COMMISSION	<u>623,160</u>	<u>(209,280)</u>	<u>-</u>	<u>1,318,936</u>	<u>486,496</u>
BAY AREA NARCOTICS TEAM					
Governmental Activities:					
Public safety	1,585,829	976,395	806,880	-	197,446
TOTAL COMPONENT UNITS	<u>\$ 27,728,735</u>	<u>\$ 7,445,004</u>	<u>\$ 6,236,525</u>	<u>\$ 6,390,690</u>	<u>\$ (7,656,516)</u>

**BAY COUNTY
 COMPONENT UNITS
 STATEMENT OF ACTIVITIES (CONCLUDED)
 FOR THE YEAR ENDED DECEMBER 31, 2008**

	ROAD COMMISSION	ECONOMIC DEVELOPMENT	LIBRARY SYSTEM	DEPARTMENT OF WATER AND SEWER	DRAIN COMMISSION	BAY AREA NARCOTICS ENFORCEMENT TEAM	TOTAL
CHANGE IN NET ASSETS							
Net (expense) revenue	\$ (2,015,824)	\$ -	\$(5,422,146)	\$ (902,488)	\$ 486,496	\$ 197,446	\$ (7,656,516)
GENERAL REVENUES:							
Property taxes	-	-	5,939,289	-	-	-	5,939,289
Unrestricted investment earnings	60,923	810	253,610	111,285	168,790	5,816	601,234
Gain on equipment disposal	116,002	-	-	-	-	-	116,002
Other revenue	925,590	-	-	(1,263)	-	-	924,327
TOTAL GENERAL REVENUES	1,102,515	810	6,192,899	110,022	168,790	5,816	7,580,852
CHANGE IN NET ASSETS	(913,309)	810	770,753	(792,466)	655,286	203,262	(75,664)
NET ASSETS, BEGINNING OF YEAR	87,017,962	19,192	7,002,023	21,245,387	6,221,943	279,891	121,786,398
NET ASSETS, END OF YEAR	\$ 86,104,653	\$ 20,002	\$ 7,772,776	\$ 20,452,921	\$ 6,877,229	\$ 483,153	\$ 121,710,734

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

NOTES TO BASIC FINANCIAL STATEMENTS

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Bay, Michigan (the “County”) was incorporated in 1857. The County operates under the unified form of government and provides services to its 108,390 residents in many areas, including law enforcement, administration of justice, community enrichment and development, and human services.

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

A. REPORTING ENTITY

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

Blended Component Units

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

Discretely Presented Component Units

Bay County Road Commission (Road Commission) - The Road Commission is governed by a Board comprised of three elected county-at-large officials who are not members of the Bay County Board of Commissioners. The County does not have appropriation authority or budgetary control over the activities of the Road Commission; however, the nature and significance of the relationship between the primary government and the Road

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

Commission is such that exclusion would cause the reporting entity's financial statements to be misleading. The Road Commission is responsible for the construction and maintenance of the County's system of roads and bridges and is principally funded by state-collected vehicle fuel and registration taxes under Public Act 51. The Road Commission's activities are reported discretely as a governmental fund type. Complete financial statements of the Road Commission can be obtained from its administrative offices at 2600 East Beaver Road, Kawkawlin, Michigan, 48631.

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

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

Bay County Department of Water and Sewer (Department of Water and Sewer) - The Department of Water and Sewer is governed by a Board consisting of three elected county-at-large officials who are not members of the Bay County Board of Commissioners. The County does not have appropriation authority or budgetary control over the activities of the Department of Water and Sewer; however, the nature and significance of the relationship between the primary government and the Department of Water and Sewer is such that exclusion would cause the reporting entity's financial

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

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

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

Bay Area Narcotics Enforcement Team (BAYANET) – BAYANET is an instrument of six counties and the State Police formed to organize a multi-jurisdictional/multi-tiered investigative task force designed to singularly combat the proliferation of narcotic trafficking in the eastern Mid-Michigan area. It has not been officially formed as a governmental unit with the State of Michigan. As per the agreement executed on February 28, 2001, between the County and BAYANET, the County became the budgetary authority over BAYANET and the custodian of all BAYANET's funds. As of July 1, 2001, the County Treasurer became responsible for maintaining all of BAYANET's cash and investments. Monthly, the County Board of Commissioners approves BAYANET's accounts payable and payroll. All detail accounting, accounts payable and payroll processing functions are performed by BAYANET staff. Complete financial statements of BAYANET can be obtained from its administrative offices at P.O. Box 676, Freeland, Michigan 48623.

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

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

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

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.

The government reports the following major governmental funds:

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

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

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

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

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

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

The *Revenue Sharing Reserve Fund* accounts for tax millage funds as required by Public Act 357 of 2004.

The government reports the following major proprietary funds:

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

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

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

Additionally, the County reports the following fund types:

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

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

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

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

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

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

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

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

D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY

1. DEPOSITS AND INVESTMENTS

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

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

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

custodian under the direction of the County Commission, with the assistance of a valuation service.

2. RECEIVABLES AND PAYABLES

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

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

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

3. INVENTORIES AND PREPAID ITEMS

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

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

4. CAPITAL ASSETS

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, curbs and gutters, streets, sidewalks, drainage systems, lighting systems and similar assets that are immovable and of value only to the County), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

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

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

5. LONG-TERM OBLIGATIONS

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

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

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

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

6. FUND EQUITY

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

7. INTERFUND TRANSACTIONS

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

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

8. COMPENSATED ABSENCES

Bay County, including its component units, except for the Road Commission and Department of Water and Sewer, has an employee benefit plan that allows employees to accumulate unused sick days up to a maximum of 90 days, except for the Medical Care Facility, which has no limit for accumulating unused sick days. The Road Patrol and Correctional Facility Officers employees may accumulate unused sick days up to a

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

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

Employees of the Road Commission, a component unit, are granted vacation and sick leave in varying amounts, based on the Road Commission's administrative policy and contract with union employees. Vacation time is credited annually to each employee but cannot be accumulated for more than one year without Board approval, with the exception that all employees can carry over five days without Board approval. Administrative employees and union employees are limited to 1,200 hours of sick leave accumulation. At this point, the employees are allowed to accumulate 96 hours of sick leave reserve, the unused portion of which is paid by the Road Commission at the beginning of the following year. Upon retirement, permanent disability or leaving the employment of the Road Commission, all union employees are paid 85% of their accumulated sick leave. Administrative employees are paid 85% of their accumulated sick leave upon leaving the employment of the Road Commission.

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

Compensated Absence Liability Recognition

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

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

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETS AND BUDGETARY ACCOUNTING

Governmental funds are under formal budgetary control. For 2008, no budget was adopted for the Budget Stabilization fund, a Special Revenue fund, as no activity occurred during the year. Capital Projects funds are budgeted by project. Budget and actual comparisons for the Budget Stabilization fund, a Special Revenue fund, and Capital Projects funds are not reported in the financial statements, because annual budgets are not prepared. The County follows these procedures in establishing the budgetary data reflected in the financial statements.

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

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

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

statements. The County has prepared and issued separate from the CAFR a report on budget amounts compared to actual at the legal level of budgetary control (by activity, by object class (category), by fund).

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS FOR BUDGETARY FUNDS

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

Fund	Appropriation	Expenditure	Excess Expenditure
General Fund:			
Health and welfare	\$ 999,108	\$ 1,000,831	\$ (1,723)
Special Revenue Funds:			
911 Service:			
Principal	-	8,550	(8,550)

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

III. DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

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

	<u>Carrying Amount</u>
Government-wide Financial Statement Captions:	
Primary Government:	
Cash and cash equivalents	\$ 15,125,188
Investments	14,127,668

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

	<u>Carrying Amount</u>
Component Units:	
Cash and cash equivalents	\$ 11,565,498
Investments	2,801,663
Fiduciary Fund Financial Statement Captions:	
Cash and cash equivalents	6,940,323
Investments	<u>189,898,036</u>
 Total	 <u>\$ 240,458,376</u>
 Notes to Financial Statements:	
Bank deposits (checking accounts, savings and money market accounts and certificates of deposit)	\$ 14,378,328
Investments:	
U.S. agencies	
On securities loan	7,324,896
Not on securities loan	40,070,651
Commercial paper	18,675,972
Corporate bonds	
On securities loan	9,687,191
Not on securities loan	8,868,306
Common stock	
On securities loan	25,301,030
Not on securities loan	90,260,582
Agency obligations	1,310,818
Asset backed securities	266,094
Convertible bonds	11,465,413
Convertible equity	2,809,085
Government investment trusts	862,000
Other short-term investments	9,138,334
Cash on hand	<u>39,676</u>
 Total	 <u>\$ 240,458,376</u>

The County has adopted an official investment policy which is in accordance with investments permitted by Act 20 of the Michigan Public Acts of 1943 as amended, Act 196 PA 1997 (the Act). The Act generally allows the County to deposit funds in banks, savings and loan associations, and credit unions in the State of Michigan. The Act also

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

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.

	<u>Investment Maturities (In Years)</u>					<u>Credit Rating Range</u>	
	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>	<u>Standard & Poors</u>	<u>Moody's Investor's Services</u>
Agency obligations	\$ 1,310,818	\$ -	\$ -	\$ 1,310,818	\$ -	AAA	Aaa to AAA
Asset backed securities	266,094	-	37,506	-	228,588	AAA	Aaa to AAA
Gov't investment trusts	862,000	862,000	-	-	-	A1+	n/a
U.S. agencies	47,395,547	4,726,107	10,595,043	15,249,887	16,824,510	AAA	Aaa to AAA
Commercial paper	18,675,972	18,675,972	-	-	-	n/a	n/a to A1+
Convertible bonds	11,465,413	-	2,994,565	253,893	8,216,955	B to AAA	Aa1 to B1
Corporate bonds	18,555,497	242,876	3,574,064	7,961,370	6,777,187	B- to AAA	Caa1 to Aaa
	<u>\$ 98,531,341</u>	<u>\$ 24,506,955</u>	<u>\$ 17,201,178</u>	<u>\$ 24,775,968</u>	<u>\$ 32,047,240</u>		

**The County's investments in U.S. agencies include call options with a market value of \$17,000,000. The amounts listed as convertible bonds also include nonrated investments held by the pension fund. The amounts that are not rated are not broken out because such information could not be obtained from the pension fund investment managers.

Investment and deposit risk

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

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

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

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 \$11,072,870 of the County's bank balance of \$13,967,580 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 sixty percent of the County investment portfolio will be invested with a single financial institution. However, while uninsured and unregistered, the County's funds are not exposed to custodial credit risk since the securities are held in the counterparty's trust department in the County's name.

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

Investments and Securities Lending

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

There are no restrictions on the amount of the securities that can be loaned. Securities on loan at year-end are classified in the previous schedule of investments according to the category for the collateral received on the securities lent. At year-end the System has no

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

credit risk exposure to borrowers because the amounts the System owes the borrowers exceed the amounts the borrowers owe the System. The contract with the System's custodian requires it to indemnify the System if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the System for income distributions by the securities' issuers while the securities are on loan.

B. RECEIVABLES

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

	Governmental Activities	Business-type Activities	Component Units
Taxes/special assessments			
Due within one year	\$ 7,250,107	\$ 5,048,331	\$ 6,405,628
Due after one year	-	-	1,706,081
Accounts	1,602,945	2,093,761	259,422
Notes			
Due within one year	53,280	-	970,000
Due after one year	1,489,514	-	5,630,000
Interest	207,437	393,853	164,301
Intergovernmental	3,042,592	151,105	2,580,773
Less: allowance for , uncollectible accounts	(812,867)	(385,000)	(7,000)
Total	\$ 12,833,008	\$ 7,302,050	\$ 17,709,205

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

	Unavailable	Unearned
Property taxes receivable (General Fund)	\$ 825,537	\$ -
Property taxes receivable (Mosquito Control Fund)	3,128	1,346,795
Property taxes receivable (911 Service Fund)	4,896	2,095,098
Property taxes receivable (Division on Aging Fund)	3,488	1,496,457

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

	<u>Unavailable</u>	<u>Unearned</u>
Property taxes receivable (Nonmajor Governmental fund types)	1,196	584,167
Grant drawdowns prior to meeting all eligibility requirements	-	427,151
Total	<u>\$ 838,245</u>	<u>\$ 5,949,668</u>

C. CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2008 was as follows:

-

Primary Government

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 2,144,448	\$ 63,738	\$ -	\$2,208,186
Construction in progress	<u>277,242</u>	<u>571,539</u>	<u>(256,226)</u>	<u>592,555</u>
Total capital assets not being depreciated	<u>2,421,690</u>	<u>635,277</u>	<u>(256,226)</u>	<u>2,800,741</u>
Capital assets being depreciated:				
Land improvements	3,158,713	194,864	(700)	3,352,877
Buildings and improvements	63,810,387	193,030	(4,313)	63,999,104
Machinery and equipment	1,766,048	183,293	(57,291)	1,892,050
Office furniture and equipment	3,102,119	434,745	(475,864)	3,061,000
Vehicles	<u>1,686,017</u>	<u>72,422</u>	<u>(122,671)</u>	<u>1,635,768</u>
Total capital assets being depreciated	<u>73,523,284</u>	<u>1,078,354</u>	<u>(660,839)</u>	<u>73,940,799</u>

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Less accumulated depreciation				
Land improvements	\$(1,928,338)	\$ (194,495)	\$ 419	\$(2,122,414)
Buildings and improvements	(16,385,764)	(1,380,322)	4,313	(17,761,773)
Machinery and equipment	(1,111,406)	(86,367)	57,291	(1,140,482)
Office furniture and equipment	(2,184,017)	(168,499)	460,099	(1,892,417)
Vehicles	<u>(1,139,844)</u>	<u>(128,899)</u>	<u>113,079</u>	<u>(1,155,664)</u>
Total accumulated depreciation	<u>(22,749,369)</u>	<u>(1,958,582)</u>	<u>635,201</u>	<u>(24,072,750)</u>
Total capital assets being depreciated, net	<u>50,773,915</u>	<u>(880,228)</u>	<u>(25,638)</u>	<u>49,868,049</u>
Governmental activities capital assets, net	<u>\$53,195,605</u>	<u>\$ (244,951)</u>	<u>\$ (281,864)</u>	<u>\$52,668,790</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets not being depreciated:				
Land	\$ 257,559	\$ -	\$ -	\$ 257,559
Construction in progress	<u>59,607</u>	<u>19,231</u>	<u>(78,838)</u>	<u>-</u>
Total capital assets not being depreciated	<u>317,166</u>	<u>19,231</u>	<u>(78,838)</u>	<u>257,559</u>
Capital assets being depreciated:				
Land improvements	1,093,995	19,231	(3,432)	1,109,794
Buildings and improvements	16,092,249	(154,771)	(5,129)	15,932,349
Machinery and equipment	1,151,843	154,946	(111,178)	1,195,611
Office furniture and fixtures	2,494,439	190,086	(513,605)	2,170,920
Vehicles	<u>68,460</u>	<u>15,050</u>	<u>(8,458)</u>	<u>75,052</u>
Total capital assets being depreciated	<u>20,900,986</u>	<u>224,542</u>	<u>(641,802)</u>	<u>20,483,726</u>

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Ending Disposals</u>	<u>Balance</u>
Less accumulated depreciation				
Land improvements	\$ (682,254)	\$ (39,525)	\$ 3,432	\$ (718,347)
Buildings and improvements	(7,614,584)	(754,263)	4,691	(8,364,156)
Machinery and equipment	(964,006)	(113,540)	110,008	(967,538)
Office furniture and fixtures	(2,206,295)	23,980	488,804	(1,693,511)
Vehicles	<u>(68,460)</u>	<u>(1,970)</u>	<u>8,458</u>	<u>(61,972)</u>
Total accumulated depreciation	<u>(11,535,599)</u>	<u>(885,318)</u>	<u>615,393</u>	<u>(11,805,524)</u>
 Total capital assets being depreciated, net	 <u>9,365,387</u>	 <u>(660,776)</u>	 <u>(26,409)</u>	 <u>8,678,202</u>
 Business-type activities capital assets, net	 <u>\$ 9,682,553</u>	 <u>\$ (641,545)</u>	 <u>\$ (105,247)</u>	 <u>\$ 8,935,761</u>

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

Governmental activities:

Judicial	\$ 26,313
General government	1,382,181
Public safety	229,145
Health and welfare	201,248
Recreation and culture	<u>119,695</u>

Total depreciation expense – governmental activities **\$ 1,958,582**

Business-type activities:

Medical Care Facility	\$ 611,566
Housing	199,530
Golf Course	57,351
Delinquent Property Tax Foreclosure	<u>16,871</u>

Total depreciation expense – business-type activities **\$ 885,318**

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

Discretely presented component units

Activity for the Road Commission for the year ended December 31, 2008, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 501,981	\$ -	\$ -	\$ 501,981
Land improvements	43,657,151	1,800,594	-	45,457,745
Right of ways	<u>349,661</u>	<u>-</u>	<u>-</u>	<u>349,661</u>
Total capital assets not being depreciated	<u>44,508,793</u>	<u>1,800,594</u>	<u>-</u>	<u>46,309,387</u>
Capital assets being depreciated:				
Buildings and improvements	2,612,855	18,501	-	2,631,356
Road equipment	9,977,646	237,351	(778,260)	9,436,737
Shop equipment	153,825	7,141	-	160,966
Office equipment	183,870	19,471	-	203,341
Engineering equipment	144,815	4,782	-	149,597
Yard and storage	1,338,810	7,434	-	1,346,244
Infrastructure:				
Roads	46,425,499	2,700,892	-	49,126,391
Bridges	18,552,792	193,659	(600,000)	18,146,452
Traffic signals	294,083	-	-	294,083
Depletable assets:				
Gravel pits	<u>53,037</u>	<u>-</u>	<u>-</u>	<u>53,037</u>
Total capital assets being depreciated	<u>79,737,233</u>	<u>3,189,231</u>	<u>(1,378,260)</u>	<u>81,548,204</u>

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Less accumulated depreciation				
Buildings and improvements	\$(1,587,374)	\$ (65,323)	\$ -	\$(1,652,697)
Road equipment	(9,126,956)	(576,112)	775,415	(8,927,653)
Shop equipment	(144,792)	(11,476)	-	(156,268)
Office equipment	(140,779)	(7,001)	-	(147,780)
Engineering equipment	(90,758)	(8,541)	-	(99,299)
Yard and storage	(784,636)	(57,469)	-	(842,105)
Infrastructure:				
Roads	(20,297,096)	(2,525,162)	-	(22,822,258)
Bridges	(7,261,555)	(777,394)	600,000	(7,438,949)
Traffic signals	(256,701)	(5,652)	-	(262,353)
Depletable assets:				
Gravel pits	(14,323)	(56)	-	(14,379)
Total accumulated depreciation	<u>(39,704,970)</u>	<u>(4,034,186)</u>	<u>1,375,415</u>	<u>(42,363,741)</u>
Total capital assets being depreciated, net	<u>40,032,263</u>	<u>(844,955)</u>	<u>(2,845)</u>	<u>39,184,463</u>
Road Commission capital assets, net	<u>\$84,541,056</u>	<u>\$ 955,639</u>	<u>\$ (2,845)</u>	<u>\$ 85,493,850</u>

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

Activity for the Library System for the year ended December 31, 2008, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 107,487	\$ -	\$ -	\$ 107,487
Capital assets being depreciated:				
Land improvements	85,948	9,665	-	95,613
Buildings and improvements	1,115,464	8,658	-	1,124,122
Machinery and equipment	121,040	-	-	121,040
Office furniture & fixtures	1,218,130	6,590	-	1,224,720
Books and a/v materials	2,121,110	624,791	(374,579)	2,371,322
Vehicles and other	193,787	16,285	-	210,072
Total capital assets being depreciated	<u>4,855,479</u>	<u>665,989</u>	<u>(374,579)</u>	<u>5,145,889</u>
Less accumulated depreciation				
Land improvements	(43,026)	(4,409)	-	(47,435)
Buildings and improvements	(664,359)	(5,962)	-	(670,321)
Machinery and equipment	(59,446)	(9,763)	-	(69,209)
Office furniture & fixtures	(467,916)	(50,398)	-	(518,314)
Books and a/v materials	(1,107,987)	(349,306)	374,579	(1,082,714)
Vehicles and other	(181,080)	(7,133)	-	(188,213)
Total accumulated depreciation	<u>(2,523,814)</u>	<u>(426,971)</u>	<u>374,579</u>	<u>(2,576,206)</u>
Total capital assets being depreciated, net	<u>2,331,665</u>	<u>239,018</u>	<u>-</u>	<u>2,570,683</u>
Library System capital assets, net	<u>\$ 2,439,152</u>	<u>\$ 239,018</u>	<u>\$ -</u>	<u>\$ 2,678,170</u>

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

Activity for the Department of Water & Sewer for the year ended December 31, 2008, was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets not being depreciated:				
Land	\$ 62,791	\$ -	\$ -	\$ 62,791
Construction in progress	-	<u>26,708</u>	-	<u>26,708</u>
Total capital assets not being depreciated	<u>62,791</u>	<u>26,708</u>	<u>-</u>	<u>89,499</u>
Capital assets being depreciated:				
Buildings	13,289,719	10,975	-	13,300,674
Improvements other than buildings	76,474	43,929	-	120,403
Machinery and equipment	8,767,217	117,645	(21,831)	8,863,031
Water system	4,146,162	-	-	4,146,162
Sewer system	<u>17,169,768</u>	<u>-</u>	<u>-</u>	<u>17,169,768</u>
Total capital assets being depreciated	<u>43,449,340</u>	<u>172,549</u>	<u>(21,831)</u>	<u>43,600,058</u>
Less accumulated depreciation				
Buildings	(6,936,935)	(276,368)	-	(7,213,303)
Improvements other than buildings	(72,936)	(2,786)	-	(75,722)
Machinery and equipment	(8,057,504)	(195,847)	21,831	(8,231,520)
Water system	(1,580,080)	(93,995)	-	(1,674,075)
Sewer system	<u>(8,923,843)</u>	<u>(343,395)</u>	<u>-</u>	<u>(9,267,238)</u>
Total accumulated depreciation	<u>(25,571,298)</u>	<u>(912,391)</u>	<u>21,831</u>	<u>(26,461,858)</u>
Total capital assets being depreciated, net	<u>17,878,042</u>	<u>(739,842)</u>	<u>-</u>	<u>17,138,200</u>
Department of Water & Sewer capital assets, net	<u>\$17,940,833</u>	<u>\$ (713,134)</u>	<u>\$ -</u>	<u>\$ 17,227,699</u>

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

Activity for the Drain Commission for the year ended December 31, 2008, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Construction in progress	\$ 234,288	\$1,039,773	\$ -	\$ 1,274,061
Land	<u>325,673</u>	<u>15,000</u>	<u>-</u>	<u>340,673</u>
Total capital assets not being depreciated	<u>559,961</u>	<u>1,054,773</u>	<u>-</u>	<u>1,614,734</u>
Capital assets being depreciated:				
Land improvements (infrastructure)	1,744,146	162,660	(1,583)	1,905,223
Buildings	171,681	-	-	171,681
Machinery and equipment	375,709	145,000	(70,976)	449,733
Office furniture and equipment	43,081	-	(7,434)	35,647
Vehicles	<u>114,423</u>	<u>32,064</u>	<u>(12,432)</u>	<u>134,055</u>
Total capital assets being depreciated	<u>2,449,040</u>	<u>339,724</u>	<u>(92,425)</u>	<u>2,696,339</u>
Less accumulated depreciation				
Land improvements (infrastructure)	(99,024)	(35,378)	1,583	(132,819)
Buildings	(159,408)	(5,727)	-	(165,135)
Machinery and equipment	(199,287)	(15,152)	70,976	(143,463)
Office furniture and equipment	(43,081)	-	7,434	(35,647)
Vehicles	<u>(61,602)</u>	<u>(14,192)</u>	<u>12,432</u>	<u>(63,362)</u>
Total accumulated depreciation	<u>(562,402)</u>	<u>(70,449)</u>	<u>92,425</u>	<u>(540,426)</u>
Total capital assets being depreciated, net	<u>1,886,638</u>	<u>269,275</u>	<u>-</u>	<u>2,155,913</u>
Drain commission capital assets, net	<u>\$ 2,446,599</u>	<u>\$1,324,048</u>	<u>\$ -</u>	<u>\$ 3,770,647</u>

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

Activity for the Bay Area Narcotics Enforcement Team for the year ended December 31, 2008, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Capital assets being depreciated:				
Equipment	\$ 78,684	\$ 42,983	\$ (33,559)	\$ 88,108
Less accumulated depreciation				
Equipment	<u>(49,913)</u>	<u>(11,743)</u>	<u>32,286</u>	<u>(29,370)</u>
Bay Area Narcotics Enforcement Team capital assets, net	<u>\$ 28,771</u>	<u>\$ 31,240</u>	<u>\$ 1,273</u>	<u>\$ 58,738</u>

D. PAYABLES

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Accounts	\$ 917,020	\$ 254,180
Wages, fringe benefits and other accrued liabilities	875,724	519,541
Deposits	11,687	29,693
Intergovernmental	<u>80,121</u>	<u>75,770</u>
Total	<u>\$ 1,884,552</u>	<u>\$ 879,184</u>

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

E. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Due to:	Due from:					Total
	General	Revenue Sharing Reserve	100% Tax	Nonmajor Enterprise	Internal Service	
General	\$ -	\$ 801,117	\$ -	\$ -	\$ 15,515	\$ 816,632
Mosquito Control	-	-	-	-	266	266
911 Service	-	-	-	-	1,131	1,131
Division on Aging	-	-	-	-	1,103	1,103
Nonmajor						
Governmental	10,182	-	-	-	2,652	12,834
Medical Care Facility	9,861	-	-	-	-	9,861
100% Tax	1,430	-	-	26,222	87	27,739
Housing	-	-	-	-	-	-
Nonmajor Enterprise	-	-	-	-	172	172
Internal Service	-	-	-	-	9	9
Total	<u>\$ 21,473</u>	<u>\$ 801,117</u>	<u>\$ -</u>	<u>\$ 26,222</u>	<u>\$ 20,935</u>	<u>\$ 869,747</u>

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

Advances to/from other funds:

General	\$ 2,873,125	\$ -
Budget Stabilization fund	-	2,873,125
Nonmajor governmental funds	-	-
Nonmajor enterprise funds	-	-
Total	<u>\$ 2,873,125</u>	<u>\$ 2,873,125</u>

The advance between the General Fund and the Budget Stabilization Fund exists to maintain adequate reserves in the Budget Stabilization fund.

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

		Transfer from:							
Transfer to:	General	Mosquito Control	911 Service	Division on Aging	Revenue Sharing Reserve	Nonmajor Governmental	100% Tax	Nonmajor Enterprise	Total
General	\$ -	\$ 95,809	\$ 49,571	\$ 287,341	\$ 2,481,254	\$ 471,499	\$ 962,515	\$ 14,503	\$ 4,362,492
Delinquent Tax	-	-	-	-	-	-	-	59,940	59,940
Division on Aging	2,700	-	-	-	-	-	-	-	2,700
Nonmajor Governmental	<u>4,304,047</u>	-	-	-	-	-	-	-	<u>4,304,047</u>
Total	<u>\$4,306,747</u>	<u>\$ 95,809</u>	<u>\$49,571</u>	<u>\$287,341</u>	<u>\$2,481,254</u>	<u>\$ 471,499</u>	<u>\$962,515</u>	<u>\$ 74,443</u>	<u>\$ 8,729,179</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund and state revenue sharing special revenue fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. In addition, the Revenue Sharing Reserve Fund has transferred the allowable spending amount specified by the State for the State revenue sharing fund in compliance with Public Act 357 of 2004.

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

F. LONG-TERM DEBT

Changes in Long-Term Debt

Long-term liability activity for the year ended December 31, 2008 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Primary Government					
Governmental activities:					
Building Authority –					
General obligation bonds	\$24,695,000	\$ -	\$ (2,225,000)	\$22,470,000	\$ 2,330,000
Maintenance agreement payable	-	42,750	(8,550)	34,200	8,550
Long-term advances from State	29,000	-	-	29,000	-
Internal service funds –					
Claims	666,106	-	(68,764)	597,342	592,067
Compensated absences	<u>2,042,793</u>	<u>2,033,055</u>	<u>(2,000,534)</u>	<u>2,075,314</u>	<u>259,457</u>
	<u>\$27,432,899</u>	<u>\$ 2,075,805</u>	<u>\$ (4,302,848)</u>	<u>\$25,205,856</u>	<u>\$ 3,190,074</u>
Business-type activities					
Claims	\$ 491,520	\$ -	\$ (222,726)	\$ 268,794	\$ 268,794
Notes payable	78,763	-	(39,382)	39,381	39,381
Compensated absences	<u>396,050</u>	<u>-</u>	<u>(10,835)</u>	<u>385,215</u>	<u>339,939</u>
	<u>\$ 966,333</u>	<u>\$ -</u>	<u>\$ (272,943)</u>	<u>\$ 693,390</u>	<u>\$ 648,114</u>
Component Units					
Road Commission:					
Compensated absences	<u>\$ 826,402</u>	<u>\$ 398,734</u>	<u>\$ (354,204)</u>	<u>\$ 870,932</u>	<u>\$ 360,000</u>
Library System:					
Compensated absences	<u>\$ 121,749</u>	<u>\$ 26,093</u>	<u>\$ -</u>	<u>\$ 147,842</u>	<u>\$ -</u>
Department of Water & Sewer					
General obligation bonds	\$ 9,170,000	\$ -	\$ (2,570,000)	\$ 6,600,000	\$ 970,000
Compensated absences	<u>347,451</u>	<u>-</u>	<u>(43,995)</u>	<u>303,456</u>	<u>45,518</u>
	<u>\$ 9,517,451</u>	<u>\$ -</u>	<u>\$ (2,613,995)</u>	<u>\$ 6,903,456</u>	<u>\$ 1,015,518</u>
Drain Commission					
General obligation bonds	\$ 1,615,091	\$ -	\$ (313,870)	\$ 1,301,221	\$ 243,870
Notes payable	<u>1,213,640</u>	<u>80,000</u>	<u>(126,451)</u>	<u>1,167,189</u>	<u>254,389</u>
	<u>\$ 2,828,731</u>	<u>\$ 80,000</u>	<u>\$ (440,321)</u>	<u>\$ 2,468,410</u>	<u>\$ 498,259</u>

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for those funds are included as part of the above totals for governmental activities. At year end, \$1,079 of internal service funds compensated absences are included in the above amounts. Also, for the governmental activities, compensated absences are generally liquidated by the general fund.

Primary Government

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

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

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities	2.5–8.0%	<u>\$ 22,504,200</u>

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

<u>Year Ending</u> <u>December 31</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2009	\$ 2,338,550	\$ 999,503
2010	2,318,550	911,369
2011	2,188,550	810,766
2012	1,798,550	711,748
2013	1,910,000	629,828
2014-2018	8,910,000	1,763,758
2019-2020	<u>3,040,000</u>	<u>153,000</u>
Total	<u>\$22,504,200</u>	<u>\$ 5,979,972</u>

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

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

<u>Year Ending</u> <u>December 31</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2009	\$ <u>39,381</u>	\$ <u>-</u>

Component Units

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

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

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Business-type activities	2.0 – 7.3%	\$ <u>6,600,000</u>

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

<u>Year Ending</u> <u>December 31</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2009	\$ 970,000	\$ 240,515
2010	935,000	208,350
2011	950,000	177,476
2012	970,000	146,065
2013	435,000	119,110
2014-2018	2,110,000	306,262
2019-2021	<u>230,000</u>	<u>12,075</u>
Total	<u>\$ 6,600,000</u>	<u>\$ 1,209,853</u>

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

Drain Commission. General obligation drain improvement bonds and notes are issued by the County to finance certain drainage district construction projects. General obligation bonds and notes have been issued for governmental activities. The original amount of general obligation bonds and notes issued in prior years was \$6,755,547. During the year notes payable in the amount of \$80,000 were issued.

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

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities	2.25 –8.0%	<u>\$ 2,468,410</u>

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

<u>Year Ending</u> <u>December 31</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2009	\$ 498,259	\$ 122,649
2010	522,899	84,076
2011	418,050	60,641
2012	367,410	41,226
2013	291,242	24,713
2014-2018	<u>370,550</u>	<u>29,433</u>
Total	<u>\$ 2,468,410</u>	<u>\$ 362,738</u>

Advance refundings

On February 18, 2004, the Bay County Building Authority issued general obligation bonds of \$2,035,000. Proceeds from this bond issue were used to advance refund two separately issued general obligation bonds, one issued in 1994 for jail renovations and one issued in 1995 for adult foster care homes. The refunded bonds mature as scheduled on November 1 through 2011. The balance of the defeased debt outstanding at December 31, 2008, was \$650,000.

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

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

mature as scheduled on November 1 through 2015. The balance of the defeased debt outstanding at December 31, 2008, was \$6,690,000.

IV. OTHER INFORMATION

A. DEFINED BENEFIT PENSION PLAN

Pension Plan

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

Funding Policy/Contributions - The County's policy is to fund normal costs which are based on actuarially determined rates, expressed as percentages of annual covered payroll, and which are sufficient to accumulate assets to pay benefits when due. The provisions of the Plan require the County to contribute at an actuarially determined rate. The current rate is 0 percent of annual covered payroll for General County, Medical Care Facility, Sheriff's Department, Library and Department of Water & Sewer, 3.70% for Bay Area Behavioral Health, and 9.17% for the Road Commission, which was determined through an actuarial valuation performed at December 31, 2007. Contributions from County funds for the year ended December 31, 2008, amounted to \$0 and contributions from the component units and Bay Area Behavioral Health amounted to \$718,886. Plan members contribute at a rate of 4% of their annual salary. The County pays the plan member contributions for all employee groups. Contributions received from plan members for the year ended December 31, 2008, amounted to \$1,376,314. 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 administer the plan, in accordance with County policies, union contracts, and plan provisions.

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

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

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

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

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

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

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

Classes of Employees - The Plan's membership consists of the following at December 31, 2007, the date of the last actuarial valuation:

Retirees and beneficiaries receiving benefits	<u>638</u>
Terminated plan members entitled to, but not yet receiving, benefits	<u>90</u>
Active plan members	<u>1,138</u>

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

Annual Pension Cost - For the year ended December 31, 2008, the County's annual pension cost of \$718,886 was equal to the County's required and actual contribution. The required contribution was determined as part of the December 31, 2007, actuarial evaluation, using the entry age actuarial cost method.

The annual required contribution for the current year was determined as part of the December 31, 2007, actuarial valuation using the individual entry age normal cost method. Significant actuarial assumptions included (a) a rate of return on the investment of present and future assets of 7.5% per year compounded annually, (b) projected salary increases of 4.0% per year pay inflation plus merit and longevity, (c) additional projected salary increases ranging from 1.0 to 8.0% per year, depending on age, attributable to merit and longevity, and (d) the assumption that benefits will not increase after retirement.

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

Three Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2006	\$ 581,067	100%	\$ -
2007	706,090	100%	-
2008	718,886	100%	-

The funded status of the plan as of December 31, 2007, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b)- (a)]/(c)
12/31/2007	\$ 253,492,248	\$ 200,933,482	\$(52,558,766)	126.2	\$44,687,752	117.6

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

Net assets Reserved for Employees' Pension Benefits – Net assets reserved for employees' pension benefits includes legally required reserves. Net assets as of December 31, 2008, consists of the following reserves:

Annuity reserve	\$ 2,115,319
Employer reserve	140,990,319
Employee accumulated reserve	<u>27,069,448</u>
	<u>\$ 170,175,086</u>

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

Following are the financial statements for the Employees' Retirement System Pension Trust Fund for the year ended December 31, 2008.

Statement of Plan Net Assets

Assets

Investments at fair value:

Common stock	\$ 99,504,381
Corporate bonds	18,555,497
Governmental securities	27,431,581
Short-term investment funds	8,704,603
Convertible bonds	14,274,498
Other	<u>474,754</u>
Total investments	<u>168,945,314</u>

Receivables:

Interest and dividends	797,533
Trade	<u>1,362,384</u>
Total receivables	<u>2,159,917</u>

Other current assets:

Due from component units	<u>40,329</u>
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Total Assets 171,145,560

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

Liabilities	
Accounts payable	\$ 330,090
Accrued items and other liabilities	635,949
Accrued vacation and sick pay	4,318
Due to other governmental units	<u>117</u>
Total liabilities	<u>970,474</u>
Net assets held in trust for pension benefits	<u>\$ 170,175,086</u>

Statement of Changes in Plan Net Assets

Additions	
Contributions:	
Employer	\$ 718,886
Plan members	<u>1,376,314</u>
Total additions	<u>2,095,200</u>
Investment income:	
Net depreciation in fair value of investments	(81,146,570)
Interest and dividends	5,931,560
Less investment expense	<u>(1,597,704)</u>
Net investment income	<u>(76,812,714)</u>
Other revenue	<u>90,085</u>
Total additions (net of investment losses)	<u>(74,627,429)</u>
Deductions	
Benefits	9,069,218
Administrative expenses	156,414
Refunds of contributions	<u>200,452</u>
Total deductions	<u>9,426,084</u>
Change in net assets	(84,053,513)
Net assets held in trust for pension benefits:	
Beginning of year	<u>254,228,599</u>
End of year	<u>\$ 170,175,086</u>

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

B. POST-RETIREMENT HEALTHCARE AND LIFE INSURANCE BENEFITS

The County also sponsors a retiree healthcare plan through a Voluntary Employees Beneficiary Association (VEBA) trust (the "Plan"). The plan is a single employer defined benefit public retiree healthcare plan established effective October 1, 2001. The purpose of the plan is to provide medical and healthcare benefits for the welfare of certain retirees of the County and the spouses and dependents of such retirees who are participants in the Bay County Retirement System. Benefits under the plan are provided pursuant to a group contract issued by Blue Cross Blue Shield of Michigan. The County Board of Commissioners has the authority to establish and amend benefit provisions. The Plan does not issue stand-alone financial statements and is not included in the financial report of any other entity.

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

The Plan is a contributory defined benefit plan which covers substantially all employees of Bay County as defined above. At December 31, 2007, the date of the latest actuarial valuation, participants in the plan consisted of:

Retired members and beneficiaries:	
Under age 65	171
Age 65 and over	259
Active plan members	<u>967</u>
Total	<u>1,397</u>

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

The insurance for General County retirees is paid for by the employer, with required copayments, if any, determined annually. In addition, some bargaining units' contracts provide for the County paying 50 percent of the retirees' current (at the time of retirement) spouses' insurance. Premiums for all other dependents covered on the policy are at the expense of the retiree.

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

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

100 percent of premiums for spouses of retirees of the Road Commission and Bay Medical Care Facility.

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

The postretirement benefits are financed on a pay-as-you-go basis. The amount of expenditures for the benefits is recognized during the period incurred. The premiums are paid by the County. Employees make no contribution directly to the County for their share of the expense. The cost of retiree healthcare and life insurance benefits for 2008 was approximately \$2,656,769 for the primary government and approximately \$1,114,816 for component units.

The December 31, 2007, actuarial valuation identified the required employer contribution rate as 3.19% to 28.24% of covered payroll, depending on employee group and amortization period. Contributions to the Plan for the year-ended December 31, 2008, were \$2,326,101, representing 0-10% of covered payroll for employee groups.

Annual OPEB Cost and Net OPEB Obligation – The County’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the County’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County’s net OPEB obligation:

Annual required contribution	\$ 3,417,517
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	3,417,517
Contributions made	<u>(2,326,101)</u>
Increase in net OPEB obligation	1,091,416
Net OPEB obligation – beginning of year	-
Net OPEB obligation – end of year	<u>\$ 1,091,416</u>

Medical Care Facility – For the year ended December 31, 2008, the Facility, as part of the County’s plan, has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of December 31, 2007. The valuation’s computed contribution and actual funding are summarized as follows for the year ended December 31, 2008:

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

Annual required contribution	\$ 3,889,227
Amount contributed	<u>1,736,227</u>
Net postretirement benefit obligation	<u>\$ 2,153,000</u>
Percent contributed	45%

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008 was as follows:

Fiscal Year <u>Ending</u>	Annual OPEB <u>Cost</u>	Percentage of Annual OPEB <u>Cost Contributed</u>	Net OPEB <u>Obligation</u>
2008	\$ 3,417,517	68.1%	\$ 1,091,416
Medical Care Facility:			
2008	3,889,227	45.0%	2,153,000

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

The funded status of the plan as of the most recent actuarial valuation date is as follows (dollar amounts in thousands):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll [(b) - (a)]/(c)
12/31/2007*	\$ 22,302	\$ 145,746	\$ 123,444	15.3%	\$ 41,346	-298.6%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress, presented as required supplementary information following the notes to the financial statements, present multiyear trend information about

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

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

Additional information as of the latest actuarial valuation follows:

Valuation date	12/31/07
Actuarial cost method	Entry age
Amortization method	Level percentage of pay, open
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
Actuarial assumptions	
Investment rate of return*	7.5% - active 4.0% - retirees
Healthcare cost trend rate*	10% initial 4% ultimate

*Includes an inflation assumption of 4%.

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

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

Following are the financial statements for the Public Employee Healthcare Trust Fund for the year ended December 31, 2008.

Statement of Plan Net Assets

Assets

Investments at fair value:	
Common stock	\$ 16,057,231
Short-term investment funds	<u>556,969</u>
Total investments	<u>16,614,200</u>
Receivables:	
Interest and dividends	52
Trade	<u>114,988</u>
Total receivables	<u>115,040</u>
<u>Total Assets</u>	<u>16,729,240</u>
Liabilities	
Accounts payable	32,828
Accrued items and other liabilities	<u>-</u>
Total liabilities	<u>32,828</u>
Net assets held in trust for healthcare benefits	<u>\$ 16,696,412</u>

Statement of Changes in Plan Net Assets

Additions	
Contributions	
Employer:	<u>\$ 2,326,101</u>
Investment income:	
Net depreciation in fair value of investments	(8,432,615)
Interest and dividends	576,724
Less investment expense	<u>(41,991)</u>
Net investment loss	<u>(7,897,882)</u>

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

Total additions (net of investment losses)	\$(5,571,781)
Deductions	
Administrative expenses	33,592
Change in net assets	(5,605,373)
Net assets held in trust for healthcare benefits:	
Beginning of year	22,301,785
End of year	\$ 16,696,412

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

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

Annual required contribution	\$ 3,175,728
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	3,175,728
Contributions made	(786,018)
Increase in net OPEB obligation	2,389,710
Net OPEB obligation – beginning of year	-
Net OPEB obligation – end of year	\$ 2,389,710

The Road Commission’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2008 was as follows:

Fiscal Year	Annual OPEB	Percentage of	Net OPEB
<u>Ending</u>	<u>Cost</u>	<u>Annual OPEB</u>	<u>Net OPEB</u>
2008	\$ 3,175,728	Cost Contributed	Obligation
		24.75%	\$ 2,389,710

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

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

Annual required contribution	\$ 224,186
Interest on net OPEB obligation	-
Adjustment to annual required contribution	<u>-</u>
Annual OPEB cost (expense)	224,186
Contributions made	<u>(428,562)</u>
Increase in net OPEB asset	204,376
Net OPEB asset – beginning of year	<u>-</u>
Net OPEB asset – end of year	<u><u>\$ 204,376</u></u>

The Library’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008 was as follows:

Fiscal Year	Annual OPEB	Percentage of	Net OPEB
<u>Ending</u>	<u>Cost</u>	<u>Annual OPEB</u>	<u>Asset</u>
2008	\$ 224,186	Cost Contributed	\$ 204,376
		191.2%	

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

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

Annual required contribution	\$ 707,090
Interest on net OPEB obligation	-
Adjustment to annual required contribution	<u>-</u>
Annual OPEB cost (expense)	707,090
Contributions made	<u>(573,756)</u>
Increase in net OPEB obligation	133,334
Net OPEB obligation – beginning of year	<u>-</u>
Net OPEB obligation – end of year	<u><u>\$ 133,334</u></u>

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

A net OPEB obligation amount of \$72,060 has been recorded in the enterprise funds of the Department. The remaining obligation of \$61,274 has been recorded in the Department's fiduciary funds.

The DWS' annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008 were as follows:

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual OPEB</u> <u>Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
2008	\$ 707,090	81%	\$ 133,334

C. SELF-INSURANCE

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

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

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

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

The County estimates the liability for claims that have been incurred through December 31, 2008, including both claims that have been reported as well as those that have not yet been reported and estimates of both future payments of losses and related claim adjustment expenses. Estimated liabilities for unpaid claims are based on historical claim payments, including related legal and administrative expenses. Neither the County nor the Bay Medical Care Facility has experienced settlements in excess of insurance coverage during the past three years.

General Liability

In 2008 the County was self-insured for general liability insurance coverage with Michigan Municipal Risk Management Authority (MMRMA). Bay County's contributions to this fund are determined each year by MMRMA based on its review of an application filed by the County, which identifies County assets such as property, vehicles, buildings, and equipment. Bay County's retention levels and policy coverage through MMRMA are as follows:

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

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

The County's limits of liability coverage range from \$2,000 to \$10,000,000 per occurrence depending on type of occurrence. The County's limits of property and crime coverage range from \$10,000 to \$85,926,504 per occurrence depending on type of occurrence. In addition to the County's coverage from MMRMA, the combined members' have an aggregate \$5,000,000 terrorism liability coverage, \$200,000,000 of aggregate property coverage, a \$100,000,000 earthquake aggregate loss limit, a \$100,000,000 flood aggregate loss limit, and a \$25,000,000 terrorism aggregate loss limit.

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

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

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

General Liability – Road Commission Component Unit

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

Changes in the estimated claims liabilities for workers' compensation claims (excluding the Medical Care Facility) for the years ended December 31, 2008 and 2007, are as follows:

	December 31, 2008	December 31, 2007
Beginning of year liability	\$ 444,019	\$ 342,307
Estimated claims incurred, claim adjustment expense, and changes in estimates		
Provision for current year events	191,656	237,758
Increase (decrease) in provision for prior year events	<u>(102,296)</u>	<u>51,942</u>
Total incurred claims, claim adjustment expense, and changes in estimates	<u>89,360</u>	<u>289,700</u>
Claim payments and claim adjustment expenses:		
Related to current year events	(96,045)	(48,679)
Related to prior year events	<u>(129,589)</u>	<u>(139,309)</u>
Total claim payments and claim adjustment expenses	<u>(225,634)</u>	<u>(187,988)</u>
End of year liability	<u>\$ 307,745</u>	<u>\$ 444,019</u>

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

Changes in the estimated claims liabilities for workers' compensation claims of the Medical Care Facility for the years ended December 31, 2008 and 2007, are as follows:

	December 31, 2008	December 31, 2007
Beginning of year liability	\$ 91,520	\$ 96,526
Estimated claims incurred, claim adjustment expense, And changes in estimates	59,830	49,725
Claim payments and claim adjustment expenses	<u>(59,830)</u>	<u>(54,731)</u>
End of year liability	<u>\$ 91,520</u>	<u>\$ 91,520</u>

Changes in the estimated claims liabilities for healthcare claims (excluding the Medical Care Facility) for the year ended December 31, 2008 and 2007, are as follows:

	December 31, 2008	December 31, 2007
Beginning of year liability	\$ 222,087	\$ 235,954
Estimated claims incurred, claim adjustment expense, and changes in estimates		
Provision for current year events	4,124,826	3,914,982
Increase (decrease) in provision for prior year events	<u>(222,087)</u>	<u>(235,954)</u>
Total incurred claims, claim adjustment expense, and changes in estimates	<u>3,902,739</u>	<u>3,679,028</u>
Claim payments and claim adjustment expenses:		
Related to current year events	(2,264,293)	(3,092,998)
Related to prior year events	<u>(1,570,936)</u>	<u>(599,897)</u>
Total claim payments and claim adjustment expenses	<u>(3,835,229)</u>	<u>(3,692,895)</u>
End of year liability	<u>\$ 289,597</u>	<u>\$ 222,087</u>

Beginning July 1, 2006, the Medical Care Facility is fully self-insured for healthcare claims. Prior to July 1, 2006, the Facility was partially self-insured for healthcare claims, but also paid a partial premium. The Facility is covered by a stop-loss policy that covers individual claims over \$400,000 or total claims in excess of \$1,000,000, to a maximum of \$1,000,000. Changes in the estimated claims liabilities for healthcare claims of the Medical Care Facility for the year ended December 31, 2008 and 2007, are as follows:

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Beginning of year liability	\$ 400,000	\$ 550,000
Estimated claims incurred, claim adjustment expense, And changes in estimates	2,196,923	2,803,581
Claim payments and claim adjustment expenses	<u>(2,424,923)</u>	<u>(2,953,581)</u>
End of year liability	<u>\$ 172,000</u>	<u>\$ 400,000</u>

The Department of Water and Sewer is self-insured for workers' compensation claims. This program is administered by an independent company which furnishes safety inspection, claims review, and claims processing services. The employers' liability maximum limit of indemnity per occurrence is \$1,000,000 and the self insured retention per occurrence is \$400,000. Net cost for the year ended December 31, 2008, was \$19,207.

The Department of Water and Sewer is further insured for general, automobile, and errors or omissions claims as a member of the Michigan County Road Commission Self-Insurance Pool and is insured for liabilities up to a limit of \$10,500,000 per occurrence, subject to a \$1,000 deductible. Payments made for the year ended December 31, 2008, were \$53,868.

The Department of Water and Sewer is further insured as a member of the Michigan County Road Commission Self-Insurance Pool for building, contents, off-road equipment and licensed vehicles claims and is insured for the lessor of the scheduled value of property or the cost of repairs or replacement, subject to a \$500 deductible. Payments made for the year ended December 31, 2008, were \$62,800.

The Department of Water and Sewer became self-insured for healthcare claims effective February 1, 2006. Blue Cross Blue Shield of Michigan administers the claims and provides \$75,000 specific and \$1,500,000 aggregate stop loss coverage in a combined contract with DWS and Bay County Road Commission. Payments made for the year ended December 31, 2008, were \$669,837.

D. PROPERTY TAXES

The County property tax is levied each July 1st and December 1st through 2008 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.

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

Although the County's 2008 ad valorem tax is levied and collectible by December 1, 2008, it is the County's policy for all governmental fund types (with the exception below) to recognize revenues from the current tax levy in the year when the proceeds of the levy are budgeted and made available for financing County operations.

Beginning with the 2004 tax levy the State has mandated the creation of a Revenue Sharing Reserve fund into which one-third of the County's 2004 to 2006 ad valorem operating tax was being recognized. The purpose of the fund is to accumulate reserves of the County's own local funds from which an amount similar to revenue sharing payments, formerly made by the State, will be made back to the General Fund. As part of this process, the County's tax levy shifted over three years from winter to summer. The property tax shift was completed in 2006 and 100% of the general operating taxes were levied July 1 in 2008.

The taxable value of real and personal property for the December 1, 2007, levy totaled \$3,014,158,443. The taxable value of real and personal property for the July 1, 2008, levy totaled \$3,065,317,958. The tax levy for fiscal year 2008 operations was based on the following rates:

General Operating	5.7257 mills
Gypsy Moth	.09960 mills
Mosquito Control	.4478 mills
911 Central Dispatch	.7000 mills
County Library	1.9953 mills
Senior Citizens	.5000 mills
Historical Society	.0952 mills

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

E. CONTINGENCIES AND PENDING LITIGATION

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

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

BAY COUNTY

NOTES TO FINANCIAL STATEMENTS

F. SUBSEQUENT EVENT

On January 13, 2009, the Board approved the sale of the County property located at Madison and 4th Streets to the Bay Arenac Behavioral Health Authority for \$439,237.

**BAY COUNTY
REQUIRED SUPPLEMENTARY INFORMATION**

EMPLOYEES' RETIREMENT SYSTEM

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

SCHEDULE OF FUNDING PROGRESS

<u>ACTUARIAL VALUATION DATE DECEMBER 31,</u>	<u>ACTUARIAL VALUE OF ASSETS (IN THOUSANDS)</u>	<u>ACTUARIAL ACCRUED LIABILITY (AAL) ENTRY AGE (IN THOUSANDS)</u>	<u>FUNDED RATIO</u>	<u>EXCESS OF ASSETS OVER AAL (IN THOUSANDS)</u>	<u>COVERED PAYROLL (IN THOUSANDS)</u>	<u>EXCESS AS A PERCENTAGE OF COVERED PAYROLL</u>
2001	\$ 203,174	\$ 140,670	144.4%	\$ 62,504	\$ 39,762	157.2%
2002	200,786	151,663	132.4%	49,123	41,332	118.8%
2003	225,029	156,242	144.0%	68,787	43,054	159.8%
2004	227,174	174,175	130.4%	52,999	43,551	121.7%
2005	230,242	181,305	127.0%	48,937	43,104	113.5%
2006	237,681	189,811	125.2%	47,870	42,024	113.9%
2007	253,492	200,933	126.2%	52,559	44,688	117.6%

SCHEDULE OF EMPLOYER CONTRIBUTIONS:

<u>YEAR ENDED DECEMBER 31,</u>	<u>ANNUAL REQUIRED CONTRIBUTION</u>	<u>PERCENTAGE CONTRIBUTED</u>
2002	\$ -	100%
2003	-	100%
2004	-	100%
2005	393,515	100%
2006	581,067	100%
2007	706,090	100%
2008	718,886	100%

The information presented in the supplemental schedule was determined as part of the actuarial valuation at the dates indicated. Additional

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

*Includes pay inflation at 4.0 percent

**BAY COUNTY
REQUIRED SUPPLEMENTARY INFORMATION**

PUBLIC EMPLOYEE HEALTH CARE

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

SCHEDULE OF FUNDING PROGRESS

<u>ACTUARIAL VALUATION DATE DECEMBER 31,</u>	<u>ACTUARIAL VALUE OF ASSETS (IN THOUSANDS)</u>	<u>ACTUARIAL ACCRUED LIABILITY (AAL) ENTRY AGE (IN THOUSANDS)</u>	<u>FUNDED RATIO</u>	<u>EXCESS OF ASSETS OVER AAL (IN THOUSANDS)</u>	<u>COVERED PAYROLL (IN THOUSANDS)</u>	<u>EXCESS AS A PERCENTAGE OF COVERED PAYROLL</u>
2007	\$ 22,302	\$ 145,746	15.3%	\$ (123,444)	\$ 41,346	-298.6%

SCHEDULE OF EMPLOYER CONTRIBUTIONS:

<u>YEAR ENDED DECEMBER 31,</u>	<u>ANNUAL REQUIRED CONTRIBUTION</u>	<u>PERCENTAGE CONTRIBUTED</u>
2008	\$ 3,417,517	68.1%

The information presented in the supplemental schedule was determined as part of the actuarial valuation at the dates indicated. Additional information as of the latest actuarial valuation (December 31, 2007) follows:

Actuarial cost method	Individual entry age normal cost
Amortization method	Level percent of payroll, opened periods
Remaining amortization method:	30 years
Asset valuation method	Market value with 5 year smoothing of gains and losses.
Actuarial assumptions:	
Investment rating return*	7.5 percent - actives 4.0 percent - retirees
Projected salary increases*	5.0 percent to 13.0 percent, dependant on years of service
Cost-of-living adjustments	None

*Includes pay inflation at 4.0 percent

Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

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

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

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

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

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

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

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

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

Special Revenue Funds (concluded)

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

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

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

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

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

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

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

**BAY COUNTY
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2008**

	SPECIAL REVENUE FUNDS			
	FRIEND OF THE COURT	HEALTH DEPARTMENT / DISTRICT HEALTH	GYPSY MOTH CONTROL	PUBLIC IMPROVEMENT
ASSETS				
Cash and cash equivalents	\$ 111,472	\$ 473,376	\$ 264,084	\$ 11,087
Investments	37,572	-	182,911	7,976
Accounts receivable, net of allowance	-	10,799	-	-
Property taxes receivable, net of allowance	-	-	290,781	-
Accrued interest receivable	-	-	4,529	196
Due from component units	-	35	-	-
Due from other governmental units	-	58,844	-	-
TOTAL ASSETS	\$ 149,044	\$ 543,054	\$ 742,305	\$ 19,259
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 77	\$ 11,831	\$ 73	\$ -
Accrued items and other liabilities	2,164	50,189	1,444	-
Accrued vacation and sick pay	-	1,967	-	-
Due to other funds	58	1,402	39	-
Due to other governmental units	-	1,331	-	-
Long term advances from other governmental units	-	-	-	-
Deferred revenue	-	406,143	299,714	-
TOTAL LIABILITIES	2,299	472,863	301,270	-
FUND BALANCES				
Reserved:				
Debt service	-	-	-	-
Noncurrent assets	-	-	-	-
Restricted contributions	-	-	-	19,259
Total reserved	-	-	-	19,259
Unreserved:				
Designated for subsequent year's expenditures	9,117	170,257	-	-
Designated for other projects and activities	-	112,247	-	-
Undesignated	137,628	(212,313)	441,035	-
TOTAL FUND BALANCES	146,745	70,191	441,035	19,259
TOTAL LIABILITIES AND FUND BALANCES	\$ 149,044	\$ 543,054	\$ 742,305	\$ 19,259

SPECIAL REVENUE FUNDS

REGISTER OF		LOCAL C.F.O.		DRUG LAW		LAW		COMMUNITY		HOME	
DEEDS		TRAINING		ENFORCEMENT		LIBRARY		CORRECTIONS		REHABILITATION	
AUTOMATION											
\$	153,820	\$	57,966	\$	63,043	\$	45,607	\$	2,867	\$	116,957
	105,270		-		-		-		-		-
	-		1,562		-		-		-		1,542,794
	-		-		-		-		-		-
	2,759		-		-		-		-		-
	-		-		-		-		-		-
	-		-		-		-		36,694		-
<hr/>											
\$	261,849	\$	59,528	\$	63,043	\$	45,607	\$	39,561	\$	1,659,751
<hr/>											
\$	6,275	\$	10	\$	-	\$	1,985	\$	6,734	\$	6
	-		-		151		-		1,834		169
	-		-		-		-		-		-
	-		-		-		-		46		5
	-		-		-		-		-		14,057
	-		-		-		-		-		-
	-		-		-		-		-		-
	6,275		10		151		1,985		8,614		14,237
<hr/>											
	-		-		-		-		-		-
	-		-		-		-		-		1,489,514
	-		-		-		-		8,049		-
	-		-		-		-		8,049		1,489,514
	-		10,042		-		-		-		3,233
	-		-		-		-		-		131,185
	255,574		49,476		62,892		43,622		22,898		21,582
	255,574		59,518		62,892		43,622		30,947		1,645,514
<hr/>											
\$	261,849	\$	59,528	\$	63,043	\$	45,607	\$	39,561	\$	1,659,751
<hr/>											

(Continued)

**BAY COUNTY
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET (CONTINUED)
DECEMBER 31, 2008**

SPECIAL REVENUE FUNDS (CONTINUED)

	SOCIAL SERVICES		CHILD CARE	CHILD CARE / SOCIAL SERVICES
	SOCIAL WELFARE	PROTECTIVE SERVICES		
ASSETS				
Cash and cash equivalents	\$ 80,758	\$ -	\$ 358,290	\$ 5,240
Investments	57,811	-	-	-
Accounts receivable, net of allowance	-	-	25	-
Property taxes receivable, net of allowance	-	-	-	-
Accrued interest receivable	-	-	-	-
Due from component units	-	-	-	-
Due from other governmental units	26,527	-	214,821	250
TOTAL ASSETS	\$ 165,096	\$ -	\$ 573,136	\$ 5,490
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ 56,703	\$ -
Accrued items and other liabilities	-	-	39,562	-
Accrued vacation and sick pay	-	-	2,521	-
Due to other funds	-	-	1,102	-
Due to other governmental units	-	-	-	-
Long term advances from other governmental units	29,000	-	-	-
Deferred revenue	-	-	-	-
TOTAL LIABILITIES	29,000	-	99,888	-
FUND BALANCES				
Reserved:				
Debt service	-	-	-	-
Noncurrent assets	-	-	-	-
Restricted contributions	54,815	-	-	2,556
Total reserved	54,815	-	-	2,556
Unreserved:				
Designated for subsequent year's expenditures	-	-	254,932	-
Designated for other projects and activities	-	-	-	-
Undesignated	81,281	-	218,316	2,934
TOTAL FUND BALANCES	136,096	-	473,248	5,490
TOTAL LIABILITIES AND FUND BALANCES	\$ 165,096	\$ -	\$ 573,136	\$ 5,490

<u>SPECIAL REVENUE FUNDS (CONTINUED)</u>			<u>DEBT SERVICE FUND</u>	<u>CAPITAL PROJECTS FUND</u>	
<u>SOLDIERS' RELIEF</u>	<u>VETERANS' TRUST</u>	<u>HISTORICAL PRESERVATION</u>	<u>BUILDING AUTHORITY</u>	<u>BUILDING AUTHORITY</u>	<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
\$ 10,813	\$ 1,617	\$ 7,899	\$ 438,340	\$ -	\$ 2,203,236
-	-	-	314,852	-	706,392
-	-	607	-	-	1,555,787
-	-	277,144	-	-	567,925
-	-	-	9,977	-	17,461
-	-	-	-	10,164	10,199
-	-	-	-	-	337,136
<u>\$ 10,813</u>	<u>\$ 1,617</u>	<u>\$ 285,650</u>	<u>\$ 763,169</u>	<u>\$ 10,164</u>	<u>\$ 5,398,136</u>
\$ 3,444	\$ -	\$ -	\$ -	\$ -	\$ 87,138
-	-	-	-	-	95,513
-	-	-	-	-	4,488
-	18	-	-	10,164	12,834
-	-	1	-	-	15,389
-	-	-	-	-	29,000
-	-	285,649	-	-	991,506
<u>3,444</u>	<u>18</u>	<u>285,650</u>	<u>-</u>	<u>10,164</u>	<u>1,235,868</u>
-	-	-	763,169	-	763,169
-	-	-	-	-	1,489,514
-	-	-	-	-	84,679
-	-	-	763,169	-	2,337,362
-	-	-	-	-	447,581
-	-	-	-	-	243,432
7,369	1,599	-	-	-	1,133,893
<u>7,369</u>	<u>1,599</u>	<u>-</u>	<u>763,169</u>	<u>-</u>	<u>4,162,268</u>
<u>\$ 10,813</u>	<u>\$ 1,617</u>	<u>\$ 285,650</u>	<u>\$ 763,169</u>	<u>\$ 10,164</u>	<u>\$ 5,398,136</u>

**BAY COUNTY
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	SPECIAL REVENUE FUNDS			
	HEALTH			
	FRIEND OF THE COURT	DEPARTMENT / DISTRICT HEALTH	GYPSY MOTH CONTROL	PUBLIC IMPROVEMENT
REVENUES				
Property and other taxes	\$ -	\$ -	\$ 296,233	\$ -
Licenses and permits	-	180,907	-	-
Federal grants	59,784	600,753	-	-
State grants	-	1,154,832	-	-
Interest, rents and royalties	-	1,175	15,467	780
Charges for services	43,708	88,627	-	-
Fines and forfeitures	-	-	-	-
Reimbursements, refunds, and other revenues	-	393,229	-	-
TOTAL REVENUES	103,492	2,419,523	311,700	780
EXPENDITURES				
Current				
Judicial	98,439	-	-	-
General government	-	-	78,740	-
Public safety	-	-	-	-
Health and welfare	-	3,445,562	-	-
Community and economic development	-	-	-	-
Recreation and culture	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest and other fees	-	-	-	-
TOTAL EXPENDITURES	98,439	3,445,562	78,740	-
REVENUES OVER (UNDER) EXPENDITURES	5,053	(1,026,039)	232,960	780
OTHER FINANCING SOURCES (USES)				
Transfers in	-	1,139,998	-	-
Transfers (out)	-	(300,480)	(15,259)	-
TOTAL OTHER FINANCING SOURCES (USES)	-	839,518	(15,259)	-
NET CHANGE IN FUND BALANCES	5,053	(186,521)	217,701	780
FUND BALANCES, BEGINNING OF YEAR	141,692	256,712	223,334	18,479
FUND BALANCES, END OF YEAR	\$ 146,745	\$ 70,191	\$ 441,035	\$ 19,259

SPECIAL REVENUE FUNDS

REGISTER OF						
DEEDS	LOCAL C.F.O.	DRUG LAW	LAW	COMMUNITY	HOME	
AUTOMATION	TRAINING	ENFORCEMENT	LIBRARY	CORRECTIONS	REHABILITATION	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	146,322	-
11,513	-	-	-	-	-	766
-	21,027	-	-	-	-	30
-	-	14,349	6,500	-	-	-
-	-	-	-	-	-	-
11,513	21,027	14,349	6,500	146,322		796
-	-	-	-	-	-	-
114,736	-	-	24,569	-	-	-
-	18,330	4,575	-	162,905	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	12,151
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
114,736	18,330	4,575	24,569	162,905		12,151
(103,223)	2,697	9,774	(18,069)	(16,583)		(11,355)
92,920	-	-	18,942	6,687		-
(5,505)	-	-	-	-		-
87,415	-	-	18,942	6,687		-
(15,808)	2,697	9,774	873	(9,896)		(11,355)
271,382	56,821	53,118	42,749	40,843		1,656,869
\$ 255,574	\$ 59,518	\$ 62,892	\$ 43,622	\$ 30,947	\$	\$ 1,645,514

(Continued)

**BAY COUNTY
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>SPECIAL REVENUE FUNDS (CONTINUED)</u>			
	<u>SOCIAL WELFARE</u>	<u>SOCIAL SERVICES PROTECTIVE SERVICES</u>	<u>CHILD CARE</u>	<u>CHILD CARE / SOCIAL SERVICES</u>
REVENUES				
Property and other taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Federal grants	-	-	19,275	-
State grants	-	-	43,883	-
Interest, rents and royalties	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Reimbursements, refunds, and other revenues	338,246	-	1,208,120	1,109
TOTAL REVENUES	<u>338,246</u>	<u>-</u>	<u>1,271,278</u>	<u>1,109</u>
EXPENDITURES				
Current				
Judicial	-	-	-	-
General government	-	-	-	-
Public safety	-	-	-	-
Health and welfare	352,837	-	1,962,811	2,218
Community and economic development	-	-	-	-
Recreation and culture	-	-	264,581	-
Debt service				
Principal	-	-	-	-
Interest and other fees	-	-	-	-
TOTAL EXPENDITURES	<u>352,837</u>	<u>-</u>	<u>2,227,392</u>	<u>2,218</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(14,591)</u>	<u>-</u>	<u>(956,114)</u>	<u>(1,109)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	10,000	-	1,281,840	4,044
Transfers (out)	-	-	(150,255)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>10,000</u>	<u>-</u>	<u>1,131,585</u>	<u>4,044</u>
NET CHANGE IN FUND BALANCES	<u>(4,591)</u>	<u>-</u>	<u>175,471</u>	<u>2,935</u>
FUND BALANCES, BEGINNING OF YEAR	<u>140,687</u>	<u>-</u>	<u>297,777</u>	<u>2,555</u>
FUND BALANCES, END OF YEAR	<u>\$ 136,096</u>	<u>\$ -</u>	<u>\$ 473,248</u>	<u>\$ 5,490</u>

<u>SPECIAL REVENUE FUNDS (CONTINUED)</u>			<u>DEBT SERVICE FUND</u>	<u>CAPITAL PROJECTS FUND</u>	
<u>SOLDIERS' RELIEF</u>	<u>VETERANS' TRUST</u>	<u>HISTORICAL PRESERVATION</u>	<u>BUILDING AUTHORITY</u>	<u>BUILDING AUTHORITY</u>	<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
\$ -	\$ -	\$ 283,075	\$ -	\$ -	\$ 579,308
-	-	-	-	-	180,907
-	-	-	-	-	679,812
-	-	-	-	-	1,345,037
-	-	55	319,454	-	349,210
-	-	-	-	-	153,392
-	-	-	-	-	20,849
-	37,071	-	1,360,734	-	3,338,509
-	37,071	283,130	1,680,188	-	6,647,024
-	-	-	-	-	98,439
-	-	-	-	-	218,045
-	-	-	-	-	185,810
55,378	39,904	-	-	-	5,858,710
-	-	-	-	-	12,151
-	-	283,130	-	-	547,711
-	-	-	2,225,000	-	2,225,000
-	-	-	1,082,392	-	1,082,392
55,378	39,904	283,130	3,307,392	-	10,228,258
(55,378)	(2,833)	-	(1,627,204)	-	(3,581,234)
62,400	-	-	1,687,216	-	4,304,047
-	-	-	-	-	(471,499)
62,400	-	-	1,687,216	-	3,832,548
7,022	(2,833)	-	60,012	-	251,314
347	4,432	-	703,157	-	3,910,954
\$ 7,369	\$ 1,599	\$ -	\$ 763,169	\$ -	\$ 4,162,268

**BAY COUNTY
 FRIEND OF THE COURT SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED DECEMBER 31, 2008**

	BUDGETED AMOUNTS			VARIANCE
	ORIGINAL	FINAL	ACTUAL	WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Federal grants	\$ 57,500	\$ 57,500	\$ 59,784	\$ 2,284
Charges for services	38,600	38,600	43,708	5,108
TOTAL REVENUES	96,100	96,100	103,492	7,392
EXPENDITURES				
Judicial	98,242	98,592	98,439	153
NET CHANGE IN FUND BALANCES	(2,142)	(2,492)	5,053	7,545
FUND BALANCES, BEGINNING OF YEAR	141,692	141,692	141,692	-
FUND BALANCES, END OF YEAR	\$ 139,550	\$ 139,200	\$ 146,745	\$ 7,545

BAY COUNTY
HEALTH DEPARTMENT / DISTRICT HEALTH SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2008

	BUDGETED AMOUNTS			VARIANCE
	ORIGINAL	FINAL	ACTUAL	WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Licenses and permits	\$ 188,900	\$ 188,900	\$ 180,907	\$ (7,993)
Federal grants	543,887	601,005	600,753	(252)
State grants	1,240,451	1,242,088	1,154,832	(87,256)
Interest, rents and royalties	1,100	1,100	1,175	75
Charges for services	113,600	113,600	88,627	(24,973)
Reimbursements, refunds, and other revenues	482,275	484,775	393,229	(91,546)
TOTAL REVENUES	2,570,213	2,631,468	2,419,523	(211,945)
EXPENDITURES				
Health and welfare	3,441,011	3,559,511	3,445,562	113,949
REVENUES OVER (UNDER) EXPENDITURES	(870,798)	(928,043)	(1,026,039)	(97,996)
OTHER FINANCING SOURCES (USES)				
Transfers in	1,133,621	1,149,539	1,139,998	(9,541)
Transfers (out)	(287,622)	(287,622)	(300,480)	(12,858)
TOTAL OTHER FINANCING SOURCES (USES)	845,999	861,917	839,518	(22,399)
NET CHANGE IN FUND BALANCES	(24,799)	(66,126)	(186,521)	(120,395)
FUND BALANCES, BEGINNING OF YEAR	256,712	256,712	256,712	-
FUND BALANCES, END OF YEAR	\$ 231,913	\$ 190,586	\$ 70,191	\$ (120,395)

**BAY COUNTY
 GYPSY MOTH CONTROL SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>BUDGETED AMOUNTS</u>			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	
REVENUES				
Property and other taxes	\$ 292,826	\$ 292,826	\$ 296,233	\$ 3,407
Interest, rents and royalties	15,000	12,000	15,467	3,467
TOTAL REVENUES	307,826	304,826	311,700	6,874
EXPENDITURES				
General government	105,655	105,655	78,740	26,915
REVENUES OVER (UNDER) EXPENDITURES	202,171	199,171	232,960	33,789
OTHER FINANCING (USES)				
Transfers (out)	(15,259)	(15,259)	(15,259)	-
NET CHANGE IN FUND BALANCES	186,912	183,912	217,701	33,789
FUND BALANCES, BEGINNING OF YEAR	223,334	223,334	223,334	-
FUND BALANCES, END OF YEAR	<u>\$ 410,246</u>	<u>\$ 407,246</u>	<u>\$ 441,035</u>	<u>\$ 33,789</u>

**BAY COUNTY
PUBLIC IMPROVEMENT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES				
Interest, rents and royalties	\$ 800	\$ 700	\$ 780	\$ 80
FUND BALANCES, BEGINNING OF YEAR	18,479	18,479	18,479	-
FUND BALANCES, END OF YEAR	\$ 19,279	\$ 19,179	\$ 19,259	\$ 80

BAY COUNTY
REGISTER OF DEEDS AUTOMATION SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>BUDGETED AMOUNTS</u>			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	
REVENUES				
Interest, rents and royalties	\$ 9,000	\$ 11,000	\$ 11,513	\$ 513
EXPENDITURES				
General government	39,450	225,784	114,736	111,048
REVENUES OVER (UNDER) EXPENDITURES	<u>(30,450)</u>	<u>(214,784)</u>	<u>(103,223)</u>	<u>111,561</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	105,000	105,000	92,920	(12,080)
Transfers (out)	(5,505)	(5,505)	(5,505)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>99,495</u>	<u>99,495</u>	<u>87,415</u>	<u>(12,080)</u>
NET CHANGE IN FUND BALANCES	69,045	(115,289)	(15,808)	99,481
FUND BALANCES, BEGINNING OF YEAR	<u>271,382</u>	<u>271,382</u>	<u>271,382</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ 340,427</u>	<u>\$ 156,093</u>	<u>\$ 255,574</u>	<u>\$ 99,481</u>

**BAY COUNTY
 LOCAL C.F.O. TRAINING SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>BUDGETED AMOUNTS</u>			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	
REVENUES				
Charges for services	\$ 25,000	\$ 25,000	\$ 21,027	\$ (3,973)
EXPENDITURES				
Public safety	28,000	33,755	18,330	15,425
NET CHANGE IN FUND BALANCES	(3,000)	(8,755)	2,697	11,452
FUND BALANCES, BEGINNING OF YEAR	56,821	56,821	56,821	-
FUND BALANCES, END OF YEAR	<u>\$ 53,821</u>	<u>\$ 48,066</u>	<u>\$ 59,518</u>	<u>\$ 11,452</u>

**BAY COUNTY
DRUG LAW ENFORCEMENT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES				
Fines and forfeitures	\$ 9,500	\$ 9,900	\$ 14,349	\$ 4,449
EXPENDITURES				
Public safety	-	10,675	4,575	6,100
NET CHANGE IN FUND BALANCES	9,500	(775)	9,774	10,549
FUND BALANCES, BEGINNING OF YEAR	53,118	53,118	53,118	-
FUND BALANCES, END OF YEAR	<u>\$ 62,618</u>	<u>\$ 52,343</u>	<u>\$ 62,892</u>	<u>\$ 10,549</u>

BAY COUNTY
LAW LIBRARY SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>BUDGETED AMOUNTS</u>		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES				
Fines and forfeitures	\$ 6,500	\$ 6,500	\$ 6,500	\$ -
EXPENDITURES				
Judicial	21,820	21,820	24,569	(2,749)
REVENUES OVER (UNDER) EXPENDITURES	(15,320)	(15,320)	(18,069)	(2,749)
OTHER FINANCING SOURCES				
Transfer in	15,320	15,320	18,942	3,622
NET CHANGE IN FUND BALANCES	-	-	873	873
FUND BALANCES, BEGINNING OF YEAR	42,749	42,749	42,749	-
FUND BALANCES, END OF YEAR	<u>\$ 42,749</u>	<u>\$ 42,749</u>	<u>\$ 43,622</u>	<u>\$ 873</u>

**BAY COUNTY
COMMUNITY CORRECTIONS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>BUDGETED AMOUNTS</u>			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	
REVENUES				
State grants	\$ 155,762	\$ 155,762	\$ 146,322	\$ (9,440)
EXPENDITURES				
Public safety	162,449	175,117	162,905	12,212
REVENUES OVER (UNDER) EXPENDITURES	(6,687)	(19,355)	(16,583)	2,772
OTHER FINANCING SOURCES				
Transfers in	6,687	6,687	6,687	-
NET CHANGE IN FUND BALANCES	-	(12,668)	(9,896)	2,772
FUND BALANCES, BEGINNING OF YEAR	40,843	40,843	40,843	-
FUND BALANCES, END OF YEAR	<u>\$ 40,843</u>	<u>\$ 28,175</u>	<u>\$ 30,947</u>	<u>\$ 2,772</u>

**BAY COUNTY
HOME REHABILITATION SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES				
Federal grants	\$ 150,000	\$ 150,000	\$ -	\$ (150,000)
Interest, rents and royalties	1,700	1,700	766	(934)
Charges for services	315	315	30	(285)
TOTAL REVENUES	152,015	152,015	796	(151,219)
EXPENDITURES				
Community and economic development	204,701	204,701	12,151	192,550
NET CHANGE IN FUND BALANCES	(52,686)	(52,686)	(11,355)	41,331
FUND BALANCES, BEGINNING OF YEAR	1,656,869	1,656,869	1,656,869	-
FUND BALANCES, END OF YEAR	<u>\$ 1,604,183</u>	<u>\$ 1,604,183</u>	<u>\$ 1,645,514</u>	<u>\$ 41,331</u>

**BAY COUNTY
SOCIAL WELFARE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>BUDGETED AMOUNTS</u>			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	
REVENUES				
Reimbursements, refunds, and other revenues	\$ 634,353	\$ 634,353	\$ 338,246	\$ (296,107)
EXPENDITURES				
Health and welfare	671,753	671,753	352,837	318,916
REVENUES OVER (UNDER) EXPENDITURES	(37,400)	(37,400)	(14,591)	22,809
OTHER FINANCING SOURCES				
Transfers in	10,000	10,000	10,000	-
NET CHANGE IN FUND BALANCES	(27,400)	(27,400)	(4,591)	22,809
FUND BALANCES, BEGINNING OF YEAR	140,687	140,687	140,687	-
FUND BALANCES, END OF YEAR	<u>\$ 113,287</u>	<u>\$ 113,287</u>	<u>\$ 136,096</u>	<u>\$ 22,809</u>

BAY COUNTY
SOCIAL SERVICES PROTECTIVE SERVICES SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>BUDGETED AMOUNTS</u>			<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>			
REVENUES					
Reimbursements, refunds, and other revenues	\$ 500	\$ 500	\$ -	\$ (500)	
EXPENDITURES					
Health and welfare	500	500	-	500	
NET CHANGE IN FUND BALANCES	-	-	-	-	
FUND BALANCES, BEGINNING OF YEAR	-	-	-	-	
FUND BALANCES, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	

BAY COUNTY
CHILD CARE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>BUDGETED AMOUNTS</u>		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES				
Federal grants	\$ 17,000	\$ 17,000	\$ 19,275	\$ 2,275
State grants	39,000	22,792	43,883	21,091
Reimbursements, refunds, and other revenues	1,294,202	1,302,306	1,208,120	(94,186)
TOTAL REVENUES	<u>1,350,202</u>	<u>1,342,098</u>	<u>1,271,278</u>	<u>(70,820)</u>
EXPENDITURES				
Health and welfare	2,210,078	2,214,472	1,962,811	251,661
Recreation and culture	285,684	285,684	264,581	21,103
TOTAL EXPENDITURES	<u>2,495,762</u>	<u>2,500,156</u>	<u>2,227,392</u>	<u>272,764</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(1,145,560)</u>	<u>(1,158,058)</u>	<u>(956,114)</u>	<u>201,944</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,295,815	1,285,815	1,281,840	(3,975)
Transfers (out)	(150,255)	(150,255)	(150,255)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,145,560</u>	<u>1,135,560</u>	<u>1,131,585</u>	<u>(3,975)</u>
NET CHANGE IN FUND BALANCES	-	(22,498)	175,471	197,969
FUND BALANCES, BEGINNING OF YEAR	<u>297,777</u>	<u>297,777</u>	<u>297,777</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ 297,777</u>	<u>\$ 275,279</u>	<u>\$ 473,248</u>	<u>\$ 197,969</u>

BAY COUNTY
CHILD CARE / SOCIAL SERVICES SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>BUDGETED AMOUNTS</u>		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES				
Reimbursements	\$ 3,750	\$ 900	\$ 1,109	\$ 209
EXPENDITURES				
Health and welfare	7,500	7,500	2,218	5,282
REVENUES OVER (UNDER) EXPENDITURES	(3,750)	(6,600)	(1,109)	5,491
OTHER FINANCING SOURCES (USES)				
Transfers in	-	4,044	4,044	-
NET CHANGE IN FUND BALANCES	(3,750)	(2,556)	2,935	5,491
FUND BALANCES, BEGINNING OF YEAR	2,555	2,555	2,555	-
FUND BALANCES, END OF YEAR	<u>\$ (1,195)</u>	<u>\$ (1)</u>	<u>\$ 5,490</u>	<u>\$ 5,491</u>

**BAY COUNTY
SOLDIERS' RELIEF SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
EXPENDITURES				
Health and welfare	\$ 59,925	\$ 62,400	\$ 55,378	\$ 7,022
OTHER FINANCING SOURCES				
Transfers in	59,925	62,400	62,400	-
NET CHANGE IN FUND BALANCES	-	-	7,022	7,022
FUND BALANCES, BEGINNING OF YEAR	347	347	347	-
FUND BALANCES, END OF YEAR	<u>\$ 347</u>	<u>\$ 347</u>	<u>\$ 7,369</u>	<u>\$ 7,022</u>

**BAY COUNTY
VETERANS' TRUST SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>BUDGETED AMOUNTS</u>			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	
REVENUES				
Reimbursements, refunds and other revenues	\$ 47,600	\$ 47,600	\$ 37,071	\$ (10,529)
EXPENDITURES				
Health and welfare	47,600	47,600	39,904	7,696
NET CHANGE IN FUND BALANCES	-	-	(2,833)	(2,833)
FUND BALANCES, BEGINNING OF YEAR	4,432	4,432	4,432	-
FUND BALANCES, END OF YEAR	<u>\$ 4,432</u>	<u>\$ 4,432</u>	<u>\$ 1,599</u>	<u>\$ (2,833)</u>

**BAY COUNTY
HISTORICAL PRESERVATION SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2008**

	BUDGETED AMOUNTS			VARIANCE
	ORIGINAL	FINAL	ACTUAL	WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Property and other taxes	\$ 280,540	\$ 280,540	\$ 283,075	\$ 2,535
Interest, rents and royalties	25	25	55	30
TOTAL REVENUES	280,565	280,565	283,130	2,565
EXPENDITURES				
Recreation and culture	280,565	280,565	283,130	(2,565)
NET CHANGE IN FUND BALANCES	-	-	-	-
FUND BALANCES, BEGINNING OF YEAR	-	-	-	-
FUND BALANCES, END OF YEAR	\$ -	\$ -	\$ -	\$ -

Debt Service Funds

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

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

Capital Projects Funds

Capital Projects funds account for the purchase or construction of major capital facilities which are not financed by Proprietary funds.

The Building Authority Construction Fund was established to account for the proceeds of bonds issued for the construction of and improvements to the various projects within the County.

**BAY COUNTY
BUILDING AUTHORITY DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
REVENUES				
Interest, rents and royalties	\$ 321,110	\$ 321,060	\$ 319,454	\$ (1,606)
Reimbursements, refunds, and other revenues	1,360,767	1,360,767	1,360,734	(33)
TOTAL REVENUES	1,681,877	1,681,827	1,680,188	(1,639)
EXPENDITURES				
Debt service				
Principal	2,225,000	2,225,000	2,225,000	-
Interest and other fees	1,082,393	1,082,393	1,082,392	1
TOTAL EXPENDITURES	3,307,393	3,307,393	3,307,392	1
REVENUES (UNDER) EXPENDITURES	(1,625,516)	(1,625,566)	(1,627,204)	(1,638)
OTHER FINANCING SOURCES				
Transfers in	1,687,216	1,687,216	1,687,216	-
NET CHANGE IN FUND BALANCES	61,700	61,650	60,012	(1,638)
FUND BALANCES, BEGINNING OF YEAR	703,157	703,157	703,157	-
FUND BALANCES, END OF YEAR	\$ 764,857	\$ 764,807	\$ 763,169	\$ (1,638)

Nonmajor Enterprise Funds

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

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

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

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

**BAY COUNTY
ENTERPRISE FUNDS
COMBINING STATEMENT OF NET ASSETS
DECEMBER 31, 2008**

	GOLF COURSE	DELINQUENT PROPERTY TAX FORECLOSURE	COMMISSARY	TOTAL
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 106,195	\$ 211,788	\$ 74,760	\$ 392,743
Investments	74,437	116,088	52,350	242,875
Accounts receivable, net of allowance	2,595	-	1,605	4,200
Due from other governmental units	25	-	-	25
Accrued interest receivable	1,779	2,175	1,199	5,153
Inventories	13,166	-	-	13,166
Due from other funds	-	26,222	-	26,222
TOTAL CURRENT ASSETS	198,197	356,273	129,914	684,384
CAPITAL ASSETS				
Land	167,021	-	-	167,021
Land improvements	772,630	-	-	772,630
Buildings and improvements	406,224	-	-	406,224
Machinery and equipment	449,941	-	-	449,941
Office furniture and fixtures	16,164	118,145	-	134,309
Vehicles and other	15,050	-	-	15,050
	1,827,030	118,145	-	1,945,175
Less accumulated depreciation	(1,162,722)	(26,713)	-	(1,189,435)
TOTAL CAPITAL ASSETS	664,308	91,432	-	755,740
TOTAL ASSETS	862,505	447,705	129,914	1,440,124
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	2,922	1,180	-	4,102
Accrued items and other liabilities	3,475	-	1,261	4,736
Accrued vacation and sick pay	2,915	-	-	2,915
Due to other funds	172	-	-	172
Due to other governmental units	49	-	122	171
Unearned revenue	8,256	-	-	8,256
Notes payable, current portion	-	39,382	-	39,382
TOTAL CURRENT LIABILITIES	17,789	40,562	1,383	59,734
LONG-TERM LIABILITIES				
Accrued vacation and sick pay	20,645	-	-	20,645
TOTAL LIABILITIES	38,434	40,562	1,383	80,379
NET ASSETS				
Investment in capital assets, net of related debt	664,308	52,050	-	716,358
Unrestricted	159,763	355,093	128,531	643,387
TOTAL NET ASSETS	\$ 824,071	\$ 407,143	\$ 128,531	\$ 1,359,745

**BAY COUNTY
ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	DELINQUENT GOLF PROPERTY TAX COURSE FORECLOSURE COMMISSARY			TOTAL
OPERATING REVENUES				
Charges for services	\$ 597,435	\$ 249,281	\$ 123,965	\$ 970,681
Reimbursements, refunds, and other revenue	3,723	5,940	7	9,670
TOTAL OPERATING REVENUES	601,158	255,221	123,972	980,351
OPERATING EXPENSES				
Personal services	300,239	-	-	300,239
Supplies	82,057	2,535	-	84,592
Other services	189,434	91,917	98,303	379,654
Depreciation	57,350	16,871	-	74,221
TOTAL OPERATING EXPENSES	629,080	111,323	98,303	838,706
OPERATING INCOME (LOSS)	(27,922)	143,898	25,669	141,645
NONOPERATING REVENUE				
Interest income	5,285	9,646	4,688	19,619
INCOME BEFORE TRANSFERS	(22,637)	153,544	30,357	161,264
TRANSFERS				
Transfers (out)	-	(74,443)	-	(74,443)
CHANGE IN NET ASSETS	(22,637)	79,101	30,357	86,821
NET ASSETS, BEGINNING OF YEAR	846,708	328,042	98,174	1,272,924
NET ASSETS, END OF YEAR	\$ 824,071	\$ 407,143	\$ 128,531	\$ 1,359,745

**BAY COUNTY
ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	DELINQUENT GOLF PROPERTY TAX COURSE FORECLOSURE COMMISSARY			TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 600,460	\$ 248,884	\$ 127,191	\$ 976,535
Cash payments for interfund services received	-	-	-	-
Interfund reimbursements	22,424	-	-	22,424
Cash payments to suppliers for goods and services	(281,253)	(101,992)	(100,643)	(483,888)
Cash payments to employees and related taxes and insurance	(295,819)	-	(28)	(295,847)
Other operating revenues	3,723	5,940	7	9,670
NET CASH PROVIDED BY OPERATING ACTIVITIES	49,535	152,832	26,527	228,894
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Proceeds from interfund advances	22,792	-	-	22,792
Transfers (out)	-	(74,443)	-	(74,443)
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	22,792	(74,443)	-	(51,651)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(15,050)	-	-	(15,050)
Principal paid on long-term debt	-	(39,381)	-	(39,381)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(15,050)	(39,381)	-	(54,431)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of investments	(27,835)	(27,191)	(9,413)	(64,439)
Interest on investments	5,285	9,646	4,688	19,619
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(22,550)	(17,545)	(4,725)	(44,820)
NET INCREASE IN CASH AND CASH EQUIVALENTS	34,727	21,463	21,802	77,992
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	71,468	190,325	52,958	314,751
CASH AND CASH EQUIVALENTS END OF YEAR	\$ 106,195	\$ 211,788	\$ 74,760	\$ 392,743

**BAY COUNTY
ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2008**

		PUBLIC		DELINQUENT		
		GOLF	PROPERTY TAX	COURSE FORECLOSURE	COMMISSARY	TOTAL
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES						
Operating income (loss)	\$ (27,922)	\$	143,898	\$	25,669	\$ 141,645
Adjustments to reconcile operating income to net cash provided by operating activities						
Depreciation	57,350		16,871		-	74,221
Changes in assets and liabilities:						
Accounts receivable	(1,844)		-		3,467	1,623
Due from other governmental units	229		-		-	229
Accrued interest receivable	(217)		(397)		(241)	(855)
Inventories	(4,962)		-		-	(4,962)
Due from other funds	22,441		(6,987)		-	15,454
Accounts payable	(4,800)		(553)		-	(5,353)
Accrued items and other liabilities	389		-		(2,340)	(1,951)
Accrued vacation and sick pay, current	4,313		-		-	4,313
Due to other funds	(17)		-		-	(17)
Due to other governmental units	(282)		-		(28)	(310)
Unearned revenue	4,857		-		-	4,857
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 49,535	\$	152,832	\$	26,527	\$ 228,894

Internal Service Funds

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

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

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

**BAY COUNTY
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
DECEMBER 31, 2008**

	HEALTHCARE		TOTAL
	SELF INSURANCE	SELF INSURANCE	
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 1,117,840	\$ 1,534,056	\$ 2,651,896
Investments	558,002	-	558,002
Accounts receivable, net of allowance	532	81,575	82,107
Accrued interest receivable	13,746	-	13,746
Due from other funds	20,935	-	20,935
Due from component units	1,428	-	1,428
Prepaid items and other current assets	12,549	461,449	473,998
TOTAL ASSETS	1,725,032	2,077,080	3,802,112
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	64,843	-	64,843
Accrued items and other liabilities	3,475	-	3,475
Due to other funds	9	-	9
Claims, settlements, and judgments	302,470	289,597	592,067
TOTAL CURRENT LIABILITIES	370,797	289,597	660,394
LONG-TERM LIABILITIES			
Claims, settlements, and judgments	5,275	-	5,275
Accrued vacation and sick pay	1,079	-	1,079
TOTAL LONG-TERM LIABILITIES	6,354	-	6,354
TOTAL LIABILITIES	377,151	289,597	666,748
NET ASSETS			
Restricted:			
Insurance claims	1,347,881	1,462,818	2,810,699
Advances from General Fund	-	324,665	324,665
Total net assets	\$ 1,347,881	\$ 1,787,483	\$ 3,135,364

**BAY COUNTY
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	SELF INSURANCE	HEALTHCARE SELF INSURANCE	TOTAL
OPERATING REVENUES:			
Charges for services	\$ 572,770	\$ 5,060,680	\$ 5,633,450
Reimbursements, refunds, and other revenues	6,422	74,311	80,733
TOTAL OPERATING REVENUES	579,192	5,134,991	5,714,183
OPERATING EXPENSES			
Personal services	422,363	3,902,739	4,325,102
Supplies	51	-	51
Other services	67,947	858,051	925,998
TOTAL OPERATING EXPENSES	490,361	4,760,790	5,251,151
OPERATING INCOME	88,831	374,201	463,032
NONOPERATING REVENUE			
Interest income	54,596	-	54,596
CHANGE IN NET ASSETS	143,427	374,201	517,628
NET ASSETS, BEGINNING OF YEAR	1,204,454	1,413,282	2,617,736
NET ASSETS, END OF YEAR	\$ 1,347,881	\$ 1,787,483	\$ 3,135,364

**BAY COUNTY
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	HEALTHCARE		
	SELF INSURANCE	SELF INSURANCE	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from interfund services provided	\$ 571,350	\$ 4,986,379	\$ 5,557,729
Interfund reimbursements	(11)	-	(11)
Cash payments to suppliers for goods and services	(8,710)	(1,259,800)	(1,268,510)
Cash payments to employees and related taxes and insurance	(525,475)	(3,835,229)	(4,360,704)
Other operating revenues	6,422	74,311	80,733
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	43,576	(34,339)	9,237
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Claims, settlements and judgments - long term	(106,847)	-	(106,847)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of investments	(51,794)	-	(51,794)
Interest on investments	54,596	-	54,596
NET CASH PROVIDED BY INVESTING ACTIVITIES	2,802	-	2,802
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
	(60,469)	(34,339)	(94,808)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR			
	1,178,309	1,568,395	2,746,704
CASH AND CASH EQUIVALENTS END OF YEAR			
	\$ 1,117,840	\$ 1,534,056	\$ 2,651,896

**BAY COUNTY
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	SELF INSURANCE	HEALTHCARE SELF INSURANCE	TOTAL
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income	\$ 88,831	\$ 374,201	\$ 463,032
Adjustments to reconcile operating income to net cash provided by operating activities			
Changes in assets and liabilities:			
Accounts receivable	(503)	(74,301)	(74,804)
Accrued interest receivable	(955)	-	(955)
Due from other funds	(12)	-	(12)
Due from component units	38	-	38
Prepaid items and other current assets	(4,951)	(401,749)	(406,700)
Accounts payable	64,239	-	64,239
Accrued items and other liabilities	(73,619)	-	(73,619)
Due to other funds	1	-	1
Due to other governmental units	(200)	-	(200)
Claims, settlements, and judgments	(29,427)	67,510	38,083
Accrued vacation and sick pay	134	-	134
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 43,576	\$ (34,339)	\$ 9,237

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 Probate Court Trust Fund is used to account for individual donations made to the court and their subsequent disbursement to assist youths.

The Inmate Trust Fund is used to account for deposits from inmates at the Bay County Law Enforcement Center and related expenses to maintain the fund.

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

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

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

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

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

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

**BAY COUNTY
PRIVATE PURPOSE TRUST FUNDS
COMBINING STATEMENT OF NET ASSETS
DECEMBER 31, 2008**

	PROBATE COURT TRUST	INMATE TRUST	TOTAL
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 39,113	\$ 11,160	\$ 50,273
 LIABILITIES			
Accrued items and other liabilities	39,113	10,358	49,471
 NET ASSETS			
Held in trust for specific programs	\$ -	\$ 802	\$ 802

**BAY COUNTY
PRIVATE PURPOSE TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	PROBATE COURT TRUST	INMATE TRUST	TOTAL
ADDITIONS			
Interest	\$ -	\$ 311	\$ 311
DEDUCTIONS			
Other services	-	140	140
CHANGE IN NET ASSETS	-	171	171
NET ASSETS, BEGINNING OF YEAR	-	631	631
NET ASSETS, END OF YEAR	\$ -	\$ 802	\$ 802

BAY COUNTY
EMPLOYEE PENSION AND OTHER BENEFITS TRUST FUNDS
COMBINING STATEMENT OF PLAN NET ASSETS
DECEMBER 31, 2008

	EMPLOYEES' RETIREMENT SYSTEM	PUBLIC EMPLOYEE HEALTH CARE	TOTAL
ASSETS			
Investments at fair value:			
Common stock	\$ 99,504,381	\$ 16,057,231	\$ 115,561,612
Corporate bonds	18,555,497	-	18,555,497
Governmental securities	27,431,581	-	27,431,581
Short-term investment funds	8,704,603	556,969	9,261,572
Convertible bonds and equity	14,274,498	-	14,274,498
Other	474,754	-	474,754
Total investments	168,945,314	16,614,200	185,559,514
Receivables:			
Interest and dividends	797,533	52	797,585
Accounts	1,362,384	114,988	1,477,372
Total receivables	2,159,917	115,040	2,274,957
Other current assets:			
Prepaid items and other current assets	198	-	198
Due from component units	40,131	-	40,131
Total other current assets	40,329	-	40,329
TOTAL ASSETS	171,145,560	16,729,240	187,874,800
LIABILITIES			
Accounts payable	330,090	32,828	362,918
Accrued items and other liabilities	635,949	-	635,949
Accrued vacation and sick pay	4,318	-	4,318
Due to other governmental units	117	-	117
TOTAL LIABILITIES	970,474	32,828	1,003,302
NET ASSETS			
Held in trust for pension and healthcare benefits	\$ 170,175,086	\$ 16,696,412	\$ 186,871,498

**BAY COUNTY
EMPLOYEE PENSION AND OTHER BENEFITS TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	EMPLOYEES' RETIREMENT SYSTEM	PUBLIC EMPLOYEE HEALTH CARE	TOTAL
ADDITIONS			
Contributions:			
Employer	\$ 718,886	\$ 2,326,101	\$ 3,044,987
Plan members	1,376,314	-	1,376,314
Total contributions	2,095,200	2,326,101	4,421,301
Investment income:			
Net depreciation in fair value of investments	(81,146,570)	(8,432,615)	(89,579,185)
Interest and dividends	5,931,560	576,724	6,508,284
Less investment expense	(1,597,704)	(41,991)	(1,639,695)
Net investment loss	(76,812,714)	(7,897,882)	(84,710,596)
Other revenue	90,085	-	90,085
TOTAL ADDITIONS (NET OF INVESTMENT LOSSES)	(74,627,429)	(5,571,781)	(80,199,210)
DEDUCTIONS			
Benefits	9,069,218	-	9,069,218
Administrative expenses	156,414	33,592	190,006
Refunds of contributions	200,452	-	200,452
TOTAL DEDUCTIONS	9,426,084	33,592	9,459,676
CHANGE IN NET ASSETS	(84,053,513)	(5,605,373)	(89,658,886)
NET ASSETS HELD IN TRUST FOR PENSION AND HEALTHCARE BENEFITS:			
BEGINNING OF YEAR	254,228,599	22,301,785	276,530,384
END OF YEAR	\$ 170,175,086	\$ 16,696,412	\$ 186,871,498

**BAY COUNTY
AGENCY FUNDS
COMBINING STATEMENT OF NET ASSETS
DECEMBER 31, 2008**

	GENERAL AGENCY	CURRENT TAX COLLECTION	LIBRARY PENAL FINE	FLEXIBLE SPENDING PLAN	TOTAL
ASSETS					
Cash and cash equivalents	\$ 6,621,065	\$ 199,629	\$ 22,014	\$ 47,342	\$ 6,890,050
Investments	4,338,522	-	-	-	4,338,522
Accounts receivable	3,103	-	-	-	3,103
Due from other funds	-	-	27,086	-	27,086
TOTAL ASSETS	\$ 10,962,690	\$ 199,629	\$ 49,100	\$ 47,342	\$ 11,258,761
LIABILITIES					
Accounts payable	\$ 1,122	\$ -	\$ 49,100	\$ -	\$ 50,222
Accrued items and other liabilities	151,366	-	-	23,828	175,194
Due to other funds	27,086	-	-	-	27,086
Due to component units	10,369,359	199,629	-	-	10,568,988
Due to other governmental units	215,357	-	-	-	215,357
Deposits	186,920	-	-	-	186,920
Undistributed taxes	11,480	-	-	-	11,480
Advances	-	-	-	23,514	23,514
TOTAL LIABILITIES	\$ 10,962,690	\$ 199,629	\$ 49,100	\$ 47,342	\$ 11,258,761

BAY COUNTY
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008

	BALANCE JANUARY 1, 2008	ADDITIONS	DEDUCTIONS	BALANCE DECEMBER 31, 2008
<u>GENERAL AGENCY FUND</u>				
ASSETS				
Cash and cash equivalents	\$ 7,135,723	\$ 42,331,446	\$ 42,846,104	\$ 6,621,065
Investments	4,299,224	4,338,522	4,299,224	4,338,522
Accounts receivable	4,665	7,349	8,911	3,103
TOTAL ASSETS	\$ 11,439,612	\$ 46,677,317	\$ 47,154,239	\$ 10,962,690
LIABILITIES				
Accounts payable	\$ 893	\$ 14,824	\$ 14,595	\$ 1,122
Accrued items and other liabilities	114,212	99,147	61,993	151,366
Due to other funds	34,313	-	7,227	27,086
Due to component units	10,871,509	10,394,812	10,896,962	10,369,359
Due to other governmental units	271,240	19,219,604	19,275,487	215,357
Deposits	135,969	78,440	27,489	186,920
Undistributed taxes	11,476	157,088	157,084	11,480
TOTAL LIABILITIES	\$ 11,439,612	\$ 29,963,915	\$ 30,440,837	\$ 10,962,690
<u>CURRENT TAX COLLECTION FUND</u>				
ASSETS				
Cash and cash equivalents	\$ 145,688	\$ 55,841,317	\$ 55,787,376	\$ 199,629
Due from other funds	-	13,287,238	13,287,238	-
TOTAL ASSETS	\$ 145,688	\$ 69,128,555	\$ 69,074,614	\$ 199,629
LIABILITIES				
Due to other funds	\$ -	\$ 6,258,713	\$ 6,258,713	\$ -
Due to component units	145,688	4,385,271	4,331,330	199,629
Undistributed taxes	-	29,605,835	29,605,835	-
TOTAL LIABILITIES	\$ 145,688	\$ 40,249,819	\$ 40,195,878	\$ 199,629
<u>LIBRARY PENAL FINE</u>				
ASSETS				
Cash and cash equivalents	\$ 51,500	\$ 419,504	\$ 448,990	\$ 22,014
Due from other funds	34,313	-	7,227	27,086
TOTAL ASSETS	\$ 85,813	\$ 419,504	\$ 456,217	\$ 49,100
LIABILITIES				
Accounts payable	\$ -	\$ 49,100	\$ -	\$ 49,100
Due to component units	85,813	419,504	505,317	-
TOTAL LIABILITIES	\$ 85,813	\$ 468,604	\$ 505,317	\$ 49,100

(Continued)

BAY COUNTY
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2008

	BALANCE		BALANCE	
	JANUARY 1,	ADDITIONS	DEDUCTIONS	DECEMBER 31,
	2008			2008
<u>FLEXIBLE SPENDING PLAN FUND</u>				
ASSETS				
Cash and cash equivalents	\$ 31,406	\$ 28,829	\$ 12,893	\$ 47,342
LIABILITIES				
Accrued items and other liabilities	\$ 20,009	\$ 20,803	\$ 16,984	\$ 23,828
Advances	11,397	12,117	-	23,514
TOTAL LIABILITIES	\$ 31,406	\$ 32,920	\$ 16,984	\$ 47,342
<u>TOTAL - ALL AGENCY FUNDS</u>				
ASSETS				
Cash and cash equivalents	\$ 7,364,317	\$ 98,621,096	\$ 99,095,363	\$ 6,890,050
Investments	4,299,224	4,338,522	4,299,224	4,338,522
Accounts receivable	4,665	7,349	8,911	3,103
Due from other funds	34,313	-	7,227	27,086
TOTAL ASSETS	\$11,702,519	\$ 102,966,967	\$ 103,410,725	\$ 11,258,761
LIABILITIES				
Accounts payable	\$ 893	\$ 63,924	\$ 14,595	\$ 50,222
Accrued items and other liabilities	134,221	119,950	78,977	175,194
Due to other funds	34,313	6,258,713	6,265,940	27,086
Due to component units	11,103,010	15,199,587	15,733,609	10,568,988
Due to other governmental units	271,240	19,219,604	19,275,487	215,357
Deposits	135,969	78,440	27,489	186,920
Undistributed taxes	11,476	29,762,923	29,762,919	11,480
Advances	11,397	12,117	-	23,514
TOTAL LIABILITIES	\$11,702,519	\$ 70,715,258	\$ 71,159,016	\$ 11,258,761

Library System

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

**BAY COUNTY
LIBRARY SYSTEM COMPONENT UNIT
STATEMENT OF NET ASSETS AND BALANCE SHEET - GOVERNMENTAL FUND
DECEMBER 31, 2008**

	LIBRARY SYSTEM	ADJUSTMENTS	STATEMENT OF ACTIVITIES
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 5,034,951	\$ -	\$ 5,034,951
Property taxes receivable, net of allowance	5,980,000	-	5,980,000
Accrued interest receivable	58,383	-	58,383
Due from primary government	49,100	-	49,100
Prepaid items and other current assets	188,514	-	188,514
TOTAL CURRENT ASSETS	11,310,948	-	11,310,948
NONCURRENT ASSETS			
Net OPEB asset	-	204,376	204,376
CAPITAL ASSETS			
Land	-	107,487	107,487
Land improvements	-	95,613	95,613
Buildings and improvements	-	1,124,122	1,124,122
Machinery and equipment	-	121,040	121,040
Office furniture and fixtures	-	1,224,720	1,224,720
Books and audio/visual materials	-	2,371,322	2,371,322
Vehicles and other	-	210,072	210,072
Less accumulated depreciation	-	(2,576,206)	(2,576,206)
TOTAL CAPITAL ASSETS	-	2,678,170	2,678,170
TOTAL NONCURRENT ASSETS	-	2,882,546	2,882,546
TOTAL ASSETS	\$ 11,310,948	\$ 2,882,546	14,193,494
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	\$ 215,720	\$ -	215,720
Accrued items and other liabilities	77,156	-	77,156
Deferred / unearned revenue	5,980,000	-	5,980,000
TOTAL CURRENT LIABILITIES	6,272,876	-	6,272,876
NONCURRENT LIABILITIES			
Accrued vacation and sick pay, long term	-	147,842	147,842
TOTAL LIABILITIES	6,272,876	147,842	6,420,718
FUND BALANCES			
Reserved for prepaid expenditures	152,628	(152,628)	-
Unreserved:			
Designated for projects and activities	3,329,649	(3,329,649)	-
Undesignated	1,555,795	(1,555,795)	-
TOTAL FUND BALANCES	5,038,072	(5,038,072)	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 11,310,948		
NET ASSETS			
Invested in capital assets		2,678,170	2,678,170
Unrestricted		5,094,606	5,094,606
TOTAL NET ASSETS		\$ 7,772,776	\$ 7,772,776

**BAY COUNTY
LIBRARY SYSTEM COMPONENT UNIT
STATEMENT OF ACTIVITIES AND STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	LIBRARY SYSTEM	ADJUSTMENTS	STATEMENT OF ACTIVITIES
REVENUES			
Property and other taxes	\$ 5,939,289	\$ -	\$ 5,939,289
Federal grants	15,012	-	15,012
State grants	71,772	-	71,772
Interest income	253,610	-	253,610
Charges for services	512,751	-	512,751
Donations	81,929	-	81,929
TOTAL REVENUES	6,874,363	-	6,874,363
EXPENDITURES / EXPENSES			
Current			
Recreation and culture	6,504,654	(844,270)	5,660,384
Depreciation	-	426,971	426,971
Capital outlay	16,255	-	16,255
TOTAL EXPENDITURES / EXPENSES	6,520,909	(417,299)	6,103,610
NET CHANGE IN FUND BALANCES / NET ASSETS	353,454	417,299	770,753
FUND BALANCE / NET ASSETS, BEGINNING OF YEAR	4,684,618	2,317,405	7,002,023
FUND BALANCE / NET ASSETS, END OF YEAR	\$ 5,038,072	\$ 2,734,704	\$ 7,772,776

III. STATISTICAL SECTION

The Statistical Section contains comprehensive data, frequently covering the last ten years, relating to the financial, economic, demographic, and operational characteristics of Bay County.

STATISTICAL SECTION

This part of the County of Bay's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the government's overall financial health.

Contents	Page
Financial Trends <i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	147-151
Revenue Capacity <i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	152-155
Debt Capacity <i>These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</i>	156-160
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government 's financial activities take place.</i>	161-162
Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i>	163-165

BAY COUNTY
Net Assets by Component
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year									
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Governmental activities										
Invested in capital assets, net of related debt	\$ -	\$ -	\$ -	\$ -	\$ 11,658	\$ 17,565	\$ 26,080	\$ 27,330	\$ 28,501	\$ 30,164
Restricted	-	-	-	-	11,990	9,713	8,761	12,594	10,806	6,982
Unrestricted	-	-	-	-	6,015	6,277	7,469	9,259	11,991	14,700
Total governmental activities net assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,663</u>	<u>\$ 33,555</u>	<u>\$ 42,310</u>	<u>\$ 49,183</u>	<u>\$ 51,298</u>	<u>\$ 51,846</u>
Business-type activities										
Invested in capital assets, net of related debt	\$ -	\$ -	\$ -	\$ -	\$ 6,888	\$ 10,431	\$ 10,753	\$ 10,248	\$ 9,682	\$ 8,896
Restricted	-	-	-	-	-	-	525	-	-	-
Unrestricted	-	-	-	-	13,954	10,681	9,362	10,787	11,731	11,827
Total business-type activities net assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,842</u>	<u>\$ 21,112</u>	<u>\$ 20,640</u>	<u>\$ 21,035</u>	<u>\$ 21,413</u>	<u>\$ 20,723</u>
Primary government										
Invested in capital assets, net of related debt	\$ -	\$ -	\$ -	\$ -	\$ 18,546	\$ 27,996	\$ 36,833	\$ 37,578	\$ 38,183	\$ 39,060
Restricted	-	-	-	-	11,990	9,713	9,286	12,594	10,806	6,982
Unrestricted	-	-	-	-	19,969	16,958	16,831	20,046	23,722	26,527
Total primary activities net assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,505</u>	<u>\$ 54,667</u>	<u>\$ 62,950</u>	<u>\$ 70,218</u>	<u>\$ 72,711</u>	<u>\$ 72,569</u>

Data prior to 2003 is not available.

BAY COUNTY
Changes in Net Assets
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year									
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Expenses										
Governmental activities:										
Public safety	\$ -	\$ -	\$ -	\$ -	\$ 8,790	\$ 9,857	\$ 9,328	\$ 10,152	\$ 10,064	\$ 10,582
Community and economic development	-	-	-	-	253	235	146	99	161	126
Health and welfare	-	-	-	-	10,593	10,998	10,292	10,256	10,229	10,852
Public works	-	-	-	-	5	7	6	5	7	8
General government	-	-	-	-	9,369	10,296	8,835	11,104	9,675	10,084
Judicial	-	-	-	-	5,459	5,636	5,691	5,986	6,200	6,537
Legislative	-	-	-	-	455	470	451	461	476	462
Recreation and culture	-	-	-	-	2,397	1,981	1,865	1,860	1,886	1,990
Other functions	-	-	-	-	1,226	971	1,158	1,293	1,296	1,155
Interest on long-term debt	-	-	-	-	1,859	1,447	1,382	1,239	1,141	1,069
Total governmental activities expenses	-	-	-	-	40,406	41,898	39,154	42,455	41,135	42,865
Business-type activities:										
Medical Care Facility	-	-	-	-	14,623	15,490	15,935	18,627	18,572	20,944
100% Tax Payment	-	-	-	-	119	115	122	123	119	125
Golf Course	-	-	-	-	498	530	545	637	586	629
Delinquent Property Tax Foreclosure	-	-	-	-	-	-	65	69	73	112
Commissary	-	-	-	-	97	113	115	118	109	98
Housing	-	-	-	-	482	491	574	577	619	653
Total business-type activities expenses	-	-	-	-	15,819	16,739	17,356	20,151	20,078	22,561
Total primary government expenses	\$ -	\$ -	\$ -	\$ -	\$ 56,225	\$ 58,637	\$ 56,510	\$ 62,606	\$ 61,213	\$ 65,426
Program Revenues										
Governmental activities:										
Charges for services										
Public safety	\$ -	\$ -	\$ -	\$ -	\$ 1,494	\$ 1,572	\$ 1,698	\$ 1,569	\$ 1,649	\$ 1,675
Health and welfare	-	-	-	-	3,229	3,081	1,980	2,193	2,266	2,195
General government	-	-	-	-	3,119	3,385	3,151	3,071	3,000	2,906
Community and economic development	-	-	-	-	-	-	-	6	21	(2)
Public works	-	-	-	-	-	-	-	23	6	4
Judicial	-	-	-	-	2,334	2,368	2,273	2,392	2,460	2,266
Legislative	-	-	-	-	-	-	-	-	3	-
Recreation and culture	-	-	-	-	1,251	1,289	1,344	1,739	1,254	1,125
Other	-	-	-	-	63	63	33	54	83	52
Operating grants and contributions	-	-	-	-	7,215	7,856	7,946	8,129	7,891	7,650
Capital grants and contributions	-	-	-	-	158	67	-	195	-	294
Total governmental activities program revenues	-	-	-	-	18,863	19,681	18,425	19,371	18,633	18,165

Table 2

	Fiscal Year										
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	
Business-type activities:											
Charges for services											
Medical Care Facility	\$ -	\$ -	\$ -	\$ -	\$ 13,649	\$ 13,983	\$ 13,746	\$ 16,942	\$ 17,219	\$ 18,401	
100 % Tax Payment	-	-	-	-	786	741	833	862	822	856	
Golf Course	-	-	-	-	601	570	555	548	598	598	
Delinquent Property Tax Foreclosure	-	-	-	-	-	-	99	202	207	249	
Commissary	-	-	-	-	118	132	142	158	152	124	
Housing	-	-	-	-	173	205	228	238	251	255	
Operating grants and contributions	-	-	-	-	343	226	304	170	195	238	
Capital grants and contributions	-	-	-	-	-	-	-	44	35	19	
Total business-type activities program revenues	-	-	-	-	15,670	15,857	15,907	19,164	19,479	20,740	
Total primary government program revenues	\$ -	\$ -	\$ -	\$ -	\$ 34,533	\$ 35,538	\$ 34,332	\$ 38,535	\$ 38,112	\$ 38,905	
Net (expense)/revenue											
Governmental activities	\$ -	\$ -	\$ -	\$ -	\$ (21,543)	\$ (22,217)	\$ (20,729)	\$ (23,084)	\$ (22,502)	\$ (24,700)	
Business-type activities	-	-	-	-	(149)	(882)	(1,449)	(987)	(599)	(1,821)	
Total primary government net expense	\$ -	\$ -	\$ -	\$ -	\$ (21,692)	\$ (23,099)	\$ (22,178)	\$ (24,071)	\$ (23,101)	\$ (26,521)	
General Revenues and Other Changes in Net Assets											
Governmental activities:											
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 18,444	\$ 23,900	\$ 24,905	\$ 26,710	\$ 22,059	\$ 22,901	
Unrestricted grants and contributions	-	-	-	-	2,179	654	-	-	-	-	
Unrestricted investment earnings	-	-	-	-	462	377	677	1,013	1,239	943	
Other revenue	-	-	-	-	1,633	409	2,949	1,525	347	427	
Transfers - internal activities	-	-	-	-	531	768	1,009	724	972	977	
Total governmental activities	-	-	-	-	23,249	26,108	29,540	29,972	24,617	25,248	
Business-type activities:											
Property taxes	-	-	-	-	1,224	1,252	1,317	1,323	1,419	1,482	
Unrestricted investment earnings	-	-	-	-	154	149	231	352	418	439	
Other revenue	-	-	-	-	431	506	438	431	102	186	
Transfers - internal activities	-	-	-	-	(531)	(768)	(1,009)	(724)	(972)	(977)	
Total business-type activities	-	-	-	-	1,278	1,139	977	1,382	967	1,130	
Total primary government	\$ -	\$ -	\$ -	\$ -	\$ 24,527	\$ 27,247	\$ 30,517	\$ 31,354	\$ 25,584	\$ 26,378	
Change in Net Assets											
Governmental activities	\$ -	\$ -	\$ -	\$ -	\$ 1,706	\$ 3,891	\$ 8,811	\$ 6,888	\$ 2,115	\$ 549	
Business-type activities	-	-	-	-	1,129	257	(472)	395	368	(691)	
Total primary government	\$ -	\$ -	\$ -	\$ -	\$ 2,835	\$ 4,148	\$ 8,339	\$ 7,283	\$ 2,483	\$ (142)	

Data prior to 2003 is not available.

BAY COUNTY
Governmental Activities Tax Revenue By Source
Last Ten Fiscal Years
(accrual basis of accounting)

<u>Fiscal Year</u>	<u>Property Tax</u>
1999	\$ -
2000	-
2001	-
2002	-
2003	18,443,783
2004	23,900,464
2005	24,905,105
2006	26,709,969
2007	22,058,685
2008	22,901,469

Data prior to 2003 is not available.

BAY COUNTY
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year									
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ 2,711	\$ 2,820	\$ 3,376	\$ 3,161	\$ 2,564	\$ 3,172
Unreserved	-	-	-	-	1,153	1,497	1,664	2,296	3,806	4,123
Total general fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,864</u>	<u>\$ 4,317</u>	<u>\$ 5,040</u>	<u>\$ 5,457</u>	<u>\$ 6,370</u>	<u>\$ 7,295</u>
All other governmental funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ 12,054	\$ 9,705	\$ 8,290	\$ 12,267	\$ 10,637	\$ 6,774
Unreserved										
Special revenue funds	-	-	-	-	2,879	3,310	3,637	3,845	4,774	7,080
Total all other governmental funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,933</u>	<u>\$ 13,015</u>	<u>\$ 11,927</u>	<u>\$ 16,112</u>	<u>\$ 15,411</u>	<u>\$ 13,854</u>

Data prior to 2003 is not available.

BAY COUNTY
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year									
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Revenues										
Property taxes and other taxes	\$ -	\$ -	\$ -	\$ -	\$ 18,342	\$ 23,959	\$ 24,889	\$ 26,253	\$ 21,789	\$ 22,850
Licenses and permits	-	-	-	-	352	352	368	373	377	350
Federal grants	-	-	-	-	3,222	3,531	3,395	3,593	4,064	3,714
State grants	-	-	-	-	5,418	4,125	3,347	3,820	2,972	3,404
Interest, rents and royalties	-	-	-	-	1,501	1,451	1,739	2,003	2,265	1,882
Charges for services	-	-	-	-	4,267	3,389	3,363	3,288	3,272	3,055
Fines and forfeits	-	-	-	-	1,031	971	900	945	928	740
Reimbursements, refunds and other revenue	-	-	-	-	7,317	7,406	9,064	8,013	6,376	6,554
Insurance recoveries/proceeds	-	-	-	-	11	-	1	-	-	-
Total revenues	-	-	-	-	41,461	45,184	47,066	48,288	42,043	42,549
Expenditures										
Legislative	-	-	-	-	454	480	463	478	485	459
Judicial	-	-	-	-	5,281	5,311	5,483	5,829	5,975	6,081
General government	-	-	-	-	9,217	8,987	8,938	9,035	9,066	9,789
Public safety	-	-	-	-	8,681	9,478	9,621	10,258	10,289	10,594
Public works	-	-	-	-	5	7	6	6	7	8
Health and welfare	-	-	-	-	11,320	10,600	9,937	10,356	10,206	10,575
Community and economic development	-	-	-	-	256	233	157	129	195	138
Recreation and culture	-	-	-	-	2,262	1,867	1,839	1,851	1,908	2,089
Other functions	-	-	-	-	1,244	995	1,164	1,293	1,296	1,155
Capital outlay	-	-	-	-	8,639	5,597	7,159	1,185	21	-
Debt service:										
Principal	-	-	-	-	1,468	2,421	2,248	2,817	2,217	2,234
Interest and other fees	-	-	-	-	1,606	1,468	1,393	1,296	1,155	1,082
Total expenditures	-	-	-	-	50,433	47,444	48,408	44,533	42,820	44,204
Excess of revenues over (under) expenditures	-	-	-	-	(8,972)	(2,260)	(1,342)	3,755	(777)	(1,655)

	Fiscal Year									
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Other financing sources (uses)										
Proceeds from capital leases	\$ -	-	-	-	53	2,035	-	-	-	-
Transfers in	-	-	-	-	6,768	(2,022)	10,068	9,390	7,675	8,669
Payment to escrow agents to refund debt	-	-	-	-	-	8,170	-	(7,394)	-	-
Insurance recoveries/proceeds	-	-	-	-	-	-	-	26	18	3
Issuance of debt	-	-	-	-	-	-	-	-	-	43
Proceeds of refunding bonds	-	-	-	-	-	-	-	7,205	-	-
Bond premium	-	-	-	-	-	-	-	300	-	-
Transfers (out)	-	-	-	-	(6,224)	(7,388)	(9,059)	(8,666)	(6,703)	(7,692)
Total other financing sources (uses)	-	-	-	-	597	795	1,009	861	990	1,023
Net change in fund balances	\$ -	\$ -	\$ -	\$ -	\$ (8,375)	\$ (1,465)	\$ (333)	\$ 4,616	\$ 213	\$ (632)
Debt service as a percentage of noncapital expenditures					7.65%	9.41%	9.03%	9.60%	8.06%	7.76%

BAY COUNTY
General Governmental Tax Revenues By Source
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

Fiscal Year	Property Tax
1999	-
2000	-
2001	-
2002	-
2003	18,342
2004	23,959
2005	24,889
2006	26,253
2007	21,788
2008	22,850

Data prior to 2003 is not available.

BAY COUNTY
Assessed Value 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	Estimated Actual Assessed Value	Assessed Value as a Percentage of Actual Value
	Residential	Commercial					
1999	\$ 1,395,294	291,450	235,085	1,921,829	9.9476	3,843,658	50.00%
2000	1,516,962	319,927	227,801	2,064,690	10.9469	4,129,380	50.00%
2001	1,637,046	330,136	252,895	2,220,077	10.9471	4,440,154	50.00%
2002	1,756,819	343,859	255,154	2,355,832	10.9486	4,711,664	50.00%
2003	1,892,485	362,139	250,125	2,504,749	10.9486	5,009,498	50.00%
2004	1,994,489	374,267	249,474	2,618,230	11.0326	5,236,460	50.00%
2005	2,095,440	385,772	256,049	2,737,261	10.9338	5,474,522	50.00%
2006	2,174,998	407,663	254,809	2,837,470	9.7100	5,674,940	50.00%
2007	2,217,444	424,455	263,508	2,905,407	10.8096	5,810,814	50.00%
2008	2,208,155	439,016	263,457	2,910,628	10.8138	5,821,256	50.00%

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.

**BAY COUNTY
Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years**

<u>Fiscal Year (1) (2)</u>	<u>Bay County</u>				<u>Overlapping Rates</u>										<u>Total Direct & Overlapping Rates</u>
	<u>Operating Millage</u>	<u>Special Millage</u>	<u>Debt Millage</u>	<u>Total County Millage</u>	<u>SET Schools (3)</u>	<u>Inter-mediate Schools</u>	<u>Community College</u>	<u>Townships</u>	<u>Auburn</u>	<u>Bay City</u>	<u>Essexville</u>	<u>Pinconning</u>	<u>Midland</u>		
1999	5.7528	4.1948	0.0000	9.9476	6.0000	0.1908	2.0427	1.3500	14.0000	23.8700	10.4170	15.0000	12.1200	94.9381	
2000	5.7528	5.1941	0.0000	10.9469	6.0000	0.1907	2.0427	1.3500	16.0000	21.7500	15.2130	15.0000	12.4800	100.9733	
2001	5.7528	5.1943	0.0000	10.9471	6.0000	0.1907	2.5427	1.3500	16.0000	21.4000	15.3775	15.0000	12.0000	100.8080	
2002	5.7528	5.1958	0.0000	10.9486	6.0000	0.1907	2.5427	1.3500	16.0000	21.4000	14.9538	15.0000	11.6700	100.0558	
2003	5.7528	5.1958	0.0000	10.9486	5.0000	0.1906	2.5427	1.3500	16.0000	21.2027	15.2728	14.8530	12.9000	100.2604	
2004	5.7441	5.2885	0.0000	11.0326	6.0000	0.1901	2.5427	1.3500	16.0000	21.2027	15.2700	14.8530	12.9000	101.3411	
2005	5.7441	5.1897	0.0000	10.9338	6.0000	0.1899	2.0427	1.3500	16.0000	20.0505	15.3481	14.7965	9.7900	96.5015	
2006	5.7257	3.9843	0.0000	9.7100	6.0000	0.1891	2.0427	1.3500	16.0000	19.4532	15.3967	14.7965	12.1000	97.0382	
2007	5.7257	5.0839	0.0000	10.8096	6.0000	0.1891	2.0427	1.3500	16.0000	19.5503	15.6436	14.7965	12.2400	98.6218	
2008	5.7257	5.0881	0.0000	10.8138	6.0000	0.1891	2.0427	1.3500	13.0000	19.5503	15.7389	14.6737	12.9900	96.3485	

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. 2002 refers to the 2003 tax collection, 2003 refers to the 2004 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.

BAY COUNTY
Principal Property Taxpayers

Table 8

<u>Taxpayer</u>	<u>2008</u>			<u>1999</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>
Consumers Energy	\$ 265,810,124	1	8.67%	\$ 257,337,970	1	11.70%
General Motors/CPC	68,558,250	2	2.24%	110,694,559	2	5.03%
Dow Corning Corporation	58,762,274	3	1.92%	48,869,054	3	2.22%
S C Johnson	43,281,811	4	1.41%	23,218,550	4	1.06%
Monitor Sugar	26,843,582	5	0.88%	22,638,312	5	1.03%
Bay City Mall Associates	11,182,145	6	0.36%	13,985,577	6	0.64%
Meijer/Good Will Co. Inc	10,498,542	7	0.34%	5,518,200	9	0.25%
The Herald Company	9,924,692	8	0.32%	-		
Wal-Mart Real Estate	6,576,911	9	0.21%	-		-
Corporate Property Assoc	6,378,422	10	0.21%	-		-
Thompson Bay Company, Inc.	-		-	10,779,400	7	0.49%
Euclid Industries	-		-	6,215,052	8	0.28%
Lakehead Pipeline Company	-		-	5,002,535	10	0.23%
Totals	<u>\$ 507,816,753</u>		<u>16.56%</u>	<u>\$ 504,259,209</u>		<u>22.93%</u>

Source: Bay County Equalization Department

BAY COUNTY
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
1999	\$ 12,351	\$ 11,506	93.16%	\$ 807	\$ 30	\$ 12,343	99.94%
2000	12,648	11,705	92.54%	804	27	12,536	99.11%
2001	13,369	12,422	92.92%	794	39	13,253	99.13%
2002	14,121	13,274	94.00%	766	33	14,071	99.65%
2003	14,601	13,725	94.00%	793	41	14,549	99.64%
2004	15,107	14,205	94.03%	836	56	15,071	99.76%
2005	15,472	14,652	94.70%	789	40	15,466	99.96%
2006	16,177	15,392	95.15%	753	31	16,145	99.80%
2007	16,960	16,186	95.44%	747	22	16,933	99.84%
2008	17,333	16,498	95.18%	796	(1)	17,294	99.77%

Source: Bay County Treasurer

(1) This information is not yet available.

BAY COUNTY
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities				Business-Type Activities		Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Installment Purchase Contracts	Maintenance agreement payable	Capital Leases	Miscellaneous Payables				
1999	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	0.00%	\$ -
2000	-	-	-	-	-	-	-	0.00%	-
2001	-	-	-	-	-	-	-	0.00%	-
2002	-	-	-	-	-	-	-	0.00%	-
2003	33,160,000	1,051,880	-	42,400	-	-	34,254,280	11.58%	314
2004	31,270,000	722,985	-	26,551	-	-	32,019,536	10.69%	294
2005	29,385,000	376,568	-	32,630	-	-	29,794,198	9.78%	274
2006	26,815,000	82,390	-	14,401	-	-	26,911,791	8.50%	249
2007	24,695,000	-	-	-	-	78,763	24,773,763	(2)	230
2008	22,470,000	-	34,200	-	-	39,381	22,509,381	(2)	209

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.

Data prior to 2003 is not available.

BAY COUNTY
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita (1)
1999	\$	-	-	0.00%	-
2000		-	-	0.00%	-
2001		-	-	0.00%	-
2002		-	-	0.00%	-
2003	33,160,000	-	33,160,000	1.31%	304
2004	31,270,000	-	31,270,000	1.18%	287
2005	29,385,000	-	29,385,000	1.06%	271
2006	26,815,000	-	26,815,000	0.93%	248
2007	24,695,000	-	24,695,000	0.82%	230
2008	22,470,000	-	22,470,000	0.73%	209

Note: Details regarding the county's outstanding debt can be found in the notes to the financial statements.
Taxable value provided by the Bay County Equalization Department.

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

Data prior to 2003 is not available.

BAY COUNTY
Direct and Overlapping Governmental Activities Debt
As of December 31, 2008

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes: County	\$ 281,966,854	71.17%	\$ 200,666,519
Subtotal, overlapping debt			<u>200,666,519</u>
Bay County direct debt			<u>32,744,634</u>
Total direct and overlapping debt			<u>\$ 233,411,153</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
Legal Debt Margin Information
Last Ten Fiscal Years
 (amounts expressed in thousands)

	Fiscal Year									
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Debt limit	\$ 238,049	\$ 252,075	\$ 268,116	\$ 284,773	\$ 301,109	\$ 313,567	\$ 326,220	\$ 337,863	\$ 347,582	\$ 349,326
Total net debt applicable to limit	44,902	43,808	40,800	56,039	53,475	50,220	45,581	40,615	36,029	31,414
Legal debt margin	\$ 193,147	\$ 208,267	\$ 227,316	\$ 228,734	\$ 247,634	\$ 263,347	\$ 280,639	\$ 297,248	\$ 311,553	\$ 317,912
Total net debt applicable to the limit as a percentage of debt limit	18.86%	17.38%	15.22%	19.68%	17.76%	16.02%	13.97%	12.02%	10.37%	8.99%

Legal Debt Margin Calculation for Fiscal Year 2008

State equalized value of real property	\$ 3,229,799
State equalized value of personal property	<u>263,457</u>
Total state equalized value	3,493,256
Debt limit (10% of total state equalized value)	349,326
Debt applicable to limit: (1)	\$ 36,290
Less:	
Assets in Debt Service funds available for pymnt of principal	\$ 763
Debt not subject to legal debt limit:	
Special assessment debt	<u>4,113</u>
Total deductions	<u>4,876</u>
Total amount of debt applicable to debt limit	<u>31,414</u>
Legal debt margin	<u>\$ 317,912</u>

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.

BAY COUNTY
Pledged-Revenue Coverage
Last Ten Fiscal Years

Water Supply System No. 1 Revenue Bonds (1)

<u>Fiscal Year</u>	<u>Operating Revenue (2)</u>	<u>Operating Expenses (3)</u>	<u>Net Available Revenue</u>	<u>Debt Service (4) (5)</u>		<u>Total</u>	<u>Coverage</u>
				<u>Principal</u>	<u>Interest</u>		
1999	\$ 804,320	\$ 652,689	\$ 151,631	\$ 48,690	\$ 32,363	\$ 81,053	1.87
2000	1,180,660	933,679	246,981	54,520	28,597	83,117	2.97
2001	1,429,956	930,147	499,809	50,053	24,634	74,687	6.69
2002	1,047,283	669,257	378,026	50,051	20,633	70,684	5.35
2003	1,266,089	924,846	341,243	50,443	16,592	67,035	5.09
2004	1,162,003	902,321	259,682	50,443	12,552	62,995	4.12
2005	1,099,600	810,258	289,342	48,115	8,512	56,627	5.11
2006	972,636	824,923	147,713	56,223	4,643	60,866	2.43
2007 (6)	-	-	-	-	-	-	-
2008 (6)	-	-	-	-	-	-	-

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

(1) Component unit - Department of Water and Sewer

(2) Excludes all non-operating revenue except interest earned.

(3) Excludes depreciation and interest expense on bonded debt.

(4) Includes the Water Supply System No. 1 Portsmouth Extension bonds through 2004 and Bay County Water Supply System 1987 Series bonds.

(5) Debt service requirements are met with net revenue available for debt service and net assets.

(6) Applicable bonds fully serviced in 2006.

BAY COUNTY
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population (1)	Personal Income (2) (amounts expressed in thousands)	Per Capita Personal Income	School Enrollment (3)	Unemployment Rate (4)
1999	109,514	2,718,432	24,823	16,385	4.30%
2000	110,157	2,857,805	25,943	16,309	4.00%
2001	109,651	2,859,582	26,079	16,209	5.20%
2002	109,576	2,841,552	25,932	16,136	6.70%
2003	109,122	2,958,817	27,115	16,140	7.70%
2004	108,929	2,996,080	27,505	15,989	8.40%
2005	108,531	3,047,312	28,078	14,952	6.90%
2006	107,927	3,167,808	29,351	15,552	6.90%
2007	107,366	3,184,007	29,656	15,298	6.70%
2008	107,495	(5)	(5)	15,017	7.90%

Data Sources:

- (1) Population Division, U.S. Census Bureau - Population is an estimate as of July 1, of fiscal year with the exception of 2000 which reflects the actual census.
- (2) Bureau of Economic Analysis, U.S. Department of Commerce
- (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 income not available at this time for 2008.

**BAY COUNTY
Principal Employers
2008 and 1999**

<u>Employer</u>	<u>2008</u>			<u>1999</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
Bay Regional Medical Center (3)	1,773	1	3.51%	2,447	1	4.66%
Dow Corning Corporation	1,300	2	2.58%	1,622	2	3.09%
Michigan Sugar Company (2)	1,270	3	2.52%	800	5	1.52%
Bay City Public Schools (1)	1,075	4	2.13%	1,278	4	2.43%
Delta College	948	5	1.88%	571	8	1.09%
Meijer Inc.	585	6	1.16%	711	6	1.35%
Consumers Energy	515	7	1.02%	532	9	1.01%
Bay County	500	8	0.99%	578	7	1.10%
SC Johnson	430	9	0.85%	-	-	-
General Motors Powertrain	415	10	0.82%	1,409	3	2.68%
City of Bay City	-	-	-	429	10	0.82%
Totals	<u>\$ 8,811</u>		<u>17.48%</u>	<u>\$ 10,377</u>		<u>19.75%</u>

Source:

Bay City Times and U.S. Department of Labor Bureau of Labor Statistics

(1) Excludes substitute teachers.

(2) Figure represents peak manufacturing/industry seasons.

(3) Previously Bay Health Systems

BAY COUNTY
Full-time Equivalent Bay County Employees by Function
Last Ten Fiscal Years

Function	Full-time Equivalent Employees as of December 31,									
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Public safety	127	124	127	126	126	122	120	118	118	118
Community and economic development	-	-	1	1	1	7	6	6	6	6
Health and welfare	159	153	147	150	148	145	143	136	136	136
General government	126	126	135	133	131	120	110	109	109	108
Judicial	96	97	94	97	93	93	91	91	91	91
Legislative	12	12	12	12	12	12	11	11	12	12
Recreation and culture	21	31	45	40	40	29	25	24	24	24
100% tax payment	-	-	1	1	2	2	2	2	2	2
Golf course	10	10	11	11	11	6	6	6	6	6
Total	550	552	573	570	564	536	514	503	504	503

Source: Bay County Budget 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.

BAY COUNTY
Operating Indicators by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Public safety										
Number of incarcerated offenders	-	-	-	-	-	4,460	4,485	4,479	5,016	4,276
Health and welfare										
Division on aging										
Meal site meals served	-	-	-	-	57,051	57,213	55,279	48,886	48,724	44,166
Home delivered meals served	-	-	-	-	147,521	136,654	145,665	147,529	149,549	159,060
Public works										
Number of parking spaces leased	-	-	-	-	2,721	2,772	1,947	793	275	126
Judicial										
Circuit court total caseload	-	-	-	-	-	4,530	4,369	4,613	4,682	4,076
District court total caseload	-	-	-	-	-	28,556	27,387	31,281	29,768	27,862
Probate court total caseload	-	-	-	-	-	733	791	821	792	780
Recreation and culture										
Community center events	-	-	-	-	-	45	54	52	50	37
Community center total average event participants	-	-	-	-	-	31,762	37,087	37,890	35,338	330,201
Swimming pool admissions	-	-	-	-	-	5,117	4,364	6,652	6,318	6,006
Medical care facility										
Patient days	73,507	73,727	73,653	74,340	73,830	73,070	73,164	73,031	73,795	74,483
Patient admits	244	266	272	220	252	285	274	256	196	144
Golf course										
Memberships	-	-	-	-	268	197	201	185	160	181
Housing										
Number of lease days	36,341	34,219	36,416	36,405	(1)	36,263	36,232	36,281	36,361	35,892

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 is not available

Some data prior to 2003 is not available.

BAY COUNTY
Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Public safety										
Sheriff										
Stations	1	1	1	1	1	1	1	1	1	1
Vehicles	27	25	25	25	25	26	28	27	31	28
Boats	-	-	-	-	-	3	4	4	3	3
Animal control										
Vehicles	-	-	-	-	-	6	5	4	4	4
Community and economic development										
Streets (miles)	1,337	1,337	1,337	1,337	1,337	1,403	1,565	1,566	1,565	1,565
Traffic signals	92	92	92	92	92	101	107	107	108	108
Health and welfare										
Division on aging										
Meal sites	9	8	8	8	8	8	8	7	7	7
Mosquito control										
Vehicles	-	-	-	-	-	28	30	30	31	31
Public works										
Pere marquette/madison avenue										
Parking spaces available for lease	-	-	-	432	432	432	432	432	432	432
Recreation and culture										
Parks	4	4	4	4	4	4	4	3	3	3
Medical care facility										
Beds	206	206	206	206	206	206	206	206	206	206
Golf course										
Golf carts	54	54	54	54	54	54	54	54	54	54
Housing										
Apartments	100	100	100	100	100	100	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.

Some data prior to 2003 is not available.