

**FINAL OFFICIAL STATEMENT DATED APRIL 15, 2010****NEW ISSUE****Rating: Standard & Poor's: AAA**

*Subject to compliance by the District with certain tax-related covenants, in the opinion of Bodman LLP, Bond Counsel, under present law the interest on the Bonds is NOT excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended (the "Code"). Bond Counsel expresses no opinion regarding any other federal or state tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.*

**\$6,700,000**

**OAKLAND-MACOMB INTERCEPTOR DRAIN DRAINAGE DISTRICT  
DRAIN BONDS, SERIES 2010B**

**(Federally Taxable Recovery Zone Economic Development Bonds)****COUNTY OF OAKLAND AND COUNTY OF MACOMB****STATE OF MICHIGAN****DATED: MAY 1, 2010****GENERAL OBLIGATION LIMITED TAX BONDS****REGISTRATION:** Book entry only system**INTEREST:** Paid from May 1, 2010 - 1st Paid October 1, 2010 - Semi-Annually Thereafter**REGISTRAR, TRANSFER and PAYING AGENT:** Huntington National Bank, Grand Rapids, Michigan**DENOMINATIONS:** \$5,000 or a Multiple of \$5,000, Numbered From 1 Upwards**AUTHORITY:** Chapter 21 of Act No. 40, Public Acts of Michigan, 1956), as amended**REDEMPTION PROVISIONS:** Maturities on April 1, 2018 or Prior - Non-Callable

Maturities on April 1, 2019 or After as follows:

Bonds called for redemption on or after April 1, 2018 shall be redeemed at par.

**PURPOSE AND SECURITY:** See "Security for the Bonds" and "Description of the Project and Cost Estimate" herein**BOOK ENTRY CUSTODIAL DEPOSITORY:** The Depository Trust Company, New York, N.Y.

THE ABILITY OF THE COUNTY OF MACOMB, THE COUNTY OF OAKLAND AND THEIR  
UNDERLYING MUNICIPALITIES TO RAISE FUNDS WITH WHICH TO MEET THEIR  
FULL FAITH AND CREDIT PLEDGE IS SUBJECT TO CONSTITUTIONAL AND  
STATUTORY LIMITATIONS ON THE TAXING POWER OF THE COUNTIES  
AND THE UNDERLYING MUNICIPALITIES.

**MATURITY SCHEDULE****\$3,215,000 Serial Bonds**

<u>Due</u> <u>Apr. 1</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>Due</u> <u>Apr. 1</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>Due</u> <u>Apr. 1</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>
2011	\$190,000	1.15%	1.15%	2015	\$250,000	3.45%	3.25%	2019*	\$295,000	4.70%	4.50%
2012	225,000	1.45	1.45	2016	260,000	3.75	3.55	2020*	310,000	4.90	4.70
2013	230,000	2.20	2.20	2017	270,000	3.90	3.90	2021*	325,000	5.10	4.90
2014	240,000	2.45	2.45	2018	280,000	4.35	4.15	2022*	340,000	5.25	5.05

**\$3,485,000 Term Bonds \*\***

\$740,000 - 5.45% Term Bonds due April 1, 2024\* - Yield: 5.25%  
 \$820,000 - 5.70% Term Bonds due April 1, 2026\* - Yield: 5.50%  
 \$1,925,000 - 5.90% Term Bonds due April 1, 2030\* - Yield: 5.90%

\* Callable-See "Description of the Bonds-Prior Redemption" herein.

\*\* Subject to Mandatory Redemption-See "Description of the Bonds-Serial Bonds and Term Bonds" herein.

Information prepared in cooperation with:

**JOHN P. MCCULLOCH****Secretary**

**Oakland-Macomb Interceptor  
Drain Drainage District Drain Board**

**Bond Counsel:  
BODMAN LLP  
Detroit, Michigan**

**MICHAEL R. GREGG****Chairperson**

**Oakland-Macomb Interceptor  
Drain Drainage District Drain Board**

**Underwriter:****BAIRD**

**THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.**

**MUNICIPAL FINANCIAL CONSULTANTS INCORPORATED**

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NO DEALER, BROKER, SALESMAN OR OTHER PERSON HAS BEEN AUTHORIZED BY THE COUNTY OF OAKLAND, THE COUNTY OF MACOMB OR THE OAKLAND-MACOMB INTERCEPTOR DRAIN DRAINAGE DISTRICT TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION OTHER THAN AS CONTAINED IN THIS OFFICIAL STATEMENT, AND IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COUNTIES OR THE DISTRICT.

THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT HAS BEEN PREPARED FROM SOURCES WHICH ARE DEEMED TO BE RELIABLE, BUT IS NOT GUARANTEED AS TO ACCURACY OR COMPLETENESS.

THE INFORMATION AND EXPRESSIONS OF OPINION IN THIS OFFICIAL STATEMENT ARE SUBJECT TO CHANGE WITHOUT NOTICE AND NEITHER THE DELIVERY OF THE OFFICIAL STATEMENT NOR ANY SALE MADE UNDER IT SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE COUNTY OR THE DISTRICT SINCE THE DATE OF THIS OFFICIAL STATEMENT.

**OFFICIAL STATEMENT  
COUNTY OF OAKLAND, MICHIGAN  
\$6,700,000  
OAKLAND-MACOMB INTERCEPTOR DRAIN DRAINAGE DISTRICT  
DRAIN BONDS, SERIES 2010B  
(Federally Taxable Recovery Zone Economic Development Bonds)**

The purpose of this Official Statement is to set forth information concerning the County of Oakland and the County of Macomb (together the "Counties"), the Oakland-Macomb Interceptor Drain Drainage District (the "District") and the District's Drain Bonds, Series 2010B (Federally Taxable Recovery Zone Economic Development Bonds) (the "Bonds"), in connection with the sale of the Bonds and for the information of those who initially become holders of the Bonds. Information summarized on the cover page is part of this Official Statement.

**DESCRIPTION OF THE BONDS**

The Bonds, aggregating the principal sum of \$6,700,000, shall be issued for the purposes set forth hereafter under "DESCRIPTION OF THE PROJECT" (the "Project"). The Bonds shall be known as "Oakland-Macomb Interceptor Drain Drainage District, Drain Bonds, Series 2010B (Federally Taxable Recovery Zone Economic Development Bonds)" and shall be dated May 1, 2010. The Bonds shall be fully registered Bonds, both as to principal and interest, in any one or more denominations of \$5,000 or a multiple of \$5,000 numbered from 1 upwards regardless of rate and maturity date. The Bonds shall mature on April 1, 2011 and each April 1 thereafter as provided on the cover page of this Official Statement.

**Interest Payment and Date of Record**

The Bonds shall bear interest payable October 1, 2010 and semi-annually thereafter on each April 1 and October 1, until maturity, at an interest rate not exceeding 8% per annum. Interest shall be paid by check or draft mailed to the registered owner of each Bond as of the applicable date of record.

**Paying Agent and Bond Registrar**

Huntington National Bank, Grand Rapids, Michigan has been selected as bond registrar and paying agent (the "Bond Registrar") for the Bonds. The Bond Registrar will keep records of the registered holders of the Bonds, serve as transfer agent for the Bonds, authenticate the original and any re-issued Bonds and will pay principal and interest to the registered holders of the Bonds as shown on the registration books of the District maintained by the Bond Registrar on the applicable date of

record. The principal of each Bond will be paid when due upon presentation and surrender thereof to the Bond Registrar. The date of record shall be the 15th day of the month before such payment is due.

### **Serial Bonds and Term Bonds**

Bonds maturing in the years 2011-2022 are designated as serial bonds.

Any bond maturing in the year 2024 is a term bond at 5.45%; any bond maturing in the year 2026 is a term bond at 5.70%; and any bond maturing in the year 2030 is a term bond at 5.90%. Principal maturities designated as term bonds are subject to mandatory redemption, in part, by lot, at par and accrued interest on April 1<sup>st</sup> of the years set forth hereafter. The amounts of the maturities that are now designated as term bonds and the amounts which must be paid as determined by mandatory redemption, by lot, are as follows:

<b>Mandatory Redemption</b>		<b>Mandatory Redemption</b>	
<b><u>Year</u></b>	<b><u>Annual Amounts</u></b>	<b><u>Year</u></b>	<b><u>Annual Amounts</u></b>
2023	\$360,000	2025	\$400,000
2024	380,000	2026	420,000
<b>Total</b>	<b>\$740,000</b>	<b>Total</b>	<b>\$820,000</b>

<b>Mandatory Redemption</b>	
<b><u>Year</u></b>	<b><u>Annual Amounts</u></b>
2027	\$ 445,000
2028	465,000
2029	495,000
2030	520,000
<b>Total</b>	<b>\$1,925,000</b>

### **Book-Entry-Only**

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for the Securities, in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of the issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York

Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminated the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the

name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts



of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

### **Prior Redemption**

Bonds maturing prior to April 1, 2019, shall not be subject to redemption prior to maturity. Bonds maturing on and after April 1, 2019 shall be subject to redemption in whole or in part on any date on and after April 1, 2018, and in any order, at the option of the District, at par, plus accrued interest to the date fixed for redemption.

With respect to partial redemptions, any portion of a bond outstanding in a denomination larger than the minimum authorized denomination may be redeemed provided such portion and the amount not being redeemed each constitutes an authorized denomination. In the event that less than the entire principal amount of a bond is called for redemption, upon surrender of the Bond to the bond registrar, the bond registrar shall authenticate and deliver to the registered owner of the Bond a new bond in the principal amount of the principal portion not redeemed.

Notice of redemption shall be sent to the registered holder of each Bond being redeemed by first class mail at least thirty (30) days prior to the date fixed for redemption, which notice shall fix the date of record with respect to the redemption if different than otherwise provided in the resolution authorizing

the issuance of the Bonds. Any defect in such notice shall not affect the validity of the redemption proceedings. Bonds so called for redemption shall not bear interest after the date fixed for redemption provided funds are on hand with the bond registrar to redeem the same.

### **Transfer or Exchange of Bonds**

Any bond shall be transferable on the bond register maintained by the Bond Registrar with respect to the Bonds upon the surrender of the Bond to the Bond Registrar together with an assignment executed by the registered owner or his or her duly authorized attorney in form satisfactory to the Bond Registrar. Upon receipt of a properly assigned bond, the Bond Registrar shall authenticate and deliver a new bond or bonds in equal aggregate principal amount and like interest rate and maturity to the designated transferee or transferees.

Bonds may likewise be exchanged for one or more other Bonds with the same interest rate and maturity in authorized denominations aggregating the same principal amount as the Bond or Bonds being exchanged. Such exchange shall be effected by surrender of the Bond to be exchanged to the Bond Registrar with written instructions signed by the registered owner of the Bond or his or her attorney in form satisfactory to the Bond Registrar. Upon receipt of a Bond with proper written instructions the Bond Registrar shall authenticate and deliver a new bond or bonds to the registered owner of the Bond or his or her properly designated transferee or transferees or attorney.

Any service charge made by the Bond Registrar for any such registration, transfer or exchange shall be paid for by the District, unless otherwise agreed by the District and the Bond Registrar. The Bond Registrar may, however, require payment by a bondholder of a sum sufficient to cover any tax or other governmental charge payable in connection with any such registration, transfer or exchange.

### **CUSIP Numbers**

It is anticipated that CUSIP numbers will be printed on the Bonds, but neither the failure to print such numbers nor any improperly printed number shall constitute cause for the purchaser to refuse to accept delivery of, or to pay for, the Bonds. All expenses for printing CUSIP numbers on the Bonds will be paid by the District, except that the CUSIP Service Bureau charge for the assignment of such numbers shall be the responsibility of and paid for by the purchaser.

## **SECURITY FOR THE BONDS**

### **Authorization**

The Bonds are being issued pursuant to the provisions of Chapter 21 of Act No. 40, Public Acts of Michigan, 1956, as amended (the "Drain Code"), and resolutions of the Drainage Board for the Oakland-Macomb Interceptor Drain Drainage District.

### **Primary Security**

The Bonds shall be issued in anticipation of the collection of special assessments against the City of Auburn Hills, Independence Township, the City of Lake Angelus, the City of Rochester, the City of Rochester Hills, Oakland Township, Orion Township, Oxford Township, the Village of Lake Orion, the Village of Oxford, Waterford Township and West Bloomfield Township, each in Oakland County; and Chesterfield Township, the City of Fraser, the City of Sterling Heights, the City of Utica, Clinton township, Harrison Township, Lenox Township, Macomb Township (includes Washington Township), Shelby Township and the Village of New Haven, each in Macomb County (all together the "Municipalities") on the Special Assessment Roll for the Oakland-Macomb Interceptor Drain. The full faith and credit of the Drainage District are pledged for the prompt payment of the principal of and interest on the Bonds as the same shall become due. The Drainage District has no power to levy ad valorem taxes.

The special assessment installments and interest thereon are sufficient to pay the principal of and interest on the Bonds when due. The Municipalities shall levy sufficient taxes or make other appropriations to pay each annual assessment installment and interest as the same become due unless there have been set aside moneys sufficient therefore. Taxes imposed, if any, by the Municipalities are subject to constitutional and statutory tax limitations.

### **Full Faith and Credit of Counties**

Pursuant to a resolutions adopted by their Board of Commissioners, the County of Oakland and the County of Macomb have pledged their full faith and credit as additional security for the payment of the principal of and interest on the Bonds. Taxes imposed by the County of Oakland and the County of Macomb are subject to constitutional and statutory tax limitations.

The full faith and credit pledge of Macomb and Oakland Counties are limited to the portion of the district which is

within each County. The percentage which lies within each County is as follows:

<u>County</u>	<u>Full Faith and Credit Percentage</u>
County of Macomb:	51.5%
County of Oakland	48.5%
Total	100.0%

#### DESCRIPTION OF THE PROJECT AND COST ESTIMATE

The Project consists of the structural rehabilitation of the Oakland-Macomb Interceptor Drain. The project will include the construction of two large temporary earth retention systems and two reinforced concrete flow control/access structures located in the north-south ITC Corridor east of Hoover Road, one at 10 Mile Road and the other at Common Road, each in the City of Warren. In addition, the project will also include the construction of three large temporary earth retention systems and three reinforced concrete flow control/access structures. One structure is located in the north-south ITC Corridor east of Hoover Road, just south of 15 Mile Road. The second is on Dodge Park Road, north of 15 Mile Road. The third is in the center median of Utica Road, just west of Dodge Park. All three are in the City of Sterling Heights.

#### Preliminary Project Cost Estimate:

Construction Costs and Financing Costs (including bond discount)	\$6,700,000
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#### CONTINUING DISCLOSURE

The Counties and the District (individually and "Obligated Person" and collectively, "Obligated Persons") have each covenanted and will covenant for the benefit of the Bondholders and the Beneficial Owners (as hereinafter defined under this caption only) pursuant to a resolution and a related Continuing Disclosure Certificate to be delivered on the date of issuance of the Bonds to the purchaser thereof (individually a "Disclosure Certificate" and collectively, the "Disclosure Certificates"), to provide or cause to be provided: (i) each year, certain financial information and operating data relating to the Counties for their preceding fiscal years (the "Annual Report") by not later than the date six months after the first day of their fiscal years, commencing with the Annual Report for the fiscal year ending September 30, 2010 for the County of Oakland and December 31, 2009 for the County of Macomb; provided, however, that if the audited financial statements of any Obligated Person are not available by such date, they will be provided when and if available, and unaudited financial

statements in a format similar to the audited financial statements then most recently prepared for such Obligated Person will be included in the Annual Report; and (ii) timely notices of the occurrence of certain enumerated events related to the respective Obligated Person, if material. Currently, the fiscal year of the County of Oakland commences on October 1 and the fiscal year of the County of Macomb commences on January 1. "Beneficial Owner" means, under this caption only, any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including any person holding Bonds through nominees, depositories or other intermediaries).

Each Annual Report will be filed with the Municipal Securities Rulemaking Board ("MSRB") electronically through MSRB's Electronic Municipal Market Access system ("EMMA"). If any Obligated Person is unable to provide the MSRB its Annual Report by the date required, such Obligated Person shall send, in a timely manner, to the MSRB through EMMA, a notice of the failure to file the Annual Report by such date. The notices of material events will be filed by each Obligated Person with the MSRB through EMMA. These covenants have been made by each Obligated Person in order to assist the purchaser of the Bonds and registered brokers, dealers and municipal securities dealers in complying with the requirements of subsection of (b)(5) of the SEC Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities and Exchange Act of 1934 (the "Rule"). The information to be contained in each Annual Report, the enumerated events, the occurrence of which will require a notice, and the other terms of each Disclosure Certificates are set forth in Appendix A, Appendix B and Appendix C.

In the past five years, no Obligated Person has failed to comply, in all material respects, with any of its previous undertakings in a written contract or agreement that it entered into pursuant to subsection (b)(5) of the Rule.

## **BOND RATING**

### **Standard & Poor's**

The Counties have received a municipal bond rating of **AAA** from Standard & Poor's Ratings Services. The Counties furnished to such rating agency certain materials and information in addition to that provided herein. Generally, rating agencies base their ratings on such information and materials and investigations, studies and assumptions made by the rating agencies. There is no assurance that such ratings will prevail for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

The definitions of a rating furnished by Standard & Poor's Ratings Services are as follows:

- AAA** Debt rated "AAA" has the highest rating to a debt obligation. Capacity to pay interest and repay principal is extremely strong.
- AA** Debt rated "AA" has a very strong capacity to pay interest and repay principal and differs from the higher rated issues only in small degree.
- A** Debt rated "A" has a strong capacity to pay interest and repay principal although it is somewhat more susceptible to the adverse effects of changes of circumstances and economic conditions than in debt in higher rated categories.
- BBB** Debt rated "BBB" is regarded as having an adequate capacity to pay interest and repay principal. Whereas it normally exhibits adequate protection parameters, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to pay interest and repay principal for debt in this category than in higher debt rated categories.
- BB-CC** Debt rated "BB", "B", "CCC" or "CC" is regarded, on balance, as predominantly speculative with respect to capacity to pay interest and repay principal in accordance with the terms of the obligation. "BB" indicates the lowest degree of speculation and "CC" the highest degree of speculation. While such debt will likely have some quality and protective characteristics, these are outweighed by large uncertainties or major risk exposures to adverse conditions.
- C** This rating is reserved for income bonds on which no interest is being paid.
- D** Debt rated "D" is in default, and payment of interest and/or repayment of principal is in arrears.

Plus (+) or minus (-): The ratings "AA" to "BBB" may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories.

## **MATTERS RELATED TO BUILD AMERICA BONDS**

(a) The Bonds are being issued "on behalf of" Macomb County by the District and the County has authorized the District to designate the Bonds as "Recovery Zone Economic Development Bonds" pursuant to Section 1400U-2 of the Internal Revenue Code of 1986, as amended, (the "Code"). The Project is located within Macomb County, Michigan ("Macomb County") and the entire area of Macomb County has been designated by the County as a "recovery zone" (the "Zone") by a resolution adopted on August 26, 2009.

(b) The District irrevocably elected to treat the Bonds as "build America bonds" under Section 54AA(d) of the Code as in effect on the issue date of the Bonds and as "recovery zone economic development bonds" within the meaning of Section 1400U-2(b) of the Code.

(c) The District has covenanted and agreed to apply to the Secretary of the United States Treasury (the "Secretary") to receive the direct payment afforded Direct Payment BABs under Section 6431 of the Code (the "BABs Subsidy Payment") with respect to the Bonds which is equal to 45% of the interest payable on such Bonds. No tax credit or other benefits will be available to holders of the Bonds.

(d) In order to satisfy the federal tax requirements for recovery zone economic development bonds, the District has covenanted and agreed that the Bonds satisfy or will satisfy the following requirements: (i) but for Section 54AA of the Code the interest on the Bonds would be excludable from gross income under Section 103 of the Code (ii) the Bonds are issued after February 17, 2009 ("Stimulus Act Date") and before January 1, 2011; (iii) the Bonds are not private activity bonds under Section 141 of the Code; (iv) the issue price of the Bonds does not have more than a de minimis amount of premium over the stated principal amount, as determined under rules similar to the rules of Section 1273(a)(3) of the Code governing original issue discount; (v) all of the proceeds of the Bonds (and the earnings thereon) will be used for capital expenditures (within the meaning of Section 1.150-1(b) of the Regulations promulgated under the Code) incurred after the Stimulus Act Date or to pay costs of issuance up to 2% of the par amount of the Bonds and, (vi) 100% of the available project proceeds of the Bonds will be used by the District for one or more "qualified economic development purposes" which include (a) capital expenditures paid or incurred with respect to property in the Zone, (b) expenditures for public infrastructure and construction of public facilities, and (c) expenditures for job training and educational programs.

(e) The failure of the District to comply with the covenants set forth in Section 14 of the bond resolution will not create an event of default on the Bonds.

(f) Because the District has elected to treat the Bonds as "recovery zone economic development bonds" under the Code it is entitled to receive the credits allowable to issuers of qualified "recovery zone economic development bonds" pursuant to the Code (i.e., direct cash payments to the Issuer). Under current law, a cash payment is payable by the United States Treasury directly to the District in an amount equal to 45% of the interest payable by the District on each interest payment date, provided that certain requirements are continuously satisfied by the District. The District has covenanted to deposit all such credits received by the District, if any, into the Debt Retirement Fund for the Bonds. If for any reason the cash payments from the United States Treasury are not received, the District will make such payments directly to the Debt Retirement Fund.

#### **TAX MATTERS**

In the opinion of Bodman LLP ("Bond Counsel"), the interest on the Bonds is not excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended (the "Code"). Bond Counsel expresses no opinion regarding any other federal or state tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

The following is a summary of certain of the United States federal income tax consequences of the ownership of the Bonds as of the date hereof. Each prospective investor should consult with its own tax advisor regarding the application of United States federal income tax laws, as well as any state, local, foreign or other tax laws, to its particular situation.

This summary is based on the Code, as well as the Treasury Regulations and administrative and judicial rulings and practice. Legislative, judicial and administrative changes may occur, possibly with retroactive effect, that could alter or modify the continued validity of the statements and conclusions set forth herein. This summary is intended as a general explanatory discussion of the consequences of holding the Bonds generally and does not purport to furnish information in the level of detail or with the investor's specific tax circumstances that would be provided by an investor's own tax advisor. For example, it generally is addressed only to original purchasers of the Bonds that are "U.S. holders" (as defined below), deals only with those Bonds held as capital assets within the meaning of Section 1221 of the Code and does not address tax consequences to holders that may be relevant to investors subject to special rules, such as individuals, trusts, estates, tax-exempt investors, foreign investors, cash method taxpayers, dealers in securities, currencies or commodities,



banks, thrifts, insurance companies, electing large partnerships, mutual funds, regulated investment companies, real estate investment trusts, FASITs, S corporations, persons that hold the Bonds as part of a straddle, hedge, integrated or conversion transaction, and persons whose "functional currency" is not the U.S. dollar. In addition, this summary does not address alternative minimum tax issues or the indirect consequences to a holder of an equity interest in a holder of the Bonds.

As used herein, a "U.S. holder" is a "U.S. person" that is a beneficial owner of a Bond. A "non-U.S. holder" is a holder (or beneficial owner) of a Bond that is not a U.S. person. For these purposes, a "U.S. person" is a citizen or resident of the United States, a corporation or partnership created or organized in or under the laws of the United States or any political subdivision thereof (except, in the case of a partnership, to the extent otherwise provided in the Treasury Regulations), an estate the income of which is subject to United States federal income taxation regardless of its source or a trust if (i) a United States court is able to exercise primary supervision over the trust's administration and (ii) one or more United States persons have the District to control all of the trust's substantial decisions.

The Bonds will be treated, for federal income tax purposes as a debt instrument. Accordingly, interest will be included in the income of a holder as it is paid (or, if the holder is an accrual method taxpayer as it is accrued) as interest.

Bondholders that have a basis in the Bonds that is greater than the principal amount of the Bonds should consult their own tax advisors with respect to whether or not they should elect to amortize such premium under Section 171 of the Code.

If a Bondholder purchases the Bonds for an amount that is less than the adjusted issue price of the Bonds, and such difference is not considered to be de minimis, then such discount will represent market discount. Absent an election to accrue market discount currently, upon a sale or exchange of a Bond, a portion of any gain will be ordinary income to the extent it represents the amount of any such market discount that was accrued through the date of sale. In addition, absent an election to accrue market discount currently, the portion of any interest expense incurred or continued to carry a market discount bond that does not exceed the accrued market discount for any taxable year, will be deferred.

Although the Bonds are expected to trade "flat," that is, without a specific allocation to accrued interest, for federal income tax purposes, a portion of the amount realized on sale attributed to the Bonds will be treated as accrued interest and thus will be taxed as ordinary income to the seller (and will not be subject to tax in the hands of the buyer).

The Bonds may be issued with original issue discount ("OID"). Accordingly, Bondholders will be required to include OID in gross income as it accrues under a constant yield method, based on the original yield to maturity of the Bond. Thus, Bondholders will be required to include OID in income as it accrues, prior to the receipt of cash attributable to such income. U.S. holders, however, would be entitled to claim a loss upon maturity or other disposition of such notes with respect to interest amounts accrued and included in gross income for which cash is not received. Such a loss generally would be a capital loss. Bondholders that purchase a Bond for less than its adjusted issue price (generally its accrued value) will have purchased such Bond with market discount unless such difference is considered to be de minimis. Absent an election to accrue market discount currently, upon sale or exchange of a Bond, a portion of any gain will be ordinary income to the extent it represents the amount of any such market discount that was accrued through the date of the sale. In addition, absent an election to accrue market discount currently, the portion of any interest expense incurred or continued to carry a market discount bond that does not exceed the accrued market discount for any taxable year will be deferred. A Bondholder that has a basis in the Bond that is greater than its adjusted issue price (generally its accreted value), but that is less than or equal to its principal amount, will be considered to have purchased the Bond with "acquisition premium." The amount of OID that such a Bondholder must include in gross income with respect to such Bonds will be reduced in proportion that such excess bears to the OID remaining to be accrued as of the acquisition of the Bond. A Bondholder may have a basis in its pro rata share of the Bonds that is greater than the principal amount of such Bonds. Bondholders should consult their own tax advisors with respect to whether or not they should elect to amortize such premium, if any, with respect to such Bonds under Section 171 of the Code.

Upon a sale, exchange or retirement of a Bond, a holder generally will recognize taxable gain or loss on such Bond equal to the difference between the amount realized on the sale, exchange or retirement (less any accrued qualified stated interest which will be taxable as such) and the Bondholder's adjusted tax basis in such Bond. Defeasance of the Bonds may result in a reissuance thereof, in which event an owner will also recognize taxable gain or loss as described in the preceding sentence. Such gain or loss generally will be capital gain (although any gain attributable to accrued market discount of the Bond not yet taken into income will be ordinary). The adjusted basis of the holder in a Bond will (in general) equal its original purchase price and decreased by any principal payments received on the Bond. In general, if the Bond is held for longer than one year, any gain or loss would be long term capital gain or loss, and capital losses are subject to certain limitations.

Payments on the Bonds to a non-U.S. holder that has no connection with the United States other than holding its Bond generally will be made free of withholding tax, as long as that holder has complied with certain tax identification and certification requirements.

See Exhibit E, the proposed form of Bond Counsel's opinion, herein.

### **Circular 230**

The tax discussion above was not intended or written to be used, and cannot be used, for the purposes of avoiding taxpayer penalties. The advice was written to support the promotion or marketing of the Bonds.

### **BOND HOLDERS' RISKS**

The Federal Bankruptcy Code affects the rights and obligations of municipalities and their creditors. Although State legislative authority is a condition to the filing by municipalities of cases for relief under the Bankruptcy Code, recently-enacted legislation empowers local governments, such as the District or the Counties, to become a debtor under the Bankruptcy Code. This authorization would be invoked if fiscal circumstances become such an emergency financial manager were appointed for the District or the Counties. No assurance can be given that future circumstances or legislation will not result in the District or the Counties filing for relief under the Bankruptcy Code. Should the District or the Counties file a petition for relief under the Bankruptcy Code, the bankruptcy court could reduce the amount of or extend the time of the District's or the Counties' legal obligation to pay their outstanding debts.

### **LITIGATION**

To the knowledge of the District and the Counties, there is no controversy of any nature threatening or pending against the District or the Counties, seeking to restrain or enjoin the issuance, sale, execution or delivery of the Bonds or in any way contesting or affecting the validity of the Bonds or any proceedings of the District or the Counties taken with respect to the issuance or sale thereof, or the pledge or application of any moneys or security provided for the payment of the Bonds.

## **APPROVAL OF LEGALITY**

The approving opinion of Bodman LLP, attorneys of Detroit, Michigan, will be furnished without expense to the purchaser of the Bonds at the delivery thereof.

## **FINANCIAL ADVISOR**

Municipal Financial Consultants Incorporated of Grosse Pointe Farms, Michigan has served as financial advisor to the District in connection with the sale of the Bonds. The financial advisor makes no representation as to the completeness or the accuracy of the information set forth in this Official Statement.

Further information concerning the Bonds may be obtained from Municipal Financial Consultants Incorporated, Suite 360, 21 Kercheval Avenue, Grosse Pointe Farms, Michigan 48236 (313-884-1550).

## **RESPONSIBILITIES OF BOND COUNSEL**

Bond Counsel has reviewed the statements made in this Official Statement under the captions "Description of the Bonds", "Security for the Bonds", "Tax Matters", "Approval of Legality" and "Responsibilities of Bond Counsel", but has not been retained to review and has not reviewed any other portion of this Official Statement. Bond Counsel has not made inquiry of any official or employee of the Counties, the District or any other person with respect to, or otherwise made any independent verification of, the accuracy or completeness of any statement made in this Official Statement (including those that it has reviewed) and has not expressed and will not express an opinion as to the accuracy or completeness of any statement made herein.

Except as stated in the immediately preceding paragraph and to the extent necessary to render its approving opinion respecting the validity of the Bonds, Bond Counsel has not been retained to examine or review, and has not examined or reviewed, any financial documents, statements or other materials that have been or may be furnished in connection with the authorization, marketing or issuance of the Bonds and, therefore, will not express an opinion with respect to the accuracy or completeness of any such documents, statements or other materials.

The fees of Bond Counsel for services rendered in connection with its approving opinion are expected to be paid from Bond proceeds.

### **MISCELLANEOUS**

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

**JOHN P. MCCULLOCH, SECRETARY OF THE DRAIN BOARD**  
**Oakland-Macomb Interceptor Drain Drainage District**

## **EXHIBIT A**

# **GENERAL AND ECONOMIC INFORMATION REGARDING THE COUNTY**

## **Introduction**

Oakland County continues to be a great place to live, to work, to shop and to move your business to. The County is a special place to live where families can enjoy a quality of life that is second to none and where business can grow and prosper. Oakland County's tax base from 2001 to 2006 grew at annual pace of 5.9%, with only 3.7% of taxable valuation coming from the 10 largest taxpayers making the tax base extremely diversified.

Residential developments in the County include some of the finest home developments in the State. The median sales price of a single family home was \$160,000 in 2008. Oakland County led the seven-county southeast Michigan region between 2000 and 2006 in percent of total residential development activity with 28.1 percent of 112,462 net new living units.

Unemployment in the County averaged 13.3 percent in 2009, below the State's average rate of 14.0 percent. Oakland County did experience some job loss due to manufacturing reorganization in 2006 but is expecting consistent job growth for the next several years due to the availability of skilled and educated workers. Job growth is also projected in the coming decades in such sectors as private education and health, professional and technical services, and leisure and hospitality services.

Despite these economic problems Oakland County remains among the most prominent county economies in the nation, ranking number three for counties of the same size, with some of the most promising future prospects. To embrace a promising future, Oakland County has begun Emerging Sectors. A program designed to attract and assist business, promote partnerships, link research and development, and attract and develop a highly skilled work force benefiting both residents and businesses. Its goal is to ensure Oakland County and its work force continues to thrive today and tomorrow as a premier technology hub.

Oakland County has the highest level of personal income per capita of the major labor markets in Michigan. Oakland's per capita income was \$55,207 in 2007. Oakland County ranked seventh in per capita income in 2006 for counties with populations greater than one million.

*Source: Oakland County Department of Planning and Economic Development*

## **The County**

The County is a public corporation created under the Constitution and Statutes of the State of Michigan, and has general governmental powers and authority. Under Act 206, the Treasurer of the County is the officer responsible for the collection of delinquent real property taxes returned to the County as uncollected on March 1 of any year. In addition, the County Treasurer is responsible for the application of the borrowing proceeds and the preservation of the security related to these Bonds. The County uses a modified accrual basis for accounting purposes.

## **Form of Government**

The 25 member Board of Commissioners is the governing and legislative body of the County and is elected from districts for two (2) year terms. The County Executive is the chief administrative officer of the County and is elected at large for a four (4) year term.

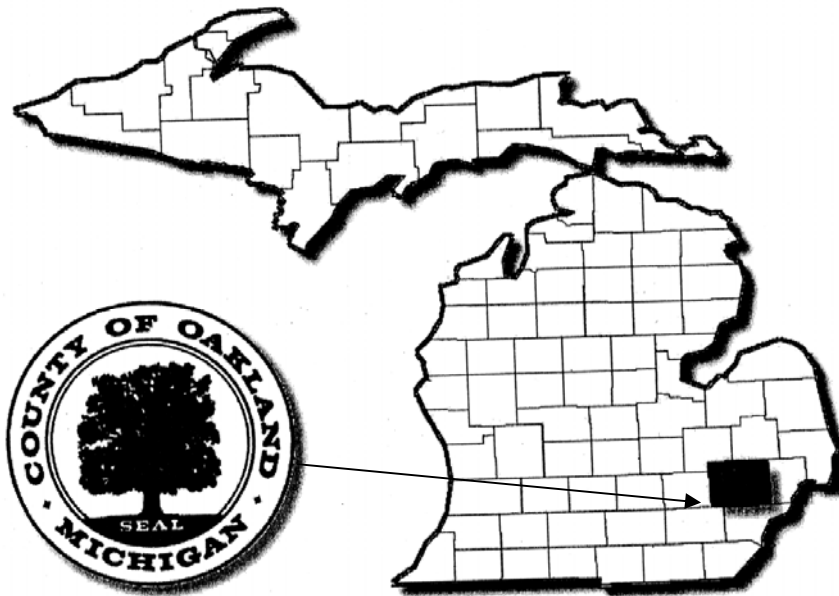
The County Executive is responsible for the overall supervision of all County departments, except those headed by other elected officials. The County Executive also has veto powers over any ordinance or resolution adopted by the Board of Commissioners including appropriating ordinances, which may be over ridden by a 2/3 vote of all members elected and serving on the County Board of Commissioners.

## County Location, Transportation and Character

The County of Oakland is located in the southeast portion of Michigan's Lower Peninsula. The County covers an area of 910 square miles, which includes 30 cities, 10 villages and 21 townships. Within the county there are 5 rivers, 1,450 lakes, 900 miles of shoreline, and numerous small streams and almost 90 public and private golf courses, which attracts many business and residents to Oakland County.

Oakland (County) International Airport is capable of accommodating jets as large as a 727 and is home base for over 700 corporate and general aviation aircraft. It is the nation's sixth busiest general aviation airport and is the second busiest airport in Michigan with approximately 400,000 aircraft flying in and out each year. In 1996 the airport opened a full time U.S. customs office and expanded the airport to international commerce. There are now over 1,200 international flights per year.

Detroit Metropolitan Airport, located 18 miles south of the County, offers direct and connecting flights daily to nearly everywhere in the world. As a regional hub for Northwest Airlines, the number of direct, non-stop flights to and from Metro has increased tremendously. The new Mid-Field Terminal opened in February, 2002 and added 97 new gates to the airport. Also in 2008 a new terminal to replace Smith Terminal is scheduled to be opened.



The Port of Detroit, located south of the County (in Wayne County), serves as Southeast Michigan's link to the Great Lakes, the St. Lawrence Seaway and the world. An international port of entry with full U.S. Custom service and a Free Trade Zone enhance the area's attractiveness to foreign manufacturers. Michigan/Detroit is ranked third in exports (based on dollar value) after Los Angeles and New York.

Roads and Highways - Major investments in widening and in upgrades to many Interchanges along the 87 miles of interstate freeways serving Oakland County continue to be made. Interstate 75 and I-275 link the area with the states of Ohio, Kentucky, Tennessee, Georgia and Florida; and I-94, I-96 and I-696, Major east/west freeways in the state, link east to Canada and west

through Chicago. Oakland County and the surrounding area is free of toll roads.

Rail Service - The Grand Trunk Western Railroad furnishes most of Oakland County's rail needs. In addition, CSX Railroad also has a considerable amount of track in the western part of the County.

Residential - Residential development in the County includes some of the finest home developments in the State. The quality of homes (and average annual income) located in Birmingham and the Bloomfield Hills areas are among the highest in the Midwest. Homes in many other areas of the County are also of excellent quality. The estimated median housing value of a single family home was \$229,000 in 2005.

Commercial - Commercial development in the County equals or exceeds those in other areas of the state. Eighteen outstanding shopping facilities are provided in Troy, Birmingham and other cities in southeastern Oakland County. Regional shopping centers, located in Southfield, Troy, Auburn Hills and the Pontiac area are among Michigan's finest.

Agriculture - Agriculture has been declining steadily in recent years in terms of economic importance to the County. This trend is expected to continue as increasingly larger portions of farm property are converted into residential, commercial and industrial sites.

Retail Activity - Oakland County had total retail sales, in 2006, totaling \$25 billion. This exceeded the total retail sales of fourteen states and the District of Columbia and places Oakland County twenty among all counties.

Oakland County had a total Effective Buying Income (EBI), in 2003, of \$33.4 billion. This was higher than that of fourteen states and the District of Columbia.

Corporate - More than 60 percent of Fortune 500 companies do business in Oakland County, increasing 14 percent in two years. Of the Fortune Global 500 companies, 50 percent have business locations in Oakland County.

Oakland County continues to lead all Michigan counties in the number of business incorporating and forming in the state. Of the total new incorporations that took place in Michigan, Oakland County had 26 percent. Oakland County also has the state's largest number of business proprietorships and partnerships.

Hotels-Motels - Oakland County has 93 hotels and motels with 20 or more rooms. Several new hotel/motel properties are under construction and should be available in the very near future.

*Source: Oakland County Department of Planning and Economic Development*

## **Construction**

Office Buildings – Between 2003 and 2006 3.9 million square feet of commercial space was added in Oakland County. Most major development was in Hi/tech, medical, institutional, and retail. The occupancy rate for the County averaged 84 percent, with over 9 million square feet of office space available for lease. The City of Southfield, followed by the City of Troy and Farmington Hills, has the most rental space available.

Industrial & Research Parks - Oakland Technology Park, located in Auburn Hills, is one of the top five research parks in the nation in terms of size. Daimler Chrysler's \$1 billion R & D headquarters and \$1.4 billion corporate world headquarters is located on 500 acres just outside the Tech park. Electronic Data Systems, Comerica Bank, World Computer, ITT Automotive and other major firms are located in this Tech Park. Oakland County leads all Michigan counties with more than 240 business parks totaling more than 10,000 acres.

*Source: U.S. Census Bureau and Dodge Local Construction Potentials for non-residential projects*

## **Utilities**

All of southern Oakland County buys water from the City of Detroit. When projects now underway are completed, the City of Detroit will treat all of southern Oakland County's sewage (other than that of the City of Pontiac). Major drainage systems have been and are being built in the County. Following is a list of the Utility Suppliers for Oakland County:

### **Electricity:**

<b>Supplier</b>	<b>Detroit Edison</b>
<b>Fuel</b>	<b>90% Coal, 10% Nuclear</b>

### **Natural Gas:**

<b>Supplier</b>	<b>Consumers Energy</b>
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### **Water:**

<b>Supplier</b>	<b>Detroit Water and Sewer System</b>
	<b>Community and Private Wells</b>
<b>Source</b>	<b>Lake Huron</b>
	<b>Ground Water from Wells</b>

### **Sewer:**

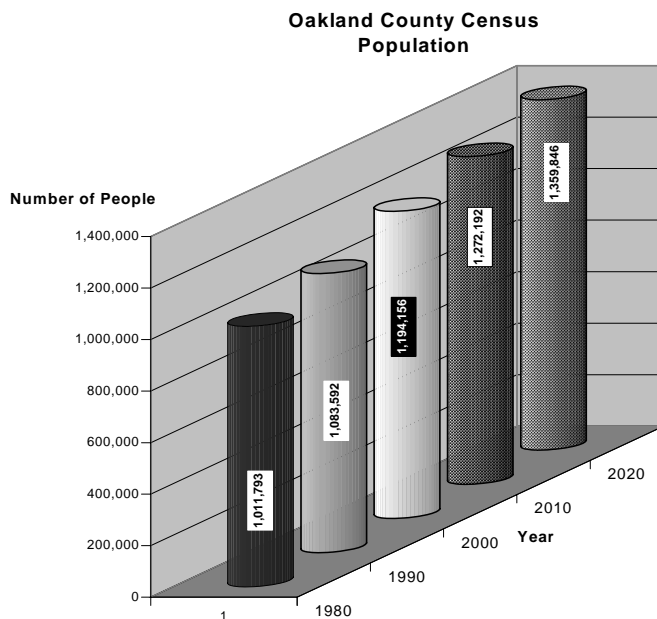
<b>Supplier</b>	<b>Detroit Water &amp; Sewer System</b>
	<b>Community Water Treatment Facilities and Septic Fields</b>

<b>System Types</b>	<b>Separate Storm and Sanitary Community Treatment Facilities</b>
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## Population

Between 2000 and 2006 Oakland County's population grew by 2%. By 2035 the population is forecast to be 1,333,767. Oakland County has 12 percent of Michigan's population.



Source: U.S. Census and SEMCOG

## Education

There are twenty eight school districts in Oakland County, all offering preschool programs and all but one providing childcare or latchkey services. Of these districts, four – Birmingham, Clarkston, Farmington, and Troy, were awarded Gold medals in Expansion Magazines Education Quotient Rating Program.

Thirty institutions of higher learning with a total enrollment of over 100,000 are located in the County. The largest public degree-granting institutions headquartered in Oakland County are Oakland University, Oakland Community College, M-Tech and Lawrence Technological University. Several private and trade schools offer courses ranging from liberal arts and theological studies to vocational and occupational training.

Oakland University -The Schools of Management and Engineering work with industrial firms in developing personnel versed in manufacturing technologies and technology development processes, and management. The university's faculty consults with many industrial firms and facilitates on the transfer of technology between the University and the business community.

Oakland Community College - Approximately 24,000 students attend this multi-campus college specializing in technical and vocational education. The Computer Integrated Manufacturing curriculum is a partnership between the college and representatives of the major industrial firms in the County who assist in curriculum planning.

Lawrence Technological University - One of the Midwest's leading technical schools, Lawrence's engineering, architecture, business and industrial management and associate studies graduate 1,000 students yearly.

Other Educational Institutions - Central Michigan University, Wayne State University and Michigan State University have graduate studies and programs in the County. Wayne State University has opened a 100,000 square foot continuing education center in Farmington Hills in 1995. This consolidates several satellite facilities in operation throughout the County. Walsh College concentrates on business and accounting education as does Baker College.

Within an hours drive are the main campuses of the University of Michigan, Wayne State University and Michigan State University. These are major centers of research. Each institution has institutes established for the purpose of providing technology research, development and transfer to the business sector for economic development. The Polymer Institute is located at the University of Detroit, less than two miles from the southern border of the County.

## Job Growth

Educational services, health care, and social assistance led employment growth between 2000 and 2007 with 3.8 percent. The private service-providing sector is forecast to have job gains of 3,000 in 2009 and 5,500 in 2010. Oakland County also expects an increase of 1,200 net new jobs in 2009 and 5,600 in 2010 in employment in the private education and the health sector as we begin to shift away from manufacturing toward services which will dominate for years to come.

The county's economic base continues to diversify as the Emerging Sectors strategy is put into place. Since the program began in late 2004, Oakland County has seen more than 12,400 jobs created or retained, 67 companies attracted or retained, produced \$23 million in property tax and five new banks establish operations in Oakland County, making it the financial center of Michigan with 30 major banks operating here.

*Source: Oakland County Department of Planning and Economic Development*

## Industrial and High Technology

Companies believe that if you are a part of the automotive industry, you must have a presence in southeast Michigan, and preferably Oakland County. Certainly research and development organizations continue to select Oakland County. Oakland County's business climate, infrastructure, and available assistance for research and development activities is unrivaled in the country and the world. In fact, over one-third of Michigan's R & D facilities are located in Oakland County. Much of this development has been driven by the need to meet Federal standards in automobiles. Employees in these firms are typically research engineers and their support staff.

*Source: Oakland County Department of Planning and Economic Development*

## Foreign Investment

Over 700 businesses representing 33 foreign parent companies doing business in Michigan are located in Oakland County. Twenty eight percent of all foreign owned firms in the county are Japanese establishments and twenty two percent have German parent companies. Sixty-seven percent of all foreign owned firms in southeastern Michigan are in Oakland County.

## County Tax Rates (in mills) \$1.00/\$1,000 of SEV)

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
Operating	4.19	4.19	4.19	4.19	4.19	4.19	4.19	4.19	4.19	4.19	4.19	4.19
Parks & Recreation	<u>0.2415</u>	<u>0.2415</u>	<u>0.2415</u>	<u>0.2415</u>	<u>0.2415</u>	<u>0.2422</u>	<u>0.2436</u>	<u>0.2453</u>	<u>0.2352</u>	<u>0.2376</u>	<u>0.2404</u>	<u>0.2429</u>
Total	4.4315	4.4315	4.4315	4.4315	4.4315	4.4322	4.4336	4.4353	4.4252	4.276	4.4304	4.4329

In August, 1978, the voters of Oakland County approved, as part of County wide fixed millage, a maximum millage of \$5.26 per \$1,000, subject to Headlee Amendment reductions. The maximum authorized millage for 2000, after the Headlee reduction, is 4.3688mills. See "Tax Rate Limitation" section.

*Source: Oakland County Treasurer*

## Tax Rate Limitation

Article IX, Section 6, of the Michigan Constitution of 1963 provides, in part:

"Except as otherwise provided in this Constitution, the total amount of general ad valorem taxes imposed upon real and tangible personal property for all purposes in any one year shall not exceed 15 mills on each dollar of the assessed valuation of property as finally equalized."

Section 6 further provides that by a majority vote of qualified electors of the County, the 15 mill limitation may be increased to a total of not to exceed 18 mills, and the millage of the local units involved shall then be permanently fixed within that greater millage limitation.

Act 62, Public Acts of Michigan, 1933, as amended, defines local units as counties, townships, villages, cities, school districts, community college districts, intermediate school districts, districts and other organizations or districts which may be established with the power to levy taxes, except villages and cities for which there are provisions in their charters or general law fixing maximum limits on the power to levy taxes against property.

The County voted in 1978 to fix millage rates pursuant to Section 6 of the 1963 Michigan Constitution and eliminate the Tax Allocation Board. The fixed rates are as follows (per \$1,000 of equalized valuation):

<u>Units of Government</u>	<u>Millage Rate</u>
Any School District	9.54
County of Oakland	5.26
Any Township	1.41
Oakland County Intermediate School District	<u>.25</u>
	16.46

In addition, Article IX, Section 6, permits the levy of millage in excess of the above for:

1. All debt service on tax supported notes issued prior to December 23, 1978 or tax supported issues which have been approved by the voters for which the issuer has pledged its full faith and credit.
2. Operating purposes for a specified period of time provided that such increased millage is approved by a majority of the qualified electors of the local unit.

## County Operating Tax Collection Record

Year of <u>Levy</u>	Collections to March 1 of Each Levy Year <u>Tax Levy *</u>	Collections Plus Delinquent Tax <u>Funding</u> <u>Amount**</u>	<u>Percent</u>	<u>Percent</u>
2008	262,899,380	251,050,564	95.49	100.00%
2007	262,814,606	251,354,868	95.64	100.00%
2006	252,400,473	241,012,251	95.49	100.00%
2005	238,685,067	227,704,056	95.40	100.00%
2004	227,583,190	214,916,156	94.43	100.00%
2003	216,173,657	204,777,737	94.73	100.00%
2002	206,294,411	194,663,962	94.36	100.00%
2001	192,549,695	181,781,363	94.41	100.00%
2000	179,455,454	170,218,781	94.85	100.00%
1999	169,119,667	160,852,822	95.11	100.00%
1998	158,822,030	150,584,994	94.18	100.00%
1997	154,608,230	146,878,133	95.00	100.00%

Prior to 1997, the County's fiscal year began on January 1<sup>st</sup> and ended on December 31<sup>st</sup>. Starting in 1997, the County's Fiscal Year started on October 1<sup>st</sup> ended on September 30<sup>th</sup>. Taxes are due December 1, and become delinquent the following March 1. The County has issued General Obligation Limited Tax Notes and established a 100% Tax Payment Fund at the County level, and after March 1<sup>st</sup>, the County pays, from the 100% Tax Payment Fund, all delinquent *real* property taxes from all municipalities in the County. The fund does not cover personal property taxes. Delinquent personal property taxes are negligible, and therefore, 100% Tax Collections are reported above.

\* Includes real and personal property taxes.

\*\* Reflects only real property delinquency and assumes 100% collection of personal property taxes.

Source: Oakland County Treasurer

## County Wide Tax Collection Record

Year of <u>Levy</u>	<u>Tax Levy*</u>	Collections to March 1 of Each Levy Year <u>Amount **</u>	<u>Percent</u>	Collections Plus Delinquent Tax Funding <u>Percent</u>
2008	2,608,706,372	2,451,081,244	93.96	100
2007	2,655,538,647	2,505,486,055	94.34	100
2006	2,557,038,960	2,423,216,598	94.77	100
2005	2,431,651,204	2,320,949,348	95.45	100
2004	2,328,575,713	2,211,018,004	94.95	100
2003	2,146,982,204	2,041,180,799	95.07	100
2002	2,100,018,728	1,991,919,012	94.85	100
2001	1,975,880,508	1,876,042,662	94.95	100
2000	1,791,823,624	1,706,154,873	95.22	100
1999	1,691,970,818	1,616,138,944	95.52	100
1998	1,599,405,612	1,535,919,099	96.03	100
1997	1,500,568,037	1,432,890,384	95.49	100

\* Includes real and personal property taxes.

\*\* Reflects only real property delinquency and assumes 100% collection of personal property taxes.

\*\*\* Includes TIF sharing.

Source: Oakland County Treasurer

## **Property Subject to Taxation**

The State Constitution limits the proportion of true cash value at which property can be uniformly assessed to 50% or less. By statute, the State legislature has provided that the property shall be assessed at 50% of its true cash value. The State legislature or the electorate may at some future time reduce the percentage below the present 50% of true cash value.

Responsibility for assessing local taxable property rests with the assessing officers of townships and cities. Any property owner may appeal his, her or its assessment to the local Board of Review and ultimately to the Michigan State Tax Tribunal.

The State Constitution also mandates a system of equalization for assessments. Although the assessors for each local unit of government are responsible for actually assessing at 50% of true cash value, the final State equalized assessment against which local property tax rates are applied is derived through several steps. County equalization is brought about by adjustments of the various local unit assessment ratios to the same levels; thereafter, the State equalizes the various counties in relation to each other.

On March 15, 1994, the electors of the State approved an amendment to the Michigan Constitution, limiting the increase in taxable value of property in any year, commencing 1995, to 5% or the rate of inflation, whichever is less, until ownership of the property is transferred at which time the assessment reverts to 50% of the true cash value of the property, as equalized. The effect of this assessment cap will be that different parcels of property will be taxed on different percentages of their cash value. The legislation implementing this constitutional amendment adds a new measure of property value for property taxes levied after 1994, known as taxable value. For the year 1995, the taxable value of property is based on the state equalized value (SEV) of that property in 1994. For each year after 1994, increases in the taxable value of property are limited by the constitutional assessment cap or the percentage change in the SEV of such property from the prior year until the transfer of ownership of the property at which time the taxable value shall be the property's SEV.

## **Industrial Facilities Tax**

The Michigan Plant Rehabilitation and Industrial Development District Act (Act 198, Public Acts of Michigan, 1974, as amended)("Act 198"), provides significant tax incentives to industry to renovate and expand aging plants and to build new plants in Michigan. Under the provisions of Act 198, qualifying cities, villages and townships may establish districts in which industrial firms are offered certain property tax incentives to encourage restoration or replacement of obsolete industrial facilities and to attract new plants to the area. The issuance of any exemption certificate must be approved by the State Treasurer. Firms situated in such districts pay an Industrial Facilities Tax in lieu of property taxes on plant and equipment for a period of up to 12 years. For rehabilitated plant and equipment, the assessed value is frozen at previous levels. New plant and equipment is taxed at one-half the current millage rate. It must be emphasized, however, that ad valorem property taxes on land and inventory are not reduced in any way since both land and inventory are specifically excluded under Act 198. For abatements granted prior to January 1, 1994, new plant and equipment is taxed at one half the current millage rate, except for mills levied for local and intermediate school operating purposes or under the State Education Tax Act, plus one-half of the number of mills levied for school operating purposes in 1993. For abatements granted after 1993, new plant and equipment is taxed at one-half of the total mills levied as ad valorem taxes by all taxing units, except mills levied under the State Education Tax Act. For abatements granted after 1993, the State Treasurer may also permit abatement of one-half of the mills levied under the State Education Act. Abatements under Act 198 have been granted to properties in the County with a total 2004 State equivalent value of \$1,539,328,206 for real and personal property. The total number of parcel with exemptions in 2004 under Act 198 within the County was 281.

## **Others**

The Obsolete Properties Tax (Act 146, Public Acts of Michigan, 2000) provides partial property tax abatements to property owners on the value of improvements made to certain types of commercial and residential properties. Currently, the City of Pontiac is the only community in Oakland County to utilize this tax abatement.

The Alternative Energy Act (Act 549, Public Acts of Michigan, 2002) provides tax incentives to businesses who are used solely for the purpose of researching, developing, or manufacturing an alternative energy technology. The exemption from property taxes would only apply to taxes levied January 1, 2003 to December 31, 2012. Currently, the City of Rochester Hills is the only community in Oakland County that has established an alternative energy business.

The Taxation of Lessees or Users of Tax-exempt Property Act (Act 189, Public Acts of Michigan, 1953) states that if real property exempt for any reason from ad valorem property taxation is leased, loaned, or otherwise made available to and used by a private individual, association, or corporation in connection with a business conducted for profit, the lessee or user of the real property is subject to taxation in the same amount and to the same extent as though the lessee or user owned the real property. The total number of lessees or users in 2005 under Act 189 within the County was 7.

*Source: Oakland County Treasurer*

## **Largest Taxpayers**

The 10 largest taxpayers in the County and their September 18, 2009 taxable valuations are:

<b><u>Taxpayer</u></b>	<b><u>Taxable Valuation</u></b>
General Motors	\$900,634,242
DaimlerChrysler	\$561,632,390
Detroit Edison / DTE	\$473,058,860
Consumers Power / Energy	\$182,819,030
Taubman / 12 Oaks / Great Lakes Crossing	\$129,049,130
Ford Motor	\$116,950,440
BRE Southfield	\$111,023,990
Liberty Property LTD Partnership	\$92,623,160
Stuart Frankel / Somerset	\$86,743,770
Ramco-Gershenson	\$81,805,620

*Source: Oakland County Equalization Department*

## **Major Employers**

The 20 largest employers in the County and their September, 2009 number of employees are:

<b><u>Employer Name</u></b>	<b><u>Approximate Number of Employees</u></b>
William Beaumont Hospital	13,694
General Motors Corp.	8,200
Chrysler Group	6,710
Trinity Health Michigan	4,823
St. John Health/Providence Hospital and Medical Centers	4,396
Electronic Data Systems Corp.	4,000
United States Postal Service	3,540
Oakland County Government	3,474
Botsford Health Care	3,060
Henry Ford Health System	2,180
Comerica Bank	2,059
Flagstar Bancorp Inc.	1,880
Rochester Community Schools	1,786
Walled Lake Consolidated Schools	1,709
Delphi Corp	1,600
Farmington Public Schools	1,579
Chase	1,540
Waterford School District	1,510
Robert Bosch LLC	1,500

*Source: Oakland County Department of Planning and Economic Development*

## Labor Force

The 2007 number of private non-farm employees totaled more than 680,000. Unemployment was at an average of 13.3 percent for 2009 for Oakland County while the State of Michigan unemployment rate was 14.0 percent.

*Source: Oakland County Department of Planning and Economic Development*

## Unemployment History

### 2009

	<b>Total Work <u>Force</u></b>	<b><u>Unemployed</u></b>	<b>Percent <u>Unemployed</u></b>
January	583,422	60,237	10.3
February	589,519	65,321	11.1
March	588,980	68,699	11.7
April	587,985	66,148	11.2
May	594,907	73,690	12.4
June	604,181	87,175	14.4
July	610,068	94,707	15.5
August	604,583	90,034	14.9
September	597,767	93,007	15.6
October	600,037	90,137	15.0
November	592,748	82,041	13.8
December	586,619	77,875	13.3
<b>YTD Average</b>	<b>595,033</b>	<b>79,092</b>	<b>13.3</b>

### Annual Averages

	<b>Total Work <u>Force</u></b>	<b><u>Unemployed</u></b>	<b>Percent <u>Unemployed</u></b>
2009	595,033	79,092	13.3
2008	617,047	43,397	7.0
2007	628,839	38,336	6.1
2006	636,151	35,300	5.5
2005	641,432	36,332	5.7
2004	671,825	34,225	5.1
2003	669,875	34,525	5.2
2002	670,225	31,600	4.7
2001	688,050	26,625	3.9

*Source: Department of Labor and Economic Growth*

## State of Michigan Unemployment

	<u>Yearly Average</u>	<u>Total Work Force</u>	<u>Unemployed</u>	<u>Percent Unemployed</u>
2009		4,848,000	680,000	14.0
2008		4,963,000	418,000	8.4
2007		5,020,000	360,000	7.2
2006		5,018,000	351,000	6.9
2005		5,097,000	344,000	6.7
2004		5,093,000	384,000	7.5
2003		5,085,000	365,000	7.2
2002		5,105,000	302,000	5.9
2001		5,241,000	262,000	5.0
2000		5,201,000	185,000	3.6
1999		4,942,000	194,000	3.8
1998		4,835,000	194,000	3.9
1997		4,986,000	210,000	4.2

Source: Department of Labor and Economic Growth

## Income

Per capita personal income was \$55,207 per capita income in 2007. In 2007, Oakland County ranked 10<sup>th</sup> in per capita income for counties with populations greater than one million.

## Per Capita Income

2007	66,641
2006	53,865
2005	52,274
2004	50,991
2003	49,048
2002	47,310
2001	47,426
2000	47,079
1999	44,053
1998	42,478
1997	38,462
1996	37,099
1995	35,578

Source: U.S. Dept of Commerce, Bureau of Economic Analysis



## Labor County Contracts

As of January 2010, Oakland County had 4,307 positions of which 1,448 are represented by 10 certified bargaining units.

	<u>Number of Positions</u>	<u>Contract Expiration Date</u>
Sheriff's Law Enforcement	320	9/30/2009
Corrections and Services	371	9/30/2010
Sheriff's Command Officers	101	9/30/2009
Children's Village Employees	122	9/30/2010
Family Court Employees	97	9/30/2010
Prosecutor's Investigators	6	9/30/2012
Oakland County Employees Union	309	9/30/2010
Public Health Nurses	100	9/30/2010
Board of Commissioners Committee Reporters	4	9/30/2010
Jail Clinic Health Nurses	18	9/30/2010
	<hr/> 1,448	

There are no current labor problems which might have a material effect upon Oakland County.

*Source Oakland County Personnel Department.*

## Major Corporations

Oakland County is host to Major Corporate Headquarters and Major Regional Division Offices.

Here is a listing of those doing business in Oakland County:

### Major Corporate Headquarters

IBM  
Kelly Services  
PHM Corp. (Pulte)  
Federal-Mogul Corp.  
Motorola  
LaSalle Bank Midwest N.A.  
Thorn Apple Valley Inc.  
American Speedy Printing  
Volkswagen of America  
Ameritech Publishing Ventures  
Lear Corporation  
Stanley Door Systems  
Handleman Co.  
MLX Corp.  
DaimlerChrysler AG  
Textron Automotive Company  
Delphi Automotive  
United Auto Group

### Major Regional Division Offices

BASF Corporation  
Eaton  
Xerox  
Kodak  
K-Mart  
Borg-Warner  
Lucas Industries  
Allied-Signal Auto.  
DuPont Auto Products  
ITT Automotive  
Texas Instruments  
ThyssenKrupp Budd Co.  
Apple Computer  
Leaseway Transportation Corp  
Uniroyal Goodrich Tire  
Alexander Hamilton Life Insurance  
ArvinMeritor

## **Revenue Sharing from the State of Michigan**

The County receives revenue sharing payments from the State of Michigan under the State Constitution and the State Revenue Sharing Act of 1971, as amended (the "Revenue Sharing Act"). The table appearing at the end of this section shows State revenue sharing distributions received by the County during the County's past five fiscal years, and the estimated receipts for the County's 2004-2005 fiscal year.

The State's fiscal year begins October 1 of each year and end September 30 of the following calendar year. Before the State's 1996-97 fiscal year, the State shared revenues received from personal income tax, intangibles tax, sales tax and single business tax collections with counties, cities, townships and villages. In 1996, the State legislature began reform of both the formula for distribution of State revenue sharing and the designated sources of revenue to be shared. At that time, the State expressly designated the revenues of the sales tax as the sole source for revenue sharing.

On February 19, 2003, in response to continuing declines in the State's revenue estimates, Governor Jennifer Granholm issued Executive Order No. 2003-03 which approved of a further \$145 million in spending reductions in order to again bring the State's fiscal year 2003 general fund budget into balance. No further reductions to payments to local governments were included within Executive Order No. 2003-03.

On August 11, 2003, the Revenue Sharing Act was further amended by enactment of Act 168, Public Acts of Michigan, 2003 ("Act 168"). Act 168 readjusted the 2002-03 distribution formula approved by Act 679. The reductions enacted in Act 679 contemplated uniform reductions for all local units of approximately 3.5%; based upon lower-than-estimated sales tax receipts, however, the actual payments reflected a 3.5% reduction for the City of Detroit and a larger than 3.5% reduction for all other local units. Act 168 marginally reduced the combined constitutional and statutory payment for the City of Detroit for State fiscal year 2002-03 from \$322.2 million to \$319.7 million, and increased payments to all other local units by 0.2%. For State fiscal year 2003-04, based on then-current estimates, Act 168 further provided for a 3.0% reduction in the combined constitutional and statutory payments for the City of Detroit and all other local units from the statutory payment the City of Detroit and each local unit received in State fiscal year 2002-03. Act 168 further provided for a reduction in payments by more than 3.0% should State sales tax receipts fall below forecasts.

State estimates for actual revenues for fiscal year 2003-04 continue to fall below the revenue estimates upon which the appropriations for the fiscal year were based. As a result, on December 10, 2003, Governor Granholm issued Executive Order No. 2003-23 implementing additional spending reductions in order to bring the State's fiscal year 2004 general fund budget into balance. The Executive Order included an additional \$72 million reduction in payments to local governments, including a 3.0% reduction in revenue sharing payments previously appropriated by the Legislature in respect of statutory revenue sharing shortfalls. Governor Granholm indicated that the Executive Order was predicated on the State legislature's enactment of proposed amendments to Act 281, Public Acts of Michigan, 1967, as amended (the "Income Tax Act"), to delay until July 1, 2004, a previously authorized rollback of the State's income tax (from 4% to 3.9%) scheduled to take effect on January 1, 2004. Accordingly, on December 23, 2003 the Governor signed into law Act 239, Public Acts of Michigan, 2003 ("Act 239") to effectuate the delay of the authorized income tax rollback on January 1, 2004. Act 239, together with the Executive Order, bring the State's fiscal year 2004 general fund budget back into balance.

### **2004 Developments**

The Michigan Legislature has approved a new proposal to temporarily replace revenue sharing by allowing counties to collect part of their millage earlier in the year thereby advancing their cash flows.

Act Nos. 356 and 357, Public Acts of Michigan, 2004 signed into law on September 30, 2004 make a number of changes. The most important change is a movement of the county fixed or allocated millage from December 1 to July 1. This movement occurs transitionally beginning in 2004 and is complete in July of 2007. In addition, a special Revenue Sharing Reserve Fund ("RSRF") will be established and used to reduce the State's obligation to pay revenue sharing to counties.

The Revenue Sharing Reserve Fund can be drawn on by counties to replace the revenue sharing payments which they would have otherwise received.

The impact on revenue sharing will vary widely from county to county with some counties being required to receive revenue sharing again directly from the State in as early as 2009, while in other counties this will not occur until 2013. The reason for the difference is the fact that revenue sharing payments are not based upon the amount of money which a county receives from a tax levy and the fact that some counties are on a fiscal year which ends September 30, and others are on a calendar fiscal year which ends December 31.

### **New Tax Collection and Levy Date for County Fixed or Allocated Millage**

The money which is to pay for this new program will be generated by a cash flow shift which will accelerate the collection of county fixed or allocated millage. All counties collect a base tax (which is, of course, reduced by Headlee rollbacks and limited by Proposal A caps) which is either fixed by a vote of the county voters or allocated to the county by a tax allocation board. In addition, counties have a right to vote extra millages for various purposes for up to 20 years. THIS PROPOSAL DOES NOT APPLY TO EXTRA VOTED TAXES WHICH WILL CONTINUE TO BE LEVIED AND COLLECTED ON DECEMBER 1.

As of July 1, 2007 all county real property taxes are levied on July 1, except for extra-voted millage which is levied in December.

### **Resumption of Actual Revenue Sharing Payments**

This proposal indicates that the statutory guarantee to counties to receive revenue sharing payments from the State shall remain in full force and effect. This statutory guarantee supersedes the current sunset provision in the State revenue sharing statute.

However, the payments to an individual county shall be reduced by the amount the individual county is able to withdraw in money from the RSRF. Once the money in the RSRF of any individual county is depleted, the State is supposed to immediately resume its obligation to make revenue sharing payments.

Revenue Sharing is scheduled to resume in 2016 for Oakland County.

**Purchasers of the Bonds offered herein should be alert to further modifications to revenue sharing payments to Michigan local government units, to the potential consequent impact upon the County's general fund condition, and to the potential impact upon the market price or marketability of the Bonds resulting from changes in revenues received by the County from the State.**

The following table sets forth the annual revenue sharing payments and other monies received by the County for the fiscal years ended September 30, 1999 through September 30, 2003.

<b><u>Fiscal Year Ending</u></b> <b><u>September 30</u></b>	<b><u>Revenue</u></b> <b><u>Sharing Payments</u></b>
2003	\$22,720,290
2002	25,447,856
2001	25,797,569
2000	23,386,203
1999	21,779,948

## Pensions

The following data is taken from the latest actuarial report prepared by Gabriel, Roeder, Smith & Company as of September 30, 2009:

### Oakland County Employees' Retirement System Present Financial Report

	General County	Command Officers	Sheriff's Deputies	Total
A. Present Value of Future Benefit Payments				
1. For Retirees and beneficiaries				
a. Pension and death benefits	\$361,711,276	\$27,672,035	\$36,538,693	\$425,922,004
b. Reserves	None	None	None	None
c. Total	361,711,276	27,672,035	36,538,693	425,922,004
2. For inactive members	12,515,937	167,621	710,327	13,393,885
3. For present active members	199,465,542	19,272,975	63,556,304	282,294,821
4. Total	573,692,755	47,112,631	100,805,324	721,610,710
B. Valuation Assets	511,206,867	41,064,007	98,161,829	750,432,703
C. Unfunded Value of Future Benefit Payments				
1. Total: (A.4) – (B)	(37,514,112)	6,048,624	2,643,495	(28,821,993)
2. Present value of future member contributions	1,541,056	529,687	2,407,262	4,478,005
3. Present value of future required employer contributions: (1) – (2)	(39,055,168)	5,518,937	236,233	(33,299,998)
D. Present value of future pays	213,684,814	10,593,739	48,174,742	272,453,295
E. Employer normal cost:				
1. For System benefits: (C.3)/(D)	(18.28) %	52.10 %	0.49 %	(12.22) %

\* As the Retirement System cannot contribute back to the County, the County contribution rate is 0% of covered pay for all three divisions combined.

### Oakland County Retirees' Health Care Trust Present Financial Report

	General Union	General Non- Union	Command Officers	Deputies	Total
A. Accrued Liability					
1. For retirees and beneficiaries	\$0	\$285,144,005	\$16,688,227	\$27,788,944	\$329,621,176
2. For vested terminated members	0	48,818,880	0	2,063,143	50,882,023
3. For present active members					
a. Value of expected future benefit payments	\$48,422,381	347,743,725	25,716,895	134,953,355	556,836,356
b. Value of future normal costs	15,475,584	106,367,161	5,560,355	57,712,280	185,115,380
c. Active member liability: (a) – (b)	32,946,797	241,376,564	20,156,540	77,241,075	371,720,976
4. Total	32,946,797	575,339,449	36,844,767	107,093,162	752,224,175
B. Valuation Assets	10,738,921	187,530,365	13,777,057	53,508,444	265,554,787
C. Unfunded Accrued Liability: (A.4) – (B)	22,207,876	387,809,084	23,067,710	53,584,718	486,669,388
D. Funded Percent: (B)/(A.4)	32.6%	32.6%	37.4%	50.0%	35.3%

## State Equalized Valuation (represents 50% of true cash value)

<u>Assessment Year(1)</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Total</u>	<u>% Change In Total</u>	<u>Taxable Value</u>
2009	63,909,419,815	3,949,566,334	67,858,986,149	-8.97	62,416,676,895
2008	70,503,451,609	3,987,629,953	74,491,081,562	-3.67	64,745,976,336
2007	73,207,702,808	4,123,379,228	77,331,082,036	4.16	64,720,016,857
2006	72,291,329,373	4,148,396,210	76,439,725,583	5.56	62,133,415,235
2005	69,283,261,769	4,175,926,590	73,459,188,359	4.5	58,862,840,140
2004	65,813,024,378	4,483,972,263	70,296,996,641	4.79	55,986,490,872
2003	62,601,288,076	4,484,153,706	67,085,441,782	6.77	53,179,886,010
2002	58,197,370,454	4,632,159,968	62,829,530,422	9.33	50,688,809,599
2001	52,802,069,063	4,667,642,532	57,469,711,595	9.6	47,656,729,878
2000	47,946,109,270	4,491,256,560	52,437,365,830	7.96	44,370,573,909
1999	43,351,722,556	4,520,810,144	48,570,677,983	12.81	41,756,021,536
1998	38,968,362,590	4,088,471,704	43,056,834,294	10.61	39,011,931,708
1997	35,207,616,066	3,718,065,750	38,925,681,816	8.9	36,468,545,555

SEV does not include any value of tax exempt property (e.g., governmental facilities, churches, public schools, etc.) or property granted tax abatement under either Act 198, Michigan Public Acts, 1974, as amended, or Act 255, Michigan Public Acts, 1978, as amended. See "Taxing Procedures" herein. In accordance with Act 409, Public Acts of 1965, as amended, and Article IX, Section 3, of the Michigan Constitution of 1963, SEV represents 50% of true cash value.

(1) As of December 31st

Source: State of Michigan Tax Commission

## Breakdown of State Equalized Valuation

	<u>Tax Year</u>								
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Residential	68.7	70.90	71.90	71.90	71.10	70.30	66.40	68.52	68.57
Commercial	19.0	17.6	16.7	16.6	16.8	16.9	17.0	16.89	16.77
Industrial	6.3	6.0	5.9	5.9	5.9	6.1	6.2	6.08	5.86
Personal Property	5.8	5.4	5.3	5.4	5.7	6.4	6.7	7.37	8.12
Agricultural	0.2	0.2	0.2	0.2	0.4	0.3	0.3	0.26	0.26
Developmental	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.09</u>	<u>0.1</u>	<u>0.1</u>	<u>0.4</u>	<u>0.47</u>	<u>0.42</u>
	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

\*All numbers shown as percentages.

Source: Oakland County Equalization Department

## County Wide Tax Delinquencies

<u>Levy Year</u>	<u>Real Property</u>	<u>Personal Property</u>
2008	149,883,620.70	7,387,710.43
2007	138,097,525.69	9,102,775.59
2006	122,129,735.43	8,898,821.42
2005	97,528,003.06	9,893,351.63
2004	91,130,490.80	21,137,280.42
2003	80,232,958.66	19,453,518.12
2002	85,137,149.74	22,962,566.46
2001	79,926,145.56	19,911,701.16
2000	69,020,110.34	16,648,640.08
1999	65,336,152.76	10,495,720.93
1998	63,486,513.46	9,491,216.62
1997	59,255,925.55	8,421,726.83

Source: County Treasurer

## Debt-History

The County of Oakland has no record of default.

## Short-Term Financing

The County has issued short-term notes in order to establish the 100% Delinquent Tax Payment Fund. Notes issued in each of the years below have been in a face amount less than the actual real property tax delinquency. The County has pledged its full faith and credit and limited taxing power to the payment of principal and interest on notes issued since 1979. The County does not issue short-term obligations for cash flow purposes.

<u>Year</u>	<u>Notes</u>	<u>Amount</u>
<u>Issued</u>	<u>Issued</u>	<u>Outstanding</u>
2009	50,000,000	50,000,000
2008	25,000,000	0
2007	25,000,000	0
2006	25,000,000	0
2005	25,000,000	0
2004	25,000,000	0
2003	25,000,000	0
2002	25,000,000	0
2001	25,000,000	0
2000	25,000,000	0
1999	25,000,000	0
1998	25,000,000	0
1997	25,000,000	0
1996	25,000,000	0
1995	25,000,000	0
1994	60,000,000	0
1993	40,000,000	0
1992	80,000,000	0
1991	80,000,000	0
1990	50,000,000	0
1989	40,000,000	0

Source: County Treasurer

## **Leases Obligations**

The County leases its Law Enforcement Complex, Medical Care Facility, Information Technology and a portion of the Court House Building from the Oakland County Building Authority. Since ownership of the property will ultimately transfer to the County from the Building Authority, the leases have been capitalized. All County Building Authority Debt is listed in the Debt Statement.

The County leases certain office and computer equipment and facilities. Total lease expense and future minimum annual payments are not significant.

## **Future Financing**

The County will be moving ahead with its projects and has bond offerings planned for 2009.

## **Banking**

The banking needs of the County are adequately handled by:

Bank of America  
Bank of Auburn Hills  
Bank of Birmingham  
Bank of Michigan  
Charter One Bank, NA  
Citizen's Bank  
Citizen's First Saving Bank  
Clarkston State Bank  
Comerica Bank  
Community Central Bank  
Crestmark Bank  
Fidelity Bank  
Fifth Third Bank  
First Place Bank  
Flagstar Bank  
Genisys Credit Union  
Huntington Banks of Michigan-OH  
Huron Valley State Bank  
Independent Bank  
JP Morgan Chase Bank  
Lakes Community Credit Union  
Level One Bank  
Lotus Bank  
mBank  
Mercantile Bank  
Oxford Bank  
Peoples State Bank  
PNC Bank  
The Private Bank  
TCF Bank

**County of Oakland**  
**Net County Direct Debt - Unaudited**  
**01/31/10**

<u>Bonds &amp; Notes with County Credit</u>	<u>Gross</u>	<u>Municipalities Share of Funds on Hand with County Treasurer</u>	<u>Self-Supporting or Portion Paid Directly by Benefited Municipalities</u>	<u>Net</u>	<u>County Share of Funds on Hand</u>	<u>Net County Debt</u>
<u>Limited Tax-Untaxed</u>						
General Obligation Building Authority	\$77,280,000	\$492 (d)	13,379,508 (a)	\$63,900,000	\$1,751,010	\$62,148,990
Building Authority Refunding	9,305,000	168 (d)	7,909,832 (a)	1,395,000	5 (d)	1,394,995
Lake Level	330,000	0	0	330,000	265,759 (d)	64,242
Sewer Disposal Bonds	1,900,000	8,952 (d)	1,891,048 (a)	0	0	0
Sewage Disposal Bonds Refunding	3,415,000	76,168 (d)	3,338,832 (a)	0	0	0
Water Supply Bonds	10,675,000	12,026 (d)	10,662,974 (a)	0	0	0
Water & Sewage Disposal	3,250,000	3,016 (d)	3,246,984 (a)	0	0	0
Water & Sewage Refunding	995,000	29,172 (d)	965,828 (a)	0	0	0
Water Supply-Refunding	1,050,000	0	1,050,000 (a)	0	0	0
Mich. Bond Auth.-Sewage Disp. Bonds	6,473,579	199 (d)	6,473,380 (a)	0	0	0
<b>Total</b>	<b>\$114,673,579</b>	<b>\$130,192</b>	<b>\$48,918,387</b>	<b>\$65,625,000</b>	<b>\$2,016,773</b>	<b>\$63,608,227</b>
<u>Drain District</u>						
Drain Notes	\$0	\$0	\$0	\$0	(\$505,565)	\$505,565
Drain Bonds	19,350,000	783,725 (d)	15,886,938 (a)	2,679,337	23,057 (d)	2,656,280
Drain Refunding	37,250,000	263,923 (d)	34,138,421 (a)	2,847,655	21,426 (d)	2,826,229
Michigan Bond Authority Drain	39,086,805	106,264 (d)	37,520,155 (a)	1,460,386	1,880 (d)	1,458,505
<b>Total</b>	<b>\$95,686,805</b>	<b>\$1,153,913</b>	<b>\$87,545,514</b>	<b>\$6,987,378</b>	<b>(\$459,202)</b>	<b>\$7,446,580</b>
<u>Limited Tax - Taxable</u>						
General Obligation Limited Taxable	\$50,000,000	\$0	\$0	\$50,000,000	\$50,000,000	\$0
<b>Total</b>	<b>\$50,000,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$50,000,000</b>	<b>\$50,000,000</b>	<b>\$0</b>
<u>Taxable with No County Credit</u>						
Certificates of Participation	\$519,610,000	\$0	\$0	\$519,610,000	\$519,610,000	\$0
<b>Total</b>	<b>\$519,610,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$519,610,000</b>	<b>\$519,610,000</b>	<b>\$0</b>
<u>Bonds and Notes with No County Credit</u>						
Michigan Transportation Fund	\$5,500,000	\$1,410,100	5,500,000 (c)	\$0	\$0	\$0
<b>Total</b>	<b>\$5,500,000</b>	<b>\$1,410,100</b>	<b>\$5,500,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b><u>Overlapping Debt of County</u></b>						
Cities, Villages and Townships						\$921,384,248 (e)
School Districts						2,586,665,352 (e)
Community College, Intermediate School Districts and Library						63,898,549 (e)
County Issued Bonds Paid by Local Municipalities						136,463,901 (b)
Net County Overlapping Debt						\$3,708,412,050
<b>NET COUNTY DIRECT AND OVERLAPPING DEBT</b>						<b>\$3,779,466,856</b>

(a) Total County Issued Bonds Paid by Local Municipalities

(b) It is expected that a sizeable portion of these amounts will be paid from benefit charges and earnings of the various systems. (This amount is arrived by the totals indicated by "a")

(c) Self-Supporting Obligations

(d) January 31, 2007 Trial Balance

(e) Amount as of January 31, 2007

*Source: Oakland County Treasurer*



**Oakland County**  
**Schedule of Bonds Maturities**  
**County Credit and Limited Tax**  
**As of February 28, 2010**  
**Principal Only**

Year	Building Authority	Building Authority Refunding	Sewer Disposal Bonds	Sewer Disposal Refunding	Water Supply Bonds	Water & Sewage Refunding	Water & Sewage Disposal	Water Supply Refunding	M.B.A. Sewer Disposal Bonds	Lake Levels
2010	4,040,000	1,445,000	530,000	1,135,000	360,000	330,000	150,000	275,000	580,000	60,000
2011	4,200,000	50,000	145,000	920,000	375,000	340,000	150,000	280,000	595,000	60,000
2012	4,365,000	50,000	150,000	945,000	390,000	325,000	175,000	285,000	600,000	65,000
2013	4,525,000	385,000	150,000	125,000	405,000	0	175,000	210,000	615,000	65,000
2014	4,735,000	405,000	175,000	150,000	445,000	0	175,000	0	630,000	80,000
2015	4,950,000	420,000	190,000	140,000	460,000	0	175,000	0	635,000	0
2016	5,165,000	440,000	310,000	0	480,000	0	200,000	0	650,000	0
2017	5,355,000	455,000	250,000	0	500,000	0	200,000	0	665,000	0
2018	5,645,000	475,000	0	0	460,000	0	200,000	0	675,000	0
2019	5,860,000	500,000	0	0	435,000	0	200,000	0	100,000	0
2020	6,035,000	520,000	0	0	455,000	0	225,000	0	105,000	0
2021	6,100,000	540,000	0	0	475,000	0	225,000	0	100,000	0
2022	6,320,000	565,000	0	0	500,000	0	225,000	0	100,000	0
2023	3,480,000	590,000	0	0	520,000	0	250,000	0	105,000	0
2024	3,105,000	620,000	0	0	545,000	0	250,000	0	100,000	0
2025	1,200,000	650,000	0	0	570,000	0	275,000	0	100,000	0
Beyond 2025	2,850,000	1,845,000	0	0	3,870,000	0	275,000	0	218,579	0
	78,480,000	9,955,000	1,900,000	3,415,000	11,245,000	995,000	3,525,000	1,050,000	6,573,579	330,000

Source: Oakland County Treasurer

**Oakland County**  
**Schedule of Drain Bonds Maturities**  
**County Credit and Limited Tax**  
**As of February 28,2010**  
**Principal Only**

Year	Drain Bonds	Drain Notes	Drain Refunding	M.B.A. Drain Bonds
2010	2,000,000	0	5,345,000	5,495,000
2011	2,125,000	0	5,420,000	5,645,000
2012	2,110,000	0	3,875,000	5,775,000
2013	1,735,000	0	4,365,000	5,910,000
2014	995,000	0	4,000,000	6,065,000
2015	930,000	0	3,405,000	6,105,000
2016	990,000	0	2,775,000	6,255,000
2017	925,000	0	1,450,000	5,955,000
2018	790,000	0	1,010,000	6,090,000
2019	810,000	0	1,025,000	6,245,000
2020	855,000	0	1,060,000	6,400,000
2021	900,000	0	1,100,000	6,555,000
2022	925,000	0	1,135,000	6,730,000
2023	945,000	0	655,000	5,750,000
2024	865,000	0	630,000	5,882,676
2025	920,000	0	0	620,000
Beyond 2025	1,450,000	0	0	2,229,129
	20,270,000	0	37,250,000	93,706,805

Source: Oakland County Treasurer

**SCHEDULE OF BOND MATURITIES  
WITH LIMITED COUNTY PLEDGE - TAXABLE  
As of February 28, 2010**

**Principal Only**

Year	Delinquent Tax Notes		Total
2010	50,000,000		50,000,000
2011	0		0
2012	0		0
2013	0		0
2014	0		0
	<b>\$50,000,000</b>		<b>\$50,000,000</b>

*Source: Oakland County Treasurer*

**SCHEDULE OF BOND MATURITIES  
WITH NO COUNTY PLEDGE - TAXABLE  
As of February 28, 2010**

**Principal Only**

Year	Certificate of Participation		Total
2010	17,590,000		17,590,000
2011	18,320,000		18,320,000
2012	19,545,000		19,545,000
2013	20,520,000		20,520,000
2014	21,500,000		21,500,000
2015	22,720,000		22,720,000
2016	23,940,000		23,940,000
2017	25,405,000		25,405,000
2018	26,875,000		26,875,000
2019	28,340,000		28,340,000
2020	29,805,000		29,805,000
2021	31,760,000		31,760,000
2022	33,465,000		33,465,000
2023	35,420,000		35,420,000
2024	37,620,000		37,620,000
2025	39,820,000		39,820,000
Beyond 2025	126,785,000		126,785,000
	<b>\$559,430,000</b>		<b>\$559,430,000</b>

**Oakland County  
Schedule of Bond Maturities  
With No County Pledge  
As of February 28, 2010**

**Principal Only**

Year	MTF Revenue Bonds		Total
2010	1,500,000		1,500,000
2011	1,500,000		1,500,000
2012	500,000		500,000
2013	500,000		500,000
2014	500,000		500,000
2015	500,000		500,000
2016	500,000		500,000
	\$5,500,000		\$5,500,000

*Source: Oakland County Treasurer*

**OAKLAND COUNTY**  
**PRINICIPAL & INTEREST REQUIREMENTS**  
**As of February 28, 2010**

Year	Principal	Interest	Total
2010	90,835,000.00	41,478,253.61	132,313,253.61
2011	40,125,000.00	38,954,833.57	79,079,833.57
2012	39,155,000.00	37,136,012.32	76,291,012.32
2013	39,685,000.00	35,269,505.44	74,954,505.44
2014	39,855,000.00	33,399,235.43	73,254,235.43
2015-2019	209,230,000.00	136,276,859.63	345,506,859.63
2020-2024	240,512,676.00	76,524,801.07	317,037,477.07
2025-2030	139,522,708.00	13,353,199.26	152,875,907.26
	<b>\$838,920,384.00</b>	<b>\$412,392,700.33</b>	<b>\$1,251,313,084.33</b>

*Source: Oakland County Treasurer*

**Oakland County**  
**Statement of Legal Debt Margin**  
**As of February 28, 2010**

<u>Bonds and Notes with County Credit and Limited Tax</u>	
GOLT Bldg. Authority	76,730,000.00
GOLT Bldg. Authority Refunding	9,305,000.00
GOLT Lake Level	330,000.00
GOLT Sewage	1,900,000.00
GOLT Sewage Refunding	3,415,000.00
GOLT Water	10,675,000.00
GOLT Water & Sewage Refunding	995,000.00
GOLT Water & Sewer	3,250,000.00
GOLT Water Refunding	1,050,000.00
Michigan Bond Authority Sewage Disposal	6,473,579.00
Total	<u>114,123,579.00</u>
<u>Drain District</u>	
Drain Notes	0
Drain Bonds	19,350,000.00
Drain Refunding	37,250,000.00
Michigan Bond Authority Drain	93,086,805.00
Total	<u>149,686,805.00</u>
<u>Bonds and Notes with County Credit and Limited-Taxable</u>	
GOLT Tax Notes	50,000,000.00
Total County Credit/Pledged Debt	<u>314,360,384.00</u>
<u>Bonds and Notes with no County Credit - Taxable</u>	
Certificates of Participation	519,610,000.00
	<u>519,610,000.00</u>
<u>Bonds and Notes with no County Credit</u>	
Motor Vehicle Highway Fund Revenue Notes	5,500,000.00
	<u>5,500,000.00</u>
Statutory Limit - 10% of Currently Approved SEV	6,785,898,614.90
Total County Credit/Pledged Debt	<u>313,810,384.00</u>
Available Statutory Debt Limit	<u>6,472,088,230.90</u>

*Source: Oakland County Treasurer*

**EXHIBIT B**  
**FINANCIAL INFORMATION REGARDING**  
**THE COUNTY OF OAKLAND**

The following sections of the audited financial statements of the County of Oakland for the Fiscal Year ended September 30, 2009 have been extracted from the audit:

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**County of Oakland**  
**Statement of Net Assets**  
**September 30, 2009**

	Primary Government			
	Governmental Activities	Business- Type Activities	Totals	Component Units
<b>Assets</b>				
Current assets				
Pooled cash and investments	\$ 455,995,779	\$ 291,554,434	\$ 747,550,213	\$ 23,149,976
Cash and cash equivalents	-	-	-	28,171,795
Investments	-	-	-	11,316,792
Receivables (net of allowance for uncollectibles where applicable)				
Current property taxes	31,828,453	-	31,828,453	-
Delinquent property taxes	2,454,473	115,773,596	118,228,069	-
Special assessments	-	-	-	10,801,726
Due from other governmental units	25,468,927	23,274,638	48,743,565	416,265
Due from component units	1,562,834	157,443	1,720,277	-
Accrued interest receivable	1,489,685	2,138,797	3,628,482	205,151
Accounts receivable	8,277,979	38,440,490	46,718,469	17,343,423
Contracts receivable	10,806,001	1,093,129	11,899,130	-
Internal balances - footnote 19	5,725,277	(5,725,277)	-	-
Inventories and supplies	516,387	733,441	1,249,828	3,989,000
Prepayments and other assets	11,018,406	1,525,143	12,543,549	826,941
Total current assets	<u>555,144,201</u>	<u>468,965,834</u>	<u>1,024,110,035</u>	<u>96,221,069</u>
Non-current assets				
Special assessments receivable	31,135,734	-	31,135,734	150,640,000
Contracts receivable	26,465,000	-	26,465,000	209,286
Restricted assets				
Cash and investments	358,050,757	-	358,050,757	-
Accrued interest receivable	1,344,626	-	1,344,626	-
Capital assets, net				
Land and other nondepreciable assets	13,252,123	88,974,240	102,226,363	313,742,289
Land improvements, net	182,415	6,514,288	6,696,703	273,295
Buildings and improvements, net	151,082,333	48,816,571	199,898,904	9,037,931
Equipment and vehicles, net	25,329,137	10,904,608	36,233,745	6,136,644
Infrastructure, net	15,195,027	76,365,219	91,560,246	773,134,386
Total capital assets, net	<u>205,041,035</u>	<u>231,574,926</u>	<u>436,615,961</u>	<u>1,102,324,545</u>
Total non-current assets	<u>622,037,152</u>	<u>231,574,926</u>	<u>853,612,078</u>	<u>1,253,173,831</u>
Total assets	\$ 1,177,181,353	\$ 700,540,760	\$ 1,877,722,113	\$1,349,394,900

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

**County of Oakland**  
**Statement of Net Assets (Continued)**  
**September 30, 2009**

	Primary Government			
	Governmental Activities	Business- Type Activities	Totals	Component Units
<b>Liabilities</b>				
Current liabilities				
Vouchers payable	\$ 29,968,053	\$ 4,152,340	\$ 34,120,393	\$ 10,272,802
Accrued payroll	24,353,711	-	24,353,711	-
Due to other governmental units	2,757,214	15,495,092	18,252,306	3,148,022
Due to primary government	-	-	-	1,720,277
Accrued interest payable	227,263	-	227,263	36,668
Other accrued liabilities	41,284,693	3,629,086	44,913,779	4,338,072
Accrued compensated absences	1,296,516	-	1,296,516	-
Unearned revenue	21,309,888	1,674,061	22,983,949	11,597,301
Claims and judgments	5,333,872	-	5,333,872	-
Bonds and notes payable	28,380,000	50,000,000	78,380,000	14,395,000
Total current liabilities	154,911,210	74,950,579	229,861,789	45,508,142
Non-current liabilities				
Accrued compensated absences	11,668,645	-	11,668,645	3,083,032
Claims and judgments	16,444,920	-	16,444,920	2,100,000
Other postemployment benefits	-	-	-	6,424,140
Unearned revenue	-	-	-	3,158,920
Bonds and notes payable	609,063,579	-	609,063,579	138,586,080
Total noncurrent liabilities	637,177,144	-	637,177,144	153,352,172
Total liabilities	792,088,354	74,950,579	867,038,933	198,860,314
<b>Net assets</b>				
Investment in capital assets, net of related debt	150,871,035	231,574,926	382,445,961	949,343,465
Restricted for				
Capital projects	7,063,814	-	7,063,814	9,891,105
Debt service	350,723	-	350,723	148,449,112
Airports	-	58,454	58,454	-
Community water and sewer	-	13,191,590	13,191,590	-
Unrestricted	226,807,427	380,765,211	607,572,638	42,850,904
Total net assets	\$ 385,092,999	\$ 625,590,181	\$ 1,010,683,180	\$1,150,534,586

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

**County of Oakland**  
**Statement of Activities**  
**Year Ended September 30, 2009**

		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Services	Grants and Contributions	Grants and Contributions
<b>Functions/Programs</b>				
<b>Primary government</b>				
Governmental activities				
General government, administrative	\$ 65,190,329	\$ 16,229,781	\$ 911,378	\$ -
Public safety	187,538,293	46,860,800	23,627,427	3,061,210
Justice administration	88,190,975	29,137,859	344,724	-
Citizen services	87,111,105	8,210,126	20,900,530	-
Public works	21,098,772	3,056,376	68,125	1,905,878
Recreation and leisure	2,537,737	613,819	3,700	-
Commerce and community development	59,391,426	13,352,180	36,598,640	-
Unallocated depreciation	1,959,201	-	-	-
Interest on debt	40,013,064	-	-	-
Total governmental activities	<u>553,030,902</u>	<u>117,460,941</u>	<u>82,454,524</u>	<u>4,967,088</u>
Business-type activities				
Airports	6,454,806	4,088,960	-	1,217,057
Community safety support	11,812,058	11,562,650	-	4,089,196
Community tax financing	2,233,942	28,753,074	-	-
Community water and sewer	43,447,751	45,494,838	-	-
Jail commissary	648,125	648,781	-	-
Recreation and leisure	20,215,453	7,712,091	52,752	-
Sewage disposal systems	102,123,883	93,560,303	16,208	-
Total business-type activities	<u>186,936,018</u>	<u>191,820,697</u>	<u>68,960</u>	<u>5,306,253</u>
Total primary government	<u>\$ 739,966,920</u>	<u>\$ 309,281,638</u>	<u>\$ 82,523,484</u>	<u>\$ 10,273,341</u>
<b>Component units</b>				
Drainage districts	\$ 16,656,357	\$ 4,025,300	\$ 72,396	\$ 12,655,881
Road commission	97,995,650	18,672,910	58,073,149	26,861,709
Total component units	<u>\$ 114,652,007</u>	<u>\$ 22,698,210</u>	<u>\$ 58,145,545</u>	<u>\$ 39,517,590</u>
General revenues				
Taxes				
Property taxes				
State-shared revenue (unrestricted)				
Unrestricted investment earnings				
Gain on sale of capital assets				
Other revenues				
Transfers in (out)				
Total general revenues and transfers				
Change in net assets				
<b>Net assets</b>				
Beginning				
Ending				

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

**County of Oakland**  
**Statement of Activities (Continued)**  
**Year Ended September 30, 2009**

Net (Expenses) Revenues and Changes in Net Assets			
Primary Government		Totals	Component Units
Governmental Activities	Business Type Activities		
\$ (48,049,170)	\$ -	\$ (48,049,170)	\$ -
(113,988,856)	-	(113,988,856)	-
(58,708,392)	-	(58,708,392)	-
(58,000,449)	-	(58,000,449)	-
(16,068,393)	-	(16,068,393)	-
(1,920,218)	-	(1,920,218)	-
(9,440,606)	-	(9,440,606)	-
(1,959,201)	-	(1,959,201)	-
(40,013,064)	-	(40,013,064)	-
(348,148,349)	-	(348,148,349)	-
-	(1,148,789)	(1,148,789)	-
-	3,839,788	3,839,788	-
-	26,519,132	26,519,132	-
-	2,047,087	2,047,087	-
-	656	656	-
-	(12,450,610)	(12,450,610)	-
-	(8,547,372)	(8,547,372)	-
-	10,259,892	10,259,892	-
(348,148,349)	10,259,892	(337,888,457)	-
-	-	-	97,220
-	-	-	5,612,118
-	-	-	5,709,338
243,995,434	15,128,620	259,124,054	-
9,902,653	-	9,902,653	-
8,257,985	7,977,096	16,235,081	1,523,703
91,828	-	91,828	-
5,859,798	-	5,859,798	-
22,982,426	(22,982,426)	-	-
291,090,124	123,290	291,213,414	1,523,703
(57,058,225)	10,383,182	(46,675,043)	7,233,041
442,151,224	615,206,999	1,057,358,223	1,143,301,545
\$ 385,092,999	\$ 625,590,181	\$ 1,010,683,180	\$ 1,150,534,586

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

# **Governmental Fund Financial Statements**

## **Major Funds**

**General Fund** - The General Fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund.

**Public Health** - This fund is used to account for revenue reserved for the purpose of providing health protection, maintenance, and improvement for the residents of Oakland County.

**Revenue-Sharing Reserve Fund** - This fund was created in 2005 under State of Michigan Public Act 357 of 2004 to serve as a substitute to county revenue-sharing payments. This fund provides a funding mechanism to shift county property tax levies from winter to summer over a three-year period.

**Interim Retiree Medical Benefits Trust Fund** - This fund was created in 2007 under the authority of Act 139 of Michigan Public Acts of 1973 to account for money placed in trust from Certificates of Participation sold to fund future estimated accrued actuarial liabilities of County retiree medical benefits.

**Building Authority Debt Act 31 Fund** - This fund was established to accumulate the resources for the payment of bonded debt issued for the construction of, or improvement to various facilities (currently nine issues). The fund also includes debt issued as assistance in obtaining favorable lending rates for other units of government within the County.

**Water and Sewer Debt Act 342 Fund** - This fund was established to account for the accumulation of resources, mainly special assessments, for the payment of bonded debt issued for the construction of water and sewer systems under Public Act 342 of 1939 (currently nine issues).

## **Non-Major Funds**

Non-major governmental funds are presented, by fund type, in the following sections:

Special Revenue funds

Debt Service funds

Capital Projects funds

**County of Oakland**  
**Balance Sheet**  
**Governmental Funds**  
**September 30, 2009**

	Major Funds			
	General	Public Health	Revenue Sharing Reserve	Interim Retiree Medical Benefits Trust
<b>Assets</b>				
Current assets				
Pooled cash and investments	\$ 117,512,617	\$ 2,940,726	\$ 130,825,132	\$ 174,728
Investments, at fair value	-	-	-	357,876,029
Receivables (net of allowance for uncollectibles where applicable)				
Current property taxes	31,828,453	-	-	-
Delinquent property taxes	2,454,473	-	-	-
Due from other governmental units	6,176,495	128,041	-	-
Due from component units	27,340	-	-	-
Accrued interest receivable	229,602	-	245,167	1,344,626
Accounts receivable	7,345,029	39,010	-	5,092
Contracts receivable	10,789,334	-	-	-
Due from other funds	15,852,088	39,473	-	-
Prepayments and other assets	117,868	400	-	-
Total current assets	<u>192,333,299</u>	<u>3,147,650</u>	<u>131,070,299</u>	<u>359,400,475</u>
Advances	-	-	-	-
Special assessments receivable	-	-	-	-
Contracts receivable	-	-	-	-
Total assets	<u>\$ 192,333,299</u>	<u>\$ 3,147,650</u>	<u>\$ 131,070,299</u>	<u>\$ 359,400,475</u>
<b>Liabilities and Fund Balances</b>				
Current liabilities				
Vouchers payable	\$ 5,516,743	\$ 271,870	\$ -	\$ 23,747
Accrued payroll	24,353,711	-	-	-
Due to other governmental units	1,566,083	99,260	-	-
Due to other funds	6,898,718	2,766,809	-	-
Deferred revenue	13,002,861	-	-	-
Deferred revenue - property taxes	21,650,470	-	-	-
Other accrued liabilities	13,078,060	8,807	-	343,678
Total current liabilities	<u>86,066,646</u>	<u>3,146,746</u>	<u>-</u>	<u>367,425</u>
Deferred revenue	-	-	-	-
Advances	-	-	-	-
Total liabilities	<u>86,066,646</u>	<u>3,146,746</u>	<u>-</u>	<u>367,425</u>
Fund balances				
Reserved				
Long-term receivables	-	-	-	-
Prepayments	117,868	-	-	-
Programs	266,350	-	-	359,033,050
Debt service	-	-	-	-
Unreserved, designated for, reported in:				
General fund	105,531,347	-	-	-
Special revenue funds	-	904	131,070,299	-
Capital projects funds	-	-	-	-
Unreserved, undesignated reported in:				
General fund	351,088	-	-	-
Special revenue funds	-	-	-	-
Capital projects funds	-	-	-	-
Total fund balances	<u>106,266,653</u>	<u>904</u>	<u>131,070,299</u>	<u>359,033,050</u>
Total liabilities and fund balances	<u>\$ 192,333,299</u>	<u>\$ 3,147,650</u>	<u>\$ 131,070,299</u>	<u>\$ 359,400,475</u>

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

**County of Oakland  
Balance Sheet (Continued)  
Governmental Funds  
September 30, 2009**

	<b>Major Funds</b>			<b>Totals</b>
	<b>Building Authority Debt Act 31</b>	<b>Water and Sewer Debt Act 342</b>	<b>Non-Major Funds</b>	<b>September 30, 2009</b>
<b>Assets</b>				
Current assets				
Pooled cash and investments	\$ 3,178	\$ 699,564	\$ 84,831,218	\$ 336,987,163
Investments, at fair value	-	-	-	357,876,029
Receivables (net of allowance for uncollectibles where applicable)				
Current property taxes	-	-	-	31,828,453
Delinquent property taxes	-	-	-	2,454,473
Due from other governmental units	271,390	2,709	18,813,852	25,392,487
Due from component units	-	-	1,511,115	1,538,455
Accrued interest receivable	2,944	1,701	319,930	2,143,970
Accounts receivable	-	-	563,325	7,952,456
Contracts receivable	-	-	16,667	10,806,001
Due from other funds	-	-	3,187,442	19,079,003
Prepayments and other assets	-	-	6,384,766	6,503,034
Total current assets	<u>277,512</u>	<u>703,974</u>	<u>115,628,315</u>	<u>802,561,524</u>
Advances	-	-	50,123	50,123
Special assessments receivable	-	22,445,000	8,690,734	31,135,734
Contracts receivable	18,505,000	-	7,960,000	26,465,000
Total assets	<u>\$ 18,782,512</u>	<u>\$ 23,148,974</u>	<u>\$ 132,329,172</u>	<u>\$ 860,212,381</u>
<b>Liabilities and Fund Balances</b>				
Current liabilities				
Vouchers payable	\$ 1,100	\$ 553,500	\$ 5,384,068	\$ 11,751,028
Accrued payroll	-	-	-	24,353,711
Due to other governmental units	-	-	551,529	2,216,872
Due to other funds	-	-	12,785,287	22,450,814
Deferred revenue	271,390	-	5,579,789	18,854,040
Deferred revenue - property taxes	-	-	-	21,650,470
Other accrued liabilities	-	125,320	17,118,375	30,674,240
Total current liabilities	<u>272,490</u>	<u>678,820</u>	<u>41,419,048</u>	<u>131,951,175</u>
Deferred revenue	18,505,000	22,445,000	16,600,734	57,550,734
Advances payable	-	-	50,123	50,123
Total liabilities	<u>18,777,490</u>	<u>23,123,820</u>	<u>58,069,905</u>	<u>189,552,032</u>
Fund balances				
Reserved				
Long-term receivables	-	-	100,123	100,123
Prepayments	-	-	-	117,868
Programs	-	-	5,786,041	365,085,441
Debt service	5,022	25,154	320,547	350,723
Unreserved, designated for, reported in:				
General fund	-	-	-	105,531,347
Special revenue funds	-	-	48,566,740	179,637,943
Capital projects funds	-	-	7,063,814	7,063,814
Unreserved, undesignated reported in:				
General fund	-	-	-	351,088
Special revenue funds	-	-	(96,051)	(96,051)
Capital projects funds	-	-	12,518,053	12,518,053
Total fund balances	<u>5,022</u>	<u>25,154</u>	<u>74,259,267</u>	<u>670,660,349</u>
Total liabilities and fund balances	<u>\$ 18,782,512</u>	<u>\$ 23,148,974</u>	<u>\$ 132,329,172</u>	<u>\$ 860,212,381</u>

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

**County of Oakland**  
**Reconciliation of the Balance Sheet – Governmental Funds**  
**to the Statement of Net Assets**  
**September 30, 2009**

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Total fund balances for governmental funds		\$ 670,660,349
Amounts reported for governmental activities 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.		
Land, not being depreciated	\$ 7,235,551	
Construction in progress, not being depreciated	1,915,984	
Land improvements, net of \$948,867 depreciation	182,415	
Buildings and improvements, net of \$78,421,440 depreciation	149,765,450	
Equipment and vehicles, net of \$11,516,230 depreciation	8,171,057	
Infrastructure, net of \$10,324,385 depreciation	14,989,419	
		182,259,876
Other long-term assets are not available to pay for current period expenditures and therefore are not reported in the funds.		
Capital lease receivable		6,000,000
Internal service funds are used by management to charge the cost of certain activities, such as insurance and telecommunications, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.		87,096,885
Real property tax revenues in the Statement of Activities that do not provide current financial resources are deferred and not reported as revenues in the funds.		19,195,997
Long-term receivables such as special assessments and contracts receivable are expected to be collected over several years and are deferred in the governmental funds and are not available to pay for current year expenditures.		57,550,734
Long-term bonded debt is not due and payable in the current period and therefore is not reported in the funds. Unamortized premiums, loss on refundings, and interest payable are not reported in the funds. However, these amounts are included in the Statement of Net Assets. This is the net effect of these balances on the statement.		
Bonds and notes payable	(637,443,579)	
Accrued interest payable	(227,263)	
		(637,670,842)
Net assets of governmental activities		<u>\$ 385,092,999</u>

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



**County of Oakland**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended September 30, 2009**

	<b>Major Funds</b>			
	<b>General</b>	<b>Public Health</b>	<b>Revenue Sharing Reserve</b>	<b>Interim Retiree Medical Benefits Trust</b>
<b>Revenues</b>				
Taxes	\$ 244,919,383	\$ -	\$ -	\$ -
Special assessments		-	-	-
Federal grants	171,203	13,178	-	-
State grants	46,885	4,962,912	-	-
Other intergovernmental revenues	12,383,213	-	-	-
Charges for services	77,203,226	2,781,121	-	167,196
Contributions	99,000	500	-	-
Investment income	3,299,452	-	1,389,327	(7,425,304)
Indirect cost recovery	9,315,137	-	-	-
Other	5,544,078	529	-	-
Total revenues	<u>352,981,577</u>	<u>7,758,240</u>	<u>1,389,327</u>	<u>(7,258,108)</u>
<b>Expenditures</b>				
Current operations				
County executive	60,301,854	31,701,458	-	-
Clerk/register of deeds	10,955,846	-	-	-
Treasurer	4,183,707	-	-	-
Justice administration	57,915,845	-	-	-
Law enforcement	146,137,551	-	-	-
Legislative	5,222,130	-	-	-
Water resource commissioner	5,406,411	-	-	-
Non-departmental	16,954,034	-	-	63,112,352
Total current operations	<u>307,077,378</u>	<u>31,701,458</u>	<u>-</u>	<u>63,112,352</u>
Capital outlay	183,746	-	-	-
Intergovernmental	-	-	-	-
Debt service				
Principal payments	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>307,261,124</u>	<u>31,701,458</u>	<u>-</u>	<u>63,112,352</u>
Excess (deficiency) of revenues over (under) expenditures	<u>45,720,453</u>	<u>(23,943,218)</u>	<u>1,389,327</u>	<u>(70,370,460)</u>
Other financing sources (uses)				
Transfers in	43,331,381	23,942,876	-	-
Transfers out	(67,112,543)	-	(23,740,126)	-
Issuance of bonds	-	-	-	-
Issuance of refunding bonds	-	-	-	-
Premiums on bonds sold	-	-	-	-
Payment to bond escrow agent	-	-	-	-
Total other financing sources (uses)	<u>(23,781,162)</u>	<u>23,942,876</u>	<u>(23,740,126)</u>	<u>-</u>
Net change in fund balances	<u>21,939,291</u>	<u>(342)</u>	<u>(22,350,799)</u>	<u>(70,370,460)</u>
<b>Fund balances</b>				
October 1, 2008	<u>84,327,362</u>	<u>1,246</u>	<u>153,421,098</u>	<u>429,403,510</u>
September 30, 2009	<u>\$ 106,266,653</u>	<u>\$ 904</u>	<u>\$ 131,070,299</u>	<u>\$ 359,033,050</u>

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

**County of Oakland**  
**Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)**  
**Governmental Funds**  
**Year Ended September 30, 2009**

	<b>Major Funds</b>			<b>Totals</b>
	<b>Building Authority Debt Act 31</b>	<b>Water and Sewer Debt Act 342</b>	<b>Non-Major Funds</b>	<b>September 30, 2009</b>
<b>Revenues</b>				
Taxes	\$ -	\$ -	\$ -	\$ 244,919,383
Special assessments	2,787,001	2,952,752	5,663,073	11,402,826
Federal grants	-	-	58,044,502	58,228,883
State grants	-	-	23,598,120	28,607,917
Other intergovernmental revenues	-	-	2,221,970	14,605,183
Charges for services	550	2,350	25,041,030	105,195,473
Contributions	-	-	158,486	257,986
Investment income	5,750	11,442	1,058,153	(1,661,180)
Indirect cost recovery	-	-	-	9,315,137
Other	-	-	315,191	5,859,798
Total revenues	2,793,301	2,966,544	116,100,525	476,731,406
<b>Expenditures</b>				
Current operations				
County executive	-	-	91,550,440	183,553,752
Clerk/register of deeds	-	-	1,158,235	12,114,081
Treasurer	-	-	3,695,654	7,879,361
Justice administration	-	-	26,878,773	84,794,618
Law enforcement	-	-	6,166,189	152,303,740
Legislative	-	-	-	5,222,130
Water resource commissioner	-	-	3,940,403	9,346,814
Non-departmental	-	-	617,385	80,683,771
Total current operations	-	-	134,007,079	535,898,267
Capital outlay	-	-	9,538,196	9,721,942
Intergovernmental	-	10,284	124,554	134,838
Debt service				
Principal payments	4,455,000	2,060,000	5,440,000	11,955,000
Interest and fiscal charges	3,687,154	896,265	941,154	5,524,573
Total expenditures	8,142,154	2,966,549	150,050,983	563,234,620
Excess (deficiency) of revenues over (under) expenditures	(5,348,853)	(5)	(33,950,458)	(86,503,214)
Other financing sources (uses)				
Transfers in	5,351,451	-	47,289,188	119,914,896
Transfers out	-	-	(8,454,982)	(99,307,651)
Issuance of bonds	-	-	174,208	174,208
Issuance of refunding bonds	-	-	2,710,000	2,710,000
Premiums on bonds sold	-	-	38,144	38,144
Payments to bond escrow agent	-	-	(2,699,858)	(2,699,858)
Total other financing sources (uses)	5,351,451	-	39,056,700	20,829,739
Net change in fund balances	2,598	(5)	5,106,242	(65,673,475)
<b>Fund balances</b>				
October 1, 2008	2,424	25,159	69,153,025	736,333,824
September 30, 2009	\$ 5,022	\$ 25,154	\$ 74,259,267	\$ 670,660,349

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

## County of Oakland

### Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities Year Ended September 30, 2009

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Net change in fund balance - total governmental funds		\$ (65,673,475)
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Construction in progress	\$ 1,373,188	
Equipment and vehicles	48,523	
Depreciation expense	<u>(7,532,483)</u>	(6,110,772)
The net effect of the transfer of capital assets from Internal Service fund-type to the general government is to increase net assets.		2,506,810
The net effect of the transfer of capital assets from Enterprise fund-type to the general government is to increase net assets.		42,157
Payment received on capital lease from a business-type fund provides current financial resources and therefore revenue to governmental funds. The payment received reduces a capital lease receivable in the Statement of Net Assets.		(805,000)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.		(7,594,512)
Real property tax revenues in the Statement of Activities that do not provide current financial resources are deferred and not reported as revenues in the funds.		
Prior year's deferral	(20,119,946)	
Current year deferral	<u>19,195,997</u>	(923,949)
Revenue from special assessments and contracts receivable reported in the Statement of Activities in previous years did not provide current financial resources in the governmental funds until the current year.		(6,898,428)
Bond proceeds provide current financial resources to governmental funds by issuing debt which increases long-term bonded debt in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term bonded debt in the Statement of Net Assets. This is the amount proceeds exceed repayments.		
Bond proceeds	(2,884,208)	
Repayment of bond principal	31,265,000	
Accrued interest	<u>18,152</u>	28,398,944
Change in net assets of governmental activities		<u>\$ (57,058,225)</u>

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

# **Proprietary Fund Financial Statements**

## **Major Funds**

**Parks and Recreation** - This fund is used to account for revenue earmarked for the operation of the County parks (currently 13). Principal revenues are from a voter-approved millage and user charges.

**Delinquent Tax Revolving** - This fund is used to account for money advanced by the County to cities, townships, villages and County funds for unpaid property taxes, and the subsequent collections of delinquencies from taxpayers.

**Southeastern Oakland County S.D.S. (S.O.C.S.D.S.)** - This fund was established to record the operations and maintenance of the system, which is used to move sewage and storm water to the City of Detroit for treatment. Costs are recovered by developing rates and billing the municipalities being serviced.

**Water and Sewer Trust** - This fund is used to account for monies received from those County residents whose water and sewer systems are maintained for their respective city, villages, or townships by Oakland County. There are currently 22 municipal water systems, and 16 municipal sewer systems that are operated under these contractual arrangements.

## **Non-Major Funds**

Non-major proprietary funds are presented, by fund type, in the following sections:

Internal Service funds

Enterprise funds

**County of Oakland**  
**Statement of Net Assets**  
**Proprietary Funds**  
**September 30, 2009**

	Business-Type Activities - Enterprise Funds			
	Major			
	Parks and Recreation	Delinquent Tax Revolving	S.O.C.S.D.S.	Water and Sewer Trust
<b>Assets</b>				
Current assets				
Pooled cash and investments	\$ 26,029,046	\$ 141,205,433	\$ 13,281,294	\$ 21,889,493
Delinquent property taxes	-	115,773,596	-	-
Due from other governmental units	47,463	2,282,564	5,024,297	1,233,859
Due from component units	-	-	-	-
Accrued interest receivable	26,136	1,324,102	106,885	125,416
Accounts receivable (net of allowance for uncollectibles where applicable)	368,292	20,025,725	7,138	16,532,933
Due from other funds	21,875	-	-	-
Current portion of contracts receivable	-	-	-	-
Current portion of advances receivable	-	12,883	-	-
Inventories and supplies	46,967	-	-	100,700
Prepayments and other assets	3,611	-	748,000	-
Total current assets	<u>26,543,390</u>	<u>280,624,303</u>	<u>19,167,614</u>	<u>39,882,401</u>
Noncurrent assets				
Advances	-	141,713	-	-
Capital assets, net				
Land and other nondepreciable assets	29,058,906	-	613,529	-
Land improvements, net	-	-	-	-
Building and improvements, net	18,856,369	-	42,355	-
Equipment and vehicles, net	1,059,054	-	125,958	-
Infrastructure, net	19,827,458	-	7,851,799	27,775,328
Total noncurrent assets	<u>68,801,787</u>	<u>141,713</u>	<u>8,633,641</u>	<u>27,775,328</u>
Total assets	<u>95,345,177</u>	<u>280,766,016</u>	<u>27,801,255</u>	<u>67,657,729</u>
<b>Liabilities</b>				
Current liabilities				
Vouchers payable	323,390	994,686	6,384	2,307,606
Due to other governmental units	-	370,648	5,626,704	532,115
Due to other funds	-	-	1,899	-
Deferred revenue	191,935	-	-	-
Capital lease obligation - current portion	550,000	-	-	-
Notes payable	-	50,000,000	-	-
Current portion of compensated absences	-	-	-	-
Current portion of claims and judgments	-	-	-	-
Current portion of advances payable	-	-	-	-
Other accrued liabilities	44,497	49,052	101,462	1,939,467
Total current liabilities	<u>1,109,822</u>	<u>51,414,386</u>	<u>5,736,449</u>	<u>4,779,188</u>
Noncurrent liabilities				
Capital lease obligations	-	-	-	-
Accrued compensated absences	-	-	-	-
Claims and judgments	-	-	-	-
Advances	-	-	-	-
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>1,109,822</u>	<u>51,414,386</u>	<u>5,736,449</u>	<u>4,779,188</u>
<b>Net assets</b>				
Invested in capital assets	68,801,787	-	8,633,641	27,775,328
Restricted for programs	-	-	-	13,191,590
Unrestricted	25,433,568	229,351,630	13,431,165	21,911,623
Total net assets	<u>\$ 94,235,355</u>	<u>\$ 229,351,630</u>	<u>\$ 22,064,806</u>	<u>\$ 62,878,541</u>

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

**County of Oakland**  
**Statement of Net Assets (Continued)**  
**Proprietary Funds**  
**September 30, 2009**

	<b>Business-Type Activities - Enterprise Funds</b>		<b>Governmental Activities - Internal Service Funds</b>
	<b>Non-Major Funds</b>	<b>Totals September 30, 2009</b>	
<b>Assets</b>			
Current assets			
Pooled cash and investments	\$ 89,149,168	\$ 291,554,434	\$ 119,183,344
Delinquent property taxes	-	115,773,596	-
Due from other governmental units	14,686,455	23,274,638	76,440
Due from component units	157,443	157,443	24,379
Accrued interest receivable	556,258	2,138,797	690,341
Accounts receivable (net of allowance for uncollectibles where applicable)	1,506,402	38,440,490	325,523
Due from other funds	102,766	124,641	4,468,305
Current portion of contracts receivable	1,093,129	1,093,129	-
Current portion of advances receivable	-	12,883	-
Inventories and supplies	585,774	733,441	516,387
Prepayments and other assets	773,532	1,525,143	4,515,372
Total current assets	<u>108,610,927</u>	<u>474,828,635</u>	<u>129,800,091</u>
Noncurrent assets			
Advances	-	141,713	-
Capital assets, net			
Land and other nondepreciable assets	59,301,805	88,974,240	4,100,588
Land improvements, net	6,514,288	6,514,288	-
Building and improvements, net	29,917,847	48,816,571	1,316,883
Equipment and vehicles, net	9,719,596	10,904,608	17,158,080
Infrastructure, net	20,910,634	76,365,219	205,608
Total noncurrent assets	<u>126,364,170</u>	<u>231,716,639</u>	<u>22,781,159</u>
Total assets	<u>234,975,097</u>	<u>706,545,274</u>	<u>152,581,250</u>
<b>Liabilities</b>			
Current liabilities			
Vouchers payable	520,274	4,152,340	18,217,025
Due to other governmental units	8,965,625	15,495,092	540,342
Due to other funds	2,615	4,514	1,216,621
Deferred revenue	1,482,126	1,674,061	1,375
Capital lease obligation - current portion	265,000	815,000	-
Notes payable	-	50,000,000	-
Current portion of compensated absences	-	-	1,296,516
Current portion of claims and judgments	-	-	5,333,872
Current portion of advances payable	-	-	12,883
Other accrued liabilities	1,494,608	3,629,086	10,610,453
Total current liabilities	<u>12,730,248</u>	<u>75,770,093</u>	<u>37,229,087</u>
Noncurrent liabilities			
Capital lease obligations	5,185,000	5,185,000	-
Accrued compensated absences	-	-	11,668,645
Claims and judgments	-	-	16,444,920
Advances	-	-	141,713
Total noncurrent liabilities	<u>5,185,000</u>	<u>5,185,000</u>	<u>28,255,278</u>
Total liabilities	<u>17,915,248</u>	<u>80,955,093</u>	<u>65,484,365</u>
<b>Net assets</b>			
Invested in capital assets	126,364,170	231,574,926	22,781,159
Restricted for programs	58,454	13,250,044	-
Unrestricted	90,637,225	380,765,211	64,315,726
Total net assets	<u>\$ 217,059,849</u>	<u>\$ 625,590,181</u>	<u>\$ 87,096,885</u>

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

**County of Oakland**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Funds**  
**Year Ended September 30, 2009**

	<b>Business-Type Activities - Enterprise Funds</b>			
	<b>Major</b>			
	<b>Parks and Recreation</b>	<b>Delinquent Tax Revolving</b>	<b>S.O.C.S.D.S.</b>	<b>Water and Sewer Trust</b>
<b>Operating revenues</b>				
Charges for services	\$ 7,662,720	\$ 28,653,668	\$ 33,971,834	\$ 45,482,682
Other	16,797	99,406	17,621	12,156
Total operating revenues	7,679,517	28,753,074	33,989,455	45,494,838
<b>Operating expenses</b>				
Salaries	7,757,645	56,843	574,145	7,160,624
Fringe benefits	2,473,902	37,064	262,074	3,340,230
Contractual services	5,071,236	257,431	36,551,096	26,516,005
Commodities	643,893	-	172,514	2,191,359
Depreciation	2,875,504	-	1,360,745	599,668
Internal services	1,359,585	808,854	197,425	2,839,756
Intergovernmental	-	-	-	800,109
Total operating expenses	20,181,765	1,160,192	39,117,999	43,447,751
Operating income (loss)	(12,502,248)	27,592,882	(5,128,544)	2,047,087
<b>Nonoperating revenues (expenses)</b>				
Property taxes	15,128,620	-	-	-
Contributions	52,752	-	-	-
Interest revenue	648,214	4,114,645	400,735	597,816
Interest expense and paying agent fees	(33,688)	(1,073,750)	-	-
Bonds maturing	-	-	-	-
Gain (loss) on sale of property and equipment	32,574	-	-	-
Total nonoperating revenues	15,828,472	3,040,895	400,735	597,816
Income (loss) before transfers and contributions	3,326,224	30,633,777	(4,727,809)	2,644,903
Transfers and contributions				
Capital contributions	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(10,734)	(24,872,713)	-	(30,000)
Total transfers and contributions	(10,734)	(24,872,713)	-	(30,000)
Change in net assets	3,315,490	5,761,064	(4,727,809)	2,614,903
<b>Net assets</b>				
October 1, 2008	90,919,865	223,590,566	26,792,615	60,263,638
September 30, 2009	\$ 94,235,355	\$ 229,351,630	\$ 22,064,806	\$ 62,878,541

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

**County of Oakland**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets (Continued)**  
**Proprietary Funds**  
**Year Ended September 30, 2009**

	<b>Business-Type Activities - Enterprise Funds</b>		<b>Governmental Activities - Internal Service Funds</b>
	<b>Non-Major Funds</b>	<b>Totals September 30, 2009</b>	
<b>Operating revenues</b>			
Charges for services	\$ 75,804,455	\$ 191,575,359	\$ 201,745,601
Other	124,913	270,893	54,340
Total operating revenues	<u>75,929,368</u>	<u>191,846,252</u>	<u>201,799,941</u>
<b>Operating expenses</b>			
Salaries	4,546,186	20,095,443	20,920,335
Fringe benefits	2,316,080	8,429,350	11,144,220
Contractual services	64,918,714	133,314,482	112,850,412
Commodities	1,635,227	4,642,993	5,669,807
Depreciation	5,697,399	10,533,316	6,463,826
Internal services	2,576,470	7,782,090	5,967,797
Intergovernmental	-	800,109	-
Total operating expenses	<u>81,690,076</u>	<u>185,597,783</u>	<u>163,016,397</u>
Operating income (loss)	<u>(5,760,708)</u>	<u>6,248,469</u>	<u>38,783,544</u>
<b>Nonoperating revenues (expenses)</b>			
Property taxes	-	15,128,620	-
Contributions	-	52,752	-
Interest revenue	2,215,686	7,977,096	2,493,861
Interest expense and paying agent fees	(230,797)	(1,338,235)	(32,506,785)
Bonds maturing	-	-	(16,610,000)
Gain (loss) on sale of property and equipment	(41,921)	(9,347)	91,828
Total nonoperating revenues	<u>1,942,968</u>	<u>21,810,886</u>	<u>(46,531,096)</u>
Income (loss) before transfers and contributions	<u>(3,817,740)</u>	<u>28,059,355</u>	<u>(7,747,552)</u>
Transfers and contributions			
Capital contributions	5,306,253	5,306,253	326,826
Transfers in	2,561,367	2,561,367	4,330,656
Transfers out	(630,346)	(25,543,793)	(4,504,442)
Total transfers and contributions	<u>7,237,274</u>	<u>(17,676,173)</u>	<u>153,040</u>
Change in net assets	<u>3,419,534</u>	<u>10,383,182</u>	<u>(7,594,512)</u>
<b>Net assets</b>			
October 1, 2008	<u>213,640,315</u>	<u>615,206,999</u>	<u>94,691,397</u>
September 30, 2009	<u>\$ 217,059,849</u>	<u>\$ 625,590,181</u>	<u>\$ 87,096,885</u>

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



**County of Oakland**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended September 30, 2009**

	<b>Business-Type Activities - Enterprise Funds</b>			
	<b>Major</b>			
	<b>Parks and Recreation</b>	<b>Delinquent Tax Revolving</b>	<b>S.O.C.S.D.S.</b>	<b>Water and Sewer Trust</b>
<b>Cash flows from operating activities</b>				
Cash received from users	\$ 9,130,348	\$ 21,470,781	\$ 32,661,305	\$ 46,579,400
Cash paid to suppliers	(9,421,349)	(1,103,349)	(38,215,863)	(36,908,286)
Cash paid to employees	(7,757,645)	(56,843)	(574,145)	(7,160,624)
Net cash provided by (used in) operating activities	(8,048,646)	20,310,589	(6,128,703)	2,510,490
<b>Cash flows from noncapital financing activities</b>				
Transfers from other funds	-	-	-	-
Transfers to other funds	(10,734)	(24,872,713)	-	(30,000)
Contributions	52,752	-	-	-
Principal paid on debt	-	-	-	-
Interest paid on debt	-	-	-	-
Purchase of delinquent property taxes	-	(149,741,827)	-	-
Delinquent property taxes collected	-	131,184,766	-	-
Issuance of short-term borrowings	-	50,000,000	-	-
Repayments received on advances	-	850,383	-	-
Property taxes	15,128,620	-	-	-
Interest paid on short-term borrowings	-	(323,750)	-	-
Payments on short-term borrowings	-	(25,000,000)	-	-
Net cash provided by (used in) noncapital financing activities	15,170,638	(17,903,141)	-	(30,000)
<b>Cash flows from capital and related financing activities</b>				
Transfers from other funds	-	-	-	-
Proceeds from sale of capital assets	58,252	-	-	-
Acquisition of capital assets	(4,491,649)	-	(34,725)	-
Payments on capital lease obligation	(550,000)	-	-	-
Interest and fees paid on capital lease obligation	(33,688)	-	-	-
Amount paid on advances	-	-	-	-
Interest paid on advances	-	-	-	-
Net cash used in capital and related financing activities	(5,017,085)	-	(34,725)	-
<b>Cash flows from investing activities</b>				
Interest on investments	705,523	4,482,245	489,687	631,116
Net cash provided by investing activities	705,523	4,482,245	489,687	631,116
Net increase (decrease) in cash and cash equivalents	2,810,430	6,889,693	(5,673,741)	3,111,606
<b>Pooled cash and investments</b>				
October 1, 2008	23,218,616	134,315,740	18,955,035	18,777,887
September 30, 2009	\$ 26,029,046	\$ 141,205,433	\$ 13,281,294	\$ 21,889,493

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

**County of Oakland**  
**Statement of Cash Flows (Continued)**  
**Proprietary Funds**  
**Year Ended September 30, 2009**

	<b>Business-Type Activities Enterprise Funds</b>		<b>Governmental Activities - Internal Service Funds</b>
	<b>Non-Major Funds</b>	<b>Totals September 30, 2009</b>	
<b>Cash flows from operating activities</b>			
Cash received from users	\$ 76,521,395	\$ 186,363,229	\$ 203,393,503
Cash paid to suppliers	(73,071,481)	(158,720,328)	(133,777,843)
Cash paid to employees	(4,546,186)	(20,095,443)	(20,979,690)
Net cash provided by (used in) operating activities	(1,096,272)	7,547,458	48,635,970
<b>Cash flows from noncapital financing activities</b>			
Transfers from other funds	2,211,367	2,211,367	2,413,586
Transfers to other funds	(588,188)	(25,501,635)	(1,997,632)
Contributions	-	52,752	-
Principal paid on debt	-	-	(16,610,000)
Interest paid on debt	-	-	(32,482,888)
Purchase of delinquent property taxes	-	(149,741,827)	-
Delinquent property taxes collected	-	131,184,766	-
Issuance of short-term borrowings	-	50,000,000	-
Repayments received on advances	-	850,383	-
Property taxes	-	15,128,620	-
Interest paid on short-term borrowings	-	(323,750)	-
Payments on short-term borrowings	-	(25,000,000)	-
Net cash provided by (used in) noncapital financing activities	1,623,179	(1,139,324)	(48,676,934)
<b>Cash flows from capital and related financing activities</b>			
Transfers from other funds	350,000	350,000	1,917,070
Proceeds from sale of capital assets	234	58,486	530,843
Acquisition of capital assets	(889,235)	(5,415,609)	(2,793,961)
Payments on capital lease obligation	(255,000)	(805,000)	-
Interest and fees paid on capital lease obligation	(230,797)	(264,485)	-
Amount paid on advances and equipment contracts	-	-	(850,383)
Interest paid on advances and equipment contracts	-	-	(23,897)
Net cash used in capital and related financing activities	(1,024,798)	(6,076,608)	(1,220,328)
<b>Cash flows from investing activities</b>			
Interest on investments	2,387,027	8,695,598	2,646,258
Net cash provided by investing activities	2,387,027	8,695,598	2,646,258
Net increase (decrease) in cash and cash equivalents	1,889,136	9,027,124	1,384,966
<b>Pooled cash and investments</b>			
October 1, 2008	87,260,032	282,527,310	117,798,378
September 30, 2009	\$ 89,149,168	\$ 291,554,434	\$ 119,183,344

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

**County of Oakland**  
**Statement of Cash Flows (Continued)**  
**Proprietary Funds**  
**Year Ended September 30, 2009**

	<b>Business-Type Activities - Enterprise Funds</b>			
	<b>Major</b>			
	<b>Parks and Recreation</b>	<b>Delinquent Tax Revolving</b>	<b>S.O.C.S.D.S.</b>	<b>Water and Sewer Trust</b>
Operating income (loss)	\$ (12,502,248)	\$ 27,592,882	\$ (5,128,544)	\$ 2,047,087
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation expense	2,875,504	-	1,360,745	599,668
(Increase) decrease in due from other governmental units	1,263,840	1,061,505	(1,326,985)	129,504
(Increase) decrease in due from component units	-	-	-	-
(Increase) decrease in accounts receivable	19,281	(8,471,910)	(1,165)	488,122
(Increase) decrease in due from other funds	(21,875)	-	-	466,936
(Increase) decrease in contracts receivable	-	-	-	-
(Increase) decrease in inventories and supplies	(4,885)	-	-	11,196
(Increase) decrease in prepayments and other assets	80,774	-	34,000	3,385
Increase (decrease) in vouchers payable	98,555	105,279	(45,200)	(333,100)
Increase (decrease) in accrued payroll	-	-	-	-
Increase (decrease) in due to other governmental units	-	44,519	(1,022,267)	(187,916)
Increase (decrease) in due to other funds	-	-	-	(472,842)
Increase (decrease) in deferred revenue	189,585	-	-	-
Increase (decrease) in current portion of compensated absences	-	-	-	-
Increase (decrease) in current portion of claims and judgments	-	-	-	-
Increase (decrease) in other accrued liabilities	(47,177)	(21,686)	713	(241,550)
Increase (decrease) in accrued compensated absences	-	-	-	-
Increase (decrease) in claims and judgments	-	-	-	-
Net cash provided by (used in) operating activities	<u>\$ (8,048,646)</u>	<u>\$ 20,310,589</u>	<u>\$ (6,128,703)</u>	<u>\$ 2,510,490</u>

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

**County of Oakland**  
**Statement of Cash Flows (Continued)**  
**Proprietary Funds**  
**Year Ended September 30, 2009**

	<b>Business-Type Activities - Enterprise Funds</b>		<b>Governmental Activities - Internal Service Funds</b>
	<b>Non-Major Funds</b>	<b>Totals September 30, 2009</b>	
Operating income (loss)	\$ (5,760,708)	\$ 6,248,469	\$ 38,783,544
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation expense	5,697,399	10,533,316	6,463,826
(Increase) decrease in due from other governmental units	618,050	1,745,914	(17,326)
(Increase) decrease in due from component units	(23,960)	(23,960)	(8,288)
(Increase) decrease in accounts receivable	(462,837)	(8,428,509)	(22,198)
(Increase) decrease in due from other funds	263,771	708,832	1,641,499
(Increase) decrease in contracts receivable	126,248	126,248	-
(Increase) decrease in inventories and supplies	87,676	93,987	(67,535)
(Increase) decrease in prepayments and other assets	(106,451)	11,708	1,209,670
Increase (decrease) in vouchers payable	60,128	(114,338)	(1,561,823)
Increase (decrease) in accrued payroll	-	-	(59,355)
Increase (decrease) in due to other govern- mental units	(1,300,472)	(2,466,136)	240,173
Increase (decrease) in due to other funds	(196,674)	(669,516)	(3,128,310)
Increase (decrease) in deferred revenue	70,755	260,340	(125)
Increase (decrease) in current portion of compensated absences	-	-	54,071
Increase (decrease) in current portion of claims and judgments	-	-	1,761,193
Increase (decrease) in other accrued liabilities	(169,197)	(478,897)	3,493,652
Increase (decrease) in accrued compensated absences	-	-	486,642
Increase (decrease) in claims and judgments	-	-	(633,340)
Net cash provided by (used in) operating activities	<u>\$ (1,096,272)</u>	<u>\$ 7,547,458</u>	<u>\$ 48,635,970</u>

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

**County of Oakland**  
**Statement of Cash Flows (Continued)**  
**Proprietary Funds**  
**Year Ended September 30, 2009**

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**Noncash transactions**

**Enterprise Funds**

Major funds:

Noncash and capital related financing activities included write-off of \$7,381 (net of accumulated depreciation of \$11,980) in the Parks and Recreation fund.

Noncash and non-capital related financing activities included interest expense of \$750,000 included in Vouchers Payable liability in the Delinquent Tax Revolving fund.

Nonmajor funds:

Noncash and capital related financing activities included contribution of capital assets of \$4,089,196 and \$1,217,057 in the CLEMIS and County Airports funds, respectively; write-off of \$16,960 and \$38,804 of capital assets in the Radio Communications and County Airports funds, respectively; \$42,158 of capital assets contributed to the general government in the Jail Inmate Commissary fund.

Noncash and non-capital related financing activities included recording of Contracts Receivable and Deferred Revenue of \$12,938 and \$1,080,191 in the CLEMIS and County Airports funds, respectively.

**Internal Service Funds**

Noncash capital and related financing included write-off of \$31,967 of fully depreciated capital assets and \$326,826 of capital assets contributed in the Information Technology fund; transfer of \$2,506,810 of capital assets to the general government in the Sheriff Aviation fund.

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

## **Fiduciary Fund Financial Statements**

**Pension (and Other Postemployment Benefits) Trust Funds** - Employee Pension Trust funds accept payments made by the County, invest fund resources, and calculate and pay pensions to beneficiaries. Postemployment benefit trust funds accumulate resources to provide health-related benefits to retired employees, dependents and beneficiaries.

**Investment Trust Funds** - These funds account for monies from external local units of government, held in a pooled investment portfolio for the benefit of the respective governmental units under contractual arrangement.

**Agency Funds** - These funds account for assets held by the County in a trustee capacity. Disbursements from these funds are contingent upon the trust agreement or applicable legislative enactment for each particular fund. Agency funds are generally clearance devices for monies collected for others, held briefly, and then disbursed to authorized recipients.

Combining schedules for fiduciary funds are presented, by fund type, in the following sections:

Pension (and Other Postemployment Benefits) Trust funds

Investment Trust funds

Agency funds

**County of Oakland**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**September 30, 2009**

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	<b>Pension (and Other Post- employment Benefits) Trust Funds</b>	<b>Investment Trust Funds</b>	<b>Agency Funds</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 13,549,028	\$ 71,644,972	\$ 280,353,831
Pooled cash and investments	-	-	1,239,482
Investments, at fair value			
Common stock	415,049,247	-	-
Government securities	85,190,062	-	-
Corporate bonds	159,459,660	-	-
Municipal bonds	2,113,862	-	-
Commingled	179,301,710	-	-
Limited partnerships	55,195,447	-	-
Asset-backed fixed income	18,295,104	-	-
CMO/REMIC investments	13,001,425	-	-
Mortgage-backed securities	25,274,374	-	-
Short-term investments	229,566	-	-
Commercial mortgage-backed securities	36,292,058	-	-
Money market funds	36,303,847	-	-
International common stock	28,951,785	-	-
Equity REIT	8,826,675	-	-
Other	15,542,335	-	-
Total investments	<u>1,079,027,157</u>	<u>-</u>	<u>-</u>
Receivables - interest and dividends	3,872,907	143,261	220,584
Receivables - other	34,005	-	-
Prepaid expenses	115,985	-	-
Total assets	<u>1,096,599,082</u>	<u>71,788,233</u>	<u>281,813,897</u>
<b>Liabilities</b>			
Vouchers payable	618,229	-	140,709
Due to other governmental units	1,229,552	-	269,152,812
Other accrued liabilities	-	-	12,520,376
Total liabilities	<u>1,847,781</u>	<u>-</u>	<u>281,813,897</u>
<b>Net assets</b>			
Held in Trust for Pension and other Postemployment healthcare benefits, and pool participants	<u>\$ 1,094,751,301</u>	<u>\$ 71,788,233</u>	<u>\$ -</u>

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

**County of Oakland**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**  
**Year Ended September 30, 2009**

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	<b>Pension (and Other Post- employment Benefits) Trust Funds</b>	<b>Investment Trust Funds</b>
<b>Additions</b>		
Contributions		
Employer	\$ 61,863,580	\$ -
Pool participants	-	53,054,915
Plan members	1,119,025	-
Total contributions	62,982,605	53,054,915
Investment income	20,959,594	1,246,403
Other revenue	2,214,578	-
Total additions	86,156,777	54,301,318
<b>Deductions</b>		
Benefits	59,664,428	-
Administrative expenses	2,429,040	-
Distribution to pool participants	-	13,794,853
Total deductions	62,093,468	13,794,853
Net increase	24,063,309	40,506,465
Net assets held in trust for pension and other postemployment healthcare benefits, and pool participants		
October 1, 2008	1,070,687,992	31,281,768
September 30, 2009	\$ 1,094,751,301	\$ 71,788,233

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



# **Component Unit Financial Statements**

## **Component Units**

**Drainage Districts** - This component unit consists of many individual districts created for the purpose of alleviating drainage problems. This involves accounting for the resources and costs associated with the construction, maintenance, and financing of the individual drainage districts.

**Road Commission** - This component unit is responsible for the construction and maintenance of the County's system of roads and bridges, and is principally funded by the State-collected vehicle fuel and registration taxes under Michigan Public Act 51 of 1951.

Combining schedules for Drainage Districts Funds are presented, by fund type, in the Drainage Districts section.

**County of Oakland**  
**Statement of Net Assets**  
**Component Units**  
**September 30, 2009**

	<b>Drainage Districts</b>	<b>Road Commission</b>	<b>Total Component Units</b>
<b>Assets</b>			
<b>Current assets</b>			
Pooled cash and investments	\$ 23,149,976	\$ -	\$ 23,149,976
Cash and cash equivalents	-	28,171,795	28,171,795
Investments	-	11,316,792	11,316,792
Receivables (net of allowance for uncollectibles where applicable)			
Special assessments	-	10,801,726	10,801,726
Due from other governmental units	416,265	-	416,265
Accrued interest receivable	183,465	21,686	205,151
Accounts receivable	8,265	17,335,158	17,343,423
Inventories and supplies	-	3,989,000	3,989,000
Prepayments and other assets	-	826,941	826,941
Total current assets	<u>23,757,971</u>	<u>72,463,098</u>	<u>96,221,069</u>
<b>Capital assets, net</b>			
Land and other nondepreciable assets	148,256,403	165,485,886	313,742,289
Land improvements, net	-	273,295	273,295
Buildings and improvements, net	-	9,037,931	9,037,931
Equipment and vehicles, net	-	6,136,644	6,136,644
Infrastructure, net	<u>275,761,104</u>	<u>497,373,282</u>	<u>773,134,386</u>
Total capital assets, net	<u>424,017,507</u>	<u>678,307,038</u>	<u>1,102,324,545</u>
<b>Noncurrent assets</b>			
Contracts receivable	209,286	-	209,286
Special assessments receivable	<u>150,640,000</u>	<u>-</u>	<u>150,640,000</u>
Total assets	<u>598,624,764</u>	<u>750,770,136</u>	<u>1,349,394,900</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Vouchers payable	3,100,985	7,171,817	10,272,802
Due to other governmental units	3,148,022	-	3,148,022
Due to primary government	1,700,630	19,647	1,720,277
Deferred revenue and advances	-	11,597,301	11,597,301
Accrued interest payable	-	36,668	36,668
Current portion of long-term debt	12,895,000	1,500,000	14,395,000
Other accrued liabilities	<u>817,084</u>	<u>3,520,988</u>	<u>4,338,072</u>
Total current liabilities	<u>21,661,721</u>	<u>23,846,421</u>	<u>45,508,142</u>
Deferred revenue	3,158,920	-	3,158,920
Bonds and notes payable	134,586,080	4,000,000	138,586,080
Accrued compensated absences	-	3,083,032	3,083,032
Claims and judgments	-	2,100,000	2,100,000
Other postemployment benefits	-	6,424,140	6,424,140
Total liabilities	<u>159,406,721</u>	<u>39,453,593</u>	<u>198,860,314</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	276,536,427	672,807,038	949,343,465
Restricted for			
Capital projects	9,891,105	-	9,891,105
Debt service	148,449,112	-	148,449,112
Unrestricted	<u>4,341,399</u>	<u>38,509,505</u>	<u>42,850,904</u>
Total net assets	<u>\$ 439,218,043</u>	<u>\$ 711,316,543</u>	<u>\$ 1,150,534,586</u>

The accompanying notes are an integral part of the financial statements

**County of Oakland**  
**Statement of Activities**  
**Component Units**  
**Year Ended September 30, 2009**

		<b>Program Revenues</b>					
		<b>Charges for</b>	<b>Operating</b>	<b>Capital</b>			
	<b>Expenses</b>	<b>Services</b>	<b>Grants and</b>	<b>Grants and</b>	<b>Drainage</b>	<b>Road</b>	<b>Total</b>
			<b>Contributions</b>	<b>Contributions</b>	<b>Districts</b>	<b>Commission</b>	<b>Component</b>
							<b>Units</b>
<b>Functions/Programs</b>							
Drainage Districts	\$ 16,656,357	\$ 4,025,300	\$ 72,396	\$ 12,655,881	\$ 97,220	\$ -	\$ 97,220
Road Commission	97,995,650	18,672,910	58,073,149	26,861,709	-	5,612,118	5,612,118
Total component units	<u>\$ 114,652,007</u>	<u>\$ 22,698,210</u>	<u>\$ 58,145,545</u>	<u>\$ 39,517,590</u>	<u>97,220</u>	<u>5,612,118</u>	<u>5,709,338</u>
<b>General Revenues</b>							
Unrestricted investment earnings					791,167	732,536	1,523,703
Change in net assets					888,387	6,344,654	7,233,041
<b>Net assets</b>							
Beginning					438,329,656	704,971,889	1,143,301,545
Ending					<u>\$ 439,218,043</u>	<u>\$ 711,316,543</u>	<u>\$ 1,150,534,586</u>

The accompanying notes are an integral part of the financial statements

# County of Oakland

## Notes to Basic Financial Statements

### September 30, 2009

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#### 1. Summary of Significant Accounting Policies

The basic financial statements of Oakland County (the County) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification). The more significant of the County's accounting policies are described below.

##### **The Financial Reporting Entity**

As defined by generally accepted accounting principles established by GASB, the financial reporting entity consists of the primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either (a) the ability to impose will by the primary government, or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

The accompanying financial statements present Oakland County (the Primary Government) and its component units. The County's Parks and Recreation Commission is not legally separate from the County, nor does it possess separate corporate powers. As such, the financial data of the County's Parks and Recreation Commission have been included with the financial data of the Primary Government. The financial data of the component units are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

##### **Blended Component Unit**

A blended component unit is a legally separate entity from the County, but is so intertwined with the County that it is, in substance, the same as the County. It is reported as part of the County and blended into the appropriate funds.

- ***Oakland County Building Authority (the Authority)*** – A five-person authority is appointed by the Oakland County Board of Commissioners, and its activity is dependent upon Board actions. The purpose of the Authority is to finance, through tax-exempt bonds, the construction of public buildings for use by the County, with the bonds secured by lease agreements with the County and retired through lease payments from the County. The Oakland County 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 Authority's activity is reported in various Debt Service funds (designated by the caption "Building Authority"), and the Building Improvement Fund, a capital projects fund.

Separate financial statements for the Authority are not published.

# County of Oakland

## Notes to Basic Financial Statements

### September 30, 2009

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#### **Discretely Presented Component Unit**

A discretely presented component unit is an entity that is legally separate from the County but for which the County is financially accountable, or its relationship with the County is such that exclusion would cause the County's financial statements to be misleading or incomplete. These component units are reported in separate columns to emphasize that they are legally separate from the County.

- **Road Commission for Oakland County (Road Commission)** – The Road Commission is governed by three appointees of the County Board of Commissioners who are not County Board members. 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 Michigan Public Act 51 of 1951. The County has budgetary control and appropriation authority over its activities; however, such has not been exercised. The Road Commission's primary activities, which are as of and for the year ended September 30, 2009, are reported discretely as a governmental fund type - Special Revenue fund. The Road Commission Retirement System, which is as of and for the year ended December 31, 2007, is not reported in the financial statements of Oakland County.
- Complete financial statements of the Road Commission, which includes the Road Commission Retirement System and its separately issued statements, can be obtained from its administrative offices as follows:

Road Commission for Oakland County  
31001 Lahser Road  
Beverly Hills, Michigan 48025

- **Drainage Districts** – This component unit consists of approximately 200 individual districts created under Chapters 20 and 21 of Michigan Public Act 40 of 1956, for the purpose of alleviating drainage problems. This involves the construction, maintenance, and financing necessary to account for the cost of the drainage district. The individual districts, each a separate legal entity with power to assess the benefiting communities, is governed by the Drain Board for Oakland County, which consists of the Oakland County Drain Commissioner, the Chairman of the Oakland County Board of Commissioners, and the Chairperson of the Finance Committee of the Board of Commissioners. Assessments are made against the applicable municipalities within each district, including the Road Commission for Oakland County and the State of Michigan for road drainage. All activities of the various drainage districts are administered by the Oakland County Drain Commissioner. However, the drainage districts are not subject to the County's appropriation process. Because of the relationship between the component unit and the primary government, it would be misleading to exclude the Drainage Districts' Component Unit from the financial statements of Oakland County.
- The financial activities of the Drainage Districts as of and for the year ended September 30, 2009 are reported discretely as a governmental fund type. There are no separately issued financial statements of this component unit, although financial information for the specific drainage districts may be obtained from:

Oakland County Drain Commissioner  
#1 Public Works Drive  
Waterford, Michigan 48328

# County of Oakland

## Notes to Basic Financial Statements

### September 30, 2009

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#### **Basic (Government-Wide) and Fund Financial Statements – GASB Statement #34**

GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that net assets be classified for accounting and reporting purposes into the following three categories:

- **Invested in capital assets, net of related debt** consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction or improvement of those assets.
- **Restricted net assets** result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors and the like, or imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted net assets** consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets often are designated to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on resources which are imposed by management, but can be removed or modified.

The basic financial statements include both government-wide (based on the County as a whole) and fund financial statements. While the previous financial reporting model emphasized fund types (the total of all funds of a particular type), in the new financial reporting model, the focus is on either the County as a whole, or major individual funds (within the fund financial statements). Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business-type. In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

The government-wide Statement of Activities reflects the degree to which direct expenses that are clearly identifiable with a given functional category (General Government, Public Safety, Justice Administration, Citizen Services, Public Works, Recreation and Leisure, and Commerce and Community Development) are offset by program revenues. 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 category, restricted investment earnings, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular functional category. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. Property taxes and certain intergovernmental revenues are reported instead as general revenues, which are used to cover the net cost of the various functional categories of the County.

During fiscal year 2009, the Interim Retiree Medical Benefit Trust fund had losses of \$7,425,304 in restricted investment earnings which have been included in the General Government charges for services on the Statement of Activities.

The County policy is to eliminate internal activity from the Statement of Activities. This policy dictates the elimination of indirect expenses, but not direct expenses. The exception to this general rule is activities between funds reported as governmental activities and funds reported as business-type activities (i.e., billings for services or products by Internal Service Funds to Enterprise Funds).

# County of Oakland

## Notes to Basic Financial Statements

### September 30, 2009

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The County does not currently employ an indirect cost allocation system. Rather, an administrative service fee is charged by the General Fund to the other operating funds to address General Fund services such as finance, personnel, purchasing, legal, administration, etc. This is treated like a reimbursement, eliminating revenues and expenses on the Statement of Activities.

This government-wide focus is more on the sustainability of the County as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

The fund financial statements are, in substance, very similar to the financial statements presented in the previous financial reporting model. Emphasis here is on the major funds in either the governmental or business-type categories. Non-major funds (by category) are summarized into a single column.

The governmental funds statements in the fund financial statements are presented on a current financial resource and modified accrual basis of accounting. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements governmental column, a reconciliation is presented on the page following each statement, which briefly explains the adjustments necessary to reconcile the fund-based financial statements into the full accrual governmental column of the government-wide presentation.

Internal service funds of a government (which traditionally provide services primarily to other funds of the government) are presented, in summary form, as part of the proprietary fund financial statements. Since the principal users of the internal services are the County's governmental activities, financial statements of internal service funds are consolidated into the governmental column when presented at the government-wide level. The costs of these services are allocated to the appropriate functional activity. When appropriate, surplus or deficits in the internal service funds are allocated back to the various users within the entity-wide Statement of Activities.

The County's fiduciary funds (which have been redefined and narrowed in scope) are presented in the fund financial statements by type. Since, by definition, these assets are being held for the benefit of third parties (pension participants and others) and cannot be used to finance activities or obligations of the government, these funds are not incorporated into the government-wide statements.

The focus of the entity-wide financial statements under the new reporting model is to present the County as a whole. The focus of the Fund Financial Statements is on the major individual funds of the governmental and business-type categories, as well as the fiduciary funds (by category), and the component units. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information.

#### **Basis of Presentation – Fund Accounting**

Funds are used to report the County's financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

# **County of Oakland**

## **Notes to Basic Financial Statements**

### **September 30, 2009**

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The County reports the following major governmental funds:

The General Fund is the County's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund. Revenues are primarily derived from property taxes, state and federal distributions, and charges for services.

The Public Health Fund accounts for revenues reserved for the provision of health protection, maintenance, and improvement for the residents of Oakland County.

The Revenue Sharing Reserve Fund accounts for the State mandated transfers of equal amounts for a three-year period of the property tax shift from a winter levy to a summer levy to replace county revenue-sharing payments. These transfers from the General Fund will amount to the property tax levy for fiscal year 2004.

The Interim Retirees' Medical Benefits Trust Fund accounts for monies received from the sale of trust certificates for the purpose of funding future estimated accrued actuarial liabilities of medical benefits of Oakland County retirees.

The Building Authority Debt Act 31 Fund was established to accumulate the resources for payment of bonded debt issued for the construction of, or improvement to various facilities. This also includes debt issued as assistance in obtaining favorable lending rates for other units of government within the County.

The Water and Sewer Refunding Debt Act 342 Fund accounts for the accumulation of resources, mainly special assessments against benefiting municipalities, for the payment of bonded debt issued for construction of various water and sewer systems in Oakland County.

The County reports the following major enterprise funds:

The Parks and Recreation Fund accounts for the operation of the Oakland County parks system.

The Delinquent Tax Revolving Fund accounts for money advanced to the County and other local units of government for unpaid property taxes, and the subsequent collection of delinquencies.

The Southeastern Oakland County S.D.S (S.O.C.S.D.S.) Fund was established to record the operations and maintenance of the system, which is used to move sewage and storm water to the City of Detroit for treatment. Costs are recovered by developing rates and billing the municipalities being served.

The Water and Sewer Trust Fund accounts for the collection of resources for operation of various water and sewer systems maintained by the County rather than the respective municipalities.

Additionally, the County reports the following fund types:

#### **Governmental Fund Types**

Special Revenue Funds are used to ensure that specified resources (other than expendable trusts and funds for major capital improvements) are used as required by legal, regulatory, and/or administrative provisions. Included within the Special Revenue Funds are programs for care of children, drain maintenance, and certain grant operations involving public health, employment training, community development, environmental infrastructure programs and other grants.



## **County of Oakland**

### **Notes to Basic Financial Statements**

#### **September 30, 2009**

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Debt Service Funds account for the financing resources and payment of current principal and interest on debt. Debt Service Funds account for servicing of general long-term debt of various building authority debt issues, and debt associated with local water and sewer obligations upon which there are County guarantees.

Capital Projects Funds account for the acquisition, construction, and renovation of major capital facilities other than those financed by proprietary funds.

#### **Proprietary Fund Types**

Internal Service Funds account for goods and services provided to departments, funds, and governmental units on a cost-reimbursement basis. Included within the Internal Service Funds are certain fringe benefits provided to County employees which include health, workers' compensation, unemployment compensation, information technology, various equipment revolving funds, and central service-type operations.

Enterprise Funds, business-type activities, report operations for services to the general public, financed primarily by user charges intended to recover the cost of services provided, and include three airports, a medical care facility, four sewage disposal systems, parks and others.

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

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. The exception to this general rule is activities between funds reported as governmental activities and funds reported as business-type activities.

Amounts reported as program revenues include 1) charges for customers for goods supplied or services provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources, as well as taxes, are reported as general revenues rather than as program revenues.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing goods and services in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

#### **Fiduciary Fund Types**

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Oakland County's fiduciary funds include Pension (and other post-employment benefits) Trust funds to account for retirees' retirement and medical benefits; Investment Trust funds, which report funds deposited by and invested for local units of government; and Agency funds, which account for assets held in trust by the County for others. These funds are not reflected in the government-wide financial statements because the resources of the funds are not available to support the programs of Oakland County.

**County of Oakland**  
**Notes to Basic Financial Statements**  
**September 30, 2009**

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**Basis of Accounting**

- **Primary government** - The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets, except for certain miscellaneous receivables and special assessments, and current liabilities are included on the balance sheet. Governmental funds are used to account for all or most of the County's general activities, including the collection and disbursement of earmarked resources and the servicing of long-term debt.
- Proprietary, Pension Trust and Investment Trust Funds are accounted for on a flow-of-economic-resources measurement focus. All assets and liabilities are included on the Statement of Net Assets with the balance classified as net assets. Proprietary funds account for activities similar to those found in the private sector, where the determination of net income is necessary or useful for sound financial administration.
- The financial statements have been prepared in conformity with generally accepted accounting principles. Governmental funds use the modified accrual basis of accounting, which recognizes revenues in the accounting period in which they become susceptible to accrual, generally when they become both measurable and available. Property taxes are levied on December 1 and July 1 of each year (see Note 4) and are recognized as revenues in the fiscal year during which they are levied, and interest associated with the current fiscal period is considered to be susceptible to accrual and has been recognized as revenues of the current fiscal period. Only the portion of special assessment receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Other revenues are considered to be available when anticipated to be collected within 60 days of the end of the fiscal period. Expenditures are recorded when the related fund liability is incurred, except debt service expenditures, which are recorded when paid.
- Proprietary, Pension Trust and Investment Trust Funds use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Agency funds, which report only a statement of fiduciary net assets, use the accrual basis of accounting.

**Discretely Presented Component Units**

The Road Commission uses the current financial resources measurement focus for its governmental fund-type activities. The governmental fund type is used to account for all of the Road Commission's activities, including the collection and disbursement of earmarked resources and the servicing of long-term debt. Revenues and expenditures are recorded under the modified accrual basis of accounting, and, as such, revenue is recorded when measurable and available, and earned. Project-related revenue is recognized as related costs are incurred, except for interest on long-term debt, which is recorded when paid.

# **County of Oakland**

## **Notes to Basic Financial Statements**

### **September 30, 2009**

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The Drainage Districts use the current financial resources measurement focus for its activities. The governmental fund type is used to account for all of the Drainage Districts' activities, including the financing of the cost of construction and maintenance of Drainage Districts and servicing of long-term debt. Revenues and expenditures are recorded under the modified accrual basis of accounting, and as such, revenue is recorded when measurable and available, and earned. Project-related revenue is recognized as related costs are incurred, except for debt service expenditures, which are recorded when paid.

#### **Budgets**

Budgets and budgetary accounting are on the modified accrual basis, which is consistent with generally accepted accounting principles (GAAP basis) in that property tax revenue is recognized when made available by Board resolution. The budget was legally adopted by the Board of Commissioners prior to September 30, 2008 and presented in a separate document. Appropriation budgets were adopted for the General Fund and the following Special Revenue funds: Public Health, Child Care, and Social Welfare-Foster Care. Appropriations lapse at the end of the year. Project-length financial plans are budgeted for the remainder of the Special Revenue funds and for all Debt Service and Capital Projects funds. Budget and actual comparisons for such funds are not reported in the financial statements because annual budgets are not prepared.

Encumbrances are recorded at the time that purchase orders and contracts are issued. The encumbrances are liquidated when the goods or services are received. Unliquidated encumbrances at the end of the year are set aside as designated within fund balance. In the succeeding year, the encumbrances are re-appropriated by the Board of Commissioners to cover the unliquidated encumbrances included in fund equity.

#### **Pooled Cash and Investments**

The County maintains a cash and investment pool for all funds except the pension trust funds, the Interim Retiree Medical Benefits Trust fund, and two agency funds (Jail Inmate Trust and District Court Trust), in order to maximize investment earnings. Investments of the pool are not segregated by fund but each contributing fund's balance is treated as equity in the pool. For funds not in the pool, cash equivalents are considered to be demand deposits and short-term investments with an original maturity date of three months or less from the date of acquisition.

Cash overdrafts occurring in funds participating in pooled cash accounts at September 30, 2009 have been reclassified as a "due to other funds," and a corresponding "due from other funds" was established in the General Fund. Similarly, negative accrued interest receivable caused by negative cash balances is also reclassified at year end as an inter-fund liability.

The County's investments are stated at fair value, which is determined by using quoted market rates, if the investment is traded on a recognized stock exchange. There are no derivative instruments or products in the County's non-pension investment portfolio at September 30, 2009.

Pooled investment income is allocated to all funds based on the respective share of their average daily balances. Interest charges for funds with negative balances are reported as negative interest income.

# County of Oakland

## Notes to Basic Financial Statements

### September 30, 2009

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#### **Inter-fund Receivables/Payable**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. Short-term receivables and payables resulting from such transactions are classified as "due from other funds" or "due to other funds" on the balance sheet.

Non-current portions of long-term inter-fund loan receivables are reported as advances and are offset equally by a reservation of fund balance.

#### **Inventories**

Inventories in proprietary funds, except for the Facilities Maintenance and Operations fund, an Internal Service fund, are stated at cost or market using the first-in, first-out method. Inventories in the Facilities Maintenance and Operations fund are stated at cost or market using the average-cost basis.

#### **Prepayments**

Payments made for services that will benefit periods beyond September 30, 2009 are recorded as prepayments.

#### **Capital Assets**

Capital assets, which include land, buildings, equipment and infrastructure assets (e.g., roads, drains, and similar items), are reported in the government-wide statements and applicable proprietary fund financial statements. Capital assets that are used for governmental activities are only capitalized in the government-wide statements and fully expended in the government funds. The County established capitalization thresholds for capital assets of \$5,000. Capital assets are stated at cost or, if donated, at estimated fair market value at the time of donation. In some instances, capital asset historical costs were not available; therefore, the costs of these assets at the dates of acquisitions have been estimated. Expenditures materially extending the life of capital assets are capitalized. Interest incurred during construction is only capitalized in proprietary funds. Capital assets are depreciated over their useful lives, using the straight-line depreciation method. Infrastructure ("public domain") assets, including roads, bridges, sanitary sewers, drains, curbs, and gutters, are capitalized.

The County's estimated useful lives of the major classes of property and equipment follow:

<b>Class</b>	<b>Years</b>
Land improvements	10-15
Buildings and improvements	35-45
Equipment and vehicles	3-10
Sewage disposal systems	40-50
Infrastructure	10-75

Capital assets used in the general operation of the Road Commission are depreciated under various methods, including straight-line and sum-of-the-years digits.

#### **Compensated Absences**

Compensated absences (vested sick and annual leave) of the Primary Government that are allowed to accumulate are charged to operations in the Fringe Benefit fund (an Internal Service fund) as the benefits accrue. Compensated absences for the Road Commission are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only for employee terminations as of year end.

**County of Oakland**  
**Notes to Basic Financial Statements**  
**September 30, 2009**

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No liability is recorded for non-vesting accumulating rights to receive sick pay benefits for the Primary Government and Component Units.

**Pension and Other Postemployment Benefit Costs**

The County offers both pension and retiree healthcare benefits to retirees. The County receives an actuarial valuation to compute the annual required contribution (ARC) necessary to fund the obligation over the remaining amortization period. In the governmental funds, pension and OPEB costs are recognized as contributions are made. For the government-wide statements, the County reports the full accrual cost equal to the current year required contribution, adjusted for interest and "adjustment to the ARC" on the beginning of year balance, if any.

**Fund Equity**

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

**Deferred Revenue**

Deferred revenue is reported on the County's combined balance sheet. Amounts are classified as deferred when they do not meet the availability criteria, such as grants received before the expenditures are incurred.

Property taxes levied are used to finance the expenditures of the current fiscal period (October 1, 2008 through September 30, 2009) and are reported as revenues in the financial statements. Amounts not collected within 60 days of the end of the fiscal year are considered unavailable for the current period, and are reported as deferred revenue.

**Use of Estimates**

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements, September 30, 2009. These estimates and assumptions also affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**2. Legal Compliance - Budgets**

The Board of Commissioners has established the legal level of control by control groups, as outlined in the County's General Appropriations Act. This act states that expenditures shall not exceed the total appropriations for personnel expenditures (salaries, overtime, and fringes), operating expenditures, and internal support expenditures (Internal Service fund charges), respectively, by department. Budgets are adopted and presented on the GAAP basis of accounting.

The Board of Commissioners is authorized to make amendments to the various budgets as deemed necessary. Current year supplemental budgetary appropriations were not material. Funds which receive an appropriation and can therefore be defined as those with an appropriated, annual, legally adopted budget are the General Fund and the following Special Revenue funds: Public Health, Revenue Sharing Reserve, Interim Retirees' Medical Benefits Trust, Child Care, and Social Welfare-Foster Care. The budgetary comparison for the General Fund, the Public Health, Interim Retirees' Medical Benefits Trust, and Revenue Sharing Reserve funds (major special revenue funds) are presented in the Required Supplementary Information. The Child Care and Social Welfare Foster Care funds are presented in the Special Revenue Funds section.

**County of Oakland**  
**Notes to Basic Financial Statements**  
**September 30, 2009**

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Transfers within and between budgeted funds and departments may be made by the Fiscal Officer (Director of Management and Budget Department) in the following instances:

- (a) Transfers may be made from the non-departmental overtime reserve account and fringe benefit adjustment account to the appropriate departmental budget as specific overtime requests are reviewed and approved by the Fiscal Officer. Additionally, overtime appropriations may be transferred between divisions within a department at the request of the department head, if authorized by the Fiscal Officer or designee.
- (b) Transfers may be made from the non-departmental appropriation reserve accounts for maintenance department charges and miscellaneous capital outlay to the appropriate departmental budgets as specific requests for these items are reviewed and approved by the Fiscal Officer.
- (c) Transfers may be made from the non-departmental appropriation reserve accounts, emergency salaries, and summer help as specific requests for these items are reviewed and approved by the Director of the Human Resources Department.

At year end, the Board of Commissioners adopts a resolution which authorizes and closes amounts exceeding the original appropriation against the balances in other appropriations and closes the remaining balance to the General Fund's "Undesignated Fund Balance."

During the year, the County incurred expenditures over certain appropriations which are presented at the legal level of control as follows:

	<b>Appropriation</b>	<b>Expenditures</b>	<b>Excess Expenditures</b>
<b>General Fund</b>			
Justice administration			
District Court			
Operating expenditures	\$ 1,991,345	\$ 2,409,601	\$ 418,256
<b>Special Revenue Funds</b>			
Interim Retirees' Medical Benefits Trust			
Non-departmental			
Operating expenditures	61,863,580	63,112,352	1,248,772

These excess expenditures were closed against other appropriation balances in accordance with the County's policy and approved by a Board of Commissioners' resolution in fiscal year 2010.

### **3. Deposits and Investments**

The County has deposits and investments which are maintained for its primary government, component unit and fiduciary fund types.

For the primary government, the County manages its investments in a pool format which is used by all County funds. Share value is maintained at \$1, with interest rates floating daily. Investment income is allocated back to County funds based on their share of the pool which is calculated on their average daily cash balance.

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### Notes to Basic Financial Statements

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For its pool, the County only uses federal and state-chartered banks and savings institutions, which are members of the FDIC, and have a location in the state of Michigan. All deposits and investments for the pool are held in the County's name and tax ID number.

The County Treasurer is permitted to offer an investment option to local units of government, within the County, called the Local Government Investment Pool (LGIP). Contracted participant deposits are treated just like County funds and receive a share of earnings based on their average daily cash balance. The LGIP is not subject to regulatory oversight, is not registered with the SEC and does not issue a separate report. The LGIP is managed as a 2(a)7 fund with its net asset value maintained at \$1. Fair value of the position in the pool is the same as the value of the pool shares. The LGIP has not provided or obtained any legally binding guarantees during the period to support the value of the shares. Investments are valued monthly.

#### **Deposits**

It is County policy to review and verify a bank's creditworthiness through a system of ratio analysis and from information provided by several third-party sources. In addition, the County places concentration limits on banks based on creditworthiness resulting from both the ratio analysis and third-party information.

*Custodial Credit Risk – Deposits.* Custodial credit risk for deposits is the risk that in the event of a bank failure, the County's deposits may not be returned.

As of September 30, 2009, the bank balance of the County's deposits was \$495,534,134. Insured deposits were \$321,193,142, and the remaining \$174,340,992 was uninsured, uncollateralized, and held in the County's name.

The Drainage District's component units cash, deposit and investments are maintained in pooled accounts of the County; therefore, their amount of insurance would be allocated to the Drainage District's deposits based on their prorated share of the investment portfolio.

The County's Investment Policy allows for the use of bank deposits including certificates of deposit. The only limitation placed on bank deposits is that they cannot exceed 60% of the total investment portfolio. In addition, the County's investment policy limits the investment with any single financial institution to 15%.

At September 30, 2009, the Road Commission component unit had \$4,672,952 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The book balance for these deposits has been reported on the Statement of Net Assets as cash and cash equivalents of \$28,171,795 and investments of \$6,100,000.

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**Investments - Internal Investment Pool**

Investments, except those of the Retirement Systems, Interim Retiree Medical Benefits Trust and Deferred Compensation Plan, are administered by the Treasurer under guidelines established by Act 20 of the Michigan Public Acts of 1943, as amended and the Investment policy as adopted by the County's Board of Commissioners. The County's Investment Policy is more restrictive than state law and allows for the following instruments:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of Michigan financial institutions.
3. Commercial paper rated at the time of purchase at the *highest* classification established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
4. Repurchase agreements consisting of instruments in subdivision 1. The PSA Master Repurchase Agreement prototype agreement shall be employed with appropriate supplemental provisions regarding security delivery, security substitutions, and governing law. A signed Repurchase Agreement must be on file before entering into a repurchase transaction.
5. Bankers' acceptances of United States banks.
6. Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than 1 standard rating service.
7. Obligations described in subdivisions 1 through 6 if purchased through an inter-local agreement under the Urban Cooperation Act of 1967.
8. Investment pools organized under the Surplus Funds Investment Pool Act, PA 367 of 1982.
9. Investment pools organized under the Local Government Investment Pool Act, PA 121 of 1985.
10. Mutual funds registered under the Investment Company Act of 1940 with authority to only purchase investment vehicles that are legal for direct investment by a Michigan public corporation. Investment is limited to mutual funds that maintain a net asset value of \$1.00 per share.

As of September 30, 2009, the County had the following deposit and investment types in its internal investment pool.

<b>Deposit and Investment Type</b>	<b>Market Value</b>	<b>Weighted Average Maturity (days)</b>
Certificates of Deposit (1)	\$ 244,012,000	326
Deposit Accounts (1)	251,578,866	1
Money Market Investment Pools	235,897,527	1
MI Government Coupon	33,483,781	6,016
U.S. Agencies	364,792,095	785
 Total Market Value of Internal Investment Pool	 \$ 1,129,764,269	
 Weighted Average Maturity of Internal Investment Pool (in days)		 456



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- (1) These items are non-negotiable and therefore are considered deposits and not investments. They are presented here to give a clear picture of the investment pool's overall weighted average maturity.

*Credit Risk* – The County has \$364,792,095 invested in U.S. government securities which are rated AAA by Standard & Poor's and Aaa by Moody's. State law limits investments in commercial paper to the top two ratings issued by a nationally recognized statistical rating organization (NRSROs). It is the County's policy to further limit its investments in commercial paper to only the top rating as issued by NRSROs. As of September 30, 2009, the County had no investments in commercial paper. Three of the money market investment pools used by the County, with a fair value of \$82,904,005 at September 30, 2009, carry an AAA (Standard & Poor's) and an Aaa (Moody's) rating. One other money market investment pool used by the County, with a fair value of \$152,993,522 at September 30, 2009, is not rated. The County's investment policy is silent on the use of rated versus unrated money market funds. In addition, there is no rating level requirement for unrated money market funds.

*Custodial Credit Risk – Investments* 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 that are in the possession of another side party. The County's Investment Policy requires that all investment transactions (including collateral for repurchase agreements) be conducted on a delivery-versus-payment (DVP) basis. Securities shall be held by a third-party custodian, as designated by the County Treasurer, and shall be evidenced by a safekeeping receipt. As of September 30, 2009, \$398,275,876 in investments, at par value, was held in third-party safekeeping in the County's name.

The County also invests in money market funds that have their securities safe kept with a third party selected by the counterparty. However, the pool's securities are held in trust for the participants of the fund and are not available to the counterparty if the counterparty should happen to fail. We believe this arrangement satisfies the County's investment policy safe-keeping requirement.

*Concentration of Credit Risk – Investments* - The County's investment policy allows for no more than 15% be invested with any single financial institution. On September 30, 2009, the County had investments of 5% or more of the total portfolio with the following U.S. Agency issuers: Fannie Mae 6.90%, Federal Home Loan Bank 12.10%, and Freddie Mac 7.48%. No other issuer of investments exceeded 5%.

*Interest Rate Risk* – To limit its exposure to fair value losses from rising interest rates, the County's Investment Policy states the County will not directly invest in securities that mature more than three years from date of purchase; however, securities exceeding the three-year limitation may be purchased provided maturity dates coincide with the expected use of the funds. As of September 30, 2009, the internal investment pool had a weighted average maturity of 456 days and the longest investment maturity in the portfolio was 6,742 days (18.7 years).

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**Investments – Pension Trust and Intermediate Retiree Medical Benefits Trust Funds**

The Pension Trust Funds and the Intermediate Retirees' Medical Benefits Trust Fund investments are made in accordance with Act 55 of the Michigan Public Acts of 1982, as amended, and are limited to no more than 65 percent in common stock. In addition, no investments, loans, or leases are with parties related to the pension plan.

Pension investments are made through the use of Investment Advisors which are selected and retained by the various Retirement Boards (PERS, VEBA and IRMB). The advisors serve at the leisure of the various boards as provided by investment agreements. At September 30, 2009, the Primary Government's Pension Trust fund had 18 investment advisors. Investments are held in street name by safekeeping agents under formal trust agreements and/or in the Retirement Systems' name.

As of September 30, 2009, the County had the following investment types in its Retirement System:

<b>Investment Type</b>	<b>Fair Value</b>	<b>Percentage</b>	<b>Average Duration (In Years)</b>
Government Bonds	\$ 115,017,728	8.19 %	7.07613
Asset-Backed Fixed Income	25,139,073	1.79	1.06286
Commercial Mortgage-Backed Securities	48,683,210	3.46	4.31311
Mortgage-Backed Securities	34,611,527	2.46	1.61532
Municipal Bonds	2,999,984	0.21	7.45333
Corporate Bonds	218,239,345	15.53	5.36229
CMO/REMIC Investments	16,115,781	1.15	2.49441
Common Stock	548,667,141	39.05	N/A
Equity ADR	2,258,100	0.16	N/A
Equity REIT	11,740,357	0.84	N/A
Investment Companies-SPDR	930,130	0.07	N/A
International Common Stock	39,607,186	2.82	N/A
Investment Companies - Commingled Funds	236,360,211	16.82	N/A
Investment Companies-Mutual Funds	13,438,186	0.96	N/A
Money Market Funds	15,373,255	1.09	0.08782
Short-Term Investments	5,413,904	0.39	0.24178
Real Estate	3,506	0.00	N/A
Alternative Investments	3,073,796	0.22	N/A
Limited Partnership	67,452,786	4.80	N/A
<b>Total</b>	<b>\$ 1,405,125,206</b>	<b>100.0 %</b>	

**County of Oakland**  
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*Credit Risk* The Board's adopted Statement of Investment Goals and Objectives (SIGO) states that no non-convertible bonds and convertible securities are authorized for purchase. In addition, no more than 10% of the total value of the portfolio, at the time of purchase, may be held in non-investment grade bonds as rated by Moody's and/or Standard & Poor's. Ninety percent of the total value of the portfolio must have a quality rating of A or better by Moody's and Standard & Poor's. If any security held in the portfolio drops below investment grade as rated by Moody's or Standard & Poor's, the investment manager is to advise the board of that fact along with a buy/hold recommendation. The Board then shall instruct the investment manager as to which action should be taken. As of September 30, 2009, debt obligation investments held in the retirement system had the following ratings:

Fair Value	Percentage	Ratings	
		Moody's	S&P
\$294,653,863	59.75 %	Aaa	AAA
6,575,575	1.33	Aa1	AA+
13,831,712	2.80	Aa2	AA
21,033,730	4.27	Aa3	AA-
27,670,581	5.61	A1	A+
74,269,725	15.06	A2	A
16,571,953	3.36	A3	A-
15,865,740	3.22	Baa1	BBB+
15,521,555	3.15	Baa2	BBB
1,827,775	0.37	Baa3	BBB-
1,112,016	0.23	Ba1	BB+
1,806,262	0.37	Ba2	BB
756,153	0.15	Ba3	B
140,546	0.03	B1	B-
1,349,476	0.27	Caa1	CCC
159,525	0.03	Ca2	CC
<u>\$493,146,187</u>	<u>100.00 %</u>		

*Custodial Credit Risk* is the risk associated with the failure of the counterparty, the Retirement System would not be able to recover the value of its investments that are in the possession of another side party. The Retirement System's Statement of Investment Goals and Objectives (SIGO) requires that all investment transactions shall be conducted through a custodian that will act as the system's third party. Securities shall be held by the custodian, as designated by the Retirement Boards, and shall be evidenced by a custodial report. As of September 30, 2009, \$1,403,702,408 in investments was held in third-party safekeeping in the County's name.

*Concentration of Credit Risk* The Board's adopted Statement of Investment Goals and Objectives (SIGO) states that no more than 5% of the assets of the Retirement System's portfolio may be invested in the fixed income obligations of any one corporation or its affiliates and no more than 10% may be invested in the equity of any one corporation or its affiliates. Further, for fixed income investments, no more than 10% of the assets of the portfolio may be invested in the securities of any governmental agency that is not fully backed by the U.S. government. No limitation applies to obligations of the United States Treasury or any fully guaranteed agency of the federal government.

## County of Oakland

### Notes to Basic Financial Statements

#### September 30, 2009

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For equities, holdings of all securities of an industry group should not exceed 25% of the portfolio at cost. ADRs should not exceed a maximum of 10% of the portfolio at cost and shall be further limited to Canadian securities and non-U.S. domiciled corporations issuing U.S. securities. As of September 30, 2009, as reported by the system's investment managers, no holdings exceed any of the Board's adopted limits.

*Interest Rate Risk* The Board's adopted Statement of Investment Goals and Objectives (SIGO) places no limitation on the system's fixed income managers on the length to maturity for fixed income investments. As the schedule on page 87 indicates, the system's fixed income investments had average durations of between .088 years and 7.45 years which is reasonable given the long-term nature of the system. Having reasonable durations will reduce the retirement system's risk exposure to rapidly adjusting interest rates.

*Security Lending Transactions* Under the provisions of State statutes, the Oakland County Employees' Retirement System lends U.S. government securities, corporate bonds, and common stock to brokers and/or dealers in exchange for collateral that will be returned for the same securities in the future. The County's custodial bank (agent) manages the securities lending program and receives cash and cash equivalent securities as collateral. The custodial bank does not have the ability to pledge or sell collateral securities unless the borrower defaults. Borrowers are required to deliver collateral for each loan equal to but not less than 102 percent of the market value of the loaned securities.

The County did not impose any restrictions during the year ended September 30, 2009 on the amount of loans that the agent made on its behalf. There were also no failures by any borrowers to return loaned securities or pay distribution thereon. Furthermore, there were no losses during the period resulting from a default of the borrowers or the custodial banks.

The County and the borrower maintain the right to terminate all securities lending transactions on demand. Because the loans can be terminated at will, their duration does not generally match the duration of the investments. On September 30, 2009, the County had no credit risk exposure to borrowers. The collateral held and the market value of securities on loan for the County as of September 30, 2009 were \$131,482,384 and \$128,390,794, respectively, or 102.4% collateral to market value coverage.

*Collateralized Mortgage Obligations (CMOs)* are U.S. government-issued asset-backed certificates and corporate-issued asset-backed certificates. Current CMO holdings have maturity lengths ranging from .27 years to 39.1 years and are backed by investments in various assets, including mortgages. As of September 30, 2009, the market value was \$32,432,211.

*Interest Rate Risk - Collateralized Mortgage Obligations* The market value of such investments can be affected by, among other factors, changes in interest rates, including the effect of prepayments, marketability, and default rates on assets underlying the securities. At September 30, 2009, the Retirement System's investment in CMOs included investment in the Interest Only (IO) Class. Prepayments on the CMO related mortgages, especially those with relatively high interest rates, could reduce the yields on the Interest Only Class and could even result in the failure of investors in that Class to recover their investments. As prepayments increase in falling interest rate environments, IOs have a negative duration, which means their price typically rises when interest rates rise. At September 30, 2009, the County's CMO portfolio had effective duration ranges of -3.3 years and 3.5 years.

# County of Oakland

## Notes to Basic Financial Statements

### September 30, 2009

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*Variable Rate Coupon Notes and Bonds* In the County's Retirement System investment portfolio are Variable Rate coupon instruments with a market value of \$29,654,281 as of September 30, 2009. Such investments include U.S. government-issued securities and corporate-issued securities. The variable rate securities have maturities through the year 2049 and are backed by investments in various assets, including mortgages.

*Interest Rate Risk – Variable Rate Coupon Notes and Bonds* The market value of these investments may be influenced by, among other factors, changes in interest rates which affect their marketability. At September 30, 2009, the Retirement System was holding variable rate instruments that are reset against the LIBOR (London Interbank Offering Rate) with a plus factor. The coupons had short reset points ranging from twice a year, quarterly and monthly. The shorter the reset point, the less sensitive the investment is to interest rate changes.

#### **4. Receivables – Property Taxes**

Prior to 2004, taxes were levied on December 1 on the taxable value of real and personal property as established the preceding December 31. Taxes became a lien on the property on December 1 and were due and payable on that date through February 28 of the following year, after which unpaid taxes became delinquent and subject to penalty. Michigan Public Act 357 of 2004 required a gradual shift over a three-year period, of county property tax levies from winter to summer as a substitute to county revenue sharing from the State. The entire County Operating Tax is levied on July 1 each year beginning in 2007; however, the date for delinquencies did not change with the shift in levy dates. Taxable value is determined by using such factors as State equalized, assessed, and capped values, along with a value change multiplier. Equalized values for the 2009 summer levy amounted to \$67,858,986,149 with taxable values of \$62,416,676,895. The operating tax rate for the 2009 levy was 4.19 mills, with an additional 0.2415 mills voted for Parks and Recreation (winter levy only). The amount unpaid at fiscal year-end is reported as current property taxes receivable in the County's General Fund. These receivables (current and delinquent) for the County operating tax levy amounted to \$34,282,926 at September 30, 2009.

The Treasurer purchases, at face amount, real property tax receivables for all municipalities and school districts within Oakland County that are delinquent on March 1, with transactions recorded in the Delinquent Tax Revolving fund (Enterprise fund type). These receivables (\$115,773,596 at September 30, 2009) are pledged for the repayment of notes, the proceeds of which were used to liquidate the amounts of delinquent real property taxes due to the County and other governmental agencies. Subsequent collections of delinquent taxes, which include interest, penalties, fees, and investment earnings, amounting to \$32,768,313 in 2009, are used to service the notes payable.

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**5. Allowances for Uncollectible Receivables**

At September 30, 2009, the allowances for uncollectible receivables were as follows:

<b>General Fund</b>	\$ 200,000
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**6. Investment Income – Pension Trust Funds**

The following is a breakdown of the investment income for Pension Trust funds, and the Interim Retirees' Medical Benefits Trust fund of the primary government for the year ended September 30, 2009:

	<b>Employees' Retirement</b>	<b>VEBA Trust</b>	<b>IRMB Trust</b>
Interest and dividends	\$ 17,979,977	\$ 11,606,291	\$ 11,017,187
Unrealized/ Realized gain (loss) on investments (net)	(10,127,937)	1,501,263	(18,442,491)
Total	<u>\$ 7,852,040</u>	<u>\$ 13,107,554</u>	<u>\$ (7,425,304)</u>

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**7. Capital Assets**

An analysis of property and equipment as reported in the Statement of Net Assets, and related accumulated depreciation, at September 30, 2009, for governmental activities follows:

	Balance October 1, 2008	Additions	Disposals	Balance September 30, 2009
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 7,365,551	\$ -	\$ -	\$ 7,365,551
Construction in progress	23,537,166	1,960,409	(19,611,003)	5,886,572
Total capital assets not being depreciated	<u>30,902,717</u>	<u>1,960,409</u>	<u>(19,611,003)</u>	<u>13,252,123</u>
Capital assets being depreciated				
Land improvements	1,131,282	-	-	1,131,282
Buildings and improvements	212,214,722	18,464,285	-	230,679,007
Equipment and vehicles	101,078,414	3,412,253	(2,408,615)	102,082,052
Infrastructure	28,120,943	362,544	-	28,483,487
Total capital assets being depreciated	<u>342,545,361</u>	<u>22,239,082</u>	<u>(2,408,615)</u>	<u>362,375,828</u>
Less: Accumulated depreciation				
Land improvements	927,243	21,624	-	948,867
Buildings and improvements	74,247,644	5,349,030	-	79,596,674
Equipment and vehicles	70,840,700	7,881,815	(1,969,600)	76,752,915
Infrastructure	12,540,787	747,673	-	13,288,460
Total accumulated depreciation	<u>158,556,374</u>	<u>14,000,142</u>	<u>(1,969,600)</u>	<u>170,586,916</u>
Total capital assets being depreciated, net	<u>183,988,987</u>	<u>8,238,940</u>	<u>(439,015)</u>	<u>191,788,912</u>
Governmental activities capital assets, net	<u>\$ 214,891,704</u>	<u>\$ 10,199,349</u>	<u>\$ (20,050,018)</u>	<u>\$ 205,041,035</u>
Depreciation expense was charged to functions as follows:				
Public safety		\$ 3,422,991		
Justice administration		1,140,251		
Citizens services		353,968		
Public infrastructure		628,729		
Commerce and Community Development		27,343		
Unallocated depreciation		1,959,201		
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets		<u>6,463,826</u>		
Total depreciation expense - governmental activities		<u>\$ 13,996,309</u>		

The variance in depreciation expense (\$3,833) compared to additions to accumulated depreciation is a result of the transfer of accumulated depreciation from the Jail Commissary, enterprise fund to the general government. Sheriff Aviation, an internal service fund, was also closed and the assets (\$2,506,810) were transferred to general government.

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**Notes to Basic Financial Statements**  
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A summary of business-type property and equipment at September 30, 2009 follows:

	Balance October 1, 2008	Additions	Disposals	Balance September 30, 2009
<b>Business-type Activities</b>				
Capital assets not being depreciated				
Land	\$ 54,991,153	\$ 575,731	\$ -	\$ 55,566,884
Construction in progress	29,942,988	7,792,171	(4,339,803)	33,395,356
Other	12,000	-	-	12,000
Total capital assets not being depreciated	84,946,141	8,367,902	(4,339,803)	88,974,240
Capital assets being depreciated				
Land improvements	23,895,684	-	-	23,895,684
Buildings and improvements	68,128,013	294,166	(65,351)	68,356,828
Equipment and vehicles	51,971,742	6,318,491	(496,738)	57,793,495
Infrastructure	229,598,608	81,107	(56,934)	229,622,781
Total capital assets being depreciated	373,594,047	6,693,764	(619,023)	379,668,788
Less: Accumulated depreciation				
Land improvements	16,321,317	1,060,079	-	17,381,396
Buildings and improvements	17,919,458	1,636,611	(15,812)	19,540,257
Equipment and vehicles	44,552,930	2,772,242	(436,285)	46,888,887
Infrastructure	148,250,112	5,064,384	(56,934)	153,257,562
Total accumulated depreciation	227,043,817	10,533,316	(509,031)	237,068,102
Total capital assets being depreciated, net	146,550,230	(3,839,552)	(109,992)	142,600,686
Business-type activities capital assets, net	<u>\$ 231,496,371</u>	<u>\$ 4,528,350</u>	<u>\$ (4,449,795)</u>	<u>\$ 231,574,926</u>
Depreciation expense was charged to functions as follows:				
Airports		\$ 2,070,922		
Community safety support		1,956,706		
Community water and sewer		599,668		
Recreation and leisure		2,875,504		
Sewage disposal systems		3,030,516		
Total depreciation expense - business-type activities		<u>\$ 10,533,316</u>		

Disposals included the transfer of capital assets of \$42,157 (net of accumulated depreciation from Jail Commissary, enterprise fund) to the general government.



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An analysis of property and equipment, and related accumulated depreciation where applicable, at September 30, 2009, for component units follows:

	Balance October 1, 2008	Additions	Disposals	Balance September 30, 2009
<b>Component Units</b>				
<b>Drainage Districts</b>				
Capital assets not being depreciated				
Construction in progress	\$ 144,426,679	\$ 7,925,658	\$ (4,095,934)	\$ 148,256,403
Capital assets being depreciated				
Infrastructure	344,880,809	1,574,484	-	346,455,293
Less: Accumulated depreciation				
Infrastructure	67,217,275	3,476,914	-	70,694,189
Total capital assets being depreciated, net	277,663,534	(1,902,430)	-	275,761,104
Governmental activity capital assets, net	\$ 422,090,213	\$ 6,023,228	\$ (4,095,934)	\$ 424,017,507
<b>Road Commission</b>				
Capital assets not being depreciated				
Land and other	\$ 155,981,664	\$ 9,246,818	\$ -	\$ 165,228,482
Construction in progress	328,845	100,743	(172,184)	257,404
Total capital assets not being depreciated	156,310,509	9,347,561	(172,184)	165,485,886
Capital assets being depreciated				
Buildings and storage bins	17,899,380	582,363	-	18,481,743
Road equipment	51,906,885	440,289	(4,940,802)	47,406,372
Other equipment	5,739,444	40,923	(223,680)	5,556,687
Infrastructure	858,708,662	37,132,217	-	895,840,879
Brine wells and gravel pits	1,389,028	-	-	1,389,028
Total capital assets being depreciated	935,643,399	38,195,792	(5,164,482)	968,674,709
Less: Accumulated depreciation				
Buildings and storage bins	9,011,705	432,107	-	9,443,812
Road equipment	43,741,463	3,382,865	(4,937,890)	42,186,438
Other equipment	4,466,301	397,356	(223,680)	4,639,977
Infrastructure	364,872,735	33,594,862	-	398,467,597
Brine wells and gravel pits	1,061,124	54,609	-	1,115,733
Total accumulated depreciation	423,153,328	37,861,799	(5,161,570)	455,853,557
Total capital assets being depreciated, net	512,490,071	333,993	(2,912)	512,821,152
Governmental activity capital assets, net	\$ 668,800,580	\$ 9,681,554	\$ (175,096)	\$ 678,307,038

**County of Oakland**  
**Notes to Basic Financial Statements**  
**September 30, 2009**

**8. Long-term Debt**

The County issues bonds and notes authorized by various State acts. Each act provides specific covenants for specific purposes.

**Primary Government**

	<b>Interest rate</b>	<b>October 1, 2008</b>	<b>Additions</b>	<b>Reductions</b>	<b>September 30, 2009</b>	<b>Amounts due within one year</b>	<b>Amounts due thereafter</b>	<b>General obligation</b>	<b>With governmental commitment</b>
<b>Debt with limited taxing authority</b>									
Building authority - Act 31	2.50%-5.60%	\$ 81,735,000	\$ -	\$ (4,455,000)	\$ 77,280,000	\$ 4,590,000	\$ 72,690,000	\$ 58,775,000	\$ 18,505,000
Building authority refunding	4.37%-4.75%	10,710,000	-	(1,405,000)	9,305,000	1,445,000	7,860,000	1,395,000	7,910,000
Certificates of Participation - Taxable	6.00%-6.25%	536,220,000	-	(16,610,000)	519,610,000	17,590,000	502,020,000	519,610,000	-
Lake levels - Act 451	2.25%-3.40%	385,000	-	(55,000)	330,000	60,000	270,000	-	330,000
Sewage disposal - Act 342	3.50%-8.50%	2,960,000	-	(1,000,000)	1,960,000	505,000	1,455,000	-	1,960,000
Water and sewer - Act 342	4.00%-4.50%	3,400,000	-	(150,000)	3,250,000	150,000	3,100,000	-	3,250,000
Water supply - Act 342	4.40%-7.00%	11,015,000	-	(340,000)	10,675,000	360,000	10,315,000	-	10,675,000
Water and sewer refunding bonds	2.00%-3.50%	1,615,000	-	(315,000)	1,300,000	305,000	995,000	-	1,300,000
Water supply refunding bonds	4.40%-4.70%	1,570,000	-	(255,000)	1,315,000	265,000	1,050,000	-	1,315,000
Sewage disposal refunding bonds	3.00%-5.20%	9,345,000	2,710,000	(6,110,000)	5,945,000	2,530,000	3,415,000	-	5,945,000
Michigan Bond Authority - Sewage Disposal Bonds	2.25%	6,869,371	174,208	(570,000)	6,473,579	580,000	5,893,579	-	6,473,579
Total bonds - governmental activities		<u>\$ 665,824,371</u>	<u>\$ 2,884,208</u>	<u>\$ (31,265,000)</u>	<u>\$ 637,443,579</u>	<u>\$ 28,380,000</u>	<u>\$ 609,063,579</u>	<u>\$ 579,780,000</u>	<u>\$ 57,663,579</u>
<b>Tax notes - limited taxing authority - business-type activities</b>									
	1.625%	<u>\$ 25,000,000</u>	<u>\$ 50,000,000</u>	<u>\$ (25,000,000)</u>	<u>\$ 50,000,000</u>	<u>\$ 50,000,000</u>	<u>\$ -</u>	<u>\$ 50,000,000</u>	<u>\$ -</u>
<b>Component units</b>									
<b>Drainage Districts</b>									
<b>Debt with limited taxing authority</b>									
Drain bonds - Act 40	3.60%-8.00%	\$ 20,690,000	\$ -	\$ (2,170,000)	\$ 18,520,000	\$ 1,995,000	\$ 16,525,000	\$ 1,407,316	\$ 17,112,684
Drain refunding bonds	3.75%-6.70%	42,075,000	9,855,000	(14,525,000)	37,405,000	5,350,000	32,055,000	2,001,936	35,403,064
Michigan Bond Authority - Drain Bonds	2.00%-2.50%	90,023,234	6,667,846	(5,135,000)	91,556,080	5,550,000	86,006,080	451,409	91,104,671
Total Drainage Districts		<u>\$ 152,788,234</u>	<u>\$ 16,522,846</u>	<u>\$ (21,830,000)</u>	<u>\$ 147,481,080</u>	<u>\$ 12,895,000</u>	<u>\$ 134,586,080</u>	<u>\$ 3,860,661</u>	<u>\$ 143,620,419</u>
Total County Debt		<u>\$ 843,612,605</u>	<u>\$ 69,407,054</u>	<u>\$ (78,095,000)</u>	<u>\$ 834,924,659</u>	<u>\$ 91,275,000</u>	<u>\$ 743,649,659</u>	<u>\$ 633,640,661</u>	<u>\$ 201,283,998</u>

**County of Oakland**  
**Notes to Basic Financial Statements**  
**September 30, 2009**

**Component Units (Continued)**

<b>Road Commission</b>	<b>Interest rate</b>	<b>October 1, 2008</b>	<b>Additions</b>	<b>Reductions</b>	<b>September 30, 2009</b>	<b>Amounts due within one year</b>	<b>Amounts due thereafter</b>	<b>General obligation</b>	<b>With governmental commitment</b>
Compensated absences	--	\$ 3,295,222	\$ -	\$ (212,190)	\$ 3,083,032	\$ -	\$ 3,083,032	\$ -	\$ 3,083,032
Self-insured losses	--	1,900,000	200,000	-	2,100,000	-	2,100,000	-	2,100,000
Other postemployment benefits	--	2,260,219	4,163,921	-	6,424,140	-	6,424,140	-	6,424,140
Michigan Transportation Fund revenue notes	3.75%-4.75%	7,975,000	-	(2,475,000)	5,500,000	1,500,000	4,000,000	-	5,500,000
Total Road Commission		<u>\$ 15,430,441</u>	<u>\$ 4,363,921</u>	<u>\$ (2,687,190)</u>	<u>\$ 17,107,172</u>	<u>\$ 1,500,000</u>	<u>\$ 15,607,172</u>	<u>\$ -</u>	<u>\$ 17,107,172</u>
Total reporting entity		<u>\$ 859,043,046</u>	<u>\$ 73,770,975</u>	<u>\$ (80,782,190)</u>	<u>\$ 852,031,831</u>	<u>\$ 92,775,000</u>	<u>\$ 759,256,831</u>	<u>\$ 633,640,661</u>	<u>\$ 218,391,170</u>

The annual requirements to pay principal and interest on debt outstanding at September 30, 2009 (excluding the liabilities for compensated absences, other postemployment benefits and uninsured losses for the Road Commission component unit) were:

	<b>Bonds with limited taxing authority</b>		<b>Certificates of Participation limited taxing authority</b>		<b>Notes with limited taxing authority</b>		<b>Total primary government</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2010	\$ 10,790,000	\$ 5,001,604	\$ 17,590,000	\$ 31,456,888	\$ 50,000,000	\$ 750,000	\$ 78,380,000	\$ 37,208,492
2011	7,305,000	4,575,848	18,320,000	30,379,587	-	-	25,625,000	34,955,435
2012	7,330,000	4,320,633	19,545,000	29,243,638	-	-	26,875,000	33,564,271
2013	7,875,000	4,051,041	20,520,000	28,041,687	-	-	28,395,000	32,092,728
2014	6,960,000	3,768,360	21,500,000	26,781,088	-	-	28,460,000	30,549,448
2015-2019	36,460,000	14,366,228	127,280,000	112,403,512	-	-	163,740,000	126,769,740
2020-2024	32,055,000	6,165,317	168,070,000	67,086,875	-	-	200,125,000	73,252,192
2025-2029	8,338,579	1,006,774	126,785,000	12,191,406	-	-	135,123,579	13,198,180
2030-2033	720,000	32,400	-	-	-	-	720,000	32,400
Totals	<u>\$ 117,833,579</u>	<u>\$ 43,288,205</u>	<u>\$ 519,610,000</u>	<u>\$ 337,584,681</u>	<u>\$ 50,000,000</u>	<u>\$ 750,000</u>	<u>\$ 687,443,579</u>	<u>\$ 381,622,886</u>

	<b>Drainage Districts</b>		<b>Road Commission</b>		<b>Total reporting entity</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2010	\$ 12,895,000	\$ 4,305,009	\$ 1,500,000	\$ 220,000	\$ 92,775,000	\$ 41,733,501
2011	13,205,000	3,867,306	1,500,000	160,000	40,330,000	38,982,741
2012	11,755,000	3,453,354	500,000	100,000	39,130,000	37,117,625
2013	12,030,000	3,104,193	500,000	80,000	40,925,000	35,276,921
2014	11,070,000	2,743,765	500,000	60,000	40,030,000	33,353,213
2015-2019	44,815,000	9,172,500	1,000,000	60,000	209,555,000	136,002,240
2020-2024	39,450,408	3,117,320	-	-	239,575,408	76,369,512
2025-2029	2,260,672	168,438	-	-	137,384,251	13,366,618
2030-2033	-	-	-	-	720,000	32,400
Totals	<u>\$ 147,481,080</u>	<u>\$ 29,931,885</u>	<u>\$ 5,500,000</u>	<u>\$ 680,000</u>	<u>\$ 840,424,659</u>	<u>\$ 412,234,771</u>

**County of Oakland**  
**Notes to Basic Financial Statements**  
**September 30, 2009**

**Component Units (Continued)**

<b>Road Commission</b>	<b>Interest rate</b>	<b>October 1, 2008</b>	<b>Additions</b>	<b>Reductions</b>	<b>September 30, 2009</b>	<b>Amounts due within one year</b>	<b>Amounts due thereafter</b>	<b>General obligation</b>	<b>With governmental commitment</b>
Compensated absences	--	\$ 3,295,222	\$ -	\$ (212,190)	\$ 3,083,032	\$ -	\$ 3,083,032	\$ -	\$ 3,083,032
Self-insured losses	--	1,900,000	200,000	-	2,100,000	-	2,100,000	-	2,100,000
Other postemployment benefits	--	2,260,219	4,163,921	-	6,424,140	-	6,424,140	-	6,424,140
Michigan Transportation Fund revenue notes	3.75%-4.75%	7,975,000	-	(2,475,000)	5,500,000	1,500,000	4,000,000	-	5,500,000
Total Road Commission		<u>\$ 15,430,441</u>	<u>\$ 4,363,921</u>	<u>\$ (2,687,190)</u>	<u>\$ 17,107,172</u>	<u>\$ 1,500,000</u>	<u>\$ 15,607,172</u>	<u>\$ -</u>	<u>\$ 17,107,172</u>
Total reporting entity		<u>\$ 859,043,046</u>	<u>\$ 73,770,975</u>	<u>\$ (80,782,190)</u>	<u>\$ 852,031,831</u>	<u>\$ 92,775,000</u>	<u>\$ 759,256,831</u>	<u>\$ 633,640,661</u>	<u>\$ 218,391,170</u>

The annual requirements to pay principal and interest on debt outstanding at September 30, 2009 (excluding the liabilities for compensated absences, other postemployment benefits and uninsured losses for the Road Commission component unit) were:

	<b>Bonds with limited taxing authority</b>		<b>Certificates of Participation limited taxing authority</b>		<b>Notes with limited taxing authority</b>		<b>Total primary government</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2010	\$ 10,790,000	\$ 5,001,604	\$ 17,590,000	\$ 31,456,888	\$ 50,000,000	\$ 750,000	\$ 78,380,000	\$ 37,208,492
2011	7,305,000	4,575,848	18,320,000	30,379,587	-	-	25,625,000	34,955,435
2012	7,330,000	4,320,633	19,545,000	29,243,638	-	-	26,875,000	33,564,271
2013	7,875,000	4,051,041	20,520,000	28,041,687	-	-	28,395,000	32,092,728
2014	6,960,000	3,768,360	21,500,000	26,781,088	-	-	28,460,000	30,549,448
2015-2019	36,460,000	14,366,228	127,280,000	112,403,512	-	-	163,740,000	126,769,740
2020-2024	32,055,000	6,165,317	168,070,000	67,086,875	-	-	200,125,000	73,252,192
2025-2029	8,338,579	1,006,774	126,785,000	12,191,406	-	-	135,123,579	13,198,180
2030-2033	720,000	32,400	-	-	-	-	720,000	32,400
Totals	<u>\$ 117,833,579</u>	<u>\$ 43,288,205</u>	<u>\$ 519,610,000</u>	<u>\$ 337,584,681</u>	<u>\$ 50,000,000</u>	<u>\$ 750,000</u>	<u>\$ 687,443,579</u>	<u>\$ 381,622,886</u>

	<b>Drainage Districts</b>		<b>Road Commission</b>		<b>Total reporting entity</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2010	\$ 12,895,000	\$ 4,305,009	\$ 1,500,000	\$ 220,000	\$ 92,775,000	\$ 41,733,501
2011	13,205,000	3,867,306	1,500,000	160,000	40,330,000	38,982,741
2012	11,755,000	3,453,354	500,000	100,000	39,130,000	37,117,625
2013	12,030,000	3,104,193	500,000	80,000	40,925,000	35,276,921
2014	11,070,000	2,743,765	500,000	60,000	40,030,000	33,353,213
2015-2019	44,815,000	9,172,500	1,000,000	60,000	209,555,000	136,002,240
2020-2024	39,450,408	3,117,320	-	-	239,575,408	76,369,512
2025-2029	2,260,672	168,438	-	-	137,384,251	13,366,618
2030-2033	-	-	-	-	720,000	32,400
Totals	<u>\$ 147,481,080</u>	<u>\$ 29,931,885</u>	<u>\$ 5,500,000</u>	<u>\$ 680,000</u>	<u>\$ 840,424,659</u>	<u>\$ 412,234,771</u>

# **County of Oakland**

## **Notes to Basic Financial Statements**

### **September 30, 2009**

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The County has pledged its full faith and credit on debt totaling \$834,924,659. By statute, general obligation debt is limited to 10 percent of the state equalized value. As of September 30, 2009, the debt limit was \$6,785,898,615. The County is obligated if payments received on assessments or contracts levied against benefiting municipalities are insufficient to meet principal and interest requirements of this debt when due, and is shown in the preceding table as debt "with governmental commitment."

The aforementioned bonds are to be repaid as summarized in the following paragraphs.

#### **Building Authority – Act 31**

Act 31, Michigan Public Acts of 1948, provides for an authority to issue bonds to build and equip various public buildings, which are then leased to the County. Proceeds from these leases are used to repay the bonds. The collection of lease payments and retirement of debt is reflected in the respective Debt Service fund. At September 30, 2009, there were nine issues outstanding, totaling \$77,280,000, maturing in the years 2010-2027, which represents debt originally issued in the years 1999-2007 totaling \$103,260,000.

#### **Taxable Certificates of Participation**

Represents debt issued in the form of trust certificates to fund future retiree health care costs reported in the VEBA Trust fund. Debt was issued under the authority of Public Act 139, Michigan Public Acts of 1973, in the amount of \$556,985,000, maturing in the years 2008 through 2027, and funds were placed in trust in the Intermediate Retirees' Medical Benefits Trust fund, a special revenue fund. The annual actuarially determined amount will be transferred from the trust to the VEBA Trust Fund. At September 30, 2009, there remained debt outstanding in the amount of \$519,610,000, maturing in the years 2010-2027.

#### **Sewage Disposal, Water and Sewer, and Water Supply Bonds – Act 342**

Act 342, Michigan Public Acts of 1939 provides for a contract between the County and local municipalities which defines a schedule of annual payments to be made by the municipality to meet principal and interest obligations. Such contractual payments may be funded by revenues produced by utility or tax revenues. The County is obligated upon the default of the local municipality, and therefore, such obligation is shown as "with governmental commitment." Assessments are shown in their entirety with the corresponding deferred revenue in the Debt Service funds for each act. At September 30, 2009, there were seven issues outstanding, totaling \$15,885,000, maturing in the years 2010-2030. This represents debt originally issued in the amount of \$22,110,000 issued in the years 1991-2005.

#### **Refunding Bonds**

Michigan Public Act 202 of 1943 and Act 34 of 2001 provide for the refunding of bonds based on covenants contained in the acts. The bonds will be repaid from assessments levied against the benefiting municipalities for water and sewer debt, or leases for Building Authority debt. At September 30, 2009, there were nine issues outstanding, totaling \$17,865,000, maturing in the years 2010-2027. This represents debt originally issued in the years 1998-2009 totaling \$51,825,000.

#### **Michigan Bond Authority Sewage Disposal Bonds**

In October 1996, the County authorized the issuance of bonds from the Michigan Municipal Bond Authority Revolving Loan fund for up to \$9,350,000 for the White Lake Township Sewage Disposal System project; the entire amount was received as of the end of fiscal year 1999. The amount outstanding for this issue at September 30, 2009 was \$4,730,000, which matures in the years 2010-2018.

# **County of Oakland**

## **Notes to Basic Financial Statements**

### **September 30, 2009**

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In September 2007, the County authorized the issuance of bonds from the Michigan Municipal Bond Authority Revolving Loan fund for up to \$2,000,000 for the Softwater Lake Capital Improvement Sewage Disposal System project. Through September 30, 2009, the County received \$1,913,579 from the State Revolving Loan fund. The amount outstanding at September 30, 2009 for this issue is \$1,743,579, which matures in the years 2010-2027.

#### **Lake Levels – Act 146**

Act 451 of Michigan Public Acts of 1994 permits the issuance of debt for providing lake level control. Bonds are to be repaid through special assessments levied against benefiting property owners. In October 2004, the County authorized the issuance of bonds in the amount of \$575,000 for the Watkins Lake Level. The amount outstanding at September 30, 2009 was \$330,000, which matures in the years 2010-2014.

#### **Tax Notes – Section 87B of Act 206**

By agreement with various taxing authorities, the County purchases (at face value) real property taxes which are returned delinquent each March 1. The assets of the Delinquent Tax Revolving fund (an Enterprise fund), including receivables in the amount of \$280,766,016 at September 30, 2009, are pledged as collateral for payment of the tax notes. The proceeds of these notes were used to liquidate the amounts due the County's General Fund and other governmental agencies for purchase of their delinquent real property tax receivables and to provide an amount for note repayment. The amount outstanding at September 30, 2009 was \$50,000,000. Subsequent collections on delinquent taxes receivable, plus interest penalties and collection fees thereon, and investment earnings are used to service the debt.

#### **Drain Bonds and Notes – Act 40 (Component Unit)**

Act 40 provides for the creation of a Drain Board, which has the power to assess state, county, and local levels of government for principal and interest payments. Such assessments are to be funded from General Fund revenues of the respective municipality. The County portion of the assessment is identified as a general obligation. Further, the County is obligated if assessments levied against benefiting municipalities are insufficient to meet principal and interest requirements when due. Such obligations are shown as "with governmental commitment." At September 30, 2009, there were seventeen issues outstanding, totaling \$18,520,000, maturing in the years 2010-2028. This represents original debt issued for \$37,970,000 in the years 1993-2008.

#### **Drain Refunding Bonds (Component Unit)**

Act 202 of 1943 and Act 34 of 2001 provide for the refunding of bonds based on covenants contained in the acts. The County initiates the refunding of various drain bonds issued under Act 40 on behalf of the drainage district's component unit. Bonds will be repaid from assessments levied against the benefiting municipalities. At September 30, 2009, there were seventeen issues outstanding, totaling \$37,405,000, maturing in the years 2010-2024. This represents debt originally issued in the years 1997-2009 in the amount of \$57,150,000.

**County of Oakland**  
**Notes to Basic Financial Statements**  
**September 30, 2009**

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**Michigan Bond Authority Drain Bonds (Component Unit)**

The County authorized issuance of bonds in the amount of \$9,365,000 in 1994 to the Michigan Municipal Bond Authority Revolving Loan fund for the Combined Sewer Overflow Project. In October 2000, the County additionally authorized the issuance of bonds for up to \$17,880,000 for the George W. Kuhn Drainage District, with the entire amount from the State Revolving Loan Fund being received by 2005. Further, in 2001, the County authorized an additional \$82,200,000 for the George W. Kuhn Drainage District Segment II, with successive authorizations in the years 2005 through 2008 amounting to \$14,240,000. Through September 30, 2009, the drainage district received \$93,281,080 from the State Revolving Loan Fund for Segment II. At September 30, 2009, there were ten issues outstanding, totaling \$91,556,080, maturing in the years 2010-2028.

**Advance Refunding of General Obligation Limited Tax Bonds**

In June 2006, the County advance refunded a portion of a general obligation limited tax bond issue with surplus construction funds transferred to the debt service fund. These funds were placed in trust for the purpose of generating resources for the repayment of the refunded debt. Accordingly, the trust account assets and liability for the refunded bonds are not included in the County's financial statements. At September 30, 2009, there is an in-substance defeasance of \$820,000 of Building Authority Bonds Series 2002A (Rochester Hills - Sheriff Substation), maturing in the years 2020 through 2022 inclusively.

In August 2009, the County issued \$4,720,000 of refunding bonds for a current refunding of a general obligation limited tax refunding bond issue on behalf of the Drainage Districts' component unit, pursuant to authorization contained in Act 34, Public Acts of Michigan of 2001. General obligation limited tax refunding drain bonds were issued for the payment of future debt service obligations of the refunded debt. Accordingly, the trust account assets and liability for the refunding bonds are not included in the Drainage Districts' component unit, or the County's financial statements. The debt refunded amounted to \$4,715,000 for the Bloomfield Village CSO Drainage District Refunding Bonds, Series 2001B maturing in the years 2010 through 2016 inclusively. The refunding was undertaken to reduce the debt service payments over the next seven years by \$405,571 and obtain an economic (present value) gain to the benefiting municipalities of \$370,813.

In August 2009, the County issued \$5,135,000 of refunding bonds for a current refunding of a general obligation limited tax refunding bond issue on behalf of the Drainage Districts' component unit, pursuant to authorization contained in Act 34, Public Acts of Michigan of 2001. General obligation limited tax refunding drain bonds were issued for the payment of future debt service payment of the refunded debt. Accordingly, the trust account assets and liability for the refunding bonds are not included in the Drainage Districts' component unit, or the County's financial statements. The debt refunded amounted to \$5,125,000 for the Birmingham CSO Drainage District Refunding Bonds Series 2001 maturing in the years 2010 through 2016 inclusively. The refunding was undertaken to reduce the debt service payments over the next eight years by \$420,973 and obtain an economic (present value) gain to the benefiting municipalities of \$384,153.

In September 2009, the County issued \$2,710,000 of refunding bonds for a current refunding of a general obligation limited tax refunding bond issue, pursuant to authorization contained in Act 34, Public Acts of Michigan of 2001. General obligation limited tax refunding sewage disposal bonds were issued for the payment of future debt service obligations of the refunded debt. The debt refunded amounted to \$2,700,000 for the City of Orchard Lake Village Refunding Bonds, Series 1999, maturing in the years 2010 through 2012 inclusively. The refunding was undertaken to reduce the debt service payments over the next three years by \$148,245 and to obtain an economic (present value) gain for the City of Orchard Lake Village of \$145,245.

**County of Oakland**  
**Notes to Basic Financial Statements**  
**September 30, 2009**

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**Changes in Other Long-term Liabilities**

Long-term liabilities activity, as reported in and liquidated through the Fringe Benefit Fund and Building Liability Insurance Fund, Internal Service funds, for the fiscal year ended September 30, 2009, was as follows:

	<b>Beginning balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending balance</b>	<b>Due within one year</b>
<b>Governmental activities</b>					
Accrued compensated absences	\$ 12,424,448	\$ 540,713	\$ -	\$ 12,965,161	\$ 1,296,516
Claims and judgments					
Accrued unreported health costs	2,732,000	-	(170,000)	2,562,000	854,000
Accrued workers' compensation	12,758,106	-	(739,865)	12,018,241	1,750,000
Building and liability insurance	5,160,833	2,037,718	-	7,198,551	2,729,872
Governmental activity long-term liabilities	<u>\$ 33,075,387</u>	<u>\$ 2,578,431</u>	<u>\$ (909,865)</u>	<u>\$ 34,743,953</u>	<u>\$ 6,630,388</u>

**9. Interfund Balances**

Interfund receivables and payables at September 30, 2009 were:

Due to/from other funds:

<b><u>Receivable Fund</u></b>	<b><u>Payable Fund</u></b>	
General Fund	Public Health	\$ 2,766,809
	Nonmajor governmental	12,312,904
	Nonmajor enterprise	2,615
	Internal service	769,760
	Total	<u>15,852,088</u>
Public Health	Nonmajor governmental	27,178
	Internal service	12,295
	Total	<u>39,473</u>
Nonmajor governmental	General	2,439,960
	Nonmajor governmental	419,445
	S.O.C.S.D.S.	1,899
	Internal service	326,138
	Total	<u>3,187,442</u>
Parks and Recreation	General	<u>21,875</u>
Nonmajor enterprise	General	4,950
	Nonmajor governmental	21,440
	Internal service	76,376
	Total	<u>102,766</u>
Internal service	General	4,431,933
	Nonmajor governmental	4,320
	Internal service	32,052
	Total	<u>4,468,305</u>
	Total	<u>\$ 23,671,949</u>



**County of Oakland**  
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These balances result from the time difference between the dates that services are provided or transfers are authorized, transactions are recorded in the accounting system, and payments between funds are made.

Receivables and payables between funds of the Primary Government and the Component Units at September 30, 2009 were:

<b>Primary Government</b>	<b>Component Unit</b>	
<b>Due from Component Unit</b>	<b>Due to Primary Government</b>	
General Fund	Drainage Districts	<u>\$ 27,340</u>
Nonmajor governmental	Drainage Districts	<u>1,511,115</u>
Nonmajor enterprise	Drainage Districts	<u>157,443</u>
Internal Service	Drainage Districts	4,732
	Road Commission	<u>19,647</u>
		<u>24,379</u>
	Total	<u>\$ 1,720,277</u>

Advances to/from other funds (including current and long-term portions) at September 30, 2009 were:

<b>Receivable Fund</b>	<b>Payable Fund</b>	
Nonmajor governmental	Nonmajor governmental	<u>\$ 50,123</u>
Delinquent Tax Revolving	Internal Service	<u>154,596</u>
	Total	<u>\$ 204,719</u>

**County of Oakland**  
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Interfund transfers between the funds within the Primary Government recorded in the accompanying financial statements as operating transfers in/out for the year ended September 30, 2009 were:

<b>Transfers In</b>	<b>Transfers Out</b>	<b>Amount</b>
General Fund	Revenue Sharing Reserve	\$ 23,740,126
	Nonmajor governmental	450,464
	Delinquent Tax Revolving	17,673,120
	Nonmajor enterprise	281,382
	Internal service	1,186,289
		<u>43,331,381</u>
Public Health	General Fund	<u>23,942,876</u>
Building Authority Act 31	Delinquent Tax Revolving	<u>5,351,451</u>
Nonmajor governmental	General Fund	40,735,827
	Nonmajor governmental	5,594,477
	Parks and Recreation	10,734
	Water and Sewer Trust	30,000
	Nonmajor enterprise	106,807
	Internal Service	811,343
		<u>47,289,188</u>
Nonmajor enterprise	General Fund	2,361,367
	Nonmajor enterprise	200,000
		<u>2,561,367</u>
Internal Service	General Fund	72,473
	Nonmajor governmental	2,410,041
	Delinquent Tax Revolving	1,848,142
		<u>4,330,656</u>
*General government	Nonmajor enterprise	42,157
	Internal service	<u>2,506,810</u>
	Total transfers	<u>\$ 129,355,886</u>

\*Transfers of capital assets from Jail Inmate Commissary fund, enterprise fund and from Sheriff Aviation fund, internal service fund to general government

The transfers to and from the various funds are made to account for budgetary authorizations and/or providing funding for operations as needed.

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**10. Fund Equities**

At September 30, 2009, a deficit existed in the following funds:

**Special Revenue Funds**

Lake Levels Act 146	\$ 89,797
Pollution Control Grants	6,254

**Capital Projects Fund**

Lake Levels Act 146	109,018
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**Internal Service Funds**

Drain Equipment	965,946
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In the Special Revenue funds, the Lake Levels Act 146 fund consists of 30 separate lake level funds. Annually, lake level funds are reviewed and assessments authorized. Assessments are determined in July and are placed on December tax bills. The assessments are meant to cover any individual fund deficits identified at that time, and also to cover the anticipated operating costs for the following year. Due to unexpected costs in FY 2009, there are several individual lake level funds with deficit balances; however, the majority of the overall net negative unreserved fund balance is due to a \$74,397 deficit in the Oxford Multi Lake Level fund. The Oxford Multi Lake Level Fund deficit is related to a large maintenance project being funded through a five-year special assessment which began in 2009. Negative unreserved fund balances in the various other lake level funds will be reviewed and eliminated in future years' assessments.

The negative unreserved fund balances in the Pollution Control Grant fund reflects the fact that this grant fund operates on a reimbursement basis; e.g., the County pays the original expenses and is reimbursed by the grantor agency after submission of the proper support documentation. Typically, reimbursement for year-end expenditures lags by two to three months. Once reimbursement is obtained, the negative unreserved fund balance will be eliminated. Should the reimbursement not be sufficient to cover the expenditures, the County has match funds budgeted which will be transferred to cover any remaining deficit.

The negative unreserved fund balance in the Lake Levels Act 146 Fund (Capital Projects fund type) primarily reflects costs that are related to the Bush Lake Level project. Costs-to-date include preliminary design costs as well as litigation costs associated with an on-going legal action that has not been resolved to date. The litigation is expected to be settled within the next year. The design phase has been completed and once the permits are received from the MDEQ, the project will move to the next phase where a total project cost analysis will be prepared and funding will be determined. If the project does not move forward, a special assessment will be issued to cover the preliminary design costs as well as the costs for litigation.

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The negative unrestricted net assets balance in the Drain Equipment Fund (Internal Service fund type) is primarily due to a change over the past several years to replace Drain Equipment owned vehicles with leased vehicles from the Motor Pool Fund. The replacement of Drain Equipment owned vehicles requires a transfer from the Drain Equipment Fund to the Motor Pool Fund at the time of purchase and the number of owned vehicle replacements has been fairly significant over the past several years. The Drain Equipment Fund was able to make a significant improvement in FY 2009, realizing a positive change of net assets of \$850,662 as compared to the \$137,171 increase in the prior year. The \$850,662 positive change in net assets is more than the \$323,789 projection provided to the State of Michigan with the FY 2008 deficit elimination plan detail. The Drain Equipment vehicle rates, as well as other equipment rates, were increased for FY 2009 and will continue to escalate in order to cover annual operations and future replacement. It is anticipated the negative unrestricted net assets will be eliminated by the end of FY 2011 based on the continued rate adjustments, and the decrease in the number of Drain Equipment owned vehicles requiring one-time transfers to the Motor Pool Fund for replacement.

Reserved, designated, and undesignated fund balances and net assets at September 30, 2009, including the Road Commission and Drainage Districts component units, were as follows:

	<b>Reserved</b>	<b>Unreserved</b>	
		<b>Designated</b>	<b>Undesignated</b>
<b>Primary Government</b>			
<b>General Fund</b>			
Encumbrances	\$ -	\$ 227,277	\$ -
Prepays	117,868	-	-
Future operating requirements	-	83,288,836	-
Capital outlay	-	10,186,292	-
Other programs	266,350	11,828,942	-
Uncommitted	-	-	351,088
	<u>\$ 384,218</u>	<u>\$ 105,531,347</u>	<u>\$ 351,088</u>
<b>Special Revenue Funds</b>			
Encumbrances	\$ -	\$ 7,401	\$ -
Specific programs	359,033,050	179,630,542	(96,051)
	<u>\$ 359,033,050</u>	<u>\$ 179,637,943</u>	<u>\$ (96,051)</u>
<b>Debt Service Funds</b>			
Debt service - general obligations	\$ 350,723	\$ -	\$ -
<b>Capital Projects Funds</b>			
Long-term receivables	\$ 100,123	\$ -	\$ -
Work projects	5,786,041	7,063,814	-
Uncommitted	-	-	12,518,053
	<u>\$ 5,886,164</u>	<u>\$ 7,063,814</u>	<u>\$ 12,518,053</u>

**County of Oakland**  
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Component Units	Reserved	Unreserved	
		Designated	Undesignated
<b>Road Commission</b>			
Governmental Fund			
Construction and maintenance	\$ 13,099,561	\$ 12,010,579	\$ -
Subsequent year's budget	-	3,736,249	-
Long-term portion of provision for uninsured losses	-	2,100,000	-
Compensated absences	-	3,083,032	-
Postemployment benefits	-	1,215,940	-
	<u>\$ 13,099,561</u>	<u>\$ 22,145,800</u>	<u>\$ -</u>
<b>Drainage Districts</b>			
Governmental Fund			
Construction and maintenance	\$ 14,232,504	\$ -	\$ -
Debt Service	968,032	-	-
	<u>\$ 15,200,536</u>	<u>\$ -</u>	<u>\$ -</u>

**11. Employee Benefits**

**Primary Government**

The County provides various benefits to its employees. Expenditures in 2009 for these benefits totaled the following: medical insurance, \$25,525,354; dental insurance, \$3,086,648; optical insurance, \$272,112; annual and sick leave, \$1,495,679; disability, \$2,308,011; tuition reimbursement, \$250,654; Social Security, \$15,015,054; workers' compensation, \$1,577,100; and unemployment claims, \$681,972.

**Road Commission**

The Road Commission provides medical, dental, and optical insurance to its employees. Expenditures in 2009 for these benefits approximated \$11,857,495. Workers' compensation expense in 2009 approximated \$1,142,492.

**12. Defined Benefit Pension Plan**

**Plan Description**

The County has a single-employer defined benefit pension plan, covering substantially all full-time employees. The plan provides retirement, disability, and death benefits to plan members and their beneficiaries.

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Since the County does not issue a stand-alone report for its County PERS, following are condensed financial statements for the period as of and including September 30, 2009:

**Statement of Net Assets**

Cash and investments	\$ 660,260,356
Other assets	2,388,766
Total assets	<u>662,649,122</u>
Liabilities	<u>725,659</u>
Net assets	<u>\$ 661,923,463</u>

**Statement of Changes in Net Assets**

Additions:	
Contributions	\$ 1,007,374
Investment income	7,852,040
Other revenue	921,887
Total additions	<u>9,781,301</u>
Deductions:	
Benefit payments	37,720,427
Other expenses	2,429,040
Total deductions	<u>40,149,467</u>
Change in net assets	(30,368,166)
Net assets held in trust, beginning of year	<u>692,291,629</u>
Net assets held in trust, end of year	<u>\$ 661,923,463</u>

**Basis of Accounting**

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

**Method Used to Value Investments**

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at an estimated fair value, or amortized cost.

**Funding Policy/Contributions**

The County policy is to fund normal costs of the Plan by contributions 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 current year and prior-period rates for the County plan were 0.0 percent and 0.0 percent, respectively, of annual covered payroll, which was determined through actuarial valuation performed at September 30, 2007 and September 30, 2006, respectively. There were no contributions from County funds for the years 2000 through 2009.

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Sheriff's deputies contribute at a rate of 3 percent of their annual pay for the first 14 years of service and 5 percent thereafter. Command officers contribute 5 percent. General County Option A members who have elected improved benefits contribute 1 percent of their pay after 14 years of service. Contributions received from these employees for the years ended September 30, 2009 and September 30, 2008 amounted to \$1,007,374 and \$940,823, respectively.

The contribution requirements of plan members and the County are established and may be amended by the Board of Commissioners in accordance with County policies, union contracts, and plan provisions. All administrative costs of the plan are financed directly by Oakland County.

**Benefits**

Members of both plans may retire at age 55 (except Sheriff's deputies, who may retire with 25 years of service regardless of age), with 25 years of service, or at age 60 with eight years of service. Members vest after eight years of service.

Eligible employees under the County plan are provided benefits based on 2%, 2.2% for years in excess of 14 years (Sheriff's deputies, 2.2% for the first 14 years of service, and 2.5% for thereafter, command officers 2.5%) of the final average compensation times the number of years of credited service. Maximum County retirement is 75% of final average compensation, defined as the average of the highest five consecutive years during the last 10 years.

Duty disability benefits provided by the County are computed as a regular retirement, with additional service credited until attainment of age 60, less an amount offset by workers' compensation payments, with a maximum payment of 75% of final average compensation. Non-duty disability benefits after 10 years of service are computed as a regular retirement. Death benefits are provided to beneficiaries after 10 years of service, based on years of service.

**Classes of Employees**

The County PERS covers the majority of full-time employees of the County hired prior to July 1, 1994. The Plans' membership consists of the following at September 30, 2008, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	1,773
Terminated plan members entitled to, but not yet receiving benefits	198
Active plan members	<u>759</u>
Total	<u>2,730</u>

The County established a defined contribution plan for County employees, and all new employees and eligible part-time employees hired on or after July 1, 1994 are covered by the defined contribution plan, as the County's PERS is no longer available to new employees.

**County of Oakland**  
**Notes to Basic Financial Statements**  
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**Annual Pension Cost**

The Oakland County Employees' Retirement System is considered 100% funded since fiscal year 2001; the annual contribution is \$0 and 0% since that period.

**Funded Status and Funding Progress**

	Actuarial Valuation as of September 30,		
	2008	2007	2006
Actuarial value of assets	\$ 791,541,576	\$ 799,307,403	\$ 746,695,624
Actuarial Accrued Liability (entry age)	675,166,642	652,118,082	668,999,513
Unfunded AAL	<u>\$ (116,374,934)</u>	<u>\$ (147,189,321)</u>	<u>\$ (77,696,111)</u>
Funded ratio	117.2%	122.6%	111.6%
Covered payroll	\$ 46,690,015	\$ 55,704,389	\$ 57,453,054
UAAL as percentage of covered payroll	0.0%	0.0%	0.0%

Required supplementary information, which includes a Schedule of Employer Contributions, significant actuarial assumptions, and a Schedule of Funding Progress for the County, is presented immediately following the notes to the financial statements.

**Actuarial Methods and Assumptions**

The annual required contribution was determined as part of the actuarial valuation as of September 30, 2007, using the aggregate actuarial cost method. Significant actuarial assumptions used include (a) a 7.25 investment rate of return, (b) projected salary increases of 4.5 to 10.5 percent per year and (c) 1.5 percent per year cost of living adjustments. Both (a) and (b) include an inflation component of 4.50 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a three-year period.

**Fund Balance Reserved for Employees' Pension Benefits**

Fund balances reserved for employees' pension benefits include legally required reserves. Fund balance as of September 30, 2009 consists of the following reserves:

Annuity reserve	\$ 8,531,060
Pension reserve	274,029,924
Pension accumulated reserve	<u>379,362,479</u>
Total fund balance	<u>\$ 661,923,463</u>

Annuity reserve represents the cumulative contribution for retirees, disabled members, or surviving spouses who have elected monthly annuity benefits. Pension reserve represents the funded pension benefits available for retired lives and is funded by actuarially determined transfers from the pension accumulated reserve. Pension accumulated reserve represents the accumulated reserve for pension payable by the County.



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**13. Defined Contribution Plans**

The County maintains a defined contribution plan, Oakland Performance Retirement System (OPRS), which qualifies under Internal Revenue Code Section 401(a). Employees in the County PERS were first afforded the opportunity to transfer to the OPRS through December 31, 1995, retroactive to January 1, 1995. Employees who elected to transfer to the OPRS had their individually actuarially determined earned retirement benefits in the County PERS, determined as of January 1, 1995, plus accrued interest at the rate of 7.5% from January 1, 1995 until the date of election to transfer, transferred into the OPRS. Subsequent to 1995, the County reopened the opportunity for transfer several times, resulting in an additional 1,477 employees transferred from the County PERS to the OPRS.

The OPRS maintains a schedule of vesting, with the participants becoming fully vested upon completion of six years of continuous service. Employees transferring from the County PERS were allowed a permanent selection of employee contributions of 0% or 3% of their salary, with the employer matching the contribution respectively with 6% or 9% for general employees, or 7% or 10% for employees in certain bargaining units. For employees hired on or after July 1, 1994, the employer contributes 5% of the employee's salary. Effective December 1999, employees were offered an opportunity to increase their contribution with a county match of 2% for new hires and 1% for all others. In December 2000, the employee and county match were increased 1%. All employees are able to contribute up to 10% of their salary on a voluntary after-tax basis. All contributions are remitted to a third-party plan administrator.

Total membership in the OPRS as of September 30, 2009 was 2,717, which includes 595 employees who elected to transfer from the PERS in 1995 through 2000 and 2,122 current employees hired since July 1, 1994.

The County's payroll for employees covered by the OPRS for the year ended September 30, 2009 was \$153,801,567, and the County's total payroll was \$220,151,963. The required contributions, which matched those actually made, were \$5,921,399 by employees and \$13,937,481 by the County, representing 3.9% and 9.1% of covered payroll, respectively.

In 2008, the County offered a voluntary defined contribution plan for part-time non-eligible employees. The plan qualifies under the Omnibus Budget Reconciliation Act of 1990 (OBRA) and IRS Section 3121 (b) (&) (F) which allows for a defined contribution plan in lieu of Social Security. With the implementation of this plan, the County contributes 1.3% and the employee contributes 6.2% of their earnings into a defined contribution plan. The employee would be immediately 100% vested in both the employer and employee contributions, but cannot access the money invested in the plan until they are separated from County employment. During fiscal year 2009, the County contributed \$191,206 to the plan.

The contribution requirements of plan members and the County are established and may be amended by the Board of Commissioners in accordance with County policies, union contracts, and plan provisions.

**14. Postemployment Benefits**

Oakland County provides medical care benefit insurance coverage to retired employees or survivors of deceased employees who were hired on or before September 20, 1985, or hired on or after September 21, 1985 and had 15 years of service (for family coverage) or 8 to 14 years of service (for retired members only). This single-employer defined benefit plan is administered through the Oakland County VEBA Trust (the Trust).

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For employees whose employment ends prior to retirement, the Trust provides benefits to those with 15 to 19 years of service (for members only) or 20 years of service (for family coverage).

In 2009, the County provided 1,938 retirees medical insurance and reimbursed them for Medicare premiums under the Trust. In 2009, the County disbursed \$21,944,001 for this purpose.

Postemployment benefits are established and may be amended by the Board of Commissioners in accordance with County policies, union contracts, and plan provisions. The plan covers the following classes of employees: General, Command Officers, and Deputies. The general class is now closed to new hires. The County has established a "Retirement Health Savings Plan" beginning January 1, 2007, whereby the general class of employees hired on or after this date will no longer receive a defined health insurance benefit, but will receive a cash payment upon retirement from which they can purchase their own health insurance. At September 30, 2008, the date of the most recent actuarial valuation, membership in the OPEB consisted of 2,149 retirees and beneficiaries currently receiving benefits, 3,234 active employees and 296 terminated employees entitled to benefits but not yet receiving them.

The annual OPEB costs, the percentage contributed to the plan, and the net OPEB obligation for the current and two preceding years were as follows:

	Fiscal year ended September 30,		
	2009	2008	2007
Annual OPEB cost (ARC)	\$ 61,863,580	\$ 60,200,684	\$ 54,780,659
Percentage of ARC contributed	100%	100%	100%
Net OPEB obligation	\$ -	\$ -	\$ -

In 2009, the County contributed \$61,863,580 and experienced a gain of \$13,107,554 in interest income, with retirees contributing \$111,651 toward the cost of hospitalization riders. Employer contributions in 2009 for the County OPEB as determined through actuarial valuations performed at September 30, 2007 were: General \$50,101,657, Command Officers \$2,424,927, and Deputies \$9,336,996. This is expressed in percentages of covered payroll as 26.44%, 19.02%, respectively, for the last two classes. The General division is expressed only in dollars due to a change to the level dollar amortization method used to finance the unfunded accrued liability. Employees are not required to contribute to the plan.

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The funding progress of the plan as of September 30, 2008, the most recent actuarial valuation report, is as follows:

Retirees and beneficiaries	\$ 429,252,521
Vested terminated employees who will be eligible when they collect retirement (age 60 in most cases) and their beneficiaries	57,539,887
Active employees and beneficiaries	401,789,994
Actuarial accrued liability	888,582,402
Actuarial value of assets	411,280,137
Unfunded AAL (UAAL)	<u>\$ 477,302,265</u>
Funded ratio	46.3%
Annual covered payroll	\$ 186,274,882
UAAL as a percentage of covered payroll	256.2%

Unfunded actuarial accrued liabilities are being amortized as a fixed percentage of payroll over a period of 27 years.

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. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the 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.

In the September 30, 2008 actuarial valuation, the individual entry age actuarial cost method was used. The actuarial assumptions included a 7.5 percent investment rate of return (net of administrative expenses), which consists of a real rate of return of 2.25 percent per year plus a long-term rate of inflation of 5.25 percent per year and an annual healthcare cost trend rate of 10.0 percent initially, reduced by decrements to an ultimate rate of 5.25 percent after 10 years. Both rates included a 5.25 percent inflation assumption. The actuarial value of assets was determined using the average of the market value at the valuation date with adjusted market values from the two prior years. Prior year market values are adjusted by adding contributions and regular investment income and subtracting benefits, refunds and expenses for the intervening years. The UAAL for the General group was amortized using a level dollar payment method. All other groups were amortized by level (principal and interest combined) percent-of-payroll contributions. Active member payroll was assumed to increase 5.25 percent per year for the purpose of determining the level percent contributions. The remaining amortization period at September 30, 2009 was 27 years.

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Since the County does not issue stand-alone financial reports for the VEBA Trust, following are condensed financial statements as of and including September 30, 2009:

Statement of Net Assets

Cash and investments	\$ 432,315,829
Other assets	1,634,131
Total assets	<u>433,949,960</u>
Liabilities	<u>1,122,122</u>
Net assets	<u>\$ 432,827,838</u>

Statement of Changes in Net Assets

Additions:	
Contributions	\$ 61,975,231
Investment income	13,107,554
Other revenue	1,292,691
Total additions	<u>76,375,476</u>
Deductions:	
Benefits	<u>21,944,001</u>
Change in net assets	54,431,475
Net assets held in trust, beginning of year	<u>378,396,363</u>
Net assets held in trust, end of year	<u>\$ 432,827,838</u>

The Road Commission contributes to the Road Commission for Oakland County Retiree Health Care Trust (the "Trust"). The Trust provides for future payment of medical benefits for eligible retirees, their spouses and their dependents. The obligation to provide benefits to employees was established by negotiation with various collective bargaining units or other actions of the Oakland County Board of Road Commissioners. At December 31, 2008, the date of the most recent actuarial valuation, membership consisted of 583 retirees and beneficiaries currently receiving benefits, 353 vested active employees, and 171 nonvested active employees. For the year ended September 30, 2009, the Road Commission's annual required contribution to the Trust was \$10,066,823. The Road Commission contributed \$999,441 to the Trust during the year and paid \$5,149,311 directly toward insurance premiums and medical costs for retirees during fiscal year 2008, leaving a net OPEB obligation of \$6,424,140 at September 30, 2009.

**15. Deferred Compensation Plan**

In fiscal year 1998, both the County and the Road Commission adopted GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. During fiscal year 1999, as required by the statement, the County and the Road Commission each placed all Deferred Compensation Plan assets with a trustee, relinquishing all fiduciary accountability for the assets. Accordingly, the related assets and liabilities of the plan are not reported in the County and Road Commission financial statements.

**16. Risk Management**

The County is exposed to various risks of loss related to property, employee injuries, general liability claims, and torts, as well as medical benefits provided to employees. The County has purchased a commercial property policy for its building and contents, electronic data processing equipment, boats and motors, ATV/snowmobiles and automobile catastrophe physical damage coverage. The policy is subject to a maximum per occurrence catastrophic loss limit of \$300,000,000. Policy limits (subject to the maximum \$300,000,000 per occurrence catastrophic loss limit) are: building and contents in the amount of \$510,322,241, electronic data processing equipment in the amount of \$35,879,178, boats and motors in the amount of \$503,000, ATV/snowmobiles in the amount of \$66,000, automobile catastrophe physical damage in the amount of \$2,000,000, flood coverage in the amount of \$50,000,000, earthquake coverage in the amount of \$50,000,000, boiler and machinery coverage in the amount of \$100,000,000, property insurance for helicopter hull physical damage in the amount of \$2,825,920 and helicopter additional equipment physical damage in the amount of \$1,218,000. Liability insurance has been purchased for: airport operations in the amount of \$50,000,000, helicopter operations in the amount of \$100,000,000, automobile fleet operations in the amount of \$5,000,000, fiduciary liability in the amount of \$25,000,000, employee bonds in the amount of \$3,000,000, travel accident in the amount of \$100,000 per person/\$500,000 aggregate, N.E.T. law enforcement liability in the amount of \$5,000,000, workers' compensation statutory coverage in excess of \$500,000 each occurrence, self-insured retention and employers' liability in the amount of \$1,000,000. The County is uninsured for all other risks except as noted.

The Road Commission has similar risks and is uninsured for these claims within certain limits. General liability claims are covered \$1,000,000 per occurrence and \$4,000,000 in aggregate with a maximum coverage of \$20,000,000. Workers' compensation claims are covered with \$500,000 per occurrence with no aggregate coverage.

The County and the Road Commission estimate the liability for all the above-mentioned claims that have been incurred through September 30, 2009, including both those 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 Road Commission has experienced settlements in excess of insurance coverage during the past three years.

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**September 30, 2009**

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The County records estimates in the Fringe Benefits and the Building and Liability Insurance funds, both Internal Service funds, and the Road Commission records these estimates in the governmental fund type. Changes in the estimated claims liabilities are as follows:

	<b>September 30,</b>	
	<b>2009</b>	<b>2008</b>
<b>Primary Government</b>		
Beginning-of-period liability	\$ 20,650,939	\$ 23,167,038
Estimated claims incurred, claim adjustment expenses and changes in estimates		
Provisions for current-year events	36,031,765	40,303,839
Increase (decrease) in provisions for prior-year events	1,230,792	(1,992,486)
Total incurred claims, claim adjustment expenses and changes in estimates	37,262,557	38,311,353
Claim payments and claim adjustment expenses		
Related to current-year events	(34,431,637)	(37,942,828)
Related to prior-year events	(6,276,004)	(2,884,624)
Total claim payments and claim adjustment expenses	(40,707,641)	(40,827,452)
End-of-period liability	\$ 17,205,855	\$ 20,650,939
<b>Road Commission - Component Unit</b>		
Beginning-of-year liability	\$ 3,650,000	\$ 3,510,000
Estimated claims incurred and changes in estimates	13,441,055	11,651,410
Claim payments	(12,891,055)	(11,511,410)
End-of-year liability	\$ 4,200,000	\$ 3,650,000

**17. Leases**

The County (primary government) leases certain office facilities and other equipment under non-cancelable operating leases. Total costs for such leases for the County for the year ended September 30, 2009 were \$1,114,090. The future minimum lease payments as of September 30, 2009 are as follows:

<b>Fiscal year</b>	<b>Primary government</b>
2010	\$ 786,089
2011	438,241
2012	321,309
2013	157,604
2014	157,604
2015 - 2019	740,703
	<u>\$ 2,601,550</u>

Additionally, the County leases portions of certain buildings to various governmental agencies. The amount received from these leases for the fiscal year ended September 30, 2009 amounted to \$122,200, recorded in the Facilities Maintenance & Operations fund, an internal service fund type.

**County of Oakland**  
**Notes to Basic Financial Statements**  
**September 30, 2009**

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The County has also “loaned” its AAA bond rating to assist local communities in the ability to finance local projects by pledging full faith and credit on the debt issued through the Oakland County Building Authority. Debt is to be paid from payments from the benefiting community over the life of the debt issues, with the structures being collateral. A contract, or lease, receivable with a corresponding deferred revenue is shown in the Debt Service Fund financial statements of the County. Debt and receivables are reported for a Sheriff’s Sub-station in the City of Rochester Hills for \$5.2 million in 2002, Pontiac Phoenix Center and Phoenix Plaza Amphitheatre Refunding bonds in the City of Pontiac in the amount of \$11.5 million and \$8.16 million, respectively, in 2006, and Community Mental Health Authority Housing Project in the amount of \$5,500,000 in 2007. The future minimum lease payments to be received as of September 30, 2009 are as follows:

<b>Fiscal year</b>	<b>Primary government</b>
2010	\$ 2,099,913
2011	2,111,338
2012	2,095,900
2013	2,413,837
2014	2,452,030
2015 - 2019	12,177,573
2020 - 2024	10,711,100
2025 - 2027	7,201,350
	<u>\$ 41,263,041</u>

**18. Commitments and Contingencies**

The County, the Drainage Districts, and the Road Commission are involved in legal actions in which plaintiffs seek damages of indeterminable amounts which may exceed insurance coverage where applicable. Litigation is subject to many uncertainties, and the outcome of individual matters cannot be predicted. Accordingly, a reasonable range of liability to the County, the Drainage Districts, or Road Commission pertaining to these matters cannot be determined. Management has taken steps to protect the County and believes any liability resulting from cases in which it is involved will not materially affect its financial position.

The County, the Drainage Districts, and the Road Commission received funds from various federal and state units to finance specific activities. The final determination of revenue is subject to the acceptance of project costs by the granting agency, usually after a compliance audit. To the extent that costs are disallowed by the granting agency, County, the Drainage Districts, and Road Commission resources would be required to reimburse the grant funds. Management believes that disallowed costs, if any, would be immaterial.

The County has outstanding construction commitments (contracts) at September 30, 2009 as follows: Work Release/Jail Management/Video Conferencing with a cost of \$2,420,000 for the Jail Management System portion with a remaining balance of \$482,135; radio tower project of \$35,309,141 with a balance of \$17,319,620; and a commitment for purchase of multiple group homes for the Community Mental Health Authority Housing Project in the amount of \$5,500,000 with a remaining balance of \$1,180,000.

The Drainage Districts’ component unit has a construction contract for the George W. Kuhn Drainage District project with a total cost of \$6,424,833, with a remaining balance of \$697,791 and a construction contract for the Oakland Macomb Interceptor Drainage District Project with a total cost of \$4,421,099, with a remaining balance of \$3,295,922 as of September 30, 2009.

**County of Oakland**  
**Notes to Basic Financial Statements**  
**September 30, 2009**

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**19. Statement of Net Assets – Reconciliation of Internal Balances**

The internal balances amount on the Statement of Net Assets is reconciled as follows:

**Governmental Activities**

Governmental Funds

Due from other funds	\$ 19,079,003
Long-term advances receivable	50,123
Due to other funds	(22,450,814)
Current and long-term advances payable	(50,123)

Internal Service Funds

Due from other funds	4,468,305
Due to other funds	(1,216,621)
Current and long-term advances payable	(154,596)

Capital lease receivable for Parks and Recreation, not reported in funds	550,000
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Capital lease receivable for County Airports, not reported in funds	5,450,000
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Governmental activities, internal balances	<u>\$ 5,725,277</u>
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**Business-Type Activities**

Proprietary Funds

Due from other funds	\$ 124,641
Current and long-term advances receivable	154,596
Due to other funds	(4,514)
Current and long-term capital lease payable	(6,000,000)

Business-type activities, internal balances	<u>\$ (5,725,277)</u>
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**20. Restricted Assets**

Cash and investments in the amount of \$358,050,757 and accrued interest on the investments of \$1,344,626 recorded in the Interim Retirees' Medical Benefits Trust Fund have been restricted on the County's entity-wide Statement of Net Assets. The amounts are a result of proceeds from the sale of the Trust Certificates of Participation, and are to be used exclusively for payment of the annual required contribution (ARC) to the VEBA Trust, a fiduciary fund, which accounts for post-employment benefits for retirees



**EXHIBIT C**  
**COUNTY OF MACOMB**  
**GENERAL AND ECONOMIC INFORMATION**

**COUNTY LOCATION AND CHARACTER**

Macomb County is located in Southeastern Michigan and comprises the northeastern portion of the Detroit Metropolitan Area. The County encompasses 482 square miles, and ranks third in both population and State Equalized Value of all 83 counties in the state. According to the 2000 census, there are 788,149 persons living within 27 municipalities in Macomb County including three of the largest communities in Southeast Michigan: the City of Warren (2<sup>nd</sup>), the City of Sterling Heights (3<sup>rd</sup>) and Clinton Township (7<sup>th</sup>). The cities of Warren and Sterling Heights enjoy the third and fourth highest populations of all cities in the State of Michigan, following only Detroit and Grand Rapids. The County seat is located in the City of Mt. Clemens.

Macomb County is located within five hundred miles of one half of the United States' population and a major portion of the Canadian market. The County is linked to these important areas by an extensive transportation network consisting of highways, rail, and air. In addition, the County's eastern boundary borders Lake St. Clair which links Lakes Huron and Erie giving the County direct access to the world's busiest international waterway. Macomb County is the location of choice for manufacturers because of an abundance of industrial land ready for development, a highly skilled labor force, a strong local economy and local government support for County wide economic expansion.

There are more than 1,800 manufacturing businesses located in Macomb County, including major facilities of each of the Big Three automotive companies. The General Motors Technical Center located in the City of Warren is the world's largest engineering and design center. It is also headquarters for G.M.'s North American Operations. Macomb is the only county in the nation with two Daimler Chrysler assembly plants - and the only county with two Daimler Chrysler stamping plants. At two million square feet, Daimler Chrysler's Sterling Heights Stamping Plant is the largest of all of its stamping operations. In addition, more than 40 Fortune 100 companies have facilities in Macomb County.

The County contains approximately 22,000 acres of industrial and institutional land. Macomb County is positioned well for more growth because the County's land is only 50 percent developed. It is significant to note that Macomb County already has sufficient sewer and water capacity to serve the undeveloped balance of the County. The combination of these factors makes Macomb County a strategic location for manufacturing facilities in the Midwest. New and ongoing

construction of full service industrial parks, manufacturing plants, office centers, research and development facilities, retail centers and residential construction continue to expand the existing economic base.

People are one of the County's richest resources. From college degrees, to high tech training, to practical experience, Macomb's work force of over 412,000 has it all. Macomb County continues to be a major manufacturing center, however the County experienced a major shift in employment during the decade of the 1990's as it diversified its employment base away from manufacturing to the service sector. The percentage of total County jobs in the manufacturing sector decreased from 35% in 1980 to 26% in 2000. Adding definition to Macomb's robust and diverse work force is an agricultural heritage most evident in the northern portions of the County, where second and third generation farmers maximize nature's wealth.

There has been substantial industrial development in the County over the past thirty years. A mile wide industrial corridor 12 miles long, located between Mound and Van Dyke Roads, comprises large industrial establishments including General Motors Technical Center, DaimlerChrysler Corporation's Warren Truck Assembly Plant, Sterling Heights Stamping Plant, Sterling Heights Assembly Plant and the Paint and Vinyl Plants of Ford Motor Company as well as the Detroit News and Detroit Free Press Sterling Heights Printing Plant and General Dynamics Land Systems. General Dynamics designs, manufactures and supports armored weapons systems and electronic products for the U.S. Army.

Electrical service is provided by the Detroit Edison Company. Consumers Energy Company and Southeast Michigan Gas Company supply natural gas. All three utilities have the capacity to supply large industrial customers. AT&T provides telephone service.

Municipal water and sanitary sewer service is available in most of Macomb County's urbanized areas. Large tracts of vacant industrial and commercial land have access to these services.

There are over 2,988 retail trade establishments conveniently located throughout Macomb County offering the consumer a full range of products and services. The Southeast Michigan Council of Governments reports that in 2003 alone, over 400,000 square feet of retail space was completed and another 308,000 square feet were under construction in the county.

Several large shopping malls are located in the County including the Mall at Partridge Creek located in Clinton Township and Lakeside Shopping Center located in the City of Sterling Heights. Lakeside Mall opened in 1976. It is the area's largest shopping mall and employs approximately 2,200 people. This multi-level, enclosed, climate-controlled regional

mall is located on 545 acres and has 51 acres of lakes, parking lots for 8,000 vehicles and 1,485,000 square feet of gross leasable space. The major stores in the mall are Macy's (206,000 square feet), J.C. Penney (215,000 square feet), Sears (312,000 square feet) and Lord & Taylor (160,000 square feet). There are approximately 180 other mall stores, specialty shops, restaurants and other retail spaces in the mall. The Mall at Partridge Creek, a 640,000 square foot open-air shopping mall, opened in 2007. Department store chains Nordstrom and Parisian serve as anchor stores. In addition, the mall features over 90 shops and restaurants. The mall features a 14-screen movie theater, heated sidewalks, two bocce courts, an outdoor play area, plus a fireplace in the center court. Customers are also allowed to bring their dogs into the shopping center. "Comfort Stations" with water and sanitation supplies are available for dogs. Parking is available for 3,250 automobiles.

Higher education is available to County residents at Macomb Community College, Baker College and Davenport University.

Macomb Community College, (MCC) has three campuses located in the County which offer nearly 200 options for degrees and certificates as well as continuing education courses, counseling, cultural activities and community services to a current enrollment of 42,900 students. The College operates the 1,200 seat Macomb Center for the Performing Arts, which is one of the finest facilities of its kind in the State of Michigan. The Center presently brings a diversity of cultural arts experiences to nearly 260,000 annually. MCC is accredited by eleven state, national and occupational associations, including the North Central Association. The University Partnership Program is a unique arrangement that is offered in partnership with four-year colleges and universities providing Macomb County residents increased access to advanced education through a mix of bachelor and master degree programs. The Degree Partnership Program is an alternative to "going away" to college or attending a distant university extension center. Courses are taught by faculty from partnership colleges and universities including: Central Michigan University, Ferris State University, Lawrence Technological University, Oakland University, Rochester College, University of Detroit Mercy, Walsh College and Wayne State University. Nearly 40 bachelor's degree completion and master's degree programs are offered.

Baker College of Clinton Township, located in a quiet residential setting, sits on 42 centrally located acres with easy access from I-94 and I-696. Approximately 5,200 students enjoy a large variety of academic programs including specialty offerings in elementary and secondary teacher preparation, nursing, radiology, surgical, veterinary and computer technology programs. Baker College is accredited by The Higher Learning Commission of the North Central Association. The Baker Center for Graduate Studies is also accredited by the International Assembly of Collegiate Business Education.

The Macomb Intermediate School District (MISD) serves 21 public school districts in Macomb County. There are over 138,000 K-12 students enrolled in Macomb County's local school district and center based schools. MISD provides services to the staff, students and parents of 145 elementary schools, 32 Middle Schools and 25 High Schools throughout the County. 18,000 students receive special education services. In addition to the standard curriculum, direct services for special education students are provided through three schools for the handicapped, a nursing home, the Macomb Regional Center, a special education work activities program, programs for the severely emotionally impaired, and the Continuing Education for Youth Program. Macomb County's public schools also provide a variety of vocational and job training programs through its high schools and vocational skill centers.

The International Academy of Macomb, a public, tuition-free, high school for students from 18 Macomb County School districts is in its second year. The Academy, operated through the Macomb Intermediate School District, is located on the campus of Chippewa Valley High School in Clinton Township. It started out with 125 ninth grade students and will add a grade every year until reaching a capacity of 500 students in 2011. The academy is designed to provide a blend of rigorous academic standards, practical career-related experiences and intercultural learning opportunities focused on a challenging curriculum.

Macomb County residents are also served by a number of other institutions located outside of the County. These include Lawrence Technological University, Oakland University, University of Detroit/Mercy, University of Michigan-Dearborn, Wayne State University, Rochester College and Walsh College.

Six general hospitals with a capacity of over 1,400 beds serve the area. There are also several special care facilities and private nursing homes within the County.

A full range of family living quarters is available in Macomb County including residential facilities in modern urbanized areas, rural settings and scenic waterfront sites along numerous inland lakes and the shoreline of beautiful Lake St. Clair. There is a wide range of affordable housing throughout Macomb County. The median value of an owner-occupied housing unit in 2000 was \$139,200. The vast majority of Macomb County's housing, 76 percent, is owner occupied, ranking it among the highest in the nation.

There are 9,349 acres of land in Macomb County devoted to outdoor recreation including picnic sites, fishing, swimming, boating facilities and hiking.

Approximately thirty miles of shoreline along Lake St. Clair provide access to fun and sports on the waters of the Great Lakes. Public and private marinas provide docking facilities for more than 9,000 boats, ranking Macomb County first in the State of Michigan in the number of boat slips available at its marinas.

Several highways and thoroughfares traverse Macomb County providing regional and statewide continuity for movement of people, goods and services. Interstate 94 runs along the eastern border of the County and continues across southern Michigan to Chicago. Interstate 696 crosses the southern portion of the County providing a vital link between I-94 and I-75. M-53 helps provide an important link to the "Thumb Area" of the State. M-59 provides an East-West link between I-94 and I-75 across the County's midsection, paralleling I-696 which is located nine miles to the south.

Macomb County has nearly 70 miles of main line railroad tracks owned by two companies, CONRAIL and Grand Trunk Western Railroad. CONRAIL operates a service line along the western portion of the County serving the area's primary industrial corridor. This area is commonly referred to as the "Golden Mile" because of its large concentration of major industrial facilities. The Grand Trunk Western line serves the eastern portion of the County and connects Detroit to the Port Huron-Sarnia area.

#### MAJOR INITIATIVES

A \$69 million construction project and 1,200 new jobs will further solidify a U.S. Army complex in Macomb County as a hub of military manufacturing. The project will include a new 230,000 square-foot administration building, a 584,000 square foot parking deck and renovations and expansion to the weapons maintenance and operations center. The new eight story Tank Automotive Command (TACOM) administration building will accommodate jobs transferring from the Rock Island Armory, A TACOM facility in Illinois, as part of the 2005 Base Realignment and Closure Commission process. Approximately 20 to 30 percent of workers at Rock Island have agreed to transfer to TACOM, at 11 Mile Road and Mound in Warren. Approximately 50 robotics positions will be transferred from the Redstone Arsenal in Alabama. That leaves hundreds of jobs to be filled locally. Most of the positions will be logisticians and specialties including engineering, finance, acquisition and management. The 1,800 vehicle parking deck is needed due to limited available space on the 360 acre Detroit Arsenal grounds. With 5,200 current employees, TACOM is the third largest employer in Macomb County.

Asset Acceptance, a specialty financial services company based in Warren, has plans to invest \$8.1 million in the area

while creating hundreds of new jobs through expansion. According to the Michigan Economic Development Corporation, the company's expanded facility will create 432 jobs over the next five years and 601 by 2016. Asset Acceptance will expand its operations at its corporate headquarters in Warren and create a new Analytical Center for Excellence to improve company efficiency and effectiveness of current operations while seeking out new opportunities for growth. Asset Acceptance was founded in 1962.

Burek, Inc. of Chesterfield won a three-year contract worth up to \$94 million to supply 920 ambulances to the U.S. Army. The vehicles will be manufactured and assembled in Chesterfield.

The business unit of BAE Systems to be headquartered in Sterling heights has obtained a \$601 million contract to reset and refit Bradley armored vehicles. The defense contractor's Heavy Brigade Combat Team, a Michigan-based division of BAE's U.S. Combat Systems handling armored ground vehicles, received the contract award from the U.S. Army TACOM Life Cycle Management Command in Warren. BAE Systems will repair and upgrade 606 Bradley Fighting Vehicles under the contract. Many of them are battle damaged or recently returned from deployment in Iraq and Afghanistan.

#### **POPULATION**

2008 Estimate -	830,663	1990 U.S. Census -	717,400
2000 U.S. Census -	788,149	1980 U.S. Census -	694,600

#### **COUNTY TAX RATES & LEVIES**

(Per \$1,000 of State Equalized Valuation)

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
County-Operating	4.5685	4.2400	4.2000	4.2000	4.2000	4.2000
-Debt	0.0050	0.0055	0.0055	0.0055	0.0058	0.0058
Hur/Clin Met. Aut.	0.2146	0.2146	0.2146	0.2146	0.2146	0.2154
Smart	0.5900	0.5900	0.5900	0.5900	0.5912	0.5949
Veterans	0.0400	0.0000	0.0000	0.0000	0.0000	0.0000
Zoo	<u>0.1000</u>	<u>0.0000</u>	<u>0.0000</u>	<u>0.0000</u>	<u>0.0000</u>	<u>0.0000</u>
TOTAL COUNTY	5.5181	5.0501	5.0101	5.0101	5.0116	5.0161
Macomb I/S/D	2.9430	2.9430	2.9430	2.9430	2.9430	2.9615
Macomb Comm. Coll.	<u>1.4212</u>	<u>1.4212</u>	<u>1.4212</u>	<u>1.4212</u>	<u>1.4212</u>	<u>1.5002</u>
TOTAL ALL JURIS.	9.8825	9.4143	9.3743	9.3743	9.3758	9.4778

The County's authorized operating tax rate is 4.5685 mills.

#### **TAX RATE LIMITATION**

Article IX, Section 6, of the Michigan Constitution of 1963 provides, in part:

"Except as otherwise provided in this Constitution, the total amount of general ad valorem taxes imposed upon real and tangible personal property for all purposes in any one year shall not exceed 15 mills on each dollar of the assessed valuation of property as finally equalized."

Section 6 further provides that by a majority vote of qualified electors of the County, the 15 mill limitation may be increased to a total of not to exceed 18 mills, and the millages of the local units involved shall then be permanently fixed within that greater millage limitation.

Act 62, Public Acts of Michigan, 1933, as amended, defines local units as counties, townships, villages, cities, school districts, community college districts, intermediate school districts, and other organizations or districts which may be established with the power to levy taxes, except villages and cities for which there are provisions in their charters or general law fixing maximum limits on the power to levy taxes against property.

In November/1978, the electorate of the State of Michigan passed an amendment to the State Constitution (the "Headlee Amendment"), which placed certain limitations on increases of taxes by the State and political subdivisions from currently authorized levels of taxation. The Amendment and the enabling legislation, Act 35, Michigan Public Acts of 1979, may have the effect of reducing the maximum authorized tax rate which could be levied by a local taxing unit. Under the Amendment's millage reduction provisions, should the value of taxable property, exclusive of new construction, increase at a percentage greater than the percentage increase in the Consumer Price Index, the maximum authorized tax rate would be reduced by a factor which would result in the same maximum potential tax revenues to the local taxing unit as if the valuation of taxable property (less new construction) had grown only at the inflation rate.

In August 2000, Macomb County voters approved a proposal which eliminated the Tax Allocation Board and established maximum millage rates for an indefinite period as follows:

<u>Unit of Government</u>	<u>Millage Rate</u>
County of Macomb	5.19
Townships	1.00
Intermediate School District	.23
Total	<u>6.42</u>

In addition, Article IX, Section 6, permits the levy of millage in excess of the above for:

1. All debt service on tax supported bonds issued prior to December 23, 1978 or tax supported issues which have been approved by the voters for which the issuer has pledged its full faith and credit.

2. Operating purposes for a specified period of time provided that such increased millage is approved by a majority of the qualified electors of the local unit.

#### **TAX COLLECTION RECORD**

Macomb County pays from a 100% Tax Payment Fund delinquent real property taxes of all municipalities in the County, including the County. Delinquent personal property taxes are negligible. The County's fiscal year begins January 1. County taxes are due July 1 and December 1 and become delinquent the following March 1.

<b>Tax Year</b>	<b>Tax Levy*</b>	<b>Collections to 3-1 of Year Following the Levy</b>		<b>Coll. Plus Funding to 3-1-10</b>
		<b>Amount</b>	<b>%</b>	<b>%</b>
2009	\$142,501,455	n/a	n/a	
2008	135,061,611	\$128,772,950	95.30%	100%
2007	133,998,455	127,556,258	95.10	100
2006	127,737,515	121,564,158	95.17	100
2005	120,297,347	114,475,829	95.16	100
2004	113,474,715	107,394,288	94.65	100
2003	107,555,867	102,292,881	95.11	100
2002	101,806,880	97,158,871	95.43	100

\*Includes operating and drain debt levy

#### **PROPERTY SUBJECT TO TAXATION**

The laws governing the taxation of real and personal property in the State of Michigan has been established by The General Property Tax Act, being Public Act 206 of 1893, as amended. Section 211.1 states: "That all property, real and personal, within the jurisdiction of the state, not expressly exempted, shall be subject to taxation."

The State Constitution limits the proportion of true cash value at which property can be uniformly assessed to 50% or less. By statute, the State legislature has provided that the property shall be assessed at 50% of its true cash value. The State legislature or the electorate may at some future time reduce the percentage below 50% of true cash value.

Responsibility for assessing local taxable property rests with the assessing officers of townships and cities. Any property owner may appeal his, her or its assessment to the local Board of Review and ultimately to the Michigan State Tax Tribunal.

On March 15, 1994, the electors of the State approved an amendment to the Michigan Constitution permitting the Legislature to authorize ad valorem taxes on a non-uniform



basis. The legislation implementing this constitutional amendment added a new measure of property value known as "Taxable Value." Beginning in 1995, taxable property will have two valuations - State equalized valuation ("SEV") and Taxable Value. Property taxes will be levied on Taxable Value. Generally, Taxable Value of property is the lesser of (a) the Taxable Value of the property in the immediate preceding year, adjusted for losses, multiplied by the lesser of the net percentage change in the property's SEV, or the inflation rate, or 5%, plus additions, or (b) the property's current SEV. Under certain circumstances, therefore Taxable Value of property may be different from the same property's SEV.

This constitutional amendment and the implementing legislation base the Taxable Value of existing property for the year 1995 on the SEV of that property in 1994 and for the years 1996 and thereafter on the Taxable Value of the property in the preceding year. Beginning with the taxes levied in 1995, an increase, if any, in Taxable Value of the property is limited to the lesser of the percentage net change in SEV from the preceding year to the current year, 5% or the inflation rate. When property is sold or transferred, Taxable Value is adjusted to the SEV, which under existing law is 50% of the current true cash value. The Taxable Value of new construction is equal to current SEV. Taxable Value and SEV of existing property are also adjusted annually for additions and losses.

The State Constitution also mandates a system of equalization for assessments. Although the assessors for each local unit of government are responsible for actually assessing at 50% of true cash value, adjusted for Taxable Value purposes, the final SEV and Taxable Value are arrived at through several steps. Assessments are established initially by the municipal assessor. Municipal assessments are then equalized to the 50% levels as determined by the County's Department of Equalization. Thereafter, the State equalizes the various counties in relation to each other. SEV is important aside from its use in determining Taxable Value for the purpose of levying ad valorem property taxes, because of its role in the spreading of taxes between overlapping jurisdictions, the distribution of various State aid programs, State revenue sharing and in the calculation of debt limits.

**STATE EQUALIZED VALUATION  
(50% of True Value)**

2009	-	\$33,397,712,886
2008	-	\$36,403,823,352
2007	-	\$38,357,400,548
2006	-	\$37,228,328,919
2005	-	\$35,568,829,993
2004	-	\$33,721,486,757
2003	-	\$32,006,586,971
2002	-	\$29,831,665,293
2001	-	\$26,968,357,637

**TAXABLE VALUATION**

2009 - \$31,059,989,313  
 2008 - \$31,937,933,158  
 2007 - \$31,862,669,926  
 2006 - \$30,373,918,359  
 2005 - \$28,602,726,523  
 2004 - \$26,980,530,368  
 2003 - \$25,573,225,399  
 2002 - \$24,206,306,500  
 2001 - \$22,702,328,864

Per Capita T/V (09) \$37,392

**2009 Breakdown by Class**

Real	91.28%
Personal	8.72%
TOTAL	100.00%

**2009 Breakdown by Use**

Agricultural	.34%
Residential	70.65%
Commercial	12.99%
Industrial	7.14%
Personal Property	8.72%
Developmental	.16%
TOTAL	100.00%

**INDUSTRIAL FACILITIES TAX**

The Michigan Plant Rehabilitation and Industrial Development District Act (Act 198, Public Acts of Michigan, 1974, as amended) ("Act 198"), provides significant tax incentives to industry to renovate and expand aging plants and to build new plants in Michigan. Under the provisions of Act 198, qualifying cities, villages and townships may establish districts in which industrial firms are offered certain property tax incentives to encourage restoration or replacement of obsolete industrial facilities and to attract new plants to the area. The issuance of any exemption certificate must be approved by the State Treasurer. Firms situated in such districts pay an Industrial Facilities Tax in lieu of property taxes on plant and equipment for a period of up to 12 years. For rehabilitated plant and equipment, the assessed value is frozen at previous levels. New plant and equipment is taxed at one-half of the recalculated IFT Rate using 1993 school operating mills and current year mills for all other taxing jurisdictions. It must be emphasized, however, that ad valorem property taxes on land and inventory are specifically excluded under Act 198. Abatements under Act 198 have been granted to properties in the County with a total 2009 Taxable value of \$135,450,946 for real and personal property.

**COMMERCIAL REDEVELOPMENT ACT**

The Commercial Redevelopment Act (Act 255, Public Acts of Michigan, 1978, as amended) ("Act 255") before its expiration provided tax incentives to businesses restoring commercial areas by allowing tax abatement. The statute permitted a municipality

to grant up to 12 years of property tax relief to businesses who either locate new facilities in commercially blighted areas or reconstruct structures in commercially blighted areas. Act 255 allowed new commercial facilities to be charged one-half of the recalculated IFT Rate using 1993 school operating mills and current year mills for all other taxing jurisdictions. Rehabilitated facilities could be charged taxes based on its old valuations. To qualify, property must have been zoned for commercial use at least three years before the effective date of Act 255. Act 255 has expired and legislation to extend its life has not been approved. There are no abatements under Act 255.

#### **COUNTY BUILDING PERMITS**

	<b>NUMBER OF PERMITS</b>	<b>RESIDENTIAL VALUE</b>
2008 COUNTY TOTAL	309	
2007 COUNTY TOTAL	1,280	
2006 COUNTY TOTAL	2,151	\$389,056,340
2005 COUNTY TOTAL	3,777	\$602,850,925
2004 COUNTY TOTAL	5,394	\$648,972,000
2003 COUNTY TOTAL	5,151	\$655,311,000
2002 COUNTY TOTAL	4,818	\$624,940,000

#### **MAJOR TAXPAYERS**

<b><u>10 Largest Taxpayers</u></b>	<b>2009 Taxable Valuation</b>
General Motors	\$ 652,761,859
Chrysler	609,585,694
Ford	341,137,164
Detroit Edison	261,195,781
Consumers Energy	94,935,481
International Trans	88,437,947
Michigan Consolidated	62,078,691
Meijers	58,561,608
Mall At Partridge Creek	40,610,800
AZ Automotive	39,176,125
TOTAL (represents 7% Total 2009 TV)	<u>\$2,248,811,150</u>

#### **EMPLOYMENT CHARACTERISTICS**

There are over 17,800 business establishments in Macomb County with annual payrolls exceeding \$13.9 billion. While the majority of these businesses employ fewer than 100 persons, Macomb County is the home of four of the top twenty-five Fortune 500 Companies including General Motors, Ford Motor, General

Dynamics, and Chrysler. Major employers include:

<u>10 Largest Employers</u>	<u>Product/Service</u>	<u>Number Employed</u>
General Motors	Auto Mfg	14,327
Chrysler Corp	Auto Mfg	10,558
U.S. Government	Fed. Gov't	5,357
Ford Motor Co	Auto Mfg	4,789
Henry Ford Health System	Health Care	3,736
Utica Schools	Public Schools	3,676
St. John Health System	Health Care	3,385
Macomb County	County Gov't	3,047
General Dynamics	Produces Armored Veh	2,500
Cadence Innovation	Auto Mfg	2,000

#### **EMPLOYMENT STATISTICS**

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Work force	414,785	412,100	417,319	421,672	423,248	422,696
Unemployment	65,266	36,074	31,736	29,056	28,730	28,215
% Unemployed	15.7%	8.8%	7.6%	6.9%	6.8%	6.7%

#### **RETIREMENT PLANS**

Macomb County operates its own Retirement System with seven trustees. The Investment Portfolio is divided among the following investment counselors: Aetos, Angelo Gordon, Artio International, Ashfield, Brandes Investment Partners, Cramer Rosenthal, Earnest Partners, EnTrust Hedge Funds, Hartford Investment Management, Invesco, Loomis Sayles, Lyster Watson, Mesirow Financial, Morgan Stanley, Navellier Investment Advisors, Northpointe Advisors, Orleans Energy Ltd., Seizert Capital Partners and World Asset Management. The County has contracted with Morgan Stanley to perform monitoring services and to advise the trustees on the performance of the Retirement Fund.

The County's contribution to the retirement system for the fiscal year ending December 31, 2009 was \$16,498,004 and for the fiscal year ending December 31, 2008 was \$16,465,935.

## LABOR CONTRACTS

<u>Employee Group</u>	<u>Number of Positions</u>	<u>Expiration Date of Contract</u>
AFSCME Local 411	633	December 31, 2010
--District Courts	22	December 31, 2010
--Head Start	33	December 31, 2010
Building Trades Association	25	December 31, 2010
Intern'l Union of Operating Engineers, Local 547		
--Boiler Operators	8	December 31, 2010
Macomb County Environ. Health Assoc	33	December 31, 2010
Macomb County Prof. Deputy Sheriff Assoc.		
--Corrections Officers	162	December 31, 2007*
Macomb County Senior Serv Emp. Assoc	9	December 31, 2010
MI Nurses Association		
--Unit I at Health Department	36	December 31, 2010
Police Officers Assoc of MI		
--Deputies/Dispatchers	209	December 31, 2007*
--Juvenile Justice Center	100	December 31, 2010
Police Officers Labor Council		
--Command Officers	60	December 31, 2009*
--Captains/Jail Administrator	4	December 31, 2011
Teamsters Local 214		
--Circuit Court/FOC	86	December 31, 2010
--Court Reporters	10	December 31, 2010
TPOAM-Cir. Ct Officers & Prof Assoc	56	December 31, 2010
TPOAM-Family Court/Juv. Justice Cntr	22	December 31, 2010

\* In Negotiations

## REVENUES FROM THE STATE OF MICHIGAN

The County receives revenue sharing payments from the State of Michigan under the State Constitution and the State Revenue Sharing Act of 1971, as amended (the "Revenue Sharing Act"). The table appearing at the end of this section shows State revenue sharing distributions received by the County during the County's past four fiscal years.

The State's fiscal year begins October 1 of each year and ends September 30 of the following calendar year. Before the State's 1996-97 fiscal year, the State shared revenues received from personal income tax, intangibles tax, sales tax and single business tax collections with counties, cities, townships and villages. In 1996, the State legislature began reform of both the formula for distribution of State revenue sharing and the designated sources of revenue to be shared. At that time, the State expressly designated the revenues of the sales tax as the sole source for revenue sharing.

On February 19, 2003, in response to continuing declines in the State's revenue estimates, Governor Jennifer Granholm issued Executive Order No. 2003-03 which approved of a further \$145 million in spending reductions in order to again bring the State's fiscal year 2003 general fund budget into balance. No

further reductions to payments to local governments were included within Executive Order No. 2003-03.

On August 11, 2003, the Revenue Sharing Act was further amended by enactment of Act 168, Public Acts of Michigan, 2003 ("Act 168"). Act 168 readjusted the 2002-03 distribution formula approved by Act 679. The reductions enacted in Act 679 contemplated uniform reductions for all local units of approximately 3.5%; based upon lower-than-estimated sales tax receipts, however, the actual payments reflected a 3.5% reduction for the City of Detroit and a larger than 3.5% reduction for all other local units. Act 168 marginally reduced the combined constitutional and statutory payment for the City of Detroit for State fiscal year 2002-03 from \$322.2 million to \$319.7 million, and increased payments to all other local units by 0.2%. For State fiscal year 2003-04, based on then-current estimates, Act 168 further provided for a 3.0% reduction in the combined constitutional and statutory payments for the City of Detroit and all other local units from the statutory payment the City of Detroit and each local unit received in State fiscal year 2002-03. Act 168 further provided for a reduction in payments by more than 3.0% should State sales tax receipts fall below forecasts.

State estimates for actual revenues for fiscal year 2003-04 continue to fall below the revenue estimates upon which the appropriations for the fiscal year were based. As a result, on December 10, 2003, Governor Granholm issued Executive Order No. 2003-23 implementing additional spending reductions in order to bring the State's fiscal year 2004 general fund budget into balance. The Executive Order included an additional \$72 million reduction in payments to local governments, including a 3.0% reduction in revenue sharing payments previously appropriated by the Legislature in respect of statutory revenue sharing shortfalls. Governor Granholm indicated that the Executive Order was predicated on the State legislature's enactment of proposed amendments to Act 281, Public Acts of Michigan, 1967, as amended (the "Income Tax Act"), to delay until July 1, 2004, a previously authorized rollback of the State's income tax (from 4% to 3.9%) scheduled to take effect on January 1, 2004. Accordingly, on December 23, 2003 the Governor signed into law Act 239, Public Acts of Michigan, 2003 ("Act 239") to effectuate the delay of the authorized income tax rollback on January 1, 2004. Act 239, together with the Executive Order, bring the State's fiscal year 2004 general fund budget back into balance.

## **2004 Developments**

The Michigan Legislature has approved a new proposal to temporarily replace revenue sharing by allowing counties to collect part of their millage earlier in the year thereby advancing their cash flows.

Act Nos. 356 and 357, Public Acts of Michigan, 2004 signed into law on September 30, 2004 make a number of changes. The most important change is a movement of the county fixed or allocated millage from December 1 to July 1. This movement occurs transitionally beginning in 2004 and is complete in July of 2007. In addition, a special Revenue Sharing Reserve Fund ("RSRF") will be established and used to reduce the State's obligation to pay revenue sharing to counties.

The Revenue Sharing Reserve Fund can be drawn on by counties to replace the revenue sharing payments which they would have otherwise received.

The impact on revenue sharing will vary widely from county to county with some counties being required to receive revenue sharing again directly from the State in as early as 2009, while in other counties this will not occur until 2013. The reason for the difference is the fact that revenue sharing payments are not based upon the amount of money which a county receives from a tax levy and the fact that some counties are on a fiscal year which ends September 30, and others are on a calendar fiscal year which ends December 31.

#### **New Tax Collection and Levy Date for County Fixed or Allocated Millage**

The money which is to pay for this new program will be generated by a cash flow shift which will accelerate the collection of county fixed or allocated millage. All counties collect a base tax (which is, of course, reduced by Headlee rollbacks and limited by Proposal A caps) which is either fixed by a vote of the county voters or allocated to the county by a tax allocation board. In addition, counties have a right to vote extra millages for various purposes for up to 20 years. THIS PROPOSAL DOES NOT APPLY TO EXTRA VOTED TAXES WHICH WILL CONTINUE TO BE LEVIED AND COLLECTED ON DECEMBER 1.

As of July 1, 2007 all county real property taxes are levied on July 1, except for extra-voted millage which is levied in December.

#### **Resumption of Actual Revenue Sharing Payments**

This proposal indicates that the statutory guarantee to counties to receive revenue sharing payments from the State shall remain in full force and effect. This statutory guarantee supersedes the current sunset provision in the State revenue sharing statute.

However, the payments to an individual county shall be reduced by the amount the individual county is able to withdraw in money from the RSRF. Once the money in the RSRF of any individual county is depleted, the State is supposed to immediately resume its obligation to make revenue sharing payments.

State Revenue Sharing is scheduled to resume in 2012 for Macomb County.

Purchasers of the Bonds offered herein should be alert to further modifications to revenue sharing payments to Michigan local government units, to the potential consequent impact upon the County's general fund condition, and to the potential impact upon the market price or marketability of the Bonds resulting from changes in revenues received by the County from the State.

The table appearing below show's the transfers from the Revenue Sharing Reserve Fund received by the County during the County's past five fiscal years.

<u>Fiscal Year Ended</u>	<u>Revenue Sharing Payments</u>
December 31, 2005	\$14,069,515
December 31, 2006	\$14,533,809
December 31, 2007	\$15,071,560
December 31, 2008	\$15,418,206
December 31, 2009	\$16,096,607

Source: County of Macomb

#### **GENERAL FUND REVENUES AND EXPENDITURES**

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Revenues & Transfrs In	\$211,450,993	\$221,346,511	\$207,910,392	\$194,179,069
Expenses & Transfrs Out	<u>218,776,035</u>	<u>227,904,558</u>	<u>215,199,911</u>	<u>203,316,159</u>
Revenues Over (under Expenses)	(\$ 7,325,042)	(\$ 6,558,047)	(\$ 7,289,519)	(\$ 9,137,090)
Beginning Balance	\$ <u>39,754,023</u>	\$ <u>46,312,070</u>	\$ <u>53,601,589</u>	\$ <u>62,738,679</u>
Ending Balance	\$ 32,428,981	\$ 39,754,023	\$ 46,312,070	\$ 53,601,589

#### **FUTURE FINANCING**

The County does not anticipate the issuance of any additional bonds or notes within the next two months.

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MACOMB COUNTY  
DEBT STATEMENT - MARCH 25, 2010

DIRECT DEBT OF COUNTY:	Gross	Self-Supporting or Portion Paid Directly by Benefited Municipalities	Net
Building Authority	\$58,660,000	\$0	\$58,660,000
Drain	101,250,000	100,905,999	344,001
Water & Sewer	145,000	145,000	0
MTF Bonds	11,055,000	11,055,000	0
	-----	-----	-----
	\$171,110,000	\$112,105,999	\$59,004,001
	=====	=====	=====

Per Capita County Net Direct Debt	\$71.03
Percent County Net Direct Debt to 2009 TV	0.19%

OVERLAPPING DEBT OF COUNTY:

School Districts	\$1,991,067,175
Cities	248,427,052
Townships	140,864,457
Villages	9,047,720
Library	14,595,000
Intermediate School District	1,120,771
Community Colleges	0
	-----
Net Overlapping Debt	\$2,405,122,175
	-----
Net County and Overlapping Debt	\$2,464,126,176
	=====

Per Capita County Net Direct and Overlapping Debt	\$2,966.46
Percent Net Direct and Overlapping Debt to 2009 TV	7.93%

Source: Macomb County and Municipal Advisory Council of Michigan  
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MACOMB COUNTY BONDS WITH COUNTY CREDIT PLEDGED  
as of March 25, 2010

Year	Building Authority	Water & Sewer	MTF	Drain	Total
2010	\$ 2,960,000	\$ 70,000	\$ 795,000	\$ 4,320,000	\$ 8,145,000
2011	4,815,000	75,000	805,000	4,507,850	10,202,850
2012	4,950,000		920,000	4,710,875	10,580,875
2013	4,980,000		930,000	4,748,450	10,658,450
2014	4,165,000		945,000	4,918,600	10,028,600
2015	4,320,000		960,000	4,943,750	10,223,750
2016	3,550,000		500,000	4,583,900	8,633,900
2017	3,690,000		500,000	4,519,050	8,709,050
2018	3,825,000		500,000	4,644,200	8,969,200
2019	4,005,000		600,000	5,056,925	9,661,925
2020	4,055,000		600,000	5,169,650	9,824,650
2021	4,055,000		600,000	5,302,375	9,957,375
2022	4,110,000		800,000	5,465,100	10,375,100
2023	1,875,000		800,000	3,955,400	6,630,400
2024	1,950,000		800,000	4,005,700	6,755,700
2025	1,355,000			4,161,000	5,516,000
2026				4,376,300	4,376,300
2027				4,569,175	4,569,175
2028				4,824,475	4,824,475
2029				4,949,925	4,949,925
2030				2,517,800	2,517,800
2031				2,350,000	2,350,000
2032				1,450,000	1,450,000
2033				1,200,000	1,200,000
Total	\$ 58,660,000	\$ 145,000	\$ 11,055,000	\$ 101,250,500	\$ 171,110,500

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**EXHIBIT D**  
**FINANCIAL INFORMATION REGARDING**  
**THE COUNTY OF MACOMB**

The following sections of the audited financial statements of the County of Oakland for the Fiscal Year ended December 31, 2008 have been extracted from the audit:

	<u><b>Page</b></u>
Independent Auditors' Report	A-1
Government-Wide Statement of Net Assets .....	B-1
Government-Wide Statement of Activities .....	B-2
Balance Sheet - Governmental Funds .....	B-4
Reconciliation of the Fund Balances on the Balance Sheet of Governmental Funds to the Statement of Net Assets of Governmental Activities .....	B-5
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds .....	B-6
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Government-Wide Statement of Activities .....	B-7
Statement of Net Assets - Proprietary Funds .....	B-8
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds .....	B-10
Combining Statement of Cash Flows - Proprietary Funds	B-12
Statement of Fiduciary Net Assets - Fiduciary Funds	B-14
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds .....	B-15
Combining Statement of Net Assets - Component Units	B-16
Combining Statement of Activities - Component Units	B-17
Notes to Basic Financial Statements .....	B-19

**INDEPENDENT AUDITORS' REPORT**

June 25, 2009

To the Board of Commissioners  
of Macomb County  
Mount Clemens, 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 **MACOMB COUNTY, 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 Macomb County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Macomb County Road Commission, which represents 68.4% of the assets and 45.9% of the revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports were furnished to us, and our opinion, insofar as it relates to the amounts included for the Macomb County Road Commission, is based solely 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 **Macomb County, Michigan**, as of December 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2009, on our consideration of **Macomb County, Michigan's** internal controls over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 on pages A-3 through A-20, the budgetary comparisons for the General Fund and Major Special Revenue Funds on pages C-1 through C-10, the employees' retirement system information on page C-11 and the retiree health care plan information on page C-12 are not a required part of the basic financial statements but are 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 Macomb County's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules 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 upon our audit and the reports of other auditors, are fairly presented, in all material respects, in relation to the basic financial statements taken as a whole. The introductory and statistical sections 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.

As discussed in Note 14 to the financial statements, the beginning net assets of governmental activities were increased and the assets and liabilities of the agency funds were decreased by \$12,906,795 to appropriately reflect certain reclassifications in the current year.

A handwritten signature in black ink, reading "Lehmann Lohman". The signature is written in a cursive, flowing style.

**MACOMB COUNTY, MICHIGAN**  
**Government-Wide Statement of Net Assets**  
**December 31, 2008**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Cash and pooled investments	\$ 139,101,805	\$ 54,089,313	\$ 193,191,118	\$ 114,610,239
Receivables:				
Property taxes	4,495,322	50,731,003	55,226,325	-
Accrued interest	1,974,581	156,973	2,131,554	486,788
Trade accounts, net	16,054,962	21,819,570	37,874,532	8,774,092
Special assessments	-	-	-	110,250,000
Inventories	262,960	-	262,960	3,982,355
Due from other governments	7,076,562	461,633	7,538,195	13,780,756
Internal balances	6,987,064	(6,987,064)	-	-
Due from fiduciary funds	4,478,987	-	4,478,987	-
Due from funds with different year end dates	33,232	-	33,232	-
Capital assets, net:				
Assets not being depreciated	21,218,486	-	21,218,486	191,108,080
Assets being depreciated	139,855,307	22,280,526	162,135,833	688,833,413
Other assets	4,482,848	1,700,105	6,182,953	1,159,952
<b>Total assets</b>	<b>346,022,116</b>	<b>144,252,059</b>	<b>490,274,175</b>	<b>1,132,985,675</b>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	7,901,237	18,658,892	26,560,129	26,314,041
Accrued wages payable	17,258	716,693	733,951	-
Accrued interest payable	603,507	-	603,507	778,161
Due to other governments	521,511	77,555	599,066	145
Compensated absences	1,300,000	-	1,300,000	-
Accrued workers compensation claims	1,000,000	-	1,000,000	2,064
Accrued general liability claims	1,000,000	-	1,000,000	32,614
Unearned revenue	1,432,505	802,405	2,234,910	106,537,589
Long-term debt maturities due within one year	4,585,000	-	4,585,000	4,755,000
Long-term liabilities:				
Compensated absences	4,723,821	-	4,723,821	1,305,389
Accrued workers compensation claims	788,503	-	788,503	38,464
Accrued general liability claims	3,085,865	-	3,085,865	77,790
Net OPEB obligation	81,102,883	-	81,102,883	1,021,017
Long-term debt maturities due in more than one year	68,230,000	-	68,230,000	105,495,000
<b>Total Liabilities</b>	<b>176,292,090</b>	<b>20,255,545</b>	<b>196,547,635</b>	<b>246,357,274</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	117,056,251	22,280,526	139,336,777	790,997,217
Restricted for				
Capital projects	11,561,338	-	11,561,338	-
Debt service	7,227,719	-	7,227,719	-
Housing rehabilitation loans	9,549,692	-	9,549,692	-
Revenue Sharing Reserve Fund	52,482,416	-	52,482,416	-
Mental Health risk reserve	-	8,267,419	8,267,419	-
Other purposes	140,563	-	140,563	-
Unrestricted (deficit)	(28,287,953)	93,448,569	65,160,616	95,631,184
<b>Total Net Assets</b>	<b>\$ 169,730,026</b>	<b>\$ 123,996,514</b>	<b>\$ 293,726,540</b>	<b>\$ 886,628,401</b>

**MACOMB COUNTY, MICHIGAN**  
**Government-Wide Statement of Activities**  
**For the Year Ended December 31, 2008**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary government</b>					
Governmental activities					
Legislative	\$ 2,354,128	\$ -	\$ -	\$ -	\$ (2,354,128)
Judicial	39,842,837	5,935,072	15,175,062	-	(18,732,703)
General government	96,873,484	13,249,527	394,525	132,897	(83,096,535)
Public safety	76,263,642	15,544,413	1,344,080	928,897	(58,446,252)
Public works	873,494	-	-	-	(873,494)
Health and welfare	84,882,530	9,757,834	43,103,734	-	(32,020,962)
Recreation and culture	2,307,587	115,194	54,394	-	(2,137,999)
Interest and fees on long-term debt	3,479,303	-	-	-	(3,479,303)
Total governmental activities	306,877,005	44,602,040	60,071,795	1,061,794	(201,141,376)
Business-type activities					
Delinquent tax collections	1,219,328	14,177,297	-	-	12,957,969
Community Mental Health	178,395,149	173,064,786	415,486	-	(4,914,877)
Martha T. Berry Medical Care Facility	23,393,273	19,722,588	-	-	(3,670,685)
Freedom Hill Park	1,079,518	254,998	-	-	(824,520)
Total business-type activities	204,087,268	207,219,669	415,486	-	3,547,887
Total primary government	<u>\$ 510,964,273</u>	<u>\$ 251,821,709</u>	<u>\$ 60,487,281</u>	<u>\$ 1,061,794</u>	<u>\$ (197,593,489)</u>
<b>Component Units</b>					
Drainage Districts	\$ 58,841,924	\$ 50,057,837	\$ -	\$ -	\$ (8,784,087)
Road Commission	68,814,891	17,168,746	-	54,930,414	3,284,269
Workforce Development Board	32,826,865	12,228	32,789,478	-	(25,159)
Total component units	<u>\$ 160,483,680</u>	<u>\$ 67,238,811</u>	<u>\$ 32,789,478</u>	<u>\$ 54,930,414</u>	<u>\$ (5,524,977)</u>

**MACOMB COUNTY, MICHIGAN**  
**Government-Wide Statement of Activities (concluded)**  
**For the Year Ended December 31, 2008**

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>Changes in net assets</b>				
Net (expense) revenue (from page B-2)	\$ (201,141,376)	\$ 3,547,887	\$ (197,593,489)	\$ (5,524,977)
General revenues:				
Property tax	132,538,774	-	132,538,774	-
Intergovernmental revenues - unrestricted	801,556	-	801,556	-
Investment earnings	6,644,970	2,164,461	8,809,431	6,708,495
Transfers - internal activities	(1,486,219)	519,219	(967,000)	-
Total general revenues and transfers	138,499,081	2,683,680	141,182,761	6,708,495
Change in net assets	(62,642,295)	6,231,567	(56,410,728)	1,183,518
Net assets, beginning of year (1)	232,372,321	117,764,947	350,137,268	885,444,883
Net assets, end of year	<u>\$ 169,730,026</u>	<u>\$ 123,996,514</u>	<u>\$ 293,726,540</u>	<u>\$ 886,628,401</u>

(1) - As restated for Governmental Activities. See Note 14.



**MACOMB COUNTY, MICHIGAN**  
**Balance Sheet - Governmental Funds**  
**December 31, 2008**

		Major Special Revenue Funds			Nonmajor	Total
	General	Revenue Sharing	Child	Friend of	Governmental	Governmental
	Fund	Reserve Fund	Care (1)	the Court (1)	Funds	Funds
<b>Assets</b>						
Cash and pooled investments	\$ 10,189,299	\$ 52,482,416	\$ 2,076,705	\$ -	\$ 40,471,245	\$ 105,219,665
Taxes receivable	3,201,163	-	-	-	1,294,159	4,495,322
Accrued interest receivable	1,974,581	-	-	-	-	1,974,581
Accounts receivable, net	5,872,248	-	-	-	10,175,369	16,047,617
Due from other governments	962,769	-	809,096	1,720,906	3,215,432	6,708,203
Due from governmental funds	3,264,887	-	-	-	-	3,264,887
Due from business-type units	6,987,064	-	-	-	-	6,987,064
Advances to other funds	295,000	-	-	-	-	295,000
Other assets	2,683,516	-	35,105	-	46,008	2,764,629
Total Assets	<u>\$ 35,430,527</u>	<u>\$ 52,482,416</u>	<u>\$ 2,920,906</u>	<u>\$ 1,720,906</u>	<u>\$ 55,202,213</u>	<u>\$ 147,756,968</u>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ 2,962,101	\$ -	\$ 1,060,551	\$ 17,042	\$ 2,700,142	\$ 6,739,836
Accrued liabilities	39,445	-	-	-	298,636	338,081
Accrued compensation and benefits	-	-	-	-	17,258	17,258
Due to other governments	-	-	-	-	521,511	521,511
Due to governmental funds	-	-	-	1,623,103	1,451,636	3,074,739
Unearned revenue	-	-	-	-	1,432,505	1,432,505
Total Liabilities	<u>3,001,546</u>	<u>-</u>	<u>1,060,551</u>	<u>1,640,145</u>	<u>6,421,688</u>	<u>12,123,930</u>
<b>Fund Balances</b>						
Reserved						
Debt service	-	-	-	-	7,227,719	7,227,719
Programs	-	52,482,416	-	-	140,563	52,622,979
Advances to other funds	295,000	-	-	-	-	295,000
Housing rehabilitation loans	-	-	-	-	9,549,692	9,549,692
Capital projects	-	-	-	-	11,561,338	11,561,338
Unreserved						
Designated						
Capital projects	-	-	-	-	10,667,901	10,667,901
Programs - special projects						
General fund	1,153,622	-	-	-	-	1,153,622
Special revenue funds	-	-	-	-	5,146,220	5,146,220
Undesignated						
General fund	30,980,359	-	-	-	-	30,980,359
Special revenue funds	-	-	1,860,355	80,761	4,487,092	6,428,208
Total Fund Balances	<u>32,428,981</u>	<u>52,482,416</u>	<u>1,860,355</u>	<u>80,761</u>	<u>48,780,525</u>	<u>135,633,038</u>
Total Liabilities and Fund Balances	<u>\$ 35,430,527</u>	<u>\$ 52,482,416</u>	<u>\$ 2,920,906</u>	<u>\$ 1,720,906</u>	<u>\$ 55,202,213</u>	<u>\$ 147,756,968</u>

(1) - Balance sheet as of September 30, 2008

**MACOMB COUNTY, MICHIGAN**  
**RECONCILIATION OF THE FUND BALANCES ON THE BALANCE SHEET OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS OF GOVERNMENTAL ACTIVITIES**  
**December 31, 2008**

Total fund balances for governmental funds	\$ 135,633,038
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Amounts reported for governmental activities in the Government-Wide Statement of Net Assets are different because:

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

Capital assets	
Land	12,998,859
Land improvements	9,900,100
Buildings and improvements	181,741,832
Machinery, equipment and vehicles	44,554,661
Construction in progress	8,219,627
Accumulated depreciation	(99,412,571)

Long-term bonded debt is not due and payable in the current period and, therefore, is not reported in the governmental funds. However, bonded debt is recorded as long-term liabilities in the Government-Wide Statement of Net Assets. (See Note 4)

Bonds issued in prior years	(80,245,000)
Net refunding bonds issued during the current year	2,740,000
Bond principal repayments	4,690,000

Accrued interest payable on long-term debt at year-end is not recorded in the governmental funds, but is recorded as a liability in the Statement of Net Assets	(603,507)
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The difference between the actual and required contribution to the Retiree Health Care Fund is not recorded in the governmental funds, but is recorded as a liability in the Statement of Net Assets	(81,102,883)
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Internal service funds are used by management to charge the costs of certain activities such as insurance, compensated absences, workers' compensation, central inventory to individual governmental funds and employee fringe benefits. The assets and liabilities of the Internal Service Funds are included in the governmental activities in the Government-Wide Statement of Net Assets	30,615,870
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Net assets of governmental activities reported in the Government-Wide Statement of Net Assets	\$ 169,730,026
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**MACOMB COUNTY, MICHIGAN**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds**  
**Year Ended December 31, 2008**

	General Fund	Major Special Revenue Funds			Nonmajor Governmental Funds	Total Governmental Funds
		Revenue Sharing Reserve Fund	Child Care (1)	Friend of the Court (1)		
<b>Revenues</b>						
Property taxes	\$ 132,362,388	\$ -	\$ -	\$ -	\$ 176,386	\$ 132,538,774
Licenses and permits	348,032	-	-	-	895,413	1,243,445
Federal & State grants	7,058,616	-	12,166,359	7,879,352	33,482,402	60,586,729
Other grants	-	-	-	-	1,348,416	1,348,416
Charges for services	25,951,792	-	792,940	726,374	10,850,573	38,321,679
Investment income	2,979,670	2,334,557	-	2,896	1,327,847	6,644,970
Charges to other funds for administrative services	14,521,847	-	-	-	-	14,521,847
Fines and forfeitures	671,938	-	-	-	2,720,332	3,392,270
Other revenue	200,367	-	-	457	1,443,822	1,644,646
<b>Total Revenues</b>	<b>184,094,650</b>	<b>2,334,557</b>	<b>12,959,299</b>	<b>8,609,079</b>	<b>52,245,191</b>	<b>260,242,776</b>
<b>Expenditures</b>						
Current						
Legislative	2,354,128	-	-	-	-	2,354,128
Judicial	24,199,572	-	-	10,722,447	2,584,170	37,506,189
General government	57,491,729	-	-	-	1,317,560	58,809,289
Public safety	63,924,304	-	-	-	6,768,030	70,692,334
Public works	-	-	-	-	873,494	873,494
Health and welfare	451,885	-	29,827,601	-	53,011,577	83,291,063
Recreation and cultural	-	-	-	-	2,232,316	2,232,316
Other	5,188,484	-	-	-	-	5,188,484
Capital outlay	307,352	-	6,989	2,413	11,025,832	11,342,586
Debt service						
Principal	-	-	-	-	4,690,000	4,690,000
Interest and fees	-	-	-	-	3,151,836	3,151,836
Bond issue costs	-	-	-	-	60,892	60,892
<b>Total Expenditures</b>	<b>153,917,454</b>	<b>-</b>	<b>29,834,590</b>	<b>10,724,860</b>	<b>85,715,707</b>	<b>280,192,611</b>
Excess of Revenues over (under) Expenditures	30,177,196	2,334,557	(16,875,291)	(2,115,781)	(33,470,516)	(19,949,835)
<b>Other financing sources (uses)</b>						
Issuance of debt	-	-	-	-	2,605,000	2,605,000
Transfers in	27,356,343	-	16,885,557	5,115,781	54,699,108	104,056,789
Transfers out	(64,858,581)	(15,418,206)	-	(3,000,000)	(24,539,967)	(107,816,754)
Bond discounts	-	-	-	-	33,839	33,839
Payment to refunding debt escrow agent	-	-	-	-	(5,695,657)	(5,695,657)
<b>Total other financing sources (uses)</b>	<b>(37,502,238)</b>	<b>(15,418,206)</b>	<b>16,885,557</b>	<b>2,115,781</b>	<b>27,102,323</b>	<b>(6,816,783)</b>
Net change in fund balances	(7,325,042)	(13,083,649)	10,266	-	(6,368,193)	(26,766,618)
Fund Balances, beginning of year	39,754,023	65,566,065	1,850,089	80,761	55,148,718	162,399,656
Fund Balances, end of year	\$ 32,428,981	\$ 52,482,416	\$ 1,860,355	\$ 80,761	\$ 48,780,525	\$ 135,633,038

(1) - Year ended September 30, 2008

**MACOMB COUNTY, MICHIGAN**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2008**

Net change in fund balances - total governmental funds	\$ (26,766,618)
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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 capitalized and allocated over their estimated useful lives.

Expenditures for capital assets	10,825,046
Current year depreciation expense	(12,466,694)
Loss on disposal of assets	(270,147)

Repayment of debt principal is recorded as an expenditure in the governmental funds, but is recorded as a reduction of long-term liabilities in the Statement of Net Assets. (See Note 4)	10,035,000
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The proceeds received as a result of issuing of bonds are recorded as revenue in the governmental funds, but are recorded as increases in long-term liabilities in the Statement of Net Assets. (See Note 4)	(2,605,000)
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The change in amount of accrued interest payable is not recorded in the governmental funds, but is recorded as interest expense in the Government-Wide Statement of Activities.	50,242
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The change in amount of the net OPEB liability is not recorded in the governmental funds, but is recorded as an operating expense in the Government-Wide Statement of Activities.	(42,769,939)
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Internal service funds are used by management to charge the costs of certain activities such as insurance, compensated absences, workers' compensation and central inventory to individual governmental funds. The net income (loss) attributable to those funds is reported with governmental activities	1,325,815
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Change in net assets of governmental activities reported in the Statement of Activities	<u>\$ (62,642,295)</u>
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The accompanying notes are an integral part of these financial statements

**MACOMB COUNTY, MICHIGAN**  
**Statement of Net Assets**  
**Proprietary Funds**  
**December 31, 2008**

	<b>Major Business-Type Activities - Enterprise Funds</b>		
	<b>Delinquent Tax Revolving</b>	<b>Community Mental Health</b>	<b>Martha T Berry Medical Care Facility</b>
<b>ASSETS</b>			
Current assets			
Cash and pooled investments	\$ 33,046,623	\$ 21,042,690	\$ -
Receivables:			
Property taxes	50,731,003	-	-
Accrued interest	156,973	-	-
Trade accounts, net	18,023,998	1,608,751	1,658,669
Inventories	-	-	-
Due from other governments	-	461,633	-
Due from governmental funds	-	-	-
Due from fiduciary funds	-	-	-
Other assets	-	1,700,105	-
Total current assets	101,958,597	24,813,179	1,658,669
Noncurrent assets			
Capital assets, net:			
Assets being depreciated	-	166,031	21,214,461
Total Assets	101,958,597	24,979,210	22,873,130
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	97,648	17,646,434	577,619
Accrued wages payable	182	697,455	18,524
Due to other governments	21,349	56,206	-
Due to governmental funds	6,744,837	-	126,616
Due to fiduciary funds	-	-	-
Claims and judgements	-	-	-
Deferred revenue	-	802,405	-
Total current liabilities	6,864,016	19,202,500	722,759
Noncurrent liabilities			
Claims and judgements	-	-	-
Compensated absences	-	-	-
Advances from other funds	-	-	-
Total noncurrent liabilities	-	-	-
Total Liabilities	6,864,016	19,202,500	722,759
<b>NET ASSETS</b>			
Invested in capital assets	-	166,031	21,214,461
Restricted - mental health risk reserve	-	8,267,419	-
Unrestricted surplus (deficit)	95,094,581	(2,656,740)	935,910
Total Net Assets	\$ 95,094,581	\$ 5,776,710	\$ 22,150,371

**MACOMB COUNTY, MICHIGAN**  
**Statement of Net Assets (concluded)**  
**Proprietary Funds**  
**December 31, 2008**

	<b>Major Business-Type Activities - Enterprise Funds</b>		<b>Governmental Activities</b>
	<b>Freedom Hill</b>		<b>Internal</b>
	<b>Park</b>	<b>Totals</b>	<b>Service Funds</b>
<b>ASSETS</b>			
Current assets			
Cash and pooled investments	\$ -	\$ 54,089,313	\$ 33,882,140
Receivables:			
Property taxes	-	50,731,003	-
Accrued interest	-	156,973	-
Trade accounts, net	528,152	21,819,570	7,345
Inventories	-	-	262,960
Due from other governments	-	461,633	368,359
Due from governmental funds	-	-	33,232
Due from fiduciary funds	-	-	4,478,987
Other assets	-	1,700,105	1,718,219
Total current assets	528,152	128,958,597	40,751,242
Noncurrent assets			
Capital assets, net:			
Assets being depreciated	900,034	22,280,526	3,071,285
Total Assets	1,428,186	151,239,123	43,822,527
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	337,191	18,658,892	823,320
Accrued wages payable	532	716,693	-
Due to other governments	-	77,555	-
Due to governmental funds	115,611	6,987,064	190,148
Due to fiduciary funds	-	-	1,300,000
Claims and judgements	-	-	2,000,000
Deferred revenue	-	802,405	-
Total current liabilities	453,334	27,242,609	4,313,468
Noncurrent liabilities			
Claims and judgements	-	-	3,874,368
Compensated absences	-	-	4,723,821
Advances from other funds	-	-	295,000
Total noncurrent liabilities	-	-	8,893,189
Total Liabilities	453,334	27,242,609	13,206,657
<b>NET ASSETS</b>			
Invested in capital assets	900,034	22,280,526	3,071,285
Restricted - mental health risk reserve	-	8,267,419	-
Unrestricted surplus (deficit)	74,818	93,448,569	27,544,585
Total Net Assets	\$ 974,852	\$ 123,996,514	\$ 30,615,870

**MACOMB COUNTY, MICHIGAN**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Funds**  
**Year Ended December 31, 2008**

	<b>Major Business-Type Activities - Enterprise Funds</b>		
	<b>Delinquent Tax Revolving</b>	<b>Community Mental Health</b>	<b>Martha T Berry Medical Care Facility</b>
<b>Operating Revenues</b>			
Charges for services	\$ 14,177,297	\$ 173,064,786	\$ 19,722,588
Federal and state grants	-	415,486	-
<b>Total operating revenues</b>	<b>14,177,297</b>	<b>173,480,272</b>	<b>19,722,588</b>
<b>Operating Expenses</b>			
Personal services	302,601	25,948,486	14,704,521
Contractual services	-	136,488,824	2,142,153
Utilities	-	358,917	747,143
Repairs and maintenance	-	67,747	241,766
Benefits and claims expenses	-	-	-
Supplies and services	916,727	15,468,527	4,542,537
Depreciation	-	62,648	1,015,153
Capital outlay	-	-	-
<b>Total Operating Expenses</b>	<b>1,219,328</b>	<b>178,395,149</b>	<b>23,393,273</b>
<b>Operating Income (Loss)</b>	<b>12,957,969</b>	<b>(4,914,877)</b>	<b>(3,670,685)</b>
<b>Nonoperating revenues</b>			
Investment income	1,276,575	887,886	-
<b>Income (loss) before Transfers</b>	<b>14,234,544</b>	<b>(4,026,991)</b>	<b>(3,670,685)</b>
<b>Transfers</b>			
Transfers in	-	5,941,852	2,445,359
Transfers out	(8,655,000)	-	-
Other (See note 5)	-	-	31,142
<b>Net Transfers</b>	<b>(8,655,000)</b>	<b>5,941,852</b>	<b>2,476,501</b>
<b>Increase (decrease) in net assets</b>	<b>5,579,544</b>	<b>1,914,861</b>	<b>(1,194,184)</b>
<b>Net assets, beginning of year (1)</b>	<b>89,515,037</b>	<b>3,861,849</b>	<b>23,344,555</b>
<b>Net assets, end of year</b>	<b>\$ 95,094,581</b>	<b>\$ 5,776,710</b>	<b>\$ 22,150,371</b>

(1) - As restated for Internal Service Funds. See Note 14.

**MACOMB COUNTY, MICHIGAN**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets (concluded)**  
**Proprietary Funds**  
**Year Ended December 31, 2008**

	<b>Major Business-Type Activities - Enterprise Funds</b>		<b>Governmental Activities</b>
	<b>Freedom Hill Park</b>	<b>Totals</b>	<b>Internal Service Funds</b>
<b>Operating Revenues</b>			
Charges for services	\$ 254,998	\$ 207,219,669	\$ 69,051,415
Federal and state grants	-	415,486	-
<b>Total operating revenues</b>	<b>254,998</b>	<b>207,635,155</b>	<b>69,051,415</b>
<b>Operating Expenses</b>			
Personal services	700,455	41,656,063	-
Contractual services	-	138,630,977	-
Utilities	157,492	1,263,552	-
Repairs and maintenance	57,806	367,319	-
Benefits and claims expenses	-	-	63,438,237
Supplies and services	95,111	21,022,902	5,897,268
Depreciation	68,654	1,146,455	662,482
Capital outlay	-	-	1,359
<b>Total Operating Expenses</b>	<b>1,079,518</b>	<b>204,087,268</b>	<b>69,999,346</b>
<b>Operating Income (Loss)</b>	<b>(824,520)</b>	<b>3,547,887</b>	<b>(947,931)</b>
<b>Nonoperating revenues</b>			
Investment income	-	2,164,461	-
<b>Income (loss) before Transfers</b>	<b>(824,520)</b>	<b>5,712,348</b>	<b>(947,931)</b>
<b>Transfers</b>			
Transfers in	755,866	9,143,077	2,273,746
Transfers out	-	(8,655,000)	-
Other (See note 5)	-	31,142	-
<b>Net Transfers</b>	<b>755,866</b>	<b>519,219</b>	<b>2,273,746</b>
<b>Increase (decrease) in net assets</b>	<b>(68,654)</b>	<b>6,231,567</b>	<b>1,325,815</b>
<b>Net assets, beginning of year (1)</b>	<b>1,043,506</b>	<b>117,764,947</b>	<b>29,290,055</b>
<b>Net assets, end of year</b>	<b>\$ 974,852</b>	<b>\$ 123,996,514</b>	<b>\$ 30,615,870</b>

(1) - As restated for Internal Service Funds. See Note 14.



**MACOMB COUNTY, MICHIGAN**  
**Combining Statement of Cash Flows - Proprietary Funds**  
**Year Ended December 31, 2008**

	<b>Major Business-type Activities - Enterprise Funds</b>		
	<b>Delinquent Tax Revolving</b>	<b>Community Mental Health</b>	<b>Martha T Berry Medical Care Facility</b>
<b>Cash Flows from Operating Activities</b>			
Cash received from customers	\$ 63,384,282	\$ 174,950,570	\$ 19,831,588
Cash received from interfund services	-	(115,306)	-
Cash payments for delinquent taxes	(80,546,187)	-	-
Cash payments for interfund services	6,744,837	260,047	126,616
Cash payments to employees	(302,541)	(25,749,597)	(14,704,818)
Cash payments to suppliers	(1,378,357)	(153,033,741)	(7,717,038)
Net cash provided by (used in) Operating Activities	(12,097,966)	(3,688,027)	(2,463,652)
<b>Cash Flows From Noncapital Financing Activities</b>			
Transfers in	-	5,941,852	2,445,359
Transfers out	(8,655,000)	-	-
Net cash provided by (used in) Noncapital Financing Activities	(8,655,000)	5,941,852	2,445,359
<b>Cash Flows From Capital and Related Financing Activities</b>			
Acquisition of capital assets	-	(11,582)	(147,940)
<b>Cash Flows From Investing Activities</b>			
Interest received on investments	1,602,656	887,886	-
Increase (decrease) in cash and pooled investments	(19,150,310)	3,130,129	(166,233)
Cash and pooled investments, beginning of year (1)	52,196,933	17,912,561	166,233
Cash and pooled investments, end of year	\$ 33,046,623	\$ 21,042,690	\$ -
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>			
Operating income (loss)	\$ 12,957,969	\$ (4,914,877)	\$ (3,670,685)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	-	62,648	1,015,153
Increase in taxes receivable	(18,061,036)	-	-
Decrease (increase) in accounts receivable	(12,650,232)	419,646	26,157
Decrease in inventory	-	-	-
Decrease in amounts due from other governments	-	235,264	-
Decrease (increase) in amounts due from other funds	-	260,047	-
Increase in amounts advances to other funds	-	-	-
Decrease (increase) in other assets	-	(3,831)	82,843
Increase (decrease) in accounts payable	(461,630)	(649,726)	(43,439)
Increase (decrease) in accrued employee benefits	60	198,889	(297)
Increase (decrease) in amounts due to other governments	(627,934)	53,614	-
Increase (decrease) in amounts due to other funds	6,744,837	(115,306)	126,616
Increase in deferred revenue	-	765,605	-
Decrease in accrued workers' compensation claims	-	-	-
Decrease in accrued claims and judgements	-	-	-
Net cash provided by (used in) Operating Activities	\$ (12,097,966)	\$ (3,688,027)	\$ (2,463,652)

**MACOMB COUNTY, MICHIGAN**  
**Combining Statement of Cash Flows - Proprietary Funds (concluded)**  
**Year Ended December 31, 2008**

	<b>Major Business-type Activities - Enterprise Funds</b>		<b>Governmental Activities</b>
	<b>Freedom Hill Park</b>	<b>Totals</b>	<b>Internal Service Funds</b>
<b>Cash Flows from Operating Activities</b>			
Cash received from customers	\$ 84,892	\$ 258,251,332	\$ 66,307
Cash received from interfund services	115,611	305	68,708,997
Cash payments for delinquent taxes	-	(80,546,187)	-
Cash payments for interfund services	(15,312)	7,116,188	-
Cash payments to employees	(700,541)	(41,457,497)	(904,601)
Cash payments to suppliers	(240,517)	(162,369,653)	(69,885,188)
Net cash provided by (used in) Operating Activities	(755,867)	(19,005,512)	(2,014,485)
<b>Cash Flows From Noncapital Financing Activities</b>			
Transfers in	755,867	9,143,078	-
Transfers out	-	(8,655,000)	2,273,746
Net cash provided by (used in) Noncapital Financing Activities	755,867	488,078	2,273,746
<b>Cash Flows From Capital and Related Financing Activities</b>			
Acquisition of capital assets	-	(159,522)	(603,170)
<b>Cash Flows From Investing Activities</b>			
Interest received on investments	-	2,490,542	-
Increase (decrease) in cash and pooled investments	-	(16,186,414)	(343,909)
Cash and pooled investments, beginning of year (1)	-	70,275,727	34,226,049
Cash and pooled investments, end of year	\$ -	\$ 54,089,313	\$ 33,882,140
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>			
Operating income (loss)	\$ (824,520)	\$ 3,547,887	\$ (947,931)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	68,654	1,146,455	662,482
Increase in taxes receivable	-	(18,061,036)	-
Decrease (increase) in accounts receivable	(170,106)	(12,374,535)	11,200
Decrease in inventory	-	-	67,004
Decrease in amounts due from other governments	-	235,264	260,812
Decrease (increase) in amounts due from other funds	-	260,047	(117,377)
Increase in amounts advances to other funds	-	-	(5,000)
Decrease (increase) in other assets	-	79,012	(208,202)
Increase (decrease) in accounts payable	69,892	(1,084,903)	(643,006)
Increase (decrease) in accrued employee benefits	(86)	198,566	(1,559)
Increase (decrease) in amounts due to other governments	-	(574,320)	-
Increase (decrease) in amounts due to other funds	100,299	6,856,446	(503,153)
Increase in deferred revenue	-	765,605	-
Decrease in accrued workers' compensation claims	-	-	-
Decrease in accrued claims and judgements	-	-	(589,755)
Net cash provided by (used in) Operating Activities	\$ (755,867)	\$ (19,005,512)	\$ (2,014,485)

**MACOMB COUNTY, MICHIGAN**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**December 31, 2008**

	<b>Employee Retirement and Postretirement Health Care Benefits</b>	<b>Agency Funds</b>
<b>ASSETS</b>		
Cash and pooled investments	\$ 83,673,320	\$ 20,438,628
Receivables		
Accrued interest	719,655	-
Other	166,655	2,853
Other assets	72,954	-
Investments, at fair value		
Corporate Bonds	75,974,909	-
Preferred Stock	7,704,498	-
Common Stock	127,744,127	-
Foreign Stock	30,018,917	-
Limited partnership	57,353,476	-
Mutual funds	342,273,120	-
Securities lending collateral	26,086,808	-
Due from fiduciary funds	950,977	113,415
Other assets	-	190
	<hr/>	<hr/>
Total Assets	752,739,416	\$ 20,555,086
	<hr/>	<hr/>
<b>LIABILITIES</b>		
Accounts payable	3,871,689	\$ 10,819,345
Accrued compensation and benefits	-	222,494
Deposits	-	7,577,729
Due to other governments	-	1,935,518
Due to fiduciary funds	5,542,618	-
Obligations under securities lending	26,086,808	-
	<hr/>	<hr/>
Total Liabilities	35,501,115	\$ 20,555,086
	<hr/>	<hr/>
<b>NET ASSETS</b>		
Net assets held in trust for pension and other postemployment benefits	<u>\$ 717,238,301</u>	

**MACOMB COUNTY, MICHIGAN**  
**Statement of Changes In Fiduciary Net Assets**  
**Fiduciary Funds**  
**Year Ended December 31, 2008**

	<b>Employee Retirement and Postretirement Health Care Benefits</b>
<b>ADDITIONS</b>	
Contributions	
Employer	\$ 34,246,830
Employee	5,585,761
	<hr/>
Total contributions	39,832,591
	<hr/>
Investment income	
Net depreciation in fair value of assets	(296,426,794)
Interest	1,735,086
Dividends	11,050,040
Securities lending	526,557
	<hr/>
	(283,115,111)
Less investment expenses	
Management and custodial fees	3,519,178
Securities lending agent fees	157,967
	<hr/>
Net investment income	(286,792,256)
	<hr/>
Total additions	(246,959,665)
	<hr/>
<b>DEDUCTIONS</b>	
Benefit payments	52,105,677
Refunds of contributions	410,409
Administrative expense	252,271
	<hr/>
Total deductions	52,768,357
	<hr/>
Net decrease in net assets	(299,728,022)
	<hr/>
<b>NET ASSETS</b>	
Beginning of year	1,016,966,323
	<hr/>
End of year	\$ 717,238,301
	<hr/> <hr/>

**MACOMB COUNTY, MICHIGAN**  
**Combining Statement of Net Assets - Component Units**  
**December 31, 2008**

	Drainage Districts (1)	Road Commission (1)	Workforce Development Board	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 59,217,484	\$ 53,980,748	\$ 1,412,007	\$ 114,610,239
Receivables:				
Accrued interest	107,743	379,045	-	486,788
Trade accounts, net	7,726,759	1,044,975	2,358	8,774,092
Special assessments	110,250,000	-	-	110,250,000
Inventories	-	3,982,355	-	3,982,355
Due from other governments	-	8,042,688	5,738,068	13,780,756
Capital assets, net:				
Assets not being depreciated	6,504,166	184,603,914	-	191,108,080
Assets being depreciated	166,553,407	522,280,006	-	688,833,413
Other assets	-	1,159,952	-	1,159,952
<b>Total assets</b>	<b>350,359,559</b>	<b>775,473,683</b>	<b>7,152,433</b>	<b>1,132,985,675</b>
<b>LIABILITIES</b>				
Accounts payable	9,442,941	9,799,310	7,071,790	26,314,041
Accrued interest payable	778,161	-	-	778,161
Due to other governments	-	-	145	145
Accrued workers compensation claims	-	2,064	-	2,064
Accrued general liability claims	-	32,614	-	32,614
Unearned revenue	106,537,589	-	-	106,537,589
Long-term debt maturities due within one year	4,755,000	-	-	4,755,000
Long-term liabilities:				
Compensated absences	-	1,305,389	-	1,305,389
Accrued workers compensation claims	-	38,464	-	38,464
Accrued general liability claims	-	77,790	-	77,790
Net OPEB obligation	-	1,021,017	-	1,021,017
Long-term debt maturities due in more than one year	105,495,000	-	-	105,495,000
<b>Total Liabilities</b>	<b>227,008,691</b>	<b>12,276,648</b>	<b>7,071,935</b>	<b>246,357,274</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	84,113,297	706,883,920	-	790,997,217
Unrestricted	39,237,571	56,313,115	80,498	95,631,184
<b>Total Net Assets</b>	<b>\$ 123,350,868</b>	<b>\$ 763,197,035</b>	<b>\$ 80,498</b>	<b>\$ 886,628,401</b>

(1) - Year-end September 30, 2008

**MACOMB COUNTY, MICHIGAN**  
**Combining Statement of Activities - Component Units**  
**For the Year Ended December 31, 2008**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Drainage Districts (1)</b>					
Governmental activities					
Public works	\$ 54,540,016	\$ 50,057,837	\$ -	\$ -	\$ (4,482,179)
Interest on long-term debt	4,301,908	-	-	-	(4,301,908)
Total public works	58,841,924	50,057,837	-	-	(8,784,087)
<b>Road Commission (1)</b>					
Governmental activities					
Public works	68,814,891	17,168,746	-	54,930,414	3,284,269
<b>Workforce Development Board</b>					
Governmental activities					
Health and Welfare	32,826,865	12,228	32,789,478	-	(25,159)
Total Component Units	<u>\$ 160,483,680</u>	<u>\$ 67,238,811</u>	<u>\$ 32,789,478</u>	<u>\$ 54,930,414</u>	<u>\$ (5,524,977)</u>

(1) - Year ended September 30, 2008

**MACOMB COUNTY, MICHIGAN**  
**Combining Statement of Activities - Component Units (concluded)**  
**For the Year Ended December 31, 2008**

	Drainage Districts (1)	Road Commission (1)	Workforce Development Board	Total
<b>Changes in net assets</b>				
Net (expense) revenue	\$ (8,784,087)	\$ 3,284,269	\$ (25,159)	\$ (5,524,977)
General revenues:				
Investment earnings	4,622,021	2,086,474	-	6,708,495
Change in net assets	(4,162,066)	5,370,743	(25,159)	1,183,518
Net assets, beginning of year	127,512,934	757,826,292	105,657	885,444,883
Net assets, end of year	<u>\$ 123,350,868</u>	<u>\$ 763,197,035</u>	<u>\$ 80,498</u>	<u>\$ 886,628,401</u>

(1) - Year Ended September 30, 2008

The accompanying notes are an integral part of these financial statements

**MACOMB COUNTY, MICHIGAN**  
**Notes to Basic Financial Statements**  
**December 31, 2008**

**Note 1 – Summary of Significant Accounting Policies**

The basic financial statements of Macomb County (the County) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing such principles. All financial statements are for the year ended December 31, 2008, except as follows: the financial statements of the Child Care, Community Services, Friend of the Court, Health Grants, Veterans' Services and certain MSU Extension, Prosecuting Attorney, Senior Citizens and Sheriff Special Revenue Funds, the Community Mental Health Enterprise Fund, and the Road Commission and Public Works Component Units, which are reported as of and for the year ended September 30, 2008.

**Financial Reporting Entity** - Macomb County was incorporated in 1818 and includes an area of 482 square miles with the county seat located in the city of Mt. Clemens. The County operates under an elected Board of Commissioners (26 members). The Board of Commissioners is a legislative body that is also responsible for the administration of the County. The County provides many services to residents, including law enforcement, administration of justice, community development and enrichment, parks and recreation and human services.

As defined by generally accepted accounting principles established by the Governmental Accounting Standards Board, the financial reporting entity consists of the primary government as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined by GASB Statement No. 14, "The Financial Reporting Entity", and amended by GASB Statement No. 39, as appointment of a voting majority of the component unit's board, and either (a) the ability of the primary government to impose its will on the component unit, or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. The accompanying financial statements present the financial position and results of operations of Macomb County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County. In conformity with generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity either as blended component units or as discretely presented component units.

**Blended Component Units** - Blended component units are legally separate from the County, but are so intertwined with the County that they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

The **Macomb County Criminal Justice Building Authority (MCCJBA)** is governed by a three-member board appointed by the County's Board of Commissioners. Although legally separate from the County, the MCCJBA is reported as if it were part of the primary government because its sole purpose is to finance and construct certain County Buildings.

The **Macomb County Building Authority** is governed by a seven-member board appointed by the County Board of Commissioners. Although legally separate from the County, the Building Authority is presented as a blended component unit because its sole purpose is to finance and construct certain County Buildings.



**MACOMB COUNTY, MICHIGAN**  
**Notes to Basic Financial Statements (continued)**  
**December 31, 2008**

**Note 1 – Summary of Significant Accounting Policies (continued)**

*Discretely Presented Component Units*

The **Macomb/St. Clair Workforce Development Board** is governed by a separate board, consisting of 37 members, the majority of which is appointed by the Chair of the Macomb County Board of Commissioners. The Workforce Development Board receives federal funding under the Workforce Investment Act to operate employment and training programs that lead to unsubsidized employment for unskilled adults and youth. Its activities are included in the County's financial statements as the County is financially responsible for the entity and the exclusion of such activities would be misleading to the County's financial statements. Separate independently audited financial statements of the Workforce Development Board are not prepared. All of the funds of the Workforce Development Board are Special Revenue Funds and, therefore, fund level financial statements are not presented herein.

The **Macomb County Road Commission** is governed by a separate board appointed by the County Board of Commissioners. The Road Commission constructs, operates and maintains primary and local roads within the County. The Road Commission's activities are included in the County's financial statements as the exclusion of such activities would be misleading to the financial statements. Complete financial statements of the Road Commission can be obtained from the Road Commission administrative offices, 156 Mallow St., P. O. Box 2347, Mt. Clemens, MI, 48046-2347.

The **Drainage Districts** are governed by separate boards composed of the Public Works Commissioner, the Chair of the County Board of Commissioners and Chair of the Finance Committee of the Board of Commissioners. Each Drainage District is a separate legal entity with the power to contract, sue and be sued and hold, dispose of and manage real property. The primary function of the Drainage Districts is to direct the construction and maintenance of drains, sewers and water supply systems within the County. The activities of the Drainage Districts are included in the County's financial statements as the exclusion of these activities would be misleading. Separate independently audited financial statements of the Drainage Districts are not prepared.

*Related Organization*

The **County of Macomb Hospital Finance Authority** is governed by a five-member board appointed by the Macomb County Board of Commissioners. The Authority was created pursuant to Public Act 38 of 1969 for the purpose of providing hospitals within the County the opportunity to finance capital projects at favorable interest rates. Public Act 38 allows hospitals to finance capital projects through the Authority, which enjoys the County's excellent credit rating. Because the Authority does not provide a financial benefit or burden to the County, it is not reported as a component unit of the County.

**MACOMB COUNTY, MICHIGAN**  
**Notes to Basic Financial Statements (continued)**  
**December 31, 2008**

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Basic (Government-Wide) and Fund Financial Statements-**

The activities of the County are categorized as either governmental or business-type in both the government-wide and fund financial statements. The majority of the County's activities are governmental activities and are supported primarily by property taxes, charges for services and intergovernmental revenues while business-type activities are supported by fees and charges for services.

For the most part, the effect of inter-fund activity has been eliminated from these statements. However, inter-fund activity between governmental activities and business-type activities has not been eliminated so as to not distort the direct costs and program revenues of the various functions.

The **basic (government-wide) financial statements** report information on the County as a whole. These statements focus on the sustainability of the County as an entity and the change in aggregate financial position resulting from the activities of the fiscal period and consist of the **Statement of Net Assets** and the **Statement of Activities**.

The **Statement of Net Assets** presents information on all of the assets and liabilities of the County, with the difference between the two reported as *net assets*. Net assets are classified into one of three categories for accounting and financial reporting purposes:

- Invested in capital assets, net of related debt. This category represents the cost of the County's capital assets, net of accumulated depreciation and reduced by any outstanding debt used to acquire those assets.
- Restricted. Assets are considered restricted when constraints are placed on their use by external sources such as creditors and grantors, or imposed by statute.
- Unrestricted. Net assets that do not meet the definition of the two preceding categories are considered unrestricted and can be used for new spending. Designations are often placed on unrestricted net assets to indicate that internal restrictions have been placed upon their use. However, designations differ from restrictions in that they may be subsequently removed or modified by management or the Board of Commissioners.

The **Statement of Activities** demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Program revenues are segregated into three categories: charges for services, operating grants and capital grants. Charges for services are those revenues generated from charges to customers or applicants who purchase, use or directly benefit from the goods and services provided by a given function or segment. Operating and capital grants are those restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other revenues not specifically associated with a particular program are reported as general revenues in the Statement of Activities.

**MACOMB COUNTY, MICHIGAN**  
**Notes to Basic Financial Statements (continued)**  
**December 31, 2008**

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Basic (Government-Wide) and Fund Financial Statements (continued)-**

**Fund financial statements** report information at the individual fund level and are, in substance, very similar to the financial statements presented in the previous financial reporting model. The focus of the fund financial statements is on the major funds of both governmental and business-type activities. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements. Non-major funds are consolidated into a single column within each fund type in the basic financial statements and are detailed in the supplementary information. Funds are classified as governmental, proprietary or fiduciary. The fiduciary funds are included in the fund financial statements but are excluded from the government-wide financial statements since these assets are being held for the benefit of third parties and are not available to support the activities or obligations of the County.

The County reports the following major governmental funds:

- The *General Fund* is the chief operating fund of the County. It accounts for all financial resources except those required to be accounted for in another fund.
- The *Revenue Sharing Reserve Fund* is required by the State of Michigan and accounts for property tax collections that serve as a substitute for State revenue sharing payments. This funding mechanism involves a gradual shift in the collection of County property taxes from December to July during the period 2005-2007.
- The *Child Care Fund* accounts for the revenues and expenditures related to juvenile detention and child safety and welfare.
- The *Friend of the Court Fund* is used to account for activities involved in administering and enforcing child support and parenting time orders issued by the 16<sup>th</sup> Circuit Court.

The County reports the following major enterprise funds:

- The *Delinquent Tax Revolving Fund* accounts for the County's annual purchase of delinquent real property taxes from each of the local taxing jurisdictions in the County and their subsequent collection. In addition, the operations of the personal property tax collection division of the Treasurer's Office are reported here.
- The *Community Mental Health Fund* accounts for the activities of delivering an array of mental health services to County residents.
- The *Martha T. Berry Medical Care Facility* accounts for the activities of delivering long-term nursing care to County residents.
- The *Freedom Hill Park* fund accounts for the operations of the Freedom Hill County Park.

**MACOMB COUNTY, MICHIGAN**  
**Notes to Basic Financial Statements (continued)**  
**December 31, 2008**

**Note 1 – Summary of Significant Accounting Policies (continued)**

Financial information regarding the County's Internal Service Funds is presented in summary form as part of the proprietary fund financial statements. Since the principal users of the services of these funds are the County's governmental activities, the financial statements of the internal service funds are consolidated into the governmental activities in the entity-wide financial statements. Surpluses or deficits of the internal service funds are allocated back to the governmental activities within the government-wide financial statements.

**Basis of Presentation - Fund Accounting (concluded) -** The accounts of the County are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The funds of the County are classified into three broad categories: governmental, proprietary and fiduciary.

**Governmental Funds**

**General Fund** – The General Fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in other funds.

**Special Revenue Funds** – Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specific purposes.

**Debt Service Funds** – Debt service funds are used to account for the accumulation of resources for, and the payment of, principal, interest and related costs of general long-term debt not being accounted for in proprietary funds.

**Capital Projects Funds** - Capital projects funds are used to account for the acquisition, construction or renovation of major capital facilities other than those accounted for in proprietary funds.

**Proprietary Funds**

**Internal Service Funds** – Internal services funds are used to account for goods and services provided to other departments and governmental agencies on a cost-reimbursement basis. The County utilizes separate internal service funds to account for compensated absences, workers' compensation insurance, liability insurance and central services such as inventory and telephone.

**Enterprise Funds** - Enterprise funds are used to account for the activities of the County's business-type activities. The operations of these funds are financed primarily through user fees that are intended to recover the cost of services provided.

**MACOMB COUNTY, MICHIGAN**  
**Notes to Basic Financial Statements (continued)**  
**December 31, 2008**

**Note 1 – Summary of Significant Accounting Policies (continued)**

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing goods and services in connection with the principal ongoing operations of any particular proprietary fund. Operating expenses for proprietary funds include cost of sales and services, administrative expenses and depreciation of capital assets. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**Fiduciary Funds**

Employees' Retirement Fund – The Employees' Retirement Fund is used to account for the accumulation of resources for pension benefit payments to qualified employees.

Retiree Health Care Trust Fund – The Retiree Health Care Trust Fund is used to account for the accumulation of resources to provide health care benefits to County retirees.

Agency Funds – Trust and agency funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. The County reports the following agency funds: general agency for items such as court fees collected and passed through to the State of Michigan, payroll and benefits for employee withholdings such as garnishments and union dues and miscellaneous agency, which is used to account for monies such as library penal fines.

Measurement Focus and Basis of Accounting – The government-wide financial statements as well as the financial statements of the proprietary funds and pension trust funds are accounted for using the economic resources measurement focus and the full accrual basis of accounting. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred without regard to the receipt or payment of cash or its equivalent. Agency funds do not have a measurement focus since they report only assets and liabilities and also use the accrual basis of accounting to recognize receivables and payables.

The governmental fund financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues of governmental funds are recognized when they become both measurable and available. "Measurable" means that the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of year-end.

Property taxes are recognized as revenue in the period for which they are levied. Federal grants, state distributions and grants and interest earned are recognized as revenue in the period they become both measurable and available. Special assessments are recognized as revenues only to the extent that individual installments are due within one year. Licenses and permits, fines and forfeitures and other revenues are recorded when received in cash because they are generally not measurable until actually received. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, with the exception of principal and interest on general long-term debt, which is recognized when due.

**MACOMB COUNTY, MICHIGAN**  
**Notes to Basic Financial Statements (continued)**  
**December 31, 2008**

**Note 1 – Summary of Significant Accounting Policies (continued)**

The majority of the funds of the County are accounted for using the modified accrual basis of accounting. Because the governmental fund financial statements are presented on a different measurement focus and basis of accounting than the government-wide financial statements, a reconciliation is provided after each governmental fund financial statement that briefly explains the adjustments necessary to reconcile the fund financial statements to the government-wide financial statements.

When both restricted and unrestricted resources are available for use, restricted assets are used first and then unrestricted resources as needed.

Inventories - Inventories consist of expendable items held for consumption and are valued at cost using the first-in, first-out method. The expenditure related to utilization of inventory items is recorded at the time individual items are consumed.

Other Assets - Other assets represent deposits and prepaid expenses.

Budgetary Accounting - Prior to October 1, the County Finance Director submits to the Board of Commissioners a proposed operating budget for the year commencing January 1. The annual operating budget includes proposed expenditures and the means of financing them for the General Fund, Revenue Sharing Reserve Fund, Friend of the Court, Health, County Library, Human Services, Community Services Agency, Senior Citizens Services and Child Care Special Revenue Funds as well as the Martha T. Berry, Community Mental Health and Parks business-type activities. For those Special Revenue Funds and component units without annual operating budgets (Emergency Management Grants, Employment and Training Fund, Veterans' Trust Fund, MSU Extension Grants, COMET, Sheriff Grants, Urban County Block Grant, Prosecuting Attorney Grants, Health Grants, Other Special Revenue Funds and Michigan Works!), legal authorization for spending is obtained through approval of the Board of Commissioners or other appropriate authoritative body. Similarly, budgetary authorization for Debt Service and Capital Projects Funds is provided by Board approval of bond ordinances, grant agreements, construction contracts and special assessment rolls. A public hearing is conducted to obtain taxpayer comments and the budget is legally enacted through passage of a resolution by the Board of Commissioners no later than December 31.

Formal budgetary integration is employed as a management control device during the year for all funds. Expenditures may not legally exceed budgeted appropriations at the function and object level within an individual department. Management cannot amend the enacted budget without the consent of the Budget Committee of the Board of Commissioners. The Finance Committee is authorized to transfer budgeted amounts within the legal levels of budgetary control. Any revisions that alter the total expenditures of any legal level of budgetary control must be approved by the Board of Commissioners. During the year, supplemental budgetary appropriations were not significant in relation to the original appropriations as adopted. Unexpended appropriations lapse at year-end. Encumbrances open at year-end are re-appropriated in the following year. Budgets are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts, as presented in the financial statements, represent final budget authorization, including all amendments approved during the year.

**MACOMB COUNTY, MICHIGAN**  
**Notes to Basic Financial Statements (continued)**  
**December 31, 2008**

**Note 1 – Summary of Significant Accounting Policies (continued)**

State statutes provide that actual expenditures of a local unit of government shall not exceed the amounts appropriated. Actual expenditures exceeded budgeted amounts at the legal level of control as indicated below. The excess expenditures were funded by either additional unbudgeted revenues or available fund balance.

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Actual in Excess of Final Budget</u>
<b>General Fund</b>			
<b>District Court - New Baltimore</b>			
Salaries and fringe benefits	\$ 1,105,429	\$ 1,132,477	\$ 27,048
<b>Family Court - Juvenile Division</b>			
Salaries and fringe benefits	4,555,204	4,573,673	18,469
<b>MSU Extension</b>			
Salaries and fringe benefits	794,495	820,368	25,873
<b>Court Building Safety</b>			
Salaries and fringe benefits	944,411	1,004,969	60,558
<b>Security</b>			
Salaries and fringe benefits	625,124	640,994	15,870
<b>Sheriff Department</b>			
Operating	10,175,371	10,822,940	647,569
<b>Non-Major Special Revenue Funds</b>			
<b>Community Services Agency</b>			
Salaries and fringe benefits	7,467,363	7,490,418	23,055
Operating	5,349,131	5,589,105	239,974

Capital Assets – Capital assets of the primary government, including land, land improvements, buildings, equipment and vehicles, are reported in the government-wide financial statements and the applicable proprietary fund financial statements. Capital assets utilized for governmental activities are only capitalized in the government-wide financial statements and are fully expended in the governmental funds. Capital assets of the component units, including infrastructure assets such as roads, bridges and drains, are reported in the Public Works and Road Commission Component Units. The County capitalizes assets whose initial purchase price equals or exceeds \$5,000 and whose estimated useful life exceeds one year. The Road Commission capitalizes assets whose initial cost equals or exceeds \$1,000 and estimated useful life exceeds one year. Capital assets are valued at historical cost or estimated historical cost. Donated properties are recorded at fair market value at the date of donation. Depreciation of all exhaustible capital assets is allocated against the various functions in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Assets. Depreciation has been provided over the following estimated useful lives using the straight-line method: land improvements - 10-20 years, buildings and improvements – 25-50 years, equipment - 3-20 years, vehicles - 5 years and infrastructure 8-50 years.

**MACOMB COUNTY, MICHIGAN**  
**Notes to Basic Financial Statements (continued)**  
**December 31, 2008**

**Note 1 – Summary of Significant Accounting Policies (continued)**

Compensated Absences – County employees earn vacation and sick leave benefits based on length of service. Both fully vest upon completion of a probationary period of six months. Upon separation from service, employees are paid accumulated vacation and sick pay based upon the nature of separation (death, retirement or termination). Certain limitations have been placed on the number of hours of vacation and sick leave that may be accumulated and carried over for payment at separation of service. Unused hours exceeding these limitations are forfeited. Accumulated unpaid vacation, sick pay and other employee benefit liabilities have been accrued in the Compensated Absences Internal Service Fund.

Encumbrances – Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund and Special Revenue Funds. Encumbrances outstanding at year-end are reported as reserves of fund balances since they do not constitute expenditures or liabilities. In addition, the encumbrances outstanding at year-end are re-appropriated and spent under authorization of a new budget.

Property Taxes – The County property tax is levied July 1 of each year based on the taxable value of property as of the preceding December 31. Taxes are billed and collected for the County by the local units within the County and are payable in one installment no later than February 28 of the following year, at which time they become delinquent and subject to penalty. Taxable value is established annually by the local units, accepted by the County and equalized by the State of Michigan to approximate 50% of market value (SEV). The annual increase in taxable value is limited by State statute to the rate of inflation or 5%, whichever is less. Taxable value reverts to SEV when a property is sold or when SEV drops below taxable value. The taxable value of real and personal property in Macomb County for the July 1, 2008 levy (calendar 2008 revenue) was \$31,812,886,490. The County operating tax rate for the 2008 levy was 4.20 mills.

The State eliminated State Revenue Sharing in 2004 and enacted Public Act 357 to provide for a gradual shift in County tax levies from December to July to serve as a substitute funding mechanism for State Revenue Sharing. The gradual shift took place over a three year period as follows: in 2005, one-third of the taxes were levied on July 1, and two-thirds on December 1; in 2006, two-thirds of the taxes were levied on July 1 and one third on December 1 and 100% of the taxes were levied on July 1 beginning in 2007 and each year thereafter.

The County, through its Delinquent Tax Revolving Fund, purchases annually from the municipalities within the County, at face value, the delinquent real property taxes receivable, as certified to the County as not collected as of March 1. The Delinquent Tax Revolving Fund is self-supporting at this time. Collection of these delinquent property taxes will be used to purchase future delinquent real property taxes from municipalities within the County.

Deferred Revenue – Deferred revenue in the governmental funds represents property taxes levied on December 1 of each year that are used to support the budget of the following year.



**MACOMB COUNTY, MICHIGAN**  
**Notes to Basic Financial Statements (continued)**  
**December 31, 2008**

**Note 1 – Summary of Significant Accounting Policies (concluded)**

*Use of Estimates* – The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make significant estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from such estimates.

*Application of FASB Pronouncements* – The County and its component units apply all applicable pronouncements of the Financial Accounting Standards Board (FASB) issued prior to December 1, 1989 in accounting for their proprietary operations (excluding internal service funds), unless those pronouncements conflict with guidance issued by the Governmental Accounting Standards Board on or after that date, as prescribed by GASB Statement No. 20. Governments also have the option of following private-sector guidance issued subsequent to December 1, 1989, subject to the same limitation. The County has elected not to do so and follow only guidance issued by the GASB subsequent December 1, 1989.

**Note 2 - Deposits and Investments**

**Primary Government and Component Unit Deposits and Investments** - The County maintains a cash and investment pool that is available for use by all funds. In addition to their participation in the pool, certain funds also maintain separate investment accounts, consisting primarily of certificates of deposit and money market accounts. Each fund's portion of the pool as well as any amounts in separate accounts are reported as "Cash and Pooled Investments". The Board of Commissioners adopts a depository resolution, including a list of authorized institutions, each year as recommended by the County Treasurer. The provisions of the depository resolution are as presented below.

- Certificates of deposit must be with institutions with locations in the State of Michigan, shall not exceed 75% of the portfolio and the amount with any one institution may not exceed 25% of the total portfolio.
- Commercial paper must be rated A-1 by Standard & Poors and P-1 by Moodys and may not exceed 75% of the total portfolio.
- Banker's acceptances with any one institution may not exceed 20% of the total portfolio.
- Government investment pools may not exceed 50% of the total portfolio.
- The total of deposits and investments with any one institution may not exceed 50% of the capitalization of that institution.

**MACOMB COUNTY, MICHIGAN**  
**Notes to Basic Financial Statements (continued)**  
**December 31, 2008**

**Note 2 – Deposits and Investments (continued)**

**Primary Government and Component Unit Deposits and Investments (continued) –**

The deposits and investments of the primary government and component units, excluding the pension and other postemployment benefit trust funds, at December 31, 2008 and September 30, 2008, respectively, are presented below.

	<b>Primary Government</b>	<b>Component Units</b>	<b>Percent of Total</b>
Cash on hand	\$ 61,470	\$ -	0.03%
Bank and money market accounts	13,850,111	19,986,070	6.62%
Certificates of deposit	176,019,043	84,295,484	84.07%
Subtotal - deposits	189,930,624	104,281,554	90.72%
Commercial paper	14,499,864	-	6.93%
US Treasury securities	4,924,645	10,328,685	2.35%
Subtotal - investments	19,424,509	10,328,685	9.28%
Total deposits and investments	209,355,133	114,610,239	100.00%
Timing effect of different year ends	4,274,613	-	
Amount reported at December 31, 2008	<u>\$ 213,629,746</u>	<u>\$ 114,610,239</u>	
Amount reported in primary government	\$ 193,191,118		
Amount reported in agency funds	20,438,628		
	<u>\$ 213,629,746</u>		

Deposits - The deposits of the primary government and its component units are subject to *custodial credit risk*, which is the risk that the deposits may not be returned in the event of a bank failure. The custodial credit risk assumed by the County is measured by categorizing deposits in one of three categories: 1) insured or collateralized with securities held by the County or its agent in the County's name, 2) collateralized with securities held by the counter-party's trust department or agent in the County's name and 3) uninsured and uncollateralized.

At year-end, the book value of the deposits was \$294,212,178, with corresponding bank balances of \$301,902,730. Qualifying deposits are insured by the FDIC up to \$250,000. Of the bank balances \$3,250,000 was insured and the remaining \$298,652,730 was uninsured and uncollateralized. The County believes that it is impractical to insure all deposits given the size of the portfolio and the limits of insurance established by the FDIC. As a result, the County evaluates each institution with which it deposits funds and assesses the level of risk associated with each institution and adjusts its deposits accordingly.

**MACOMB COUNTY, MICHIGAN**  
**Notes to Basic Financial Statements (continued)**  
**December 31, 2008**

**Note 2 – Deposits and Investments (continued)**

**Primary Government Deposits and Investments (concluded) –**

*Investments* - Investments of the primary government and component units are subject to various types of risks as defined below in accordance with GASB Statement No. 40:

- **Custodial Credit Risk** exists when securities are uninsured, unregistered or held by a counterparty or its agent but not in the government's name. All investments of the primary government are held in the name of the County and are evidenced by a safekeeping receipt and, therefore, are not exposed to custodial credit risk.
- **Credit Risk** is a measure of the creditworthiness of the issuers of the instruments being held and represents the risk that the issuer or other counterparty to an investment will not fulfill its obligations. Statutes of the State of Michigan authorize the County to invest in the following instruments: obligations of the U.S. Treasury and its agencies and instrumentalities, commercial paper rated within the two highest classifications established by not less than two standard rating services, bankers' acceptances, investment pools of the Treasurer of the State of Michigan, and repurchase agreements. At year-end, all of the commercial paper held by the County was rated A-1 by Standard & Poors and P-1 by Moody's Investor Service. In addition, the entire portfolio of investments issued by the United States Treasury or agencies of the United States were rated AAA by Standard & Poors and Aaa by Moody's.
- **Concentration of Credit Risk** is the risk of loss measured by the magnitude of the County's investment in a single issuer. As defined by GASB Statement NO. 40, the County is exposed to concentration of credit risk if more that 5% of its portfolio is invested in instruments issued by a single issuer. No investments exceed the 5% threshold at year-end.
- **Interest Rate Risk** is the risk that the fair value of the County's investments will be adversely affected by changes in market interest rates and is measured primarily by average days to maturity. Although the County investment policy does not limit investment maturities as a means of limiting its exposure to interest rate risk, the County manages this risk by purchasing a mix of short and longer term investments. Information regarding the County's exposure to interest rate risk is presented below:

Maturities (Years)	Fair Value			Percent of Total
	US Treasury	Commercial Paper	Total	
Less than 1	\$ 10,766,964	\$ 14,499,864	\$ 25,266,828	84.92%
1-5	4,486,366	-	4,486,366	15.08%
	<u>\$ 15,253,330</u>	<u>\$ 14,499,864</u>	<u>\$ 29,753,194</u>	<u>100.00%</u>

**MACOMB COUNTY, MICHIGAN**  
**Notes to Basic Financial Statements (continued)**  
**December 31, 2008**

**Note 2 – Deposits and Investments (continued)**

**Retiree Health Care Trust Fund Investments** – The investments of the Retiree Health Care Trust Fund (the “Fund”) are held in a bank-administered trust fund. A summary of the investments of the Retiree Health Care Trust Fund at December 31, 2008 are presented below:

<u>Investment Type</u>	<u>Amount</u>	<u>Percent of Total</u>
Cash and pooled investments	\$ 3,285,719	3.88%
Equity Mutual Funds	56,027,292	66.14%
Bond Mutual Funds	15,867,440	18.73%
Foreign Stock	9,313,908	10.99%
Common Stock	216,714	0.26%
	<u>\$ 84,711,073</u>	<u>100.00%</u>

Investments of the Retiree Health Care Trust Fund are subject to various types of risks as defined below in accordance with GASB Statement No. 40:

- ***Custodial Credit Risk*** exists when securities are uninsured, unregistered or held by a counterparty or its agent but not in the government’s name. All investments of the Retiree Health Care Trust Fund are held in trust by a third party institution in the name of the Fund and are, therefore, are not exposed to custodial credit risk.
- ***Credit Risk*** is a measure of the creditworthiness of the issuers of the instruments being held and represents the risk that the issuer or other counterparty to an investment will not fulfill its obligations. Statutes of the State of Michigan authorize the Retiree Health Care Trust Fund to invest in the following instruments: obligations of the U.S. Treasury and its agencies and instrumentalities, commercial paper rated within the two highest classifications established by not less than two standard rating services, bankers’ acceptances, investment pools of the Treasurer of the State of Michigan, repurchase agreements and corporate bonds rated in the top four major grades as determined by at least two national ratings agencies. At December 31, 2008, the Fund’s investments in debt securities were rated by Standard & Poors as follows:

<u>Quality Rating</u>	<u>US Treasury</u>	<u>US Agency</u>	<u>Corporate</u>	<u>Total</u>	<u>Percent of Total</u>
AAA	\$ 3,950,993	\$ 7,584,636	\$ 1,110,677	\$ 12,646,306	79.70%
AA	-	-	650,638	650,638	4.10%
A	-	-	1,364,520	1,364,520	8.60%
BAA	-	-	1,205,976	1,205,976	7.60%
	<u>\$ 3,950,993</u>	<u>\$ 7,584,636</u>	<u>\$ 4,331,811</u>	<u>\$ 15,867,440</u>	<u>100.00%</u>

**MACOMB COUNTY, MICHIGAN**  
**Notes to Basic Financial Statements (continued)**  
**December 31, 2008**

**Note 2 – Deposits and Investments (continued)**

**Retiree Health Care Trust Fund Investments (concluded) –**

- **Concentration of Credit Risk** is the risk of loss measured by the magnitude of investments in a single issuer. As defined by GASB Statement NO. 40, the County is exposed to concentration of credit risk if more than 5% of its portfolio is invested in instruments issued by a single issuer. Investments in instruments issued by the US Government, as well as those held in mutual funds and investment pools are exempt from this requirement. None of the investments in common or foreign stock exceeded the 5% threshold at December 31, 2008.
  
- **Interest Rate Risk** is the risk that the fair value of investments in debt securities will be adversely affected by changes in market interest rates and is measured primarily by average days to maturity. The entire portfolio of debt securities of the Retiree Health Care Trust Fund is held in one bond index mutual fund that consists of a mix of corporate, US Treasury and US Agency securities. Therefore, the information regarding the Fund's exposure to interest rate risk is presented for the mutual fund as a whole:

<b>Maturities (Years)</b>	<b>Fair Value</b>				<b>Percent of Total</b>
	<b>US Treasury</b>	<b>US Agency</b>	<b>Corporate</b>	<b>Total</b>	
1-5	\$ 2,761,744	\$ 5,301,661	\$ 3,027,936	\$ 11,091,341	69.90%
6-10	806,003	1,547,265	883,689	3,236,957	20.40%
11 or more	383,246	735,710	420,186	1,539,142	9.70%
	<u>\$ 3,950,993</u>	<u>\$ 7,584,636</u>	<u>\$ 4,331,811</u>	<u>\$ 15,867,440</u>	<u>100.00%</u>

**Employees' Retirement System Deposits and Investments** - A summary of the investments of the System at December 31, 2008 is presented below:

<b>Investment Type</b>	<b>Amount</b>	<b>Percent of Total</b>
Cash and pooled investments	\$ 80,387,601	12.56%
Corporate bonds	75,974,909	11.87%
Preferred stock	7,704,498	1.20%
Common stock	127,527,413	19.93%
Foreign stock	20,705,009	3.23%
Limited partnerships	57,353,476	8.96%
Mutual funds	270,378,388	42.25%
	<u>\$ 640,031,294</u>	<u>100.00%</u>

**MACOMB COUNTY, MICHIGAN**  
**Notes to Basic Financial Statements (continued)**  
**December 31, 2008**

**Note 2 - Deposits and Investments (continued)**

**Employees' Retirement System Deposits and Investments (continued) –**

Deposits - The deposits of the Macomb County Employee's Retirement System (the "System") are subject to ***custodial credit risk***, which is the risk that the deposits may not be returned in the event of a bank failure. The custodial credit risk assumed by the System is measured by categorizing deposits as previously described. At year-end, the book value of the deposits of the System was \$80,387,601, with corresponding bank balances of \$80,558,081. Qualifying deposits are insured by the FDIC up to \$250,000. Of the bank balances of the System, \$500,000 was insured and the remaining \$80,058,081 was uninsured and uncollateralized.

Investments – The investments of the System are subject to various types of risks as defined below in accordance with GASB Statement No. 40:

- ***Custodial Credit Risk*** exists when securities are uninsured, unregistered or held by a counterparty or its agent but not in the government's name. All investments of the System are held in trust by a third party institution in the name of the System and are, therefore, are not exposed to custodial credit risk.
- ***Credit Risk*** is a measure of the creditworthiness of the issuers of the instruments being held and represents the risk that the issuer or other counterparty to an investment will not fulfill its obligations. Statutes of the State of Michigan authorize the System to invest in the following instruments: obligations of the U.S. Treasury and its agencies and instrumentalities, commercial paper rated within the two highest classifications established by not less than two standard rating services, bankers' acceptances, investment pools of the Treasurer of the State of Michigan, repurchase agreements, corporate stocks and corporate bonds rated in the top four major grades as determined by at least two national ratings agencies. Corporate stock cannot exceed sixty five percent (65%) of the total portfolio. The System also participates in securities lending transactions (see Note 7).

At December 31, 2008, the System's investments in debt securities were rated by Standard & Poors as follows:

<u>Quality Rating</u>	<u>Corporate Bonds</u>	<u>Percent of Total</u>
AAA	\$ 43,341,004	57.04%
AA	3,628,586	4.78%
A	10,531,464	13.86%
BBB	15,209,626	20.02%
BB	1,023,649	1.35%
B	2,240,580	2.95%
	<u>\$ 75,974,909</u>	<u>100.00%</u>

**MACOMB COUNTY, MICHIGAN**  
**Notes to Basic Financial Statements (continued)**  
**December 31, 2008**

**Note 2 - Deposits and Investments (concluded)**

**Employees' Retirement System Deposits and Investments (concluded) –**

***Interest Rate Risk*** is the risk that the fair value of investments in debt securities will be adversely affected by changes in market interest rates and is measured primarily by average days to maturity. A summary of the maturities of the System's debt securities at December 31, 2008 were as follows:

<u>Maturities (Years)</u>	<u>Corporate Bonds</u>	<u>Percent of Total</u>
1-5	\$ 40,518,548	53.34%
6-10	21,086,445	27.75%
11 or more	14,369,916	18.91%
	<u>\$ 75,974,909</u>	<u>100.00%</u>

Investments in non-marketable limited partnerships are generally carried at the fair value reported by the management of the investment partnerships as of December 31. The County believes that the carrying value of these investments is a reasonable estimate of the fair value as of December 31, 2008. Because these investments are not readily marketable, the carrying value may differ from the value that would have been reported had a ready market for these investments existed. The carrying value of such investments was \$57,353,476 at December 31, 2008 and constituted 8.96% of the investment portfolio of the System.

Securities Lending Credit Risk – The Macomb County Employees' Retirement System is authorized to participate in securities lending agreements with its custodian. Such transactions involve loans of securities to broker/dealers and other entities for collateral with a simultaneous agreement to return the collateral for the same securities in the future and are perceived to be invisible to the third party money managers who manage segments of the portfolio. The market for securities lending has developed to provide temporary access to a large portfolio of securities for broker/dealers who have a need to borrow specific instruments. Broker/dealers collateralize their borrowings (typically in cash) to 102% of the security value for domestic securities and 105% for foreign securities and this collateral is adjusted daily to maintain the appropriate level. The System had no credit risk exposure to borrowers at year-end since the borrowers had collateralized the securities on loan at 102%. In addition, the system is indemnified through its agreement with its custodian should borrowers fail to return securities lent or fail to pay the System income distributions by the securities' issuers while the securities are on loan. The System may not pledge or sell collateral securities, except in the case of borrower default. The System periodically reviews the custodian's practices to ensure fair distributions by the securities' issuers while the securities are on loan. The value of securities on loan at December 31, 2008 was \$25,396,045.

**MACOMB COUNTY, MICHIGAN**  
**Notes to Basic Financial Statements (continued)**  
**December 31, 2008**

**Note 3 – Capital Assets**

The following is a summary of capital asset activity of the governmental activities of the County for the year ended December 31, 2008:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 14,154,314	\$ -	\$ 1,155,455	\$ 12,998,859
Construction in progress	10,974,177	9,268,055	12,022,605	8,219,627
Total capital assets not being depreciated	25,128,491	9,268,055	13,178,060	21,218,486
Capital assets being depreciated				
Land improvements	9,768,083	132,017	-	9,900,100
Buildings	169,464,031	12,277,801	-	181,741,832
Machinery, equipment and vehicles	66,143,675	2,928,403	16,518,068	52,554,010
Total capital assets being depreciated	245,375,789	15,338,221	16,518,068	244,195,942
Less accumulated depreciation for				
Land improvements	3,139,772	452,121	-	3,591,893
Buildings	65,020,071	5,163,057	-	70,183,128
Machinery, equipment and vehicles	39,299,537	7,513,998	16,247,921	30,565,614
Total accumulated depreciation	107,459,380	13,129,176	16,247,921	104,340,635
Total capital assets being depreciated, net	137,916,409	2,209,045	270,147	139,855,307
Governmental activities capital assets, net	<u>\$ 163,044,900</u>	<u>\$ 11,477,100</u>	<u>\$ 13,448,207</u>	<u>\$ 161,073,793</u>

The primary government does not have any infrastructure assets. Infrastructure assets of the County are reported in either the Drainage Districts or Road Commission Discretely Presented Component Units.

Depreciation expense was charged to the functions of the governmental activities as follows:

	Governmental Assets	Internal Service Assets	Total
Governmental activities:			
Judicial	\$ 2,336,648	\$ -	\$ 2,336,648
General government	2,892,000	662,482	3,554,482
Health and welfare	1,591,467	-	1,591,467
Recreation and culture	75,271	-	75,271
Public safety	5,571,308	-	5,571,308
	<u>\$ 12,466,694</u>	<u>\$ 662,482</u>	<u>\$ 13,129,176</u>



**MACOMB COUNTY, MICHIGAN**  
**Notes to Basic Financial Statements (continued)**  
**December 31, 2008**

**Note 3 – Capital Assets (continued)**

The following is a summary of capital asset activity of the business-type activities of the County for the year ended December 31, 2008:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities</b>				
Capital assets being depreciated				
Land improvements	\$ 455,054	\$ -	\$ -	\$ 455,054
Buildings	29,036,924	187,008	9,072	29,214,860
Machinery, equipment and vehicles	3,776,011	96,312	2,218,072	1,654,251
Total capital assets being depreciated	33,267,989	283,320	2,227,144	31,324,165
Less accumulated depreciation for				
Land improvements	278,182	17,683	-	295,865
Buildings	7,061,919	921,572	1,437	7,982,054
Machinery, equipment and vehicles	2,691,570	207,200	2,133,050	765,720
Total accumulated depreciation	10,031,671	1,146,455	2,134,487	9,043,639
Total capital assets being depreciated, net	23,236,318	(863,135)	92,657	22,280,526
Business-type activities capital assets, net	<u>\$ 23,236,318</u>	<u>\$ (863,135)</u>	<u>\$ 92,657</u>	<u>\$ 22,280,526</u>

The following is a summary of changes in the Drainage Districts Component Unit capital assets for the year ended September 30, 2008:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 1,992,428	\$ -	\$ -	\$ 1,992,428
Construction in progress	16,903,526	1,727,494	14,119,282	4,511,738
Total capital assets not being depreciated	18,895,954	1,727,494	14,119,282	6,504,166
Capital assets being depreciated				
Infrastructure	224,304,214	14,363,772	-	238,667,986
Less accumulated depreciation for				
Infrastructure	67,484,856	4,629,723	-	72,114,579
Total capital assets being depreciated, net	156,819,358	9,734,049	-	166,553,407
Governmental activities capital assets, net	<u>\$ 175,715,312</u>	<u>\$ 11,461,543</u>	<u>\$ 14,119,282</u>	<u>\$ 173,057,573</u>

**MACOMB COUNTY, MICHIGAN**  
**Notes to Basic Financial Statements (continued)**  
**December 31, 2008**

**Note 3 – Capital Assets (concluded)**

The following is a summary of changes in the Road Commission Component Unit capital assets for the year ended September 30, 2008:

	Balance Beginning	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 180,521,635	\$ 4,082,279	\$ -	\$ 184,603,914
Total capital assets not being depreciated	180,521,635	4,082,279	-	184,603,914
Capital assets being depreciated				
Land improvements	1,319,384	97,183	-	1,416,567
Buildings	25,157,021	28,110	-	25,185,131
Machinery, equipment and vehicles	26,887,389	1,369,637	811,210	27,445,816
Infrastructure	860,735,535	30,466,544	-	891,202,079
Total capital assets being depreciated	914,099,329	31,961,474	811,210	945,249,593
Less accumulated depreciation for				
Land improvements	814,474	67,045	-	881,519
Buildings	6,028,158	503,169	-	6,531,327
Machinery, equipment and vehicles	22,702,619	1,785,694	806,462	23,681,851
Infrastructure	357,955,403	33,919,487	-	391,874,890
Total accumulated depreciation	387,500,654	36,275,395	806,462	422,969,587
Total capital assets being depreciated, net	526,598,675	(4,313,921)	4,748	522,280,006
Governmental activities capital assets, net	\$ 707,120,310	\$ (231,642)	\$ 4,748	\$ 706,883,920

**MACOMB COUNTY, MICHIGAN**  
**Notes to Basic Financial Statements (continued)**  
**December 31, 2008**

**Note 4 – Long-Term Debt**

The following is a summary of the long-term liability transactions for the year ended December 31, 2008:

Issue	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Primary Government</b>					
<b>Governmental activities</b>					
Criminal Justice Bldg Authority					
Series 1989 Jail Renovation	\$ 300,000	\$ -	\$ 300,000	\$ -	\$ -
Series 2002-B Refunding	4,695,000	-	270,000	4,425,000	270,000
Building Authority					
Series 1999 Verkuilen Bldg	285,000	-	140,000	145,000	145,000
Series 2000 Clemens Center	350,000	-	175,000	175,000	175,000
Series 2002 MTB/Youth Home	9,950,000	-	1,250,000	8,700,000	1,300,000
Series 2002-A Refunding	6,310,000	-	680,000	5,630,000	705,000
Series 2004 Warehouse	4,550,000	-	200,000	4,350,000	200,000
Series 2004-A Public Works Bldg	3,800,000	-	175,000	3,625,000	175,000
Series 2005 Clemens Refunding	2,815,000	-	30,000	2,785,000	30,000
Series 2005 Commun System/Dist Court	17,930,000	-	725,000	17,205,000	750,000
Series 2007 Refunding	16,895,000	-	55,000	16,840,000	60,000
MI Transportation Fund					
Series 2000-A Bridge Bonds	3,115,000	-	2,775,000	340,000	340,000
Series 2004-B Bridge Bonds	9,250,000	-	3,245,000	6,005,000	400,000
Series 2008- Bridge Refunding Bonds	-	2,605,000	15,000	2,590,000	35,000
	80,245,000	2,605,000	10,035,000	72,815,000	4,585,000
Other liabilities					
Compensated Absences	6,025,380	1,102,519	1,104,078	6,023,821	1,300,000
General liability claims	4,624,581	3,307,336	3,846,052	4,085,865	1,000,000
Workers' compensation claims	1,839,542	1,147,187	1,198,226	1,788,503	1,000,000
	92,734,503	8,162,042	16,183,356	84,713,189	7,885,000
<b>Component Units</b>					
Drainage Districts					
Special Assessment Debt	92,820,000	22,340,000	4,910,000	110,250,000	4,755,000
Road Commission					
Compensated Absences	1,266,604	38,785	-	1,305,389	-
General liability claims	375,883	-	265,479	110,404	32,614
Workers' compensation claims	154,035	-	113,507	40,528	2,064
Total Road Commission	1,796,522	38,785	378,986	1,456,321	34,678
<b>Grand Totals</b>	<b>\$ 187,351,025</b>	<b>\$ 30,540,827</b>	<b>\$ 21,472,342</b>	<b>\$ 196,419,510</b>	<b>\$ 12,674,678</b>

**MACOMB COUNTY, MICHIGAN**  
**Notes to Basic Financial Statements (continued)**  
**December 31, 2008**

**Note 4 – Long-Term Debt (continued)**

Long-term bonded debt of the Primary Government and Component Units consists of the following:

Issue	Interest Rate	Date of Issue	Maturing Through	Original Issue Amount	Balance End of Year
<b>Primary Government</b>					
<b>Governmental activities</b>					
Criminal Justice Building Authority					
Series 2002-B Refunding	2.00-4.00	01/01/2003	7/1/2013	\$ 5,830,000	\$ 4,425,000
Macomb County Building Authority					
Series 1999 Verkuilen Bldg Renovation	4.00-4.90	11/01/1999	5/1/2009	1,205,000	145,000
Series 2000 Clemens Center	4.70-5.70	08/01/2000	5/1/2020	4,000,000	175,000
Series 2002 MTB/Youth Home Renovation	3.50-5.00	05/01/2002	5/1/2022	32,000,000	8,700,000
Series 2002-A Refunding	2.50-4.00	12/01/2002	5/1/2015	8,885,000	5,630,000
Series 2004 Warehouse	2.00-5.00	05/01/2004	5/1/2024	5,100,000	4,350,000
Series 2004-A Public Works Bldg	3.00-4.50	11/01/2004	5/1/2024	4,250,000	3,625,000
Series 2005 Clemens Refunding	3.25-5.00	12/01/2005	5/1/2020	2,875,000	2,785,000
Series 2005 Commun System/Dist Court	3.75-4.50	12/01/2005	11/1/2025	19,380,000	17,205,000
Series 2007 Refunding	3.50-4.22	04/01/2007	3/1/2022	16,895,000	16,840,000
Michigan Transportation Bonds					
Series 2000-A Bridge Bonds	5.375-5.625	06/01/2000	12/1/2015	5,000,000	340,000
Series 2004-B Bridge Bonds	3.00-4.75	05/01/2004	12/1/2024	10,000,000	6,005,000
Series 2008 Bridge Refunding Bonds	3.00-3.50	06/01/2008	12/1/2015	2,605,000	2,590,000
Total Primary Government				118,025,000	72,815,000
<b>Drainage Districts Component Unit</b>					
<b>Special Assessment Debt</b>					
Busch Drain	3.80- 4.55	10/01/1998	05/01/2014	1,250,000	650,000
Hawken Drain	4.30 - 5.25	08/01/2000	05/01/2015	795,000	400,000
Hayes Drain	4.50 - 5.20	08/01/2000	05/01/2015	1,095,000	725,000
Plumbrook Bridge Replacement	4.00 - 5.00	08/01/2000	05/01/2015	2,800,000	1,700,000
Schmidt Drain	3.60 - 4.30	05/01/2006	06/01/2016	525,000	425,000
17 Mile Road Drain & Branches	4.00 - 8.00	04/01/1973	05/01/2013	2,315,000	1,390,000
17 Mile Road Extension	3.00 - 4.50	11/01/2001	11/01/2016	1,725,000	1,125,000
Sterling Relief Lateral 12B Extension	2.00 - 4.00	09/01/2003	11/01/2012	885,000	505,000
Armada Village MCSSS	2.00	01/23/1992	10/01/2011	1,170,000	215,000
North Gration Interceptor	3.75 - 4.20	11/01/2006	05/01/2032	3,380,000	3,330,000
North Gration Interceptor - Lenox Local	4.00 - 4.25	03/01/2007	05/01/2031	15,200,000	14,750,000
North Gration Interceptor - Phase 1	3.25 - 4.75	06/01/2008	05/01/2033	22,340,000	22,340,000

**MACOMB COUNTY, MICHIGAN**  
**Notes to Basic Financial Statements (continued)**  
**December 31, 2008**

**Note 4 – Long-Term Debt (continued)**

<u>Issue</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Maturing Through</u>	<u>Original Issue Amount</u>	<u>Balance End of Year</u>
<b>Drainage Districts Component Unit</b>					
<b>Special Assessment Debt</b>					
Lake St. Clair Clean Water Initiative Series A	4.30 - 4.90	01/01/2001	10/1/2018	9,990,000	8,580,000
Lake St. Clair Clean Water Initiative					
State Revolving Fund Series #1 (5186-01)	2.50	Various	10/01/2022	20,670,000	15,515,000
Lake St. Clair Clean Water Initiative Phase II, No. 2		04/01/2002	04/01/2023	5,000,000	4,350,000
Lake St. Clair Clean Water Initiative					
State Revolving Fund Series #2 (5186-02)	2.50	Various	04/01/2022	13,630,000	10,235,000
Lake St. Clair Clean Water Initiative					
State Revolving Fund Series #3 (5186-03)	2.50	Various	04/08/2022	2,640,000	1,980,000
Lake St. Clair Clean Water Initiative					
State Revolving Fund Series #4 (5186-04)	2.50	Various	10/01/2022	5,550,000	4,165,000
Lake St. Clair Clean Water Initiative					
State Revolving Fund Series #5 (5186-05)	2.50	Various	10/01/2022	975,000	775,000
Lake St. Clair Clean Water Initiative Series 2004A	4.375 - 5.150	06/01/2004	10/01/2029	5,000,000	4,500,000
Lake St. Clair Clean Water Initiative Series 2004B	4.375 - 5.150	06/01/2004	10/01/2029	14,000,000	12,595,000
Total Drainage Districts Component Unit				130,935,000	110,250,000
Total Reporting Entity				<u>\$ 248,960,000</u>	<u>\$ 183,065,000</u>

All long-term obligations are presented as of December 31, 2008 except for the Special Assessment Debt with Governmental Commitment and Road Commission obligations, which are presented as of September 30, 2008. Special assessments receivable have been pledged by various local units of government for the payment of principal and interest on the Special Assessment Debt with Governmental Commitment. The County has also pledged its full faith and credit as additional security for the payment of the principal and interest on the Special Assessment Debt with Governmental Commitment in the event that the monies required to pay the principal and interest on the bonds are not collected by the aforementioned special assessments.

**MACOMB COUNTY, MICHIGAN**  
**Notes to Basic Financial Statements (continued)**  
**December 31, 2008**

**Note 4 – Long-Term Debt (continued)**

The annual requirements necessary to pay principal on the obligations of the Primary Government and Component Units outstanding at year-end, exclusive of the compensated absences, general liability and workers' compensation accruals, are as follows:

<b>Principal Maturities</b>					
Year	<b>Primary Government</b>			<b>Total</b>	<b>Drainage Districts</b>
	<b>Building Authority</b>	<b>Criminal Justice Building Authority</b>	<b>MI Transportation Bonds</b>		<b>Special Assessment Debt</b>
2009	\$ 3,540,000	\$ 270,000	775,000	\$ 4,585,000	\$ 4,755,000
2010	3,505,000	865,000	795,000	5,165,000	4,985,000
2011	3,660,000	1,155,000	805,000	5,620,000	5,095,000
2012	3,815,000	1,135,000	920,000	5,870,000	5,215,000
2013	3,980,000	1,000,000	930,000	5,910,000	5,390,000
2014-2018	19,550,000	-	3,405,000	22,955,000	26,415,000
2019-2023	18,100,000	-	1,305,000	19,405,000	27,025,000
2024-2028	3,305,000	-	-	3,305,000	19,675,000
2029-2033	-	-	-	-	11,695,000
	<u>\$ 59,455,000</u>	<u>\$ 4,425,000</u>	<u>\$ 8,935,000</u>	<u>\$ 72,815,000</u>	<u>\$ 110,250,000</u>

The annual requirements to pay interest on the obligations of the Primary Government and Component Units outstanding at year-end, exclusive of the compensated absences, general liability and workers' compensation accruals, are as follows:

<b>Interest Maturities</b>					
Year	<b>Primary Government</b>			<b>Total</b>	<b>Drainage Districts</b>
	<b>Building Authority</b>	<b>Criminal Justice Building Authority</b>	<b>MI Transportation Bonds</b>		<b>Special Assessment Debt</b>
2009	\$ 2,364,190	\$ 170,600	344,962	\$ 2,879,752	\$ 4,255,333
2010	2,231,772	161,150	311,050	2,703,972	4,092,594
2011	2,096,741	128,712	283,712	2,509,165	3,921,694
2012	1,954,078	85,400	256,050	2,295,528	3,743,486
2013	1,800,716	40,000	224,275	2,064,991	3,557,682
2014-2018	6,633,812	-	643,525	7,277,337	14,958,701
2019-2023	2,680,829	-	92,775	2,773,604	10,075,662
2024-2028	195,875	-	-	195,875	5,199,560
2029-2033	-	-	-	-	1,038,265
	<u>\$ 19,958,013</u>	<u>\$ 585,862</u>	<u>\$ 2,156,349</u>	<u>\$ 22,700,224</u>	<u>\$ 50,842,977</u>

**MACOMB COUNTY, MICHIGAN**  
**Notes to Basic Financial Statements (continued)**  
**December 31, 2008**

**Note 4 – Long-Term Debt (continued)**

New debt issued - On May 8, 2008, the County issued \$2,605,000 of Series 2008 Michigan Transportation Fund Refunding bonds to advance refund \$2,450,000 of the \$3,115,000 Macomb County Building Authority Series 2000 Michigan Transportation Fund bonds outstanding at that date. The net proceeds of \$2,577,947 (after payment of \$61,381 of issuance costs and underwriters discounts) were placed in an irrevocable trust with an escrow agent and used to purchase obligations of the U. S. Treasury to provide for future debt service payments on the refunded bonds. Therefore, the refunded bonds have been removed from the accounts of the County. The remaining \$665,000 Series 2000 Michigan Transportation Fund bonds are due and payable serially through December 1, 2009. The difference between the cash flows required to service the old debt and the cash flows required to service the new bonds and complete the refunding was \$104,413. The economic gain realized by the County as a result of the refunding was \$93,941, which represents the difference between the present value of the debt service payments on the old and new debt. The refunding bonds, issued in denominations of \$5,000 or multiples thereof, bear interest from 3.00% to 3.50% and are due serially through December 1, 2015. The bonds are a general obligation of the County and are secured by the full faith and credit of the County. None of the refunding bonds are subject to early redemption.

On June 19, 2008, the North Gratiot Interceptor Drain Drainage District (the "Drainage District") issued \$22,340,000 of Series 2008 North Gratiot Interceptor Phase I bonds for the purpose of paying the cost of acquiring and constructing improvements to the North Gratiot Interceptor Drain. Bonds totaling \$11,440,000 were issued in denominations of \$5,000 or multiples thereof, bear interest from 3.250% to 4.625% and are due serially through May 1, 2027. The remaining \$10,900,000 term bonds bear interest from 4.75% to 5.00% and are due annually May 1, 2021 through May 1, 2033. The Bonds were issued under the provisions of Section 275 of Act 40, Public Acts of Michigan, 1956, as amended, and are payable from of special assessments against the Macomb County Wastewater Disposal District, the Charter Township of Chesterfield, the Township of Lenox and the Village of New Haven. The assessments represent a general obligation of the local units and are payable from their general funds or ad valorem taxes that may be levied by them. The County has also pledged its full faith and credit as additional security for the payment of the principal of and interest on the Bonds when due. Bonds designated as term bonds are subject to mandatory redemption at par and accrued interest on dates and in amounts as specified in the bond offering official statement. Of the remaining bonds, none maturing prior to May 1, 2016 are subject to early redemption. Bonds maturing on or after May 1, 2017 are subject to redemption at par plus accrued interest on or after May 1, 2016.

Defeased debt - On August 14, 2008, the County defeased \$2,895,000 of the \$9,250,000 Series 2004 Michigan Transportation Bonds outstanding at that date. A total of \$3,107,810 (after payment of \$9,900 of issuance costs and underwriters discounts) were placed in an irrevocable trust with an escrow agent and used to purchase obligations of the U. S. Treasury to provide for future debt service payments on the defeased bonds. Therefore, the defeased bonds have been removed from the accounts of the County. The remaining \$6,355,000 Series 2004 Michigan Transportation Fund bonds are due and payable serially through December 1, 2021. The difference between the cash flows required to service the old debt and the cash flows required to service the new bonds and complete the refunding was \$1,821,402. The economic gain realized by the County as a result of the refunding was \$359,818, which represents the difference between the present value of the debt service payments on the old and new debt.

**MACOMB COUNTY, MICHIGAN**  
**Notes to Basic Financial Statements (continued)**  
**December 31, 2008**

**Note 4 – Long-Term Debt (concluded)**

In prior years, the County defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the financial statements of the County. At December 31, 2008, the amount of defeased debt outstanding but not reported as long-term debt of the primary government totaled \$24,220,000.

**Note 5 – Interfund Receivables, Payables and Transfers**

	Due From Other Funds	Due To Other Funds
<u>Major governmental funds</u>		
General Fund	\$ 10,251,951	\$ -
Friend of the Court		1,623,103
	<u>10,251,951</u>	<u>1,623,103</u>
Nonmajor Special Revenue Funds	-	1,451,636
Internal Service Funds	4,512,219	190,148
<u>Major Business-Type Activities Funds</u>		
Delinquent Tax Revolving	-	6,744,837
Martha T. Berry	-	126,616
Freedom Hill Park	-	115,611
	<u>-</u>	<u>6,987,064</u>
<u>Fiduciary Funds</u>		
Pension Trust	950,977	1,022,245
Retiree Health Fund	-	4,520,373
Agency Funds	113,415	761
Fiduciary funds	<u>1,064,392</u>	<u>5,543,379</u>
Reporting Entity Subtotal	15,828,562	15,795,330
Imbalance caused by the timing effects of interfund transactions in funds with different year-end reporting dates	<u>(33,232)</u>	<u>-</u>
	<u>\$ 15,795,330</u>	<u>\$ 15,795,330</u>

The majority of the outstanding interfund balances represent short-term working capital loans for funds with negative cash balances in the County's cash and investment pool at year-end. However, certain balances result from the difference between the dates that interfund goods and services are provided and when the related payments are made.



**MACOMB COUNTY, MICHIGAN**  
**Notes to Basic Financial Statements (continued)**  
**December 31, 2008**

**Note 5 – Interfund Receivables, Payables and Transfers (continued)**

	<u>Transfers In</u>	<u>Transfers Out</u>
<u>Major governmental funds</u>		
General Fund	\$ 27,356,343	\$ 64,858,581
Revenue Sharing Reserve	-	15,418,206
Child Care	16,885,557	-
Friend of the Court	5,115,781	3,000,000
	<u>49,357,681</u>	<u>83,276,787</u>
 <u>Nonmajor governmental funds</u>		
Special revenue	22,157,624	753,180
Debt Service	10,509,819	-
Capital Projects	22,031,665	23,786,787
	<u>54,699,108</u>	<u>24,539,967</u>
 Internal Service Funds	2,273,746	-
 <u>Major Business-type activities</u>		
Delinquent Tax Revolving	-	8,655,000
Community Mental Health	5,941,852	-
Martha T. Berry Medical Care Facility - Operations	2,445,359	-
Martha T. Berry Medical Care Facility - Capital assets	31,142	-
Fredom Hill Park	755,866	-
	<u>9,174,219</u>	<u>8,655,000</u>
 Subtotal	115,504,754	116,471,754
Imbalance caused by the timing effects of interfund transactions in funds with different year-end reporting dates	967,000	-
	<u>\$ 116,471,754</u>	<u>\$ 116,471,754</u>

Interfund transfers are used to (1) account for the movement of unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorization and (2) move restricted revenues from the funds that are allowed to collect them to funds that are allowed to expend them, most notably property taxes collected by the Revenue Sharing Reserve Fund and transferred to the General Fund in accordance with Public Act 357 of 2004 (see B-31).

**MACOMB COUNTY, MICHIGAN**  
**Notes to Basic Financial Statements (continued)**  
**December 31, 2008**

**Note 5 – Interfund Receivables, Payables and Transfers (concluded)**

The governmental capital projects funds of the County paid for certain capital improvements at the Martha T. Berry Medical Care Facility in the current year. The value of the reported assets totaled \$31,142 and is reflected under the caption Transfers - Other in the Statement of Revenues, Expenses and Changes in Fund Net Assets of the Martha T. Berry business-type unit.

Interfund advances at December 31, 2008 were:

Fund	Advances Receivable	Advances Payable
General Fund	\$ 295,000	\$ -
Internal Service - Equipment Revolving	-	295,000
	<u>\$ 295,000</u>	<u>\$ 295,000</u>

**Note 6 – Leases**

The County has commitments under operating lease agreements which provide for minimum annual lease payments as follows:

Year	Amount
2009	\$ 2,094,616
2010	1,791,270
2011	1,374,909
2012	980,165
2013	551,541
2014	110,634
2015	110,634
2016	110,634
2017	59,927
	<u>\$ 7,184,330</u>

Rental expense totaled \$2,369,694 for the year ended December 31, 2008.

**Note 7 – Deferred Compensation**

The County offers its employees a deferred compensation plan in accordance with Internal Revenue Code Section 457. The plan, available to all County employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts and all income attributable to those amounts are held in trust for the exclusive benefit of participants and their beneficiaries. In accordance with GASB Statement No. 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans", the assets of the plan are no longer reported as assets of the employer.

**MACOMB COUNTY, MICHIGAN**  
**Notes to Basic Financial Statements (continued)**  
**December 31, 2008**

**Note 8 – Employees' Retirement System**

Plan Description and Provision – The County sponsors and administers the Macomb County Employees' Retirement System (the "System"), a single employer defined benefit plan covering substantially all of the County's employees. The System was established in accordance with state statutes to provide retirement benefits for the employees of the County and its several offices, boards and departments, including the County Road Commission.

At December 31, 2007 (date of the most recent actuarial valuation) the System's membership consisted of:

Terminated employees entitled to benefits but not yet receiving them	228
Active employees covered by the plan	<u>2,514</u>
Total membership	<u><u>4,926</u></u>

Retirement Benefits- The following is a summary of the benefits provided to the members of the system. All members become vested in the System after 8 years of service.

General County- The majority of employees may retire if their age plus years of service equals or exceeds 70 and they have attained a minimum age of 50. The annual retirement benefit, payable monthly for life, is computed at 2.4% of final average compensation for the first 26 years of service and 1% for every year thereafter, with a maximum employer pension of 65%. Employees not covered by the provisions described above may retire at age 55 with 25 or more years of service or age 60 with 8 years of service. The annual retirement benefit, payable monthly for life, for these employees is computed at 2.2% of final average compensation for each year of service, with a maximum employer pension of 66%.

Sheriff Department- Employees may retire at any age with 25 or more years of service or age 60 with 8 years of service. The annual retirement benefit for the Sheriff and deputies, payable monthly for life, is computed at 2.64% of final average compensation multiplied by credited years of service with a maximum employer pension of 66%. The factor for the undersheriff, captains, jail administrator, command officers, corrections officers and dispatchers is 2.4% for the first 26 years of service and 1% for every year thereafter, with a maximum employer pension of 66%.

Road Commission- Employees may retire at age 55 with 25 or more years of service, at age 60 with 8 years of service or regardless of age if their age plus years of service equals or exceeds 70. The annual retirement benefit, payable monthly for life, is computed at 2.4% of final average compensation multiplied for the first 26 years of service and 1% for every year thereafter, with a maximum employer pension of 65%.

The System also provides death and disability benefits. If an employee leaves covered employment or dies before 8 years of credited service, accumulated employee contributions plus interest at the rate of 3.5% per year is refunded to the employee or designated beneficiary.

**MACOMB COUNTY, MICHIGAN**  
**Notes to Basic Financial Statements (continued)**  
**December 31, 2008**

**Note 8– Employees’ Retirement System (continued)**

*Funding Policy* – The System’s funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The County’s required contribution for 2008 was \$18,658,075. Administrative costs of the System are financed from investment earnings. General County employees contribute 2.5% or 3.5% of their annual salary to the System depending upon classification. Road Commission employees contribute 3.5% of their annual salary. Sheriff employees contribute 4.0% of their annual salary. The County contributes the remaining amounts necessary to fund the System, using the actuarial basis specified by statute.

*Annual Pension Cost and Net Pension Obligation* – During the year ended December 31, 2008, employer contributions totaled \$18,658,075, as required by the actuarial valuation of the plan as of December 31, 2006. The normal cost and actuarial accrued liability are determined using an entry age actuarial funding method. Unfunded actuarial accrued liabilities (UAAL) are amortized as a level percent of payroll over a 20 year open period. The County has historically contributed 100% of the annual required contribution. Three-year trend information regarding the County’s annual pension cost, percent contribution and net pension obligation are presented below.

Year Ended December 31	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2006	\$ 20,215,000	100	-
2007	19,121,330	100	-
2008	18,658,075	100	-

*Actuarial Methods and Assumptions* – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions regarding the probability of the occurrence of events in the future. Examples of such assumptions include future employment and retirement patterns, mortality and investment rate returns. These assumptions are subject to continual revision as actual results are measured against past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplemental information following the notes herein, presents multi-year trend information that indicates whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities of the benefits provided. Significant actuarial assumptions used in determining the annual required contribution include (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 5.0% per year compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 1.2% to 5.0% for various members per year, depending on service, attributable to seniority/merit, and (d) the assumption that benefits will not increase after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period.

*Funding Status and Progress* – As of December 31, 2007, the date of the most recent actuarial valuation, the plan was 109.7% funded. The actuarial accrued liability for benefits was \$772,649,767 and the actuarial value of assets in the plan was \$847,305,155, resulting in an excess of assets over the actuarial accrued liability of \$74,655,388. Covered payroll was \$126,696,252 and the ratio of the UAAL to covered payroll was 58.9 percent.

**MACOMB COUNTY, MICHIGAN**  
**Notes to Basic Financial Statements (concluded)**  
**December 31, 2008**

**Note 8– Employees’ Retirement System (concluded)**

Basis of Accounting – The financial statements of the System are prepared using the accrual basis of accounting. Employee and employer contributions are recognized in the period that the contributions are due. Benefits and refunds are recognized when due and payable according to the terms of the plan.

Method Used to Value Investments – In accordance with GASB Statement 25, “Financial Reporting for Defined Benefit Plans and Note Disclosures for Defined Contribution Plans”, investments are reported at fair value, as indicated by quoted market prices as of December 31, 2008.

The System does not issue separate independently audited financial statements; therefore, condensed financial statements as of and for the year ended December 31, 2008 are presented below:

**Statement of Fiduciary Net Assets**

<b>ASSETS</b>	
Cash and investments	\$ 640,031,294
Securities lending collateral	26,086,808
Receivables	586,960
Due From Other Funds	950,977
	<hr/>
Total assets	667,656,039
	<hr/>
<b>LIABILITIES</b>	
Accounts payable	662,627
Due to other funds	1,022,245
Obligations under securities lending	26,086,808
	<hr/>
Total Liabilities	27,771,680
	<hr/>
<b>NET ASSETS</b>	<b>\$ 639,884,359</b>
	<hr/>

**Statement of Changes in Fiduciary Net Assets**

<b>ADDITIONS</b>	
Contributions	
Employer	\$ 18,658,075
Employee	4,994,742
Investment loss	(252,478,480)
	<hr/>
Total additions	(228,825,663)
	<hr/>
<b>DEDUCTIONS</b>	
Benefit payments	36,017,384
Other expenses	571,199
	<hr/>
Total deductions	36,588,583
	<hr/>
Net decrease in net assets	(265,414,246)
	<hr/>
Net assets held in trust , beginning of year	905,298,605
	<hr/>
Net assets held in trust , end of year	<b>\$ 639,884,359</b>
	<hr/>

**MACOMB COUNTY, MICHIGAN**  
**Notes to Basic Financial Statements (continued)**  
**December 31, 2008**

**Note 9— Post Employment Benefits Other Than Pensions-General and Sheriff Employees**

*Plan Description -* The County sponsors and administers a single employer defined benefit postretirement healthcare plan (the "County Retiree Health Care Plan") that provides certain health care benefits for retirees and their spouses so long as the retiree is currently receiving a pension from the Macomb County Employees Retirement System. Benefit provisions are established by the County Board of Commissioners and may be amended in accordance with County policy. Hospitalization insurance is provided through insurance companies, whose premiums are based on the benefits paid during the year. The County finances these expenditures for General County and Sheriff Department retirees through the Retiree Health Care Trust Fund of the primary government. Retirees of the Road Commission Component Unit participate in a separate multiple-employer plan described later in this note.

At December 31, 2006 (date of the most recent actuarial valuation), membership consisted of:

Terminated employees entitled to benefits but not yet receiving them	204
Active employees covered by the plan	<u>2,388</u>
Total membership	<u><u>4,172</u></u>

*Funding Policy -* Plan members are required to contribute 25% of the cost of vision and dental coverage as well as co-pays for prescription drugs. The employer contributes the balance of actual current costs for these and all other benefits and administrative expenses of the plan. The employer also contributes additional amounts to pre-fund benefits in years it can afford to do so. The total cost of retiree health care benefits and administrative expenses of the plan for the year ended December 31, 2008 was \$16,179,774, of which the employer contributed \$15,588,755 and plan members contributed \$591,019.

*Annual OPEB Cost and Net OPEB Obligation -* The County's annual cost of providing other post-employment benefits (OPEB) is calculated based on the annual required contribution (ARC) of the employer. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities or funding excess over a period not to exceed 30 years.

The following table shows the components of the County's OPEB cost for the year ended December 31, 2008.

Annual required contribution	\$ 55,483,723
Interest on net OPEB obligation	2,874,971
Adjustment to annual required contribution	<u>-</u>
Annual OPEB cost	58,358,694
Employer contributions	<u>(15,588,755)</u>
Increase in OPEB obligation	42,769,939
Net OPEB obligation, beginning of year	<u>38,332,944</u>
Net OPEB obligation, end of year	<u><u>\$ 81,102,883</u></u>

**MACOMB COUNTY, MICHIGAN**  
**Notes to Basic Financial Statements (continued)**  
**December 31, 2008**

**Note 9– Postemployment Benefits Other Than Pensions–General and Sheriff Employees (continued)**

The County implemented GASB Statement No. 45 in 2007 and used an actuarial valuation as of December 31, 2006 to determine its initial OPEB obligation. Since actuarial valuations of the Retiree Health Care Plan are performed on a biennial basis, the 2008 ARC does not include any amortization of the underfunding from the year ended December 31, 2007. Consequently, no adjustment to the ARC was necessary when calculating the OPEB obligation at December 31, 2008. Any deficiencies in the funding of the OPEB liability from fiscal 2007 and fiscal 2008 will be factored into future actuarial valuations. The valuation as of December 31, 2008 is expected to be completed in July 2009.

The County's annual OPEB cost, percentage of annual OPEB cost contributed and the net OPEB obligation as of December 31, 2008 were as follows:

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Year Ended December 31	Annual Required Contribution	Percentage Contributed	Net OPEB Obligation
2007	\$ 52,841,641	27.5%	\$ 38,332,944
2008	55,483,723	28.1%	81,102,883

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions regarding the probability of the occurrence of events in the future. Examples of such assumptions include future employment and retirement patterns, mortality, investment rate returns and health care inflation. These assumptions are subject to continual revision as actual results are measured against past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplemental information following the notes herein, presents multi-year trend information that indicates whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities of the benefits provided.

Projections of benefits for financial reporting purposes are based on the substantive 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 cost sharing between the employer and plan members to that point. The actuarial methods and assumptions used to prepare each valuation are designed to reduce short-term volatility in the value of actuarial accrued assets and liabilities, consistent with the long-term perspective of the calculations.

The entry age actuarial cost method was used to prepare the last actuarial valuation dated December 31, 2006. Other significant assumptions were as follows: a) investments are assumed to earn 7.5% per year, (b) health care costs are assumed to increase at an annual rate of 11% in year 1, reduced by 1% each year for the first two years and .5% each year thereafter until an ultimate rate of 5% is reached in the tenth year and beyond, (c) annual covered payroll is assumed to increase 5% per year and (d) active member population was assumed to remain constant. The unfunded liability is being amortized as a level percentage of payroll over a closed period of 30 years.

**MACOMB COUNTY, MICHIGAN**  
**Notes to Basic Financial Statements (concluded)**  
**December 31, 2008**

**Note 9– Postemployment Benefits Other Than Pensions–General and Sheriff Employees (concluded)**

*Funding Status and Progress* – As of December 31, 2006, the date of the most recent actuarial valuation, the plan was 16.6% funded. The actuarial accrued liability for benefits was \$643,208,474 and the actuarial value of assets in the plan was \$106,476,217, resulting in an unfunded actuarial accrued liability (UAAL) of \$536,732,257. Covered payroll was \$113,523,878 and the ratio of the UAAL to covered payroll was 472.8 percent.

*Basis of Accounting* – The financial statements of the Retiree Health Care Trust Fund are prepared using the accrual basis of accounting. Employee and employer contributions are recognized in the period that the contributions are due. Benefits and refunds are recognized when due and payable according to the terms of the plan.

*Method Used to Value Investments* – Investments are reported at fair value, as indicated by quoted market prices as of December 31, 2008.

Separate independently audited financial statements are not issued for the County Retiree Health Care Plan. Therefore, condensed financial statements as of and for the year ended December 31, 2008 is presented below:

**Statement of Fiduciary Net Assets**

<b>ASSETS</b>	
Cash and investments	\$ 84,711,073
Receivables	299,350
Other assets	<u>72,954</u>
Total assets	<u>85,083,377</u>
<b>LIABILITIES</b>	
Accounts payable	3,209,062
Due to other funds	<u>4,520,373</u>
Total Liabilities	<u>7,729,435</u>
<b>NET ASSETS</b>	<u><u>\$ 77,353,942</u></u>

**Statement of Changes In Fiduciary Net Assets**

<b>ADDITIONS</b>	
Contributions	\$ 16,179,774
Investment loss	<u>(34,313,776)</u>
Total additions	<u>(18,134,002)</u>
<b>DEDUCTIONS</b>	
Benefit payments	16,088,293
Other expenses	<u>91,481</u>
Total deductions	<u>16,179,774</u>
Net decrease in net assets	(34,313,776)
Net assets held in trust , beginning of year	<u>111,667,718</u>
Net assets held in trust , end of year	<u><u>\$ 77,353,942</u></u>



**MACOMB COUNTY, MICHIGAN**  
**Notes to Basic Financial Statements (continued)**  
**December 31, 2008**

**Note 10 - Post Employment Benefits Other Than Pensions – Road Commission**

*Plan Description -* The Road Commission of Macomb County provides health care benefits to its retirees and their beneficiaries in accordance with labor contracts. The benefits are administered by the Michigan Employers' Retirement System (MERS), an agent multiple employer pension and other post-employment benefits plan. MERS issues a publicly available financial report that may be obtained by writing to the system at 1134 Municipal Way, Lansing, Michigan 48917.

*Funding Policy -* The Road Commission bears 100% of the cost of providing health care benefits to its retirees and beneficiaries. The current costs of these benefits was \$2,951,272 for the year ended September 30, 2008. The Road Commission has no obligation to make contributions in advance of when insurance premiums are due. However, it did contribute an additional \$3,000,000 toward future benefits during the year ended September 30, 2008.

*Annual OPEB Cost and Net OPEB Obligation -* The cost of providing retiree health care benefits (OPEB) for the year ended September 30, 2008 was determined through an actuarial valuation as of December 31, 2006. The valuation computes an annual required contribution (ARC), which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities or funding excess over a period not to exceed 30 years.

The following table shows the components of the Road Commission's OPEB cost for the year ended September 30, 2008.

Annual required contribution	\$ 6,302,811
Interest on net OPEB obligation	51,998
Adjustment to annual required contribution	<u>(32,499)</u>
Annual OPEB cost	6,322,310
Employer contributions	<u>(5,951,272)</u>
Increase in OPEB obligation	371,038
Net OPEB obligation, beginning of year	<u>649,979</u>
Net OPEB obligation, end of year	<u><u>\$ 1,021,017</u></u>

The Road Commission's s annual OPEB cost, percentage of annual OPEB cost contributed and the net OPEB obligation as of September 30, 2008 were as follows:

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Year Ended September 30	Annual Required Contribution	Percentage Contributed	Net OPEB Obligation
2007	\$ 6,147,445	89.4%	\$ 649,979
2008	6,302,811	94.4%	1,021,017

**MACOMB COUNTY, MICHIGAN**  
**Notes to Basic Financial Statements (continued)**  
**December 31, 2008**

**Note 10 – Post Employment Benefits Other Than Pensions – Road Commission (concluded)**

Funding Status and Progress – As of December 31, 2007, the date of the most recent actuarial valuation, the plan was 11.0% funded. The actuarial accrued liability for benefits was \$87,898,593 and the actuarial value of assets in the plan was \$9,621,290, resulting in an unfunded actuarial accrued liability (UAAL) of \$78,277,303. Covered payroll was \$14,621,336 and the ratio of the UAAL to covered payroll was 535.4 percent.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions regarding the probability of the occurrence of events in the future. Examples of such assumptions include future employment and retirement patterns, mortality, investment rate returns and health care inflation. These assumptions are subject to continual revision as actual results are measured against past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplemental information following the notes herein, presents multi-year trend information that indicates whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities of the benefits provided.

Projections of benefits for financial reporting purposes are based on the substantive 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 cost sharing between the employer and plan members to that point. The actuarial methods and assumptions used to prepare each valuation are designed to reduce short-term volatility in the value of actuarial accrued assets and liabilities, consistent with the long-term perspective of the calculations.

The entry age actuarial cost method was used to prepare the most actuarial valuation dated December 31, 2007. Other significant assumptions were as follows: a) investments are assumed to earn 8.0% per year, (b) health care costs are assumed to increase at an annual rate of 10% in year 1, reduced in decrements until an ultimate rate of 6% is reached in the tenth year and beyond, (c) annual covered payroll is assumed to increase 4.0% per year and (d) active member population was assumed to remain constant. The unfunded liability is being amortized as a level percentage of payroll over a closed period of 28 years.

**Note 11 – Contingencies and commitments**

Grants – The County receives funds from various Federal and State units to finance specific activities. The final determination of revenue is subject to the acceptance of project costs by the granting agency, usually after a compliance audit. To the extent that costs are disallowed by the granting agency, County monies would be required to reimburse the grant fund. The County does not believe that any disallowed costs would be material to the financial statements.

Construction projects – At year-end, the County was committed for the estimated cost of completing renovation of its Juvenile Justice Center in the amount of \$1,526,224.

**MACOMB COUNTY, MICHIGAN**  
**Notes to Basic Financial Statements (continued)**  
**December 31, 2008**

**Note 12- Risk Management**

The County is exposed to various risks of loss related to property damage and loss, torts, errors and omissions, employee injury (workers' compensation) and medical benefits provided to employees and retirees. The County has purchased commercial insurance for property damage coverage and certain medical benefits, but is self-insured for workers' compensation and general liability claims up to certain retention amounts, at which time reinsurance begins. The County also self-funds certain medical benefits of employees and retirees. There were no significant reductions in insurance coverage in 2008 from the prior year. Claims settled during the past three years have not exceeded the retention amounts. Liabilities include estimates of claims incurred but not reported and are calculated considering the effects of inflation, recent claim settlement trends and other economic and social factors.

Workers' Compensation – Since December 1, 1978, the County has been partially self-insured against workers' compensation claims. Under the plan, the County is obligated to pay the first \$350,000 of an individual settlement or award with commercial insurance covering claims in excess of the retention to an aggregate of \$1,000,000 annually. At December 31, 2008, the primary government has accrued an aggregate of \$1,788,503 for unresolved workers' compensation claims. At September 30, 2008, the Road Commission component unit has accrued an aggregate of \$40,528 for unresolved workers' compensation claims. Changes in the estimated liabilities for workers' compensation claims for the past two fiscal years were as follows:

	Primary Government		Road Commission	
	Year Ended December 31,		Year Ended September 30,	
	2007	2008	2007	2008
Estimated liability - beginning of year	\$ 1,642,061	\$ 1,839,542	\$ 337,360	\$ 154,035
Estimated claims incurred, including changes in estimates	1,170,209	1,147,187	(60,195)	(79,164)
Claims payments	(972,728)	(1,198,226)	(123,130)	(34,343)
Estimated liability - end of year	<u>\$ 1,839,542</u>	<u>\$ 1,788,503</u>	<u>\$ 154,035</u>	<u>\$ 40,528</u>

General Liability – The County is a defendant in various lawsuits in which plaintiffs seek damages of an indeterminable amount. Since December 1, 1977, the primary government has been partially self-insured for losses of a general liability nature. The County (excluding the Martha T. Berry Medical Care Facility and the Road Commission Component Unit) is currently self-insured for losses of a general liability nature up to \$500,000 per claim, with commercial insurance covering claims in excess of the retention amount to an aggregate of \$10,000,000 annually. The Martha T. Berry Medical Care Facility has been completely self-insured for general liability claims since July 1, 2003. The Road Commission Component Unit is self-insured, within certain limits, for general liability claims arising prior to February 18, 1986 and subsequent to January 17, 1993 and is completely self-insured for claims arising within those dates. At September 30, 2008, the Road Commission had an accrual of \$110,404 for its unresolved general liability claims. The General Liability Insurance Internal Service Fund has been established to account for the self-insured aspects of this program for the primary government. At December 31, 2008, the primary government reported a balance of \$4,085,865 for its unresolved general liability claims.

**MACOMB COUNTY, MICHIGAN**  
**Notes to Basic Financial Statements (concluded)**  
**December 31, 2008**

**Note 12- Risk Management (concluded)**

Changes in the estimated liabilities for general liability claims for the past two fiscal years were as follows:

	Primary Government		Road Commission	
	Year Ended December 31,		Year Ended September 30,	
	2007	2008	2007	2008
Estimated liability - beginning of year	\$ 4,771,237	\$ 4,624,581	\$ 1,627,623	\$ 375,883
Estimated claims incurred, including				
changes in estimates	2,342,695	3,307,336	(1,222,013)	(252,039)
Claims payments	(2,489,351)	(3,846,052)	(29,727)	(13,440)
Estimated liability - end of year	<u>\$ 4,624,581</u>	<u>\$ 4,085,865</u>	<u>\$ 375,883</u>	<u>\$ 110,404</u>

**Note 13- Fund Balance Deficit**

The Community Mental Health business-type unit reported a deficit in its unrestricted net assets of \$2,656,740 at September 30, 2008, which is composed of a deficit of \$2,960,104 in its operating fund and a surplus of \$303,364 in its Substance Abuse Fund. The initial deficit in the operating fund was \$3,594,184 and was incurred during the fiscal year ended September 30, 2006 as result of writing off uncollectible receivables. The Community Mental Health Department intends to recover this deficit through interest earnings in future years that could otherwise be utilized for other purposes and is expected to be eliminated by 2013. A formal deficit reduction plan has been filed with and approved by the State of Michigan.

**Note 14 – Restatement**

The beginning net assets of governmental activities were increased and the assets and liabilities of the agency funds decreased by \$12,906,795 to reflect certain reclassifications in the current year.

## EXHIBIT E

\_\_\_\_\_, 2010

BODMAN LLP  
6TH FLOOR AT FORD FIELD  
1901 ST. ANTOINE STREET  
DETROIT, MICHIGAN 48226  
313-393-7579 FAX  
313-259-7777

Oakland-Macomb Interceptor Drain  
Drainage District  
Waterford, Michigan

Ladies and Gentlemen:

We have examined the transcript of proceedings for the issue by the Oakland-Macomb Interceptor Drain Drainage District, County of Macomb, State of Michigan (the “Issuer”) of its bonds in the principal amount of \$6,700,000 which are designated Oakland-Macomb Interceptor Drain Drainage District Bonds, Series 2010B (Federally Taxable Recovery Zone Economic Development Bonds) (the “Bonds”), for the purposes described in the Bonds. The Bonds bear original issue date of \_\_\_\_\_, 2010, are payable in principal installments, payable as to interest, and are subject to redemption prior to maturity, all as specified on the face of the Bonds.

The Bonds are issued pursuant to the provisions of Chapter 21 of Act No. 40, Public Acts of Michigan, 1956, as amended (the “Drain Code”) and pursuant to a resolution dated January 19, 2010 (the “Resolution”), for the purpose of paying a portion of the cost of constructing certain inter-county drain projects described in the Resolution. Capitalized terms not otherwise defined in this opinion have the meaning set forth in the Resolution.

The Bonds are being issued by the Issuer in anticipation of the collection of special assessments against the City of Auburn Hills, Independence Township, the City of Lake Angelus, the City of Rochester, the City of Rochester Hills, Oakland Township, Orion Township, Oxford Township, the Village of Lake Orion, the Village of Oxford, Waterford Township, and West Bloomfield Township, each in Oakland County; and Chesterfield Township, the City of Fraser, the City of Sterling Heights, the City of Utica, Clinton Township, Harrison Township, Lenox Township, Macomb Township (includes Washington Township), Shelby Township, and the Village of New Haven, each in Macomb County (collectively, the “Local Units”); and any other persons assessed under the applicable provisions of the Drain Code with respect to the applicable projects. The assessments against the Local Units are general obligations of each respective Local Unit and are payable from each respective Local Unit’s general fund or from ad valorem taxes which may be levied on all taxable property in the applicable Local Unit, subject to constitutional, statutory and charter limitations. The credit of the Issuer is also pledged for such payment.

Pursuant to resolutions duly adopted by the Board of Commissioners of Macomb County on November 24, 2009 and by the Board of Commissioners of Oakland County on November 12, 2009, under authorization of law, the full faith and credit

of Macomb County and Oakland County have been pledged for the prompt payment of the principal of, and interest on the Bonds as the same shall become due in accordance with such resolutions. Any taxes imposed by Oakland County and Macomb County for the payment of such principal and interest are subject to constitutional, statutory and charter limitations.

We have also examined the Bonds as executed.

From such examination we are of the opinion that as of the date hereof the Bonds have been duly authorized, executed and delivered and are the valid and binding obligations of the Issuer enforceable in accordance with their terms. The Bonds have been issued in anticipation of and are payable primarily from the collection of several installments of special assessments against the Local Units. The assessments against the Local Units are general obligations of each respective Local Unit and are payable from each respective Local Unit's general fund or from ad valorem taxes which may be levied on all taxable property in the applicable Local Unit, subject to constitutional, statutory and charter limitations. The credit of the Issuer is also pledged for such payment.

We are also of the opinion that under existing statutes, regulations, rulings and court decisions as presently interpreted, the interest on the Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended.

We express no opinion regarding other federal or state tax consequences arising with respect to the Bonds and the interest thereon.

The opinions expressed herein are based on an analysis of existing statutes, regulations, rulings and court decisions. Such opinions may be adversely affected by actions taken or events occurring, including a change in statute, regulation or ruling (or in the application or official interpretation of any statute, regulation or ruling) after the date hereof. We have not undertaken to determine, or to inform any person, whether such actions are taken or such events occur and we have no obligation to update this opinion in light of such actions or events. As to questions of fact material to our opinion, we have relied upon certified proceedings and other certificates of public officials furnished to us without undertaking to verify the same by independent investigation.

The enforceability of the Bonds, as well as the rights and remedies of the owners of the Bonds, may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other laws affecting creditors' rights generally, now existing or hereafter enacted, and by the application of general principles of equity, including those relating to equitable subordination.

Oakland-Macomb Interceptor Drain Drainage District  
\_\_\_\_\_, 2010  
Page 3

BODMAN LLP

By: \_\_\_\_\_  
\_\_\_\_\_, a Partner

## **APPENDIX A**

### **FORM OF CONTINUING DISCLOSURE CERTIFICATE**

#### **OAKLAND-MACOMB INTERCEPTOR DRAIN DRAINAGE DISTRICT**

**\$6,700,000**

**Oakland-Macomb Interceptor Drain Drainage District,  
Drain Bonds, Series 2010B  
(Federally Taxable Recovery Zone Economic Development Bonds)**

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Oakland-Macomb Interceptor Drain Drainage District, County of Oakland and County of Macomb, State of Michigan (the "District") in connection with the issuance of its \$6,700,000 Drain Bonds, Series 2010B (Federally Taxable Recovery Zone Economic Development Bonds) (the "Bonds"). This Disclosure Certificate is being executed and delivered pursuant to a resolution approved by the Drain Board of the District on \_\_\_\_\_ (the "Resolution"). The District covenants and agrees as follows:

#### **SECTION 1. Purpose of the Disclosure Certificate.**

(a) This Disclosure Certificate is being executed and delivered by the District for the benefit of the Bondholders and the Beneficial Owners and in order to assist the Participating Underwriters in complying with subsection (b)(5) of the Rule.

(b) In consideration of the purchase and acceptance of any and all of the Bonds by those who shall hold the same or shall own beneficial ownership interests therein from time to time, this Disclosure Certificate shall be deemed to be and shall constitute a contract between the District and the Bondholders and Beneficial Owners from time to time of the Bonds, and the covenants and agreements herein set forth to be performed on behalf of the District shall be for the benefit of the Bondholders and Beneficial Owners of any and all of the Bonds.

**SECTION 2. Definitions.** The following capitalized terms shall have the following meanings in this Disclosure Certificate:

"Annual Report" shall mean the Annual Report of both the County of Macomb and the County of Oakland (the "Counties"). A separate Annual Report for the District is not prepared. The Annual Report of the Counties include financial statements of the several drainage districts in each of the Counties including the District. The Annual Report is further described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).



"Dissemination Agent" shall mean the District, or any successor Dissemination Agent appointed in writing by the District and which has filed with the District a written acceptance of such designation.

"EMMA" shall mean the Electronic Municipal Market Access system of the MSRB. As of the date of this Disclosure Certificate, the EMMA Internet Web site address is <http://www.emma.msrb.org>.

"GAAP" shall mean generally accepted accounting principles, as such principles are prescribed, in part, by the Financial Accounting Standards Board and modified by the Government Accounting Standards Board and in effect from time to time.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board. As of the date of this Disclosure Certificate, the address and telephone numbers of the MSRB are as follows:

CDI  
1640 King Street, Suite 300  
Alexandria, Virginia 22314-2719  
Tel: (202) 223-9503  
Fax: (703) 683-1930

"Official Statement" shall mean the Official Statement for the Bonds dated \_\_\_\_\_, 2010.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

"Rule" shall mean Rule 15c2-12 promulgated by the SEC pursuant to the 1934 Act, as the same may be amended from time to time, together with all interpretive guidances or other official interpretations or explanations thereof that are promulgated by the SEC.

"SEC" shall mean the Securities and Exchange Commission.

"Securities Counsel" shall mean legal counsel expert in federal securities law.

"State" shall mean the State of Michigan.

"1934 Act" shall mean the Securities Exchange Act of 1934, as amended.

### SECTION 3. Provision of Annual Reports.

(a) Each year, the District shall, through the Counties in their Annual Reports, provide, or shall cause the Dissemination Agent to provide, not later than six months after the first day of the each of the Counties' fiscal years commencing with the Macomb County Annual

Report for the fiscal year ending December 31, 2009 and with the Oakland County Annual Report for the fiscal year ending September 30, 2010, to the MSRB an Annual Report for the preceding fiscal year which is consistent with the requirements of Section 4 of this Disclosure Certificate. Currently, the County of Macomb's fiscal year commences January 1 and the County of Oakland's fiscal year commences October 1. Not later than fifteen (15) business days prior to said date, the Annual Report shall be provided by the Counties to the Dissemination Agent (if other than the District). In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided, however, that if the audited financial statements of the District included in each County's Annual Report are not available by the deadline for filing the Annual Report, they shall be provided when and if available, and unaudited financial statements in a format similar to the audited financial statements most recently prepared for the District in the Annual Reports of each County shall be included in the Annual Report.

(b) If the District is unable to provide to the MSRB through the Counties an Annual Report by the date required in subsection (a), the District shall file a notice, in a timely manner, to the MSRB.

(c) If the District's fiscal year changes, the District shall file written notice of such change to MSRB.

(d) If the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided.

(f) In connection with providing the Annual Report, the Dissemination Agent (if other than the District) is not obligated or responsible under this Disclosure Certificate to determine the sufficiency of the content of the Annual Report for purposes of the Rule or any other state or federal securities law, rule, regulation or administrative order.

**SECTION 4. Content of Annual Reports.** The Annual Reports of each County shall contain or incorporate by reference the following:

(a) The audited financial statements of the District as included in each County's Annual Report for its fiscal year immediately preceding the due date of the Annual Report.

(b) An update of the financial information and operating data relating to the Counties of the same nature as that contained in the following tables in the Official Statement.

The District's financial statements as included in each County's Annual Report shall be audited and prepared in accordance with GAAP with such changes as may be required from time to time in accordance with State law.

Any or all of the items listed above may be included by specific reference to other documents available to the public on the MSRB's Internet Web site or filed with the SEC. The District shall clearly identify each such other document so included by reference.

## SECTION 5. Reporting of Significant Events.

(a) The District covenants to provide, or cause to be provided, notice of any of the following events with respect to the Bonds, if material, in a timely manner and in accordance with the Rule:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions or events affecting the tax-exempt status of the security;
- (7) Modifications to rights of security holders;
- (8) Bond calls;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the securities; and
- (11) Rating changes.

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall as soon as possible determine if such event would be material under applicable federal securities laws. The District covenants that its determination of materiality will be in conformance with federal securities laws.

(c) If the District determines that the occurrence of a Listed Event would be material under applicable federal securities laws, the District shall promptly cause a notice of such occurrence to be filed with the MSRB. In connection with providing a notice of the occurrence of a Listed Event described in subsection (a)(9), the District shall include in the notice explicit disclosure as to whether the Bonds have been escrowed to maturity or escrowed to call, as well as appropriate disclosure of the timing of maturity or call.

(d) In connection with providing a notice of the occurrence of a Listed Event, the Dissemination Agent (if other than the District), solely in its capacity as such, is not obligated or responsible under this Disclosure Certificate to determine the sufficiency of the

content of the notice for purposes of the Rule or any other state or federal securities law, rule, regulation or administrative order.

(e) The District acknowledges that the "rating changes" referred to above in Section 5(a)(11) of this Disclosure Certificate may include, without limitation, any change in any rating on the Bonds or other indebtedness for which the District is liable.

(f) The District acknowledges that it is not required to provide a notice of a Listed Event with respect to credit enhancement when the credit enhancement is added after the primary offering of the Bonds, the District does not apply for or participate in obtaining such credit enhancement, and such credit enhancement is not described in the Official Statement.

SECTION 6. Mandatory Electronic Filing with EMMA: All filings with the MSRB under this Disclosure Certificate shall be made by electronically transmitting such filings through the EMMA Dataport at <http://www.emma.msrb.org> as provided by the amendments to the Rule adopted by the SEC in Securities Exchange Act Release No. 59062 on December 5, 2008.

SECTION 7. Termination of Reporting Obligation.

(a) The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance of the Resolution or the prior redemption or payment in full of all of the Bonds. If the District's obligation to pay the principal of and interest on the Bonds is assumed in full by some other entity, such entity shall be responsible for compliance with the Disclosure Certificate in the same manner as if it were the District, and the District shall have no further responsibility hereunder.

(b) This Disclosure Certificate, or any provision hereof, shall be null and void in the event that the District (i) receives an opinion of Securities Counsel, addressed to the District, to the effect that those portions of the Rule, which require such provisions of this Disclosure Certificate, do not or no longer apply to the Bonds, whether because such portions of the Rule are invalid, have been repealed, amended or modified, or are otherwise deemed to be inapplicable to the Bonds, as shall be specified in such opinion, and (ii) delivers notice to such effect to the MSRB.

SECTION 8. Dissemination Agent. The District, from time to time, may appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Disseminating Agent. The initial Dissemination Agent shall be the District. Except as otherwise provided in this Disclosure Certificate, the Dissemination Agent (if other than the District) shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate.

SECTION 9. Amendment; Waiver. (a) Notwithstanding any other provision of this Disclosure Certificate, this Disclosure Certificate may be amended, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(1) If the amendment relates to the provisions of Section 3(a), (b), (c), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(2) This Disclosure Certificate, as so amended or taking into account such waiver, would, in the opinion of Securities Counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(3) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bondholders.

(b) In the event of any amendment to, or waiver of a provision of, this Disclosure Certificate, the District shall describe such amendment or waiver in the next Annual Report, and shall include a narrative explanation of the reason for the amendment or waiver. In particular, if the amendment results in a change to the annual financial information required to be included in the Annual Report pursuant to Section 4 of this Disclosure Certificate, the first Annual Report that contains the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of such change in the type of operating data or financial information being provided. Further, if the annual financial information required to be provided in the Annual Report can no longer be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect shall be included in the first Annual Report that does not include such information.

(c) If the amendment results in a change to the accounting principles to be followed in preparing financial statements as set forth in Section 4 of this Disclosure Certificate, the Annual Report for the year in which the change is made shall include a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of such differences and the impact of the changes on the presentation of the financial information. To the extent reasonably feasible, the comparison shall also be quantitative. A notice of the change in accounting principles shall be sent by the District, or the Dissemination Agent (if other than the District) at the written direction of the District, to the MSRB.

**SECTION 10. Additional Information.** Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 11. Failure to Comply. In the event of a failure of the District or the Dissemination Agent (if other than the District) to comply with any provision of this Disclosure Certificate, any Bondholder or Beneficial Owner may bring an action to obtain specific performance of the obligations of the District or the Dissemination Agent (if other than the District) under this Disclosure Certificate, but no person or entity shall be entitled to recover monetary damages under any circumstances, and any failure to comply with the obligations under this Disclosure Certificate shall not constitute a default with respect to the Bonds or under the Resolution.

SECTION 12. Duties of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate.

SECTION 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriters, the Bondholders and the Beneficial Owners, and shall create no rights in any other person or entity.

SECTION 14. Transmission of Information and Notices. Unless otherwise required by law or this Disclosure Certificate, and, in the sole determination of the District or the Dissemination Agent, as applicable, subject to technical and economic feasibility, the District or the Dissemination Agent, as applicable, shall employ such methods of information and notice transmission as shall be requested or recommended by the herein designated recipients of such information and notices.

SECTION 15. Additional Disclosure Obligations. The District acknowledges and understands that other State and federal laws, including, without limitation, the Securities Act of 1933, as amended, and Rule 10b-5 promulgated by the SEC pursuant to the 1934 Act, may apply to the District, and that under some circumstances, compliance with this Disclosure Certificate, without additional disclosures or other action, may not fully discharge all duties and obligations of the District under such laws.

SECTION 16. Governing Law. This Disclosure Certificate shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of this Disclosure Certificate shall be instituted in a court of competent jurisdiction in the State. Notwithstanding the foregoing, to the extent this Disclosure Certificate addresses matters of federal securities laws, including the Rule, this Disclosure Certificate shall be construed and interpreted in accordance with such federal securities laws and official interpretations thereof.

OAKLAND-MACOMB INTERCEPTOR DRAIN DRAINAGE DISTRICT

By: \_\_\_\_\_

Its: \_\_\_\_\_

Date: \_\_\_\_\_, 2010

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## **APPENDIX B**

### **FORM OF CONTINUING DISCLOSURE CERTIFICATE**

#### **COUNTY OF OAKLAND**

**\$6,700,000**

**Oakland-Macomb Interceptor Drain Drainage District,  
Drain Bonds, Series 2010B  
(Federally Taxable Recovery Zone Economic Development Bonds)**

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the County of Oakland, State of Michigan (the "County") in connection with the issuance by the Oakland-Macomb Interceptor Drain Drainage District (the "District") of its \$6,700,000 Drain Bonds, Series 2010B (Federally Taxable Recovery Zone Economic Development Bonds) (the "Bonds"). This Disclosure Certificate is being executed and delivered pursuant to a resolution approved by the Board of Commissioners of the County on \_\_\_\_\_ (the "Resolution"). The County covenants and agrees as follows:

#### **SECTION 1. Purpose of the Disclosure Certificate.**

(a) This Disclosure Certificate is being executed and delivered by the County for the benefit of the Bondholders and the Beneficial Owners and in order to assist the Participating Underwriters in complying with subsection (b)(5) of the Rule.

(b) In consideration of the purchase and acceptance of any and all of the Bonds by those who shall hold the same or shall own beneficial ownership interests therein from time to time, this Disclosure Certificate shall be deemed to be and shall constitute a contract between the County and the Bondholders and Beneficial Owners from time to time of the Bonds, and the covenants and agreements herein set forth to be performed on behalf of the County shall be for the benefit of the Bondholders and Beneficial Owners of any and all of the Bonds.

**SECTION 2. Definitions.** The following capitalized terms shall have the following meanings in this Disclosure Certificate:

"Annual Report" shall mean any Annual Report provided by the County pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"Dissemination Agent" shall mean the County, or any successor Dissemination Agent appointed in writing by the County and which has filed with the County a written acceptance of such designation.



"EMMA" shall mean the Electronic Municipal Market Access system of the MSRB. As of the date of this Disclosure Certificate, the EMMA Internet Web site address is <http://www.emma.msrb.org>.

"GAAP" shall mean generally accepted accounting principles, as such principles are prescribed, in part, by the Financial Accounting Standards Board and modified by the Government Accounting Standards Board and in effect from time to time.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board. As of the date of this Disclosure Certificate, the address and telephone numbers of the MSRB are as follows:

CDI  
1640 King Street, Suite 300  
Alexandria, Virginia 22314-2719  
Tel: (202) 223-9503  
Fax: (703) 683-1930

"Official Statement" shall mean the Official Statement for the Bonds dated \_\_\_\_\_, 2010.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

"Rule" shall mean Rule 15c2-12 promulgated by the SEC pursuant to the 1934 Act, as the same may be amended from time to time, together with all interpretive guidances or other official interpretations or explanations thereof that are promulgated by the SEC.

"SEC" shall mean the Securities and Exchange Commission.

"Securities Counsel" shall mean legal counsel expert in federal securities law.

"State" shall mean the State of Michigan.

"1934 Act" shall mean the Securities Exchange Act of 1934, as amended.

### SECTION 3. Provision of Annual Reports.

(a) Each year, the County shall provide, or shall cause the Dissemination Agent to provide, not later than nine months after the first day of the County's fiscal year, commencing with the County's Annual Report for the fiscal year ending September 30, 2009, to the MSRB an Annual Report for the preceding fiscal year which is consistent with the requirements of Section 4 of this Disclosure Certificate. Currently, the County's fiscal year commences January 1. Not later than fifteen (15) business days prior to said date, the County shall provide the Annual Report to the Dissemination Agent (if other than the County). In each

case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided, however, that if the audited financial statements of the County are not available by the deadline for filing the Annual Report, they shall be provided when and if available, and unaudited financial statements in a format similar to the audited financial statements most recently prepared for the County shall be included in the Annual Report.

(b) If the County is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the County shall file a notice, in a timely manner, to the MSRB.

(c) If the County's fiscal year changes, the County shall file written notice of such change to MSRB.

(d) If the Dissemination Agent is other than the County, file a report with the County certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided.

(f) In connection with providing the Annual Report, the Dissemination Agent (if other than the County) is not obligated or responsible under this Disclosure Certificate to determine the sufficiency of the content of the Annual Report for purposes of the Rule or any other state or federal securities law, rule, regulation or administrative order.

**SECTION 4. Content of Annual Reports.** The County's Annual Report shall contain or incorporate by reference the following:

(a) The audited financial statements of the County for its fiscal year immediately preceding the due date of the Annual Report.

(b) An update of the financial information and operating data relating to the County of the same nature as that contained in the following tables in the Official Statement: "County Tax Rates," "County Operating Tax Collection Record," "County Wide Tax Collection Record," "Largest Taxpayers," "Labor County Contracts," "Revenue Sharing from the State of Michigan," "State Equalized Valuation," "Short Term Financing," "Net County Direct and Overlapping Debt – Unaudited," "Schedule of Bond Maturities County Credit and Limited Tax," "Schedule of Drain Bond Maturities – County Credit and Limited Tax," "Schedule of Bond Maturities with Limited County Pledge-Taxable," "Schedule of Bond Maturities with No County Pledge-Taxable," "Schedule of Bond Maturities with No County Pledge," and "Principal and Interest Requirements".

The County's financial statements shall be audited and prepared in accordance with GAAP with such changes as may be required from time to time in accordance with State law.

Any or all of the items listed above may be included by specific reference to other documents available to the public on the MSRB's Internet Web site or filed with the SEC. The County shall clearly identify each such other document so included by reference.

## SECTION 5. Reporting of Significant Events.

(a) The County covenants to provide, or cause to be provided, notice of any of the following events with respect to the Bonds, if material, in a timely manner and in accordance with the Rule:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions or events affecting the tax-exempt status of the security;
- (7) Modifications to rights of security holders;
- (8) Bond calls;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the securities; and
- (11) Rating changes.

(b) Whenever the County obtains knowledge of the occurrence of a Listed Event, the County shall as soon as possible determine if such event would be material under applicable federal securities laws. The County covenants that its determination of materiality will be in conformance with federal securities laws.

(c) If the County determines that the occurrence of a Listed Event would be material under applicable federal securities laws, the County shall promptly cause a notice of such occurrence to be filed with the MSRB. In connection with providing a notice of the occurrence of a Listed Event described in subsection (a)(9), the County shall include in the notice explicit disclosure as to whether the Bonds have been escrowed to maturity or escrowed to call, as well as appropriate disclosure of the timing of maturity or call.

(d) In connection with providing a notice of the occurrence of a Listed Event, the Dissemination Agent (if other than the County), solely in its capacity as such, is not obligated or responsible under this Disclosure Certificate to determine the sufficiency of the content of the

notice for purposes of the Rule or any other state or federal securities law, rule, regulation or administrative order.

(e) The County acknowledges that the "rating changes" referred to above in Section 5(a)(11) of this Disclosure Certificate may include, without limitation, any change in any rating on the Bonds or other indebtedness for which the County is liable.

(f) The County acknowledges that it is not required to provide a notice of a Listed Event with respect to credit enhancement when the credit enhancement is added after the primary offering of the Bonds, the County does not apply for or participate in obtaining such credit enhancement, and such credit enhancement is not described in the Official Statement.

SECTION 6. Mandatory Electronic Filing with EMMA: All filings with the MSRB under this Disclosure Certificate shall be made by electronically transmitting such filings through the EMMA Dataport at <http://www.emma.msrb.org> as provided by the amendments to the Rule adopted by the SEC in Securities Exchange Act Release No. 59062 on December 5, 2008.

SECTION 7. Termination of Reporting Obligation.

(a) The County's obligations under this Disclosure Certificate shall terminate upon the legal defeasance of the Resolution or the prior redemption or payment in full of all of the Bonds. If the County's obligation to pay the principal of and interest on the Bonds is assumed in full by some other entity, such entity shall be responsible for compliance with the Disclosure Certificate in the same manner as if it were the County, and the County shall have no further responsibility hereunder.

(b) This Disclosure Certificate, or any provision hereof, shall be null and void in the event that the County (i) receives an opinion of Securities Counsel, addressed to the County, to the effect that those portions of the Rule, which require such provisions of this Disclosure Certificate, do not or no longer apply to the Bonds, whether because such portions of the Rule are invalid, have been repealed, amended or modified, or are otherwise deemed to be inapplicable to the Bonds, as shall be specified in such opinion, and (ii) delivers notice to such effect to the MSRB.

SECTION 8. Dissemination Agent. The County, from time to time, may appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Disseminating Agent. The initial Dissemination Agent shall be the County. Except as otherwise provided in this Disclosure Certificate, the Dissemination Agent (if other than the County) shall not be responsible in any manner for the content of any notice or report prepared by the County pursuant to this Disclosure Certificate.

SECTION 9. Amendment; Waiver. (a) Notwithstanding any other provision of this Disclosure Certificate, this Disclosure Certificate may be amended, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(1) If the amendment relates to the provisions of Section 3(a), (b), (c), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(2) This Disclosure Certificate, as so amended or taking into account such waiver, would, in the opinion of Securities Counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(3) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bondholders.

(b) In the event of any amendment to, or waiver of a provision of, this Disclosure Certificate, the County shall describe such amendment or waiver in the next Annual Report, and shall include a narrative explanation of the reason for the amendment or waiver. In particular, if the amendment results in a change to the annual financial information required to be included in the Annual Report pursuant to Section 4 of this Disclosure Certificate, the first Annual Report that contains the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of such change in the type of operating data or financial information being provided. Further, if the annual financial information required to be provided in the Annual Report can no longer be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect shall be included in the first Annual Report that does not include such information.

(c) If the amendment results in a change to the accounting principles to be followed in preparing financial statements as set forth in Section 4 of this Disclosure Certificate, the Annual Report for the year in which the change is made shall include a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of such differences and the impact of the changes on the presentation of the financial information. To the extent reasonably feasible, the comparison shall also be quantitative. A notice of the change in accounting principles shall be sent by the County, or the Dissemination Agent (if other than the County) at the written direction of the County, to the MSRB.

**SECTION 10. Additional Information.** Nothing in this Disclosure Certificate shall be deemed to prevent the County from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the County chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the County shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 11. Failure to Comply. In the event of a failure of the County or the Dissemination Agent (if other than the County) to comply with any provision of this Disclosure Certificate, any Bondholder or Beneficial Owner may bring an action to obtain specific performance of the obligations of the County or the Dissemination Agent (if other than the County) under this Disclosure Certificate, but no person or entity shall be entitled to recover monetary damages under any circumstances, and any failure to comply with the obligations under this Disclosure Certificate shall not constitute a default with respect to the Bonds or under the Resolution.

SECTION 12. Duties of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate.

SECTION 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the County, the Dissemination Agent, the Participating Underwriters, the Bondholders and the Beneficial Owners, and shall create no rights in any other person or entity.

SECTION 14. Transmission of Information and Notices. Unless otherwise required by law or this Disclosure Certificate, and, in the sole determination of the County or the Dissemination Agent, as applicable, subject to technical and economic feasibility, the County or the Dissemination Agent, as applicable, shall employ such methods of information and notice transmission as shall be requested or recommended by the herein designated recipients of such information and notices.

SECTION 15. Additional Disclosure Obligations. The County acknowledges and understands that other State and federal laws, including, without limitation, the Securities Act of 1933, as amended, and Rule 10b-5 promulgated by the SEC pursuant to the 1934 Act, may apply to the County, and that under some circumstances, compliance with this Disclosure Certificate, without additional disclosures or other action, may not fully discharge all duties and obligations of the County under such laws.

SECTION 16. Governing Law. This Disclosure Certificate shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of this Disclosure Certificate shall be instituted in a court of competent jurisdiction in the State. Notwithstanding the foregoing, to the extent this Disclosure Certificate addresses matters of federal securities laws, including the Rule, this Disclosure Certificate shall be construed and interpreted in accordance with such federal securities laws and official interpretations thereof.

COUNTY OF OAKLAND

By: \_\_\_\_\_  
ANDREW E. MEISNER  
Its: County Treasurer

Date: \_\_\_\_\_, 2010

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## **APPENDIX C**

### **FORM OF CONTINUING DISCLOSURE CERTIFICATE**

#### **COUNTY OF MACOMB**

**\$6,700,000**

**Oakland-Macomb Interceptor Drain Drainage District,  
Drain Bonds, Series 2010B  
(Federally Taxable Recovery Zone Economic Development Bonds)**

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the County of Macomb, State of Michigan (the "County") in connection with the issuance by the Oakland-Macomb Interceptor Drain Drainage District (the "District") of its \$6,700,000 Drain Bonds, Series 2010B (Federally Taxable Recovery Zone Economic Development Bonds) (the "Bonds"). This Disclosure Certificate is being executed and delivered pursuant to a resolution approved by the Board of Commissioners of the County on \_\_\_\_\_ (the "Resolution"). The County covenants and agrees as follows:

#### **SECTION 1. Purpose of the Disclosure Certificate.**

(a) This Disclosure Certificate is being executed and delivered by the County for the benefit of the Bondholders and the Beneficial Owners and in order to assist the Participating Underwriters in complying with subsection (b)(5) of the Rule.

(b) In consideration of the purchase and acceptance of any and all of the Bonds by those who shall hold the same or shall own beneficial ownership interests therein from time to time, this Disclosure Certificate shall be deemed to be and shall constitute a contract between the County and the Bondholders and Beneficial Owners from time to time of the Bonds, and the covenants and agreements herein set forth to be performed on behalf of the County shall be for the benefit of the Bondholders and Beneficial Owners of any and all of the Bonds.

**SECTION 2. Definitions.** The following capitalized terms shall have the following meanings in this Disclosure Certificate:

"Annual Report" shall mean any Annual Report provided by the County pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"Dissemination Agent" shall mean the County, or any successor Dissemination Agent appointed in writing by the County and which has filed with the County a written acceptance of such designation.



"EMMA" shall mean the Electronic Municipal Market Access system of the MSRB. As of the date of this Disclosure Certificate, the EMMA Internet Web site address is <http://www.emma.msrb.org>.

"GAAP" shall mean generally accepted accounting principles, as such principles are prescribed, in part, by the Financial Accounting Standards Board and modified by the Government Accounting Standards Board and in effect from time to time.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board. As of the date of this Disclosure Certificate, the address and telephone numbers of the MSRB are as follows:

CDI  
1640 King Street, Suite 300  
Alexandria, Virginia 22314-2719  
Tel: (202) 223-9503  
Fax: (703) 683-1930

"Official Statement" shall mean the Official Statement for the Bonds dated \_\_\_\_\_, 2010.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

"Rule" shall mean Rule 15c2-12 promulgated by the SEC pursuant to the 1934 Act, as the same may be amended from time to time, together with all interpretive guidances or other official interpretations or explanations thereof that are promulgated by the SEC.

"SEC" shall mean the Securities and Exchange Commission.

"Securities Counsel" shall mean legal counsel expert in federal securities law.

"State" shall mean the State of Michigan.

"1934 Act" shall mean the Securities Exchange Act of 1934, as amended.

### SECTION 3. Provision of Annual Reports.

(a) Each year, the County shall provide, or shall cause the Dissemination Agent to provide, not later than nine months after the first day of the County's fiscal year, commencing with the County's Annual Report for the fiscal year ending December 31, 2009, to the MSRB an Annual Report for the preceding fiscal year which is consistent with the requirements of Section 4 of this Disclosure Certificate. Currently, the County's fiscal year commences January 1. Not later than fifteen (15) business days prior to said date, the County shall provide the Annual Report to the Dissemination Agent (if other than the County). In each

case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided, however, that if the audited financial statements of the County are not available by the deadline for filing the Annual Report, they shall be provided when and if available, and unaudited financial statements in a format similar to the audited financial statements most recently prepared for the County shall be included in the Annual Report.

(b) If the County is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the County shall file a notice, in a timely manner, to the MSRB.

(c) If the County's fiscal year changes, the County shall file written notice of such change to MSRB.

(d) If the Dissemination Agent is other than the County, file a report with the County certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided.

(f) In connection with providing the Annual Report, the Dissemination Agent (if other than the County) is not obligated or responsible under this Disclosure Certificate to determine the sufficiency of the content of the Annual Report for purposes of the Rule or any other state or federal securities law, rule, regulation or administrative order.

SECTION 4. Content of Annual Reports. The County's Annual Report shall contain or incorporate by reference the following:

(a) The audited financial statements of the County for its fiscal year immediately preceding the due date of the Annual Report.

(b) An update of the financial information and operating data relating to the County of the same nature as that contained in the following tables in the Official Statement: "County Tax Rates & Levies", "Tax Collection Record", "State Equalized Valuation", "Taxable Valuation", "Major Taxpayers", "Largest Employers", "Employment Statistics", "General fund Revenues and Expenditures", and "Debt Statement".

The County's financial statements shall be audited and prepared in accordance with GAAP with such changes as may be required from time to time in accordance with State law.

Any or all of the items listed above may be included by specific reference to other documents available to the public on the MSRB's Internet Web site or filed with the SEC. The County shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) The County covenants to provide, or cause to be provided, notice of any of the following events with respect to the Bonds, if material, in a timely manner and in accordance with the Rule:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions or events affecting the tax-exempt status of the security;
- (7) Modifications to rights of security holders;
- (8) Bond calls;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the securities; and
- (11) Rating changes.

(b) Whenever the County obtains knowledge of the occurrence of a Listed Event, the County shall as soon as possible determine if such event would be material under applicable federal securities laws. The County covenants that its determination of materiality will be in conformance with federal securities laws.

(c) If the County determines that the occurrence of a Listed Event would be material under applicable federal securities laws, the County shall promptly cause a notice of such occurrence to be filed with the MSRB. In connection with providing a notice of the occurrence of a Listed Event described in subsection (a)(9), the County shall include in the notice explicit disclosure as to whether the Bonds have been escrowed to maturity or escrowed to call, as well as appropriate disclosure of the timing of maturity or call.

(d) In connection with providing a notice of the occurrence of a Listed Event, the Dissemination Agent (if other than the County), solely in its capacity as such, is not obligated or responsible under this Disclosure Certificate to determine the sufficiency of the content of the

notice for purposes of the Rule or any other state or federal securities law, rule, regulation or administrative order.

(e) The County acknowledges that the "rating changes" referred to above in Section 5(a)(11) of this Disclosure Certificate may include, without limitation, any change in any rating on the Bonds or other indebtedness for which the County is liable.

(f) The County acknowledges that it is not required to provide a notice of a Listed Event with respect to credit enhancement when the credit enhancement is added after the primary offering of the Bonds, the County does not apply for or participate in obtaining such credit enhancement, and such credit enhancement is not described in the Official Statement.

SECTION 6. Mandatory Electronic Filing with EMMA: All filings with the MSRB under this Disclosure Certificate shall be made by electronically transmitting such filings through the EMMA Dataport at <http://www.emma.msrb.org> as provided by the amendments to the Rule adopted by the SEC in Securities Exchange Act Release No. 59062 on December 5, 2008.

SECTION 7. Termination of Reporting Obligation.

(a) The County's obligations under this Disclosure Certificate shall terminate upon the legal defeasance of the Resolution or the prior redemption or payment in full of all of the Bonds. If the County's obligation to pay the principal of and interest on the Bonds is assumed in full by some other entity, such entity shall be responsible for compliance with the Disclosure Certificate in the same manner as if it were the County, and the County shall have no further responsibility hereunder.

(b) This Disclosure Certificate, or any provision hereof, shall be null and void in the event that the County (i) receives an opinion of Securities Counsel, addressed to the County, to the effect that those portions of the Rule, which require such provisions of this Disclosure Certificate, do not or no longer apply to the Bonds, whether because such portions of the Rule are invalid, have been repealed, amended or modified, or are otherwise deemed to be inapplicable to the Bonds, as shall be specified in such opinion, and (ii) delivers notice to such effect to the MSRB.

SECTION 8. Dissemination Agent. The County, from time to time, may appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Disseminating Agent. The initial Dissemination Agent shall be the County. Except as otherwise provided in this Disclosure Certificate, the Dissemination Agent (if other than the County) shall not be responsible in any manner for the content of any notice or report prepared by the County pursuant to this Disclosure Certificate.

SECTION 9. Amendment; Waiver. (a) Notwithstanding any other provision of this Disclosure Certificate, this Disclosure Certificate may be amended, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(1) If the amendment relates to the provisions of Section 3(a), (b), (c), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(2) This Disclosure Certificate, as so amended or taking into account such waiver, would, in the opinion of Securities Counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(3) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bondholders.

(b) In the event of any amendment to, or waiver of a provision of, this Disclosure Certificate, the County shall describe such amendment or waiver in the next Annual Report, and shall include a narrative explanation of the reason for the amendment or waiver. In particular, if the amendment results in a change to the annual financial information required to be included in the Annual Report pursuant to Section 4 of this Disclosure Certificate, the first Annual Report that contains the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of such change in the type of operating data or financial information being provided. Further, if the annual financial information required to be provided in the Annual Report can no longer be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect shall be included in the first Annual Report that does not include such information.

(c) If the amendment results in a change to the accounting principles to be followed in preparing financial statements as set forth in Section 4 of this Disclosure Certificate, the Annual Report for the year in which the change is made shall include a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of such differences and the impact of the changes on the presentation of the financial information. To the extent reasonably feasible, the comparison shall also be quantitative. A notice of the change in accounting principles shall be sent by the County, or the Dissemination Agent (if other than the County) at the written direction of the County, to the MSRB.

**SECTION 10. Additional Information.** Nothing in this Disclosure Certificate shall be deemed to prevent the County from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the County chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the County shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 11. Failure to Comply. In the event of a failure of the County or the Dissemination Agent (if other than the County) to comply with any provision of this Disclosure Certificate, any Bondholder or Beneficial Owner may bring an action to obtain specific performance of the obligations of the County or the Dissemination Agent (if other than the County) under this Disclosure Certificate, but no person or entity shall be entitled to recover monetary damages under any circumstances, and any failure to comply with the obligations under this Disclosure Certificate shall not constitute a default with respect to the Bonds or under the Resolution.

SECTION 12. Duties of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate.

SECTION 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the County, the Dissemination Agent, the Participating Underwriters, the Bondholders and the Beneficial Owners, and shall create no rights in any other person or entity.

SECTION 14. Transmission of Information and Notices. Unless otherwise required by law or this Disclosure Certificate, and, in the sole determination of the County or the Dissemination Agent, as applicable, subject to technical and economic feasibility, the County or the Dissemination Agent, as applicable, shall employ such methods of information and notice transmission as shall be requested or recommended by the herein designated recipients of such information and notices.

SECTION 15. Additional Disclosure Obligations. The County acknowledges and understands that other State and federal laws, including, without limitation, the Securities Act of 1933, as amended, and Rule 10b-5 promulgated by the SEC pursuant to the 1934 Act, may apply to the County, and that under some circumstances, compliance with this Disclosure Certificate, without additional disclosures or other action, may not fully discharge all duties and obligations of the County under such laws.

SECTION 16. Governing Law. This Disclosure Certificate shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of this Disclosure Certificate shall be instituted in a court of competent jurisdiction in the State. Notwithstanding the foregoing, to the extent this Disclosure Certificate addresses matters of federal securities laws, including the Rule, this Disclosure Certificate shall be construed and interpreted in accordance with such federal securities laws and official interpretations thereof.

COUNTY OF MACOMB

By: \_\_\_\_\_  
TED B. WAHBY  
Its: County Treasurer

Date: \_\_\_\_\_, 2010

# **OAKLAND-MACOMB INTERCEPTOR DRAIN DRAINAGE DISTRICT**

## **DRAIN BOARD**

MICHAEL R. GREGG, *Chairperson*  
JOHN P. MCCULLOCH, *Secretary*  
ANTHONY V. MARROCCO, *Member*