

CERTIFICATE REGARDING MEMORANDUM


\$34,000,000

**COUNTY OF OAKLAND RETIREES HEALTH CARE
REFUNDING BONDS, SERIES 2013B
(GENERAL OBLIGATION LIMITED TAX)**

I, L. Brooks Patterson, Oakland County Executive, an Authorized Officer of the County of Oakland, Michigan (the "Issuer" or "County") do hereby certify that as of the date of delivery of the \$34,000,000 County of Oakland Retirees Health Care Refunding Bonds, Series 2103B (General Obligation Limited Tax) (the "Series 2013B Refunding Bonds"), the information contained in the memorandum (the "Memorandum"), including revisions, amendments and completions as necessary, relating to the County and the Series 2013B Refunding Bonds, are true and correct in all material respects. Such Memorandum does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

Date: September 27, 2013

COUNTY OF OAKLAND

By: 

L. Brooks Patterson,
Oakland County Executive
Authorized Officer

MEMORANDUM DATED SEPTEMBER 24, 2013

NEW ISSUE-Book-Entry-Only

RATINGS:

Moody's:
S&P:

Aaa
AAA

In the opinion of Bond Counsel, under existing law, (i) interest on the Bonds is included in gross income for federal income tax purposes, and (ii) the Bonds and the interest thereon are exempt from any and all taxation whatsoever by the State of Michigan or a political subdivision thereof, except estate taxes and taxes on gains realized from the sale, payment or other disposition thereof. See "TAX MATTERS" herein and Appendix C hereto.

\$34,000,000

**COUNTY OF OAKLAND
STATE OF MICHIGAN**

**COUNTY OF OAKLAND RETIREES HEALTH CARE REFUNDING BONDS,
SERIES 2013B (GENERAL OBLIGATION LIMITED TAX)**

Dated: Date of Delivery

Due: April 1, 2027

The County of Oakland Retirees Health Care Refunding Bonds, Series 2013B (General Obligation Limited Tax) (the "Bonds") of the County of Oakland, State of Michigan (the "County") were authorized by the County by a resolution adopted on November 28, 2012, as amended on June 13, 2013 (collectively, the "Resolution"). The Bonds will be issued, together with other legally available funds, including the proceeds of the County of Oakland Retirees Health Care Refunding Bonds, Series 2013A ("Series A Bonds") in an aggregate principal amount of \$34,000,000, to eventually refund a portion of the County's outstanding Taxable Certificates of Participation, Series 2007 and for paying costs of issuance with respect to the Bonds and the refunding. See "THE FINANCING - PLAN OF REFUNDING."

The Bonds will be limited tax general obligations of the County payable from ad valorem taxes levied on all taxable property in the County or from other funds of the County legally available therefor. The full faith and credit of the County have been pledged for the prompt payment of the principal of and interest on the Bonds as the same shall become due. Each year the County is obligated to include in its budget as a first budget obligation an amount sufficient to pay such principal and interest as the same shall become due. The ability of the County to raise funds to pay such amounts is subject to applicable constitutional and statutory tax rate limitations on the taxing power of the County.

The Bonds are issuable only as fully registered bonds without coupons and, when issued, will be registered in the name of Cede & Co., as Bondholder and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of beneficial interests in the Bonds will be made in book-entry-only form in the denomination of \$5,000 or any integral multiple thereof within a series. Purchasers of beneficial interests in the Bonds (the "Beneficial Owners") will not receive certificates representing their beneficial interest in Bonds purchased. So long as Cede & Co. is the Bondholder, as nominee of DTC, references herein to the Bondholders or registered owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Bonds. See "THE BONDS--Book-Entry-Only System" herein.

\$34,000,000 4.52% Bonds Due April 1, 2027; Price 100%; CUSIP 672411 M69

Principal of and interest on the Bonds will be paid by The Huntington National Bank, Grand Rapids, Michigan (the "Bond Registrar"). So long as DTC or its nominee, Cede & Co., is the Bondholder, such payments will be made directly to such Bondholder. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants and Indirect Participants, as more fully described herein. Interest will be payable semiannually on April 1 and October 1, commencing April 1, 2014, to the Bondholders of record as of the applicable record dates herein described. The Bonds are subject to optional redemption as set forth in this Memorandum. The Bonds are not subject mandatory redemption. See "THE BONDS - Optional Redemption."

The Bonds will be offered when, as and if issued by the County and placed by The Huntington Investment Company with the County Treasurer subject to the approving legal opinion of Axe & Ecklund, P.C., Grosse Pointe Farms, Michigan, Bond Counsel. It is expected that the Bonds will be available for delivery through The Depository Trust Company on or about September 27, 2013.

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

COUNTY OF OAKLAND

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE COUNTY OF OAKLAND AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISK INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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COUNTY OF OAKLAND OFFICIALS

L. Brooks Patterson, *County Executive*
Lisa Brown, *Clerk and Register of Deeds*
Andrew E. Meisner, *County Treasurer*
Jessica Cooper, *Prosecuting Attorney*
Michael J. Bouchard, *Sheriff*
Jim Nash, *Water Resources Commissioner*

BOARD OF COMMISSIONERS

Michael J. Gingell, *Chairperson*

Jeff Matis, *Vice-Chair*

Mike Bosnic
Kathy Crawford
William Dwyer
Marcia Gershenson
Robert Gosselin
Mattie McKinney Hatchett
Robert Hoffman
Janet Jackson
Christine A. Long

Gary McGillivray
Thomas F. Middleton
Nancy Quarles
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Oakland County

2100 Pontiac Lake Road, Building 41W
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248 - 858 - 2163

Auditor: Plante & Moran, Southfield, Michigan
Bond Counsel: Axe & Ecklund, P.C., Grosse Pointe Farms, Michigan
Financial Advisor: Robert W. Baird & Co., Lansing, Michigan
Bond Registrar and Paying Agent: The Huntington National Bank, Grand Rapids, Michigan
Counsel to the County Treasurer: Miller, Canfield, Paddock and Stone, P.L.C., Detroit, Michigan

MEMORANDUM
Relating to the
\$34,000,000
COUNTY OF OAKLAND
STATE OF MICHIGAN
COUNTY OF OAKLAND RETIREES HEALTH CARE REFUNDING
BONDS, SERIES 2013B (GENERAL OBLIGATION LIMITED TAX)

INTRODUCTION

This Memorandum, including the cover page hereof and the appendices hereto, is provided by the County of Oakland, State of Michigan (the "County") for the purpose of setting forth information in connection with the issuance and sale by the County of its \$34,000,000 County of Oakland Retirees Health Care Refunding Bonds, Series 2013B (General Obligation Limited Tax) ("Bonds"). The Bonds are being issued pursuant to Act 34, Public Acts of Michigan, 2001, as amended ("Act 34").

THE FINANCING

Purpose of the Bonds

The Bonds will be issued by the County to, together with other legally available funds, including the proceeds of the County of Oakland Retirees Health Care Refunding Bonds, Series 2013A (the "Series A Bonds") in an aggregate principal amount of \$316,000,000, eventually refund a portion of the County's outstanding Taxable Certificates of Participation, Series 2007 (the "COPs") and for paying costs of issuance with respect to the Bonds and the refunding. See "THE FINANCING - PLAN OF REFUNDING."

Plan of Refunding

The proceeds of the Bonds and the Series A Bonds will be used to pay certain costs of issuance relating to the Bonds and, together with other available funds of the County, to establish an escrow fund (the "Escrow Fund") composed of cash and/or non-callable direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America or other obligations the principal of and interest on which are fully secured by the foregoing. The Escrow Fund will be held by the corporate trust office of The Huntington National Bank, Grand Rapids, Michigan, as escrow agent (the "Escrow Agent") and will be deposited, together with other available funds of the County, into the 2007 Oakland County Intermediate Retiree Medical Benefits Trust established by the 2007 Oakland County Intermediate Trust Agreement to be used to redeem the COPs on April 1, 2014.

Estimated Sources and Uses of Funds

The sources and uses of funds with respect to the Bonds are estimated as follows:

<u>Estimated Sources of Funds</u>	
Par Value of the Bonds	\$ 34,000,000
Series A Bonds Contribution	316,000,000
Total Sources of Funds	<u>\$350,000,000</u>
<u>Estimated Uses of Funds</u>	
Deposit to Escrow Fund	\$348,800,000
Estimated Costs of Issuance ⁽¹⁾	1,200,000
Total Sources of Funds	<u>\$350,000,000</u>

(1) Includes legal, ratings, printing, financial advisor, publishing and other miscellaneous costs of issuance and contingencies.

THE BONDS

Authorization and Security

The Bonds are to be issued pursuant to the authorization contained in Act 34, Public Acts of Michigan, 2001, as amended ("Act 34"), and a resolution adopted by the Board of County Commissioners on November 28, 2012, as amended on June 13, 2013 (the "Resolution").

The Bonds will be limited tax general obligations of the County payable from ad valorem taxes levied on all taxable property in the County or from any other funds of the County legally available therefor. The full faith and credit of the County have been pledged for the prompt payment of the principal of and interest on the Bonds as the same shall become due. Each year the County is obligated to include in its budget as a first budget obligation an amount sufficient to pay such principal and interest as the same shall become due. The ability of the County to raise funds to pay such amounts is subject to applicable constitutional and statutory limitations on the taxing power of the County. The County's maximum authorized operating millage for 2013 was 4.2240 mills and the County levied 4.19 mills. See Appendix A – Financial Information Regarding the County of Oakland – County Tax Rates.

The rights and remedies of Bondholders may be affected by bankruptcy, insolvency, fraudulent conveyance or 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.

Description and Form of the Bonds

The Bonds will be issued in the aggregate principal amount of \$34,000,000. The Bonds will be dated as of and bear interest from their date of delivery. Interest on the Bonds shall be payable on April 1, 2014 and semiannually each October 1 and April 1 thereafter prior to maturity or earlier redemption thereof. Interest on the Bonds shall be computed on the basis of a 360-day year with twelve 30-day months, and the Bonds will mature on the date and in the principal amount and will bear interest at the rate per annum as set forth on the cover of this Memorandum. Subject to the provisions described below under "Book-Entry-Only System," the Bonds will be issued in fully registered form in the denomination of \$5,000, or integral multiples of that sum not exceeding the aggregate principal amount of the Bonds maturing at any one time, the principal of the Bonds is payable at maturity, upon presentation

and surrender at the corporate trust office of The Huntington National Bank as the bond registrar and paying agent (the "Bond Registrar") in Grand Rapids, Michigan, or its successor, and interest on the Bonds shall be payable when due by check or draft mailed by the Bond Registrar to the person or entity who is, at the close of business as of the fifteenth (15th) day of the month preceding each interest payment date (provided that if such day is a Saturday, Sunday or legal holiday in the State of Michigan (the "State"), as of the close of business on the day next preceding such 15th day of the month which is not a Saturday, Sunday or legal holiday in the State), the registered owner of record, at the owner's registered address.

Book-Entry-Only System

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds 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 Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest 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, corporate and municipal debt issues, and money market instrument 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 eliminates 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 a Standard & Poor's rating of: AA+. 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.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("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 Bonds 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 Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds 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 Bonds 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 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds 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.

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 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds 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.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the County 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 the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds 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 the County or the Bond Registrar, 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, the Bond Registrar or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County or the Bond Registrar, 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.

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

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

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

THE INFORMATION ABOVE IN THIS SECTION "BOOK-ENTRY-ONLY SYSTEM" HAS BEEN FURNISHED BY DTC. NO REPRESENTATION IS MADE BY THE COUNTY OR THE BOND REGISTRAR AS TO THE COMPLETENESS OR ACCURACY OF SUCH INFORMATION OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF. NO ATTEMPT HAS BEEN MADE BY THE COUNTY OR THE BOND REGISTRAR TO DETERMINE WHETHER DTC IS OR WILL BE FINANCIALLY OR OTHERWISE CAPABLE OF FULFILLING ITS OBLIGATIONS. NEITHER THE COUNTY, NOR THE BOND REGISTRAR WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT OR INDIRECT PARTICIPANTS OR THE PERSONS FOR WHICH THEY ACT AS NOMINEES WITH RESPECT TO THE BONDS OR FOR ANY PRINCIPAL OR INTEREST PAYMENT THEREON. SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE BONDS, AS NOMINEE OF DTC. REFERENCES HEREIN TO THE BONDHOLDERS, HOLDERS, OWNERS OR REGISTERED OWNERS OF THE BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS.

Discontinuation of Book-Entry-Only System

DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving notice to the County or the Bond Registrar and discharging its responsibilities with respect thereto under applicable law. Upon the giving of such notice, the book-entry-only system for the Bonds will be discontinued unless a successor securities depository is appointed by the County. In addition, the County may discontinue the book-entry-only system for the Bonds at any time by giving reasonable notice to DTC.

In the event that the book-entry-only system for the Bonds is discontinued, the following provisions would apply to the Bonds, subject in each case to the further conditions set forth in the Resolution.

Delivery of Certificates; Registered Owners

Bond certificates in fully registered form will be delivered to, and registered in the names of, the Participants or such other persons as such Participants may specify (which may be the Indirect Participants or Beneficial Owners), in authorized denominations of \$5,000 or integral multiples thereof within a maturity within a series. The ownership of the Bonds so delivered (and any Bonds thereafter delivered upon a transfer or exchange described below) shall be registered in registration books to be kept by the Bond Registrar, and the County and the Bond Registrar shall be entitled to treat the registered owners of such Bonds, as their names appear in such registration books as of the appropriate dates, as the owners thereof for all purposes described herein and in the Resolution.

Transfers and Exchanges

So long as Cede & Co., as nominee for DTC, is the Registered Owner of the Bonds, beneficial ownership interests in the Bonds may only be transferred through a Direct or Indirect Participant and recorded on the book-entry-only system operated by DTC. In the event the book-entry-only system is discontinued, any Bond may be transferred by the person in whose name it is registered, in person or by a duly authorized attorney, upon surrender of the Bond at the principal corporate trust office of the Bond

Registrar for cancellation, together with a duly executed instrument of transfer in a form approved by the Bond Registrar. Whenever any Bonds are surrendered for transfer, the Bond Registrar shall authenticate and deliver new Bonds, in like aggregate principal amount in authorized denominations within a maturity within a series. The Bond Registrar may require the Registered Owner requesting the transfer to pay any tax or other governmental charge required to be paid with respect to the transfer. Neither the County nor the Bond Registrar shall be required to (i) register the transfer of or exchange of any Bond during a period beginning at the opening of business 5 business days before the day of the mailing of a notice of redemption of Bonds selected for redemption and ending at the close of business on the day of that mailing, or (ii) register the transfer of or exchange any Bond selected for redemption in whole or in part within 30 days of the redemption date of such Bond, except the unredeemed portion of Bonds redeemed in part.

Optional Redemption

On or prior to April 1, 2014, the Bonds or portions of Bonds of this issue in multiples of \$5,000 shall be subject to redemption prior to maturity, at the option of the County, on any date, at par and accrued interest to the date fixed for redemption.

After April 1, 2014, the Bonds are redeemable prior to maturity at the written direction of the County, in whole or in part on any Business Day, at the Make-Whole Redemption Price (as defined below). The Bond Registrar shall determine the Make-Whole Redemption Price. In connection with such redemption, the Bond Registrar shall have the right to retain, at the expense of the County, an independent accounting firm or financial advisor (which accounting firm or financial advisor shall be subject to the County's approval) to determine the Make-Whole Redemption Price. The Bond Registrar and the County may conclusively rely on such accounting firm's or financial advisor's calculations in connection with, and determination of, the Make-Whole Redemption Price, and shall bear no liability for such reliance.

The "Make-Whole Redemption Price" is the greater of (1) 100% of the principal amount of the Bonds to be redeemed; and (2) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Bonds are to be redeemed, discounted to the date on which the Bonds are to be redeemed on a semiannual basis assuming a 360-day year consisting of twelve 30-day months at the Treasury Rate, plus accrued and unpaid interest on the Bonds to be redeemed on the redemption date. "Treasury Rate" means, as of any redemption date, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two Business Days prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to the maturity date of the Bond to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

The Bonds are not subject to mandatory redemption prior to maturity.

Redemption Procedures

If the Bonds are registered in book-entry-only form and so long as the DTC or its nominee is the sole registered owner of the Bonds, if less than all of the Bonds are called for redemption, the particular

Bonds or portions thereof to be redeemed shall be selected on a pro rata pass-through distribution of principal basis in accordance with the procedures of DTC, provided that the selection for redemption of such Bonds shall be made in accordance with the operational arrangements of DTC then in effect, and, if DTC's operational arrangements at such time do not allow for redemption on a pro rata pass-distribution of principal basis, the Bonds shall be selected for redemption in accordance with DTC's procedures. If DTC or its nominee is no longer the sole registered owner of the Bonds, if less than all of the Bonds of a maturity are called for redemption, the Bond Registrar shall select the Bonds to be redeemed on a pro rata pass-through basis within such maturity.

In case less than the full amount of an outstanding Bond is called for redemption, the Bond Registrar, upon presentation of the Bond called for redemption, shall register, authenticate and deliver to the registered owner of record a new Bond in principal amount of the portion of the original Bond not called for redemption.

Notice of redemption of any Bond or portion thereof shall be given by the Bond Registrar at least thirty (30) days prior to the date fixed for redemption by mail to the registered owner at the registered address shown on the registration books kept by the Bond Registrar. Bonds shall be called for redemption in multiples of \$5,000 and any Bond of a denomination of more than \$5,000 shall be treated as representing the number of Bonds obtained by dividing the denomination of the Bond by \$5,000 and such Bond may be redeemed in part. Notice of redemption for a Bond redeemed in part shall state that upon surrender of the Bond to be redeemed a new bond or bonds in authorized denomination or denominations in aggregate principal amount equal to the unredeemed portion of the bonds surrendered shall be issued to the registered owner thereof. No further interest on a Bond or portion thereof called for redemption shall accrue after the date fixed for redemption, whether presented for redemption or not, provided funds are on hand with the transfer agent to redeem the Bond or portion thereof.

COUNTY OF OAKLAND

Information regarding the County of Oakland, State of Michigan is included in Exhibit A and Exhibit B.

MICHIGAN PROPERTY TAX REFORM

On December 20, 2012, Governor Snyder signed into law a package of bills reforming personal property tax in Michigan. The legislation exempts commercial and industrial personal property of each owner with a combined taxable value in the local taxing unit of less than \$40,000 from ad valorem taxes beginning in 2014. All industrial personal property purchased or put into service beginning in 2013 and industrial personal property that has been in use for 10 years or more becomes exempt beginning in 2016. The legislation extends certain personal property tax exemptions and tax abatements for technology parks, industrial facilities and enterprise zones that were to expire after 2012, until the newly enacted personal property tax exemptions take effect. The legislation authorizes local units to specially assess commercial and industrial real property to replace revenue lost due to the personal property tax exemptions for police, fire, ambulance and jail operations. The legislation also includes a formula to reimburse certain local governments for a portion of their lost personal property tax revenue from state use tax moneys to the extent the local unit has a reduction in taxable value of more than 2.3% as a result of the personal property tax exemption. However voters would need to approve a change in the state distribution of use tax in the August 2014 primary election for such reimbursement provisions to become effective. If voters approve the redistribution, a portion of the use tax would be directed to a newly created statewide Metropolitan Areas Metropolitan Authority and redistributed to qualifying local units. If voters fail to approve the use tax redistribution, the above personal property tax reform acts will be repealed and the

local reimbursement act and the special assessment act will not go into effect. The final impact of this legislation, pending the outcome of the August 2014 election, cannot be determined at this time.

On December 20, 2012, Governor Snyder signed into law a package of bills reforming personal property tax in Michigan. The legislation exempts commercial and industrial personal property of each owner with a combined taxable value in a local taxing unit of less than \$40,000 from ad valorem taxes beginning in 2014. All eligible manufacturing personal property purchased or put into service beginning in 2013 and used more than 50% of the time in industrial processing or direct integrated support becomes exempt beginning in 2016. The legislation extends certain personal property tax exemptions and tax abatements for technology parks, industrial facilities and enterprise zones that were to expire after 2012, until the newly enacted personal property tax exemptions take effect. The legislation authorizes local units to specially assess commercial and industrial real property to replace revenue lost due to the personal property tax exemptions for police, fire, ambulance and jail operations. The legislation also includes a formula to reimburse certain local governments for a portion of lost personal property tax revenue from use tax moneys to the extent the local unit has a reduction in taxable value of more than 2.3% as a result of the personal property tax exemption. For such reimbursement provisions to become effective, however voters would need to approve a change in the state distribution of use tax in the August 2014 primary election. If voters approve the redistribution, a portion of the use tax would be directed to a newly created statewide Metropolitan Areas Metropolitan Authority which would redistribute that revenue to qualifying local units. If voters fail to approve the use tax redistribution, the above personal property tax reform acts will be repealed and the local reimbursement act and the special assessment act will not go into effect. The final impact of this legislation cannot be determined at this time.

The ultimate nature, extent and impact of any other future amendments to Michigan's property tax laws on a local unit's finances cannot be predicted. Purchasers of the Bonds should consult with their legal counsel and financial advisors as to the consequences of any such legislation on the market price or marketability of the Bonds, the security therefor and the operations of the local unit.

TAX PROCEDURES

Article IX, Section 3, of the Michigan Constitution provides that the proportion of true cash value at which property shall be assessed shall not exceed 50% of true cash value. The Michigan Legislature by statute has provided that property shall be assessed at 50% of its true cash value, except as described below. The Michigan Legislature or the electorate may at some future time reduce the percentage below 50% of true cash value.

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 has two valuations -- State equalized valuation ("SEV") and Taxable Value. Property taxes are levied on Taxable Value. Generally, Taxable Value of property is the lesser of (a) the Taxable Value of the property in the immediately preceding year, adjusted for losses, and increased by the lesser of the inflation rate or 5%, plus additions, or (b) the property's current SEV. Under certain circumstances, therefore, the Taxable Value of property may be different from the same property's SEV.

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.

Responsibility for assessing taxable property rests with the local assessing officer of each township and city. Any property owner may appeal the assessment to the local assessor, to the local board of review and ultimately to the Michigan Tax Tribunal.

The Michigan Constitution also mandates a system of equalization for assessments. Although the assessors for each local unit of government within a county 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.

Property that is exempt from property taxes, e.g., churches, government property, public schools, is not included in the SEV and Taxable Value data in this Memorandum. Property granted tax abatements under Act 198, Public Acts of Michigan, 1974, amended, is recorded on a separate tax roll while subject to tax abatement. The valuation of tax-abated property is based upon SEV but is not included in either the SEV or Taxable Value data in this Memorandum except as noted

LITIGATION

To the knowledge of the County, there is no controversy of any nature threatened or pending against the County, seeking to restrain or enjoin the issuance, sale, execution and delivery of the Bonds or in any way contesting or affecting the validity of the Bonds or any proceedings of the County with respect to the issuance and sale of thereof.

BOND RATINGS

Moody's Investors Service and Standard & Poor's Ratings Service, a division of The McGraw Hill Companies, Inc., have assigned their ratings of "Aaa" and "AAA," respectively to the Bonds. There is no assurance that such ratings will prevail for any given period of time or that they will not be revised downward or withdrawn entirely by such rating agencies if, in the judgment of either or both of them, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds. Any ratings assigned represent only the views of the respective rating agencies. The definitions furnished by the rating agencies for their rating may be obtained from the rating agencies.

BOND COUNSEL'S RESPONSIBILITY

The fees of Axe & Ecklund, P.C. ("Bond Counsel") for services rendered in connection with its approving opinion are expected to be paid from the proceeds of the Bonds. Except to the extent necessary to issue its approving opinion as to validity of the Bonds and the exemption of the interest thereon from taxation, and except as stated below, Bond Counsel has not been retained to examine or review and has not examined or reviewed any financial documents, statements or materials that have been or may be furnished in connection with the authorization, issuance or marketing of the Bonds, and accordingly will not express any opinion with respect to the accuracy or completeness of any such financial documents, statements or materials.

Bond Counsel has reviewed the statements made under the captions entitled "INTRODUCTION," "THE FINANCING," "THE BONDS" (except the section "Book-Entry-Only System"), "BOND COUNSEL'S RESPONSIBILITY," "MUNICIPAL FINANCE QUALIFYING STATEMENT/TREASURY APPROVAL," "TAX MATTERS," and "LEGAL MATTERS." Bond Counsel has not been retained for review and has not reviewed any other portions of this Memorandum for accuracy or completeness and has not made inquiry of any official or employee of the County or any other person and has made no independent verification of such portions hereof, and further has not expressed and will not express an opinion as to any such portions hereof.

MUNICIPAL FINANCE QUALIFYING STATEMENT/TREASURY APPROVAL

The County has filed a Qualifying Statement for the fiscal year ended September 30, 2012. The Michigan Department of Treasury has determined that the County is in material compliance with the criteria identified in Act 34.

By a letter dated September 25, 2013, the Department of Treasury of the State of Michigan has approved the issuance of the Bonds by the County in accordance with section 518(8) of Act 34.

TAX MATTERS

Tax Opinions

Not Exempt from Federal Tax. In the opinion of Axe & Ecklund, P.C., Bond Counsel, based on its examination of the documents described in its opinion, under existing law, interest on the Bonds is included in gross income for federal income tax purposes. Bond Counsel will express no opinion regarding other federal tax consequences arising with respect to the Bonds and the interest thereon.

Exempt from State Tax. In addition, in the opinion of Bond Counsel, based on its examination of the documents described in its opinion, under existing law, the Bonds and the interest thereon are exempt from all taxation by the State of Michigan or any political subdivision thereof, except estate taxes and taxes on gains realized from the sale, payment or other disposition thereof.

Certain Federal Tax Consequences

There are certain additional federal income tax consequences of the purchase, ownership and disposition of the Bonds. Such federal income tax consequences include, but are not limited to, matters related to acquisition premium, amortizable bond premium, gain or loss on disposition, marketing discount, information reporting and backup withholding.

Original Issue Discount. If a Bond is issued at a discount from its stated redemption price at maturity, and the discount is at least the product of one-quarter of one percent (0.25%) of the stated redemption price at maturity of the Bond multiplied by the number of full years to maturity, the Bond will be an "OID Bond." In general, the excess of the stated redemption price at maturity of an OID Bond over its issue price will constitute original issue discount ("OID") for U.S. federal income tax purposes. The stated redemption price at maturity of a Bond is the sum of all scheduled amounts payable on the Bond other than qualified stated interest. The term "qualified stated interest" generally means stated interest that is unconditionally payable in cash or property (other than debt instruments of the Institution), or that is treated as constructively received, at least annually at a single fixed rate or, under certain conditions, at a variable rate. U.S. Holders of OID Bonds will be required to include OID in income for U.S. federal income tax purposes as it accrues, in accordance with a constant yield method based on a compounding of

interest (which may be before the receipt of cash payments attributable to such income). Under this method, U.S. Holders generally will be required to include in income increasingly greater amounts of OID in successive accrual periods.

Premium. If a Bond is issued at a price greater than the principal amount payable at maturity, a U.S. Holder generally will be considered to have purchased the Bond at a premium, and generally may elect to amortize the premium as an offset to interest income, using a constant-yield method, over the remaining term of the Bond. If a U.S. Holder makes the election to amortize the premium, it generally will apply to all debt instruments held by such U.S. Holder at the time of the election, as well as any debt instruments that are subsequently acquired by such U.S. Holder. In addition, a U.S. Holder may not revoke the election without the consent of the IRS. If such U.S. Holder elects to amortize the premium, such U.S. Holder's tax basis in the Bond will be reduced by the amount of the premium amortized during the holding period of the U.S. Holder. If such U.S. Holder does not elect to amortize premium, the amount of premium will be included in its tax basis in the Bond.

Disposition of the Bonds. Unless a nonrecognition provision of the Code applies, the sale, exchange, redemption (including pursuant to an offer by the Institution), legal defeasance, or other disposition of a Bond will be a taxable event for U.S. federal income tax purposes. In such event, in general, a U.S. Holder will recognize gain or loss equal to the difference between (i) the amount of cash plus the fair market value of property received (except to the extent attributable to accrued but unpaid interest on the Bonds which will be taxed in the manner described above under "Interest") and (ii) the U.S. Holder's adjusted tax basis in the Bond. Any such gain or loss generally will be long-term capital gain or loss, provided the Bond has been held for more than one year at the time of the disposition. Net long-term capital gain recognized by an individual U.S. Holder generally will be subject to tax at a lower rate than net short-term capital gain or ordinary income. The deductibility of capital losses is subject to limitations.

Tax Basis. Initially, the tax basis of a U.S. Holder in a Bond generally will equal the amount paid for the Bond by such U.S. Holder. Subsequently, the basis will increase by any amounts that such U.S. Holder is required or elects to include in income under the rules governing original issue discount, and will decrease by the amount of any amortized premium and any payments other than "qualified stated interest" made on the Bond. The rules for determining these amounts are discussed above.

Information Reporting and Backup Withholding. The Institution or its paying agent, if any (the "payor") must report annually to the IRS and to each U.S. Holder any interest that is payable to the U.S. Holder, subject to certain exceptions. Under section 3406 of the Code and applicable Treasury Regulations, a non-corporate U.S. Holder of the Bonds may be subject to backup withholding with respect to "reportable payments," which include interest paid on the Bonds and the gross proceeds of a sale, exchange, redemption or retirement of the Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a taxpayer identification number ("TIN") to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a "notified payee underreporting" described in section 3406(c) of the Code or (iv) there has been a failure of the payee to certify under penalty of perjury that the payee is not subject to withholding under section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules do not constitute an additional tax and will be credited against the U.S. Holder's federal income tax liability (and possibly result in a refund), so long as the required information is timely provided to the IRS.

Medicare Contribution Tax. For taxable years beginning after December 31, 2012, certain non-corporate U.S. Holders will be subject to a 3.8% tax, in addition to regular tax on income and gains, on

some or all of their "net investment income," which generally will include interest on the Bonds and any net gain recognized upon disposition of a Bond.

Certain U.S. Federal Income Tax Consequences to Non-U.S. Holders

This section describes certain U.S. federal income tax consequences to Non-U.S. Holders.

Interest. If, under the Code, interest on the Bonds is effectively connected with the conduct of a trade or business within the United States by a Non-U.S. Holder ("ECI"), such interest will be subject to U.S. federal income tax in a similar manner as if the Bonds were held by a U.S. Holder, as described above, and in the case of a Non-U.S. Holder that is a corporation, such interest may be subject to an additional U.S. branch profits tax at a rate of up to 30%, unless an applicable tax treaty provides otherwise. However, such ECI will not be subject to withholding taxes if the Non-U.S. Holder provides a properly executed Form W-8ECI to the payor.

Interest on the Bonds held by a Non-U.S. Holder that is not ECI may be subject to withholding taxes of up to 30% of each payment made to the Non-U.S. Holder unless the "portfolio interest" exemption applies, or, as discussed below, such withholding taxes are eliminated by an applicable treaty. In general, such interest will qualify for the portfolio interest exemption and thus will not be subject to U.S. federal withholding tax, if either (A) the payor receives from the Non-U.S. Holder who is the beneficial owner of the obligation a statement signed by such person under penalties of perjury, on IRS Form W-8BEN, certifying that such owner is not a U.S. Holder and providing such owner's name and address or (B) a securities clearing organization, bank or other financial institution that holds the Bonds on behalf of such Non-U.S. Holder in the ordinary course of its trade or business certifies to the payor, under penalties of perjury, that such an IRS Form W-8BEN has been received from the beneficial owner by it and furnishes the payor with a copy thereof. Alternative methods may be applicable for satisfying the certification requirement described above, and foreign trusts and their beneficiaries, among others, are subject to special rules.

If a Non-U.S. Holder does not claim, or does not qualify for, the benefit of the portfolio interest exemption, the Non-U.S. Holder may be subject to a 30% withholding tax on interest payments on the Bonds. However, the Non-U.S. Holder may be able to claim the benefit of a reduced withholding tax rate under an applicable income tax treaty between the Non-U.S. Holder's country of residence and the U.S. The required information for claiming treaty benefits is generally submitted on Form W-8BEN, and a Non-U.S. Holder may under certain circumstances be required to obtain a U.S. taxpayer identification number.

Disposition of the Bonds. A Non-U.S. Holder will generally not be subject to U.S. federal income tax or withholding tax on gain recognized on a sale, exchange, redemption or other disposition of a Bond. (Such gain does not include proceeds attributable to accrued but unpaid interest on the Bonds, which will be treated as interest). A Non-U.S. Holder may, however, be subject to U.S. federal income tax on such gain if: (1) the Non-U.S. Holder is a nonresident alien individual who was present in the United States for 183 days or more in the taxable year of the disposition; or (2) the gain constitutes ECI (in which case the U.S. branch profits tax may also apply), unless an applicable tax treaty provides otherwise.

Information Reporting and Backup Withholding. The payor must report annually to the IRS and to each Non-U.S. Holder any interest that is subject to U.S. withholding taxes or that is exempt from U.S. withholding taxes pursuant to an income tax treaty or certain provisions of the Code. Copies of these information returns may also be made available under the provisions of a specific tax treaty or agreement with the tax authorities of the country in which the Non-U.S. Holder resides.

A Non-U.S. Holder generally will not be subject to backup withholding with respect to payments of interest on the Bonds as long as the Non-U.S. Holder (i) has furnished to the payor a valid IRS Form W-8BEN certifying, under penalties of perjury, its status as a non-U.S. person, (ii) has furnished to the payor other documentation upon which it may rely to treat the payments as made to a non-U.S. person in accordance with Treasury regulations, or (iii) otherwise establishes an exemption. A Non-U.S. Holder may be subject to information reporting and/or backup withholding on a sale of the Bonds through the United States office of a broker and may be subject to information reporting (but generally not backup withholding) on a sale of the Bonds through a foreign office of a broker that has certain connections to the United States, unless the Non-U.S. Holder provides the certification described above or otherwise establishes an exemption.

Amounts withheld under the backup withholding rules may be refunded or credited against the Non-U.S. Holder's U.S. federal income tax liability, if any, provided that the required information is timely furnished to the IRS.

FATCA Withholding. Under legislation commonly referred to as the "Foreign Account Tax Compliance Act" ("FATCA"), a withholding tax of 30% is generally applied to payments of (i) interest on a debt obligation of a U.S. issuer on or after January 1, 2014, and (ii) gross proceeds from the sale or other disposition of such a debt obligation on or after January 1, 2017, in each case made to (a) a foreign financial institution (as a beneficial owner or as an intermediary), unless such institution enters into an agreement with the U.S. government (or is required by applicable local law) to collect and provide to the United States or other relevant tax authorities certain information regarding U.S. account holders of such institution; or (b) a foreign entity that is not a financial institution (as a beneficial owner or as an intermediary), unless such entity provides the withholding agent with a certification that it does not have any substantial U.S. owners or identifying its substantial U.S. owners, which generally includes any specified U.S. person that directly or indirectly owns more than a specified percentage of such entity. Under applicable regulations, this legislation generally will not apply to a debt obligation outstanding on January 1, 2014, unless such debt obligation undergoes a "significant modification" (within the meaning of the applicable Treasury regulations promulgated under the Code) after such date. Investors are encouraged to consult with their own tax advisors regarding the implications of this legislation and the applicable regulations on their investment in a Bond.

Future Developments

NO ASSURANCE CAN BE GIVEN THAT ANY SUCH FUTURE LEGISLATION, OR ANY ACTIONS OF THE INTERNAL REVENUE SERVICE WILL NOT ADVERSELY AFFECT THE MARKET PRICE OF THE BONDS.

INVESTORS SHOULD CONSULT WITH THEIR TAX ADVISORS AS TO THE TAX CONSEQUENCES OF THEIR ACQUISITION, HOLDING OR DISPOSITION OF THE BONDS AND THE TAX CONSEQUENCES OF THE ORIGINAL ISSUE DISCOUNT OR PREMIUM THEREON, IF ANY.

Circular 230

The advice set forth in the opinion of Bond Counsel in this TAX MATTERS section (a) is not intended or written to be used, and may not be used by any person, for the purpose of avoiding federal tax penalties, and (b) was written to support the promotion or marketing of the Bonds.

ERISA CONSIDERATIONS

The Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and the Code generally prohibit certain transactions between employee benefit plans under ERISA or tax qualified retirement plans and individual retirement accounts under the Code (collectively, the "Plans") and persons who, with respect to a Plan, are fiduciaries or other "parties in interest" within the meaning of ERISA or "disqualified persons" within the meaning of the Code. In addition, each fiduciary of a Plan ("Plan Fiduciary") must give appropriate consideration to the facts and circumstances that are relevant to an investment in the Bonds, including the roles that such an investment in the Bonds would play in the Plan's overall investment portfolio. Each Plan Fiduciary, before deciding to invest in the Bonds, must be satisfied that such investment in the Bonds is a prudent investment for the Plan, that the investments of the Plan, including the investment in the Bonds, are diversified so as to minimize the risk of large losses and that an investment in the Bonds complies with the documents of the Plan and related trust, to the extent such documents are consistent with ERISA. All Plan Fiduciaries, in consultation with their advisors, should carefully consider the impact of ERISA and the Code on an investment in any Bond, including the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and the Code or similar laws to such investment.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Bonds are subject to the approval of Axe & Ecklund, P.C., Grosse Pointe Farms, Michigan, Bond Counsel.

PLACEMENT OF BONDS

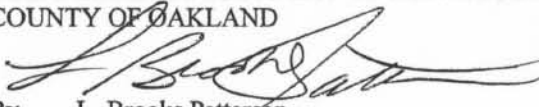
The Bonds will be placed by The Huntington Investment Company with the County Treasurer for the price of par. Bond Counsel will not express any opinion concerning the investment quality of the Bonds, or the accuracy, completeness or sufficiency of any offering material relative to the Bonds.

OTHER MATTERS

All information contained in this Memorandum is subject, in all respects, to the complete body of information contained in the original source thereof and no guaranty, warranty or other representation is made concerning the accuracy or completeness of such information. In particular, no opinion or representation is rendered as to whether any projection will approximate actual results, and all opinions, estimates and assumptions, whether or not expressly identified as such, should not be considered statements of fact.

This Memorandum has been duly executed and delivered by the County.

COUNTY OF OAKLAND

By 
Its: L. Brooks Patterson
County Executive

APPENDIX A GENERAL AND ECONOMIC INFORMATION REGARDING THE COUNTY

INTRODUCTION REGARDING THE COUNTY

Introduction

Calhoun County continues to be a great place to live, work, shop and entertain your family. The County is a special place to live where families enjoy a quality of life that is second to none and where business growth and economic development are the County's number one priority. The County's economic development strategy is to attract, create and retain jobs and to provide a high quality of life for its residents. The County's economic development strategy is to attract, create and retain jobs and to provide a high quality of life for its residents.

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Source: Calhoun County Department of Planning and Economic Development

The County

The County is a political subdivision created under the Constitution and Statutes of the State of Mississippi. The County is a political subdivision created under the Constitution and Statutes of the State of Mississippi. The County is a political subdivision created under the Constitution and Statutes of the State of Mississippi.

Form of Government

The County Board of Supervisors is the governing and legislative body of the County and is elected for a term of four (4) years. The County Board of Supervisors is the governing and legislative body of the County and is elected for a term of four (4) years.

The County Board of Supervisors is responsible for the overall supervision of all County departments, except those created by the County Board of Supervisors. The County Board of Supervisors is responsible for the overall supervision of all County departments, except those created by the County Board of Supervisors.

EXHIBIT A
GENERAL AND ECONOMIC
INFORMATION REGARDING THE COUNTY

Introduction

Oakland County continues to be a great place to live, work, shop and establish your business. The County is a special place to live where families enjoy a quality of life that is second to none and where business grows and prospers. From 2007 to 2012 the County's taxable value for real and personal property contracted with the economy for an average annual decrease of 4.78%. With only 3.9% of taxable valuation coming from the ten largest taxpayers, the County continues to have a well-diversified tax base.

Residential developments in the County include some of the finest in the State. The median sales price of a single family home was \$129,658 in 2012. Nearly 90% of the county's residential development since the start of 2009 has been single-family units, compared to 73% for the entire Southeast Michigan region. Nearly 30% of new residential construction in the region has been in Oakland County since 2009.

The unemployment rate for both Oakland County and the State of Michigan averaged 9.1% in 2012. 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 our skilled and educated workers and a best in class economic diversification strategy, including Automation Alley, Emerging Sectors, and Medical Main Street featuring the new William Beaumont/Oakland University Medical School.

Despite some economic challenges Oakland County remains among the most prosperous county economies in the nation, ranking number three for counties of the same size. Our goal is to ensure Oakland County and its work force continues to thrive today and tomorrow as a premier technology hub and Oakland County maintains the coveted AAA bond rating thanks to sound fiscal stewardship and a 3-year budget balanced through 2016.

Oakland County has the highest level of personal income per capita of the major labor markets in Michigan. The estimated per capita income of Oakland County residents in 2011 was \$53,297. Oakland County ranked 10th in per capita income in 2011 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 funds. The County uses a modified accrual basis for accounting purposes.

Form of Government

The 21 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 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 Budget Process

Conservative Budget Practices. The County's budgetary practices encourage favorable variances against actual operations. The County conservatively budgets for all authorized positions at full funding, regardless of whether they are filled or not. In doing so, vacancies arising from turnover, transfers or separation from County employment provide departments latitude in operating flexibility. Favorable variances are created as a financial management strategy and are relied upon to ensure that the General Fund equity (and other equities throughout the County) is maintained.

Multiple-Year Budgeting. After years of preparing and managing an operating budget for two-year periods of time, in 2009, the County expanded its budget practices to a triennial budget. The current County Executive Recommended Triennial Budget is balanced through FY 2016. On August 22, 2013, the Finance Committee of the Board of Commissioners unanimously approved the FY-2014 to FY-2016 operating budgets and recommended their passage at a Board of Commissioners meeting to be held on September 19, 2013. The County maintains the triennial budget with periodic amendments. Each new program or action is considered for the current year and the subsequent two years on a line-item basis.

Dynamic Budgeting. The County continually monitors budget and supplementary data, including real estate trends, foreclosure data and other information which impacts County Revenue. This data is continually evaluated to determine long-term budget trends and to adjust current budgets.

Operating and Other Reserves. The County's long-range strategic financial plan shows the County maintaining a minimum of 20% of its annual operating expenditures in reserve through fiscal year 2016. The County also has a formally expressed policy of maintaining at least \$200,000,000 in its delinquent tax revolving fund.

Additional information on the County's budget is available at:

<http://www.oakgov.com/exec/Pages/budget/default.aspx>.

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 more than 5 rivers, 1,400 lakes, 900 miles of shoreline, and numerous small streams. There are approximately 82 private and public golf courses, including Groveland Oaks, the first park in Michigan to be environmentally certified by the Michigan Turfgrass Environmental Stewardship Program, which attracts many businesses 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 800 corporate and general aviation aircraft. It is the world's sixth busiest general aviation airport and is the second busiest airport in Michigan with approximately 333,000 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, tripling the amount of international flights to over 1,200 flights per year. The airport contributes over \$150 million to the County's economy each year.

Detroit Metropolitan Airport (DTW), located 18 miles south of the County, offers direct and connecting flights daily to nearly everywhere in the world. With more than 31 million passengers each year, Detroit Metropolitan Airport is one of the busiest airports in the United States. As the second-largest hub and primary Asian gateway for Delta, the world's largest airline, DTW serves as the SkyTeam Alliance's major Midwestern hub. With two new passenger terminals, 145 gates, six jet runways and two modern Federal Inspection Services facilities for international arrivals it is one of the newest, most operationally-capable and efficient airports in North America.



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. Customs Service and a Free Trade Zone, enhancing the area's attractiveness to foreign manufacturers. 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 - CSX offers class-one industrial/commercial freight shipping from Wixom, Michigan to Detroit or Chicago. Canadian National Railway operates class-one industrial/commercial freight shipping from Birmingham, Michigan to Detroit or Windsor, Ontario. Amtrak Passenger Rail Service has stations in the Michigan cities of Birmingham, Pontiac, and Royal Oak for trains traveling to Chicago Union Station and points in between.

Residential - With more than 5,500 new construction permits since the start of 2009, the highest total in the seven-county Southeast Michigan region, Oakland County continues to post strong numbers in residential development. The estimated median housing value of a single family home in Oakland County was \$163,900 in 2011.

Commercial - While new development has slowed across the region, there are still multiple major projects progressing in Oakland County, including the Adams Marketplace (Rochester Hills), the new Oakland University William Beaumont School of Medicine, and a significant redevelopment to the Old Orchard Shopping Center (West Bloomfield Township).

Agriculture - Agriculture has been declining steadily due to farm property being converted into residential, commercial and industrial sites, but remains an important part of the county's economic diversification strategy.

Retail Activity - The County is home to an extensive collection of malls and shopping centers ranging from small village malls and popular local downtown shopping districts, to multi-floor regional malls found in most major cities. From luxury retailers at Somerset Collection to value-oriented stores at Great Lake Crossing, Oakland County offers shopping to meet the needs of residents and visitors alike.

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, 57 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 96 hotels and motels with 20 or more rooms, including the Townsend of Birmingham and Somerset Inn of Troy. 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 – Nearly seven million square feet of floor space has been completed in Oakland County since the start of 2007, accounting for 21% of Southeast Michigan's total nonresidential development. According to real estate brokerage firm Grubb & Ellis, office lease and vacancy rates in Oakland County sub-markets remain competitive with the rest of metro Detroit. Birmingham sub-market has the lowest vacancy rates in the region at 1.7%.

Industrial & Research Parks - Oakland Technology Park, located in Auburn Hills, is one of the top five research parks in the nation in size. Chrysler Group, LLC'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:

Supplier	Detroit Edison
Supplier	Consumers Power

Natural Gas:

Supplier	Consumers Energy
Supplier	MichCon
Supplier	Semco Energy

Water:

Supplier	Detroit Water and Sewer System Community and Private Wells
Source	Lake Huron
	Ground Water from Wells

Sewer:

Supplier	Detroit Water & Sewer System
	Community Water Treatment Facilities and Septic Fields
System Types	Separate Storm and Sanitary Community Treatment Facilities

Population

Oakland County's 2010 Census population was estimated to be over 1,202,326. The county ranks 32nd in population of all U.S. counties. Oakland County is also projected to have the largest actual population gain in the metro Detroit area with a gain of 122,280 new residents by 2035.

Table 1 – Population Trends, 1960 – 2010

<u>Year</u>	<u>Population</u>	<u>% Change</u>
1960	650,259	-
1970	907,871	39.62%
1980	1,011,793	11.45
1990	1,083,592	7.10
2000	1,194,156	10.20
2010	1,202,635	0.71
2012	1,220,657	1.50

Sources: U.S. Department of Commerce, Bureau of the Census Bureau

Education

There are 28 school districts in Oakland County, all offering preschool programs and all but one providing childcare or latchkey services. *Newsweek* rated the International Academy in Bloomfield Hills number 25 in the nation's top 100 U.S. high schools. Also listed as being in the top 6% of high schools in the country are 16 other public high schools from 9 different school districts.

In the fall of 2006 Oakland County launched a Mandarin Chinese language program in four school districts. Today, all school districts in Oakland County and 3 consortium schools offer this language 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. Over 75% of Michigan's schools offer dual-enrollment programs which give high school students the opportunity to earn college credits. The national average of schools offering dual-enrollment is only 65%.

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. The new William Beaumont/Oakland University School of Medicine is a game changing development for Oakland University, Oakland County, and the practice of medicine.

Oakland Community College - Approximately 24,000 students attend this multi-campus college specializing in technical and vocational education. To lead a consortium of educational institutions in Oakland County and Southeastern Michigan to support the Emerging Sectors initiative Oakland Community College was given \$285,000 in federal appropriations.

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 opened a 100,000 square foot continuing education center in Farmington Hills in 1995; Wayne State University consolidated several satellite facilities in operation throughout the County. Walsh College concentrates on business and accounting education as does Baker College.

The main campuses of the University of Michigan, Wayne State University and Michigan State University are approximately 20 to 90 miles from the County. These are major centers of research. Each university 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.

Source: Oakland County Department of Planning and Economic Development

Job Growth

The Oakland County economy is now in its fourth year of recovery since the recession's low point at the end of 2009. To date, the recovery has been red-hot, adding almost 48,000 jobs in the past two years, a growth rate of 3.8 percent per year. The strongest growth has come from the high-wage component of the work force. The recovery is forecast to continue with an accelerating pace over the next three years adding 11,581 jobs this year, 13,325 jobs in 2014, and 16,688 in 2015 – an average gain of 2.1 percent per year.

The county's economic base continues to diversify since the Emerging Sectors strategy was put into place. Since its implementation in 2004, Oakland County has seen more than 13,000 existing jobs retained, 29,000 jobs created, 240

companies attracted or retained, and produced nearly \$64 million in property taxes from the targeted industries. The program has resulted in more than \$2.5 billion of new investment within the county.

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 as one-third of all Michigan's R & D facilities are located in Oakland County. Automation Alley, founded in Oakland County and headquartered in Troy, is Southeast Michigan's leading technology business association. The organization fosters growth and economic development and is home to more than 311,000 technology works and 7,800 technology businesses from a variety of industries, and to help communities make the transition from a manufacturing economy to a knowledge economy, Oakland County has developed the Technology Planning Toolkit. This relates global economic trends with local actionable items.

Source: Oakland County Department of Planning and Economic Development

Foreign Investment

Over 720 businesses representing 36 foreign parent companies doing business in Michigan are located in Oakland County. Sixty-seven percent of all foreign owned firms in southeastern Michigan are in Oakland County.

County Tax Rates

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 operating millage for 2012, after the Headlee reduction, is 4.2240 mills. See "Tax Rate Limitation" section.

Table 2 - County Tax Rates (in mills) \$1.00/\$1,000 of Taxable Valuation

	2012	2011	2010	2009	2008	2007	2006	2005
Operating	4.1900	4.1900	4.1900	4.1900	4.1900	4.1900	4.1900	4.1900
Parks & Recreation	0.2415	0.2415	0.2415	0.2415	0.2415	0.2415	0.2415	0.2415
Huron Clinton Authority	0.2146	0.2146	0.2146	0.2146	0.2146	0.2146	0.2146	0.2146
Zoo Authority	0.1000	0.1000	0.1000	0.0000	0.0000	0.0000	0.0000	0.0000
Arts Authority	0.2000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Total	4.9461	4.7461	4.7461	4.6461	4.6461	4.6461	4.6461	4.6461

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>Unit 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>0.25</u>
Total Millage Rate	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

Table 3 – Collection Record of County's Tax Levy, 2002 - 2012

<u>Year of Tax Levy</u>	<u>Tax Levy*</u>	<u>Collections to March 1 of Each Levy Year Amount**</u>	<u>Percent</u>	<u>Collections Plus Delinquent Tax Funding Percent</u>
2012	\$201,724,853	\$189,692,721	94.04%	100.00%
2011	206,524,166	198,931,022	96.32	100.00
2010	223,423,778	214,041,473	95.80	100.00
2009	253,987,318	241,943,443	95.26	100.00
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

* Includes real and personal property taxes.

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

Source: Oakland County Treasurer

Prior to 1997, the County's fiscal year began on January 1st and ended on December 31st. Starting in 1997, the County's Fiscal Year started on October 1st ended on September 30th. 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 1st, 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, buildings on leased land, DNR-PILT, or tax abated property taxes. Delinquent personal property taxes are negligible, and therefore, 100% Tax Collections are reported above.

Table 4 – Collection Record of County Wide Tax Levy, 2002 - 2012

Year of Tax Levy	Tax Levy*	Collections to March 1 of Each Levy Year Amount**	Percent	Collections Plus Delinquent Tax Funding Percent
2012	\$2,155,447,277	\$2,059,602,174	95.55%	100.00%
2011	2,196,145,824	2,081,982,974	94.80	100.00
2010	2,317,084,920	2,179,375,143	94.06	100.00
2009	2,552,222,639	2,388,595,610	93.59	100.00
2008	2,608,706,372	2,451,081,244	93.96	100.00
2007	2,655,538,647	2,505,486,055	94.34	100.00
2006	2,557,038,960	2,423,216,598	94.77	100.00
2005	2,431,651,204	2,320,949,348	95.45	100.00
2004	2,328,575,713	2,211,018,004	94.95	100.00
2003	2,146,982,204	2,041,180,799	95.07	100.00
2002	2,100,018,728	1,991,919,012	94.85	100.00

* Includes real and personal property taxes.

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

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 cities, villages, and townships. Any property owner may appeal his or her 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), 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 2013 taxable valuation of \$251,993,436 for real and personal property. The total number of parcels with exemptions in 2013 under Act 198 within the County is 270.

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 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 2012 under Act 189 within the County was 868.

Source: Oakland County Treasurer

Largest Taxpayers

The 10 largest taxpayers in the County and their June 30, 2012 taxable valuations are:

Table 5 – Ten Largest Taxpayers

Taxpayer	Taxable Valuation
Detroit Edison	\$422,258,265
Chrysler Group, LLC	252,006,277
General Motors	237,369,915
Consumers Power/Energy	207,961,515
Taubman	123,192,338
Frankel/Forbes/Cohn	121,435,922
International Transmission	93,147,480
Ramco-Gershenson	90,284,530
Comcast	77,158,287
Holtzman & Silverman	75,574,925
Total	\$1,700,389,454

Note: The taxable values have been compiled from a number of sources/reports and may include estimated figures.

Source: Oakland County Equalization Department

Major Employers

The 25 largest employers in the County and number of employees in 2012:

Table 6 – Twenty-Five Largest Employers in the County

Employer Name	Approximate Number of Employees
William Beaumont Hospital	11,683
Chrysler Group	10,172
General Motors Corp.	8,550
Trinity Health Michigan	5,966
Henry Ford Health Systems	4,740
St. John Providence Health System	4,211
U.S. Postal Service	3,359
Oakland County Government	3,215
Flagstar Bancorp Inc.	2,724
Botsford Health Care	2,665
Oakland University	2,102
Comerica Bank	2,001
Detroit Medical Center	1,601
Lear Corporation	1,587
Walled Lake Consolidated Schools	1,543
J.P. Morgan Chase & Co.	1,456
Crittenton Hospital Medical Center	1,423
Farmington Public Schools	1,403
Huron Valley Schools	1,387
Rochester Community Schools	1,381
Comau Inc.	1,320
Kelly Services Inc.	1,306
Delphi Automotive	1,277
State of Michigan	1,195
U.S. Government	1,143

Source: Oakland County Department of Planning and Economic Development

Labor Force

The 2012 number of private employees totaled nearly 615,000. The unemployment rate for both Oakland County and the State of Michigan averaged 9.1% in 2012.

Source: State of Michigan, Department of Technology, Management & Budget

Table 7 – Unemployment History in the County – Calendar Year 2013

Month	Total Work Force	Unemployment	Percent Unemployed
January	580,609	54,002	9.3%
February	581,568	49,241	8.5
March	582,813	48,526	8.3
April	578,893	43,344	7.5
May	592,417	46,305	7.8
June	602,993	54,491	9.0
July	607,445	53,197	8.8

Source: State of Michigan, Department of Technology, Management & Budget

Table 8 – Unemployment History in the County, 2002-2012 (Annual Averages)

Year	Total Work Force	Unemployment	Percent Unemployed
2012	587,709	53,238	9.1%
2011	587,052	59,642	10.2
2010	593,885	73,840	12.4
2009	604,595	77,951	12.9
2008	613,026	43,193	7.0
2007	625,367	38,053	6.1
2006	630,834	36,365	5.8
2005	636,891	36,495	5.7
2004	640,110	36,132	5.6
2003	644,545	35,709	5.5
2002	652,571	34,183	5.2

Source: State of Michigan, Department of Technology, Management & Budget

Table 9 – Unemployment History in the State of Michigan, 2002-2012 (Annual Averages)

Year	Total Work Force	Unemployment	Percent Unemployed
2012	4,657,000	426,000	9.1%
2011	4,676,000	486,000	10.4
2010	4,750,000	602,000	12.7
2009	4,853,000	651,000	13.4
2008	4,961,000	409,000	8.3
2007	5,034,000	356,000	7.1
2006	5,072,000	349,000	6.9
2005	5,063,000	346,000	6.8
2004	5,043,000	356,000	7.1
2003	5,033,000	358,000	7.1
2002	5,040,000	315,000	6.2

Source: State of Michigan, Department of Technology, Management & Budget

Income

Per capita personal income was \$53,297 in 2011. In 2011, Oakland County ranked 10th in per capita income for counties with populations greater than one million.

Table 10 - Per Capita Personal Income in Oakland County, 2000-2011

Year	Per Capita Income
2011	\$53,297
2010	49,132
2009	47,764
2008	53,576
2007	53,512
2006	52,347
2005	51,099
2004	49,799
2003	48,949
2002	47,714
2001	47,012
2000	46,689

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

County Labor Contracts

As of January 2013, Oakland County had 3,505 full and part time positions of which 2,536 are represented by 8 certified bargaining units.

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

Table 11 - Oakland County Employees Represented by Bargaining Unit

County Employee Group	Number of Positions	Contract Expiration Date
Sheriff's Law Enforcement	334	9/30/2015
Corrections and Services	381	9/30/2015*
Sheriff's Command Officers	103	9/30/2016**
Children's Village Employees	131	9/30/2013***
Family Court Employees	86	9/30/2013***
Prosecutor's Investigators	7	9/30/2013***
Oakland County Employees Union	303	9/30/2015
Public Health Nurses	91	9/30/2013**
	1,436	

*The County has negotiated a tentative two-year agreement through 9/30/2015, however, it still needs to be presented to the Board of Commissioners.

**The County has negotiated a tentative three-year agreement through 9/30/16, however, it still needs to be presented to the Board of Commissioners.

***In Negotiation

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:

Table 12 – Companies With Major Corporate or Regional Division Offices in Oakland County

<u>Company</u>	<u>2011 Sales (millions)</u>
Chrysler Group, LLC	\$65,784.0
Lear Corporation	14,567.0
Penske Automotive Group	13,163.5
Robert Bosch, LLC	9,800.0
Trinity Health	8,900.9
BorgWarner, Inc.	7,183.2
Federal-Mogul Corporation	6,664.0
Guardian Industries Corporation	5,600.0
Delphi Corporation	5,495.0
Kelly Services, Inc.	5,450.5
Meritor, Inc.	4,418.0
Fiat North America, LLC	4,358.1
Cooper-Standard Holdings, Inc.	2,880.9
Flagstar Bancorp, Inc.	1,758.5
Denso International America, Inc.	1,512.9
Toyoda Gosei North America Corporation	913.2
BALFOR USA Group, Inc.	910.7
ITC Holdings Corporation	830.5
Taubman Centers, Inc.	748.0
Valeo, Inc.	687.8

Source: Dun & Bradstreet

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 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.

Act Nos. 356 and 357, Public Acts of Michigan, 2004 signed into law on September 30, 2004 made 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") was established and used to reduce the State's obligation to pay revenue sharing to counties. The Michigan Legislature approved proposal replacing revenue sharing allows counties to collect part of their millage earlier in the year thereby advancing their cash flows.

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

The impact on revenue sharing varies widely from county to county. In Oakland County revenue sharing distributions from the State will resume in 2015.

Tax Collection and Levy Date for County Fixed or Allocated Millage

The money which is 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 CONTINUE TO BE LEVIED AND COLLECTED ON DECEMBER 1.

Revenue Sharing Reserve Fund ("RSRF")

During fiscal 2005, the State revised the property tax calendars for counties. In doing so, it created a substantial and permanent future cash flow hole for Michigan counties from December 1 to June 30th each year. Oakland has yet to experience this cash flow hole as its Revenue Sharing Trust Fund (RSTF), collected a full year's property tax revenue for the RSTF escrow fund over a three year period. By law, this fund is to be bled down at a pace of roughly \$25 million annually as a means to "cover" the revenue sharing payment that the State no longer makes to Oakland County.

Resumption of Actual Revenue Sharing Payments

The statutory guarantee to counties to receive revenue sharing payments from the State remain in full force and effect.

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.

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.

Pensions

As of June 30, 2013, the County's market value of pension assets was \$740.6 million and the estimated actuarial accrued liabilities of its pension system according to its September 30, 2012 actuarial reports was \$737.8 million, meaning the County estimates that its assets exceed liabilities by \$2.8 million.

The following data is taken from the latest actuarial report prepared by Gabriel, Roeder, Smith & Company as of September 30, 2012:

Table 13 – Oakland County Employees Retirement System – Present Financial Report

	General County	Command Officers	Road Deputies	Corrections Deputies	Total
A. Present Value of Future Benefit Payments					
1. For Retirees and beneficiaries					
a. Pension and death benefits	\$409,239,027	\$33,024,343	\$33,806,216	\$27,537,796	\$503,607,382
b. Reserves	None	None	None	None	None
c. Total	409,239,027	33,024,343	33,806,216	27,537,796	503,607,382
2. For inactive members	10,351,042	208,236	128,661	213,389	10,901,328
3. For present active members	147,918,871	15,504,741	32,393,653	27,481,913	223,299,178
4. Total	567,508,940	48,737,320	66,328,530	55,233,098	737,807,888
B. Valuation Assets	573,734,277	42,018,278	56,480,085	45,422,262	717,654,902
C. Unfunded Value of Future Benefit Payments					
1. Total: (A.4) – (B)	(6,225,337)	6,719,042	9,848,445	9,810,836	20,152,986
2. Present value of future member contributions	926,443	304,751	943,420	657,241	2,831,855
3. Present value of future required employer	(7,151,780)	6,414,291	8,905,025	9,153,595	17,321,131
D. Present value of future pays	130,696,284	6,095,012	18,868,398	13,144,812	168,804,506
E. Employer normal cost:					
1. For System benefits: (C.3)/(D)	-5.47%	105.24%	47.20%	69.64%	

* The 2012 actuarial report indicated that a general fund contribution of \$5,770,835 is due to the defined benefit plan, such change was contemplated and incorporated into the operating budget for Fiscal Years ending 2014 through 2016.

Other Post-Employment Benefits (OPEB)

The County has two funds that operate to fund the retirees' healthcare program, an Interim Retirees' Medical Benefit Trust (IRMBT) and a VEBA. Collectively, the assets of these two funds exceed the accrued liability of OPEB as calculated by the County's actuaries in their most recent reports. After the refunding is accomplished, it is expected that the County will continue to have assets that exceed the accrued liabilities of OPEB as calculated by the County's actuaries in their most recent reports.

As of September 30, 2012, the IRMBT had net assets, at market, of \$305.6 million.

The following data is taken from the latest actuarial report prepared by Gabriel, Roeder, Smith & Company as of September 30, 2012:

Table 14 – Oakland County Retirees' Health Care Trust* – Present Financial Report

	General Union	Command Officers	Road Deputies	Corrections Deputies	Total
A. Accrued Liability					
1. For retirees and beneficiaries	\$351,016,033	\$24,256,009	\$33,243,997	\$25,479,736	\$433,995,775
2. For vested terminated members	53,526,682	948,660	2,394,785	2,284,210	59,154,337
3. For present active members					
a. Value of expected future benefit payments	317,385,015	29,630,686	82,823,045	65,495,779	495,334,525
b. Value of future normal costs	70,893,440	4,360,380	24,678,002	20,930,603	120,862,425
c. Active member liability: (a) – (b)	246,491,575	25,270,306	58,145,043	44,565,176	374,472,100
4. Total	651,034,290	50,474,975	93,783,825	72,329,122	867,622,212
B. Valuation Assets	471,620,661	30,201,371	76,066,143	58,664,673	636,552,848
C. Unfunded Accrued Liability: (A.4) – (B)	179,413,629	20,273,604	17,717,682	13,664,449	231,069,364
D. Funded Percent: (B)/(A.4)	72.45%	59.84%	81.11%	81.11%	73.37%

* Please note that the retirees' health care benefits are fully funded on an annual basis by the Actuarial Required Contribution (ARC) made from the Oakland County Intermediate Retirees Medical Benefits Trust ("IRMBT"). In addition, the IRMBT is holding \$305.6 million of net assets as of September 30, 2012 arising from unexpended COPS proceeds and accumulated investment income that can be used for two purposes: 1) the funding of the ARC to be paid to the VEBA and 2) the defeasance of the COPS.

**Table 15 – History of State Equalized Valuation (SEV)
(Represents 50% of true cash value)**

Assessment Year(1)	Real Property	Personal Property	Total	% Change In Total	Taxable Value
2012	\$47,131,932,645	\$3,707,092,321	\$50,839,024,966	-3.08%	\$49,235,933,993
2011	48,766,831,153	3,686,629,190	52,453,460,343	-9.16	50,798,540,257
2010	53,979,517,024	3,765,559,483	57,745,076,507	-14.90	55,081,707,586
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	4.50	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

(1) As of December 31st

Source: State of Michigan Tax Commission

SEV does not include any value of tax exempt property (e.g., governmental facilities, churches, public schools, etc.) or property granted tax abatements. 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.

Table 16 – History and Percentage Breakdown of State Equalized Valuation by Tax Year

Type of Property	2012	2011	2010	2009	2008	2007	2006	2005	2004
Residential	69.9%	68.5%	67.6%	68.7%	70.9%	71.9%	71.9%	71.1%	70.3%
Commercial	19.3	20.6	19.6	19.0	17.6	16.7	16.6	16.8	16.9
Industrial	3.4	3.7	6.0	6.3	6.0	5.9	5.9	5.9	6.1
Personal Property	7.3	7.0	6.5	5.8	5.4	5.3	5.4	5.7	6.4
Agricultural	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.4	0.3
Developmental	0.0	0.0	0.0	0.0	0.0	0.0	0.09	0.1	0.1
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Oakland County Equalization Department

Personal Property Tax Revenues

In December 2012, the State Legislature passed a statute eliminating personal property tax revenues for commercial and industrial property values below \$40,000 as of the December 31, 2013 assessment rolls (meaning the loss of personal property tax revenues begins in the 83 counties' FY-2014). In its current FY-2013 operating budget, the County had assumed that the loss of personal property tax revenues would begin in FY-2013 and expected reduced revenues by \$1.3 million in that year. The reduction is now unnecessary.

In addition, the State will begin phasing out all personal property taxes starting in FY-2016 by excluding new purchases from the assessment rolls. This will have an undetermined impact in FY-2016 because the equipment being taxed at that time will continue to be depreciated with no new equipment being brought onto the assessment rolls.

In addition, the legislation calls for a voter approved revenue to restore a portion of the lost revenue locally, as well as some protections for public safety services. Unfortunately, because of the requirement of a new voted tax, it is not possible to assess the likelihood of the restoration of revenue or determine at what dollar level restoration would actually occur. Accordingly, a loss provision of \$2.6 million has been reflected in the proposed operating budget for FY-2016 under consideration presently before the Board of Commissioners.

Table 17 – History of County Wide Tax Delinquencies

Levy Year	Real Property	Personal Property
2012	\$89,699,373.20	\$5,702,067.01
2011	107,675,895.41	6,032,598.54
2010	130,215,501.20	7,271,064.88
2009	155,464,907.26	7,809,985.47
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

Source: Oakland 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.

Table 18 – History of Oakland County Delinquent Tax Anticipation Notes

Year Issued	Notes Issued	Amount Outstanding
2013	\$25,000,000	\$25,000,000
2012	25,000,000	0
2011	50,000,000	0
2010	50,000,000	0
2009	50,000,000	0
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

Source: Oakland County Treasurer

Lease Obligations

The County leases a portion of its Law Enforcement Complex, Rochester Hills 52-3 District Court, Executive Office Building, Airport T-Hangars, Airport Terminal Building, and various Facility Infrastructure and Information Technology Capital Projects 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. There are also a number of sub-leases between the County and various governmental entities with the debt being funded from payments from the benefiting community over the life of the debt issues, with the structures being collateral. Current sub-leases are in place with the City of Rochester Hills, Oakland County Community Mental Health Authority, City of Keego Harbor, and City of Oak Park. 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 2014 in addition to its annual delinquent tax note offering.

The refunding described in this Memorandum is scheduled to occur on April 1, 2014 and is based on assets in the IRMTB at that time. The County has authorized the issuance of additional debt in the event that additional funds are needed to accomplish the refunding. The aggregate amount of total debt authorized, including the Bonds described in this Memorandum, is \$485,000,000.

Banking

The banking needs of the County are adequately handled by:

Bank of America	First Place Bank	Lotus Bank
Bank of Birmingham	Flagstar Bank	Main Street Bank
Bank of Michigan	Genisys Credit Union	Mercantile Bank
Charter One Bank, NA	Huron Valley State Bank	Michigan First Credit Union
Clarkston State Bank	Independent Bank	Oxford Bank
Comerica Bank	JP Morgan Chase Bank	PNC Bank
Crestmark Bank	Lakes Community Credit Union	Talmer Bank and Trust
Fifth Third Bank	Level One Bank	The Huntington National Bank
First Merit Bank	Lotus Bank	The Private Bank
		TCF Bank

Table 18 - History of Oakland County Delinquent Tax Anticipation Notes

Year Issued	Notes Issued	Amount Outstanding
2013	\$22,000,000	\$22,000,000
2012	\$22,000,000	0
2011	\$10,000,000	0
2010	\$10,000,000	0
2009	\$10,000,000	0
2008	\$10,000,000	0
2007	\$10,000,000	0
2006	\$10,000,000	0
2005	\$10,000,000	0
2004	\$10,000,000	0
2003	\$10,000,000	0

Table 19 –Oakland County Net Direct Debt as of 06/30/2013 - Unaudited

	<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>Bonds and Notes with No County Credit</u>						
<u>Limited Tax-Untaxed</u>						
General Obligation Building Authority	\$ 45,955,000	\$ 45,807 (d)	\$12,158,824 (a)	\$33,750,369	(d)	\$33,750,369
Building Authority Refunding	48,215,000	- (d)	- (a)	48,215,000	15 (d)	48,214,985
Lake Level	80,000	-	-	80,000	80,000 (d)	-
Drain	62,330,000	69,743	58,672,850	3,587,407	45,118 (d)	3,542,289
Sewer Disposal Bonds	3,960,000	5,179 (d)	169,821 (a)	3,785,000	52,083 (d)	3,732,917
Sewage Disposal Bonds Refunding	415,000	25,147 (d)	389,853 (a)	-	-	-
Water Supply Bonds	17,385,000	11,812 (d)	17,373,188 (a)	-	-	-
Water & Sewage Disposal	-	- (d)	- (a)	-	-	-
Water & Sewage Refunding	1,800,000	36,374 (d)	1,763,626 (a)	-	-	-
Water Supply-Refunding	210,000	32,212	177,788 (a)	-	-	-
Mich. Bond Auth.-Sewage Disp. Bonds	4,220,727	4,376 (d)	4,216,351 (a)	-	-	-
Total	<u>\$184,570,727</u>	<u>\$230,650</u>	<u>\$94,922,300</u>	<u>\$89,417,776</u>	<u>\$177,216</u>	<u>\$89,240,560</u>
<u>Drain District</u>						
Drain Bonds	\$10,860,000	\$538,184 (d)	\$9,306,784 (a)	\$ 1,015,032	\$ 29,397 (d)	\$ 985,635
Drain Refunding	25,115,000	24,217 (d)	21,697,479 (a)	3,393,304	1,540 (d)	3,391,763
Michigan Bond Authority Sewage Disp	1,920,916	- (d)	- (a)	1,920,916	52,083 (d)	1,868,833
Michigan Bond Authority Drain	124,263,200	2,471,571 (d)	85,327,287 (a)	36,464,342	2,206,519 (d)	34,257,823
Total	<u>162,159,116</u>	<u>3,033,972</u>	<u>\$116,331,551</u>	<u>\$42,793,593</u>	<u>\$2,289,539</u>	<u>\$40,504,055</u>
<u>Limited Tax- Taxable</u>						
General Obligation Limited Taxable	\$25,000,000	-	-	\$25,000,000	25,000,000	-
Total	<u>\$25,000,000</u>	<u>-</u>	<u>-</u>	<u>\$25,000,000</u>	<u>\$25,000,000</u>	<u>-</u>
<u>Taxable with No County Credit</u>						
Certificates of Participation	\$443,635,000	-	-	443,635,000	\$443,635,000	-
Total	<u>\$443,635,000</u>	<u>-</u>	<u>-</u>	<u>443,635,000</u>	<u>\$443,635,000</u>	<u>-</u>
<u>Bonds and Notes with No County Credit</u>						
Michigan Transportation Fund	\$2,000,000	-	\$2,000,000 (c)	-	-	-
Total	<u>\$2,000,000</u>	<u>-</u>	<u>\$2,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>

Table 20 – Oakland County Overlapping Debt as of 06/30/2013

Cities, Villages and Townships	\$ 910,381,922 (e)
School Districts	2,163,794,508 (e)
Community College, Intermediate School Districts and Library	64,545,645 (e)
County Issued Bonds Paid by Local Municipalities	211,253,851 (b)
Net County Overlapping Debt	3,349,975,926
NET COUNTY DIRECT AND OVERLAPPING DEBT	3,479,720,514

(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) June 30, 2013 Trial Balance

(e) Amount as of June 30, 2013

Source: Oakland County Treasurer

**Table 21 – Oakland County Schedule of Bond Maturities
County Credit and Limited Tax
Principal Only as of 06/30/2013**

Year	Building Authority	Building Authority Refunding	Sewer Disposal Bonds	Sewer Disposal Refunding	Water Supply Bonds	Water & Sewage Refunding	Water & Sewage Disposal	Water Supply Refunding	MBA Sewer Disposal Bonds	Lake Levels
2013	\$2,245,000	\$1,785,000	0	\$125,000	\$605,000	0	0	\$210,000	\$ 95,000	0
2014	2,670,000	1,890,000	\$55,000	150,000	765,000	\$195,000	0	0	620,000	\$80,000
2015	2,720,000	1,935,000	60,000	140,000	785,000	190,000	0	0	630,000	0
2016	2,775,000	2,035,000	60,000	0	810,000	210,000	0	0	645,000	0
2017	2,825,000	2,075,000	0	0	835,000	205,000	0	0	655,000	0
2018	2,930,000	2,140,000	0	0	810,000	205,000	0	0	675,000	0
2019	2,980,000	2,200,000	0	0	790,000	200,000	0	0	100,000	0
2020	3,080,000	2,170,000	0	0	820,000	220,000	0	0	100,000	0
2021	3,185,000	2,065,000	0	0	850,000	215,000	0	0	100,000	0
2022	3,285,000	2,125,000	0	0	885,000	160,000	0	0	100,000	0
2023	1,140,000	900,000	0	0	920,000	-	0	0	100,000	0
2024	1,170,000	435,000	0	0	955,000	-	0	0	100,000	0
2025	995,000	0	0	0	990,000	-	0	0	100,000	0
Beyond 2025	7,530,000	0	0	0	6,565,000	-	0	0	200,727	0
	<u>\$39,530,000</u>	<u>\$21,755,000</u>	<u>\$175,000</u>	<u>\$415,000</u>	<u>\$17,385,000</u>	<u>\$1,800,000</u>	<u>0</u>	<u>\$210,000</u>	<u>\$4,220,727</u>	<u>\$80,000</u>

Source: Oakland County Treasurer

Table 22 – Oakland County Schedule of Drain Bond Maturities
County Credit and Limited Tax
Principal Only as of 06/30/2013

<u>Year</u>	<u>Drain Bonds</u>	<u>Drain Notes</u>	<u>Drain Refunding</u>	<u>M.B.A. Drain Bonds</u>	<u>M.B.A. Sewage Bonds</u>
2013	\$ 205,000	0	\$2,710,000	\$ 915,000	\$ 95,000
2014	1,315,000	0	4,290,000	9,055,000	95,000
2015	1,280,000	0	3,700,000	9,165,000	100,000
2016	1,020,000	0	3,075,000	9,395,000	100,000
2017	930,000	0	1,780,000	9,165,000	105,000
2018	790,000	0	1,340,000	9,385,000	105,000
2019	810,000	0	1,350,000	9,620,000	110,000
2020	855,000	0	1,395,000	9,870,000	115,000
2021	875,000	0	1,465,000	10,110,000	115,000
2022	855,000	0	1,510,000	10,365,000	120,000
2023	440,000	0	1,040,000	8,577,669	120,000
2024	470,000	0	1,025,000	8,432,676	125,000
2025	485,000	0	435,000	3,230,000	125,000
Beyond 2025	<u>530,000</u>	<u>0</u>	<u>0</u>	<u>16,977,855</u>	<u>490,916</u>
	<u>\$10,860,000</u>	<u>0</u>	<u>\$25,115,000</u>	<u>\$124,263,200</u>	<u>\$1,920,916</u>

Source: Oakland County Treasurer

**Table 23 – Oakland County Schedule of Bond Maturities
with Limited County Pledge - Taxable
Principal Only as of 06/30/2013**

<u>Year</u>	<u>Delinquent Tax Notes</u>	<u>Bldg. Authority</u>	<u>Bldg. Authority Refunding</u>	<u>Drain</u>	<u>Sewage</u>
2013	0	\$ 275,000	\$2,105,000	0	0
2014	\$25,000,000	275,000	2,130,000	\$ 345,000	\$ 140,000
2015	0	275,000	2,225,000	2,305,000	145,000
2016	0	275,000	2,260,000	2,370,000	150,000
2017	0	275,000	2,335,000	2,445,000	155,000
2018	0	300,000	2,425,000	2,525,000	160,000
2019	0	305,000	2,490,000	2,605,000	170,000
2020	0	305,000	2,575,000	2,690,000	175,000
2021	0	305,000	2,655,000	2,780,000	185,000
2022	0	330,000	2,685,000	2,875,000	190,000
2023	0	330,000	1,265,000	2,980,000	205,000
2024	0	360,000	1,310,000	3,090,000	215,000
2025	0	360,000	0	3,205,000	225,000
Beyond 2025	0	<u>2,455,000</u>	<u>0</u>	<u>32,115,000</u>	<u>1,670,000</u>
	<u>\$25,000,000</u>	<u>\$6,425,000</u>	<u>\$26,460,000</u>	<u>\$62,330,000</u>	<u>\$3,785,000</u>

Source: Oakland County Treasurer

**Table 24 – Oakland County Schedule of Bond Maturities
With No County Pledge - Taxable
Principal Only as of 06/30/2013**

Year	Certificate of Participation	Total
2013	0	0
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	<u>86,965,000</u>	<u>86,965,000</u>
	<u>\$443,635,000</u>	<u>\$443,635,000</u>

Source: Oakland County Treasurer

**Table 25 – Oakland County Schedule of Bond Maturities
With No County Pledge
Principal Only as of 06/30/2013**

Year	MTF Revenues	Total
2013	\$500,000	\$500,000
2014	500,000	500,000
2015	500,000	500,000
2016	<u>500,000</u>	<u>500,000</u>
	<u>\$2,000,000</u>	<u>\$2,000,000</u>

Source: Oakland County Treasurer

**Table 26 – Oakland County Schedule of Principal and Interest Requirements
as of 06/30/2013**

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 11,870,000.00	\$19,035,973.33	\$30,905,973.33
2014	71,070,000.00	36,624,599.29	107,694,599.29
2015	48,875,000.00	34,504,598.03	83,379,598.03
2016-2019	201,545,000.00	116,185,462.12	317,730,462.12
2020-2024	278,535,345.00	88,362,063.46	366,897,408.46
2025-2030	185,581,361.00	22,931,697.19	208,513,058.19
2031-2040	19,888,137.00	1,549,850.70	21,437,987.70
	<u>\$817,364,843.00</u>	<u>\$319,194,244.12</u>	<u>\$1,136,559,087.12</u>

Source: Oakland County Treasurer

**Table 26 – Oakland County Statement of Legal Debt Margin
as of 06/30/2013**

<u>Bonds and Notes with County Credit and Limited Tax</u>	
GOLT Bldg. Authority	\$ 39,530,000.00
GOLT Bldg. Authority Refunding	21,755,000.00
GOLT Lake Level	80,000.00
GOLT Sewage	175,000.00
GOLT Sewage Refunding	415,000.00
GOLT Water	17,385,000.00
GOLT Water & Sewage Refunding	1,800,000.00
GOLT Water & Sewer	0.00
GOLT Water Refunding	210,000.00
Michigan Bond Authority Sewage Disposal	4,220,727.00
Total	<u>\$ 85,570,727.00</u>
<u>Drain Bonds</u>	
Drain Bonds	\$ 10,860,000.00
Drain Refunding	25,115,000.00
Michigan Bond Authority Drain	124,263,200.00
Michigan Bond Authority Sewage	1,920,916.00
Total	<u>\$ 162,159,116.00</u>
<u>Bonds and Notes with County Credit and Limited-Taxable</u>	
GOLT Bldg Authority	\$ 6,425,000.00
GOLT Bldg Authority Refunding	26,460,000.00
GOLT Drain	62,330,000.00
GOLT Sewage	3,785,000.00
GOLT Tax Notes	25,000,000.00
Total	<u>\$ 124,000,000.00</u>
Total County Credit/Pledged Debt	<u>\$ 371,729,843.00</u>
<u>Bonds and Notes with no County Credit - Taxable</u>	
Certificates of Participation	<u>\$ 443,635,000.00</u>
<u>Bonds and Notes with no County Credit</u>	
Motor Vehicle Highway Fund Revenue Notes	\$ 2,000,000.00
	<u>2,000,000.00</u>
Statutory Limit - 10% of Currently Approved SEV	\$5,083,902,496.60
Total County Credit/Pledged Debt	371,729,843.00
Available Statutory Debt Limit	<u>\$4,712,172,653.60</u>

Source: Oakland County Treasurer

21427070.8\152256-00001

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, 2012 have been extracted from the audit:

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*Note: The County's auditors have not been asked to consent to the use of the audited financial statements provided herein and have not conducted any subsequent review of such audited financial statements or the information presented in this Exhibit B.



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Independent Auditor's Report

To the Board of Commissioners
Oakland County, 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 Oakland County (the "County") as of and for the year ended September 30, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Oakland County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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 provides a reasonable basis for our opinions.

In our opinion, 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 Oakland County as of September 30, 2012 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Oakland County's basic financial statements. Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, retirement system and OPEB plan schedules of funding progress, and the budgetary comparison schedules for the General Fund and each major special revenue fund, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis and retirement systems and OPEB plan schedules of funding progress, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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other records used to
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are presented for statements. Such the basic financial on it.

Plante & Morse, PLLC

County of Oakland
Statement of Net Position
September 30, 2012

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Totals	
Assets				
Current assets				
Pooled cash and investments	\$ 437,637,499	\$ 291,007,062	\$ 728,644,561	\$ 31,907,193
Cash and cash equivalents	-	-	-	39,555,579
Receivables (net of allowance for uncollectibles where applicable)				
Current property taxes	22,482,677	-	22,482,677	-
Delinquent property taxes	836,919	96,254,020	97,090,939	-
Special assessments	-	-	-	8,661,616
Due from other governmental units	18,727,045	44,473,437	63,200,482	6,569,352
Due from component units	120,997	1,212,778	1,333,775	-
Accrued interest receivable	1,264,301	2,171,519	3,435,820	103,932
Accounts receivable	1,467,683	39,261,454	40,729,137	16,569,662
Contracts receivable	11,232,127	1,108,328	12,340,455	-
Internal balances - footnote 19	9,000,484	(9,000,484)	-	-
Inventories and supplies	1,033,544	541,825	1,575,369	4,033,167
Prepayments and other assets	10,173,439	1,490,843	11,664,282	921,834
Total current assets	<u>513,976,715</u>	<u>468,520,782</u>	<u>982,497,497</u>	<u>108,322,335</u>
Non-current assets				
Special assessments receivable	26,913,607	-	26,913,607	172,361,520
Contracts receivable	26,363,200	-	26,363,200	-
OPEB asset	299,937,972	-	299,937,972	1,740,298
Capital assets, net				
Land and other nondepreciable assets	21,237,509	99,190,418	120,427,927	230,861,354
Land improvements, net	142,487	12,406,193	12,548,680	109,468
Buildings and improvements, net	137,004,873	63,576,449	200,581,322	8,332,684
Equipment and vehicles, net	18,341,015	29,803,213	48,144,228	1,719,877
Infrastructure, net	13,353,284	103,617,308	116,970,592	981,169,382
Total capital assets, net	<u>190,079,168</u>	<u>308,593,581</u>	<u>498,672,749</u>	<u>1,222,192,765</u>
Total non-current assets	<u>543,293,947</u>	<u>308,593,581</u>	<u>851,887,528</u>	<u>1,396,294,583</u>
Total assets	<u>\$ 1,057,270,662</u>	<u>\$ 777,114,363</u>	<u>\$ 1,834,385,025</u>	<u>\$ 1,504,616,918</u>

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

County of Oakland
Statement of Net Position (Continued)
September 30, 2012

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Totals	
Liabilities				
Current liabilities				
Vouchers payable	\$ 16,781,131	\$ 4,410,550	\$ 21,191,681	\$ 19,467,569
Accrued payroll	2,901,896	-	2,901,896	-
Due to other governmental units	1,772,560	18,325,940	20,098,500	8,405,520
Due to primary government	-	-	-	1,955,468
Accrued interest payable	135,514	-	135,514	30,804
Other accrued liabilities	21,258,429	4,299,776	25,558,205	3,698,673
Accrued compensated absences	1,214,192	-	1,214,192	-
Unearned revenue	15,233,765	1,585,999	16,819,764	25,763,093
Claims and judgments	3,735,772	-	3,735,772	-
Bonds and notes payable	29,045,000	26,125,000	55,170,000	15,167,000
Total current liabilities	92,078,259	54,747,265	146,825,524	74,488,127
Non-current liabilities				
Accrued compensated absences	10,927,729	-	10,927,729	2,756,046
Claims and judgments	16,059,066	-	16,059,066	2,050,918
Other postemployment benefits	-	-	-	12,271,525
Bonds and notes payable	539,425,727	18,464,279	557,890,006	197,861,606
Total noncurrent liabilities	566,412,522	18,464,279	584,876,801	214,940,095
Total liabilities	658,490,781	73,211,544	731,702,325	289,428,222
Net position				
Investment in capital assets, net of related debt	148,709,168	289,004,302	437,713,470	1,010,046,159
Restricted for				
Property Tax Forfeiture	8,311,145	-	8,311,145	-
Substance Abuse	3,244,003	-	3,244,003	-
Revenue sharing reserve	59,585,830	-	59,585,830	-
Citizens services	3,182,681	-	3,182,681	-
Public works	7,544,287	-	7,544,287	5,484,872
Commerce and community development	9,340,639	-	9,340,639	-
Other programs	1,359,198	-	1,359,198	-
Capital projects	9,184	-	9,184	-
Debt service	341,354	-	341,354	154,764,203
Airports	-	313	313	-
Community water and sewer	-	77,418,327	77,418,327	-
Unrestricted	157,152,392	337,479,877	494,632,269	44,893,462
Total net position	\$ 398,779,881	\$ 703,902,819	\$ 1,102,682,700	\$ 1,215,188,696

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

County of Oakland
Statement of Activities
Year Ended September 30, 2012

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
General government, administrative	\$ 24,883,201	\$ 24,431,514	\$ 1,972,545	\$ -
Public safety	203,647,570	60,028,240	28,147,900	618,415
Justice administration	91,355,151	31,950,808	662,382	-
Citizen services	83,141,703	5,829,293	20,364,604	-
Public works	29,173,892	16,293,669	2,635,398	1,961,591
Recreation and leisure	1,747,878	79,342	254,812	-
Commerce and community development	53,775,460	14,240,342	30,484,781	-
Unallocated depreciation	1,912,755	-	-	-
Interest on debt	4,041,393	-	-	-
Total governmental activities	493,679,003	152,853,208	84,522,422	2,580,006
Business-type activities				
Airports	9,016,461	4,502,884	-	17,054,233
Community safety support	17,370,233	13,242,926	-	786,768
Community tax financing	1,615,467	21,965,251	-	-
Community water and sewer	53,137,399	59,090,782	13,301,375	-
Recreation and leisure	20,108,609	8,751,064	25,385	38,796
Sewage disposal systems	121,129,202	118,951,504	-	103,635
Total business-type activities	222,377,371	226,504,411	13,326,760	17,983,432
Total primary government	\$ 716,056,374	\$ 379,357,619	\$ 97,849,182	\$ 20,563,438
Component units				
Drainage districts	\$ 73,464,858	\$ 63,651,502	\$ 1,000,000	\$ 19,524,866
Road commission	91,257,622	15,774,399	58,474,382	39,558,717
Total component units	\$ 164,722,480	\$ 79,425,901	\$ 59,474,382	\$ 59,083,583
General revenue				
Taxes				
Property taxes				
State-shared revenue (unrestricted)				
Unrestricted investment earnings				
Gain on sale of capital assets				
Other revenue				
Special Item - Contribution of Pontiac W&S system				
Transfers in (out)				
Total general revenue, special items and transfers				
Change in net position				
Net position				
Beginning				
Ending				

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

County of Oakland
Statement of Activities (Continued)
Year Ended September 30, 2012

Net (Expenses) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business- Type Activities	Totals	Component Units
\$ 1,520,858	\$ -	\$ 1,520,858	\$ -
(114,853,015)	-	(114,853,015)	-
(58,741,961)	-	(58,741,961)	-
(56,947,806)	-	(56,947,806)	-
(8,283,234)	-	(8,283,234)	-
(1,413,724)	-	(1,413,724)	-
(9,050,337)	-	(9,050,337)	-
(1,912,755)	-	(1,912,755)	-
(4,041,393)	-	(4,041,393)	-
(253,723,367)	-	(253,723,367)	-
-	12,540,656	12,540,656	-
-	(3,340,539)	(3,340,539)	-
-	20,349,784	20,349,784	-
-	19,254,758	19,254,758	-
-	(11,293,364)	(11,293,364)	-
-	(2,074,063)	(2,074,063)	-
-	35,437,232	35,437,232	-
(253,723,367)	35,437,232	(218,286,135)	-
-	-	-	10,711,510
-	-	-	22,549,876
-	-	-	33,261,386
200,634,390	11,664,549	212,298,939	-
11,128,237	-	11,128,237	-
2,955,907	2,050,923	5,006,830	2,321,212
213,451	-	213,451	-
6,513,306	-	6,513,306	-
-	37,492,899	37,492,899	-
33,139,742	(33,139,742)	-	-
254,585,033	18,068,629	272,653,662	2,321,212
861,666	53,505,861	54,367,527	35,582,598
397,918,215	650,396,958	1,048,315,173	1,179,606,098
\$ 398,779,881	\$ 703,902,819	\$ 1,102,682,700	\$ 1,215,188,696

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.

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 provided a funding mechanism to shift county property tax levies from winter to summer over a three-year period.

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 five 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 eight 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, 2012**

	Major Funds		
	General	Revenue Sharing Reserve	Building Authority Debt Act 31
Assets			
Current assets			
Pooled cash and investments	\$ 221,197,468	\$ 59,317,931	\$ 471,187
Receivables (net of allowance for uncollectibles where applicable)			
Current property taxes	22,482,677	-	-
Delinquent property taxes	836,919	-	-
Due from other governmental units	7,775,944	-	-
Due from component units	101,402	-	-
Accrued interest receivable	357,884	267,899	2,583
Accounts receivable	73,888	-	-
Contracts receivable	11,192,727	-	-
Due from other funds	4,733,870	-	-
Advances receivable	-	-	-
Inventories	176,511	-	-
Prepayments and other assets	923,630	-	-
Total current assets	269,852,920	59,585,830	473,770
Special assessments receivable	-	-	-
Contracts receivable	-	-	16,225,000
Total assets	\$ 269,852,920	\$ 59,585,830	\$ 16,698,770
Liabilities			
Current liabilities			
Vouchers payable	\$ 7,397,353	\$ -	\$ 356,968
Accrued payroll	2,901,896	-	-
Due to other governmental units	791,459	-	-
Due to other funds	48,705	-	-
Advances payable	-	-	-
Unearned revenue	10,591,612	-	-
Other accrued liabilities	9,734,796	-	-
Total liabilities	31,465,821	-	356,968
Deferred Inflows of Resources			
Unavailable revenue-property taxes	14,957,659	-	-
Unavailable revenue-special assessments	-	-	-
Unavailable revenue-contracts receivable	-	-	16,225,000
Total deferred inflows of resources	14,957,659	-	16,225,000
Fund balances			
Nonspendable	1,100,141	-	-
Restricted	11,555,148	59,585,830	116,802
Committed	-	-	-
Assigned	209,683,648	-	-
Unassigned	1,090,503	-	-
Total fund balances	223,429,440	59,585,830	116,802
Total liabilities, deferred inflows of resources, and fund balances	\$ 269,852,920	\$ 59,585,830	\$ 16,698,770

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

**County of Oakland
Balance Sheet (Continued)
Governmental Funds
September 30, 2012**

	<u>Major Funds</u>		<u>Totals</u> <u>September 30,</u> <u>2012</u>
	<u>Water and</u>	<u>Non-Major</u>	
	<u>Sewer</u>	<u>Funds</u>	
	<u>Debt</u>		
	<u>Act 342</u>		
Assets			
Current assets			
Pooled cash and investments	\$ 597,593	\$ 45,693,580	\$ 327,277,759
Receivables (net of allowance for uncollectibles where applicable)			
Current property taxes	-	-	22,482,677
Delinquent property taxes	-	-	836,919
Due from other governmental units	-	10,282,941	18,058,885
Due from component units	-	621,718	723,120
Accrued interest receivable	4,680	33,603	666,649
Accounts receivable	-	1,127,145	1,201,033
Contracts receivable	-	39,400	11,232,127
Due from other funds	1,318	697,144	5,432,332
Advances receivable	-	429,259	429,259
Inventories	-	-	176,511
Prepayments and other assets	-	3,879,187	4,802,817
Total current assets	603,591	62,803,977	393,320,088
Special assessments receivable	22,465,727	4,447,880	26,913,607
Contracts receivable	-	10,138,200	26,363,200
Total assets	\$ 23,069,318	\$ 77,390,057	\$ 446,596,895
Liabilities			
Current liabilities			
Vouchers payable	\$ 555,188	\$ 4,126,340	\$ 12,435,849
Accrued payroll	-	-	2,901,896
Due to other governmental units	-	507,340	1,298,799
Due to other funds	-	5,670,990	5,719,695
Advances payable	-	429,259	429,259
Unearned revenue	-	3,782,650	14,374,262
Other accrued liabilities	21,628	8,246,499	18,002,923
Total liabilities	576,816	22,763,078	55,162,683
Deferred Inflows of Resources			
Unavailable revenue-property taxes	-	-	14,957,659
Unavailable revenue-special assessments	22,465,727	4,447,880	26,913,607
Unavailable revenue-contracts receivable	-	10,020,000	26,245,000
Total deferred inflows of resources	22,465,727	14,467,880	68,116,266
Fund balances			
Nonspendable	-	547,459	1,647,600
Restricted	26,775	21,633,766	92,918,321
Committed	-	18,432,389	18,432,389
Assigned	-	7,732	209,691,380
Unassigned	-	(462,247)	628,256
Total fund balances	26,775	40,159,099	323,317,946
Total liabilities, deferred inflows of resources, and fund balances	\$ 23,069,318	\$ 77,390,057	\$ 446,596,895

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 Position
September 30, 2012

Total fund balances for governmental funds		\$323,317,946
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Land, not being depreciated	\$ 7,235,551	
Construction in progress, not being depreciated	10,041,872	
Land improvements, net of \$1,014,899 depreciation	142,487	
Buildings and improvements, net of \$94,159,567 depreciation	135,803,638	
Equipment and vehicles, net of \$14,750,056 depreciation	7,673,189	
Infrastructure, net of \$12,518,737 depreciation	13,194,610	
		174,091,347
Other long-term assets are not available to pay for current period expenditures and therefore are not reported in the funds.		
Capital lease receivable		9,935,000
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 Position.		92,824,510
Other post-employment benefits assets do not represent financial resources and are not reported in the funds.		299,937,972
Property tax revenues in the Statement of Activities that do not provide current financial resources are deferred and not reported as revenue in the funds.		14,120,740
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.		53,158,607
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 Position. This is the net effect of these balances on the statement:		
Bonds and notes payable	(568,470,727)	
Accrued interest payable	(135,514)	
		(568,606,241)
Net position of governmental activities		\$398,779,881

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

County of Oakland
Statement of Revenue, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended September 30, 2012

	Major Funds		
	General	Revenue Sharing Reserve	Building Authority Debt Act 31
Revenue			
Taxes	\$ 200,943,790	\$ -	\$ -
Special assessments	-	-	2,856,420
Federal grants	384,292	-	-
State grants	4,442,204	-	-
Other intergovernmental revenues	13,505,994	-	-
Charges for services	102,687,487	-	1,584
Contributions	534,403	-	-
Investment income	1,642,006	440,866	985
Indirect cost recovery	8,275,669	-	-
Other	2,985,898	-	-
Total revenue	335,401,743	440,866	2,858,989
Expenditures			
Current operations			
County Executive	86,438,368	-	96,320
Clerk/Register of Deeds	10,180,290	-	-
Treasurer	8,322,889	-	-
Justice administration	52,317,839	-	-
Law enforcement	152,958,302	-	-
Legislative	4,236,162	-	-
Water Resource Commissioner	5,400,144	-	-
Non-departmental	17,096,029	-	-
Total current operations	336,950,023	-	96,320
Capital outlay	135,379	-	-
Intergovernmental	-	-	-
Debt service			
Principal payments	-	-	13,525,000
Interest and fiscal charges	-	-	1,532,440
Total expenditures	337,085,402	-	15,153,760
Excess (deficiency) of revenue over (under) expenditures	(1,683,659)	440,866	(12,294,771)
Other financing sources (uses)			
Transfers in	55,843,567	-	574,576
Transfers out	(31,892,352)	(24,459,476)	-
Issuance of bonds	-	-	-
Issuance of refunding bonds	-	-	11,645,000
Premiums on bonds sold	-	-	186,320
Discounts on bonds sold	-	-	-
Total other financing sources (uses)	23,951,215	(24,459,476)	12,405,896
Net change in fund balances	22,267,556	(24,018,610)	111,125
Fund balances			
October 1, 2011	201,161,884	83,604,440	5,677
September 30, 2012	\$ 223,429,440	\$ 59,585,830	\$ 116,802

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

County of Oakland
Statement of Revenue, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended September 30, 2012

	Major Funds		Totals
	Water and Sewer Debt Act 342	Non-Major Funds	September 30, 2012
Revenue			
Taxes	\$ -	\$ -	\$ 200,943,790
Special assessments	3,029,891	2,987,653	8,873,964
Federal grants	-	57,980,354	58,364,646
State grants	-	23,080,956	27,523,160
Other intergovernmental revenues	-	11,835,499	25,341,493
Charges for services	2,250	10,212,755	112,904,076
Contributions	-	184,562	718,965
Investment income	4,161	135,459	2,223,477
Indirect cost recovery	-	-	8,275,669
Other	-	3,378,301	6,364,199
Total revenue	3,036,302	109,795,539	451,533,439
Expenditures			
Current operations			
County Executive	-	88,423,224	174,957,912
Clerk/Register of Deeds	-	1,898,389	12,078,679
Treasurer	-	-	8,322,889
Justice administration	-	26,125,770	78,443,609
Law enforcement	-	7,270,255	160,228,557
Legislative	-	242,251	4,478,413
Water Resource Commissioner	42,526	5,312,880	10,755,550
Non-departmental	-	68,622	17,164,651
Total current operations	42,526	129,341,391	466,430,260
Capital outlay	-	7,989,378	8,124,757
Intergovernmental	4,588	9,775	14,363
Debt service			
Principal payments	4,250,000	4,500,000	22,275,000
Interest and fiscal charges	732,591	1,911,865	4,176,896
Total expenditures	5,029,705	143,752,409	501,021,276
Excess (deficiency) of revenue over (under) expenditures	(1,993,403)	(33,956,870)	(49,487,837)
Other financing sources (uses)			
Transfers in	-	37,042,030	93,460,173
Transfers out	-	(3,059,024)	(59,410,852)
Issuance of bonds	-	9,300,000	9,300,000
Issuance of refunding bonds	1,975,000	-	13,620,000
Premiums on bonds sold	17,526	-	203,846
Discounts on bonds sold	-	(76,269)	(76,269)
Total other financing sources (uses)	1,992,526	43,206,737	57,096,898
Net change in fund balances	(877)	9,249,867	7,609,061
Fund balances			
October 1, 2011	27,652	30,909,232	315,708,885
September 30, 2012	\$ 26,775	\$ 40,159,099	\$ 323,317,946

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

County of Oakland

Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Activities Year Ended September 30, 2012

Net change in fund balance - total governmental funds		\$ 7,609,061
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	\$ 897,506	
Buildings and improvements	364,874	
Equipment and vehicles	1,057,372	
Depreciation expense	(6,827,879)	
		(4,508,127)
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 Position.		(550,000)
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.		3,217,106
Amortization of Other Post-Employment Benefits asset is not reported in the governmental funds.		(27,858,341)
Property tax revenues in the Statement of Activities that do not provide current financial resources are deferred and not reported as revenue in the funds.		
Prior year's deferral	(14,430,140)	
Current year deferral	14,120,740	
		(309,400)
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.		4,337,581
Bond proceeds provide current financial resources to governmental funds by issuing debt which increases long-term bonded debt in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term bonded debt in the Statement of Net Position. This is the amount proceeds exceed repayments.		
Bond proceeds	(22,920,000)	
Repayment of bond principal	41,820,000	
Accrued interest	23,786	
		18,923,786
Change in net assets of governmental activities		\$ 861,666

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 revenue is 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.

The County Airports Fund - This fund was established to account for operations of the County's Oakland County International, Oakland/Troy, and Oakland/Southwest airports. Revenue is primarily derived from leases, hangar rentals, landing fees, and other rental or service charges.

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 17 municipal sewer systems that are operated under these contractual arrangements.

The Evergreen-Farmington S.D.S. (Sewage Disposal System) Fund - This fund was established to record the operations and maintenance of the system, which is used to move sewage to the City of Detroit for treatment. Costs are recovered by developing rates and billing the municipalities being serviced.

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.

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 Position
Proprietary Funds
September 30, 2012**

Business-Type Activities - Enterprise Funds					
Major					
	Parks and Recreation	Delinquent Tax Revolving	County Airports	Water and Sewer Trust	Evergreen- Farmington SDS
Assets					
Current assets					
Pooled cash and investments	\$ 31,336,520	\$ 99,254,926	\$ 15,326,975	\$ 50,223,387	\$ 14,767,052
Delinquent property taxes receivable	-	96,254,020	-	-	-
Due from other governmental units	3,500	16,101,246	1,039	3,559,178	5,732,172
Due from component units	-	-	-	-	182,153
Accrued interest receivable	19,086	1,493,272	63,891	37,759	119,639
Accounts receivable (net of allowance for uncollectibles where applicable)	276,448	18,518,652	427,534	17,845,435	-
Due from other funds	9,770	-	-	17,614	-
Current portion of contracts receivable	-	-	1,108,328	-	-
Current portion of advances receivable	-	12,883	-	-	-
Inventories and supplies	34,342	-	-	-	-
Prepayments and other assets	17,168	-	-	65,762	-
Total current assets	31,696,834	231,634,999	16,927,767	71,749,135	20,801,016
Noncurrent assets					
Advances receivable	-	103,064	-	-	-
Capital assets, net					
Land and other nondepreciable assets	33,050,525	-	36,290,293	23,404,304	5,257,249
Land improvements, net	-	-	12,406,193	-	-
Building and improvements, net	16,987,085	-	25,549,121	-	10,733,536
Equipment and vehicles, net	685,650	-	493,175	-	6,054
Infrastructure, net	17,480,543	-	2,788,264	55,836,117	3,823,810
Total noncurrent assets	68,203,803	103,064	77,527,046	79,240,421	19,820,649
Total assets	99,900,637	231,738,063	94,454,813	150,989,556	40,621,665
Liabilities					
Current liabilities					
Vouchers payable	486,549	88,409	24,101	2,627,818	690,466
Due to other governmental units	-	221,777	-	223,369	7,313,933
Due to other funds	-	-	-	8,807	403
Unearned revenue	100,114	-	1,351,126	-	-
Capital lease obligation - current portion	-	-	585,000	-	-
Notes payable	-	25,000,000	-	-	-
Current portion of bonds payable	-	-	-	890,000	235,000
Current portion of long-term liabilities	-	-	-	-	-
Current portion of advances payable	-	-	-	-	-
Other accrued liabilities	454,500	57,723	505,086	2,752,923	135,929
Total current liabilities	1,041,163	25,367,909	2,465,313	6,502,917	8,375,731
Noncurrent liabilities					
Capital lease obligations	-	-	9,350,000	-	-
Bonds payable	-	-	-	14,548,053	3,916,226
Other long-term liabilities	-	-	-	-	-
Advances payable	-	-	-	-	-
Total noncurrent liabilities	-	-	9,350,000	14,548,053	3,916,226
Total liabilities	1,041,163	25,367,909	11,815,313	21,050,970	12,291,957
Net position					
Invested in capital assets, net of related debt	68,203,803	-	67,592,046	63,802,368	15,669,423
Restricted for programs	-	-	313	34,511,113	11,231,478
Unrestricted	30,655,671	206,370,154	15,047,141	31,625,105	1,428,807
Total net position	\$ 98,859,474	\$ 206,370,154	\$ 82,639,500	\$ 129,938,586	\$ 28,329,708

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

County of Oakland
Statement of Net Position (Continued)
Proprietary Funds
September 30, 2012

	Business-Type Activities - Enterprise Funds				
	Major				
					Governmental
				Totals	Activities -
				September 30,	Internal
	S.O.C.S.D.S.	Non-Major		2012	Service
		Funds			Funds
Assets					
Current assets					
Pooled cash and investments	\$ 28,049,112	\$ 52,049,090	\$ 291,007,062	\$ 110,359,740	
Delinquent property taxes	-	-	96,254,020	-	
Due from other governmental units	8,698,838	10,377,464	44,473,437	46,467	
Due from component units	-	1,030,625	1,212,778	19,570	
Accrued interest receivable	138,968	298,904	2,171,519	597,652	
Accounts receivable (net of allowance for uncollectibles where applicable)	158,070	2,035,315	39,261,454	266,650	
Due from other funds	-	356,913	384,297	2,602	
Current portion of contracts receivable	-	-	1,108,328	-	
Current portion of advances receivable	176,928	-	189,811	-	
Inventories and supplies	-	507,483	541,825	857,033	
Prepayments and other assets	658,199	749,714	1,490,843	5,370,622	
Total current assets	37,880,115	67,405,508	478,095,374	117,520,336	
Noncurrent assets					
Advances receivable	319,459	-	422,523	-	
Capital assets, net					
Land and other nondepreciable assets	977,442	210,605	99,190,418	3,960,086	
Land improvements, net	-	-	12,406,193	-	
Building and improvements, net	-	10,306,707	63,576,449	1,201,234	
Equipment and vehicles, net	59,872	28,558,462	29,803,213	10,667,827	
Infrastructure, net	3,949,732	19,738,842	103,617,308	158,674	
Total noncurrent assets	5,306,505	58,814,616	309,016,104	15,987,821	
Total assets	43,186,620	126,220,124	787,111,478	133,508,157	
Liabilities					
Current liabilities					
Vouchers payable	24,536	468,671	4,410,550	4,345,282	
Due to other governmental units	8,670,686	1,896,175	18,325,940	473,761	
Due to other funds	2,697	50,208	62,115	37,421	
Unearned revenue	-	134,759	1,585,999	22,584	
Capital lease obligation - current portion	-	-	585,000	-	
Notes payable	-	-	25,000,000	-	
Current portion of bonds payable	-	-	1,125,000	-	
Current portion of long-term liabilities	-	-	-	4,949,964	
Current portion of advances payable	-	-	-	189,811	
Other accrued liabilities	87,543	306,072	4,299,776	3,255,505	
Total current liabilities	8,785,462	2,855,885	55,394,380	13,274,329	
Noncurrent liabilities					
Capital lease obligations	-	-	9,350,000	-	
Bonds payable	-	-	18,464,279	-	
Other long-term liabilities	-	-	-	26,986,795	
Advances payable	-	-	-	422,523	
Total noncurrent liabilities	-	-	27,814,279	27,409,318	
Total liabilities	8,785,462	2,855,885	83,208,659	40,683,647	
Net position					
Invested in capital assets, net of related debt	4,987,046	58,814,616	279,069,302	15,987,821	
Restricted for programs	10,258,676	21,417,060	77,418,640	-	
Unrestricted	19,155,436	43,132,563	347,414,877	76,836,689	
Total net position	\$ 34,401,158	\$ 123,364,239	\$ 703,902,819	\$ 92,824,510	

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

County of Oakland
Statement of Revenue, Expenses, and Changes in Net Position
Proprietary Funds
Year Ended September 30, 2012

	Business-Type Activities - Enterprise Funds				
	Major				
	Parks and Recreation	Delinquent Tax Revolving	County Airports	Water and Sewer Trust	Evergreen-Farmington SDS
Operating revenue					
Charges for services	\$ 8,690,154	\$ 20,211,301	\$ 4,259,138	\$ 57,242,280	\$ 34,757,797
Other	55,534	987,113	243,746	1,848,502	346,424
Total operating revenue	8,745,688	21,198,414	4,502,884	59,090,782	35,104,221
Operating expenses					
Salaries	7,374,940	58,655	1,071,699	1,354,166	127,073
Fringe benefits	2,697,102	46,019	706,930	730,368	70,350
Contractual services	4,941,649	226,967	1,413,543	32,443,930	37,150,136
Commodities	815,665	-	79,930	1,662,966	136,374
Depreciation	2,921,953	-	4,485,306	599,668	852,876
Internal services	1,357,300	-	212,541	12,350,932	1,307,640
Intergovernmental	-	-	-	3,995,369	-
Total operating expenses	20,108,609	331,641	7,969,949	53,137,399	39,644,449
Operating income (loss)	(11,362,921)	20,866,773	(3,467,065)	5,953,383	(4,540,228)
Nonoperating revenue (expenses)					
Property taxes	11,664,549	-	-	-	-
Contributions	25,385	-	-	13,301,375	-
Interest recovery - federal grants	-	-	118,772	-	103,635
Interest revenue	281,326	710,887	109,538	241,157	86,355
Interest expense and paying agent fees	-	(237,369)	(469,307)	-	(232,029)
Bonds maturing	-	-	-	-	-
Gain (loss) on sale of property and equipment	5,376	-	(577,205)	-	-
Total nonoperating revenue (expenses)	11,976,636	473,518	(818,202)	13,542,532	(42,039)
Income (loss) before transfers and contributions	613,715	21,340,291	(4,285,267)	19,495,915	(4,582,267)
Transfers and contributions					
Capital contributions	38,796	-	16,935,461	-	-
Transfers in	18,000	-	50	-	-
Transfers out	-	(33,657,558)	-	-	-
Total transfers and contributions	56,796	(33,657,558)	16,935,511	-	-
Special Item					
Contribution of Pontiac W&S system	-	-	-	37,492,899	-
Change in net position	670,511	(12,317,267)	12,650,244	56,988,814	(4,582,267)
Net position					
October 1, 2011	98,188,963	218,687,421	69,989,256	72,949,772	32,911,975
September 30, 2012	\$ 98,859,474	\$ 206,370,154	\$ 82,639,500	\$ 129,938,586	\$ 28,329,708

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

County of Oakland
Statement of Revenue, Expenses, and Changes in Net Position (Continued)
Proprietary Funds
Year Ended September 30, 2012

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Major		Totals	
	S.O.C.S.D.S.	Non-Major Funds	September 30, 2012	
Operating revenue				
Charges for services	\$ 47,206,980	\$ 50,557,616	\$ 222,925,266	\$ 225,637,574
Other	12,490	79,960	3,573,769	149,108
Total operating revenue	47,219,470	50,637,576	226,499,035	225,786,682
Operating expenses				
Salaries	105,617	2,412,055	12,504,205	26,506,822
Fringe benefits	53,592	1,576,563	5,880,924	18,269,241
Contractual services	41,763,004	40,112,200	158,051,429	113,105,270
Commodities	179,342	549,075	3,423,352	6,526,917
Depreciation	1,321,585	7,967,978	18,149,366	3,813,096
Internal services	880,959	2,744,367	18,853,739	6,075,691
Intergovernmental	-	-	3,995,369	-
Total operating expenses	44,304,099	55,362,238	220,858,384	174,297,037
Operating income (loss)	2,915,371	(4,724,662)	5,640,651	51,489,645
Nonoperating revenue (expenses)				
Property taxes	-	-	11,664,549	-
Contributions	-	-	13,326,760	-
Interest recovery - federal grants	-	-	222,407	-
Interest revenue	186,387	435,273	2,050,923	732,430
Interest expense and paying agent fees	-	-	(938,705)	(29,259,498)
Bonds maturing	-	-	-	(19,545,000)
Gain (loss) on sale of property and equipment	-	(3,077)	(574,906)	213,451
Total nonoperating revenue (expenses)	186,387	432,196	25,751,028	(47,858,617)
Income (loss) before transfers and contributions	3,101,758	(4,292,466)	31,391,679	3,631,028
Transfers and contributions				
Capital contributions	-	786,768	17,761,025	495,657
Transfers in	-	2,751,766	2,769,816	1,208,348
Transfers out	-	(2,252,000)	(35,909,558)	(2,117,927)
Total transfers and contributions	-	1,286,534	(15,378,717)	(413,922)
Special Item				
Contribution of Pontiac W&S system	-	-	37,492,899	-
Change in net position	3,101,758	(3,005,932)	53,505,861	3,217,106
Net position				
October 1, 2011	31,299,400	126,370,171	650,396,958	89,607,404
September 30, 2012	\$ 34,401,158	\$ 123,364,239	\$ 703,902,819	\$ 92,824,510

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

County of Oakland
Statement of Cash Flows
Proprietary Funds
Year Ended September 30, 2012

Business-Type Activities - Enterprise Funds					
Major					
	Parks and Recreation	Delinquent Tax Revolving	County Airports	Water and Sewer Trust	Evergreen-Farmington SDS
Cash flows from operating activities					
Cash received from users	\$ 9,780,892	\$ 29,510,096	\$ 4,509,460	\$ 61,737,595	\$ 37,918,988
Cash paid to suppliers	(9,297,096)	(272,986)	(2,569,595)	(52,525,294)	(37,915,046)
Cash paid to employees	(7,374,940)	(58,655)	(1,071,699)	(1,354,166)	(127,073)
Net cash (used in) provided by operating activities	(6,891,144)	29,178,455	868,166	7,858,135	(123,131)
Cash flows from noncapital financing activities					
Transfers from other funds	-	-	-	-	-
Transfers to other funds	-	(33,657,558)	-	-	-
Contributions	25,385	-	-	13,301,375	-
Principal paid on debt	-	-	-	-	-
Interest paid on debt	-	-	-	-	-
Purchase of delinquent property taxes	-	(107,675,895)	-	-	-
Delinquent property taxes collected	-	127,568,181	-	-	-
Issuance of short-term borrowings	-	25,000,000	-	-	-
Repayments received on advances	-	12,883	-	-	-
Property taxes	11,664,549	-	-	-	-
Interest paid on short-term borrowings	-	(258,214)	-	-	-
Payments on short-term borrowings	-	(50,000,000)	-	-	-
Net cash provided by (used in) noncapital financing activities	11,689,934	(39,010,603)	-	13,301,375	-
Cash flows from capital and related financing activities					
Contributions for capital acquisitions	38,796	-	-	-	-
Proceeds from sale of bonds	-	-	-	-	226,226
Transfers from other funds	18,000	-	50	-	-
Interest recovery - federal grants	-	-	118,772	-	103,635
Proceeds from sale of capital assets	5,376	-	-	-	-
Acquisition of capital assets	(2,785,447)	-	(447,361)	(333,145)	(934,223)
Principal paid on debt	-	-	-	-	(135,000)
Interest paid on debt	-	-	-	-	(232,029)
Payments on capital lease obligation	-	-	(515,000)	-	-
Interest and fees paid on capital lease obligation	-	-	(469,307)	-	-
Amount paid on advances	-	-	-	-	-
Interest paid on advances	-	-	-	-	-
Net cash used in capital and related financing activities	(2,723,275)	-	(1,312,846)	(333,145)	(971,391)
Cash flows from investing activities					
Interest on investments	287,468	766,993	142,732	325,210	109,790
Net cash provided by investing activities	287,468	766,993	142,732	325,210	109,790
Net increase (decrease) in cash and cash equivalents	2,362,983	(9,065,155)	(301,948)	21,151,575	(984,732)
Pooled cash and investments					
October 1, 2011	28,973,537	108,320,081	15,628,923	29,071,812	15,751,784
September 30, 2012	\$ 31,336,520	\$ 99,254,926	\$ 15,326,975	\$ 50,223,387	\$ 14,767,052

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, 2012

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Major			
	S.O.C.S.D.S.	Non-Major Funds	Totals September 30, 2012	
Cash flows from operating activities				
Cash received from users	\$ 44,825,278	\$ 49,871,580	\$ 238,153,889	\$ 225,908,755
Cash paid to suppliers	(43,790,491)	(46,919,214)	(193,289,722)	(144,364,565)
Cash paid to employees	(105,617)	(2,412,055)	(12,504,205)	(26,506,822)
Net cash provided by (used in) operating activities	929,170	540,311	32,359,962	55,037,368
Cash flows from noncapital financing activities				
Transfers from other funds	-	2,751,766	2,751,766	1,119,381
Transfers to other funds	-	(2,252,000)	(35,909,558)	(2,117,927)
Contributions	-	-	13,326,760	-
Principal paid on debt	-	-	-	(19,545,000)
Interest paid on debt	-	-	-	(29,243,638)
Purchase of delinquent property taxes	-	-	(107,675,895)	-
Delinquent property taxes collected	-	-	127,568,181	-
Issuance of short-term borrowings	-	-	25,000,000	-
Repayments received on advances	176,928	-	189,811	-
Property taxes	-	-	11,664,549	-
Interest paid on short-term borrowings	-	-	(258,214)	-
Payments on short-term borrowings	-	-	(50,000,000)	-
Net cash provided by (used in) noncapital financing activities	176,928	499,766	(13,342,600)	(49,787,184)
Cash flows from capital and related financing activities				
Contributions for capital acquisitions	-	-	38,796	-
Proceeds from sale of bonds	-	-	226,226	-
Transfers from other funds	-	-	18,050	88,967
Interest recovery - federal grants	-	-	222,407	-
Proceeds from sale of capital assets	-	20	5,396	520,187
Acquisition of capital assets	-	(479,030)	(4,979,206)	(3,437,010)
Principal paid on debt	-	-	(135,000)	-
Interest paid on debt	-	-	(232,029)	-
Payments on capital lease obligation	-	-	(515,000)	-
Interest and fees paid on capital lease obligation	-	-	(469,307)	-
Amount paid on advances	-	-	-	(189,811)
Interest paid on advances	-	-	-	(15,860)
Net cash used in capital and related financing activities	-	(479,010)	(5,819,667)	(3,033,527)
Cash flows from investing activities				
Interest on investments	240,077	548,982	2,421,252	898,158
Net cash provided by investing activities	240,077	548,982	2,421,252	898,158
Net increase (decrease) in cash and cash equivalents	1,346,175	1,110,049	15,618,947	3,114,815
Pooled cash and investments				
October 1, 2011	26,702,937	50,939,041	275,388,115	107,244,925
September 30, 2012	\$ 28,049,112	\$ 52,049,090	\$ 291,007,062	\$ 110,359,740

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, 2012

	Business-Type Activities - Enterprise Funds				
	Major				
	Parks and Recreation	Delinquent Tax Revolving	County Airports	Water and Sewer Trust	Evergreen- Farmington SDS
Operating (loss) income	\$ (11,362,921)	\$ 20,866,773	\$ (3,467,065)	\$ 5,953,383	\$ (4,540,228)
Adjustments to reconcile operating (loss) income to net cash provided by (used in) operating activities					
Depreciation expense	2,921,953	-	4,485,306	599,668	852,876
(Increase) decrease in due from other governmental units	941,500	3,862,929	(1,039)	(2,039,872)	1,002,642
(Increase) decrease in due from component units	-	-	-	-	147,375
(Increase) decrease in accounts receivable	19,098	5,335,615	3,305	4,469,474	-
(Increase) decrease in due from other funds	(9,770)	-	-	217,211	1,664,750
(Increase) decrease in inventories and supplies	2,218	-	-	156,833	-
(Increase) decrease in prepayments and other assets	(13,250)	-	-	(65,339)	-
Increase (decrease) in vouchers payable	205,934	(785,429)	(192,153)	474,525	598,469
Increase (decrease) in due to other govern- mental units	-	(112,810)	-	(659,345)	513,790
Increase (decrease) in due to component units	-	-	-	-	-
Increase (decrease) in due to other funds	-	-	-	(1,890,768)	403
Increase (decrease) in unearned revenue	84,376	-	4,310	-	-
Increase (decrease) in current portion of other long-term liabilities	-	-	-	-	-
Increase (decrease) in other accrued liabilities	319,718	11,377	35,502	642,365	(363,208)
Increase (decrease) in other long-term liabilities	-	-	-	-	-
Net cash provided by (used in) operating activities	\$ (6,891,144)	\$ 29,178,455	\$ 868,166	\$ 7,858,135	\$ (123,131)

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, 2012

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Major	Non-Major Funds	Totals September 30, 2012	
	S.O.C.S.D.S.			
Operating income (loss)	\$ 2,915,371	\$ (4,724,662)	\$ 5,640,651	\$ 51,489,645
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation expense	1,321,585	7,967,978	18,149,366	3,813,096
(Increase) decrease in due from other governmental units	(2,296,921)	(78,713)	1,390,526	98,533
(Increase) decrease in due from component units	-	472,875	620,250	11,422
(Increase) decrease in accounts receivable	(97,271)	(794,830)	8,935,391	13,456
(Increase) decrease in due from other funds	-	(356,373)	1,515,818	(1,463)
(Increase) decrease in inventories and supplies	-	(381,414)	(222,363)	(474,477)
(Increase) decrease in prepayments and other assets	33,946	(30,311)	(74,954)	(14,351)
Increase (decrease) in vouchers payable	(72,775)	299,159	527,730	1,099,454
Increase (decrease) in due to other govern- mental units	(863,933)	86,089	(1,036,209)	(19,876)
Increase (decrease) in due to component units	(16)	(1,928,443)	(1,928,459)	-
Increase (decrease) in due to other funds	798	50,208	(1,839,359)	37,339
Increase (decrease) in unearned revenue	-	(8,955)	79,731	22,459
Increase (decrease) in current portion of other long-term liabilities	-	-	-	(264,507)
Increase (decrease) in other accrued liabilities	(11,614)	(32,297)	601,843	(1,997,342)
Increase (decrease) in other long-term liabilities	-	-	-	1,223,980
Net cash provided by (used in) operating activities	\$ 929,170	\$ 540,311	\$ 32,359,962	\$ 55,037,368

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, 2012

Noncash transactions

Enterprise Funds

Major funds:

Noncash and capital related financing activities included contribution of capital assets in the amount of \$16,935,461 and write off of \$577,205 of construction in progress in the County Airports fund. The Water & Sewer Trust fund recorded a special item capital contribution of \$37,492,899 as a result of acquisition of capital assets from the City of Pontiac in the amount of \$111,183,637, less accumulated depreciation of \$58,252,685, and the assumption of debt for Michigan Bond Authority bonds in the amount of \$15,438,053.

Noncash and non-capital related financing activities included interest expense of \$7,134 reported in the Vouchers Payable liability in the Delinquent Tax Revolving Fund, and recording of Contracts Receivable and Unearned Revenue of \$1,108,325 in the County Airports fund.

Internal Service Funds

Noncash and capital related financing activities included contribution of capital assets of \$495,657 in the Information Technology fund.

Disbursements
actment for each
for others, held

unds are presented, by fund type, in the following sections:

5124

benefits) trust

County of Oakland
Statement of Net Position
Fiduciary Funds
September 30, 2012

	Pension (and Other Post- employment Benefits) Trust Funds	Investment Trust Funds	Agency Funds
Assets			
Pooled cash and investments	\$ 11,081,852	\$300,427,852	\$254,576,197
Cash and cash equivalents	-	-	852,882
Investments, at fair value			
Common stock	567,309,856	-	-
Preferred stock	88,798	-	-
Government securities	159,699,491	-	-
Corporate bonds	176,025,553	-	-
Municipal bonds	3,452,024	-	-
Commingled	260,186,991	-	-
Limited partnerships	249,430,297	-	-
Asset-backed fixed income	11,521,382	-	-
CMO/REMIC investments	7,152,349	-	-
Mortgage-backed securities	44,645,819	-	-
Commercial mortgage-backed securities	20,769,018	-	-
Money market funds	30,210,350	-	-
International common stock	68,909,158	-	-
Equity REIT	18,952,610	-	-
Other	65,632,491	-	-
Total investments	<u>1,683,986,187</u>	<u>-</u>	<u>-</u>
Receivables - interest and dividends	5,251,142	-	170,320
Prepaid expenses	181,457	-	-
Total assets	<u>1,700,500,638</u>	<u>300,427,852</u>	<u>255,599,399</u>
Liabilities			
Vouchers payable	1,079,307	-	43,717,419
Due to other governmental units	-	-	199,889,841
Other accrued liabilities	880,792	-	11,992,139
Total liabilities	<u>1,960,099</u>	<u>-</u>	<u>255,599,399</u>
Net position			
Held in Trust for Pension and other Postemployment healthcare benefits, and pool participants	<u>\$ 1,698,540,539</u>	<u>\$300,427,852</u>	<u>\$ -</u>

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

County of Oakland
Statement of Changes in Net Position
Fiduciary Funds
Year Ended September 30, 2012

	Pension (and Other Post- employment Benefits) Trust Funds	Investment Trust Funds
Additions		
Contributions		
Pool participants	\$ -	\$741,800,846
Plan members	813,957	-
Total contributions	813,957	741,800,846
Investment income	276,778,611	1,772,518
Other revenue	3,484,376	-
Total additions	281,076,944	743,573,364
Deductions		
Benefits	72,067,163	-
Administrative expenses	3,606,293	-
Distribution to pool participants	-	677,101,264
Total deductions	75,673,456	677,101,264
Net increase	205,403,488	66,472,100
Net position held in trust for pension and other postemployment healthcare benefits, and pool participants		
October 1, 2011	1,493,137,051	233,955,752
September 30, 2012	\$ 1,698,540,539	\$300,427,852

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.

September 30, 2012	October 1, 2011	Net position held in trust for pension and other postemployment benefits, and pool participants
2,108,340,339	1,692,137,051	
270,637,837	222,928,722	
		Net increase
207,802,488	22,873,468	Total deductions
		Deductions to pool participants
		Administrative expenses
		Benefits
		Deductions
281,076,944	343,572,364	Total additions
		Other revenues
		Investment income
		Total contributions
741,800,846	813,937	Plan members
		Pool participants
		Contributors

**County of Oakland
Statement of Net Position
Component Units
September 30, 2012**

	Drainage Districts	Road Commission	Total Component Units
Assets			
Current assets			
Pooled cash and investments	\$ 31,907,193	\$ -	\$ 31,907,193
Cash and cash equivalents	-	39,555,579	39,555,579
Receivables (net of allowance for uncollectibles where applicable)			
Special assessments	-	8,661,616	8,661,616
Due from other governmental units	6,569,352	-	6,569,352
Accrued interest receivable	103,932	-	103,932
Accounts receivable	8,265	16,561,397	16,569,662
Inventories and supplies	-	4,033,167	4,033,167
Prepayments and other assets	59,690	862,144	921,834
Total current assets	<u>38,648,432</u>	<u>69,673,903</u>	<u>108,322,335</u>
Capital assets, net			
Land and other nondepreciable assets	49,609,949	181,251,405	230,861,354
Land improvements, net	-	109,468	109,468
Buildings and improvements, net	-	8,332,684	8,332,684
Equipment and vehicles, net	-	1,719,877	1,719,877
Infrastructure, net	459,499,459	521,669,923	981,169,382
Total capital assets, net	<u>509,109,408</u>	<u>713,083,357</u>	<u>1,222,192,765</u>
Noncurrent assets			
Net pension asset	-	1,740,298	1,740,298
Special assessments receivable	172,361,520	-	172,361,520
Total assets	<u>720,119,360</u>	<u>784,497,558</u>	<u>1,504,616,918</u>
Liabilities			
Current liabilities			
Vouchers payable	14,160,394	5,307,175	19,467,569
Due to other governmental units	8,405,520	-	8,405,520
Due to primary government	1,937,094	18,374	1,955,468
Unearned revenue and advances	19,665,216	6,097,877	25,763,093
Accrued interest payable	30,804	-	30,804
Current portion of long-term debt	13,785,000	1,382,000	15,167,000
Other accrued liabilities	1,434,247	2,264,426	3,698,673
Total current liabilities	<u>59,418,275</u>	<u>15,069,852</u>	<u>74,488,127</u>
Bonds and notes payable	196,361,606	1,500,000	197,861,606
Accrued compensated absences	-	2,756,046	2,756,046
Claims and judgments	-	2,050,918	2,050,918
Other postemployment benefits	-	12,271,525	12,271,525
Total liabilities	<u>255,779,881</u>	<u>33,648,341</u>	<u>289,428,222</u>
Net position			
Invested in capital assets, net of related debt	298,962,802	711,083,357	1,010,046,159
Restricted for			
Special revenue	5,484,872	-	5,484,872
Debt service	154,764,203	-	154,764,203
Unrestricted	5,127,602	39,765,860	44,893,462
Total net position	<u>\$ 464,339,479</u>	<u>\$ 750,849,217</u>	<u>\$ 1,215,188,696</u>

The accompanying notes are an integral part of the financial statements

**County of Oakland
Statement of Activities
Component Units
Year Ended September 30, 2012**

	Expenses	Program Revenue		Drainage Districts	Road Commission	Total Component Units
		Charges for Services	Operating Grants and Contributions			
Functions/Programs						
Drainage Districts	\$ 73,464,858	\$ 63,651,502	\$ 1,000,000	\$ 19,524,866	\$ 10,711,510	\$ 10,711,510
Road Commission	91,257,622	15,774,399	58,474,382	39,558,717	-	22,549,876
Total component units	\$ 164,722,480	\$ 79,425,901	\$ 59,474,382	\$ 59,083,583	10,711,510	33,261,386
General Revenue						
Unrestricted investment earnings				1,718,435	602,777	2,321,212
Change in net position				12,429,945	23,152,653	35,582,598
Net position						
Beginning				451,909,534	727,696,564	1,179,606,098
Ending				\$ 464,339,479	\$ 750,849,217	\$ 1,215,188,696

The accompanying notes are an integral part of the financial statements

County of Oakland
Notes to Basic Financial Statements
September 30, 2012

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, 2012

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, 2012, 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, 2011, 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 179 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 Water Resources 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 Water Resources 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, 2012 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 Water Resources Commissioner
#1 Public Works Drive
Waterford, Michigan 48328

County of Oakland
Notes to Basic Financial Statements
September 30, 2012

Basic (Government-Wide) and Fund Financial Statements – GASB Statement No. 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 Position, 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 revenue. Program revenue includes 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 revenue are reported instead as general revenue, which are used to cover the net cost of the various functional categories of the County.

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, 2012

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 revenue 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, 2012

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. Revenue is primarily derived from property taxes, state and federal distributions, and charges for services.

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 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 County Airports Fund was created to account for operations of the County's airports.

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

The Evergreen-Farmington S.D.S. (Sewage Disposal System) Fund was established to record the operations and maintenance of the system, which is used to move sewage to the City of Detroit for treatment. Costs are recovered by developing rates and billing the municipalities serviced.

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.

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, 2012

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, 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 revenue 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 revenue rather than as program revenue.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue 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. Revenue and expenses not meeting this definition are reported as non-operating revenue 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, 2012

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 Position 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 revenue 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 revenue 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 revenue 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 revenue is 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, revenue is recorded when earned and expenses are recorded at the time liabilities are incurred. Agency funds, which report only a Statement of Net Position, 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. Revenue 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.

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The Drainage Districts use the current financial resources measurement focus for their 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. Revenue 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, 2011 and presented in a separate document. Appropriation budgets were adopted for the General Fund and the following Special Revenue funds: Revenue Sharing Reserve, 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 assigned 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, 2012 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, 2012.

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.

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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, 2012 are recorded as prepayments using the consumption method.

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:

Class	Years
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.

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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.

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

In the fund financial statements for the governmental fund reports, the following are the components of fund balance.

- Nonspendable, includes amounts that cannot be spent.
- Restricted, amounts that are restricted to specific purposes externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through enabling legislation.
- Committed, amounts that can only be used for specific purposes pursuant to constraints imposed by formal resolution of the Board of Commissioners, the County's highest level of decision-making authority.
- Assigned, amounts that are constrained by the County's intent to be used for specific purposes, but are neither restricted nor committed. These assignments are authorized by the Board of Commissioners.
- Unassigned is the residual classification of the General Fund, and the reporting of any negative fund balance of a governmental fund.

When an expense is incurred for purposes for which both restricted and unrestricted net assets or fund balance are available, the County's policy is to first apply restricted resources. When an expense is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the County's policy to spend funds in this order: committed, assigned, and unassigned.

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Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources: property taxes, contracts, and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Property taxes levied are used to finance the expenditures of the current fiscal period (October 1, 2011 through September 30, 2012) and are reported as revenue 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 inflows.

In 2012, the County implemented Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Governmental Accounting Standards Board Statement No. 63 incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provided a new statement of Net Position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Governmental Accounting Standards Board Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources.

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, 2012. These estimates and assumptions also affect the reported amounts of revenue and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

County of Oakland
Notes to Basic Financial Statements
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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 that 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: Revenue Sharing Reserve, Child Care, and Social Welfare-Foster Care. The budgetary comparison for the General Fund and Revenue Sharing Reserve fund (major special revenue fund) are presented in the Required Supplementary Information. The Child Care and Social Welfare Foster Care funds are presented in the Special Revenue Funds section.

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 "Unassigned Fund Balance."

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

	Appropriation	Expenditures	Excess Expenditures
Special Revenue Funds			
Child Care			
County Executive			
Human Services			
Personnel expenditures	\$ 14,534,783	\$ 14,558,120	\$ 23,337

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 2013.

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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.

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, 2012, the bank balance of the County's deposits was \$1,293,668,403. Insured deposits were \$73,427,647, and the remaining \$1,220,240,756 was uninsured, uncollateralized, and held in the County's name.

The Drainage District's component unit's cash, deposits 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%.

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At September 30, 2012, the Road Commission component unit had no bank deposits (checking and savings accounts) that were uninsured and uncollateralized. The Road Commission would have had approximately \$5.7 million of bank deposits that were uninsured and uncollateralized as of September 30, 2012 if the Dodd-Frank Wall Street Reform and Consumer Protection Act had expired prior to that date (the Act expired on December 31, 2012).

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.

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As of September 30, 2012, the County had the following deposit and investment types in its internal investment pool.

Deposit and Investment Type	Market Value	Weighted Average Maturity (days)
Certificates of Deposit (1)	\$ 748,960,268	349
Deposit Accounts (1)	544,708,135	1
Money Market Investment Pools	2,801	1
MI Government Coupon	44,634,951	4,666
U.S. Agencies	21,264,238	786
Total Market Value of Internal Investment Pool	\$ 1,359,570,393	
Weighted Average Maturity of Internal Investment Pool (in days)		252

(1) These items 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 had \$21,264,238 invested in U.S. government securities which are rated AA+ by Standard & Poor's and Aaa by Moody's. The County had \$44,634,951 in Municipal bonds rated Aaa by Moody's, AA+ by Standard & Poor's; and \$302,322 rated AA and \$1,723,489 rated BBB+ by Standard & Poor's. State law limits investments in commercial paper to the top two ratings issued by a nationally recognized statistical rating organization (NRSRO). 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, 2012, the County had no investments in commercial paper. One money market investment pool used by the County, with a fair value of \$5,520 at September 30, 2012, 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, 2012, \$65,899,189 in investments, at fair 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% to be invested with any single financial institution. On September 30, 2012, the County had no U.S. agency issuers that exceeded 5% of the total portfolio.

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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, 2012, the internal investment pool had a weighted average maturity of 252 days and the longest investment maturity in the portfolio was 5,295 days (14.7 years).

Investments – Pension 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 Retirement and Deferred Compensation Board (PERS, VEBA and IRMB). The advisors serve at the leisure of the Board as provided by investment agreements. At September 30, 2012, the Primary Government's Pension Trust fund had 21 investment advisors. Investments are held in street name by safekeeping agents under formal trust agreements and/or in the Retirement Systems' name.

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As of September 30, 2012, the County had the following investment types in its Retirement System:

Investment Type	Fair Value	Percentage	Average Duration (In Years)
Government Bonds	\$ 159,455,106	9.38 %	1.48
Asset-Backed Fixed Income	12,161,571	0.72	2.51
Commercial Mortgage-Backed Securities	20,941,577	1.23	1.47
Mortgage-Backed Securities	47,514,205	2.79	1.97
Municipal Bonds	3,452,024	0.20	N/A
Corporate Bonds	176,744,437	10.39	6.61
CMO/REMIC Investments	7,422,141	0.44	2.49
Common Stock	565,787,165	33.27	N/A
Equity ADR	2,153,953	0.13	N/A
Equity REIT	18,952,610	1.11	N/A
Exchange Traded Funds	749,521	0.04	N/A
International Common Stock	59,462,831	3.50	N/A
International Government Bonds	7,579,778	0.45	N/A
International GDR	1,359,879	0.08	N/A
Investment Companies-Mutual Funds	63,475,458	3.73	N/A
Money Market Funds	48,875,256	2.87	0.03
Short Term Investments	7,381,632	0.43	N/A
Real Estate	3,080	0.00	N/A
Investment Companies-Commingled Funds	260,186,991	15.30	N/A
Limited Partnership	236,855,297	13.93	N/A
Alternative Investments	69,581	0.00	N/A
Preferred Stock	88,799	0.01	N/A
Total	\$ 1,700,672,892	100.0 %	

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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. For any security held in the portfolio that 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 shall then instruct the investment manager as to which action should be taken. As of September 30, 2012, debt obligation investments held in the retirement system had the following ratings:

Fair Value	Percentage	Ratings	
		Moody's	S&P
\$27,627,672	4.93 %	Aaa	AAA
208,497,976	37.22	Aa1	AA+
13,172,435	2.35	Aa2	AA
15,401,734	2.75	Aa3	AA-
18,629,171	3.33	A1	A+
37,806,992	6.75	A2	A
22,005,735	3.93	A3	A-
15,029,343	2.68	Baa1	BBB+
17,160,036	3.06	Baa2	BBB
22,732,024	4.06	Baa3	BBB-
9,017,199	1.61	Ba1	BB+
6,465,455	1.16	Ba2	BB
3,749,397	0.67	Ba	BB-
9,154,430	1.63	B2	B+
1,162,156	0.21	Ba3	B
2,203,938	0.39	B1	B-
130,371,376	23.27	NR	NR
\$560,187,069	100.00 %		

Custodial Credit Risk is the risk associated that in the event of 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, 2012, \$1,697,298,105 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.

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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, 2012, 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 88 indicates, the system's fixed-income investments had average durations of between .03 years and 6.61 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 impose restrictions capping the loans at the current levels during the year ended September 30, 2012 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, 2012, 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, 2012 were \$65,562,372 and \$67,187,145, respectively, or 102.5% 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 2 years to 13.8 years and are backed by investments in various assets, including mortgages. As of September 30, 2012, the market value was \$4,204,617.

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, 2012, the County's CMO portfolio had effective duration ranges of .5 years and 3.731 years.

Variable Rate Coupon Notes and Bonds - Included in the County's Retirement System investment portfolio are Variable Rate coupon instruments with a market value of \$20,024,087 as of September 30, 2012. Such investments include U.S. government-issued securities and corporate-issued securities. The variable rate securities have maturities through the year 2045 and are backed by investments in various assets, including mortgages.

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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, 2012, 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. Property Taxes – Receivables and Short-term Debt

Receivables - 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 2012 summer levy amounted to \$50,839,024,966 with taxable values of \$49,235,953,993. The operating tax rate for the 2011 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 \$23,319,596 at September 30, 2012.

Short-term Debt - By agreement with various taxing authorities, the County purchases (at face value) real property taxes for all municipalities and school districts within Oakland County which are returned delinquent on March 1. To accomplish this, tax notes are sold and the proceeds of these notes are used to liquidate the amounts due the County's General Fund and other governmental agencies for purchase of their delinquent real property tax receivables. The assets of the Delinquent Tax Revolving fund (an Enterprise fund), including receivables in the amount of \$231,738,063 at September 30, 2012, are pledged as collateral for payment of the tax notes; subsequent collections on delinquent taxes receivable, plus interest, penalties and collection fees thereon, and investment earnings are used to service the debt. The following is a summary of the short-term debt activity for the year ended September 30, 2012:

Beginning balance	Additions	Reductions	Ending balance	Due within one year
\$ 50,000,000	\$ 25,000,000	\$ (50,000,000)	\$ 25,000,000	\$ 25,000,000

County of Oakland
Notes to Basic Financial Statements
September 30, 2012

5. Allowances for Uncollectible Receivables

At September 30, 2012, the allowances for uncollectible receivables were as follows:

General Fund	\$ 50,000
Internal Service funds	
Information Technology	<u>8</u>
Total	\$ 50,008

In addition, the Parks and Recreation fund (Enterprise) records an allowance for uncollectible taxes receivable in the amount of \$50,076 at September 30, 2012.

6. Investment Income – Pension and Other Postemployment Trust Funds

The following is a breakdown of the investment income for Pension and other Postemployment Trust funds of the primary government for the year ended September 30, 2012:

	Employees'	VEBA	IRMB
	Retirement	Trust	Trust
Interest and dividends	\$ 96,854,028	\$104,658,685	\$ 48,416,175
Unrealized/Realized gain on investments	<u>12,897,215</u>	<u>9,454,457</u>	<u>4,498,051</u>
Total	\$ 109,751,243	\$114,113,142	\$ 52,914,226

County of Oakland
Notes to Basic Financial Statements
September 30, 2012

7. Capital Assets

An analysis of property and equipment as reported in the Statement of Net Position, and related accumulated depreciation, at September 30, 2012, for governmental activities follows:

	Balance October 1, 2011	Additions	Disposals	Adjustments	Balance September 30, 2012
Governmental Activities					
Capital assets not being depreciated					
Land	\$ 7,365,551	\$ -	\$ -	\$ -	\$ 7,365,551
Construction in progress	12,834,621	2,130,544	-	(1,093,207)	13,871,958
Total capital assets not being depreciated	20,200,172	2,130,544	-	(1,093,207)	21,237,509
Capital assets being depreciated					
Land improvements	1,131,282	-	-	26,104	1,157,386
Buildings and improvements	232,116,552	-	-	338,770	232,455,322
Equipment and vehicles	100,502,396	4,087,359	(2,593,946)	627,028	102,622,837
Infrastructure	28,883,030	-	-	-	28,883,030
Total capital assets being depreciated	362,633,260	4,087,359	(2,593,946)	991,902	365,118,575
Less: Accumulated depreciation					
Land improvements	992,115	22,784	-	-	1,014,899
Buildings and improvements	90,297,677	5,152,772	-	-	95,450,449
Equipment and vehicles	81,816,814	4,731,782	(2,053,854)	(212,920)	84,281,822
Infrastructure	14,796,109	733,637	-	-	15,529,746
Total accumulated depreciation	187,902,715	10,640,975	(2,053,854)	(212,920)	196,276,916
Total capital assets being depreciated, net	174,730,545	(6,553,616)	(540,092)	1,204,822	168,841,659
Governmental activities capital assets, net	\$ 194,930,717	\$ (4,423,072)	\$ (540,092)	\$ 111,615	\$ 190,079,168
Depreciation expense was charged to functions as follows:					
Public safety		\$ 2,794,819			
Justice administration		1,104,750			
Citizens services		378,439			
Public infrastructure		607,579			
Commerce and Community Development		29,537			
Unallocated depreciation		1,912,755			
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets		3,813,096			
Total depreciation expense - governmental activities		\$ 10,640,975			

County of Oakland
Notes to Basic Financial Statements
September 30, 2012

A summary of business-type property and equipment at September 30, 2012 follows:

	Balance October 1, 2011	Additions	Disposals	Adjustments	Balance September 30, 2012
Business-type Activities					
Capital assets not being depreciated					
Land	\$ 64,912,421	\$ 35,000	\$ -	\$ 3,211,439	\$ 68,158,860
Construction in progress	17,518,718	22,018,247	(3,097)	(8,514,310)	31,019,558
Other	12,000	-	-	-	12,000
Total capital assets not being depreciated	82,443,139	22,053,247	(3,097)	(5,302,871)	99,190,418
Capital assets being depreciated					
Land improvements	24,298,835	-	-	9,974,284	34,273,119
Buildings and improvements	67,634,835	-	-	23,004,930	90,639,765
Equipment and vehicles	87,216,063	330,126	(141,800)	(7,962,989)	79,441,400
Infrastructure	242,755,362	-	(447,991)	90,844,063	333,151,434
Total capital assets being depreciated	421,905,095	330,126	(589,791)	115,860,288	537,505,718
Less: Accumulated depreciation					
Land improvements	19,385,550	2,747,418	-	(266,042)	21,866,926
Buildings and improvements	22,244,227	3,214,884	-	1,604,205	27,063,316
Equipment and vehicles	46,163,557	5,220,635	(141,800)	(1,604,205)	49,638,187
Infrastructure	164,496,964	6,966,429	(447,991)	58,518,724	229,534,126
Total accumulated depreciation	252,290,298	18,149,366	(589,791)	58,252,682	328,102,555
Total capital assets being depreciated, net	169,614,797	(17,819,240)	-	57,607,606	209,403,163
Business-type activities capital assets, net	\$ 252,057,936	\$ 4,234,007	\$ (3,097)	\$ 52,304,735	\$ 308,593,581
Depreciation expense was charged to functions as follows:					
Airports		\$ 4,485,306			
Community safety support		7,151,083			
Community water and sewer		599,668			
Recreation and leisure		2,921,953			
Sewage disposal systems		2,991,356			
Total depreciation expense - business-type activities		\$ 18,149,366			

County of Oakland
Notes to Basic Financial Statements
September 30, 2012

An analysis of property and equipment, and related accumulated depreciation where applicable, at September 30, 2012, for component units follows:

Component Units	Balance October 1, 2011	Additions	Disposals	Balance September 30, 2012
Drainage Districts				
Capital assets not being depreciated				
Construction in progress	\$ 44,567,972	\$ 68,637,890	\$ (63,595,913)	\$ 49,609,949
Capital assets being depreciated				
Infrastructure	480,547,532	63,595,913	-	544,143,445
Less: Accumulated depreciation				
Infrastructure	79,609,082	5,034,904	-	84,643,986
Total capital assets being depreciated, net	400,938,450	58,561,009	-	459,499,459
Governmental activity capital assets, net	\$ 445,506,422	\$ 127,198,899	\$ (63,595,913)	\$ 509,109,408
Road Commission				
Capital assets not being depreciated				
Land and other	\$ 168,373,536	\$ 12,007,593	\$ -	\$ 180,381,129
Construction in progress	625,290	244,986	-	870,276
Total capital assets not being depreciated	168,998,826	12,252,579	-	181,251,405
Capital assets being depreciated				
Buildings and storage bins	18,698,353	189,928	(5,837)	18,882,444
Road equipment	47,789,865	299,151	(455)	48,088,561
Other equipment	5,184,353	75,818	(161,667)	5,098,504
Infrastructure	847,604,590	40,760,404	(19,506,086)	868,858,908
Brine wells and gravel pits	1,389,028	-	-	1,389,028
Total capital assets being depreciated	920,666,189	41,325,301	(19,674,045)	942,317,445
Less: Accumulated depreciation				
Buildings and storage bins	10,251,348	304,249	(5,837)	10,549,760
Road equipment	45,769,382	990,623	(455)	46,759,550
Other equipment	4,707,992	161,313	(161,667)	4,707,638
Infrastructure	330,913,434	35,781,637	(19,506,086)	347,188,985
Brine wells and gravel pits	1,224,951	54,609	-	1,279,560
Total accumulated depreciation	392,867,107	37,292,431	(19,674,045)	410,485,493
Total capital assets being depreciated, net	527,799,082	4,032,870	-	531,831,952
Governmental activity capital assets, net	\$ 696,797,908	\$ 16,285,449	\$ -	\$ 713,083,357

County of Oakland Notes to Basic Financial Statements September 30, 2012

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

Governmental activities

	Interest rate	October 1, 2011	Additions	Reductions	September 30, 2012	Amounts due within one year	Amounts due thereafter	General obligation	With governmental commitment
Debt with limited taxing authority									
Building authority - Act 31	100%-5.90%	\$ 32,600,000	\$ 2,500,000	\$ (13,525,000)	\$ 21,575,000	\$ 1,020,000	\$ 20,555,000	\$ 5,350,000	\$ 16,225,000
Building authority refunding	2.00%-5.00%	47,225,000	11,645,000	(2,895,000)	55,975,000	4,275,000	51,700,000	45,955,000	10,020,000
Certificates of Participation - Taxable	6.00%-6.25%	483,700,000	-	(19,545,000)	464,155,000	20,520,000	443,635,000	464,155,000	-
Lake levels - Act 451	2.25%-3.40%	20,000	-	(65,000)	145,000	65,000	80,000	145,000	-
Sewage disposal - Act 342	4.10%-6.00%	1,320,000	-	(1,095,000)	225,000	50,000	175,000	-	225,000
Water and sewer - Act 342	4.00%-4.50%	2,125,000	-	(2,125,000)	-	-	-	-	-
Water supply - Act 342	2.00%-6.00%	11,140,000	6,800,000	(435,000)	17,505,000	680,000	16,825,000	-	17,505,000
Water and sewer refunding bonds	2.00%-4.50%	665,000	1,975,000	(340,000)	2,300,000	500,000	1,800,000	-	2,300,000
Water supply refunding bonds	1.50%-3.75%	775,000	-	(280,000)	495,000	285,000	210,000	-	495,000
Sewage disposal refunding bonds	2.00%-3.60%	2,280,000	-	(920,000)	1,360,000	945,000	415,000	-	1,360,000
Michigan Bond Authority - Sewage Disposal Bonds	1.62%-2.50%	5,330,727	-	(595,000)	4,735,727	705,000	4,030,727	-	4,735,727
Total bonds - governmental activities		\$ 587,370,727	\$ 22,920,000	\$ (41,820,000)	\$ 568,470,727	\$ 29,045,000	\$ 539,425,727	\$ 515,605,000	\$ 52,865,727

Business-type activities

Business type activities									
Sewage disposal - Act 342	1.75%-6.75%	\$ 4,060,000	\$ -	\$ (135,000)	\$ 3,925,000	\$ 140,000	\$ 3,785,000	\$ 3,925,000	\$ -
Michigan Bond Authority - Sewage Disposal Bonds	2.5%	-	15,664,279	-	15,664,279	985,000	14,679,279	15,664,279	-
Total bonds - business type		\$ 4,060,000	\$ 15,664,279	\$ (135,000)	\$ 19,589,279	\$ 1,125,000	\$ 18,464,279	\$ 19,589,279	\$ -
Total bond - primary government		\$ 591,430,727	\$ 38,584,279	\$ (41,955,000)	\$ 588,060,006	\$ 30,170,000	\$ 557,890,006	\$ 535,194,279	\$ 52,865,727

Component units

Drainage Districts

	Interest rate	October 1, 2011	Additions	Reductions	September 30, 2012	Amounts due within one year	Amounts due thereafter	General obligation	With governmental commitment
Debt with limited taxing authority									
Drain bonds - Act 40	1.15%-7.00%	\$ 24,570,000	\$ 57,535,000	\$ (2,465,000)	\$ 79,640,000	\$ 2,460,000	\$ 77,180,000	\$ 2,120,445	\$ 77,510,555
Drain refunding bonds	1.00%-4.75%	26,630,000	-	(3,855,000)	22,775,000	4,370,000	18,405,000	1,673,708	21,101,292
Michigan Bond Authority - Drain Bonds	1.15%-4.15%	106,003,908	8,518,698	(6,791,000)	107,731,606	6,955,000	100,776,606	307,037	107,424,569
Total Drainage Districts		\$ 157,203,908	\$ 66,053,698	\$ (13,111,000)	\$ 210,146,606	\$ 13,785,000	\$ 196,361,606	\$ 4,101,190	\$ 206,045,416
Total County Debt		\$ 748,634,635	\$ 104,637,977	\$ (55,066,000)	\$ 798,206,612	\$ 43,955,000	\$ 754,251,612	\$ 539,295,469	\$ 258,911,143

County of Oakland
Notes to Basic Financial Statements
September 30, 2012

Component Units (Continued)

	Interest rate	October 1, 2011	Additions	Reductions	September 30, 2012	Amounts due within one year	Amounts due thereafter	General obligation	With governmental commitment
Road Commission									
Compensated absences	--	\$ 2,847,660	\$ -	\$ (91,614)	\$ 2,756,046	\$ -	\$ 2,756,046	\$ -	\$ 2,756,046
Self-insured losses	--	2,747,027	185,891	-	2,932,918	882,000	2,050,918	-	2,932,918
Other postemployment benefits	--	11,906,254	365,271	-	12,271,525	-	12,271,525	-	12,271,525
Michigan Transportation Fund revenue notes	4.00%	2,500,000	-	(500,000)	2,000,000	500,000	1,500,000	-	2,000,000
Total Road Commission		\$ 20,000,941	\$ 551,162	\$ (591,614)	\$ 19,960,489	\$ 1,382,000	\$ 18,578,489	\$ -	\$ 19,960,489
Total reporting entity		\$ 768,635,576	\$ 105,189,139	\$ (55,657,614)	\$ 818,167,101	\$ 45,337,000	\$ 772,830,101	\$ 539,295,469	\$ 278,871,632

County of Oakland
Notes to Basic Financial Statements
September 30, 2012

The annual requirements to pay principal and interest on debt outstanding at September 30, 2012 (excluding the liabilities for compensated absences, other postemployment benefits, and uninsured losses for the Road Commission component unit) were as follows:

	Bonds with limited taxing authority		Certificates of Participation limited taxing authority		Business-type Bonds limited taxing authority		Total primary government	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 8,430,000	\$ 3,849,390	\$ 20,520,000	\$ 28,041,687	\$ 1,125,000	\$ 513,671	\$ 30,075,000	\$ 32,404,748
2014	7,540,000	3,560,650	21,500,000	26,781,088	1,155,000	484,354	30,195,000	30,826,092
2015	7,490,000	3,317,718	22,720,000	25,454,487	1,121,226	456,664	31,331,226	29,228,869
2016	7,720,000	3,070,353	23,940,000	24,054,687	1,115,000	427,383	32,775,000	27,552,423
2017	7,710,000	2,804,051	25,405,000	22,574,338	1,135,000	396,807	34,250,000	25,775,196
2018-2022	39,070,000	9,866,077	150,245,000	86,925,000	6,108,557	1,644,196	195,423,557	98,435,273
2023-2027	18,850,727	3,641,384	199,825,000	32,673,281	5,124,266	959,034	223,799,993	37,273,699
2028-2032	6,370,000	877,270	-	-	2,705,230	204,101	9,075,230	1,081,371
2033-2037	955,000	152,663	-	-	-	-	955,000	152,663
2038-2042	180,000	15,725	-	-	-	-	180,000	15,725
Totals	\$ 104,315,727	\$ 31,155,281	\$ 464,155,000	\$ 246,504,568	\$ 19,589,279	\$ 5,086,210	\$ 588,060,006	\$ 282,746,059

	Drainage Districts		Road Commission		Total reporting entity	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 13,785,000	\$ 5,750,086	\$ 500,000	\$ 80,000	\$ 44,360,000	\$ 38,234,834
2014	14,055,000	5,838,422	500,000	60,000	44,750,000	36,724,514
2015	15,645,000	5,338,665	500,000	40,000	47,476,226	34,607,534
2016	14,865,000	4,929,998	500,000	20,000	48,140,000	32,502,421
2017	13,320,000	4,531,047	-	-	47,570,000	30,306,243
2018-2022	65,832,413	17,334,597	-	-	261,255,970	115,769,870
2023-2027	40,741,822	9,162,726	-	-	264,541,815	46,436,425
2028-2032	24,737,371	3,343,704	-	-	33,812,601	4,425,075
2033-2037	7,165,000	432,800	-	-	8,120,000	585,463
2038-2041	-	-	-	-	180,000	15,725
Totals	\$ 210,146,606	\$ 56,662,045	\$ 2,000,000	\$ 200,000	\$ 800,206,612	\$ 339,608,104

County of Oakland
Notes to Basic Financial Statements
September 30, 2012

The County has pledged its full faith and credit on debt totaling \$823,206,612, which includes \$25,000,000 of short-term notes for the delinquent taxes as described in Note 4. By statute, general obligation debt is limited to 10 percent of the state equalized value. As of September 30, 2012, the debt limit was \$5,083,902,497. 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, 2012, there were five issues outstanding, totaling \$21,575,000, maturing in the years 2013-2040, which represents debt originally issued in the years 2006-2012 totaling \$26,420,000.

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 pension trust fund. The annual actuarially determined amount will be transferred from the trust to the VEBA Trust Fund. At September 30, 2012, there remained debt outstanding in the amount of \$464,155,000, maturing in the years 2013-2027.

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 revenue produced by utility or tax revenue. 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, 2012, there were six issues outstanding, totaling \$17,730,000, maturing in the years 2013-2032. This represents debt originally issued in the amount of \$20,725,000 issued in the years 1995-2012.

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, 2012, there were 10 issues outstanding, totaling \$60,130,000, maturing in the years 2013-2027. This represents debt originally issued in the years 2003-2012 totaling \$70,645,000.

County of Oakland
Notes to Basic Financial Statements
September 30, 2012

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, 2012 was \$3,260,000, which matures in the years 2013-2018.

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. As of September 30, 2012, a final amount of \$1,935,727 was drawn from the State Revolving Loan fund. The amount outstanding at September 30, 2012 for this issue is \$1,475,727, which matures in the years 2013-2027.

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, 2012 was \$145,000, which matures in the years 2012-2014.

Business Type - Sewage Disposal Bonds

In December 2010, the County issued \$4,060,000 of sewage disposal bonds for the Evergreen-Farmington Sewage Disposal System (enterprise fund type). The bonds are federally taxable recovery zone economic development bonds, issued under the authority of Act 34, Public Acts of Michigan, 2001. The amount outstanding for this issue at September 30, 2012 was \$3,925,000, which matures in the years 2013-2031.

In March 2012, the County authorized the issuance of bonds from the Michigan Municipal Bond Authority Revolving Loan fund for up to \$2,415,000 for the Evergreen-Farmington Sewage Disposal System 8 Mile Pumping Station Septage Facility (enterprise fund type). Through September 30, 2012, the County received \$226,226 from the State Revolving Loan fund, which matures in the years 2013-2015.

In addition, in conjunction with the transfer of operations of the City of Pontiac water and sewer system to the County in August 2012, the County's Water and Sewer Trust fund assumed the debt obligations initiated by the City of Pontiac for five Clean Water/Water Quality projects. The total authorized loan amount is \$29,985,000; as of September 30, 2012, \$15,898,053 had been received. The debt obligation recorded as of September 30, 2012 amounted to \$15,438,053, maturing in the years 2013 through 2032.

Drain Bonds – 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 revenue 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, 2012, there were 20 issues outstanding, totaling \$79,640,000, maturing in the years 2013-2034. This represents original debt issued for \$94,765,000 in the years 1993-2012.

County of Oakland
Notes to Basic Financial Statements
September 30, 2012

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, 2012, there were 12 issues outstanding, totaling \$22,775,000, maturing in the years 2013-2024. This represents debt originally issued in the years 2001-2009 in the amount of \$42,050,000.

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, 2012, the drainage district received \$95,341,101 from the State Revolving Loan Fund for Segment II. In February 2010, Oakland County, Macomb County, and their underlying municipalities under the authority of Chapter 21 of Public Act 40, Public Acts of Michigan of 1956 were permitted to issue bonds in the amount of \$26,076,000 for the Oakland-Macomb Interceptor Drainage District. As of September 30, 2012, \$25,053,371 of the authorized amount had been received. At September 30, 2012, there were 11 issues outstanding, totaling \$106,003,908, maturing in the years 2012-2030.

Advance and Current Refunding of General Obligation Limited Tax Bonds

In December 2010, 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, 2012, there is an in-substance defeasance of \$975,000 of Building Authority Bonds Series 2007 (CMHA), maturing in the years 2025 through 2027 inclusively.

In August 2012, the County issued \$11,645,000 of refunding bonds for a current refunding of three general obligation limited tax bond issues pursuant to authorization contained in Act 31 of 1948 and Act 34, Public Acts of Michigan of 2001. General obligation limited tax refunding bonds were issued for the payment of future debt service payment of the refunded debt. The debt refunded amounted to \$2,280,000 of Building Authority Bonds, Series 2002A, maturing in the years 2013 through 2020, \$4,835,000 for Series 2003, maturing in the years 2013 through 2023, and \$4,620,000 for Series 2004, maturing in the years 2013 through 2024. The refunding was undertaken to reduce the debt service payment over the next 12 years by \$1,893,737 and to obtain an economic (present value) gain of \$1,730,405.

In September 2012, the County issued \$1,975,000 of refunding bonds for a current refunding of a general obligation limited tax bond issue pursuant to authorization contained in Act 34, Public Acts of Michigan of 2001. General obligation limited tax refunding bonds were issued for the payment of future debt service payment of the refunded debt. The debt refunded amounted to \$1,950,000 of Oakland County-Rochester Hills Water Supply and Sewage Disposal System Bonds, Series 2005, maturing in the years 2013 through 2022. The refunding was undertaken to reduce the debt service payment over the next 10 years by \$183,764 and to obtain an economic (present value) gain for the City of Rochester Hills of \$169,199.

County of Oakland
Notes to Basic Financial Statements
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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, 2012, was as follows:

	Beginning balance	Additions	Reductions	Ending balance	Due within one year
Governmental activities					
Accrued compensated absences	\$ 12,447,481	\$ 939,188	\$ (1,244,748)	\$ 12,141,921	\$ 1,214,192
Claims and judgments					
Accrued unreported health costs	2,125,000	848,333	(708,333)	2,265,000	755,000
Accrued workers' compensation	12,091,724	2,199,251	(2,200,000)	12,090,975	1,900,000
Building and liability insurance	4,313,081	2,187,172	(1,061,390)	5,438,863	1,080,772
Governmental activity long-term liabilities	<u>\$ 30,977,286</u>	<u>\$ 6,173,944</u>	<u>\$ (5,214,471)</u>	<u>\$ 31,936,759</u>	<u>\$ 4,949,964</u>

9. Interfund Balances

Interfund receivables and payables at September 30, 2012 were as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	
General	Nonmajor governmental	\$ 4,733,075
	S.O.C.S.D.S.	795
	Total	<u>4,733,870</u>
Water and Sewer Debt Act 342	Nonmajor governmental	<u>1,318</u>
Nonmajor governmental	General	48,705
	Nonmajor governmental	646,541
	S.O.C.S.D.S.	1,898
	Total	<u>697,144</u>
Water & Sewer Trust	Water & Sewer Trust	6,900
	Internal service	10,714
	Total	<u>17,614</u>
Parks and Recreation	Internal service	<u>9,770</u>
Nonmajor enterprise	Nonmajor governmental	290,000
	Nonmajor enterprise	49,976
	Internal service	16,937
	Total	<u>356,913</u>
Internal service	Nonmajor governmental	56
	Water and Sewer Trust	1,907
	Evergreen Farmington S.D.S.	403
	S.O.C.S.D.S.	4
	Nonmajor enterprise	232
	Total	<u>2,602</u>
	Total	<u>\$ 5,819,231</u>

County of Oakland
Notes to Basic Financial Statements
September 30, 2012

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, 2012 were as follows:

Primary Government	Component Unit	
Due from Component Unit	Due to Primary Government	
General	Drainage Districts	\$ 101,243
	Road Commission	159
	Total	101,402
Nonmajor governmental	Drainage Districts	621,693
	Road Commission	25
	Total	621,718
Evergreen Farmington SDS	Drainage Districts	182,153
Nonmajor enterprise	Drainage Districts	1,030,625
Internal Service	Drainage Districts	1,380
	Road Commission	18,190
	Total	19,570
	Total	\$1,955,468

Advances to/from other funds (including current and long-term portions) at September 30, 2012 were as follows:

Receivable Fund	Payable Fund	
Nonmajor governmental	Nonmajor governmental	\$ 429,259
Delinquent Tax Revolving	Internal Service	115,947
S.O.C.S.D.S.	Internal Service	496,387
	Total	\$1,041,593

The County has certain "internal" leases when a lease is executed between the County and the Oakland County Building Authority, a blended component unit for purposes of providing funds to service debt issued to finance capital assets in the Enterprise Funds. This amount is reported as a capital lease payable in the respective enterprise fund, with the bond proceeds recorded in a capital project fund and debt service transactions reported in a debt service fund. The lease payable amount corresponds directly to the debt service schedules, and the enterprise fund reports a capital asset of construction in progress. The receivable for the lease is recorded in the reconciliation of governmental funds to the Statement of Net Position. As of September 30, 2012, there are two leases in the County Airports fund amounting to \$9,935,000, maturing in the years 2013 through 2030.

County of Oakland
Notes to Basic Financial Statements
September 30, 2012

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, 2012 were as follows:

Transfers In	Transfers Out	Amount
General	Revenue Sharing Reserve	\$ 24,459,476
	Nonmajor governmental	362,765
	Delinquent Tax Revolving	28,755,326
	Nonmajor enterprise	1,766,000
	Internal Service	500,000
	Total	55,843,567
Building Authority Act 31	Delinquent Tax Revolving	574,576
Nonmajor governmental	General	28,956,371
	Nonmajor governmental	2,170,408
	Delinquent Tax Revolving	4,327,656
	Internal Service	1,587,595
	Total	37,042,030
County Airports	Nonmajor governmental	50
Parks & Recreation	General Fund	18,000
Nonmajor enterprise	General	2,261,766
	Nonmajor governmental	290,000
	Nonmajor enterprise	200,000
	Total	2,751,766
Internal Service	General	656,215
	Nonmajor governmental	235,801
	Nonmajor enterprise	286,000
	Internal Service	30,332
	Total	1,208,348
	Total transfers	\$ 97,438,337

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

County of Oakland
Notes to Basic Financial Statements
September 30, 2012

10. Fund Equities

At September 30, 2012, a deficit existed in the following funds:

Special Revenue Fund

Lake Levels Act 146	\$ 137,093
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Capital Projects Fund

Lake Levels Act 146	262,410
Drain Chapter 4 Construction	62,744

In the Special Revenue Fund, 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. Clearly the receipt of revenue from these assessments happens after the close of the County's fiscal year, leading to the reporting of a deficit in this fund. The deficit in this fund reflects this difference in timing between the close of the fiscal year in September and the approval of the special assessment in October and the December levy.

In the Capital Projects fund, the negative unassigned fund balance in the Lake Levels Act 146 primarily reflects costs that are related to the Bush Lake Level project in the amount of \$228,719 and the Upper Straits Lake Level Dam Reconstruction project in the amount of \$39,409. The Bush Lake Level is construction of a new lake level control structure which has been completed and a long-term special assessment for the project commenced in FY 2011. In 2010, the Oakland County Board of Commissioners authorized a loan in the amount of \$300,000 from the County's Long Term Revolving Fund to the Bush Lake Special Assessment District to be collected in 10 annual installments. The long-term receivable is now on the balance sheet to track the collection of the Long Term Special Assessment. The Upper Straits Lake Dam Replacement project consists of replacing an existing lake level control structure in West Bloomfield Township, Oakland County, Michigan. The project for Upper Straights Lake Level is in the design phase and will be funded through a special assessment that will be determined once an estimate of construction costs has been calculated. The project consists of replacing an existing lake level control structure in West Bloomfield Township, Oakland County, Michigan. The existing structure will be moved and replaced with a new one. The design is approximately 80% complete and when completed, the estimated project cost will be determined. It is planned that the project will be financed with a loan from the Oakland County Board of Commissioner's Long Term Revolving Fund. The loan will be repaid by an assessment to the Upper Straits Lake Level Special Assessment District over a proposed 10-year period. The Special Assessment District must be updated, which requires Circuit Court action, prior to requesting the loan. The project schedule is directly affected by the Court schedule and any delays in receiving the court judgment on the district update will be reflected in the timing of receiving loan money and approval of the special assessment.

The deficit fund balance in the Drain Chapter 4 Construction fund reflects costs that are related to the Lower Pettibone Lake Sanitary Chapter 4 Drain Construction project. A loan from the Long Term Revolving Fund was approved by the Oakland County Board of Commissioners to provide advance funding for this project. A five-year assessment has been approved to repay the loan.

County of Oakland
Notes to Basic Financial Statements
September 30, 2012

Nonspendable, restricted, committed, assigned, and unassigned fund balances of the primary government at September 30, 2012 were as follows:

	Nonspendable	Spendable			Unassigned
		Restricted	Committed	Assigned	
Primary Government					
General Fund					
Prepays	\$ 923,630	\$ -	\$ -	\$ -	\$ -
Inventories	176,511	-	-	-	-
Property Tax Forfeiture	-	8,311,145	-	-	-
Substance Abuse	-	3,244,003	-	-	-
Department Operations	-	-	-	361,625	-
Federal Health Care Impact	-	-	-	3,000,000	-
Capital Reserve	-	-	-	9,000,000	-
Tax Tribunal Appeals	-	-	-	500,000	-
Homeland Security Enhancements	-	-	-	6,000,000	-
Technology Replacement/Hardware	-	-	-	3,000,000	-
Personal Property Tax Reduction	-	-	-	4,000,000	-
Operational Improvements	-	-	-	3,000,000	-
Board of Commissioners Projects	-	-	-	730,000	-
Data Privacy and Security	-	-	-	2,000,000	-
New Grant Match Opportunities	-	-	-	500,000	-
HR Legal	-	-	-	100,000	-
HR Comp/Workforce Planning	-	-	-	1,600,000	-
Jail Alternative Prg Startup	-	-	-	600,000	-
Pandemic Response	-	-	-	1,500,000	-
Business Continuity	-	-	-	300,000	-
Emergency Salaries	-	-	-	320,000	-
Quality of Life Initiatives	-	-	-	500,000	-
Peoplesoft Upgrade	-	-	-	3,000,000	-
Sheriff Aviation	-	-	-	1,186,292	-
Jail Commissary	-	-	-	123,539	-
RCOC Triparty	-	-	-	3,000,000	-
Property Tax Forfeiture Activities	-	-	-	2,501,555	-
Community Partnerships	-	-	-	238,654	-
Microloan	-	-	-	200,000	-
Future operating requirements:					
2013	-	-	-	37,621,540	-
2014	-	-	-	44,826,888	-
2015	-	-	-	52,390,980	-
2016 and Beyond	-	-	-	15,465,165	-
Carryforwards	-	-	-	2,117,410	-
DB Pension Contribution 2014-5	-	-	-	5,000,000	-
Unfunded Mandates	-	-	-	5,000,000	-
Unassigned	-	-	-	-	1,090,503
Total	\$ 1,100,141	\$ 11,555,148	\$ -	\$ 209,683,648	\$ 1,090,503

County of Oakland
Notes to Basic Financial Statements
September 30, 2012

	Nonspendable	Spendable			Unassigned
		Restricted	Committed	Assigned	
Special Revenue Funds					
Child Care	\$ -	\$ -	\$ -	\$ 7,732	\$ -
Specific programs	-	81,012,635	-	-	(137,093)
Total	\$ -	\$ 81,012,635	\$ -	\$ 7,732	\$ (137,093)
Debt Service Funds					
Debt service - general obligations	\$ -	\$ 341,354	\$ -	\$ -	\$ -
Capital Projects Funds					
Long-term receivables	\$ 547,459	\$ -	\$ -	\$ -	\$ -
Work projects	-	9,184	18,432,389	-	(325,154)
Total	\$ 547,459	\$ 9,184	\$ 18,432,389	\$ -	\$ (325,154)

11. Employee Benefits

Primary Government

The County provides various benefits to its employees. Expenditures in 2012 for these benefits totaled the following: medical insurance, \$32,817,108; dental insurance, \$3,003,036; optical insurance, \$257,631; disability, \$2,604,103; tuition reimbursement, \$160,315; Social Security, \$14,356,131; workers' compensation, \$1,772,390; and unemployment claims, \$653,206.

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.

County of Oakland
Notes to Basic Financial Statements
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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, 2012:

Statement of Net Position

Cash and investments	\$ 718,572,090
Other assets	2,763,972
Total assets	721,336,062
Liabilities	544,122
Net position	\$ 720,791,940

Statement of Changes in Net Position

Additions:	
Contributions	\$ 716,927
Investment income	109,751,243
Other revenue	586,611
Total additions	111,054,781
Deductions:	
Benefit payments	45,102,561
Other expenses	2,563,829
Total deductions	47,666,390
Change in net assets	63,388,391
Net assets held in trust, beginning of year	657,403,549
Net assets held in trust, end of year	\$ 720,791,940

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 valuations performed at September 30, 2010 and September 30, 2009, respectively. There were no contributions from County funds for the years 2000 through 2012.

County of Oakland
Notes to Basic Financial Statements
September 30, 2012

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, 2012 and September 30, 2011 amounted to \$716,927 and \$764,764, 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, 2010, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	1,867
Terminated plan members entitled to, but not yet receiving benefits	154
Active plan members	590
Total	2,611

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.

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.

County of Oakland
Notes to Basic Financial Statements
September 30, 2012

Funded Status and Funding Progress

	Actuarial Valuation as of September 30		
	2011	2010	2009
Actuarial value of assets	\$ 727,690,746	\$ 745,094,735	\$ 750,432,703
Actuarial accrued liability (entry age)	712,159,061	692,409,285	683,077,469
Overfunded AAL	\$ (15,531,685)	\$ (52,685,450)	\$ (67,355,234)
Funded ratio	102.2%	107.6%	109.9%
Covered payroll	\$ 38,275,780	\$ 42,686,155	\$ 44,884,070
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, 2010, 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 five-year period.

The aggregate actuarial cost method does not produce an actuarial accrued liability. The entry age actuarial cost method is used to develop the actuarial liability and the associated values shown above in compliance with GASB Statement No. 50. In addition, the aggregate method does not formally recognize an amortization period for the overfunded AAL.

Fund Balance Reserved for Employees' Pension Benefits

Fund balances reserved for employees' pension benefits include legally required reserves. Fund balance as of September 30, 2012 consists of the following reserves:

Annuity reserve	\$ 7,686,067
Pension reserve	231,809,402
Pension accumulated reserve	481,296,471
Total fund balance	\$ 720,791,940

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.

County of Oakland
Notes to Basic Financial Statements
September 30, 2012

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, 2012 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, 2012 was \$153,801,567, and the County's total payroll was \$207,579,421. 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 2011, the County contributed \$193,970 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.

County of Oakland
Notes to Basic Financial Statements
September 30, 2012

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 by Oakland County through two funding vehicles: the Oakland County VEBA Trust (the Trust) and the Intermediate Medical Benefits Trust (IRMBT). The IRMBT received the proceeds of the Certificates of Participation (as discussed in Note 8), and makes transfers into the VEBA in the amount of the actuarially required contribution.

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 2012, the County provided 2,131 retirees medical insurance and reimbursed them for Medicare premiums under the Trust. In 2012, the County disbursed \$26,964,602 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 plan in 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, 2011, the date of the most recent actuarial valuation, membership in the OPEB consisted of 2,155 retirees and beneficiaries currently receiving benefits, 2,828 active employees, and 250 terminated employees entitled to benefits but not yet receiving them.

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

	Fiscal year ended September 30		
	2012	2011	2010
Annual OPEB cost (ARC)	\$ 27,858,341	\$ 37,116,312	\$ 45,839,484
Percentage of ARC contributed	0%	0%	0%
Net OPEB asset	\$299,937,972	\$327,796,313	\$364,912,625

In 2012, the County contributed \$37,268,761 into the VEBA from the IRMB Trust. Since the OPEB Plan is comprised of these two trust funds, this is not considered a contribution in relation to the ARC. The County made the scheduled debt service payment on the Certificates of Participation, but made no further contributions.

County of Oakland
Notes to Basic Financial Statements
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The funding progress of the plan as of September 30, 2011, the most recent actuarial valuation report, is as follows:

Retirees and beneficiaries	\$ 409,022,774
Vested terminated employees who will be eligible when they collect retirement (age 60 in most cases) and their beneficiaries	44,659,318
Active employees and beneficiaries	360,899,780
Actuarial accrued liability	814,581,872
Actuarial value of assets	854,534,524
Unfunded AAL (Overfunded AAL)	<u>\$ (39,952,652)</u>
Funded ratio	104.9%
Annual covered payroll	\$ 173,903,452
Overfunded AAL as a percentage of payroll	23.0%
Actuarial Required Contribution (ARC)	\$ 18,714,057
Adjustment to the ARC	18,554,704
Interest on net OPEB asset	<u>(9,410,420)</u>
Annual OPEB cost	27,858,341
Contributions	-
Decrease in net OPEB Asset	27,858,341
OPEB Asset - Beginning of year	327,796,313
OPEB Asset - End of year	<u>\$ 299,937,972</u>

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.

County of Oakland
Notes to Basic Financial Statements
September 30, 2012

In the September 30, 2011 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 3.00 percent per year plus a long-term rate of inflation of 4.5 percent per year and an annual healthcare cost trend rate of 9.0 percent initially, reduced by decrements to an ultimate rate of 4.5 percent after 10 years. Both rates included a 4.5 percent inflation assumption. The actuarial value of assets is equal to the reported market value of assets at the valuation date with investment gains and losses spread over three years (with 33% recognition in each year). 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 4.5 percent per year for the purpose of determining the level percent contributions.

Since the County does not issue stand-alone financial reports for the OPEB Plan, following are condensed financial statements as of and including September 30, 2012 (the OPEB Plan includes the VEBA Trust and the IRMB Trust):

	VEBA Trust	IRMB Trust	OPEB Plan
Statement of Net Position			
Cash and investments	\$ 671,255,924	\$ 305,240,025	\$ 976,495,949
Other assets	1,839,052	829,575	2,668,627
Total assets	673,094,976	306,069,600	979,164,576
Liabilities	1,172,330	243,647	1,415,977
Net position	\$ 671,922,646	\$ 305,825,953	\$ 977,748,599

Statement of Changes in Net Position			
Additions:			
Contributions	\$ 37,365,791	\$ -	\$ 37,365,791
Investment income	114,113,142	52,914,226	167,027,368
Other revenue	2,694,105	203,660	2,897,765
Total additions	154,173,038	53,117,886	207,290,924
Deductions:			
Benefits	26,964,602	-	26,964,602
Contributions - Retirees healthcare	-	37,268,761	37,268,761
Other expenses	-	1,042,464	1,042,464
Total deductions	26,964,602	38,311,225	65,275,827
Change in net position	127,208,436	14,806,661	142,015,097
Net position held in trust, beginning of year	544,714,210	291,019,292	835,733,502
Net position held in trust, end of year	\$ 671,922,646	\$ 305,825,953	\$ 977,748,599

County of Oakland
Notes to Basic Financial Statements
September 30, 2012

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, 2010, the date of the most recent actuarial valuation, membership consisted of 632 retirees and beneficiaries currently receiving benefits, 320 vested active employees, and 139 nonvested active employees. For the year ended September 30, 2012, the Road Commission's annual required contribution to the Trust was \$7,681,220, with interest of \$833,438 on the prior year net OPEB obligation. The Road Commission contributed \$880,000 to the Trust during the year and paid \$6,629,653 directly toward insurance premiums and medical costs for retirees during fiscal year 2012, leaving a net OPEB obligation of \$12,271,525 at September 30, 2012.

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 \$350,000,000. Policy limits (subject to the maximum \$350,000,000 per occurrence catastrophic loss limit) are: building and contents in the amount of \$603,616,006, electronic data processing equipment in the amount of \$36,878,146, 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 (subject to limitations in some flood zones), 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 \$2,854,184, 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 dishonesty/faithful performance 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 \$600,000 for each occurrence, and 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.

County of Oakland
Notes to Basic Financial Statements
September 30, 2012

The County and the Road Commission estimate the liability for all the above-mentioned claims that have been incurred through September 30, 2012, 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.

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:

	September 30 2012	2011
Primary Government		
Beginning-of-period liability	\$ 18,529,805	\$ 20,885,768
Estimated claims incurred, claim adjustment expenses and changes in estimates		
Provisions for current-year events	42,318,258	38,022,796
Decrease in provisions for prior-year events	(57,100)	(4,155,086)
Total incurred claims, claim adjustment expenses and changes in estimates	42,261,158	33,867,710
Claim payments and claim adjustment expenses		
Related to current-year events	(39,197,486)	(34,778,406)
Related to prior-year events	(1,798,639)	(1,445,267)
Total claim payments and claim adjustment expenses	(40,996,125)	(36,223,673)
End-of-period liability	\$ 19,794,838	\$ 18,529,805
Road Commission - Component Unit		
Beginning-of-year liability	\$ 3,647,027	\$ 4,228,109
Estimated claims incurred and changes in estimates	13,690,593	12,244,718
Claim payments	(13,504,602)	(12,825,800)
End-of-year liability	\$ 3,833,018	\$ 3,647,027

County of Oakland
Notes to Basic Financial Statements
September 30, 2012

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, 2012 were \$947,604. The future minimum lease payments as of September 30, 2012 are as follows:

Fiscal year	Primary government
2013	\$ 921,153
2014	925,208
2015	604,653
2016	321,462
2017	157,604
2018-2022	<u>267,891</u>
Total	<u>\$ 3,197,971</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, 2012 totaled \$183,877, recorded in the Facilities Maintenance & Operations fund, an internal service fund type.

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, Community Mental Health Authority Housing Project in the amount of \$5,500,000 in 2007, Keego Harbor City Hall and DPW Building in the amount of \$1,120,000 in 2010, and City of Oak Park in the amount of \$2,500,000 in 2012. The future minimum lease payments to be received as of September 30, 2012 are as follows:

Fiscal year	Primary government
2013	\$ 2,557,433
2014	2,594,309
2015	2,571,525
2016	2,576,780
2017	2,549,161
2018 - 2022	<u>12,170,418</u>
2023 - 2027	9,242,908
2028 - 2032	1,109,814
2033 - 2037	1,107,662
2038 - 2041	<u>195,725</u>
Total	<u>\$36,675,735</u>

County of Oakland
Notes to Basic Financial Statements
September 30, 2012

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, the 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, 2012 as follows: Water Resources Commissioner has a contract with a cost of \$4,915,000 for the Farmington Hills Water System Project (ACT 342 Project) with a remaining balance of \$4,837,500 and a contract with a cost of \$1,881,250 for the Evergreen Farmington Sewage Disposal System (ACT 342 Project) with a remaining balance of \$1,273,645.

The Drainage Districts' component unit has a construction contract for a Bloomfield Township CSO project with a total cost of \$1,718,760, with a remaining balance of \$323,929 and contracts for the Oakland Macomb Interceptor Drainage District Project with a total cost of \$67,406,127, with a remaining balance of \$19,681,018 as of September 30, 2012.

County of Oakland
Notes to Basic Financial Statements
September 30, 2012

19. Statement of Net Position – Reconciliation of Internal Balances

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

Governmental Activities	
Governmental Funds	
Due from other funds	\$ 5,432,332
Long-term advances receivable	429,259
Due to other funds	(5,719,695)
Current and long-term advances payable	(429,259)
Internal Service Funds	
Due from other funds	2,602
Due to other funds	(37,421)
Current and long-term advances payable	(612,334)
Capital lease receivable for County Airports, not reported in funds	9,935,000
Governmental activities, internal balances	<u>\$ 9,000,484</u>
Business-Type Activities	
Proprietary Funds	
Due from other funds	\$ 384,297
Current and long-term advances receivable	612,334
Due to other funds	(62,115)
Current and long-term capital lease payable	(9,935,000)
Business-type activities, internal balances	<u>\$ (9,000,484)</u>

APPENDIX C
FORM OF APPROVING OPINION OF BOND COUNSEL

September 27, 2013

COUNTY OF OAKLAND
Pontiac, Michigan

We have acted as bond counsel and have examined the law and such certified proceedings of the County of Oakland, State of Michigan (the "County") and other documents as we deemed necessary to render this opinion in connection with the issuance by the County of its \$34,000,000 aggregate principal amount County of Oakland Retirees Health Care Refunding Bonds, Series 2013B (General Obligation Limited Tax), dated September 27, 2013 (the "Refunding Bonds").

In so acting, we have examined one executed and authenticated refunding bond. As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation. We have not been engaged nor have we undertaken to review the accuracy, completeness or sufficiency of the Memorandum or any other offering material relating to the Refunding Bonds (except to the extent, if any, stated in the Memorandum), and we express no opinion relating thereto (excepting only the matters set forth as our opinion in the Memorandum).

Based on such examination, we are of the opinion, as of the date hereof and under existing law:

1. The Refunding Bonds are valid and legally binding obligations of the County.
2. The full faith and credit of the County have been pledged for the payment of the principal of and interest on the Refunding Bonds when due. The principal of and interest on the Refunding Bonds are payable as a first budget obligation of the County from its general funds. Taxes imposed by the County for payment of such principal and interest are subject to constitutional and statutory limitations.
3. The Refunding Bonds and the interest on and income from the Refunding Bonds are exempt from taxation by the State of Michigan or a political subdivision of the State of Michigan, except estate taxes and taxes on gains realized from the sale, payment or other disposition of the Refunding Bonds.
4. The interest on the Refunding Bonds is included in gross income for federal income tax purposes.

COUNTY OF OAKLAND

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The advice set forth in this opinion (a) is not intended or written to be used, any may not be used by any person, for the purpose of avoiding federal tax penalties, and (b) was written to support the promotion or marketing of the Refunding Bonds. Investors should seek advice based on their particular circumstances from an independent tax advisor.

It is understood that the rights of holders of the Refunding Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and that their enforcement also may be subject to the exercise of judicial discretion in appropriate cases.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

AXE & ECKLUND, P.C.

By _____