

NEW ISSUE

Rating: Moody's: Aa1

In the opinion of Bodman PLC, Bond Counsel, subject to compliance with certain tax related covenants, under existing law, (1) the interest on the Bonds is excluded from gross income for federal income tax purposes except as described under "TAX MATTERS" herein, and (2) the Bonds and the interest thereon are exempt from all taxation by the laws of the State of Michigan, except estate taxes and taxes on gains realized from the sale, payment or other disposition of the Bonds. See "TAX MATTERS" herein.

\$7,235,000

**OAKLAND-MACOMB INTERCEPTOR DRAIN DRAINAGE DISTRICT
DRAIN BONDS, SERIES 2014A**

(GENERAL OBLIGATION LIMITED TAX)

COUNTY OF OAKLAND AND COUNTY OF MACOMB

STATE OF MICHIGAN

DATED: OCTOBER 1, 2014
**NOT QUALIFIED TAX-
EXEMPT OBLIGATIONS**

GENERAL OBLIGATION LIMITED TAX BONDS

REGISTRATION: Book entry only system

INTEREST: Paid from October 1, 2014 - 1st Paid April 1, 2015 - Semi-Annually Thereafter

REGISTRAR, TRANSFER and PAYING AGENT: Huntington National Bank, Grand Rapids, Michigan

DENOMINATIONS: \$5,000 or a Multiple of \$5,000, Numbered From 1 Upwards

AUTHORITY: Chapter 21 of Act No. 40, Public Acts of Michigan, 1956, as amended

REDEMPTION PROVISIONS: Maturities on October 1, 2022 or Prior - Non-Callable

Maturities on October 1, 2023 or After as follows:

Bonds called for redemption on or after October 1, 2022 shall be redeemed at par.

PURPOSE AND SECURITY: See "Security for the Bonds" and "Description of the Project and Cost Estimate" herein

BOOK ENTRY CUSTODIAL DEPOSITORY: The Depository Trust Company, New York, N.Y.

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

MATURITY SCHEDULE

(CUSIP information on back of cover)

\$6,415,000 Serial Bonds

<u>Due Oct. 1</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>Due Oct. 1</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>Due Oct. 1</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>
2015	\$280,000	2.00%	0.25%	2022	\$330,000	2.00%	1.85%	2028*	\$390,000	3.00%	2.70%
2016	285,000	2.00	0.40	2023*	340,000	2.00	2.00	2029-2030 Term Bonds			
2017	290,000	2.00	0.65	2024*	345,000	2.00	2.10	2031*	430,000	3.00	3.05
2018	300,000	2.00	0.90	2025*	355,000	3.00	2.25	2032*	445,000	3.00	3.10
2019	305,000	2.00	1.15	2026*	370,000	3.00	2.40	2033*	460,000	3.00	3.15
2020	315,000	2.00	1.40	2027*	380,000	3.00	2.55	2034*	475,000	3.125	3.20
2021	320,000	2.00	1.65								

\$820,000 Term Bonds **

\$820,000 - 3.00% Term Bonds due October 1, 2030* - Yield: 3.00%

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

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

Information prepared in cooperation with:

JIM NASH
Secretary
Oakland-Macomb Interceptor
Drain Drainage District Drain Board

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

**Underwriter:
BAIRD**

MICHAEL R. GREGG
Chairperson
Oakland-Macomb Interceptor
Drain Drainage District Drain Board

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



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\$7,235,000
OAKLAND-MACOMB INTERCEPTOR DRAIN DRAINAGE DISTRICT
DRAIN BONDS, SERIES 2014A
(GENERAL OBLIGATION LIMITED TAX)
COUNTY OF OAKLAND AND COUNTY OF MACOMB
STATE OF MICHIGAN

CUSIP NUMBERS

<u>Principal</u>	<u>Maturity (Oct. 1)</u>	<u>CUSIP * (673421)</u>
\$280,000	2015	AR4
285,000	2016	AS2
290,000	2017	AT0
300,000	2018	AU7
305,000	2019	AV5
315,000	2020	AW3
320,000	2021	AX1
330,000	2022	AY9
340,000	2023	AZ6
345,000	2024	BA0
355,000	2025	BB8
370,000	2026	BC6
380,000	2027	BD4
390,000	2028	BE2
820,000	2030 **	BF9
430,000	2031	BG7
445,000	2032	BH5
460,000	2033	BJ1
475,000	2034	BK8

* Copyright 2014, American Bankers Association. CUSIP data herein is provided by Standard and Poor's CUSIP Service Bureau, a division of the McGraw Hill Companies, Inc. The District shall not be responsible for the selection of CUSIP numbers, nor any representation made as to their correctness on the Bonds or as indicated above.

** Term Bonds.

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

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

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

**OFFICIAL STATEMENT
COUNTY OF OAKLAND, MICHIGAN
\$7,235,000
OAKLAND-MACOMB INTERCEPTOR DRAIN DRAINAGE DISTRICT
DRAIN BONDS, SERIES 2014A
(GENERAL OBLIGATION LIMITED TAX)**

The purpose of this Official Statement is to set forth information concerning the County of Oakland and the County of Macomb (together the "Counties"), the Oakland-Macomb Interceptor Drain Drainage District (the "District") and the District's Drain Bonds, Series 2014A (General Obligation Limited Tax) (the "Bonds"), in connection with the sale of the Bonds and for the information of those who initially become holders of the Bonds. Information summarized on the cover page is part of this Official Statement.

DESCRIPTION OF THE BONDS

The Bonds, aggregating the principal sum of \$7,235,000, shall be issued for the purposes set forth hereafter under "DESCRIPTION OF THE PROJECT AND COST ESTIMATE" (the "Project"). The Bonds shall be known as "Oakland-Macomb Interceptor Drain Drainage District Drain Bonds, Series 2014A (General Obligation Limited Tax)" and shall be dated October 1, 2014. The Bonds shall be fully registered Bonds, both as to principal and interest, in any one or more denominations of \$5,000 or a multiple of \$5,000 numbered from 1 upwards regardless of rate and maturity date. The Bonds shall mature on October 1, 2015 and each October 1 thereafter as provided on the cover page of this Official Statement.

**Qualification Under Section 265(b)(3)
of the Internal Revenue Code of 1986**

The Bonds have not been designated by the District as "Qualified Tax-Exempt Obligations" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986.

Interest Payment and Date of Record

The Bonds shall bear interest payable April 1, 2015 and semi-annually thereafter on each April 1 and October 1, until maturity, at an interest rate not exceeding 6% per annum. Interest shall be paid by check or draft mailed to the registered owner of each Bond as of the applicable date of record.

Paying Agent and Bond Registrar

Huntington National Bank, Grand Rapids, Michigan has been selected as bond registrar and paying agent (the "Bond

Registrar") for the Bonds. The Bond Registrar will keep records of the registered holders of the Bonds, serve as transfer agent for the Bonds, authenticate the original and any re-issued Bonds and will pay principal and interest to the registered holders of the Bonds as shown on the registration books of the District maintained by the Bond Registrar on the applicable date of record. The principal of each Bond will be paid when due upon presentation and surrender thereof to the Bond Registrar. The date of record shall be the 15th day of the month before such payment is due.

Serial Bonds and Term Bonds

Bonds maturing in the years 2015-2028 and 2031-2034 are designated as serial bonds.

Any bond maturing in the year 2030 is a term bond at 3.00%. Principal maturities designated as term bonds are subject to mandatory redemption, in part, by lot, at par and accrued interest on October 1st of the years set forth hereafter. The amounts of the maturities that are now designated as term bonds and the amounts which must be paid as determined by mandatory redemption, by lot, are as follows:

<u>Year</u>	<u>Mandatory Redemption</u>
	<u>Annual Amounts</u>
2029	\$405,000
2030	415,000
Total	\$820,000

Book-Entry-Only

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for the Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and

other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This 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.

3. 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 Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 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.

4. 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 affect 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.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 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 Security 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.

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

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

8. Redemption proceeds, distributions, and dividend 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 District or Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with bonds 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, Paying Agent, or District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of District or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

The District 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. THE INFORMATION IN THIS SECTION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE DISTRICT BELIEVES TO BE RELIABLE, BUT NEITHER THE DISTRICT, BOND COUNSEL, FINANCIAL ADVISOR NOR THE UNDERWRITERS ASSUME ANY RESPONSIBILITY FOR THE ACCURACY THEREOF.

THE DISTRICT AND THE DISTRICT'S BOND COUNSEL OR FINANCIAL ADVISOR, THE UNDERWRITERS AND THE BOND REGISTRAR CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC, THE DIRECT PARTICIPANTS OR THE INDIRECT PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE BONDS (i) PAYMENTS OF PRINCIPAL OF OR INTEREST AND PREMIUM, IF ANY, ON THE BONDS (ii) ANY DOCUMENT REPRESENTING OR CONFIRMING BENEFICIAL OWNERSHIP INTERESTS IN BONDS, OR (iii) REDEMPTION OR OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS NOMINEE, AS THE REGISTERED OWNER OF THE BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT. THE CURRENT "RULES" APPLICABLE TO DTC ARE ON FILE WITH THE SECURITIES AND EXCHANGE COMMISSION AND THE CURRENT "PROCEDURES" OF DTC TO BE FOLLOWED IN DEALING WITH THE PARTICIPANTS ARE ON FILE WITH DTC.

NEITHER THE DISTRICT, THE UNDERWRITERS NOR THE BOND REGISTRAR WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR ANY BENEFICIAL OWNER OF ANY OTHER PERSON WITH RESPECT TO: (1) THE BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (3) THE PAYMENT BY DTC TO ANY PARTICIPANT, OR BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT TO ANY BENEFICIAL OWNER OF ANY AMOUNT DUE WITH RESPECT TO THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS; (4) THE DELIVERY BY DTC TO ANY PARTICIPANT, OR BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT TO ANY BENEFICIAL OWNER OF ANY NOTICE WHICH IS REQUIRED OR PERMITTED UNDER THE

TERMS OF THE RESOLUTION TO BE GIVEN TO BONDHOLDERS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (6) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

Discontinuation of Book-Entry-Only System

DTC may determine to discontinue providing its service with respect to the Bonds at any time by giving notice to the District and the Bond Registrar and discharging its responsibilities with respect thereto under applicable law. Upon the giving of such notice, the Bond Registrar shall attempt to have established a securities depository/book-entry system relationship with another qualified depository. If the Bond Registrar does not or is unable to do so, the book-entry-only system shall be discontinued.

Transfer Outside Book-Entry-Only System

In the event the book-entry-only system is discontinued, the following provisions would apply to the Bonds. The Bond Registrar shall keep the registration books for the Bonds (the "Bond Register") at its corporate trust office. Subject to the further conditions contained in the resolution authorizing the issuance of the Bonds adopted by the Drain Board of the District (the "Resolution"), the Bonds may be transferred or exchanged for one or more Bonds in different authorized denominations upon surrender thereof at the corporate trust office of the Bond Registrar by the registered owners or their duly authorized attorneys; upon surrender of any Bonds to be transferred or exchanged, the Bond Registrar shall record the transfer or exchange in the Bond Register and shall authenticate replacement bonds in authorized denominations; during the 15 days immediately preceding the date of mailing ("Record Date") of any notice of redemption or any time following the mailing of any notice of redemption, the Bond Registrar shall not be required to effect or register any transfer or exchange of any Bond which has been selected for such redemption, except the Bonds properly surrendered for partial redemption may be exchanged for new Bonds in authorized denominations equal in the aggregate to the unredeemed portion; the District and Bond Registrar shall be entitled to treat the registered owners of the Bonds, as their names appear in the Bond Register as of the appropriate dates, as the owner of such Bonds for all purposes under the Resolution. No transfer or exchange made other than as described above and in the Resolution shall be valid or effective for any purposes under the Resolution.

Prior Redemption

Bonds maturing prior to October 1, 2023, shall not be subject to redemption prior to maturity. Bonds maturing on and after October 1, 2023 shall be subject to redemption in whole or

in part on any date on and after October 1, 2022, and in any order, at the option of the District, at par, plus accrued interest to the date fixed for redemption.

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

Notice of redemption shall be sent to the registered holder of each Bond being redeemed by first class mail at least thirty (30) days prior to the date fixed for redemption, which notice shall fix the date of record with respect to the redemption if different than otherwise provided in the resolution authorizing the issuance of the Bonds. Any defect in such notice shall not affect the validity of the redemption proceedings. Bonds so called for redemption shall not bear interest after the date fixed for redemption provided funds are on hand with the bond registrar to redeem the same.

Transfer or Exchange of Bonds

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

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

Any service charge made by the Bond Registrar for any such registration, transfer or exchange shall be paid for by the District, unless otherwise agreed by the District and the Bond Registrar. The Bond Registrar may, however, require payment by

a bondholder of a sum sufficient to cover any tax or other governmental charge payable in connection with any such registration, transfer or exchange.

CUSIP Numbers

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

SECURITY FOR THE BONDS

Authorization

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

Primary Security

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

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

Full Faith and Credit of Counties

Pursuant to resolutions adopted by their Board of Commissioners, the County of Oakland and the County of Macomb have pledged their full faith and credit as additional security for the payment of the principal of and interest on the Bonds. Each County has agreed that in the event any public corporation in such County shall fail or neglect to account to such County's Treasurer for the amount of any special assessment installment and interest (in anticipation of which the Bonds are issued) when due, then the amount thereof shall be advanced from the funds of such County. Taxes imposed by the County of Oakland and the County of Macomb are subject to constitutional and statutory tax limitations.

The relative percentages of the full faith and credit pledges, based upon the special assessments applicable to each County, are as follows:

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

DESCRIPTION OF THE PROJECT AND COST ESTIMATE

Segment 4 (Contract 5, including sewer reaches referred to as PCI-9, and PCI-10A/B) repair work is located along the Oakland Arm Interceptor extending from the intersection of Dodge Park and Utica roads in Sterling Heights, north along Utica Road right-of-way into the City of Utica, along Koth Lane right-of-way, through private easement, into and through Shelby Township's Riverbends Park, through Shelby Township's Holland Ponds Park, through private easement (including an unnamed private road), and along Dequindre Road right-of-way in Rochester Hills to the RC-S-2/OC-S-2 meters owned by Oakland County. Segment 4 (Contract 6, including the sewer reach referred to as PCI-11A) repair work is located along the Avon Arm Interceptor beginning in the City of Utica at the intersection of Utica Road and the M-59 Expressway (Hall Road), then extending west through the cities of Sterling Heights and Rochester Hills within the right-of-way of M-59, Dorby Drive, and West Utica Road, terminating at the intersection of West Utica Road and Dequindre Road.

Work to be included in the Segment 4 (Contract 5 and 6) program includes the following items:

- Construction of access shafts
- Interceptor lining at selected meter tap locations (about 2400 lineal feet total)

- Localized liner repairs at selected locations including sealing running and gushing leaks; repair of a hole in the lining; crack repairs; steel reinforcement replacement; surface repairs of the sewer lining, cementacious grouting behind the lining; and other ancillary work.
- Access manhole modifications and restoration.
- Access roads to provide access to manhole locations within Riverbends and Holland Ponds Parks (up to about 10,500 lineal feet of roads, total)
- Perform interceptor lining at selected meter tap locations and other selected locations (about 2200 lineal feet total).
- Localized liner repairs at selected locations including sealing running and gushing leaks; crack repairs; surface repairs of the sewer lining, cementacious grouting behind the lining; and other ancillary work.
- Access manhole modifications and restoration.
- Right of Way acquisition and wetland mitigation and other regulatory obligations

Sanitary interceptor lining for all the above reaches will involve labor, material, and equipment required for lining and local repairs to the interceptors, including flow control management, material installation, and all other items necessary to complete the lining and localized repair work.

Preliminary Project Cost Estimate to be Financed by the Bonds:

Construction Costs and Financing Costs (including bond discount)	\$7,235,000
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CONTINUING DISCLOSURE

The Counties and the District (individually an "Obligated Person" and collectively, "Obligated Persons") have each covenanted and will covenant for the benefit of the Bondholders and the Beneficial Owners (as hereinafter defined) pursuant to a resolution and a related Continuing Disclosure Certificate to be delivered on the date of issuance of the Bonds to the purchaser thereof (individually a "Disclosure Certificate" and collectively, the "Disclosure Certificates"), to provide or cause to be provided: (i) each year, certain financial information and operating data relating to the respective Obligated Person for its preceding fiscal year (the "Annual Report") by not later than the date seven months after the first day of its fiscal year, commencing with the Annual Report for the fiscal year ending September 30, 2014 for the County of Oakland and December 31, 2014 for the County of Macomb; provided, however, that if the audited financial statements of any Obligated Person are not available by such date, they will

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

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

The County of Oakland and the County of Macomb have both had certain instances of late filing as referenced below. A failure by the County of Oakland or the County of Macomb to comply with its Disclosure Certificate will not constitute an event of default on the Bonds (although beneficial owners will have any available remedy at law or in equity). Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

Except for the fiscal year ended September 30, 2009 for which the County of Oakland filed its continuing disclosure by September 30, 2010, and for the fiscal year ended September 30, 2011 for which the County of Oakland filed its continuing disclosure by May 22, 2012 and for the fiscal year ended September 30, 2012 for the which the County of Oakland filed its continuing disclosure on June 30, 2013 in the past five years, the County of Oakland has not failed to comply with any of its

previous undertakings in a written contract or agreement that it entered into pursuant to subsection (b)(5) of the Rule.

The County of Oakland has taken several measures to avoid any late filings in the future and will continue to comply in future years, in all material respects with all written contracts or agreements that it will enter into pursuant to subsection (b)(5) of the Rule.

In the past five years, the County of Macomb had filed all of its continuing disclosure undertakings within nine months of its fiscal year end of December 31, however, some of their disclosures required a filing by six months of its fiscal year end. The County has been advised of this and in all future years, beginning with the year ending December 31, 2014, the County will file all of its continuing disclosure undertakings within six months of its fiscal year end. Otherwise, in the past five years, the County of Macomb has not failed to comply with any of its previous undertakings in a written contract or agreement that it entered into pursuant to subsection (b)(5) of the Rule.

The County of Macomb has taken several measures to avoid any late filings in the future and will continue to comply in future years, in all material respects with all written contracts or agreements that it will enter into pursuant to subsection (b)(5) of the Rule.

BOND RATING

Moody's

The District has received a municipal bond rating of **Aa1** from Moody's Investors Service, Incorporated (hereafter "Moody's"). The rating will be the sole view of the rating agency. There is no assurance that such rating will prevail for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

A brief definition of the ratings furnished by Moody's are as follows:

Aaa Bonds which are rated "Aaa" are judged to be of the best quality. They carry the smallest degree of investment risk and are generally referred to as "gilt edge." Interest payments are protected by a large or by an exceptionally stable margin and principal is secure. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues.

Aa Bonds which are rated "Aa" are judged to be of a high quality by all standards. Together with the "Aaa" group, they comprise what are generally known as high grade bonds. They are rated lower than the best bonds because margins of protection may not be as large as in "Aaa" securities or fluctuation of protective elements may be of great amplitude or there may be other elements present which make the long-term risks appear somewhat larger than in the "Aaa" securities.

A Bonds which are rated "A" possess many favorable investment attributes and are to be considered as upper medium grade obligations. Factors giving security to principal and interest are considered adequate, but elements may be present which suggest a susceptibility to impairment some time in the future.

Baa Bonds which are rated "Baa" are considered as medium grade obligations; i.e., they are neither highly protected nor poorly secured. Interest payments and principal security appear adequate for the present but certain protective elements may be lacking or may be characteristically unreliable over any great length of time. Such bonds lack outstanding investment characteristics and in fact have speculative characteristics as well.

General Note: Those bonds in the "Aa", "A" and "Baa" groups which Moody's believes possess the strongest investment attributes are designated by the symbols "Aa-a", "A-1" and "Baa-1."

TAX MATTERS

In the opinion of Bodman PLC ("Bond Counsel"), based on its examination of the documents described in its opinion, under existing law, the interest on the Bonds (a) is excluded from gross income for federal income tax purposes, and (b) is not an item of tax preference and is not taken into account in determining adjusted current earnings for the purpose of the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that certain corporations may take into account interest on the Bonds in determining adjusted current earnings for purposes of the federal alternative minimum tax imposed on such corporations. The opinions are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended (the "**Code**"), that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excluded from gross income for federal income tax purposes. Failure to comply with such requirements could cause the interest on the Bonds to be included in gross income retroactive to the date of issuance of the Bonds. The District has covenanted to comply with all such requirements.

Bond Counsel will express no opinion regarding other federal tax consequences arising with respect to the Bonds and the interest thereon.

Prospective purchasers of the Bonds should be aware that (i) tax-exempt interest, including interest on the Bonds, is included in the calculation of modified adjusted gross income required to determine the taxability of social security or railroad retirement benefits; (ii) the receipt of tax-exempt interest, including interest on the Bonds, by life insurance companies may affect the federal income tax liabilities of such companies; (iii) the amount of certain loss deductions otherwise allowable to property and casualty insurance companies will be reduced (in certain instances below zero) by 15% of, among other things, tax-exempt interest, including interest on the Bonds; (iv) interest incurred or continued to purchase or carry the Bonds may not be deducted in determining federal income tax; (v) commercial banks, thrift institutions and other financial institutions may not deduct their costs of carrying certain obligations such as the Bonds; (vi) interest on the Bonds will be included in effectively connected earnings and profits for purposes of computing the branch profits tax on certain foreign corporations doing business in the United States; (vii) passive investment income, including interest on the Bonds, may be subject to federal income taxation for S Corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such S Corporation is passive investment income; (viii) holders acquiring the Bonds subsequent to original issuance will generally be required to treat market discount recognized under Section 1276 of the Code as ordinary taxable income; and (ix) the receipt or accrual of interest on the Bonds may cause disallowance of the earned income credit under Section 32 of the Code.

In the opinion of Bodman PLC, 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 laws of the State of Michigan, except estate taxes and taxes on gains realized from the sale, payment or other disposition thereof.

Tax Treatment of Accruals on Original Issue Discount Bonds

For federal income tax purposes, the difference between the initial offering prices to the public (excluding bond houses and brokers) at which a substantial amount of the Bonds initially sold at a discount as shown on the cover page hereof (the "**OID Bonds**") is sold and the amount payable at the stated redemption price at maturity thereof constitutes "original issue discount." Such discount is treated as interest excluded from federal gross income to the extent properly allocable to each registered owner thereof. The original issue discount accrues over the term to maturity of each such OID Bond on the basis of a constant

interest rate compounded at the end of each six-month period (or shorter period from the date of original issue) with straight line interpolations between compounding dates. The amount of original issue discount accruing during each period is added to the adjusted basis of such OID Bonds to determine taxable gain upon disposition (including sale, redemption or payment on maturity) of such OID Bonds.

The Code contains certain provisions relating to the accrual of original issue discount in the case of registered owners of the OID Bonds who purchase such bonds after the initial offering of a substantial amount thereof. Registered owners who do not purchase such OID Bonds in the initial offering at the initial offering and purchase prices should consult their own tax advisors with respect to the tax consequences of ownership of such OID Bonds.

Amortizable Bond Premium

For federal income tax purposes, the difference between an original registered owner's cost basis of the Bonds initially sold at a premium as shown on the cover page hereof (the "Original Premium Bonds") and the amounts payable on the Original Premium Bonds other than stated interest constitutes an amortizable bond premium. The same applies with respect to any Bond, if a registered owner's cost basis exceeds the amounts payable thereon other than stated interest (collectively with the Original Premium Bonds held by the original registered owners, "**Premium Bonds**"). Such amortizable bond premium is not deductible from gross income, but is taken into account by certain corporations in determining adjusted current earnings for the purpose of computing the alternative minimum tax, which may also affect liability for the branch profits tax imposed by Section 884 of the Code. The amount of amortizable bond premium allocable to each taxable year is generally determined on the basis of the registered owner's yield to maturity determined by using the registered owner's basis (for purposes of determining loss on sale or exchange) of such Premium Bonds and compounding at the close of each six-month accrual period. The amount of amortizable bond premium allocable to each taxable year is deducted from the registered owner's adjusted basis of such Premium Bonds to determine taxable gain upon disposition (including sale, redemption or payment at maturity) of such Premium Bonds.

Future Developments

TAX LEGISLATION, ADMINISTRATIVE ACTIONS TAKEN BY TAX AUTHORITIES, OR COURT DECISIONS, WHETHER AT THE FEDERAL OR STATE LEVEL, MAY ALTER OR AMEND THE FEDERAL TAX MATTERS REFERRED TO ABOVE OR ADVERSELY AFFECT THE MARKET VALUE OF THE BONDS. IT CANNOT BE PREDICTED WHETHER, OR IN WHAT FORM, ANY PROPOSAL THAT COULD ALTER ONE OR MORE OF THE FEDERAL TAX MATTERS REFERRED TO ABOVE OR ADVERSELY AFFECT THE MARKET VALUE OF THE BONDS MAY BE

ENACTED. PROSPECTIVE PURCHASERS OF THE BONDS SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING ANY PENDING OR PROPOSED FEDERAL TAX LEGISLATION. BOND COUNSEL EXPRESSES NO OPINION REGARDING ANY PENDING OR PROPOSED FEDERAL TAX LEGISLATION.

NO ASSURANCE CAN BE GIVEN THAT ANY FUTURE LEGISLATION, OR CLARIFICATIONS OR AMENDMENTS TO THE CODE, IF ENACTED INTO LAW, WILL NOT CONTAIN PROPOSALS WHICH COULD CAUSE THE INTEREST ON THE BONDS TO BE SUBJECT DIRECTLY OR INDIRECTLY TO FEDERAL INCOME TAXATION, ADVERSELY AFFECT THE MARKET PRICE OR MARKETABILITY OF THE BONDS, OR OTHERWISE PREVENT THE HOLDERS FROM REALIZING THE FULL CURRENT BENEFIT OF THE STATUS OF THE INTEREST THEREON.

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.

BOND HOLDERS' RISKS

The rights and remedies of bondholders may be limited 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.

LITIGATION

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

APPROVAL OF LEGALITY

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

FINANCIAL ADVISOR

Municipal Financial Consultants Incorporated of Grosse Pointe Farms, Michigan has served as financial advisor to the District in connection with the sale of the Bonds. The financial advisor makes no representation as to the completeness

or the accuracy of the information set forth in this Official Statement.

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

RESPONSIBILITIES OF BOND COUNSEL

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

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

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

MISCELLANEOUS

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

JIM NASH, SECRETARY OF THE DRAIN BOARD
Oakland-Macomb Interceptor Drain Drainage District

las.os-oakdr38

EXHIBIT A
GENERAL AND ECONOMIC
INFORMATION REGARDING THE COUNTY OF OAKLAND

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 Oakland County averaged 8.1% in 2013. 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.

Oakland County has been recognized as one of the most prosperous counties in the nation. In comparing Oakland County with 35 other prosperous counties of similar population throughout the nation, economists rank Oakland County eleventh overall based on selected indicators of prosperity. 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 2012 was \$55,761.

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 2017. On September 19, 2013, the current FY-2014 to FY-2016 budget was adopted. 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 General Fund balance is projected to be above the minimum operating reserve through FY2019 based on the Executive's Recommended Budget. 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 Supplier	Detroit Edison Consumers Power
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Natural Gas:

Supplier Supplier Supplier	Consumers Energy MichCon Semco Energy
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Water:

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

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

Population

Oakland County’s 2010 Census population was estimated to be over 1,202,326. Out of 83 counties in Michigan, it has the second largest population. 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>
1960	650,259
1970	907,871
1980	1,011,793
1990	1,083,592
2000	1,194,156
2010	1,202,635

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 fifth year of recovery since the recession's low point at the end of 2009. In 2011 during the initial phase of economic recovery, Oakland County experienced our second best year of job growth since 1994. The 23,412 new jobs created in the County during that turn-around year constituted almost one-third of all new jobs created in Michigan in 2011. The job growth continued in 2012 with 24,865 new jobs added in that year, once again more than double the initial projections. After the initial recovery burst in 2011-2012 when almost 50,000 new jobs were added, job growth continues at a moderate pace with an estimated 15,734 jobs added in 2013. Since 2009, the cumulative job growth in Oakland County through 2013 was 10.4%, which outpaced both the state's growth of 6.0% and the nation's growth of 3.9%

The county's economic base continues to diversify since Oakland County's Emerging Sectors Initiative was put into place. Since the inception of Emerging Sectors in 2004, more than 280 Emerging Sector companies have generated over \$2.7 billion in investment while creating or retaining more than 47,600 jobs. The vast majority of those jobs are in the high-wage category. It is clear that Oakland County is succeeding at attracting companies from emerging sectors from around the country, and in some instances, from around the globe.

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 2013, 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

	2014	2013	2012	2011	2010	2009	2008	2007
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	0.1000	0.1000	0.0000	0.0000	0.0000
Arts Authority	0.2000	0.2000	0.2000	0.0000	0.0000	0.0000	0.0000	0.0000
Total	4.9461	4.9461	4.9461	4.7461	4.7461	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, 2003 - 2013

Year of Tax Levy	Tax Levy*	Collections to March 1 of Each Levy Year Amount**	Percent	Collections Plus Delinquent Tax Funding Percent
2013	\$201,089,193	\$195,528,055	97.23%	100.00%
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

* 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, 2003 - 2013

Year of Tax Levy	Tax Levy*	Collections to March 1 of Each Levy Year Amount**	Percent	Collections Plus Delinquent Tax Funding Percent
2013	\$2,170,304,164	\$2,083,958,031	96.02%	100.00%
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

* 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, 2013 taxable valuations are:

Table 5 – Ten Largest Taxpayers

Taxpayer	Taxable Valuation
Detroit Edison	\$400,145,352
Chrysler Group, LLC	235,405,963
General Motors	220,501,420
Consumers Power/Energy	197,563,469
Taubman	116,032,721
Frankel/Forbes/Cohn	115,364,126
International Transmission	88,490,106
Ramco-Gershenson	85,790,304
Comcast	73,200,373
Holtzman & Silverman	71,700,179
Total	\$1,604,194,013

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 2013:

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	1,134

Source: Oakland County Department of Planning and Economic Development

Labor Force

The 2013 number of private employees totaled nearly 553,069. The unemployment rate for Oakland County averaged 8.1% and 8.8% for the State of Michigan in 2013.

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

Table 7 – Unemployment History in the County – Calendar Year 2014

Month	Total Labor Force	Unemployment	Percent Unemployed
January	595,928	41,401	6.9%
February	598,734	44,447	7.4
March	593,963	40,681	6.8
April	589,275	38,096	6.5
May	594,916	40,950	6.9

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

Table 8 – Unemployment History in the County, 2003-2013 (Annual Averages)

Year	Total Work Force	Unemployment	Percent Unemployed
2013	601,509	48,440	8.1%
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

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

Table 9 – Unemployment History in the State of Michigan, 2003-2013 (Annual Averages)

Year	Total Work Force	Unemployment	Percent Unemployed
2013	4,707,000	413,000	8.8%
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

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

Income

Per capita personal income was \$55,761 in 2012. Oakland County's per capita personal income is the highest of any area in Michigan, higher than the national average, and has improved more than the state and national averages.

Table 10 - Per Capita Personal Income in Oakland County, 2003-2012

Year	Per Capita Income
2012	\$55,761
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

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

County Labor Contracts

As of January 2014, Oakland County had 3,519 full and part time positions of which 1,440 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	385	9/30/2015
Corrections and Services	333	9/30/2015
Sheriff's Command Officers	102	9/30/2016
Children's Village Employees	131	9/30/2016
Family Court Employees	86	9/30/2016
Prosecutor's Investigators	7	9/30/2016
Oakland County Employees Union	305	9/30/2015
Public Health Nurses	<u>91</u>	9/30/2016
	1,440	

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 September 30, 2013, the County's market value of pension assets was \$764.3 million and the estimated actuarial accrued liabilities of its pension system according to its September 30, 2012 actuarial reports was \$738.6 million, meaning the County estimates that its assets exceed liabilities by \$25.7 million.

The following data is taken from the latest actuarial report prepared by Gabriel, Roeder, Smith & Company as of September 30, 2013:

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	\$429,044,008	\$33,739,714	\$34,647,519	\$32,588,252	\$530,019,493
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	9,861,355	223,973	105,959	229,317	10,420,604
3. For present active members	129,177,501	16,141,813	29,679,957	23,161,230	198,160,501
4. Total	568,082,864	50,105,500	64,433,435	55,978,799	738,600,598
B. Valuation Assets	566,813,061	44,540,111	57,422,821	48,168,075	716,944,068
C. Unfunded Present Value of Future Benefit					
1. Total: (A.4) – (B)	1,269,803	5,565,389	7,010,614	7,810,724	21,656,530
2. Present value of future member contributions	765,186	289,578	707,927	457,856	2,220,547
3. Present value of Employer Obligation (1)-(2)	504,617	5,275,811	6,302,687	7,352,868	19,435,983
D. Present value of future pays	108,443,006	5,791,552	14,158,537	9,157,111	137,550,206
E. Employer normal cost:					
1. For System benefits: (C.3)/(D)	.47 %	91.09 %	44.52 %	80.30 %	

* The 2013 actuarial report indicated that a general fund contribution of \$4,554,832 is due to the defined benefit plan, such change was contemplated and incorporated into the operating budget for Fiscal Years ending 2015 through 2017.

Other Post-Employment Benefits (OPEB)

As of September 30, 2013, the VEBA was more than fully funded at 117%.

The following data is taken from the latest actuarial report prepared by Gabriel, Roeder, Smith & Company as of September 30, 2013:

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	\$359,126,599	\$23,958,306	\$33,752,551	\$27,805,840	\$444,643,296
2. For vested terminated members	52,982,925	1,236,084	2,291,458	2,678,575	59,189,042
3. For present active members					
a. Value of expected future benefit payments	305,636,064	29,408,965	82,452,950	60,472,669	477,970,648
b. Value of future normal costs	66,363,202	4,128,424	24,175,044	17,651,170	112,317,840
c. Active member liability: (a) – (b)	239,272,862	25,280,541	58,277,906	42,821,499	365,652,808
4. Total	651,382,386	50,474,931	94,321,915	73,305,914	869,485,146
B. Valuation Assets	753,002,042	49,542,424	124,168,298	96,387,810	1,023,100,574
C. Unfunded Accrued Liability: (A.4) – (B)	(101,619,656)	932,507	(29,846,383)	(23,081,896)	(153,615,428)
D. Funded Percent: (B)/(A.4)	115.6%	98.2%	131.6%	131.49%	117.7%

* The State of Michigan adopted new legislation – Public Act 329, effective October 9, 2012 – which authorized local units of government to issue taxable general obligation bonds to fund OPEB obligations. This created the opportunity for the County to take advantage of lower bond interest rates and to refinance the 2007 COPS debt. On September 27, 2013, Oakland County initiated a private placement of \$350 million in bonded debt to refinance the outstanding long-term OPEB COP’s debt of \$422.1 million which were subsequently called on April 1, 2014. The remaining amount of \$72.1 million needed to call the debt came from surplus assets in the Interim trust fund set up to keep the VEBA Trust fully funded.

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

Assessment Year	Real Property	Personal Property	Total	% Change In Total	Taxable Value
2014	\$51,433,104,533	\$3,651,502,760	\$55,084,607,293	7.11%	\$50,048,650,087
2013	47,639,423,175	3,790,500,640	51,429,923,815	1.17	49,235,110,306
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

Source: Oakland County Equalization Department

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	2014	2013	2012	2011	2010	2009	2008	2007	2006
Residential	73.7%	71.3%	69.9%	68.5%	67.6%	68.7%	70.9%	71.9%	71.9%
Commercial	16.7	18.0	19.3	20.6	19.6	19.0	17.6	16.7	16.6
Industrial	2.9	3.1	3.4	3.7	6.0	6.3	6.0	5.9	5.9
Personal Property	6.6	7.4	7.3	7.0	6.5	5.8	5.4	5.3	5.4
Agricultural	.1	.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2
Developmental	0.0	0.00	0.0	0.0	0.0	0.0	0.0	0.0	0.09
	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 an effort to entice businesses to locate in Michigan and to encourage existing businesses to expand, the Michigan Legislature approved a series of bills in December 2012 to phase out and eventually eliminate industrial and commercial personal property tax (PPT). These bills were tie-barred together, were to be implemented in phases, and required approval by statewide vote in August 2014 to take full effect. Based on these bills passed in 2012, local units of government would have received partial but not full reimbursement from the State for reduced PPT revenue. The budget as adopted in September 2013 included a reduction in the PPT revenue based on the 2012 PPT reduction bills.

The **Legislature passed a series of new PPT bills in 2014** to fix some technical problems identified with the 2012 bills and also to provide funding **to eventually fully reimburse local governments** for the reduction in PPT revenue. These bills also were dependent upon voter approval in August 2014. On August 5, 2014 the voters of the State of Michigan approved a ballot proposition having the effect of approving the PPT plan contained in the 2012 bills as modified by the 2014 bills.

The first phase of the PPT plan took effect on January 1, 2014, with an exemption for business owners if their personal property has a combined true cash value of less than \$80,000 (taxable value of less than \$40,000). However, eligible property owners must have filed an affidavit by February 2014 in order to claim the exemption.

The triennial budget as adopted in September 2013 included the assumption that all eligible property owners filed for the required affidavit by the state-imposed February deadline and that PPT revenue will be reduced by \$1.5 million annually in FY 2014 and FY 2015. The previously adopted budget also included further additional reductions in PPT for the subsequent implementation of the second and third phases based on the legislation passed in 2012, with the exemption amounts budgeted at **\$2.8 million in FY 2016 and increasing to \$4.5 million in FY 2017.**

Based on the new legislation passed in 2014, the lost revenue from the PPT exemptions would be restored through State reimbursement beginning in FY 2016 which is reflected in this recommended budget as positive adjustments in the amounts of \$2.8 million in FY 2016 and \$4.5 million in FY 2017 and beyond.

Table 17 – History of County Wide Tax Delinquencies

Levy Year	Real Property	Personal Property
2013	\$ 80,215,223.23	\$ 6,132,887.66
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

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
2014	\$25,000,000	\$25,000,000
2013	25,000,000	0
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

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 including the issuance of the following: (1) \$36,925,000 Oakland County – Evergreen and Farmington Sewage Disposal System Middlebelt Transport and Storage Tunnel Project Bond, Series 2014 and (2) \$6,890,000 Oakland County – City of Pontiac Water Supply System Improvements Bonds, Series 2014 both selling in September to the Michigan Finance Authority of the State of Michigan and approximately \$8,000,000 in Oakland-Macomb Interceptor Drain Drainage District Drain Bonds (Series2014A) within the next month.

Banking

The banking needs of the County are adequately handled by:

Bank of America	First Place Bank	mBank
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 19 –Oakland County Net Direct Debt as of 07/31/2014 - Unaudited

	<u>Gross</u>	Self-Supporting or Portion Paid Directly by Benefited <u>Municipalities</u>	<u>Net</u>
<u>Limited Tax</u>			
Building Authority	\$ 43,185,000	\$ 3,410,000	\$39,775,000
Building Authority Refunding	44,325,000	-	44,325,000
Drain	61,985,000	58,538,439	3,446,561
Retirees Health Care Bonds	350,000,000	-	350,000,000
Sewer Disposal Bonds	3,645,000	-	3,645,000
Sewage Disposal Bonds Refunding	290,000	290,000	-
Water Supply Bonds	16,680,000	16,680,000	-
Water & Sewage Refunding	1,605,000	1,605,000	-
Mich. Bond Auth.-Sewage Disp. Bonds	3,600,727	3,600,727	-
Tax Notes	25,000,000	25,000,000	-
Total	<u>\$550,315,727</u>	<u>\$109,124,166</u>	<u>\$441,191,561</u>
<u>Drain District</u>			
Drain Bonds	\$10,195,000	\$ 9,246,294	\$ 948,706
Drain Refunding	20,785,000	17,872,350	2,912,650
Michigan Bond Authority Sewage Disp	2,242,384	-	2,242,384
Michigan Bond Authority Drain	150,099,648	98,027,193	52,072,455
Total	<u>\$183,322,032</u>	<u>\$125,145,837</u>	<u>\$58,176,195</u>
<u>Bonds and Notes with No County Credit</u>			
Michigan Transportation Fund	\$1,500,000	\$1,500,000	-
Total	<u>\$1,500,000</u>	<u>\$1,500,000</u>	<u>-</u>

Table 20 – Oakland County Overlapping Debt as of 07/31/2014

Cities, Villages and Townships	\$1,021,466,096
School Districts	2,281,616,164
Community College, Intermediate School Districts and Library	59,384,355
County Issued Debt Paid by Local Municipalities	209,270,003
Net County Overlapping Debt	3,571,736,618
NET COUNTY DIRECT AND OVERLAPPING DEBT	4,071,104,374

Overlapping Debt: Property in the County is currently taxed for a proportionate share of outstanding debt obligations of overlapping governmental entities including school districts, cities, villages and townships within the County.

Source: Oakland County Treasurer and Municipal Advisory Council of Michigan

Table 21 – Oakland County Schedule of Bond Maturities
County Credit and Limited Tax
Principal Only as of 07/31/2014

Year	<u>Building Authority</u>	<u>Building Authority Refunding</u>	<u>Sewer Disposal Refunding</u>	<u>Water Supply Bonds</u>	<u>Water & Sewage Refunding</u>	<u>MBA Sewer Disposal Bonds</u>
2014	2,420,000	1,890,000	150,000	665,000	\$ 0	\$ 95,000
2015	2,720,000	1,935,000	140,000	785,000	190,000	630,000
2016	2,775,000	2,035,000	0	810,000	210,000	645,000
2017	2,825,000	2,075,000	0	835,000	205,000	655,000
2018	2,930,000	2,140,000	0	810,000	205,000	675,000
2019	2,980,000	2,200,000	0	790,000	200,000	100,000
2020	3,080,000	2,170,000	0	820,000	220,000	100,000
2021	3,185,000	2,065,000	0	850,000	215,000	100,000
2022	3,285,000	2,125,000	0	885,000	160,000	100,000
2023	1,140,000	900,000	0	920,000	-	100,000
2024	1,170,000	435,000	0	955,000	-	100,000
2025	995,000	0	0	990,000	-	100,000
Beyond 2025	<u>7,530,000</u>	<u>0</u>	<u>0</u>	<u>6,565,000</u>	<u>-</u>	<u>200,727</u>
	<u>\$37,035,000</u>	<u>\$19,970,000</u>	<u>\$290,000</u>	<u>\$16,680,000</u>	<u>1,605,000</u>	<u>\$3,600,727</u>

Source: Oakland County Treasurer

Table 22 – Oakland County Schedule of Drain Bond Maturities
County Credit and Limited Tax
Principal Only as of 07/31/2014

<u>Year</u>	<u>Drain Bonds</u>	<u>Drain Refunding</u>	<u>M.B.A. Drain Bonds</u>	<u>M.B.A. Sewage Bonds</u>
2014	855,000	2,670,000	1,950,000	95,000
2015	1,280,000	3,700,000	11,845,000	100,000
2016	1,020,000	3,075,000	12,130,000	100,000
2017	930,000	1,780,000	11,955,000	105,000
2018	790,000	1,340,000	12,230,000	105,000
2019	810,000	1,350,000	12,520,000	110,000
2020	855,000	1,395,000	12,830,000	115,000
2021	875,000	1,465,000	13,130,000	115,000
2022	855,000	1,510,000	12,739,085	120,000
2023	440,000	1,040,000	9,485,000	120,000
2024	470,000	1,025,000	9,712,676	125,000
2025	485,000	435,000	4,540,000	125,000
Beyond 2025	<u>530,000</u>	<u>0</u>	<u>25,032,887</u>	<u>907,384</u>
	<u>\$10,195,000</u>	<u>\$20,785,000</u>	<u>\$150,099,648</u>	<u>\$2,242,384</u>

Source: Oakland County Treasurer

**Table 23 – Oakland County Schedule of Bond Maturities
with Limited County Pledge - Taxable
Principal Only as of 07/31/2014**

<u>Year</u>	<u>Bldg. Authority</u>	<u>Bldg. Authority Refunding</u>	<u>Drain</u>	<u>Retirees Health Care Bonds</u>	<u>Sewage</u>	<u>Tax Notes</u>
2014	\$ 275,000	\$ 2,130,000	\$ 0	\$ 0	\$ 0	\$ 0
2015	275,000	2,225,000	2,305,000	21,410,000	145,000	25,000,000
2016	275,000	2,260,000	2,370,000	22,200,000	150,000	0
2017	275,000	2,335,000	2,445,000	23,020,000	155,000	0
2018	300,000	2,425,000	2,525,000	23,870,000	160,000	0
2019	305,000	2,490,000	2,605,000	24,750,000	170,000	0
2020	305,000	2,575,000	2,690,000	25,660,000	175,000	0
2021	305,000	2,655,000	2,780,000	26,605,000	185,000	0
2022	330,000	2,685,000	2,875,000	27,585,000	190,000	0
2023	330,000	1,265,000	2,980,000	28,605,000	205,000	0
2024	360,000	1,310,000	3,090,000	29,660,000	215,000	0
2025	360,000	0	3,205,000	30,750,000	225,000	0
Beyond 2025	<u>2,455,000</u>	<u>0</u>	<u>32,115,000</u>	<u>65,885,000</u>	<u>1,670,000</u>	<u>0</u>
	<u>\$6,150,000</u>	<u>\$24,355,000</u>	<u>\$61,985,000</u>	<u>\$350,000,000</u>	<u>\$3,645,000</u>	<u>\$25,000,000</u>

Source: Oakland County Treasurer

**Table 25 – Oakland County Schedule of Bond Maturities
With No County Pledge
Principal Only as of 07/31/2014**

Year	MTF Revenues	Total
2014	500,000	500,000
2015	500,000	500,000
2016	<u>500,000</u>	<u>500,000</u>
	<u>\$1,500,000</u>	<u>\$1,500,000</u>

Source: Oakland County Treasurer

**Table 26 – Oakland County Schedule of Principal and Interest Requirements
as of 07/31/2014**

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	13,695,000.00	9,384,018.64	23,079,018.64
2015	75,185,000.00	22,624,742.14	97,809,742.14
2016-2019	202,035,000.00	74,208,659.76	276,243,659.76
2020-2024	259,121,761.00	55,619,253.66	314,741,014.66
2025-2030	163,455,780.00	17,923,677.35	181,379,457.35
2031-2040	<u>21,645,218.00</u>	<u>1,567,129.03</u>	<u>23,212,347.03</u>
	\$735,137,759.00	\$181,327,480.58	\$916,465,239.58

Source: Oakland County Treasurer

**Table 26 – Oakland County Statement of Legal Debt Margin
as of 07/31/2014**

<u>Bonds and Notes with County Credit and Limited Tax</u>	
GOLT Bldg. Authority	\$ 37,035,000.00
GOLT Bldg. Authority Refunding	19,970,000.00
GOLT Sewage Refunding	290,000.00
GOLT Water	16,680,000.00
GOLT Water & Sewage Refunding	1,605,000.00
Michigan Bond Authority Sewage Disposal	3,600,727.00
Total	<u>\$ 79,180,727.00</u>
<u>Drain Bonds</u>	
Drain Bonds	\$ 10,195,000.00
Drain Refunding	20,785,000.00
Michigan Bond Authority Drain	150,099,648.00
Michigan Bond Authority Sewage	2,242,384.00
Total	<u>\$ 183,322,032.00</u>
<u>Bonds and Notes with County Credit and Limited-Taxable</u>	
GOLT Bldg Authority	\$ 6,150,000.00
GOLT Bldg Authority Refunding	24,355,000.00
GOLT Drain	61,985,000.00
GOLT Retirees Health Care Bonds	350,000,000.00
GOLT Sewage	3,645,000.00
GOLT Tax Notes	25,000,000.00
Total	<u>471,135,000.00</u>
Total County Credit/Pledged Debt	<u>\$ 729,213,352.00</u>
<u>Bonds and Notes with no County Credit</u>	
Motor Vehicle Highway Fund Revenue Notes	\$ 1,500,000.00
	<u>1,500,000.00</u>
Statutory Limit - 10% of Currently Approved SEV	\$5,508,460,729.30
Total County Credit/Pledged Debt	733,637,759.00
Available Statutory Debt Limit	<u>\$4,774,822,970.30</u>

Source: Oakland County Treasurer

EXHIBIT B

FINANCIAL INFORMATION REGARDING THE COUNTY OF OAKLAND

The following sections of the audited financial statements* of the County of Oakland for the Fiscal Year ended September 30, 2013 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.

Independent Auditor's Report

To the Board of Commissioners
Oakland County, Michigan

Report on the Basic Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, 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, 2013 and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion 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 from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Oakland County as of September 30, 2013 and the respective changes in its financial position and, where applicable, cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

To the Board of Commissioners
Oakland County, Michigan

Other Matters

Required Supplementary Information

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 required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The other budgetary comparison schedules and combining statements, as identified in the table of contents as other supplementary information and the introductory section and statistical section, are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

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

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

To the Board of Commissioners
Oakland County, Michigan

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we will also issue a report on our consideration of Oakland County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Plante & Moran, PLLC

March 18, 2014

County of Oakland
Statement of Net Position
September 30, 2013

	Primary Government			
	Governmental Activities	Business- Type Activities	Totals	Component Units
Assets				
Current assets				
Pooled cash and investments	\$ 451,519,128	\$ 322,504,695	\$ 774,023,823	\$ 26,030,897
Cash and cash equivalents	-	-	-	43,578,759
Receivables (net of allowance for uncollectibles where applicable)				
Current property taxes	21,630,823	-	21,630,823	-
Delinquent property taxes	778,769	81,540,932	82,319,701	-
Special assessments	-	-	-	7,549,159
Due from other governmental units	20,427,230	47,559,430	67,986,660	6,804,851
Due from primary government	-	-	-	4,413,986
Due from component units	583,000	269,311	852,311	-
Accrued interest receivable	959,431	2,057,617	3,017,048	95,938
Accounts receivable	2,189,227	48,447,019	50,636,246	18,421,684
Contracts receivable	43,659,134	1,172,077	44,831,211	-
Internal balances - footnote 19	152,201	(152,201)	-	-
Inventories and supplies	1,063,121	593,403	1,656,524	4,532,368
Prepayments and other assets	10,507,792	1,748,540	12,256,332	902,364
Total current assets	<u>553,469,856</u>	<u>505,740,823</u>	<u>1,059,210,679</u>	<u>112,330,006</u>
Noncurrent assets				
Special assessments receivable	23,570,069	-	23,570,069	224,386,678
Contracts receivable	23,328,800	-	23,328,800	-
OPEB asset	198,243,607	-	198,243,607	2,240,191
Capital assets, net				
Land and other nondepreciable assets	26,838,154	104,790,054	131,628,208	258,844,690
Land improvements, net	140,649	10,894,336	11,034,985	121,412
Buildings and improvements, net	132,298,250	60,461,552	192,759,802	9,368,060
Equipment and vehicles, net	22,021,760	26,583,805	48,605,565	2,337,690
Infrastructure, net	<u>13,618,758</u>	<u>96,659,055</u>	<u>110,277,813</u>	<u>986,972,200</u>
Total capital assets, net	<u>194,917,571</u>	<u>299,388,802</u>	<u>494,306,373</u>	<u>1,257,644,052</u>
Total noncurrent assets	<u>440,060,047</u>	<u>299,388,802</u>	<u>739,448,849</u>	<u>1,484,270,921</u>
Total assets	<u>\$ 993,529,903</u>	<u>\$ 805,129,625</u>	<u>\$ 1,798,659,528</u>	<u>\$ 1,596,600,927</u>

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

County of Oakland
Statement of Net Position (Continued)
September 30, 2013

	Primary Government			
	Governmental Activities	Business-Type Activities	Totals	Component Units
Liabilities				
Current liabilities				
Vouchers payable	\$ 14,726,568	\$ 3,092,521	\$ 17,819,089	\$ 10,576,805
Accrued payroll	3,319,937	-	3,319,937	-
Due to other governmental units	1,240,567	24,031,967	25,272,534	14,027,238
Due to component units	5,336	4,408,650	4,413,986	-
Due to primary government	-	-	-	852,311
Accrued interest payable	357,425	-	357,425	42,035
Other accrued liabilities	17,597,460	6,139,988	23,737,448	6,008,046
Accrued compensated absences	1,205,463	-	1,205,463	-
Unearned revenue	46,664,268	1,581,094	48,245,362	77,447,521
Claims and judgments	4,598,228	-	4,598,228	-
Bonds and notes payable	29,690,000	26,745,000	56,435,000	15,520,300
Total current liabilities	119,405,252	65,999,220	185,404,472	124,474,256
Noncurrent liabilities				
Accrued compensated absences	10,849,171	-	10,849,171	2,666,700
Claims and judgments	16,056,567	-	16,056,567	1,501,733
Other postemployment benefits	-	-	-	14,783,249
Bonds and notes payable	445,920,727	32,960,962	478,881,689	197,596,889
Total noncurrent liabilities	472,826,465	32,960,962	505,787,427	216,548,571
Total liabilities	592,231,717	98,960,182	691,191,899	341,022,827
Net Position				
Net investment in capital assets	137,512,571	264,682,840	402,195,411	1,045,472,163
Restricted for				
Property Tax Forfeiture	15,589,336	-	15,589,336	-
Substance Abuse	4,611,797	-	4,611,797	-
Revenue sharing reserve	34,881,760	-	34,881,760	-
Public Safety	4,630,684	-	4,630,684	-
Justice Administration	13,402	-	13,402	-
Citizens services	1,221,628	-	1,221,628	-
Public works	1,272,717	-	1,272,717	8,227,943
Commerce and community development	9,282,815	-	9,282,815	-
Capital projects	9,257	-	9,257	-
Debt service	953,734	-	953,734	154,579,978
Airports	-	21,278	21,278	-
Community water and sewer	-	73,791,798	73,791,798	-
Unrestricted	191,318,485	367,673,527	558,992,012	47,298,016
Total net position	\$ 401,298,186	\$ 706,169,443	\$ 1,107,467,629	\$ 1,255,578,100

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

County of Oakland
Statement of Activities
Year Ended September 30, 2013

			Program Revenue	
			Operating	Capital
	Expenses	Charges for	Grants and	Grants and
		Services	Contributions	Contributions
Functions/Programs				
Primary government				
Governmental activities				
General government, administrative	\$ 24,802,464	\$ 28,230,087	\$ 812,900	\$ -
Public safety	195,275,037	60,741,916	23,147,123	965,065
Justice administration	90,873,460	31,730,104	456,013	-
Citizen services	82,502,384	6,448,453	21,776,402	-
Public works	29,008,606	22,030,824	930,304	-
Recreation and leisure	1,551,035	38,154	72,414	-
Commerce and community development	48,895,303	18,967,967	24,638,978	-
Unallocated depreciation	1,911,473	-	-	-
Interest on debt	2,626,856	-	-	-
Total governmental activities	477,446,618	168,187,505	71,834,134	965,065
Business-type activities				
Airports	6,653,186	4,381,999	-	778,548
Community safety support	17,084,677	11,417,222	-	2,189,506
Community tax financing	1,399,607	21,845,093	-	-
Community water and sewer	77,371,824	80,223,019	-	-
Recreation and leisure	21,181,725	8,430,978	96,241	288,141
Sewage disposal systems	126,797,005	121,781,246	21,783	1,476,762
Total business-type activities	250,488,024	248,079,557	118,024	4,732,957
Total primary government	\$ 727,934,642	\$ 416,267,062	\$ 71,952,158	\$ 5,698,022
Component units				
Drainage districts	\$ 84,925,487	\$ 79,299,685	\$ -	\$ 22,940,808
Road commission	92,753,956	15,940,268	60,501,689	38,589,282
Total component units	\$ 177,679,443	\$ 95,239,953	\$ 60,501,689	\$ 61,530,090
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, 2013

Net (Expenses) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business- Type Activities	Totals	Component Units
\$ 4,240,523	\$ -	\$ 4,240,523	\$ -
(110,420,933)	-	(110,420,933)	-
(58,687,343)	-	(58,687,343)	-
(54,277,529)	-	(54,277,529)	-
(6,047,478)	-	(6,047,478)	-
(1,440,467)	-	(1,440,467)	-
(5,288,358)	-	(5,288,358)	-
(1,911,473)	-	(1,911,473)	-
(2,626,856)	-	(2,626,856)	-
(236,459,914)	-	(236,459,914)	-
-	(1,492,639)	(1,492,639)	-
-	(3,477,949)	(3,477,949)	-
-	20,445,486	20,445,486	-
-	2,851,195	2,851,195	-
-	(12,366,365)	(12,366,365)	-
-	(3,517,214)	(3,517,214)	-
-	2,442,514	2,442,514	-
(236,459,914)	2,442,514	(234,017,400)	-
-	-	-	17,315,006
-	-	-	22,277,283
-	-	-	39,592,289
199,808,014	11,398,103	211,206,117	-
12,789,988	-	12,789,988	-
2,553,617	1,758,041	4,311,658	797,115
270,885	-	270,885	-
3,752,043	-	3,752,043	-
-	6,471,638	6,471,638	-
19,803,672	(19,803,672)	-	-
238,978,219	(175,890)	238,802,329	797,115
2,518,305	2,266,624	4,784,929	40,389,404
398,779,881	703,902,819	1,102,682,700	1,215,188,696
\$ 401,298,186	\$ 706,169,443	\$ 1,107,467,629	\$ 1,255,578,100

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.

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 seven 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, 2013

	Major Funds		
	General	Building Authority Debt Act 31	Water and Sewer Debt Act 342
Assets			
Current assets			
Pooled cash and investments	\$ 230,800,570	\$ 491,466	\$ 869,101
Receivables (net of allowance for uncollectibles where applicable)			
Current property taxes	21,630,823	-	-
Delinquent property taxes	778,769	-	-
Due from other governmental units	9,626,997	-	-
Due from component units	109,092	-	-
Accrued interest receivable	95,231	1,045	3,630
Accounts receivable	23,421	712,420	-
Contracts receivable	43,619,734	-	-
Due from other funds	10,558,778	-	-
Advances receivable	-	-	-
Inventories	145,558	-	-
Prepayments and other assets	113,089	-	-
Total current assets	<u>317,502,062</u>	<u>1,204,931</u>	<u>872,731</u>
Special assessments receivable	-	-	20,950,727
Contracts receivable	-	21,255,000	-
Total assets	<u>\$ 317,502,062</u>	<u>\$ 22,459,931</u>	<u>\$ 21,823,458</u>
Liabilities			
Current liabilities			
Vouchers payable	\$ 8,318,682	\$ 379,719	\$ 837,760
Accrued payroll	3,319,937	-	-
Due to other governmental units	559,541	-	-
Due to other funds	128,904	-	-
Advances payable	-	-	-
Unearned revenue	42,044,298	-	-
Other accrued liabilities	6,492,359	-	12,671
Total liabilities	<u>60,863,721</u>	<u>379,719</u>	<u>850,431</u>
Deferred Inflows of Resources			
Unavailable revenue-property taxes	13,865,302	-	-
Unavailable revenue-special assessments	-	-	20,950,727
Unavailable revenue-contracts receivable	-	21,255,000	-
Total deferred inflows of resources	<u>13,865,302</u>	<u>21,255,000</u>	<u>20,950,727</u>
Fund Balances			
Nonspendable	258,647	-	-
Restricted	20,201,133	825,212	22,300
Committed	-	-	-
Assigned	221,222,041	-	-
Unassigned	1,091,218	-	-
Total fund balances	<u>242,773,039</u>	<u>825,212</u>	<u>22,300</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 317,502,062</u>	<u>\$ 22,459,931</u>	<u>\$ 21,823,458</u>

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

County of Oakland
Balance Sheet (Continued)
Governmental Funds
September 30, 2013

	Non-Major Funds	Totals September 30, 2013
Assets		
Current assets		
Pooled cash and investments	\$ 105,959,834	\$ 338,120,971
Receivables (net of allowance for uncollectibles where applicable)		
Current property taxes	-	21,630,823
Delinquent property taxes	-	778,769
Due from other governmental units	10,711,122	20,338,119
Due from component units	412,131	521,223
Accrued interest receivable	290,830	390,736
Accounts receivable	1,113,598	1,849,439
Contracts receivable	39,400	43,659,134
Due from other funds	1,433,646	11,992,424
Advances receivable	362,335	362,335
Inventories	-	145,558
Prepayments and other assets	3,928,589	4,041,678
Total current assets	<u>124,251,485</u>	<u>443,831,209</u>
Special assessments receivable	2,619,342	23,570,069
Contracts receivable	2,073,800	23,328,800
Total assets	<u>\$ 128,944,627</u>	<u>\$ 490,730,078</u>
Liabilities		
Current liabilities		
Vouchers payable	\$ 3,009,740	\$ 12,545,901
Accrued payroll	-	3,319,937
Due to other governmental units	349,579	909,120
Due to other funds	11,879,065	12,007,969
Advances payable	362,335	362,335
Unearned revenue	3,720,140	45,764,438
Other accrued liabilities	7,424,277	13,929,307
Total liabilities	<u>26,745,136</u>	<u>88,839,007</u>
Deferred Inflows of Resources		
Unavailable revenue-property taxes	-	13,865,302
Unavailable revenue-special assessments	2,619,342	23,570,069
Unavailable revenue-contracts receivable	1,995,000	23,250,000
Total deferred inflows of resources	<u>4,614,342</u>	<u>60,685,371</u>
Fund balances		
Nonspendable	441,135	699,782
Restricted	51,418,485	72,467,130
Committed	46,332,071	46,332,071
Assigned	-	221,222,041
Unassigned	(606,542)	484,676
Total fund balances	<u>97,585,149</u>	<u>341,205,700</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 128,944,627</u>	<u>\$ 490,730,078</u>

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

County of Oakland
Reconciliation of the Balance Sheet – Governmental Funds
to the Statement of Net Position
September 30, 2013

Total fund balances for governmental funds		\$ 341,205,700
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	19,472,603	
Land improvements, net of \$1,038,505 depreciation	140,649	
Buildings and improvements, net of \$99,263,310 depreciation	131,135,564	
Equipment and vehicles, net of \$15,748,768 depreciation	8,216,472	
Infrastructure, net of \$13,238,578 depreciation	13,474,769	
		179,675,608
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.		98,234,821
Other post-employment benefits assets do not represent financial resources and are not reported in the funds.		198,243,607
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.		13,086,533
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.		46,820,069
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	(475,610,727)	
Accrued interest payable	(357,425)	
		(475,968,152)
Net position of governmental activities		\$ 401,298,186

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, 2013

	Major Funds		
	General	Building Authority Debt Act 31	Water and Sewer Debt Act 342
Revenue			
Taxes	\$ 200,842,221	\$ -	\$ -
Special assessments	-	11,179,973	2,278,947
Federal grants	282,853	-	-
State grants	4,451,351	-	-
Other intergovernmental revenues	15,153,110	-	-
Charges for services	110,155,696	529	1,825
Contributions	78,512	-	-
Investment income	1,457,136	7,271	1,658
Indirect cost recovery	7,610,932	-	-
Other	2,899,480	-	-
Total revenue	<u>342,931,291</u>	<u>11,187,773</u>	<u>2,282,430</u>
Expenditures			
Current operations			
County Executive	86,464,158	2,207	-
Clerk/Register of Deeds	9,615,908	-	-
Treasurer	8,371,074	-	-
Justice administration	51,349,292	-	-
Law enforcement	147,616,362	-	-
Legislative	4,016,643	-	-
Water Resource Commissioner	5,099,895	-	413
Non-departmental	17,087,412	-	-
Total current operations	<u>329,620,744</u>	<u>2,207</u>	<u>413</u>
Capital outlay	188,997	-	-
Intergovernmental	-	-	-
Debt service			
Principal payments	-	9,470,000	1,515,000
Interest and fiscal charges	-	1,341,684	765,772
Total expenditures	<u>329,809,741</u>	<u>10,813,891</u>	<u>2,281,185</u>
Excess (deficiency) of revenue over (under) expenditures	<u>13,121,550</u>	<u>373,882</u>	<u>1,245</u>
Other financing sources (uses)			
Transfers in	43,242,922	335,480	-
Transfers out	(37,020,873)	(952)	(5,720)
Issuance of bonds	-	-	-
Issuance of refunding bonds	-	-	-
Premiums on bonds sold	-	-	-
Payment to bond escrow agent	-	-	-
Total other financing sources (uses)	<u>6,222,049</u>	<u>334,528</u>	<u>(5,720)</u>
Net change in fund balances	<u>19,343,599</u>	<u>708,410</u>	<u>(4,475)</u>
Fund balances			
October 1, 2012	<u>223,429,440</u>	<u>116,802</u>	<u>26,775</u>
September 30, 2013	<u>\$ 242,773,039</u>	<u>\$ 825,212</u>	<u>\$ 22,300</u>

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

County of Oakland
Statement of Revenue, Expenditures, and Changes in Fund Balances (Continued)
Governmental Funds
Year Ended September 30, 2013

	Non-Major Funds	Totals September 30, 2013
Revenue		
Taxes	\$ -	\$ 200,842,221
Special assessments	11,180,261	24,639,181
Federal grants	43,592,995	43,875,848
State grants	24,264,800	28,716,151
Other intergovernmental revenues	11,571,705	26,724,815
Charges for services	10,989,320	121,147,370
Contributions	128,688	207,200
Investment income	396,753	1,862,818
Indirect cost recovery	-	7,610,932
Other	738,440	3,637,920
Total revenue	<u>102,862,962</u>	<u>459,264,456</u>
Expenditures		
Current operations		
County Executive	91,401,373	177,867,738
Clerk/Register of Deeds	1,888,879	11,504,787
Treasurer	-	8,371,074
Justice administration	23,011,005	74,360,297
Law enforcement	6,747,694	154,364,056
Legislative	56,567	4,073,210
Water Resource Commissioner	7,261,965	12,362,273
Non-departmental	1,690,629	18,778,041
Total current operations	<u>132,058,112</u>	<u>461,681,476</u>
Capital outlay	2,965,875	3,154,872
Intergovernmental	107,184	107,184
Debt service		
Principal payments	13,110,000	24,095,000
Interest and fiscal charges	1,988,729	4,096,185
Total expenditures	<u>150,229,900</u>	<u>493,134,717</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(47,366,938)</u>	<u>(33,870,261)</u>
Other financing sources (uses)		
Transfers in	35,920,996	79,499,398
Transfers out	(27,441,281)	(64,468,826)
Issuance of bonds	33,825,000	33,825,000
Issuance of refunding bonds	350,000,000	350,000,000
Premiums on bonds sold	1,702,443	1,702,443
Payments to bond escrow agent	(348,800,000)	(348,800,000)
Total other financing sources (uses)	<u>45,207,158</u>	<u>51,758,015</u>
Net change in fund balances	<u>(2,159,780)</u>	<u>17,887,754</u>
Fund balances		
October 1, 2012	<u>99,744,929</u>	<u>323,317,946</u>
September 30, 2013	<u>\$ 97,585,149</u>	<u>\$ 341,205,700</u>

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, 2013

Net change in fund balance - total governmental funds		\$ 17,887,754
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	\$ 9,430,731	
Buildings and improvements	457,437	
Equipment and vehicles	1,541,995	
Infrastructure	1,000,000	
Depreciation expense	<u>(6,845,902)</u>	5,584,261
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.		
		5,410,311
Amortization of Other Post-Employment Benefits asset is not reported in the governmental funds.		
		(28,359,365)
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	(14,120,740)	
Current year deferral	<u>13,086,533</u>	(1,034,207)
Revenue from special assessments and contracts receivable reported in the Statement of Activities in previous years did not provide current financial resources in the governmental funds until the current year.		
		(6,338,538)
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	(383,825,000)	
Repayment of bond principal	393,415,000	
Accrued interest	<u>(221,911)</u>	9,368,089
Change in net position of governmental activities		<u>\$ 2,518,305</u>

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

Proprietary Fund Financial Statements

Major Funds

Parks and Recreation - This fund is used to account for revenue earmarked for the operation of the County's 13 parks, including campgrounds, day-use and dog parks, five golf courses, 65 miles of trails, two waterparks, nature centers and banquet facilities, and management of the Oakland County Market. 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, 2013

	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	\$ 31,089,868	\$ 114,511,260	\$ 15,476,295	\$ 65,099,901	\$ 10,442,984
Delinquent property taxes receivable	-	81,540,932	-	-	-
Due from other governmental units	132	18,388,172	1,200	3,309,512	5,661,390
Due from component units	-	-	-	-	269,311
Accrued interest receivable	25,994	1,441,173	57,616	14,167	112,824
Accounts receivable (net of allowance for uncollectibles where applicable)	300,197	16,088,331	427,615	25,497,011	-
Due from other funds	-	-	-	168,248	-
Current portion of contracts receivable	-	-	1,172,077	-	-
Current portion of advances receivable	-	12,883	-	-	-
Inventories and supplies	42,102	-	-	-	-
Prepayments and other assets	10,122	-	-	4,294	-
Total current assets	31,468,415	231,982,751	17,134,803	94,093,133	16,486,509
Noncurrent assets					
Advances receivable	-	90,181	-	-	-
Capital assets, net					
Land and other nondepreciable assets	33,478,723	-	36,301,106	24,515,031	8,539,194
Land improvements, net	-	-	10,894,336	-	-
Building and improvements, net	16,346,063	-	24,715,966	-	10,397,616
Equipment and vehicles, net	714,249	-	374,935	288,397	4,779
Infrastructure, net	16,903,456	-	3,136,651	52,558,329	3,308,129
Total noncurrent assets	67,442,491	90,181	75,422,994	77,361,757	22,249,718
Total assets	98,910,906	232,072,932	92,557,797	171,454,890	38,736,227
Liabilities					
Current liabilities					
Vouchers payable	268,383	121,257	50,574	2,246,421	269,162
Due to other governmental units	-	169,237	-	534,718	7,012,749
Due to component units	-	-	-	4,408,650	-
Due to other funds	-	-	-	593,097	25,435
Unearned revenue	30,176	-	14,161,159	-	-
Notes payable	-	25,000,000	-	-	-
Current portion of bonds payable	-	-	590,000	920,000	235,000
Current portion of long-term liabilities	-	-	-	-	-
Current portion of advances payable	-	-	-	-	-
Other accrued liabilities	662,384	92,095	468,729	4,192,768	221,951
Total current liabilities	960,943	25,382,589	2,525,462	12,895,654	7,764,297
Noncurrent liabilities					
Bonds payable	-	-	8,760,000	18,825,047	5,375,915
Other long-term liabilities	-	-	-	-	-
Advances payable	-	-	-	-	-
Total noncurrent liabilities	-	-	8,760,000	18,825,047	5,375,915
Total liabilities	960,943	25,382,589	11,285,462	31,720,701	13,140,212
Net position					
Net investment in capital assets	67,442,491	-	66,072,994	57,616,710	16,638,803
Restricted for programs	-	-	21,278	33,391,371	7,175,188
Unrestricted	30,507,472	206,690,343	15,178,063	48,726,108	1,782,024
Total net position	\$ 97,949,963	\$ 206,690,343	\$ 81,272,335	\$ 139,734,189	\$ 25,596,015

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

County of Oakland
Statement of Net Position (Continued)
Proprietary Funds
September 30, 2013

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Major			
	S.O.C.S.D.S.	Non-Major Funds	Totals September 30, 2013	
Assets				
Current assets				
Pooled cash and investments	\$ 35,012,593	\$ 50,871,794	\$ 322,504,695	\$ 113,398,157
Delinquent property taxes	-	-	81,540,932	-
Due from other governmental units	7,183,055	13,015,969	47,559,430	89,111
Due from component units	-	-	269,311	61,777
Accrued interest receivable	123,780	282,063	2,057,617	568,695
Accounts receivable (net of allowance for uncollectibles where applicable)	88,597	6,045,268	48,447,019	339,788
Due from other funds	-	3,666	17,194	661,400
Current portion of contracts receivable	-	-	1,172,077	-
Current portion of advances receivable	176,928	-	189,811	-
Inventories and supplies	-	551,301	593,403	917,563
Prepayments and other assets	624,605	1,109,519	1,748,540	6,466,114
Total current assets	43,209,558	71,879,580	506,254,749	122,502,605
Noncurrent assets				
Advances receivable	142,531	-	232,712	-
Capital assets, net				
Land and other nondepreciable assets	1,003,988	952,012	104,790,054	130,000
Land improvements, net	-	-	10,894,336	-
Building and improvements, net	-	9,001,907	60,461,552	1,162,686
Equipment and vehicles, net	75,016	25,126,429	26,583,805	13,805,288
Infrastructure, net	2,649,043	18,103,447	96,659,055	143,989
Total noncurrent assets	3,870,578	53,183,795	299,621,514	15,241,963
Total assets	47,080,136	125,063,375	805,876,263	137,744,568
Liabilities				
Current liabilities				
Vouchers payable	20,846	115,878	3,092,521	2,180,667
Due to other governmental units	9,987,654	6,327,609	24,031,967	331,447
Due to component units	-	-	4,408,650	5,336
Due to other funds	34,311	93,795	746,638	71,131
Unearned revenue	-	134,759	1,581,094	121,061
Notes payable	-	-	25,000,000	-
Current portion of bonds payable	-	-	1,745,000	-
Current portion of long-term liabilities	-	-	-	5,803,691
Current portion of advances payable	-	-	-	189,811
Other accrued liabilities	145,392	356,669	6,139,988	3,668,153
Total current liabilities	10,188,203	7,028,710	66,745,858	12,371,297
Noncurrent liabilities				
Bonds payable	-	-	32,960,962	-
Other long-term liabilities	-	-	-	26,905,738
Advances payable	-	-	-	232,712
Total noncurrent liabilities	-	-	32,960,962	27,138,450
Total liabilities	10,188,203	7,028,710	99,706,820	39,509,747
Net position				
Net investment in capital assets	3,728,047	53,183,795	264,682,840	15,241,963
Restricted for programs	11,543,178	21,682,061	73,813,076	-
Unrestricted	21,620,708	43,168,809	367,673,527	82,992,858
Total net position	\$ 36,891,933	\$ 118,034,665	\$ 706,169,443	\$ 98,234,821

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, 2013

	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	\$ 8,402,115	\$ 19,803,913	\$ 4,379,400	\$ 79,961,058	\$ 35,135,586
Other	13,174	1,375,679	2,599	261,961	86,143
Total operating revenue	8,415,289	21,179,592	4,381,999	80,223,019	35,221,729
Operating expenses					
Salaries	7,510,532	59,407	1,087,752	86,017	-
Fringe benefits	2,779,972	46,074	707,132	69,763	-
Contractual services	5,551,031	203,378	1,405,387	42,529,007	36,471,998
Commodities	926,290	-	85,455	1,475,890	90,259
Depreciation	2,969,344	-	2,798,845	3,319,736	852,876
Internal services	1,444,556	-	212,014	15,814,124	1,254,760
Intergovernmental	-	-	-	13,633,253	-
Total operating expenses	21,181,725	308,859	6,296,585	76,927,790	38,669,893
Operating income (loss)	(12,766,436)	20,870,733	(1,914,586)	3,295,229	(3,448,164)
Nonoperating revenue (expenses)					
Property taxes	11,398,103	-	-	-	-
Contributions	96,241	-	-	-	-
Interest recovery - federal grants	-	-	111,668	-	97,927
Interest revenue	81,802	720,415	125,474	472,770	64,721
Interest expense and paying agent fees	-	(77,221)	(356,601)	(444,034)	(263,538)
Bonds maturing	-	-	-	-	-
Gain on sale of property and equipment	15,689	-	-	-	-
Total nonoperating revenue (expenses)	11,591,835	643,194	(119,459)	28,736	(100,890)
Income (loss) before transfers and contributions	(1,174,601)	21,513,927	(2,034,045)	3,323,965	(3,549,054)
Transfers and contributions					
Capital contributions	288,141	-	666,880	-	815,361
Transfers in	-	-	-	12,500	-
Transfers out	(23,051)	(21,193,738)	-	(12,500)	-
Total transfers and contributions	265,090	(21,193,738)	666,880	-	815,361
Special Item					
Contribution of Pontiac W&S system	-	-	-	6,471,638	-
Change in net position	(909,511)	320,189	(1,367,165)	9,795,603	(2,733,693)
Net position					
October 1, 2012	98,859,474	206,370,154	82,639,500	129,938,586	28,329,708
September 30, 2013	\$ 97,949,963	\$ 206,690,343	\$ 81,272,335	\$ 139,734,189	\$ 25,596,015

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, 2013

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Major			
	S.O.C.S.D.S.	Non-Major Funds	Totals September 30, 2013	
Operating revenue				
Charges for services	\$ 46,586,236	\$ 50,292,297	\$ 244,560,605	\$ 228,839,990
Other	1,707,402	56,057	3,503,015	114,123
Total operating revenue	48,293,638	50,348,354	248,063,620	228,954,113
Operating expenses				
Salaries	12	2,326,010	11,069,730	29,089,635
Fringe benefits	-	1,523,234	5,126,175	19,849,901
Contractual services	43,184,436	45,696,090	175,041,327	114,462,643
Commodities	202,571	310,135	3,090,600	6,403,714
Depreciation	1,326,045	7,907,816	19,174,662	4,626,310
Internal services	1,195,334	2,290,095	22,210,883	6,273,493
Intergovernmental	-	-	13,633,253	-
Total operating expenses	45,908,398	60,053,380	249,346,630	180,705,696
Operating income (loss)	2,385,240	(9,705,026)	(1,283,010)	48,248,417
Nonoperating revenue (expenses)				
Property taxes	-	-	11,398,103	-
Contributions	-	21,783	118,024	-
Interest recovery - federal grants	-	-	209,595	-
Interest revenue	105,535	187,324	1,758,041	690,799
Interest expense and paying agent fees	-	-	(1,141,394)	(28,052,890)
Bonds maturing	-	-	-	(20,520,000)
Gain on sale of property and equipment	-	248	15,937	270,885
Total nonoperating revenue (expenses)	105,535	209,355	12,358,306	(47,611,206)
Income (loss) before transfers and contributions	2,490,775	(9,495,671)	11,075,296	637,211
Transfers and contributions				
Capital contributions	-	2,752,980	4,523,362	-
Transfers in	-	2,560,262	2,572,762	8,386,406
Transfers out	-	(1,147,145)	(22,376,434)	(3,613,306)
Total transfers and contributions	-	4,166,097	(15,280,310)	4,773,100
Special Item				
Contribution of Pontiac W&S system	-	-	6,471,638	-
Change in net position	2,490,775	(5,329,574)	2,266,624	5,410,311
Net position				
October 1, 2012	34,401,158	123,364,239	703,902,819	92,824,510
September 30, 2013	\$ 36,891,933	\$ 118,034,665	\$ 706,169,443	\$ 98,234,821

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

County of Oakland
Statement of Cash Flows
Proprietary Funds
Year Ended September 30, 2013

	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	\$ 8,389,190	\$ 21,336,993	\$ 4,383,041	\$ 79,142,113	\$ 35,205,353
Cash paid to suppliers	(10,712,845)	(249,452)	(2,419,872)	(67,097,832)	(38,428,451)
Cash paid to employees	(7,510,532)	(59,407)	(1,087,752)	(86,017)	-
Net cash provided by (used in) operating activities	(9,834,187)	21,028,134	875,417	11,958,264	(3,223,098)
Cash flows from noncapital financing activities					
Transfers from other funds	-	-	-	12,500	-
Transfers to other funds	(23,051)	(21,193,738)	-	(12,500)	-
Contributions	96,241	-	-	-	-
Principal paid on debt	-	-	-	-	-
Interest paid on debt	-	-	-	-	-
Purchase of delinquent property taxes	-	(89,699,373)	-	-	-
Delinquent property taxes collected	-	104,412,461	-	-	-
Issuance of short-term borrowings	-	25,000,000	-	-	-
Repayments received on advances	-	12,883	-	-	-
Property taxes	11,398,103	-	-	-	-
Interest paid on short-term borrowings	-	(76,547)	-	-	-
Payments on short-term borrowings	-	(25,000,000)	-	-	-
Net cash provided by (used in) noncapital financing activities	11,471,293	(6,544,314)	-	-	-
Cash flows from capital and related financing activities					
Contributions for capital acquisitions	228,800	-	-	-	815,361
Proceeds from sale of bonds	-	-	-	5,196,994	1,694,689
Transfers from other funds	-	-	-	-	-
Interest recovery - federal grants	-	-	111,668	-	97,927
Proceeds from sale of capital assets	17,184	-	-	-	-
Acquisition of capital assets	(2,204,636)	-	(27,913)	(1,441,072)	(3,281,945)
Principal paid on debt	-	-	(585,000)	(890,000)	(235,000)
Interest paid on debt	-	-	(356,601)	(444,034)	(263,538)
Amount paid on advances	-	-	-	-	-
Interest paid on advances	-	-	-	-	-
Net cash provided by (used in) capital and related financing activities	(1,958,652)	-	(857,846)	2,421,888	(1,172,506)
Cash flows from investing activities					
Interest on investments	74,894	772,514	131,749	496,362	71,536
Net cash provided by investing activities	74,894	772,514	131,749	496,362	71,536
Net increase (decrease) in cash and cash equivalents	(246,652)	15,256,334	149,320	14,876,514	(4,324,068)
Pooled cash and investments					
October 1, 2012	31,336,520	99,254,926	15,326,975	50,223,387	14,767,052
September 30, 2013	\$ 31,089,868	\$ 114,511,260	\$ 15,476,295	\$ 65,099,901	\$ 10,442,984

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, 2013

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Major			
	S.O.C.S.D.S.	Non-Major Funds	Totals September 30, 2013	
Cash flows from operating activities				
Cash received from users	\$ 49,878,894	\$ 49,274,595	\$ 247,610,179	\$ 228,235,803
Cash paid to suppliers	(43,146,006)	(50,241,179)	(212,295,637)	(149,228,339)
Cash paid to employees	(12)	(2,326,010)	(11,069,730)	(29,089,635)
Net cash provided by (used in) operating activities	6,732,876	(3,292,594)	24,244,812	49,917,829
Cash flows from noncapital financing activities				
Transfers from other funds	-	2,560,262	2,572,762	8,238,355
Transfers to other funds	-	(1,147,145)	(22,376,434)	(3,613,306)
Contributions	-	21,783	118,024	-
Principal paid on debt	-	-	-	(20,520,000)
Interest paid on debt	-	-	-	(28,041,687)
Purchase of delinquent property taxes	-	-	(89,699,373)	-
Delinquent property taxes collected	-	-	104,412,461	-
Issuance of short-term borrowings	-	-	25,000,000	-
Repayments received on advances	176,928	-	189,811	-
Property taxes	-	-	11,398,103	-
Interest paid on short-term borrowings	-	-	(76,547)	-
Payments on short-term borrowings	-	-	(25,000,000)	-
Net cash provided by (used in) noncapital financing activities	176,928	1,434,900	6,538,807	(43,936,638)
Cash flows from capital and related financing activities				
Contributions for capital acquisitions	-	563,474	1,607,635	-
Proceeds from sale of bonds	-	-	6,891,683	-
Transfers from other funds	-	-	-	148,051
Interest recovery - federal grants	-	-	209,595	-
Proceeds from sale of capital assets	-	248	17,432	478,222
Acquisition of capital assets	(67,046)	(87,489)	(7,110,101)	(4,087,789)
Principal paid on debt	-	-	(1,710,000)	-
Interest paid on debt	-	-	(1,064,173)	-
Amount paid on advances	-	-	-	(189,811)
Interest paid on advances	-	-	-	(11,203)
Net cash provided by (used in) capital and related financing activities	(67,046)	476,233	(1,157,929)	(3,662,530)
Cash flows from investing activities				
Interest on investments	120,723	204,165	1,871,943	719,756
Net cash provided by investing activities	120,723	204,165	1,871,943	719,756
Net increase (decrease) in cash and cash equivalents	6,963,481	(1,177,296)	31,497,633	3,038,417
Pooled cash and investments				
October 1, 2012	28,049,112	52,049,090	291,007,062	110,359,740
September 30, 2013	\$ 35,012,593	\$ 50,871,794	\$ 322,504,695	\$ 113,398,157

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, 2013

	Business-Type Activities - Enterprise Funds				
	Major				
	Parks and Recreation	Delinquent Tax Revolving	County Airports	Water and Sewer Trust	Evergreen-Farmington SDS
Operating (loss) income	\$ (12,766,436)	\$20,870,733	\$ (1,914,586)	\$ 3,295,229	\$ (3,448,164)
Adjustments to reconcile operating (loss) income to net cash provided by (used in) operating activities					
Depreciation expense	2,969,344	-	2,798,845	3,319,736	852,876
(Increase) decrease in due from other governmental units	3,368	(2,286,926)	(161)	249,666	70,782
(Increase) decrease in due from component units	-	-	-	-	(87,158)
(Increase) decrease in accounts receivable	30,701	2,430,321	(81)	(1,179,938)	-
(Increase) decrease in due from other funds	9,770	-	-	(150,634)	-
(Increase) decrease in inventories and supplies	(7,760)	-	-	-	-
(Increase) decrease in prepayments and other assets	7,046	-	-	61,468	-
Increase (decrease) in vouchers payable	(218,166)	32,174	26,473	(381,397)	(421,304)
Increase (decrease) in due to other governmental units	-	(52,540)	-	311,349	(301,184)
Increase (decrease) in due to component units	-	-	-	4,408,650	-
Increase (decrease) in due to other funds	-	-	-	584,290	25,032
Increase (decrease) in unearned revenue	(69,938)	-	1,284	-	-
Increase (decrease) in current portion of other long-term liabilities	-	-	-	-	-
Increase (decrease) in other accrued liabilities	207,884	34,372	(36,357)	1,439,845	86,022
Increase (decrease) in other long-term liabilities	-	-	-	-	-
Net cash provided by (used in) operating activities	<u>\$ (9,834,187)</u>	<u>\$21,028,134</u>	<u>\$ 875,417</u>	<u>\$ 11,958,264</u>	<u>\$ (3,223,098)</u>

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

County of Oakland
Statement of Cash Flows (Continued)
Proprietary Funds
Year Ended September 30, 2013

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Major		Totals	
	S.O.C.S.D.S.	Non-Major Funds	September 30, 2013	
Operating income (loss)	\$ 2,385,240	\$ (9,705,026)	\$ (1,283,010)	\$ 48,248,417
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation expense	1,326,045	7,907,816	19,174,662	4,626,310
(Increase) decrease in due from other governmental units	1,515,783	(2,638,505)	(3,085,993)	(42,644)
(Increase) decrease in due from component units	-	1,030,625	943,467	(42,207)
(Increase) decrease in accounts receivable	69,473	180,874	1,531,350	(73,138)
(Increase) decrease in due from other funds	-	353,247	212,383	(658,798)
(Increase) decrease in inventories and supplies	-	(43,818)	(51,578)	(60,530)
(Increase) decrease in prepayments and other assets	33,594	(359,805)	(257,697)	(1,095,492)
Increase (decrease) in vouchers payable	(3,690)	(352,793)	(1,318,703)	(2,164,615)
Increase (decrease) in due to other governmental units	1,316,968	240,607	1,515,200	(169,021)
Increase (decrease) in due to component units	-	-	4,408,650	5,336
Increase (decrease) in due to other funds	31,614	43,587	684,523	60,417
Increase (decrease) in unearned revenue	-	-	(68,654)	98,477
Increase (decrease) in current portion of other long-term liabilities	-	-	-	853,727
Increase (decrease) in other accrued liabilities	57,849	50,597	1,840,212	412,647
Increase (decrease) in other long-term liabilities	-	-	-	(81,057)
Net cash provided by (used in) operating activities	<u>\$ 6,732,876</u>	<u>\$ (3,292,594)</u>	<u>\$ 24,244,812</u>	<u>\$ 49,917,829</u>

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

County of Oakland
Statement of Cash Flows (Continued)
Proprietary Funds
Year Ended September 30, 2013

Noncash transactions

Enterprise Funds

Major funds:

Noncash and capital related financing activities included contribution of capital assets in the amount of \$4,891, write-off of \$1,495 (net of accumulated depreciation of \$13,451), and contribution for acquisition of capital assets in the amount of \$54,450 reported in the Accounts Receivable assets account in the Parks and Recreation fund; contribution of capital assets in the amount of \$666,880 in the County Airports fund.

Noncash and non-capital related financing activities included interest expense of \$7,808 reported in the Vouchers Payable liability in the Delinquent Tax Revolving Fund; recording of Contracts Receivable and Unearned Revenue of \$1,172,077 in the County Airports fund, and Special Item reported as Accounts Receivable asset of \$6,471,638 in the Water & Sewer Trust fund for amounts transferred from the City of Pontiac that had been understated at September 30, 2012.

Nonmajor funds:

Noncash and capital related financing activities included contribution of \$2,189,506 in the CLEMIS fund.

Fiduciary Fund Financial Statements

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

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

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

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

Pension (and other postemployment benefits) trust funds

Investment trust funds

Agency funds

County of Oakland
Statement of Net Position
Fiduciary Funds
September 30, 2013

	Pension (and Other Post- employment Benefits) Trust Funds	Investment Trust Funds	Agency Funds
Assets			
Pooled cash and investments	\$ 14,078,968	\$ 368,134,593	\$ 239,906,359
Cash and cash equivalents	-	-	938,020
Investments, at fair value			
Common stock	649,377,102	-	-
Preferred stock	88,721	-	-
Government securities	498,690,290	-	-
Corporate bonds	172,408,793	-	-
Municipal bonds	1,999,093	-	-
Commingled	323,437,448	-	-
Limited partnerships	278,591,950	-	-
Asset-backed fixed income	15,227,822	-	-
CMO/REMIC investments	7,584,801	-	-
Mortgage-backed securities	34,111,435	-	-
Commercial mortgage-backed securities	23,317,148	-	-
Money market funds	36,667,122	-	-
International common stock	66,741,812	-	-
Equity REIT	20,895,235	-	-
Other	72,901,844	-	-
Total investments	<u>2,202,040,616</u>	<u>-</u>	<u>-</u>
Receivables - interest and dividends	5,449,774		168,482
Prepaid expenses	152,353	-	-
Total assets	<u>2,221,721,711</u>	<u>368,134,593</u>	<u>241,012,861</u>
Liabilities			
Vouchers payable	981,206	-	36,471
Due to other governmental units	-	-	220,120,423
Bonds payable	422,135,000	-	-
Other accrued liabilities	1,735,551	-	20,855,967
Total liabilities	<u>424,851,757</u>	<u>-</u>	<u>241,012,861</u>
Net position			
Held in Trust for Pension and other Postemployment healthcare benefits, and pool participants	<u>\$ 1,796,869,954</u>	<u>\$ 368,134,593</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, 2013

	Pension (and Other Post- employment Benefits) Trust Funds	Investment Trust Funds
Additions		
Contributions		
Pool participants	\$ -	\$ 777,381,122
Employer	5,400,095	-
Plan members	717,500	-
Total contributions	6,117,595	777,381,122
Investment income	245,127,628	2,158,552
Other revenue	2,526,708	-
Total additions	253,771,931	779,539,674
Deductions		
Benefits	75,883,927	-
Loan forgiveness	73,335,000	-
Administrative expenses	6,223,589	-
Distribution to pool participants	-	711,832,933
Total deductions	155,442,516	711,832,933
Net increase	98,329,415	67,706,741
Net position held in trust for pension and other postemployment healthcare benefits, and pool participants		
October 1, 2012	1,698,540,539	300,427,852
September 30, 2013	<u>\$ 1,796,869,954</u>	<u>\$ 368,134,593</u>

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

Component Unit Financial Statements

Component Units

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

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

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

County of Oakland
Statement of Net Position
Component Units
September 30, 2013

	Drainage Districts	Road Commission	Total Component Units
Assets			
Current assets			
Pooled cash and investments	\$ 26,030,897	\$ -	\$ 26,030,897
Cash and cash equivalents	-	43,578,759	43,578,759
Receivables (net of allowance for uncollectibles where applicable)			
Special assessments	-	7,549,159	7,549,159
Due from other governmental units	6,804,851	-	6,804,851
Accrued interest receivable	95,938	-	95,938
Accounts receivable	10,894	18,410,790	18,421,684
Due from primary government	4,413,986	-	4,413,986
Inventories and supplies	-	4,532,368	4,532,368
Prepayments and other assets	-	902,364	902,364
Total current assets	<u>37,356,566</u>	<u>74,973,440</u>	<u>112,330,006</u>
Capital assets, net			
Land and other nondepreciable assets	72,925,116	185,919,574	258,844,690
Land improvements, net	-	121,412	121,412
Buildings and improvements, net	-	9,368,060	9,368,060
Equipment and vehicles, net	-	2,337,690	2,337,690
Infrastructure, net	449,631,065	537,341,135	986,972,200
Total capital assets, net	<u>522,556,181</u>	<u>735,087,871</u>	<u>1,257,644,052</u>
Noncurrent assets			
Net pension asset	-	2,240,191	2,240,191
Special assessments receivable	224,386,678	-	224,386,678
Total assets	<u>784,299,425</u>	<u>812,301,502</u>	<u>1,596,600,927</u>
Liabilities			
Current liabilities			
Vouchers payable	3,532,780	7,044,025	10,576,805
Due to other governmental units	14,027,238	-	14,027,238
Due to primary government	842,603	9,708	852,311
Unearned revenue and advances	70,579,933	6,867,588	77,447,521
Accrued interest payable	32,035	10,000	42,035
Current portion of long-term debt	14,075,000	1,445,300	15,520,300
Other accrued liabilities	2,801,807	3,206,239	6,008,046
Total current liabilities	<u>105,891,396</u>	<u>18,582,860</u>	<u>124,474,256</u>
Bonds and notes payable	196,596,889	1,000,000	197,596,889
Accrued compensated absences	-	2,666,700	2,666,700
Claims and judgments	-	1,501,733	1,501,733
Other postemployment benefits	-	14,783,249	14,783,249
Total liabilities	<u>302,488,285</u>	<u>38,534,542</u>	<u>341,022,827</u>
Net position			
Net investment in capital assets	311,884,292	733,587,871	1,045,472,163
Restricted for			
Special revenue	8,227,943	-	8,227,943
Debt service	154,579,978	-	154,579,978
Unrestricted	7,118,927	40,179,089	47,298,016
Total net position	<u>\$ 481,811,140</u>	<u>\$ 773,766,960</u>	<u>\$ 1,255,578,100</u>

The accompanying notes are an integral part of the financial statements

County of Oakland
Statement of Activities
Component Units
Year Ended September 30, 2013

		Program Revenue					Total Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions			
	Expenses				Drainage Districts	Road Commission	
Functions/Programs							
Drainage Districts	\$ 84,925,487	\$ 79,299,685	\$ -	\$ 22,940,808	\$ 17,315,006	\$ -	\$ 17,315,006
Road Commission	92,753,956	15,940,268	60,501,689	38,589,282	-	22,277,283	22,277,283
Total component units	<u>\$ 177,679,443</u>	<u>\$ 95,239,953</u>	<u>\$ 60,501,689</u>	<u>\$ 61,530,090</u>	<u>17,315,006</u>	<u>22,277,283</u>	<u>39,592,289</u>
General Revenue							
Unrestricted investment earnings					156,655	640,460	797,115
Change in net position					17,471,661	22,917,743	40,389,404
Net position							
Beginning					464,339,479	750,849,217	1,215,188,696
Ending					<u>\$ 481,811,140</u>	<u>\$ 773,766,960</u>	<u>\$ 1,255,578,100</u>

The accompanying notes are an integral part of the financial statements

County of Oakland

Notes to Basic Financial Statements

September 30, 2013

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 the 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, 2013

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, 2013, 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, 2013, is not reported in the financial statements of Oakland County.
- Complete financial statements of the Road Commission, which include 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, 2013 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, 2013

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:

- **Net investment in capital assets** 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 position** results when constraints placed on net position use are either externally imposed by creditors, grantors, contributors and the like, or imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted net position** consists of net position which does not meet the definition of the two preceding categories. Unrestricted net position often is designated to indicate that management does not consider them to be available for general operations. Unrestricted net position often has 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 financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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.

County of Oakland

Notes to Basic Financial Statements

September 30, 2013

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).

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, 2013

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 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 individual 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.

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.

County of Oakland

Notes to Basic Financial Statements

September 30, 2013

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.

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.

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.

County of Oakland
Notes to Basic Financial Statements
September 30, 2013

- 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 position. 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.

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, 2012 and presented in a separate document. Appropriation budgets were adopted for the General Fund and the following Special Revenue funds: 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.

County of Oakland
Notes to Basic Financial Statements
September 30, 2013

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, 2013 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, 2013.

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.

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, 2013 are recorded as prepayments using the consumption method.

County of Oakland

Notes to Basic Financial Statements

September 30, 2013

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.

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.

County of Oakland

Notes to Basic Financial Statements

September 30, 2013

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 position 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.

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, 2012 through September 30, 2013) 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.

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, 2013. 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
September 30, 2013

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: Child Care and Social Welfare-Foster Care. The budgetary comparison for the General Fund is presented in the Required Supplementary Information. 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	\$ 14,847,367	\$ 14,925,690	\$ 78,323
Justice administration			
Circuit Court			
Personnel expenditures	1,243,190	2,210,120	966,930

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 2014.

County of Oakland

Notes to Basic Financial Statements

September 30, 2013

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, 2013, the bank balance of the County's deposits was \$724,142,196. Insured deposits were \$4,000,000, and the remaining \$720,142,196 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%.

County of Oakland

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At September 30, 2013, the Road Commission component unit had \$9,261,034 of bank deposits (checking and savings accounts) that were uninsured and uncollateralized. The Road Commission believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. However, only those institutions with an acceptable estimated risk level are used as depositories.

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.

County of Oakland
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As of September 30, 2013, 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)	\$ 299,312,870	304
Commercial Paper	94,800,082	158
Deposit Accounts (1)	424,829,326	1
Money Market Investment Pools	2,803	1
MI Government Coupon	76,356,815	4,744
U.S. Agencies	508,742,427	1,102
Total Market Value of Internal Investment Pool	\$ 1,404,044,323	
Weighted Average Maturity of Internal Investment Pool (in days)		711

(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 \$508,742,427 invested in U.S. government securities which are rated AA+ by Standard & Poor's and Aaa by Moody's. The County had \$76,356,815 in Municipal bonds rated Aaa by Moody's and AA+ 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, 2013, the County had \$94,800,082 in commercial paper rated A1 by Standard & Poor's and P1 by Moody's. 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, 2013, \$679,899,324 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. On September 30, 2013, the County had investments of 5% or more, of the total portfolio, with the following U.S. agency issuers: Fannie Mae 12.76%, Federal Home Loan Bank 10.12%, Freddie Mac 9.44%. No other issuer exceeded 5% of the total portfolio.

County of Oakland
Notes to Basic Financial Statements
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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, 2013, the internal investment pool had a weighted average maturity of 711 days and the longest investment maturity in the portfolio was 4,930 days (13.5 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, 2013, 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.

As of September 30, 2013, the County had the following investment types in its Retirement System and other postemployment benefits trust funds:

Investment Type	Fair Value	Percentage	Average Duration (In Years)
Government Bonds	\$ 495,182,764	22.28 %	1.27
Asset-Backed Fixed Income	14,633,863	0.67	2.99
Commercial Mortgage-Backed Securities	22,453,891	1.01	1.70
Mortgage-Backed Securities	32,005,324	1.44	2.27
Municipal Bonds	1,999,093	0.09	N/A
Corporate Bonds	183,920,599	8.28	9.10
CMO/REMIC Investments	7,389,560	0.33	6.10
Common Stock	649,979,281	29.25	N/A
Equity ADR	2,313,296	0.10	N/A
Equity REIT	20,895,235	0.94	N/A
Exchange Traded Funds	1,286,322	0.06	N/A
International Common Stock	56,524,694	2.54	N/A
International Government Bonds	12,826,095	0.58	N/A
Investment Companies-Mutual Funds	70,591,225	3.18	N/A
Money Market Funds	33,333,097	1.50	0.05
Short Term Investments	14,807,339	0.67	N/A
Real Estate	4,817	0.00	N/A
Investment Companies-Commingled Funds	323,437,448	14.55	N/A
Limited Partnership	278,591,951	12.54	N/A
Alternative Investments	95	0.00	N/A
Preferred Stock	88,721	0.00	N/A
Total	\$ 2,222,264,710	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, 2013, debt obligation investments held in the retirement system had the following ratings:

Fair Value	Percentage	Ratings	
		Moody's	S&P
\$374,199,096	36.07 %	Aaa	AAA
75,342,349	7.26	Aa1	AA+
14,857,163	1.43	Aa2	AA
13,418,231	1.29	Aa3	AA-
22,501,747	2.17	A1	A+
31,269,047	3.02	A2	A
34,785,186	3.35	A3	A-
14,814,392	1.43	Baa1	BBB+
15,121,647	1.46	Baa2	BBB
22,254,604	2.15	Baa3	BBB-
4,584,776	0.44	Ba1	BB+
5,729,835	0.55	Ba2	BB
9,453,200	0.91	Ba	BB-
3,433,970	0.33	B2	B+
3,667,082	0.35	Ba3	B
1,469,025	0.14	B1	B-
390,598,371	37.65	NR	NR
<u>\$1,037,499,721</u>	<u>100.00 %</u>		

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, 2013, \$2,222,164,710 in investments was held in third-party safekeeping in the County's name.

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

County of Oakland

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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, 2013, 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 84 indicates, the system's fixed-income investments had average durations of between .05 years and 9.1 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.

There were no failures by any borrowers to return loaned securities or pay distribution thereon. Furthermore, there were no losses during the period ended September 30, 2013 resulting from a default of the borrowers or the custodial banks. The County did exercise its right to terminate the securities lending program during the period ended September 30, 2013.

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 2.1 years to 16.1 years and are backed by investments in various assets, including mortgages. As of September 30, 2013, the market value was \$4,215,952.

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, 2013, the County's CMO portfolio had effective duration ranges of .3 years and 3.85 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 \$7,808,837 as of September 30, 2013. Such investments include U.S. government-issued securities and corporate-issued securities. The variable rate securities have maturities through the year 2049 and are backed by investments in various assets, including mortgages.

Interest Rate Risk – Variable Rate Coupon Notes and Bonds. The market value of these investments may be influenced by, among other factors, changes in interest rates which affect their marketability. At September 30, 2013, 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.

County of Oakland
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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 2013 summer levy amounted to \$51,429,923,815 with taxable values of \$49,235,110,306. The operating tax rate for the 2013 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 \$22,409,592 at September 30, 2013.

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 \$232,072,932 at September 30, 2013, 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, 2013:

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

5. Allowances for Uncollectible Receivables

At September 30, 2013, the allowances for uncollectible receivables were as follows:

General Fund	\$ 323,768
Internal Service funds	
Facilities Maintenance and Operations	37
Information Technology	8
Total	<u>\$ 323,813</u>

In addition, the Parks and Recreation fund (Enterprise) records an allowance for uncollectible taxes receivable in the amount of \$45,836 at September 30, 2013.

County of Oakland
Notes to Basic Financial Statements
September 30, 2013

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, 2013:

	Employees' Retirement	VEBA Trust	IRMB Trust
Interest and dividends	\$ 13,319,449	\$ 10,547,648	\$ 4,946,391
Unrealized/Realized gain on investments	73,970,174	96,221,266	46,122,700
Total	<u>\$ 87,289,623</u>	<u>\$ 106,768,914</u>	<u>\$ 51,069,091</u>

7. Capital Assets

An analysis of property and equipment as reported in the Statement of Net Position, and related accumulated depreciation, at September 30, 2013, for governmental activities follows:

	Balance October 1, 2012	Additions	Disposals	Adjustments	Balance September 30, 2013
Governmental Activities					
Capital assets not being depreciated					
Land	\$ 7,365,551	\$ -	\$ -	\$ -	\$ 7,365,551
Construction in progress	13,871,958	11,603,196	(1,158)	(6,001,393)	19,472,603
Total capital assets not being depreciated	<u>21,237,509</u>	<u>11,603,196</u>	<u>(1,158)</u>	<u>(6,001,393)</u>	<u>26,838,154</u>
Capital assets being depreciated					
Land improvements	1,157,386	-	-	21,768	1,179,154
Buildings and improvements	232,455,322	-	-	435,669	232,890,991
Equipment and vehicles	102,622,837	4,915,885	(4,382,447)	4,543,956	107,700,231
Infrastructure	28,883,030	-	-	1,000,000	29,883,030
Total capital assets being depreciated	<u>365,118,575</u>	<u>4,915,885</u>	<u>(4,382,447)</u>	<u>6,001,393</u>	<u>371,653,406</u>
Less: Accumulated depreciation					
Land improvements	1,014,899	23,606	-	-	1,038,505
Buildings and improvements	95,450,449	5,142,292	-	-	100,592,741
Equipment and vehicles	84,281,822	5,571,788	(4,175,139)	-	85,678,471
Infrastructure	15,529,746	734,526	-	-	16,264,272
Total accumulated depreciation	<u>196,276,916</u>	<u>11,472,212</u>	<u>(4,175,139)</u>	<u>-</u>	<u>203,573,989</u>
Total capital assets being depreciated, net	<u>168,841,659</u>	<u>(6,556,327)</u>	<u>(207,308)</u>	<u>6,001,393</u>	<u>168,079,417</u>
Governmental activities capital assets, net	<u>\$ 190,079,168</u>	<u>\$ 5,046,869</u>	<u>\$ (208,466)</u>	<u>\$ -</u>	<u>\$194,917,571</u>
Depreciation expense was charged to functions as follows:					
Public safety		\$ 2,839,048			
Justice administration		1,092,334			
Citizens services		371,123			
Public infrastructure		602,389			
Commerce and Community Development		29,535			
Unallocated depreciation		1,911,473			
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets		<u>4,626,310</u>			
Total depreciation expense - governmental activities		<u>\$ 11,472,212</u>			

County of Oakland
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A summary of business-type property and equipment at September 30, 2013 follows:

	Balance October 1, 2012	Additions	Disposals	Adjustments	Balance September 30, 2013
Business-type Activities					
Capital assets not being depreciated					
Land	\$ 68,158,860	\$ -	\$ -	\$ -	\$ 68,158,860
Construction in progress	31,019,558	8,117,410	-	(2,517,774)	36,619,194
Other	12,000	-	-	-	12,000
Total capital assets not being depreciated	<u>99,190,418</u>	<u>8,117,410</u>	<u>-</u>	<u>(2,517,774)</u>	<u>104,790,054</u>
Capital assets being depreciated					
Land improvements	34,273,119	-	-	52,917	34,326,036
Buildings and improvements	90,639,765	-	-	-	90,639,765
Equipment and vehicles	79,441,400	1,853,967	(127,546)	296,031	81,463,852
Infrastructure	333,151,434	-	-	2,168,826	335,320,260
Total capital assets being depreciated	<u>537,505,718</u>	<u>1,853,967</u>	<u>(127,546)</u>	<u>2,517,774</u>	<u>541,749,913</u>
Less: Accumulated depreciation					
Land improvements	21,866,926	1,564,774	-	-	23,431,700
Buildings and improvements	27,063,316	3,114,897	-	-	30,178,213
Equipment and vehicles	49,638,187	5,367,912	(126,052)	-	54,880,047
Infrastructure	229,534,126	9,127,079	-	-	238,661,205
Total accumulated depreciation	<u>328,102,555</u>	<u>19,174,662</u>	<u>(126,052)</u>	<u>-</u>	<u>347,151,165</u>
Total capital assets being depreciated, net	<u>209,403,163</u>	<u>(17,320,695)</u>	<u>(1,494)</u>	<u>2,517,774</u>	<u>194,598,748</u>
Business-type activities capital assets, net	<u>\$ 308,593,581</u>	<u>\$ (9,203,285)</u>	<u>\$ (1,494)</u>	<u>\$ -</u>	<u>\$ 299,388,802</u>
Depreciation expense was charged to functions as follows:					
Airports		\$ 2,798,845			
Community safety support		7,090,544			
Community water and sewer		3,319,736			
Recreation and leisure		2,969,344			
Sewage disposal systems		2,996,193			
Total depreciation expense - business-type activities		<u>\$ 19,174,662</u>			

County of Oakland
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An analysis of property and equipment, and related accumulated depreciation where applicable, at September 30, 2013, for component units follows:

	Balance October 1, 2012	Additions	Disposals	Balance September 30, 2013
Component Units				
Drainage Districts				
Capital assets not being depreciated				
Construction in progress	\$ 49,609,949	\$ 22,989,203	\$ -	\$ 72,599,152
Land	-	325,964	-	325,964
Total capital assets not being depreciated	49,609,949	23,315,167	-	72,925,116
Capital assets being depreciated				
Infrastructure	544,143,445	-	(3,319,538)	540,823,907
Less: Accumulated depreciation				
Infrastructure	84,643,986	6,548,856	-	91,192,842
Total capital assets being depreciated, net	459,499,459	(6,548,856)	(3,319,538)	449,631,065
Governmental activity capital assets, net	<u>\$ 509,109,408</u>	<u>\$ 16,766,311</u>	<u>\$ (3,319,538)</u>	<u>\$ 522,556,181</u>
Road Commission				
Capital assets not being depreciated				
Land and other	\$ 180,381,129	\$ 4,570,215	\$ -	\$ 184,951,344
Construction in progress	870,276	97,954	-	968,230
Total capital assets not being depreciated	181,251,405	4,668,169	-	185,919,574
Capital assets being depreciated				
Buildings and storage bins	18,882,444	1,309,766	-	20,192,210
Road equipment	48,088,561	1,501,492	(776,326)	48,813,727
Other equipment	5,098,504	32,741	(170,485)	4,960,760
Infrastructure	868,858,908	52,435,361	(17,785,191)	903,509,078
Brine wells and gravel pits	1,389,028	72,600	-	1,461,628
Total capital assets being depreciated	942,317,445	55,351,960	(18,732,002)	978,937,403
Less: Accumulated depreciation				
Buildings and storage bins	10,549,760	274,390	-	10,824,150
Road equipment	46,759,550	783,208	(776,326)	46,766,432
Other equipment	4,707,638	133,212	(170,485)	4,670,365
Infrastructure	347,188,985	36,764,149	(17,785,191)	366,167,943
Brine wells and gravel pits	1,279,560	60,656	-	1,340,216
Total accumulated depreciation	410,485,493	38,015,615	(18,732,002)	429,769,106
Total capital assets being depreciated, net	531,831,952	17,336,345	-	549,168,297
Governmental activity capital assets, net	<u>\$ 713,083,357</u>	<u>\$ 22,004,514</u>	<u>\$ -</u>	<u>\$ 735,087,871</u>

County of Oakland
Notes to Basic Financial Statements
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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, 2012	Additions	Reductions	September 30, 2013	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%	\$ 21,575,000	\$ 33,825,000	\$ (14,820,000)	\$ 40,580,000	\$ 2,520,000	\$ 38,060,000	\$ 19,325,000	\$ 21,255,000
Building authority refunding	2.00%-5.00%	55,975,000	-	(15,900,000)	40,075,000	3,680,000	36,395,000	38,080,000	1,995,000
Certificates of Participation - Taxable	6.00%-6.25%	464,155,000	-	(442,655,000)	21,500,000	21,500,000	-	21,500,000	-
Retirees Health Care Bonds	3.62%	-	350,000,000	-	350,000,000	-	350,000,000	350,000,000	-
Lake levels - Act 451	2.25%-3.40%	145,000	-	(65,000)	80,000	80,000	-	80,000	-
Sewage disposal - Act 342	4.10%-6.00%	225,000	-	(225,000)	-	-	-	-	-
Water supply - Act 342	2.00%-6.00%	17,505,000	-	(680,000)	16,825,000	760,000	16,065,000	-	16,825,000
Water and sewer refunding bonds	1.50%-2.75%	2,300,000	-	(500,000)	1,800,000	195,000	1,605,000	-	1,800,000
Water supply refunding bonds	1.50%-3.75%	495,000	-	(285,000)	210,000	210,000	-	-	210,000
Sewage disposal refunding bonds	2.25%-3.60%	1,360,000	-	(945,000)	415,000	125,000	290,000	-	415,000
Michigan Bond Authority - Sewage Disposal Bonds	1.62%-2.25%	4,735,727	-	(610,000)	4,125,727	620,000	3,505,727	-	4,125,727
Total bonds - governmental activities		<u>\$ 568,470,727</u>	<u>\$ 383,825,000</u>	<u>\$ (476,685,000)</u>	<u>\$ 475,610,727</u>	<u>\$ 29,690,000</u>	<u>\$ 445,920,727</u>	<u>\$ 428,985,000</u>	<u>\$ 46,625,727</u>
Business-type activities									
Business type activities									
BA - Act 31- County Airport	100%-5.90%	\$ -	\$ 5,350,000	\$ (250,000)	\$ 5,100,000	\$ 250,000	\$ 4,850,000	\$ 5,100,000	\$ -
BA refunding - County Airport	2.00%-2.25%	-	4,585,000	(335,000)	4,250,000	340,000	3,910,000	4,250,000	-
Sewage disposal - Act 342	1.75%-6.75%	3,925,000	-	(140,000)	3,785,000	140,000	3,645,000	3,785,000	-
Michigan Bond Authority - Drain Bonds - Pontiac	2.5%	15,438,053	5,196,994	(890,000)	19,745,047	920,000	18,825,047	19,745,047	-
Michigan Bond Authority - Sewage Disposal Bonds	2.5%	226,226	1,694,689	(95,000)	1,825,915	95,000	1,730,915	1,825,915	-
Total bonds - business type		<u>19,589,279</u>	<u>16,826,683</u>	<u>(1,710,000)</u>	<u>34,705,962</u>	<u>1,745,000</u>	<u>32,960,962</u>	<u>34,705,962</u>	<u>-</u>
Total bonds - primary government		<u>\$ 588,060,006</u>	<u>\$ 400,651,683</u>	<u>\$ (478,395,000)</u>	<u>\$ 510,316,689</u>	<u>\$ 31,435,000</u>	<u>\$ 478,881,689</u>	<u>\$ 463,690,962</u>	<u>\$ 46,625,727</u>
Fiduciary Funds									
Pension Trust Funds - COPS	6.00%-6.25%	\$ -	\$ 422,135,000	\$ -	\$ 422,135,000	\$ 22,720,000	\$ 399,415,000	\$ 399,415,000	\$ -

County of Oakland
Notes to Basic Financial Statements
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Component Units

Drainage Dis tricts	Inter est rate	Oc to ber 1, 2012	Additio ns	Reductio ns	September 30, 2013	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%	\$ 79,640,000	\$ -	\$ (6,535,000)	\$ 73,105,000	\$ 1,650,000	\$ 71,455,000	\$ 58,674,421	\$ 14,430,579
Drain refunding bonds	1.00%-4.75%	22,775,000	4,160,000	(4,370,000)	22,565,000	4,290,000	18,275,000	1,283,051	21,281,949
Michigan Bond Authority - Drain Bonds	1.15%-4.15%	<u>107,731,606</u>	<u>14,225,283</u>	<u>(6,955,000)</u>	<u>115,001,889</u>	<u>8,135,000</u>	<u>106,866,889</u>	<u>1,043,590</u>	<u>113,958,299</u>
Total Drainage Dis tricts		<u>210,146,606</u>	<u>\$ 18,385,283</u>	<u>(17,860,000)</u>	<u>210,671,889</u>	<u>14,075,000</u>	<u>196,596,889</u>	<u>61,001,062</u>	<u>149,670,827</u>
Total County Debt		<u>\$ 798,206,612</u>	<u>\$ 84,117,1966</u>	<u>\$ (496,255,000)</u>	<u>\$ 1,143,123,578</u>	<u>\$ 68,230,000</u>	<u>\$ 1,074,893,578</u>	<u>\$ 924,107,024</u>	<u>\$ 196,296,554</u>
Road Commis sion									
Compensated absences	--	\$ 2,756,046	\$ -	\$ (89,346)	\$ 2,666,700	\$ -	\$ 2,666,700	\$ -	\$ 2,666,700
Self-insured losses	--	2,932,918	-	(485,885)	2,447,033	945,300	1,501,733	-	2,447,033
Other postemployment benefits	--	12,271,525	2,511,724	-	14,783,249	-	14,783,249	-	14,783,249
Michigan Transportation									
Fund revenue notes	4.00%	<u>2,000,000</u>	<u>-</u>	<u>(500,000)</u>	<u>1,500,000</u>	<u>500,000</u>	<u>1,000,000</u>	<u>-</u>	<u>1,500,000</u>
Total Road Commis sion		<u>\$ 19,960,489</u>	<u>\$ 2,511,724</u>	<u>\$ (1,075,231)</u>	<u>\$ 21,396,982</u>	<u>\$ 1,445,300</u>	<u>\$ 19,951,682</u>	<u>\$ -</u>	<u>\$ 21,396,982</u>
Total reporting entity		<u>\$ 818,167,101</u>	<u>\$ 843,683,690</u>	<u>\$ (497,330,231)</u>	<u>\$ 1,164,520,560</u>	<u>\$ 69,675,300</u>	<u>\$ 1,094,845,260</u>	<u>\$ 924,107,024</u>	<u>\$ 217,693,536</u>

County of Oakland
Notes to Basic Financial Statements
September 30, 2013

The annual requirements to pay principal and interest on debt outstanding at September 30, 2013 (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
2014	\$ 8,190,000	\$ 16,523,854	\$ 21,500,000	\$ 13,713,044	\$ 1,745,000	\$ 1,046,829	\$ 31,435,000	\$ 31,283,727
2015	29,670,000	15,743,432	-	-	1,785,000	1,003,089	31,455,000	16,746,521
2016	30,685,000	14,698,871	-	-	1,825,000	956,124	32,510,000	15,654,995
2017	31,560,000	13,604,530	-	-	1,855,000	907,010	33,415,000	14,511,540
2018	32,620,000	12,474,778	-	-	1,925,000	855,159	34,545,000	13,329,937
2019-2023	173,520,000	44,202,154	-	-	10,405,000	3,396,189	183,925,000	47,598,343
2024-2028	138,160,727	13,214,260	-	-	10,135,000	1,762,246	148,295,727	14,976,506
2029-2033	8,745,000	896,633	-	-	5,030,962	247,453	13,775,962	1,144,086
2034-2038	835,000	113,563	-	-	-	-	835,000	113,563
2039-2043	125,000	8,075	-	-	-	-	125,000	8,075
Totals	<u>\$454,110,727</u>	<u>\$131,480,150</u>	<u>\$ 21,500,000</u>	<u>\$ 13,713,044</u>	<u>\$ 34,705,962</u>	<u>\$ 10,174,099</u>	<u>\$510,316,689</u>	<u>\$155,367,293</u>
	Drainage Districts		Road Commission		Total reporting entity			
	Principal	Interest	Principal	Interest	Principal	Interest		
2014	\$ 14,075,000	\$ 6,113,835	\$ 500,000	\$ 60,000	\$ 46,010,000	\$ 37,457,562		
2015	18,345,000	5,601,569	500,000	40,000	50,300,000	22,388,090		
2016	17,303,501	5,144,072	500,000	20,000	50,313,501	20,819,067		
2017	13,335,000	4,711,568	-	-	46,750,000	19,223,108		
2018	13,180,000	4,362,634	-	-	47,725,000	17,692,571		
2019-2023	68,525,000	15,631,658	-	-	252,450,000	63,230,001		
2024-2028	38,793,388	8,046,845	-	-	187,089,115	23,023,351		
2029-2033	23,460,000	3,071,747	-	-	37,235,962	4,215,833		
2034-2038	3,655,000	146,200	-	-	4,490,000	259,763		
2039-2043	-	-	-	-	125,000	8,075		
Totals	<u>\$210,671,889</u>	<u>\$ 52,830,128</u>	<u>\$ 1,500,000</u>	<u>\$ 120,000</u>	<u>\$722,488,578</u>	<u>\$208,317,421</u>		

County of Oakland

Notes to Basic Financial Statements

September 30, 2013

The County has pledged its full faith and credit on debt totaling \$1,168,123,578, 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, 2013, the debt limit was \$5,142,992,382. 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, 2013, there were five issues outstanding, totaling \$40,580,000, maturing in the years 2014-2040, which represents debt originally issued in the years 2007-2012 totaling \$42,945,000.

Taxable Certificates of Participation/Retirees Health Care Bonds

In 2007, Taxable Certificates of Participation (“COPS”) were issued by the 2007 Oakland County Retiree Medical Benefits Funding Trust (the “Issuing Trust”) which COPS were secured by and to be repaid from contract payments made pursuant to a contract entered into by the County of Oakland (the “County”) under the authority of Michigan Public Act No. 139 of 1973 in the amount of \$556,985,000 maturing in the years 2008 through 2027, and funds were placed in trust in the 2007 Oakland County Intermediate Retiree Medical Benefits Trust (“IRMBT”). The COPS, which represent a debt instrument issued in the form of trust certificates, were used to fund current and future retiree health care costs reported in the VEBA Trust Fund. The total amount of COPS outstanding as of September 30, 2013 is \$443,635,000, of which \$21,500,000 is an obligation of the County and the remaining balance is recorded as long-term debt of the Issuing Trust.

The debt was issued by the Issuing Trust but the County was obligated under a contract to make the scheduled debt service payments for the COPS. In September 2013, the County issued refunding bonds in the amount of \$350,000,000, the proceeds of which have enabled the County to fully fund the VEBA Trust Fund as of September 30, 2013. The County thereafter entered into a Superseding Contract with a new, Superseding Trust which was created by the County, under which contract, the County is now obligated to maintain the funding in the VEBA Trust in future years pursuant to the terms of that contract under a Superseding Plan which has superseded and supplanted the obligation of the County to maintain retiree health services by keeping the VEBA Trust at full funding. This action has freed up remaining assets in the IRMBT which have become “Surplus Intermediate Trust Assets” which the County has directed to be paid to the Funding Trust for the purpose of redeeming the outstanding callable COPS in the amount of \$422,135,000 on April 1, 2014. With this action, there are sufficient “Surplus Intermediate Trust Assets” to permit the complete redemption of the COPS in the amount of \$422,135,000 on April 1, 2014.

As a part of this arrangement, the County’s original contract obligation (which is now replaced by a bonded debt) has been reduced by \$73,335,000 which has been recorded as a reduction to the County’s OPEB asset on the statement of net position.

County of Oakland

Notes to Basic Financial Statements

September 30, 2013

The County has caused the transfer of \$422,135,000 of "Surplus Intermediate Trust Assets" to an Escrow Agent under an Irrevocable Escrow and the Escrow Agent will take action to transfer the \$422,135,000 to the Funding Trust to call the remaining balance due on the callable COPS on April 1, 2014.

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 inflows in the Debt Service funds for each act. At September 30, 2013, there were five issues outstanding, totaling \$19,250,000, maturing in the years 2014-2032. This represents debt originally issued in the amount of \$25,885,000 issued in the years 1997-2012.

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, 2013, there were four issues outstanding, totaling \$40,075,000, maturing in the years 2014-2024. This represents debt originally issued in the years 2010-2012 totaling \$46,535,000.

Michigan Bond Authority Sewage Disposal Bonds

In October 1996, the County authorized the issuance of bonds from the Michigan Municipal Bond Authority Revolving Loan fund for up to \$9,350,000 for the White Lake Township Sewage Disposal System project; the entire amount was received as of the end of fiscal year 1999. The amount outstanding for this issue at September 30, 2013 was \$2,745,000, which matures in the years 2014-2018.

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, 2013, a final amount of \$1,935,727 was drawn from the State Revolving Loan fund. The amount outstanding at September 30, 2013 for this issue is \$1,380,727, which matures in the years 2014-2027.

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, 2013 was \$80,000, which matures in the year 2014.

Business Type

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, 2013 was \$3,785,000, which matures in the years 2014-2031.

County of Oakland

Notes to Basic Financial Statements

September 30, 2013

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, 2013, the County received \$1,920,915 from the State Revolving Loan fund, which matures in the years 2014-2029.

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 \$22,535,000; as of September 30, 2013, \$20,635,047 had been received. The debt obligation recorded as of September 30, 2013 amounted to \$19,745,047, maturing in the years 2014 through 2032.

In 2013, two Building Authority bond issues previously reported as governmental activity debt and recorded as capital leases in the County Airport fund have been reclassified as business-type debt and recorded as bonds payable in the County Airport fund. These consist of the Airport T-Hangar Refunding in the amount of \$4,250,000 maturing in the years 2014-2024 and the Airport Terminal Building in the amount of \$5,100,000 maturing in the years 2014-2030. These represent original debt issued in the amount of \$4,585,000 in 2012 for the Airport T-Hangar and \$5,800,000 in 2010 for the Airport Terminal Building.

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, 2013, there were 14 issues outstanding, totaling \$73,105,000, maturing in the years 2014-2034. This represents original debt issued for \$80,410,000 in the years 1994-2012.

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, 2013, there were 12 issues outstanding, totaling \$22,565,000, maturing in the years 2014-2025. This represents debt originally issued in the years 2001-2013 in the amount of \$43,200,000.

County of Oakland
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Michigan Bond Authority Drain Bonds (Component Unit)

The County authorized issuance of bonds in the amount of \$9,365,000 in 1994 to the Michigan Municipal Bond Authority Revolving Loan fund for the Combined Sewer Overflow Project. In October 2000, the County additionally authorized the issuance of bonds for up to \$17,880,000 for the George W. Kuhn Drainage District, with the entire amount from the State Revolving Loan Fund being received by 2005. Further, in 2001, the County authorized an additional \$82,200,000 for the George W. Kuhn Drainage District Segment II, with successive authorizations in the years 2005 through 2008 amounting to \$14,240,000. As of September 30, 2013, the drainage district had received the entire amount 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 with successive authorizations for Segments II & III in the years 2012 through 2013, respectively, amounting to \$90,670,000. Through September 30, 2013, the drainage district received \$46,166,067 from the State Revolving Loan Fund for the Oakland-Macomb Interceptor Drain District Segments I, II, and III. At September 30, 2013, there were 13 issues outstanding, totaling \$115,001,889, maturing in the years 2014-2031.

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, 2013, 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 2013 bonds were called as a result of resources provided by the City of Pontiac in the form of prepaid assessment rolls. Accordingly, debt amounting to \$9,150,000 for the Pontiac Phoenix Center and \$7,760,000 for the Pontiac Phoenix Plaza Amphitheatre, and the corresponding leases receivable, are not included in the County's financial statements.

In February 2013, the County issued \$2,235,000 of refunding bonds for a current refunding of general obligation limited tax refunding bond issue on behalf of the Drainage Districts' component unit, pursuant to authorization contained in Act 34, Public Acts of Michigan of 2001. General obligation limited tax refunding drain bonds were issued for the payment of future debt service obligations of the refunded debt. Accordingly, the trust account assets and liability for the refunding bonds are not included in the Drainage Districts' component unit, or the County's financial statements. The debt refunded amounted to \$2,190,000 for the Rewold Drainage District, Series 2005 maturing in the years 2014 through 2025 inclusively. The refunding was undertaken to reduce the debt services payments over the next 11 years by \$265,332 and obtain an economic (present value) gain to the benefiting municipalities of \$242,293.

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In February 2013, the County issued \$1,925,000 of refunding bonds for a current refunding of general obligation limited tax refunding bond issue on behalf of the Drainage Districts' component unit, pursuant to authorization contained in Act 34, Public Acts of Michigan of 2001. General obligation limited tax refunding drain bonds were issued for the payment of future debt service obligations of the refunded debt. Accordingly, the trust account assets and liability for the refunding bonds are not included in the Drainage Districts' component unit, or the County's financial statements. The debt refunded amounted to \$1,885,000 for the Jacobs Drainage District, Series 2005A maturing in the years 2014 through 2025 inclusively. The refunding was undertaken to reduce the debt services payments over the next 11 years by \$246,392 and obtain an economic (present value) gain to the benefiting municipalities of \$224,959.

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, 2013 was as follows:

	Beginning balance	Additions	Reductions	Ending balance	Due within one year
Governmental activities					
Accrued compensated absences	\$ 12,141,921	\$ 1,126,905	\$(1,214,192)	\$ 12,054,634	\$ 1,205,463
Claims and judgments					
Accrued unreported health costs	2,265,000	741,000	(755,000)	2,251,000	750,333
Accrued workers' compensation	12,090,975	1,814,430	(1,900,000)	12,005,405	2,950,000
Building and liability insurance	5,438,863	2,040,299	(1,080,772)	6,398,390	897,895
Governmental activity long-term liabilities	<u>\$ 31,936,759</u>	<u>\$ 5,722,634</u>	<u>\$(4,949,964)</u>	<u>\$ 32,709,429</u>	<u>\$ 5,803,691</u>

County of Oakland
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9. Interfund Balances

Interfund receivables and payables at September 30, 2013 were as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	
General	Nonmajor governmental	\$ 10,484,958
	Nonmajor enterprise	36,820
	Internal service	37,000
	Total	<u>10,558,778</u>
Nonmajor governmental	General	20,307
	Nonmajor governmental	1,361,441
	S.O.C.S.D.S.	1,898
	Nonmajor enterprise	31,078
	Internal service	18,922
	Total	<u>1,433,646</u>
Water & Sewer Trust	Water & Sewer Trust	167,438
	Internal service	810
	Total	<u>168,248</u>
Nonmajor enterprise	Nonmajor enterprise	<u>3,666</u>
Internal service	General	108,597
	Nonmajor governmental	32,666
	Water and Sewer Trust	425,659
	Evergreen Farmington S.D.S.	25,435
	S.O.C.S.D.S.	32,413
	Nonmajor enterprise	22,231
	Internal service	14,399
	Total	<u>661,400</u>
	Total	<u>\$ 12,825,738</u>

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.

County of Oakland
Notes to Basic Financial Statements
September 30, 2013

Receivables and payables between funds of the Primary Government and the Component Units at September 30, 2013 were as follows:

Primary Government	Component Unit	
Due from Component Unit	Due to Primary Government	
General	Drainage Districts	\$ 109,092
Nonmajor governmental	Drainage Districts	412,131
Evergreen Farmington SDS	Drainage Districts	269,311
Internal Service	Drainage Districts	52,069
	Road Commission	9,708
	Total	61,777
	Total	\$ 852,311

Component Unit	Primary Government	
Due from Primary Government	Due to Component Unit	
Drainage Districts	Water & Sewer Trust	\$ 4,408,650
	Internal Service	5,336
		\$ 4,413,986

Advances to/from other funds (including current and long-term portions) at September 30, 2013 were as follows:

Receivable Fund	Payable Fund	
Nonmajor governmental	Nonmajor governmental	\$ 362,335
Delinquent Tax Revolving	Internal Service	103,064
S.O.C.S.D.S.	Internal Service	319,459
	Total	\$ 784,858

County of Oakland
Notes to Basic Financial Statements
September 30, 2013

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, 2013 were as follows:

Transfers In	Transfers Out	Amount
General	Nonmajor governmental	\$ 26,016,309
	Delinquent Tax Revolving	16,397,613
	Internal Service	<u>829,000</u>
	Total	<u>43,242,922</u>
Building Authority Act 31	General	335,472
	Nonmajor governmental	<u>8</u>
	Total	<u>335,480</u>
Nonmajor governmental	General	26,440,401
	Nonmajor governmental	1,232,347
	Building Authority Act 31	952
	Water & Sewer Debt Act 342	5,720
	Delinquent Tax Revolving	4,796,125
	Nonmajor enterprise	661,145
	Internal Service	<u>2,784,306</u>
	Total	<u>35,920,996</u>
Water & Sewer Trust	Water & Sewer Trust	<u>12,500</u>
Nonmajor enterprise	General	2,360,262
	Nonmajor enterprise	<u>200,000</u>
	Total	<u>2,560,262</u>
Internal Service	General	7,884,738
	Nonmajor governmental	192,617
	Parks & Recreation	23,051
	Nonmajor enterprise	<u>286,000</u>
	Total	<u>8,386,406</u>
	Total transfers	<u>\$ 90,458,566</u>

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, 2013

10. Fund Equities

At September 30, 2013, a deficit existed in the following funds:

Special Revenue Funds

Lake Levels Act 146	\$ 258,173
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Capital Projects Funds

Lake Levels Act 146	225,629
Drain Chapter 4 Construction	122,740

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. However, our maintenance and operation costs are directly affected by weather conditions and several of our lake level controls have electrically operated augmentation pumps, making it difficult to predict future expenses.

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 \$192,060 and the Upper Straits Lake Level Dam Reconstruction project in the amount of \$39,412. 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. When the design phase is 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, prior to requesting the loan. Updating the district requires Circuit Court action and therefore, the project schedule is directly affected by the Court schedule. 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. The draws from the Long Term Revolving Fund loan are being tracked on the Balance Sheet of the Construction Fund. The design for the project is complete and bids are scheduled to be received in November 2013.

County of Oakland
Notes to Basic Financial Statements
September 30, 2013

Nonspendable, restricted, committed, assigned, and unassigned fund balances of the primary government at September 30, 2013 were as follows:

	Spendable				
	Nonspendable	Restricted	Committed	Assigned	Unassigned
Primary Government					
General Fund					
Prepays	\$ 113,089	\$ -	\$ -	\$ -	\$ -
Inventories	145,558	-	-	-	-
Property Tax Forfeiture	-	15,589,336	-	-	-
Substance Abuse	-	4,611,797	-	-	-
Department Operations	-	-	-	500,280	-
Federal Health Care Impact	-	-	-	1,000,000	-
Capital Reserve	-	-	-	5,800,000	-
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	-	-	-	705,000	-
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	-
Quality of Life Initiatives	-	-	-	500,000	-
Peoplesoft Upgrade	-	-	-	2,800,000	-
Sheriff Aviation	-	-	-	1,186,292	-
Jail Commissary	-	-	-	123,539	-
RCOC Triparty	-	-	-	2,000,000	-
Property Tax Forfeiture Activities	-	-	-	2,236,612	-
Community Partnerships	-	-	-	238,654	-
Microloan	-	-	-	200,000	-
Buy Local				200,000	
Future operating requirements:					
2014	-	-	-	33,754,856	-
2015	-	-	-	41,413,707	-
2016	-	-	-	47,011,617	-
2017 and Beyond	-	-	-	42,476,517	-
Carry forwards	-	-	-	1,971,411	-
DB Pension Contribution 2015-7	-	-	-	5,000,000	-
MI SCAO Interpreter Costs	-	-	-	1,500,000	-
Building Security Cameras and Consoles	-	-	-	5,000,000	-
WRC Long-Term Revolving Fund	-	-	-	1,000,000	-
Rx Discount Card Program	-	-	-	3,556	-
Unfunded Mandates	-	-	-	3,500,000	-
Unassigned	-	-	-	-	1,091,218
Total	\$ 258,647	\$ 20,201,133	\$ -	\$ 221,222,041	\$ 1,091,218

County of Oakland
Notes to Basic Financial Statements
September 30, 2013

	Nonspendable	Spendable			
		Restricted	Committed	Assigned	Unassigned
Special Revenue Funds					
Lake Levels (Deficit)	\$ -	\$ -	\$ -	\$ -	\$ (258,173)
Specific programs	-	51,303,006	-	-	-
Total	\$ -	\$ 51,303,006	\$ -	\$ -	\$ (258,173)
Debt Service Funds					
Debt service - general obligations	\$ -	\$ 953,734	\$ -	\$ -	\$ -
Capital Projects Funds					
Long-term receivables	\$ 441,135	\$ -	\$ -	\$ -	\$ -
Work projects	-	9,257	46,332,071	-	(348,369)
Total	\$ 441,135	\$ 9,257	\$ 46,332,071	\$ -	\$ (348,369)

11. Employee Benefits

Primary Government

The County provides various benefits to its employees. Expenditures in 2013 for these benefits totaled the following: medical insurance, \$28,920,526; dental insurance, \$3,002,652; optical insurance, \$267,805; disability, \$2,481,903; tuition reimbursement, \$123,232; Social Security, \$14,280,626; workers' compensation, \$2,171,807; and unemployment claims, \$488,128.

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
September 30, 2013

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, 2013:

Statement of Net Position

Cash and investments	\$ 762,025,952
Other assets	2,817,552
Total assets	<u>764,843,504</u>
Liabilities	<u>572,717</u>
Net position	<u>\$ 764,270,787</u>

Statement of Changes in Net Position

Additions:	
Contributions	\$ 6,027,403
Investment income	87,289,623
Other revenue	191,696
Total additions	<u>93,508,722</u>
Deductions:	
Benefit payments	47,320,259
Other expenses	2,709,616
Total deductions	<u>50,029,875</u>
Change in net position	43,478,847
Net position held in trust, beginning of year	<u>720,791,940</u>
Net position held in trust, end of year	<u>\$ 764,270,787</u>

Basis of Accounting

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

Method Used to Value Investments

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

Funding Policy/Contributions

The County policy is to fund normal costs of the plan by contributions which are based on actuarially determined rates, expressed as percentages of annual covered payroll, and which are sufficient to accumulate assets to pay benefits when due. For fiscal year 2013, the annual contribution was \$5,400,095 which was determined through actuarial valuations performed at September 30, 2011. There were no contributions from County funds for the years 2000 through 2012.

County of Oakland

Notes to Basic Financial Statements

September 30, 2013

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, 2013 and September 30, 2012 amounted to \$627,308 and \$716,927, 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, 2012, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	1,892
Terminated plan members entitled to, but not yet receiving benefits	140
Active plan members	<u>526</u>
Total	<u>2,558</u>

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

Annual Pension Cost

For fiscal year end September 30, 2013, annual pension cost of \$5,400,095 was equal to the County's required and actual contribution.

County of Oakland
Notes to Basic Financial Statements
September 30, 2013

Funded Status and Funding Progress

	Actuarial Valuation as of September 30		
	2012	2011	2010
Actuarial value of assets	\$ 717,654,902	\$ 727,690,746	\$ 745,094,735
Actuarial accrued liability (entry age)	713,972,065	712,159,061	692,409,285
Overfunded AAL	<u>\$ (3,682,837)</u>	<u>\$ (15,531,685)</u>	<u>\$ (52,685,450)</u>
Funded ratio	100.5%	102.2%	107.6%
Covered payroll	\$ 33,706,963	\$ 38,275,780	\$ 42,686,155
UAAL as percentage of covered payroll	(10.9)%	(40.6)%	(123.4)%

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, 2011, 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, 2013 consists of the following reserves:

Annuity reserve	\$ 7,266,355
Pension reserve	253,397,050
Pension accumulated reserve	<u>503,607,382</u>
Total fund balance	<u>\$ 764,270,787</u>

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

County of Oakland
Notes to Basic Financial Statements
September 30, 2013

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, 2013 was 2,758, which includes 479 employees who elected to transfer from the PERS in 1995 through 2000 and 2,279 current employees hired since July 1, 1994.

The County's payroll for employees covered by the OPRS for the year ended September 30, 2013 was \$155,163,495, and the County's total payroll was \$205,696,346. The required contributions, which matched those actually made, were \$5,920,871 by employees and \$14,101,873 by the County, representing 3.8% 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 2013, the County contributed \$187,227 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, 2013

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 2013, the County provided 2,167 retirees medical insurance and reimbursed them for Medicare premiums under the Trust. In 2013, the County disbursed \$28,563,668 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, 2013, the date of the most recent actuarial valuation, membership in the OPEB consisted of 2,265 retirees and beneficiaries currently receiving benefits, 2,539 active employees, and 240 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		
	2013	2012	2011
Annual OPEB cost (ARC)	\$ 28,359,365	\$ 27,858,341	\$ 37,116,312
Percentage of ARC contributed	0%	0%	0%
Net OPEB asset	\$ 198,243,607	\$ 299,937,972	\$ 327,796,313

In 2013, the IRMBT contributed \$36,970,025 as the annual required contribution determined by the actuary. In addition, the County, as permitted, contributed an additional \$236,000,000 in order to fully fund the VEBA. Since the 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.

County of Oakland
Notes to Basic Financial Statements
September 30, 2013

The funding progress of the plan as of September 30, 2013, the most recent actuarial valuation report, is as follows:

Retirees and beneficiaries	\$ 444,643,296
Vested terminated employees who will be eligible when they collect retirement (age 60 in most cases) and their beneficiaries	59,189,042
Active employees and beneficiaries	<u>365,652,808</u>
Actuarial accrued liability	869,485,146
Actuarial value of assets	<u>1,023,100,574</u>
Unfunded AAL (Overfunded AAL)	<u><u>\$(153,615,428)</u></u>
Funded ratio	117.7%
Annual covered payroll	\$ 154,128,944
Overfunded AAL as a percentage of payroll	99.7%
Actuarial Required Contribution (ARC)	\$ 19,505,017
Adjustment to the ARC	17,465,007
Interest on net OPEB asset	<u>(8,610,659)</u>
Annual OPEB cost	28,359,365
Contributions	-
Loan forgiveness*	<u>73,335,000</u>
Decrease in net OPEB Asset	101,694,365
OPEB Asset - Beginning of year	<u>299,937,972</u>
OPEB Asset - End of year	<u><u>\$ 198,243,607</u></u>

*refer to Note #8

Overfunded actuarial accrued liabilities are being amortized based on a level dollar closed period of 10 years. In addition, the County reports an other post-employment benefits asset for the funding provided by the sale of certificates of participation. The remaining amortization period of this asset as of September 30, 2013 was 23 years.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

County of Oakland
Notes to Basic Financial Statements
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In the September 30, 2013 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. The UAAL for the groups was amortized over a 10-year period using a closed level dollar payment method. Active member payroll was assumed to increase 4.5 percent per year for the purpose of determining the level percent contributions.

The following are condensed financial statements as of and including September 30, 2013 (the OPEB Plan includes the VEBA Trust and the IRMB Trust):

**OPEB
Plan**

Statement of Net Position

Cash and investments	\$ 1,454,093,632
Other assets	2,784,575
Total assets	<u>1,456,878,207</u>
Liabilities	<u>424,279,040</u>
Net position	<u>\$ 1,032,599,167</u>

Statement of Changes in Net Position

Additions:	
Contributions	\$ 90,192
Investment income	157,838,005
Other revenue	2,335,012
Total additions	<u>160,263,209</u>
Deductions:	
Benefits	28,563,668
Loan forgiveness	73,335,000
Other expenses	3,513,973
Total deductions	<u>105,412,641</u>
Change in net position	54,850,568
Net position held in trust, beginning of year	<u>977,748,599</u>
Net position held in trust, end of year	<u>\$ 1,032,599,167</u>

County of Oakland
Notes to Basic Financial Statements
September 30, 2013

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, 2012, the date of the most recent actuarial valuation, membership consisted of 689 retirees and beneficiaries currently receiving benefits, 306 vested active employees, and 92 nonvested active employees. For the year ended September 30, 2013, the Road Commission's adjusted annual required contribution to the Trust was \$8,211,121, with interest of \$736,292 on the prior year net OPEB obligation. The Road Commission contributed \$500,000 to the Trust during the year and paid \$5,935,689 directly toward insurance premiums and medical costs for retirees during fiscal year 2013, leaving a net OPEB obligation of \$14,783,249 at September 30, 2013.

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 \$622,958,494, electronic data processing equipment in the amount of \$42,241,397, 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 \$1,000,000 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, 2013

The County and the Road Commission estimate the liability for all the above-mentioned claims that have been incurred through September 30, 2013, 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	
	2013	2012
Primary Government		
Beginning-of-period liability	<u>\$ 19,794,838</u>	<u>\$ 18,529,805</u>
Estimated claims incurred, claim adjustment expenses and changes in estimates		
Provisions for current-year events	39,152,714	42,318,258
Decrease in provisions for prior-year events	<u>(540,383)</u>	<u>(57,100)</u>
Total incurred claims, claim adjustment expenses and changes in estimates	38,612,331	42,261,158
Claim payments and claim adjustment expenses		
Related to current-year events	(35,318,819)	(39,197,486)
Related to prior-year events	<u>(2,433,555)</u>	<u>(1,798,639)</u>
Total claim payments and claim adjustment expenses	<u>(37,752,374)</u>	<u>(40,996,125)</u>
End-of-period liability	<u>\$ 20,654,795</u>	<u>\$ 19,794,838</u>
Road Commission - Component Unit		
Beginning-of-year liability	\$ 3,833,018	\$ 3,647,027
Estimated claims incurred and changes in estimates	12,336,340	13,690,593
Claim payments	<u>(12,823,325)</u>	<u>(13,504,602)</u>
End-of-year liability	<u>\$ 3,346,033</u>	<u>\$ 3,833,018</u>

County of Oakland
Notes to Basic Financial Statements
September 30, 2013

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, 2013 were \$880,740. The future minimum lease payments as of September 30, 2013 are as follows:

Fiscal year	Primary government
2014	\$ 803,967
2015	576,649
2016	344,656
2017	157,604
2018	157,604
2019-2023	<u>110,323</u>
Total	<u>\$ 2,150,803</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, 2013 totaled \$158,127, 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, 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, City of Oak Park in the amount of \$2,500,000 in 2012, and Community Mental Health Authority Project in the amount of \$14,500,000 in 2012. The future minimum lease payments to be received as of September 30, 2013 are as follows:

Fiscal year	Primary government
2014	\$ 1,853,016
2015	1,894,216
2016	1,881,891
2017	1,865,604
2018	1,873,407
2019 - 2023	8,196,606
2024 - 2028	6,389,866
2029 - 2033	6,010,308
2034 - 2038	948,563
2039 - 2043	<u>133,075</u>
Total	<u>\$ 31,046,552</u>

County of Oakland
Notes to Basic Financial Statements
September 30, 2013

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, 2013 as follows: Water Resources Commissioner has a contract with a cost of \$4,961,023 for the Farmington Hills Water System Project (ACT 342 Project) with a remaining balance of \$1,084,109 and a contract with a cost of \$1,931,226 for the Evergreen Farmington Sewage Disposal System (ACT 342 Project) with a remaining balance of \$1,273,645. Building Authority Projects has a contract with a cost of \$1,408,000 for the Facilities Infrastructure/Information Technology Project with a remaining balance of \$1,114,323.

The Drainage Districts' component unit has a construction contract for a Bloomfield Township CSO project with a total cost of \$2,712,210, with a remaining balance of \$402,559 and contracts for the Oakland Macomb Interceptor Drainage District Project with a total cost of \$92,494,347, with a remaining balance of \$61,112,109 as of September 30, 2013.

County of Oakland
Notes to Basic Financial Statements
September 30, 2013

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	\$ 11,992,424
Long-term advances receivable	362,335
Due to other funds	(12,007,969)
Current and long-term advances payable	(362,335)

Internal Service Funds

Due from other funds	661,400
Due to other funds	(71,131)
Current and long-term advances payable	(422,523)

Governmental activities, internal balances

\$ 152,201

Business-Type Activities

Proprietary Funds

Due from other funds	\$ 171,914
Current and long-term advances receivable	422,523
Due to other funds	(746,638)

Business-type activities, internal balances

\$ (152,201)

EXHIBIT C COUNTY OF MACOMB GENERAL AND ECONOMIC INFORMATION

PROFILE OF MACOMB COUNTY

Macomb County is located in Southeast Michigan. Positioned north of Wayne County and the City of Detroit, east of Oakland County, south of Lapeer County, southwest of St. Clair County and directly west of Lake St. Clair, Macomb County is home to a vast spectrum of people and places. Comprised of 27 local units of government, Macomb County is characterized by dynamic urban clusters, expansive networks of industry and commerce, pristine natural features and fruitful agricultural lands. From its densely populated southern cities to its charming rural villages, Macomb County possesses a wealth of assets that makes it a desirable place to live, work and play.

Population statistics from the United States Census Bureau continue to illustrate Macomb County's prominence in the State of Michigan and the metropolitan Detroit region. The 2010 Census concluded that Macomb County's population reached 840,978 residents, which was a 6.7 percent increase from the 2000 Census. This population increase was the highest among southeast Michigan counties, and reaffirmed the growth and stability of Macomb County.

As Michigan's third largest county, Macomb County has been able to weather the unstable population trends witnessed across the State of Michigan. From 2000 to 2010 Macomb County added more than 52,000 residents while the state and 40 other Michigan counties saw population decreases. In the midst of population loss at a grand scale across Michigan, Macomb County illustrated its ability to thrive.

In 2013, the United States Census Bureau estimates placed Macomb County's population at 851,915. This was an increase of 10,937 residents over three years, which represents the third highest increase of residents by any Michigan county. Macomb County is home to three of the ten most populated communities in Michigan: Warren (#3), Sterling Heights (#4), and Clinton Township (#8). Since 2010, Clinton Township moved up from tenth to eighth.

Macomb County is also home to some of the state's fastest growing communities. Since 2010, Macomb Township ranked second in the state for population growth adding 2,136 residents while Shelby Township ranked ninth with an increase of 1,120 individuals. The data also highlight that Macomb County has a larger population than five states (Wyoming, Vermont, North Dakota, Alaska and South Dakota) and the District of Columbia. Macomb's gains in population have also had positive impacts on the county's housing stock.

Macomb County possesses a full range of housing options. The size and scale of residential development in Macomb County encompasses modern urbanized areas, rural settings, historic cities and villages and scenic waterfront living. In 2011, Macomb County had 356,715 housing units, with a median home value of \$134,700. Currently more than 92 percent of the County's total housing units (330,596) are occupied. The vast majority of Macomb's occupied housing units are owner occupied (76 percent), ranking it among the highest in the nation.

Nestled among tracts of residential developments located across Macomb County are incredible parks and recreational amenities. There is more than 17,000 acres of land in Macomb County devoted to parks and recreation. Macomb County's recreational experiences include regional parks, picnic areas, hike and bike trails, world renowned fishing sites, beaches and boating facilities.

Approximately 32 miles of coastline along Lake St. Clair provide access to fun and sports on the waters of the Great Lakes. Lake St. Clair accounts for a third of the entire great lakes sport fishing catch each year, and its contributing waters account for nearly half the entire Great Lakes sport fishing effort that is valued at approximately \$2 Billion annually to the local economy. With more than 50,000 registered boats, Macomb County is served by more than 60 public and private marinas offering countless amenities for both resident and transient boaters. In 2013, Lake St. Clair was named the #1 bass fishing lake in United States by *Bassmaster Magazine*. Macomb County's Lake St. Clair is the gathering place of the Great Lakes.

Macomb County's governmental structure is defined by the Home Rule Charter of Macomb County Michigan and the general laws of the State of Michigan. A Home Rule Charter was approved by voters in 2009 and became effective January 1, 2011, thus altering the structure of Macomb County government. The charter established the position of County Executive to be elected by the voters and serve as head of the executive branch of government. The Executive's duties are to supervise, coordinate, direct and control all county departments, except for departments headed by countywide elected officials. The Macomb County Commission serves as the legislative body of Macomb County government and is composed of thirteen commissioners elected for two-year terms from thirteen districts of nearly equal population.

The County Treasurer, Clerk/Register of Deeds, Prosecutor, and Sheriff are offices established by the State's constitution. A Public Works Commissioner was established as an elected position in 1909 and currently operates under Public Act 40 of 1956, the Uniform Drain Code. The above offices are countywide elected with four-year terms. The Treasurer is responsible for collection of delinquent property taxes, property tax settlements with local units of government, cash management, and investments. The Clerk/Register of Deeds is responsible for recording vital statistics administering elections, maintaining court records, Board of Commissioner proceedings, and documents affecting property ownership. The Sheriff and Prosecutor are responsible for law enforcement. The Public Works Commissioner is responsible for the construction and maintenance of drains, lake level control and sewer interceptors.

The Macomb County Courts consist of the Sixteenth Circuit (including Family Court), Probate and 42nd District Court Divisions I and II. The Circuit Court has jurisdiction over criminal cases where the minimum penalty is over one year incarceration, civil damage cases where the controversy exceeds \$25,000, and domestic relation matters. The Macomb County Probate Court consists of two divisions: Wills and Estates and Mental. The Wills and Estates Division administer estates for deceased persons and appoints guardians for minors and legally incapacitated adults. The Mental Division accepts petitions and holds hearings on the hospitalization of individuals who are in need of mental health services and appoints guardians when necessary. The 42nd District Court has jurisdiction over misdemeanors, ordinance and charter violations, civil cases under \$25,000, and preliminary examinations in felony cases for the Village of Romeo and the City of New Baltimore.

Employing the latest technologies in maintaining the safety and welfare of residents and businesses, Macomb County has brought on-line its new Communications and Technology Center (COMTEC) in Mount Clemens. The center integrates emergency management and operations, information technology and data, road department traffic operations and sheriff's office dispatchers all under one roof. Technicians on-site can track everything from routine traffic conditions to severe weather to countywide emergencies.

The most prominent feature found at the 25,000 square foot COMTEC is a 20-by-50-foot video wall with 54 70-inch monitors. The monitors are used for displaying standard television and cable sources to live video feeds from road department and Michigan Department of Transportation cameras at intersections throughout the county. While 70 intersections are camera-monitored today, that number will increase to 360 once camera deployment is complete.

Tracking these monitors, center staff will employ software that uses real-time data to project traffic patterns and will allow them to alter signal timings as needed. For public safety purposes, the cameras will also offer sheriff's deputies real-time information for more efficient response to crash scenes and crimes in progress. Other applications include live feeds from mobile command vehicles, schools and private businesses, as well as video conferencing.

The COMTEC was built for a cost of \$13.5 million, but more than \$9 million, or about 75 percent of the funds, came through federal and state grants. About 25 percent of the money came from the county's capital budget.

ECONOMIC CONDITION

The taxable value of property for 2014 was approximately \$24.6 billion, an increase from the prior year of \$0.4 million or 1.6%. Declines in property values have bottomed out and taxable values are estimated to increase 2.0% in 2015, 2016 and 2017.

Situated in the Great Lakes Region, Macomb County is a thriving community with many geographic advantages. Macomb County is within 500-miles of half the population of the United States and most of Southwestern Ontario. Within just 250 miles are the cities of Chicago, Cleveland and Toronto. The county is linked to these important destinations by an extensive multi-modal transportation network anchored by an inter-connected highway network, active rail corridors and aviation hubs. Macomb's southeastern boundary lies on the western shore of Lake St. Clair. This 430-square-mile lake links lakes Huron and Erie, providing access to the St. Lawrence Seaway, which is among the world's busiest international waterways. These geographic advantages are the foundation for the economic transformation that is happening in Macomb County.

The County is also anchored by a robust infrastructure and a surging workforce. These two community characteristics establish Macomb County as a location of choice for businesses engaged in engineering, research and development, and advanced manufacturing. With approximately 34,000 acres of industrial and institutional land, Macomb County has the capacity to service existing and new business.

It is significant to note that the County has sufficient infrastructure and utility service. From comprehensive sewer and water systems to advanced telecommunication Macomb County possesses the needed infrastructure to service its economic base. A network of thoroughfares, state highways and interstates traverse Macomb County, providing the general public and commercial vehicles ease-of-travel regionally, statewide and to destinations coast-to-coast:

- Interstate 94 (I-94) runs along the eastern border of the county leading to the Blue Water Bridge in one direction and to Chicago in the other.
- Interstate 696 (I-696) crosses the southern portion of the county providing a vital link between I-94 and I-75.
- A network of State of Michigan Highways, including M-53, M-59, M-97, M-3, M-19, M-102 and M-29, help provide important regional transportation linkages.

Macomb County is also served by nearly 70 miles of main-line rail corridor. Conrail Shared Assets operates a line along the western portion of the county, serving the area's primary industrial corridor, which is dominated by automotive OEM and Tier 1 supplier facilities, advanced manufacturing entities, and various defense contractors. A Canadian National rail-line serves the eastern portion of the county, connecting the intermodal hubs found at the Detroit-Windsor and Port Huron-Sarnia border crossings.

Utility services are provided by DTE Energy (electric), Consumers Energy (gas), and the Southeast Michigan Gas Company (gas). All three have the capacity to supply large industrial customers. ITC Transmission provides electrical transmission service to the entire region. Telecommunications services are available from a host of providers, including AT&T, Comcast, WOW, Charter and Verizon. Municipal water and sanitary sewer service is largely provided through the Detroit Water and Sewage Department.

Macomb's labor force is one of the County's most valued resources. From those with advanced degrees, high-tech training, or the skilled trades, Macomb's labor force of over 407,186 is proficient and productive. The county has a rich tradition of manufacturing, and continues to be a major manufacturing center. However, a shift in the economy during the 1990s produced a significant increase in service sector employment. The percentage of county jobs in the manufacturing sector decreased from 35 percent in 1980 to nearly 25 percent in 2012. Macomb County's service sector, which includes all employment outside of agriculture, mining, construction and manufacturing, now includes approximately 71 percent of the county's labor force. Adding definition to Macomb's robust and diverse labor force is an agricultural heritage most evident in the northern portions of the county, where second-and-third-generation farmers maximize nature's wealth.

With sound infrastructure and a skilled workforce in place, Macomb County has seen substantial industrial and commercial development over the past forty years. A mile-wide industrial corridor, 12-miles in length, comprises large industrial establishments including:

- Chrysler Group LLC
 - Warren Truck Assembly Plant
 - Sterling Heights Stamping Plant
 - Sterling Heights Assembly Plant
- Ford Motor Company
 - Van Dyke Plant
 - Sterling Plant
- General Motors
 - Technical Center
 - Powertrain Plant
- Detroit News and Detroit Free Press Sterling Heights Printing Plant;
- The U.S. Army's Tank-automotive and Armaments Command Life Cycle Management Command (TACOM LCMC)
- The U.S. Tank Automotive Research, Development and Engineering Center (TARDEC)
- General Dynamics Land Systems Headquarters

On the commercial side there are more than 12,000 establishments conveniently located throughout Macomb County, offering the consumer a full range of products and services. The county is also home to several large, regional shopping centers, including the Lakeside Mall, located in Sterling Heights, and the Mall at Partridge Creek, located in Clinton Township.

Lakeside is the area's largest shopping center, employing approximately 1,500 people. The multi-level, climate-controlled mall of 1.4 million square feet is located on 545 acres with 51 acres of lakes. The mall's anchor stores are Macy's, J.C. Penney, Sears and Lord & Taylor. There are approximately 130 other stores, specialty shops, restaurants and miscellaneous retail spaces in the mall.

The Mall at Partridge Creek, a 640,000 square foot open-air, "lifestyle" shopping center, opened in 2007. Department-store chains Nordstrom and Carson's serve as anchors, with over 90 shops and restaurants rounding out the variety of offerings. The center also features a 14-screen movie theater, heated sidewalks, two bocce courts, an outdoor play area with water amusements, plus a fireplace in the center court. Customers are invited to bring their dogs and are accommodated with "Comfort Stations" that include water and sanitation supplies.

Higher education is a priority in Macomb County. This is directly reflected in the broad range of degree and technical certificate programs that are offered at many institutions across the county. Macomb Community College (MCC), with two campuses in Warren and Clinton Township, is the county's leading post-secondary educational institution. The College serves nearly 50,000 students annually, and offers 200 options for securing degrees and certificates. MCC is accredited by 17 state, national and occupational training associations, including the Higher Learning Commission. It is widely recognized for one of the first to create a "University Center."

This program is a unique arrangement that joins MCC with four-year colleges and universities to provide area residents increased access to nearly 60 bachelor and master degree programs. The program is an alternative to a residential college or attending a distant university-extension center. Participating schools include:

- Central Michigan University
- Ferris State University
- Madonna University
- Northern Michigan University
- Northwood University
- Oakland University
- Rochester College
- University of Detroit-Mercy
- Walsh College
- Wayne State University

The University Center is also home to the Michigan State University College of Osteopathic Medicine. Opened in 2010, it welcomes 50 new students annually.

MCC also offers continuing education courses, career counseling, cultural activities and community services. The college also operates the 1,271-seat Macomb Center for the Performing Arts, which is one of the finest facilities of its kind in the state. The center brings a diversity of cultural arts experiences to nearly 260,000 patrons annually. Located adjacent to the Macomb Center is the Lorenzo Cultural Center. This venue offers an unparalleled opportunity for exploring the influences and experiences related to science, history, literature, visual and performing arts and culture.

MCC has also been an instrumental partner in grant procurement, workforce development and technological innovation. Over the past several years the college has managed multiple grants addressing employers' needs for skilled workers in the defense, aerospace, advanced automotive, manufacturing and health care industries. In just two grants, those targeting veterans, displaced and dislocated workers, a total of 1,403 individuals were placed into full-time employment at no cost to either the individual or the employer. These program graduates have been hired by 755 companies in Southeast Michigan.

Currently the college is engaged in the implementation of six grants awarded by various sources. Among them, a grant from the National Science Foundation allowed the college to establish the Center for Advanced Automotive Technology. This grant has provided the resources and partnerships for the college to create the region's premier storehouse of advanced automotive technology, catalog the intellectual capital that exists surrounding that technology, and provide small seed grants to encourage ongoing development of training in the region to support this emerging industry.

MCC, on behalf of the Michigan Coalition for Advanced Manufacturing has been awarded a \$24.9 million U.S. Department of Labor grant. The funding will support the efforts of eight Michigan community colleges to leverage growing opportunities in advanced manufacturing, directly responding to employer needs and preparing individuals for jobs in computerized numeric control machining, welding/fabrication, multi-skilled technician and production operations. Those targeted for training include displaced workers, employed workers who require skills upgrading and veterans.

Macomb is the lead institution in this coalition. Its \$9.6 million share of the grant is the largest competitive grant award the college has ever received. Funding from the four-year grant will cover upgrades to the colleges' manufacturing technology to current employer standards, development of new educational offerings and delivery methods, and the training of 2,738 individuals.

Under the Advanced Energy Systems Storage Initiative, Southeast Michigan has been awarded \$2.1 million dollars to create new jobs and technologies related to the rapidly emerging advanced energy storage system industry-cluster. Advanced energy systems are critical to the future of the automotive industry, which is innovating rapidly around vehicle electrification and hybridization. The alternative energy economy also relies heavily on energy storage systems, like batteries and power-trains, to prolong the life of energy generated by solar and wind systems.

Other grants include the Make It in America Challenge Grant, the Clean Energy Coalition grant and a STEM Consortium Grant. The Make It in America Grant, awarded to a team of institutions comprising the "Biotech Partnership", is an effort to continue strengthening Southeast Michigan's role as a manufacturing and agricultural hub by building capacity and capability in the bio-based materials manufacturing sector. MCC is one of more than 30 regional partners of the Clean Energy Coalition. The group was awarded \$500,000 from the U.S. Department of Energy's Clean Cities initiative to fund Michigan Fuel Forward, a two-year project that will accelerate the use and availability of alternative fuel vehicles and infrastructure across Michigan.

The U.S. Department of Labor, through a \$19.7 million grant, is funding the National STEM Consortium. It is a collaborative of ten leading community colleges, including MCC, in nine states that is organized to develop nationally portable, certificate-level programs in Science, Technology, Engineering and Math (STEM) and to build a national model of multi-college cooperation in the design and delivery of high quality, labor market-driven occupational programs.

Beyond MCC, other higher educational institutions have established satellite campuses in Macomb County:

- Baker College, located in Clinton Township, sits on 42 centrally located acres easily accessed from I-94 and I-696. Approximately 5,000 students are enrolled in a variety of academic specializations, including elementary and secondary teacher preparation, nursing, radiology, surgical, veterinary and computer technology programs. The Baker Center for Graduate Studies is additionally accredited by the International Assembly of Collegiate Business Education.
- Oakland University recently opened a satellite campus in the heart of Macomb County. The Oakland University Anton/Frankel Center is a versatile classroom and community meeting space which provides undergraduate and graduate courses.
- Wayne State University continues to expand its presence in Macomb County with the recent groundbreaking for their \$12 million, 40,000 square foot Advanced Technology Education Center in Warren. Located next door to Macomb Community College's South Campus, WSU and the college will seek to create an electric vehicle technologies center-of-excellence, where faculty and students can fully engage in the development and delivery of cutting-edge automotive technologies, coupled with collaborative opportunities with area businesses. Students there will also obtain four-year degrees in other high-demand academic programs, such as engineering, computer science, business, and advanced manufacturing.
- Macomb County has also witnessed an expansion of satellite campuses by a number of other higher education institutions including Central Michigan University, Davenport University, and Saginaw Valley State University.

Macomb County also has a wealth of K-12 institutions and assets. The Macomb Intermediate School District (MISD) serves nearly 137,000 K-12 students enrolled in 21 public school districts and 15 charter academies in Macomb County. The MISD provides curricular and programmatic support to the staff, students and parents of 200 elementary schools, 50 middle schools and 31 high schools countywide. Approximately 19,000 students receive special education services.

In addition to the standard curriculum, direct services for special education students are provided through three schools for the handicapped, a nursing home, the Macomb Regional Center, a special education work activities program, programs for the severely emotionally impaired, and the Continuing Education for Youth Program.

Macomb County's K-12 school system also provides a variety of vocational and technical training programs, arts and culture programs, and advanced International Academies. Leveraging high schools and vocational skill centers Macomb County is home to:

- Chippewa Valley Schools – International Academy of Macomb (offering the coveted International Baccalaureate® diploma)
- Utica Community Schools – Utica Academy of International Studies (offering the coveted International Baccalaureate® diploma)
- Armada Schools – Macomb Academy of Arts and Sciences
- Romeo Community Schools – Romeo Engineering and Technology Center
- Warren Consolidated Schools – Macomb Mathematics Science Technology Center and The School of Performing Arts
- Arts Academy in the Woods

These academies and specialty training schools are designed to provide a blend of rigorous academic standards, practical career-related experiences and intercultural learning opportunities focused on a challenging curriculum.

Health care services in Macomb County include three general hospitals with a capacity of approximately 1,100 beds to serve the area. Henry Ford Health System operates the Henry Ford Macomb Hospital in Clinton Township. Specialty services include a Heart & Vascular Institute, offering highly specialized robotic cardiac surgery, the Josephine Ford Cancer Institute, women's and children's services, orthopedics and neurosciences. The hospital also has a 42-bed inpatient rehabilitation program, an ambulatory and minimally invasive surgery center and leading diagnostic imaging.

McLaren Macomb Hospital in Mount Clemens offers several well-regarded specialty centers within the hospital. Prominent among them are the Mat Gaberty Heart Center and the Ted B. Wahby Cancer Center, both of which offer comprehensive diagnostic and surgical services.

St. John Providence Health System has established "Centers of Excellence" for a wide range of in-patient and out-patient services at St. John Macomb-Oakland Hospital, Macomb Center in Warren. These include Behavioral Medicine Services, Cancer Care, Cardiology Services, Emergency Center, Physical Medicine and Rehabilitation Services, Surgical Services, Women's Health Services and the state-of-the-art Webber Cancer Center. There are also numerous special care facilities and private nursing homes located across the county.

Major Initiatives

Defense

Defense-related business continues to impact the region's economy, especially for Macomb County firms that are securing billions of dollars in defense contracts. The passage of the National Defense Authorization Act for Fiscal Year 2014 set the baseline for the Department of Defense (DoD) budgets for fiscal years 2014 and 2015 at roughly \$497 billion. Although this is not an increase from the current rate for fiscal year 2013, this level avoids the significant decreases of sequestration that was experienced the previous year. Macomb County's strength in defense manufacturing, engineering and research and technology continues to make our nation safer and provides economic opportunity to our region.

The County is home to the Selfridge Air National Guard Base (SANGB), located on the shores of Lake St. Clair in Harrison Township. With National Guard and/or Reserve personnel from every branch of the U.S. Armed Forces, SANGB provides a broad range of air and ground resources and support services to Michigan and to the United States. Hosted by the 127th Wing of the Michigan Air National Guard, Selfridge also calls itself home to the Army, Air Force, Navy, Marines, Coast Guard and Customs and Border Patrol. In fact, it is the only United States installation housing all 5 branches of the Department of Defense (DoD) and Department of Homeland Security (DHS). Through the use of an effective cost-sharing model with its' 40 tenants, the infrastructure at SANGB is able to support 3,000 square acres of land, a 9,000 foot long runway, 26 miles of road and over 500 buildings.

Nearly 3,000 full-time civilian and military personnel work at the base, in addition to approximately 3,000 members of the Air and Army National Guard and Reserve components of the U.S. Armed Forces. Selfridge also supports the STARBASE program, a science, technology, engineering, and mathematics (STEM) education program run by the DoD for elementary school students. In 2014, the STARBASE program received funding in Michigan with an allocation of \$21.7 million that is shared amongst Selfridge, Kellogg Air National Guard Base in Battle Creek, and the Alpena Combat Readiness Training Center. In addition to these activities, SANGB has been exploring options for leasing parcels of unused land to DoD contractors under their Commercial Land Use Program (CLUP).

Macomb County is also home to the U.S. Army Garrison – Detroit Arsenal which is the headquarters for the U.S. Army TACOM Life Cycle Management Command (LCMC) and the U.S. Tank Automotive Research, Development and Engineering Center (TARDEC). For more than 70 years, the TACOM LCMC supported our nation's army, the industrial base and Michigan's economy with technical, contracting, logistics and project manager support. It is a strategic-level command headquarters dedicated to providing the best integrated vehicle, uniform and weapons systems designed for protection of our nation's greatest asset: our soldiers. TACOM LCMC employs over 22,000 people globally with 8,000 working in Macomb County who are committed to excellence.

TARDEC is the DoD's leading laboratory for research and development of advanced military vehicle technologies, including efforts to protect Army vehicles against rocket propelled grenades, improvised explosive devices and explosive projectiles. TARDEC also works on advanced materials for tactical vehicle armor, more efficient engines, fuel-cell and hybrid electric vehicles, unmanned ground vehicles, computer simulations for vehicle design and training of Army personnel, and technology partnerships with the automotive industry. For fiscal year 2014, TARDEC will receive \$161 million in funding for Army research on combat vehicles and new automotive technologies.

In recognition as the epicenter for defense activity, Macomb County was awarded a \$231,000 grant from the Michigan Economic Development Corporation (MEDC) to launch a statewide campaign to support and grow Michigan's defense industry. The 2013 MEDC/Macomb County Defense Grant positioned the county to provide leadership in promoting and branding Michigan's defense industry as the "Arsenal of Innovation". This effort featured the launch of a central website, a video, a radio script and a business attraction brochure, all of which highlighted our assets in the defense sector. The task was completed in time for a targeted launch at the Association of the U.S. Army (AUSA) Exhibition and Conference in Washington D.C., where exhibition space was shared in partnership with the Michigan Defense Center, Automation Alley, and 12 companies from Michigan. Additional projects under the grant were an external-market research study to identify companies located outside of Michigan to be targeted for attraction to our state, facilitation of an industry collaborative around robotic and automated systems known as the Michigan Automated Systems Collaborative (MASC), and the coordination of workshops that educate employers on the benefits of hiring veterans. The overall goal of the grant is to market the state as a major thoroughfare for defense-related activities and to contribute to the growth of this important industry-sector in Michigan.

Another prominent partner in fostering Macomb County's defense sector is the Macomb-OU INCubator, which is focused on defense technologies and its' ties to other sectors including manufacturing, electronics, life sciences and information technology. To date it has helped local businesses secure \$3.2 million in capital. Adding to their portfolio of services, the Macomb-OU INCubator was awarded \$776,000 from the MEDC to support businesses pursuing opportunities with the Defense Advanced Research Projects Agency, or DARPA. The Michigan DARPA Matching Funds Program (MD.MFP) grant helps increase the footprint of DARPA research taking place in Michigan by providing matching funds, up to \$50,000 for DARPA-funded projects. The grant also helps fund job retraining opportunities, assess and analyze the activity level of other DARPA grantees throughout the state, assist universities and businesses in competing in "DARPA challenges" award money and seek grants for area businesses.

Also housed at the Macomb-OU INCubator is the Michigan Defense Center (MDC), an office of the MEDC that is staffed by a team of specialists experienced in the contracting practices of the U.S. Department of Defense and the U.S. Department of Homeland Security. MDC staff also work with major prime contractors, such as General Dynamics and BAE Systems, to bring opportunities to potential suppliers across the state, as well as help to build a defense supply-chain cluster in Macomb County. Their latest project is a Bid Targeting System that matches contract opportunities to company specific capabilities, decreasing the amount of time contractors spend searching for proposals to bid.

These operations and partnerships have spurred the establishment of defense businesses across Macomb County. Anchored by several military prime contractors, as well as hundreds of their suppliers, Macomb County continues to experience a wealth of defense related work and investment. In 2012, Michigan defense contractors were awarded nearly \$4.7 billion in defense related work creating 47,256 defense-related jobs. Almost 50 percent of those contracts, \$2.31 billion, were awarded to Macomb County companies. In Macomb County alone, nearly 600 companies have been engaged in some variety of defense-related work and have secured \$26 billion in defense contracts in the last decade.

General Dynamics Land Systems (GDLS), based out of Sterling Heights, is one of the county's leading defense contractors with over 2000 employees. In fiscal year 2013, GDLS was awarded nearly \$1.8 billion in contracts from the U.S. Army TACOM LCMC in support of ground vehicle research and development on platforms such as the Abrams battle tank, the Ground Combat Vehicle (GCV) Infantry Fighting Vehicle (IFV) vehicle and Stryker modernization programs. Future procurements allocated under the National Defense Authorization Act for fiscal year 2014 include \$394.6 million for the Army's Stryker armored vehicle and \$178.1 million for the Abrams main battle tank program. General Dynamics Land Systems is the lead contractor for both platforms and more than 200 Michigan companies serve as suppliers.

Another major defense contractor located in Macomb County, BAE Systems has been recognized as "2013 Best Place to Work" by the Sterling Heights Chamber of Commerce and Industry. Supporting prototyping, engineering, and testing and evaluation, this division of BAE continues future development on new Army programs such as the Ground Combat Vehicle (GCV) and Joint Light Tactical Vehicle (JLTV). Recently, BAE Systems has been awarded a second phase engineering contract for the Bradley Fighting Vehicle which has a value expected to reach \$234 million by its final delivery in mid-2017.

A new-comer to Macomb County, California-based, Wyle, opened their engineering and testing office at the Defense Corridor's Center for Collaboration and Synergy, located in Sterling Heights. Wyle's Michigan operations will provide life cycle engineering support for customers at the U.S. Army's TACOM LCMC and TARDEC. Wyle anticipates near term hiring of technical writers to meet their current demand supporting the Mine-Resistant Ambush Protected (MRAP) vehicle.

Automotive

In 2013, the same year in which the domestic auto industry has reported sales and profits that would have been thought inconceivable four-years prior, both General Motors and Chrysler made significant new and continued investments in their Macomb County operations. Leading the group was GM, with two major projects.

In May, the new \$130 million Enterprise Data Center opened on the GM Technical Center's campus in Warren. Claimed to be among the best in its class in the world, the 5,040 square foot center has 48 workstations and a 955-square-foot video wall used to monitor data use around the clock. It is billed as the computing backbone for the corporation's global operations.

Among the facility's functions is the maintenance of GM's private data cloud supporting data analysis of virtual crash testing. Performed by supercomputers, this analysis can be applied to vehicle design to refine safety technologies. Such testing will reportedly save the company \$350,000 for each physical crash test it doesn't have to perform. Data consolidation and analysis at the facility also will reportedly improve the company's ability to market products and to streamline engineering and production efforts, saving millions of dollars.

Also at GM's Technical Center in Warren, the company has accelerated its development and research of electrified vehicles by nearly tripling the size of its battery lab headquarters. The \$20 million expansion to the Global Battery Systems Lab, which opened in May 2009, added 50,000 square feet to the existing facility. The additional space brings the lab to 85,000 square feet, making it the largest battery lab in North America owned and operated by a major auto manufacturer.

The expansion includes additional equipment for future battery system development such as charging and testing, building prototype battery packs; increasing the number of pack-level test channels for battery packs from 64 to 112 and cell testing areas from 96 to 120; among other development and research capabilities. The lab, which was built in a former GM combustion engine testing area, is responsible for testing and validating both battery cells and packs for all of GM's vehicle electrification systems, including the Chevy Volt, Cadillac ELR, the Chevrolet Spark EV and the eAssist light electrification system. Some of the validation processes and testing inside the facility includes putting electric vehicle batteries through days or weeks of severe weather - from -104 degrees Fahrenheit to 185 degrees Fahrenheit.

Population (US Census)	
1980	694,600
1990	717,400
2000	788,149
2010	840,978

County Property Tax Millage Rates (Per \$1,000 of Taxable Value)

	2008	2009	2010	2011	2012	2013	2014
County Operating	4.2000	4.5685	4.5685	4.5685	4.5685	4.5685	4.5685
County Drain Debt	0.0055	0.0050	0.0050	0.0050	0.0050	0.0050	0.0050
County Veterans'	-	0.0400	0.0400	0.0400	0.0400	0.0400	0.0400
County Zoo Authority	-	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
County Art Institute	-	-	-	-	0.2000	0.2000	0.2000
SMART	0.5900	0.5900	0.5900	0.5900	0.5900	0.5900	1.0000
Huron Clinton Metro Authority	0.2146	0.2146	0.2146	0.2146	0.2146	0.2146	0.2146
	5.0101	5.5181	5.5181	5.5181	5.7181	5.7181	6.1281
Macomb ISD	2.9430	2.9430	2.9430	2.9430	2.9430	2.9430	2.9430
Macomb Community College	1.4212	1.4212	1.4212	1.5712	1.5712	1.5312	1.5262
	9.3743	9.8823	9.8823	10.0323	10.2323	10.1923	10.5973

The County's authorized operating tax rate is 5.19 mills.

TAX RATE LIMITATION

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

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

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

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

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

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

Unit of Government	Millage Rate
County of Macomb	5.19
Townships	1.00
Intermediate School District	0.23
Total	6.42

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

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

TAX COLLECTION RECORD

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

<u>Tax Year</u>	<u>Tax Levy*</u>	<u>Amount Collected Through March 31 of Following Year</u>	<u>Percent Collected Through March 31 of Following Year</u>
2004	\$ 109,802,442	\$ 107,355,031	97.77%
2005	115,602,340	114,604,662	99.14%
2006	129,938,194	126,412,193	97.29%
2007	136,819,673	123,526,358	90.28%
2008	138,024,533	122,395,032	88.68%
2009	141,108,452	130,591,323	92.55%
2010	129,683,069	115,652,424	89.18%
2011	120,899,127	110,808,310	91.65%
2012	113,410,640	104,151,427	91.84%
2013	112,568,178	104,387,624	92.73%
2014	113,694,220	Not Available	Not Available

*Includes operating, veterans' and drain debt levies

PROPERTY SUBJECT TO TAXATION

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

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

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

On March 15, 1994, the electors of the State approved an amendment to the Michigan Constitution permitting the Legislature to authorize ad valorem taxes on a non-uniform basis. The legislation implementing this constitutional amendment added a new measure of property value known as "Taxable Value." Beginning in 1995, taxable property will have two valuations - State equalized valuation ("SEV") and Taxable Value. Property taxes will be levied on Taxable Value. Generally, Taxable Value of property is the lesser of (a) the Taxable Value of the property in the immediate preceding year, adjusted for losses, multiplied by the lesser of the net percentage change in the property's SEV, or the inflation rate, or 5%, plus additions, or (b) the property's current SEV. Under certain circumstances, therefore Taxable Value of property may be different from the same property's SEV.

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

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

<u>Year</u>	<u>State Equalized Value (50% of True Cash Value)</u>	<u>Taxable Value</u>
2004	\$ 33,721,486,757	\$ 26,980,530,368
2005	35,568,829,993	28,602,726,523
2006	37,228,328,919	30,373,918,359
2007	38,357,400,548	31,862,669,926
2008	36,403,823,352	31,937,933,158
2009	33,397,712,886	31,059,989,313
2010	29,264,162,054 (1)	27,895,119,373 (1)
2011	26,749,661,712 (1)	25,959,180,317 (1)
2012	25,021,187,785 (1)	24,386,776,686 (1)
2013	25,088,284,319 (1)	24,256,691,999 (1)
2014	26,233,186,099 (1)	24,643,810,672 (1)

(1) This amount includes properties from Renaissance Zone

<u>2014 Breakdown By Class</u>		<u>2014 Breakdown By Use</u>	
Real	90.17%	Agricultural	0.50%
Personal	<u>9.83%</u>	Commercial	13.66%
		Developmental	0.08%
Total	<u>100.00%</u>	Industrial	5.78%
		Personal Property	9.83%
		Residential	<u>70.15%</u>
			<u>100.00%</u>

INDUSTRIAL FACILITIES TAX

The Michigan Plant Rehabilitation and Industrial Development District Act (Act 198, Public Acts of Michigan, 1974, as amended) ("Act 198"), provides significant tax incentives to industry to renovate and expand aging plants and to build new plants in Michigan. Under the provisions of Act 198, qualifying cities, villages and townships may establish districts in which industrial firms are offered certain property tax incentives to encourage restoration or replacement of obsolete industrial facilities and to attract new plants to the area. The issuance of any exemption certificate must be approved by the State Treasurer. Firms situated in such districts pay an Industrial Facilities Tax in lieu of property taxes on plant and equipment for a period of up to 12 years. For rehabilitated plant and equipment, the assessed value is frozen at previous levels. New plant and equipment is taxed at one-half of the recalculated IFT Rate using 1993 school operating mills and current year mills for all other taxing jurisdictions. It must be emphasized, however, that ad valorem property taxes on land and inventory are specifically excluded under Act 198. Abatements under Act 198 have been granted to properties in the County with a total 2013 Taxable value of \$749,773,738 for real and personal property. The 2014 abatement totals not yet available.

COMMERCIAL REDEVELOPMENT ACT

The Commercial Redevelopment Act (Act 255, Public Acts of Michigan, 1978, as amended) ("Act 255") before its expiration provided tax incentives to businesses restoring commercial areas by allowing tax abatement. The statute permitted a municipality to grant up to 12 years of property tax relief to businesses who either locate new facilities in commercially blighted areas or reconstruct structures in commercially blighted areas. Act 255 allowed new commercial facilities to be charged one-half of the recalculated IFT Rate using 1993 school operating mills and current year mills for all other taxing jurisdictions. Rehabilitated facilities could be charged taxes based on its old valuations. To qualify, property must have been zoned for commercial use at least three years before the effective date of Act 255. Act 255 has expired and legislation to extend its life has not been approved. There are no abatements under Act 255.

<u>County Building Permits</u>	
<u>Year</u>	<u>Number</u>
2007	1,245
2008	506
2009	346
2010	933
2011	1,145
2012	1,342
2013	1,776

Major Taxpayers		
2014		
10 Largest	Taxable Value	% of Total
General Motors	\$ 482,111,409	2 1.96
Chrysler	404,987,076	1.64
Ford Motor	327,883,354	1.33
DTE	281,184,427	1.14
Consumers Energy	206,288,637	0.84
International Trans	90,000,610	0.37
Comcast	52,110,616	0.21
Walmart	39,636,202	0.16
Meier	39,433,144	0.16
Mall At Partridge Creek	31,760,200	0.13
	<u>\$ 1,955,395,675</u>	<u>7.94</u>

EMPLOYMENT CHARACTERISTICS

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

Company	Number Employed	Product/Service
GENERAL MOTORS CORPORATION	12,668	AUTO MANUFACTURER
CHRYSLER GROUP LLC	10,406	AUTO MANUFACTURER
U.S. GOVERNMENT	6,671	FEDERAL GOVERNMENT
FORD MOTOR CORPORATION	4,135	AUTO MANUFACTURER
ST JOHN HEALTH SYSTEM	3,558	HEALTH CARE SYSTEM
HENRY FORD HEALTH SYSTEMS	3,328	HEALTH CARE SYSTEM
UTICA SCHOOLS	2,711	PUBLIC SCHOOL DISTRICT
MACOMB COUNTY	2,218	COUNTY GOVERNMENT
GENERAL DYNAMICS LAND SYSTEMS DIVISION	2,079	ARMORED MILITARY VEHICLES AND SUBSYSTEMS
MCLAREN MACOMB	1,561	HEALTH CARE SYSTEM

EMPLOYMENT STATISTICS

Year	Work	Unemployment	
	Force	Unemployed	Rate
2007	421,067	31,040	7.4%
2008	415,506	36,045	8.7%
2009	415,260	65,207	15.7%
2010	407,664	57,112	14.0%
2011	400,381	46,660	11.7%
2012	399,986	41,530	10.4%
2013	402,124	31,466	7.8%

RETIREMENT PLANS

The County sponsors a Defined Benefit Pension Plan referred to as the Macomb County Employees' Retirement System (MCERS). The Plan was 92% funded at December 31, 2012, the date of the most recent actuarial valuation. Macomb County operates its own Retirement System with seven trustees. The Investment Portfolio is divided among the following investment counselors: Alidade Capital, Angelo Gordon, Blackrock, Blackstone Group, Bloomfield Capital, Cramer Rosenthal, Earnest Partners, Edgewood Partners, EnTrust Funds, Franklin Templeton, Inland American, Intercontinental Real Estate, Invesco, ITS Capital, Loomis Sayles, LS Advisors, McMorgan & Co., Mesirow Financial, Penn Square, Reinhart Partners, Rizvi Traverse Mgmt, WHV, Wilton Advisors and World Asset Management. The County has contracted with Graystone Consulting to perform monitoring services and to advise the trustees on the performance of the Retirement Fund.

The County's contribution to the retirement system was \$16,604,841 for the fiscal year ending December 31, 2012, \$19,932,742 for the fiscal year ending December 31, 2013 and will be \$22,152,820 for the fiscal year ending December 31, 2014.

HEALTH CARE TRUST FUND

The County began to pre-fund Retiree Health Care benefits through the establishment of a trust for that purpose in 1997. The net equity of the trust fund was \$155.1 million at December 31, 2013. These funds are restricted for future payment of Retiree Health Care expenses. The County's long term goal is to fully fund its Retiree Health Care liability.

LABOR CONTRACTS

<u>Employee Group</u>	<u>Number of Positions</u>	<u>Expiration Date of Contract</u>	
ADTECH-Dept. of Roads (Admin & Tech)	91	December 31, 2013	*
AFSCME Local 411	642	December 31, 2016	
AFSCME Local 893 – Dept of Roads	115	December 31, 2013	*
Building Trades Association	25	December 31, 2016	
IUOE- Local 547 Boiler Operators	8	December 31, 2016	
Macomb Co. Environmental Hlth Assoc	28	December 31, 2016	
MCPDSA - Correction Officers	153	December 31, 2016	
M.N.A. Unit 1 – Public Hlth Nurses	33	December 31, 2016	
POAM–Deputies & Dispatchers	229	December 31, 2016	
POAM–Juvenile Justice Center	93	December 31, 2016	
POLC–Command Officers	55	December 31, 2012	*
POLC–Captains/Jail Admin/Chief of Staff	4	December 31, 2016	
Teamsters Local 214–Court Reporters	6	December 31, 2016	
Teamsters Local 214–Circuit Ct/FOC	74	December 31, 2016	
TPOAM-Circuit Ct Off. & Professional	56	December 31, 2016	
TPOAM-Juv Ct & Justice Cntr Employees	15	December 31, 2016	
UAW Local 412:		December 31, 2016	
--Unit 39 General	26	December 31, 2016	
--Unit 46 APAs	52	December 31, 2016	
--Unit 49 I.T	25	December 31, 2016	
--Unit 75 Supervisors	82	December 31, 2016	
--Unit 95 Corporation Counsel	3	December 31, 2016	
--Unit 98 Headstart Professionals	14	December 31, 2016	
UAW Local 889:		December 31, 2016	
--Animal Shelter	10	December 31, 2016	
--Specialized Offices	61	December 31, 2016	
--MCCSA	154	December 31, 2016	
Probate Court/Corporation Counsel	12	December 31, 2016	
	<u>2,066</u>		

*In Negotiations

REVENUES FROM THE STATE OF MICHIGAN

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

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

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

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

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

2004 Developments

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

Public Act numbers 356 and 357 of Michigan, 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 occurred transitionally beginning in 2004 and was completed 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 Revenue Sharing Reserve Fund can be drawn on by counties to replace the revenue sharing payments which they would have otherwise received.

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

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

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

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

Continuation of Actual Revenue Sharing Payments

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

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

The Revenue Sharing Reserve Fund was exhausted in 2012 and State revenue sharing payments to Macomb County resumed that year.

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

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

Revenue Sharing	
<u>Fiscal Year</u>	<u>Payments</u>
2009	\$ 16,096,607
2010	\$ 16,048,317
2011	\$ 16,321,138
2012	\$ 20,234,158
2013	\$ 12,661,308

GENERAL FUND REVENUES AND EXPENDITURES

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Revenues & Transfers In	\$ 200,266,865	\$ 196,143,499	\$ 200,667,148	\$ 182,311,193
Expenditures and Transfers Out	<u>185,500,637</u>	<u>190,945,650</u>	<u>178,530,615</u>	<u>180,694,477</u>
	14,766,228	5,197,849	22,136,533	1,616,716
Fund Balance, Beg of Year	40,536,426	55,302,654	57,934,473	80,071,006
Prior Period Adjustment	<u>-</u>	<u>(2,566,030)</u>	<u>-</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 55,302,654</u>	<u>\$ 57,934,473</u>	<u>\$ 80,071,006</u>	<u>\$ 81,687,722</u>

FUTURE FINANCING

Does the County anticipate the issuance of any bonds or notes within the next three months?

The County intends to issue municipal securities in one or more series, in an amount not to exceed \$300,000,000 for the purpose of defraying costs of unfunded accrued health care liability and capitalized interest, if any.

Bonds may be issued in the next twelve months for infrastructure improvements. Neither the exact cost of these improvements nor the need for financing has been established. The proposed 2015 County budget and long term forecast includes debt service payments for an \$25 million bond issue, should one be needed.

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MACOMB COUNTY
DEBT STATEMENT - SEPTEMBER 9, 2014
(Including this offering)

		Self-Supporting or Portion Paid Directly by Benefited Municipalities	Net
DIRECT DEBT OF COUNTY:	Gross		
Building Authority Bonds	\$37,255,000	\$0	\$37,255,000
Drain Bonds	307,133,198	295,862,810	11,270,388
MTF Bonds	3,070,000	3,070,000	0
	-----	-----	-----
	\$347,458,198	\$298,932,810	\$48,525,388
	=====	=====	=====

Per Capita County Net Direct Debt	\$57.70
Percent County Net Direct Debt to 2014 TV	0.20%

OVERLAPPING DEBT OF COUNTY:

School Districts	\$2,015,037,640
Cities	379,654,636
Townships	245,613,778
Villages	16,353,517
Library	18,730,000
Intermediate School District	116,905
Community Colleges	15,625,000

Net Overlapping Debt	\$2,691,131,476

Net County and Overlapping Debt	\$2,739,656,864
	=====

Per Capita County Net Direct and Overlapping Debt	\$3,257.70
Percent Net Direct and Overlapping Debt to 2014 TV	11.12%

Source: Macomb County and Municipal Advisory Council of Michigan
las.ex1.MACDEBT
mas9/9/2014

MACOMB COUNTY BONDS WITH COUNTY CREDIT PLEDGED
as of September 9, 2014
(Including this offering)

Year	Building Authority	MTF	Drain	Total
2014	\$25,000	\$ 545,000	\$ 4,835,876	\$ 5,405,876
2015	3,340,000	560,000	14,070,326	17,970,326
2016	3,535,000	490,000	13,973,748	17,998,748
2017	3,910,000	470,000	14,202,170	18,582,170
2018	4,015,000	470,000	14,614,030	19,099,030
2019	4,165,000	535,000	15,355,027	20,055,027
2020	4,175,000		15,807,066	19,982,066
2021	4,150,000		16,795,597	20,945,597
2022	4,165,000		16,819,982	20,984,982
2023	2,085,000		14,592,051	16,677,051
2024	2,140,000		15,000,559	17,140,559
2025	1,550,000		15,535,173	17,085,173
2026			16,115,709	16,115,709
2027			16,662,806	16,662,806
2028			17,374,903	17,374,903
2029			17,918,135	17,918,135
2030			14,750,169	14,750,169
2031			14,960,180	14,960,180
2032			10,965,273	10,965,273
2033			11,009,937	11,009,937
2034			9,169,473	9,169,473
2035			6,605,006	6,605,006
Total	\$ 37,255,000	\$ 3,070,000	\$ 307,133,198	\$ 347,458,198

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EXHIBIT D
FINANCIAL INFORMATION REGARDING THE COUNTY OF MACOMB

The following section of the audited financial statements of the County of Macomb for the Fiscal Year ending December 31, 2013 have been extracted from the audit:

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Independent Auditor's Report

To the Board of Commissioners
County of Macomb

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Macomb (the "County") as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the County of Macomb's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion 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 from material misstatement.

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

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

To the Board of Commissioners
County of Macomb

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Macomb as of December 31, 2013 and the respective changes in its financial position and, where applicable, cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 14 to the financial statements, the County of Macomb adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. As a result, the County of Macomb now reports deferred inflows of resources for property taxes levied for the next year's budget and for governmental fund revenue that is not available. Our opinion is not modified with respect to this matter.

As explained in Note 2, the financial statements include investments valued at approximately \$217.7 million at year end (18.9 percent of the equity of the aggregate remaining funds), whose fair values have been estimated by management in the absence of readily determinable market values. Management's estimates are based on information provided by the fund managers. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension system and retiree health care plans' schedules of funding progress and employer contributions, and the major fund budgetary comparison schedules 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 required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

To the Board of Commissioners
County of Macomb

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2014 on our consideration of the County of Macomb's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Macomb's internal control over financial reporting and compliance.

Plante & Moran, PLLC

June 27, 2014

MACOMB COUNTY, MICHIGAN
Government-Wide Statement of Net Position
December 31, 2013

	Primary Government			Component
	Governmental	Business-type	Total	Units
	Activities	Activities		
Assets				
Cash and pooled investments	\$ 223,363,081	\$ 161,167,036	\$ 384,530,117	\$ 40,036,953
Restricted cash - unspent bond proceeds	-	-	-	16,752,455
Receivables				
Property taxes, net	5,654,656	33,143,620	38,798,276	-
Accrued interest	223,410	45,921	269,331	-
Trade accounts, net	18,959,203	12,544,558	31,503,761	11,065,411
Special assessments	-	-	-	253,526,883
Inventories	4,746,683	-	4,746,683	-
Due from other governments	27,845,417	553,891	28,399,308	4,985,021
Internal balances	(5,080,243)	5,503,769	423,526	-
Due from fiduciary funds	6,341,310	-	6,341,310	-
Other assets	2,129,393	1,458,449	3,587,842	10,777
Capital assets, net				
Assets not being depreciated	222,387,956	50,000	222,437,956	37,153,842
Assets being depreciated	674,756,185	1,179,267	675,935,452	267,933,949
Net OPEB asset	4,322,149	-	4,322,149	-
Total Assets	1,185,649,200	215,646,511	1,401,295,711	631,465,291
Liabilities				
Accounts payable and accrued liabilities	27,863,930	38,934,297	66,798,227	20,243,448
Accrued wages payable	228,037	70,127	298,164	68,921
Accrued interest payable	346,034	-	346,034	3,340,891
Due to other governments	251,121	14,965,406	15,216,527	30,294
Unearned revenue	95,243	44,196	139,439	16,798,187
Long-term liabilities:				
Due within one year	7,250,340	100,000	7,350,340	11,529,057
Due in more than one year	56,779,366	1,541,993	58,321,359	242,487,035
Net OPEB obligation	191,945,948	45,542,834	237,488,782	-
Total Liabilities	284,760,019	101,198,853	385,958,872	294,497,833
Deferred Inflows of Resources				
Property taxes levied in advance	1,074,389	-	1,074,389	-
Net Position				
Net investment in capital assets	851,247,977	1,229,267	852,477,244	98,986,882
Restricted for				
Capital projects	60,370,222	-	60,370,222	-
Debt service	3,049,441	-	3,049,441	-
Health and welfare	4,449,770	-	4,449,770	-
Judicial	20,127	-	20,127	-
Housing rehabilitation loans	8,647,402	-	8,647,402	-
Mental health and substance abuse	-	19,712,741	19,712,741	-
Public safety	2,203,929	-	2,203,929	-
Technology	2,469,087	-	2,469,087	-
Department of Roads liability insurance	9,091,164	-	9,091,164	-
Unrestricted (deficit)	(41,734,327)	93,505,650	51,771,323	237,980,576
Total Net Position	\$ 899,814,792	\$ 114,447,658	\$ 1,014,262,450	\$ 336,967,458

MACOMB COUNTY, MICHIGAN
Government-Wide Statement of Activities
Year Ended December 31, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government					
Governmental activities					
Legislative	\$ 1,201,841	\$ -	\$ -	\$ -	\$ (1,201,841)
Judicial	41,359,278	5,516,743	12,191,476	-	(23,651,059)
General government	68,830,406	18,929,348	238,448	29,463	(49,633,147)
Public safety	79,398,263	16,541,690	1,716,859	17,117,313	(44,022,401)
Public works	68,159,203	19,692,664	-	55,536,485	7,069,946
Health and welfare	72,040,781	7,114,076	35,932,374	49,515	(28,944,816)
Recreation and culture	234,229	5,675	-	13,164	(215,390)
Interest and fees on long-term debt	1,542,665	-	-	-	(1,542,665)
Total Governmental Activities	332,766,666	67,800,196	50,079,157	72,745,940	(142,141,373)
Business-Type Activities					
Delinquent tax collections	5,495,336	17,640,100	-	-	12,144,764
Community Mental Health	220,321,529	175,000,723	35,802,219	-	(9,518,587)
Martha T. Berry Medical Care Facility	22,853,076	23,486,005	-	-	632,929
Freedom Hill Park	381,345	232,416	-	-	(148,929)
Total Business-Type Activities	249,051,286	216,359,244	35,802,219	-	3,110,177
Total Primary Government	\$ 581,817,952	\$ 284,159,440	\$ 85,881,376	\$ 72,745,940	\$ (139,031,196)
Component Units					
Drainage Districts	\$ 72,131,826	\$ 65,126,724	\$ -	\$ 1,562,243	\$ (5,442,859)
Workforce Development Board	29,131,760	862,989	28,260,450	-	(8,321)
Total Component Units	\$ 101,263,586	\$ 65,989,713	\$ 28,260,450	\$ 1,562,243	\$ (5,451,180)

MACOMB COUNTY, MICHIGAN
Government-Wide Statement of Activities (concluded)
Year Ended December 31, 2013

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Changes in Net Position				
Net (expense) revenue (from page B-2)	\$ (142,141,373)	\$ 3,110,177	\$ (139,031,196)	\$ (5,451,180)
General revenues				
Property tax	109,501,040	-	109,501,040	-
Intergovernmental revenues - unrestricted	23,251,849	-	23,251,849	-
Investment earnings	423,848	309,380	733,228	7,335,205
Transfers - internal activities	(6,065,175)	6,851,522	786,347	-
Total General Revenues and Transfers	127,111,562	7,160,902	134,272,464	7,335,205
Change in Net Position	(15,029,811)	10,271,079	(4,758,732)	1,884,025
Net Position, beginning of year	914,844,603	104,176,579	1,019,021,182	335,083,433
Net Position, end of year	<u>\$ 899,814,792</u>	<u>\$ 114,447,658</u>	<u>\$ 1,014,262,450</u>	<u>\$ 336,967,458</u>

The accompanying notes are an integral part of these financial statements

MACOMB COUNTY, MICHIGAN
Balance Sheet - Governmental Funds
December 31, 2013

	Major Governmental Funds		Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Special Revenue Road Fund (1)		
Assets				
Cash and pooled investments	\$ 69,538,282	\$ 57,223,271	\$ 35,564,215	\$ 162,325,768
Taxes receivable	4,700,406	-	954,250	5,654,656
Accrued interest receivable	115,569	15,189	92,652	223,410
Accounts receivable, net	5,901,034	1,911,810	10,817,499	18,630,343
Inventories	-	4,488,855	-	4,488,855
Due from other governments	9,287,687	8,176,043	10,381,687	27,845,417
Due from governmental funds	5,097,158	-	-	5,097,158
Advances to other funds	295,000	-	-	295,000
Other assets	443,166	524,409	193,333	1,160,908
Total Assets	\$ 95,378,302	\$ 72,339,577	\$ 58,003,636	\$ 225,721,515
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Accounts payable	\$ 3,035,299	\$ 13,701,291	\$ 5,963,231	\$ 22,699,821
Accrued liabilities	-	-	789,482	789,482
Accrued compensation and benefits	-	-	228,037	228,037
Due to other governments	34,179	-	216,942	251,121
Due to governmental funds	-	-	4,949,958	4,949,958
Accrued workers compensation claims	-	8,882	-	8,882
Unearned revenue	-	-	95,243	95,243
Total Liabilities	3,069,478	13,710,173	12,242,893	29,022,544
Deferred Inflows of Resources				
Property taxes and assessments levied in advance	-	-	1,074,389	1,074,389
Unavailable property taxes and assessments	3,442,743	-	-	3,442,743
Unavailable grants and other charges	7,178,359	1,493,297	4,493,254	13,164,910
Total Deferred Inflows of Resources	10,621,102	1,493,297	5,567,643	17,682,042
Fund Balances				
Nonspendable for:				
Advances to other funds	295,000	-	-	295,000
Inventories	-	4,488,855	-	4,488,855
Prepaid expenses	363,762	407,713	191,574	963,049
Restricted for:				
Capital projects	-	52,239,539	3,232,853	55,472,392
Debt service	-	-	3,049,441	3,049,441
Health and welfare	-	-	4,259,675	4,259,675
Judicial	-	-	20,127	20,127
Housing rehabilitation loans	-	-	8,647,402	8,647,402
Public Safety	-	-	2,203,892	2,203,892
Technology	-	-	2,469,087	2,469,087
Assigned for:				
Capital projects	-	-	15,809,422	15,809,422
Health and welfare	-	-	3,219,693	3,219,693
Judicial	-	-	8,716	8,716
Public safety	-	-	51,555	51,555
Unassigned	81,028,960	-	(2,970,337)	78,058,623
Total Fund Balances	81,687,722	57,136,107	40,193,100	179,016,929
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 95,378,302	\$ 72,339,577	\$ 58,003,636	\$ 225,721,515

(1) - Balance sheet as of September 30, 2013

MACOMB COUNTY, MICHIGAN
Reconciliation Of The Fund Balances On The Balance Sheet Of
Governmental Funds To The Statement Of Net Position Of Governmental Activities
December 31, 2013

Total fund balances for governmental funds	\$ 179,016,929
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Amounts reported for governmental activities in the Government-Wide Statement of Net Position are different because:

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

Capital assets	
Land	220,008,607
Land improvements	12,233,493
Buildings and improvements	261,543,048
Machinery, equipment and vehicles	85,517,625
Infrastructure	1,082,613,509
Construction in progress	2,379,349
Accumulated depreciation	(769,024,896)

Receivables not available to pay for current year expenditures are not recognized as revenue in the governmental funds but are recognized as revenue in the Statement of Net Position	16,607,653
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Long-term bonded debt is not due and payable in the current period and, therefore, is not reported in the governmental funds. However, bonded debt is recorded as long-term liabilities in the Government-Wide Statement of Net Position	(45,896,164)
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Accrued interest payable on long-term debt at year-end is not recorded in the governmental funds, but is recorded as a liability in the Statement of Net Position	(346,034)
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Accrued compensated absences not funded at year-end are not recorded in the governmental funds, but is recorded as a liability in the Statement of Net Position	(1,174,058)
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The noncurrent portion of accrued workers compensation losses are not recorded in the governmental funds but are recorded as a liability in the Statement of Net Position	(13,488)
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The difference between the actual and required contribution to the Retiree Health Care Fund for General and Sheriff employees is not recorded in the governmental funds, but is recorded as a liability in the Statement of Net Position	(191,945,948)
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The difference between the actual and required contribution for retiree health care for employees of the Department of Roads is not recorded in the governmental funds, but is recorded as an asset in the Statement of Net Position	4,322,149
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Internal service funds are used by management to charge the costs of certain activities such as insurance, compensated absences, workers' compensation and central inventory to individual governmental funds and business-type units. The assets and liabilities of the Internal Service Funds that pertain to governmental funds are included in the governmental activities in the Government-Wide Statement of Net Position	43,973,018
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Net position of governmental activities reported in the Government-Wide Statement of Net Position	<u>\$ 899,814,792</u>
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The accompanying notes are an integral part of these financial statements

MACOMB COUNTY, MICHIGAN
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
Year Ended December 31, 2013

	Major Governmental Funds		Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Special Revenue Road Fund (1)		
Revenues				
Property taxes	\$ 109,894,939	\$ -	\$ 1,057,056	\$ 110,951,995
Licenses and permits	1,640,405	341,860	-	1,982,265
Federal & state grants	25,728,412	55,536,485	54,342,534	135,607,431
Other grants	-	-	460,355	460,355
Charges for services	36,827,383	13,587,671	9,680,193	60,095,247
Investment income	277,629	91,534	43,390	412,553
Charges to other funds for administrative services	7,035,978	-	-	7,035,978
Fines and forfeitures	675,530	-	256,345	931,875
Other revenue	209,878	308,207	376,043	894,128
Total Revenues	182,290,154	69,865,757	66,215,916	318,371,827
Expenditures				
Current				
Legislative	1,201,841	-	-	1,201,841
Judicial	29,218,706	-	11,173,803	40,392,509
General government	44,854,837	-	1,607,035	46,461,872
Public safety	58,338,204	-	18,261,267	76,599,471
Public works	-	63,032,701	5,041	63,037,742
Health and welfare	19,089,736	-	50,054,978	69,144,714
Recreation and cultural	-	-	172,107	172,107
Other	781,088	-	-	781,088
Capital outlay	1,117,458	3,634,650	13,061,171	17,813,279
Debt service				
Principal	-	-	4,740,000	4,740,000
Interest and fees	-	-	1,604,283	1,604,283
Total Expenditures	154,601,870	66,667,351	100,679,685	321,948,906
Excess of Revenues over (under) Expenditures	27,688,284	3,198,406	(34,463,769)	(3,577,079)
Other Financing Sources (uses)				
Transfers in	21,039	-	30,393,423	30,414,462
Transfers out	(26,092,607)	(90,369)	(9,352,991)	(35,535,967)
Total Other Financing Sources (uses)	(26,071,568)	(90,369)	21,040,432	(5,121,505)
Net change in Fund Balances	1,616,716	3,108,037	(13,423,337)	(8,698,584)
Fund Balances, beginning of year	80,071,006	54,028,070	53,616,437	187,715,513
Fund Balances, end of year	\$ 81,687,722	\$ 57,136,107	\$ 40,193,100	\$ 179,016,929

(1) - Year ended September 30, 2013

MACOMB COUNTY, MICHIGAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2013

Net change in fund balances - total governmental funds	\$ (8,698,584)
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Amounts reported for governmental activities in the Statement of Activities are different because:

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

Expenditures for capital assets	52,028,830
Current year depreciation expense	(49,124,556)

The change in receivables not collected within 60 days of year end is not recorded in the governmental funds, but is recorded as revenue in the Statement of Activities	9,698,019
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Repayment of debt principal is recorded as an expenditure in the governmental funds, but is recorded as a reduction of long-term liabilities in the Statement of Net Position	4,865,430
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The change in amount of accrued compensated absences is not recorded in the governmental funds but is recorded as an operating expense in the Government-Wide Statement of Activities.	56,882
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The change in amount of accrued workers compensation claims is not recorded in the governmental funds but is recorded as an operating expense in the Government-Wide Statement of Activities.	7,262
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The change in amount of accrued interest payable is not recorded in the governmental funds, but is recorded as interest expense in the Government-Wide Statement of Activities.	61,618
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The change in amount of the net OPEB liability is not recorded in the governmental funds, but is recorded as an operating expense in the Government-Wide Statement of Activities.	(24,792,047)
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Internal service funds are used by management to charge the costs of certain activities such as insurance, compensated absences, workers' compensation and central inventory to individual governmental funds and business-type units. The net income (loss) in those funds that is attributable to governmental funds is excluded from the Statement of Activities.	867,335
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Change in net position of governmental activities reported in the Statement of Activities	<u>\$ (15,029,811)</u>
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The accompanying notes are an integral part of these financial statements

MACOMB COUNTY, MICHIGAN
Statement of Net Position
Proprietary Funds
December 31, 2013

	Major Business-Type Activities - Enterprise Funds		
	Delinquent Tax Revolving	Community Mental Health (1)	Martha T Berry Medical Care Facility
Assets			
Current assets			
Cash and pooled investments	\$ 91,304,441	\$ 67,105,113	\$ 2,250,586
Receivables			
Property taxes	33,143,620	-	-
Accrued interest	38,525	7,396	-
Trade accounts, net	6,677,686	3,122,601	2,678,682
Inventories	-	-	-
Due from other governments	-	553,891	-
Due from governmental funds	-	-	-
Due from fiduciary funds	-	-	-
Other assets	-	1,450,275	8,174
Total current assets	131,164,272	72,239,276	4,937,442
Noncurrent assets			
Capital assets, net			
Assets being depreciated	-	-	557,531
Assets not being depreciated	-	-	-
Total noncurrent assets	-	-	557,531
Total Assets	131,164,272	72,239,276	5,494,973
Liabilities			
Current liabilities			
Accounts payable	789,525	37,513,545	614,161
Accrued wages payable	-	70,127	-
Due to other governments	66,739	14,898,667	-
Due to governmental funds	-	-	-
Compensated absences	-	-	-
Claims and judgements	-	-	-
Unearned revenue	-	44,196	-
Total current liabilities	856,264	52,526,535	614,161
Noncurrent liabilities			
Claims and judgements	-	-	-
Compensated absences	-	-	-
Advances from other funds	-	-	-
Net OPEB Obligation	-	30,826,956	14,249,327
Total noncurrent liabilities	-	30,826,956	14,249,327
Total Liabilities	856,264	83,353,491	14,863,488
Net Position			
Net investment in capital assets	-	-	557,531
Restricted for:			
Mental health and substance abuse	-	19,712,741	-
Department of Roads liability insurance	-	-	-
Unrestricted	130,308,008	(30,826,956)	(9,926,046)
Total Net Position	\$ 130,308,008	\$ (11,114,215)	\$ (9,368,515)

(1) - Year ended September 30, 2013

MACOMB COUNTY, MICHIGAN
Statement of Net Position (concluded)
Proprietary Funds
December 31, 2013

	Nonmajor Enterprise Fund		Governmental Activities
	Freedom Hill Park	Enterprise Fund Totals	Internal Service Funds
Assets			
Current assets			
Cash and pooled investments	\$ 506,896	\$ 161,167,036	\$ 61,037,313
Receivables			
Property taxes	-	33,143,620	-
Accrued interest	-	45,921	-
Trade accounts, net	65,589	12,544,558	328,860
Inventories	-	-	257,828
Due from other governments	-	553,891	-
Due from governmental funds	-	-	423,526
Due from fiduciary funds	-	-	6,341,310
Other assets	-	1,458,449	968,485
Total current assets	572,485	208,913,475	69,357,322
Noncurrent assets			
Capital assets, net			
Assets being depreciated	621,736	1,179,267	1,873,406
Assets not being depreciated	50,000	50,000	-
Total noncurrent assets	671,736	1,229,267	1,873,406
Total Assets	1,244,221	210,142,742	71,230,728
Liabilities			
Current liabilities			
Accounts payable	17,066	38,934,297	4,374,627
Accrued wages payable	-	70,127	-
Due to other governments	-	14,965,406	-
Due to governmental funds	-	-	147,200
Compensated absences	-	-	750,000
Claims and judgements	-	-	1,709,303
Unearned revenue	-	44,196	-
Total current liabilities	17,066	54,014,026	6,981,130
Noncurrent liabilities			
Claims and judgements	-	-	5,020,960
Compensated absences	-	-	11,098,844
Advances from other funds	-	-	295,000
Net OPEB Obligation	466,551	45,542,834	-
Total noncurrent liabilities	466,551	45,542,834	16,414,804
Total Liabilities	483,617	99,556,860	23,395,934
Net Position			
Net investment in capital assets	671,736	1,229,267	1,873,406
Restricted for:			
Mental health and substance abuse	-	19,712,741	-
Department of Roads liability insurance	-	-	9,091,164
Unrestricted	88,868	89,643,874	36,870,224
Total Net Position	\$ 760,604	\$ 110,585,882	\$ 47,834,794

Reconciliation of Statement of Net Position for Proprietary Funds:

Total net position of Enterprise Funds/Internal Service Funds	\$ 110,585,882	\$ 47,834,794
Add (subtract): Business-type equity in the net position of internal service funds	3,861,776	(3,861,776)
Net Assets reported in the Government-Wide Statement of Net Position	\$ 114,447,658	\$ 43,973,018

MACOMB COUNTY, MICHIGAN
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Year Ended December 31, 2013

	Major Business-Type Activities - Enterprise Funds		
	Delinquent Tax Revolving	Community Mental Health (1)	Martha T Berry Medical Care Facility
Operating revenues			
Charges for services	\$ 17,640,100	\$ 175,000,723	\$ 23,481,367
Federal and state grants	-	35,802,219	-
Other	-	-	4,638
Total Operating Revenues	17,640,100	210,802,942	23,486,005
Operating expenses			
Personal services	443,499	27,406,342	15,400,047
Contractual services	-	179,490,858	2,606,183
Utilities	-	271,610	395,447
Repairs and maintenance	-	28,329	-
Benefits and claims expenses	-	-	-
Supplies and services	5,051,837	12,918,274	4,753,175
Depreciation	-	3,842	82,822
Capital outlay	-	-	-
Total Operating Expenses	5,495,336	220,119,255	23,237,674
Operating Income (loss)	12,144,764	(9,316,313)	248,331
Nonoperating revenues			
Investment income	166,125	143,255	-
Total Nonoperating Revenues	166,125	143,255	-
Income (loss) before transfers	12,310,889	(9,173,058)	248,331
Transfers			
Transfers in	-	6,777,416	-
Transfers out	-	-	-
Net Transfers	-	6,777,416	-
Increase (decrease) in Net Position	12,310,889	(2,395,642)	248,331
Net Position, beginning of year	117,997,119	(8,718,573)	(9,616,846)
Net Position, end of year	\$ 130,308,008	\$ (11,114,215)	\$ (9,368,515)

(1) - Year ended September 30, 2013

MACOMB COUNTY, MICHIGAN
Statement of Revenues, Expenses and Changes in Fund Net Position (concluded)
Proprietary Funds
Year Ended December 31, 2013

	Nonmajor Enterprise Fund Freedom Hill Park	Enterprise Fund Totals	Internal Service Funds
Operating revenues			
Charges for services	\$ 232,416	\$ 216,354,606	\$ 71,495,598
Federal and state grants	-	35,802,219	-
Other	-	4,638	-
Total Operating Revenues	232,416	252,161,463	71,495,598
Operating expenses			
Personal services	72,063	43,321,951	-
Contractual services	-	182,097,041	-
Utilities	108,477	775,534	-
Repairs and maintenance	85,968	114,297	-
Benefits and claims expenses	-	-	65,938,669
Supplies and services	58,709	22,781,995	3,047,163
Depreciation	56,128	142,792	521,934
Capital outlay	-	-	5,798
Total Operating Expenses	381,345	249,233,610	69,513,564
Operating Income (loss)	(148,929)	2,927,853	1,982,034
Nonoperating revenues			
Investment income	-	309,380	11,295
Total Nonoperating Revenues	-	309,380	11,295
Income (loss) before transfers	(148,929)	3,237,233	1,993,329
Transfers			
Transfers in	74,106	6,851,522	17,000
Transfers out	-	-	(960,670)
Net Transfers	74,106	6,851,522	(943,670)
Increase (decrease) in Net Position	(74,823)	10,088,755	1,049,659
Net Position, beginning of year	835,427	100,497,127	46,785,135
Net Position, end of year	\$ 760,604	\$ 110,585,882	\$ 47,834,794

**Reconciliation of the Statement of Revenues, Expenses and Changes in Net Position
to the Statement of Activities of Business-Type Activities**

Net increase (decrease) in net position	\$ 10,088,755	\$ 1,049,659
Add (subtract): Increase (Decrease) in Business-type activities' equity of internal service funds	182,324	(182,324)
Net income (loss) in the Government-Wide Statement of Activities	\$ 10,271,079	\$ 867,335

MACOMB COUNTY, MICHIGAN
Combining Statement of Cash Flows - Proprietary Funds
Year Ended December 31, 2013

	Major Business-type Activities - Enterprise Funds		
	Delinquent Tax Revolving	Community Mental Health (1)	Martha T Berry Medical Care Facility
Cash flows from operating activities			
Cash received from customers	\$ 81,264,679	\$ 215,358,117	\$ 23,751,393
Cash received from interfund services	-	-	-
Cash payments for delinquent taxes	(56,169,512)	-	-
Cash payments to employees	(443,499)	(24,017,144)	(14,344,107)
Cash payments to suppliers	(4,787,172)	(190,996,488)	(7,987,497)
Net cash provided by (used in) operating activities	19,864,496	344,485	1,419,789
Cash flows from noncapital financing activities			
Transfers in	-	6,777,416	-
Transfers out	-	-	-
Net cash provided by (used in) noncapital financing activities	-	6,777,416	-
Cash flows from capital and related financing activities			
Acquisition of capital assets	-	-	(69,875)
Cash flows from investing activities			
Interest received on investments	194,116	143,164	-
Increase (decrease) in cash and pooled investments	20,058,612	7,265,065	1,349,914
Cash and pooled investments, beginning of year	71,245,829	59,840,048	900,672
Cash and pooled investments, end of year	\$ 91,304,441	\$ 67,105,113	\$ 2,250,586
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ 12,144,764	\$ (9,316,313)	\$ 248,331
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	-	3,842	82,822
Changes in assets and liabilities:			
Taxes receivable	6,584,173	-	-
Accounts receivable	1,239,740	(685,680)	265,388
Inventory	-	-	-
Due from other governments	7,460	642,164	-
Due from other funds	-	-	-
Other assets	-	499,469	-
Accounts payable	264,665	1,712,583	(232,692)
Accrued employee benefits	-	(53,406)	-
Net OPEB Obligation	-	3,442,604	1,055,940
Due to other governments	(376,306)	4,215,740	-
Due to other funds	-	-	-
Unearned revenue	-	(116,518)	-
Accrued claims and judgements	-	-	-
Net cash provided by (used in) operating activities	\$ 19,864,496	\$ 344,485	\$ 1,419,789

(1) - Year ended September 30, 2013

MACOMB COUNTY, MICHIGAN
Combining Statement of Cash Flows - Proprietary Funds (concluded)
Year Ended December 31, 2013

	Nonmajor Enterprise Fund Freedom Hill Park	Enterprise Fund Totals	Governmental Activities Internal Service Funds
Cash flows from operating activities			
Cash received from customers	\$ 166,827	\$ 320,541,016	\$ -
Cash received from interfund services	-	-	71,747,416
Cash payments for delinquent taxes	-	(56,169,512)	-
Cash payments to employees	(22,768)	(38,827,518)	(2,125,829)
Cash payments to suppliers	(250,169)	(204,021,326)	(62,639,753)
Net cash provided by (used in) operating activities	(106,110)	21,522,660	6,981,834
Cash flows from noncapital financing activities			
Transfers in	74,106	6,851,522	17,000
Transfers out	-	-	(960,670)
Net cash provided by (used in) noncapital financing activities	74,106	6,851,522	(943,670)
Cash flows from capital and related financing activities			
Acquisition of capital assets	(50,000)	(119,875)	(445,775)
Cash flows from investing activities			
Interest received on investments	-	337,280	11,295
Increase (decrease) in cash and pooled investments	(82,004)	28,591,587	5,603,684
Cash and pooled investments, beginning of year	588,900	132,575,449	55,433,629
Cash and pooled investments, end of year	\$ 506,896	\$ 161,167,036	\$ 61,037,313
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ (148,929)	\$ 2,927,853	\$ 1,982,034
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	56,128	142,792	521,934
Changes in assets and liabilities:			
Taxes receivable	-	6,584,173	-
Accounts receivable	(65,589)	753,859	(111,789)
Inventory	-	-	59,278
Due from other governments	-	649,624	-
Due from other funds	-	-	396,130
Other assets	-	499,469	1,215,606
Accounts payable	2,985	1,747,541	3,497,991
Accrued employee benefits	-	(53,406)	(548,345)
Net OPEB Obligation	49,295	4,547,839	-
Due to other governments	-	3,839,434	-
Due to other funds	-	-	(1,271)
Unearned revenue	-	(116,518)	-
Accrued claims and judgements	-	-	(29,734)
Net cash provided by (used in) operating activities	\$ (106,110)	\$ 21,522,660	\$ 6,981,834

MACOMB COUNTY, MICHIGAN
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2013

	Employee Retirement and Other Postretirement Benefits	Agency Funds
Assets		
Cash and pooled investments	\$ 24,443,420	\$ 9,705,365
Receivables		
Accrued interest	1,669,826	-
Other	678,879	458,260
Due from other funds	105,240	-
Investments, at fair value		
Corporate bonds	122,351	-
Common stock	401,368,959	-
Foreign stock	24,494,626	-
Limited partnership	176,003,311	-
Real estate investment trusts	23,662,411	-
Fixed income common collective trusts	173,185,601	-
Equity common collective trusts	252,749,531	-
Other assets	1,418	346,030
	<hr/>	<hr/>
Total Assets	1,078,485,573	\$ 10,509,655
	<hr/>	<hr/>
Liabilities		
Accounts payable	4,201,770	\$ 1,543,537
Compensation and benefits	4,002,000	200,376
Deposits	-	6,417,170
Due to other governments	-	2,348,572
Due to governmental funds	6,341,310	-
Due to fiduciary funds	105,240	-
	<hr/>	<hr/>
Total Liabilities	14,650,320	\$ 10,509,655
	<hr/>	<hr/>
Net Position		
Net position held in trust for pension and other postemployment benefits	\$ 1,063,835,253	
	<hr/>	

MACOMB COUNTY, MICHIGAN
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended December 31, 2013

	Employee Retirement and Other Postretirement Benefits
Additions	
Contributions	
Employer	\$ 35,012,829
Employee	4,465,807
	<hr/>
Total Contributions	39,478,636
	<hr/>
Investment income	
Net appreciation in fair value of assets	171,687,291
Interest	10,183,744
Dividends	7,462,367
	<hr/>
	189,333,402
Less investment expenses	
Management and custodial fees	4,729,634
	<hr/>
Net investment income	184,603,768
	<hr/>
Total Additions	224,082,404
	<hr/>
Deductions	
Benefit payments	77,735,701
Refunds of contributions	503,386
Administrative expense	235,187
	<hr/>
Total Deductions	78,474,274
	<hr/>
Net decrease in Net Position	145,608,130
	<hr/>
Net Position	
Beginning of year	918,227,123
	<hr/>
End of year	\$ 1,063,835,253
	<hr/>

MACOMB COUNTY, MICHIGAN
Combining Statement of Net Position - Component Units
December 31, 2013

	Drainage Districts (1)	Workforce Development Board (2)	Total
Assets			
Cash and cash equivalents	\$ 39,450,910	\$ 586,043	\$ 40,036,953
Restricted cash - unspent bond proceeds	16,752,455	-	16,752,455
Receivables			
Trade accounts, net	11,050,253	15,158	11,065,411
Special assessments	253,526,883	-	253,526,883
Due from other governments	-	4,985,021	4,985,021
Other assets	-	10,777	10,777
Capital assets, net			
Assets not being depreciated	37,153,842	-	37,153,842
Assets being depreciated	267,933,949	-	267,933,949
Total Assets	625,868,292	5,596,999	631,465,291
Liabilities			
Accounts payable	14,805,676	5,437,772	20,243,448
Accrued compensation and benefits	-	68,921	68,921
Accrued interest payable	3,340,891	-	3,340,891
Due to other governments	-	30,294	30,294
Unearned revenue	16,798,187	-	16,798,187
Long-term liabilities:			
Due within one year	11,529,057	-	11,529,057
Due in more than one year	242,487,035	-	242,487,035
Total Liabilities	288,960,846	5,536,987	294,497,833
Net Position			
Net investment in capital assets	98,986,882	-	98,986,882
Unrestricted	237,920,564	60,012	237,980,576
Total Net Position	\$ 336,907,446	\$ 60,012	\$ 336,967,458

(1) - Year-end September 30, 2013

(2) - Year-end June 30, 2013

MACOMB COUNTY, MICHIGAN
Combining Statement of Activities - Component Units
For the Year Ended December 31, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Drainage Districts (1)					
Public works	\$ 63,593,410	\$ 65,126,724	\$ -	\$ 1,562,243	\$ 3,095,557
Interest on long-term debt	8,538,416	-	-	-	(8,538,416)
Total Public Works	72,131,826	65,126,724	-	1,562,243	(5,442,859)
Workforce Development Board (2)					
Health and welfare	29,131,760	862,989	28,260,450	-	(8,321)
Total Component Units	<u>\$ 101,263,586</u>	<u>\$ 65,989,713</u>	<u>\$ 28,260,450</u>	<u>\$ 1,562,243</u>	<u>\$ (5,451,180)</u>

(1) - Year ended September 30, 2013

(2) - Year ended June 30, 2013

The accompanying notes are an integral part of these financial statements

MACOMB COUNTY, MICHIGAN
Combining Statement of Activities - Component Units (concluded)
For the Year Ended December 31, 2013

	Drainage Districts (1)	Workforce Development Board (2)	Total
Changes in Net Position			
Net (expense) revenue	\$ (5,442,859)	\$ (8,321)	\$ (5,451,180)
General revenues			
Investment earnings	<u>7,335,205</u>	<u>-</u>	<u>7,335,205</u>
Change in Net Position	1,892,346	(8,321)	1,884,025
Net Position, beginning of year	<u>335,015,100</u>	<u>68,333</u>	<u>335,083,433</u>
Net Position, end of year	<u><u>\$ 336,907,446</u></u>	<u><u>\$ 60,012</u></u>	<u><u>\$ 336,967,458</u></u>

(1) - Year ended September 30, 2013

(2) - Year ended June 30, 2013

The accompanying notes are an integral part of these financial statements

MACOMB COUNTY, MICHIGAN
Notes to Basic Financial Statements
December 31, 2013

Note 1 – Summary of Significant Accounting Policies

The basic financial statements of Macomb County (the County) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing such principles. All financial statements are for the year ended December 31, 2013, except as follows: the financial statements of the Adult Drug Court, Child Care, Department of Roads, Friend of the Court, Juvenile Drug Court Grants, Veterans' Services, Community Corrections, Community Services, Health Grants, MSU Extension, Prosecuting Attorney, and Sheriff Grants Special Revenue Funds, the Community Mental Health Enterprise Fund, and the Drainage Districts Component Unit, which are reported as of and for the year ended September 30, 2013, and the Work Force Development Board which is included on a June 30, 2013 year-end basis.

Financial Reporting Entity - Macomb County was incorporated in 1818 and includes an area of 482 square miles with the county seat located in the City of Mt. Clemens. The County operates under a Home Rule Charter that provides for both executive and legislative branches of government. The executive branch is directed by an elected County Executive, who serves as the Chief Administrative Officer of the County and directs the operations of all departments except the Sheriff, Prosecuting Attorney, Treasurer, Public Works, County Clerk/Register of Deeds, the Circuit and District Courts and the Board of Commissioners, which are all operated by separately elected officials. The legislative branch is directed by a 13 member elected Board of Commissioners. The County provides many services to residents, including law enforcement, administration of justice, community development and enrichment, parks and recreation and human services.

As defined by generally accepted accounting principles established by the Governmental Accounting Standards Board, the financial reporting entity consists of the primary government as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County. In conformity with generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity either as blended component units or as discretely presented component units.

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

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

MACOMB COUNTY, MICHIGAN
Notes to Basic Financial Statements (continued)
December 31, 2013

Note 1 – Summary of Significant Accounting Policies (continued)

Blended Component Units (concluded)–

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

Discretely Presented Component Units

The **Macomb/St. Clair Workforce Development Board** is governed by a separate board, consisting of 37 members, the majority of which is appointed by the Chair of the Macomb County Board of Commissioners. The Workforce Development Board receives federal funding under the Workforce Investment Act to operate employment and training programs that lead to unsubsidized employment for unskilled adults and youth. Its activities are included in the County's financial statements as the County is financially responsible for the entity and the exclusion of such activities would be misleading to the County's financial statements. Separate independently audited financial statements of the Workforce Development Board are not prepared. All of the funds of the Workforce Development Board are Special Revenue Funds and there are no adjustments necessary to convert their activities from the modified basis of accounting to the full accrual basis of accounting. Therefore, fund level financial statements are not presented herein.

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

Related Organization

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

MACOMB COUNTY, MICHIGAN
Notes to Basic Financial Statements (continued)
December 31, 2013

Note 1 – Summary of Significant Accounting Policies (continued)

Basic (Government-Wide) and Fund Financial Statements-

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

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

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

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

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

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

MACOMB COUNTY, MICHIGAN
Notes to Basic Financial Statements (continued)
December 31, 2013

Note 1 – Summary of Significant Accounting Policies (continued)

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

Fund financial statements report information at the individual fund level and are, in substance, very similar to the financial statements presented in the previous financial reporting model. The focus of the fund financial statements is on the major funds of both governmental and business-type activities. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements. Non-major funds are consolidated into a single column within each fund type in the basic financial statements and are detailed in the supplementary information. Funds are classified as governmental, proprietary or fiduciary. The fiduciary funds are included in the fund financial statements but are excluded from the government-wide financial statements since these assets are being held for the benefit of third parties and are not available to support the activities or obligations of the County.

The County reports the following major governmental funds:

- The *General Fund* is the chief operating fund of the County. It accounts for all financial resources except those required to be accounted for in another fund.
- The *Department of Roads Fund* accounts for the revenues and expenditures related to construction and maintenance of roads throughout the County. These activities are funded primarily by the Federal government, the State of Michigan and local units of government within the County.

The County reports the following major enterprise funds:

- The *Delinquent Tax Revolving Fund* accounts for the County's annual purchase of delinquent real property taxes from each of the local taxing jurisdictions in the County and their subsequent collection. In addition, the operations of the personal property tax collection division of the Treasurer's Office are reported here.
- The *Community Mental Health Fund* accounts for the activities of delivering an array of mental health services to County residents.
- The *Martha T. Berry Medical Care Facility* accounts for the activities of delivering long-term nursing care to County residents.

MACOMB COUNTY, MICHIGAN
Notes to Basic Financial Statements (continued)
December 31, 2013

Note 1 – Summary of Significant Accounting Policies (continued)

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

Financial information regarding the County's Internal Service Funds is presented in summary form as part of the proprietary fund financial statements. The financial statements of the internal service funds are consolidated into the governmental and business-type activities in the entity-wide financial statements. Surpluses or deficits of the internal service funds are allocated back to the governmental activities within the government-wide financial statements.

The accounts of the County are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The funds of the County are classified into three broad categories: governmental, proprietary and fiduciary.

Governmental Funds

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

Special Revenue Funds – Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted, committed or assigned to expenditure for specific purposes other than debt service or capital projects.

Debt Service Funds – Debt service funds are used to account for the accumulation of resources for, and the payment of, principal, interest and related costs of general long-term debt not being accounted for in proprietary funds.

Capital Projects Funds – Capital projects funds are used to account for the acquisition, construction or renovation of major capital facilities other than those accounted for in proprietary funds.

Proprietary Funds

Enterprise Funds – Enterprise funds are used to account for the activities of the County's business-type activities. The operations of these funds are financed primarily through user fees that are intended to recover the cost of services provided.

Internal Service Funds – Internal service funds are used to account for goods and services provided to other departments and governmental agencies on a cost-reimbursement basis. The County utilizes separate internal service funds to account for compensated absences, workers' compensation insurance, liability insurance and central services such as inventory and telephone.

MACOMB COUNTY, MICHIGAN
Notes to Basic Financial Statements (continued)
December 31, 2013

Note 1 – Summary of Significant Accounting Policies (continued)

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

Fiduciary Funds

Employees' Retirement Fund – The Employees' Retirement Fund is used to account for the accumulation of resources for pension benefit payments to qualified employees.

Retiree Health Care Trust Fund – The Retiree Health Care Trust Fund is used to account for the accumulation of resources to provide health care benefits to County retirees.

Agency Funds – Trust and agency funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. The County reports the following agency funds: general agency for items such as court fees collected and passed through to the State of Michigan, payroll and benefits for employee withholdings such as garnishments and union dues and miscellaneous agency, which is used to account for monies such as library penal fines.

Measurement Focus and Basis of Accounting – The government-wide financial statements as well as the financial statements of the proprietary funds and pension trust funds are accounted for using the economic resources measurement focus and the full accrual basis of accounting. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred without regard to the receipt or payment of cash or its equivalent. Agency funds do not have a measurement focus since they report only assets and liabilities and also use the accrual basis of accounting to recognize receivables and payables.

The governmental fund financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues of governmental funds are recognized when they become both measurable and available. "Measurable" means that the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of year-end.

Property taxes are recognized as revenue in the period for which they are levied. Federal grants, state distributions and grants and interest earned are recognized as revenue in the period they become both measurable and available. Special assessments are recognized as revenues only to the extent that individual installments are received within the period of availability. Licenses and permits, fines and forfeitures and other revenues are recorded when received in cash because they are generally not measurable until actually received. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, with the exception of principal and interest on general long-term debt, which is recognized when due.

MACOMB COUNTY, MICHIGAN
Notes to Basic Financial Statements (continued)
December 31, 2013

Note 1 – Summary of Significant Accounting Policies (continued)

The majority of the funds of the County are accounted for using the modified accrual basis of accounting. Because the governmental fund financial statements are presented on a different measurement focus and basis of accounting than the government-wide financial statements, a reconciliation is provided after each governmental fund financial statement that briefly explains the adjustments necessary to reconcile the fund financial statements to the government-wide financial statements.

When both restricted and unrestricted resources are available for use, restricted assets are used first and then unrestricted resources as needed. When an expense is incurred 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.

Bank Deposits and Investments – Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income from the relevant funds is generally allocated to each fund using a weighted average.

Receivables and Payables – In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds". Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances". All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Trade receivables of the primary government totaled \$31,503,761 at year end, net of an allowance of \$193,910, all of which relates to the Martha T. Berry Enterprise Fund.

Inventories - Inventories consist of expendable items held for consumption and are valued at cost using the first-in, first-out method. The expenditure related to utilization of inventory items is recorded at the time individual items are consumed.

Other Assets – Other assets represent deposits and prepaid expenses.

Budgetary Accounting – Prior to July 1, the County Finance Director submits to the Board of Commissioners a proposed operating budget for the year commencing January 1. The annual operating budget includes proposed expenditures and the means of financing them for the General Fund, Special Revenue Funds and the Debt Service Fund, as well as the Martha T. Berry, Community Mental Health and Parks business-type activities. A public hearing is conducted to obtain taxpayer comments and the budget is legally enacted through passage of a resolution by the Board of Commissioners no later than December 31.

MACOMB COUNTY, MICHIGAN
Notes to Basic Financial Statements (continued)
December 31, 2013

Note 1 – Summary of Significant Accounting Policies (continued)

Formal budgetary integration is employed as a management control device during the year for all funds. Expenditures may not legally exceed budgeted appropriations at the department level. The County Executive is authorized to transfer funds between budgeted line items within a department within a fund as long as the amount being transferred does not exceed the lesser of \$30,000 or 2% of the department budget. Budget amendments that exceed these limits must be approved by the Finance Committee of the Board of Commissioners. During the year, supplemental budgetary appropriations were not significant in relation to the original appropriations as adopted. Unexpended appropriations lapse at year-end. Encumbrances open at year-end are re-appropriated in the following year. Budgets are adopted on a basis consistent with generally accepted accounting principles and budgeted amounts presented in the financial statements represent final budget authorization, including all amendments approved during the year.

More information regarding budget matters can be found in the Required Supplementary Information section of this report.

Capital Assets – Capital assets of the primary government, including land, land improvements, buildings, equipment, vehicles, and infrastructure, are reported in the government-wide financial statements and the applicable proprietary fund financial statements. Capital assets utilized for governmental activities are only capitalized in the government-wide financial statements and are fully expended in the governmental funds. Capital assets of the component units are reported in the Drainage Districts Component Unit. The County capitalizes assets, except those purchased by the Department of Roads, whose initial purchase price equals or exceeds \$5,000 and whose estimated useful life exceeds one year. The Department of Roads capitalizes assets whose initial cost equals or exceeds \$1,000 and estimated useful life exceeds one year. Capital assets are valued at historical cost or estimated historical cost. Donated properties are recorded at fair market value at the date of donation. Depreciation of all exhaustible capital assets is allocated against the various functions in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Assets. Depreciation has been provided over the following estimated useful lives using the straight-line method: land improvements - 10-20 years, buildings and improvements – 25-50 years, equipment - 3-20 years, vehicles - 5 years and infrastructure 8-50 years.

Compensated Absences – County employees earn vacation and sick leave benefits based on length of service. Both fully are available for use upon completion of a probationary period of six months. Upon separation from service, employees are paid accumulated vacation and sick pay based upon the nature of separation (death, retirement or termination). Certain limitations have been placed on the number of hours of vacation and sick leave that may be accumulated and carried over for payment at separation of service. Unused hours exceeding these limitations are forfeited. Accumulated unpaid vacation, sick pay and other employee benefit liabilities have been accrued in the Compensated Absences Internal Service Fund.

MACOMB COUNTY, MICHIGAN
Notes to Basic Financial Statements (continued)
December 31, 2013

Note 1 – Summary of Significant Accounting Policies (continued)

Long Term Obligations – In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Bond premiums and discounts and the deferred amount on refunding are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and deferred amount on refunding. Bond issuance costs are expensed as incurred. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

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 and proprietary funds, 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 the year underpaid amount, if any.

Encumbrances – Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund and Special Revenue Funds. Encumbrances outstanding at year-end lapse and are re-appropriated and spent under authorization of a new budget in the following year.

Property Taxes – The general operating property tax is levied July 1 of each year based on the taxable value of property as of the preceding December 31. The Veterans’ and Drain Debt property taxes are levied on December 1 of each year. Taxes are billed and collected for the County by the local units within the County and are payable in one installment no later than February 28 of the following year, at which time they become delinquent and subject to penalty. Taxable value is established annually by the local units, accepted by the County and equalized by the State of Michigan to approximate 50% of market value (SEV). The annual increase in taxable value is limited by State statute to the rate of inflation or 5%, whichever is less. Taxable value reverts to SEV when a property is sold or when SEV drops below taxable value. The taxable value of real and personal property in Macomb County for the July 1, 2013 levy (calendar 2013 revenue) was \$24,113,941,897. The County operating tax rate for the 2013 levy was 4.5685 mills, the Veteran’s rate was .0400 mills, and the Drain Debt was .0050 mills. The County records an allowance of 2% for assessment appeals and personal property tax delinquencies. The amount recorded in 2013 was \$2,226,001.

The County, through its Delinquent Tax Revolving Fund, purchases annually from the municipalities within the County, at face value, the delinquent real property taxes receivable, as certified to the County as not collected as of March 1. The Delinquent Tax Revolving Fund is self-supporting at this time. Collection of these delinquent property taxes will be used to purchase future delinquent real property taxes from municipalities within the County.

MACOMB COUNTY, MICHIGAN
Notes to Basic Financial Statements (continued)
December 31, 2013

Note 1 – Summary of Significant Accounting Policies (concluded)

Unearned Revenue - Governmental funds, the governmental activities, and business type activities defer revenue recognition in connection with resources that have been received but not yet earned.

Use of Estimates - The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make significant estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from such estimates.

Fund Equity - Governmental funds report fund balance as either nonspendable, restricted, committed, assigned or unassigned.

- Nonspendable - Amounts that are not expected to be converted into cash, such as inventories and prepaid expenses, and amounts that are legally required to be maintained intact, such as the corpus of a permanent fund.
- Restricted - Amounts whose use are restricted by constraints imposed by outside parties such as creditors, grantors, laws and regulations of other governments, constitutional provisions or enabling legislation.
- Committed - Amounts that have been designated for specific purposes established by formal action of the government's highest level of decision-making authority. Fund balance commitments require a formal resolution of the Board of Commissioners. Once committed, these amounts cannot be used for any other purpose unless the restrictions are removed or changed through the same type of action used to make the original commitment.
- Assigned - Amounts that are intended to be used for specific purposes, but are not restricted or committed. Specific fund balance assignments require formal approval by the Board of Commissioners. However, the County has not adopted such a policy. Balances in governmental funds, other than the General Fund, not classified as nonspendable, restricted or committed are classified as assigned in accordance with GASB Statement No. 54, even though specific intended uses may not been declared by the government.
- Unassigned - The residual amount of fund balance remaining in the General Fund after all other classifications have been made and negative amounts in other governmental funds.

MACOMB COUNTY, MICHIGAN
Notes to Basic Financial Statements (continued)
December 31, 2013

Note 1 – Summary of Significant Accounting Policies (concluded)

Fund Equity (concluded) - When the County incurs an expenditure for purposes for which various fund balance classifications can be used, it is the County's policy to use restricted fund balance first, then committed, assigned, and finally unassigned fund balance, if any. Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of net position and/or governmental funds balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The County had no deferred outflows at year end.

In addition to liabilities, the statement of net position and/or governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents the 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 three types of items that qualify for reporting in this category. The governmental funds report unavailable revenues from two sources: property taxes and special assessments and State and Federal grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In addition to these items, the primary government also reports deferred inflows for property taxes received before the period for which they were levied. These property taxes are shown as deferred inflows of resources on both the governmental funds balance sheet as well as the statement of net position. Those property taxes will be recognized as revenue in 2014.

Note 2 - Deposits and Investments

Primary Government and Component Unit Deposits and Investments - The County maintains a cash and investment pool that is available for use by all funds. In addition to their participation in the pool, certain funds also maintain separate investment accounts, consisting primarily of certificates of deposit and money market accounts. Each fund's portion of the pool as well as any amounts in separate accounts are reported as "Cash and Pooled Investments". Public Act 20 of 1943, as amended, authorizes local units of government to make deposits and invest in the accounts of federally insured banks, credit unions and savings and loan associations that maintain locations in the State of Michigan. The law also allows investments outside the State of Michigan if fully insured. Public Act 20 authorizes local units to invest in bonds, securities and other direct obligations of the United States government, repurchase agreements, bankers' acceptances of United States banks, commercial paper rated within the two highest classifications by not less than two standard rating services and maturing not more than 270 days after the date of purchase, investment grade obligations of the State of Michigan or any of its political subdivisions and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

MACOMB COUNTY, MICHIGAN
Notes to Basic Financial Statements (continued)
December 31, 2013

Note 2 – Deposits and Investments (continued)

Primary Government and Component Unit Deposits and Investments (continued) -The Board of Commissioners adopts a depository resolution, including a list of authorized institutions, each year as recommended by the County Treasurer. The provisions of the depository resolution are as presented below.

- Certificates of deposit must be with institutions with locations in the State of Michigan, shall not exceed 75% of the portfolio and the amount with any one institution may not exceed 25% of the total portfolio.
- Commercial paper must be rated A-1 by Standard & Poors and P-1 by Moodys and may not exceed 75% of the total portfolio.
- Banker's acceptances with any one institution may not exceed 20% of the total portfolio.
- Government investment pools may not exceed 50% of the total portfolio.
- The total of deposits and investments with any one institution may not exceed 50% of the capitalization of that institution.

The deposits and investments of the primary government and component units, excluding the pension and other postemployment benefit trust funds, at December 31, 2013 and September 30, 2013 respectively, are presented below.

	Primary Government	Component Units	Percent of Total
Cash on hand	\$ 74,052	\$ -	0.02%
Bank and money market accounts	153,504,639	16,217,032	37.46%
Certificates of deposit	242,723,144	40,572,376	62.53%
 Total deposits and investments	 396,301,835	 56,789,408	 <u>100.01%</u>
Timing effect of different year ends	(2,066,353)	-	
 Amount reported at December 31, 2013	 <u>\$ 394,235,482</u>	 <u>\$ 56,789,408</u>	
 Amount reported in primary government	 \$ 384,530,117		
Amount reported in agency funds	9,705,365		
	<u>\$ 394,235,482</u>		

MACOMB COUNTY, MICHIGAN
Notes to Basic Financial Statements (continued)
December 31, 2013

Note 2 – Deposits and Investments (continued)

Primary Government and Component Unit Deposits and Investments (concluded) –

Deposits - The deposits of the primary government and its component units are subject to ***custodial credit risk***, which is the risk that the deposits may not be returned in the event of a bank failure. The custodial credit risk assumed by the County is measured by categorizing deposits in one of three categories: 1) insured or collateralized with securities held by the County or its agent in the County's name, 2) collateralized with securities held by the counter-party's trust department or agent in the County's name and 3) uninsured and uncollateralized. At year-end, the book value of the deposits was \$457,080,323, with corresponding bank balances of \$464,696,231. Qualifying deposits are insured by the FDIC up to \$250,000. Of the bank balances, \$2,500,000 was insured and the remaining \$462,196,231 was uninsured and uncollateralized. The County believes that it is impractical to insure all deposits given the size of the portfolio and the limits of insurance established by the FDIC. As a result, the County evaluates each institution with which it deposits funds and assesses the level of risk associated with each institution and adjusts its deposits accordingly.

Investments - Investments of the primary government and component units are subject to various types of risks as defined below in accordance with GASB Statement No. 40:

- ***Custodial Credit Risk*** exists when securities are uninsured, unregistered or held by a counterparty or its agent but not in the government's name. All investments of the primary government are held in the name of the County and are evidenced by a safekeeping receipt and, therefore, are not exposed to custodial credit risk.
- ***Credit Risk*** is a measure of the creditworthiness of the issuers of the instruments being held and represents the risk that the issuer or other counterparty to an investment will not fulfill its obligations. Statutes of the State of Michigan authorize the County to invest in the following instruments: obligations of the U.S. Treasury and its agencies and instrumentalities, commercial paper rated within the two highest classifications established by not less than two standard rating services, bankers' acceptances, investment pools of the Treasurer of the State of Michigan, and repurchase agreements. No instruments subject to credit risk were held at year-end.
- ***Concentration of Credit Risk*** is the risk of loss measured by the magnitude of the County's investment in a single issuer. As defined by GASB Statement NO. 40, the County is exposed to concentration of credit risk if more than 5% of its portfolio is invested in instruments issued by a single issuer.
- ***Interest Rate Risk*** is the risk that the fair value of the County's investments will be adversely affected by changes in market interest rates and is measured primarily by average days to maturity. Although the County investment policy does not limit investment maturities as a means of limiting its exposure to interest rate risk, the County manages this risk by purchasing a mix of short and longer term investments. The County had no investments exposed to interest rate risk at December 31, 2013.

MACOMB COUNTY, MICHIGAN
Notes to Basic Financial Statements (continued)
December 31, 2013

Note 2 – Deposits and Investments (continued)

Retiree Health Care Trust Fund Investments – In addition to the instruments authorized by Public Act 20 of 1943, the Retiree Health Care Trust Fund is authorized by Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks and bonds, diversified investment companies, real estate, annuity investment contracts, mortgages and certain other specified investment vehicles. The investments of the Retiree Health Care Trust Fund (the "Fund") are held in a bank-administered trust fund. A summary of the investments of the Retiree Health Care Trust Fund at December 31, 2013 are presented below:

<u>Investment Type</u>	<u>Amount</u>	<u>Percent of Total</u>
Cash and pooled investments	\$ 103,758	0.06%
Common Stock	921,105	0.56%
Foreign Stock	24,494,626	15.01%
Real Estate Investment Trusts	23,662,411	14.50%
Fixed Income Common Collective Trusts	32,181,192	19.74%
Equity Common Collective Trusts	81,775,564	50.13%
	<u>\$ 163,138,656</u>	<u>100.00%</u>

Investments of the Retiree Health Care Trust Fund are subject to various types of risks as defined below in accordance with GASB Statement No. 40:

- Credit Risk is a measure of the creditworthiness of the issuers of the instruments being held and represents the risk that the issuer or other counterparty to an investment will not fulfill its obligations. Statutes of the State of Michigan authorize the Retiree Health Care Trust Fund to invest in the following instruments: obligations of the U.S. Treasury and its agencies and instrumentalities, commercial paper rated within the two highest classifications established by not less than two standard rating services, bankers' acceptances, investment pools of the Treasurer of the State of Michigan, repurchase agreements and corporate bonds rated in the top four major grades as determined by at least two national ratings agencies. The entire portfolio of debt securities of the Retiree Health Care Trust Fund is held in one bond index mutual fund that consists of a mix of corporate, US Treasury and US Agency securities.

At December 31, 2013, the Fund's investments in debt securities were rated by Standard & Poors as follows:

<u>Quality Rating</u>	<u>US Treasury</u>	<u>US Agency</u>	<u>Corporate</u>	<u>Total</u>
AAA	\$ 11,553,048	\$ 10,845,062	\$ 1,447,896	\$ 23,846,006
AA	-	-	1,193,536	1,193,536
A	-	-	3,375,163	3,375,163
BAA	-	-	3,766,487	3,766,487
	<u>\$ 11,553,048</u>	<u>\$ 10,845,062</u>	<u>\$ 9,783,082</u>	<u>\$ 32,181,192</u>

MACOMB COUNTY, MICHIGAN
Notes to Basic Financial Statements (continued)
December 31, 2013

Note 2 – Deposits and Investments (continued)

Retiree Health Care Trust Fund Investments (concluded) –

- ***Custodial Credit Risk*** exists when securities are uninsured, unregistered or held by a counterparty or its agent but not in the government's name. All investments of the Retiree Health Care Trust Fund are held in trust by a third party institution in the name of the Fund and, therefore, are not exposed to custodial credit risk.
- ***Concentration of Credit Risk*** is the risk of loss measured by the magnitude of investments in a single issuer. As defined by GASB Statement NO. 40, the County is exposed to concentration of credit risk if more than 5% of its portfolio is invested in instruments issued by a single issuer. Investments in instruments issued by the US Government, as well as those held in mutual funds and investment pools are exempt from this requirement. None of the investments in common or foreign stock exceeded the 5% threshold at December 31, 2013.
- ***Interest Rate Risk*** is the risk that the fair value of investments in debt securities will be adversely affected by changes in market interest rates and is measured primarily by average days to maturity. The entire portfolio of debt securities of the Retiree Health Care Trust Fund is held in one bond index mutual fund that consists of a mix of corporate, US Treasury and US Agency securities and is therefore not subject to interest rate risk. A summary of the maturities of the Fund's debt securities at December 31, 2013 were as follows:

Maturities (Years)	Fair Value			
	US Treasury	US Agency	Corporate	Total
1-5	\$ 5,025,575	\$ 4,717,602	\$ 4,255,641	\$ 13,998,818
6-10	4,459,477	4,186,194	3,776,269	12,421,940
11 or more	2,067,996	1,941,266	1,751,172	5,760,434
	<u>\$ 11,553,048</u>	<u>\$ 10,845,062</u>	<u>\$ 9,783,082</u>	<u>\$ 32,181,192</u>

MACOMB COUNTY, MICHIGAN
Notes to Basic Financial Statements (continued)
December 31, 2013

Note 2 - Deposits and Investments (continued)

Employees' Retirement System Deposits and Investments - In addition to the instruments authorized by Public Act 20 of 1943 the Retiree Health Care Trust Fund is authorized by Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks and bonds, diversified investment companies, real estate, annuity investment contracts, mortgages and certain other specified investment vehicles. A summary of the investments of the System at December 31, 2013 is presented below:

<u>Investment Type</u>	<u>Amount</u>	<u>Percent of Total</u>
Cash and pooled investments	\$ 24,339,662	2.67%
Corporate bonds	122,351	0.01%
Common stock	400,447,854	43.86%
Limited partnerships	176,003,311	19.28%
Fixed income common collective trusts	141,004,409	15.45%
Equity common collective trusts	170,973,967	18.73%
	<u>\$ 912,891,554</u>	<u>100.00%</u>

Deposits - The deposits of the Macomb County Employee's Retirement System (the "System") are subject to ***custodial credit risk***, which is the risk that the deposits may not be returned in the event of a bank failure. The custodial credit risk assumed by the System is measured by categorizing deposits as previously described. At year-end, the book value of the deposits of the System was \$24,339,662 with corresponding bank balances of \$24,382,067. Qualifying deposits are insured by the FDIC up to \$250,000. Of the bank balances of the System, \$250,000 was insured and the remaining \$24,132,067 was uninsured and uncollateralized.

Investments - The investments of the System are subject to various types of risks as defined below in accordance with GASB Statement No. 40:

- ***Custodial Credit Risk*** exists when securities are uninsured, unregistered or held by a counterparty or its agent but not in the government's name. All investments of the System are held in trust by a third party institution in the name of the System and are, therefore, are not exposed to custodial credit risk.
- ***Credit Risk*** is a measure of the creditworthiness of the issuers of the instruments being held and represents the risk that the issuer or other counterparty to an investment will not fulfill its obligations. Statutes of the State of Michigan authorize the System to invest in the following instruments: obligations of the U.S. Treasury and its agencies and instrumentalities, commercial paper rated within the two highest classifications established by not less than two standard rating services, bankers' acceptances, investment pools of the Treasurer of the State of Michigan, repurchase agreements, corporate stocks and corporate bonds rated in the top four major grades as determined by at least two national ratings agencies. Corporate stock cannot exceed seventy percent (70%) of the total portfolio.

MACOMB COUNTY, MICHIGAN
Notes to Basic Financial Statements (continued)
December 31, 2013

Note 2 - Deposits and Investments (concluded)

Employees' Retirement System Deposits and Investments (concluded) –

At December 31, 2013, the System's investments in debt securities were rated by Standard & Poors as follows:

Quality Rating	US Treasury	US Agency	Foreign Bonds	Corporate Bonds	Total
AAA	\$ 22,506,693	\$ 21,485,648	\$ 5,748,202	\$ 7,744,088	\$ 57,484,631
AA+	-	-	4,129	-	4,129
AA	-	-	8,259	4,992,123	5,000,382
AA-	-	-	7,734,468	-	7,734,468
A	-	-	8,147,414	13,987,252	22,134,665
A-	-	-	2,481,802	-	2,481,802
BAA	-	-	-	25,432,918	25,432,918
BA	-	-	-	2,432,001	2,432,001
BBB+	-	-	5,789,495	-	5,789,495
BBB	-	-	2,746,087	-	2,746,087
BBB-	-	-	1,726,112	-	1,726,112
BB+	-	-	3,596,755	-	3,596,755
BB-	-	-	351,004	-	351,004
B+	-	-	607,030	-	607,030
B	-	-	-	868,572	868,572
B-	-	-	2,188,611	-	2,188,611
CCC+	-	-	165,177	-	165,177
CCC	-	-	-	17,128	17,128
D	-	-	-	24,583	24,583
Not rated	-	-	-	341,211	341,211
	<u>\$ 22,506,693</u>	<u>\$ 21,485,648</u>	<u>\$ 41,294,544</u>	<u>\$ 55,839,875</u>	<u>\$ 141,126,760</u>

Interest Rate Risk is the risk that the fair value of investments in debt securities will be adversely affected by changes in market interest rates and is measured primarily by average days to maturity. A summary of the maturities of the System's debt securities at December 31, 2013 were as follows:

Maturities (Years)	US Treasury	US Agency	Foreign Bonds	Corporate Bonds	Total
Less than 1	\$ -	\$ -	\$ -	\$ 89,473	\$ 89,473
1-5	-	-	41,294,544	15,750	41,310,294
6-10	22,506,693	21,485,648	-	55,717,524	99,709,865
11 or more	-	-	-	17,128	17,128
	<u>\$ 22,506,693</u>	<u>\$ 21,485,648</u>	<u>\$ 41,294,544</u>	<u>\$ 55,839,875</u>	<u>\$ 141,126,760</u>

Investments are reported at fair value or estimated fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market value are reported at estimated fair value as determined by County Management. Approximately 53.4 percent of the Employee's Retirement System assets and 69.9 percent of the Retiree Health Care Plan assets are not publicly traded and therefore do not have a readily determinable market value. Because alternative investments are not readily marketable, their estimated value is subject to uncertainty and therefore may differ significantly from the values that would have been used had a ready market for these securities existed. The difference could be material.

MACOMB COUNTY, MICHIGAN
Notes to Basic Financial Statements (continued)
December 31, 2013

Note 3 – Capital Assets

The following is a summary of capital asset activity of the governmental activities of the County for the year ended December 31, 2013:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities totals				
Capital assets not being depreciated				
Land	\$ 217,439,729	\$ 2,645,423	\$ 76,545	\$ 220,008,607
Construction in progress	1,792,616	2,860,517	2,273,784	2,379,349
Total capital assets not being depreciated	219,232,345	5,505,940	2,350,329	222,387,956
Capital assets being depreciated				
Land improvements	11,917,567	315,926	-	12,233,493
Buildings	251,346,819	12,087,530	1,891,301	261,543,048
Machinery, equipment and vehicles	88,714,717	6,993,607	2,226,159	93,482,165
Infrastructure	1,051,158,301	31,455,208	-	1,082,613,509
Total capital assets being depreciated	1,403,137,404	50,852,271	4,117,460	1,449,872,215
Less accumulated depreciation for				
Land improvements	6,600,585	460,231	-	7,060,816
Buildings	111,346,730	7,026,118	368,777	118,004,071
Machinery, equipment and vehicles	75,928,106	4,711,824	2,215,405	78,424,525
Infrastructure	534,178,301	37,448,317	-	571,626,618
Total accumulated depreciation	728,053,722	49,646,490	2,584,182	775,116,030
Total capital assets being depreciated, net	675,083,682	1,205,781	1,533,278	674,756,185
Governmental activities capital assets, net	\$ 894,316,027	\$ 6,711,721	\$ 3,883,607	\$ 897,144,141

Depreciation expense was charged to the functions of the governmental activities as follows:

	Governmental Assets	Internal Service Assets	Total
Judicial	\$ 966,769	\$ -	\$ 966,769
General government	2,255,108	521,934	2,777,042
Health and welfare	2,896,067	-	2,896,067
Recreation and culture	62,122	-	62,122
Public safety	2,798,792	-	2,798,792
Public works	40,145,698	-	40,145,698
	<u>\$ 49,124,556</u>	<u>\$ 521,934</u>	<u>\$ 49,646,490</u>

MACOMB COUNTY, MICHIGAN
Notes to Basic Financial Statements (continued)
December 31, 2013

Note 3 – Capital Assets (concluded)

The following is a summary of capital asset activity of the business-type activities of the County for the year ended December 31, 2013:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	\$ -	\$ 50,000	\$ -	\$ 50,000
Capital assets being depreciated				
Land improvements	350,128	-	-	350,128
Buildings	1,862,372	69,875	-	1,932,247
Machinery, equipment and vehicles	772,658	12,258	-	784,916
Total capital assets being depreciated	2,985,158	82,133	-	3,067,291
Less accumulated depreciation for				
Land improvements	235,509	9,662	-	245,171
Buildings	898,044	69,589	-	967,633
Machinery, equipment and vehicles	599,421	75,799	-	675,220
Total accumulated depreciation	1,732,974	155,050	-	1,888,024
Total capital assets being depreciated, net	1,252,184	(72,917)	-	1,179,267
Business-type activities capital assets, net	<u>\$ 1,252,184</u>	<u>\$ (22,917)</u>	<u>\$ -</u>	<u>\$ 1,229,267</u>

Depreciation expense of the business-type activities by function totaled \$86,664 for health and welfare and \$56,128 for recreation and culture.

The following is a summary of changes in the Drainage Districts Component Unit capital assets for the year ended September 30, 2013:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	\$ 1,992,428	\$ -	\$ -	\$ 1,992,428
Construction in progress	22,634,600	12,526,814	-	35,161,414
Total capital assets not being depreciated	24,627,028	12,526,814	-	37,153,842
Capital assets being depreciated				
Infrastructure	371,933,531	-	-	371,933,531
Less accumulated depreciation for				
Infrastructure	96,560,909	7,438,673	-	103,999,582
Total capital assets being depreciated, net	275,372,622	(7,438,673)	-	267,933,949
Drainage district capital assets, net	<u>\$ 299,999,650</u>	<u>\$ 5,088,141</u>	<u>\$ -</u>	<u>\$ 305,087,791</u>

MACOMB COUNTY, MICHIGAN
Notes to Basic Financial Statements (continued)
December 31, 2013

Note 4 – Long-Term Debt

The following is a summary of the long-term liability transactions for the year ended December 31, 2013:

Issue	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government					
Governmental activities					
Criminal Justice Bldg Authority					
Series 2002-B Refunding	\$ 1,000,000	\$ -	\$ 1,000,000	\$ -	\$ -
Building Authority					
Series 2002 MTB/Youth Home	3,175,000	-	1,550,000	1,625,000	1,625,000
Series 2002-A Refunding	2,620,000	-	835,000	1,785,000	875,000
Series 2005 Clemens Refunding	2,095,000	-	250,000	1,845,000	245,000
Series 2007 Refunding	16,590,000	-	70,000	16,520,000	70,000
Series 2012 PW Warehouse Refunding	6,430,000	-	480,000	5,950,000	495,000
Series 2012A 800MHz/Court Refunding	14,160,000	-	25,000	14,135,000	25,000
MI Transportation Fund					
Series 2008- Bridge Refunding Bonds	1,335,000	-	430,000	905,000	445,000
Series 2012- Bridge Refunding Bonds	2,265,000	-	100,000	2,165,000	100,000
Department of Roads					
2007 MDOT Infrastructure Loan	339,359	-	47,045	292,314	47,516
2010 MDOT Infrastructure Loan	302,442	-	32,274	270,168	32,606
2010 MDOT Infrastructure Loan	449,793	-	46,111	403,682	47,033
	50,761,594	-	4,865,430	45,896,164	4,007,155
Other liabilities					
Compensated Absences					
General County	10,747,162	1,283,933	1,824,244	10,206,851	650,000
Department of Roads	1,230,940	815,491	872,373	1,174,058	875,000
General liability claims					
General County	2,908,695	1,555,482	1,709,539	2,754,638	800,000
Department of Roads	37,608	127,400	134,725	30,283	9,303
Workers' compensation claims					
General County	3,813,693	1,065,836	934,187	3,945,342	900,000
Department of Roads	38,758	(4,345)	12,043	22,370	8,882
Total Governmental Activities	69,538,450	4,843,797	10,352,541	64,029,706	7,250,340
Business-type activities					
Compensated Absences	1,650,027	293,551	301,585	1,641,993	100,000
Total Primary Government	\$ 71,188,477	\$ 5,137,348	\$ 10,654,126	\$ 65,671,699	\$ 7,350,340
Component Units					
Drainage Districts					
Special Assessment Debt	\$ 253,949,036	\$ 10,309,244	\$ 10,731,403	\$ 253,526,877	\$ 11,509,428
Unamortized premiums	2,135,873	-	115,336	2,020,537	115,336
Unamortized discounts	(1,627,029)	-	(95,707)	(1,531,322)	(95,707)
Total Component Units	\$ 254,457,880	\$ 10,309,244	\$ 10,751,032	\$ 254,016,092	\$ 11,529,057

MACOMB COUNTY, MICHIGAN
Notes to Basic Financial Statements (continued)
December 31, 2013

Note 4 – Long-Term Debt (continued)

Long-term bonded debt of the Primary Government and Component Units consists of the following:

Issue	Interest Rate	Date of Issue	Maturing Through	Original Issue Amount	Balance End of Year
Primary Government					
Governmental activities					
Criminal Justice Building Authority					
Series 2002-B Refunding	2.00-4.00	01/01/2003	7/1/2013	\$ 5,830,000	\$ -
Macomb County Building Authority					
Series 2002 MTB/Youth Home Renovation	4.0-4.375	05/01/2002	3/1/2014	32,000,000	1,625,000
Series 2002-A Refunding	2.50-4.00	12/01/2002	5/1/2015	8,885,000	1,785,000
Series 2005 Clemens Refunding	3.25-5.00	12/01/2005	5/1/2020	2,875,000	1,845,000
Series 2007 Refunding	3.50-4.22	04/01/2007	3/1/2022	16,895,000	16,520,000
Series 2012 Public Works/Warehouse Refunding	2.00-2.50	03/01/2012	5/1/2024	6,550,000	5,950,000
Series 2012A 800MHz/NB Court Refunding	2.00-2.50	10/01/2012	11/1/2025	14,160,000	14,135,000
Michigan Transportation Bonds					
Series 2008 Bridge Refunding Bonds	3.00-3.50	06/01/2008	12/1/2015	2,605,000	905,000
Series 2012 Bridge Refunding Bonds	2.00	11/01/2012	12/1/2019	2,265,000	2,165,000
Department of Roads					
2007 MDOT Infrastructure Loan	1.00	11/14/2006	11/14/18	477,720	252,314
2010 MDOT Infrastructure Loan	1.00	10/29/2010	10/29/20	334,405	270,168
2010 MDOT Infrastructure Loan	2.00	12/22/2010	12/22/20	495,000	403,682
Total Primary Government				<u>\$ 93,372,125</u>	<u>\$ 45,896,164</u>
Drainage Districts Component Unit					
Special Assessment Debt					
Busch Drain	3.80- 4.55	10/01/1998	05/01/2014	\$ 1,250,000	\$ 125,000
Hawken Drain	4.30 - 5.25	08/01/2000	05/01/2015	795,000	150,000
Hayes Drain	4.50 - 5.20	08/01/2000	05/01/2015	1,095,000	250,000
Plumbrook Bridge Replacement	4.00 - 5.00	08/01/2000	05/01/2015	2,800,000	550,000
Schmidt Drain	3.60 - 4.30	05/01/2006	06/01/2016	525,000	175,000
17 Mile Road Drain & Branches	4.00 - 8.00	04/01/1973	05/01/2013	2,315,000	-
17 Mile Road Extension	3.06 - 4.50	11/01/2001	11/01/2016	1,725,000	450,000
Sterling Relief Lateral 12B Extension	2.00 - 4.00	09/01/2003	11/01/2012	885,000	-
North Gratiot Interceptor - Phase 5	3.75 - 4.20	11/01/2006	05/01/2032	3,380,000	2,975,000
North Gratiot Interceptor - Lenox Local	4.00 - 4.25	03/01/2007	05/01/2031	15,200,000	12,700,000
North Gratiot Interceptor - Phase 1	3.25 - 4.75	06/01/2008	05/01/2033	22,340,000	19,850,000
North Gratiot Interceptor - Series 2010	1.00 - 6.35	05/11/2010	05/01/2035	16,965,000	15,600,000
Lake St. Clair Clean Water Initiative					
State Revolving Fund Series #1 (5186-01)	2.50	Various	10/01/2022	20,570,000	10,590,000
Lake St. Clair Clean Water Initiative					
State Revolving Fund Series #2 (5186-02)	2.50	Various	04/01/2022	13,630,000	6,985,000
Lake St. Clair Clean Water Initiative					
State Revolving Fund Series #3 (5186-03)	2.50	Various	04/08/2022	2,640,000	1,350,000
Lake St. Clair Clean Water Initiative					
State Revolving Fund Series #4 (5186-04)	2.50	Various	10/01/2022	5,550,000	2,840,000
Lake St. Clair Clean Water Initiative					
State Revolving Fund Series #5 (5186-05)	2.50	Various	10/01/2023	975,000	550,000
Lake St. Clair Clean Water Initiative Series 2004A	4.375 - 5.00	06/01/2004	10/01/2029	5,000,000	3,775,000
Lake St. Clair Clean Water Initiative Series 2004B	4.375 - 5.00	06/01/2004	10/01/2029	14,000,000	10,560,000
Lake St. Clair Clean Water Initiative Series 2010 Refunding	2.00 - 4.25	08/03/2010	10/01/2029	12,270,000	10,950,000
8.5 Mile Relief State Revolving Fund Loan (5306-01)	2.50	Various	10/01/2029	4,025,000	3,370,000
8.5 Mile Relief State Revolving Fund Loan (5393-01)	2.50	Various	10/01/2030	1,246,579	1,088,579
8.5 Mile Relief State Revolving Fund Loan (5460-01)	2.50	Various	4/01/2031	418,482	389,994
Oakland-Macomb Interceptor State Revolving Fund Loan (5368-01)	2.50	Various	04/01/2031	13,429,140	12,287,967
Oakland-Macomb Interceptor State Revolving Fund Loan (5368-02)	2.50	Various	10/01/2020	7,354,593	7,354,593
Oakland-Macomb Interceptor State Revolving Fund Loan (5368-03)	2.00	Various	10/01/2034	2,385,338	2,385,336
Oakland-Macomb Interceptor Series 2010B	1.15 - 5.90	04/15/2010	04/01/2030	3,450,500	3,118,325
Macomb Wastewater Disposal District SRF (5487-01)	2.50	Various	4/1/2034	3,501,458	3,501,458
Macomb Wastewater Disposal District SRF (5540-01)	2.00	Various	10/01/2033	247,403	247,403
Macomb Interceptor Series 2010A	1.250 - 5.375	08/30/2010	05/01/2035	95,620,000	89,620,000
Macomb Interceptor Series 2011	2.50 - 5.00	10/18/2011	05/01/2031	30,800,000	29,300,000
Richmond-Columbus Series 2010	4.70	11/23/2010	06/01/2021	547,778	438,222
Total Drainage Districts Component Unit				<u>\$ 307,036,269</u>	<u>\$ 253,526,677</u>
Total Reporting Entity				<u>\$ 400,408,394</u>	<u>\$ 299,423,041</u>

MACOMB COUNTY, MICHIGAN
Notes to Basic Financial Statements (continued)
December 31, 2013

Note 4 – Long-Term Debt (continued)

All long-term obligations are presented as of December 31, 2013 except for the Special Assessment Debt with Governmental Commitment and Department of Road obligations, which are presented as of September 30, 2013. Special assessments receivable have been pledged by various local units of government for the payment of principal and interest on the Special Assessment Debt with Governmental Commitment. The County has also pledged its full faith and credit as additional security for the payment of the principal and interest on the Special Assessment Debt with Governmental Commitment in the event that the monies required to pay the principal and interest on the bonds are not collected by the aforementioned special assessments.

The annual requirements necessary to pay principal on the obligations of the Primary Government and Component Units outstanding at year-end, exclusive of the compensated absences, general liability and workers' compensation accruals, are as follows:

Principal Maturities					
Year	Primary Government			Total	Drainage Districts
	Building Authority	MI Transportation Bonds	Department of Roads		Special Assessment Debt
2014	3,335,000	545,000	127,155	4,007,155	11,509,428
2015	3,460,000	560,000	128,903	4,148,903	13,400,528
2016	3,665,000	490,000	130,665	4,285,665	12,836,342
2017	4,060,000	470,000	132,457	4,662,457	11,937,278
2018	4,175,000	470,000	134,284	4,779,284	12,295,753
2019-2023	19,475,000	535,000	312,700	20,322,700	66,023,584
2024-2028	3,690,000	-	-	3,690,000	61,648,150
2029-2033	-	-	-	-	50,890,814
2034-2038	-	-	-	-	12,985,000
	<u>\$ 41,860,000</u>	<u>\$ 3,070,000</u>	<u>\$ 966,164</u>	<u>\$ 45,896,164</u>	<u>\$ 253,526,877</u>

The annual requirements to pay interest on the obligations of the Primary Government and Component Units outstanding at year-end, exclusive of the compensated absences, general liability and workers' compensation accruals, are as follows:

Interest Maturities					
Year	Primary Government			Total	Drainage Districts
	Building Authority	MI Transportation Bonds	Department of Roads		Special Assessment Debt
2014	1,245,784	74,975	13,699	1,334,458	10,603,241
2015	1,121,522	57,400	11,950	1,190,872	10,262,255
2016	1,016,847	39,300	10,188	1,066,335	9,871,653
2017	904,951	29,500	8,396	942,847	9,463,352
2018	779,911	20,100	6,569	806,580	9,064,460
2019-2023	1,891,965	10,700	8,979	1,911,644	38,152,794
2024-2028	121,743	-	-	121,743	24,742,769
2029-2033	-	-	-	-	10,457,764
2034-2038	-	-	-	-	1,081,140
	<u>\$ 7,082,723</u>	<u>\$ 231,975</u>	<u>\$ 59,781</u>	<u>\$ 7,374,479</u>	<u>\$ 123,699,428</u>

MACOMB COUNTY, MICHIGAN
Notes to Basic Financial Statements (continued)
December 31, 2013

Note 4 – Long-Term Debt (continued)

New debt issued - On January 22, 2010, the Oakland-Macomb Interceptor Drain Drainage District (the "District") entered into a loan agreement with the Michigan Municipal Bond Authority, through its State Revolving Fund, to borrow up to \$42,060,000 for the purpose of defraying a portion of the cost of certain inter-county drain projects located in various cities, villages and townships (the "Local Units") located in Macomb County as well as Oakland County, its neighboring county to the west. The loan was issued in accordance with provisions of the American Recovery and Reinvestment Act of 2009, under which \$15,984,000 of the loan was funded by the Federal government, resulting in a net obligation to the District of \$26,076,000. The loan is evidenced by a single bond issued by the District and purchased by the Authority. The bond bears interest at a rate of 2.50% and is due serially through April 1, 2031. The proceeds of the bond are drawn down as construction costs are incurred and approved by the District and the Authority. As of September 30, 2013, the District had drawn the total \$26,076,000. The bond is to be repaid from assessments against the local units. These assessments are a general obligation of the local units and are payable from general funds or ad valorem taxes which may be levied by them. Oakland and Macomb counties have also pledged their full faith and credit as additional security for the payment of the principal and interest on the bond when due. The bond is subject to redemption prior to maturity only with the prior written consent of the Authority. The local units located in Macomb County are responsible for repaying 51.5% of the amounts drawn down. As such, Macomb County has pledged its full faith and credit on up to \$13,429,140 of the \$26,076,000 total. A liability for \$12,287,967 representing 51.5% of the total drawn down, less principal payments made, has been recorded by Macomb County at year end.

On January 22, 2010, the 8 ½ Mile Relief Drain Drainage District (the "District") entered into a loan agreement with the Michigan Municipal Bond Authority, through its State Revolving Fund, to borrow up to \$2,205,000 for the purpose of defraying a portion of the cost of certain intra-county drain projects located in Eastpointe and St. Clair Shores as well as Macomb County itself, herein after referred to as the "Local Units". The loan was issued in accordance with provisions of the American Recovery and Reinvestment Act of 2009, under which \$882,000 of the loan, was funded by the Federal government, resulting in a net obligation of \$1,323,000 to the District. The loan is evidenced by a single bond issued by the District and purchased by the Authority. The bond bears interest at a rate of 2.50% and is due serially through October 1, 2030 and was issued pursuant to the provisions of Chapter 20 of Act 40, Public Acts of Michigan, 1956, as amended. The proceeds of the bond are drawn down as construction costs are incurred and approved by the District and the Authority. During the year ended September 30, 2013, the District drew down an additional \$50,947 on this loan, resulting in total draw downs of \$1,246,579 as of September 30, 2013. The bond is to be repaid from assessments against the Local Units. These assessments are a general obligation of the Local Units and are payable from general funds or ad valorem taxes which may be levied by the Local Units. The County has also pledged its full faith and credit as additional security for the payment of the principal and interest on the bond when due. The bond is subject to redemption prior to maturity only with the prior written consent of the Authority.

MACOMB COUNTY, MICHIGAN
Notes to Basic Financial Statements (continued)
December 31, 2013

Note 4 – Long-Term Debt (continued)

On December 16, 2011, the Oakland-Macomb Interceptor Drain Drainage District (the "District") entered into a loan agreement with the Michigan Municipal Bond Authority, through its State Revolving Fund, to borrow up to \$25,530,000 for the purpose of defraying a portion of the cost of certain inter-county drain projects located in various cities, villages and townships (the "Local Units") located in Macomb County as well Oakland County, its neighboring county to the west. The loan is evidenced by a single bond issued by the District and purchased by the Authority. The bond bears interest at a rate of 2.50% and is due serially through October 1, 2033. The proceeds of the bond are drawn down as construction costs are incurred and approved by the District and the Authority. As of September 30, 2013, the District had drawn down a total of \$7,354,593. The bond is to be repaid from assessments against the local units. These assessments are a general obligation of the local units and are payable from general funds or ad valorem taxes which may be levied by them. Oakland and Macomb counties have also pledged their full faith and credit as additional security for the payment of the principal and interest on the bond when due. The bond is subject to redemption prior to maturity only with the prior written consent of the Authority. The local units located in Macomb County are responsible for repaying 51.5% of the amounts drawn down. As such, Macomb County has pledged its full faith and credit on up to \$13,147,950 of the \$25,530,000 total. A liability for \$7,354,593 representing 51.5% of the total drawn down by the District as of year-end has been recorded by Macomb County.

On September 18, 2012, the Macomb Wastewater Disposal District (the "District") entered into a loan agreement with the Michigan Finance Authority, through its State Revolving Fund, to borrow up to \$8,565,000 for the purpose of defraying a the cost of rehabilitating and replacing certain sewerage metering facilities in the District. The loan is evidenced by a single bond issued by the District and purchased by the Authority. The bond bears interest at a rate of 2.50% and is due serially through April 1, 2034. The proceeds of the bond are drawn down as construction costs are incurred and approved by the District and the Authority. As of September 30, 2013, the District had drawn down a total of \$3,501,458. The loan proceeds are secured primarily by the revenues generated by the District through its sewer rates and , secondarily, by the full faith and credit of the County. The bond is subject to redemption prior to maturity only with the prior written consent of the Authority. A liability for \$3,501,458 representing the total drawn down by the District as of year-end has been recorded at year end.

MACOMB COUNTY, MICHIGAN
Notes to Basic Financial Statements (continued)
December 31, 2013

Note 5 – Interfund Receivables, Payables and Transfers

Interfund advances at December 31, 2013 were:

Fund	Advances Receivable	Advances Payable
General Fund	\$ 295,000	\$ -
Internal Service - Equipment Revolving	-	295,000
	<u>\$ 295,000</u>	<u>\$ 295,000</u>

The majority of the outstanding interfund balances represent interfund reimbursements that were not settled at year end, as well as short-term working capital loans for funds with negative cash balances in the County's cash and investment pool at year-end. Interfund transfers are used to (1) account for the movement of unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorization and (2) move restricted revenues from the funds that are allowed to collect them to funds that are allowed to expend them.

Due To	Due From					
	Major Funds		Nonmajor Governmental Funds			Total
	General Fund	Roads	Special Revenue	Capital Projects	Internal Service	
General Fund	\$ -	\$ -	\$ 3,449,820	\$ 1,500,138	\$ 147,200	\$ 5,097,158
Internal Service	-	423,526	-	-	-	423,526
	-	423,526	3,449,820	1,500,138	147,200	5,520,684
Imbalance caused by the timing effects of interfund transactions in funds with different year-end reporting dates	-	(423,526)	-	-	-	(423,526)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,449,820</u>	<u>\$ 1,500,138</u>	<u>\$ 147,200</u>	<u>\$ 5,097,158</u>

Transfers Out	Transfers In						
	Major Funds		Nonmajor Governmental Funds				Total
	General Fund	Roads	Special Revenue	Capital Projects	Debt Service	Internal Service	Proprietary Funds
Major Governmental Funds							
General Fund	\$ -	-	14,564,492	-	5,169,942	-	6,358,173
Roads	-	-	-	90,369	-	-	90,369
Nonmajor Governmental Funds							
Special Revenue	21,039	-	30,047	1,393,533	-	17,000	-
Capital Projects	-	-	-	7,891,372	-	-	-
Debt Service	-	-	-	-	-	-	-
Internal Service Funds	-	-	-	960,670	-	-	-
Proprietary Funds	-	-	-	-	-	-	-
Subtotal	21,039	-	14,594,539	10,335,944	5,169,942	17,000	6,358,173
Imbalance caused by the timing effects of interfund transactions in funds with different year-end reporting dates	-	-	292,996	-	-	-	493,349
	<u>\$ 21,039</u>	<u>\$ -</u>	<u>\$ 14,887,537</u>	<u>\$ 10,335,944</u>	<u>\$ 5,169,942</u>	<u>\$ 17,000</u>	<u>\$ 6,851,522</u>
	<u>\$ 21,039</u>	<u>\$ -</u>	<u>\$ 14,887,537</u>	<u>\$ 10,335,944</u>	<u>\$ 5,169,942</u>	<u>\$ 17,000</u>	<u>\$ 37,282,984</u>

MACOMB COUNTY, MICHIGAN
Notes to Basic Financial Statements (continued)
December 31, 2013

Note 6 – Leases

The County has commitments under operating lease agreements which provide for minimum annual lease payments as follows:

<u>Year</u>	<u>Amount</u>
2014	\$ 5,092,324
2015	4,497,402
2016	3,920,172
2017	2,494,148
2018	855,541
Thereafter	<u>177,604</u>
	<u><u>\$ 17,037,191</u></u>

Rental expense totaled \$3,979,210 for the year ended December 31, 2013.

Note 7 – Deferred Compensation

The County offers its employees a deferred compensation plan in accordance with Internal Revenue Code Section 457. The plan, available to all County employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts and all income attributable to those amounts are held in trust for the exclusive benefit of participants and their beneficiaries. Accordingly, the assets of the plan are not reported as assets of the employer.

Note 8 – Employees' Retirement System

Plan Description and Provision – The County sponsors and administers the Macomb County Employees' Retirement System (the "System"), a single employer defined benefit plan covering substantially all of the County's employees. The System was established in accordance with state statutes to provide retirement benefits for the employees of the County and its several offices, boards and departments, including the Department of Roads. At December 31, 2012 (date of the most recent actuarial valuation) the System's membership consisted of:

Retirees and beneficiaries currently receiving benefits	2,591
Deferred members entitled to benefits but not yet receiving them	235
Active employees covered by the plan	<u>2,079</u>
Total membership	<u><u>4,905</u></u>

MACOMB COUNTY, MICHIGAN
Notes to Basic Financial Statements (continued)
December 31, 2013

Note 8 – Employees' Retirement System (continued)

Retirement Benefits- The following is a summary of the benefits provided to the members of the system. All members become vested in the System after 8 or 15 years of service, depending on their date of hire.

General County- Virtually all employees hired on or before December 21, 2001 may retire if their age plus years of service equals or exceeds 70 and they have attained a minimum age of 50. The annual retirement benefit, payable monthly for life, is computed at 2.4% of final average compensation for the first 26 years of service and 1% for every year thereafter, with a maximum employer pension of 65%. Employees hired on or after January 1, 2002 and certain employees hired before that date not covered by the provisions described above may retire at age 55 with 25 or more years of service or age 60 with 8 years of service. The annual retirement benefit, payable monthly for life, for these employees is computed at 2.2% of final average compensation for each year of service, with a maximum employer pension of 66%.

Sheriff Department- Employees may retire at any age with 25 or more years of service or age 60 with 8 years of service. The annual retirement benefit for the Sheriff and deputies, payable monthly for life, is computed at 2.64% of final average compensation multiplied by credited years of service with a maximum employer pension of 66%. The factor for the undersheriff, captains, jail administrator, command officers, corrections officers and dispatchers is 2.4% for the first 26 years of service and 1% for every year thereafter, with a maximum employer pension of 66%.

Department of Roads- Employees may retire at age 55 with 25 or more years of service, at age 60 with 8 years of service or at age 55 if their age plus years of service equals or exceeds 70. The annual retirement benefit, payable monthly for life, is computed at 2.4% of final average compensation for the first 26 years of service and 1% for every year thereafter, with a maximum employer pension of 65%.

The System also provides death and disability benefits. If an employee leaves covered employment or dies before they are vested, accumulated employee contributions plus interest at the rate of 3.5% per year is refunded to the employee or designated beneficiary.

Funding Policy – The System's funding policy provides for periodic employer contributions at actuarially determined amounts that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The County's required contribution for 2013 was \$19,932,742. Administrative costs of the System are financed from investment earnings. General County employees contribute 2.5% or 3.5% of their annual salary to the System depending upon classification. Department of Roads employees contribute 3.5% of their annual salary. Sheriff employees contribute 4.0% of their annual salary. The County contributes the remaining amounts necessary to fund the System, using the actuarial basis specified by statute.

MACOMB COUNTY, MICHIGAN
Notes to Basic Financial Statements (continued)
December 31, 2013

Note 8 – Employees' Retirement System (continued)

Annual Pension Cost and Net Pension Obligation – During the year ended December 31, 2013, employer contributions totaled \$19,932,742, as required by the actuarial valuation of the plan as of December 31, 2011. The normal cost and actuarial accrued liability are determined using an entry age actuarial funding method. Unfunded actuarial accrued liabilities (UAAL) are amortized as a level percent of payroll over a 20-year open period. The County has historically contributed 100% of the annual required contribution. Three-year trend information regarding the County's annual pension cost, percent contribution and net pension obligation are presented below.

<u>Year Ended December 31</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2011	\$ 16,050,489	100	\$ -
2012	16,604,841	100	-
2013	19,932,742	100	-

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions regarding the probability of the occurrence of events in the future. Examples of such assumptions include future employment and retirement patterns, mortality and investment rate returns. These assumptions are subject to continual revision as actual results are measured against past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplemental information following the notes herein, presents multi-year trend information that indicates whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities of the benefits provided. Significant actuarial assumptions used in determining the annual required contribution include (a) a rate of return on the investment of present and future assets of 7.5% per year compounded annually, (b) projected salary increases of 5.0% per year compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 1.0% to 7.0% for various members per year, depending on service, attributable to seniority/merit, and (d) the assumption that benefits will not increase after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period.

Funding Status and Progress – As of December 31, 2012, the date of the most recent actuarial valuation, the plan was 91.7% funded. The actuarial accrued liability for benefits was \$867,218,699 and the actuarial value of assets in the plan was \$795,605,544, resulting in an excess of actuarial accrued liability over assets of \$71,613,155. Covered payroll was \$105,391,874 and the ratio of the UAAL to covered payroll was (67.95) percent. The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Basis of Accounting – The financial statements of the System are prepared using the accrual basis of accounting. Employee and employer contributions are recognized in the period that the contributions are due. Benefits and refunds are recognized when due and payable according to the terms of the plan.

MACOMB COUNTY, MICHIGAN
Notes to Basic Financial Statements (continued)
December 31, 2013

Note 8 – Employees' Retirement System (continued)

The System does not issue separate independently audited financial statements; therefore, financial statements as of and for the year ended December 31, 2013 are presented below:

Statement of Fiduciary Net Position

ASSETS	
Cash and pooled investments	\$ 24,339,662
Receivables	
Accrued interest	571,051
Other	678,879
Investments, at fair value	
Corporate Bonds	122,351
Common Stock	400,447,854
Limited partnership	176,003,311
Fixed income common collective trusts	141,004,409
Equity common collective trusts	<u>170,973,967</u>
Total investments	888,551,892
Due from fiduciary funds	<u>105,240</u>
Total Assets	<u>914,246,724</u>
LIABILITIES	
Accounts payable	1,555,205
Accrued compensation and benefits	<u>4,002,000</u>
Total Liabilities	<u>5,557,205</u>
Net position held in trust for pension benefits	<u><u>\$ 908,689,519</u></u>

MACOMB COUNTY, MICHIGAN
Notes to Basic Financial Statements (continued)
December 31, 2013

Note 8 – Employees' Retirement System (concluded)

Statement of Changes in Fiduciary Net Position

ADDITIONS	
Contributions	
Employer	\$ 19,932,742
Employee	<u>3,719,676</u>
Total contributions	<u>23,652,418</u>
Investment income	
Net appreciation in fair value of assets	157,241,288
Interest and dividends	<u>7,894,397</u>
	165,135,685
Less investment expenses	
Management and custodial fees	<u>4,627,754</u>
Net investment income	<u>160,507,931</u>
Total additions	<u>184,160,349</u>
DEDUCTIONS	
Benefit payments	62,721,398
Refunds of contributions	503,386
Administrative expense	<u>183,500</u>
Total deductions	<u>63,408,284</u>
Net increase in net position	120,752,065
NET POSITION	
Beginning of year	<u>787,937,454</u>
End of year	<u><u>\$ 908,689,519</u></u>

As of year-end, the plans legally required reserves have been fully funded as follows: Retiree Reserve of \$559,433,068 and Employee Reserve of \$45,727,274.

MACOMB COUNTY, MICHIGAN
Notes to Basic Financial Statements (continued)
December 31, 2013

Note 9 – Post Employment Benefits Other Than Pensions - General and Sheriff Employees

Plan Description - The County sponsors and administers a single employer defined benefit postretirement healthcare plan (the "County Retiree Health Care Plan") that provides certain health care benefits for retirees and their spouses so long as the retiree is currently receiving a pension from the Macomb County Employees Retirement System. Benefit provisions are established by the County Board of Commissioners and may be amended in accordance with County policy. Hospitalization insurance is provided through insurance companies, whose premiums are based on the benefits paid during the year. The County finances these expenditures for General County and Sheriff Department retirees through the Retiree Health Care Trust Fund of the primary government. Retirees of the Department of Roads participate in a separate multiple-employer plan described later in this note.

At December 31, 2012 (date of the most recent actuarial valuation), membership consisted of:

Retirees and beneficiaries currently receiving benefits	1,760
Deferred members entitled to benefits but not yet receiving them	525
Active employees covered by the plan	<u>1,819</u>
Total membership	<u><u>4,104</u></u>

Funding Policy - Plan members are required to contribute 25% of the cost of vision and dental coverage as well as co-pays for prescription drugs. The employer contributes the balance of actual current costs for these and all other benefits and administrative expenses of the plan. The employer also contributes additional amounts to pre-fund benefits in years it can afford to do so. The total cost of retiree health care benefits, administrative expenses of the plan and investment management fees for the year ended December 31, 2013 was \$15,167,870, of which the employer contributed \$14,421,739 and plan members contributed \$746,131.

Annual OPEB Cost and Net OPEB Obligation - The County's annual cost of providing other post-employment benefits (OPEB) is calculated based on the annual required contribution (ARC) of the employer. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities or funding excess over a period not to exceed 30 years.

The following table shows the components of the County's OPEB cost for the year ended December 31, 2013.

Annual required contribution	\$ 44,167,496
Interest on net OPEB obligation	9,869,069
Adjustment to annual required contribution	<u>(9,237,568)</u>
Annual OPEB cost	44,798,997
Employer contributions	<u>(15,080,087)</u>
Increase in OPEB obligation	29,718,910
Net OPEB obligation, beginning of year	<u>207,769,872</u>
Net OPEB obligation, end of year	<u><u>\$ 237,488,782</u></u>

MACOMB COUNTY, MICHIGAN
Notes to Basic Financial Statements (continued)
December 31, 2013

Note 9 – Postemployment Benefits Other Than Pensions – General and Sheriff Employees (continued)

The County's annual OPEB cost, percentage of annual OPEB cost contributed and the net OPEB obligation as of December 31, 2013 were as follows:

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended December 31	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2011	\$ 42,924,982	32.5%	\$ 170,274,627
2012	51,252,293	26.8%	207,769,872
2013	44,798,997	33.7%	237,488,782

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions regarding the probability of the occurrence of events in the future. Examples of such assumptions include future employment and retirement patterns, mortality, investment rate returns and health care inflation. These assumptions are subject to continual revision as actual results are measured against past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplemental information following the notes herein, presents multi-year trend information that indicates whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities of the benefits provided.

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

The entry age actuarial cost method was used to prepare the last actuarial valuation dated December 31, 2012. Other significant assumptions were as follows: (a) investments are assumed to earn 4.75% per year, (b) health care costs are assumed to increase at an annual rate of 9.0% in year 1, reduced by .50% each year thereafter until an ultimate rate of 4.0% is reached in the tenth year and beyond, (c) annual covered payroll is assumed to increase 5.0% per year (d) additional projected salary increases ranging from 1.0% to 7.0% for various members per year, depending on service, attributable to seniority/merit, and (e) active member population was assumed to remain constant. No specific price inflation was used to perform the valuation. The unfunded liability is being amortized as a level percentage of payroll over a closed period of 26 years.

Funding Status and Progress – As of December 31, 2012, the date of the most recent actuarial valuation, the plan was 19.2% funded. The actuarial accrued liability for benefits was \$679,928,682 and the actuarial value of assets in the plan was \$130,289,669, resulting in an unfunded actuarial accrued liability (UAAL) of \$549,639,013. Covered payroll was \$91,150,925 and the ratio of the UAAL to covered payroll was 603.0 percent.

MACOMB COUNTY, MICHIGAN
Notes to Basic Financial Statements (continued)
December 31, 2013

Note 9 – Postemployment Benefits Other Than Pensions – General and Sheriff Employees (continued)

Basis of Accounting – The financial statements of the Retiree Health Care Trust Fund are prepared using the accrual basis of accounting. Employee and employer contributions are recognized in the period that the contributions are due. Benefits and refunds are recognized when due and payable according to the terms of the plan.

Separate independently audited financial statements are not issued for the County Retiree Health Care Plan. Therefore, financial statements as of and for the year ended December 31, 2013 are presented below:

Statement of Fiduciary Net Position

ASSETS

Cash and pooled investments	\$ 103,758
Receivables	
Accrued interest	1,098,775
Other assets	<u>1,418</u>

Total receivables and othe assets	<u>1,100,193</u>
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Investments, at fair value

Common stock	921,105
Foreign stock	24,494,626
Real estate investment trusts	23,662,411
Fixed income common collective trusts	32,181,192
Equity common collective trusts	<u>81,775,564</u>

Total investments	<u>163,034,898</u>
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Total Assets	<u>164,238,849</u>
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LIABILITIES

Accounts payable	2,646,565
Due to governmental funds	6,341,310
Due to fiduciary funds	<u>105,240</u>

Total Liabilities	<u>9,093,115</u>
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Net position held in trust for
postemployment benefits

<u>\$ 155,145,734</u>

MACOMB COUNTY, MICHIGAN
Notes to Basic Financial Statements (continued)
December 31, 2013

Note 9 – Postemployment Benefits Other Than Pensions—General and Sheriff Employees (concluded)

Statement of Changes in Fiduciary Net Position

ADDITIONS	
Contributions	
Employer	\$ 15,080,087
Employee	746,131
	<hr/>
Total contributions	15,826,218
	<hr/>
Investment income	
Net appreciation in fair value of assets	14,446,003
Interest and dividends	9,751,714
	<hr/>
	24,197,717
Less investment expenses	
Management and custodial fees	101,880
	<hr/>
Net investment income	24,095,837
	<hr/>
Total additions	39,922,055
	<hr/>
DEDUCTIONS	
Benefit payments	15,014,303
Administrative expense	51,687
	<hr/>
Total deductions	15,065,990
	<hr/>
Net increase in net position	24,856,065
NET POSITION	
Beginning of year	130,289,669
	<hr/>
End of year	\$ 155,145,734
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MACOMB COUNTY, MICHIGAN
Notes to Basic Financial Statements (continued)
December 31, 2013

Note 10 - Post Employment Benefits Other Than Pensions – Department of Roads

Plan Description - The Department of Roads provides health care benefits to its retirees and their beneficiaries in accordance with labor contracts. The benefits are administered by the Michigan Employers' Retirement System (MERS), an agent multiple employer pension and other post-employment benefits plan. MERS issues a publicly available financial report that may be obtained by writing to the system at 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy - The Department of Roads bears 100% of the cost of providing health care benefits to its retirees and beneficiaries. The current cost of these benefits was \$3,087,979 for the year ended September 30, 2013. The Department of Roads has no obligation to make contributions in advance of when insurance premiums are due. However, it did contribute an additional \$3,000,000 toward future benefits during the year ended September 30, 2013.

Annual OPEB Cost and Net OPEB Obligation - The cost of providing retiree health care benefits (OPEB) for the year ended September 30, 2013 was determined through an actuarial valuation as of December 31, 2011. The valuation computes an annual required contribution (ARC), which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities or funding excess over a period not to exceed 30 years.

The following table shows the components of the Department of Roads OPEB cost for the year ended September 30, 2013.

Annual required contribution	\$ 5,805,250
Interest on net OPEB asset	(315,450)
Adjustment to annual required contribution	<u>219,155</u>
Annual OPEB cost	5,708,955
Employer contributions	<u>(6,087,979)</u>
Increase in OPEB asset	(379,024)
Net OPEB asset, beginning of year	<u>(3,943,125)</u>
Net OPEB asset, end of year	<u><u>\$ (4,322,149)</u></u>

The Department of Roads annual OPEB cost, percentage of annual OPEB cost contributed and the net OPEB obligation as of September 30, 2013 were as follows:

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended September 30	Annual OPEB Cost	Percentage Contributed	Net OPEB (Asset)
2011	\$ 5,765,799	122.0%	\$ (2,431,003)
2012	6,054,090	125.0%	(3,943,125)
2013	5,708,955	106.6%	(4,322,149)

MACOMB COUNTY, MICHIGAN
Notes to Basic Financial Statements (continued)
December 31, 2013

Note 10 – Post Employment Benefits Other Than Pensions – Department of Roads (concluded)

Funding Status and Progress – As of December 31, 2011, the date of the most recent actuarial valuation, the plan was 26.0% funded. The actuarial accrued liability for benefits was \$90,532,651 and the actuarial value of assets in the plan was \$23,547,047, resulting in an unfunded actuarial accrued liability (UAAL) of \$66,985,604. Covered payroll was \$12,613,964 and the ratio of the UAAL to covered payroll was 531.0 percent.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions regarding the probability of the occurrence of events in the future. Examples of such assumptions include future employment and retirement patterns, mortality, investment rate returns and health care inflation. These assumptions are subject to continual revision as actual results are measured against past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplemental information following the notes herein, presents multi-year trend information that indicates whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities of the benefits provided.

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

The individual entry age actuarial cost method was used to prepare the most recent actuarial valuation dated December 31, 2012. Significant actuarial assumptions included: (a) an investment rate of return of 8.0% per year, (b) an annual health care cost trend rate of 9.0% in year 1, reduced by .50% until an ultimate rate of 5.0% is reached in the tenth year and beyond, (c) annual covered payroll is assumed to increase 5.0% per year, (d) additional projected salary increases ranging from 1.0% to 6.0% for various members per year, depending on service, attributable to seniority/merit, and (e) active member population was assumed to remain constant. The unfunded liability is being amortized as a level percentage of payroll over a closed period of 26 years.

Note 11 – Contingencies and commitments

Grants – The County receives funds from various Federal and State units to finance specific activities. The final determination of revenue is subject to the acceptance of project costs by the granting agency, usually after a compliance audit. To the extent that costs are disallowed by the granting agency, County monies would be required to reimburse the grant fund. The County does not believe that any disallowed costs would be material to the financial statements.

MACOMB COUNTY, MICHIGAN
Notes to Basic Financial Statements (continued)
December 31, 2013

Note 11 – Contingencies and commitments (concluded)

Construction Commitments – The Department of Roads had several significant active projects in progress at September 30, 2013, with estimated total project costs of \$6,991,628. Of the total, \$4,253,212 represents amount previously expended and \$2,738,416 represents remaining commitments pursuant to construction contracts on those projects. In addition, the Drainage District Component Units had several active construction projects in progress at year end, with outstanding commitments of \$16,798,187.

Note 12 - Risk Management

The County is exposed to various risks of loss related to property damage and loss, torts, errors and omissions, employee injury (workers' compensation) and medical benefits provided to employees and retirees. The County has purchased commercial insurance for property damage coverage and certain medical benefits, but is self-insured for workers' compensation and general liability claims up to certain retention amounts, at which time insurance coverage begins. The County also self-funds certain medical benefits of employees and retirees. There were no significant reductions in insurance coverage in 2013 from the prior year. Claims settled during the past three years have not exceeded the retention amounts. Liabilities include estimates of claims incurred but not reported and are calculated considering the effects of inflation, recent claim settlement trends and other economic and social factors.

Workers' Compensation – Since December 1, 1978, the County has been partially self-insured against workers' compensation claims. Under the plan, the County is obligated to pay the first \$500,000 of an individual settlement or award with commercial insurance covering claims in excess of the retention to an aggregate of \$1,000,000 annually. At December 31, 2013, the County has accrued an aggregate of \$3,934,561 for unresolved workers' compensation claims, exclusive of the Department of Roads. At September 30, 2013 the Department of Roads has accrued an aggregate of \$22,370 for unresolved workers' compensation claims. Changes in the estimated liabilities for workers' compensation claims for the past two fiscal years were as follows:

	General County		Department of Roads	
	Year Ended December 31,		Year Ended September 30,	
	2012	2013	2012	2013
Estimated liability - beginning of year	\$ 4,449,854	\$ 3,813,693	\$ 126,760	\$ 38,758
Estimated claims incurred, including changes in estimates	408,955	1,065,836	(69,475)	(4,345)
Claims payments	(1,045,116)	(934,187)	(18,527)	(12,043)
Estimated liability - end of year	<u>\$ 3,813,693</u>	<u>\$ 3,945,342</u>	<u>\$ 38,758</u>	<u>\$ 22,370</u>

MACOMB COUNTY, MICHIGAN
Notes to Basic Financial Statements (continued)
December 31, 2013

Note 12 - Risk Management (concluded)

General Liability – The County is a defendant in various lawsuits in which plaintiffs seek damages of an indeterminable amount. Since December 1, 1977, the primary government has been partially self-insured for losses of a general liability nature. The County (excluding the Martha T. Berry Medical Care Facility and the Department of Roads) is currently self-insured for losses of a general liability nature up to \$750,000 per claim, with commercial insurance covering claims in excess of the retention amount to an aggregate of \$11,000,000 annually. The Martha T. Berry Medical Care Facility is insured for losses of up to \$3,000,000 per occurrence and \$5,000,000 in the aggregate. The Department of Roads is self-insured, within certain limits, for general liability claims arising prior to February 18, 1986 and subsequent to January 17, 1993 and is completely self-insured for claims arising within those dates. At September 30, 2013, the Department of Roads had an accrual of \$30,283 for its unresolved general liability claims. The General Liability Insurance Internal Service Fund has been established to account for the self-insured aspects of this program for the County, exclusive of the Department of Roads. At December 31, 2013, the general County reported a balance of \$2,754,638 for its unresolved general liability claims. Changes in the estimated liabilities for general liability claims for the past two fiscal years were as follows:

	General County		Department of Roads	
	Year Ended December 31,		Year Ended September 30,	
	2012	2013	2012	2013
Estimated liability - beginning of year	\$ 4,510,810	\$ 2,908,695	\$ 49,588	\$ 37,608
Estimated claims incurred, including changes in estimates	(85,663)	1,555,482	32,862	127,400
Claims payments	(1,516,452)	(1,709,539)	(44,842)	(134,725)
Estimated liability - end of year	<u>\$ 2,908,695</u>	<u>\$ 2,754,638</u>	<u>\$ 37,608</u>	<u>\$ 30,283</u>

Health Insurance – The County is self-insured for one of its several health care plans offered to employees and retirees. Approximately 17% of the total employees and retirees participate in this plan. The plan is administered by Blue Cross/Blue Shield of Michigan, whereby the County deposits a weekly amount based on estimated claims and settles these deposits against actual claims incurred on a quarterly basis. The amounts paid exceeded actual claims incurred for the past two years as indicated below:

	Year Ended December 31,	
	2012	2013
Estimated liability - beginning of year	\$ (537,532)	\$ (2,003,396)
Estimated claims incurred, including changes in estimates	10,832,995	9,449,918
Claims payments	(12,298,859)	(7,779,590)
Estimated liability - end of year	<u>\$ (2,003,396)</u>	<u>\$ (333,068)</u>

MACOMB COUNTY, MICHIGAN
Notes to Basic Financial Statements (continued)
December 31, 2013

Note 13 - Net Investment in Capital Assets

The composition of net investment in capital assets as of December 31, 2013 is presented below:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Component Units</u>
Capital assets:			
Capital assets not being depreciated	\$ 222,387,956	\$ -	\$ 37,153,842
Capital assets being depreciated	674,756,185	1,179,267	267,933,949
	<u>897,144,141</u>	<u>1,179,267</u>	<u>305,087,791</u>
Related debt:			
Total bonds payable	45,896,164	-	253,526,877
Net bond discounts/premiums	-	-	489,215
Less: Unexpended bond proceeds	-	-	(16,752,455)
Less: Bond proceeds not capitalized	-	-	(31,162,728)
	<u>45,896,164</u>	<u>-</u>	<u>206,100,909</u>
Net investment in capital assets	<u>\$ 851,247,977</u>	<u>\$ 1,179,267</u>	<u>\$ 98,986,882</u>

Note 14 - Accounting Pronouncements Implemented

During the current year, the County adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The objective of this Statement is to establish standards that reclassify certain items that were previously reported as assets and liabilities and instead classified them as deferred inflows of resources or deferred outflows of resources. As a result of implementing this statement, the following items have been reclassified as indicated below:

<u>Item</u>	<u>Amount</u>	<u>Prior Classification</u>	<u>New Classification</u>
Property taxes that were levied in the current year that will finance the next year's budget	\$ 1,074,389	Liability	Deferred inflow of resources
Property taxes not collected within 60 days of year end	3,442,743	Liability	Deferred inflow of resources
Grant funds not collected within 60 days of year end	13,164,910	Liability	Deferred inflow of resources
Special assessments not collected within 60 days of year end	236,791,446	Liability	Deferred inflow of resources

MACOMB COUNTY, MICHIGAN
Notes to Basic Financial Statements (continued)
December 31, 2013

Note 15 - Upcoming Accounting Pronouncements

In June 2012, GASB Statement No. 67, *Financial Reporting for Pension Plans*, was issued by the Governmental Accounting Standards Board. This new standard, which replaces the requirements of GASB Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and No. 50, *Pension Disclosures*, establishes standards for financial reporting that outline the basic framework for separately-issued pension plan financial reports and specifies the required approach to measuring the liability of employer(s) and certain nonemployer contributing entities, about which information is required to be disclosed. GASB Statement No. 67 is required to be adopted for years beginning after June 15, 2013. For County of Macomb, this standard will be adopted for the year ended December 31, 2014.

In June 2012, the GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This net pension liability that will be recorded on the government-wide, proprietary and discretely presented component units statements will be computed differently than the current unfunded actuarial accrued liability, using specific parameters set forth by the GASB. The Statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The County is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this Statement are effective for financial statements for the year ended December 31, 2015.

In April 2013, the GASB issued GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. Statement No. 70 requires governments that extend financial guarantees for the obligations of another entity without receiving equal or approximately equal value in exchange to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The statement also specifies certain disclosures both for governments that extend financial guarantees and those that receive them. The County is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this Statement are effective for financial statements for the year ended December 31, 2014.

MACOMB COUNTY, MICHIGAN
Notes to Basic Financial Statements (concluded)
December 31, 2013

Note 16 – Subsequent Events

On January 22, 2014, the Macomb County Building Authority (the "Authority") issued \$15,155,000 of Series 2014 Refunding bonds to advance refund \$16,450,000 of the \$16,520,000 Macomb County Building Authority Series 2007 Martha T. Berry/Youth Home refunding bonds outstanding at that date. The net proceeds of \$16,450,000 (after payment of \$108,647 of issuance costs and underwriters discounts) were placed in an irrevocable trust with an escrow agent and used to purchase obligations of the U. S. Treasury to provide for future debt service payments on the refunded bonds. Therefore, the refunded bonds have been removed from the accounts of the County. The remaining \$70,000 Series 2007 refunding bonds were due and payable March 1, 2014. The difference between the cash flows required to service the old debt and the cash flows required to service the new bonds and complete the refunding was \$1,712,403. The economic gain realized by the County as a result of the refunding was \$1,584,568, which represents the difference between the present value of the debt service payments on the old and new debt. The refunding bonds, issued in denominations of \$5,000 or multiples thereof, bear interest from 3.00% to 4.00% and are due serially through March 1, 2022. The bonds are to be repaid from rental payments received pursuant to a lease agreement executed between the Authority and the County. These bonds are not subject to redemption prior to maturity.

EXHIBIT E

_____, 2014

BODMAN PLC
SUITE 500
201 W. BIG BEAVER ROAD
TROY, MICHIGAN 48064
248-743-6002 FAX
248-743-6000

Oakland-Macomb Interceptor Drain
Drainage District
Waterford, Michigan

Ladies and Gentlemen:

We have examined the transcript of proceedings for the issue by the Oakland-Macomb Interceptor Drain Drainage District, County of Macomb, State of Michigan (the “Issuer”) of its bonds in the principal amount of \$_____ which are designated Oakland-Macomb Interceptor Drain Drainage District Drain Bonds, Series 2014A (General Obligation Limited Tax) (the “Bonds”), for the purposes described in the Bonds. The Bonds bear original issue date of _____, 2014, are payable in principal installments, payable as to interest, and are subject to redemption prior to maturity, all as specified on the face of the Bonds.

The Bonds are issued pursuant to the provisions of Chapter 21 of Act No. 40, Public Acts of Michigan, 1956, as amended (the “Drain Code”) and pursuant to a resolution of the Issuer dated July 8, 2014 (the “Resolution”), for the purpose of paying a portion of the cost of constructing certain inter-county drain projects described in the Resolution. Capitalized terms not otherwise defined in this opinion have the meaning set forth in the Resolution.

The Bonds are being issued by the Issuer in anticipation of the collection of special assessments against the City of Auburn Hills, Independence Township (includes City of Clarkston), the City of Lake Angelus, the City of Rochester, the City of Rochester Hills, Oakland Township, Orion Township, Oxford Township, the Village of Lake Orion, the Village of Oxford, Waterford Township, and West Bloomfield Township, each in Oakland County; and Chesterfield Township, the City of Fraser, the City of Sterling Heights, the City of Utica, Clinton Township, Harrison Township, Lenox Township, Macomb Township, Shelby Township, Village of New Haven, and Washington Township, each in Macomb County (collectively, the “Local Units”). The assessments against the Local Units are general obligations of each respective Local Unit and are payable from each respective Local Unit’s general fund or from ad valorem taxes which may be levied on all taxable property in the applicable Local Unit, subject to constitutional, statutory and charter limitations. The credit of the Issuer is also pledged for such payment. The Issuer has no taxing power.

Pursuant to resolutions duly adopted by the Board of Commissioners of Macomb County on _____, 2014 and by the Board of Commissioners of Oakland County

on _____, 2014, under authorization of law, the full faith and credit of Macomb County and Oakland County have been pledged for the prompt payment of the principal of, and interest on the Bonds as the same shall become due in accordance with such resolutions and the Drain Code. Any taxes imposed by Oakland County and Macomb County for the payment of such principal and interest are subject to constitutional, statutory and charter limitations.

We have also examined the Bonds as executed.

From such examination we are of the opinion that as of the date hereof the Bonds have been duly authorized, executed and delivered and are the valid and binding obligations of the Issuer enforceable in accordance with their terms.

We are also of the opinion that under existing statutes, regulations, rulings and court decisions as presently interpreted, the interest on the Bonds (a) is excluded from gross income for federal income tax purposes, and (b) is not an item of tax preference and is not taken into account in determining adjusted current earnings for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that certain corporations may take into account interest on the Bonds in determining adjusted current earnings for purposes of the federal alternative minimum tax imposed on such corporations. The opinion set forth in clause (a) above is subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excluded from gross income for federal income tax purposes. Failure to comply with such requirements could cause the interest on the Bonds to be included in gross income retroactive to the date of issuance of the Bonds. The Issuer has covenanted to comply with all such requirements.

We express no opinion regarding other federal tax consequences arising with respect to the Bonds and the interest thereon.

Under existing law, the Bonds and the interest thereon are exempt from all taxation imposed by the laws of the State of Michigan, except estate taxes and taxes on gains realized from the sale, payment or other disposition thereof.

The opinions expressed herein are based on an analysis of existing statutes, regulations, rulings and court decisions. Such opinions may be adversely affected by actions taken or events occurring, including a change in statute, regulation or ruling (or in the application or official interpretation of any statute, regulation or ruling) after the date hereof. We have not undertaken to determine, or to inform any person, whether such actions are taken or such events occur and we have no obligation to update this opinion in light of such actions or events. As to questions of fact material to our opinion, we have relied upon certified proceedings and other

Oakland-Macomb Interceptor Drain Drainage District
_____, 2014

Page 3

certificates of public officials furnished to us without undertaking to verify the same by independent investigation.

The enforceability of the Bonds, as well as the rights and remedies of the owners of the Bonds, may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other laws affecting creditors' rights generally, now existing or hereafter enacted, and by the application of general principles of equity, including those relating to equitable subordination.

BODMAN PLC

By: _____
Barbara A. Bowman, a Member

APPENDIX A

CONTINUING DISCLOSURE CERTIFICATE

OAKLAND-MACOMB INTERCEPTOR DRAIN DRAINAGE DISTRICT

\$ _____

OAKLAND-MACOMB INTERCEPTOR DRAIN DRAINAGE DISTRICT

DRAIN BONDS, SERIES 2014A

(GENERAL OBLIGATION LIMITED TAX)

COUNTY OF OAKLAND AND COUNTY OF MACOMB

STATE OF MICHIGAN

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Oakland-Macomb Interceptor Drain Drainage District (the “District”) in connection with the issuance of its Oakland-Macomb Interceptor Drain Drainage District Drain Bonds, Series 2014A in the aggregate principal amount of \$ _____ (the “Bonds”). The Bonds are being issued pursuant to a Resolution adopted by the Drainage Board of the District on July 8, 2014. The District covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate.

(a) This Disclosure Certificate is being executed and delivered by the District for the benefit of the Bondholders and the Beneficial Owners and in order to assist the Participating Underwriters in complying with subsection (b)(5) of the Rule (as defined herein).

(b) In consideration of the purchase and acceptance of any and all of the Bonds by those who shall hold the same or shall own beneficial ownership interests therein from time to time, this Disclosure Certificate shall be deemed to be and shall constitute a contract between the District and the Bondholders and Beneficial Owners from time to time of the Bonds, and the covenants and agreements herein set forth to be performed on behalf of the District shall be for the benefit of the Bondholders and Beneficial Owners of any and all of the Bonds.

SECTION 2. Definitions. The following capitalized terms shall have the following meanings in this Disclosure Certificate:

“Annual Report” shall mean any Annual Report to be provided by Macomb County or Oakland County as described in Sections 3 and 4 of the County Disclosure Certificates. A separate Annual Report for the District is not prepared. The Annual Reports of the Counties include financial information regarding the several drainage districts in the Counties including the District.

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any of the Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any of the Bonds for federal income tax purposes.

“Bondholder” shall mean the registered owner of any Bond.

“Counties” means Macomb County and Oakland County.

“County Disclosure Certificates” means the Continuing Disclosure Certificates of even date herewith executed and delivered by each of the Counties in connection with the Bonds, as the same may be amended from time to time.

“Dissemination Agent” shall mean the District, or any successor Dissemination Agent appointed in writing by the District and which has filed with the District a written acceptance of such designation.

“EMMA” shall mean the MSRB’s Electronic Municipal Market Access System.

“Listed Events” shall mean any of the events listed in Section 4(a) of this Disclosure Certificate.

“Macomb County” means the County of Macomb, State of Michigan.

“MSRB” shall mean the Municipal Securities Rulemaking Board established in accordance with the provisions of Section 15B(b)(1) of the 1934 Act.

“1934 Act” shall mean the Securities Exchange Act of 1934, as amended.

“Oakland County” means the County of Oakland, State of Michigan.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

“Rule” shall mean Rule 15c2-12 promulgated by the SEC pursuant to the 1934 Act, as the same may be amended from time to time, together with all interpretive guidance or other official interpretations or explanations thereof that are promulgated by the SEC.

“SEC” shall mean the United States Securities and Exchange Commission.

“Securities Counsel” shall mean legal counsel expert in federal securities law.

“State” shall mean the State of Michigan.

SECTION 3. Provision of Annual Reports.

The District shall use its best efforts to cause each of the Counties to file an Annual Report with EMMA and to provide such other information as required by Sections 3 and 4 of the County Disclosure Certificates.

SECTION 4. Reporting of Significant Events.

(a) The District covenants to provide, or cause to be provided, notice of the occurrence of any of the following events in a timely manner not in excess of ten (10) business days after the occurrence of the event, and in accordance with the Rule:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the Bonds;
- (7) Modifications to rights of Bondholders, if material;
- (8) Bond calls, if material;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Bonds, if material;
- (11) Rating changes;
- (12) Tender offers;
- (13) Bankruptcy, insolvency, receivership or similar event of the obligated person;
- (14) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (15) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event described in subsection (a)(2), (7), (8), (10), (14) or (15), the District shall as soon as possible determine if such event would be material under applicable federal securities laws. The District covenants that its determination of materiality will be made in conformance with federal securities laws.

(c) If the District determines that (i) a Listed Event described in subsection (a)(1), (3), (4), (5), (6), (9), (11), (12) or (13) has occurred or (ii) the occurrence of a Listed Event described in subsection (a)(2), (7), (8), (10), (14) or (15) would be material under applicable federal securities laws, the District shall cause a notice of such occurrence to be filed with the MSRB within ten (10) business days of the occurrence of the Listed Event. In connection with providing a notice of the occurrence of a Listed Event described in subsection (a)(9), the District shall include in the notice explicit disclosure as to whether the Bonds have been escrowed to maturity or escrowed to call, as well as appropriate disclosure of the timing of maturity or call.

(d) In connection with providing a notice of the occurrence of a Listed Event, the Dissemination Agent (if other than the District) solely in its capacity as such, is not obligated or responsible under this Disclosure Certificate to determine the sufficiency of the content of the notice for purposes of the Rule or any other state or federal securities law, rule, regulation or administrative order.

SECTION 5. Termination of Reporting Obligation.

(a) The obligation of the District to provide notices of material events, as set forth above, shall be terminated if and when the District no longer remains an “obligated person” with respect to the Bonds within the meaning of the Rule, including upon the legal defeasance of the Bonds or the prior redemption or payment in full of all of the Bonds.

(b) This Disclosure Certificate, or any provision hereof, shall be null and void in the event that the District (i) receives an opinion of Securities Counsel, addressed to the District, to the effect that those portions of the Rule, which require such provisions of this Disclosure Certificate, do not or no longer apply to the Bonds, whether because such portions of the Rule are invalid, have been repealed, amended or modified, or are otherwise deemed to be inapplicable to the Bonds, as shall be specified in such opinion and (ii) delivers notice to such effect to EMMA.

SECTION 6. Dissemination Agent. The District, from time to time, may appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the District. Except as otherwise provided in this Disclosure Certificate, the Dissemination Agent (if other than the District) shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate.

SECTION 7. Amendment. Amendments may be made in the specific types of information provided or the format of the presentation of such information to the extent deemed

necessary or appropriate in the judgment of the District, provided that the District agrees that any such amendment will be adopted procedurally and substantively in a manner consistent with the Rule, including any interpretations thereof by the SEC. Such interpretations currently include the requirements that (a) the amendment may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted; (b) this Disclosure Certificate, as so amended or taking into account such waiver, would, in the opinion of Securities Counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and (c) the amendment or waiver does not, in the opinion of parties unaffiliated with the District (such as independent legal counsel), materially impair the interests of the Bondholders or Beneficial Owners. Such interpretations may be changed in the future.

SECTION 8. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Certificate to update such information in the future or include it in any future notice of occurrence of a Listed Event.

SECTION 9. Benefit of Bondholders. The District agrees that its undertaking pursuant to the Rule set forth in this Disclosure Certificate is intended for the benefit of the Bondholders and shall be enforceable by any Bondholder; provided that the right to enforce the provisions of this Disclosure Certificate shall be limited to a right to obtain specific enforcement of the District's obligations hereunder and any failure by the District to comply with the provisions of this Disclosure Certificate shall not constitute a default or an event of default with respect to the Bonds or entitle any person or entity to recover monetary damages hereunder under any circumstances.

SECTION 10. Mandatory Electronic Filing with EMMA. All filings with the MSRB under this Disclosure Certificate shall be made by electronically transmitting such filings through the EMMA Dataport at <http://www.emma.msrb.org> as provided by the amendments to the Rule adopted by the SEC in Securities Exchange Act Release No. 34-59062 on December 5, 2008. All filings with the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 11. Duties of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter, and the Bondholders and the Beneficial Owners, and shall create no rights in any other person or entity.

SECTION 13. Governing Law. This Disclosure Certificate shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of this Disclosure Certificate shall be instituted in a court of competent jurisdiction in the State. Notwithstanding the foregoing, to the extent this Disclosure Certificate addresses matters of federal securities laws, including the Rule, this Disclosure Certificate shall be construed and interpreted in accordance with such federal securities laws and official interpretations thereof.

OAKLAND-MACOMB INTERCEPTOR DRAIN
DRAINAGE DISTRICT

By: _____

Its: _____

Date: _____, 2014

APPENDIX B
CONTINUING DISCLOSURE CERTIFICATE

COUNTY OF MACOMB

\$_____

**OAKLAND-MACOMB INTERCEPTOR DRAIN DRAINAGE DISTRICT
DRAIN BONDS, SERIES 2014A
(GENERAL OBLIGATION LIMITED TAX)
COUNTY OF OAKLAND AND COUNTY OF MACOMB
STATE OF MICHIGAN**

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the County of Macomb, State of Michigan (the “County”) in connection with the issuance by the Oakland-Macomb Interceptor Drain Drainage District (the “District”) of its Oakland-Macomb Interceptor Drain Drainage District Drain Bonds, Series 2014A in the aggregate principal amount of \$_____ (the “Bonds”). The Bonds are being issued pursuant to a Resolution adopted by the Drainage Board of the District on July 8, 2014. The County covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate.

(a) This Disclosure Certificate is being executed and delivered by the County for the benefit of the Bondholders and the Beneficial Owners and in order to assist the Participating Underwriters in complying with subsection (b)(5) of the Rule (as defined herein).

(b) In consideration of the purchase and acceptance of any and all of the Bonds by those who shall hold the same or shall own beneficial ownership interests therein from time to time, this Disclosure Certificate shall be deemed to be and shall constitute a contract between the County and the Bondholders and Beneficial Owners from time to time of the Bonds, and the covenants and agreements herein set forth to be performed on behalf of the County shall be for the benefit of the Bondholders and Beneficial Owners of any and all of the Bonds.

SECTION 2. Definitions. The following capitalized terms shall have the following meanings in this Disclosure Certificate:

“Annual Report” shall mean any Annual Report provided by the County pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any of the Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any of the Bonds for federal income tax purposes.

“Bondholder” shall mean the registered owner of any Bond.

“Dissemination Agent” shall mean the County, or any successor Dissemination Agent appointed in writing by the County and which has filed with the County a written acceptance of such designation.

“EMMA” shall mean the MSRB’s Electronic Municipal Market Access System.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board established in accordance with the provisions of Section 15B(b)(1) of the 1934 Act.

“1934 Act” shall mean the Securities Exchange Act of 1934, as amended.

“Official Statement” shall mean the Official Statement for the Bonds dated _____, 2014.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

“Rule” shall mean Rule 15c2-12 promulgated by the SEC pursuant to the 1934 Act, as the same may be amended from time to time, together with all interpretive guidance or other official interpretations or explanations thereof that are promulgated by the SEC.

“SEC” shall mean the United States Securities and Exchange Commission.

“Securities Counsel” shall mean legal counsel expert in federal securities law.

“State” shall mean the State of Michigan.

SECTION 3. Provision of Annual Reports.

(a) Each year, the County shall file, or shall cause the Dissemination Agent to file, not later than seven months after the first day of the County’s fiscal year, commencing with the County’s Annual Report for the fiscal year ending December 31, 2014, with EMMA an Annual Report for the preceding fiscal year which is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than fifteen (15) business days prior to said date, the County shall provide the Annual Report to the Dissemination Agent (if other than the County). In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided, however, that if the audited financial statements of the County are not available by the deadline for filing the Annual Report, they shall be filed when and if available, and unaudited financial statements in a format similar to the audited financial statements most recently prepared for the County shall be included in the Annual Report.

(b) If the County is unable to file with EMMA an Annual Report by the date required in subsection (a), the County shall promptly cause a notice to be filed with EMMA on or before the required date.

(c) If the County's fiscal year changes, the County shall cause a notice to be filed with EMMA prior to the earlier of the ending date of the fiscal year prior to such change or the ending date of the fiscal year as changed.

(d) The Dissemination Agent shall file a report with the County (if the Dissemination Agent is other than the County) certifying that the Annual Report has been filed pursuant to this Disclosure Certificate, stating the date it was provided.

(e) In connection with providing the Annual Report, the Dissemination Agent (if other than the County) is not obligated or responsible under this Disclosure Certificate to determine the sufficiency of the content of the Annual Report for purposes of the Rule or any other state or federal securities law, rule, regulation or administrative order.

SECTION 4. Content of Annual Reports. The County's Annual Report shall contain or incorporate by reference the following:

(a) audited financial statements of the County for its fiscal year immediately preceding the due date of the Annual Report, prepared pursuant to accounting and reporting policies conforming in all material respects to generally accepted accounting principles as applicable to governments with such changes as may be required from time to time by applicable law; and

(b) an update of the financial information and operating data relating to the County of the same nature as that contained in the following tables in the Official Statement: "County Property Tax Millage Rates," "Tax Collection Record," "State Equalized Value and Taxable Value," "Major Taxpayers," "Employment Characteristics," "Employment Statistics," "General Fund Revenues and Expenditures" and "Macomb County Debt Statement."

Such annual financial information and operating data described above are expected to be provided by the County in the following documents to be filed with EMMA: the audited financial statements; materials containing the updates described in (b) above; and in subsequent officials statements of the County filed with the MSRB.

SECTION 5. Reporting of Significant Events.

(a) The County agrees to provide, or cause to be provided, notice of the occurrence of any of the following events in a timely manner not in excess of ten (10) business days after the occurrence of the event and, in accordance with the Rule:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;

- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the Bonds;
- (7) Modifications to rights of Bondholders, if material;
- (8) Bond calls, if material;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Bonds, if material;
- (11) Rating changes;
- (12) Tender offers;
- (13) Bankruptcy, insolvency, receivership or similar event of the obligated person;
- (14) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (15) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Whenever the County obtains knowledge of the occurrence of a Listed Event described in subsection (a)(2), (7), (8), (10), (14) or (15), the County shall as soon as possible determine if such event would be material under applicable federal securities laws. The County covenants that its determination of materiality will be made in conformance with federal securities laws.

(c) If the County determines that (i) a Listed Event described in subsection (a)(1), (3), (4), (5), (6), (9), (11), (12) or (13) has occurred or (ii) the occurrence of a Listed Event described in subsection (a)(2), (7), (8), (10), (14) or (15) would be material under applicable federal securities laws, the County shall cause a notice of such occurrence to be filed with the MSRB within ten (10) business days of the occurrence of the Listed Event. In connection with providing a notice of the occurrence of a Listed Event described in subsection (a)(9), the County shall include in the notice explicit disclosure as to whether the Bonds have been escrowed to maturity or escrowed to call, as well as appropriate disclosure of the timing of maturity or call.

(d) In connection with providing a notice of the occurrence of a Listed Event, the Dissemination Agent (if other than the County) solely in its capacity as such, is not obligated or responsible under this Disclosure Certificate to determine the sufficiency of the content of the notice for purposes of the Rule or any other state or federal securities law, rule, regulation or administrative order.

SECTION 6. Termination of Reporting Obligation.

(a) The obligation of the County to provide annual financial information and notices of material events, as set forth above, shall be terminated if and when the County no longer remains an “obligated person” with respect to the Bonds within the meaning of the Rule, including upon the legal defeasance of the Bonds or the prior redemption or payment in full of all of the Bonds.

(b) This Disclosure Certificate, or any provision hereof, shall be null and void in the event that the County (i) receives an opinion of Securities Counsel, addressed to the County, to the effect that those portions of the Rule, which require such provisions of this Disclosure Certificate, do not or no longer apply to the Bonds, whether because such portions of the Rule are invalid, have been repealed, amended or modified, or are otherwise deemed to be inapplicable to the Bonds, as shall be specified in such opinion and (ii) delivers notice to such effect to EMMA.

SECTION 7. Dissemination Agent. The County, from time to time, may appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the County. Except as otherwise provided in this Disclosure Certificate, the Dissemination Agent (if other than the County) shall not be responsible in any manner for the content of any notice or report prepared by the County pursuant to this Disclosure Certificate.

SECTION 8. Amendment. Amendments may be made in the specific types of information provided or the format of the presentation of such information to the extent deemed necessary or appropriate in the judgment of the County, provided that the County agrees that any such amendment will be adopted procedurally and substantively in a manner consistent with the Rule, including any interpretations thereof by the SEC. Such interpretations currently include the requirements that (a) the amendment may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted; (b) this Disclosure Certificate, as so amended or taking into account such waiver, would, in the opinion of Securities Counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and (c) the amendment or waiver does not, in the opinion of parties unaffiliated with the County (such as independent legal counsel), materially impair the interests of the Bondholders or Beneficial Owners. Such interpretations may be changed in the future. If the amendment results in a change to the accounting principles to be followed in preparing financial statements as set forth in Section 4 of this Disclosure Certificate, the Annual Report for the year in which the change is made shall

include a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles, and shall otherwise comply with the requirements of the Rule, in order to provide information to investors to enable them to evaluate the ability of the County to meet its obligations. A notice of the change in accounting principles shall be sent to EMMA.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the County from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the County chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the County shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Benefit of Bondholders. The County agrees that its undertaking pursuant to the Rule set forth in this Disclosure Certificate is intended for the benefit of the Bondholders and shall be enforceable by any Bondholder; provided that the right to enforce the provisions of this Disclosure Certificate shall be limited to a right to obtain specific enforcement of the County's obligations hereunder and any failure by the County to comply with the provisions of this Disclosure Certificate shall not constitute a default or an event of default with respect to the Bonds or entitle any person or entity to recover monetary damages hereunder under any circumstances. Notwithstanding the foregoing, if the alleged failure of the County to comply with this Disclosure Certificate is the inadequacy of the information disclosed pursuant hereto, then the Bondholders and the Beneficial Owners (on whose behalf a Bondholder has not acted with respect to this alleged failure) of not less than 51% of the aggregate principal amount of the respective then outstanding Bonds must take the actions described above before the County shall be compelled to perform with respect to the adequacy of such information disclosed pursuant to this Disclosure Certificate.

SECTION 11. Duties of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the County, the Dissemination Agent, the Participating Underwriter, and the Bondholders and the Beneficial Owners, and shall create no rights in any other person or entity.

SECTION 13. Mandatory Electronic Filing with EMMA. All filings with the MSRB under this Disclosure Certificate shall be made by electronically transmitting such filings through the EMMA Dataport at <http://www.emma.msrb.org> as provided by the amendments to the Rule adopted by the SEC in Securities Exchange Act Release No. 34-59062 on December 5, 2008.

SECTION 14. Governing Law. This Disclosure Certificate shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of this Disclosure Certificate shall be instituted in a court of competent jurisdiction in the State. Notwithstanding the foregoing, to the extent this Disclosure Certificate addresses matters of

federal securities laws, including the Rule, this Disclosure Certificate shall be construed and interpreted in accordance with such federal securities laws and official interpretations thereof.

COUNTY OF MACOMB,
STATE OF MICHIGAN

By: _____

Its: _____

Date: _____, 2014

APPENDIX C
CONTINUING DISCLOSURE CERTIFICATE

COUNTY OF OAKLAND

\$ _____

**OAKLAND-MACOMB INTERCEPTOR DRAIN DRAINAGE DISTRICT
DRAIN BONDS, SERIES 2014A
(GENERAL OBLIGATION LIMITED TAX)
COUNTY OF OAKLAND AND COUNTY OF MACOMB
STATE OF MICHIGAN**

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the County of Oakland, State of Michigan (the “County”) in connection with the issuance by the Oakland-Macomb Interceptor Drain Drainage District (the “District”) of its Oakland-Macomb Interceptor Drain Drainage District Drain Bonds, Series 2014A in the aggregate principal amount of \$ _____ (the “Bonds”). The Bonds are being issued pursuant to a Resolution adopted by the Drainage Board of the District on July 8, 2014. The County covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate.

(a) This Disclosure Certificate is being executed and delivered by the County for the benefit of the Bondholders and the Beneficial Owners and in order to assist the Participating Underwriters in complying with subsection (b)(5) of the Rule (as defined herein).

(b) In consideration of the purchase and acceptance of any and all of the Bonds by those who shall hold the same or shall own beneficial ownership interests therein from time to time, this Disclosure Certificate shall be deemed to be and shall constitute a contract between the County and the Bondholders and Beneficial Owners from time to time of the Bonds, and the covenants and agreements herein set forth to be performed on behalf of the County shall be for the benefit of the Bondholders and Beneficial Owners of any and all of the Bonds.

SECTION 2. Definitions. The following capitalized terms shall have the following meanings in this Disclosure Certificate:

“Annual Report” shall mean any Annual Report provided by the County pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any of the Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any of the Bonds for federal income tax purposes.

“Bondholder” shall mean the registered owner of any Bond.

“Dissemination Agent” shall mean the County, or any successor Dissemination Agent appointed in writing by the County and which has filed with the County a written acceptance of such designation.

“EMMA” shall mean the MSRB’s Electronic Municipal Market Access System.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board established in accordance with the provisions of Section 15B(b)(1) of the 1934 Act.

“1934 Act” shall mean the Securities Exchange Act of 1934, as amended.

“Official Statement” shall mean the Official Statement for the Bonds dated _____, 2014.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

“Rule” shall mean Rule 15c2-12 promulgated by the SEC pursuant to the 1934 Act, as the same may be amended from time to time, together with all interpretive guidance or other official interpretations or explanations thereof that are promulgated by the SEC.

“SEC” shall mean the United States Securities and Exchange Commission.

“Securities Counsel” shall mean legal counsel expert in federal securities law.

“State” shall mean the State of Michigan.

SECTION 3. Provision of Annual Reports.

(a) Each year, the County shall file, or shall cause the Dissemination Agent to file, not later than seven months after the first day of the County’s fiscal year, commencing with the County’s Annual Report for the fiscal year ending September 30, 2014, with EMMA an Annual Report for the preceding fiscal year which is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than fifteen (15) business days prior to said date, the County shall provide the Annual Report to the Dissemination Agent (if other than the County). In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided, however, that if the audited financial statements of the County are not available by the deadline for filing the Annual Report, they shall be filed when and if available, and unaudited financial statements in a format similar to the audited financial statements most recently prepared for the County shall be included in the Annual Report.

(b) If the County is unable to file with EMMA an Annual Report by the date required in subsection (a), the County shall promptly cause a notice to be filed with EMMA on or before the required date.

(c) If the County's fiscal year changes, the County shall cause a notice to be filed with EMMA prior to the earlier of the ending date of the fiscal year prior to such change or the ending date of the fiscal year as changed.

(d) The Dissemination Agent shall file a report with the County (if the Dissemination Agent is other than the County) certifying that the Annual Report has been filed pursuant to this Disclosure Certificate, stating the date it was provided.

(e) In connection with providing the Annual Report, the Dissemination Agent (if other than the County) is not obligated or responsible under this Disclosure Certificate to determine the sufficiency of the content of the Annual Report for purposes of the Rule or any other state or federal securities law, rule, regulation or administrative order.

SECTION 4. Content of Annual Reports. The County's Annual Report shall contain or incorporate by reference the following:

(a) audited financial statements of the County for its fiscal year immediately preceding the due date of the Annual Report, prepared pursuant to accounting and reporting policies conforming in all material respects to generally accepted accounting principles as applicable to governments with such changes as may be required from time to time by applicable law; and

(b) an update of the financial information and operating data relating to the County of the same nature as that contained in the following tables in the Official Statement: "County Tax Rates," "Collection Record of County's Tax Levy," "Collection Record of County Wide Tax Levy," "Largest Taxpayers," "Major Employers," "Revenue Sharing from the State of Michigan," "History of State Equalized Valuation (SEV)," "Short Term Financing," "Oakland County Net Direct Debt as of 07/30/2014 – Unaudited," "Oakland County Schedule of Bond Maturities – County Credit and Limited Tax," "Oakland County Schedule of Drain Bond Maturities – County Credit and Limited Tax," "Oakland County Schedule of Bond Maturities with Limited County Pledge – Taxable," "Oakland County Schedule of Bond Maturities with No County Pledge," and "Oakland County Schedule of Principal and Interest Requirements."

Such annual financial information and operating data described above are expected to be provided by the County in the following documents to be filed with EMMA: the audited financial statements; materials containing the updates described in (b) above; and in subsequent officials statements of the County filed with the MSRB.

SECTION 5. Reporting of Significant Events.

(a) The County agrees to provide, or cause to be provided, notice of the occurrence of any of the following events in a timely manner not in excess of ten (10) business days after the occurrence of the event and, in accordance with the Rule:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the Bonds;
- (7) Modifications to rights of Bondholders, if material;
- (8) Bond calls, if material;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Bonds, if material;
- (11) Rating changes;
- (12) Tender offers;
- (13) Bankruptcy, insolvency, receivership or similar event of the obligated person;
- (14) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (15) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Whenever the County obtains knowledge of the occurrence of a Listed Event described in subsection (a)(2), (7), (8), (10), (14) or (15), the County shall as soon as possible determine if such event would be material under applicable federal securities laws. The County covenants that its determination of materiality will be made in conformance with federal securities laws.

(c) If the County determines that (i) a Listed Event described in subsection (a)(1), (3), (4), (5), (6), (9), (11), (12) or (13) has occurred or (ii) the occurrence of a Listed Event described in subsection (a)(2), (7), (8), (10), (14) or (15) would be material under applicable federal securities laws, the County shall cause a notice of such occurrence to be filed with the MSRB within ten (10) business days of the occurrence of the Listed Event. In connection with providing a notice of the occurrence of a Listed Event described in subsection (a)(9), the County shall include in the notice explicit disclosure as to whether the Bonds have been escrowed to maturity or escrowed to call, as well as appropriate disclosure of the timing of maturity or call.

(d) In connection with providing a notice of the occurrence of a Listed Event, the Dissemination Agent (if other than the County) solely in its capacity as such, is not obligated or responsible under this Disclosure Certificate to determine the sufficiency of the content of the notice for purposes of the Rule or any other state or federal securities law, rule, regulation or administrative order.

SECTION 6. Termination of Reporting Obligation.

(a) The obligation of the County to provide annual financial information and notices of material events, as set forth above, shall be terminated if and when the County no longer remains an “obligated person” with respect to the Bonds within the meaning of the Rule, including upon the legal defeasance of the Bonds or the prior redemption or payment in full of all of the Bonds.

(b) This Disclosure Certificate, or any provision hereof, shall be null and void in the event that the County (i) receives an opinion of Securities Counsel, addressed to the County, to the effect that those portions of the Rule, which require such provisions of this Disclosure Certificate, do not or no longer apply to the Bonds, whether because such portions of the Rule are invalid, have been repealed, amended or modified, or are otherwise deemed to be inapplicable to the Bonds, as shall be specified in such opinion and (ii) delivers notice to such effect to EMMA.

SECTION 7. Dissemination Agent. The County, from time to time, may appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the County. Except as otherwise provided in this Disclosure Certificate, the Dissemination Agent (if other than the County) shall not be responsible in any manner for the content of any notice or report prepared by the County pursuant to this Disclosure Certificate.

SECTION 8. Amendment. Amendments may be made in the specific types of information provided or the format of the presentation of such information to the extent deemed necessary or appropriate in the judgment of the County, provided that the County agrees that any such amendment will be adopted procedurally and substantively in a manner consistent with the Rule, including any interpretations thereof by the SEC. Such interpretations currently include the requirements that (a) the amendment may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business

conducted; (b) this Disclosure Certificate, as so amended or taking into account such waiver, would, in the opinion of Securities Counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and (c) the amendment or waiver does not, in the opinion of parties unaffiliated with the County (such as independent legal counsel), materially impair the interests of the Bondholders or Beneficial Owners. Such interpretations may be changed in the future. If the amendment results in a change to the accounting principles to be followed in preparing financial statements as set forth in Section 4 of this Disclosure Certificate, the Annual Report for the year in which the change is made shall include a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles, and shall otherwise comply with the requirements of the Rule, in order to provide information to investors to enable them to evaluate the ability of the County to meet its obligations. A notice of the change in accounting principles shall be sent to EMMA.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the County from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the County chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the County shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Benefit of Bondholders. The County agrees that its undertaking pursuant to the Rule set forth in this Disclosure Certificate is intended for the benefit of the Bondholders and shall be enforceable by any Bondholder; provided that the right to enforce the provisions of this Disclosure Certificate shall be limited to a right to obtain specific enforcement of the County's obligations hereunder and any failure by the County to comply with the provisions of this Disclosure Certificate shall not constitute a default or an event of default with respect to the Bonds or entitle any person or entity to recover monetary damages hereunder under any circumstances. Notwithstanding the foregoing, if the alleged failure of the County to comply with this Disclosure Certificate is the inadequacy of the information disclosed pursuant hereto, then the Bondholders and the Beneficial Owners (on whose behalf a Bondholder has not acted with respect to this alleged failure) of not less than 51% of the aggregate principal amount of the respective then outstanding Bonds must take the actions described above before the County shall be compelled to perform with respect to the adequacy of such information disclosed pursuant to this Disclosure Certificate.

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SECTION 13. Mandatory Electronic Filing with EMMA. All filings with the MSRB under this Disclosure Certificate shall be made by electronically transmitting such filings through the EMMA Dataport at <http://www.emma.msrb.org> as provided by the amendments to the Rule adopted by the SEC in Securities Exchange Act Release No. 34-59062 on December 5, 2008.

SECTION 14. Governing Law. This Disclosure Certificate shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of this Disclosure Certificate shall be instituted in a court of competent jurisdiction in the State. Notwithstanding the foregoing, to the extent this Disclosure Certificate addresses matters of federal securities laws, including the Rule, this Disclosure Certificate shall be construed and interpreted in accordance with such federal securities laws and official interpretations thereof.

COUNTY OF OAKLAND,
STATE OF MICHIGAN

By: _____

Its: _____

Date: _____, 2014

OAKLAND-MACOMB INTERCEPTOR DRAIN DRAINAGE DISTRICT

DRAIN BOARD

MICHAEL R. GREGG, *Chairperson*

JIM NASH, *Secretary*

ANTHONY V. MARROCCO, *Member*